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INTERNATIONAL DIVISION

B-205565

The Honorable Donald W. Riegle
The Honorable William V. Roth, Jr.
The Honorable Carl M. Levin
The Honorable Thomas F. Eagleton
The Honorable Howard M. Metzenbaum
United States Senate



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Subject: U.S. Actions to Monitor Japanese
Auto Imports (ID-82-8)

In response to your request of June 15, 1981, and subsequent discussions with your staff, we reviewed the Federal Government's current methods for monitoring auto imports. The Department of Commerce monitors auto imports based on data extracted from the official U.S. trade statistics published by the Census Bureau. Commerce has devised a special report to permit monitoring of auto imports from Japan and to provide comparability between Japanese export data and U.S. import data. This report is provided to other Federal agencies, including the Office of the U.S. Trade Representative. If needed, Commerce's system can provide the information required for an indepth analysis of the auto import situation.

We found that Commerce has an adequate system which provides an accurate account of the auto import situation. The special report will allow the U.S. Government to determine whether Japanese auto exports are consistent with the unilateral restraint measures implemented by the Government of Japan for a 3-year period. It should be noted that there is a necessary time lag in arriving at final Commerce Department data because exports from Japan in any given month are recorded in U.S. data over a period of several subsequent months. We discussed the special report with officials of various agencies, and they agreed that an adequate monitoring system is in place. They pointed out that the present concern is the Japanese determination of the second year's level of exports and emphasized that this determination is in the hands of the Government of Japan since it is a unilateral voluntary restraint and not a U.S. import restriction.

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To determine whether an adequate system existed for monitoring auto imports and Japan's implementation of the export restraint measures, we interviewed officials at the Departments of Commerce (International Trade Administration and Census), Justice, State, Transportation, and Treasury (Customs Service); the U.S. International Trade Commission; and the Office of the U.S. Trade Representative. We also analyzed documents provided by these agencies and verified to original Customs entry documents a random sample of the imports included in the special report published by Commerce.



Frank C. Conahan
Director

Enclosure

INTRODUCTION

The U.S. automobile industry has experienced serious economic difficulties, and the Government has responded by formulating some policies to help management and labor revitalize this industry. As part of this overall effort, the United States and Japan have cooperated in several ways to reduce concerns regarding bilateral auto trade. For example, both countries have reduced customs duties on automobile parts and have encouraged Japanese investment in the United States.

In recognition of the continuing U.S. concern over the increased share of the domestic market being claimed by imports, the Government of Japan on May 1, 1981, announced its decision to implement a series of auto export restraint measures. This unilateral voluntary restraint covers a 3-year period, from April 1981 through March 1984. The Japanese announcement states that during the first year, April 1, 1981, through March 31, 1982, (the Japanese fiscal year) exports of passenger cars to the United States will be (within) 1,680,000 automobiles. In addition, separate restrictive measures were announced for commercial vehicle exports to the United States and vehicle shipments to Puerto Rico--a maximum of 82,500 commercial vehicles to the United States and a limit of less than 70,000 cars and commercial vehicles to Puerto Rico.

For April 1982 through March 1983, Japan will determine the volume of exports by making a projection of the U.S. market during this period. Japan's announcement states that the level of exports will be the sum of the export ceiling during the first year and an additional amount obtained by multiplying the estimated expansion of the U.S. market by 16.5 percent. How this determination will be made is not clear, considering current market conditions. It is likely that the total U.S. sales volume will decline during the first year of the restraint measures.

During April 1983 through March 1984, Japan will closely monitor exports of passenger cars to the United States. In addition, Japan will study U.S. market trends at the end of the second year to determine whether or not to continue restraint measures.

U.S. SYSTEM FOR MONITORING
AUTO IMPORTS

The Department of Commerce has primary responsibility for monitoring auto imports from all sources and for the special report on Japanese auto exports to the United States, including Puerto Rico. The Customs Service collects and verifies the raw data and submits it to the Census Bureau. The Census Bureau aggregates the information and prepares tables as requested by the International Trade Administration's Sectoral Trade Monitoring Division, which is responsible for analyzing and publishing data.

The Customs Service records the necessary import information in a Consumption/Warehouse Entry Document, which contains a detailed description of the merchandise, including the tariff schedule category number, country and date of export, U.S. port of unloading, date of import, value, and other information. Copies of the completed form are transmitted by the reviewing Customs officials to the Census Bureau daily from the larger ports and weekly from smaller ports. Documents for a particular month (e.g., April) are required to reach the Census Bureau processing center no later than the 15th calendar day of the following month (e.g., May).

The import statistics compiled by the Census Bureau are designed to serve the requirements of both government and nongovernment users. Because the United States and Japan use different product definitions and there is a time lag between the export date reported by Japan and the import date recorded by the United States, trade data is difficult to reconcile. Thus, Commerce has taken several steps to provide better comparability between Japanese export data and U.S. import data, as discussed below.

Differences between U.S. and Japan product definition

The voluntary restraint measures refer to exports of passenger cars as defined by the Japan Automobile Manufacturers Association (JAMA). This definition classifies certain vehicles as cargo or utility vehicles, while the United States classifies them as passenger cars. For example, Japan considers the following vehicles to be cargo or utility vehicles but the United States considers them to be passenger cars.

- Mitsubishi Dodge Colt Station Wagon
- Subaru Brat
- Subaru Station Wagon 1600
- Subaru Station Wagon 1800
- Suzuki Jimny (exported only to Hawaii)
- Toyota Land Cruiser
- Toyota Corolla Van (automatic 3 speed)
- Toyota Corolla Van (5 speed manual shift)

Another difference is that Japan reports passenger car exports to Puerto Rico as a separate item, while total U.S. import statistics include Puerto Rico.

To account for the definitional differences, the Committee for Statistical Annotation of Tariff Schedules (484 E Committee) established a new statistical classification (category 692.1005) allowing the United States to separate those vehicles counted as nonpassenger cars or commercial vehicles in Japanese data which are included in the U.S. data as passenger cars. Below

are classifications, as they now appear in the Tariff Schedules of the United States, Annotated.

(MOTOR VEHICLES...:)

692.10 OTHER

ON-THE-HIGHWAY, FOUR-WHEELED, PASSENGER

AUTOMOBILES:

05 "JEEP TYPE" VEHICLES AND OTHER PASSENGER VEHICLES CONSIDERED TO BE CARGO OR UTILITY VEHICLES IN THE COUNTRY OF ORIGINNO.

OTHER:

NEW:

HAVING PISTON-TYPE ENGINES:

10 4-CYLINDER AND UNDERNO.

THE DESCRIPTIONS AND NUMBERS FOR SUFFIXES 10 THROUGH 90 REMAIN UNCHANGED.

Source: U.S. Customs Service

This new classification, however, only affects merchandise entered or withdrawn for consumption on or after July 1, 1981. In addition, Census data now separates exports to the United States and those to Puerto Rico.

Thus, Commerce's new monitoring system can reconcile the differences between Japanese and U.S. product classifications and separate passenger and commercial car exports to Puerto Rico. It should be noted that there is a necessary time lag in arriving at final Commerce Department data, because exports from Japan in any given month are recorded in U.S. data over a period of several subsequent months.

Adjustments to previously reported data

Imports recorded by the United States in a given month are subject to adjustments because of the time required

--for Japan's shipments to arrive in the United States--approximately 2 to 4 weeks;

--to prepare the Customs Entry Document--up to 10 working days;

--for mailing the documents to the Census Bureau's central processing facility--a few days; and

--to process the data.

A car exported from Japan usually arrives at a U.S. port about 2 to 4 weeks after its shipment. However, inclusion of these imports in the proper month of export is delayed because of the time required for submission of documents for processing. For example, a car exported at the end of the month may not arrive in the United States until the end of the following month. Assuming that an entry document is filed 10 working days after the car arrives and that 3 days are required for mailing the documents to the Census Bureau's processing facility, the documents can miss the cutoff date (15th calendar day of the month) for inclusion in that month's report. As a result, U.S. statistics may not record the Japanese import until 2 months after the shipment arrives, or 3 months after the shipment from Japan.

The computation of data for each month of export from Japan requires monthly updating to account for how arrivals are reflected in U.S. import data. The table below shows how month-of-export data is continually updated to adjust for the time lag.

Monthly Additions to U.S. Data on
Japanese Cars Shipped into the U.S. and Puerto Rico
by Month of Export
April through June 1981
(Number of Vehicles)

Month in which shipment is recorded in U.S. data	Month of Export from Japan								
	to United States						to Puerto Rico		
	Group A (note a)			Group B (note b)			Group A and B		
	April	May	June	April	May	June	April	May	June
April	23,237			0			0		
May	112,105	13,148		0	0		2,298	0	
June	34,457	110,817	23,888	0	0	0	4,698	1,729	0
July	2,289	27,255	95,772	0	0	4,064	211	3,091	1,839
August	<u>1,190</u>	<u>2,111</u>	<u>33,336</u>	<u>0</u>	<u>0</u>	<u>1,556</u>	<u>0</u>	<u>68</u>	<u>2,536</u>
Exports recorded as of 9/15/81 (note c)	<u>173,278</u>	<u>153,331</u>	<u>152,996</u>	<u>0</u>	<u>0</u>	<u>5,620</u>	<u>7,207</u>	<u>4,888</u>	<u>4,375</u>

a/Group A cars—passenger cars (TSUSA 692.1010, 692.1015, 692.1030, 692.1035).

b/Group B cars—other passenger cars not considered passenger cars in country of origin (TSUSA 692.1005).

c/Subject to further changes because of updates.

Source: Prepared by GAO from Department of Commerce information.

Reconciliation of Japanese
and U.S. data

We believe that the system in place provides an accurate account of the auto import situation and that the special report will allow a reconciliation between Japanese and U.S. data. It should be noted that reconciliation is possible after the necessary adjustments caused by time needed for shipping and document processing. Special tabulations are also kept for other types of cars. This information, together with data on imports from all other sources, allows the Department of Commerce to identify surges in other types of vehicles or from other sources.

After adjustments through the month of August, a reconciliation of Japanese and U.S. data for the first 3 months of the unilateral restraint period shows only a 3-percent difference. (See table on page 6.) According to Commerce, this difference could arise from the differing product definitions.

OBSERVATIONS

There is an adequate monitoring system in place which provides an accurate account of the auto import situation. Commerce's special report regarding Japanese auto exports will allow the U.S. Government to determine whether these exports are consistent with the unilateral restraint measures implemented by the Government of Japan.

We believe that the most important issue now is the Japanese projection of U.S. auto demand in 1982, which will be used in determining the second year's level of exports. According to the Japanese announcement, the level of exports will be determined by multiplying the amount of the projected expansion of the market by 16.5 percent and adding this figure to the level of exports during the first year (1,680,000). This method allows the Japanese to participate in any market growth.

The announcement, however, does not precisely define the period to be covered in the projection or contain provisions for decreasing Japanese export levels to the United States if there is a projected market decline. It is uncertain how the Government of Japan will determine restraint levels for second-year exports to Puerto Rico. U.S. agencies should follow import developments closely and consider seeking to determine how the Government of Japan intends to estimate the size of next year's U.S. market.

U.S. Government officials have indicated that, while they will be alert to the new developments, the decision on restraint levels is in the hands of the Japanese Government, since it is a unilateral voluntary restraint and not a U.S. import restriction.

Comparison of U.S. and Japanese Data on
Automobile Exports from Japan to the United States
April through June 1981 (note a)
(Number of Vehicles)

U.S. data (note b)			JAMA data (note g)		April 1981 - March 1982
To United States	Monthly	Total	Monthly	Total	<u>Voluntary Restraint</u>
Passenger cars:					
April	173,278		169,881		
May	153,331		155,441		
June	152,996		144,766		
		<u>c/479,605</u>		470,088	1,680,000
Other cars (note c):					
April	0				
May	1,005				
June	5,620				
		<u>6,625</u>	<u>d/NA</u>		<u>82,500</u>
Total		486,230		470,088	1,762,500
<u>To Puerto Rico</u>					
Passenger cars:					
April	7,207		7,263		
May	4,888		4,524		
June	4,375		4,595		
		<u>c/16,470</u>		16,382	-
Other cars (Note e):		<u>d/NA</u>	<u>d/NA</u>		-
Total		<u>16,470</u>		<u>16,382</u>	<u>f/ 70,000</u>
Total passenger and other cars		<u>502,700</u>		<u>486,470</u>	<u>1,832,500</u>

Difference - 16,230 cars, or 3 percent

a/Reconciliation includes only first 3 months of voluntary restriction because shipments exported in July, Aug., and Sept. are still subject to updates.

b/Adjustments to Apr., May, and June figures include arrivals through August; further adjustments may be required to record arrival of shipments in transit.

c/U.S. data includes undetermined amount of other cars since there was no separate recording before July 1981.

d/Not available.

e/Automobiles defined as passenger cars in U.S. data but excluded in JAMA data. Separate record of these cars in place as of July 1981.

f/Restriction levels not broken into categories for Puerto Rico (see p. 1).

g/Japan Automobile Manufacturers Association (JAMA).

Source: Prepared by GAO from Department of Commerce information.