Industry & Trade Summary

Motorcycles and Certain Other Vehicles

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This report was prepared principally by

Adam Topolansky

Transportation Branch
Machinery and Transportation Division

Address all communications to
Secretary to the Commission
United States International Trade Commission
Washington, DC 20436

PREFACE

In 1991 the United States International Trade Commission initiated its current Industry and Trade Summary series of informational reports on the thousands of products imported into and exported from the United States. Each summary addresses a different commodity/industry area and contains information on product uses, U.S. and foreign producers, and customs treatment. Also included is an analysis of the basic factors affecting trends in consumption, production, and trade of a commodity, as well as those bearing on the competitiveness of U.S. industries in domestic and foreign markets.[1]

This report on motorcycles and certain other vehicles covers the period 1989 through 1993 and represents one of approximately 250 to 300 individual reports to be produced in this series during the first half of the 1990s. Listed below are the individual summary reports published to date in the machinery and transportation sector.

USITC publication number	*Publication date*	*Title*
2430	November 1991	Aircraft, Spacecraft, and Related Equipment
2505	April 1992	Construction and Mining Equipment
2546	August 1992	Agricultural and Horticultural Machinery
2570	November 1992	Electric Household Appliances
2633	June 1993	Textile Machinery
2746	March 1994	Aircraft and Reaction Engines, Other Gas Turbines, and Parts
2751	March 1994	Certain Motor-Vehicle Parts and Accessories
2756	March 1994	Air-conditioning Equipment and Parts
2765	April 1994	Metalworking Machine Tools and Accessories
2849	January 1995	Motorcycles and Certain Other Vehicles

[1] The information and analysis provided in this report are for the purpose of this report only. Nothing in this report should be construed to indicate how the Commission would find in an investigation conducted under statutory authority covering the same or similar subject matter.

CONTENTS

INTRODUCTION

This report discusses key aspects of the global industry producing motorcycles and certain other vehicles[1] (hereinafter referred to as motorcycles), and covers the period 1989-93. The report is organized into three major sections: U.S. and foreign industry profiles; U.S. and foreign tariff and nontariff trade measures; and U.S. industry performance in domestic and foreign markets. Motorcycles are classified under heading 8711 of the Harmonized Tariff Schedule of the United States (HTS), and motorcycle parts are classified under HTS heading 8714.

Motorcycles are defined as two-wheeled motorized vehicles, with or without side-cars, primarily for road use, having an engine displacement of 50 cubic centimeters (cc) or over. Motorcycles are used for a variety of purposes, including recreation, touring, commuting, and on- and off-road racing. Motorcycles can be classified as lightweight, mediumweight, and heavyweight. Lightweight motorcycles typically have an engine displacement ranging from 50 cc to 500 cc; mediumweight motorcycles from 500 cc to 750 cc; and heavyweight motorcycles from 750 cc and up. Almost all of the lightweight motorcycles and a large portion of the mediumweight motorcycles sold in the U.S. market are imported. According to industry sources, the majority of motorcycles sold in the United States are in the range of 600 cc to 750 cc.[2]

For design and marketing purposes, the motorcycle industry divides heavyweight motorcycles into three basic classes: touring, sport, and cruiser or custom. However, these classes tend to overlap; for example, any heavyweight motorcycle can be used for touring, and the distinction between some sport and touring motorcycles can be vague.

A touring motorcycle is designed to be used principally for on-highway, cross-country driving. It usually has a windshield, a fairing[3], saddlebags, and a large storage compartment. The touring motorcycle is generally referred to as a "full dresser" because of the manner in which it is equipped. This type of motorcycle has a more comfortable seat than a sport or custom motorcycle and almost always has a second seat designed specifically for a passenger. The riding position of a touring bike is typically upright, and the suspension can be adjusted for long-distance, comfortable riding.

A sport model is typically purchased by a buyer who is primarily interested in performance and handling. The riding position is more forward, and this type of motorcycle is usually not equipped with a windshield. If there is a windshield, it will be relatively small, and the fairing is much smaller and more aerodynamically shaped than that of a touring bike. The sport bike is almost always chain driven and it invariably exhibits harsher riding (less user friendly) properties than a touring or cruiser motorcycle.

The third type of heavyweight motorcycle, the cruiser model, is designed for the consumer who is typically more interested in image and styling than high performance or cross-country riding. It will often have extended front forks, more chrome than the touring or sport models, lower seat height, and no windshield or fairing. This type of motorcycle is driven mostly for short distances at moderate speeds, although many are capable of being driven well over 100 miles per hour. An owner may frequently ride the cruiser model in urban traffic and to and from work.

Dual purpose and certain off road motorcycles (e.g., dirt bikes) are also included in this report (figure 1). Dual purpose motorcycles are approved by the U.S. Department of Transportation for highway and road use, yet they are also capable of being ridden off road because of their elevated exhaust pipes, unique suspension systems, and specialized tires. There is no significant U.S. production of dual purpose motorcycles;[4] however, U.S. motorcycle distributors often import these special-purpose motorcycles to complement their U.S. supply base.

Mopeds (motorized pedal-assisted bicycles) and nopeds (motorized bicycles that are not pedal assisted) are defined as two-wheeled motorized vehicles, equipped with two-stroke engines that typically have a displacement under 50 cc.[5] Scooters, on the other hand, are defined as nopeds with engines that are capable of higher speeds. All of these vehicles are less complex than motorcycles and, in general, resemble a motorized bicycle. There are no known significant U.S. producers of mopeds, nopeds, or scooters.

[1] The category "certain other vehicles" includes mopeds (motorized pedal-assisted bicycles), nopeds (motorized bicycles that are not pedal assisted), scooters (nopeds with engines that are capable of higher speeds), and similar products. However, this report does not cover certain off-road three- and four-wheeled all-terrain vehicles (ATVs), and other recreational and specialty vehicles (e.g., snowmobiles and personal watercraft).

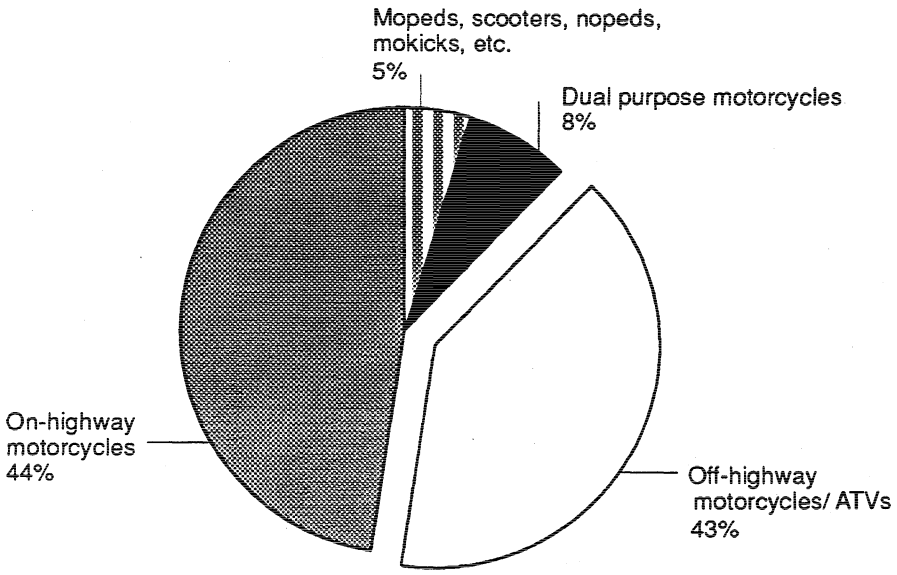
[2] USITC staff telephone interview with an official of the Motorcycle Industry Council, Inc., Irvine, CA, Aug. 30, 1994.

[3] A fairing is a fiberglass structure attached to the front of the motorcycle. Its primary function on touring motorcycles is to provide protection from extreme wind and weather conditions. Fairings on sport motorcycles are intended to reduce wind resistance.

[4] ATK America Inc. produces a limited number of dual purpose motorcycles.

[5] The National Highway and Traffic Safety Administration also defines mopeds as not being capable of exceeding a speed of 30 miles per hour.

Figure 1
Motorcycles: Estimated U.S. population by model type, 1993



Source: Motorcycle Industry Council, Inc.

U.S. dealers and distributors import mopeds, nopeds, and scooters from around the world. The major producers of these vehicles include Honda, Yamaha, Kawasaki, and Suzuki (Japan); Beta, Bimota, Italjet, Motomarina, and Motomorini (Italy); Lambretta, Montesa, and Derbi (Spain); and Jawa (the Czech Republic). Mopeds with engine sizes under 50 cc are exempt from U.S. Environmental Protection Agency (EPA) emission regulations.

Motorcycle engines are built to different designs depending on their intended purpose. Engines for sport use generally produce the most horsepower per liter, but over a more narrow revolution per minute (rpm) band, requiring more gears (5 or 6) in the transmission process. Cruiser and touring motorcycle engines are designed to produce less peak horsepower, but to produce usable power over a wider range of rpm, thus requiring fewer gears in the transmission process (generally 4 or 5). Transmissions for scooters and mopeds offer 1 to 3 speeds, and are generally clutchless or automatic.

The motorcycle manufacturing process generally begins with the delivery of motorcycle engines and transmissions, produced at engine plants, to the motorcycle assembly plant. At the plant, the engines and transmissions are matched to designated vehicles on the assembly line. Motorcycle engines are produced with 1 to 8 cylinders, as well as with rotary (wankel) configurations. Multi-cylinder engines are manufactured in three basic configurations: in-line, opposed, and V-type. Each of these refers to the position of one bank of cylinders in relation to the other. Motorcycle engines may be air cooled or water cooled; 2-stroke or 4-stroke; carbureted or fuel-injected. Engines may be manufactured with variances in other design characteristics, including the number and placement of carburetors, cams, and valves.

The drive assembly components (belt, chain, and shaft) that transmit the power from the transmission to the rear wheel are added to the frame during the assembly process. At the assembly plant, machining and stamping operations may be performed to produce various parts and components. Workers bend the tubing for the frame and then the pieces are welded to complete the frame. Parts are painted before moving to final assembly. At the final stage of assembly, the engine, transmission, and other components are built onto the frame. After completion, the motorcycles are inspected, tested, and covered with a thin oil-based

protective coating before being packed and shipped to dealers.

There are three major U.S. motorcycle manufacturers: Harley-Davidson, Inc. (Harley), American Honda Motor Co., Inc. (Honda), and Kawasaki Motors Corp., U.S.A. (Kawasaki). Harley motorcycles typically have an engine displacement ranging from 883 cc to 1,340 cc; Honda produces its Gold Wing model, which has a 1,500 cc engine, and its Shadow 1100 model, which has an 1,100 cc engine; and Kawasaki produces cycles ranging in engine size from 600 cc to 1,200 cc.

Total U.S. shipments of motorcycles increased from about 140,000 units in 1989 to an estimated 226,000 units in 1993, or by about 61 percent, due mainly to increasing U.S. exports of these products during the period.[6] U.S. imports of mopeds, scooters, dual purpose motorcycles, and similar vehicles amounted to approximately 30 percent of total U.S. imports of motorcycles in units, and about 14 percent in total dutiable dollar value.[7]

U.S. INDUSTRY PROFILE

Industry Structure

Motorcycles are included under Standard Industrial Classification (SIC) 3751.[8] The U.S. motorcycle industry is relatively small, producing less than 2 percent of total world output. There are about 50 U.S. firms engaged in the manufacture and/or distribution of the products covered in this summary (tables 1 and 2). Seven of these firms produce primarily motorcycles; the remaining firms produce mainly motorcycle parts. The seven U.S. motorcycle producers are Harley; Honda; Kawasaki; ATK America, Inc.; Buell Motorcycle Company, Inc.; Maely Industries; and Westinghouse Electric Corporation.

However, three of the seven—Harley, Honda, and Kawasaki—account for more than 95 percent of all the motorcycles produced in the United States.[9] Buell, owned 51 percent by Mr. Erik Buell and 49 percent by H-D, is the fastest growing U.S. producer of motorcycles. Buell began producing motorcycles using Harley engines and transmissions in 1986, and manufactured about 800 heavyweight motorcycles in 1994.[10]

Harley, the sole major U.S.-owned motorcycle producer, introduced its first motorcycle in 1903.[11] In comparison, BMW produced its first motorcycle in 1923; Suzuki in 1937; Honda in 1948; and Yamaha in 1955. Harley produced approximately 80,000 motorcycles in 1993 (about 36 percent of total U.S. production). Japanese-owned producers, Honda and Kawasaki, established assembly plants in the United States in the late 1970s. Honda, which first began to produce the Gold Wing in Marysville, OH in 1979, has a current production capacity of at least 80,000 units annually.[12] Kawasaki began production at its Lincoln, NE facility in 1974 and produced an average of 50,000 units annually during 1989-93.[13]

The motorcycle industry is considered to be capital intensive. According to industry estimates, raw materials account for about 60 percent of the price of a motorcycle.[14] A significant amount of carbon steel, aluminum, and rubber (for pneumatic tires) is required in the production of motorcycles. Labor costs account for only about 15 percent of total production costs. U.S. firms have introduced more automation and robotics, such as robotic welding and laser cutting, into the production process in recent years. Total employment by the U.S. industry was estimated to be 12,000 in 1993, while the number of production workers was approximately 9,500.[15]

During 1989-93, U.S. employment in the production of original equipment motorcycles was concentrated in Pennsylvania, Ohio, Nebraska, and Wisconsin, while parts and aftermarket production was located primarily in California. The average hourly wage for U.S. production workers in this industry increased steadily during the period, from $10.13 in 1989 to $11.45 in 1993, or by 13 percent.[16] The majority of industry workers are involved in motorcycle assembly operations that require relatively low levels of skill. However, other operations performed in the manufacturing process, such as

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[6] *1994 Motorcycle Statistical Annual*, Motorcycle Industry Council, Inc., p. 18. U.S. producers do not publish statistical information with respect to the number of motorcycles they produce by type. Therefore, the U.S. shipments estimates used in this summary include a limited number of ATVs and certain other off-road vehicles that are not covered in this report.

[7] Ibid., p. 16.

[8] Adult-size bicycles (not motorized) and bicycle parts are also included under this SIC code.

[9] Maely and Westinghouse (much like Buell) assemble primarily custom racing motorcycles. The total number of motorcycles assembled annually by these two firms is estimated at less than 100 units.

[10] Matthew Miles, interview with Erik Buell, *Cycle World*, June 1994, p. 84.

[11] According to historical accounts, the first motorcycle produced in the United States appeared in 1885. However, the first mass-marketed motorcycles were produced by the Indian Motorcycle Company in 1901 and by Harley in 1903. In 1922, Harley's sales overtook Indian's.

[12] USITC staff telephone interview with an official of Honda of America Manufacturing, Inc., May 20, 1994.

[13] *Key Facts & Figures*, Kawasaki Motors Corp., U.S.A., Apr. 29, 1994.

[14] USITC staff telephone interviews with officials of American Honda, Kawasaki Motors Corp., USA, and Harley-Davidson, August-September, 1994.

[15] U.S. Department of Commerce, *U.S. Industrial Outlook 1994*, Jan. 1994, p. 37-9.

[16] Ibid.

Table 1
Profile of major U.S. motorcycle manufacturers/distributors, 1994

Brand	U.S. affiliate	Parent company	Year of U.S. incorporation
BMW	BMW of North America, Inc. 300 Chestnut Ridge Road Woodcliff Lake, NJ 07675	BMW Motorrad GmbH & Co. Triebstrasse 32 8000 Munich 50 Germany	1975
Harley-Davidson	Harley-Davidson Motor Co., Inc. 3700 W. Juneau Avenue P.O. Box 653 Milwaukee, WI 53201	Same	1907
Honda	American Honda Motor Co., Inc. 1919 Torrance Boulevard Torrance, CA 90501-2746	Honda Motor Co., Ltd. No. 1-1, 2 Chome, Minami Aoyama Minato-Ku, Tokyo 107, Japan Honda of America Mfg. Inc. 24000 Honda Parkway Marysville, OH 43040-9251 (Engine Manufacturing Facility) 12500 Meranda Road Anna, OH 45302-9699	1959
Kawasaki	Kawasaki Motors Corp., USA 9950 Jeronimo Road Irvine, CA 92718-2016	Kawasaki Heavy Industries, Ltd. 1-1, Kawasaki-cho Akashi 673, Hyogoken, Japan Kawasaki Motors Manfacturing 6600 NW 27th St. Lincoln, NE 68524	1967
Suzuki	American Suzuki Motor Corp. 3251 East Imperial Hwy. Brea, CA 92621	Suzuki Motor Corporation Hamamatsu-Nishi, P.O. Box 1 432-91 Hamamatsu, Japan	1963
Yamaha	Yamaha Motor Corp., USA 6555 Katella Ave. Cypress, CA 90630	Yamaha Motor Co., Ltd. 2500 Shingai, Iwata-Shi Shizuoka-Ken, 438 Japan	1960

Source: Motorcycle Industry Council, Inc.

stamping, blanking, drawing, welding, heat treating, and chrome plating, require operators whose skills have been developed through many weeks of training. According to industry sources, productivity improved substantially during 1989-93.[17] To help improve productivity, Harley implemented a computer-aided design and manufacturing, just-in-time delivery system, employee involvement in quality improvement programs, and statistical process control systems. Productivity also is considered to be high at Honda's Marysville, OH, plant. According to company officials, Honda spent $10 million renovating its motorcycle manufacturing plant at Marysville in 1987.[18] Honda officials claim that the plant is the most efficient and flexible motorcycle manufacturing plant in the world.[19]

U.S. motorcycle manufacturers tend to be both vertically and horizontally integrated. Harley manufactures motorcycle engines and transmissions at its plant in Milwaukee, WI; Honda manufactures its

[17] USITC staff telephone interviews with officials of American Honda, Kawasaki Motors Corp. USA, and Harley-Davidson, September, 1994.

[18] The focus of this renovation was the replacement of a traditional overhead conveyor system by a modern floor conveyor system. The new system provides the plant with more flexibility and enables its assemblers to build products ranging from heavy-duty cruisers to smaller capacity ATVs.

[19] USITC staff telephone interview with an official of American Honda Motor Co., Inc., Nov. 1, 1994. Other producers, such as Triumph, disagree with Honda's claim to the most modern manufacturing facility in the world. For example, Triumph officials typically allege that the company's newly updated plant in Hinckley, the United Kingdom, has the leading edge in motorcycle manufacturing technology (source: The British Empire Strikes Back, Tim Carrithers, *MotorCyclist*, Dec. 1994, p. 21.)

Table 2
Certain other U.S. motorcycle manufacturers/distributors, 1994

Brand	Primary U.S. distributor/manufacturer	Country of manufacture
ATK	**ATK America, Inc.** P.O. Box 100 Bountiful, UT 84011	United States
Beta	**Cosmopolitan Motors** 301 Jacksonville Rd. Hatboro, PA 19040	Italy
Buell	**Buell Motorcycle Company** 2815 Meyer Lane East Troy, WI 53120	United States
CZ	**American Jawa, Ltd.** 185 Express Street Plainview, L.I., NY 11803	Germany
Ducati	**Cagiva North America, Inc.** 237 West Parkway Pompton Plains, NJ 07444-1028	Italy
Ecstasy	**Ecstasy, Inc.** 4816 New Chapel Road Jeffersonville, IN 47130	United States
EVader	**Westinghouse Electric Corporation** 18901 Euclid Avenue Cleveland, OH 44117	United States
Husqvarna	**Cagiva North America, Inc.** 237 West Parkway Pompton Plains, NJ 07444-1028	Italy
Italjet	**Cosmopolitan Motors** 301 Jacksonville Road Hatboro, PA 19040	Italy
Jawa	**American Jawa, Ltd.** 185 Express Street Plainview, L.I., NY 11803	Czech Republic
KTM	**KTM Sportmotorcycle USA, Inc.** 1906 Broadway Lorain, OH 44052	Austria
Maely	**Maely Industries** 8580 Bedford Motorway Corona, CA 91719	United States
Maico	**U.S. Maico** 2806 Lark Drive Oxford, AL 36203	Germany
Moto Guzzi	**Moto America, Inc.** 1004 Main Street Lillington, NC 27546	Italy
Moto Morini	**Herdan Corporation** Route 61 Port Clinton, PA 19549	Italy
Triumph	**Triumph Motorcycles America Ltd.** 403 Dividend Drive, P.O. Box 2809 Peachtree City, GA 30269	United Kingdom
Ural	**Ural America Incorporated** 16301 NE 8th, Suite 251 Bellevue, WA 98008	Russia

Source: Motorcycle Industry Council, Inc.

own motorcycle engines in Anna, OH; and Kawasaki produces motorcycle engines at its Japanese plants.

There are basically three marketing channels used by motorcycle manufacturers to distribute their products to the consumer. Motorcycles are distributed: (1) directly to retail dealerships; (2) through independent distributors to dealers; and (3) through subsidiary-owned regional warehouses to dealers. The majority of sales occur through retail outlets, most of which are privately owned and unrelated to the U.S. manufacturer. Dealers usually establish the price after their expenses, such as additional assembly and transportation costs, are deducted. However, actual consumer transaction prices are often set by competition in the market. Prices may also change according to "model year" discounts. Generally, a manufacturer's "model year" begins in the fall of the year and continues to the succeeding fall. As the new model-year motorcycles become available, the distributor and dealer may reduce the price on earlier model-year motorcycles.

Technology and design innovations are introduced on a regular basis in the industry to respond to consumer preferences and government regulation of exhaust emissions and noise. A large percentage of research and development (R&D) outlay is used to develop new models that are quieter and more comfortable, reliable, and fuel efficient than their predecessors. R&D expenses are estimated to be about 3 to 4 percent of the value of sales. New capital expenditures are estimated to be about 3 percent of the value of industry shipments.[20]

Two of the three major U.S. motorcycle manufacturers are subsidiaries of Japanese-owned companies. Honda of America is a wholly-owned subsidiary of Honda. To complement its U.S. production, Honda also imports a large number of other models for sale in the U.S. market from its plants in Japan. In addition, Honda has wholly-owned motorcycle plants in Italy, Belgium, Mexico, and Thailand. The company also operates a joint venture in Spain, has technical collaboration agreements with three Chinese motorcycle manufacturers, and began motorcycle production at a fourth site in China in the summer of 1993. Kawasaki owns two plants worldwide, one in Japan and one in Lincoln, Nebraska. However, the company has technical agreements, whereby it provides technical assistance to motorcycle manufacturers in Iran, the Philippines, and Colombia. Kawasaki produces the Ninja model line, the Vulcan 750, the Concours, the Voyager, and the KZ1000 police model at its Nebraska plant. The company complements its U.S. product line by importing other models from its plants in Japan.

Harley has no manufacturing plants outside the United States and has not typically participated in manufacturing joint ventures or motorcycle licensing agreements with foreign-owned companies. However, the company has established numerous distributorships in Japan, Europe, South America, and Australia. For example, in 1991, Harley formed a joint venture with two Japanese-owned companies, Asics Corporation and Tomen Corporation, to import and sell Harley motorcycles in Japan. The venture is called H.D.C. Corporation. Harley has a 10-percent equity share in the company.

Consumer Characteristics and Factors Affecting Demand

Most motorcycles sold in the U.S. market are purchased by private individuals; a small number of motorcycles are purchased by the U.S. Government, by state and local law enforcement authorities, and by commercial businesses. It is estimated that about 3.5 million motorcycles were in use in the United States in 1993 (in comparison, there were 121.1 million passenger cars in operation in the United States in 1993).[21] According to industry statistics, 93 percent of motorcycles were owned by men and over half of such men were married. The median age of motorcycle owners was 31 in 1993. Twenty-four percent of motorcycle owners were laborers or semi-skilled laborers; 19 percent held professional or technical jobs; and 12 percent were mechanics or craftsmen. According to the data available, the average household income of a typical motorcycle owner was $33,200 in 1990. The average motorcycle owner had typically pre-owned three motorcycles. In 1993, on a regional basis, the greatest number of motorcycles, mopeds, and scooters were registered in the South and Midwest. Although the West ranked only third overall in motorcycle registrations, California was, by far, the nation's leading state, having one in every eight of the nation's motorcycles.[22]

Consumer perceptions of motorcycle safety have been the primary negative force affecting demand. During much of the 1970s and early 1980s, motorcycle riding was perceived as a challenging and enjoyable mode of transportation. This view may be resurfacing to some extent but is apparently not the majority opinion today. Because of continued safety concerns, helmet laws have been enacted to increase rider safety. Mandatory helmet laws now exist in all but three states (Colorado, Illinois, and Iowa).[23]

[20] 1991 Annual Survey of Manufactures, Statistics for Industry Groups and Industries, U.S. Department of Commerce, Bureau of the Census, Dec. 1992.

[21] *AAMA Motor Vehicle Facts and Figures*, 1994, p. 39.

[22] 1994 Motorcycle Statistical Annual, Motorcycle Industry Council, Inc., p. 8. and pp. 40-42.

[23] Ibid., p. 36.

Despite the recent increase in new unit sales of motorcycles in the United States, the total number of used motorcycles in use is predicted to decline sharply in the coming years.[24] The same source reveals that 2.7 million used street motorcycles will likely be scrapped during 1994-98. After accounting for expected new sales increases during this period, the U.S. motorcycle population by 1998 will decline to about 3.0 million units compared with the current 3.5 million units, and the median age of these motorcycles is estimated to drop from the current 11 years to an average of approximately 7 years.[25] Industry officials believe that this shift in the age of motorcycles in use will have a significant effect on the mix of certain motorcycles and parts sold in the aftermarket vis-a-vis the original equipment market (used vs. new motorcycles).

Demand for motorcycles is also strongly influenced by the condition of the overall U.S. economy. Because the principal consumers of motorcycles are individuals, demand is significantly affected by employment and interest rates. High interest rates typically limit the ability of potential buyers to finance their purchases. In addition, price is also a major consideration.

FOREIGN INDUSTRY PROFILE

In 1993, an estimated 12.1 million units of motorcycles and certain other vehicles were produced in nearly 50 countries worldwide.[26] Although about 75 percent of all motorcycles were produced in Asian countries, only about 30 percent were consumed in Asia. Japan was the largest international manufacturer of motorcycles in 1993, producing approximately 3.0 million two-wheelers, accounting for 25 percent of total world production (figure 2).[27] Motorcycles are the primary source of transportation for many Japanese, particularly in urban areas, where parking places for automobiles are limited and are often very costly.

Honda, the largest Japanese motorcycle manufacturer, produced approximately 1.3 million units in Japan during 1993; Yamaha, the second largest Japanese producer, had an output of an estimated 800 thousand units during this period; Suzuki produced 600 thousand units; and Kawasaki manufactured 300 thousand units in Japan. Approximately 70 percent of Japanese production was comprised of motorcycles with an engine size of less than 125 cc in 1993.[28]

In 1993, approximately 53 percent of Japanese motorcycle production was exported.[29] Most motorcycles exported have an engine size that exceeds 51 cc. The majority of products with an engine size of 50 cc or less are consumed in Japan. China and the EU were Japan's largest export markets in 1993 (about 35 percent of total Japanese exports destined to each). The United States was Japan's third largest export market with an estimated 10-15 percent of total Japanese exports. Despite an increase in exports of motorcycles by Japan during the period, Japanese production declined from 3.2 million units in 1992 to 3.0 million units in 1993, primarily because of a strong decrease in domestic demand. Sales of motorcycles in Japan decreased from 1.7 million to 1.3 million units, or by 24 percent, during 1989-93.[30]

China, the second largest producer of motorcycles worldwide, manufactured an estimated 2 million units in 1993. The bulk of Chinese production (about 85 percent) was comprised of motorcycles with an engine capacity of 125cc or less.[31]

The EU is also an important producer of motorcycles. In 1993, the EU produced an estimated 1.5 million units. Italy was the largest EU producer with an estimated output of 600,000 units; France and Spain each produced approximately 320,000 units.[32] India and Taiwan are also major producers of motorcycles, each with an estimated output of 1.3 million units in 1993, followed by Russia with nearly 1.3 million units.

In general, neither Japanese nor U.S. motorcycle producers are believed to hold a significant competitive advantage over one another with respect to raw material costs. Most motorcycle producers source their materials globally; therefore, they all have similar purchasing opportunities. However, since 1989, and as recently as August 1994, U.S. producers apparently held a price advantage over Japanese producers with regard to steel.[33] For example, industry officials reported that the average price of U.S. hot-rolled coil sheet and strip was $436 per metric ton in August 1994. In comparison, the average price of Japanese-and European-produced hot-rolled coil sheet and strip was $515 and $391 per metric ton, respectively, during the same month.[34]

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[24] Motorcycle Market Overview, 1994-98, Don Brown, *Dealernews*, p. 56, Feb. 1994.

[25] Ibid.

[26] The first motorcycle in the world was produced in 1883 by Daimler (Germany) as a test bed for his internal combustion engine, which he also invented.

[27] World Motorcycle Facts & Figures, Honda, 1993, p. 46.

[28] Ibid., p. 47.

[29] Ibid., p. 86.

[30] *1994: The Motor Industry of Japan*, Japan Automobile Manufacturers Association, Inc., p. 12.

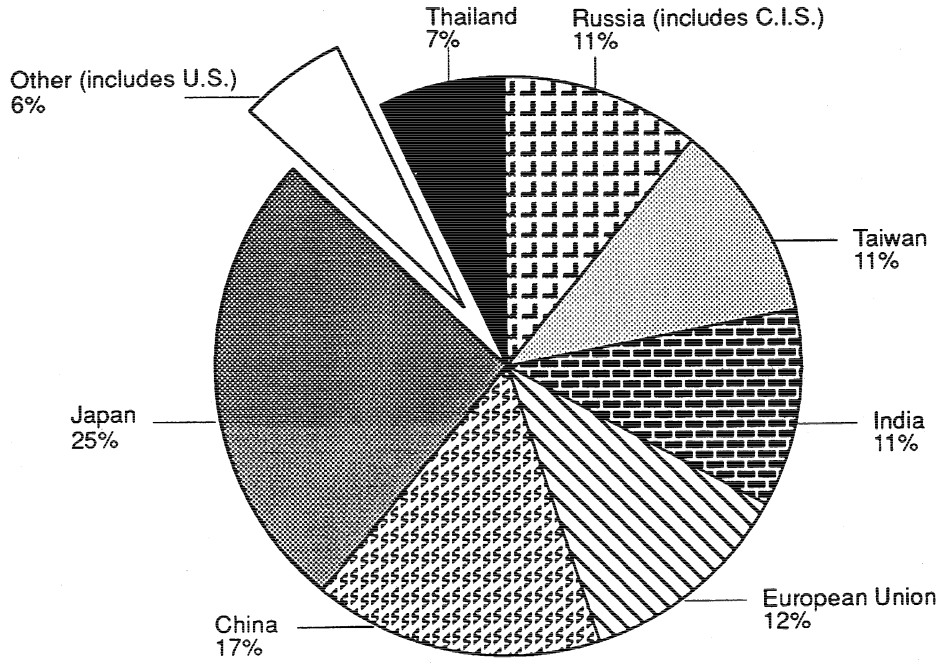
[31] *World Motorcycle Facts & Figures*, p. 57.

[32] USITC staff telephone interview with an official of the United Nations Production Statistics Department, January 22, 1994.

[33] Although the use of lighter-weight materials, such as plastics and composites, are increasing, steel continues to be an important raw material, comprising approximately 30 percent in value of total raw material needs in the manufacture of motorcycles.

[34] *World Steel Dynamics, PriceTrack #47*, Peter F. Marcus, Paine Webber, p. 15, Sep. 16, 1994.

Figure 2
Global production of motorcycles, by selected regions, 1993



Total estimated global production: 12.1 million units

Source: Estimated by USITC staff from data supplied by World Motorcycle Facts & Figures, 1993, Japan Automotive News, United Nations, and the Motorcycle Industry Council, Inc. Includes production of mopeds, nopeds, scooters, mokicks, etc.

Labor costs in Japan appear to be close to those in urban areas in the United States. However, Japanese-owned manufacturers in the United States reportedly may have a competitive advantage with respect to the social cost component of production over U.S.-owned producers because their facilities are often located in more rural areas and tend to be nonunionized (e.g., Kawasaki in Nebraska). In addition, established U.S.-owned producers are likely to have an older work force and, therefore, may have to invest larger sums of money into retirement and health care plans.[35] However, firms producing in the United States tend to have an advantage over firms producing in Japan with respect to the availability of labor.

Japanese manufacturers in Japan reportedly have an advantage with respect to the unit cost of the machinery used in the manufacture of motorcycles. They tend to be higher-volume producers; therefore, they can spread their costs over a larger number of products. Finally, Japanese and European motorcycle producers have an advantage with regard to the cost of capital, since these firms have access to capital markets in which interest rates are lower than those in the United States.[36]

Japanese motorcycle producers are generally affiliated with at least one of the major "keiretsu" networks that may serve to diminish competition posed by other international suppliers. Sources of capital, materials, and other inputs to production can be secured more easily for producers that are members of the keiretsu than for non-keiretsu producers.[37]

U.S. TRADE MEASURES

Tariff Measures

The column 1 general rate of duty for U.S. imports of motorcycles and certain other vehicles is 3.7 percent

[35] USITC staff interview with an official of Harley-Davidson, Inc., York, PA, Nov. 8, 1993.

[36] USITC staff telephone interview with an official of Honda North America, Inc., Nov. 30, 1994.

[37] *East Asia: Regional Economic Integration and Implications for the United States*, USITC Publication No. 2621, p. 149, May, 1993.

ad valorem; the U.S. tariff for related parts is 4.2 percent ad valorem (table 3). However, U.S. imports of motorcycles may be eligible to enter the United States free of duty under the following provisions: the North American Free-Trade Agreement (NAFTA); the Caribbean Basin Economic Recovery Act; the U.S.-Israel Free Trade Agreement; and the Andean Trade Preference Act.

Nontariff Measures

Officials of major foreign motorcycle manufacturers indicate that there are no significant nontariff measures applied by the United States to imports of motorcycles.[38] However, one foreign industry official added that certain states, such as California, Virginia, Nevada, and Ohio, require all manufacturers to go through an extensive administrative procedure to acquire distributor licenses.[39] In addition, there are certain EPA and/or U.S. Department of Transportation (DOT) regulations such as safety and emissions certification requirements that may impose additional costs on individual importers, but are equally applicable to domestic production.[40]

U.S. Government Trade-Related Investigations

There have been no U.S. Government trade-related investigations conducted with respect to motorcycles during the 5-year period covered by this summary. However, the Commission conducted an investigation on heavyweight motorcycles and engines and power train subassemblies therefor under section 201 of the Trade Act of 1974 in 1982-83 at the request of Harley-Davidson. Following receipt of a Commission report containing an affirmative determination,[41] the President in April 1983 imposed import relief in the form of a tariff-rate quota system. The import relief was scheduled to terminate in April 1988, but was terminated a year early, in 1987, following receipt of Commission advice recommending early termination. Harley-Davidson, noting progress it had made in adjusting to import competition during the relief period, had requested the early termination.[42]

[38] USITC staff telephone interviews with officials of Honda North America, Inc. and Triumph Motorcycles America, Ltd., Jan. 10, 1995.

[39] USITC staff telephone interview with an official of Triumph, Jan. 11, 1995.

[40] Ibid.

[41] *Heavyweight motorcycles, and engines and power train subassemblies therefor*, Report to the President on Investigation No. TA-201-47, Under Section 201 of the Trade Act of 1974, USITC Publication No. 1988, Feb. 1983.

[42] *Heavyweight Motorcycles*, Report to the President on Investigation No. TA-203-17, Under Section 203 of the Trade Act of 1974, USITC Publication 1988, June 1987.

FOREIGN TRADE MEASURES

Tariff Measures

1994 tariff rates in key markets for motorcycles were: "free" in Japan;[43] 9.0 percent ad valorem in Germany;[44] and "free" in Australia.[45] NAFTA is expected to provide U.S. manufacturers with additional export opportunities. Mexican tariffs on qualifying motorcycles imported from NAFTA countries, which were 20.0 percent ad valorem in 1993 prior to the inception of NAFTA, are scheduled to be phased out over the next five years under the agreement. Mexican tariffs on eligible motorcycle parts imported from NAFTA countries, which were 15.0 percent ad valorem in 1993 prior to the implementation of NAFTA, were eliminated under the agreement.[46]

Nontariff Measures

U.S. industry officials claim that certain EU standards may act as nontariff barriers to U.S. exports of motorcycles. Specifically, one U.S. industry official expressed concern over the proposed EU standards regarding noise and emission pollutants for two- or three-wheeled motor vehicles (which include motorcycles).[47] According to this official, U.S. manufacturers may not be able to meet some of these standards, which the official claimed are more stringent than those in U.S. regulations. The official said that the noise standard in particular would be very difficult to meet and may require U.S. manufacturers to redesign their engines, which would take years to accomplish and would significantly increase manufacturing costs. In addition, this U.S. manufacturer stated that its present engine design is critical for its market appeal in the EU. Another major concern of U.S. manufacturers is that this directive was scheduled to be implemented in 1994, but regulations establishing the acceptable ranges and testing procedures that are necessary to conform to certain requirements of the directive have not yet been promulgated. Thus, according to U.S. manufacturers, they will not likely be given sufficient time to perform the necessary development and design work to conform with the requirements of the directive.[48]

[43] USITC staff telephone interview with Japan Desk official, U.S. Department of Commerce, Nov. 9, 1994.

[44] USITC staff telephone interview with the commercial counselor of the Embassy of the Federal Republic of Germany, Nov. 9, 1994.

[45] USITC staff telephone interview with an official of the Australian Embassy, Nov. 9, 1994.

[46] U.S. Industrial Outlook 1994, U.S. Department of Commerce, pp. 37-11.

[47] USITC staff telephone interview with an official of Harley-Davidson Motor Co., Inc., Mar. 4, 1994.

[48] U.S. Industrial Outlook 1994, U.S. Department of Commerce, p. 37-10.

Table 3
Motorcycles and certain other vehicles: Harmonized Tariff Schedule subheading; description; U.S. col. 1 rate of duty as of Jan. 1, 1994; U.S. exports, 1993; and U.S. imports, 1993

HTS subheading	Description	Col. 1 rate of duty As of Jan. 1, 1995 General	Special[1]	U.S. exports, 1993	U.S. imports, 1993
				Million dollars	
8711	Motorcycles and cycles fitted with an auxiliary motor, with or without side–cars:				
8711.10.00	With reciprocating internal combustion piston engine of a cylinder capacity not exceeding 50 cc	3.7%	Free (A,CA,E,IL,J,MX)	24.8	25.9
8711.20.00	With reciprocating internal combustion piston engine of a cylinder capacity exceeding 50 cc but not exceeding 250 cc	3.7%	Free (A,CA,E,IL,J,MX)	14.3	192.7
8711.30.00	With reciprocating internal combustion piston engine of a cylinder capacity exceeding 250 cc but not exceeding 500 cc	3.7%	Free (A,CA,E,IL,J,MX)	29.0	38.8
8711.40.30	With reciprocating internal combustion piston engine of a cylinder capacity exceeding 500 cc but not exceeding 700 cc	3.7%	Free (A,CA,E,IL,J,MX)	[2]17.9	166.2
8711.40.60	With reciprocating internal combustion piston engine of a cylinder capacity exceeding 700 cc but not exceeding 800 cc	3.7%	Free (A,CA,E,IL,J,MX)	[2]17.9	109.2
8711.50.00	With reciprocating internal combustion piston engine of a cylinder capacity exceeding 800 cc	3.7%	Free (A,CA,E,IL,J,MX)	258.5	170.3
8711.90.00	Other	3.7%	Free (A,CA,E,IL,J,MX)	77.9	0.5
8714	Parts and accessories of vehicles of headings 8711 to 8713:				
	Of motorcycles:				
8714.11.00	Saddles and seats	4.2%	Free (A,CA,E,IL,J,MX)	0.9	1.3
8714.19.00	Other	4.2%	Free (A,CA,E,IL,J,MX)	64.8	171.6

[1] Programs under which special tariff treatment may be provided, and the corresponding symbols for such programs as they are indicated in the "Special" subcolumn, are as follows: Generalized System of Preferences (A or A*); Automotive Products Trade Act (B); Agreement on Trade in Civil Aircraft (C); NAFTA, Goods of Canda, under the terms of general note 12 this schedlue (CA); United States–Canada Free–Trade Agreement (CA); Caribbean Basin Economic Recovery Act (E); and United States–Israel Free Trade Area (IL).

[2] Estimated by staff of the USITC.

Source: U.S. exports and imports compiled from official statistics of the U.S. Department of Commerce.

According to one U.S. Government source, U.S. manufacturers are also concerned about certain Japanese standards for motorcycles. For example, the Government of Japan has relatively restrictive licensing requirements for the importation of heavyweight motorcycles. In addition, Japanese laws prohibit motorcycle operators from carrying a passenger on their bikes.[49] Harley claims that this provision is particularly discriminatory with respect to its products because it sells a large number of touring bikes that are designed to carry two people. In addition, the same manufacturer believes that Japanese regulations limiting maximum motorcycle speed to 80 kilometers an hour (about 48 mph) limit the market for its motorcycles in Japan since those motorcycles are designed to operate at higher speeds and are particularly popular in higher-speed, open-road applications. The maximum speed for automobiles in Japan is typically 100 kilometers per hour; as a result, motorcyclists typically cannot keep pace with automobile traffic on the open road.[50]

U.S. MARKET

Consumption

Motorcycling is not as popular today as it was in the early 1980s. According to industry statistics, sales of new motorcycles declined from approximately 757,000 units in 1980 to about 217,000 units in 1993, or by 71 percent, owing largely to the decline in U.S. sales of small- to medium-size motorcycles. However, while motorcycle unit sales declined during the subject period, the value of U.S. sales actually increased. U.S. sales increased from $1.2 billion in 1989 to $1.8 billion in 1993, or by 50 percent. The increase in sales in the early 1990s, as measured in dollar terms, was the result of an increase in sales of high-priced motorcycles. Heavyweight motorcycles, particularly those produced by Harley, have become popular and are perceived as a status symbol for many in the baby boom generation.

Honda continues to be the industry sales leader in the U.S. market both in terms of the total number of units and the value of motorcycles sold. In 1993, Honda accounted for 30 percent of the U.S. market; Harley and Yamaha each had 20 percent of the market; Suzuki and Kawasaki, 14 percent each; and BMW, 1 percent (table 4). For Harley, this reflected an increase from 14 percent of the U.S. market in 1989, while for Yamaha and Kawasaki it reflected a decline in market shares from 26 percent and 16 percent, respectively, in 1989. Industry sources suggested that Harley's increase in U.S. market share has been partly at the expense of Yamaha and Kawasaki.[51]

[49] Ibid.
[50] Ibid.

Production

As stated above, only three companies that produce motorcycles in the United States can be considered volume producers: Harley, Honda, and Kawasaki. Industry sources indicate that approximately 226,000 motorcycles were produced in the United States in 1993, almost exclusively by these three producers. Harley and Honda produced an estimated 80,000 units each, and Kawasaki produced approximately 66,000 in 1993.[52]

U.S. production and shipments of motorcycles increased in value from an estimated $829 million in 1989 to approximately $1.2 billion in 1993, or by 45 percent (table 5). The U.S. industry in 1993 accounted for about 2 percent of total world motorcycle production in terms of value. In comparison, the United States accounted for approximately 20 percent of world production of automobiles in terms of value in the same year.

Imports

Japan continues to be the largest foreign supplier of motorcycles to the U.S. market, accounting for 84 percent of U.S. imports by value in 1993. The EU was the second largest source, accounting for 7 percent; followed by Taiwan (4 percent); and all other regions (5 percent) (figure 3). The value of U.S. imports of motorcycles increased during the period, from $637 million in 1989 to $877 million in 1993. However, the unit volume of U.S. motorcycle imports declined during the period, from 252,662 in 1989 to 245,000 in 1993. The quantity imported from Japan also declined, due, in part, to the expansion of motorcycle product lines by Japanese-owned motorcycle manufacturers producing in the United States.

Triumph of the United Kingdom is currently preparing to reenter the U.S. motorcycle market. After having been the primary supplier of motorcycles to the U.S. market during the period 1945-65, the company withdrew from this market completely in 1982 as a result of declining sales and competition from price competitive Japanese products. Subsequently, Triumph filed for bankruptcy in 1983. Under new ownership, the reorganized company introduced a new line of high-tech aerodynamic motorcycles in 1984. A

[51] USITC staff telephone interview with officials of the Motorcycle Industry Council, Inc., and Honda of America, Nov. 14, 1994.
[52] USITC staff telephone interviews with officials of Harley-Davidson, Honda, and Kawasaki during Jun.-Nov. 1994. These statistics include ATVs, which cannot be delineated, as U.S. producers publish only their total U.S. production statistics.

Table 4
U.S. market share for leading brands, 1989-93

Year	Honda	Harley-Davidson	Yamaha	Suzuki	Kawasaki	BMW
1993						
Rank	1	2	3	4	5	6
Market Share	29.5%	20.1%	19.6%	14.2%	14.2%	1.4%
1992						
Rank	1	2	3	4	5	6
Market Share	27.7%	20.4%	19.1%	16.0%	14.3%	1.3%
1991						
Rank	1	2	3	4	5	6
Market Share	30.8%	18.3%	18.3%	16.3%	14.1%	1.3%
1990						
Rank	1	3	2	5	4	6
Market Share	26.6%	17.8%	22.8%	14.7%	16.1%	1.1%
1989						
Rank	1	5	2	4	3	6
Market Share	28.9%	14.0%	25.7%	14.2%	15.7%	0.9%

Note.—The market share for other brands was about 1.0% in 1993.

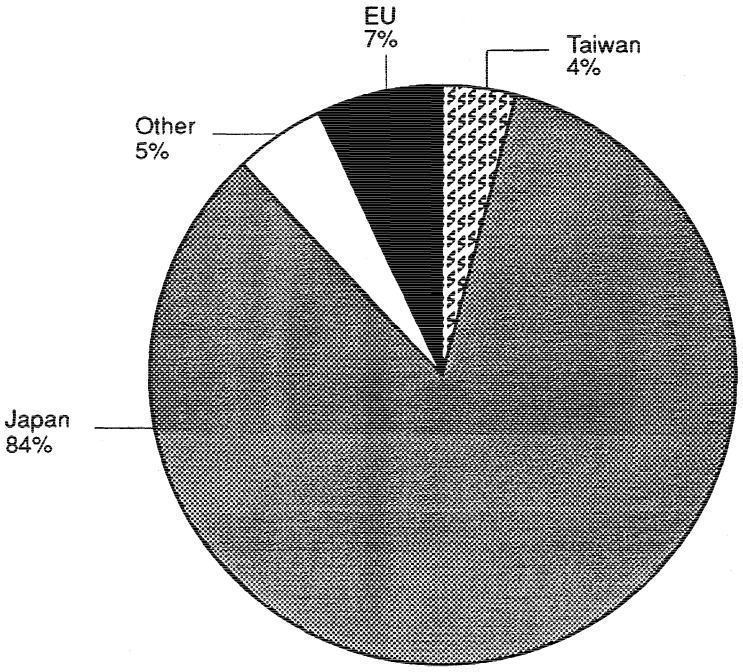
Source: Motorcycle Industry Council, Inc.

Table 5
Motorcycles and certain other vehicles: U.S. producers' shipments, exports of domestic merchandise, imports for consumption, and apparent U.S. consumption, 1989-93

Year	U.S. Producers' shipments	U.S. exports	U.S. imports	Apparent U.S. consumption	Ratio of imports to consumption
	Million dollars				*Percent*
1989	829	199	637	1,267	50.3
1990	936	306	449	1,079	41.6
1991	1,002	441	584	1,145	51.0
1992	1,105	497	803	1,411	56.9
1993	1,199	506	877	1,570	55.9

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

Figure 3
Motorcycles and certain other vehicles: U.S. imports from major sources, 1993



1993 total U.S. imports = $877 million

Source: Compiled from official statistics of the U.S. Department of Commerce.

Triumph representative indicated that the company has recently established ties with approximately 53 dealers in the United States to sell heavyweight motorcycles (700 cc and above) in high-population metropolitan areas mainly in the Northeast, California, and the South.[53]

FOREIGN MARKETS

Foreign Market Profile

Japan leads the world in motorcycle registrations, with an estimated 16 million units on the road in 1993, or 20 percent of the world total. However, the number of motorcycles on the road in Japan has been falling since 1986 when registrations peaked at about 18.5 million units.[54] India and Taiwan have the second and third largest number of motorcycles in use. China is another important foreign market for motorcycles, especially those with a smaller engine size (e.g., mopeds, nopeds, and scooters). Taiwan, Indonesia, and Thailand are also significant markets for producers of small-capacity motorcycles in Japan; these markets currently offer limited opportunities for U.S. producers of large-capacity motorcycles.

U.S. Exports

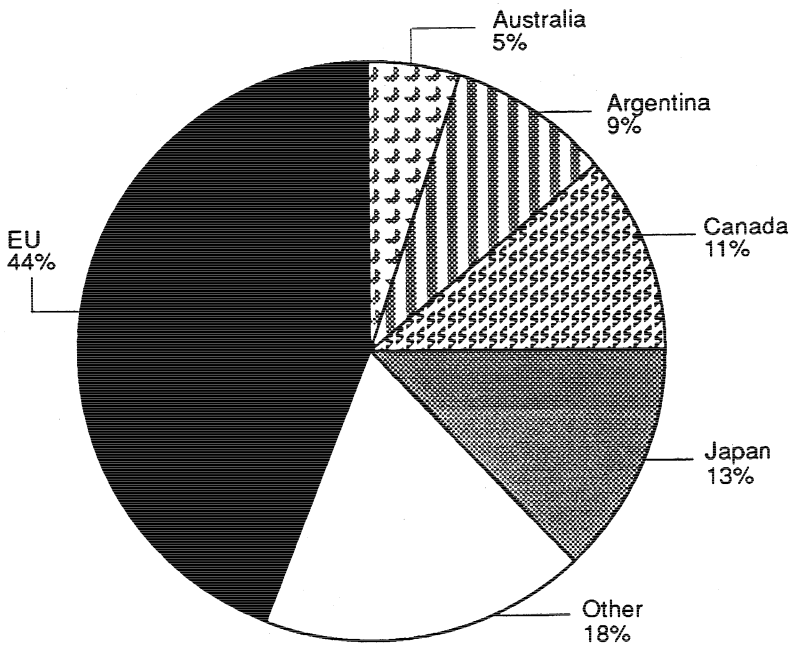
U.S. exports of motorcycles rose annually from $199 million in 1989 to $506 million in 1993, or by 154 percent. The increase in U.S. exports was attributable to increased demand for heavyweight U.S.-produced motorcycles in important U.S. markets (e.g., the EU, Japan, and Argentina) and the continuing relative weakness of the U.S. dollar. During the period, exports were a major factor influencing domestic production. Although U.S. exports during 1992-93 grew at a slower rate than in previous years, the exports-to-shipments ratio rose rapidly. In 1993, in response to strong demand for motorcycles with larger engine sizes in foreign markets, exports accounted for approximately half of domestic shipments.

The EU was the largest export market for U.S. motorcycles in 1993, accounting for 44 percent of total U.S. exports (figure 4). Germany was the largest single

[53] USITC staff telephone interview with an official of Triumph, Nov. 29, 1994.

[54] The Motor Industry of Japan 1994, Japan Automobile Manufacturers Association, Inc., Feb. 1994, p. 12.

Figure 4
Motorcycles and certain other vehicles: U.S. exports to major markets, 1993



1993 total U.S. exports = $506 million

Source: Compiled from official statistics of the U.S. Department of Commerce.

export destination for U.S. motorcycles, accounting for $100 million in 1993, up 212 percent from 1989. Other important export markets in 1993 were Japan ($66 million), Canada ($54 million), and the Netherlands ($47 million). The fifth largest U.S. export market for motorcycles was Argentina, where exports increased from $433,399 in 1989 to $46 million in 1993.

Harley recently increased its production capacity in order to satisfy increased demand for its motorcycles in foreign markets. The Japanese-owned manufacturers operating in the United States have also been successful in exporting motorcycles from this country. According to industry sources, Harley's exports rose by at least 40 percent annually during 1989-93. In fact, U.S. manufacturers, particularly Harley, have had difficulty meeting foreign demand. To meet such demand, several smaller exporters have begun selling used motorcycles overseas. Most of these entrepreneurs are selling refurbished Harley brand motorcycles. Harley continues to be the leading U.S. exporter of motorcycles to the EU. The Buell Motorcycle Company and A.T.K. America, Inc. also export motorcycles to the EU. Harley had projected sales of 3,200 units in Japan in 1993. According to industry sources, the company planned to increase that amount to 3,500 units in 1994.[55]

The majority of U.S. motorcycles are exported by U.S. producers, although a number of U.S. dealers/distributors also export motorcycles. In addition to growing foreign demand for heavyweight motorcycles, which is likely to favor U.S. exports, NAFTA is viewed as likely to provide additional opportunities to U.S. exporters.

U.S. TRADE BALANCE

During 1989-93, the U.S. trade deficit in motorcycles declined irregularly from $438 million in 1989 to $371 million in 1993; however, the trade deficit with Japan increased during the period from $529 million to $676 million (table 6). In the absence of trade with Japan, the U.S. motorcycle industry would have had a trade surplus with the world of more than $300 million in 1993. Despite impending noise and emission standards restrictions in the EU, Harley

[55] Japan Automotive News, December 1, 1993, p. 11.

Table 6
Motorcycles and certain other vehicles: U.S. exports of domestic merchandise, imports for consumption, and merchandise trade balance, by selected countries and country groups, 1989-93 [1]

(Million dollars)

Item	1989	1990	1991	1992	1993
U.S. exports of domestic merchandise:					
Japan	40	44	53	55	66
Germany	32	67	95	97	100
Canada	27	33	37	42	54
Netherlands	8	33	48	63	47
Argentina	(2)	3	35	51	46
Taiwan	2	1	1	(2)	1
Italy	5	9	13	14	13
United Kingdom	16	27	35	33	28
Australia	17	16	21	26	27
Mexico	12	10	10	13	13
All other	40	63	93	102	110
Total	199	306	441	497	506
EU-12	70	155	225	241	225
OPEC	1	1	4	7	9
ASEAN	(2)	1	2	4	7
CBERA	2	3	2	3	3
Central Europe	(2)	(2)	(2)	(2)	(2)
U.S. imports for consumption:					
Japan	569	373	501	688	741
Germany	10	16	24	29	35
Canada	1	1	1	2	2
Netherlands	2	2	3	1	1
Argentina	(2)	(2)	(2)	(2)	(2)
Taiwan	13	18	22	32	36
Italy	10	10	15	23	21
United Kingdom	3	2	3	4	5
Australia	2	3	3	3	3
Mexico	9	3	1	9	13
All other	16	20	12	10	19
Total	637	449	584	803	877
EU-12	27	31	46	59	64
OPEC	(2)	(2)	(2)	(2)	(2)
ASEAN	(2)	(2)	(2)	1	1
CBERA	(2)	(2)	(2)	(2)	(2)
Central Europe	2	3	1	2	4
U.S. merchandise trade balance:					
Japan	-529	-329	-447	-633	-676
Germany	22	51	71	67	65
Canada	27	32	36	39	52
Netherlands	6	31	45	62	46
Argentina	(2)	3	35	51	46
Taiwan	-12	-17	-21	-31	-35
Italy	-4	-1	-2	-9	-8
United Kingdom	12	24	32	29	22
Australia	15	13	18	23	24
Mexico	3	7	9	4	(3)
All other	23	44	81	91	92
Total	-438	-143	-143	-306	-371
EU-12	43	124	180	182	161
OPEC	1	1	4	7	9
ASEAN	(2)	1	1	3	5
CBERA	2	3	2	3	3
Central Europe	2	-3	-1	-2	-4

[1] Import values are based on customs value; export values are based on f.a.s. value, U.S. port of export. U.S. trade with East Germany is included in "Germany" but not "Central Europe".

[2] Less than $500,000.

[3] Less than -$500,000.

Note.—Because of rounding, figures may not add to the totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.

continued to be relatively successful in exporting its products to certain EU markets. U.S. exports to the EU were four times U.S. imports from the EU, giving the United States a $161 million trade surplus in motorcycles with the EU in 1993.

It is unlikely that the U.S. trade balance in motorcycles will improve significantly in the long term, primarily because the relatively small U.S. industry may have difficulty keeping up with foreign demand for its products. In addition, U.S. imports of motorcycles will likely continue to increase as U.S. consumers persist in demanding a choice among a wide range of brand names.

APPENDIX A
EXPLANATION OF TARIFF AND TRADE AGREEMENT TERMS

The ***Harmonized Tariff Schedule of the United States*** (HTS) replaced the *Tariff Schedules of the United States* (TSUS) effective January 1, 1989. Chapters 1 through 97 are based upon the internationally adopted Harmonized Commodity Description and Coding System through the 6-digit level of product description, with additional U.S. product subdivisions at the 8-digit level. Chapters 98 and 99 contain special U.S. classification provisions and temporary rate provisions, respectively.

Rates of duty in the ***general*** subcolumn of HTS column 1 are most-favored-nation (MFN) rates; for the most part, they represent the final concession rate from the Tokyo Round of Multilateral Trade Negotiations. Column 1-general duty rates are applicable to imported goods from all nonembargoed countries except those enumerated in general note 3(b) to the HTS—Afghanistan, Azerbaijan, Cuba, Kampuchea, Laos, North Korea, and Vietnam—whose goods are dutiable at the rates set forth in ***column 2***. Goods from Albania, Armenia, Belarus, Bosnia, Bulgaria, the People's Republic of China, Croatia, the Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Macedonia, Moldova, Mongolia, Poland, Romania, Russia, Slovakia, Slovenia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan are now eligible for MFN treatment. Among goods dutiable at column 1-general rates, particular products of enumerated countries may be eligible for reduced rates of duty or for duty-free entry under one or more preferential tariff programs. Such tariff treatment is set forth in the **special** subcolumn of HTS column 1. Where eligibility for special tariff treatment is not claimed or established, goods are dutiable at column 1-general rates.

The ***Generalized System of Preferences*** (GSP) affords nonreciprocal tariff preferences to developing countries to aid their economic development and to diversify and expand their production and exports. The U.S. GSP, enacted in title V of the Trade Act of 1974 and renewed in the Trade and Tariff Act of 1984, applies to merchandise imported on or after January 1, 1976 and before September 30, 1994. Indicated by the symbol "A" or "A*" in the special subcolumn of column 1, the GSP provides duty-free entry to eligible articles the product of and imported directly from designated beneficiary developing countries, as set forth in general note 4 to the HTS.

The ***Caribbean Basin Economic Recovery Act*** (CBERA) affords nonreciprocal tariff preferences to developing countries in the Caribbean Basin area to aid their economic development and to diversify and expand their production and exports. The CBERA, enacted in title II of Public Law 98-67, implemented by Presidential Proclamation 5133 of November 30, 1983, and amended by the Customs and Trade Act of 1990, applies to merchandise entered, or withdrawn from warehouse for consumption, on or after January 1, 1984; this tariff preference program has no expiration date. Indicated by the symbol "E" or "E*" in the special subcolumn of column 1, the CBERA provides duty-free entry to eligible articles, and reduced-duty treatment to certain other articles, which are the product of and imported directly from designated countries, as set forth in general note 7 to the HTS.

Preferential rates of duty in the special subcolumn of column 1 followed by the symbol "IL" are applicable to products of Israel under the ***United States-Israel Free Trade Area Implementation Act*** of 1985 (IFTA), as provided in general note 8 to the HTS. Where no rate of duty is provided for products of Israel in the special subcolumn for a particular provision, the rate of duty in the general subcolumn of column 1 applies.

Preferential nonreciprocal duty-free or reduced-duty treatment in the special subcolumn of column 1 followed by the symbol "J" or "J*" in parentheses is afforded to eligible articles the product of designated beneficiary countries under the ***Andean Trade Preference Act*** (ATPA), enacted in title II of Public Law 102-182 and implemented by Presidential Proclamation 6455 of July 2, 1992 (effective July 22, 1992), as set forth in general note 11 to the HTS.

Preferential rates of duty in the special subcolumn of column 1 followed by the symbol "CA" are applicable to eligible goods of Canada, and those followed by the symbol "MX" are applicable to eligible goods of Mexico, under the **North American Free Trade Agreement**, as provided in general note 12 to the HTS, effective January 1, 1994.

Other special tariff treatment applies to particular ***products of insular possessions*** (general note 3(a)(iv)), goods covered by the ***Automotive Products Trade Act*** (APTA) (general note 5) and the ***Agreement on Trade in Civil Aircraft*** (ATCA) (general note 6), and ***articles imported from freely associated states*** (general note 10).

The ***General Agreement on Tariffs and Trade*** (GATT) (61 Stat. (pt. 5) A58; 8 UST (pt. 2) 1786) is a multilateral agreement setting forth basic principles governing international trade among its signatories. The GATT's main obligations relate to most-favored-nation treatment, the maintenance of scheduled concession rates of duty, and national (nondiscriminatory) treatment for imported products; the GATT also provides the legal framework for customs valuation standards, "escape clause" (emergency) actions, antidumping and countervailing duties, and other measures. Results of GATT-sponsored multilateral tariff negotiations are set forth by way of separate schedules of concessions for each participating contracting party, with the U.S. schedule designated as Schedule XX.

Officially known as "The Arrangement Regarding International Trade in Textiles," the ***Multifiber Arrangement*** (MFA) provides a framework for the negotiation of bilateral agreements between importing and producing countries, or for unilateral action by importing countries in the absence of an agreement. These bilateral agreements establish quantitative limits on imports of textiles and apparel, of cotton and other vegetable fibers, wool, man-made fibers and silk blends, in order to prevent market disruption in the importing countries—restrictions that would otherwise be a departure from GATT provisions. The United States has bilateral agreements with many supplying countries, including the four largest suppliers: China, Hong Kong, the Republic of Korea, and Taiwan.