

Comments by the Motorcycle Industry in Europe

Ref: Request to reinstate action taken in connection with the European Union measures concerning meat and meat products (docket n° USTR-2016-0025)

- HTS 87112000 - Motorcycles (incl. mopeds) and cycles, fitted with reciprocating internal-combustion piston engine with cylinder capacity of over 50 cc but not over 250 cc.
- HTS 87113000 - Motorcycles (incl. mopeds) and cycles, fitted with reciprocating internal-combustion piston engine with cylinder capacity of over 250 cc but not over 500 cc

Foreword

ACEM, the Motorcycle Industry in Europe, is the professional body representing the interests and combined skills of 17 motorcycles and mopeds manufacturers, and 17 national associations gathering motorcycle sector business operators in 13 European countries. ACEM directly represents a total of 24 Powered Two-Wheeler brands (PTWs: motorcycles and mopeds).

ACEM aims at defending the interests of all its members, whether manufacturing in Europe or having business activities in the European Union. As such ACEM's membership is open not only to European manufacturers but also to non EU-based companies such as - for the USA - Harley Davidson (HQ Milwaukee, Wisconsin) and Polaris Industries (HQ Medina, Minnesota).

ACEM is a member of IMMA, the International Motorcycle Manufacturers Association, the association which represents the manufacturing industry of powered two wheelers at global level.

Background and general comments

ACEM understands that at the request of the US beef industry, the United States Trade Representative (USTR) has initiated Section 301 proceedings seeking to impose additional duties on certain EU exports to the U.S., including motorcycles fitted with engines between 51cc and 500cc.

These additional duties (up to 100%) would intervene in the context of a 20 years long dispute between the EU and the U.S. over an EU decision to ban imports of beef and beef products produced from animals to which hormones have been administered for growth-promotion purposes. After discussions in the WTO framework, the European Commission and the United States representatives announced on 13th May 2009, the signing of a Memorandum of Understanding to implement a solution to the dispute.

The U.S. beef industry today points out that although the EU has maintained a 45,000 MT TRQ for HQB products as agreed in the MoU, it has not in practice provided benefits to the U.S. beef industry sufficient to compensate for the economic harm resulting from the EU ban on all but specially-produced U.S. beef.

Against this background, for its products should not be thrown in a agro-business dispute for which it has not direct or indirect interest or concern, ACEM requests an exclusion of motorcycles from the proposed list (as presented in Annex 1 of the USTR notice) before additional duties are imposed.

ACEM strongly believes that the measures as defined in the USTR notice will not be effective in encouraging a favorable resolution of the dispute, could lead to overcompensation of the damage alleged by US beef exporters, in violation of WTO rules, and most importantly will reduce US consumers' choice and could cause economic harm and job losses in the US in the motorcycle sector at large.

To justify its request, and following the indications of the USTR notice section D, ACEM would like to comment on the proposed measures on two key issues:

- Whether imposing increased duties on motorcycles would be practicable or effective in terms of encouraging a favorable resolution of the dispute at hand, and
- Whether imposing increased duties on motorcycles would cause disproportionate economic harm to U.S. interests, including small- or medium-size businesses and consumers.

Anticipated impact of imposing additional duties on the dispute resolution

As briefly mentioned in the introduction of this paper, imposing additional duties on motorcycles and mopeds imports in the U.S. will not be effective in terms of encouraging a favourable resolution of a dispute between the two regions agro-industries. ACEM believes that compensation actions – if deemed necessary, as ACEM does not wish to comment on the effectiveness of aggressive/defensive actions between other sector stakeholders – should be contained within the meat industry segment. Spill over on other segments should be avoided, especially when compensation actions in the agro segment scope should already produced more than the needed results to ensure a rapid resolution of the dispute.

ACEM wishes to stress that motorcycles and mopeds are not connected - even remotely - to meat, to meat products, and even to the agro business. This completely different industry sector should not be dragged into the dispute at hand.

Anticipated impact of imposing additional duties on US interests

Motorcycles with an engine capacity of 51cc to 500cc are not types of products historically manufactured by U.S. motorcycle manufacturers. Today, 500cc engines are fitted on 1 model of Harley Davidson (Street 500) and on no model of Polaris Industries (Indian, Victory).

These products are mostly manufactured by European and Asian (mainly Japanese/Korean) companies, and produced not solely in the regions where these companies are incorporated but all across the globe to meet the challenges of global demand.

ACEM has identified 2 large member companies (1 in Italy and 1 in Austria) which produce or assemble such products in Europe for export to the U.S and for which the proposed measures would have a direct impact on American consumers and local companies. Beyond these 2 main industry players, many smaller EU based companies producing specific vehicles for the U.S. market could be adversely hit too.

ACEM points out that such a politically motivated decision would not only inflict considerable damage to European companies that manufacture goods used by American citizens for both leisure and mobility. It would also negatively affect US small- and medium- enterprises (SMEs) of the sales and aftermarket segments of the motorcycle sector.

Impact on consumers

The products proposed to the U.S. market by these 2 companies (Piaggio Group and KTM) are emblematic in the motorcycle history and carry specific brand images which appeal to different types of consumers, with the brands Aprilia, Vespa, KTM and Husqvarna . Imposing additional duties – up to 100% as proposed - on world renowned vehicles such as the Piaggio Vespa scooter (imported in the USA as of the end of WWII) or the KTM MX/SX models (used for motocross/supercross competitions since the 1970s, the second motorised sport behind NASCAR in the U.S.) would undoubtedly restrict U.S. consumer choice for lack of comparative alternatives.

Impact on U.S. business and leisure activities

In addition, if such drastic measures would indeed negatively affect European manufacturers, these would also bring a terrible blow - certainly more difficult to resist - to the U.S. SMEs distributing, maintaining and repairing these vehicles on the American soil for the American consumers. This could potentially lead to the destruction of thousands of jobs in the U.S.. Dealerships and repair centres – especially in the motorcycle segment – are mostly family run, passion-driven businesses, present all over the country, including the most remote areas, and supporting local economies (suppliers, delivery services etc.).

On the leisure side, the envisaged action could seriously harm local and national sport activities, notably those organised under the roof of the American Motorcyclist Association (AMA), and down the line the entertainment industry at large.

Final comments

EU and US investments are the real driver of the transatlantic relationship, contributing to growth and jobs on both sides of the Atlantic. The US, like the EU, have repeatedly expressed its commitment to transatlantic free flow of trade and investment as an indispensable condition for sustained economic growth. This shared belief in the value of free economic exchange is largely reflected in practice. When it comes to the motorcycle industry, the European counterparts to the US vehicle manufacturers have consistently defended - with success - many attempts to drag motorcycle products into indirect trade quarrels, such as in the Steel dispute in the early 2000.

ACEM urges the USTR to remove from its list both products HTC numbers, n° 87112000 and n° 87113000 to ensure the continuation of a post-crisis recovery exchange between EU and US motorcycle manufacturers and to avoid potential never ending retorsion measures to be imposed in this sector. ACEM wishes the beef industry and the agro industry at large to be able to find a final solution to this long standing issue, and invites the affected parties and regions to resume discussions within the WTO framework.
