

Trump's Mexico tariffs could 'cripple' US auto industry, raise average price of cars by \$1,300

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Were [President Trump's tariffs on Mexican imports](#) to go fully into effect, it would "cripple" U.S. automakers, and raise the average price of cars sold in America by \$1,300, according to an analysis by Deutsche Bank.

What is ironic, considering Trump's "America first" rhetoric, is that the tariffs would have less impact on Japanese and Korean cars, thus making them more attractive to American consumers.

Under the policy [announced Thursday night](#), the U.S. will impose a 5% tariff on all Mexican goods on June 10 unless the government cracks down on illegal immigration to Trump's satisfaction. That tax will continue ratcheting up until it reaches 25% by October. In 2018, Americans [imported \\$346.5 billion](#) in goods from Mexico, so on that basis it would amount to a nearly \$87 billion tax increase.



Of that amount, according to Deutsche Bank, \$23 billion would fall on the U.S. auto industry, which manufactures a "considerable portion of the vehicles they sell in the U.S. from Mexico," and also uses many parts imported from Mexico in cars built in the U.S. The research note predicts, if the tariffs go fully into effect, it "could cripple the industry and cause major uncertainty."

The analysis says, "Ultimately, however, we believe the tariffs on vehicles would undoubtedly be passed on to consumers, which would raise the price of vehicles sold in the U.S. by an average of about \$1,300 (but in vastly different proportions for each automaker)."

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The note also predicts that "U.S. automakers would be worse off than the Japanese and Korean [automakers]" because U.S. automakers are more dependent on Mexican imports. As a result, not only would consumers have to pay more for cars, but American cars would become relatively more expensive than Japanese and Korean cars.

For instance, the price of General Motors cars would increase by nearly \$2,500, while Toyotas and Hondas would only increase by a few hundred dollars and Hyundais would be barely affected. Nissans would increase in price by about \$1,000, but still less than the increase to any of the three major American automakers.

So that means that Trump would actually be making it more attractive for American consumers to purchase foreign cars.

It's no surprise, then, to see U.S. auto stocks getting [pummeled](#) in early trading.