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### EXTENSION OF NONDISCRIMINATORY TREATMENT (MOST-FAVORED-NATION TREATMENT) TO THE PROD- UCTS OF BULGARIA

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MAY 9, 1996.—Ordered to be printed

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Mr. ROTH, from the Committee on Finance,  
submitted the following

### R E P O R T

[To accompany H.R. 2853]

[Including cost estimate of the Congressional Budget Office]

The Committee on Finance, to which was referred the bill (H.R. 2853) to authorize the extension of nondiscriminatory, most-favored-nation (MFN) tariff treatment to the products of the Republic of Bulgaria, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

#### I. BACKGROUND

Bulgaria's MFN status is currently governed by Title IV of the Trade Act of 1974, as amended by the Customs and Trade Act of 1990 ("Title IV"). Section 402 of Title IV (also known as the Jackson-Vanik amendment) sets forth requirements relating to freedom of emigration, which must be met or waived by the President in order for the President to grant nondiscriminatory, MFN status to nonmarket-economy countries. Title IV also requires that a trade agreement remain in force between the United States and a non-market-economy country receiving MFN status and sets forth minimum provisions which must be included in such agreement.

The United States and Bulgaria signed a trade agreement on April 22, 1991, which, among other things, provides for the protection of intellectual property and the promotion and facilitation of trade between the two countries. In October 1991, Congress passed legislation approving MFN for Bulgaria, which the President pro-

claimed on November 22, 1991. Since then, the President has renewed Bulgaria's MFN status annually according to the requirements of Title IV. Since June 1993, the President has found Bulgaria to be in full compliance with the freedom of emigration requirements of Jackson-Vanik.

## II. SUMMARY OF THE BILL

Section 1(a) of H.R. 2853 sets forth four Congressional findings that support removing Bulgaria from the requirements of Title IV and extending to Bulgaria permanent unconditional non-discriminatory MFN status. First, Bulgaria has received MFN treatment under the requirements of Title IV since 1991 and has been in compliance with the freedom of emigration requirements of Title IV since 1993. Second, Bulgaria has instituted a constitutional republic with a democratically-elected government and has undertaken basic market-oriented reforms, including privatization of state-owned enterprises. Third, Bulgaria is in the process of acceding to the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO), and the extension of unconditional MFN treatment would allow the United States to avail itself of all rights under the GATT and WTO with respect to Bulgaria. Fourth, Bulgaria has demonstrated a strong desire to build friendly relationships and to cooperate fully with the United States on trade matters.

In section 1(b) of H.R. 2853, Congress notes the intention of the U.S. Trade Representative to negotiate with Bulgaria to preserve commitments made by that country in the U.S.-Bulgaria bilateral commercial agreement, that are consistent with the GATT and the WTO.

Section 2 of H.R. 2853 would grant the President authority to determine that Title IV should no longer apply to Bulgaria. After making such a determination, the President would have the authority to proclaim the permanent extension of unconditional MFN treatment to the products of Bulgaria.

## III. GENERAL EXPLANATION

### A. PRESIDENTIAL AND CONGRESSIONAL ACTION

#### *1. Presidential Action*

On June 3, 1993, the President determined that Bulgaria is in full compliance with the freedom of emigration criteria listed in sections 402 and 409 of Title IV. Under Title IV, this finding allows for the continuation of MFN status for Bulgaria without the requirement of a waiver.

On January 29, 1996, in his most recent report to Congress concerning Bulgarian emigration laws and policies, the President found that Bulgaria continues to be in full compliance with the emigration requirements under Title IV.

Specifically, the President's report stated that freedom of movement within Bulgaria and the right to leave the country are enshrined in the 1991 constitution and are not limited in practice. No exit visa is required to leave Bulgaria, and no more than nominal fees must be paid by potential emigres. In addition, every citizen

has the right to return to Bulgaria, may not be forcefully expatriated, and may not be forcibly deprived of citizenship acquired by birth.

The President also found that Bulgaria has made substantial progress toward the protection of human rights and the development of a democratic, free-market society. Bulgaria held several free elections and cooperative relations with the United States have continued.

## *2. Congressional Action*

On July 10, 1995, the House passed legislation (H.R. 1643), which would authorize the President: (1) to determine that the requirements of Title IV should no longer apply to Bulgaria, and (2) proclaim the permanent extension of unconditional MFN treatment to the products of Bulgaria. H.R. 1643 was referred to the Committee on Finance on July 12, 1995.

On July 27, 1995, legislation identical to H.R. 1643 was introduced in the Senate, and the bill (S. 1081) was referred to the Committee on Finance. On August 1, 1995, the International Trade Subcommittee of the Committee on Finance held a hearing on the Bulgaria MFN legislation, during which it received testimony in favor of granting Bulgaria unconditional MFN status and no testimony in opposition.

On January 2, 1996, the Committee on Finance was discharged from consideration of H.R. 1643, which passed the Senate with an amendment in the nature of a substitute to make appropriations for certain activities for fiscal year 1996. H.R. 1643, as amended, did not contain the original Bulgaria MFN legislative language. This amended form of the bill passed Congress and was signed into law by the President on January 6, 1996.

On March 5, 1996, the House again passed identical legislation to H.R. 1643, to authorize the extension of permanent and unconditional MFN status to Bulgaria. This second bill (H.R. 2853) was referred to the Committee on Finance on March 6, 1996.

## B. U.S.-BULGARIAN TRADE

Since Bulgaria first received MFN tariff treatment under Title IV in 1991, two-way trade between the United States and Bulgaria has nearly doubled, from \$164 million in 1992 to \$315 million in 1995. During this period, the United States' balance in merchandise trade with Bulgaria has gone from a surplus of \$6 million in 1992 to a deficit of \$51 million in 1995. U.S. exports to Bulgaria have risen from \$85 million in 1992 to \$132 million in 1995. Leading U.S. exports included coal, data-processing machinery, and telecommunications equipment. U.S. imports from Bulgaria have risen from \$79 million in 1992 to \$183 million in 1995. Principal imports included fertilizers, tobacco, certain types of apparel, zinc, and iron and steel flat-rolled products.

## C. COMMITTEE VIEWS

The Committee believes that, as a result of providing Bulgaria MFN status in 1991, U.S. companies have been in a position to provide substantial assistance for Bulgaria's transition to a market-based economy. The Committee expects that granting Bulgaria un-

conditional MFN will help to accelerate trade and investment between the United States and Bulgaria. Growth in trade and investment will, in turn, further promote the development of the Bulgarian economy, help to improve the productivity of Bulgarian companies, allow for an improving standard of living for the Bulgarian people, and facilitate Bulgaria's integration into the world economy.

Accordingly, the Committee strongly supports enactment of H.R. 2853 and the extension of unconditional MFN treatment to Bulgaria.

#### IV. VOTE OF THE COMMITTEE IN REPORTING THE BILL

In compliance with section 133 of the Legislative Reorganization Act of 1946, the Committee states that H.R. 2853 was ordered favorably reported by voice vote on May 8, 1996.

#### V. BUDGETARY IMPACT OF THE BILL

In compliance with sections 308 and 403 of the Congressional Budget Act of 1974, and paragraph 11(a) of Rule XXVI of the Standing Rules of the Senate, the following letter has been received from the Congressional Budget Office stating that the bill would have no budgetary impact:

U.S. CONGRESS,  
CONGRESSIONAL BUDGET OFFICE,  
*Washington, DC, May 8, 1996.*

Hon. WILLIAM V. ROTH, JR.,  
*Chairman, Committee on Finance,*  
*U.S. Senate, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has reviewed H.R. 2853, a bill to authorize the extension of nondiscriminatory treatment (most-favored-nation treatment) to the products of Bulgaria, as ordered reported by the Senate Committee on Finance on May 8, 1996. CBO estimates that extending most-favored-nation (MFN) status to the products of Bulgaria would have no budgetary effect over fiscal years 1996 through 2005. Because H.R. 2853 could affect receipts, pay-as-you-go procedures would apply to the bill. H.R. 2853 contains no intergovernmental or private sector mandates as defined in Public Law 104-4 and would impose no direct costs on state, local, or tribal governments.

Under Title IV of the Trade Act of 1974, MFN status may not be conferred on a country with a nonmarket economy if that country maintains restrictive emigration policies. The President may waive this prohibition on an annual basis if he certifies that granting MFN status would promote freedom of emigration in that country. Under current law, Bulgaria is subject to the requirements of Title IV. However, it has received MFN treatment since 1991 through a Presidential waiver and has fully complied with the freedom of emigration requirements since 1993.

H.R. 2853 would grant the President the authority to stop applying Title IV of the Trade Act of 1974 to Bulgaria, thereby allowing Bulgaria to receive MFN status on a permanent basis. The CBO baseline revenue projections assume that MFN status for Bulgaria

will be extended on an annual basis. Therefore, enacting H.R. 2853 would have no budgetary impact when measured relative to the CBO baseline.

If you wish further details, please feel free to contact me or your staff may wish to contact Stephanie Weiner.

Sincerely,

JUNE E. O'NEILL, *Director*.

#### VI. REGULATORY IMPACT OF THE BILL

In compliance with paragraph 11(b) of Rule XXVI of the Standing Rules of the Senate, the Committee states that the bill will not significantly regulate any individuals or businesses, will not impact on the personal privacy of individuals, and will result in no significant additional paperwork.

#### VII. CHANGES IN EXISTING LAW MADE BY THE BILL

In compliance with paragraph 12 of Rule XXVI of the Standing Rules of the Senate, the Committee finds no changes in existing law caused by passage of H.R. 2853.

