

Ronald Reagan Presidential Library
Digital Library Collections

This is a PDF of a folder from our textual collections.

Collection: Driggs, Michael: Files
Folder Title: Semiconductor 301 (4 of 5)
Box: OA 12246

To see more digitized collections visit:

<https://www.reaganlibrary.gov/archives/digitized-textual-material>

To see all Ronald Reagan Presidential Library Inventories, visit:

<https://www.reaganlibrary.gov/archives/white-house-inventories>

Contact a reference archivist at: **reagan.library@nara.gov**

Citation Guidelines: <https://reaganlibrary.gov/archives/research-support/citation-guide>

National Archives Catalogue: <https://catalog.archives.gov/>

Last Updated: 08/30/2023

MANATT, PHELPS, ROTHENBERG, TUNNEY & EVANS

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

ATTORNEYS AT LAW

1200 NEW HAMPSHIRE AVENUE, N.W.

SUITE 200

WASHINGTON, D.C. 20036

April 16, 1987

Michael:

Enclosed is a revised TSUS entry. One item was inadvertently omitted from the materials I gave you. The additional entry is highlighted.

Thanks again for your assistance.

Bob Kabel

ROBERT J. KABEL
ATTORNEY AT LAW

MANATT, PHELPS, ROTHENBERG, TUNNEY & EVANS
A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

1135 WEST OLYMPIC BOULEVARD
LOS ANGELES, CALIFORNIA 90064
(213) 312-4000

1200 NEW HAMPSHIRE AVENUE, N.W.
WASHINGTON, D.C. 20036
(202) 463-4380

1
suite
200

TSUS Item No.	Article
676.15 pt. . . .	<p>Calculation machines; accounting machines, cash registers, postage-franking machines, ticket-issuing machines, and similar machines, all the foregoing incorporating a calculating mechanism:</p> <p>Accounting, computing and other data processing machines</p> <p>Having a calculating mechanism accommodating words of 16 bit to 63 bit in length (except automated systems specifically designed for law enforcement identification purposes)</p>
676.3041	<p>Office machines not specifically provided for:</p> <p>Data processing machines:</p> <p>Display units: [with color CRT]</p> <p>with monochrome CRT (except components destined solely for use in automated systems specifically designed for law enforcement identification purposes)</p>
676.3046	<p>Other (except components destined solely for use in automated systems specifically designed for law enforcement identification purposes)</p>
676.3055	<p>Disc drive units:</p> <p>Hard magnetic disc drives (except components destined solely for use in automated systems specifically designed for law enforcement identification purposes)</p>

PAUL, WEISS, RIFKIND, WHARTON & GARRISON

1616 L STREET, N.W. WASHINGTON, D.C. 20036

TELEPHONE (202) 223-7300
TELECOPIER (202) 223-7420
TELEX 248237 PWA UR

RANDOLPH E. PAUL (1946-1986)
LOUIS S. WEISS (1927-1980)
JOHN F. WHARTON (1927-1977)

ADRIAN W. DEWIND
LLOYD K. GARRISON*
JOSEPH S. ISKMAN
JAMES S. LEWIS
PAUL J. NEWLON
MORDECAI ROCHLIN
HOWARD A. SEITZ
SAMUEL J. SILVERMAN*
JOHN C. TAYLOR, 3RD
COUNSEL

DOMINIQUE FARQUE*
SAMUEL MYERS*
EUROPEAN COUNSEL

WRITER'S DIRECT DIAL NUMBER
(202) 223-7325

1885 AVENUE OF THE AMERICAS
NEW YORK, NY 10019
TELEPHONE (212) 873-3000
TELECOPIER (212) 767-3980
TELEX WUI 666-843

199, BOULEVARD SAINT GERMAIN
75007 PARIS, FRANCE
TELEPHONE (33-1) 85.49.23.22
TELECOPIER (33-1) 43.22.64.28
TELEX 203178P

2508 TWO EXCHANGE SQUARE
8 CONNAUGHT PLACE, CENTRAL
HONG KONG
TELEPHONE (852) 5-230641
TELECOPIER (852) 129-4266
TELEX HK66208

April 16, 1987

PARTNERS RESIDENT IN WASHINGTON

TERENCE J. FORTUNE
JEROME KURTZ
ROBERT E. MONTGOMERY, JR.
LIONEL H. OLMER
JOSE E. TRIAS

PARTNERS NOT RESIDENT IN WASHINGTON

MORRIS S. ABRAM*
NEAL M. ALBERT
MARK H. ALCOTT
DANIEL J. BELLER
MARK A. BELNICK
ALLAN BLUMSTEIN
RICHARD S. BORISOFF
JOHN P. BRGLIO
DAVID C. BRODHEAD
RICHARD J. BROWDY
JOSEPH E. BROWDY
CAMERON CLARK
LEWIS R. CLAYTON*
JEROME ALAN CONEN
EDWARD N. COSTIKYAN
JAMES M. DUBIN
RICHARD A. ENGELMAN
LESLIE GORDON FAGEN
PETER L. FELCHER
SERGE F. FELLEMAN
BERNARD FINKELSTEIN
MITCHELL S. FISHMAN
ROBERT C. FLEDER*
MARVIN FLYMENBAUM
MAX GITTER
RICHARD D. GOLDBSTEIN
BERNARD H. GREENE*
JAY GREENFIELD*
PETER R. HAJE
ALBERT P. HANG
GERARD E. HARPER*
SEYMOUR HERTZ*
ROBERT M. HIRSH
JAMIE P. HORSLEY
ARTHUR RALISH
LEWIS A. KAPLAN
ANTHONY S. KURLIN
STEVEN E. LANDERS
ROBERT L. LAUFER
WALTER F. LEINHARDT*
ARTHUR L. LIMAN
MARTIN LONDON
BAYLESS MANNING
JOHN E. MASSENGALE
JOHN P. MCBENGE
COLLEEN MCBANON
ROBERT M. MONTGOMERY, JR.
DONALD F. MOORE
TORY S. MYERSON*
MATTHEW NIMETZ
KEVIN J. O'BRIEN
JOHN J. O'NEIL
STUART J. DRAM
MARC E. PERLMUTTER*
JAMES L. PURCELL
LEONARD V. QUIGLEY
CARL L. REISNER*
SIMON H. RIFKIND
STUART ROBINOWITZ*
SIDNEY S. ROBBEITCHER
RICHARD A. ROSEN*
STEVEN B. ROSENFELD
PETER J. ROYENBERG*
ERNEST RUBENSTEIN
JOHN A. SILVERMAN*
ROBERT SILVERMAN
GLENN S. SILVERS
STEVEN SIMKIN*
ROBERT S. SMITH*
BARLYN SOBEL*
THEODORE C. SORENSEN
GERALD D. STERN
ALLEN L. THOMAS
JUDITH R. THOYER
JAY TOPKIS
DAVID T. WASHBURN
ALFRED D. YOUNGWOOD
NORMAN ZELENSKO

*NOT ADMITTED TO D.C. BAR.
*CONSEIL JURIDIQUE IN FRANCE ONLY.

Mr. Gerald J. McManus
Assistant Commissioner
Office of Commercial Operations
Room 3117
U.S. Department of the Treasury
15th Street & Pennsylvania Avenue, N.W.
Washington, D.C. 20220

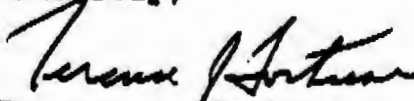
Mr. McManus:

During the public hearings on Monday before the Section 301 Committee, a panel of law enforcement officials requested the exclusion of Automated Fingerprint Identification Systems from the proposed retaliatory duties on Japanese products. I understand some questions may exist regarding the manner in which such an exemption would be articulated. I have been requested to attempt to clarify this question.

Without presuming to instruct persons whose expertise on these matters is far greater than mine, I enclose a formulation for your consideration. Material to be added to the list published on March 31 (as amended on April 6) appears in bold print.

Thank you for your consideration.

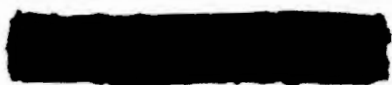
Sincerely,


Terence J. Fortune

Enclosure

VIA HAND DELIVERY

~~CONFIDENTIAL~~



Document No. _____

WHITE HOUSE STAFFING MEMORANDUM

DATE: 4/16/87 ACTION/CONCURRENCE/COMMENT DUE BY: 1:30 p.m. TODAY EST

SUBJECT: SEMICONDUCTOR SANCTIONS

	ACTION FYI		ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input type="checkbox"/>	GRISCOM	<input checked="" type="checkbox"/> <input type="checkbox"/>
BAKER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HENKEL	<input type="checkbox"/> <input type="checkbox"/>
DUBERSTEIN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HOBBS	<input type="checkbox"/> <input type="checkbox"/>
MILLER - OMB	<input type="checkbox"/>	<input type="checkbox"/>	KING	<input type="checkbox"/> <input type="checkbox"/>
BALL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MASENG	<input type="checkbox"/> <input type="checkbox"/>
BAUER →	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MILLER - ADMIN.	<input type="checkbox"/> <input checked="" type="checkbox"/>
CARLUCCI	<input checked="" type="checkbox"/>	<input type="checkbox"/>	RISQUE	<input type="checkbox"/> <input checked="" type="checkbox"/>
CRIBB	<input checked="" type="checkbox"/>	<input type="checkbox"/>	RYAN	<input type="checkbox"/> <input type="checkbox"/>
CULVAHOUSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SPRINKEL	<input checked="" type="checkbox"/> <input type="checkbox"/>
DAWSON	<input type="checkbox"/> P	<input checked="" type="checkbox"/> SS	TUTTLE	<input type="checkbox"/> <input type="checkbox"/>
DONATELLI	<input type="checkbox"/>	<input type="checkbox"/>	CLERK	<input type="checkbox"/> <input checked="" type="checkbox"/>
FITZWATER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	CHEW	<input type="checkbox"/> <input checked="" type="checkbox"/>

REMARKS: Please provide any comments/recommendations on the attached materials regarding the Presidential decision on Japanese semiconductors directly to Gene McAllister or Tim Hauser (x64) by 1:30 this afternoon (EST), with an info copy to my office. Thank you.

RESPONSE:

OK
mad
4-16

~~CONFIDENTIAL~~

SEARCHED
SERIALIZED
INDEXED
FILED
APR 16 2022


Rhett Dawson
Ext. 2702

THE WHITE HOUSE

WASHINGTON

April 16, 1987

MEMORANDUM FOR THE PRESIDENT

FROM: NANCY J. RISQUE 
SUBJECT: Semiconductor Sanctions

Issue:

Attached for your signature are:

- (1) a memorandum from the Economic Policy Council recommending that you issue a proclamation immediately imposing prohibitive tariffs on \$300 million of imports from Japan;
- (2) a legal determination under Section 301 of our trade law that finds that Japan has violated our bilateral semiconductor agreement and raises the tariffs; and
- (3) a Proclamation implementing the tariff increases.

For the sanctions to take effect sufficiently in advance of Prime Minister Nakasone's visit, you must sign all three documents on Friday, April 17.

Background:

- o On March 27, you announced your intent to impose sanctions in response to Japan's failure to enforce the third country dumping and market access provisions of our bilateral semiconductor agreement.
- o The Economic Policy Council met on April 15 to review the evidence of Japanese non-compliance with the agreement one final time. Despite Japanese statements to the contrary, the data show that dumping in third country markets continues and that our market share in Japan has remained steady or even declined. Thus the Council recommends that you proceed with the sanctions.
- o Public hearings were held earlier this week on candidates for retaliation, and the list has been refined to approximately \$300 million in products included on the attached proclamation.

Recommendation:

I recommend that you:

- (1) sign the attached memorandum from the Economic Policy Council, thus approving the policy recommendation that you issue a proclamation immediately imposing prohibitive tariffs on \$300 million of Japanese imports;
- (2) sign the attached determination under Section 301 of our trade law, which states that Japan has violated our trade agreement and proclaims tariff increases to 100 percent on selected imports from Japan; and
- (3) sign the attached proclamation, which implements the tariff increases and specifies the products on which duties will be raised.

These recommendations have been reviewed by all concerned agencies and White House offices. They concur in the recommendations.

Decision:

___ Approve ___ Approve as Amended ___ Reject ___ No Action

Attachments

SECRET
OF OFFICE

ds
11/16/2022

~~CONFIDENTIAL ATTACHMENT~~

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

DECLASSIFIED
Authority NSC/State Waivers
BY *da* NARA DATE 11/16/2022

April 15, 1987

MEMORANDUM FOR THE PRESIDENT

FROM: THE ECONOMIC POLICY COUNCIL
SUBJECT: U.S.-Japan Semiconductor Agreement

The Economic Policy Council met this morning to review for a final time the evidence concerning Japanese dumping of semiconductors in third countries and U.S. access to the Japanese market. A Japanese delegation has been meeting with our trade officials to review the evidence and possibly avoid the imposition of sanctions.

The Council found that the evidence indicates that Japanese companies have not demonstrably ceased dumping in third country markets nor has U.S. access to the Japanese market increased. The Japanese have not fulfilled their part of the agreement. The Council unanimously recommends that you issue a proclamation immediately imposing tariffs on \$300 million in Japanese products.

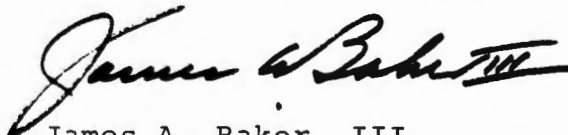
During our discussions, the Council agreed that we must be very careful in discussing this issue. First, we must be cognizant of the domestic difficulties that Prime Minister Nakasone is experiencing with this issue; the dollar/yen relationship; and the budget developed by the Diet. Second, the markets reacted very badly to the earlier announcement that the Administration was considering sanctions. We do not want a repeat of that performance, fueled by loose talk of protectionism or trade wars. Finally, no matter how justified, this is a retaliatory step, and retaliation will hurt the U.S. also.

The Council also unanimously agreed that we should remove the sanctions, even in a piecemeal fashion, as soon as the Japanese demonstrate compliance.

DECISION

The Economic Policy Council unanimously recommends that you issue a proclamation immediately imposing prohibitive tariffs on \$300 million of Japanese imports.

_____ Approve _____ Disapprove



James A. Baker, III
Chairman Pro Tempore

DECLASSIFY: OADR

~~CONFIDENTIAL~~

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE UNITED STATES TRADE REPRESENTATIVE

SUBJECT: Determination Under Section 301 of the Trade Act of 1974

Pursuant to section 301 of the Trade Act of 1974, as amended (19 U.S.C. 2411), I have determined that the Government of Japan has not implemented or enforced major provisions of the Arrangement concerning Trade in Semiconductor Products ("the Arrangement"), signed on September 2, 1986, and that this is inconsistent with the provisions of, or otherwise denies benefits to the United States under, the Arrangement; and is unjustifiable and unreasonable, and constitutes a burden or restriction on U.S. commerce. I also have determined, pursuant to section 301 of the Act, to proclaim increases in customs duties to a level of 100 percent ad valorem on certain products of Japan in response. The tariff increases I am proclaiming shall be effective with respect to the covered products of Japan which are entered on and after April 17, 1987. I am taking this action to enforce U.S. rights under a trade agreement and to respond to the acts, policies and practices of the Government of Japan with respect to the Arrangement.

Reasons for Determination

In the Arrangement, the Government of Japan joined the Government of the United States in declaring its desire to enhance free trade in semiconductors on the basis of market principles and the competitive positions of the semiconductor industries in the two countries. The Government of Japan committed: (1) to impress upon Japanese semiconductor producers and users the need aggressively to take advantage of increased market access opportunities in Japan for foreign-based semiconductor firms; and (2) to provide further support for expanded sales of foreign-produced semiconductors in Japan through establishment of a sales assistance organization and promotion of stable long-term relationships between Japanese purchasers and foreign-based semiconductor producers. Finally, both Governments agreed that the expected improvement in access by foreign-based semiconductor producers should be gradual and steady over the period of the Arrangement.

Although the Government of Japan has taken some steps toward satisfying these obligations, they have been inadequate; foreign-based semiconductor producers still do not have access in that market equivalent to that enjoyed by Japanese firms.

In the Arrangement, the Government of Japan also committed: (1) to prevent "dumping" through monitoring of costs and export prices of semiconductor products exported from Japan; and (2) to encourage Japanese semiconductor producers to conform to antidumping principles. Again, the Government of Japan has taken some steps toward satisfying these obligations, but they have been inadequate.

Consultations were held with the Government of Japan on numerous occasions between September 1986 and April 1987 in order to enforce U.S. rights under the Arrangement and to ensure that the Government of Japan undertake concerted efforts to fulfill its obligations under the Arrangement. To date the Government of Japan has not done so.

On March 27, 1987, I announced my intention to raise customs duties to a level of 100 percent ad valorem on as much as \$300 million in Japanese exports to the United States in response to the lack of implementation or enforcement by the Government of Japan of major provisions of the Arrangement. I also announced that the products against which retaliatory action would be taken would be selected after a comment period ending April 14, 1987. Finally, I announced that sanctions would remain in effect until there is firm and continuing evidence that indicates that the Government of Japan is fully implementing and enforcing the Arrangement.

This determination shall be published in the Federal Register.

INCREASE IN THE RATES OF DUTY FOR CERTAIN
ARTICLES FROM JAPAN

- - - - -

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

1. On April 17, 1987, I determined pursuant to section 301 of the Trade Act of 1974, as amended (the Act) (19 U.S.C. 2411), that the Government of Japan has not implemented or enforced major provisions of the Arrangement concerning Trade in Semiconductor Products, signed on September 2, 1986, and that this is inconsistent with the provisions of, or otherwise denies benefits to the United States under, a trade agreement; and is unjustifiable and unreasonable and constitutes a burden or restriction on United States commerce. Specifically, the Government of Japan has not met its commitments to increase market access opportunities in Japan for foreign-based semiconductor producers or to prevent "dumping" through monitoring of costs and export prices of exports from Japan of semiconductor products. I have further determined, pursuant to section 301(b) of the Act (19 U.S.C. 2411(b)), that the appropriate and feasible action in response to such failure is to impose increased duties on certain imported articles the product of Japan.

2. Section 301(a) of the Act (19 U.S.C. 2411(a)) authorizes the President to take all appropriate and feasible action within his power to obtain the elimination of an act, policy, or practice of a foreign government or instrumentality that 1) is inconsistent with the provisions of, or otherwise denies benefits to the United States under, a trade agreement; or 2) is unjustifiable, unreasonable, or discriminatory and burdens or restricts United States commerce. Section 301(b) of the Act authorizes the President to suspend, withdraw, or

prevent the application of benefits of trade agreement concessions with respect to, and to impose duties or other import restrictions on the products of, such foreign government or instrumentality for such time as he determines appropriate. Pursuant to section 301(a) of the Act, such actions can be taken on a nondiscriminatory basis or solely against the foreign government or instrumentality involved. Section 301(d)(1) of the Act (19 U.S.C. 2411(d)(1)) authorizes the President to take action on his own motion.

3. I have decided, pursuant to section 301(a), (b), and (d)(1) of the Act, to increase U.S. import duties on the articles provided for in the Annex to this proclamation that are the products of Japan.

NOW, THEREFORE, I, RONALD REAGAN, President of the United States of America, acting under the authority vested in me by the Constitution and the statutes of the United States, including but not limited to sections 301(a), (b), and (d)(1) and section 604 of the Act (19 U.S.C. 2483) do proclaim that:

1. Subpart B of part 2 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) is modified as set forth in the Annex to this proclamation.

2. The United States Trade Representative is authorized to suspend, modify, or terminate the increased duties imposed by this proclamation upon publication in the Federal Register of his determination that such action is in the interest of the United States.

3. This proclamation shall be effective with respect to articles entered, or withdrawn from warehouse for consumption, on or after April 17, 1987, except that it shall

not apply with respect to articles that were admitted into a U.S. foreign trade zone on or before March 31, 1987.

IN WITNESS WHEREOF, I have hereunto set my hand this seventeenth day of April, in the year of our Lord nineteen hundred and eighty-seven, and of the Independence of the United States of America the two hundred and eleventh.

ANNEX

Subpart B of part 2 of the Appendix to the Tariff Schedules of the United States is modified by inserting in numerical sequence the following new items and superior heading, set forth herein in columnar form, in the columns designated "Item", "Articles", "Rates of Duty 1", and "Rates of Duty 2", respectively:

Effective with respect to articles entered, or withdrawn from warehouse for consumption, on or after April 17, 1987

"Articles the product of Japan:

945.83	Automatic data processing machines, of the type of which the constituent units are integrated in the same housing, whether finished or unfinished, which incorporate a microprocessor-based calculating mechanism, are capable of handling data words of at least 16-bits off the microprocessor, and are designed for use with a non-CRT display unit, whether or not capable of use without an external power source (provided for in item 676.15, part 4G, schedule 6).....	100% ad val.	No change
945.84	Automatic data processing machines, of the type of which the constituent units are separately housed, whether finished or unfinished, which incorporate a microprocessor-based calculating mechanism, are capable of handling data words of at least 16-bits off the microprocessor, designed for use while affixed to or placed on a table, desk, or similar place (provided for in item 676.15, part 4G, schedule 6).....	100% ad val.	No change
945.85	Rotary drills, not battery powered, with a chuck capacity of 1/2 inch or more; electropneumatic rotary and percussion hammers; and grinders, sanders, and polishers (except angle grinders, sanders, and polishers, belt sanders, and orbital and straight-line sanders), the foregoing which are hand-directed or -controlled tools with self-contained electric motor (provided for in item 683.20, part 5, schedule 6).....	100% ad val.	No change
945.86	Complete color television receivers containing in a single housing apparatus for receiving and displaying off-the-air each standard U.S. broadcast channel, with or without external speakers, having a single picture tube intended for direct viewing, with a video display diagonal of 18, 19, or 20 inches (all the foregoing provided for in item 684.92, part 5, schedule 6)..	100% ad val.	No change

PRESS GUIDANCE

- o The sanctions -- prohibitive tariffs on \$300 million of Japanese products -- are imposed more in sorrow than anger.
- o The sanctions are necessary because the agreement has not obtained its objective: a cessation of dumping and more market access in Japan.
- o We are ready to withdraw the sanctions when we have firm and continuing evidence that the objectives of the agreement are being met. The Japanese have taken recent actions to begin to come into compliance with the agreement, which is an encouraging sign.
- o The product list was very carefully developed -- with two days of public hearings -- to avoid harming U.S. interests. To the extent that U.S. interests may be unavoidably harmed -- it is an excellent illustration of why this Administration has fought so hard in the Congress against protectionism and retaliation.
- o The Japanese decision on how to respond is entirely theirs. We do not have any comment.

We want to carefully avoid:

1. Casting this issue as anti-Japanese. Prime Minister Nakasone is under domestic political pressure on the U.S. sanctions; the further appreciation in the value of the yen in the past week or so; and the difficulties he is encountering in the Diet over the budget. (Last night the LDP used its majority in a forceable manner in the lower house to pass a budget over the opposition of all opposition parties. This was the first forceable vote since 1982. The opposition parties have indicated they will not go along with the LDP parliamentary procedures until Nakasone's VAT is withdrawn.)
2. Giving any hint of protectionism or a trade war. We do not want a market reaction similar to that which occurred when the Administration announced we were contemplating sanctions.

STATEMENT BY THE PRESIDENT

I am today releasing the list of Japanese exports to the United States upon which tariffs are being raised, effective today, in response to Japan's inability to enforce our September 1986 agreement on semiconductor trade.

I announced my determination to take these actions on March 27 after it became apparent that Japan has not enforced major provisions of the agreement aimed at preventing dumping of semiconductor chips in third country markets and improving U.S. producers' access to the Japanese market. The health and vitality of the U.S. semiconductor industry are essential to America's future competitiveness. We cannot allow it to be jeopardized by unfair trading practices.

In my March 27 announcement, I said we would impose tariffs on \$300 million in Japanese exports to the United States to offset losses suffered by American semiconductor producers as a result of the agreement not being fully implemented. The products upon which the tariffs are being raised were chosen to minimize the impact on American consumers and businesses. All these products are available from domestic or other foreign producers.

These actions are being taken to enforce the principles of free and fair trade.

I regret that these actions were necessary, and I hope the tariffs

can be removed very soon. We will eliminate them as soon as we have firm and continuing evidence that the dumping in third-country markets has stopped and that access to the Japanese market has improved.

I am encouraged by recent actions taken by the Government of Japan to improve their compliance with the agreement. We believe the agreement is in the best interests of both Japan and the United States and we look forward to the day when it is working as effectively as it should.

FACT SHEET

Background

On September 2, 1986 the U.S. and Japan signed an agreement on trade in semiconductors designed to promote free trade in semiconductors on the basis of market principles. In that agreement, the Japanese government committed to prevent sales below cost by Japanese semiconductor producers in third-country markets and to enhance sales opportunities in the Japanese market for foreign-based producers. Furthermore, the Japanese government agreed to prevent dumping in the United States.

The part of the agreement concerning dumping in the United States appears to be working satisfactorily, but the provisions concerning third-country dumping and access to Japan's market are not being properly implemented.

U.S. officials met with their Japanese counterparts in October, November and December to address major problems under the agreement. In addition, on January 28, 1987 emergency consultations were held in Japan to address evidence of Japanese noncompliance with the agreement's third-country dumping and market-access provisions.

At the January 28 consultations, U.S. officials notified the

Government of Japan that the U.S. would take appropriate steps to enforce the agreement if third-country dumping did not end within 30 days and if foreign semiconductor sales in Japan did not increase within 60 days.

A comprehensive Commerce Department analysis of Japanese pricing activity in third-country markets conclusively demonstrates that significant dumping was still occurring as of the February 28 deadline. At that time, Japanese-produced DRAMS (an advanced type of semiconductor) were being sold on average at 59.4 percent of the fair value, while EPROMS (another advanced semiconductor) were being sold at 63.6 percent of the fair value. If dumping of this magnitude were to continue, U.S. semiconductor companies would have little or no chance to compete in overseas markets.

The deadline to improve access in Japan for foreign semiconductors was March 28. The Commerce Department has analyzed the relevant data and determined that market access has not improved since the agreement was signed. Indeed, U.S. access to Japan's semiconductor market has declined from 8.4 percent in September to 7.9 percent in March.

The President's Action

The President has decided to impose sanctions on certain Japanese exports to the United States. These sanctions will remain in place until the semiconductor agreement is properly implemented.

A notice was placed in the Federal Register Monday, March 30 listing possible products on which sanctions could be imposed. After a public comment period of 14 days, and two days of public hearings on April 13 and 14, the Administration selected from the list products against which retaliatory action is being taken. Effective today, 100 percent ad valorem tariffs will be imposed on Japanese products totaling approximately \$300 million, offsetting the lost sales opportunities by U.S. industry.

These sanctions will not deprive American consumers of the products against which retaliatory action will be taken. All products on the list can be supplied by domestic or other foreign producers. The higher tariffs, which will be placed only on Japanese imports of these products, will be removed when it has been determined that the agreement is being fully implemented.

Question

When will the sanctions be lifted?

Answer

The United States Government will lift the sanctions when it determines that there is firm and continuing evidence that the objectives of the agreement are being met.

Question

What constitutes "firm and continuing" evidence that the agreement is being met?

Answer

We will decide that firm and continuing evidence exists when we have statistically valid evidence that all provisions of the agreement are being complied with, and that such compliance has existed over a reasonable period of time. This will obviously require that data on market access and third-country dumping demonstrate to our full satisfaction that a clear, continuing and unambiguous trend exists that the objectives of the agreement are being met.

We intend to monitor the relevant evidence on the most intensive basis possible, to ensure that our decision as to whether a pattern of compliance exists will be as sound and as fair as it can possibly be. In this regard, the Japanese Government will be invited to submit to our experts any data it has collected or will collect that may be relevant to the market access and third-country dumping issues. Our experts will carry out an intensive and meticulous review and analysis on all data, both our own and any reviewed by the Japanese side. On the basis of this analysis the U.S. Government will decide when the evidence justifies any decision to lift the sanctions.

QUESTION:

Why did the Administration increase tariffs on other products instead of retaliating against semiconductors themselves?

ANSWER:

Unfair pricing of semiconductors already is being controlled by the antidumping suspension agreements monitored by the Department of Commerce. The Administration concluded that increasing tariffs on semiconductor imports from Japan would cause much more damage to U.S. users than to the Japanese producers.

Question

Why did the U.S. Government decide to take these actions? Wasn't this a hasty action?

Answer

These actions were unavoidable because of the Government of Japan's inability to enforce the semiconductor agreement. We had conclusive evidence that two of its major provisions -- dealing with dumping of chips in third-country markets and with access to Japan's market for foreign producers -- were not being implemented.

This was certainly not a hasty decision. U.S. officials met with their Japanese counterparts in October, November and December to address major problems under the agreement. In addition, on January 28, 1987 emergency consultations were held in Japan to address evidence of Japanese noncompliance with the agreement's third-country dumping and market-access provisions.

At the January 28 consultations, U.S. officials notified the Government of Japan that the U.S. would take appropriate steps to enforce the agreement if third-country dumping did not end within 30 days and if foreign semiconductor sales in Japan did not increase within 60 days. Unfortunately, the Government of Japan did not take the necessary steps to bring Japanese companies into compliance by those deadlines, forcing the U.S. to impose these sanctions.

Question

Will Japan retaliate in reaction to these measures? What will be the Administration's response if Japan retaliates?

Answer

We do not know what the Japanese reaction will be. They have not communicated their response to us. Obviously we hope they will take no actions other than those which implement the agreement as soon as possible. It is in the interest of neither country to engage in an escalating series of retaliation and counter-retaliation.

Question

Won't these sanctions increase prices for American consumers?

Answer

Following the President's March 27 decision to impose sanctions, the public was given 14 days to comment on the proposed list. In addition a two-day hearing was held on April 13-14 to allow witnesses to testify on which products should be selected for sanctions. Over 80 witnesses took advantage of this opportunity.

The effect on American consumers and industries was of paramount concern during deliberations to select the final retaliation list. All the products upon which tariffs are being imposed are available from other foreign or domestic suppliers. Because these tariffs are being imposed only on Japanese imports, with domestic and other foreign suppliers remaining unaffected, price increases will be minimal.

The products upon which sanctions are being imposed were chosen on an interagency basis, and all public comments were taken into consideration. The recommendations were forwarded to the President, who made his determination today.

The degree to which U.S. interests may be harmed illustrates the pitfalls of protectionism. The consequences of a truly protectionist action would be much more severe.

QUESTION:

How did the Administration come up with the \$300 million figure in determining the level of sanctions to be taken against Japan?

ANSWER:

The \$300 million figure consists of two parts: (1) \$165 million for sales U.S. industry would have made in the Japanese semiconductor market if the market access provisions of the agreement had been adequately implemented; and (2) \$135 million for the sales U.S. industry lost due to continued dumping in third country markets by Japanese companies.

Market Access -- This figure is based on the expectation that foreign sales of semiconductors in Japan should increase at a "gradual and steady" rate, as provided by the agreement. \$165 million represents the lost U.S. sales (excluding sales non-U.S. firms would have enjoyed in Japan) annualized from September 1986.

Third Country Dumping -- The \$135 million figure was calculated on the basis of lost U.S. industry sales revenue derived from the actual below cost prices of Japanese DRAMS and EPROMs in third countries, the increase in Japanese share of semiconductor memory products in third country markets, and the size of the third country market for these products.

QUESTION:

On what evidence did the Administration base its decision to take action with respect to Japanese dumping in third country markets? How extensive was the Department of Commerce analysis of Japanese dumping in third country markets?

ANSWER:

The Administration had documented evidence of continued Japanese dumping in third country markets. The Department of Commerce conducted an analysis of the pricing activity of Japanese DRAM and EPROM semiconductors in third country markets. Their report was extremely thorough and represented a very large percentage of Japanese sales during the month of February. Our conclusion that Japanese companies continued to dump semiconductors in third country markets, despite the agreement, was based on 211 individual transactions accounting for a total of approximately 4.3 million chips. This represented an estimated 22 percent of total transactions during the month of February. Prices of DRAMs and EPROMs were found to be at a level that represents 59.4 and 63.6 percent of their cost, respectively.

Thus, given the thorough and extensive Commerce report, the question of continued dumping by Japanese companies, despite the provisions of the Semiconductor Agreement, is not in doubt.

(Note: The Commerce report is classified because of business confidentiality and is not available to the public.)