

AUTOMOTIVE

Donald Trump's proposed tariffs on imported cars would have major impact on luxury auto

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Ferrari is one of many auto brands that would be affected by the tariff. Image credit: Ferrari

By DANNY PARISI

After walking back some of his more aggressive threats on tariffs, President Donald Trump has publicly contemplated placing heavy duties on imported cars.

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While likely aimed at cars produced in China, a popular target for the president's ire, the proposed tariff would also affect luxury cars such as Rolls-Royce and Ferrari. The tariffs the president proposed would reach up to 25 percent, placing a significant toll on foreign exporters and the customers in the U.S. who desire foreign cars.

Trade war

In the past few months, the president has increasingly been beating the drum of trade wars with the United States' various rivals, particularly China.

President Trump's constant threats of tariffs and trade wars have yet to fully come to fruition, but that is not stopping him from making further threats.

On Wednesday, the president spoke with Commerce Secretary Wilbur Ross about the possibility of imposing a tariff on imported cars.

Early on Wednesday, the president tweeted that he had something special in store for American auto workers.



Lamborghinis are manufactured in Italy. Image credit: Lamborghini

The proposed tariffs are likely aimed at protecting American interests from cheaper cars manufactured in Asia, but tariffs on imported cars would also have an effect on luxury vehicles, many of which are manufactured in Europe.

Brands such as Ferrari, Jaguar and Lamborghini would all be affected by the proposed tariffs, making an already expensive car even pricier.

For ultra-wealthy luxury consumers, price is not an object, especially when it comes to cars. But for aspirational luxury consumers, those who save up for a few rare luxury purchases, any potential price increase could turn into a lost sale for these marques.

Tariff threat

The proposed tariffs on imported cars is not the only major shakeup the president has publicly contemplated recently.

President Donald Trump has repeatedly spoken of withdrawing the United States from the North American Free Trade Agreement, but this could severely harm the retail business, particularly in luxury.

NAFTA was signed in 1994 and has been in place ever since, guaranteeing free trade between the United States, Mexico and Canada. But as President Trump threatens to withdraw from the agreement, a report from A.T. Kearney found that leaving NAFTA would cost \$15.8 billion to the U.S. retail industry in the short-term ([see story](#)).

President Trump's threats of tariffs have extended to other industries as well. He is also looking to impose tariffs on steel and aluminum entering the United States, in a move that many expect to ignite a trade war with other nations.

On March 1, President Trump mentioned his plan to impose a 25 percent tariff on steel and a 10 percent tariff on aluminum. Beyond impacting industries such as the automotive sector that rely on those raw materials, this could potentially have a domino effect as mutual trade retaliation boosts taxes on imports ([see story](#)).

While nothing has been actually set in stone so far, a proposed tariff on imported cars would likely have a major effect on the business practices of luxury auto brands, many of whom have large audiences in the United States.