RSC
Republican Study Committee
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Legislative Bulletin……………………………………..……December 7, 2006

Contents:

Summary of the Bills Under Consideration Today:

Total Number of New Government Programs: 0

Total Cost of Discretionary Authorizations: $0

Effect on Revenue: Unavailable at press time.

Total Change in Mandatory Spending: $0

Total New State & Local Government Mandates: 0

Total New Private Sector Mandates: 0

Number of *Bills* Without Committee Reports: 1

Number of *Reported* Bills that Don't Cite Specific Clauses of Constitutional Authority: 0

H.R. 6406—To extend certain trade preference programs, to authorize the extension of nondiscriminatory treatment (normal trade relations treatment) to the products of Vietnam, to modify temporarily certain rates of duty and make other technical amendments to the trade laws, and for other purposes—*as introduced* (Thomas, R-CA)

Order of Business: The bill is scheduled to be considered on Thursday, December 7th, subject to a closed rule.

On November 13, 2006, a related bill (H.R. 5602) that would have extended normal trade relations treatment to Vietnam failed on suspension by a vote of 228-161 (two-thirds required for passage): http://clerk.house.gov/cgi-bin/vote.asp?year=2006&rollnumber=519. To read the RSC Legislative Bulletin on H.R. 5602, visit this webpage: http://www.house.gov/pence/rsc/doc/LB_111306_suspensions.doc.

Summary: H.R. 6406 would extend a variety of trade provisions and make normal trade relations treatment for Vietnam permanent. Highlights of the bill are as follows:

African Growth and Opportunity Act (AGOA)

- Allows duty-free treatment for lesser-developed countries for certain textiles (non-apparel) of wholly-made African fabric.
- Extends until September 2012 the current provision allowing AGOA benefits for apparel made with fabric from third countries.
- Replaces the current third country fabric benefit with a new value-added rule of origin for lesser developed countries (see the Haiti section below).
- Provides a tax credit for new U.S. labor and capital investments in AGOA-eligible countries. The credit, which expires after December 31, 2015, is 60% of additional wages and fringe benefits plus an amount of depreciation on new investments in (most) tangible property. The credit could be carried forward for 10 years.

Generalized System of Preferences (GSP)

- Extends GSP, which offers developing countries duty-free access to the U.S. market for certain products, from the end of 2006 to the end of 2008.
- Authorizes the President to stop GSP from applying in certain circumstances (so that the program is focused on countries in true need).

Haitian Hemispheric Opportunity through Partnership Encouragement ("HOPE") Act

- Allows duty-free entry to specified apparel articles made and/or assembled in Haiti, the U.S., a beneficiary country of a U.S. trade preference program, or a country party to a U.S. free trade agreement. The sum of material and production costs would have to be an increasing percentage of the customs value over a five-year period (starting at 50% in year one).
- Applies to Haiti the same political, economic, and labor criteria, and the same textile and apparel transshipment requirements as AGOA (which Haiti must meet to qualify for benefits).

Andean Bridge to a Reciprocal Trade Partnership Act

- Grants a straightforward six-month extension of the Andean Trade Preference Act (which provides duty-free access to the U.S. market for a variety of Colombia, Peruvian, Ecuadorian, and Bolivian products), followed by an additional six-month extension for a country, only if the U.S. and that country both complete their legislative process to approve a trade promotion agreement. These preferences would otherwise expire at the end of 2006.

- For Ecuador and Bolivia: Permits a rebate of duties from a country from January 1, 2007, if a trade promotion agreement enters into force between the U.S. and that country within one year.

Permanent Normal Trade Relations (PNTR) for Vietnam

- Authorizes the permanent extension of nondiscriminatory treatment (normal trade relations treatment, or "NTR") to the products of Vietnam. Specifically, the bill would remove Vietnam from the current-law prohibition on permanently adding new countries to which NTR treatment applies. *(NTR refers to nondiscriminatory tariff treatment. Embargoes and other non-tariff barriers can still exist under NTR.)*

- Establishes an enforcement mechanism, as set forth in the U.S.-Vietnam commercial agreement signed earlier this year, to ensure that the President implements quotas on Vietnam, if Vietnam grants any prohibited subsidies to its textile and apparel industry (in violation of the terms of its accession to the World Trade Organization—the "WTO").

- Directs the U.S. Trade Representative (USTR) to determine whether to initiate an investigation and to request consultations with Vietnam within 20 days of receiving a petition. [The USTR could also initiate an investigation without a petition.] The USTR would have to make a determination and, if affirmative, refer the dispute to a WTO arbitrator within 60 days of initiating the investigation (and alert Vietnam).

- Directs the Administration to impose up-to-one-year quotas within 120 days after referring the dispute to the WTO, even if the WTO has not yet made a decision. The quotas would apply to <u>all</u> textiles and apparel, regardless of the nature of the prohibited. The quotas would be lifted when Vietnam completely eliminates the prohibited subsidy to its textile and apparel industry (as certified by the USTR).

- <u>Background</u>: Countries that wish to have permanent NTR ("PNTR") must comply with the Jackson-Vanik provisions of the Trade Act of 1974 (requiring that the President of the United States determine that a country neither denies nor impedes the right or opportunity of its citizens to emigrate), and must reach a bilateral commercial agreement with the United States (which Vietnam did earlier this year). Vietnam has been granted one-year NTR treatment extensions since 2001 (in accordance with the Jackson-Vanik requirements).

Miscellaneous Trade and Technical Corrections Act

- Suspends or reduces the tariff rate on more than 500 selected products. This reduction of tariff rates allows these products, many of which are niche chemicals and not manufactured in the U.S., to enter without being charged duty. Many of these provisions have already passed the House earlier this year as part of H.R. 4944 (and were *not* attached to the pension bill—H.R. 4).

- Corrects certain errors that the government made in assessing duties against importers (such corrections are known as "reliquidations").

- Makes certain modifications to the Harmonized Tariff Schedule of the United States, including extending the timeframe for implementation of changes to the tariff schedule from 15 days to 30 days.

- Creates a Pima Cotton Trust Fund, funded by up to $16 million a year from the general fund of the U.S. Treasury (an amount equivalent to the duties on certain cotton received by the Treasury since 1994). The bill then suspends duties on certain cotton fabrics. Money in the trust Fund would be distributed among eligible yarn spinners and shirt manufacturers, and to a nationally recognized association established to promote the growth of pima cotton in the United States. The trust fund terminates October 1, 2008.

Committee Action: On December 5, 2006, the bill was introduced and referred to the Ways & Means Committee.

Administration Position: The Administration is strongly supportive of this legislation.

Cost to Taxpayers: A complete revenue estimate was unavailable at press time. A CBO cost estimate for S. 3495 reports that permanently extending NTR to Vietnam would increase revenues (tariff collections) by $18 million in FY2007 and a total of $108 million over the FY2007-FY2011 period (due to increased trade with Vietnam).

Does the Bill Expand the Size and Scope of the Federal Government?: No.

Does the Bill Contain Any New State-Government, Local-Government, or Private-Sector Mandates?: No.

Constitutional Authority: Although a committee report citing constitutional authority is unavailable, Article I, Section 8, Clause 1 grants Congress the power to lay and collect taxes, duties, imposts, and excises. Additionally, Article I, Section 8, Clause 3 grants Congress the power to regulate commerce with foreign nations.

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