

116TH CONGRESS
1ST SESSION

H. R. 2219

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

IN THE HOUSE OF REPRESENTATIVES

APRIL 10, 2019

Mr. YOHO (for himself, Ms. TITUS, Mr. COHEN, Mr. FITZPATRICK, Mr. YOUNG, Mr. NORMAN, Mr. PRICE of North Carolina, and Mr. MCGOVERN) introduced the following bill; which was referred to the Committee on Ways and Means

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 United States-
22 Mongolia trade is substantially lower than many
23 other bilateral trading relationships, and trade has
24 declined in recent years. Total trade between the
25 countries in 2012 measured \$707,000,000, but in

1 2017 the United States exported only \$82,200,000
2 in goods to Mongolia and imported only \$9,400,000
3 in goods from Mongolia.

4 (4) After mining, agriculture is the second most
5 important sector contributing to the Mongolian econ-
6 omy. The livestock sector accounts for 87 percent of
7 agricultural production in Mongolia and employs
8 around one-third of the working population.

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

23 (6) Mongolia would greatly benefit from pref-
24 erential treatment for United States imports of cer-

1 tain Mongolian products to help address some of the
2 economic impacts of the dzuds.

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

13 (8) The development of Mongolia's garment in-
14 dustry would also promote women's employment and
15 empowerment. Women have historically participated
16 in Mongolia's garment industry at high rates, and
17 the garment industry has historically provided safe
18 and stable employment for women in Mongolia.

19 (9) In developing and expanding Mongolia's
20 cashmere industry, it is critical for Mongolia to take
21 steps to ensure the protection of its grasslands and
22 prevent overgrazing of cashmere goats.

23 (10) Preferential treatment for United States
24 imports of such Mongolian products would benefit
25 Mongolia at this critical time.

1 **SEC. 3. DUTY-FREE TREATMENT FOR CERTAIN IMPORTS**
2 **FROM MONGOLIA.**

3 (a) IN GENERAL.—Subject to the eligibility require-
4 ments in subsection (c), the President is authorized to pro-
5 vide duty-free treatment for any article described in sub-
6 section (b) that is imported directly from Mongolia into
7 the customs territory of the United States.

8 (b) ARTICLE DESCRIBED.—

9 (1) IN GENERAL.—An article is described in
10 this subsection if—

11 (A) the article is the growth, product, or
12 manufacture of Mongolia;

13 (B) the article is classified under chapter
14 51, 57, 60, 61, 62, 63, or 94 of the Har-
15 monized Tariff Schedule of the United States;

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

19 (ii) the sum of the cost or value of cash-
20 mere components of the article is not less than
21 51 percent of the appraised value of the article
22 at the time it is entered;

23 (D) in the case of an article that is a tex-
24 tile or apparel article, the yarn and fabric used
25 to manufacture the article—

1 (i) are wholly produced in Mongolia;

2 and

3 (ii) are wholly formed and cut, or are

4 components wholly knit-to-shape, in Mon-

5 golia;

6 (E) the sum of the cost or value of the ma-

7 terials produced in, and the direct costs of proc-

8 essing operations performed in, Mongolia or the

9 customs territory of the United States is not

10 less than 50 percent of the appraised value of

11 the article at the time it is entered; and

12 (F) the President determines that the arti-

13 cle is not import-sensitive, after receiving the

14 advice of the United States International Trade

15 Commission in accordance with section 503(e)

16 of the Trade Act of 1974 (19 U.S.C. 2463(e)).

17 (2) EXCLUSIONS.—An article shall not be treat-

18 ed as the growth, product, or manufacture of Mon-

19 golia for purposes of paragraph (1)(A) by virtue of

20 having merely undergone—

21 (A) simple combining or packaging oper-

22 ations; or

23 (B) mere dilution with water or mere dilu-

24 tion with another substance that does not mate-

25 rially alter the characteristics of the article.

1 (c) ELIGIBILITY REQUIREMENTS.—Duty-free treat-
2 ment may not be provided under this Act unless the Presi-
3 dent determines and certifies to Congress that—

4 (1) Mongolia meets—

5 (A) each of the requirements described in
6 paragraphs (1), (2), and (3) of section 104(a)
7 of the African Growth and Opportunity Act (19
8 U.S.C. 3703(a)); and

9 (B) each of the criteria relating to the pre-
10 vention of transshipment described in para-
11 graphs (1) and (2) of section 113(a) of such
12 Act (19 U.S.C. 3722(a));

13 (2) Mongolia has effectively enforced environ-
14 mental laws, regulations, or other measures and ful-
15 filled its international environmental obligations, in-
16 cluding as such obligations relate to public health;
17 and

18 (3) after taking into account the factors set
19 forth in paragraphs (1) through (7) of subsection (c)
20 of section 502 of the Trade Act of 1974 (19 U.S.C.
21 2462), Mongolia meets the eligibility requirements of
22 such section 502.

23 (d) VERIFICATION WITH RESPECT TO TRANS-
24 SHIPMENT FOR TEXTILE AND APPAREL ARTICLES.—

1 (1) IN GENERAL.—Not later than January 1 of
2 each year, the Commissioner of U.S. Customs and
3 Border Protection shall verify that textile and ap-
4 parel articles imported from Mongolia to which duty-
5 free treatment is extended under this Act are not
6 being unlawfully transshipped into the United
7 States.

8 (2) REPORT TO PRESIDENT AND CONGRESS.—
9 If the Commissioner determines pursuant to para-
10 graph (1) that textile and apparel articles imported
11 from Mongolia to which duty-free treatment is ex-
12 tended under this Act are being unlawfully trans-
13 shipped into the United States, the Commissioner
14 shall report that determination to the President and
15 the appropriate congressional committees.

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

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

4 (g) DEFINITIONS.—In this section:

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

10 (2) CASHMERE.—The term “cashmere” means
11 fine hair obtained from a cashmere goat (*capra*
12 *hircus laniger*).

13 **SEC. 4. BRIEFING REQUIREMENT.**

14 (a) IN GENERAL.—Not later than one year after the
15 date of the enactment of this Act, and annually thereafter,
16 the President shall monitor, review, and provide a briefing
17 to the appropriate congressional committees on—

18 (1) the implementation of this Act;

19 (2) compliance of Mongolia with the eligibility
20 requirements described in section 3(d); 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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