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Trump Administration Announces Investigation of Need to Impose Tariffs on Imports of Automobiles and Parts to “Protect National Security”

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An early morning tweet yesterday (5/23/2018) from President Trump teased “There will be big news coming soon for our great American Autoworkers. After many decades of losing jobs, to other countries, you have waited long enough!” Commerce Secretary Wilbur Ross followed upon later that day with an announcement that the President has directed the Commerce Department to open an investigation under Section 232 of the Trade Expansion Act of 1962 to determine whether imports of automobiles (including SUVs, vans and light trucks) and automotive parts into the United States “threaten to impair the national security”.

In his announcement, Secretary Ross stated:

“There is evidence suggesting that, for decades, imports from abroad have eroded our domestic auto industry. The Department of Commerce will conduct a thorough, fair, and transparent investigation into whether such imports are weakening our internal economy and may impair the national security.”

Other countries’ high artificial barriers, including tariffs and regulatory interventions, have skewed the marketplace and made it “very difficult to get back to a reciprocal arrangement”, he later added. President Trump has frequently expressed concerns about automobile imports and referenced imposition of tariffs and other regulatory barriers.

Over the past 20 years, imports of passenger vehicles have grown from 32 percent of cars sold in the United States to 48 percent. In 2017, 8.7 million of the 17.3 million vehicles sold in the U.S. were imported. 2.4 million of the approximately 11 million vehicles produced in the U.S. were exported (mainly to Mexico and Canada). The Commerce Department announcement

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stated that employment in U.S. motor vehicle production declined by 22 percent since 1990. Additionally, it said that automobile manufacturing has long been a source of technological innovation in the United States, and the investigation would consider whether the decline of the auto industry threatens to weaken the American economy by reducing research and development in cutting-edge technologies.

Reaction from the auto industry, which had not been briefed in advance of the notices, was guarded. While industry analysts and trade groups expressed broad general support for American jobs, open markets, and level playing fields, many expressed concern that the Administration has an insufficient understanding of how the overall global automotive industry works.

Dave Sullivan, manager of product analysis at Auto Pacific Inc., said: "There is no vehicle manufactured in the U.S. today that doesn't have at least one part from outside the U.S.," he said. "Every vehicle assembled today requires a logistical symphony due to the far corners of the world that some parts come from." The Motor Equipment Manufacturers Association issued a statement saying: Motor vehicle parts manufacturers directly employ more than 871,000 Americans – up 19 percent in the last five years. This growth in jobs has been possible because motor vehicle parts suppliers operate in an integrated, complex global supply chain. Access to worldwide markets is critical for the motor vehicle parts industry to remain competitive. Imposing 232 tariffs on motor vehicle parts and motor vehicles will put American jobs – and national security – at risk. The Commerce Department's 232 investigation is expected to be more involved than its investigation into steel and aluminum tariffs, which lasted 10 months. Hearings and opportunity for public comment are anticipated, as is significant opposition from much of the automotive industry and many lawmakers. As with the steel and aluminum tariffs, we will keep you apprised of developments as more information becomes available.

We have been reporting (May 04, 2018, March 26, 2018, March 20, 2018, March 12, 2018, March 6, 2018) on previous section 232 investigations on steel and aluminum where Commerce Department findings of threatened impairment to the national security formed the basis for President Trump to imposed tariffs of 25 percent and 10 percent on steel and aluminum products, respectively. Certain countries were exempted provisionally and permanently and a process for product exemptions was established. We have filed product exclusion requests for certain products. We expect that some of those procedures may be discussed in the new investigation, but a Federal Register notice has not yet been issued with details. Check this website for further updates as information becomes available.

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