

*Did U.S. Safeguard Resuscitate Harley Davidson
in the 1980s?**

Taiju Kitano[†] and Hiroshi Ohashi[‡]

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Abstract

This paper examines the effect of U.S. safeguard on motorcycle imports in the period from 1983 to 1987. This case has been heralded as a great success of temporary import relief: after receiving the Section 201 escape clause, Harley Davidson recovered their sales dramatically. Estimation of structural demand and supply reveals that the temporary protection of the maximum tariffs of 45% enhanced Harley-Davidson with merely 6% of its sales. The paper identifies that the small impact on the Harley's sales is largely due to small cross-price elasticity of demand between American and Japanese motorcycle models. Hence, in contrast to the conventional wisdom, the safeguard contributed little to the resuscitation of Harley-Davidson.

Keywords: safeguard; demand estimation; motorcycle;

JEL classification: F13; F14; L13; L68

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[†] Graduate School of Economics, University of Tokyo.

[‡](Corresponding author) Department of Economics, University of Tokyo.

Phone:+81-1-3-5841-5511. Fax: +81-1-3-5841-5521. Email: ohashi@e.u-tokyo.ac.jp