

German carmakers worst hit by China tariffs: study

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An employee conducting a final inspection on a Mercedes-Benz C-Class at the Mercedes-Benz US International factory in Vance, Alabama, last year. The firm, like its fellow German rival BMW, sends lots of cars assembled in the United States to China and could thus feel the brunt of tariffs that Beijing has threatened to impose in response to US measures

German carmakers with big US operations like BMW and Mercedes-Benz maker Daimler would be worse hit by proposed Chinese import tariffs than American auto firms, a study has found.

"The Germans stand to lose the most in absolute terms if the tariffs are enforced," a study by asset managers AllianceBernstein (AB) showed.

Business information company IHS estimated BMW would export 89,000 vehicles from America to China in 2018, while Mercedes would ship 65,000, making them by far the biggest US-China exporters.

US-made cars accounted for around 280,000 imports into China last year, behind top importer Japan but ahead of Germany.

But aside from electric-car pioneer Tesla—where

China is projected to account for more than 15 percent of shipments of its Model S and X lines this year—other US-based manufacturers should send less than 10,000 cars each to China, limiting the impact.

Most of the American-built BMWs and Mercedes sent to China were costly SUVs, which could increase in price by up to 20 percent if Beijing implements its threatened tariff increases, according to AB.

Cars are just one sensitive US export on China's \$50-billion hit-list, which also includes politically charged products like soybeans and aircraft.

Beijing suggested the levies as a possible response if US President Donald Trump imposes threatened tariffs on a \$50 billion tally of Chinese imports.

But in the latest step in an escalating trans-Pacific war of words, Trump said he would slap a further \$100 billion of tariffs on Chinese goods if Beijing retaliated.

If the two sides do not climb down and go ahead with the border taxes, it could "nudge" the German manufacturers towards producing cars for China locally rather than shipping them from the United States, AB suggested.

Nevertheless, it's "probably too soon to start talking about strategic change" from the firms in response to the trade sabre-rattling, the analysts added.

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