



Trump and Trudeau talk tariffs, relief possible for auto sector

ReutersBy David Lawder, David Shepardson and David LjunggrenBy: Reuters | Mar 05 2025 at 01:45 PM | [International Trade](#)

Donald Trump told Canadian Prime Minister Justin Trudeau that he had not done enough to curb fentanyl smuggling in a phone call on Wednesday that did not appear to convince the U.S. president to lift his punishing 25% duties on all imports from Canada and Mexico.

However, U.S. Commerce Secretary Howard Lutnick said Trump might carve out exemptions for automobiles or other products.

"There will be some categories left out. It could well be autos. Could be others as well," Lutnick said on Bloomberg TV.

Trump also raised the idea of temporarily waiving tariffs on vehicles that comply with the U.S.-Mexico-Canada Agreement on a Tuesday call with the CEOs of Ford, General Motors and Stellantis, sources told Reuters.

Lutnick said before the call that the 25% tariffs would remain in place but certain sectors that had complied with the USMCA could get a break.

"If you complied with the agreement, then maybe you avoid tariffs, and if you didn't comply with the agreement, well, you did so at your own risk," Lutnick said.

The relief under consideration would also eliminate the 10% tariff on Canadian energy imports, such as crude oil and gasoline, which comply with the USMCA rules of origin, a source familiar with the discussions said.

Trump has also imposed an extra 10% duty on Chinese goods.

Trump and Trudeau discussed fentanyl and trade issues on their phone call and talks will continue between the two countries, Trudeau's office said.

Trump said he told Trudeau that Canada and Mexico had not done enough to stop fentanyl smuggling. "The call ended in a 'somewhat' friendly manner!" he wrote on his Truth Social platform.

The tariffs threaten to derail Canada's fledgling economic recovery and could trigger a recession, as the country relies on the United States for 75% of its exports and a third of all imports.

Trade tensions also already may be hurting the United States. New data released on Wednesday showed slowing payroll growth, as well as lower wage growth for workers who switch jobs, with uncertainty around Trump's policies a likely factor. The dollar hit three-month lows on Wednesday, and U.S. stock indices have fallen steadily this week. The Nasdaq has fallen 9% since February 20.

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The tariffs pose extreme difficulties for automakers, which produce vehicles in all three countries and often ship parts across North American borders multiple times as they get built up into systems and finished vehicles.

An exemption for cars and trucks that comply with USMCA's complex North American content rules, for duty-free access to the U.S. market, as Trump suggested on Tuesday, would be a boon for Ford, GM and Stellantis.

Their vehicles comply with USMCA's complex 75% North American content rules - requirements agreed by Trump during his first term to keep parts production in the region.

For full duty-free regional access, the rules also require 40% of a passenger car's content to be manufactured in the United States or Canada, based on a list of "core parts" including engines, transmissions, body panels and chassis components. The threshold for pickup trucks is 45%.

Automakers have expressed support for boosting U.S. investment but want certainty over tariff policies as well as on vehicle emissions rules before making dramatic changes, two industry sources said.

"We are prepared to work with the Trump administration to support further investment in our U.S. manufacturing footprint, but we need time to make these changes without negatively impacting the business and our customers," Stellantis told its dealers Tuesday in an email seen by Reuters.

An exemption also would benefit some foreign brand automakers with large U.S. production footprints, including Honda and Toyota, but some competitors that don't comply would have to pay the full 25% U.S. tariffs.



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