



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% 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% domestically made parts, any new auto tariffs would harm all automobile dealerships and their local communities due to increased vehicle prices, stifled demand for new vehicles and lost jobs.**

BACKGROUND

In 2019, the Department of Commerce (DOC) submitted to the president the results of an investigation initiated under Section 232 of the Trade Expansion Act to determine whether imported automobiles and auto parts threaten U.S. national security. Based on the report's conclusion that certain imported cars and parts "threaten to impair the national security of the United States," the president could impose new tariffs up to 25% on imported autos and auto parts. On November 14, the deadline expired for President Trump to use Section 232 authority to impose tariffs on automobiles imported from the European Union, Japan and other nations. Legal experts disagree on whether the president still retains the legal authority to impose tariffs under Section 232 after the deadline expired.

Regardless, President Trump still has the option to use Section 301—the same authority he used to impose tariffs on Chinese goods—to impose additional auto and truck parts tariffs. In December, Congress passed legislation requiring the release of the report justifying the determination that autos and auto parts threaten U.S. national security. On January 17, the administration refused to release the report, citing that disclosure of the report's details could impair ongoing international negotiations and claiming "executive privilege." Congress may consider legislation to limit the executive branch's use of Section 232 national security tariffs, although it is extremely difficult to pass such legislation into law.

Due to the economic slowdown created by the coronavirus pandemic, the administration announced on April 19 that it would let companies delay payment of import duties if they could prove financial hardship. On April 28, the president announced a "pause" on the imposition of new tariffs, except for the possibility of new tariffs on China. On June 6, President Trump again raised the threat of tariffs on automobiles imported from the European Union.

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 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% American-made car."** The average vehicle assembled in the U.S. has an international parts content of 40%, and 48% of vehicles sold in the U.S. are imported.

In 2019, 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 auto and auto parts tariffs would raise the price of vehicles for domestic and international brands.** The CAR study found that vehicle prices would rise an average of \$2,750 if new tariffs were imposed. Many consumers would be forced into the used-car market. New tariffs would also raise used-car prices, which tend to rise with new-car prices and result in used-car buyers paying more for their vehicles.
- **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, and the resulting weakened 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% 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 has testified before the Department of Commerce and provided extensive comments to raise concerns about new auto tariffs. The president continues to indicate that the administration is still considering the imposition of new auto tariffs. **Congress must ensure that any new trade initiatives do not unduly increase vehicle prices, stifle demand for new vehicles or jeopardize American jobs.**

September 2, 2020