

## 2018 TRADE ACTION AFFECTING THE CONSTRUCTION INDUSTRY

### General Background

Since Jan. 2018, the Trump administration has implemented or proposed a number of tariffs. The purpose of this memorandum is to clarify and explain the tariffs that are currently in effect versus those that are still proposals under consideration, and clarify their impact (actual or potential) on the construction industry. As it stands, there are three distinct sets of tariffs. Those sets include: (1) tariffs in effect on steel and aluminum imports; (2) tariffs in effect on imported solar cells and modules; and (3) proposed tariffs scheduled to take effect in June 2018 on various Chinese goods, including construction-related equipment, supplies and materials.

### IN EFFECT: Steel and Aluminum Tariffs

**Background:** In Feb. 2018, the U.S. Department of Commerce determined that [steel](#) and [aluminum imports](#) threaten to impair national security. On March 8, 2018, President Trump signed proclamations to impose a [25% tariff on steel imports](#) and a [10% tariff on aluminum imports](#), with limited exceptions. Key facts about these tariffs include:

- The tariffs went **into effect on March 23, 2018**, with limited exceptions;
- The tariffs were implemented unilaterally by President Trump under [Section 232 of the Trade Expansion Act of 1962](#);
- The **following countries** that previously received temporary exemptions will be subject to the tariffs on June 1, 2018:
  - **Canada**, the 28-member states of the **European Union (including the U.K.)**, and **Mexico** (representing at least 30 percent of steel imports in 2017)
- The Administration encouraged temporarily exempted countries seeking tariff relief to **submit to “quotas or other restrictions,” on steel and aluminum exports**;
- **Argentina, Australia, Brazil** and **South Korea** maintain steel tariff exemptions, representing at least 23 percent of steel imports in 2017.
- See general [steel guidelines for companies](#); [aluminum guidelines for companies](#).

**Industry Impact:** *The tariffs have already triggered a surge of orders that mills say they cannot fill on a timely basis, causing prices for certain aluminum and steel products to spike. This could create budget problems, project delays, and possibly cancellations for public and private construction projects. In addition to price increases and project uncertainty, the tariffs are projected to disproportionately affect construction industry jobs.*

- According to the American Iron and Steel Institute, the construction industry consumes **43% of American steel**, so the industry is particularly susceptible to domestic price increases;
- A [Trade Partnership Worldwide report](#) prepared for the pro-free trade aligned Business Roundtable estimates that over **66,000 construction jobs** could be negatively impacted;
- A [similar report by the protectionist-leaning Coalition for a Prosperous America](#) estimates that the tariffs could put in jeopardy **10,635 jobs** in the construction sector.

### **IN EFFECT: Solar Cells and Modules Tariffs**

**Background:** On Jan. 23, President Trump signed into law [tariffs on all imports of solar cells and modules](#) (crystalline silicon photovoltaic); the technology primarily responsible for transforming solar energy into electricity. The U.S. International Trade Commission backed tariffs of up to 35% after determining that domestic manufacturers suffered serious injury from foreign solar imports. The president instead adopted USTR's more conservative 30% tariff recommendation. Key facts about these tariffs include:

- The tariffs went **into effect on Feb. 7, 2018**;
- The **tariff level is set at 30%**, and is set to **decline by 5% per year** over the **tariff's 4-year term**;
- The **first 2.5 gigawatts** of imported solar cells **will be exempt each year**, and this **does not include sub-quotas for individual countries**;
- The **only countries exempted** from the tariffs are those **classified as GSP-Eligible**, except for the **Philippines and Thailand**;
- The **safeguard action** was carried out under [Section 201 of the Trade Act of 1974](#).

**Industry Impact:** Solar installation costs are expected to rise and projects involving solar installations could be delayed or cancelled. Job losses will likely be limited to the solar installation sector but could affect construction firms that install solar panels or firms that build plants responsible for their manufacture.

- The Solar Energy Industries Association estimates that the trade remedies **could diminish** forecasted **U.S. solar installations** by as much a **20% in 2018**.

### **TO TAKE EFFECT: Tariffs on Various Chinese Goods, Including Construction-Related Items**

**Background:** On April 3, 2018, the U.S. Trade Representative's office (USTR) released a proposed list of 1,333 Chinese products subject to additional 25% tariffs totaling \$50 billion. The proposed tariffs [are in response to China's state-directed practice of forced technology transfers and intellectual property theft](#). On May 29, 2018, the [White House announced its intent to finalize the list](#) of Chinese products subject to tariffs by June 15, 2018, and the implementation of the tariffs shortly **thereafter**. The target list is designed to help close the United States' \$375B goods deficit with China, and it includes items that could negatively impact the construction industry. Key facts about these proposed tariffs include:

- The **25% additional tariffs** on [1,333 Chinese products](#) total **\$50B**;
- Construction-related items include, but are not limited to:
  - **Concrete or mortar mixers; electric signaling items for traffic or safety control; elevators and conveyors; various metal piping; tower cranes; tunneling machinery; and water pumps;**
- The list was drawn up by USTR and is **authorized under [Section 301 of the Trade Act of 1974](#)**.

**Industry Impact:** Without a finalized list, the potential impact on the industry cannot yet be calculated. Concerningly, President Trump has ordered USTR to draw up a second list of Chinese products totaling \$100B in additional tariffs. This list has not yet been released and a date for its release has not yet been announced.