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Harley-Davidson owners, left, gathered for a ride, right, on the outskirts of Mumbai, India, that a local Harley club organized in October. President Trump's single-minded focus on Harleys has mystified trade experts in both countries.

# In U.S.-India trade, Trump sees only Harley

MUMBAI, INDIA

But the two countries face deadlines on bigger issues like food and oil tariffs

BY VINDU GOEL

When it comes to trade, it often seems that India and the United States are playing a perplexing game of multidimensional chess.

On Friday, for example, India will decide whether to impose or again delay tariffs on American almonds, apples, walnuts and processed metal products in retaliation for the Trump administration's decision in March to impose tariffs on steel and aluminum imports.

Next week, President Trump and his advisers will have to decide whether to penalize India for failing to abide by his Sunday deadline for all countries to stop importing oil from Iran.

"The sanctions threat and the tariffs are in many ways linked," said Sreeram Chaulia, dean of the school of international affairs at O. P. Jindal Global University outside New Delhi.

Yet Mr. Trump has voiced little interest in such policy questions or the rounds of negotiations that have kept the two countries from an all-out trade war. Instead, he has been publicly riveted by one small pawn in the game: India's tariffs on a few hundred high-end Harley-Davidson motorcycles sold in India each year.

Three times this year when Mr. Trump brought up the American trade relationship with India, he complained about the import duties — currently 50 percent — that India levies on Harleys and other foreign-made motorcycles.

"You send a motorcycle into India, there's a 100 percent tariff," Mr. Trump said at a news conference in early October, misstating the rate. "Who's going to buy it? It costs you so much. Now, they have already reduced that substantially, but it's still too high."

Mr. Trump's single-minded focus on Harleys has mystified trade experts in both countries.

"Harley-Davidson is not going to erase the trade deficit," Mr. Chaulia said. In the context of the \$126.2 billion in overall trade between the two countries, Harleys are not even a rounding error. Passenger jets, oil and gas, gemstones, and foods like almonds and chickpeas are far more important products.

Most of the 3,000 Harleys sold in India last year did not incur any tariffs. That's because they were cheaper, low-powered models made in a factory outside New Delhi. Even many of the fancier bikes sold in India were assembled from kits of imported parts, which are taxed at 15 percent, not 50 percent.

Harley-Davidson's biggest problem in India is a lack of demand.

Harleys are bulky and heat up a rider's legs, making them a poor fit for the country's traffic-choked roads and sweltering climate. And they are expensive. With an average annual income of \$1,700, people in India overwhelmingly favor small motorcycles, some of which

cost less than \$1,000. Harley's big cruisers cost more than most cars, with its top model exceeding \$87,000 in Mumbai after all taxes and licensing fees.

Darryl Mathias, operations manager for the Mumbai dealership, Seven Islands Harley-Davidson, said sales had dropped about 50 percent in the past two years. He blamed rising gasoline prices and the Indian government's efforts to crack down on cash transactions more than the tariffs. "People don't want to show their wealth," he said.

American officials say the president initially seized on the Harley tariffs after the Milwaukee company's chief executive, Matthew Levatich, complained to him about them. When Mr. Trump raised the issue with Prime Minister Narendra Modi this year, India dropped the tariffs to 50 percent from 75 percent.

Harley-Davidson executives declined interview requests. In a statement, the company said it "supports President Trump's efforts to lower tariffs and make American manufacturers more competitive."

Indian and American government officials also declined to elaborate about the trade relationship, citing active negotiations and the pending decisions on tariffs and sanctions.

For most officials in the two countries, the trade relationship is much more complicated than just motorcycles.

The United States and India have been arguing over trade since the Obama administration, when they tangled over American exports of eggs and solar panels to India as well as India's weak protections for foreign intellectual

property such as drug formulas. Trade hawks in the Trump administration such as Robert E. Lighthizer, the United States trade representative, have made the \$27.3 billion trade deficit in goods and services with India a key issue. American dairy farmers, for example, complain that they do not have fair access to India's markets because of high tariffs and India's requirement that all milk comes from cows that have not been fed the internal organs of other animals. That milk certification is important to Hindus, many of whom are vegetarians, but many American farmers cannot meet it.

**"Harley-Davidson is not going to erase the trade deficit."**

Silicon Valley companies including Google and Facebook are also pressing the United States government to help them dilute or fend off India's proposed data protection laws, which would limit the use of data collected about Indians and limit the transfer of data outside the country.

"We need to have reciprocal trade," Gilbert B. Kaplan, the American under secretary of commerce for international trade, said at a conference hosted by the U.S.-India Business Council in Mumbai in September.

This year, India irked American companies by increasing tariffs on products as varied as shoes and mobile phones to help balance its budget and stem a fall in the value of the rupee.

Separately, the country announced that it would raise tariffs on 29 categories of American goods, including nuts, apples and finished metal products, in response to Mr. Trump's steel and aluminum tariffs.

The items targeted influential industries such as almond growers, who last year shipped \$651 million of the nuts to India, their largest market. But India deferred the start of the tariffs from June to September and then to Nov. 2. The government may well delay the tariffs again, Mr. Chaulia said, to assess the outcome of Tuesday's midterm elections in the United States and what effect that would have on the American negotiating position.

India, for its part, wants the United States to reduce tariffs on its exports of clothing and textiles, for which it pays higher duties than neighboring countries like Bangladesh and Pakistan. The Modi administration is also adamant about maintaining its hefty subsidies for homegrown agricultural products to court Indian farmers, who are a key voting bloc.

Looming over everything are geopolitical concerns.

In addition to continuing oil purchases from Iran, Mr. Modi signed a deal with Russia's president, Vladimir V. Putin, on Oct. 5 to buy Russian S-400 anti-aircraft missile systems. The \$5.2 billion purchase violates American trade sanctions against Russia and will eventually result in penalties for India unless Mr. Trump approves a waiver.

Officials in the State and Defense Departments are urging Mr. Trump to give

India some leeway on both issues as part of an effort to forge a closer military and diplomatic partnership against China in the region. India has already reduced its reliance on Iranian oil, they argue, and the American defense contractors Lockheed Martin and Boeing are hoping to land a military jet order from India that could be worth \$15 billion.

Trade experts predict that neither country will be quick to antagonize the other.

"Under no circumstance would the Indian government give up its close relationship with the U.S. government," said Biswajit Dhar, a professor of economics at Jawaharlal Nehru University in New Delhi who has represented the Indian government on trade issues and formerly served on the board of the Export-Import Bank of India.

Mr. Chaulia said India was also clear about its economic commitment to Iran. India has invested heavily there, including hundreds of millions of dollars in the seaport of Chabahar in southeastern Iran. The Trump administration wants a regime change in Iran — and India does not, he said.

Eliminating the Harley tariffs is a way to ease the trade drama and please the American president, Mr. Chaulia said. "All Trump needs is to declare a win," he said. "He doesn't care about the nitty-gritty."

*Alan Rappeport and Gardiner Harris contributed reporting from Washington, and Maria Abi-Habib from New Delhi. Ayesha Venkataraman contributed research.*



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