

HOT AIR

Inevitable: Harley-Davidson Sending Some Production Overseas To Dodge Trump Trade War

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One of the alleged virtues of a trade war is that it'll create jobs here by steering American consumers away from pricier foreign goods. If more people are buying American, American manufacturers will need to hire more to meet demand. Better yet, some foreign manufacturers will be incentivized to set up shop here in the U.S. to avoid our new tariffs, leading to even more hires.

Question: What happens when the retaliatory tariffs begin and Europeans start “buying European” because American goods are suddenly pricier for them? Answer, if you're an American company: You become a “European” manufacturer and shift production overseas of goods that are destined for the European market.

President Donald Trump has used Harley-Davidson as an example of a U.S. business that is being harmed by trade barriers. Yet Harley has warned consistently against tariffs, saying they would negatively impact sales...

“Harley-Davidson maintains a strong commitment to U.S.-based manufacturing which is valued by riders globally,” the company said in prepared remarks. “Increasing international production to alleviate the EU tariff burden is not the company's preference, but represents the only sustainable option to make its motorcycles accessible to customers in the EU and maintain a viable business in Europe. Europe is a critical market for Harley-Davidson.”

Harley-Davidson will not raise its prices to avert “an immediate and lasting detrimental impact” on sales in Europe, it said. It will instead absorb a significant amount of the cost in the near term. It anticipates the cost for the rest of the year to be approximately \$30 million to \$45 million.

Harley's both more and less capable than many other American companies of weathering a Trump trade war. It's less capable in the sense that it uses steel and aluminum in its products, of course, meaning that it's not only being hit by retaliatory tariffs abroad, it's being pinched by Trump's tariffs on Canadian (and other) exports here at home. Yet Harley's a large enough company that it can take a financial punch and hopefully shake it off, even if that means eventually sending U.S. jobs to Europe to do so. What do you do if you're a smaller American outfit suddenly coping with retaliatory tariffs and you can't afford to build a plant in France or Germany?

Few people are talking about businesses like Mid Continent Nail Corporation in Poplar Bluff, Missouri, which announced last week that it would have to lay off 200 workers—about 40 percent of its workforce—before Labor Day due to increased steel prices created by Trump's tariffs. The 25 percent tariff on imported steel makes it impossible for the company to compete

with cheaper nails produced in places like China, a company spokeswoman told MissouriNet.com.

The same is true for the 1,500 jobs at three Arkansas-based tire cord manufacturing plants. All three say they will be forced to close their plants unless they can get relief from the Trump administration's steel tariffs.

Those jobs won't be moving overseas. They'll just vanish.

I asked Scott Lincicome, an expert on trade policy at the Cato Institute, if there's any data yet on whether the U.S. is gaining or losing jobs overall as a result of the new policy. How many Harley-Davidsons are sending jobs abroad as compared to (a) how many foreign manufacturers are sending jobs here and (b) how many other American manufacturers are expanding operations domestically as foreign goods become more expensive? Way too early to have any sense of that, Lincicome told me, but expect the good news on jobs to be front-loaded and the bad news to be hidden for as long as possible. A company, whether foreign- or domestically-owned, that's expanding operations in the U.S. obviously has an incentive to make that known here. It's great PR. A company that's planning to send jobs abroad has an incentive to do the opposite, for obvious reasons. We know about Harley's plans only because they were disclosed in an SEC filing, as the law requires.

If you're going to project whether jobs are gained or loss on balance, though, Lincicome noted, you'd bet on net losses. For an obvious reason: Because businesses are suddenly spending more on goods as a result of tariffs, there's less money available to expand production. Even if, somehow, you managed to add as many jobs here in the U.S. as American companies end up sending abroad (and what would be the point of a policy like that?), we'd all still be left paying more at the store for the things we buy. The trade war is "winnable" only if the fear of it forces foreign competitors, especially big ones like China, to capitulate quickly on their own tariffs. But there's no sign of that: On the contrary, Xi Jinping told a group of CEOs today that he plans to strike back at American tariffs. What did Trump expect would happen? Xi now basically enjoys lifetime tenure as China's leader and is looking for ways to show that China is a rising power. He's not going to blink in a staring match with Trump, especially knowing that he might be dealing with POTUS for the next six years. Blink now and Trump's sure to try to muscle China again.