Trump tariffs send global auto industry reeling

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The global auto industry has been thrown into turmoil. All companies, from the giants to the smaller firms, do not know how Trump's 25 percent tariff on so-called "foreign made" cars will affect them, are unable able to plan for the future, and are completely unsure about what will happen to their markets as a result of the price hikes the tariffs will bring.

The US auto giants are some of the most affected, but every car company in the world is impacted, with major adverse consequences, above all for American workers whom Trump, with the support of the trade union bureaucracy, falsely claims to be defending.

They were already planning "restructuring" involving massive job losses before the tariff war was unleashed. Now the assault on jobs, conditions and wages will intensify in the US and around the world.

According to one estimate, reported in the *Financial Times*, the total loss for the industry will be up to $110 billion. Under the capitalist system there is only one way the auto companies can respond to such a hit—that is by massively cutting their workforces and intensifying the exploitation of those who remain.

The effects of the tariff war so far, and the threat of more to come, have already sent the shares of Ford and GM falling sharply on Wall Street, the latter by more than 8 percent. The two companies expect a 30 percent slump in their earnings.

The tariffs of 25 percent imposed on Canada and Mexico, and now the 25 percent impost on cars, means that the total tariff on some cars imported into the United States could increase to between 40 and 50 percent.

The research company Cox Automative has predicted that disruptions to the complex supply chains which criss-cross the US, Canada and Mexico could result by mid-April in plants in America making 20,000 fewer vehicles a day, a cut of 30 percent.

The tariff hit will be just as severe for Japanese, Korean and German companies which export cars to the US. Nearly half the passenger vehicles sold in the US in 2024 were assembled outside the US.

Toyota last year sold 2.3 million vehicles in the US with a quarter of these coming from Japan and another quarter coming from Mexico and Canada. The remaining half were built in the US.

But even these may suffer a tariff hit because a portion of their components, and in some cases it could be considerable, will have been manufactured outside the US in Canada or Mexico. And this situation applies to every other company including the Big Three—Ford, GM and Stellantis—which assemble their final products in the US.

Around half the vehicles sold in the US are imported and 60 percent of the parts used in auto factories in the US come from overseas. It is somewhat unclear at this stage as to where any tariff on these components may settle.

Initially it was suggested that the administration was considering exempting those parts which complied with the US-Mexio-Canada Agreement (USMCA), initiated by Trump in his first term. But like so much else in the Trump tariff war, that position changed within a matter of days. Parts produced under the USMCA will remain tariff free until the commerce department "establishes a process to apply tariffs to their non-US content."

It is not possible to gauge the full extent of the hit to what were once considered America's "trading partners," but which now stand condemned as "ripping" it off for decades or which, in the case of the European Union (EU), are now said to have been set up to "screw" it. But some figures give an indication.

The Japanese financial firm, Nomura, has estimated that the US tariff war could reduce the GDP of the country, the world's fourth largest economy, by 0.2 percent or the equivalent of $8.78 billion. This is a major hit because the Japanese economy is expected to grow by only 0.5 percent this year and so 40 percent of this limited growth will be sliced off by the tariffs.

The impact on the EU could be even greater. The automotive industry accounts for 7 percent of its output. In Germany, where auto is the linchpin of its manufacturing base, exports of vehicles to the US account for around half a percentage point of the value added every year in the economy.

One of the leading Germany auto companies, BMW, has said it expects to take a hit of €1 billion from the combined effect of the US levies on Mexico, the US steel tariffs and EU duties that have been imposed on Chinese-made electric vehicles.

Both Canada and the EU have said they will take retaliatory action against the US with the imposition of tariffs on a range of its exports.

This could well bring further action by the US.

In a post on his social media platform on Thursday, Trump said: “If the European Union works with Canada to do economic harm to the USA, large scale tariffs, far larger than currently planned, will be placed on them both in order to protect the best friend that each of those two countries has ever had!”

The EU and Canada might well reply that with friends like this, who needs enemies.

It would be a great mistake, however, to see the eruption of economic warfare as the outcome of the “evil” Donald Trump.

His actions are only the most violent expression of a far broader process—the complete breakdown of the economic and trade relations which were set in place after World War II to try to prevent the eruption of trade, currency and tariff conflicts that played a large part in creating the ground for that global conflict.

The use of tariffs by every major country has been rising rapidly since the global financial crisis of 2008. In the wake of that crisis, the major powers in the G20 came together in London in 2009 to pledge that no matter how serious the situation, they would never again resort to the devastating tariff and economic wars of the 1930s. What does the record show?

According to the Switzerland-based Global Trade Alert, which tracks trade policies, there were 4,650 import restrictions, including tariffs, quotas, anti-dumping measures among other trade curbs, in force in the G20.

This was up by 75 percent since the start of Trump’s first election win in 2016 and almost 10 times the number of restrictions in force at the end of 2008.

Trump is certainly accelerating this process, with all its disastrous consequences. But he is not its fundamental cause. That lies in the inherent contradiction of the world economy between the global character of production, whether it be of cars or any other commodity, and the division of the world into rival and conflicting nations and great powers on which the profit system is based.

Each of these powers, with the US in the lead, seeks to resolve this contradiction at the expense of its rivals, resulting in a struggle of each against all.

It is now widely recognised in all leading government, financial and economic circles that the post-war economic order has gone and there is no prospect of it being restored.

Following the liquidation of the USSR in 1991, the ideologists of the ruling capitalist classes put forward the “end of history” thesis. Free markets, peace and democracy were here to stay.

But as Neil Shearing, chief economist as Capital Economics, put it in a comment to the *Wall Street Journal*: “The narrative in the 1990s was that integration makes Europe and the US better off and world challenges would be met jointly. That has gone.”

Cornell University economist and former International Monetary official Eswar Prasad made a similar comment to the *Journal*.

“We do seem to be on the threshold of a much broader if not all-out trade war,” he said. In this hostile landscape, “it’s every country for itself.”

That is true as far as it goes. But the crucial issue for the working class in the US and the world over is to go further and soberly consider the implications of this new situation. Every country for itself means that governments everywhere must arm, rearm and arm again in order to be able to fight for their position in this dog-eat-dog struggle.

In the absence any prospect for reform, the tariff wars mean a new world war is in the making. The crucial issue for the working class in confronting this clear and ever-growing danger is to develop its own independent political perspective.

The starting point for workers in every country must be the rejection of and implacable hostility to the nationalism of its “own” ruling class and, building on that, the active fight for the only progressive resolution of the historic crisis of capitalism, that is the unification of the international working class in the fight for socialism.