CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

May 22, 2000

H.R. 4444

A bill to authorize the extension of nondiscriminatory treatment (normal trade relations treatment) to the People's Republic of China

As ordered reported by the House Committee on Ways and Means on May 17, 1999.

SUMMARY

H.R. 4444 would allow the President to grant permanent Normal Trade Relations (PNTR) status to the People's Republic of China (China). H.R. 4444 would become effective no earlier than the date of the accession of the People's Republic of China to the World Trade Organization (WTO). CBO concludes that enactment of the bill would likely increase revenues, but CBO has no basis for estimating the revenue impact of granting the President such authority. CBO estimates that implementing H.R. 4444 would cost $1 million a year, subject to the availability of appropriate funds. Since enacting H.R. 4444 would affect revenues, pay-as-you-go procedures would apply.

H.R. 4444 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. By broadening the conditions under which the U.S. government could impose trade restrictions on Chinese goods, the bill could impose a private-sector mandate on importers of Chinese goods if those conditions are met. However, CBO has no basis for estimating the cost of this mandate.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

Revenues

H.R. 4444 would remove China from the list of countries under Title IV of the Trade Act of 1974 (the Jackson-Vanik amendment). The Jackson-Vanik amendment sets forth freedom-of-emigration criteria which must be met or waived by the President and a bilateral trade agreement must be in place in order for a non-market economy to be granted normal trade relations (NTR) status. A waiver of the Jackson-Vanik amendment by the President is subject to disapproval by the United States Congress. Removing China from the Jackson-Vanik amendment would allow the President to grant PNTR to China.

CBO estimates that in itself, granting PNTR treatment to China would have no impact on receipts relative to its revenue baseline. The People's Republic of China has received NTR, renewed annually on the basis of a Presidential waiver of the Jackson-Vanik amendment, since February 1, 1980. CBO's revenue baseline assumes that the People's Republic of China will continue to receive NTR status.

Granting China PNTR status could have an effect on receipts by allowing the United States to trade with China under the WTO, if and when China should enter the WTO. On November 15, 1999, the President negotiated a bilateral trade agreement with China intended to govern the conditions under which the United States and China would trade once China enters the WTO. H.R. 4444 would require that the President certify that the final terms of China's accession into the WTO are equivalent to that agreement. Without legislation enabling the President to grant PNTR to China, the United States would not be able to trade with China under the WTO.

Imports of textile and apparel products from China are currently subject to quotas. If the United States were to trade with China under the WTO, these quotas would be liberalized. Imports of textile and apparel products from China would likely increase. CBO expects that increased imports from China would be partly offset by decreased imports from other countries. The increase in imports could also be offset by a provision in H.R. 4444 that would allow the President to place increased duties or other restrictions on Chinese imports if it is determined that such imports cause or threaten to cause to cause market disruption to domestic producers. The result of these changes would be an increase in collections of tariff revenues. However, because of the complexity of the world market, undetermined issues facing if, how, and when China would join the WTO, and administrative mechanisms that could potentially be employed to alter the China's quota under the WTO, CBO has no basis to determine what the magnitude of such an effect would be.

Spending Subject to Appropriation

H.R. 4444 would require the International Trade Commission (ITC) to investigate and report on petitions filed with it alleging that China has engaged in either market disruption or trade diversion. Based on information from ITC, CBO estimates that this bill would increase spending subject to appropriation by $1 million a year.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 4444 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

The bill would broaden the conditions under which the U.S. government could impose trade restrictions on imports of Chinese goods that are found to seriously harm or threaten domestic production of competing or similar goods. Certain trade restrictions that could result from this bill—such as increased duties, or quota limits more restrictive than under current law—would impose mandates on importers of affected items. Those restrictions would impose costs on the private sector, but CBO cannot predict whether such market conditions would be found or, if found, the incidence of trade restrictions resulting from the new conditions defined in this bill. Thus, CBO has no basis for estimating the direct costs of the mandate.

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