CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 16, 2003

H.R. 2739
United States-Singapore Free Trade Agreement Implementation Act

As cleared by the Congress on July 31, 2003,
and signed by the President on September 3, 2003

SUMMARY

H.R. 2739 (enacted as Public Law 108-78) approves the free trade agreement (FTA) between the government of the United States and the government of Singapore that was entered into on May 6, 2003. It provides for tariff reductions and other changes in law related to implementation of the agreement, such as provisions dealing with dispute settlement, rules of origin, and safeguard measures for textile and apparel industries. The act also allows the temporary entry of certain business persons into the United States.

The Congressional Budget Office estimates that the legislation will reduce revenues by $55 million in 2004, by $410 million over the 2004-2008 period, and by about $1 billion over the 2004-2013 period, net of income and payroll tax offsets. The act will not have a significant effect on direct spending.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2739 is shown in the following table.

	By Fiscal Year, In Millions of Dollars										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
CHANGES IN REVENUES [a]											
Estimated Revenues	0	-55	-80	-86	-92	-98	-104	-110	-117	-124	-132

a. H.R. 2739 also will affect direct spending, but by less than $500,000 per year.

BASIS OF ESTIMATE

Revenues

Under the United States-Singapore agreement, all tariffs on U.S. imports from Singapore will be phased out over time. The tariffs will be phased out for individual products at varying rates according to one of several different timetables ranging from immediate elimination to partial elimination over 10 years. According to the U.S. International Trade Commission (ITC), the United States collected $88 million in customs duties in 2002 on about $14.1 billion of imports from Singapore. Of the imports, only $1.3 billion faced non-zero tariff rates. These dutiable imports from Singapore consist mostly of certain electrical machinery, knitted or crocheted apparel, mineral fuels and oils, surgical and precision instruments, and certain nuclear reactor components. Based on these data, CBO estimates that phasing out tariff rates as outlined in the U.S.-Singapore agreement will reduce revenues by $55 million in 2004, by $410 million over the 2004-2008 period, and by about $1 billion over the 2004-2013 period, net of income and payroll tax offsets.

This estimate includes the effects of increased imports from Singapore that will result from the reduced prices of imported products in the United States, reflecting the lower tariff rates. It is likely that some of the increase in U.S. imports from Singapore will displace imports from other countries. In the absence of specific data on the extent of this substitution effect, CBO assumes that an amount equal to one-half of the increase in U.S. imports from Singapore will displace imports from other countries.

H.R. 2739 also allows the Secretary of Labor to assess civil monetary penalties on employers for violations of the labor attestation process with respect to certain workers from Singapore. Those penalties are outlined in H.R. 2738, the United States-Chile FTA Implementation Act, which was enacted as Public Law 108-77. CBO expects that any additional revenues collected as a result will amount to less than $500,000 in any year.

Direct Spending

Title IV of H.R. 2739 permits certain traders and investors from Singapore, and their spouses and children, to enter the United States as nonimmigrants. The legislation establishes a new nonimmigrant category for those workers and limits the number of annual entries under this category to 5,400, plus spouses and children. The Bureau of Citizenship and Immigration Services (BCIS) will charge fees of about $100 to provide nonimmigrant visas, so CBO estimates that the agency will collect less than $3 million annually in offsetting receipts (a credit against direct spending). The agency is authorized to spend such fees without further appropriation, so the net impact on BCIS spending will not be significant.

Under current law, the Department of State also collects $100 application fees for nonimmigrant visas. These collections are spent on border security and consular functions. CBO estimates that the net budgetary impact will be less than $500,000 a year.

PREVIOUS CBO ESTIMATES

On July 21, 2003, CBO transmitted cost estimates for H.R. 2739 as ordered reported by the House Committees on Ways and Means and the Judiciary, and for S. 1417, an identically titled bill, as ordered reported by the Senate Committees on Finance and the Judiciary. The four versions of the legislation were identical, and the estimates of revenue and direct spending effects are unchanged. (CBO's previous cost estimates also contained an estimate of additional discretionary spending, which will be insignificant under the legislation.)

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