



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 12, 2006

### **H.R. 1053**

#### **An act to authorize the extension of nondiscriminatory treatment (normal trade relations treatment) to the products of Ukraine**

*As cleared by the Congress on March 9, 2006,  
and signed by the President on March 23, 2006*

H.R. 1053 (enacted as Public Law 109-205) allows the President to grant permanent normal trade relations (PNTR) status to Ukraine. He did so on March 31, 2006. CBO estimates that, by itself, granting PNTR standing to Ukraine will have no impact on federal receipts relative to its revenue baseline.

The legislation removes Ukraine from the list of countries under title IV of the Trade Act of 1974 (the Jackson-Vanik amendment). Removing Ukraine from scrutiny under the Jackson-Vanik amendment permits the President to accord it PNTR standing. Ukraine has received normal trade relations (NTR) status, renewed annually pursuant to a Presidential waiver of the Jackson-Vanik amendment, since 1992. CBO's revenue baseline assumes that Ukraine will continue to receive NTR status, so CBO estimates that making permanent Ukraine's NTR standing will not affect receipts.

Granting Ukraine PNTR status could affect receipts if and when that country is admitted to the World Trade Organization (WTO). (Ukraine is currently negotiating to enter the WTO.) CBO has no basis for predicting whether and when a particular country will be admitted to the WTO. If Ukraine does join, the United States would have to allow it PNTR status (as it has now done) in order for the two countries to continue trading with each other under the WTO, because the rules of that body do not allow member countries to discriminate against each other (with certain exceptions). Further, any quotas in place on imports from Ukraine would be liberalized, thereby likely increasing imports from Ukraine. That increase would be partly offset by decreased imports from other countries, resulting in a change in tariff collections. Because it does not appear that imports from Ukraine are generally restricted by binding quotas, CBO would not expect imports from Ukraine and the associated tariff collections to increase significantly if Ukraine, with PNTR status, were to become a member of the WTO.

The CBO staff contact for this estimate is Emily Schlect. It was approved by G. Thomas Woodward, Assistant Director for Tax Analysis.