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# THE AMERICAN BICYCLE INDUSTRY AND U.S. TRADE POLICY

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The last few years have been some of the most complex that the U.S. bicycle industry has confronted in several decades. Trade policy has taken center-stage as one of the most critical issues for our industry. Recent trade actions by the United States have jeopardized long-standing supply chains, increased retail prices, U.S. manufacturers' ability to access global markets.

A new approach is needed in 2021. This report outlines the state of the U.S. bike industry and explains its contributions to the American economy with principles to guide future trade policy. **Critically, bicycling is positioned to play a key role in achieving important American policy objectives around climate change, environmental quality, public health, and domestic job growth.** With the proper trade policies in place, the U.S. bike industry can make substantial contributions to each of these areas. This analysis concludes by analyzing key policy changes that could better support the bike industry and help our country reach these broader goals.

## THE AMERICAN BICYCLE INDUSTRY

The U.S. bicycle industry dates back to 1895 when the first American bicycles were built. Since that time, American bike companies have prospered to become international leaders, creating some of the world's most highly sought-after bicycles, parts, and accessories. As the world's largest economy, the U.S. is also one of the global bike industry's leading markets. Americans purchase 15 to 20 million bicycles annually.

PeopleForBikes' mission is to make bike riding better for all Americans, and create an environment where bicycle businesses can thrive. We work to unite individuals, businesses, and government leaders behind the goal of improving our nation's infrastructure to make biking safer and more convenient. We are also the sole trade association for U.S. manufacturers, suppliers and distributors of bicycle products. We have nearly 300 member brands that produce goods in every segment of the bicycle market, from high-end competition bicycles to affordable kid's bikes, including every part, component, accessory needed for those products.

The innovations of American companies have created a vibrant U.S. bicycle industry supported by a large network of small business retailers. However, the economic contributions that the bicycle industry provides to the American economy are vast and extend far beyond businesses directly involved in the manufacture and sale of bicycles. Bicycling generates billions of dollars in economic activity through retail, travel, tourism, and events, contributing more than \$87 billion to the U.S. economy. This is a substantial portion – nearly 10% – of the \$887 billion of economic activity generated by outdoor recreation.<sup>1</sup>

## BICYCLE INDUSTRY WORKFORCE AND ECONOMIC BENEFITS

The direct and indirect labor and economic contributions provided by the U.S. bicycle industry are significant. PeopleForBikes' supplier members directly employ a large workforce involved in all facets of the bike industry. Well-paying, professional jobs in research and development, design, engineering, marketing, and sales all take place in the U.S., where many bicycle companies maintain their global headquarters. Our industry also supports jobs in manufacturing, production, distribution, and assembly.

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[1] Outdoor Recreation Economy Report, Outdoor Industry Association (2017).

Beyond these bicycle suppliers, the U.S. bike industry is home to a massive network of small business bicycle dealers. There are more than 7,000 bicycle dealers in the U.S. that sell, service and repair the 15 to 20 million bicycles Americans buy each year. Most of these small retailers are independent businesses, mom and pop shops that service their local communities.

However, the benefits that bicycling provides to the broader economy are multiplied many times over relative to just the sales of products themselves. Bicycling generates tens of billions of dollars in travel and tourism. The regular influx of bike riders traveling to cities and towns for races, group events, and bike-riding vacations provides a major boost to local economies and generates a massive \$75 billion in consumer spending. This in turn creates billions of dollars in tax revenue for state and local governments.

As bicycling evolves into a more significant component of our transportation infrastructure, new jobs are also being created in engineering, construction, and bike sharing. Design firms now house entire teams dedicated to helping cities build 21st century bicycle infrastructure. Public works departments are building more bike projects and construction companies are employing more people to build bike paths and protected bike lanes. Bike share operators across the United States employ thousands and serve as new forms of urban transportation service providers – providers that have proven essential during the COVID-19 pandemic.

### Economic Contributions of Bicycling in the U.S.

Contribution to GDP: \$41.6 billion	Total Tax Generated: \$12 billion	Participant spending: \$87.7 billion
- Jobs Supported: 768,663	- Federal Tax: \$6.3 billion	- Gear + Equipment: \$12.6 billion
- Wages earned: \$25.8 billion	- State + Local Tax: \$5.7 billion	- Travel + Tourism: \$75.1 billion

The full economic benefits that bicycling provides to the United States are not fully known, as we lack comprehensive U.S. data on the health and environmental benefits that bike riding provides. Bicycling for transportation and recreation reduces healthcare costs directly through exercise, an issue of critical importance in our often-sedentary modern world. Bike riding also reduces emissions and congestion, offering a substantial tool in our effort to improve air quality and reduce carbon emissions. While we are unsure of the precise economic value of these benefits on a nationwide scale, there is no question that they are significant. The following examples are demonstrative:

- » If increased bicycling reduced obesity by 3%, the U.S. would save \$6 billion in healthcare costs.<sup>2</sup>
- » Bicycling in Wisconsin improves air quality and reduces carbon emissions valued at \$90 million.<sup>3</sup>
- » In Portland, Oregon, every dollar invested in bicycle infrastructure yielded an economic benefit of between one- and four-fold in health care savings and reduced fuel costs.<sup>4</sup>

[2] Rashad, I., Cycling: An Increasingly Untouched Source of Physical and Mental Health, National Bureau of Economic Research (2007).

[3] Grabow, M. et al., Valuing Bicycling's Economic and Health Impacts in Wisconsin, The Nelson Institute for Environmental Studies, University of Wisconsin (Jan. 2010).

[4] Gotschi, T., Costs and Benefits of Bicycling Investments in Portland Oregon, Journal of Physical Activity & Health (2011).

In short, bicycles are already generating billions of dollars in value to the U.S. economy and employing thousands of people. Incredibly, this is without bicycling even coming close to realizing its full potential in the U.S. We are extremely optimistic that with more people adopting bicycling for transportation and recreation, these figures can grow significantly.

## CURRENT TRADE ENVIRONMENT

Our industry is increasingly global in nature, and U.S. bike companies sell products into almost every major market in the world. The majority of bicycles that are sold in the United States – and the world – are manufactured in China. Taiwan is also a very significant supplier of bicycles and bicycle products. While ratios fluctuate year to year, China and Taiwan accounted for approximately 97% of imported bicycles in quantity and 95% of imported bicycles in dollars as recently as 2018.

U.S. production of bicycles is low relative to the total number of bicycles sold domestically. While our industry lacks precise data on U.S. bicycle production, we estimate that approximately 500,000 of the 15 to 20 million bicycles sold each year are made in the U.S. This is a significant change from the late 20th century when millions of bicycles were made in America. We explain the reasons for this change in more detail below.

Bicycles are a heavily tariffed product; most complete bicycles face a tariff of 11%.<sup>5</sup> Components face similarly high tariffs, with many being subject to a tariff of between 8-10%. The Section 301 tariffs have been particularly difficult for the bicycle industry to manage, as many of our industry's products are made in China. Under these tariffs, the duty on most complete bicycles has been raised to 36%. In addition, Section 301 tariffs were imposed on almost every bicycle component, providing no avenue for companies to shift assembly and production to the U.S. and create more jobs. Critical safety equipment – helmets and lights – are also subject to the tariffs despite the fact that there is nowhere else to source many of these goods.

For U.S. manufacturers of bicycle products, the Section 301 dispute with the European Union (EU) concerning civil aircraft is jeopardizing access to the European market. This is directly harming our members that manufacture bicycle products in the U.S.<sup>6</sup>

Prior to the EU dispute, the Section 232 tariffs on steel and aluminum had complicated U.S. production by creating dramatic price increases when the tariffs were imposed. In short, “Made in the U.S.A.” bicycle brands are also facing challenges due to recent trade policies.

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[5] According to the U.S. Trade Representative, “[t]he United States currently has a trade-weighted average import tariff rate of 2.0 percent on industrial goods,” which includes most consumer products like bicycles. Office of the United States Trade Representative, Industrial Tariffs.

[6] As a result of the dispute between the U.S. and the EU concerning the subsidization of civil aircraft, the EU has imposed tariffs on U.S.-origin bicycle frames, fork, and trainers, harming U.S. manufacturers. So far, the U.S. has proposed section 301 tariffs on bicycle products from the EU on three occasions, but no tariffs have been imposed.

The last several years have been extremely difficult for our entire industry on the global trade front. Despite having no nexus to any of the recent trade disputes (China Section 301,<sup>7</sup> European Union Civil Aircraft Section 301, and Section 232 Steel and Aluminum) our industry has been deeply affected by every major tariff dispute and sanction. This chaos has made planning extremely difficult for bicycle suppliers, led to depleted inventories, and driven up prices. **Our industry needs stability in U.S. trade policy.**

## HISTORY OF U.S. BIKE MANUFACTURING

While the U.S. bicycle industry continues to support hundreds of thousands of domestic jobs, the manufacturing of U.S. bicycles has changed significantly from three decades ago. These changes are largely attributable to changes in American trade policy.

The recent history of U.S. bicycle manufacturing deserves special attention, as American bike companies aggressively tried to protect the bicycle manufacturing base in the late 1990's when U.S.-China trade expanded. Most critically and recently, the Section 301 tariffs effectively punished the U.S. bicycle industry for adapting to the realities of modern U.S. trade policy, despite our efforts to take every opportunity to protect U.S. bicycle manufacturing jobs when we still had the chance to preserve them.

In the 1990's, approximately nine to ten million bicycles were produced domestically each year. Bicycle component manufacturing facilities were in place to support the production of complete bicycles. However, China's pending admittance to the World Trade Organization, and new trade relations with the U.S., threatened that business. In 1995, leading brands such as Huffy, Murray, and Roadmaster petitioned the U.S. International Trade Commission (ITC) to impose protective measures on bicycle imports from China in order to preserve our domestic manufacturing base and the jobs in the U.S. bike industry. While the ITC agreed that China's actions were harming U.S. bicycle manufacturing, no measures were imposed.

The failure to support the bicycle industry in the 1990's had dramatic consequences. Nearly a dozen major bicycle manufacturing plants were closed and thousands of jobs were eliminated. Bicycle production in the U.S. largely ceased. The recent Section 301 tariffs that have now been imposed on bicycle products from China are more than 20 years too late. Reversing these actions and restoring a trade environment that can support U.S. bicycle businesses and domestic production will take time, patience, and supportive federal policies.

## THE FUTURE OF THE INDUSTRY

While today's trade environment may be proving difficult for U.S. bike companies to navigate, the future of our industry is bright. New products and better infrastructure allow bicycles to play a key role in solving problems related to transportation, climate change, and healthcare. These advancements will make bicycles an important part of U.S. public policy over the coming decades.

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[7] The bike industry does not have sensitive technology or intellectual property that is connected with the Section 301 investigation, nor are bicycles part of any of China's strategic initiatives.

Our industry is rapidly moving into the 21st century with new products that can transform the way Americans use their bicycles on a daily basis. Most notably, Americans are rapidly adopting low-speed electric bicycles (bicycles equipped with a small electric motor and battery pack to assist the rider) for their transportation and recreation needs. Electric bicycles enable bike riders to travel longer distances with less effort, address barriers to cycling such as hills and carrying cargo, and enable people of varying abilities to ride at the same pace. Electric bicycles are the fastest growing category of bicycle sales in the U.S. market, and we anticipate that their rapid adoption by customers will continue for many years to come.<sup>8</sup> The adoption of this and other electric mobility products was helped considerably by their duty-free treatment, as electric bicycles are typically more expensive to produce due to their additional electrical components.

Despite having a motor, low-speed electric bicycles are not passive vehicles; riders still derive significant mental and physical benefits.<sup>9</sup> In fact, electric bicycle riders can actually get more exercise in some instances as they tend to ride their bikes longer.<sup>10</sup> Low-speed electric bicycles will provide a new avenue for people to travel short distances in a low-congestion, low-emission, and healthy mode. We believe electric bicycles will result in a dramatic shift in how Americans perceive the bicycle and incorporate it into their everyday lives.

Communities in the U.S. are also making significant investments in new bike infrastructure that will facilitate bicycling for both transportation and recreation. The construction of protected bike lanes in the U.S. has increased every year since 2006. Voters have steadily been approving ballot measures to fund more bike projects at the state and local levels, and federal investments in active transportation appear primed for their most significant jump ever in the coming decade. This will open up new opportunities for people to bike to work, to school, for errands, and for health and fitness. It will also make bicycle use safer as purpose-built infrastructure becomes more widely adopted, and bicycle networks are created for cyclists.

The recent uptick in bike riding has affirmed that bicycles are and will continue to be a critical component of America's transportation and recreation future. COVID-19 caused a massive disruption in our daily habits. During this time, Americans purchased bicycles and electric bicycles in record numbers. Bicycle shops were also quickly recognized as essential businesses by federal, state, and local governments. Due to these actions, the bike quickly stepped in to provide a safe way for people to travel, and helped them get back to work and school during one of the most significant national

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[8] In 2015, 9,533 electric bicycles were sold in the U.S. through independent bicycle retailers. In 2019, this number had grown to 106,944, representing a more than 1,000% increase over four years. In the first eight months of 2020, Americans purchased more than 180,000 electric bicycles, and had surpassed 2019 totals by June 2020.

[9] An evolving body of literature is demonstrating that electric bicycles improve physical and mental health, and are comparable to conventional bikes in their health benefits. Peterman, J. et al., *Pedelecs as a physically active transportation mode*, Euro. J. of Applied Physiology (Aug. 2016) (Finding pedal-assist e-bikes can improve some cardiometabolic risk factors within only 4 weeks); Hall, C. et al, *Pedal-Assist Mountain Bikes: A Pilot Study Comparison of the Exercise Response, Perceptions, and Beliefs of Experienced Mountain Bikers*, JMIR Publications (2019) (Finding similar levels of exertion as measured by heart rate between riders of e-bikes and conventional bikes); Leyland, L., et al., *The effect of cycling on cognitive function and well-being in older adults*, PLOS One (Feb. 2019) (Finding e-bike riders exhibited improved cognitive function after riding, comparable to or exceeding riders of conventional bicycles).

[10] Castro, A., et al., *Physical activity of electric bicycle users compared to conventional bicycle users and non-cyclists: Insights based on health and transport data from an online survey in seven European cities*, Transportation Research Interdisciplinary Perspectives (June 2019).



## OUR VISION FOR U.S. TRADE POLICY

Thoughtful trade policy will be critical for the continued success and growth of the U.S. bike industry. We believe that our domestic trade policy for bicycles should support seven key principles that will provide economic, environmental, and health benefits for Americans.

- » **Create Certainty:** The last two years have demonstrated the problems that vacillating trade policies pose for U.S. businesses. These fluctuations substantially limit investments in the future of our industry and harm our customers. Trade policies should create stability so that U.S. bike companies can proactively plan their supply chains, align production with demand, invest in business expansion, hire new employees, and increase wages.
- » **Provide a Fair Playing Field:** Sudden tariff increases of 25%-100% dramatically depress the economic success of our members. Duties function no differently than changes to other cost inputs or taxes, and when they increase, the companies paying those duties are less profitable. These cost increases can be so dramatic so as to select winners and losers, threatening the free market. Americans should pick which companies are the most successful, not U.S. trade policy.
- » **Promote Domestic Economic Growth:** The participation trends for the U.S. bike industry are strong, and sound trade policy can help promote that growth even further. Our economic policies should encourage bike companies to invest in U.S. bicycle production and support the vast number of small business American bicycle dealers.
- » **Leverage Opportunities to Achieve Environmental and Climate Change Goals:** Bicycling provides one of the most efficient opportunities to reduce greenhouse gas emissions and other pollutants from the transportation sector. Our trade and tax policies should recognize the considerable potential of the bicycle to help achieve these goals.
- » **Improve Public Health:** Bicycling will not only help us achieve our environmental objectives, but make Americans happier and healthier in the process. U.S. trade policy should integrate with our broader national mission of improving the mental and physical health of our citizens and reducing the troubling rise in healthcare costs.
- » **Increase Youth Participation:** Young bike riders represent the future of the U.S. bike industry, and steady youth engagement with bicycling is critical to achieving significant environmental and public health wins. The availability of children's bicycles and safety equipment is critical for the long-term stability of the bike industry.
- » **Encourage Investments in Developing Countries:** The U.S. is a leader in helping countries raise their standards of living and build stronger economic foundations. The bike industry can help America achieve those goals with policies that support investments in developing nations.

# RECOMMENDATIONS

In order to fully realize the opportunities that bicycles have to achieve the objectives above, we suggest changes and developments in the following policies that will support the U.S. bike industry.

## #1 REPLACE THE CHINA SECTION 301 TARIFFS WITH MORE TARGETED ACTIONS

The Section 301 tariffs have caused serious instability in the supply for bicycles in the U.S., and contributed to a significant shortfall in the domestic availability of bicycles. Americans are routinely unable to find the bicycles they need, are waiting long periods of time to receive their products, and are paying more money for them. These tariffs are directly jeopardizing the pillars we have identified above by causing instability in the supply chain, creating an unbalanced commercial landscape for businesses, and making prices less affordable and attainable for Americans and their children.

The rollout of the Section 301 tariffs has caused substantial harm to the bicycle industry. The tariffs were implemented with only several days or weeks of notice between their announcement and their effective date – far too short a time for bicycle companies to adjust their sourcing. While the bicycle industry is actively diversifying its supply chain, only modest gains have been achievable in less than two years, particularly in light of current demand and the global COVID-19 pandemic. In addition, the impacts on American bicycle brands have been extremely unequal. In an industry that relies on small margins, the 25% additional tariffs have provided some companies with a significant competitive advantage or disadvantage that is solely the result of trade policy and not the quality of their goods.

For companies that have been affected, the application of the tariffs to bicycle products has been particularly confusing. For example, bicycle helmets (imported under two tariff schedule subheadings depending on their construction) were initially included on List 3, removed after extensive testimony regarding safety was provided at the List 3 hearings, included on List 4, had the tariff reduced as part of the Phase 1 trade deal, granted exclusions, then had one exclusion expire while the other was extended. There was no material change in the sourcing of bicycle helmets, our reliance on China to produce these products, or their importance as a safety product over that nearly two-year period. These constant and seemingly arbitrary changes require extensive monitoring, updating of entries, and filing of protests that expend considerable resources, particularly for our smaller members. Below is a brief summary of how the Section 301 China tariffs have affected the bicycle industry:

	List 1	List 2	List 3	List 4
Product Examples	GPS Units	Electric bikes and motors	Complete bicycles, frames, forks, tires, inner tubes	Helmets, lights, wheels, handlebars, seatposts
Proposed	Apr. 6, 2018	June 20, 2018	July 17, 2018	May 17, 2019
Announced	June 20, 2018	Aug. 16, 2018	Sept. 21, 2018	Aug. 20, 2019
Effective	July 6, 2018	Aug. 23, 2018	Sept. 24, 2018	Sept. 1, 2019
Rate	25%	25%	25% (10%, 9/18-5/19)	15% (7.5% from 2/20)
Exclusions (through 12/31/2020)		Electric bicycles	Kids' bikes, single-speed bikes, carbon fiber frames, saddles, pumps, trailers	Helmets (reinforced or laminated plastics)
Expired Exclusions	GPS devices		Road/fitness/commuter bikes, rims, wire-bead tires	Helmets (other), headlights, taillights

Further, the amount of the tariffs is financially crippling for many companies and undermines the intent of the tariffs. The tariff on most complete bicycles is already quite high at 11%; with the Section 301 tariff, it is more than tripled to 36%. Even if some of this money can be recouped through higher retail prices, companies must use three times as much cash upfront to pay for their goods to enter the U.S. With imports of bicycle products from China routinely totaling more than \$1 billion, companies are spending hundreds of millions of dollars on duty payments instead of investing in their business and workforce.

Critically, the Section 301 tariffs also directly led to the current shortage of bicycles, parts, and accessories in the U.S. because the increased landed cost discouraged companies from building normal inventory levels. Even companies that were able to move production out of China to other countries because of the tariffs experienced delays in production and supply chain disruptions that further decreased U.S. inventory levels. When demand surged in spring 2020 due to the COVID-19 pandemic, there was no excess inventory to bring to the marketplace, and Americans were unable to get the bicycle products they needed. Both retailers and suppliers lost sales - many of which will not be recovered.

The bicycle goods that are making it to retail are now costing Americans more money. At this point, a significant portion of the tariffs have made their way into the pricing structure for bicycle products. Through September 2020, the price of all bicycle products is up 22% from the same period in 2019 - almost exactly the amount of the 25% Section 301 tariffs.

We are particularly concerned about the long-term ramifications of the Section 301 tariffs on children's bicycles. A staggering 97% of children's bicycles purchased in the U.S. are made in China. Children's bicycles that are produced in the U.S. are overwhelmingly made from Chinese origin components. The Section 301 tariffs guarantee that these products will be more expensive and less accessible, particularly once the current Section 301 exclusions expire. Children's bicycles in particular share no connection to the Section 301 investigation, as they are high-volume, low-technology products with no sensitive technology or intellectual property involved in their production.

Finally, the broad-based nature of the Section 301 tariffs is also preventing them from achieving their intended reshoring goals. Almost all bicycle components and parts are being subjected to the higher duties. Many of these cannot be made domestically. Due to the lack of an affordable component pipeline, bicycle manufacturing, assembly, and production are not being moved to the U.S. as a result of these tariffs. Further, the demand surge caused by COVID-19 has forced companies to source their goods from China even if they prefer to get their goods from elsewhere. China's existing bicycle manufacturing capacity makes it the only country that can rapidly scale the production of bicycle products to meet our current domestic demand. The bicycle industry needs targeted measures to encourage more U.S. investment rather than tariffs on every component from one of its most crucial supplier nations.

We understand the need for bi-partisan action to combat the challenges that China poses to the U.S. and our allies. However, widespread tariffs that do not target U.S. issues of concern are not proving to be effective in achieving our national objectives. The U.S. should use more targeted trade actions and agreements to achieve its goals with respect to China, and focus those actions on our core concerns of intellectual property, technology, and national security – not bicycling.

## #2 INCENTIVIZE U.S. PRODUCTION

As explained above, the U.S. has witnessed a significant decrease in the number of domestically made bicycles during the last thirty years. Within the bicycle industry there is a desire to change that course and increase American production. However, the manufacturing base for bicycle products in the U.S. has eroded significantly since the 20th century. We currently lack the capacity to make many of the components required to build complete bicycles, of which there are thousands of variations depending on the type of bike. To incentivize U.S. bicycle production, we must take into account the complexity of the current bicycle product supply chain and the many specialized parts needed for different types of bicycles.

Our current environment of punitive tariffs offers no roadmap for bicycle companies to invest in the U.S. Further, our significant number of global trade conflicts is directly harming U.S. manufacturers by creating new tariffs on American-made exports. The recent dispute between the U.S. and the EU concerning civil aircraft has resulted in a 25% tariff increase on U.S.-origin bicycle frames, forks, and trainers sent to the EU – one of the biggest markets outside of the United States for these products.

We need a thoughtful and targeted approach that takes into account the specific needs of our industry. We suggest the following concepts as a starting point to work with policymakers on creating an environment where it makes commercial sense to invest heavily in U.S. bicycle products:

- » **De-escalate the U.S./EU trade conflict:** Several of our members are facing serious harm from higher tariffs on American made bicycle frames, forks, and trainers. The U.S. should make a concerted effort to engage with the EU and have the punitive tariffs on American-made bicycle products eliminated.
- » **Reduce duties on bicycle components:** Increased U.S. bicycle production will likely begin with investments in U.S. bicycle assembly operations. The only way to facilitate those investments is by creating access to affordable component parts that are not made domestically but will be needed to build complete bicycles. However, many components are subject to duties of 8% to 10% - barely below the 11% duty on complete bicycles. This creates no incentive to produce bikes in the U.S.
- » **Provide financial incentives to companies that invest in U.S. bicycle and component production:** Our government should support those companies that are working to re-shore bicycle production to the U.S. Incentives such as tax credits, tax deductions, or interest free loans for businesses that are already investing in this area are vital to rebuilding the facilities that were lost in the 1990's. Supporting workforce development that makes American companies competitive with foreign producers, and capital investments in cutting-edge manufacturing processes are crucial.
- » **Amend the Section 232 Tariffs:** For U.S. manufacturers, the Section 232 tariffs complicated their access to affordable raw materials. We must ensure that measures intended to promote domestic steel and aluminum production do not harm the American manufacturers that rely on those metals.
- » **Support the extension of the Miscellaneous Tariff Bill (MTB):** The MTB directly supports the U.S. bicycle industry by reducing tariffs on products that lack a domestic manufacturing base. This enables bike producers to reduce their costs and components that they cannot source in the U.S.
- » **Reduce the de minimis shipment threshold (as outlined below).**

### #3 WORK WITH CONGRESS AND OUR TRADE ALLIES TO PASS A FREE-TRADE ENVIRONMENTAL GOODS AGREEMENT (EGA)

We firmly believe that bicycles will be a critical component of the U.S.'s solution to managing climate change, expanding transit options and improving environmental conditions for Americans. More trips made by bicycles and electric bicycles will mean fewer emissions, less congestion, and a healthier population that will be more resilient to changes in air quality. Further, we believe that this will be a global phenomenon, opening up more opportunities for increased use of bicycles worldwide. This can create stronger U.S. bicycle companies.

Bicycle products must be part of any future EGA with our trading partners. Communities throughout the U.S. are investing heavily in better bike infrastructure as a key component of their plans to reduce emissions and improve air quality. The U.S. is only just beginning to realize these significant benefits, and we can still make significant progress in shifting trips from higher-emission modes to bicycles.

However, we will not be able to realize these significant gains without a stable and affordable supply of bicycles, parts, and accessories. Including bicycle products within an Environmental Goods Agreement can help ensure that the bicycle products needed to increase bike mode share in the U.S. are accessible to every American. We strongly believe that bicycle products can be included within an EGA in a manner that both supports our environmental objectives and supports U.S. bike industry jobs.

### #4 WORK WITH CONGRESS TO AMEND THE DE MINIMIS SHIPMENT RULES

In 2016, President Obama signed the Trade Facilitation and Trade Enforcement Act of 2015.<sup>11</sup> This law raised the value of a shipment of merchandise that may be imported free of duty from \$200 to \$800. While this change may have made sense for the international traveler returning with some items from a trip abroad, it failed to consider the impact on direct online sales to U.S. consumers. This law has rapidly shifted purchases formerly made from American retailers to foreign online sellers – and made those purchases duty free.

In order to reduce the administrative burden of collecting tariffs for small shipments, almost every country specifies a de minimis amount for which tariffs and duties are not collected. Most countries set these de minimis amounts at much lower levels than the current U.S. amount. Subject to fluctuations in exchange rates, Canada sets the level at \$15, Mexico at \$100, Japan at \$90, South Korea at \$150, and the European Union sets de minimis at \$170. The de minimis duty-free import level for China is less than \$10. While our prior level of \$200 was comparable to these trading partners, the increase to \$800 vastly exceeds these global norms.

The increase in the de minimis threshold is providing a clear competitive advantage for foreign retailers of consumer goods. Customers can shop online from internationally based retailers or manufacturers, which advertise the fact that tariffs are not collected on shipments below \$800, and buy products duty-free. In essence, our law enables foreign businesses to set artificially low prices by avoiding tariffs on goods that would be collected if imported by U.S. businesses and sold domestically. This is especially true of bicycles and bicycle products, the vast majority of which are valued at less than \$800.

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[11] Codified at 19 U.S.C. § 1321(a)(2)(C); implemented through regulations at 19 C.F.R. §§ 10.151-10.153.

The Section 301 tariff on many of our products exacerbates this problem. As tariffs increase, the competitive advantage that foreign retailers hold over domestic sellers under the de minimis exception becomes even more pronounced. A consumer can now buy an \$800 bicycle duty free directly from China while an American bike company importing this product must pay \$288 in duty. This cost differential incentivizes more consumer-direct online sales to Chinese companies and further damages American businesses.

Beyond the damaging effect this policy is having on domestic retailers and businesses, there are also safety and consumer protection concerns that come with greater consumer-direct imports of bicycle products. U.S. bicycle businesses are required by the Consumer Product Safety Improvement Act and Consumer Product Safety Commission (CPSC) regulations to provide certification that the bicycles and helmets they import have been tested and comply with all applicable safety regulations, including those regulating the lead and phthalate content of children's bicycles. U.S. Customs and CPSC Field Officers actively monitor shipments for compliance, which can include holding shipments for inspection and chemical testing. Because no formal customs entry is required for a de minimis shipment, no such certification is required for any bicycle, children's bicycle, or helmet valued by the foreign seller at or under \$800. We are concerned that some imported products may not in fact be compliant with U.S. regulations and may pose a risk to public safety.

The administrative burden of tariff collection cannot justify our current de minimis law. Many of our trading partners in developed nations set the de minimis amount at a much lower level than \$800, and still run efficient tariff collection systems that provide revenue to their governments. Further, there are potential easy solutions to the question of administrative burden, such as a fixed entry fee on de minimis shipments. The executive and legislative branches should work together to pass new legislation governing de minimis shipments that better supports U.S. retailers and protects Americans from the unnecessary risks posed by counterfeit or unsafe products.

## #5 RENEW THE GENERALIZED SYSTEM OF PREFERENCES

American bicycle companies have been diversifying their supply chains and sourcing bicycle products from developing countries for many years. The Generalized System of Preferences (GSP) has been of crucial importance in motivating companies to make these investments and help raise the standards of living in our partner countries. The Executive and Legislative branches must work together to pass a long-term renewal of GSP and that provides certainty for American businesses that are interested in investing in developing economies. This will encourage U.S. bike companies invest in emerging nations throughout the world.



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