

110TH CONGRESS  
1ST SESSION

# S. 652

To extend certain trade preferences to certain least-developed countries, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

FEBRUARY 15, 2007

Mr. SMITH (for himself, Mrs. FEINSTEIN, Mr. CRAIG, and Mr. SUNUNU) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To extend certain trade preferences to certain least-developed countries, 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 “Tariff Relief Assist-  
5       ance for Developing Economies Act of 2007” or as the  
6       “TRADE Act of 2007”.

7       **SEC. 2. FINDINGS.**

8       Congress finds the following:

9               (1) It is in the mutual interest of the United  
10       States and the least-developed countries to promote

1 stable and sustainable economic growth and develop-  
2 ment.

3 (2) Trade and investment are powerful eco-  
4 nomic tools and a country may use trade and invest-  
5 ment to reduce poverty and raise the standard of liv-  
6 ing in that country.

7 (3) A country that is open to trade may in-  
8 crease its economic growth.

9 (4) Twenty-five percent of the world's popu-  
10 lation survives on less than one dollar per day.

11 (5) Unemployment rates in least-developed  
12 countries are extremely high, including unemploy-  
13 ment rates in some countries of up to 70 percent.

14 (6) Trade and investment often lead to employ-  
15 ment opportunities and often help alleviate poverty.

16 (7) Least-developed countries have a particular  
17 challenge in meeting the economic requirements and  
18 competitiveness of globalization and international  
19 markets.

20 (8) The United States has recognized the bene-  
21 fits of trade to least-developed countries by enacting  
22 the Generalized System of Preferences and trade  
23 benefits for developing countries in the Caribbean,  
24 Andean, and sub-Saharan African regions of the  
25 world.

1           (9) The challenges of the global trading envi-  
2           ronment for least-developed countries are even great-  
3           er given the end of the Multi-Fiber Arrangement in  
4           2005, and certain least-developed countries, includ-  
5           ing Bangladesh, Cambodia, and Nepal, are particu-  
6           larly vulnerable to the changes that will result from  
7           the end of that Arrangement.

8           (10) Responding to the needs of least-developed  
9           countries would be consistent with other United  
10          States trade objectives, including encouraging for-  
11          ward progress on the WTO Doha Development  
12          Round.

13          (11) Enhanced trade with the Muslim least-de-  
14          veloped countries, including Yemen, Afghanistan,  
15          and Bangladesh, is consistent with other United  
16          States objectives of encouraging a strong private  
17          sector and individual economic empowerment in  
18          those countries.

19          (12) Offering least-developed countries en-  
20          hanced trade preferences will encourage both higher  
21          levels of trade and direct investment in support of  
22          positive economic and political developments  
23          throughout the region and the world.

24          (13) Encouraging the reciprocal reduction of  
25          trade and investment barriers will enhance the bene-

1 fits of trade and investment as well as enhance com-  
2 mercial and political ties between the United States  
3 and the beneficiary countries.

4 (14) Economic opportunity and engagement in  
5 the global trading system together with support for  
6 democratic institutions and a respect for human  
7 rights are mutually reinforcing objectives and key  
8 elements of a policy to confront and defeat global  
9 terrorism.

10 (15) A powerful earthquake and tsunami struck  
11 in the Indian Ocean on December 26, 2004.

12 (16) The destruction caused by the tsunami in  
13 Sri Lanka was devastating and included the loss of  
14 an estimated 30,000 people and physical damage  
15 that will cost an amount equal to 6.5 percent of the  
16 annual economy of Sri Lanka to repair.

17 (17) The effects of lost businesses and recon-  
18 struction costs caused by the tsunami damage will  
19 result in a drop in the economic growth of Sri  
20 Lanka.

21 (18) Senate Resolution 4, 109th Congress,  
22 agreed to January 4, 2005, expressed the support of  
23 the Senate for the long-term commitment and en-  
24 gagement of the United States to provide financial  
25 aid and other forms of direct and indirect assistance

1 to the countries and peoples of the region impacted  
2 by the earthquake and the tsunami.

3 (19) Duty preferences that assist Sri Lanka in  
4 the United States market will help Sri Lanka re-  
5 build and overcome the economic destruction caused  
6 by the tsunami.

7 **SEC. 3. DEFINITIONS.**

8 In this Act:

9 (1) **BENEFICIARY TRADE ACT OF 2007 COUN-**  
10 **TRY.**—The term “beneficiary **TRADE Act of 2007**  
11 **country**” means a country listed in subsection (b) or  
12 (c) of section 4 that the President has determined  
13 is eligible for preferential treatment under this Act.

14 (2) **FORMER TRADE ACT OF 2007 COUNTRY.**—  
15 The term “former **TRADE Act of 2007 country**”  
16 means a country that, after being designated as a  
17 beneficiary **TRADE Act of 2007 country** under this  
18 Act, ceased to be designated as such a country by  
19 reason of its entering into a free trade agreement  
20 with the United States.

21 **SEC. 4. AUTHORITY TO DESIGNATE; ELIGIBILITY REQUIRE-**  
22 **MENTS.**

23 (a) **AUTHORITY TO DESIGNATE.**—

24 (1) **IN GENERAL.**—Notwithstanding any other  
25 provision of law, the President is authorized to des-

1        designate a TRADE Act of 2007 country as a bene-  
2        ficiary TRADE Act of 2007 country eligible for ben-  
3        efits described in section 5—

4                (A) if the President determines that the  
5                country meets the requirements set forth in sec-  
6                tion 104 of the African Growth and Oppor-  
7                tunity Act (19 U.S.C. 3703); and

8                (B) subject to the authority granted to the  
9                President under subsections (a), (d), and (e) of  
10              section 502 of the Trade Act of 1974 (19 U.S.  
11              C. 2462 (a), (d), and (e)), if the country other-  
12              wise meets the eligibility criteria set forth in  
13              such section 502.

14              (2) APPLICATION OF SECTION 104.—Section  
15              104 of the African Growth and Opportunity Act  
16              shall be applied for purposes of paragraph (1) by  
17              substituting “TRADE Act of 2007 country” for  
18              “sub-Saharan African country” each place it ap-  
19              pears.

20              (b) COUNTRIES ELIGIBLE FOR DESIGNATION.—For  
21              purposes of this Act, the term “TRADE Act of 2007 coun-  
22              try” refers to the following or their successor political enti-  
23              ties:

24                      (1) Afghanistan.

25                      (2) Bangladesh.

- 1 (3) Bhutan.
- 2 (4) Cambodia.
- 3 (5) Kiribati.
- 4 (6) Lao People’s Democratic Republic.
- 5 (7) Maldives.
- 6 (8) Nepal.
- 7 (9) Samoa.
- 8 (10) Solomon Islands.
- 9 (11) Timor-Leste (East Timor).
- 10 (12) Tuvalu.
- 11 (13) Vanuatu.
- 12 (14) Yemen.

13 (c) SRI LANKA ECONOMIC EMERGENCY SUPPORT.—  
14 For purposes of this Act, the President may also designate  
15 Sri Lanka as a beneficiary TRADE Act of 2007 country  
16 eligible for benefits described in section 5.

17 **SEC. 5. TRADE ENHANCEMENT.**

18 (a) BENEFITS DESCRIBED.—The benefits described  
19 in this section are as follows:

20 (1) PREFERENTIAL TARIFF TREATMENT FOR  
21 CERTAIN ARTICLES.—

22 (A) IN GENERAL.—The President may  
23 provide duty-free treatment for any article de-  
24 scribed in section 503(b)(1) (B) through (G) of  
25 the Trade Act of 1974 (19 U.S.C. 2463(b)(1))

1 (B) through (G)) that is the growth, product,  
2 or manufacture of a beneficiary TRADE Act of  
3 2007 country, if, after receiving the advice of  
4 the International Trade Commission in accord-  
5 ance with section 503(e) of the Trade Act of  
6 1974 (19 U.S.C. 2463(e)), the President deter-  
7 mines that such article is not import-sensitive  
8 in the context of imports from beneficiary  
9 TRADE Act of 2007 countries.

10 (B) RULES OF ORIGIN.—The duty-free  
11 treatment provided under subparagraph (A)  
12 shall apply to any article described in that sub-  
13 paragraph that meets the requirements of sec-  
14 tion 503(a)(2) of the Trade Act of 1974 (19  
15 U.S.C. 2463(a)(2)), except that—

16 (i) if the cost or value of materials  
17 produced in the customs territory of the  
18 United States is included with respect to  
19 that article, an amount not to exceed 15  
20 percent of the appraised value of the arti-  
21 cle at the time it is entered that is attrib-  
22 uted to such United States cost or value  
23 may be applied toward determining the  
24 percentage referred to in subparagraph (A)

1 of section 503(a)(2) of the Trade Act of  
2 1974 (19 U.S.C. 2463(a)(2)); and

3 (ii) the cost or value of the materials  
4 included with respect to that article that  
5 are produced in one or more beneficiary  
6 TRADE Act of 2007 countries or former  
7 beneficiary TRADE Act of 2007 countries  
8 shall be applied in determining such per-  
9 centage.

10 (2) TEXTILE AND APPAREL ARTICLES.—

11 (A) IN GENERAL.—The preferential treat-  
12 ment relating to textile and apparel articles de-  
13 scribed in section 112 (a) and (b) (1) and (2)  
14 of the African Growth and Opportunity Act (19  
15 U.S.C. 3721 (a) and (b) (1) and (2)) shall  
16 apply to textile and apparel articles imported  
17 directly into the customs territory of the United  
18 States from a beneficiary TRADE Act of 2007  
19 country and such section shall be applied for  
20 purposes of this subparagraph by substituting  
21 “TRADE Act of 2007 country” and “TRADE  
22 Act of 2007 countries” for “sub-Saharan Afri-  
23 can country” and “sub-Saharan African coun-  
24 tries”, respectively, each place such terms ap-  
25 pear.

1 (B) APPAREL ARTICLES ASSEMBLED FROM  
2 REGIONAL AND OTHER FABRIC.—In applying  
3 such section 112, apparel articles wholly assem-  
4 bled in one or more beneficiary TRADE Act of  
5 2007 countries or former beneficiary TRADE  
6 Act of 2007 countries, or both, from fabric  
7 wholly formed in one or more beneficiary  
8 TRADE Act of 2007 countries or former bene-  
9 ficiary TRADE Act of 2007 countries, or both,  
10 from yarn originating either in the United  
11 States or one or more beneficiary TRADE Act  
12 of 2007 countries or former beneficiary  
13 TRADE Act of 2007 countries, or both (includ-  
14 ing fabrics not formed from yarns, if such fab-  
15 rics are classifiable under heading 5602 or  
16 5603 of the Harmonized Tariff Schedule of the  
17 United States and are wholly formed and cut in  
18 the United States, in one or more beneficiary  
19 TRADE Act of 2007 countries or former bene-  
20 ficiary TRADE Act of 2007 countries, or any  
21 combination thereof), whether or not the ap-  
22 parel articles are also made from any of the  
23 fabrics, fabric components formed, or compo-  
24 nents knit-to-shape described in section 112(b)  
25 (1) or (2) of the African Growth and Oppor-

1 tunity Act (unless the apparel articles are made  
2 exclusively from any of the fabrics, fabric com-  
3 ponents formed, or components knit-to-shape  
4 described in such section 112(b) (1) or (2))  
5 subject to the following:

6 (i) LIMITATIONS ON BENEFITS.—

7 (I) IN GENERAL.—Preferential  
8 treatment under this subparagraph  
9 shall be extended in the 1-year period  
10 beginning January 1, 2007, and in  
11 each of the succeeding 10 1-year peri-  
12 ods, to imports of apparel articles de-  
13 scribed in this subparagraph in an  
14 amount not to exceed the applicable  
15 percentage of the aggregate square  
16 meter equivalents of all apparel arti-  
17 cles imported into the United States  
18 in the preceding 12-month period for  
19 which data are available.

20 (II) APPLICABLE PERCENT-  
21 AGE.—For purposes of this clause, the  
22 term “applicable percentage” means  
23 11 percent for the 1-year period be-  
24 ginning January 1, 2007, increased in  
25 each of the 10 succeeding 1-year pe-

1 riod by equal increments, so that for  
2 the period beginning January 1, 2017  
3 the applicable percentage does not ex-  
4 ceed 14 percent.

5 (ii) SPECIAL RULE.—

6 (I) IN GENERAL.—Subject to  
7 clause (i), preferential treatment de-  
8 scribed in this subparagraph shall be  
9 extended through December 31, 2014,  
10 for apparel articles wholly assembled  
11 in one or more beneficiary TRADE  
12 Act of 2007 countries or former bene-  
13 ficiary TRADE Act of 2007 countries,  
14 or both, regardless of the country of  
15 origin of the yarn or fabric used to  
16 make such articles.

17 (II) COUNTRY LIMITATIONS.—

18 (aa) SMALL SUPPLIERS.—If,  
19 during the preceding 1-year pe-  
20 riod beginning on January 1 for  
21 which data are available, imports  
22 from a beneficiary TRADE Act  
23 of 2007 country are less than 1  
24 percent of the aggregate square  
25 meter equivalents of all apparel

1 articles imported into the United  
2 States during such period, such  
3 imports may increase to an  
4 amount that is equal to not more  
5 than 1.5 percent of the aggregate  
6 square meter equivalents of all  
7 apparel articles imported into the  
8 United States during such pe-  
9 riod.

10 (bb) OTHER SUPPLIERS.—If  
11 during the preceding 1-year pe-  
12 riod beginning on January 1 for  
13 which data are available, imports  
14 from a beneficiary TRADE Act  
15 of 2007 country are at least 1  
16 percent of the aggregate square  
17 meter equivalents of all apparel  
18 articles imported into the United  
19 States during such period, such  
20 imports may increase, during  
21 each subsequent 12-month pe-  
22 riod, by an amount that is equal  
23 to not more than one-third of 1  
24 percent of the aggregate square  
25 meter equivalents of all apparel

1 articles imported into the United  
2 States.

3 (cc) AGGREGATE COUNTRY  
4 LIMIT.—In no case may the ag-  
5 gregate quantity of textile and  
6 apparel articles imported into the  
7 United States under this sub-  
8 paragraph exceed the applicable  
9 percentage set forth in clause (i).

10 (C) TECHNICAL AMENDMENT.—Section  
11 6002(a)(2)(B) of the African Investment Incen-  
12 tive Act of 2006 (Public Law 109–432) is  
13 amended by inserting before “by striking” the  
14 following: “in paragraph (3),”.

15 (D) OTHER RESTRICTIONS.—The provi-  
16 sions of section 112(b) (3)(B), (4), (5), (6), (7),  
17 and (8), and (e), and section 113 of the African  
18 Growth and Opportunity Act (19 U.S.C.  
19 3721(b) (3)(B), (4), (5), (6), (7), and (8), and  
20 (e), and 3722) shall apply with respect to the  
21 preferential treatment extended under this Act  
22 to a beneficiary TRADE Act of 2007 country  
23 by substituting “TRADE Act of 2007 country”  
24 for “sub-Saharan African country” and  
25 “TRADE Act of 2007 countries” and “former

1           TRADE Act of 2007 countries” for “sub-Saha-  
2           ran African countries” wherever appropriate.

3 **SEC. 6. REPORTING REQUIREMENT.**

4           The President shall monitor, review, and report to  
5 Congress, not later than 1 year after the date of enact-  
6 ment of this Act, and annually thereafter, on the imple-  
7 mentation of this Act and on the trade and investment  
8 policy of the United States with respect to the TRADE  
9 Act of 2007 countries.

10 **SEC. 7. TERMINATION OF PREFERENTIAL TREATMENT.**

11          No duty-free treatment or other preferential treat-  
12 ment extended to a beneficiary TRADE Act of 2007 coun-  
13 try under this Act shall remain in effect after December  
14 31, 2017.

15 **SEC. 8. EFFECTIVE DATE.**

16          The provisions of this Act shall take effect on Janu-  
17 ary 1, 2007.

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