CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 12, 1999

H.J. Res. 57

Disappproving the extension of nondiscriminatory treatment to the products of the People's Republic of China

As ordered reported adversely by the House Committee on Ways and Means on July 1, 1999.

SUMMARY

Under the Trade Act of 1974, nondiscriminatory trade relations may not be conferred on a country with a nonmarket economy if that country maintains restrictive emigration policies. However, the President may waive this prohibition on an annual basis if he certifies that doing so would promote freedom of emigration in that country. On June 3, 1999, President Clinton transmitted to Congress his intention to waive the prohibition with respect to the People’s Republic of China for a year, beginning July 3, 1999. H.J. Res. 57 would disapprove the President's extension of this waiver. CBO estimates that denying the People’s Republic of China would increase revenues by $507 million in fiscal year 2000. Since adopting this resolution would affect receipts, pay-as-you-go procedures would apply.

The bill contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments. H.J. Res. 57 would impose a private sector mandate on importers of Chinese goods that would be subject to higher tariffs. CBO estimates that the increased costs in tariffs to importers would total $507 million in fiscal year 2000, exceeding the threshold for private-sector mandates ($100 million in 1996, adjusted annually for inflation) established in UMRA.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.J. Res. 57 is shown in the following table.

	By Fiscal Year, in Millions of Dollars					
	1999	2000	2001	2002	2003	2004
CHANGES IN REVENUES						
Estimated Revenues	0	507	0	0	0	0

BASIS OF ESTIMATE

Denial of nondiscriminatory trade relations to the People's Republic of China would substantially increase the tariff rates imposed on its exports to the United States. CBO assumes that these higher tariff rates would increase U.S. prices and would decrease U.S. demand of goods imported from the People’s Republic of China. CBO estimates that imports from the People's Republic of China would decline, by more than enough to offset the higher rates so that the U.S. customs duties collections on Chinese imports would fall. However, CBO estimates that some of that drop in trade with the People's Republic of China would be offset by an increase in imports from other countries with normal trade relations status. The increase in revenues from this effect would outweigh the reduction in revenues from the People's Republic of China. Assuming an effective date of October 1, 1999, CBO estimates that revenues would increase by $507 million in fiscal year 2000. CBO assumes a resumption of normal trade relations with the People’s Republic of China after September 30, 2000.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Changes in outlays	not applicable										
Changes in receipts	0	507	0	0	0	0	0	0	0	0	0

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

The bill contains no intergovernmental mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.J. Res. 57 would impose a private sector mandate on importers of Chinese goods that would be subject to higher tariffs. CBO estimates that the increased costs in tariffs to importers would total $507 million in fiscal year 2000, exceeding the threshold for private-sector mandates ($100 million in 1996, adjusted annually for inflation) established in UMRA. U.S. consumers of those goods would also bear indirect costs in substituting goods from other countries or domestic producers for Chinese products.

ESTIMATE PREPARED BY:

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