**CONGRESSIONAL BUDGET OFFICE**
**COST ESTIMATE**

July 16, 2001

# H.J. Res. 50

## Disapproving the extension of the waiver authority contained in section 402(c) of the Trade Act of 1974 with respect to the People's Republic of China

*As ordered reported adversely by the House Committee on Ways and Means on July 12, 2001*

## 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 1, 2001, President Bush transmitted to the Congress his intention to waive the prohibition with respect to the People's Republic of China for a year, beginning July 3, 2001. H.J. Res. 50 would disapprove the President's extension of this waiver. CBO estimates that denying nondiscriminatory tariff treatment to the People's Republic of China would increase revenues by $610 million over the fiscal year 2001-2002 period. Since adopting this resolution would affect receipts, pay-as-you-go procedures would apply.

The bill 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. H.J. Res. 50 would impose a private-sector mandate on importers of Chinese goods that would be subject to higher tariffs. CBO estimates that the increased costs in tariffs to importers would total $610 million in fiscal years 2001 and 2002. Approximately $500 million of this cost increase would occur in fiscal year 2002, which would exceed the threshold for private-sector mandates established in UMRA ($113 million in 2001, adjusted annually for inflation).

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.J. Res. 50 is shown in the following table.

| | By Fiscal Year, in Millions of Dollars | | | | | |
|---|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| **CHANGES IN REVENUES** | | | | | | |
| Estimated Revenues | 111 | 499 | 0 | 0 | 0 | 0 |

## BASIS OF ESTIMATE

Denial of nondiscriminatory trade relations to the People's Republic of China would substantially increase the tariff rates imposed on its exports to the United States. CBO assumes that these higher tariff rates would increase U.S. prices and would decrease U.S. demand for goods imported from the People's Republic of China. CBO estimates that imports from China would decline by more than enough to offset the higher rates, so that the U.S. customs duties collections on Chinese imports would fall. However, CBO estimates that some of that drop in trade with China would be offset by an increase in imports from other countries with normal trade relations status. The increase in revenues from this effect would outweigh the reduction in revenues from China. Assuming an effective date of August 1, 2001, CBO estimates that revenues would increase by $610 million over the fiscal year 2001-2002 period. The People's Republic has received normal trade relations status through Presidential proclamation on an annual basis beginning in 1980, and CBO assumes there would be a resumption of normal trade relations with the People's Republic of China after July 3, 2002.

## 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 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Changes in outlays | Not applicable | | | | | | | | | | |
| Changes in receipts | 111 | 499 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

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

H.J. Res 50 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. 50 would impose a private-sector mandate on importers of Chinese goods that would be subject to higher tariffs. CBO estimates that the increased costs in tariffs to importers would total $610 million in fiscal years 2001 and 2002. Approximately $500 million of this cost increase would occur in fiscal year 2002, which would exceed the threshold for private-sector mandates established in UMRA ($113 million in 2001, adjusted annually for inflation). U.S. consumers of Chinese goods would also bear indirect costs if they chose to substitute other foreign goods or domestically produced goods for Chinese products.

## PREVIOUS ESTIMATE

On July 18, 2000, CBO transmitted an estimate for H.J. Res. 103, disapproving the extension of the waiver authority contained in section 402(c) with respect to the People's Republic of China, as ordered reported adversely by the House Committee on Ways and Means. CBO estimated that last year's resolution would increase revenues by $520 million over the 2000-2001 period.

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