CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 22, 2002

H.J. Res. 101

Disapproving the extension of the waiver authority contained in section 402(c) of the Trade Act of 1974 with respect to Vietnam

As ordered reported adversely by the House Committee on Ways and Means on July 18, 2002

SUMMARY

Under the Trade Act of 1974, nondiscriminatory trade relations may not be conferred on a country with a nonmarket economy if that country maintains restrictive emigration policies. However, the President may waive this prohibition on an annual basis if he certifies that doing so would promote freedom of emigration in that country. On June 3, 2002, President Bush transmitted to the Congress his intention to waive the prohibition with respect to Vietnam for a year, beginning July 3, 2002. H.J. Res. 101 would disapprove the President's extension of this waiver. CBO estimates that denying nondiscriminatory tariff treatment to Vietnam would decrease revenues by $8 million in fiscal year 2003. Since adopting this resolution would affect receipts, pay-as-you-go procedures would apply.

H.J. Res. 101 would impose a private-sector mandate on importers of Vietnamese goods that would be subject to higher tariffs. The higher tariff rates imposed by the bill would decrease tariff receipts by $8 million compared to current law because the quantity of imports from Vietnam would decrease as a consequence of increasing the cost of those goods. Importers of those goods would bear a cost of lost profits on about $350 million of sales. Other goods imported from Vietnam would continue to enter the United States, and the importers of those goods would also bear a mandate imposed by the bill in the form of higher tariffs of $13 million.

CBO does not have sufficient information to determine whether the cost of the mandate in the bill would exceed the threshold established in UMRA ($115 million in 2002, adjusted annually for inflation). Specifically, CBO could not determine the value of profits lost because of lower imports from Vietnam.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.J. Res. 101 is shown in the following table.

	By Fiscal Year, in Millions of Dollars					
	2002	2003	2004	2005	2006	2007
CHANGES IN REVENUES						
Estimated Revenues	0	-8	0	0	0	0

BASIS OF ESTIMATE

Denial of nondiscriminatory trade relations to Vietnam would substantially increase the tariff rates imposed on certain exports to the United States. CBO assumes that these higher tariff rates would increase U.S. prices of, and would decrease U.S. demand for, goods imported from Vietnam. CBO estimates that imports from Vietnam would decline by more than enough to offset the higher rates, so that the U.S. customs duties collections on Vietnamese imports would fall.

CBO also estimates that some of the decrease in trade with Vietnam would be offset by an increase in imports from other countries with nondiscriminatory trade relations status. The increase in revenues from this effect, however, would not outweigh the reduction in revenues from Vietnam. On net, CBO estimates that revenues would decrease by $8 million in fiscal year 2003. Vietnam has received nondiscriminatory trade relations status through Presidential proclamation on an annual basis beginning in 2001, and CBO assumes there would be a resumption of nondiscriminatory trade relations with Vietnam after July 3, 2003.

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.

	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	0	-8	0	0	0	0	0	0	0	0	0

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.J. Res. 101 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

H.J. Res. 101 would impose a private-sector mandate on importers of Vietnamese goods that would be subject to higher tariffs. The higher tariff rates imposed by the bill would decrease tariff receipts by $8 million compared to current law because the quantity of imports from Vietnam would decrease as a consequence of increasing the cost of those goods. Importers of those goods would bear a cost of lost profits on about $350 million of sales. Other goods imported from Vietnam would continue to enter the United States, and the importers of those goods would also bear a mandate imposed by the bill in the form of higher tariffs of $13 million.

CBO does not have sufficient information to determine whether the cost of the mandate in the bill would exceed the threshold established in UMRA ($115 million in 2002, adjusted annually for inflation). Specifically, CBO could not determine the value of profits lost because of lower imports from Vietnam.

PREVIOUS ESTIMATE

On July 16, 2001, CBO transmitted an estimate for H.J. Res. 55, disapproving the extension of the waiver authority contained in section 402(c) of the Trade Act of 1974 with respect to Vietnam as ordered reported adversely by the House Committee on Ways and Means. Last year's joint resolution would have disapproved the extension of the President's waiver for the period beginning on July 3, 2001, and ending on July 2, 2002. CBO estimated that disapproving the extension of the waiver would have no significant impact on receipts, because the waiver would not give Vietnam nondiscriminatory trade relations status. Since the transmission of the previous estimate, the Congress passed H.J. Res. 51, approving the extension of nondiscriminatory treatment to the products of the Socialist Republic of Vietnam.

Because the bilateral trade agreement between Vietnam and the United States had not been ratified at the time the bill was ordered reported, H.J.Res. 55 did not contain a private-sector mandate.

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