CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

December 14, 2001

H.R. 3009
Andean Trade Preference Expansion Act

As ordered reported by the Senate Committee on Finance on November 29, 2001

SUMMARY

H.R. 3009 would extend the period during which preferential treatment is provided to certain products of countries under the Andean Trade Preference Act (ATPA). In addition, the bill would provide preferential treatment under ATPA for additional articles, including certain footwear and petroleum products. The bill also would provide certain benefits to wool manufacturers and preferential duty treatment to certain ceiling fans and certain steam-generating boilers.

The Congressional Budget Office estimates that enacting the bill would reduce revenues by \$43 million in 2002, by \$218 million over the 2002-2006 period, and by the same amount over the 2002-2011 period. CBO also estimates that enacting the bill would increase direct spending by \$24 million in 2002 and by \$12 million in 2003. Because enacting H.R. 3009 would affect receipts and direct spending, pay-as-you-go procedures would apply.

CBO has determined that H.R. 3009 contains no private-sector or intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 3009 is shown in the following table.

	By Fiscal Year, in Millions of Dollars				
	2002	2003	2004	2005	2006
CHANGES IN REVENUES					
Estimated Revenues	-43	-44	-49	-60	-23
CHANGES IN DIRECT SPENDING					
Estimated Budget Authority	24	12	0	0	0
Estimated Outlays	24	12	0	0	0

BASIS OF ESTIMATE

Revenues

Andean Trade Preference Expansion (Title I). ATPA expired on December 4, 2001. H.R. 3009 would extend the ATPA program until February 28, 2006. Several products of beneficiary countries would continue to receive preferential duty treatment if the bill were enacted. Based on information from the International Trade Commission and other trade sources, CBO estimates that extending the ATPA program would reduce revenues by $17 million in 2002 and by $101 million over the 2002-2006 period.

Under current law, ATPA does not extend preferential treatment to footwear that is ineligible for treatment under the generalized system of preferences (GSP), tuna packed in cans, petroleum and certain products derived from petroleum, watches and watch parts containing material that is the product of countries not receiving normal trade relations (NTR) treatment, certain sugars and molasses, and certain leather goods. H.R. 3009 would allow the President to extend duty-free treatment to those products. CBO expects that all imports of these products would receive duty-free treatment.

Tuna packed in cans would receive duty-free treatment for amounts equal to 20 percent of United States production (in kilograms) for the preceding calendar year. Under current law, all imports of tuna packed in cans are subject to a tariff-rate quota. Global imports of tuna packed in cans are subject to a rate of duty of 6 percent when imports in kilograms are less than 20 percent of United States production. Thereafter, imports of tuna packed in cans are subject to a rate of duty of 12.5 percent. Based on information from the National Marine Fisheries Service, the United States Customs Service, and the International Trade Commission, CBO expects that imports from the ATPA program would rapidly fill the global quota for imports, and would continue to receive duty-free treatment until ATPA imports equaled the quantitative limit of 20 percent of U.S. production. Based on information from the above sources, CBO does not expect ATPA imports to exceed the global quota limit. CBO estimates that the provision that would alter the treatment for canned tuna would reduce revenues by $2 million in 2002 and by $10 million over the 2002-2006 period.

Under current law, certain apparel articles that are the product or manufacture of an ATPA beneficiary country are entitled to preferential treatment. The bill would allow apparel articles assembled from fabrics formed or knit-to-shape in the United States and certain other apparel articles to receive duty-free treatment. Apparel articles assembled from fabrics produced in the ATPA region would also receive preferential treatment if they do not exceed certain percentages of imports on apparel articles. All preferential treatment would expire after February 28, 2006. Based on information from the International Trade Commission, the Office of Textiles and Apparel in the Department of Commerce, and private-sector sources, CBO estimates that if enacted, all provisions that expand ATPA treatment to new products (including canned tuna) would reduce revenues by $19 million in 2002 and by $101 million over the 2002-2006 period.

Miscellaneous Trade Provisions (Title II). H.R. 3009 would provide temporary duty-free treatment to ceiling fans from Thailand through July 30, 2002. The bill also would provide duty-free treatment to certain steam or vapor generating boilers used in nuclear facilities through December 31, 2006. Based on information from the International Trade Commission and other trade sources, CBO estimates that, if enacted, these provisions would reduce revenues by $7 million in 2002 and by $19 million over the 2002-2006 period. H.R. 3009 also would alter a program that has provided refunds of duty to certain wool manufacturers. This change is detailed in the section describing changes to direct spending. CBO estimates that this provision would increase revenues by $1 million in 2002 and by $3 million over the 2002-2003 period.

Direct Spending

Under current law, certain manufacturers of selected wool articles are eligible for refunds of duties paid on those articles. H.R. 3009 would change the method by which those payments to manufacturers are computed and would appropriate about $36 million for the payments, which must be made by April 2003. Based on information from the Customs Service, CBO estimates that this provision would increase direct spending by about $24 million in fiscal year 2002 and by about $12 million in fiscal year 2003.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up procedures for legislation affecting receipts or direct spending. The net changes in governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, In Millions of Dollars									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Changes in receipts	-43	-44	-49	-60	-23	0	0	0	0	0
Changes in outlays	24	12	0	0	0	0	0	0	0	0

IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

The bill contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

PREVIOUS CBO ESTIMATE

On October 10, 2001, CBO transmitted a cost estimate for H.R. 3009 as ordered reported by the House Committee on Ways and Means on October 5, 2001. This estimate reflects changes to several provisions. The alteration of the tariff-rate quota program for imports of canned tuna from ATPA countries, the inclusion of preferential treatment for imports of ceiling fans from Thailand and certain steam or vapor generating boilers, the removal of the provisions affecting the Carribbean Basin Economic Recovery Act and the African Growth and Opportunity Act, and the alteration of the wool import program would further reduce revenues, relative to the earlier version of H.R. 3009, by $2 million in 2002, would lessen the reduction of revenues by $29 million over the 2002-2006 period, and would lessen the reduction of revenues by $45 million over the 2002-2011 period. The alteration of the wool import program would increase direct spending, relative to the earlier version of H.R. 3009, by $24 million in 2002, and by $36 million over the 2002-2003 period.

ESTIMATE PREPARED BY:

Federal Revenues: Erin Whitaker
Wool Refund Program: Mark Grabowicz
Impact on State, Local, and Tribal Governments: Elyse Goldman
Impact on the Private Sector: Paige Piper/Bach

ESTIMATE APPROVED BY:

G. Thomas Woodward
Assistant Director for Tax Analysis

Robert A. Sunshine
Assistant Director for Budget Analysis