

Trump repeats threat to impose auto tariffs

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US President Donald Trump has repeated his threat to impose tariffs on auto imports despite opposition from the industry and criticism of his proposed measures from within Congress.

The threat was issued at a cabinet meeting on Wednesday. Trump threatened “tremendous retribution” against the European Union, singling out auto tariffs, if negotiations on trade did not bring about concessions.

Trump is scheduled to meet with European Commission President Jean-Claude Juncker at the White House next Wednesday in the midst of an investigation by the Commerce Department into auto imports to examine whether they impact on US “national security” under a provision of the 1962 Trade Expansion Act.

The results of the investigation could be the imposition of tariffs of up to 25 percent. Such measures would not only deal a major blow to European producers, especially German companies, but would also heavily impact on Japanese firms, with Toyota the most affected.

German car makers have said they would not be able to sell at a profit in the US market if the tariffs go ahead. Toyota has stated the cost of the popular Camry model could increase by as much as \$1,800.

The EU has previously said it is prepared to negotiate with the US. But it has insisted such discussions should take place within the framework of the rules-based system of the World Trade Organisation and not through unilateral actions which put a gun at its head.

However, that is precisely the stance taken by Trump. “If we don’t negotiate something fair, then we have tremendous retribution, which we don’t want to use” he said, adding “including cars, cars is the big one.”

If the auto tariffs go ahead, they would be the largest trade war measure invoked by the Trump administration so far, with the US importing \$176

billion worth of passenger cars, \$36 billion worth of trucks and \$147 billion of auto components in 2017.

The renewed threat of action came in the face of an open letter to Trump issued by a US coalition of auto industry representatives on Wednesday, calling on him not to go ahead with his tariff plan.

“Raising tariffs on auto and auto parts would be a massive tax on consumers who buy and service their vehicles,” the Alliance of Automobile Manufacturers, which represents 12 of the largest manufacturing firms and dealers, said in its letter.

Pointing to the possibility of retaliation if the US tariffs went ahead, it said, in a submission to the Commerce Department, that there was risk of a “domino effect” that would harm US workers and the economy as a whole.

A group of 149 members of the House of Representatives, including Democrats and Republicans, also issued a statement opposing the imposition of tariffs on the grounds of “national security.”

“We do not believe the imports of automobiles and automotive parts pose a national-security threat. Rather, we believe the imposition of trade restrictions on these products could undermine our economic security,” the letter stated.

The Commerce Department conducted a public hearing yesterday on the proposed tariffs. But this was dismissed in advance by Adam Posen of the Peterson Institute for International Economics.

“This is a show trial,” he told the *Wall Street Journal*. “This is something where they predetermined the verdict and the schedule on which the verdict would be read.”

The major public support for the actions of the administration has come from the trade unions. The United Auto Workers said the investigation by the Trump administration was “long overdue.” The only caveat was that the measures should not necessarily

include tariffs but should be more “targeted.”

The push for action against Europe has also been fuelled by the decision of the European Union’s competition watchdog to impose a €4.3 billion (\$5 billion) penalty on Google for its anti-competitive practices which force phone manufacturers that use the Android system to pre-install its apps.

There is no question that Google has used its monopoly position to enhance its profits at the expense of its rivals. But it is doubtful whether the fines and orders to desist will have any effect, with some industry observers saying it was shutting the stable door after the horse had bolted.

The decision to levy the fine by EU competition chief Margrethe Vestager was discretionary. In the context of the mounting conflict between the EU and the US, it is more than simply a measure to ensure greater competition and assumes a political dimension.

That is certainly how it was interpreted by Trump. In a tweet he said the move was further evidence that the EU had “taken advantage” of the US.

“I told you so!” he said. “The European Union has just slapped a Five Billion Dollar fine on one of our great companies, Google. They truly have taken advantage of the US, but not for long.”

These remarks follow Trump’s earlier comments in which he singled out the EU as the major “foe” of the US on trade.

There was also a trade war dimension to his comments yesterday in which he criticised the Federal Reserve for its interest rate increases.

Trump said in an interview with the business channel CNBC that he was “not happy” about the Fed’s actions, which have seen interest rates lifted twice this year with a further two hikes set before the year ends.

Trump warned that the rises could impact on US growth “because every time we go up and every time you go up they want to raise rates again. I am not happy about it. But at the same time, I’m letting them do what they feel is best.”

His remarks were a departure from previous practice, in which the administration does not comment on Fed decisions as a sign of its independence. But Trump brushed aside criticisms of his intervention, saying: “I couldn’t care less what they say, because my views haven’t changed.”

In fact, his remarks are a reversal of the position he

took in the presidential election campaign. He accused Fed chair Janet Yellen of helping the Obama administration (and by implication his presidential rival Hillary Clinton) by keeping interest rates low and creating a false market because money was essentially free.

However, interest rate decisions are now being viewed within the framework of trade war because they tend to push up the value of the dollar against the euro and the Chinese renminbi, thereby worsening the position of the US in global markets.

“They (the EU) are making easy money and their currency is falling, and China, their currency is dropping like a rock, and our currency is going up and I have to tell that puts us at a disadvantage,” Trump said in the CNBC interview.



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