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European Union warns of global trade war if US auto tariffs go ahead

The European Union has warned it will impose tariffs on up to \$300 billion worth of US exports if the Trump administration goes ahead with its threat to levy tariffs on imports of auto products.

The warning is contained in an official submission by the EU to the US Commerce Department cited by the *Financial Times* on Sunday.

The US is considering a plan to impose auto tariffs as high as 25 percent on “national security” grounds under section 232 of the 1962 Trade Expansion Act—the same legislation used to place tariffs on steel and aluminium exports, from which the EU failed to secure an exemption.

According to the *Financial Times* report: “Brussels said that an American investigation into whether foreign cars and parts posed a national security risk could plunge the global economy into a full-on trade war, harming employment in the US’s auto sector, which accounts for more than 4 million jobs.”

The threat of US tariffs is the result of an investigation ordered by Trump in May to examine whether imports of vehicles and auto parts are eroding American industry to the point where they threaten US “national security” by hitting the development of new technologies and reducing the country’s skilled workforce.

The terms of the investigation stipulate that it could run until next February. But there are indications that Trump wants it completed soon in order to provide the basis for a campaign of economic nationalism in the lead-up to the November mid-term elections.

Trump told reporters on Friday he expects the investigation to be completed “in three or four weeks.”

The document from the EU does not spell out specific retaliatory measures and officials have said no decision has yet been made. The submission, however, warns that the EU and other major economies will be “likely” to respond on “a significant volume of trade” that would apply “across sectors of the US economy.”

In an attempt to push back against the Trump threat while offering support for Washington’s trade war measures against China, the document rejects the claim that “national security” is involved and says such arguments threaten the entire rules-based international trading order.

“This development harms trade, growth and jobs in the US and abroad, weakens the bonds with friends and allies, and shifts attention away from the shared strategic challenges that genuinely threaten the market-based western economic model,” the document states.

But this approach appears to have already been ruled out by Trump. In an interview with Fox News yesterday, he rejected suggestions that the US and the EU should come together and tackle the question of China, specifically citing the issue of cars.

“The European Union is possibly as bad as China, just smaller. It’s terrible what they do to us,” he said. “Take a look at the car situation. They send their Mercedes in, we can’t send our cars in. Look what they do to our farmers. They don’t want our farm products.”

With a reference to the football World Cup now being played in Russia, the EU said the imposition of tariffs would be an “own goal” for the US and that a 25 percent levy would cause a hit to the US economy “in the order of” \$14 billion. It pointed out that EU-owned car companies account for more than a quarter of US production, with plants located across the country.

The proposal to levy tariffs on auto products has also drawn significant opposition from US manufacturers. In a submission to the Commerce Department issued late last week, General Motors said it appreciated the connection between the strength of key industrial sectors and national security, but that the imposition of tariffs on auto imports could jeopardize both.

Outlining the globalised nature of production in the auto industry, it said efficiency for GM came from “our complex and highly-integrated global supply chain, and our ability to design, engineer and manufacture at scale on a global level.” It added that its competitors operated in a similar way. GM’s ability to maintain a “competitive edge” depended on its

capacity to “maximise the effectiveness of our operations on a global scale,” the company declared.

GM broadened its criticism of the Trump administration’s measures to include areas other than the auto industry. It wrote: “Combined with the other trade actions currently being pursued by the US government—namely the 232 steel and aluminium tariffs and the section 301 tariffs against Chinese imports—the threat of additional tariffs on automobile imports could be detrimental to our company.” It warned that they could lead to fewer, not more, US jobs.

Other major auto companies have put similar positions. The Japanese car company Toyota sought to drape itself in the American flag. It declared that “we are an exemplar of the manufacturing might of America,” as it warned that its popular Camry model would face an increase in costs of \$1,800. It called the threatened tariffs “the greatest threat to the US automotive industry at this time.”

Ford has also said that it is “not in favour” of the Trump investigation and the tariff plan. In a submission to the Commerce Department on Friday, the US Chamber of Commerce also weighed in against the Trump plan. “If this proposal is carried out, it would deal a staggering blow to the very industry it purports to protect and risk igniting a global trade war,” it said.

According to the *Financial Times*, a study by the Peterson Institute for International Economics found that if the auto tariffs went ahead, they would lead to a direct loss of 195,000 US jobs, and that if other countries retaliated, more than 600,000 jobs would go. But the opposition and warnings from the US auto companies and major business organisations have been dismissed by a leading representative of the Trump administration. Responding to the GM submission, White House economic adviser Peter Navarro, one of the most strident proponents of economic nationalism, said in a CNN interview on Saturday that the company was using “smoke and mirrors” to deceive the public. He said the impact of tariffs on the price of a GM car would be equivalent to the cost of a “luxury floor mat.”

“Even the GM cars built here, about half the content is foreign,” he said, adding that US companies had become “assembly plants” stitching together components made elsewhere. These comments point to one of the essential driving forces of the Trump administration’s economic nationalist trade war program. As all the analysis from corporations and economic think tanks makes clear, under conditions of globalised production, tariffs are economically irrational and potentially very damaging.

But for the administration, this is not the essential consideration. It views economic policy from a different standpoint—that is, from a military perspective. And so, economic measures are being drawn up within the framework of “national security.”

Analysing the trade war measures of the 1930s that played a central role in creating the conditions for World War II, Leon Trotsky noted that the perspective of harmonious economic development on the basis of economic nationalism was a “utopia” and a “lie” within the framework of capitalist property relations.

But it was a “menacing reality” insofar as it was a question of “concentrating all the economic forces of the nation for the preparation of a new war.” Eighty years on, this “menacing reality” forms the essential content of the escalating trade war measures emanating from the US.

Under conditions where all sections of the US political establishment are concerned with the rise of economic rivals, old and new, support for these measures extends well beyond Trump’s inner circle and includes considerable sections of the Democratic Party and the trade union apparatuses.