

## The New York Times

# *Harley-Davidson, Blaming E.U. Tariffs, Will Move Some Production Out of U.S.*

By **Alan Rappeport**

June 25, 2018

WASHINGTON — As President Trump pursues a protectionist trade policy, he has pointed repeatedly to Harley-Davidson, the iconic American motorcycle manufacturer, as a company that will ultimately benefit.

Instead, it is getting caught in the crossfire.

The Wisconsin company said on Monday it would shift some production of its bikes overseas to avoid stiff retaliatory tariffs imposed by the European Union in response to Mr. Trump's trade measures. The company said the move "is not the company's preference, but represents the only sustainable option to make its motorcycles accessible to customers in the E.U. and maintain a viable business in Europe."

Mr. Trump's trade war is beginning to ripple through the United States economy as companies struggle with a cascade of tariffs here and abroad. While Mr. Trump says his trade policy is aimed at reviving domestic manufacturing, Harley-Davidson's move shows how the White House approach could backfire as American companies increasingly rely on overseas markets for materials, production and sales.

The White House is waging several trade wars at once, engaging in fights with China, Canada, Mexico and the European Union, which have each responded with their own retaliatory measures. The trade spats have triggered a range of unintended consequences, including a profit warning last week by Daimler, which blamed retaliatory Chinese tariffs for a slump in the sales of the S.U.V.s it builds in Tuscaloosa, Ala.

Mid Continent Nail Corporation, a Missouri-based manufacturer of nails, said last week that it had laid off 60 of its 500 employees and might be forced to close as it struggles to absorb the higher cost of the steel it imports from Mexico to produce its nails. Stock markets have swooned over the prospect of an escalating trade war that could further hurt American companies, with the Standard & Poor's 500-stock index ending down 1.4 percent on Monday.

Mr. Trump accused Harley-Davidson of using the tariffs as "an excuse" to move production out of the United States but insisted in a tweet on Monday that his trade strategy would still work. "Surprised that Harley-Davidson, of all companies, would be the first to wave the White Flag," he

said. “I fought hard for them and ultimately they will not pay tariffs selling into the E.U., which has hurt us badly on trade.”

Last week, the European Union hit back against Mr. Trump’s steel and aluminum tariffs with penalties on \$3.2 billion worth of American products, including bourbon, orange juice, playing cards and Harley-Davidsons. On Monday, the company said the tariffs on its motorcycles had increased to 31 percent from 6 percent, adding, on average, \$2,200 to every motorcycle exported from the United States to Europe.

With United States sales slowing and Europe an increasingly vital market, the company said it would shift production to its overseas facilities to avoid raising costs.

“Harley-Davidson believes the tremendous cost increase, if passed on to its dealers and retail customers, would have an immediate and lasting detrimental impact to its business in the region, reducing customer access to Harley-Davidson products and negatively impacting the sustainability of its dealers’ businesses,” the company said in a public filing.

Mr. Trump has frequently championed the company as a success story in domestic manufacturing. Soon after taking office in 2017, Mr. Trump hosted Harley-Davidson executives at the White House, where he called the firm a “true American icon” and thanked it “for building things in America.”

Like many American companies, Harley-Davidson has increasingly relied on overseas markets for sales and has shifted some production as a result. The company now produces some bikes and parts at facilities in Brazil, Australia, India and Thailand, and has shifted production to India and Thailand specifically to avoid high import tariffs in those countries. The company sold about 40,000 new motorbikes last year in Europe, equivalent to a sixth of its worldwide sales, making the region its most important market after the United States.

[Read more: Even Harley-Davidson can’t avoid the tug of overseas factories.]

Harley-Davidson did not specify how many jobs it might shift to its overseas facilities as it ratchets up European production, and a spokesman for the company said it was “still evaluating” the need for job cuts in the United States. The company has been consolidating its United States operations, eliminating hundreds of jobs in the process.

Shares of Harley-Davidson fell nearly 6 percent in afternoon trading.

Moving production abroad could draw the ire of Mr. Trump, who as a presidential candidate publicly assailed companies such as the furnace and air-conditioner maker Carrier, which planned to close a plant in the United States and shift manufacturing operations to Mexico. Mr. Trump regularly tells his supporters that American manufacturing is making a comeback and lavishes praise on companies that build domestically.

But that was before Mr. Trump followed through on his plans to impose tariffs on foreign steel and aluminum, a move he says will force other countries to lower their trade barriers. So far, the opposite has happened, as the European Union, Mexico and Canada respond with their own levies, many of which are aimed at products from politically important states that supported Mr. Trump, like Ohio, Iowa, Pennsylvania and Wisconsin.

Speaker Paul D. Ryan, a Wisconsin Republican, said on Monday that Harley-Davidson's decision was evidence that raising trade barriers was a bad idea.

"This is further proof of the harm from unilateral tariffs," Mr. Ryan said. "The best way to help American workers, consumers and manufacturers is to open new markets for them, not to raise barriers to our own market."

Chad Bown, a senior fellow at the Peterson Institute for International Economics, said that he expected more companies to follow Harley-Davidson's lead as they wrestled with higher production costs from tariffs on raw metals and levies on the finished products they sell overseas.

"This is incredibly self-defeating," Mr. Bown said. "There may be some increased domestic production of aluminum and steel because of the tariffs, but now there is going to be less motorcycle production in the United States for exports."

He added: "I think we can expect to see this same kind of activity every time that President Trump tries to impose new tariffs."

A labor union representing Harley-Davidson employees condemned the move on Monday and accused the company of seizing on Mr. Trump's trade policy as an excuse to move jobs offshore.

"Harley-Davidson's announcement today is the latest slap in the face to the loyal, highly skilled work force that made Harley an iconic American brand," said Robert Martinez Jr., the international president of the International Association of Machinists and Aerospace Workers. "This latest move is in keeping with Harley's past decisions to open plants outside of North America."

Sharon Zackfia, an analyst with William Blair, estimated that fewer than 10 percent of Harley-Davidson's motorcycles were manufactured abroad. She said that it was hard to predict what the shift might mean in terms of lost jobs, but that the company would be under pressure to spur more domestic demand with its new lines of motorcycles to keep workers at its American plants busy.

The best solution, she said, would be for a truce to be called to avert the trade war.

"Ultimately everyone is hoping that these tariffs or trade wars are transitory, that what happened can be reversed," Ms. Zackfia said.

At the White House press briefing on Monday, Sarah Huckabee Sanders, the press secretary, rejected the idea that Mr. Trump's trade policies were hurting American businesses and blamed the European Union for punishing American workers with its "unfair trade practices."

And Mr. Trump has shown no signs that he will back down. In a tweet on Sunday, he threatened even more tariffs, saying the United States would retaliate "with more than Reciprocity" if "artificial" trade barriers were not removed.



**Donald J. Trump**

@realDonaldTrump

The United States is insisting that all countries that have placed artificial Trade Barriers and Tariffs on goods going into their country, remove those Barriers & Tariffs or be met with more than Reciprocity by the U.S.A. Trade must be fair and no longer a one way street!

3:12 PM - Jun 24, 2018

110K    46.9K people are talking about this

Amie Tsang contributed reporting from London.

A version of this article appears in print on June 25, 2018, on Page A1 of the New York edition with the headline: Facing Tariffs, American Icon Retreats in U.S.