

Tariff Buyer Guide

Vehicles & Automotive Parts

Aidan Manley

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Overview & Introduction

- As of August 2025, the steel and aluminum tariffs were raised in June to 50.0% for all non-exempted imports, double the 25.0% rate set in February. However, on April 29, President Trump signed an executive order exempting automakers that pay a 25.0% tariff on auto imports from tariffs on steel and aluminum.
 - The UK-US trade deal in May reduces auto tariffs to 10.0% and steel and aluminum tariffs to zero, providing some relief for US buyers of UK products.
- While tariffs are imposed on goods imported from Canada and Mexico, exemptions will remain in effect for USMCA-compliant goods, benefitting buyers.
 - According to the United States International Trade Commission, Mexico and Canada account for 47.4% of motor vehicle imports to the United States, and 54.1% of motor vehicle bodies and parts.
- The United States imposed a 25.0% tariff on imports of automobiles and certain automobile parts. According to Anderson Economic Group (AEG), a Michigan-based economic consultancy, the broad-based 25.0% tariff could raise new car prices by \$1,000 to \$4,000, and up to \$10,000 if manufacturers are unable to mitigate the tariff's impact.
- The United States imposed a baseline tariff on all US imports, as well as country-specific tariffs. In addition, the de minimis shipping exemption for imports under \$800 from China was suspended, exposing these imports to all applicable tariffs.
- In May 2025, China reduced retaliatory tariffs on imports of US products to 10.0% from 125.0%. While US manufacturers exporting vehicles to China are minimal, some companies, like General Motors and Ford, with operations in China may be negatively affected by the increased cost of their products.
- According to GlobalData, Chinese-made vehicles represented 0.6% of new vehicle sales in 2024, indicating that the impact of additional tariffs will be minimal. However, US auto parts imports from China are estimated to be \$15.0 to \$20.0 billion annually, according to the US International Trade Commission, indicating a more significant impact on the vehicle and parts supply chain.
- While US companies are still evaluating the impact of tariffs on Chinese imports in the vehicles and parts industry, companies reliant on parts from China will face higher costs, which are typically passed on to buyers. The United States is China's largest export market for auto components, and these parts (including but not limited to wheels, windshield wipers, airbags, air filters, catalytic converters, mufflers, radiators, brake systems, steering and suspension components, and electric and electronic equipment for vehicles) are integrated into global supply chains.
- Under the current tariff policies, the Yale Budget Lab predicts a 12.0% increase in vehicle and vehicle part prices in the United States.





Country	Tariff Rate	Trade Deal Info	Start Date
China	54.9	No trade deal	In effect
Mexico	25.0	90-day pause	In effect
Canada	35.0	No trade deal	In effect
Japan	15.0	Signed	8/7/2025
South Korea	15.0	Signed	8/7/2025

Key Takeaways

- The imposition of a higher tariff on Mexican and Canadian goods and a 50.0% tariff on steel and aluminum, along with an additional tariff on all imports from China, significantly raises costs for vehicle and automotive parts, impacting pricing for manufacturers and consumers.
- Tariffs on key materials like steel, aluminum, and automotive components from China may lead to increased production costs and potential supply shortages, necessitating adjustments in sourcing strategies and supplier networks.
- Tariffs can cause delays in shipping and longer lead times as global supply chains are rerouted to minimize costs, affecting delivery schedules for both vehicles and parts.
- Countries like Japan, South Korea, and Germany, accounting for a significant share of imports, offer the potential for diversifying supplier networks to mitigate tariff impacts.
- Stockpiling critical components, restructuring contracts, and implementing price-adjustment clauses can help manufacturers navigate price fluctuations due to tariffs.

Risk & Import Assessment

- **Overall Risk Level: High**
- Due to its robust manufacturing capabilities and geographical proximity to the United States, Mexico is the leading source of vehicles and automotive parts, with significant shares in cars, trucks, automotive parts, and vehicle bodies.
- With its strong trade relations with the United States and high-quality manufacturing standards, Canada is a second primary source for many imports in the vehicles and automotive parts market.
- Given the significant import share from China for automotive parts such as brake systems and airbags, buyers may need to explore alternative sourcing destinations to mitigate the impact of tariffs already in effect.
- South Korea, Japan, Vietnam, and Taiwan, with their robust manufacturing capabilities and high standards, offer viable sourcing options. However, every country but Taiwan reached a trade deal, so Taiwan will face a reciprocal tariff rate of 20.0% on August 7.





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- On July 2, 2025, the United States and Vietnam reached a trade deal that will set a 20.0% tariff on all US imports and a 40.0% tariff on goods that are shipped through Vietnam from other countries.
- Japan and the United States also agreed to a deal lowering the announced tariff rate from 24.0% to 15.0% on July 22, 2025. South Korea reached a similar deal, lowering the tariff rate to 15.0%.
- The tables below highlight the top ten countries by share of imports for a variety of products impacted by tariffs on vehicles and automotive parts.





Share of US Vehicles & Automotive Parts Imports by Origin Country

Cars – % of Total US Imports

Country	Import Share
Mexico	22.2%
Japan	18.5%
South Korea	16.4%
Germany	13.2%
Canada	12.6%
United Kingdom	4.7%
Slovakia	2.8%
Italy	1.8%
Sweden	1.7%
China	1.6%

Trucks – % of Total US Imports

Country	Import Share
Mexico	78.2%
Canada	15.1%
United Kingdom	2.2%
Japan	2.1%
Germany	1.0%
Brazil	0.6%
Sweden	0.2%
Spain	0.2%
Norway	0.1%
Finland	0.1%

Automotive Parts – % of Total US Imports

Country	Import Share
Mexico	42.0%
Canada	13.6%
China	10.9%
Japan	8.6%
South Korea	7.7%
Germany	4.0%
India	2.4%
Taiwan	2.2%
Thailand	1.4%
Italy	0.9%

Vehicle Bodies – % of Total US Imports

Country	Import Share
Mexico	51.4%
Canada	21.8%
Japan	15.3%
United Kingdom	2.6%
Italy	2.2%
Spain	1.2%
Germany	1.2%
South Africa	1.2%
Czechia	0.6%
Austria	0.6%

Supply Chain Risk – Best Practices & Overview

Upstream Suppliers	Risk Before Tariffs	Risk After Tariffs	Tariff Impact
Steel Manufacturers	High	High	- High tariffs on steel imports raise production costs for vehicle frames and body parts, impacting pricing and profit margins for automakers. - Potential delays and supply shortages may require vehicle manufacturers to adjust sourcing strategies and explore local options. - Increased demand for domestic steel could strain local suppliers, leading to higher costs for chassis and structural components.
Aluminum Manufacturers	High	High	- Tariffs will escalate prices for aluminum, which is extensively used in lightweight vehicle components such as engine blocks and body panels. - Potential shortages and increased lead times for any single component can disrupt the assembly line, affecting vehicle delivery schedules.
Electronics Manufacturers	Medium	High	- Tariffs increase the risk of shortages in electronic components essential for vehicle tech systems and infotainment features. - Higher prices for imported electronics, mainly due to tariffs targeting Chinese products, could drive up production costs, impacting the affordability of modern vehicles.
Rubber Manufacturers	Medium	High	- The tariffs on Chinese products, mainly rubber, could lead to increased costs and supply chain disruptions in the vehicle and vehicle parts market, affecting the price and availability of essential components like tires and seals. - Uncertain tariff policy has elevated risk, forcing some US importers to halt rubber imports as they exhaust current inventories. Decreased demand for rubber with higher tariffs will elevate upstream supplier risk.

Risk levels are determined based on revenue volatility, reliance on imports, and the expected impact of tariffs on lead times and product availability.

Downstream Buyers	Risk Before Tariffs	Risk After Tariffs	Tariff Impact
Retailers & Wholesalers	Medium	High	Tariffs may lead to higher prices for imported vehicles and automotive parts, squeezing profit margins for retailers and wholesalers, necessitating



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Downstream Buyers	Risk Before Tariffs	Risk After Tariffs	Tariff Impact
			renegotiating supplier contracts, or searching for alternative sourcing. - Delays in importing key vehicle components may lead to reduced inventory levels, impacting the ability to meet customer demand promptly and potentially resulting in lost sales. - With potential price hikes, consumers may become more price-sensitive, leading to reduced sales and the necessity to implement strategic pricing and promotional offers to maintain competitiveness.
Construction Firms	High	High	- Tariffs increase costs for specialized construction vehicles and parts, such as bulldozers and cranes, which could significantly impact procurement budgets and construction projects. - Access to essential construction vehicles and replacement parts may be delayed, slowing project progression and affecting deadline commitments. - As equipment costs rise, construction firms may need to adjust budgets or scale down project scopes, affecting profitability and project viability.
Car Rental Services	Medium	High	- Tariffs on imported parts could lead to higher prices for essential components like engines, transmissions, and electronic systems, increasing service costs for repair shops. - Extended lead times and potential part shortages may cause delays in repair services, affecting customer satisfaction and business reputation. - Repair shops may need to explore alternative suppliers or stockpile critical parts to mitigate disruptions, potentially increasing operational costs and impacting profitability.
Commercial Trucking & Logistics	Medium	High	- Tariffs can significantly inflate costs associated with maintaining and acquiring new trucks, impacting overall logistics expenses and profitability. - Higher costs for vehicle parts and maintenance could necessitate adjustments in freight rates, affecting competitiveness in pricing logistics services. - Possible delays in securing vehicle parts may disrupt delivery schedules, impacting efficiency and customer satisfaction in the supply chain.

Risk levels are determined based on revenue volatility, reliance on imports, and the expected impact of tariffs on lead times and product availability.





Creative Procurement Strategies

- The price shock caused by tariffs is typically most severe immediately after tariffs have been imposed and becomes less severe in the months and years that follow as global supply chains readjust to the policy. Thus, **stockpiling** impacted goods can give buyers valuable time to avoid the initial price shock and react more deliberately following the implementation of new tariffs.
 - In the automotive sector, where just-in-time manufacturing is standard, stockpiling critical parts like engines and electronics can buffer against immediate tariff impacts. Stockpiling helps manufacturers and repair shops maintain operations and price stability as they adjust to new sourcing strategies.
 - By stockpiling goods, buyers have more time to test the market after tariffs have been implemented, allowing them to contact more suppliers and engage in more comprehensive negotiations.
 - However, this strategy requires significant inventory space and upfront investment, which may limit its viability for buyers.
- As relocating production facilities or working with different suppliers may not be a viable short-term strategy in this market, buyers should consider **restructuring contracts** with their suppliers to add tariff cost-sharing clauses.
 - Contract restructuring allows automotive companies to negotiate cost-sharing agreements with suppliers, directly addressing the increased costs due to tariffs and maintaining stable partnerships without immediate disruptions to supply chains.
 - Tariffs are likely to reduce demand for the impacted manufacturers in targeted countries, which buyers may be able to leverage to negotiate new, more favorable contract terms with incumbent suppliers.
 - This strategy also minimizes operational impact as the buyer will continue to work with their current supplier. However, with this strategy, buyers will still need to pay a share of the tariff cost.
- While relocating global production operations can allow suppliers to avoid the impact of tariffs, the uncertainty surrounding US tariff policy and costs associated with relocation present significant barriers to relocation for most suppliers. However, buyers can **assist key suppliers in relocation** through long-term purchase contracts or joint investments.
 - Partnering with suppliers to relocate production can help bypass tariffs on essential components like steel, electronics, and automotive parts, stabilizing supply chains and offering competitive pricing advantages.
 - This strategy requires significant up-front commitments from buyers, which may make it unsuitable for smaller-volume buyers or lower-priority categories but could allow buyers to effectively avoid tariffs while facing less demand-side competition.





- Developing a single supplier's capabilities also significantly increases a buyer's leverage in negotiations with other competing suppliers, which can drive down tariff-related price increases across the category.
- Given the increased tariffs impacting this market, buyers should look to **diversify their supplier and sub-supplier networks** to increase their access to vehicles and automotive parts imports that will not be tariffed.
 - Low switching costs for certain components and a diverse set of automotive parts mean buyers can more easily shift purchase volumes, reducing dependency on tariff-affected imports and ensuring steady production.
 - Japan, South Korea, and Germany account for 34.2% of imports in this market. Thus, these countries present an opportunity for buyers looking to diversify their supply chain to minimize disruptions from tariffs.
 - Japan, South Korea, and Germany all face 15.0% tariffs after entering deals with the United States. This stability may benefit buyers.
 - However, contracting new suppliers will increase procurement costs, and global suppliers not affected by tariffs may have more leverage in price negotiations following the implementation of tariffs.

Contract Clauses

- **Implement price-adjustment clauses to account for tariff fluctuations:**
 - Buyers in the automotive sector should include clauses that allow for price adjustments for components like steel and electronics based on tariff impacts.
 - Price-adjustment clauses ensure transparency and predictability in cost management, crucial for planning budgets in vehicle manufacturing.
 - Adjustment clauses should specify thresholds for triggering price changes, accommodating fluctuations in key materials like aluminum and rubber.
 - These clauses provide a safety net against cost surges from tariffs, stabilizing budgets for automakers and parts suppliers.
- **Implement liquidating agreements to mitigate risk:**
 - In the vehicle and automotive parts market, liquidating agreements help distribute the financial impact of rising costs in materials like steel and electronics due to tariffs.
 - These agreements allow manufacturers and suppliers to share the burden of increased expenses, aiding in balanced financial management and protecting profit margins.
 - Efficient claims handling maintains production timelines for cars and parts, ensuring continuity in supply and demand without excessive financial disruption.





- Clear language in agreements protects stakeholders, supporting claims resolution and seamless operations across supply chains.
- **Lock-in rates and prices with long-term agreements:**
 - In the vehicle and automotive parts market, securing long-term contracts for materials like steel and aluminum helps manufacturers manage costs amid tariff fluctuations.
 - Fixed pricing ensures predictable expenses for producing components such as chassis and engine parts, reducing exposure to volatile markets.
 - These agreements strengthen relationships with suppliers, providing priority access to automotive components during supply chain disruptions.

Negotiation Questions

1. How do current tariffs affect the pricing structure of your vehicles and automotive parts?
2. What contingency plans are in place to handle supply chain disruptions specific to automotive components due to tariffs?
3. Can you provide a breakdown of the percentage of auto parts sourced internationally, particularly those affected by tariffs? Are you planning to reallocate sourcing, and if so, to where?
4. How are you managing inventory levels of critical automotive parts to ensure availability despite potential tariff-related delays?
5. Are there anticipated changes to lead times for vehicle components due to tariffs, and how do you plan to communicate these to customers?
6. Can you offer alternative sourcing options or adaptations in vehicle designs to minimize tariff impacts?
7. How do you manage currency fluctuations and tariff impacts when setting contract prices for automotive parts?
8. What are the terms and conditions for pricing adjustments on vehicles and parts if tariffs increase or decrease?
9. How are you assisting other automotive clients in adapting to tariff-related challenges in similar industries?
10. What guarantees do you offer concerning quality and compliance amid supply chain changes affecting vehicle parts due to tariffs?





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