

2018-2019 TRADE ACTION AFFECTING THE CONSTRUCTION INDUSTRY

General Background

Since January 2018, the Trump administration has implemented or proposed several 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 four distinct sets of tariffs. Those sets include: (1) tariffs in effect on steel and aluminum imports; (2) tariffs on various Chinese imported goods, including construction-related equipment, supplies and materials; (3) tariffs in effect on imported solar cells and modules; and (4) tariffs on Canadian softwood lumber.

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. In 2002, the Bush administration imposed steel tariffs, ranging from 8% to 30% depending upon the product. Key facts about these latest 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](#), based on national security threats;
- The **following countries** that previously received temporary exemptions have been subject to the tariffs since 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)
 - On May 17, 2019, the U.S. [reached an agreement](#) to lift import tariffs on steel and aluminum products from Canada and Mexico in favor of stronger enforcement actions on the newly-negotiated U.S. Mexico-Canada Trade Agreement (USMCA). In turn, Canada will lift retaliatory duties on U.S. products as part of the deal.
- **Argentina, Australia, Brazil and South Korea** maintain steel tariff exemptions, representing at least 23 percent of steel imports in 2017. Steel imports from South Korea face a [product-specific quota](#) as a result of the U.S.-Korea Free Trade Agreement (KORUS) signed in Sept. 2018.
- On May 17, 2019, the Trump administration lowered the tariff rate, from 50 percent to 25 percent, on steel products from **Turkey** due to a decline in imported steel from the country reaching the U.S market.
 - **Background:** As part of the Section 232 report, the Secretary of Commerce recommended that certain countries with major steel exports to the U.S. face a higher tariff rate than other countries.

Industry Impact: [Producer Price Index \(PPI\) figures](#) from the U.S. Bureau of Labor Statistics reflect that from January 2018 to January 2019: **Steel mill products costs rose 19 percent and aluminum mill shapes rose 6 percent**. Contractors have faced delays in receiving orders and quotes from mills and may raise bids to account for increased costs and uncertainties. The results may lead some owners—public and private—to consider [delaying](#), rescoping or cancelling projects, as [prices increase](#). For more AGC Economic Data, [click here](#).

For more information contact Cory Gattie at cory.gattie@agc.org

- 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.

Tariffs on Various Chinese Goods, Including Construction-Related Items

Background: The Trump administration remains committed to stemming unfair Chinese trade practices involving intellectual property under [Section 301 of the Trade Act of 1974](#). As such, the Office of the United States Trade Representative has engaged in various investigations of Chinese trade practices and has recommended tariffs on a wide range of Chinese goods imported to the U.S., including goods utilized by the construction industry. Based on those recommendations, the president imposed tariffs on \$250 billion of Chinese imports that have been implemented in phases. Those phases are explained below:

IN EFFECT: 25 Percent Tariff on \$50B of Chinese Goods & 10 Percent Tariff on \$200 of Chinese Goods

Background: The U.S. imposed a 25 percent tariff on \$50 billion worth of Chinese imports in two phases, followed by a 10 percent tariff on \$200 billion worth of Chinese imports.

- **PHASE ONE:** On July 6, 2018, the U.S. imposed a [25 percent tariff on \\$34 billion](#) worth of Chinese imports ([list of 818 products](#)). Many of the imports are products needed for manufacturing construction equipment or the construction equipment itself. Some of the products noted include: derricks, cranes and other lifting machinery, elevator and conveyor machinery and parts, bull dozers, shovel loaders, backhoes, pile drivers and pile extractors, milling machines, boring-milling machines, boring machines, crushing and grinding machines, concrete or mortar mixers, motor vehicles, vessel parts (pistons, vapor turbines, engines).
- **PHASE TWO:** On Aug. 23, 2018, the U.S. imposed a [25 percent tariff on \\$16 billion](#) worth of Chinese imports ([list of 279 products](#)). Some of the construction related-materials include products made of iron or steel such as parts of structures, bridge sections, towers and lattice masts, columns, pillars, posts, girders, and grating.
- **PHASE THREE:** On Sept. 24, 2018, the U.S. imposed a [10 percent tariff on \\$200 billion](#) worth of Chinese imports ([list of thousands of products](#)) subject to additional tariffs. Construction related-items include but are not limited to: paints and varnishes, quartz, slate, marble, granite, gravel, limestone, cement (Portland, aluminous, slag), bitumen and asphalt, monumental or building stone, floor and wall, wall or ceiling coverings, wood flooring and panels, particle board, plywood, fiberboard, hand saws, pipe cutters, hammers, caulking guns, air conditioning machines, cabinetry, electrical lamps and lighting fixtures. Initially, the tariff rate was scheduled to increase to 25% on January 1, 2019. The administration delayed this increase to March 1 and then indefinitely due to constructive talks with China surrounding their trade practices. **On May 10, 2019, the tariff rate on this list of items was increased from 10 percent to 25 percent.**

Industry Impact: Many of the items covered under these tariffs are materials incorporated into the actual construction project itself, necessary parts for manufacturing construction equipment, or the

construction equipment itself. Costs for these various supplies, materials and equipment may rise accordingly, placing further pressure on contractors to increase their bid prices.

PREVIOUSLY CONSIDERED: Tariffs on \$267 Billion of Chinese Goods

Background: On Sept. 7, 2018, President Trump [announced](#) that tariffs on another \$267 billion in Chinese goods imported to the U.S. are “ready to go on short notice.” If the \$267 billion figure stands, the U.S. would impose tariffs on more than the \$505 billion the U.S. imported from China in 2017. So, effectively, the next round of tariffs would cover Chinese imports previously spared from the new tariffs. Although the administration has considered this proposal, **it has thus far not been implemented.**

PREVIOUSLY CONSIDERED: Tariffs on \$325 Billion of Chinese Goods

Background: On May 5, 2019, in tandem with the rate increase on \$200 billion worth of goods, President Trump stated plans to “shortly” [place duties on another \\$325 billion](#) worth of Chinese import goods. Goods on this list would likely be a combination of goods on the yet enacted \$267 billion list and new items. **This action never came into effect.**

UNDER CONSIDERATION AS OF AUGUST 1, 2019: Tariffs on remaining Chinese import goods (\$300B)

Background: On August 1, 2019, President Trump [announced](#) that a 10 percent tariff will be placed on virtually all remaining untariffed goods imported from China, valued at around \$300 billion. This move is set to take effect September 1, 2019. Top members of the Chinese government have indicated the country plans to retaliate should these tariffs go into effect.

IN EFFECT: Solar Cells and Modules Tariffs

Background: On Jan. 23, 2018, 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 percent after determining that domestic manufacturers suffered serious injury from foreign solar imports. The president instead adopted USTR’s more conservative 30 percent 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](#)
- Chinese solar panels have an **additional 25 percent tariff** on top of this 30 percent, stemming from recent tariffs specifically targeting China.

Industry Impact: Construction companies that perform solar installation work noted—upon imposition of these tariffs—that the U.S. commercial solar installation market cooled. However, in June 2018, China—the world’s largest solar market—[cut subsidies](#) for its domestic solar installations. As a result, the global supply of solar panels has risen sharply, pushing prices down and muting the tariffs’ impact. In fact, procurement of [solar energy by U.S. utilities grew](#) in the first six months of 2018, granted, not as much as initially projected. In 2019, a greater impact from the tariffs may be felt as developers look to push out

target completion dates to procure solar modules at lower tariff rates. For more solar panel economic data, [click here](#).

IN EFFECT: Canadian Softwood Lumber Tariffs

Background: On Nov. 2, 2017, the U.S. Department of Commerce [determined](#) that Canadian softwood lumber imports were sold in the U.S. at less than fair value with unfair Canadian government subsidies being made to Canadian producers of softwood lumber. On December 7, 2017, the U.S. International Trade Commission [confirmed](#) the Department's findings. The U.S.-Canadian lumber dispute dates to the 1980s, when formal charges were first filed, and has flared up intermittently through petitions filed by U.S. firms. In some cases, the two parties have negotiated settlements that effectively raised the price of Canadian imports, but the last agreement expired in 2015. Key facts about these latest tariffs include:

- The tariffs **took effect on [December 28, 2017](#)**.
- The Commerce Department imposed **a tariff of 20% or more**—depending on the Canadian lumber mill—on shipments of Canadian softwood lumber into the U.S.
- The administration took this action through the [antidumping and countervailing duty](#) provisions of the Tariff Act of 1930.

Industry Impact: Softwood lumber is used extensively in single-family home construction. As such, single-family homebuilders may bear the brunt of these tariffs. Multi-family homebuilders may face more limited impacts, as such structures often require less softwood lumber than single-family homes. The National Association of Home Builders (NAHB) finds that the imposed tariffs have added approximately \$9,000 to the cost of single-family homes and up to \$3,000 on multi-family homes.