



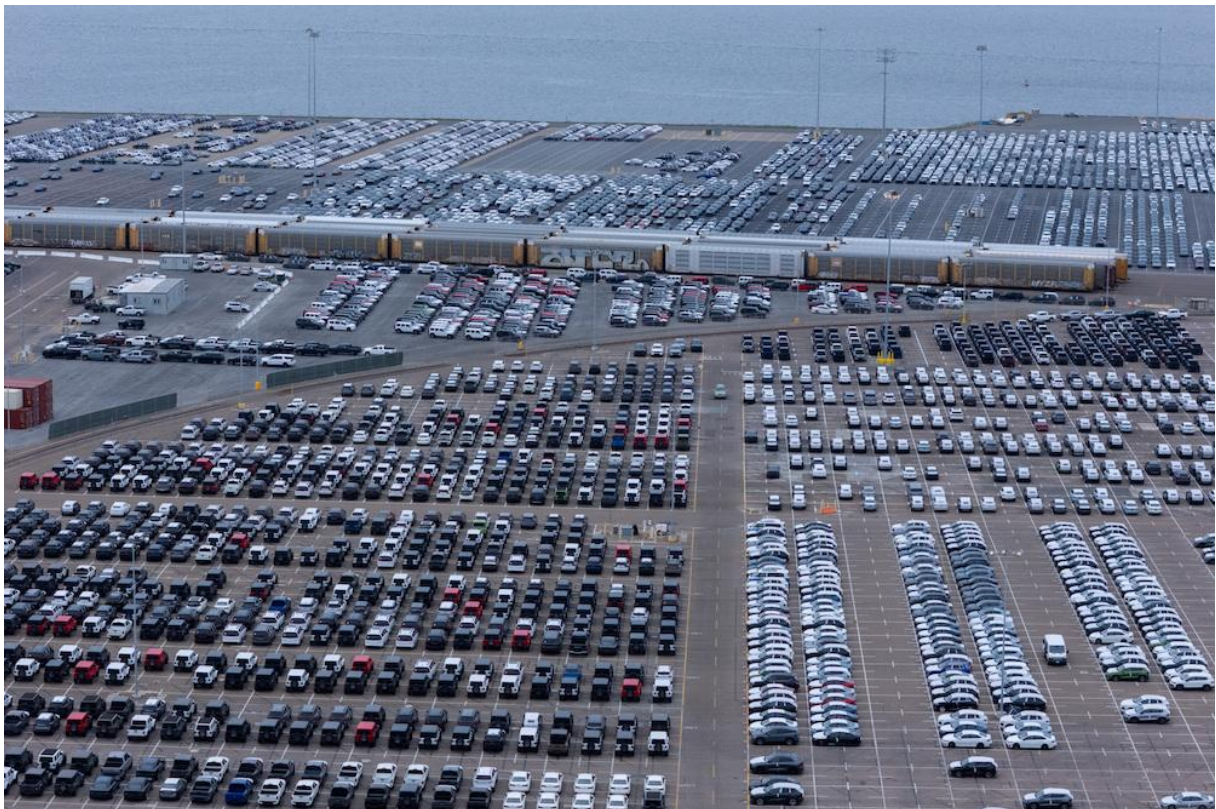
Trump drives trade war fears as auto tariffs pound allies

ReutersBy Nandita Bose, Leika Kihara and Victoria WalderseeBy: Reuters | Mar 27 2025 at 01:45 PM
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Governments from Ottawa to Paris threatened retaliation on Thursday after U.S. President Donald Trump unveiled a 25% tariff on imported vehicles, expanding a global trade war, hammering stocks and testing already strained ties with allies.

The new levies on cars and light trucks will take effect on April 3, the day after Trump plans to announce reciprocal tariffs aimed at the countries he blames for the bulk of the U.S. trade deficit.

The U.S. imported \$474 billion worth of automotive products in 2024, including passenger cars worth \$220 billion. Mexico, Japan, South Korea, Canada and Germany, all close U.S. allies, were the biggest suppliers.



Automobiles at the shipping terminal are shown from the view of a drone in San Diego, California, U.S., March 26, 2025. REUTERS/Mike Blake

The tariffs are a sucker punch for Europe at a time when relations with Washington have plummeted over issues such as the war in Ukraine and the upending of a decades-old transatlantic alliance, with the U.S. as the ultimate guarantor of European security.

European Commission President Ursula von der Leyen described the move as "bad for businesses, worse for consumers," while Canadian Prime Minister Mark Carney called the tariffs a "direct attack" and said retaliatory measures were being considered.

"We will defend our workers, we will defend our companies, we will defend our country, and we will defend it together," Carney told reporters in Ottawa.

With billions of euros wiped from German auto shares on Thursday morning, German Economy Minister Robert Habeck called for a tough stance.

"What counts now is to have a firm response to these tariffs from the EU. It needs to be clear that we will not take this lying down," he said in a statement, adding that the EU needs to seek a negotiated solution.

Underscoring the jitters in Europe's biggest economy, where carmakers are buckling under high costs and tough foreign competition, the head of Germany's car industry association said the tariffs are a "fatal signal" for global trade.

In neighbouring France, which is hosting a Ukraine summit without the U.S. on Thursday, Finance Minister Eric Lombard called Trump's plan "very bad news" and said the only solution was for the EU to raise its own tariffs.

Britain, which has struggled to grow its economy, was scrambling to secure an exemption but also threatened to review subsidies given to Elon Musk's Tesla.

The EU said it was preparing a robust response, while trying to avert a tariff war.

"None of this leads to more jobs or better wages. It leads to sluggish sales, costlier credit, and potential layoffs — exactly what a fragile economy doesn't need," said Nigel Green, CEO of global financial advisory deVere Group.

"Tariffs won't drive carmakers home. They'll drive prices up, relationships down, and America's global standing into reverse."

TRUMP THREATENS FURTHER ESCALATION

Even as politicians threatened retaliation, Europe's auto industry called for a transatlantic deal to avert a tariff spiral, with suppliers warning of immediate price hikes and dealers fearing the impact of a drop in demand on employment in car-dependent countries.

Lindsay James, an investment strategist at Quilter, said Europe would be heavily hit, with the U.S. accounting for over a fifth of the EU export market and around 18% of UK auto exports.

"In a sector that is vital for the European economy in particular, accounting for around 7% of GDP and 6% of employment, there will be an obvious blowback on a sector that has already faced considerable headwinds from a painful transition to EVs alongside tighter regulations, in addition to slower replacement cycles from drivers and higher energy costs."

China's foreign ministry said the U.S. approach violates World Trade Organization rules, undermines the multilateral trade system and was "not conducive to solving its own problems."

With shares falling, Japanese Prime Minister Shigeru Ishiba said Tokyo will put "all options on the table" and South Korea said it would put in place an emergency response by April.

Trump sees tariffs as a tool to raise revenue to offset his promised tax cuts and to revive a long-declining U.S. industrial base.

Many trade experts, however, expect prices to initially rise and demand to fall, hurting a global auto industry that is already reeling from uncertainty caused by Trump's rapid-fire tariff threats and occasional reversals.

Trump said he might hit the EU and Canada with larger tariffs if they teamed up to retaliate.

"If the European Union works with Canada in order 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," he said in a post on Truth Social.



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