CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

May 6, 2002

H.J. Res. 84

Disapproving the action taken by the President under section 203 of the Trade Act of 1974 transmitted to the Congress on March 5, 2002

As ordered reported adversely by the House Committee on Ways and Means on April 25, 2002

SUMMARY

Under the Trade Act of 1974, the President may proclaim that additional tariffs, quotas, or other actions be imposed on certain articles if the International Trade Commission (ITC) determines that the import of such articles causes serious injury to a domestic industry. However, the President may proclaim that different remedies be imposed than those recommended by the ITC in its report. On March 5, 2002, President Bush transmitted to the Congress his decision to raise tariffs on certain steel imports from March 20, 2002, through March 20, 2005. H.J. Res. 84 would disapprove the President's action. This resolution would, if enacted, replace the remedies imposed by the President with the remedies recommended by the ITC. CBO estimates that altering these remedies would reduce revenues by $80 million in 2002, and increase revenues by $93 million over the 2002-2006 period. 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 impose no costs on state, local, or tribal governments. H.J. Res. 84 would impose a private-sector mandate on importers of steel that would be subject to higher tariffs. Although the amount paid by importers would be lower compared to current law in the first three years that the new system of tariffs is in effect, CBO estimates that the net increased costs to importers would total about $300 million in fiscal year 2006. That amount exceeds the threshold for private-sector mandates established in UMRA ($115 million in 2002, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.J. Res. 84 is shown in the following table.

	By Fiscal Year, in Millions of Dollars					
	2002	2003	2004	2005	2006	2007
CHANGES IN REVENUES						
Estimated Revenues	-80	-81	-92	52	294	0

BASIS OF ESTIMATE

Under the Administration's steel action, tariffs on most U.S. imports of steel were increased for the period between March 20, 2002, and March 20, 2005. Tariffs were phased in for product groupings under several schedules, with the greatest tariff increase occurring between March 20, 2002, and March 20, 2003. In certain cases, products would be subject to tariff-rate quotas, under which products would not be subject to higher tariffs until a certain quantity of imports had entered the United States. Under the Administration's action, imports generally would enter with duty rates as in current law if such imports were from Mexico, Canada, Israel, Jordan, countries receiving Carribean Basin Economic Recovery Act (CBERA) treatment, or from countries who had received Generalized System of Preferences (GSP) treatment.

Under the ITC recommendation, as submitted on December 19, 2001, tariffs on most U.S. imports of steel would be increased for four years rather than three, with most product schedules including lower tariff increases for the first three years than under the Administration's action. The ITC recommendation also included more products that would be subject to tariff-rate quotas. In certain cases, imports from countries not subject to the Administration tariff increases would be subject to the tariff increases under ITC recommendations. Based on information from the ITC, the United States Trade Representative, and other trade sources, CBO estimates that the replacement of Administration steel remedies with those recommended by the ITC would reduce revenues by about $80 million in 2002, and increase revenues by $93 million over the 2002-2006 period, net of income and payroll tax offsets. This estimate includes the effects of increased (decreased) imports from trading partners that would result from the reduced (increased) prices of imported products in the U.S.—reflecting the lower (higher) tariff rates relative to the Administration action—and has been estimated based on the expected substitution between U.S. steel products and imports from trading partners.

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 through 2006 are counted.

	By Fiscal Year, in Millions of Dollars										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Changes in outlays	Not applicable										
Changes in receipts	-80	-81	-92	52	294	0	0	0	0	0	0

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.J. Res. 84 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.J. Res. 84 would impose a private-sector mandate on importers of steel and steel products that would be subject to higher tariffs. Although the amount paid by importers would be lower compared to current law in the first three years that the new system of tariffs is in effect, CBO estimates that the net increased costs to importers would total about $300 million in fiscal year 2006. That amount exceeds the threshold for private-sector mandates established in UMRA ($115 million in 2002, adjusted annually for inflation).

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