

AUTOMOTIVE

Auto, trade experts protest imports, national security concerns

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U.S. automaker Lincoln would be impacted by auto tariffs. Image courtesy of Lincoln

By SARAH RAMIREZ

U.S. President Donald Trump is delaying a decision to impose tariffs on automobiles and automotive parts, prolonging uncertainty in the global automotive industry.

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The Trump administration has cited national security concerns as justifications for the proposed 25 percent tariffs, drawing criticism from automakers in the U.S. and elsewhere. The tariff decision is postponed for a six-month period as the White House attempts to negotiate trade deals with the European Union and Japan.

"If President Trump follows through on his threat to place 25 percent tariffs on imported autos and auto parts, he will be directly responsible for a drastic tax increase on American consumers, which could result in a loss of 2 million vehicle sales and jeopardize up to 700,000 American jobs," said Cody Lusk, CEO and president at the [American International Automobile Dealers Association](#), in a statement.

National security connection?

According to a [proclamation](#) from the president on May 17, a February 2019 report from the Secretary of Commerce established that "automotive research and development (R&D) is critical to national security."

The government argues that technology breakthroughs from U.S. automakers are essential for the nation to maintain a competitive military advantage. Instead, some argue that increases in imports give foreign manufacturers the upper hand.



The Trump administration is targeting foreign automakers. Image credit: BMW

The White House also reports that the domestic share of vehicles produced and sold in the U.S has declined to 22 percent from 1985 to 2017, while imports have tripled. In 2017, 8.3 million imported cars were sold compared to 3.7 million American cars.

Globally, American-owned producers' share of the automotive market fell from 36 percent in 1995 to 12 percent in 2017 according to the proclamation.

As U.S. automakers become less competitive, the Commerce Department believes this is diminishing their capacity for innovation, thereby impairing national security.

U.S. Trade Representative Robert Lighthizer has been appointed to review potential auto tariffs on the E.U., Japan and any other country "deemed appropriate."

Industry leaders have been vocal about the automotive sector being positioned as critical to the country's defense.

"The truth stands: imported autos and auto parts are simply not a national security threat," Mr. Lusk said in a statement from the AIADA. "Using this spurious claim as justification to force our trading partners into new negotiations will only create more uncertainty for America's entire auto industry, including our country's 9,600 international nameplate dealers and the 578,000 Americans they employ."

Using national security concerns to advocate for tariffs has also garnered a response from trade officials on the other side of the Atlantic. Luxury marques such as Jaguar Land Rover and Lamborghini are among the brands that manufacture in Europe.

We note that US postpones decision on car tariffs for 180 days. But we completely reject the notion that our car exports are a national security threat. The EU is prepared to negotiate a limited trade agreement incl cars, but not WTO-illegal managed trade.

Cecilia Malmström (@MalmstromEU) **May 17, 2019**

Tweet from E.U. Trade Commissioner

"We completely reject the notion that our car exports are a national security threat," said Cecilia Malmström, E.U. Trade Commissioner, in a tweet. "The E.U. is prepared to negotiate a limited trade agreement including cars."

Previously, the president cited security considerations when the administration imposed tariffs on steel and aluminum imported from China. These tariffs also had ramifications on the wider luxury industry ([see story](#)).

Tariff impact

Mr. Trump has made tariffs and trade negotiations central to his political philosophy for years.

Last spring, President Trump publicly contemplated placing heavy duties on imported cars.

While likely aimed at cars produced in China, a popular target for the president's ire, the proposed tariff would also affect luxury automakers. 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 ([see story](#)).

In addition to the luxury automakers that manufacture cars in Europe, many American-made vehicles include

foreign parts, so tariffs would still increase production costs stateside.

Luxury automakers also need to prepare for the impact that possible tariffs may have on sales in the U.S.

According to a survey from Autolist, 65 percent of consumers expect car prices to climb if auto tariffs come to fruition. Forty-one percent of car shoppers would choose to purchase a pre-owned vehicle if tariffs increased car costs.

Based on reports, if automakers choose to pass on increased costs to consumers, prices could rise by up to 20 percent a difference of thousands of dollars ([see story](#)).

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