

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

1 the only country 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. With a large land area and a
5 population of only 3,000,000, Mongolia is the
6 world’s most sparsely populated country, and Mon-
7 golia’s sovereignty is thought to be at risk from the
8 overwhelming influence of its much larger and more
9 populous neighbors.

10 (2) Mongolia has shown its commitment to a
11 “third neighbor” relationship with the United States
12 by sending troops to support United States combat
13 operations in Iraq and Afghanistan, and has a
14 strong record of troop contributions to international
15 peacekeeping missions. Mongolia’s success as a de-
16 mocracy, strategic location, sovereignty, territorial
17 integrity, and ability to pursue an independent for-
18 eign policy are highly relevant to the national secu-
19 rity of the United States.

20 (3) Mongolia describes the United States as its
21 most important “third neighbor”, but trade between
22 the United States and Mongolia is substantially
23 lower than in many other bilateral trading relation-
24 ships, and trade has declined in recent years. Total
25 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.

5 (4) After mining, agriculture is the second most
6 important sector contributing to the economy of
7 Mongolia. The livestock sector accounts for 87 per-
8 cent of agricultural production in Mongolia and em-
9 ploys around $\frac{1}{3}$ of the working population.

10 (5) Since the 1940s, the annual mean air tem-
11 perature in Mongolia has risen at 3 times the global
12 rate. Average precipitation is declining and extreme
13 weather disasters are more frequent, posing acute
14 challenges for livestock herding in the country. In
15 2017, an estimated 700,000 animals of the country's
16 livestock population were killed due to the post-
17 drought extreme winter phenomenon known as
18 "dzud". This phenomenon is unique to Mongolia and
19 has increased in frequency and severity in recent
20 years, causing a rise in livestock mortality and di-
21 minishing livelihoods for herders, which has led to
22 widespread rural poverty and a contraction in the
23 national economy.

24 (6) Mongolia would greatly benefit from pref-
25 erential treatment for imports into the United States

1 of certain Mongolian products. Such preferential
2 treatment would help address some of the economic
3 impacts of the dzuds.

4 (7) The cashmere trade is particularly impor-
5 tant to the economy of Mongolia, but while Mongolia
6 produces more than $\frac{1}{3}$ of the world's raw cashmere,
7 it produces few finished cashmere products. Most
8 Mongolian raw cashmere is exported to the People's
9 Republic of China, and the United States buys near-
10 ly all of its cashmere products from the People's Re-
11 public of China. Preferential treatment for imports
12 into the United States of certain Mongolian prod-
13 ucts, including cashmere products, would benefit the
14 United States by facilitating increased trade with
15 Mongolia.

16 (8) The development of the garment industry in
17 Mongolia would also promote women's employment
18 and empowerment. Women have historically partici-
19 pated in the garment industry in Mongolia at high
20 rates, and that industry has historically provided
21 safe and stable employment for women in Mongolia.

22 (9) In developing and expanding the cashmere
23 industry in Mongolia, it is critical for Mongolia to
24 take steps to ensure the protection of its grasslands
25 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
4 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
9 States.

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.

17 (e) WITHDRAWAL, SUSPENSION, OR LIMITATION OF
18 PREFERENTIAL TREATMENT AND MANDATORY GRADUA-

19 TION.—The provisions of subsections (d) and (e) of sec-
20 tion 502 of the Trade Act of 1974 (19 U.S.C. 2462) shall
21 apply with respect to Mongolia to the same extent and
22 in the same manner as such provisions apply with respect
23 to beneficiary developing countries under title V of that
24 Act (19 U.S.C. 2461 et seq.).

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
6 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.

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