

115TH CONGRESS  
2D SESSION

# H. R. 6636

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

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## IN THE HOUSE OF REPRESENTATIVES

JULY 26, 2018

Mr. YOHO (for himself, Ms. TITUS, Mr. YOUNG of Alaska, Mr. MEADOWS, Mr. FITZPATRICK, Ms. STEFANIK, Mr. POLIS, Mr. PRICE of North Carolina, Mr. KEATING, and Mr. EVANS) introduced the following bill; which was referred to the Committee on Ways and Means

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## 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

1 the only nation in Asia to transition from com-  
2 munism to democracy. Mongolia shares land borders  
3 with only the Russian Federation and the People’s  
4 Republic of China, nations which the U.S. national  
5 security strategy states “want to shape a world anti-  
6 thetical to U.S. values and interests.” With a large  
7 land area and a population of only 3 million, Mon-  
8 golia is the world’s most sparsely populated country,  
9 and Mongolia’s sovereignty is thought be at risk  
10 from the overwhelming influence of its much larger  
11 and more populous neighbors.

12 (2) Mongolia has shown its commitment to a  
13 “third neighbor” relationship with the United States  
14 by sending troops to support U.S. combat operations  
15 in Iraq and Afghanistan, and has a strong record of  
16 troop contributions to international peacekeeping  
17 missions. Mongolia’s success as a democracy, stra-  
18 tegic location, sovereignty, territorial integrity, and  
19 ability to pursue an independent foreign policy are  
20 highly relevant to the national security of the United  
21 States.

22 (3) Mongolia describes the United States as its  
23 most important “third neighbor,” but U.S.-Mongolia  
24 trade is substantially lower than many other bilat-  
25 eral trading relationships, and trade has declined in

1 recent years. Total trade in 2012 measured \$707  
2 million, but in 2017 the United States exported only  
3 \$82.2 million in goods to Mongolia, and imported  
4 only \$9.4 million in goods from Mongolia.

5 (4) The cashmere trade is particularly impor-  
6 tant to Mongolia's economy, but while Mongolia pro-  
7 duces over a third of the world's raw cashmere, it  
8 produces few finished cashmere products. Most Mon-  
9 golian raw cashmere is exported to China, and the  
10 United States buys nearly all of its cashmere prod-  
11 ucts from China. Preferential treatment for United  
12 States imports of certain Mongolian products, in-  
13 cluding cashmere products, would benefit the United  
14 States by facilitating increased trade with Mongolia  
15 and reducing U.S. imports of Chinese cashmere  
16 products.

17 (5) Preferential treatment for United States  
18 imports of such Mongolian products would benefit  
19 Mongolia by reducing Mongolia's economic depend-  
20 ence on China and promoting the development of  
21 Mongolia's garment industry. Experts have ex-  
22 pressed concern that Mongolia is unduly economi-  
23 cally reliant on China, with more than 80 percent of  
24 Mongolia's exports flowing to China annually, large-  
25 ly from extractive industries. Industry leaders believe

1 that China’s trade practices hinder the diversifica-  
2 tion of Mongolia’s economy and the emergence of a  
3 domestic Mongolian garment industry, because Chi-  
4 nese buyers only purchase raw Mongolian cashmere,  
5 not finished garments.

6 (6) The development of Mongolia’s garment in-  
7 dustry would also promote women’s employment and  
8 empowerment. Women have historically participated  
9 in Mongolia’s garment industry at high rates, and  
10 the garment industry has historically provided safe  
11 and stable employment for women in Mongolia.

12 **SEC. 3. DUTY-FREE TREATMENT FOR CERTAIN IMPORTS**  
13 **FROM MONGOLIA.**

14 (a) IN GENERAL.—The President is authorized to  
15 provide duty-free treatment for any article described in  
16 subsection (b) that is imported directly from Mongolia into  
17 the customs territory of the United States.

18 (b) ARTICLE DESCRIBED.—

19 (1) IN GENERAL.—An article is described in  
20 this subsection if—

21 (A) the article is the growth, product, or  
22 manufacture of Mongolia;

23 (B) the article is classified under chapter  
24 51, 57, 60, 61, 62, 63, or 94 of the Har-  
25 monized Tariff Schedule of the United States;

1 (C)(i) the article is an apparel or textile  
2 article made of fabrics or fibers containing not  
3 less than 23 percent by weight of cashmere; or

4 (ii) the sum of the cost or value of cash-  
5 mere components of the article is not less than  
6 51 percent of the appraised value of the article  
7 at the time it is entered;

8 (D) in the case of an article that is a tex-  
9 tile or apparel article, the yarn and fabric used  
10 to manufacture the article are produced in  
11 Mongolia;

12 (E) the sum of the cost or value of the ma-  
13 terials produced in, and the direct costs of proc-  
14 essing operations performed in, Mongolia or the  
15 customs territory of the United States is not  
16 less than 35 percent of the appraised value of  
17 the article at the time it is entered; and

18 (F) the President determines that the arti-  
19 cle is not import-sensitive, after receiving the  
20 advice of the United States International Trade  
21 Commission in accordance with section 503(e)  
22 of the Trade Act of 1974 (19 U.S.C. 2463(e)).

23 (2) EXCLUSIONS.—An article shall not be treat-  
24 ed as the growth, product, or manufacture of Mon-

1       golia for purposes of paragraph (1)(A) by virtue of  
2       having merely undergone—

3               (A) simple combining or packaging oper-  
4               ations; or

5               (B) mere dilution with water or mere dilu-  
6               tion with another substance that does not mate-  
7               rially alter the characteristics of the article.

8       (c) VERIFICATION WITH RESPECT TO TRANS-  
9 SHIPMENT FOR TEXTILE AND APPAREL ARTICLES.—

10           (1) IN GENERAL.—Not later than April 1, July  
11       1, October 1, and January 1 of each year, the Com-  
12       missioner of U.S. Customs and Border Protection  
13       shall verify that textile and apparel articles imported  
14       from Mongolia to which duty-free treatment is ex-  
15       tended under this Act are not being unlawfully  
16       transshipped into the United States.

17           (2) REPORT TO PRESIDENT.—If the Commis-  
18       sioner determines pursuant to paragraph (1) that  
19       textile and apparel articles imported from Mongolia  
20       to which duty-free treatment is extended under this  
21       Act are being unlawfully transshipped into the  
22       United States, the Commissioner shall report that  
23       determination to the President.

1 (d) ELIGIBILITY REQUIREMENTS.—Duty-free treat-  
2 ment may be provided under this Act only if the President  
3 determines and certifies to Congress that—

4 (1) Mongolia meets the requirements set forth  
5 in paragraphs (1), (2), and (3) of section 104(a) of  
6 the African Growth and Opportunity Act (19 U.S.C.  
7 3703(a)); and

8 (2) after taking into account the factors set  
9 forth in paragraphs (1) through (7) of subsection (c)  
10 of section 502 of the Trade Act of 1974 (19 U.S.C.  
11 2462), Mongolia meets the eligibility requirements of  
12 such section 502.

13 (e) WITHDRAWAL, SUSPENSION, OR LIMITATION OF  
14 PREFERENTIAL TREATMENT; MANDATORY GRADUA-  
15 TION.—The provisions of subsections (d) and (e) of sec-  
16 tion 502 of the Trade Act of 1974 (19 U.S.C. 2462) shall  
17 apply with respect to Mongolia to the same extent and  
18 in the same manner as such provisions apply with respect  
19 to beneficiary developing countries under title V of that  
20 Act (19 U.S.C. 2461 et seq.).

21 (f) TERMINATION OF DUTY-FREE TREATMENT.—No  
22 duty-free treatment extended under this Act shall remain  
23 in effect after December 31, 2025.

24 (g) DEFINITIONS.—In this section:

1           (1) CUSTOMS TERRITORY OF THE UNITED  
2 STATES.—The term “customs territory of the United  
3 States” has the meaning given the term in General  
4 Note 2 of the Harmonized Tariff Schedule of the  
5 United States.

6           (2) CASHMERE.—The term “cashmere” means  
7 fine hair obtained from a cashmere goat (*capra*  
8 *hircus laniger*).

9 **SEC. 4. BRIEFING REQUIREMENT.**

10       (a) IN GENERAL.—Not later than one year after the  
11 date of the enactment of this Act, and periodically there-  
12 after, the President shall monitor, review, and provide a  
13 briefing to the appropriate congressional committees on—

14           (1) the implementation of this Act;

15           (2) compliance of Mongolia with the eligibility  
16 requirements described in section 3(d); and

17           (3) the trade and investment policy of the  
18 United States with respect to Mongolia.

19       (b) APPROPRIATE CONGRESSIONAL COMMITTEES  
20 DEFINED.—In this section, the term “appropriate con-  
21 gressional committees” means—

22           (1) the Committee on Ways and Means and the  
23 Committee on Foreign Affairs of the House of Rep-  
24 resentatives; and



1           (2) the Committee on Finance and the Com-  
2           mittee on Foreign Relations of the Senate.

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