

Calendar No. 165

105<sup>TH</sup> CONGRESS  
1<sup>ST</sup> Session

**S. 1093**

[Report No. 105-83]

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## **A BILL**

To extend nondiscriminatory (most-favored-nation) treatment to the products of the Lao People's Democratic Republic, and for other purposes.

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SEPTEMBER 17, 1997

Reported with an amendment

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IN THE SENATE OF THE UNITED STATES

JULY 30, 1997

Mr. KERRY (for himself, Mr. MCCAIN, and Mr. THOMAS) introduced the following bill; which was read twice and referred to the Committee on Finance

SEPTEMBER 17, 1997

Reported by Mr. ROTH, with an amendment

[Strike out all after the enacting clause and insert the part printed in italic]

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## A BILL

To extend nondiscriminatory (most-favored-nation) treatment to the products of the Lao People's Democratic Republic, 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. CONGRESSIONAL FINDINGS.**

4        The Congress finds that—

1           (1) the Lao People's Democratic Republic is  
2 striving to shed centralized government control of its  
3 economy in favor of market-oriented reforms;

4           (2) extension of unconditional most-favored-na-  
5 tion treatment would assist the Lao People's Demo-  
6 cratic Republic in developing its economy based on  
7 free market principles and becoming competitive in  
8 the global marketplace;

9           (3) establishing normal commercial relations on  
10 a reciprocal basis with the Lao People's Democratic  
11 Republic will promote United States exports to the  
12 rapidly growing Southeast Asian region and expand  
13 opportunities for United States business and invest-  
14 ment in the Lao People's Democratic Republic econ-  
15 omy;

16           (4) United States and Laotian commercial in-  
17 terests would benefit from a commercial agreement  
18 between the United States and the Lao People's  
19 Democratic Republic providing for market access  
20 and the protection of intellectual property rights;

21           (5) economic reform in the Lao People's Demo-  
22 cratic Republic is increasingly important as that  
23 country integrates into the ASEAN Free Trade  
24 Area and accedes to the World Trade Organization;  
25 and

1           (6) expanding bilateral trade relations that in-  
2           clude a commercial agreement may promote further  
3           progress by the Lao People's Democratic Republic  
4           on human rights and democratic rule and assist that  
5           country in adopting regional and world trading rules  
6           and principles.

7   **SEC. 2. EXTENSION OF NONDISCRIMINATORY TREATMENT**  
8                           **TO THE PRODUCTS OF THE LAO PEOPLES**  
9                           **DEMOCRATIC REPUBLIC.**

10       (a) HARMONIZED TARIFF SCHEDULE AMEND-  
11       MENT.—General note 3(b) of the Harmonized Tariff  
12       Schedule of the United States is amended by striking  
13       “Laos”.

14       (b) EFFECTIVE DATE.—The amendment made by  
15       subsection (a) applies with respect to goods entered, or  
16       withdrawn from warehouse for consumption, on or after  
17       the effective date of a notice published in the Federal Reg-  
18       ister by the United States Trade Representative that a  
19       trade agreement obligating reciprocal most-favored-nation  
20       treatment between the Lao People's Democratic Republic  
21       and the United States has entered into force.

22   **SEC. 3. REPORT TO CONGRESS.**

23       The President shall submit to the Congress, not later  
24       than 18 months after the date of the enactment of this  
25       Act, a report on the trade relations between the United

1 States and the Lao People's Democratic Republic pursu-  
2 ant to the trade agreement described in section 2(b).

3 **TITLE I—EXTENSION OF MOST-**  
4 **FAVORED-NATION TREAT-**  
5 **MENT TO LAOS**

6 **SEC. 101. CONGRESSIONAL FINDINGS.**

7 *Congress finds that—*

8 *(1) the Lao People's Democratic Republic is*  
9 *striving to shed centralized government control of its*  
10 *economy in favor of market-oriented reforms;*

11 *(2) extension of unconditional most-favored-na-*  
12 *tion treatment would assist the Lao People's Demo-*  
13 *cratic Republic in developing its economy based on*  
14 *free market principles and becoming competitive in*  
15 *the global marketplace;*

16 *(3) establishing normal commercial relations on*  
17 *a reciprocal basis with the Lao People's Democratic*  
18 *Republic will promote United States exports to the*  
19 *rapidly growing Southeast Asian region and expand*  
20 *opportunities for United States business and invest-*  
21 *ment in the Lao People's Democratic Republic econ-*  
22 *omy;*

23 *(4) United States and Laotian commercial inter-*  
24 *ests would benefit from a commercial agreement be-*  
25 *tween the United States and the Lao People's Demo-*



1 *on the trade relations between the United States and the*  
 2 *Lao People’s Democratic Republic pursuant to the trade*  
 3 *agreement described in section 102(b).*

4           **TITLE II—INTERNATIONAL**  
 5           **SHIPPING INCOME DISCLOSURE**

6           **SEC. 201. PENALTIES FOR FAILURE TO DISCLOSE POSITION**

7                           **THAT CERTAIN INTERNATIONAL SHIPPING**  
 8                           **INCOME IS NOT INCLUDIBLE IN GROSS IN-**  
 9                           **COME.**

10           *(a) IN GENERAL.—Section 883 of the Internal Revenue*  
 11 *Code of 1986 is amended by adding at the end the following*  
 12 *new subsection:*

13                   “*(d) PENALTIES FOR FAILURE TO DISCLOSE POSITION*  
 14 *THAT CERTAIN INTERNATIONAL SHIPPING INCOME IS NOT*  
 15 *INCLUDIBLE IN GROSS INCOME.—*

16                           “*(1) IN GENERAL.—A taxpayer who, with re-*  
 17 *spect to any tax imposed by this title, takes the posi-*  
 18 *tion that any of its gross income derived from the*  
 19 *international operation of a ship or ships is not in-*  
 20 *cludible in gross income by reason of subsection (a)(1)*  
 21 *or section 872(b)(1) (or by reason of any applicable*  
 22 *treaty) shall be entitled to such treatment only if such*  
 23 *position is disclosed (in such manner as the Secretary*  
 24 *may prescribe) on the return of tax for such tax (or*  
 25 *any statement attached to such return).*

1           “(2) *ADDITIONAL PENALTIES FOR FAILING TO*  
2 *DISCLOSE POSITION.—If a taxpayer fails to meet the*  
3 *requirement of paragraph (1) with respect to any tax-*  
4 *able year—*

5                   “(A) *the amount of the income from the*  
6 *international operation of a ship or ships—*

7                           “(i) *which is from sources without the*  
8 *United States, and*

9                           “(ii) *which is attributable to a fixed*  
10 *place of business in the United States,*

11 *shall be treated for purposes of this title as effec-*  
12 *tively connected with the conduct of a trade or*  
13 *business within the United States, and*

14                   “(B) *no deductions or credits shall be al-*  
15 *lowed which are attributable to income from the*  
16 *international operation of a ship or ships.*

17           “(3) *REASONABLE CAUSE EXCEPTION.—This*  
18 *subsection shall not apply to a failure to disclose a*  
19 *position if it is shown that such failure is due to rea-*  
20 *sonable cause and not due to willful neglect.”*

21 (b) *CONFORMING AMENDMENTS.—*

22           (1) *Paragraph (1) of section 872(b) of such Code*  
23 *is amended by striking “Gross income” and inserting*  
24 *“Except as provided in section 883(d), gross income”.*

1           (2) Paragraph (1) of section 883(a) of such Code  
2           is amended by striking “Gross income” and inserting  
3           “Except as provided in subsection (d), gross income”.

4           (c) *EFFECTIVE DATE.*—

5           (1) *IN GENERAL.*—The amendments made by  
6           this section shall apply to taxable years beginning  
7           after December 31, 1997, and before April 1, 2000.

8           (2) *COORDINATION WITH TREATIES.*—The  
9           amendments made by this section shall not apply in  
10          any case where their application would be contrary  
11          to any treaty obligation of the United States.

12          (d) *INFORMATION TO BE PROVIDED BY CUSTOMS*  
13 *SERVICE.*—The United States Customs Service shall pro-  
14 vide the Secretary of the Treasury or his delegate with such  
15 information as may be specified by such Secretary in order  
16 to enable such Secretary to determine whether ships which  
17 are not registered in the United States are engaged in  
18 transportation to or from the United States.