

size be changed effective at the beginning of a period, the change shall be reflected at the end of the prior period.

(F) The nominal account size at the end of the period, defined as the sum of the nominal account size at the beginning of the period [§ 4.35(a)(6)(i)(A)] and the changes specified in this § 4.35(a)(6)(i) subparagraphs (D) and (E).

(ii) All supporting documents necessary to substantiate the computation of such amounts must be maintained in accordance with § 1.31.

* * * * *

Issued in Washington, DC on March 10, 2003 by the Commission.

Jean A. Webb,

Secretary of the Commission.

[FR Doc. 03-6081 Filed 3-12-03; 8:45 am]

BILLING CODE 6351-01-U

DEPARTMENT OF THE TREASURY

Customs Service

19 CFR PART 181

RIN 1515-AD23

Tariff Treatment Related to Disassembly Operations Under the North American Free Trade Agreement

AGENCY: Customs Service, Department of the Treasury.

ACTION: Proposed rule.

SUMMARY: This document proposes to amend the Customs Regulations concerning the North American Free Trade Agreement (the NAFTA). Specifically, the proposed rule would allow components which are recovered from the disassembly of used goods in a NAFTA country to be entitled to NAFTA originating status when imported into the United States, provided that: The recovered components satisfy the applicable NAFTA rule of origin requirements; and if the applicable rule of origin does not include a regional value content requirement, the components are subject to further processing in the NAFTA country beyond certain minor operations.

The proposed rule is intended to promote economic activity and the protection of the environment in North America, both of which are goals of the NAFTA. To this end, the recovery and recycling of used goods is a critical element in both the economic activity and the environmental goals of the nation, and disassembly for the recovery

of used goods is a key process in many such recycling operations.

DATES: Comments must be received on or before May 12, 2003.

ADDRESSES: Written comments are to be addressed to the U.S. Customs Service, Office of Regulations and Rulings, Attention: Regulations Branch, 1300 Pennsylvania Avenue, NW., Washington, DC 20229. Submitted comments may be inspected at U.S. Customs Service, 799 9th Street, NW., Washington, DC during regular business hours. Arrangements to inspect submitted comments should be made in advance by calling Mr. Joseph Clark at (202) 572-8768.

FOR FURTHER INFORMATION CONTACT:

Edward M. Leigh, Office of Regulations and Rulings, (202) 572-8827.

SUPPLEMENTARY INFORMATION:

Background

On December 17, 1992, the United States, Canada and Mexico (the parties) entered into an agreement, the North American Free Trade Agreement (the NAFTA). The provisions of the NAFTA were adopted by the United States with the enactment of the North American Free Trade Agreement Implementation Act, Public Law 103-182, 107 Stat. 2057 (December 8, 1993).

The question has arisen, in the context of recycling or re-manufacturing operations, whether disassembly occurring in a NAFTA country may be considered NAFTA origin conferring "production" where the components recovered by disassembly satisfy the Annex 401 rules of origin for the NAFTA and there is some form of substantial processing performed on the recovered components.

The NAFTA does not explicitly address whether parts or components, whose origin is non-NAFTA or unknown, that are recovered by disassembly in a NAFTA country from a non-originating good, may qualify as NAFTA originating goods if, as a result of the disassembly, they satisfy the rules of origin set out in Article 401 and Annex 401 of the NAFTA and are themselves subjected to some form of substantial further processing.

The recovery and recycling of used goods is an increasingly important element in the economic activity as well as the environmental goals of the nation, and disassembly, for the recovery of parts or for the re-manufacturing of a good, is a key process in many recycling operations.

The goals of the North American Free Trade Agreement (NAFTA) include elimination of barriers to trade, facilitation of cross-border movement of

goods, promotion of economic activity in North America, and protection of the environment. The Department of the Treasury and Customs Service have examined NAFTA's rules of origin as applied to both recovered and recycled goods. Allowing disassembly to confer origin under certain circumstances promotes recycling and re-manufacturing in North America and would advance these economic and environmental objectives.

Proposed Rule

To this end, accordingly, this document proposes to amend the Customs Regulations to allow components which are recovered from the disassembly of used goods in a NAFTA country to be entitled to NAFTA originating status upon importation to the United States, provided that: (1) The recovered components satisfy the applicable NAFTA rule of origin requirements in Annex 401; and (2) if the rule of origin in Annex 401 applicable to the components does not include a regional value content requirement, the components are subject to further processing in the NAFTA country beyond certain specified minor operations.

Treatment of Disassembly as a Production Consistent with the Intent of NAFTA

Under the proposal, treatment of disassembly as potentially conferring NAFTA originating status must, of course, be consistent with the terms and objectives of the NAFTA Implementation Act of 1993. Within that framework, the most important question which must be answered is does "disassembly" constitute origin conferring "production" within the meaning of that term as defined in Article 415 of the NAFTA, as implemented in 19 U.S.C. 3332(a)(1)(B)(i) and 3332(p)(22) and in section 2(1) of the NAFTA Rules of Origin Regulations (Uniform Regulations) (19 CFR part 181, Appendix, section 2(1))?

A Change in Tariff Classification Resulting from a Production

Under NAFTA Article 401(b) and 19 U.S.C. 3332(a)(1)(B)(i), a good shall originate in the territory of a party where each of the non-originating materials used in the production of the good undergoes an applicable change in tariff classification set out in Annex 401 as a result of production occurring entirely in the territory of one or more of the parties. It is therefore understood that unless it results from an activity