

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

1 the only nation in Asia to transition from com-
2 munism to democracy.

3 (2) Mongolia shares land borders with only the
4 Russian Federation and the People's Republic of
5 China, nations that the United States national secu-
6 rity strategy states "want to shape a world antithet-
7 ical to U.S. values and interests." With a large land
8 area and a population of only 3,000,000, Mongolia
9 is the most sparsely populated country in the world,
10 and the sovereignty of Mongolia is thought to be at
11 risk from the overwhelming influence of its much
12 larger and more populous neighbors.

13 (3) Mongolia has shown its commitment to a
14 "third neighbor" relationship with the United States
15 by sending troops to support United States combat
16 operations in Iraq and Afghanistan, and has a
17 strong record of troop contributions to international
18 peacekeeping missions.

19 (4) The success of Mongolia as a democracy,
20 the strategic location, sovereignty, and territorial in-
21 tegrity of Mongolia, and the ability of Mongolia to
22 pursue an independent foreign policy are highly rel-
23 evant to the national security of the United States.

24 (5) Mongolia describes the United States as its
25 most important "third neighbor", but United States-

1 Mongolia trade is substantially lower than many
2 other bilateral trading relationships and trade has
3 declined in recent years. Total trade in 2012 meas-
4 ured \$707,000,000, but in 2017 the United States
5 exported only \$82,200,000 in goods to Mongolia and
6 imported only \$9,400,000 in goods from Mongolia.

7 (6) The cashmere trade is particularly impor-
8 tant to the economy of Mongolia, but although Mon-
9 golia produces more than a third of raw cashmere in
10 the world, it produces few finished cashmere prod-
11 ucts. Most Mongolian raw cashmere is exported to
12 China, and the United States buys nearly all of its
13 cashmere products from China. Preferential treat-
14 ment for United States imports of certain Mongolian
15 products, including cashmere products, would benefit
16 the United States by facilitating increased trade
17 with Mongolia and reducing United States imports
18 of Chinese cashmere products.

19 (7) Preferential treatment for United States
20 imports of such Mongolian products would benefit
21 Mongolia by reducing the economic dependence of
22 Mongolia on China and promoting the development
23 of the garment industry of Mongolia. Experts have
24 expressed concern that Mongolia is unduly economi-
25 cally 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)
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 Finance and the Com-
23 mittee on Foreign Relations of the Senate; and

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

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