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BUSINESS

Harley-Davidson Is Doing Pretty Well Overseas

About 40% of the company's motorcycles sold last year went to customers outside U.S.



A Harley-Davidson showroom in Tokyo. The motorcycle maker has fared better than U.S. auto brands in the Japanese market.
PHOTO: SEAN MCLAIN/THE WALL STREET JOURNAL

By Sean McLain and Andrew Tangel

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President Donald Trump turned Harley-Davidson Inc. [HOG 0.47% ▲](#) into a global trade issue in his address to Congress, saying barriers made it “very hard” for the Milwaukee motorcycle manufacturer to do business overseas.

It is hardly impossible, though, as the company's recent push into international markets reveals. Harley-Davidson this year announced the goal of expanding its foreign business to 50% of annual volume, up from 38% currently. A decade ago, overseas sales accounted for 22% of Harley's business.

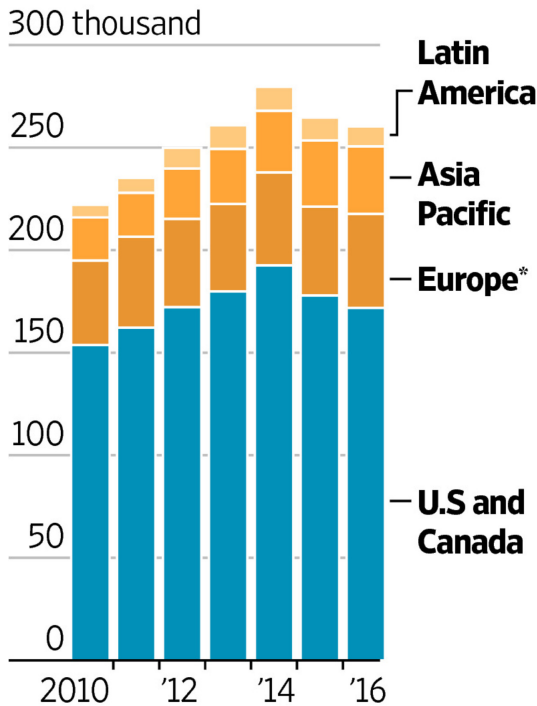
“These markets are huge, especially in Asia,” Chief Executive Matt Levatich said at an analyst conference this week. “We need to be there, and we are there.” Mr. Levatich had expressed support for the Trans-Pacific Partnership, which would have lowered tariffs on U.S.-made motorcycles in countries such as Vietnam. Mr. Trump withdrew from the trade pact shortly after taking office, saying he would pursue better trade deals.

Most of the “Hogs” that Harley-Davidson sells abroad are exports from its factories in Pennsylvania, Missouri and Wisconsin. Its overseas motorcycle sales rose 2.3% last year, partly offsetting a 3.9% decrease in the U.S.

One of Harley-Davidson's biggest overseas markets is Japan, a frequent target of Mr. Trump's trade criticism, where people like 61-year-old retiree Masayuki Takeuchi have helped make Harley-Davidson models best-sellers in the big-engine category—in contrast with U.S. car makers, which collectively have less than 1% of the Japanese market and lag behind German makers.

Hog Wild

Harley Davidson's annual motorcycle sales, by region



*Includes Middle East and Africa

Source: the company

THE WALL STREET JOURNAL.

"I get a sensation that I cannot get from Japanese-made ones," said Mr. Takeuchi, who recently bought a Harley-Davidson. "The beefiness and the sound are unique to Harley." In 2016, the company sold more than 10,000 motorcycles in Japan.

In his address to Congress Tuesday, Mr. Trump recounted a discussion he had with Harley executives about their international business on their recent visit to the White House. "They told me—without even complaining because they have been mistreated for so long that they have become used to it—that it is very hard to do business with other countries because they tax our goods at such a high rate," Mr. Trump said, adding that one country taxed the motorcycles at 100%.

"They weren't even asking for change. But I am," Mr. Trump said.

The president didn't identify the country with the 100% tax or tariff, but at least two Asian countries fit the description.

India applies a 100% import duty on motorcycles, according to the country's Central Board of Excise and Customs website. In Indonesia, meanwhile, the government in 2013 increased a tax on imported luxury goods that applies to Harley-Davidson motorcycles to 125% from 75%. That and other factors led the Harley-Davidson dealer in Indonesia to close, but recently a new dealer opened in Jakarta.

A Harley-Davidson spokeswoman suggested Mr. Trump may have had Indonesia in mind. "We had a positive conversation with the president on U.S. manufacturing," she said in an email. "Among the issues discussed was taxes in excess of 100% in countries like Indonesia that place companies like ours at a competitive disadvantage in a global economy."

In India, trade barriers have influenced Harley-Davidson's business strategy. The company set up an Indian assembly plant in 2010 to avoid higher taxes on its motorcycles. And it introduced



President Donald Trump, center, shook hands with Matthew Levatich, chief executive of Harley-Davidson Inc., right, as Vice President Mike Pence smiled, outside the White House at a Feb. 2 meeting with company executives and union officials.
PHOTO: DREW ANGERER/BLOOMBERG NEWS

a motorcycle with a smaller engine in 2014, which the company said it hoped would help drive sales in the country. Most motorcycles riders in India use two-wheelers with smaller engines than are typically found on a Harley.

India places high tariffs on a variety of luxury imports. Those tariffs and other barriers such as local-ownership rules have long been a point of contention between New Delhi and Washington.

Japan, on the other hand, doesn't have tariffs on imported cars or motorcycles, but companies do have to meet pollution and noise regulations to get their vehicles on Japanese streets.

In Tokyo, at a Harley dealership owned by Kenji Noma, a sound system plays classic rock while customers browse among a dozen motorcycles on the sales floor or shop for headbands and leather jackets

Mr. Noma said his biggest problem isn't trade barriers but the nation's aging population. Many customers, he said, started riding Harleys decades ago. Now some members of the store's Harley club are dropping out, saying their knees hurt or their doctors have ordered them to stop riding.

"These people used to put up with Hondas and Suzukis, while dreaming of one day owning a Harley," said Mr. Noma. "Eventually their dream came true. Now, they're getting old."

Harley executives have also cited the strengthening of the U.S. dollar as an impediment to international sales. A stronger dollar makes its motorcycles more expensive overseas. Meanwhile, Harley has struggled to grow its customer base in the U.S., where sales decreased in 2015 and 2016. The company has taken aim at younger people, women, African-Americans, Hispanics and other potential riders living in cities, as urban populations increase.

—*Anant Kala in New Delhi and I Made Sentana in Jakarta contributed to this article.*

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