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Trump Is Laying a Potentially Deadly Trap for the U.S. Auto Industry



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Full text:

President Trump has created what could be called a Luddite trap for the American auto industry: His tariffs aim to protect it from foreign competition, while his domestic policies threaten to cut it off from innovation. Together, they risk leaving U.S. automakers isolated and incapable of competing on their own merits as foreign companies bolt ahead. The damage to our economy and national security could be profound.

For over a century, the auto industry has been a cornerstone of America's industrial power: It revolutionized manufacturing with the assembly line, forged stronger forms of steel, aluminum and carbon fiber and drove technological innovation with the invention of sophisticated robotics and sensors. And because the auto industry's influence extends far beyond the factory, supporting vast supply chains, restaurants and retail stores, it's also been a key driver of economic opportunity in the industrial Midwest and beyond.

But today U.S. automakers are falling behind in a global race for innovation in electrification, digitization and automation. China has made huge strides in producing next-generation vehicles, backed by [billions](#) in state subsidies intended to undercut competitors and dominate global manufacturing. While Tesla specifically has led in battery and automation innovation, the scale and quality of China's manufacturing are putting America's entire auto industry at risk. If we lose the supply chains, workers and industrial capabilities that produce the cars we drive, we may also lose our capacity to manufacture vital technologies and military equipment.

This is not the first time the American auto industry has faced a critical challenge. In the early 1980s, an onslaught of low-priced, fuel-efficient and government-subsidized Japanese vehicles overwhelmed U.S. automakers, prompting President Ronald Reagan to negotiate temporary limits on Japanese auto imports. That gave American automakers the runway to catch up, increase their profits and innovate (including by producing the first minivans).

We should learn from this history today: Protections should be targeted, coordinated with allies, time limited and paired with incentives to innovate.

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Unfortunately, this is the opposite of the Trump strategy, which applies a 25 percent tax on imported vehicles and parts. Because nearly 60 percent of parts in typical U.S.-made vehicles are imported, these across-the-board tariffs will drive up the [price](#) of American cars, diminish their global competitiveness and ultimately reduce output. The cost to our auto industry, estimated at [\\$108 billion](#), will fall hardest on smaller, more vulnerable companies. It has already [led to layoffs](#).

Blanket tariffs work to China's advantage in particular. By targeting Mexico, Germany and Japan, Mr. Trump will hurt the bottom lines of their automakers, leaving China with even less foreign competition and driving our allies away as they seek new customers.

If his tariffs weren't enough, Mr. Trump is also mounting an assault on American innovation, motivated by his aversion to electric vehicles and his desire to slash the size of government. Worryingly, this is already weighing on one of the most important axes of innovation for the 21st century: energy storage. Batteries will determine not only who wins the race to manufacture the cars of the future but also America's ability to decarbonize and maintain a modern military with key technologies like battery-powered drones and electromagnetic weapons.

While the United States has lagged in producing batteries, government tax incentives have helped us start to close the gap.

If you wanted to design a strategy to stymie this progress, you'd be hard-pressed to do better than Mr. Trump's. His tariffs have made it nearly impossible for U.S. automakers to source necessary parts for next-generation vehicles, and his threat to eliminate tax incentives for domestic battery innovation and manufacturing has frozen new investment. In the first quarter of 2025 alone, [companies canceled](#) more than \$6 billion in planned battery manufacturing projects, including a \$1 billion factory in Georgia and a \$1.2 billion factory in Arizona.

Mr. Trump is also undermining the base of public and private research and development that could fuel the advances that U.S. automakers will need to keep pace with foreign competitors. In recent weeks, the administration has cut \$7 billion from the Department of Defense's R&D budget, frozen billions in grants and withheld funding from leading research universities. The National Science Foundation [may be next](#).

Left unchecked, Mr. Trump's approach could force the American automobile into a death spiral, consigning a symbol of national pride to permanent irrelevance.

There is a way to avoid this Luddite trap. First, focus on the most urgent threats, such as China's dumping of heavily subsidized E.V.s in foreign markets, which undermines U.S. innovation and investment. The United States should negotiate high, temporary tariffs on these E.V.s with allies and trading partners, many of which share our [concerns](#) about Chinese domination of the global market and are eager for an alternative.

Second, the United States should recommit to supporting innovation in batteries and other technologies that would help our automakers compete, by offering more — not less — R&D funding, tax incentives for cutting-edge industries and certainty for businesses to invest.

And finally, we should onshore innovation by welcoming foreign investment and talent. In exchange, foreign companies should be required to share their technology and source auto parts locally.

Unfortunately, Mr. Trump seems set on stifling innovation and alienating our allies with indiscriminate tariffs. To overcome that, the United States will need a new and vocal coalition of business executives, unions and politicians pushing for domestic innovation. For business, that means having the courage to convey publicly the extreme risks of Mr. Trump's approach, as some [leaders](#) are [already doing](#). For auto workers, and the communities that depend on the industry, it means recognizing that while unfair trade competition must be addressed, Mr. Trump's current tariff strategy spells only failure.

And for policymakers of both parties, that means unapologetically pursuing the outcome that would be best for workers, their communities and consumers: an American auto industry that out-innovates its competitors to produce the best vehicles in the world.

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