

# Trump's Tariffs Would Deal a Big Blow to the Auto Industry

Automakers and parts suppliers would struggle if President-elect Donald J. Trump followed through on his threat to impose 25 percent tariffs on imports from Canada and Mexico.



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President-elect Donald J. Trump's threat to impose 25 percent tariffs on goods from Mexico and Canada sent shivers on Tuesday through the auto industry, which depends heavily on both countries for parts and manufacturing.

The prospect of tariffs "is a two-alarm fire for the auto industry," said Patrick Anderson, chief executive of Anderson Economic Group, a consulting firm in Michigan. "There is probably not a single assembly plant in Michigan, Ohio, Illinois and Texas that would not immediately be affected by a 25 percent tariff."

The list of popular vehicles made in Mexico or Canada is long. It includes Ram pickups made by Stellantis in Saltillo, Mexico, and Chrysler minivans built in Windsor, Ontario. General Motors makes Chevrolet Silverado pickups and electric versions of Equinox and Blazer S.U.V.s in Mexico, where Ford Motor also makes its Maverick pickup.

All of those vehicles and many others would become significantly more expensive if Mr. Trump, who won Michigan with promises to preserve auto jobs, followed through on his threat, economists said. Those higher auto prices would have a significant effect on overall inflation. And higher car prices would probably lead to lower sales and layoffs at auto factories.

“In his first term, President Trump instituted tariffs against China that created jobs, spurred investment and resulted in no inflation,” Karoline Leavitt, spokeswoman for the Trump-Vance Transition, said in an email. Once in office, she said, he will work to bring jobs back to the United States by “raising real wages, lowering taxes, cutting regulations and unshackling American energy.”

The prospect of disruptive tariffs hits the industry at a perilous moment. Virtually all automakers are struggling with sagging consumer demand, a growing preference for hybrids and electric cars, and the emergence of Chinese automakers like BYD that are pushing into markets once dominated by Japanese, American and European companies.

Signs of industry woes are proliferating. Nissan, which manufactures several vehicles in Aguascalientes, Mexico, as well as Mississippi and Tennessee, said this month that it would lay off 9,000 employees worldwide because of declining sales. Volkswagen, which has factories in Mexico and Tennessee, is considering closing plants in Europe for the first time in its history.

Sales at Stellantis, which owns Jeep, Peugeot, Fiat and other brands, fell 27 percent in the third quarter compared with a year earlier. Even luxury brands like BMW and Mercedes-Benz, which make cars in Mexico and the United States, are earning smaller profits.

Mr. Trump’s policy pronouncements have already jolted the industry. The president-elect has vowed to eliminate Biden-era subsidies for electric vehicles, endangering tens of billion of dollars that General Motors and other automakers have invested in U.S. battery factories and new car models.

“The auto industry is in a process of a transformation that is the biggest tech upgrade in history,” said Dimitry Anastakis, a professor at the University of Toronto who studies business history. “They are looking for as much stability as possible as they navigate this disruptive landscape. To throw a spanner in the works is not helpful.”



Nissan and other automakers are cutting thousands of jobs as they struggle to cope with sagging demand and a growing preference for hybrid and electric cars. Liberto Urena/Reuters

Mexican and Canadian factories buy auto parts from the United States and the two countries are major suppliers of components to virtually all U.S. manufacturers including Tesla. That company's chief executive, Elon Musk, was a big supporter of Mr. Trump's campaign and is expected to play a significant role in his administration.

Automakers got a taste of how closely linked they are to Canada in 2022, when groups of truck drivers in that country blocked a bridge linking Windsor to Detroit in protest of pandemic restrictions. Toyota, Ford, Stellantis and others were forced to shut down U.S. assembly lines because of parts shortages even though the protest lasted less than a week.

"Southern Ontario is closer to Detroit auto plants than the supply plants in Indiana, Ohio and Kansas are," said Erik Gordon, a professor of business at the University of Michigan, who follows the auto industry. Tariffs, he said, "would have an effect

similar to New York City imposing a tax on food and fuel that comes into the city from New Jersey.”

Mr. Trump said tariffs would remain in place until Mexico stopped the flow of illicit drugs and unauthorized immigrants to the United States. But tariffs could lead to an increase in migration if some of the one million Mexicans who work in the auto industry lost their jobs, analysts say.

“As the economy goes, there goes prosperity,” said Anna Nagurney, a professor at the University of Massachusetts Amherst who studies supply chains. “It can have spillover effects.”

Tariffs could push Mexico closer to China. BYD, SAIC, Geely and other Chinese carmakers have been moving into Mexico, plastering billboards with images of their cars and opening dealerships at a fast clip. BYD and others have been scouting locations in Monterrey and other cities as sites for manufacturing plants.

But plans for factories are on hold while the Chinese wait to see what Mr. Trump will do, Mexican officials have said.

Wall Street was clearly alarmed by the prospect of tariffs. G.M.’s stock closed 9 percent lower on Tuesday after Mr. Trump’s statement on tariffs. Stellantis fell about 6 percent, and Ford was down nearly 3 percent.

Ford said its shares suffered less because its operations were more concentrated in the United States than other automakers. “Ford is the most committed to building in America among the major automakers,” the company said in a statement.

Ford, General Motors, Stellantis, Nissan and Volkswagen declined to answer questions about tariffs, as did the Alliance for Automotive Innovation, the industry’s main trade group.

BMW, which has large factories in San Luis Potosí, Mexico, and Spartanburg, S.C., declined to comment on Mr. Trump’s tariff threat, but said in a statement that free markets are “a key factor not only for our business model, but also for growth, welfare and employment throughout the global economy.”

Some auto experts expressed hope that the threat of tariffs was merely a bargaining tool and would never be imposed. The strategy could be effective, some experts conceded.

“People in China and Canada are thinking about concessions they could make before there is even anything on the table,” said Richard Baldwin, a professor of economics at the International Institute for Management Development in Lausanne, Switzerland. “He’s forcing the Canadians and Mexicans to prenegotiate with themselves.”

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