CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 18, 2006

S. 3495

An act to authorize the extension of nondiscriminatory treatment (normal trade relations treatment) to the products of Vietnam

As ordered reported by the Senate Committee on Finance on July 31, 2006

SUMMARY

S. 3495 would allow the President to grant permanent normal trade relations (PNTR) status to Vietnam. The Congressional Budget Office estimates that the bill would increase revenues by $18 million in 2007, by $108 million over the 2007-2011 period, and by $253 million over the 2007-2016 period. Granting PNTR standing to Vietnam would have no impact on tariff rates relative to CBO's revenue baseline assumptions. However, if Vietnam were to become a member of the World Trade Organization (WTO), which CBO assumes for baseline purposes is very likely in the near future, quotas on Vietnamese products would be liberalized, thereby increasing imports and yielding more tariff revenue.

CBO has determined that S. 3495 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 S. 3495 over the 2007-2016 period is shown in the following table.

	By Fiscal Year, in Millions of Dollars									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
CHANGES IN REVENUES										
Estimated Revenues	18	22	22	23	23	25	27	29	31	33

SOURCE: Congressional Budget Office.

BASIS OF ESTIMATE

The legislation would remove Vietnam from the list of countries under title IV of the Trade Act of 1974 (the Jackson-Vanik amendment). Removing Vietnam from scrutiny under the Jackson-Vanik amendment would permit the President to accord it PNTR standing. Vietnam has received normal trade relations (NTR) status, renewed annually pursuant to a Presidential waiver of the Jackson-Vanik amendment, since 2001. CBO's revenue baseline assumes that Vietnam will continue to receive NTR status, so CBO estimates that making permanent Vietnam's NTR standing would not affect tariff rates.

Granting Vietnam PNTR status would affect receipts, CBO estimates, if that country were admitted to the WTO. With Vietnam in the WTO, the United States would have to allow it PNTR status in order for the two countries to trade with each other under the WTO, because the rules of that body do not allow member countries to discriminate against each other (with certain exceptions). Further, any quotas in place on imports from Vietnam would be liberalized. Because it appears that significant types of imports from Vietnam are restricted by binding quotas, CBO would expect that liberalizing those quotas would result in an increase in imports (particularly of textiles and apparel) from Vietnam and the associated tariff collections. Those increases would be partly offset by decreased imports from other countries.

Vietnam is currently negotiating to enter the WTO, and it could become a member as early as October 2006. Indeed, CBO assumes that it is highly probable that Vietnam will join the WTO this fall. Taking that high probability into account, CBO estimates that S. 3495 would increase revenues by $18 million in 2007, by $108 million over the 2007-2011 period, and by $253 million over the 2007-2016 period. If Vietnam does not join the WTO, however, these receipts would not materialize.

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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