

115TH CONGRESS 2D SESSION

S. 3470

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

SEPTEMBER 18, 2018

Mr. CARDIN (for himself and Mr. Sullivan) 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 nation in Asia to transition from communism to democracy.
 - (2) Mongolia shares land borders with only the Russian Federation and the People's Republic of China, nations that the United States national security strategy states "want to shape a world antithetical to U.S. values and interests." With a large land area and a population of only 3,000,000, Mongolia is the most sparsely populated country in the world, and the sovereignty of Mongolia is thought to be at risk from the overwhelming influence of its much larger and more populous neighbors.
 - (3) 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.
 - (4) The success of Mongolia as a democracy, the strategic location, sovereignty, and territorial integrity of Mongolia, and the ability of Mongolia to pursue an independent foreign policy are highly relevant to the national security of the United States.
 - (5) Mongolia describes the United States as its most important "third neighbor", but United States-

- Mongolia trade is substantially lower than many other bilateral trading relationships and trade has declined in recent years. Total trade in 2012 measured \$707,000,000, but in 2017 the United States exported only \$82,200,000 in goods to Mongolia and imported only \$9,400,000 in goods from Mongolia.
- (6) The cashmere trade is particularly important to the economy of Mongolia, but although Mongolia produces more than a third of raw cashmere in the world, it produces few finished cashmere products. Most Mongolian raw cashmere is exported to China, and the United States buys nearly all of its cashmere products from China. Preferential treatment for United States imports of certain Mongolian products, including cashmere products, would benefit the United States by facilitating increased trade with Mongolia and reducing United States imports of Chinese cashmere products.
- (7) Preferential treatment for United States imports of such Mongolian products would benefit Mongolia by reducing the economic dependence of Mongolia on China and promoting the development of the garment industry of Mongolia. Experts have expressed concern that Mongolia is unduly economically reliant on China, with more than 80 percent of

1	exports from Mongolia flowing to China annually,
2	largely from extractive industries. Industry leaders
3	believe that the trade practices of China hinder the
4	diversification of the economy of Mongolia and the
5	emergence of a domestic Mongolian garment indus-
6	try, because Chinese buyers only purchase raw Mon-
7	golian cashmere, not finished garments.
8	(8) The development of the garment industry in
9	Mongolia would also promote employment and em-
10	powerment of women in Mongolia. Women have his-
11	torically participated in the garment industry in
12	Mongolia at high rates, and the garment industry
13	has historically provided safe and stable employment
14	for women in Mongolia.
15	SEC. 3. DUTY-FREE TREATMENT FOR CERTAIN IMPORTS
16	FROM MONGOLIA.
17	(a) In General.—The President may provide duty-
18	free treatment for any article described in subsection (b)
19	that is imported directly from Mongolia into the customs
20	territory of the United States.
21	(b) ARTICLE DESCRIBED.—
22	(1) In general.—An article is described in
23	this subsection if—
24	(A) the article is the growth, product, or
25	manufacture of Mongolia;

1	(B) the article is classified under chapter
2	51, 57, 60, 61, 62, 63, or 94 of the Har-
3	monized Tariff Schedule of the United States;
4	(C)(i) the article is an apparel or textile
5	article made of fabrics or fibers containing not
6	less than 23 percent by weight of cashmere; or
7	(ii) the sum of the cost or value of cash-
8	mere components of the article is not less than
9	51 percent of the appraised value of the article
10	at the time it is entered;
11	(D) in the case of an article that is a tex-
12	tile or apparel article, the yarn and fabric used
13	to manufacture the article are produced in
14	Mongolia;
15	(E) the sum of the cost or value of the ma-
16	terials produced in, and the direct costs of proc-
17	essing operations performed in, Mongolia or the
18	customs territory of the United States is not
19	less than 35 percent of the appraised value of
20	the article at the time it is entered; and
21	(F) the President determines that the arti-
22	cle is not import-sensitive, after receiving the
23	advice of the United States International Trade
24	Commission in accordance with section 503(e)
25	of the Trade Act of 1974 (19 U.S.C. 2463(e)).

1	(2) Exclusions.—An article shall not be treat-
2	ed as the growth, product, or manufacture of Mon-
3	golia for purposes of paragraph (1)(A) by virtue of
4	having merely undergone—
5	(A) simple combining or packaging oper-
6	ations; or
7	(B) mere dilution with water or mere dilu-
8	tion with another substance that does not mate-
9	rially alter the characteristics of the article.
10	(c) Verification With Respect to Trans-
11	SHIPMENT FOR TEXTILE AND APPAREL ARTICLES.—
12	(1) In General.—Not later than April 1, July
13	1, October 1, and January 1 of each year, the Com-
14	missioner of U.S. Customs and Border Protection
15	shall verify that textile and apparel articles imported
16	from Mongolia to which duty-free treatment is ex-
17	tended under this Act are not being unlawfully
18	transshipped into the United States.
19	(2) Report to president.—If the Commis-
20	sioner determines pursuant to paragraph (1) that
21	textile and apparel articles imported from Mongolia
22	to which duty-free treatment is extended under this
23	Act are being unlawfully transshipped into the
24	United States, the Commissioner shall report that
25	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 of the
- 6 African Growth and Opportunity Act (19 U.S.C.
- 7 3703); and
- 8 (2) after taking into account the factors set
- 9 forth in paragraphs (1) through (7) of subsection (c)
- of section 502 of the Trade Act of 1974 (19 U.S.C.
- 11 2462), Mongolia meets the eligibility requirements of
- 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 Finance and the Com-
23	mittee on Foreign Relations of the Senate; and

(2) the Committee on Ways and Means and the
Committee on Foreign Affairs of the House of Rep resentatives.

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