



Harley-Davidson Inc.

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414/342-4680

James L. Ziemer
President and CEO

December 11, 2008

Peter Cowhey
Obama-Biden Transition Team
Washington, DC 20270

Dear Mr. Cowhey:

The efforts of the U.S. Trade Representative to open foreign markets have been vitally important to the success of Harley-Davidson Motor Company. Meaningful access to the Indian and Chinese markets is especially crucial to Harley at this juncture, as the company faces a severe slowdown in the U.S. market. We believe that there may be an opportunity very early in the Obama Administration to advocate for and secure the lowering of a tariff barrier that blocks Harley-Davidson's access to the Indian market.

Harley-Davidson, the leading U.S. manufacturer of heavyweight motorcycles and a world-famous brand, sells more than 300,000 premium heavyweight motorcycles annually in the U.S. and in over 60 foreign countries. Unlike many other companies, all of Harley-Davidson's manufacturing facilities are in the United States (located in Wisconsin, Pennsylvania, and Missouri, with intellectual property and finance facilities in Michigan and in Texas and Nevada, respectively). Harley's management and unions (United Steelworkers and International Association of Machinists) have forged a dynamic partnership.

Expansion in export markets is vital to Harley's business strategy and has been critical to the company's growth. Exports today account for nearly 25% of Harley-Davidson's total motorcycle sales, translating into more work for its approximately 9,000 American employees. Asian export markets are increasingly important to Harley-Davidson, given the size and demographics of the Asian markets, and in light of the contraction of the U.S. economy.



Harley-Davidson has not been able to enter the Indian market due to a punitive tariff imposed by the Indian Government on heavyweight motorcycles. The applicable *ad-valorem* applied tariff rate imposed on heavyweight motorcycle imports into India is 60%, which is six times the average industrial tariff in India (India Custom HIS Code: 8711.50.00). This 60% import tariff puts Harley motorcycles out of reach of Indian consumers.

In fact, Indian government action to address this trade barrier would benefit both the U.S. and India and would not adversely affect Indian manufacturers. Lowering the tariff would bring some tariff revenue into India, whereas today there is none, as the prohibitive tariff prevents sales.

Moreover, no Indian company produces motorcycles which compete with U.S. heavyweight motorcycles. Consequently, if the barriers were lifted, Harley-Davidson would develop an entirely new segment of the motorcycle market in India, one constituting touring and leisure models, to the benefit of Indian motorcycle companies and consumers alike. Furthermore, Harley would distribute its products through Indian-owned establishments.

Regarding China, Harley-Davidson continues to face severe non-tariff trade barriers that prevent its participation in the Chinese market. In major cities across the country, registration and use of motorcycles are severely limited, and access to major highways is prohibited. No other country in the world imposes such severe urban riding bans and registration restrictions. These barriers have effectively nullified the benefits of the China WTO Accession Agreement, which Harley actively supported.

We look forward to continuing to work with USTR on these important market access issues early in the new Administration.

Sincerely,