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COMMITTEE ON WAYS AND MEANS
COMMITTEE REPORT
U.S.-SINGAPORE FREE TRADE AGREEMENT

INTRODUCTION

A. PURPOSE AND SUMMARY

H.R. 2739 would implement the May 6, 2003 Agreement establishing a free trade area between the United States and Singapore.

B. BACKGROUND

The United States-Singapore Free Trade Agreement (FTA), signed May 6, 2003, is one of the first trade agreements, together with the United States-Chile FTA, to be considered by the Congress under the "fast-track" procedures outlined in the Bipartisan Trade Promotion Authority Act (TPA), which was approved by the 107th Congress and signed into law in August 2002 as part of the Trade Act of 2002 (P.L. 107-210).

Negotiations for a U.S.-Singapore FTA were launched in December 2000. The final round of negotiations was held in November 2002, and the formal Agreement was concluded on January 15, 2003. Pursuant to requirements established under TPA, President Bush formally notified the Congress on January 30, 2003, of his intention to sign the Agreement. On May 6, 2003, President Bush and Singaporean Prime Minister Goh Chok Tong signed the FTA during a visit to Washington, D.C. by Prime Minister Goh. The U.S.-Singapore FTA is the first U.S. FTA with an Asian nation. The Agreement establishes standards for trade that mirror U.S. law and sets a precedent for future agreements. The U.S.-Singapore FTA will serve as the foundation for other possible FTAs in Southeast Asia. It will also enhance and strengthen the strong U.S.-Singapore trade relationship. Currently, Singapore is the 11th largest trading partner of the United States, with two-way trade approaching $40 billion in 2002. Singapore is the United States' largest trading partner in Southeast Asia.

The Committee believes that the Agreement meets the objectives and priorities set forth in the Trade Act of 2002. Specifically, when the Agreement enters into force, most tariffs will be eliminated immediately, with the remaining tariffs phased-out over a three- to ten-year period. As most trade in goods with Singapore is already tariff-free, the FTA focuses on removing restrictions in trade in services, an important sector in the United States, accounting for around 80 percent of U.S. gross domestic product. The Agreement, through use of a "negative list" approach, benefits U.S. service providers by offering new opportunities for these service providers in the form of barrier-free market access, a transparent regulatory environment, and non-discriminatory treatment across many service sectors. Services firms will not only enjoy equal treatment in cross-border supply of services but will gain the right to invest and establish a local services presence.

Additionally, by binding all of its tariffs at zero, Singapore will open its markets to American agricultural products and create new opportunities for American farmers to sell their produce to a nation whose small size prevents it from being able to grow enough food for consumption by its citizens. Trade in agricultural products represents a net trade surplus for the United States. In 2002, American farmers exported around $259 million worth of food products to Singapore.

The U.S.-Singapore FTA will create a secure and predictable legal framework for U.S. investors operating in Singapore; they will be treated fairly and equitably and will have access to meaningful dispute settlement. These protections cover key sectors such as agriculture, manufacturing, and services. In addition, the Agreement makes improvements to the NAFTA investor-state dispute settlement ("Chapter 11") model called for in TPA by providing more transparency, public input into dispute settlement, mechanisms to improve the investor-state process by eliminating frivolous claims, and a place marker for a future appellate body or similar review mechanisms. The Financial Services chapter provides strong protections for existing and future U.S. investors and investments in Singapore. The Agreement also contains obligations under which each government commits to enforce its domestic labor and environmental laws.

The Agreement additionally contains state of the art protection for U.S. intellectual property, which is increasingly vital in the digital age. The FTA includes specific commitments regarding the conduct of Singapore's government enterprises; reinforced commitments to strong and transparent disciplines on government procurement procedures; strong, simple, and transparent rules of origin; commitments to combat illegal transshipments of traded goods and to prevent circumvention of disciplines pertaining to trade in textiles and apparel; and requirements to ensure effective enforcement of domestic labor and environmental laws.

As noted above, this legislation is being considered under the Bipartisan Trade Promotion Authority Act of 2002. Under TPA, new trade pacts that the President negotiates in close consultation with Congress can be approved and implemented through legislation that Congress considers using streamlined procedures. Pursuant to TPA procedures, the President is required to provide written notice to Congress of the President's intention to enter into the negotiations. Throughout the negotiating process, and prior to entering into an Agreement, the President is required to consult with Congress regarding the ongoing negotiations.

The President must notify the Congress of his intent to enter into a trade Agreement at least 90 calendar days before the Agreement is signed. Within 60 days after entering in the Agreement, the President must submit to the Congress a description of those changes to existing laws that the President considers would be required in order to bring the United States into compliance with the Agreement. After entering into the Agreement, the President must also submit to the Congress the formal legal text of the Agreement, draft implementing legislation, a statement of administrative action proposed to implement the trade Agreement, and other related supporting information as required under section 2105(a) of TPA. Following submission of these documents, the implementing bill is introduced, by request, by the Majority Leader in each chamber. The House then has up to 60 days to consider the bill (the Senate has up to an additional 30 days). No amendments to the legislation are allowed under TPA requirements.

C. LEGISLATIVE HISTORY

On November 16, 2000, the President provided notification to Congress of his intent to negotiate an FTA with Singapore. The President provided formal notification to Congress of the negotiations with Singapore as required under TPA (which was enacted subsequent to the start of the U.S.-Singapore FTA negotiations) on August 22, 2002. During and after the negotiations, the President continued his consultations with Congress pursuant to the letter and spirit of the TPA requirements.

Following the May 6, 2003 signing of the U.S.-Singapore FTA, in accordance with TPA requirements, President Bush submitted to Congress on July 3, 2003 a description of the changes to existing U.S. laws that would be required to bring the United States into compliance with the Agreement.

On June 10, 2003, the Subcommittee on Trade of the Committee on Ways and Means held a hearing on the United States-Chile and United States-Singapore FTAs. The Subcommittee received testimony supporting these Agreements from the Administration and Members of Congress. The Subcommittee also heard testimony from numerous U.S. private sector companies and organizations.

On July 10, 2003, the Committee on Ways and Means considered in an informal markup session draft proposals of the implementing legislation for the Singapore and Chile FTAs concerning matters within the jurisdiction of the Committee.

On July 15, 2003, President Bush formally transmitted to Congress the formal legal text of the U.S.-Singapore FTA, draft implementing legislation, a statement of administrative action proposed to implement the trade Agreement, and other related supporting information as required under section 2105(a) of TPA. Following this transmittal, on July 15, 2003, Majority Leader DeLay and Congressman Rangel introduced, by request, H.R. 2739 to implement the U.S.-Singapore FTA. The bill was referred to the Committee on Ways and Means and the Committee on the Judiciary.

On July 17, 2003, the Committee on Ways and Means formally met to consider H.R. 2739. The Committee ordered H.R. 2739 favorably reported to the House of Representatives by a roll call vote of 32-5. Under the requirements of TPA, amendments were not permitted.

SECTION-BY-SECTION SUMMARY

TITLE I: APPROVAL AND GENERAL PROVISIONS

Section 101: Approval and Entry into Force

Current Law:

No provision.

Explanation of Provision:

Section 101 states that Congress approves the U.S.-Singapore Free Trade Agreement and the Statement of Administrative Action and provides that the Agreement enters into force when the President determines that Singapore is in compliance with its Agreement obligations and has exchanged notes with the United States. Section 101 provides that the date of entry into forced will be no sooner than January 1, 2004.

Reason for Change:

Approval of the Agreement and the Statement of Administrative Action is required under the procedures of section 2103(b)(3) of the Bipartisan Trade Promotion Authority Act of 2002. The remainder of section 101 provides for entry into force.

Section 102: Relationship of the Agreement to U.S. and State Law

Current Law:

No provision.

Explanation of Provision:

Section 102 provides that U.S. law is to prevail in a conflict between the Agreement and such law. It also states that the Agreement does not preempt state law that may conflict with the Agreement. Only the United States is entitled to bring a court action to resolve a conflict between a state law and the Agreement.

Reason for Change:

Section 102 is necessary to make clear the relationship between the Agreement and federal and state law, respectively.

Section 103: Consultation and Layover for Proclaimed Actions

Current Law:

No provision.

Explanation of Provision:

Section 103 provides that where the President is given proclamation authority subject to consultation and layover, he may proclaim action only after he has: obtained advice from the International Trade Commission and the appropriate private sector advisory committees; submitted a report to the House Ways & Means and Senate Finance Committees concerning the reasons for the action; and consulted with the Committees. The President may proclaim the proposed action after 60 days have elapsed.

Reason for Change:

The bill gives the President certain proclamation authority but requires extensive consultation with Congress before that authority may be exercised. The Committee believes that such consultation is an essential component of the delegation of authority to the President and expects that such consultations will be conducted in a thorough manner.

Section 104: Implementing Actions in Anticipation of Entry into Force and Initial Regulations

Current Law:

No provision.

Explanation of Provision:

Section 104(a) provides that after the date of enactment, the President may proclaim actions and agencies may issue regulations as necessary to ensure that any provision of this Act that takes effect on the date that the Agreement enters into force is appropriately implemented, but not before the effective date.

Section 104(b) establishes that regulations necessary or appropriate to carrying out the actions proposed in the Statement of Administrative Action shall, to the maximum extent feasible, be issued within one year of entry into force of the Agreement or the effective date of the provision, as the case may be.

Reason for Change:

Section 104 provides for the issuance of regulations. The Committee strongly believes that regulations should be issued in a timely manner in order to provide maximum clarity to parties claiming benefits under the Agreement. As noted in the Statement of Administrative Action, a regulation-issuing agency will provide a report to Congress not later than thirty days before one year elapses on any regulation that is going to be issued later than one year.

Section 105: Administration of Dispute Settlement Proceedings

Current Law:

No provision.

Explanation of Provision:

Section 105 authorizes the President to establish an office within the Commerce Department responsible for providing administrative assistance to any state-to-state dispute settlement panels that may be established under the Agreement and authorizes appropriations for the office and for payment of the U.S. share of expenses.

Reason for Change:

The Committee believes that the Commerce Department is the appropriate agency to provide administrative assistance to panels.

Section 106: Arbitration of Claims

Current Law:

No provision.

Explanation of Provision:

Section 106 authorizes the United States to resolve certain claims covered by the investor-state dispute settlement procedures set forth in the Agreement and specifies that all U.S. government contracts are to contain a choice of law provision for resolving any breach of contract claim.

Reason for Change:

This provision is necessary to meet U.S. obligations under Article 15.21 of the Agreement.

Section 107: Effective Dates; Effect of Termination

Current Law:

No provision.

Explanation of Provision:

The effective date of this Act is the date of entry into force of the Agreement. However, sections 1-3 and Title I take effect upon enactment, and section 205 takes effect on the date in which the textile and apparel provisions of the Agreement take effect. The Act shall cease to be effective on the date on which the Agreement ceases to be in effect.

Reason for Change:

Section 107 implements U.S. obligations under the Agreement.

TITLE II: CUSTOMS PROVISIONS

Section 201: Tariff Modifications

Current Law:

No provision.

Explanation of Provision:

Section 201(a) provides the President with the authority to proclaim tariff modifications to carry out the Agreement.

Section 201(b) gives the President the authority, subject to consultation and layover procedures, to proclaim further tariff modifications as the President determines to be necessary or appropriate to maintain the general level of reciprocal and mutually advantageous concessions with respect to Singapore provided for by the Agreement.

Reason for Change:

Section 201(a) is necessary to put the United States in compliance with the market access provisions of the Agreement. Section 201(b) gives the President flexibility to maintain the trade liberalizing nature of the Agreement. The Committee expects the President to comply with the letter and spirit of the consultation and layover provisions of this Act in carrying out this subsection.

Section 202: Rules of Origin

Current Law:

No provision.

Explanation of Provision:

Section 202 codifies the rules of origin set out in Chapter 3 of the Agreement. Under the general rules, there are three basic ways for a good of Singapore to qualify as an "originating good," and therefore be eligible for preferential tariff treatment when it is imported into the United States. A good is an originating good if: (1) it is "wholly obtained or produced entirely in the territory of Singapore, the United States or both"; (2) those materials used to produce the good that are not themselves originating goods are transformed in such a way as to cause their tariff classification to change or meet other requirements, as specified in Annex 3A of the Agreement; or (3) it is a good listed in Annex 3B of the Agreement and thus considered to be an "originating good" if the good itself is imported into the territory of the United States from the territory of Singapore.

Annex 3A of the Agreement sets forth product-specific rules of origin for a wide variety of products. Under Annex 3A rules, an apparel product must generally meet a tariff shift rule that implicitly imposes a "yarn forward" requirement. Thus, to qualify as an originating good imported into the United States from Singapore, an apparel product must have been cut (or knit to shape) and sewn or otherwise assembled in Singapore from yarn, or fabric made from yarn, that originates in Singapore or the United States. There is a limited amount of apparel that may enter the United States duty free, subject to tariff preference level (TPL) caps if it does not meet the rule of origin.

The goods listed in Annex 3B (also called Integrated Sourcing Initiative or ISI products) are predominantly information technology goods for which the current United States Normal Trade Relations or Most Favored Nation duty rate is zero. In general, imports of these goods into the United States would receive duty-free treatment regardless of origin. The bill makes clear that the Annex 3B good "itself, as imported," is deemed to be an originating good. This means that an Annex 3B good produced outside of Singapore is originating only when transshipped through Singapore, not when the good is incorporated as a component into another product, unless the Annex 3B good is first shipped from the third country to Singapore and then to the United States and back to Singapore. Thus, for purposes of determining origin by way of a transformation using the regional value content formula in section 202(d) of the bill, an Annex 3B good would not be "originating" for purposes of the regional value content calculation unless it was shipped from the United States to Singapore, where it was then incorporated into the final product.

The remainder of section 202 of the implementing bill sets forth more detailed rules for determining whether a good meets the Agreement's requirements under the second method for qualifying as an originating good. These provisions include rules pertaining to *de minimis* quantities of non-originating materials that do not undergo a tariff transformation and the alternative methods for calculating regional value content. Other provisions in section 202 address valuation of materials and determination of the originating or non-originating status of fungible goods and materials.

Reason for Change:

Rules of origin are needed in order to confine Agreement benefits, such as tariff cuts, to Singapore goods to prevent third-country goods from being transshipped through Singapore and claiming benefits from the United States. Section 202 puts the United States into compliance with the rules of origin provisions of the Agreement.

The Committee believes that the ISI provisions are sufficiently restrictive that they will not disrupt trade. The Committee will ask the International Trade Commission to monitor whether trade in any regional value content good which could contain an ISI component surges after the Agreement goes into effect. If such a surge is detected the Commission will examine whether the increase is due to reliance on ISI provisions allowing third country ISI components in RVC goods to be considered originating under the Agreement because they were first shipped to the United States and then to Singapore and then for final assembly.

In addition, the committee expects the President to carry out faithfully the obligations specified in article 3.18 of the Agreement by applying any affirmative short supply determination in effect on November15, 2002 under another U.S. free trade agreement or trade preference program.

Section 203: Customs User Fees

Current Law:

Section 58c of Title 19 lays out various user fees applied by customs officials to imports, including the Merchandise Processing Fee, which is applied on an ad valorem basis with a cap.

Explanation of Provision:

Section 203 of the bill implements U.S. commitments under Article 2.8 of the Agreement, regarding the exemption from the merchandise processing fee for originating goods. This provision is similar to the one from the implementing legislation for the North American Free Trade Agreement. The provision also prohibits use of funds in the Customs User Fee Account to provide services related to entry of originating goods in accordance with U.S. obligations under the General Agreement on Tariffs and Trade 1994.

Reason for Change:

As with other free trade agreements, the Agreement eliminates the customs merchandise processing fee on qualifying goods from Singapore. Other customs user fees remain in place. Section 203 is necessary to put the United States in compliance with the user fee elimination provisions of the Agreement. The Committee expects that the President, in his yearly budget request, will take into account the need for funds to pay expenses for entries under the Agreement given that MPF funds will not be available.

Section 204: Disclosure of Incorrect Information

Current Law:

No provision.

Explanation of Provision:

Section 204 of the bill implements Article 3.14.4(a) of the Agreement. The provision prohibits the imposition of a penalty upon an importer who makes an invalid claim for preferential tariff treatment under the Agreement if the importer acts promptly and voluntarily to disclose the error. The Secretary of the Treasury may prescribe regulations that allow one year or more as a time period for such voluntary disclosures.

Reason for Change:

Section 204 is necessary to put the United States into compliance with Article 3.14.4(a) of the Agreement.

Section 205: Enforcement Relating to Trade in Textile and Apparel Goods

Current Law:

No provision.

Explanation of Provision:

Section 205 of the bill implements the textile and apparel good anti-circumvention enforcement provisions of the Agreement. In accordance with Articles 5.4.5, 5.5.5, and 5.8.2 of the Agreement, the provision allows the President to exclude from entry textile and apparel goods from any enterprise that does not permit site visits requested by U.S. officials or that engages in intentional circumvention. The President may also take further action against circumventing enterprises or related enterprises, such as barring future entries of goods, if consultations with Singapore authorities fail to address problems of circumvention.

Reason for Change:

Avoiding textile transshipment remains a concern, and for this reason special textile enforcement provisions were included in the Agreement. Section 205 is necessary to authorize these enforcement mechanisms for use by U.S. authorities.

Section 206: Regulations

Current Law:

No provision.

Explanation of Provision:

Section 206 of the implementing bill provides that the Secretary of the Treasury shall issue regulations to carry out provisions of this bill related to rules of origin and customs user fees.

Reason for Change:

Because the implementing bill involves lengthy and complex implementation procedures by customs officials, section 206 is necessary in order to authorize the Secretary of the Treasury to carry out provisions of the implementing bill through regulations.

TITLE III: RELIEF FROM IMPORTS

Subtitle A: Relief from Imports Benefiting from the Agreement (Sections 311-316)

Current Law:

No provision.

Explanation of Provision:

Sections 311-316 authorize the President, after an investigation and affirmative determination by the U.S. International Trade Commission, to impose specified import relief when, as a result of the reduction or elimination of a duty under the Agreement, a Singaporean product is being imported into the United States in such increased quantities and under such conditions as to be a substantial cause of serious injury or threat of serious injury to the domestic industry. Section 311(a) permits the award of provisional relief under certain circumstances.

Section 311(c) defines “substantial cause” in the same manner as section 201 of the Trade Act of 1974.

Section 311(d) exempts from investigation under this section Singaporean articles that have previously received relief since entry into force of the Agreement under: the bilateral safeguard provision; the textile and apparel safeguard set out in Subtitle B of Title III of this Act; the global safeguard provisions in section 201 of the Trade Act of 1974; article 6 of the WTO Agreement on Textiles and Clothing; or Article 5 of the WTO Agreement on Agriculture.

Under section 312(c), if the ITC makes an affirmative determination, it must find and recommend to the President the amount of import relief that is necessary to remedy or prevent serious injury and to facilitate the efforts of the domestic industry to make a positive adjustment to import competition.

Under section 313(a), the President must provide import relief to the extent that the President determines is necessary to remedy or prevent the injury found by the ITC and to facilitate the efforts of the domestic industry to make a positive adjustment to import competition. Under section 313(b), the President is not required to provide import relief if the President determines that the relief will not provide greater economic or social benefits than costs. Section 313(c) sets forth the nature of the relief that the President may provide as: a suspension of further tariff reductions for the article; or an increase of tariffs to a level that does not exceed the lesser of the existing most favored nation (MFN)/normal trade relation (NTR) rate or the MFN/NTR rate in effect when the Agreement entered into force. The provision further states that if the President provides relief for greater than one year, the relief must be subject to progressive liberalization at regular intervals over the course of its application.

Section 313(d) provides that the import relief that the President is authorized to provide may not exceed two years. However, the President may extend the relief under certain circumstances, but the aggregate period of relief, including extensions, may not exceed four years. According to section 313(e), the rate of duty at the end of the relief period is to be the rate that would have been in effect on that date but for such action.

Section 314 provides that no relief may be provided under this subtitle after ten years from the Agreement’s entry into force unless Singapore consents.

Section 315 authorizes the President to provide compensation to Singapore consistent with Article 7.4 of the Agreement.

Reason for Change:

The Committee believes that it is important to have in place a temporary, extraordinary mechanism if a U.S. industry experiences injury by reason of increased import competition from Singapore in the future, with the understanding that the President is not required to provide relief if the relief will not provide greater economic or social benefits than costs. The Committee intends that administration of this safeguard be consistent with U.S. obligations under Chapter 7 of the Agreement.

Subtitle B: Textile and Apparel Safeguard (Sections 321-328)

Current Law:

No provision.

Explanation of Provision:

Section 321 provides that a request for safeguard relief under this subtitle may be filed with the President by an interested party. The President is to review the request and determine whether to commence consideration of the request. If the President determines to commence consideration of the request, he is to publish a notice commencing consideration and seeking comments. The notice is to include the request itself.

Section 322(a) of the Act provides for the President to determine, pursuant to a request by an interested party, whether, as a result of the reduction or elimination of a duty provided under the Agreement, a Singaporean textile or apparel article is being imported into the United States in such increased quantities, in absolute terms or relative to the domestic market for that article, and under such conditions that imports of the article constitute a substantial cause of serious damage or actual threat thereof, to a domestic industry producing an article that is like, or directly competitive with, the imported article. The section defines “substantial cause” as well as “serious damage,” directing the President to examine the effect of increased imports on the domestic industry producing the article that is like, or directly competitive with, the imported article.

Section 322(b) identifies the relief that the President may provide as either a suspension of further duty reductions or an increase in tariffs to the normal trade relations/most-favored-nation duty rate for the article at the time relief is granted. Section 323 of the bill provides that the initial period of relief will be no longer than two years, although an extension is permitted under certain circumstances as long as total relief, including any extension, does not exceed four years. Section 324 provides that relief may not be granted to an article under the textile safeguard if relief has previously been granted under subtitle A of this title. Under section 325, the duty rate applicable to the article after the safeguard expires is the rate that would have been in force on that date, but for application of the safeguard.

Section 326 of the bill provides that the authority to provide this safeguard relief expires ten years after the textile and apparel provisions of the Agreement take effect. Section 327 of the Act gives authority to the President to provide compensation to Singapore if he orders relief. Section 328 provides for the treatment of business confidential information.

Reason for Change:

The Committee intends that the provisions of Subtitle B be administered in a manner that is in compliance with U.S. obligations under article 5.9 of the Agreement. In particular, the Committee expects that the President will implement a transparent process that will serve as an example to our trading partners.

Subtitle C: Cases Under Title II of the Trade Act of 1974 (Section 331)

Current Law:

The President has no authority under Title II of the Trade Act of 1974 ("section 201") to exclude Singapore articles from the application of a safeguard remedy.

Explanation of Provision:

If, in any investigation initiated under Title II of the Trade Act of 1974 ("section 201" action), the International Trade Commission makes an affirmative determination, the ITC will also find and report to the President whether imports of the article from Singapore are a substantial cause of serious injury or threat thereof. In determining relief to be taken under section 201, the President will determine whether imports from Singapore are a substantial cause of the serious injury or threat thereof found by the Commission and, if such determination is negative, may exclude products from Singapore from the safeguard relief provided.

Reason for Change:

This provision implements U.S. obligations under Article 7.5 of the Agreement.

III. VOTE OF THE COMMITTEE

In compliance with clause 3(b) of rule XIII of the Rules of the House of Representatives, the following statements are made concerning the vote of the Committee on Ways and Means in its consideration of the bill, H.R. 2739.

MOTION TO REPORT THE BILL

The bill, H.R. 2739, was ordered favorably reported by a roll call vote of 32 yeas to 5 nays (with a quorum being present). The vote was as follows:

Representatives	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Thomas................	√			Mr. Rangel..............	√		
Mr. Crane....................	√			Mr. Stark.................		√	
Mr. Shaw....................	√			Mr. Matsui..............	√		
Mrs. Johnson..............	√			Mr. Levin................	√		
Mr. Houghton.............	√			Mr. Cardin..............	√		
Mr. Herger..................	√			Mr. McDermott.......	√		
Mr. McCrery...............	√			Mr. Kleczka............		√	
Mr. Camp....................	√			Mr. Lewis (GA).......		√	
Mr. Ramstad...............	√			Mr. Neal..................	√		
Mr. Nussle..................	√			Mr. McNulty...........		√	
Mr. Johnson................	√			Mr. Jefferson...........			
Ms. Dunn....................	√			Mr. Tanner..............	√		
Mr. Collins..................	√			Mr. Becerra.............			
Mr. Portman................	√			Mr. Doggett............			
Mr. English.................	√			Mr. Pomeroy...........	√		
Mr. Hayworth.............	√			Mr. Sandlin………..	√		
Mr. Weller..................	√			Ms. Tubbs Jones….		√	
Mr. Hulshof................	√						
Mr. McInnis................	√						
Mr. Lewis (KY)..........	√						
Mr. Foley....................	√						
Mr. Brady...................							
Mr. Ryan....................	√						
Mr. Cantor…………..	√						

IV. BUDGET EFFECTS OF THE BILL

A. COMMITTEE ESTIMATE OF BUDGETARY EFFECTS

In compliance with clause 3(d)(2) of rule XIII of the Rules of the House of Representatives, the following statement is made concerning the effects on the budget of this bill, H.R. 3009 as reported: The Committee agrees with the estimate prepared by CBO which is included below. In addition, the legislation is governed by procedures of the Trade Agreements Act of 2002.

B. STATEMENT REGARDING NEW BUDGET AUTHORITY AND TAX EXPENDITURES

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee states that enactment of H.R. 3009 would reduce customs duty receipts due to lower tariffs imposed on goods from Singapore.

C. COST ESTIMATE PREPARED BY THE CONGRESSIONAL BUDGET OFFICE

In compliance with clause 3(c)(3) of rule XIII 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.

[INSERT HERE]

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

A. COMMITTEE OVERSIGHT FINDINGS AND RECOMMENDATIONS

With respect to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives (relating to oversight findings), the Committee, based on public hearing testimony and information from the Administration, concluded that it is appropriate and timely to consider the bill as reported.

CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Douglas Holtz-Eakin, Director

July 21, 2003

Honorable William "Bill" M. Thomas
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 2739, a bill to implement the United States-Singapore Free Trade Agreement.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Annabelle Bartsch, who can be reached at 226-2680.

Sincerely,

Douglas Holtz-Eakin

Enclosure

cc: Honorable Charles B. Rangel
Ranking Member

CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 21, 2003

H.R. 2739
A bill to implement the United States-Singapore Free Trade Agreement

As ordered reported by the House Committee on Ways and Means on July 17, 2003

SUMMARY

H.R. 2739 would approve the free trade agreement (FTA) between the government of the United States and the government of Singapore that was entered into on May 6, 2003. It would provide for tariff reductions and other changes in law related to implementation of the agreement, such as provisions dealing with dispute settlement, rules of origin, and safeguard measures for textile and apparel industries. The bill also would allow the temporary entry of certain business persons into the United States.

The Congressional Budget Office estimates that enacting the bill would reduce revenues by $55 million in 2004, by $410 million over the 2004-2008 period, and by about $1 billion over the 2004-2013 period, net of income and payroll tax offsets. The bill would not have a significant effect on direct spending or spending subject to appropriation. CBO has determined that H.R. 2739 contains no intergovernmental or private-sector 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. 2739 is shown in the following table.

	By Fiscal Year, in Millions of Dollars				
	2004	2005	2006	2007	2008
CHANGES IN REVENUES [a]					
Estimated Revenues	-55	-80	-86	-92	-98

a. H.R. 2739 also would affect direct spending and discretionary spending, but the amounts of those changes would be less than $500,000 a year.

BASIS OF ESTIMATE

Revenues

Under the United States-Singapore agreement, all tariffs on U.S. imports from Singapore would be phased out over time. The tariffs would be phased out for individual products at varying rates according to one of several different timetables ranging from immediate elimination to partial elimination over 10 years. According to the U.S. International Trade Commission, the U.S. collected $88 million in customs duties in 2002 on about $14.1 billion of imports from Singapore. Of the imports, only $1.3 billion faced non-zero tariff rates. These dutiable imports from Singapore consist mostly of certain electrical machinery, knitted or crocheted apparel, mineral fuels and oils, surgical and precision instruments, and certain nuclear reactor components. Based on these data, CBO estimates that phasing out tariff rates as outlined in the U.S.-Singapore agreement would reduce revenues by $55 million in 2004, by $410 million over the 2004-2008 period, and by about $1 billion over the 2004-2013 period, net of income and payroll tax offsets.

This estimate includes the effects of increased imports from Singapore that would result from the reduced prices of imported products in the United States, reflecting the lower tariff rates. It is likely that some of the increase in U.S. imports from Singapore would displace imports from other countries. In the absence of specific data on the extent of this substitution effect, CBO assumes that an amount equal to one-half of the increase in U.S. imports from Singapore would displace imports from other countries.

Based on current law, H.R. 2739 would not provide for the assessment of civil monetary penalties on employers for violations of the labor attestation process with respect to certain workers from Singapore. However, if H.R. 2738, a bill to implement the United States-Chile FTA, were to be enacted prior to this bill, H.R. 2739 would allow the Secretary of Labor to assess such penalties. CBO expects that any additional revenues collected as a result would amount to less than $500,000 in any year.

Direct Spending

Title IV of H.R. 2739 would permit certain traders and investors from Singapore, and their spouses and children, to enter the United States as nonimmigrants. The Bureau of Citizenship and Immigration Services (BCIS) would charge fees of about $100 to provide nonimmigrant visas, so CBO estimates that the agency could collect several million dollars annually in offsetting receipts (a credit against direct spending). The agency is authorized to spend such fees without further appropriation, so the net impact on BCIS spending would not be significant.

However, if H.R. 2738 (a bill to implement the United States-Chile FTA) were to be enacted prior to this bill, title IV would establish a new nonimmigrant category for certain professional workers from Singapore. The legislation would limit the number of annual entries under this category to 5,400, plus spouses and children. The BCIS would charge fees of about $100 to provide nonimmigrant visas, so CBO estimates that the agency would collect less than $3 million annually in offsetting receipts. Again, the agency is authorized to spend such fees without further appropriation, so the net impact on BCIS spending would not be significant.

Under current law, the Department of State also collects $100 application fee for nonimmigrant visas. These collections are spent on border security and consular functions. CBO estimates that the net budgetary impact would be less than $500,000 a year.

Spending Subject to Appropriation

Title I of H.R. 2739 would authorize the appropriation the necessary funds for the Department of Commerce to pay the United States' share of the costs of the dispute settlement procedures established by the agreement. Based on information from the agency, CBO estimates that implementing this provision would cost $100,000 in 2004, and $250,000 in each of the following years, subject to the availability of appropriated funds.

Title III would require the International Trade Commission (ITC) to investigate claims of injury to domestic industries as a result of the FTA. The ITC would have 120 days to determine whether a domestic industry has been injured, and if so, would recommend the necessary amount of import relief. The ITC would also submit a report on its determination to the President. According to the ITC, similar FTAs have resulted in only a handful of cases each year, at an average cost of about $200,000 per investigation. Based on this information, CBO estimates the bill would have no significant effect on spending subject to appropriation.

SUMMARY OF EFFECT ON REVENUES AND DIRECT SPENDING

The overall effects of H.R. 2739 on revenues and direct spending are shown in the following table.

	By Fiscal Year, In Millions of Dollars										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Changes in receipts	0	-55	-80	-86	-92	-98	-104	-110	-117	-124	-132
Changes in outlays	*	*	*	*	*	*	*	*	*	*	*

SOURCE: The Congressional Budget Office.

* = Less than $500,000.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

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.

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B. STATEMENT OF GENERAL PERFORMANCE GOALS AND OBJECTIVES

With respect to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee advises that the bill contains no measure that authorizes funding, so no statement of general performance goals and objectives for which any measure authorizes funding is required.

C. CONSTITUTIONAL AUTHORITY STATEMENT

With respect to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, relating to Constitutional Authority, the Committee states that the Committee's action in reporting the bill is derived from Article 1 of the Constitution, Section 8 (`The Congress shall have power to lay and collect taxes, duties, imposts and excises, to pay the debts and to provide for * * * the general Welfare of the United States.')

VI. CHANGES IN EXISTING LAW MADE BY THE BILL

[TO BE SUPPLIED BY THE OFFICE OF LEGISLATIVE COUNSEL]

VII. EXECUTIVE CORRESPONDENCE

[INSERT HERE]

VIII. VIEWS

[INSERT HERE]