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

July 11, 2003

# H.R. 2330

## Burmese Freedom and Democracy Act of 2003

*As ordered reported by the House Committee on the Judiciary on July 9, 2003*

## SUMMARY

H.R. 2330 would ban all imports from Burma until the State Peace and Development Council (SPDC), the military regime of Burma, has made substantial and measurable progress to end violations of human rights, implement a democratic government, and meet its obligations under international counter-narcotics agreements. Under the bill, the President may terminate the restrictions upon the request of a democratically elected government in Burma or waive them in the national interest. By reducing net imports, and thus reducing federal tax receipts from duties on such imports, CBO estimates that enacting H.R. 2330 would reduce federal revenues by $2 million in 2003, by $60 million over the 2003-2008 period, and by $123 million over the 2003-2013 period, net of income and payroll tax offsets.

The bill also would require the Secretary of Treasury to freeze the assets of members of the ruling party of Burma and would require the Secretary of State to deny visas to the same. Based on information from those agencies, CBO estimates that enacting H.R. 2330 would not significantly affect federal spending.

By banning all imports from Burma and freezing certain Burmese funds and assets held by U.S. financial institutions, H.R. 2330 would impose private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). Due to the lack of information on the value of lost profits to importers resulting from the ban, CBO cannot determine whether the aggregate direct cost of the mandates would exceed the annual threshold for private-sector mandates established in UMRA ($117 million in 2003, adjusted annually for inflation) in any of the first five years the mandates would be in effect.

H.R. 2330 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2330 is shown in the following table. CBO assumes that H.R. 2330 will be enacted by August 1, 2003.

| | By Fiscal Year, in Millions of Dollars | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| **CHANGES IN REVENUES**[a] | | | | | | | | | | | |
| Estimated Revenues | -2 | -11 | -11 | -12 | -12 | -12 | -12 | -12 | -13 | -13 | -13 |

a. CBO also estimates that enacting H.R. 2330 would have no significant impact on federal spending.

## BASIS OF ESTIMATE

### Revenues

H.R. 2330 would ban all U.S. imports from Burma until the President of the United States has determined that certain conditions outlined in the bill have been met by the SPDC. The President would have the authority to lift or waive the ban imposed by H.R. 2330; however, CBO assumes that the President would not exercise this authority before 2013. Based on data from the U.S. International Trade Commission on recent U.S. imports from Burma, information from several government agencies, and CBO's most recent forecast of total U.S. imports, CBO estimates that enacting H.R. 2330 would reduce federal revenues by $2 million in 2003, by $60 million over the 2003-2008 period, and by $123 million over the 2003-2013 period, net of income and payroll tax offsets.

In recent years, over half of all U.S. imports from Burma have been knitted or crocheted clothing and apparel goods. The remaining imports include apparel items not knitted or crocheted, certain types of fish and crustaceans, goods made of wood, certain precious and semiprecious stones and metals, and woven fabrics and tapestries. In 2001 and 2002, roughly 80 percent of duties collected on these imports came from knitted and crocheted articles.

CBO assumes that a portion of the banned imports would be replaced with imports from other countries, especially in southeast Asia, which face similar duty rates, while the remaining portion would be displaced by duty-free goods or not replaced at all. Substitution of apparel imports would be partially limited because of existing quotas on imports from other countries. These quotas on countries in the World Trade Organization are set to expire at the end of 2004. CBO assumes, even if H.R. 2330 is not enacted, that Burma's share of U.S. imports would decrease significantly after that date.

CBO estimates that over the 2003-2013 period, enacting H.R. 2330 would decrease the dutiable value of U.S. imports by about $1 billion. Assuming an average duty rate of about 16 percent, the United States would forgo about $160 million in customs duties over the period. This gross revenue loss would be partially offset by higher revenues from income and payroll taxes.

The President could remove the ban on imports upon the request of a democratically elected government in Burma or he could waive them if he determines and notifies Congress that to do so is in the national interest. Should the ban be lifted, U.S. companies would be allowed to resume importation of goods produced, manufactured, grown, or assembled in Burma. It is unclear whether or when the President would exercise the authority to lift or waive the ban on imports from Burma. If such an action were taken during the 2003-2013 period, then the impact on federal revenues would be reduced accordingly.

### Federal Spending

The bill also would require the Secretary of Treasury to freeze the assets of members of the ruling party of Burma and would require the Secretary of State to deny visas to the same. Based on information from those two agencies, CBO estimates implementing H.R. 2330 would not significantly affect spending by those departments.

The United States provides some assistance to the people of Burma, about $7 million a year in grants to nongovernmental organizations to support HIV/AIDS prevention and democracy programs in Burma. The bill would not affect those programs.

## ESTIMATED IMPACT ON THE PRIVATE SECTOR

By banning all Burmese imports and freezing certain Burmese assets held by U.S. financial institutions, H.R. 2330 would impose private-sector mandates as defined in UMRA; however, CBO cannot determine the aggregate direct cost of the mandates.

Specifically, the bill would ban all imports from Burma. The U.S. International Trade Commission estimates the value of U.S. imports from Burma in 2002 at approximately $360 million. CBO expects that importers would substitute goods from other countries, mostly within the region, to compensate for a portion of the trade loss with Burma. For the portion of trade loss that is not made up through substitution, importers would bear a cost of lost profits. Due to a lack of information on the value of lost profits, CBO cannot determine the cost of the mandate.

In addition, H.R. 2330 would direct the Treasury Department to freeze the assets of the Burmese regime held by U.S. financial institutions after the institutions report such holdings to the Office of Foreign Assets Control. Based on information from government sources indicating that an insignificant amount of assets would be affected, if any at all, CBO expects U.S. financial institutions would incur minimal costs as a result of the mandate.

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

H.R. 2330 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

## PREVIOUS CBO ESTIMATE

On June 19, 2003, CBO transmitted a cost estimate for H.R. 2330, the Burmese Freedom and Democracy Act of 2003, as reported by the House Committee on International Relations on June 17, 2003. The two versions of the bill are identical, as are the two cost estimates.

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