

# Global Issues

## Between a Rock and a Hard Place: Free Trade, Tariffs and the US Labour Movement

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### Introduction

Donald Trump's tariff war, which has focused on cars as one of the main targets, has placed unions, and in particular the United Auto Workers (UAW), the main auto industry union in the US, in a complicated strategic position.

On one hand, Trump's "America First" trade policy challenges free trade agreements, particularly the North American Free Trade Agreement (NAFTA) and its successor, the United States-Mexico-Canada Agreement (USMCA). Both agreements are long-standing targets of US unions, particularly those representing industrial workers, who have been hit by the job losses that trade liberalisation contributed to. This explains why the UAW saluted Trump's first announcement of new tariffs on the auto industry in March 2025 as a "victory for autoworkers" (UAW, 2025).

On the other hand, Trump's parallel offensive against the US labour movement and the remnants of collective bargaining institutions, especially in the public sector, combined with aggressive anti-migrant policies, raises serious concerns for the future of trade unions in the US and opens strategic questions for the US labour movement.

### Donald Trump's "America First Trade Policy"

Donald Trump's tariff war has proceeded in steps, albeit erratic ones. Once back in the White House in January 2025, he announced an "America First Trade Policy" and instructed the secretary of commerce to:

investigate the causes of our country's large and persistent annual trade deficits in goods, as well as the economic and national security implications and risks resulting from such deficits, and recommend appropriate measures, such as a global supplemental tariff or other policies, to remedy such deficits. (White House, 2025)

This policy indication culminated in the announcement on 2 April – bombastically named "Liberation Day" – of a universal ten per cent tariff on all imports, effective 5 April, as well as the imposition of higher tariffs (up to fifty per cent) on fifty-seven countries. Notably, the tariffs imposed mirrored the US's current trade deficits in goods with those countries.

Whereas the US executive has subsequently paused such higher tariffs, following a very

negative market reaction, it maintained the cross-sectoral ten per cent tariff (with a higher rate for China, at thirty per cent), while also putting in place sectoral-specific tariffs on key manufacturing sectors such as steel and aluminium and the auto industry. For the latter, the US government imposed a twenty-five percent tariff on imported vehicles – but only on the non-US content, effective 3 April, and auto parts (engines, transmissions and other key car parts), effective 3 May. These are still in place, although, as our brief description shows, Trump’s tariff regime is constantly in flux. In fact, in May 2025, the US Court of International Trade invalidated the cross-sectoral tariffs imposed on “liberation day”, which were justified on the grounds of the president’s emergency economic powers, which the court said were exceeded. While it’s unclear how the Trump administration will react to this, it’s worth noting that sectoral tariffs – including those on the auto industry – remain in place at the time of writing, as they are premised on a different legal base.

Although Trump, in his “Liberation Day” speech, criticised NAFTA (but not explicitly its successor, the USMCA, which he promoted, negotiated and signed in his first term), the new generalised tariffs do not currently apply to USMCA compliant imports. Therefore, the rules established by the free trade agreement continue to apply to these countries, with the aforementioned exception for cars, steel and aluminium (and energy and potash with regard to Canada). Also auto parts made in Canada and Mexico and compliant with USMCA rules are currently exempt from the twenty-five per cent tariff, while the Mexican Secretary of the Economy recently announced that cars assembled in the country will be subject to a “discounted” average tariff of fifteen per cent, instead of twenty-five per cent. Over the past months, the American Big Three automakers (Ford, GM and Stellantis) held separate meetings with the Republican administration, successfully avoiding, for now, additional specific tariffs on low-cost components, primarily produced in Mexico. It should be noted, however, that the USMCA will be subject to a joint review by the three member states in 2026, so it is likely that things might be shaken up again.

## **Automakers’ Varied Responses**

In this scenario, multinational automakers appear to be responding in varied ways. American manufacturers have so far reacted in line with their industrial positions. For instance, Ford, which has the highest US vehicle production, but which also has plants in both Mexico and Canada, announced a discount program on various models to capitalise on the likely cost pressures the tariffs will place on competitors, who will have to choose between raising prices or accepting reduced profit margins. Under a scheme titled “From America for America”, the company, which claims to produce in the US eighty per cent of vehicles it sells in the country, announced it would extend the discount previously reserved for its employees to all US consumers.

Conversely, General Motors and Stellantis appear to be facing greater difficulties, particularly because of their more significant industrial presence in Mexico and Canada respectively. GM intends to increase the production of light commercial vehicles in its American plants, but this employment growth will only result in the hiring of temporary workers. Following the announcement of the first round of tariffs, Stellantis declared that it would continue to assess the effects of the recently imposed US tariffs on imported vehicles and to engage with the American administration on these policy changes. Simultaneously, the company announced the temporary suspension of production at some assembly plants in Canada and Mexico, and the temporary layoff of 900 workers at US facilities that supply metal and mechanical parts to the former.

As for Tesla, which manufactures a significant portion of its vehicles in the US, its owner Elon Musk, Donald Trump’s number one ally, has expressed concern that tariffs could disrupt the

company's supply chain and increase production costs, while acknowledging that, in theory, tariffs could benefit Tesla by making imported competitors more expensive and potentially increasing demand for domestically produced vehicles. In an unsigned letter to the US Trade Representative, Tesla expressed support for the tariffs and stated that it is adjusting its supply chains to increase reliance on domestic suppliers for its vehicles and batteries. However, it cautioned that some components remain difficult or impossible to source within the US

Among foreign manufacturers, responses also vary. While the German manufacturers' association, VDA, lamented the negative impact of the tariffs, Volkswagen, despite its initial plan to introduce an "import fee" on cars subject to the tariffs, recently announced its intention to make significant investments in the US, strengthening its partnership with American electric vehicle manufacturer Rivian. Mercedes Benz is considering shifting the production of some models directly to the United States – a market it deems strategic for SUV sales, especially high-margin models – while potentially reducing imports of low-margin vehicles. Among Japanese companies, Toyota, consistent with its history, plans to implement a cost-reduction strategy to maintain its current prices, while Nissan said it would evaluate the future of its production plants in Mexico that serve the US market.

## **Unions and auto tariffs**

The recent history of the US labour movement has been marked by growing opposition to trade liberalisation. While the leaders of the US labour movement between 1950 and 1989 saw their interests as aligned with national governments and business promoting capitalism across the globe (Kay, 2011; McKillen, 2019), the alliance unravelled with the end of the Cold War. In the early 1990s, unions opposed NAFTA, which created a free trade area from Canada to Mexico, offering very limited social and environmental protections.

According to its supporters, the agreement allowed US companies to take advantage of wage differentials – especially with Mexico – to withstand global competition, thereby "saving" what remained of the US auto industry. Conversely, unions have consistently denounced NAFTA's negative effects: the offshoring of substantial parts of the automotive supply chain, leading to a net job loss estimated at about 350 000 jobs (Chatzky, McBride and Sergie, 2020), a third of the sector's workforce over two decades; and wage moderation made possible by the threat of offshoring.

In 2016, during his first electoral campaign, Trump promised to eliminate NAFTA, garnering interest from auto workers and winning elections in six out of seven of the so-called "Rust Belt" states, the area most affected by deindustrialisation. Eventually, in 2019, his administration negotiated NAFTA's successor, the USMCA, which Trump called, with his usual rhetoric, "the best, most important trade deal ever made by the USA". As it included somewhat stronger labour and environmental protection, the agreement received cautious approval from the main US union confederation, the AFL-CIO, while UAW remained sceptical (UAW, 2020). Following Shawn Fain's election in 2023, the UAW started to be louder about the need for a profound revision of the USMCA. Already under Biden's administration, the union called for an increase in tariffs on automotive parts, particularly electric vehicles and related components (UAW, 2023).

Unsurprisingly, UAW publicly praised the Republican administration's decision in a union statement:

We applaud the Trump administration for stepping up to end the free trade disaster that has devastated working class communities for decades. Ending the race to the bottom in the auto industry starts with fixing our broken trade deals, and the Trump administration has made history with today's actions. (UAW, 2025)

The UAW also hopes that the tariffs will lead to job growth in the US auto sector and proposes renegotiating the USMCA, introducing greater protections against offshoring and a minimum wage across the entire North American continent.

Also, UAW's vocal support for Trump's tariffs marks a break in the historical partnership between the union and the Democrats. As the UAW president pointed out in a recent interview with *Jacobin*, "the Democratic Party has come to take labour for granted when it comes to elections" (Sirota, 2025). These considerations echo those of the leadership of another major union, the International Brotherhood of Teamsters (IBT). Despite historical affiliations with the Democratic Party, the Teamsters refused to endorse Kamala Harris during the 2024 presidential election. President Sean O'Brien became the first leader of the union ever to speak at a Republican convention. The UAW and the IBT are among the most influential trade unions in the US and operate in crucial sectors of the US economy, the car and the logistics industry. Their political realignment could mark a historical shift in the relationship between labour and the two major parties.

## Discussion

Whether the tariffs will have a positive effect on employment in the US auto sector remains unknown. Moreover, even if the reshoring of production lines to the US were to increase employment in the sector, it should be noted that only the American Big Three remain unionised. Most automakers' plants are located in "right-to-work" states, which makes unionisation harder. Moreover, the free trade agreements with Canada and Mexico – the UAW's primary target – remain in effect to this day.

What is certain is that the UAW's stance on tariffs represents an endorsement of an administration that, alongside its protectionist policy, is actively combating labour organisations, especially in the public sector. After indiscriminate layoffs under the DOGE led by Elon Musk, on 27 March (a day after the tariff announcement), Trump signed an executive order stating that the government will no longer participate in collective bargaining nor recognise unions representing tens of thousands of federal employees.

Another offensive targets public services. Just a few days before, on 20 March, the APWU, the postal workers' union, called a strike in response to restructuring plans and staff cuts promoted by the DOGE, and the possible privatisation of the agency. This is in addition to other anti-union measures, such as the removal (later invalidated by the Supreme Court) of a Democratic member of the National Labor Relations Board, the federal body that regulates collective bargaining, or the recent arrest by the Immigration and Customs Enforcement (ICE) agency of farmworker organiser Alfredo "Lelo" Juarez Zeferino.

UAW is not unaware of the situation. A few months ago, Fain campaigned for Kamala Harris wearing a T-shirt that read "Trump is a scab". In the statement on tariffs, the union also calls for "a strong National Labor Relations Board, a decent retirement with Social Security benefits protected, healthcare for all workers including through Medicare and Medicaid, and dignity on and off the job". But none of this will come from the Trump administration, whose agenda seems inspired by the conservative Project 2025 of the Heritage Foundation, aiming to further liberalise the labour market, expand managerial prerogative, attack migrant workers, and obstruct unions.

In this context, the UAW's and Teamster's strategy, while aligning with traditional unions' criticism of trade liberalisation, risks to further divide the labour front, just as one of the largest anti-labour offensives in US history is unfolding.

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