

103^D CONGRESS
1ST SESSION

S. 1173

To provide for a comprehensive reduction in the United States bilateral trade deficit with Japan, to assure mutually advantageous international trade in motor vehicles and motor vehicle parts, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 29 (legislative day, JUNE 22), 1993

Mr. RIEGLE introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To provide for a comprehensive reduction in the United States bilateral trade deficit with Japan, to assure mutually advantageous international trade in motor vehicles and motor vehicle parts, 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 “United States-Japan
5 Trade Equalizing Act of 1993”.

TITLE I—FINDINGS AND DEFINITIONS

SEC. 101. FINDINGS, PURPOSE, AND DISCLAIMERS.

(a) FINDINGS.—The Congress makes the following findings:

(1) The United States trade deficit with Japan has increased substantially over the past decade. In 1991, the United States trade deficit with Japan was \$43,400,000,000. The trade deficit increased by 14 percent in 1 year, to over \$49,400,000,000 by the end of 1992.

(2) The traditional domestic motor vehicle and motor vehicle parts sector directly employs more than 1 million workers and indirectly employs several million more. The workers are skilled, hard working, productive, capable, and proud of their work. The workers and their employers have achieved great improvements in quality, performance, fuel economy, safety, and design of domestic motor vehicles.

(3) The domestic motor vehicle and motor vehicle parts sector directly and indirectly accounts for about 12 percent of our gross national product and generates more than \$200,000,000,000 a year in revenue.

1 (4) The domestic motor vehicle and motor vehi-
2 cle parts sector is a major consumer of steel, glass,
3 textiles, rubber, aluminum, machine tools, chemicals,
4 electronics, and other important products.

5 (5) Recognizing the competitive pressures fac-
6 ing the motor vehicle industry, Japan has operated
7 under a voluntary export restraint arrangement
8 since 1981 that has not been recognized or enforced
9 by the United States Government.

10 (6) Since 1986 the United States Government
11 has engaged, with little result, in a negotiating proc-
12 ess with the Government of Japan to obtain fair ac-
13 cess to the markets of that nation for United States
14 producers of motor vehicle parts and manufacturers
15 of motor vehicles.

16 (7) Despite these negotiating efforts, in 1992
17 the United States posted a \$49,400,000,000 trade
18 deficit with Japan of which over \$30,000,000,000
19 was accounted for by the automotive sector deficit
20 (\$9,800,000,000 of which was attributable to motor
21 vehicle parts), and there is little evidence that the
22 Japanese Government is seriously trying to eliminate
23 such deficits which are detrimental to the United
24 States economy and jobs.

1 (8) In addition to transplant assembly facilities
2 in the United States that are owned or controlled by
3 Japanese persons, motor vehicles and motor vehicle
4 parts are being imported from Japan into the
5 United States in such increased quantities and
6 under such conditions as to cause, or threaten to
7 cause, serious injury to domestic manufacturers of
8 like or directly competitive products and to the do-
9 mestic workers producing such products.

10 (9) In the last 5 years, transplant assembly fa-
11 cilities in the United States that are owned or con-
12 trolled by persons from Japan have not shifted sig-
13 nificantly their procurement to traditional United
14 States producers of motor vehicle parts, as illus-
15 trated by the fact that—

16 (A) the United States automotive parts
17 trade deficit with Japan grew between 1985
18 and 1990 at an annual average rate of 17 per-
19 cent and totaled \$9,800,000,000 in 1992; and

20 (B) only 12.5 percent of the customs value
21 of vehicles manufactured in such transplant fa-
22 cilities in the United States is based on parts
23 produced by traditional United States motor ve-
24 hicle parts producers, while 35.1 percent of
25 such value is based on imports from Japan and

1 32.4 percent of such value is based on pur-
2 chases from Japanese-affiliated parts producers
3 located in the United States.

4 (10) The pattern of procurement described in
5 paragraph (9) has contributed significantly to the
6 overall United States merchandise trade deficit with
7 Japan.

8 (11) The continuation of current procurement
9 practices by automobile companies owned or con-
10 trolled by persons from Japan and the increased
11 production of vehicles by transplant facilities in the
12 United States is projected to result in a 110 percent
13 (or \$21,990,000,000) increase in the United States
14 motor vehicle parts trade deficit by 1994.

15 (12) Aftermarket parts are likely to account for
16 50 percent of the motor vehicle parts trade deficit
17 with Japan by 1994 because transplant facilities are
18 not purchasing sufficient quantities of original
19 equipment from United States suppliers.

20 (13) Traditional United States motor vehicle
21 parts manufacturers are particularly
22 underrepresented in the production of motor vehicles
23 produced by transplant facilities in the United
24 States in the following 3 major, high value-added ve-
25 hicle systems:

1 (A) Engines.

2 (B) Transmissions.

3 (C) Body structures.

4 (14) In the 1991 National Trade Estimates Re-
5 port, the United States Trade Representative listed
6 “close and durable relationships” between Japanese
7 motor vehicle makers and suppliers as a barrier to
8 United States motor vehicle parts sales in Japan.

9 (15) The market share of Japanese motor vehi-
10 cle manufacturers in the European Community is
11 currently 10 percent while their market share in the
12 United States is about 35 percent.

13 (16) The European Community has negotiated
14 an understanding with the Government of Japan
15 limiting the market share of motor vehicles produced
16 by Japanese motor vehicle manufacturing companies
17 both in Japan and in the European Community to
18 less than 16 percent until the year 2000.

19 (17) The home market for motor vehicles and
20 motor vehicle parts in Japan remains largely closed
21 to all foreign manufacturers whose combined market
22 share equals no more than 3 percent.

23 (18) Japan’s nontariff market barriers include
24 onerous inspection and certification systems that
25 discriminate against foreign-made motor vehicles

1 and motor vehicle parts, a tax system that discrimi-
2 nates against foreign-made products, closed distribu-
3 tion systems and dealer networks, and government-
4 tolerated “Keiretsu” relationships involving motor
5 vehicle and motor vehicle parts manufacturers and
6 dealers. At the same time, Japanese firms enjoy
7 open markets in the United States with no limita-
8 tions or discrimination.

9 (b) PURPOSE.—The purpose of this Act is to decrease
10 the merchandise trade deficit of the United States with
11 Japan by providing for a staged merchandise trade deficit
12 reduction over a 5-year period.

13 (c) CONGRESSIONAL DISCLAIMERS.—It is the intent
14 of Congress that this Act shall not be deemed to modify
15 or amend the terms or conditions of any international
16 treaty, convention, or agreement that may be applicable
17 to motor vehicles and motor vehicle parts and to which
18 the United States, on the date of the enactment of this
19 Act, is a party, including, but not limited to, the terms
20 or conditions of any such treaty, convention, or agreement
21 which provide for the resolution of conflicts between the
22 parties thereto. Nothing in this Act shall be construed (1)
23 to confer jurisdiction upon any court of the United States
24 to consider and resolve such conflicts, or (2) to alter or

1 amend any law existing on the date of the enactment of
2 this Act which may confer such jurisdiction in such courts.

3 **SEC. 102. DEFINITIONS.**

4 For purposes of this Act:

5 (1) MOTOR VEHICLE AND MOTOR VEHICLE
6 PARTS.—

7 (A) The term “motor vehicle” means any
8 article of a kind described in heading 8703 or
9 8704 of the Harmonized Tariff Schedule of the
10 United States.

11 (B) The term “motor vehicle parts” means
12 any article of a kind described in the following
13 provisions of the Harmonized Tariff Schedule
14 of the United States if suitable for use in the
15 manufacture or repair of motor vehicles:

16 (i) Subheadings 8407.31.00 through
17 8407.34.20 (relating to spark-ignition re-
18 ciprocating or rotary internal combustion
19 piston engines).

20 (ii) Subheading 8408.20 (relating to
21 the compression-ignition internal combus-
22 tion engines).

23 (iii) Subheading 8409 (relating to
24 parts suitable for use solely or principally

1 with engines described in clauses (i) and
2 (ii).

3 (iv) Subheading 8483 (relating to
4 transmission shafts and related parts).

5 (v) Subheadings 8706.00.10 and
6 8706.00.15 (relating to chassis fitted with
7 engines).

8 (vi) Heading 8707 (relating to motor
9 vehicle bodies).

10 (vii) Heading 8708 (relating to bump-
11 ers, brakes and servo brakes, gear boxes,
12 drive axles, nondriving axles, road wheels,
13 suspension shock absorbers, radiators,
14 mufflers and exhaust pipes, clutches, steer-
15 ing wheels, steering columns, steering
16 boxes, and other parts and accessories of
17 motor vehicles).

18 The Secretary shall by regulation include as
19 motor vehicle parts such other articles (de-
20 scribed by classification under such Harmonized
21 Tariff Schedule) that the Secretary considers
22 appropriate for the purposes of this Act.

23 (C)(i) The term “Japanese motor vehicle”
24 means a motor vehicle which is the product of
25 Japan.

1 (ii) The term “Japanese motor vehicle
2 part” means a motor vehicle part which is the
3 product of Japan.

4 (2) ENTERED.—The term “entered” means en-
5 tered, or withdrawn from warehouse for consump-
6 tion, in the customs territory of the United States.

7 (3) IMPORT RESTRICTION IMPLEMENTATION
8 PERIOD.—The term “import restriction implementa-
9 tion period” means a calendar year which—

10 (A) occurs after 1994 and before calendar
11 year 2001, and

12 (B) follows a calendar year with respect to
13 which the Secretary finds, under section 201(b),
14 that the trade deficit reduction target was not
15 met.

16 (4) INTERSTATE SALE.—The term “interstate
17 sale” means sale or distribution in the interstate
18 commerce of the United States.

19 (5) BASELINE DEFICIT.—(A) The term “base-
20 line deficit” means the average monthly merchandise
21 trade deficit, as computed by the Secretary, of the
22 United States with Japan during calendar year
23 1993.

1 (B) In computing merchandise trade deficits
 2 under this section, the value of bilateral trade be-
 3 tween the United States and Japan in—

4 (i) crude petroleum; and

5 (ii) nonmonetary gold;

6 shall not be included.

7 (6) SECRETARY.—The term “Secretary” means
 8 the Secretary of Commerce.

9 (7) TRADE REPRESENTATIVE.—The term
 10 “Trade Representative” means the United States
 11 Trade Representative.

12 **TITLE II—MERCHANDISE TRADE**
 13 **DEFICIT REDUCTION**

14 **SEC. 201. STAGED TRADE DEFICIT REDUCTION.**

15 (a) TRADE DEFICIT REDUCTION TARGETS.—

16 (1) IN GENERAL.—The trade deficit reduction
 17 target for each of the calendar years listed below is
 18 an average monthly merchandise trade deficit of the
 19 United States with Japan during such year that
 20 does not exceed an amount that equals the applica-
 21 ble percentage of the baseline deficit that appears
 22 opposite such year:

Calendar year	Applicable percentage of base- line deficit
1994	80 percent
1995	60 percent
1996	40 percent
1997	20 percent
1998	0 percent

1 (2) SPECIAL RULE FOR 1998.—For calendar
2 year 1998, the 0 percent trade deficit reduction tar-
3 get shall be treated as having been met if the mer-
4 chandise trade deficit of the United States with
5 Japan during such year does not exceed—

6 (A) an amount equal to 5 percent of the
7 value of the aggregate bilateral merchandise
8 trade between the United States and Japan
9 during such year; or

10 (B) \$5,000,000,000.

11 (b) COMPUTATIONS.—

12 (1) IN GENERAL.—Not later than January 1
13 following each calendar year listed in subsection
14 (a)(1), the Secretary shall compute whether the
15 trade deficit reduction target for such year was met.

16 (2) ANNOUNCEMENT OF IMPORT RESTRICTION
17 IMPLEMENTATION PERIOD.—If the Secretary finds
18 under paragraph (1) that the trade deficit reduction
19 target specified under subsection (a) for a calendar
20 year was not met, the Secretary shall announce, by
21 publication in the Federal Register, that the import
22 restriction implementation period is in effect begin-
23 ning on January 1 of the year after the year to
24 which the finding applies.

1 **SEC. 202. COMPUTATION OF IMPORT RESTRICTIONS IF**
2 **TRADE DEFICIT REDUCTION TARGET NOT**
3 **MET.**

4 (a) **IN GENERAL.**—On January 1 of the first cal-
5 endar year (and each calendar year thereafter) for which
6 an import restriction implementation period is in effect,
7 the Secretary shall compute and publish in the Federal
8 Register the quantitative import restrictions for such cal-
9 endar year.

10 (b) **COMPUTATION.**—

11 (1) **IN GENERAL.**—For purposes of subsection
12 (a), the term “quantitative import restrictions”
13 means the aggregate quantity of Japanese motor ve-
14 hicles and the aggregate quantity of Japanese motor
15 vehicle parts that may be entered into the United
16 States (in accordance with paragraph (2) or (3)) for
17 a calendar year described in subsection (a).

18 (2) **FIRST YEAR RESTRICTIONS.**—The aggre-
19 gate quantity of Japanese motor vehicles and Japa-
20 nese motor vehicle parts that may be entered into
21 the United States, during the first calendar year for
22 which an import restriction implementation period is
23 in effect, may not exceed the aggregate quantity of
24 such motor vehicles and the aggregate quantity of
25 such motor vehicle parts entered into the United
26 States during 1993, reduced by 20 percent.

1 (3) SUBSEQUENT YEARS.—In the case of any
2 calendar year for which an import restriction period
3 is in effect after the first such calendar year, the ag-
4 gregate quantity of Japanese motor vehicles and
5 Japanese motor vehicle parts that may be entered
6 into the United States shall not exceed the amount
7 of such motor vehicles and motor vehicle parts en-
8 tered during the most recent preceding calendar year
9 for which an import restriction implementation pe-
10 riod was in effect, reduced by 20 percent.

11 (4) ADMINISTRATION.—In order to prevent im-
12 port surging or to otherwise ensure the efficient ad-
13 ministration of this Act, the Secretary may impose
14 temporary quantitative import restrictions on Japa-
15 nese motor vehicles and Japanese motor vehicle
16 parts entered during the first 3 months of a cal-
17 endar year in an import restriction implementation
18 period.

19 **SEC. 203. REPORTS.**

20 Within 30 days after a computation is made under
21 section 201 or 202 with respect to a calendar year, the
22 Secretary shall submit to the Congress a report setting
23 forth the bases of the computation.

1 **SEC. 204. SENSE OF CONGRESS REGARDING ACHIEVEMENT**
2 **OF MERCHANDISE TRADE DEFICIT REDUC-**
3 **TION TARGETS.**

4 It is the sense of the Congress that representatives
5 of the United States and Japanese Governments should
6 undertake continuing discussions regarding the means and
7 measures, to be selected by the Japanese Government, to
8 achieve the merchandise trade deficit reduction targets re-
9 quired under section 201(a). During the discussions, the
10 Trade Representative should particularly address market
11 access priorities for United States exports to Japan.

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