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THE WHITE HOUSE

WASHINGTON

March 13, 1986

MEMORANDUM FOR DAVID L. CHEW
STAFF SECRETARY AND DEPUTY ASSISTANT
TO THE PRESIDENT

FROM: JOHN G. ROBERTS 
ASSOCIATE COUNSEL TO THE PRESIDENT 

SUBJECT: Presidential Determination Re:
Japanese Leather Tariff Increases

Counsel's Office has reviewed the above-referenced determination and the accompanying proclamation. On page 2, line 9, of the proclamation, "2911(d)(1)" should be "2411(d)(1)." In lines 11 and 18-19 on the same page, "301(a)(2)" should be "301(a)." In line 20 on the same page, "(19 U.S.C. 2483)" should be inserted between "1974" and the subsequent comma.

**WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET**

- O - OUTGOING
- H - INTERNAL
- I - INCOMING
Date Correspondence Received (YY/MM/DD) _____

Name of Correspondent: David Chew

MI Mail Report User Codes: (A) _____ (B) _____ (C) _____

Subject: Presidential Determination re: Japanese Leather Tariff Increases.

ROUTE TO:	ACTION	DISPOSITION
(Official Agency / Staff Name)	Action Code	Type of Response / Code / Completion Date (YY/MM/DD)
<u>CUHOLL</u>	<u>ORIGINATOR</u>	<u>86103/12</u>
<u>CUAT18</u>	<u>R</u>	<u>S 86103/13</u> <u>10:00 am</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

ACTION CODES:

- A - Appropriate Action
- C - Comment/Recommendation
- D - Draft Response
- F - Furnish Fact Sheet to be used as Enclosure
- I - Info Copy Only/No Action Necessary
- B - Direct Reply w/Copy
- S - For Signature
- X - Interim Reply

DISPOSITION CODES:

- A - Answered
- B - Non-Special Referral
- C - Completed
- S - Suspended

FOR OUTGOING CORRESPONDENCE:

- Type of Response - Initials of Signer
- Code - "A"
- Completion Date - Date of Outgoing


Comments: _____

Keep this worksheet attached to the original incoming letter.
Send all routing updates to Central Reference (Room 75, OEOB).
Always return completed correspondence record to Central Files.
Refer questions about the correspondence tracking system to Central Reference, ext. 2590.

WHITE HOUSE STAFFING MEMORANDUM

DATE: 3/12/86 ACTION/CONCURRENCE/COMMENT DUE BY: 10:00 a.m. 3/13/86

SUBJECT: PRESIDENTIAL DETERMINATION RE: JAPANESE LEATHER TARIFF INCREASES

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	LACY	<input type="checkbox"/>	<input type="checkbox"/>
REGAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	POINDEXTER	<input checked="" type="checkbox"/>	<input type="checkbox"/>
MILLER	<input checked="" type="checkbox"/>	<input type="checkbox"/>	RYAN	<input type="checkbox"/>	<input type="checkbox"/>
BALL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SPEAKES	<input type="checkbox"/>	<input checked="" type="checkbox"/>
BUCHANAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SPRINKEL	<input type="checkbox"/>	<input type="checkbox"/>
CHAVEZ	<input type="checkbox"/>	<input type="checkbox"/>	SVAHN	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CHEW	<input type="checkbox"/>	<input checked="" type="checkbox"/>	THOMAS	<input checked="" type="checkbox"/>	<input type="checkbox"/>
DANIELS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TUTTLE	<input type="checkbox"/>	<input type="checkbox"/>
FIELDING 	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>Clerk</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HENKEL	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
HICKS	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
KINGON	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS: Please provide any comments/recommendations on the attached Presidential determination and proclamation by 10:00 a.m. Thursday. Thank you.

RESPONSE:


THE UNITED STATES TRADE REPRESENTATIVE

WASHINGTON

20506

March 11, 1986

MEMORANDUM FOR THE PRESIDENT

FROM: AMBASSADOR CLAYTON YEUTTER 

SUBJECT: Presidential Determination to Impose Specified
Tariff Increases

Mr. President, on November 21 the Economic Policy Council sent you a memorandum recommending specified tariff increases against Japan if we were unable to reach a satisfactory settlement by December 1 concerning its unfair trade practices on leather and leather footwear. Through intensive negotiations, we settled this dispute on December 20, 1985, and have, since that time, resolved the remaining and technically complex issues. Our agreement is for Japan to provide compensation which we estimate to be valued at \$236 million, and for the United States to increase duties on U.S. imports from Japan valued at an estimated \$24 million. The imports from Japan on which we recommend duties be increased are the products that were the subject of our case against Japan's illegal quotas.

Therefore, attached for your signature are (1) a Presidential Determination reflecting this decision and (2) a Presidential Proclamation to implement the increase in duty on leather and leather footwear imports from Japan. In order to implement our increase in duty by the time that Japan implements its measures taken under our agreement, we request that you sign the attached Proclamation and Determination on or before March 16.

We consider this to be a superb negotiating result. It is one of the first times ever that the Japanese have opened their markets in response to a U.S. complaint. Our more aggressive "fair trade" strategy is working!

THE WHITE HOUSE

WASHINGTON

DETERMINATION UNDER SECTION 301 OF THE TRADE ACT OF 1974

MEMORANDUM FOR THE UNITED STATES TRADE REPRESENTATIVE

Pursuant to Section 301 of the Trade Act of 1974, as amended (19 U.S.C. 2411), I have determined that the global quotas maintained by the Government of Japan on imports of leather and leather footwear deny benefits to the United States arising under the General Agreement on Tariffs and Trade (GATT), are unreasonable and constitute a burden and restriction on U.S. commerce. Pursuant to Section 301(a) of the Trade Act, I have determined to accept compensation from the Government of Japan to restore the balance for the major portion of this case and also to proclaim an increase in duties on certain imports from Japan in order to resolve this case. ✓

Reasons for Determination

In 1973, the United States initiated a Section 301 investigation after receiving a petition from the U.S. Tanners Council alleging that Japanese tariffs, quotas and administrative practices concerning leather imports effectively denied U.S. exporters access to the Japanese market. After bilateral discussions with the Japanese Government failed, the United States requested formation of a panel under Article XXIII of the General Agreement on Tariffs and Trade (GATT) and threatened preemptive retaliation. In early 1979, we reached an agreement with Japan in which Japan promised to: (1) give U.S. exporters a specified number of quota licenses; (2) provide the names of the quota holders, and (3) expand the quota on wet blue, finished and upholstery leather. We believed at that time that these measures would improve our access to the Japanese market. In 1982, however, the United States refused to extend the agreement. We noted that the U.S. industry was still unable to penetrate the Japanese market system, the deterrence imposed by the very low level of quotas to the significant marketing efforts by U.S. firms, and the high leather tariffs. Instead, we reinstated our GATT complaint.

In 1984 a GATT panel found that Japan had violated Article XI of the GATT. The panel further determined that the illegal quota had damaged U.S. exports. Subsequent to the adoption of the GATT panel report, the Japanese Government: (1) reduced the tariff on semi-finished leather to zero; (2) promised to liberalize the allocation of the quota on semi-finished leather; and (3) agreed to publish the level of the quota on a regular basis. The tariff reduction on semi-finished leather imports has been of modest value to the U.S. industry, because it affects only a miniscule

portion of their exports to Japan. Additionally, the publication of the level of the quota, while useful information, has not aided U.S. leather exporters in increasing their sales. U.S. exporters remain substantially excluded from the Japanese market and there is no prospect that this situation will change in the foreseeable future.

In December 1982, we initiated a Section 301 investigation based on a petition filed by the Footwear Industries of America, et. al. which included allegations that the quota and administrative practices maintained by the Government of Japan with respect to leather footwear imports effectively denied U.S. footwear exporters access to the Japanese market. Although there has been no GATT panel finding with respect to the leather footwear quota, it is identical to the leather quota which has been found by a GATT panel to be inconsistent with Article XI of the GATT. The Japanese have taken no steps to liberalize or eliminate the footwear quota.

On September 7, 1985, I announced that I would take counter-measures against Japan unless a satisfactory settlement of our complaint was reached by December 1, 1985.

On September 23, 1985, the Government of Japan notified the GATT Secretariat of its intention to enter into negotiations pursuant to Article XXVIII:5 of the GATT in order to modify or withdraw its tariff concessions on leather and leather footwear imports. The Government of Japan has notified the GATT of its intent to enter into Article XXVIII:5 negotiations so that it can remove its global quotas on leather and leather footwear imports and replace the quotas with new tariff measures.

The United States has agreed to accept compensation from Japan with an estimated value to the United States of \$236 million and will increase duties on an estimated \$24 million of U.S. imports from Japan that together will satisfy the United States fully for trade damage caused by import restrictions on leather and leather footwear. The settlement involves tariff concessions on \$2.3 billion worth of U.S. exports to Japan in 1984. The settlement will increase opportunities for American producers to sell products in Japan. This is far preferable to protectionist measures that would restrict imports without increasing U.S. exports.

This determination shall be published in the Federal Register.



U.S. Department of Justice

Office of Legal Counsel

Office of the
Assistant Attorney General

Washington, D.C. 20530

The President,

APR 10 1936

The White House.

My dear Mr. President:

I am herewith transmitting a proposed Proclamation entitled "Increase In The Duty On Certain Articles From Japan." This proposed Proclamation has been submitted by the United States Trade Representative and has been forwarded to this Department for review of its form and legality.

The proposed Proclamation is approved with respect to form and legality.

Respectfully,

A handwritten signature in cursive script, appearing to read "Charles J. Cooper".

Charles J. Cooper
Assistant Attorney General
Office of Legal Counsel

U.S.C. 2411(b)) also 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. Pursuant to section 301(a) of the Act, such actions can be taken on a discriminatory basis solely against the foreign government or instrumentality involved. Section 301(d)(1) of the Act (19 U.S.C. 2911(d)(1))⁴ authorizes the President to take action on his own motion. ✓

3. I have decided, pursuant to section 301(a)~~(2)~~, (b), and (d)(1) of the Act, to increase United States import duties on the articles provided for in the Annex to this proclamation which are the product 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 section 301 (a)~~(2)~~, (b), and (d)(1) and section 604 of the Trade Act of 1974, do proclaim that: ✓

1. Subpart B of part 2 of the Appendix to the TSUS is modified as provided in the Annex to this proclamation.

2. The United States Trade Representative (USTR) is hereby authorized to suspend, modify, or terminate the increase in United States import duties on any of the articles covered by the Annex to this proclamation, upon the publication in the Federal Register of his determination that such suspension, modification, or termination is justified by further actions taken by Japan with respect to this matter, or is appropriate

INCREASE IN THE RATES OF DUTY ON CERTAIN
ARTICLES FROM JAPAN

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

1. On September 7, 1985, I announced my decision to take action in response to quantitative restrictions on imports of United States leather and footwear maintained by Japan, in the event that a satisfactory settlement of the matter was not achieved by December 1, 1985. I have determined pursuant to section 301 of the Trade Act of 1974, as amended (the Act) (19 U.S.C. 2411), that these restrictions deny benefits to the United States arising under the General Agreement on Tariffs and Trade (GATT) (61 Stat. (pts. 5 and 6)), are unreasonable, and constitute a burden or restriction on United States commerce. Discussions with Japan concerning the elimination of these restrictions have resulted in an understanding as to the appropriate course of action to be taken by both the United States and Japan. Accordingly, pursuant to section 301 of the Act, I have determined to accept compensation from Japan and also to increase duties on certain imports of leather and footwear from Japan.

2. Section 301(a) of the Act (19 U.S.C. 2411(a)) authorizes the President to take all appropriate and feasible action 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, any trade agreement; or 2) is unjustifiable, unreasonable, or discriminatory and burdens or restricts United States commerce. Section 301(b) of the Act (19

to carry out the understanding between the United States and Japan, or is otherwise appropriate, taking into account relevant domestic production and employment in the United States.

3. This proclamation shall be effective with respect to articles entered, or withdrawn from warehouse for consumption, on or after the date which is 15 days after the date on which this proclamation is signed.

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

ANNEX

Subpart B of part 2 of the Appendix to the Tariff Schedules of the United States is modified--

(1) by inserting the following new heading 2:

"2. For purposes of items 945.75 and 945.76, inclusive, the duties provided for in this subpart are cumulative duties which apply in addition to the duties otherwise imposed on the articles involved."; and

(2) by inserting in numerical sequence the following new items, set forth herein in columnar form under the headings "Item", "Articles", "Rates of Duty 1", and "Rates of Duty 2", respectively:

	"Articles the product of Japan:		
945.75	Bovine (including buffalo) and equine leather (provided for in items 121.25, 121.30, 121.35, 121.40, 121.45, 121.55, 121.61, 121.63, and 121.65, part 5A of schedule 1), the foregoing, except metalized leather; and goat, kid, sheep, and lamb leather, the foregoing dyed, colored, stamped, or embossed but not metalized (provided for in items 121.62, 121.63, 121.64, and 121.65, part 5A of schedule 1).....	40% ad val.	No change
945.76	Footwear with uppers containing leather (provided for in part 1A of schedule 7), the foregoing, except slippers provided for in item 700.32, footwear which is designed for a sporting activity and has, or has provision for, attached spikes, sprigs, stops, clips, bars, or the like, and skating boots, ski-boots and cross-country ski footwear, wrestling boots, boxing boots, and cycling shoes.....	40% ad val.	No change"

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

March 17, 1986

INCREASE IN THE RATES OF DUTY ON CERTAIN
ARTICLES FROM JAPAN

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BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

1. On September 7, 1985, I announced my decision to take action in response to quantitative restrictions on imports of United States leather and footwear maintained by Japan, in the event that a satisfactory settlement of the matter was not achieved by December 1, 1985. I have determined pursuant to Section 301 of the Trade Act of 1974, as amended (the Act) (19 U.S.C. 2411), that these restrictions deny benefits to the United States arising under the General Agreement on Tariffs and Trade (GATT) (61 Stat. (pts. 5 and 6)), are unreasonable, and constitute a burden or restriction on United States commerce. Discussions with Japan concerning the elimination of these restrictions have resulted in an understanding as to the appropriate course of action to be taken by both the United States and Japan. Accordingly, pursuant to Section 301 of the Act, I have determined to accept compensation from Japan and also to increase duties on certain imports of leather and footwear from Japan.

2. Section 301(a) of the Act (19 U.S.C. 2411(a)) authorizes the President to take all appropriate and feasible action 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, any trade agreement; or 2) is unjustifiable, unreasonable, or discriminatory and burdens or restricts United States commerce. Section 301(b) of the Act (19 U.S.C. 2411(b)) also 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. Pursuant to Section 301(a) of the Act, such actions can be taken on a discriminatory basis 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 United States import duties on the articles provided for in the Annex to this proclamation that are the product 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 Section 301(a), (b), and (d)(1) and Section 604 of the Trade Act of 1974 (19 U.S.C. 2483), do proclaim that:

more

(OVER)

1. Subpart B of part 2 of the Appendix to the TSUS is modified as provided in the Annex to this proclamation.

2. The United States Trade Representative (USTR) is hereby authorized to suspend, modify, or terminate the increase in United States import duties on any of the articles covered by the Annex to this proclamation, upon the publication in the Federal Register of his determination that such suspension, modification, or termination is justified by further actions taken by Japan with respect to this matter, or is appropriate to carry out the understanding between the United States and Japan, or is otherwise appropriate, taking into account relevant domestic production and employment in the United States.

3. This proclamation shall be effective with respect to articles entered, or withdrawn from warehouse for consumption, on or after the date that is 15 days after the date on which this proclamation is signed.

IN WITNESS WHEREOF, I have hereunto set my hand this sixteenth day of March, in the year of our Lord nineteen hundred and eighty-six, and of the Independence of the United States of America the two hundred and tenth.

RONALD REAGAN

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