



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

July 28, 2003

**H.R. 2330
Burmese Freedom and Democracy Act of 2003**

As cleared by the Congress on July 16, 2003

SUMMARY

H.R. 2330 bans all imports from Burma for one year, beginning 30 days after enactment. The ban may be lifted if, during this time, the State Peace and Development Council (SPDC), the military regime of Burma, has made substantial and measurable progress to end violations of human rights, implemented a democratic government, and met its obligations under international counter-narcotics agreements. The President also may terminate the restrictions upon the request of a democratically elected government in Burma or waive them in the national interest.

CBO estimates that, by reducing net imports and thus reducing federal tax receipts from duties on such imports, enacting H.R. 2330 will reduce federal revenues by \$1 million in 2003 and by \$10 million in 2004, net of income and payroll tax offsets.

The act also requires the Secretary of Treasury to freeze the assets of members of the ruling party of Burma and requires the Secretary of State to deny visas to the same. Based on information from those agencies, CBO estimates that enacting H.R. 2330 will not significantly affect federal spending.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of this legislation is shown in the following table.

By Fiscal Year, in Millions of Dollars

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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CHANGES IN REVENUES

Estimated Revenues	-1	-10	0	0	0	0	0	0	0	0	0
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BASIS OF ESTIMATE

Revenues

Under H.R. 2330, the President has the authority to lift or waive the ban that would be imposed by the estimate. For this estimate, CBO assumes that the President will not exercise this authority before the termination of the one-year ban.

Based on data from the U.S. International Trade Commission on recent U.S. imports from Burma, information from several government agencies, and CBO's most recent forecast of total U.S. imports, CBO estimates that enacting H.R. 2330 will reduce federal revenues by \$1 million in 2003 and by \$10 million in 2004, net of income and payroll tax offsets.

In recent years, over half of all U.S. imports from Burma have been knitted or crocheted clothing and apparel goods. The remaining imports include apparel items not knitted or crocheted, certain types of fish and crustaceans, goods made of wood, certain precious and semiprecious stones and metals, and woven fabrics and tapestries. In 2001 and 2002, roughly 80 percent of duties collected on these imports came from knitted and crocheted articles.

CBO assumes that a portion of the banned imports will be replaced with imports from other countries, especially in southeast Asia, which face similar duty rates, while the remaining portion will be displaced by duty-free goods or not replaced at all. Substitution of apparel imports will be partially limited because of existing quotas on imports from other countries. These quotas on countries in the World Trade Organization are set to expire at the end of 2004.

The President can remove the ban on imports upon the request of a democratically elected government in Burma or he can waive them if he determines and notifies Congress that to do so is in the national interest. Should the ban be lifted, U.S. companies would be allowed to resume importation of goods produced, manufactured, grown, or assembled in Burma. It is unclear whether or when the President would exercise the authority to lift or waive the

ban on imports from Burma. If such an action were taken during the 2003-2004 period, the impact on federal revenues would be reduced accordingly.

Spending

H.R. 2330 also requires the Secretary of Treasury to freeze the assets of members of the ruling party of Burma and requires the Secretary of State to deny visas to the same. Based on information from those two agencies, CBO estimates implementing H.R. 2330 will not significantly affect spending by those departments.

The United States provides some assistance to the people of Burma – about \$7 million a year in grants to nongovernmental organizations to support HIV/AIDS prevention and democracy programs in Burma. The act will not affect those programs.

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