CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 7, 1997

S.____
Reciprocal Trade Agreements Act of 1997
As ordered reported by the Senate Committee on Finance on October 1, 1997

SUMMARY

This bill would restore the President's authority to enter into multilateral and bilateral trade agreements with Congressional approval or rejection of, but not amendment to, those agreements. In addition, the bill would extend the trade adjustment assistance (TAA) program, which will expire on September 30, 1998. The bill would also extend the customs user fees established by the Consolidated Omnibus Reconciliation Act of 1985 (COBRA). CBO estimates that enacting this bill would reduce direct spending by $8 million over the 1998-2002 period. Because enacting the bill would affect direct spending, pay-as-you-go procedures would apply.

The bill contains no new private-sector or intergovernmental mandates as defined in the Unfunded Mandates Reform Act of 1995 (UMRA), and would not impose any costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the bill is shown in the following table.

	By Fiscal Year, in Millions of Dollars				
	1998	1999	2000	2001	2002
REVENUES					
Restoration of Fast Track Authority	0	0	0	0	0
OUTLAYS					
Extension of Trade Adjustment Assistance	0	39	48	12	3
Extension of COBRA Customs User Fee	-87	-23	0	0	0

BASIS OF ESTIMATE

Revenues

Before their expiration on June 1, 1993, sections 1102 and 1103 of the Omnibus Trade and Competitiveness Act of 1988 granted the President the authority to enter into multilateral and bilateral trade agreements. The President could reduce certain tariffs by proclamation within specified bounds prescribed by the law. For provisions subject to Congressional approval, Congress could not amend implementing legislation once it was introduced. Furthermore, as long as the President met statutory requirements concerning Congressional consultation during the negotiation process, Congress was required to act on the legislation following a strict timetable. This consideration process was known as the "fast track" procedure. P.L. 103-40 temporarily extended these provisions through April 16, 1994, for any trade agreement resulting from the Uruguay Round negotiations taking place under the General Agreement on Tariffs and Trade.

The Reciprocal Trade Agreements Act of 1997 would restore the President's authority to implement certain tariff changes. The bill would have no direct effect on revenues, because future trade agreements would require implementing legislation. The effect of any changes implemented by the President would be attributed to the legislation implementing the agreement.

Outlays

The Trade Adjustment Assistance (TAA) program, which was established by the Trade Expansion Act of 1962, and was most recently extended until September 30, 1998, by the Omnibus Reconciliation Act of 1993, provides transitional adjustment assistance for workers and firms dislocated as a result of a federal policy of reducing barriers to foreign trade. The bill would extend the program through fiscal year 2000 at a cost of $102 million over the 1998-2002 period. This figure reflects only the cost of assistance under the North American Free Trade Agreement Implementation Act. The other costs of extending TAA are included in the baseline, as provided by the Balanced Budget Act of 1985.

Section 13031 of the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) established a schedule of flat fees for processing conveyances and passengers entering the United States. This bill would direct the Customs Service to collect a passenger processing fee of $5 from persons arriving by commercial vessel or aircraft from Mexico, Canada, and certain other areas. These fees would be collected through August 31, 1998. CBO estimates that this provision would result in additional offsetting receipts of about $87 million in fiscal year 1998 and $23 million in fiscal year 1999.

PAY-AS-YOU-GO CONSIDERATIONS

Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The projected changes in direct spending through 2007 are shown in the following table. For purposes of enforcing pay-as-you-go procedures, however, only the effects in the budget year and the succeeding four years are counted.

By Fiscal Year, in Millions of Dollars											
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	98-07
Changes in Outlays	-87	16	48	12	3	0	0	0	0	0	-8
Changes in Receipts	0	0	0	0	0	0	0	0	0	0	0

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The bill contains no new private-sector or intergovernmental mandates as defined in UMRA and would not impose any costs on state, tribal, or local governments.

ESTIMATE PREPARED BY:

Revenues: Alyssa Trzeszkowski
Federal Costs: Mark Grabowicz
Christi H. Sadoti

ESTIMATE APPROVED BY:

Rosemary Marcuss
Assistant Director for Tax Analysis

Paul N. Van de Water
Assistant Director for Budget Analysis