National Automobile Dealers Association

Tariffs on Automobiles and Auto Parts Would Hurt Consumers and the Economy
New Tariffs Will Mean Higher Prices and Lost U.S. Jobs

ISSUE

The auto industry has serious concerns as the administration considers imposing new tariffs of up to 25 percent on imported automobiles and auto parts. While NADA supports President Trump's goals of modernizing our trade agreements and moving toward freer and fairer trade, steep new tariffs would hurt the auto industry and consumers. As no vehicle is built or assembled with 100 percent domestically made parts, any new auto tariffs would impact all dealers due to increased import prices, stifled demand for new vehicles, and lost jobs.

BACKGROUND

On May 23, 2018, the Department of Commerce (DOC) initiated an investigation under Section 232 of the Trade Expansion Act to determine whether imported automobiles and auto parts threaten U.S. national security. The DOC's investigation was completed in early 2019 and submitted to the President in February. Based on the report's conclusion that certain imported cars and car parts "threaten to impair the national security of the United States," the President could impose new tariffs up to 25 percent on imported autos and auto parts. On May 17, the President announced he would delay any final decision related to new auto tariffs for a 180-day period while further trade negotiations continue with the European Union, Japan and other nations.

Auto manufacturing is a global industry, with manufacturers sourcing parts from a vast network of suppliers around the world. Auto and auto parts manufacturers frequently utilize NAFTA and other trade agreements to ship their products across multiple borders before final assembly and retail sale. As a result, **even domestically assembled cars have significant imported content, and there is no "100 percent American-made car."** The average vehicle assembled in the U.S. has an international parts content of 40 percent, and 48 percent of vehicles sold in the U.S. are imported.

The Center for Automotive Research (CAR) studied the imposition of Section 232 auto and auto parts tariffs. Even when combined with the U.S.-Mexico-Canada Agreement and exemptions for Canada, Mexico and South Korea, tariffs **on imported autos and auto parts would significantly raise the price of all vehicles, weaken sales and cost jobs.**

KEY POINTS

- **Increased autos and auto parts tariffs would increase the price of vehicles for domestic and international brands.** The CAR study demonstrated vehicle prices would rise an average of $2,750. Many consumers will be forced into the used car market and new tariffs would also affect used-vehicle prices, which tend to rise with new car prices.
- **Price increases due to tariffs will cost jobs and hurt the economy.** According to the CAR study, price increases due to tariffs would result in a decline of up to 1.3 million units in vehicle sales. Weakening sales would result in 367,000 lost American jobs.
- **NADA supports leveling the playing field for American workers,** but the negative and unintended consequences of tariffs on consumers and the economy outweigh potential gains. Franchised dealerships provide 18 percent of total U.S. retail sales, and vehicle sales are major generators of sales and payroll tax revenue for all levels of government.

STATUS

NADA testified before the Department of Commerce in July 2018 to raise concerns about Section 232 auto tariffs. The President's 180-day delay in enacting new tariffs will conclude in mid-November. **Congress must ensure that any new trade initiatives do not unduly increase vehicle prices, stifle demand for new vehicles, or jeopardize American jobs.**

May 23, 2019

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