



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 7, 2006

### **H. J. Res. 86** **Approving the renewal of import restrictions contained in the Burmese Freedom and Democracy Act of 2003**

*As introduced in the House of Representatives on May 19, 2006*

#### **SUMMARY**

H.J. Res. 86 would renew for one year the ban of all imports from Burma. The ban was originally enacted as the Burmese Freedom and Democracy Act of 2003 (Public Law 108-61) and was set to expire on July 28, 2004. Public Law 108-272 renewed the ban for one year through July 28, 2005, and Public Law 109-39 renewed the ban for one additional year through its current expiration of July 28, 2006.

The President may lift the import restrictions if 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 would have the authority to terminate the restrictions upon the request of a democratically elected government in Burma or waive them in the national interest.

The original legislation limited renewals of the ban to a total of three years. H.J. Res 86 would increase that limit to six years, thereby allowing three additional one-year bans. CBO estimates that extending the ban on U.S. imports from Burma would reduce federal revenues by less than \$500,000 in 2006 and by about \$1 million in 2007, with no effect thereafter. CBO estimates enacting H.J. Res. 86 would not affect federal spending.

By renewing the ban on all imports from Burma, H.J. Res. 86 would impose private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO cannot estimate the cost of those mandates for two reasons. First, information on the value of lost profits to importers resulting from the ban is not available. Second, UMRA does not specify whether CBO should measure the cost of extending a mandate that has not expired relative to the mandate's current costs or assume that the mandate will expire and measure the costs of the mandate's extension as if the requirement were new. For those reasons, CBO cannot

determine whether the aggregate direct cost of the mandates would exceed the annual threshold for private-sector mandates established in UMRA (\$128 million in 2006, adjusted annually for inflation).

H.J. Res. 86 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.J. Res. 86 is shown in the following table.

	By Fiscal Year, in Millions of Dollars					
	2006	2007	2008	2009	2010	2011
<b>CHANGES IN REVENUES</b>						
Estimated Revenues	*	-1	0	0	0	0

\* = Loss of less than \$500,000.

## BASIS OF ESTIMATE

Under H.J. Res. 86, the President would have the authority to lift or waive the ban that would be imposed by the resolution. For this estimate, CBO assumes that the President would 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.J. Res. 86 would reduce federal revenues by less than \$500,000 in 2006 and by about \$1 million in 2007, 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 most of the banned imports would be replaced with imports from other countries.

The President could remove the ban on imports upon the request of a democratically elected government in Burma or if he were to determine and notify 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 2006-2007 period, the impact on federal revenues would be reduced accordingly.

### **ESTIMATED IMPACT ON THE PRIVATE SECTOR**

By renewing the ban on all imports from Burma, H.J. Res. 86 would impose private-sector mandates as defined in UMRA. CBO cannot estimate the cost of those mandates for two reasons. First, information on the value of lost profits to importers resulting from the ban is not available. Second, UMRA does not specify whether CBO should measure the cost of extending a mandate that has not expired relative to the mandate's current costs or assume that the mandate will expire and measure the costs of the mandate's extension as if the requirement were new. For those reasons, CBO cannot determine whether the aggregate direct cost of the mandates would exceed the annual threshold for private-sector mandates established in UMRA (\$128 million in 2006, adjusted annually for inflation).

### **ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS**

H.J. Res. 86 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

**ESTIMATE PREPARED BY:**

Federal Revenues: Emily Schlect

Impact on State, Local, and Tribal Governments: Melissa Merrell

Impact on the Private Sector: Paige Piper/Bach

**ESTIMATE APPROVED BY:**

G. Thomas Woodward

Assistant Director for Tax Analysis