

US imposes a 25% tariff on import of automobiles, certain auto parts

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US President Donald Trump has imposed a 25% tariff on imports of automobiles and certain automobile parts, with tariffs to come into effect from April 2, the White House said in a statement March 26.



Source: Getty Images/Wavebreakmedia

It said that with the import tariffs on vehicles and automotive components, President Trump aims to protect America's automobile industry, which is vital to national security and has been undermined by excessive imports threatening America's domestic industrial base and supply chains.

The announcement comes weeks after the US had reinstated 25% tariffs on the import of steel and aluminum, citing that America's critical steel and aluminum industries were harmed by unfair trade practices and global excess capacity.

The White House statement Wednesday said that the 25% tariff will be applied to imported passenger vehicles including sedans, sport utility vehicles (SUVs), crossovers, minivans, cargo vans and light trucks, as well as key automobile parts such as engines, transmissions, powertrain parts and electrical components. It said that the Trump administration is open to further expanding the tariffs on additional parts, if necessary.

"The COVID-19 pandemic exposed critical vulnerabilities and choke points in global supply chains, undermining our ability to maintain a resilient domestic industrial base," the White House note said, adding that pre-existing trade agreements such as the USMCA, revisions to the US-Korea Free Trade Agreement, and subsequent negotiations have not sufficiently mitigated the threat to the US national security.

Meanwhile, companies importing vehicles and auto parts under the United States-Mexico-Canada Agreement will be given the opportunity to certify their US content. It said that the systems will be designed in a way that 25% tariff will be implemented only on the value of non-US content.

The White House statement notably mentioned that the USMCA-compliant automobile parts will remain tariff-free until the Secretary of Commerce, in consultation with US Customs and Border Protection (CBP), jointly work to establish a process to apply necessary tariffs to their non-US content.

It is known that Mexico is the largest exporter of cars to the US, followed by other ally nations such as South Korea, Japan, Canada, Germany, among others.

In the press note, the White House alleged that while foreign automobile industries have expanded over the last few decades on unfair subsidies and aggressive industrial policies, US production has stagnated.

The United States trade deficit in automobile parts reached \$93.5 billion in 2024, it said, adding that Americans bought approximately 16 million cars, SUVs and light trucks last year, and 50% of these vehicles were imported.

It further alleged that of the other 8 million vehicles that were not imported but assembled in America in 2024, the average domestic content is conservatively estimated to be in the 40%-50%

range. “Therefore, of the 16 million cars bought by Americans [in 2024], only 25% of the vehicle content can be categorized as Made in America,” the note assumed.

Publicly traded shares of several major global carmakers, including the Detroit Three, and component suppliers fell after Trump’s announcement Wednesday. While the White House reasons that the move is in the interest of the US domestic automotive industry, experts suggest that these tariffs can significantly inflate vehicle prices, leading to a slowdown in auto demand.

The European Automobile Manufacturers’ Association (ACEA) called out Trump’s 25% tariff on auto imports as ‘deeply concerning.’ It said that these tariffs have come at a watershed moment for Europe’s automotive industry, which is already under pressure of transitioning to EVs amid fiercely mounting competition from China.

According to ACEA, tariffs will not just impact imports into the US, but duty on auto parts will also hurt automakers producing cars in the US for export markets. It pointed that several European auto manufacturers who operate in the US export between 50% and 60% of the vehicles they make locally.

“The EU and the US must engage in dialogue to find an immediate resolution to avert tariffs and the damaging consequences of a trade war,” the auto lobby said Thursday.

Mike Hawes, Chief Executive at the UK-based Society of Motor Manufacturers and Traders (SMMT) called Trump’s tariff move ‘not surprising but disappointing.’

Concerned over the 25% tariff on cars exported to the US, Hawes, said, “Rather than imposing additional tariffs, we should explore ways in which opportunities for both British and American manufacturers can be created as part of a mutually beneficial relationship, benefitting consumers and creating jobs and growth across the Atlantic.”

SMMT has urged the government and trade representatives from the US and the UK to immediately engage on the matter and strike a deal that works for all.

The US is Britain’s second largest car export market after the EU, with more than 101,000 cars shipped to the US in 2024.

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