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SENATE

{ REPORT
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EXTENSION OF NONDISCRIMINATORY TREATMENT (MOST-FAVORED-NATION TREATMENT) TO THE PROD- UCTS OF MONGOLIA

SEPTEMBER 12, 1997.—Ordered to be printed

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

REPORT

[To accompany S. 343]

[Including cost estimate of the Congressional Budget Office]

The Committee on Finance, to which was referred the bill (S. 343) to authorize the extension of unconditional most-favored-nation (MFN) tariff treatment (*i.e.*, permanent normal trade relations), to the products of Mongolia, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

I. BACKGROUND

Mongolia'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 Mongolia concluded a trade agreement on January 23, 1991, which, among other things, provides for the protection of intellectual property and the promotion and facilitation

of trade between the two countries. The United States and Mongolia also signed a bilateral investment treaty on October 6, 1994.

Mongolia joined the World Trade Organization (WTO) on January 29, 1997. Because the conditional treatment afforded by Title IV is inconsistent with the obligation under WTO rules to give all WTO member countries unconditional MFN treatment, the United States invoked Article XIII of the Agreement Establishing the World Trade Organization, which allows the United States to withhold application of the WTO Agreements with respect to Mongolia. Non-application will continue for as long as Mongolia remains subject to Title IV.

II. SUMMARY OF THE BILL

Section 1 of S. 343 sets forth seven Congressional findings that support removing Mongolia from the requirements of Title IV and extending to Mongolia permanent unconditional non-discriminatory MFN status. First, Mongolia has received conditional MFN under Title IV since 1991 and has been found to be in full compliance with the requirements of Title IV. Second, Mongolia has made substantial progress in building a democratic political system and a free-market economic system. Third, Mongolia had its third election under its new constitution in 1996, which resulted in a peaceful transfer of governmental power. Fourth, Mongolia and the United States signed a bilateral trade agreement in 1991 and a bilateral investment treaty in 1994. Fifth, Mongolia has joined the WTO. Sixth, Mongolia has demonstrated a strong desire to build a friendly and cooperative relationship with the United States. Seventh, by extending unconditional MFN to Mongolia, the United States would be able to avail itself of all rights under the WTO with respect to that country.

Section 2 of S. 343 would grant the President authority to determine that Title IV should no longer apply to Mongolia. After making such a determination, the President would have the authority to proclaim the permanent extension of unconditional MFN treatment to the products of Mongolia.

III. GENERAL EXPLANATION

A. Presidential and Congressional Action

1. Presidential Action.—On January 23, 1991, the President issued a waiver of the Jackson-Vanik freedom-of-emigration requirements for Mongolia. On June 24, 1991, the President transmitted the trade agreement between the United States and Mongolia to Congress for approval. On November 13, 1991, the President signed H.J. Res. 281 (P.L. 102–157), which approved the trade agreement with Mongolia and the extension of nondiscriminatory MFN status for Mongolia. Nondiscriminatory treatment for products from Mongolia became effective on November 27, 1991, and has been renewed annually by the President according to the requirements of Title IV.

On September 4, 1996, the President determined that Mongolia 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 Mongolia without the

requirement of a waiver, but requires the President to submit semiannual reports to Congress regarding Mongolia's continued compliance with the freedom-of-emigration requirements of Title IV. The President has submitted two such reports on January 3, 1997 and July 21, 1997, both of which found Mongolia to be in continued compliance with Title IV.

In 1996, the President found that freedom of movement within Mongolia and the right to leave and return to the country have been enshrined in law since February 1, 1994, and are not limited in practice. A passport and exit visa are the only requirements to leave Mongolia, and no more than nominal fees must be paid by potential emigres. In addition, citizens may not be forcibly expatriated or deprived of citizenship acquired by birth. Furthermore, there are no outstanding emigration cases involving the United States and no divided-family cases in Mongolia.

The President also found that: (1) Mongolia has made continued progress towards a stable democratic political system; (2) Mongolia held several free elections; (3) all political parties in Mongolia are publicly committed to democracy and participating in democratic institutions; and (4) there are no impediments to monitoring human-rights developments in Mongolia.

2. Congressional Action.—On October 31, 1991, Congress passed H.J. Res. 281, which approved the trade agreement with Mongolia and the extension of nondiscriminatory MFN treatment to products of Mongolia according to the requirements of Title IV.

On February 24, 1997, S. 343 was introduced in the Senate and referred to the Committee on Finance. The Committee on Finance requested public comments on S. 343 on June 20, 1997. As of the deadline of July 18, 1997, the Committee had received no comments in opposition to granting Mongolia unconditional MFN status.

B. U.S.-Mongolian Trade

Since Mongolia first received MFN tariff treatment under Title IV in 1991, two-way trade between the United States and Mongolia has expanded from over \$9 million in 1992 to \$35 million in 1996. During this period, the United States' balance in merchandise trade with Mongolia has gone from a deficit of approximately \$4 million in 1992 to a deficit of \$26.6 million in 1996. U.S. exports to Mongolia have risen from over \$2 million in 1992 to \$4.2 million in 1996. Leading U.S. exports included motor vehicles, machinery, and boiler equipment. U.S. imports from Mongolia have risen from approximately \$7 million in 1992 to \$30.8 million in 1996. Principal imports were textiles and apparel, most of which were of wool and cashmere.

C. Committee Views

The Committee believes that, as a result of providing Mongolia MFN status in 1991, U.S. companies have been in a position to provide substantial assistance for Mongolia's transition to a market-based economy. The Committee expects that granting Mongolia unconditional MFN will help to accelerate trade and investment between the United States and Mongolia. Growth in trade and investment will, in turn, further promote the development of the Mongo-

lian economy, help to improve the productivity of Mongolian companies, allow for an improving standard of living for the Mongolian people, and facilitate Mongolia's integration into the world economy.

Accordingly, the Committee strongly supports enactment of S. 343 and the extension of unconditional MFN treatment to Mongolia.

IV. VOTE OF THE COMMITTEE

In compliance with section 133 of the Legislative Reorganization Act of 1946, the Committee states that S. 343 was ordered favorably reported unanimously by voice vote on September 11, 1997.

V. BUDGETARY IMPACT

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:



CONGRESSIONAL BUDGET OFFICE
U.S. CONGRESS
WASHINGTON, D.C. 20515

June E. O'Neill
Director

September 12, 1997

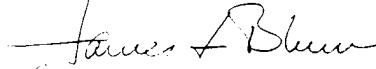
Honorable William V. Roth, Jr.
Chairman
Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

The Congressional Budget Office has prepared the enclosed cost estimate for S. 343, a bill to authorize the extension of nondiscriminatory treatment (most-favored-nation treatment) to the products of Mongolia, as ordered reported by the Senate Committee on Finance on September 11, 1997.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Alyssa Trzeszkowski, who can be reached at 266-2720.

Sincerely,


for June E. O'Neill

Enclosure

cc: Honorable Daniel P. Moynihan
Ranking Minority Member

VI. REGULATORY IMPACT

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 have no impact on the personal privacy of individuals, and will result in no significant additional paperwork.

VII. CHANGES IN EXISTING LAW

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 S. 343.

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