

Chain Reaction

TRUMP'S INCREASED TARIFFS HIT LOCALLY OWNED BICYCLE MANUFACTURER BIKE FRIDAY

By Henry Houston

Dead or Alive” is playing on a nearby radio as Bike Friday president Hanna Scholz shows me how the Eugene-based company assembles from scratch its signature folding bicycle.

As Jon Bon Jovi screams over the sounds of the shop, a team of employees works with the precision of NASA engineers, ensuring each made-to-order bicycle meets the needs of its rider.

The company's bicycle is a different kind of “steel horse” from the one Bon Jovi sings about, but a Bike Friday bicycle is resilient and can be ridden across diverse continents, even enduring a “water buffalo's” trampling, Scholz says.

This, most likely, is hyperbole, but the bicycles are indeed tough.

The shop runs by the principles of the lean manufacturing process, a system intended to minimize waste and maximize efficiency. Yet the tariffs imposed by President Donald Trump on Chinese imports in 2018, and again in June, are a speed bump to the local company's efficiency.

The tariffs have hit the company and, as a result, driven up bicycle prices to deal with the increased costs of importing parts from China.

Before Trump was elected, tariffs already existed in the bicycle world. Parts and accessories had a tariff that ranged from zero to 11 percent.

That means Trump's tariffs on Chinese imports are increasing older tariffs, says Steve Frothingham, editor-in-chief for *Bicycle Retailer and Industry News*. Frothingham has been closely following Trump's trade policy and its effects on the bicycle industry since the first threat of tariff in 2018.

When Trump first imposed tariffs last year, Bike Friday's Scholz began explaining to customers why the company was raising its prices midseason — an increase of 10 percent.

“Some customers don't talk politics, but I'm not talking politics. I'm talking economics,” she says.

Trump's second round of tariffs increased to 25 percent in June — a 15-percent increase from last year. So importing costs could total more than 30 percent for some bicycle parts.

The costs have created a lot of uncertainty for a lot of people on the supply chain, Scholz says. For this year's round of tariffs, vendors haven't raised prices yet because they're waiting to see what happens and whether Trump actually sits down to negotiate trade policy with Chinese President Xi Jinping.

“We're living with it, and not all of our vendors have adjusted, so we don't know exactly what how it's going to end up,” she says.

Sales at Bike Friday haven't been strong this year, Scholz says. She's not sure if it's because of the increased prices and, with Trump's 2019 tariffs, she says she doesn't know if Bike Friday will have to adjust prices again.

The company can't simply look for an American or other Asian supplier not hit by tariffs because it's buying from a middleman. And that middleman's brand name has currency in the bike world, Scholz says.

“We couldn't just change everything to some no-name brand,” she adds.

Scholz says the company could buy some parts from U.S. vendors, but that would mean a huge mark-up on its bicycles. Some parts made in the U.S. are top-of-the-line — and available for customers if they're willing to pay for it.

The tariffs also impact Bike Friday's line of e-bikes, since the batteries are imported from China. The Trump administration imposed a 25-percent tariff on e-bikes and e-bike motors.

U.S. bicycle companies like Bike Friday that hire U.S. workers but import components from abroad are getting a “raw deal,” Frothingham says.

“The Trump administration has been pretty clear that they don't feel bad,” he adds. “They tell assemblers: ‘That's what you get for assembling. You should just be making everything from beginning to end in the U.S. and then you won't have to worry about that.’”

Trump's justification for implementing tariffs against China was to create a level playing field and bring back manufacturing jobs. Since 2014, Trump has attacked China, saying the country isn't a friend of the U.S.

Although U.S. consumers have been hit by tariffs, one of the reasons to implement a tariff is to offer domestic industries a chance to grow and develop. In the bicycle industry, it's unlikely that substitute industries are going to pop up to replace Chinese imports.

A rubber factory, necessary for bicycle tires, won't come to the U.S. anytime soon. With all of the environmental pollution, Frothingham says, he can't imagine a company establishing tire factory here.

Bike Friday tries to maximize using components made in the U.S., but certain parts — like chains and tires — need to be imported, Scholz says. The majority of the company's steel comes from a U.S. company based in Portland, which was one of the first vendors to raise prices when Trump imposed tariffs.

In March, the National Bureau of Economic Research, a nonpartisan research organization, issued a working paper that examined the effects of Trump's “trade war” with China. In 2018, U.S. consumers fully felt the tariffs and, as a whole, experienced a reduction in real income by \$1.4 billion per month by the end of 2018.

Scholz says that, as a result of the trade war, she's learned how little people understand the interconnected supply chain in manufacturing.

“We are so interconnected that, in many products these days, it's impossible to have them all built in one country,” she says. ■



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