

# Trump tariffs: executive order imposing ‘automobile’ tariffs slams North American automotive integration into reverse



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On March 26, 2025, U.S. President Trump issued an [executive order](#) (the EO) imposing a 25% *ad valorem* tariff on imported motor vehicles (which the EO collectively calls “automobiles”) effective April 3, 2025, and certain automobile parts effective no later than May 3, 2025. The tariffs are being imposed pursuant to section 232 of the *Trade Expansion Act of 1962*.

The EO precedes what is expected to be another significant escalation in the Trump administration’s use of tariffs: the [anticipated announcement](#) on April 2, 2025, of “reciprocal” tariffs on various countries, possibly including Canada.

What products are covered by the automotive tariffs?

The tariffs will apply to imports of automobiles or automobile parts. The EO does not specify which automobiles and parts are subject to the tariffs; this will be set out in annexes, when the EO is published in the Federal Register. Based on the wording of the EO, the tariffs likely will apply to

- passenger vehicles (sedans, sport utility vehicles, crossover utility vehicles, minivans and cargo vans)
- light trucks
- certain key automobile parts or components (engines and engine parts, transmissions and powertrain parts and electrical components)

The EO provides for establishment of a process within 90 days to include additional parts within the scope of the tariffs.

The 25% tariff will apply in addition to any other duties, fees, exactions and charges applicable to the vehicles and parts.

Which countries are targeted?

Subject to any last-minute exemptions or suspensions, the tariffs will apply globally, with

special provisions for vehicles and parts that qualify as CUSMA/USMCA originating, as described below.

When will the tariffs take effect?

The 25% tariff on automobiles will apply to goods entered for consumption (or withdrawn from a warehouse for consumption), on or after 12:01 a.m. on April 3, 2025. The 25% tariff on automobile parts will take effect on a date to be specified in the Federal Register, but no later than May 3, 2025, except for parts that qualify for CUSMA preferences, as described below.

The EO does not include an exemption for shipments already in transit to the United States.

Other notable features

Special rules for CUSMA-originating vehicles and parts

For automobiles that qualify for preferential tariff treatment under the CUSMA, importers may submit documentation to the U.S. Secretary of Commerce (Secretary) identifying the amount of U.S. content<sup>[1]</sup> in each model imported into the United States. The Secretary will have discretion to apply the 25% tariff only to the value of the automobile's non-U.S. content. The EO does not explain how this discretion will be exercised.

Given the complexity of automotive supply chains and inputs, it may be extremely challenging for businesses to determine and isolate U.S. content to qualify for this partial relief. Moreover, the EO cautions that if U.S. Customs and Border Protection determines that the declared U.S. content has been overstated, the 25% tariff will be applied to the *full value* of the automobile regardless of its actual U.S. content, and to all vehicles of the same model both retroactively and prospectively until the overstatement is corrected and the correction verified. With the risk of potentially enormous tariffs being applied, possibly without clear and predictable criteria, it remains to be seen how businesses will respond.

The 25% tariff will also not apply to automobile parts that qualify for preferential treatment under the CUSMA until the Secretary establishes a process to apply the tariff exclusively to the value of the non-U.S. content of those automobile parts.

This approach leaves the carefully negotiated CUSMA automotive rules of origin in tatters by disregarding CUSMA-qualifying Canadian and Mexican content and making that content subject to the automotive tariffs (because, as the language in section 232 stipulates, Canadian and Mexican automotive content allegedly threatens U.S. national security).

No duty drawback

No duty drawback will be available for duties imposed pursuant to the EO. This means, for example, that if an importer pays duties pursuant to the EO on automotive components from Canada and subsequently exports those components in a finished vehicle, the importer would not be able to obtain a refund of those duties.

Background and basis for the EO

The tariff builds upon measures taken by President Trump during his first term. In 2019, the then-Secretary provided President Trump with a report pursuant to section 232, concluding that automobiles and certain automobile parts were being imported into the United States in such quantities and under such circumstances as to threaten to impair the national security of the United States. The Secretary recommended several actions, including the potential

imposition of 25% tariffs on automobiles (and 35% on SUVs and CUVs). President Trump then issued [Proclamation 9888](#) in 2019, directing the United States Trade Representative (USTR) to pursue negotiations to address the national security threat, and the Secretary to monitor further imports.

On July 1, 2020, the Canada-United States-Mexico Agreement (CUSMA) came into force, seemingly resolving the concerns identified in the report relating to Canada and Mexico. Nevertheless, the EO states that the Secretary has since advised that the threat to national security posed by automobiles and parts imports remain and have escalated, and that the revisions made in trade agreements such as the CUSMA — which revised automotive rules of origin at the behest of the first Trump administration, and which President Trump lauded at the time — have not “yielded sufficient positive outcomes”. Accordingly, the EO claims that the tariffs were imposed to adjust imports of automobiles and parts such that the imports will no longer threaten to impair national security.

A final nail for the CUSMA?

The automotive tariffs, following on the Trump administration’s [currently suspended 25% across-the-board tariffs](#) on all goods from Canada and Mexico, and 10% tariffs on energy goods and potash, further calls into question the future of the CUSMA.

While Canadian Prime Minister Mark Carney and U.S. President Trump spoke in a call last week they described as “constructive”, in which they apparently discussed negotiations toward a new economic and security relationship, the challenge for Canada will be how it can negotiate any kind of enduring arrangements with a U.S. administration that has demonstrated a disregard for its trade commitments.

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[1] U.S. content refers to the value of the automobile attributable to parts wholly obtained, produced entirely, or substantially transformed in the U.S. See clause (2) of the EO.