

116TH CONGRESS 1ST SESSION

S. 1188

To promote United States-Mongolia trade by authorizing duty-free treatment for certain imports from Mongolia, and for other purposes.

IN THE SENATE OF THE UNITED STATES

APRIL 11, 2019

Mr. Cardin (for himself, Mr. Sullivan, Mr. Leahy, Mr. Gardner, Mr. Whitehouse, and Mr. Perdue) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

- To promote United States-Mongolia trade by authorizing duty-free treatment for certain imports from Mongolia, and for other purposes.
 - 1 Be it enacted by the Senate and House of Representa-
 - 2 tives of the United States of America in Congress assembled,
 - 3 SECTION 1. SHORT TITLE.
 - 4 This Act may be cited as the "Mongolia Third Neigh-
 - 5 bor Trade Act".
 - 6 SEC. 2. FINDINGS.
 - 7 Congress finds the following:
 - 8 (1) In 1992, Mongolia adopted a constitution
- 9 establishing a parliamentary democracy, becoming

- the only country in Asia to transition from communism to democracy. Mongolia shares land borders with only the Russian Federation and the People's Republic of China. With a large land area and a population of only 3,000,000, Mongolia is the world's most sparsely populated country, and Mongolia's sovereignty is thought to be at risk from the overwhelming influence of its much larger and more populous neighbors.
 - (2) Mongolia has shown its commitment to a "third neighbor" relationship with the United States by sending troops to support United States combat operations in Iraq and Afghanistan, and has a strong record of troop contributions to international peacekeeping missions. Mongolia's success as a democracy, strategic location, sovereignty, territorial integrity, and ability to pursue an independent foreign policy are highly relevant to the national security of the United States.
 - (3) Mongolia describes the United States as its most important "third neighbor", but trade between the United States and Mongolia is substantially lower than in many other bilateral trading relationships, and trade has declined in recent years. Total trade between the United States and Mongolia in

- 1 2012 was valued at approximately \$707,000,000,
- 2 but in 2017 the United States exported only
- 3 \$82,200,000 in goods to Mongolia and imported only
- 4 \$9,400,000 in goods from Mongolia.

- (4) After mining, agriculture is the second most important sector contributing to the economy of Mongolia. The livestock sector accounts for 87 percent of agricultural production in Mongolia and employs around ½ of the working population.
 - (5) Since the 1940s, the annual mean air temperature in Mongolia has risen at 3 times the global rate. Average precipitation is declining and extreme weather disasters are more frequent, posing acute challenges for livestock herding in the country. In 2017, an estimated 700,000 animals of the country's livestock population were killed due to the post-drought extreme winter phenomenon known as "dzud". This phenomenon is unique to Mongolia and has increased in frequency and severity in recent years, causing a rise in livestock mortality and diminishing livelihoods for herders, which has led to widespread rural poverty and a contraction in the national economy.
 - (6) Mongolia would greatly benefit from preferential treatment for imports into the United States

- of certain Mongolian products. Such preferential treatment would help address some of the economic impacts of the dzuds.
 - (7) The cashmere trade is particularly important to the economy of Mongolia, but while Mongolia produces more than ½ of the world's raw cashmere, it produces few finished cashmere products. Most Mongolian raw cashmere is exported to the People's Republic of China, and the United States buys nearly all of its cashmere products from the People's Republic of China. Preferential treatment for imports into the United States of certain Mongolian products, including cashmere products, would benefit the United States by facilitating increased trade with Mongolia.
 - (8) The development of the garment industry in Mongolia would also promote women's employment and empowerment. Women have historically participated in the garment industry in Mongolia at high rates, and that industry has historically provided safe and stable employment for women in Mongolia.
 - (9) In developing and expanding the cashmere industry in Mongolia, it is critical for Mongolia to take steps to ensure the protection of its grasslands and prevent overgrazing of cashmere goats.

1	(10) Preferential treatment for imports into the
2	United States of Mongolian products would benefit
3	Mongolia at this critical time.
4	SEC. 3. DUTY-FREE TREATMENT FOR CERTAIN IMPORTS
5	FROM MONGOLIA.
6	(a) In General.—Subject to subsection (c), the
7	President may provide duty-free treatment for any article
8	described in subsection (b) that is imported directly from
9	Mongolia into the customs territory of the United States
10	(b) ARTICLE DESCRIBED.—
11	(1) In general.—An article is described in
12	this subsection if—
13	(A) the article is the growth, product, or
14	manufacture of Mongolia;
15	(B) the article is classified under chapter
16	51, 57, 60, 61, 62, 63, or 94 of the Har-
17	monized Tariff Schedule of the United States
18	(C)(i) the article is an apparel or textile
19	article made of fabrics or fibers containing not
20	less than 23 percent by weight of cashmere; or
21	(ii) the sum of the cost or value of cash-
22	mere components of the article is not less than
23	51 percent of the appraised value of the article
24	at the time it is entered;

1	(D) in the case of an article that is a tex-
2	tile or apparel article—
3	(i) the yarn and fabric used to manu-
4	facture the article are wholly produced in
5	Mongolia; and
6	(ii) the article is wholly formed and
7	cut, or its components are wholly knit-to-
8	shape, in Mongolia;
9	(E) the sum of the cost or value of the ma-
10	terials produced in, and the direct costs of proc-
11	essing operations performed in, Mongolia or the
12	customs territory of the United States is not
13	less than 50 percent of the appraised value of
14	the article at the time it is entered; and
15	(F) the President determines that the arti-
16	cle is not import-sensitive, after receiving the
17	advice of the United States International Trade
18	Commission in accordance with section 503(e)
19	of the Trade Act of 1974 (19 U.S.C. 2463(e)).
20	(2) Exclusions.—An article shall not be treat-
21	ed as the growth, product, or manufacture of Mon-
22	golia for purposes of paragraph (1)(A) by virtue of
23	having merely undergone—
24	(A) simple combining or packaging oper-
25	ations; or

1	(B) mere dilution with water or mere dilu-
2	tion with another substance that does not mate-
3	rially alter the characteristics of the article.
4	(c) Eligibility Requirements.—Duty-free treat-
5	ment may not be provided under this section unless the
6	President determines and certifies to Congress that—
7	(1) Mongolia meets each of the requirements
8	set forth in—
9	(A) paragraphs (1), (2), and (3) of section
10	104(a) of the African Growth and Opportunity
11	Act (19 U.S.C. 3703(a)); and
12	(B) subparagraphs (A) through (F) of sec-
13	tion $113(a)(1)$ of such Act (19 U.S.C.
14	3722(a)(1));
15	(2) Mongolia has effectively enforced environ-
16	mental laws, regulations, or other measures and ful-
17	filled its obligations under international agreements
18	relating to the environment, including as such obli-
19	gations relate to public health; and
20	(3) after taking into account the factors set
21	forth in paragraphs (1) through (7) of subsection (c)
22	of section 502 of the Trade Act of 1974 (19 U.S.C.
23	2462), Mongolia meets the eligibility requirements of
24	such section 502.

- 1 (d) Verification With Respect to Trans-2 SHIPMENT FOR TEXTILE AND APPAREL ARTICLES.—
- 3 (1) In General.—Not later than January 1 of each year, the Commissioner of U.S. Customs and 5 Border Protection shall verify that textile and ap-6 parel articles imported from Mongolia to which duty-7 free treatment is extended under this section are not 8 being unlawfully transshipped into the United
- 10 (2) Report to president and congress.— 11 If the Commissioner determines pursuant to para-12 graph (1) that textile and apparel articles described 13 in that paragraph are being unlawfully transshipped 14 into the United States, the Commissioner shall re-15 port that determination to the President and the ap-16 propriate congressional committees.
- (e) WITHDRAWAL, SUSPENSION, OR LIMITATION OF PREFERENTIAL TREATMENT AND MANDATORY GRADUA-18 TION.—The provisions of subsections (d) and (e) of sec-19 tion 502 of the Trade Act of 1974 (19 U.S.C. 2462) shall 20 21 apply with respect to Mongolia to the same extent and in the same manner as such provisions apply with respect to beneficiary developing countries under title V of that

Act (19 U.S.C. 2461 et seq.).

States.

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1	(f) TERMINATION OF DUTY-FREE TREATMENT.—No
2	duty-free treatment extended under this section shall re-
3	main in effect after December 31, 2025.
4	(g) DEFINITIONS.—In this section:
5	(1) Cashmere.—The term "cashmere" means
6	fine hair obtained from a cashmere goat (capra
7	hircus laniger).
8	(2) Customs territory of the united
9	STATES.—The term "customs territory of the United
10	States" has the meaning given the term in General
11	Note 2 of the Harmonized Tariff Schedule of the
12	United States.
13	SEC. 4. BRIEFING REQUIREMENT.
14	Not later than one year after the date of the enact-
15	ment of this Act, and annually thereafter, the President
16	shall monitor, review, and provide a briefing to the appro-
17	priate congressional committees on—
18	(1) the implementation of section 3;
19	(2) compliance of Mongolia with the eligibility
20	requirements described in section 3(c); and
21	(3) the trade and investment policy of the
22	United States with respect to Mongolia.

1	SEC. 5. APPROPRIATE CONGRESSIONAL COMMITTEES DE-
2	FINED.
3	In this Act, the term "appropriate congressional com-
4	mittees" means—
5	(1) the Committee on Ways and Means and the
5	Committee on Foreign Affairs of the House of Rep-
7	resentatives; and
8	(2) the Committee on Finance and the Com-
9	mittee on Foreign Relations of the Senate.