

118TH CONGRESS
1ST SESSION

S. 3368

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

NOVEMBER 30, 2023

Mr. SULLIVAN (for himself and Mr. CARDIN) 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
10 the only country in Asia to transition from com-

1 munism to democracy. Mongolia shares land borders
2 with only the Russian Federation and the People’s
3 Republic of China. With a large land area and a
4 population of only 3,255,000, Mongolia is the
5 world’s most sparsely populated country, and its
6 economy is highly dependent on its much larger and
7 more populous neighbors.

8 (2) Mongolia’s success as a democracy, stra-
9 tegic location, sovereignty, territorial integrity, and
10 ability to pursue an independent foreign policy are
11 highly relevant to the national security of the United
12 States.

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, including nearly 900 per-
19 sonnel serving in the United Nations mission in
20 South Sudan and other missions.

21 (4) Mongolia describes the United States as its
22 most important “third neighbor”, but trade between
23 the United States and Mongolia is substantially
24 lower than in many of Mongolia’s other bilateral
25 trading relationships, and has declined in recent

1 years. Total trade between the United States and
2 Mongolia in 2012 was valued at approximately
3 \$707,000,000, but in 2022 the United States ex-
4 ported only \$149,000,000 in goods to Mongolia and
5 imported only \$26,000,000 in goods from Mongolia.

6 (5) While the mining industry accounts for
7 more than 80 percent of Mongolia’s exports by value
8 and more than 20 percent of gross domestic product,
9 agriculture, which accounts for 13.25 percent of
10 gross domestic product, is a much larger source of
11 jobs, employing around a quarter of the working
12 population. The livestock sector accounts for more
13 than 80 percent of agricultural production in Mon-
14 golia.

15 (6) Since the 1940s, the annual mean air tem-
16 perature in Mongolia has risen at 3 times the aver-
17 age global rate. Average precipitation is declining
18 and extreme weather disasters are more frequent,
19 posing acute challenges for livestock herding in the
20 country. In 2017, an estimated 700,000 animals of
21 the country’s livestock population perished due to
22 the post-drought extreme winter phenomenon known
23 as “dzud”. This phenomenon has increased in fre-
24 quency and severity in recent years, causing a rise
25 in livestock mortality and diminishing livelihoods for

1 herders, which has led to widespread rural poverty
2 and a contraction in the national economy.

3 (7) Mongolia would greatly benefit from pref-
4 erential treatment for imports into the United States
5 of certain Mongolian products. Such preferential
6 treatment would help address some of the economic
7 impacts of the dzuds.

8 (8) The cashmere trade is particularly impor-
9 tant to the economy of Mongolia. While Mongolia
10 produces approximately 40 percent of the world's
11 raw cashmere, it produces few finished cashmere
12 products. Mongolian raw cashmere is exported to the
13 People's Republic of China, where it is diluted with
14 other fibers and labeled as Mongolian. The United
15 States buys nearly all of its cashmere products from
16 the People's Republic of China. Preferential treat-
17 ment for imports into the United States of certain
18 Mongolian products, including cashmere products,
19 would benefit the United States by facilitating in-
20 creased direct trade with Mongolia for cashmere
21 products while also supporting the development of
22 value-added cashmere processing in Mongolia.

23 (9) The development of the garment industry in
24 Mongolia would also promote women's employment
25 and empowerment. Women have historically partici-

1 pated in the garment industry in Mongolia at high
2 rates, and that industry has historically provided
3 safe and stable employment for women in Mongolia.
4 The United Nations has recognized the high num-
5 bers of women deployed as part of Mongolia's con-
6 tribution to peacekeeping operations.

7 (10) In developing and expanding the cashmere
8 industry in Mongolia, it is critical for Mongolia to
9 take steps to ensure the protection of its grasslands
10 and prevent overgrazing of cashmere goats. Since
11 2018, Mongolia has been working with the United
12 Nations Development Programme to implement the
13 Mongolian Sustainable Cashmere Platform. The
14 Platform's objectives aim to improve cashmere
15 traceability and Mongolia's sustainable cashmere
16 value chain.

17 (11) Preferential treatment for imports into the
18 United States of Mongolian products would benefit
19 Mongolia at this critical time.

20 **SEC. 3. DUTY-FREE TREATMENT FOR CERTAIN IMPORTS**
21 **FROM MONGOLIA.**

22 (a) IN GENERAL.—Subject to subsection (c), the
23 President may provide duty-free treatment for any article
24 described in subsection (b) that is imported directly from
25 Mongolia into the customs territory of the United States.

1 (b) ARTICLE DESCRIBED.—

2 (1) IN GENERAL.—An article is described in
3 this subsection if—

4 (A) the article is the growth, product, or
5 manufacture of Mongolia;

6 (B) the article is classified under chapter
7 51, 57, 60, 61, 62, 63, or 94 of the Har-
8 monized Tariff Schedule of the United States;

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

12 (ii) the sum of the cost or value of cash-
13 mere components of the article is not less than
14 51 percent of the appraised value of the article
15 at the time it is entered;

16 (D) in the case of an article that is a tex-
17 tile or apparel article—

18 (i) the yarn and fabric used to manu-
19 facture the article are wholly produced in
20 Mongolia; and

21 (ii) the article is wholly formed and
22 cut, or its components are wholly knit-to-
23 shape, in Mongolia;

24 (E) the sum of the cost or value of the ma-
25 terials produced in, and the direct costs of proc-

1 essing operations performed in, Mongolia or the
2 customs territory of the United States is not
3 less than 50 percent of the appraised value of
4 the article at the time it is entered; and

5 (F) the President determines that the arti-
6 cle is not import-sensitive, after receiving the
7 advice of the United States International Trade
8 Commission as described in section 503(e) of
9 the Trade Act of 1974 (19 U.S.C. 2463(e)).

10 (2) EXCLUSIONS.—An article shall not be treat-
11 ed as the growth, product, or manufacture of Mon-
12 golia for purposes of paragraph (1)(A) by virtue of
13 having merely undergone—

14 (A) simple combining or packaging oper-
15 ations; or

16 (B) mere dilution with water or mere dilu-
17 tion with another substance that does not mate-
18 rially alter the characteristics of the article.

19 (c) ELIGIBILITY REQUIREMENTS.—Duty-free treat-
20 ment may not be provided under this section unless the
21 President determines and certifies to Congress that—

22 (1) Mongolia meets each of the requirements
23 set forth in—

1 (A) paragraphs (1), (2), and (3) of section
2 104(a) of the African Growth and Opportunity
3 Act (19 U.S.C. 3703(a)); and

4 (B) subparagraphs (A) through (F) of sec-
5 tion 113(a)(1) of such Act (19 U.S.C.
6 3722(a)(1));

7 (2) Mongolia has effectively enforced environ-
8 mental laws, regulations, or other measures and ful-
9 filled its obligations under international agreements
10 relating to the environment, including as such obli-
11 gations relate to public health; and

12 (3) after taking into account the factors set
13 forth in paragraphs (1) through (7) of subsection (c)
14 of section 502 of the Trade Act of 1974 (19 U.S.C.
15 2462), Mongolia meets the eligibility requirements
16 described in such section 502.

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

19 (1) IN GENERAL.—Not later than January 1 of
20 each year, the Commissioner of U.S. Customs and
21 Border Protection shall verify that textile and ap-
22 parel articles imported from Mongolia to which duty-
23 free treatment is extended under this section are not
24 being unlawfully transshipped into the United
25 States.

1 (2) REPORT TO PRESIDENT AND CONGRESS.—

2 If the Commissioner determines pursuant to para-
3 graph (1) that textile and apparel articles described
4 in that paragraph are being unlawfully transshipped
5 into the United States, the Commissioner shall re-
6 port that determination to the President and the ap-
7 propriate congressional committees.

8 (e) WITHDRAWAL, SUSPENSION, OR LIMITATION OF
9 PREFERENTIAL TREATMENT AND MANDATORY GRADUA-
10 TION.—The provisions of subsections (d) and (e) of sec-
11 tion 502 of the Trade Act of 1974 (19 U.S.C. 2462) shall
12 apply with respect to Mongolia, without regard to whether
13 title V of that Act (19 U.S.C. 2461 et seq.) is in effect
14 pursuant to section 505 of that Act (19 U.S.C. 2465).

15 (f) TERMINATION OF DUTY-FREE TREATMENT.—No
16 duty-free treatment extended under this section shall re-
17 main in effect after December 31, 2029.

18 (g) DEFINITIONS.—In this section:

19 (1) CASHMERE.—The term “cashmere” means
20 fine hair obtained from a cashmere goat (*capra*
21 *hircus laniger*).

22 (2) CUSTOMS TERRITORY OF THE UNITED
23 STATES.—The term “customs territory of the United
24 States” has the meaning given the term in General

1 Note 2 of the Harmonized Tariff Schedule of the
2 United States.

3 **SEC. 4. BRIEFING REQUIREMENT.**

4 Not later than one year after the date of the enact-
5 ment of this Act, and annually thereafter, the President
6 shall monitor, review, and provide a briefing to the appro-
7 priate congressional committees on—

8 (1) the implementation of section 3;

9 (2) compliance of Mongolia with the eligibility
10 requirements described in section 3(c); and

11 (3) the trade and investment policy of the
12 United States with respect to Mongolia.

13 **SEC. 5. APPROPRIATE CONGRESSIONAL COMMITTEES DE-**
14 **FINED.**

15 In this Act, the term “appropriate congressional com-
16 mittees” means—

17 (1) the Committee on Ways and Means and the
18 Committee on Foreign Affairs of the House of Rep-
19 resentatives; and

20 (2) the Committee on Finance and the Com-
21 mittee on Foreign Relations of the Senate.

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