

MOST-FAVORED-NATION TREATMENT FOR ROMANIA

JUNE 18, 1996.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. ARCHER, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H.R. 3161]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 3161) to authorize the extension of nondiscriminatory treatment (most-favored-nation treatment) to the products of Romania, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

I. INTRODUCTION

A. PURPOSE AND SUMMARY

H.R. 3161 would authorize the extension of nondiscriminatory treatment (most-favored-nation treatment) to the products of Romania.

B. BACKGROUND AND NEED FOR LEGISLATION

At present, Romania's most-favored-nation (MFN) status is subject to Title IV of the Trade Act of 1974, the provision of U.S. law which contains the so-called Jackson-Vanik amendment governing the MFN status of nonmarket economy countries not eligible for such treatment as of January 3, 1975. Romania began receiving MFN treatment on an annual basis under a Presidential waiver from the freedom-of-emigration requirements in the Jackson-Vanik amendment on August 3, 1975. On June 28, 1988, the President announced his decision to allow the waiver to expire in response to the Romanian government's decision to renounce the renewal of its MFN status subject to the terms of Jackson-Vanik. Romania's MFN status and its eligibility for export credits expired on July 3, 1988.

Romania emerged from its brutal communist dictatorship in 1989 and approved a new constitution, laying the foundation for a modern parliamentary democracy charged with guaranteeing fundamental human rights, freedom of expression, and respect for private property. Since then, Romania has held local, parliamentary, and presidential elections. In addition to democratic reform, Romania has undertaken significant market-oriented economic reforms, including the establishment of a two-tier banking system, the introduction of a modern tax system, the freeing of most prices and elimination of most subsidies, the adoption of a tariff-based trade regime, and the rapid privatization of industry and nearly all agriculture.

In light of Romania's progress toward democratic pluralism and a market economy, as well as its desire for closer bilateral relations, the President issued a waiver for Romania from the Jackson-Vanik requirements on August 17, 1991, and signed the United States-Romania Trade Agreement on April 3, 1992. On November 2, 1993, the President signed into law P.L. 103-133, a joint resolution approving the extension of MFN to Romania under the new bilateral trade agreement. The President found Romania to be in full compliance with the conditions in the Jackson-Vanik amendment on May 19, 1995. Consequently, an annual waiver is no longer necessary for Romania to receive MFN treatment, but that country remains subject to semi-annual reports by the President on compliance and the December report can be disapproved by Congress.

Trade between the United States and Romania has increased since Romania's MFN status was reinstated in 1993. In 1995, two-way trade between the countries totalled \$478 million, up from \$392 million in 1993. Last year, U.S. exports to Romania were valued at \$256 million, while imports from Romania totalled \$222 million.

H.R. 3161 authorizes the extension of unconditional MFN treatment to the products of Romania by granting the President the authority to determine that Title IV of the Trade Act of 1974 should no longer apply with respect to that country. After making such a determination, the bill authorizes the President to proclaim the extension of nondiscriminatory treatment to the products of Romania. On and after the effective date of the President's proclamation, H.R. 3161 provides that Title IV of the Trade Act of 1974 shall cease to apply with respect to Romania.

Normalizing U.S. trade relations with Romania, by removing the conditionality imposed on that country's MFN status, would enhance our bilateral trade relations with that country and foster the economic development of the region by providing greater certainty with respect to Romania's status under U.S. law. In addition, Romania is a member of the World Trade Organization (WTO) and an extension of unconditional MFN treatment to Romania is necessary in order for the United States to avail itself of all rights with respect to Romania under the WTO.

C. LEGISLATIVE HISTORY

Subcommittee bill

H. R. 3161 was introduced on March 26, 1996, by Mr. Crane of Illinois, Mr. Gibbons of Florida, and Mrs. Kennelly of Connecticut and referred to the Committee on Ways and Means. The bill contains two provisions: (1) granting the President the authority to determine that Title IV of the Trade Act of 1974 should no longer apply with respect to Romania and to proclaim the extension of nondiscriminatory treatment to the products of that country; and (2) providing that Title IV of the Trade Act of 1974 shall cease to apply with respect to Romania on and after the effective date of the President's proclamation.

On May 9, 1996, the Subcommittee on Trade of the Committee on Ways and Means ordered the bill favorably reported, by voice vote, to the Full Committee, without amendment.

The Committee on Ways and Means marked up H.R. 3161 on June 13, 1996 and ordered the bill to be favorably reported without amendment by a voice vote.

Legislative hearing

The Subcommittee on Trade of the Committee on Ways and Means issued a request for written public comment on the extension of unconditional MFN to the products of Romania on April 1, 1996. The deadline for submission of comments was May 3, 1996. The Subcommittee received a significant number of comments in favor of the proposed MFN extension, primarily from business groups and individual firms, and a few comments in opposition to it, primarily from groups concerned about minority rights in Romania. The Administration supports the legislation.

II. EXPLANATION OF THE BILL

A. CONGRESSIONAL FINDINGS AND SUPPLEMENTAL ACTIONS (SEC. 1)

Present law

Romania's MFN status is subject to Title IV of the Trade Act of 1974, the provision of U.S. law which contains the so-called Jackson-Vanik amendment governing the extension of MFN tariff treatment to nonmarket economy countries not eligible for such treatment as of January 3, 1975.

Explanation of provision

The provision contains findings of the Congress that (1) Romania emerged from years of brutal Communist dictatorship in 1989 and approved a new Constitution and elected a Parliament by 1991, laying the foundation for a modern parliamentary democracy charged with guaranteeing fundamental human rights, freedom of expression, and respect for private property; (2) local elections, parliamentary elections, and presidential elections have been held in Romania and 1996 will mark the second nationwide presidential elections under the new Constitution; (3) Romania has undertaken significant economic reforms, including the establishment of a two-tier banking system, the introduction of a modern tax system, the freeing of most prices and elimination of most subsidies, the adop-

tion of a tariff-based trade regime, and the rapid privatization of industry and nearly all agriculture; (4) Romania concluded a bilateral investment treaty with the United States in 1993, and both United States investment in Romania and bilateral trade are increasing rapidly; (5) Romania has received MFN treatment since 1993, and has been found by the President to be in full compliance with the freedom of emigration requirements under Title IV of the Trade Act of 1974; (6) Romania is a member of the World Trade Organization (WTO) and extension of MFN treatment to the products of Romania would enable the United States to avail itself of all rights under the WTO with respect to Romania; and (7) Romania has demonstrated a strong desire to build friendly relationships and to cooperate fully with the United States on trade matters.

Reasons for change

The provision notes developments in Romania's domestic political and economic systems, as well as developments in the country's bilateral trade relations with the United States and its membership in the WTO, as reasons for enacting this legislation.

Effective date

The provision is effective upon enactment.

B. TERMINATION OF APPLICATION OF TITLE IV OF THE TRADE ACT OF 1974 TO ROMANIA (SEC. 2)

Present law

Romania's MFN status is subject to Title IV of the Trade Act of 1974, the provision of U.S. law which governs the extension of MFN tariff treatment to nonmarket economy countries not eligible for such treatment as of January 3, 1975. Section 402 sets forth three requirements relating to freedom of emigration which must be met, or waived by the President, in order for him to grant MFN status to a nonmarket economy. Specifically, those requirements prohibit the President from extending MFN to "any nonmarket economy country [that]....(1) denies its citizens the right or opportunity to emigrate; (2) imposes more than a nominal tax on emigration or on the visas or other documents required for emigration, for any purpose or cause whatsoever; or (3) imposes more than a nominal tax, levy, fine, fee, or other charge on any citizen as a consequence of the desire of such citizen to emigrate to the country of his choice". Title IV also requires that a trade agreement providing MFN status remain in force between the United States and the nonmarket economy country receiving MFN, and sets forth minimum provisions which must be included in such an agreement.

Explanation of provision

This section grants authority to the President to determine that Title IV of the Trade Act of 1974 should no longer apply with respect to Romania and, after making such a determination, to proclaim the extension of nondiscriminatory treatment to the products of Romania. Once the President has issued this proclamation, the provision removes the application of Title IV of the Trade Act of 1974 from Romania.

Reasons for change

Since the collapse of its communist dictatorship, Romania has approved a new constitution, laying the foundation for a modern parliamentary democracy charged with guaranteeing fundamental human rights, freedom of expression, and respect for private property. In 1996, Romania will hold its second presidential election under the new constitution. In addition, Romania has undertaken significant market-oriented reforms in its economy, including privatization. Normalizing U.S. trade relations with Romania by removing the conditionality imposed on its MFN status would enhance our bilateral trade relations and foster the economic development of the region by providing greater certainty about Romania's status under U.S. law. Romania is also a member of the WTO and an extension of unconditional MFN is necessary in order for the United States to avail itself of all rights with respect to Romania under the WTO.

Effective date

The provision is effective upon enactment.

III. VOTES OF THE COMMITTEE

In compliance with clause 2(1)(2)(B) of rule XI of the Rules of the House of Representatives, the following statements are made concerning the votes of the Committee in its consideration of the bill, H.R. 3161.

Motion to Report H.R. 3161.—H.R. 3161 was ordered favorably reported, without amendment, by voice vote, on June 13, 1996, with a quorum present.

IV. BUDGET EFFECTS OF THE BILL**A. COMMITTEE ESTIMATE OF BUDGETARY EFFECTS**

In compliance with clause 7(a) of rule XIII of the Rules of the House of Representatives, the following statement is made:

The Committee agrees with the estimate prepared by the Congressional Budget Office (CBO), which is included below.

B. STATEMENT REGARDING NEW BUDGET AUTHORITY AND TAX EXPENDITURES

In compliance with subdivision (B) of clause 2(1)(3) of Rule XI of the Rules of the House of Representatives, the Subcommittee states that the provisions of H.R. 3161 do not involve any new budget authority, or any increase or decrease in revenues or tax expenditures.

C. COST ESTIMATE PREPARED BY THE CONGRESSIONAL BUDGET OFFICE

In compliance with subdivision (C) of clause 2(1)(3) of Rule XI of the Rules of the House of Representatives, requiring a cost estimate prepared by the Congressional Budget Office, the following report prepared by CBO is provided.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, June 14, 1996.

Hon. BILL ARCHER,
Chairman, Committee on Ways and Means, House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has reviewed H.R. 3161, a bill to authorize the extension of nondiscriminatory treatment (most-favored-nation treatment) to the products of Romania, as ordered reported by the Committee on Ways and Means on June 13, 1996. CBO estimates that extending most-favored-nation (MFN) status to the products of Romania would have no budgetary effect over fiscal year 1996 through 2002. Because H.R. 3161 could affect receipts, pay-as-you-go procedures would apply to the bill.

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, Romania is subject to the requirements of Title IV. However, Romania has received MFN treatment since 1993 on a conditional basis.

H.R. 3161 would grant the President the authority to stop applying Title IV of the Trade Act of 1974 to Bulgaria, thereby allowing Romania to receive MFN status on a permanent basis. The CBO baseline revenue projections assume that MFN status for Romania will be extended on an annual basis. Therefore, enacting H.R. 3161 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.*

V. OTHER MATTERS REQUIRED TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

A. COMMITTEE OVERSIGHT FINDINGS AND RECOMMENDATIONS

With respect to subdivision (A) of clause 2(1)(3) of Rule XI of the Rules of the House of Representatives, the Committee advises that it was as a result of the Committee's oversight activities concerning Romania's MFN status that the Committee concluded that it is appropriate to enact the provisions contained in the bill.

B. SUMMARY OF FINDINGS AND RECOMMENDATIONS OF THE GOVERNMENT REFORM AND OVERSIGHT COMMITTEE

With respect to subdivision (D) of clause 2(1)(3) of Rule XI of the Rules of the House of Representatives, the Committee advises that no oversight findings or recommendations have been submitted by the Committee on Government Reform and Oversight with respect to the provisions contained in this bill.

C. INFLATIONARY IMPACT STATEMENT

In compliance with clause 2(1)(4) of Rule XI of the Rules of the House of Representatives, the Committee states that the provisions of the bill are not expected to have an overall inflationary impact on the national economy. As is indicated above, the bill is projected to be deficit neutral over fiscal years 1996–2002.

