



SHEET METAL & AIR CONDITIONING
CONTRACTORS' NATIONAL ASSOCIATION



Government & Political Affairs The Council Report

Tariffs and Trade Policy

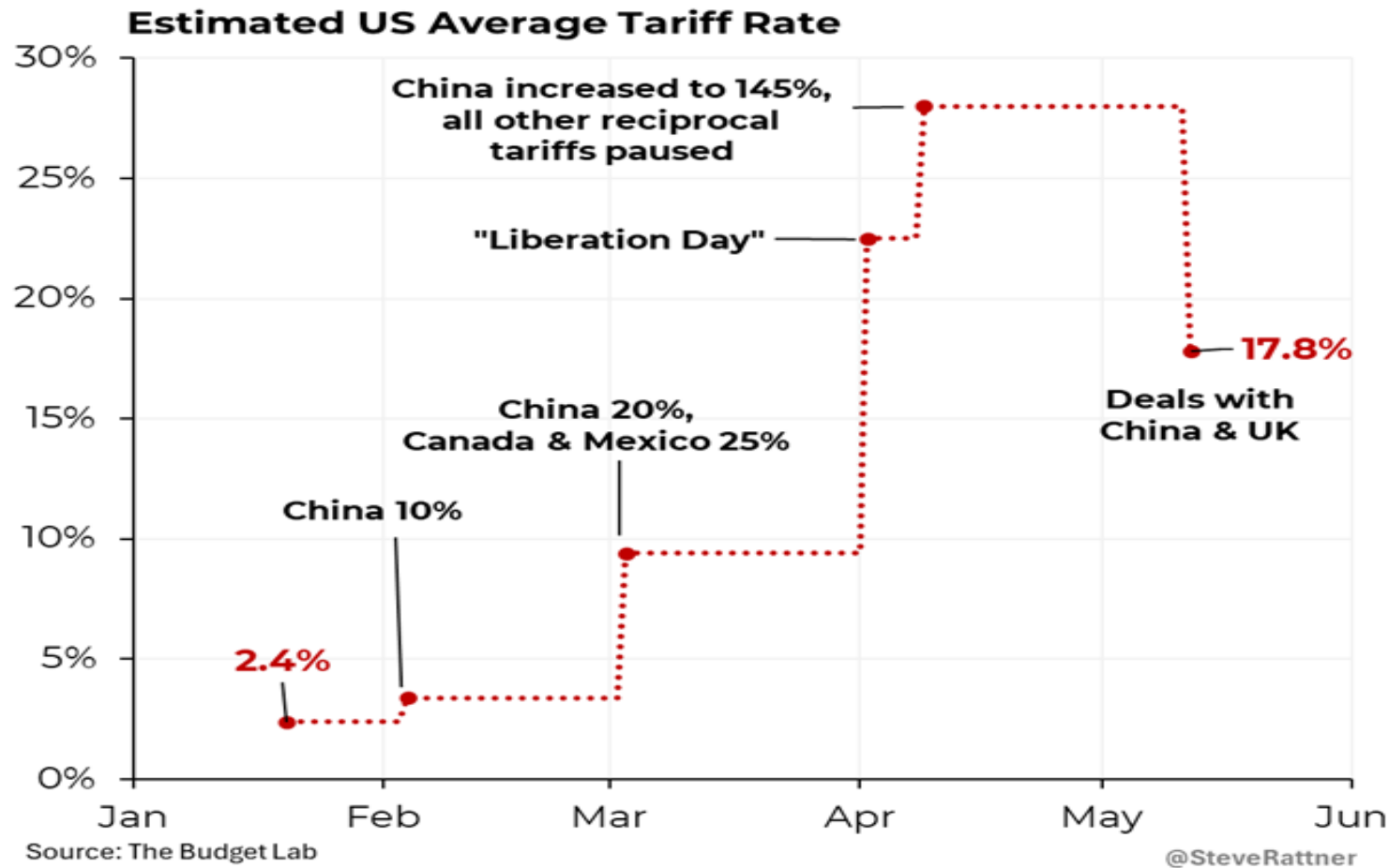
Administrative, Legal and Legislative Action

June 2025

Stanley E. Kolbe, Jr.
Executive Director, Government &
Political Affairs

"The D*est Trade War in History: Trump will impose 25% tariffs on Canada and Mexico for no good reason."** *Wall Street Journal*

"The Truth About Trump's Steel Tariffs: His first-term levies hurt consumers and U.S. manufacturers,"
Wall Street Journal, February, 2025.



The White House Changing Reasons for Tariff and Trade Conflicts

- **Immigration Retribution (Mexico and ? Canada ?)**
- **Reduce Drugs coming into the US (Mexico and ? Canada?)**
- **Revenue Raising – Reduce the Deficit**
- **Allow tax cuts using tariff income**
- **Protect specific industries**
- **National Security need for creating domestic supply chains**
- **Rebalance world trade Accounts**
- **Reshoring lost industries to depressed communities**

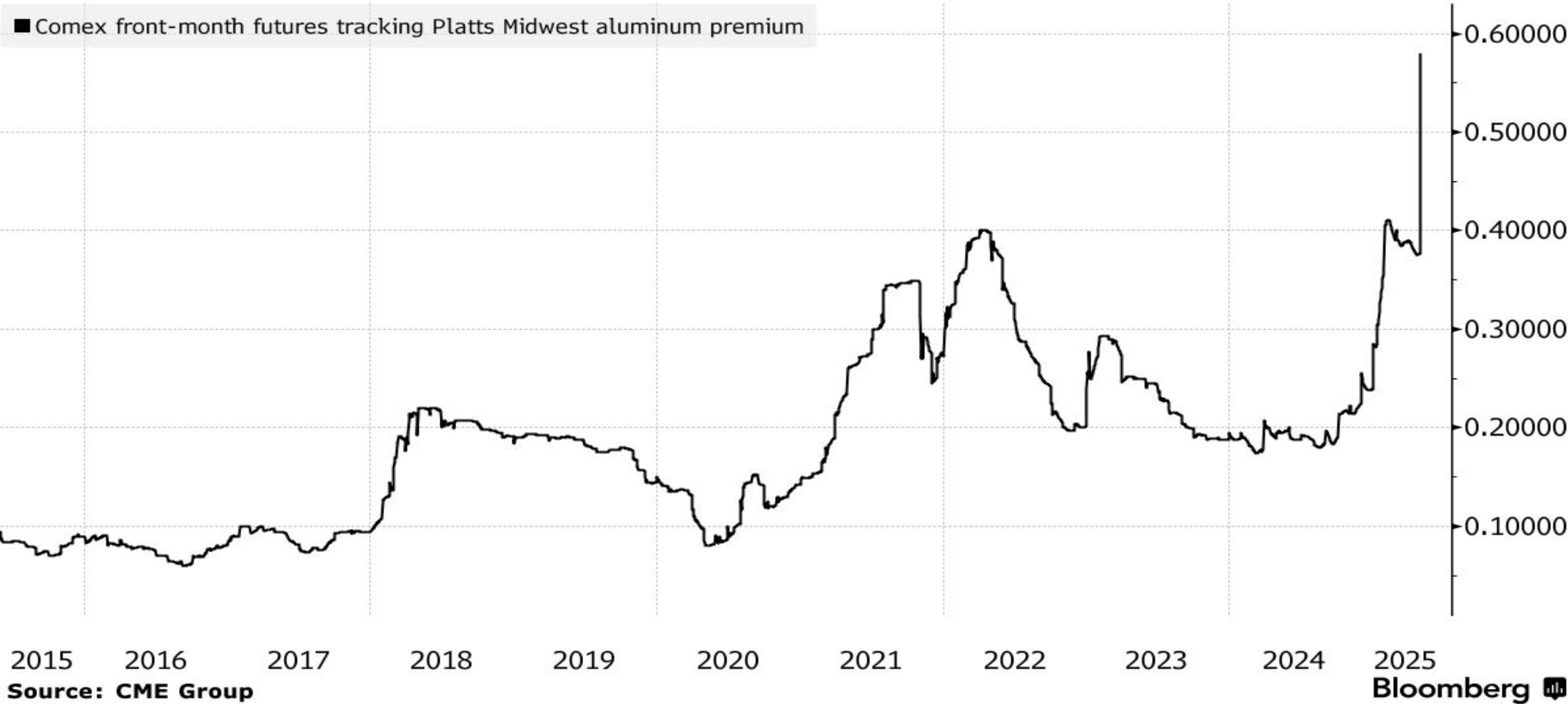
US Aluminum and Steel (and copper) Prices Surge as Trump Doubles Tariffs

[Mark Burton](#) June 2, 2025 at 8:35 AM EDT

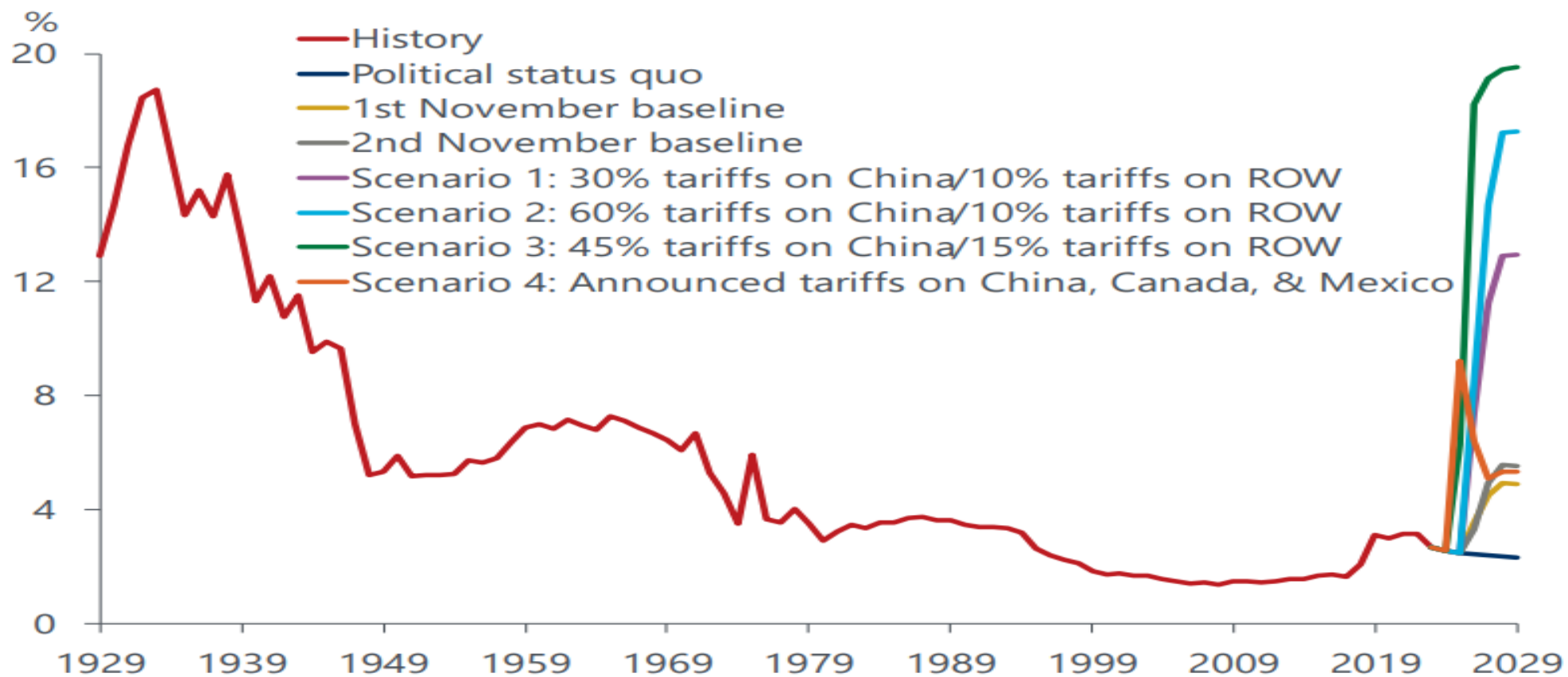
- **Futures tracking the prices US manufacturers pay for aluminum and steel surged** after President Donald Trump said he will double tariffs on the metals this week.
- **Contracts linked to the all-in price of aluminum delivered to the US Midwest jumped 54% to the highest since at least 2013** on the Comex exchange in New York on Monday — offering an early glimpse of the much higher costs for American factories, with import levies set to rise to 50% from Wednesday.
- Aluminum used in everything from beer cans to engine blocks and window frames was priced at a premium of 58 cents a pound, or about \$1,280 a ton, in the Midwest over benchmark London contracts.
- That suggests **US buyers could end up paying about 50% more than international competitors** to get hold of the metal.

“We expect prices to rise — the US does not have enough domestic capacity of either,” analysts at Citigroup Inc. said in an emailed note. For aluminum in particular, the tariffs have “mostly just functioned as a tax on consumers thus far.”

US Aluminum Premiums Surge on Trump Tariff Hike



US: Effective tariff rate



Source: Oxford Economics/Haver Analytics

VAL
US Trade Balance on Goods (I:USBGSM) -103.37B

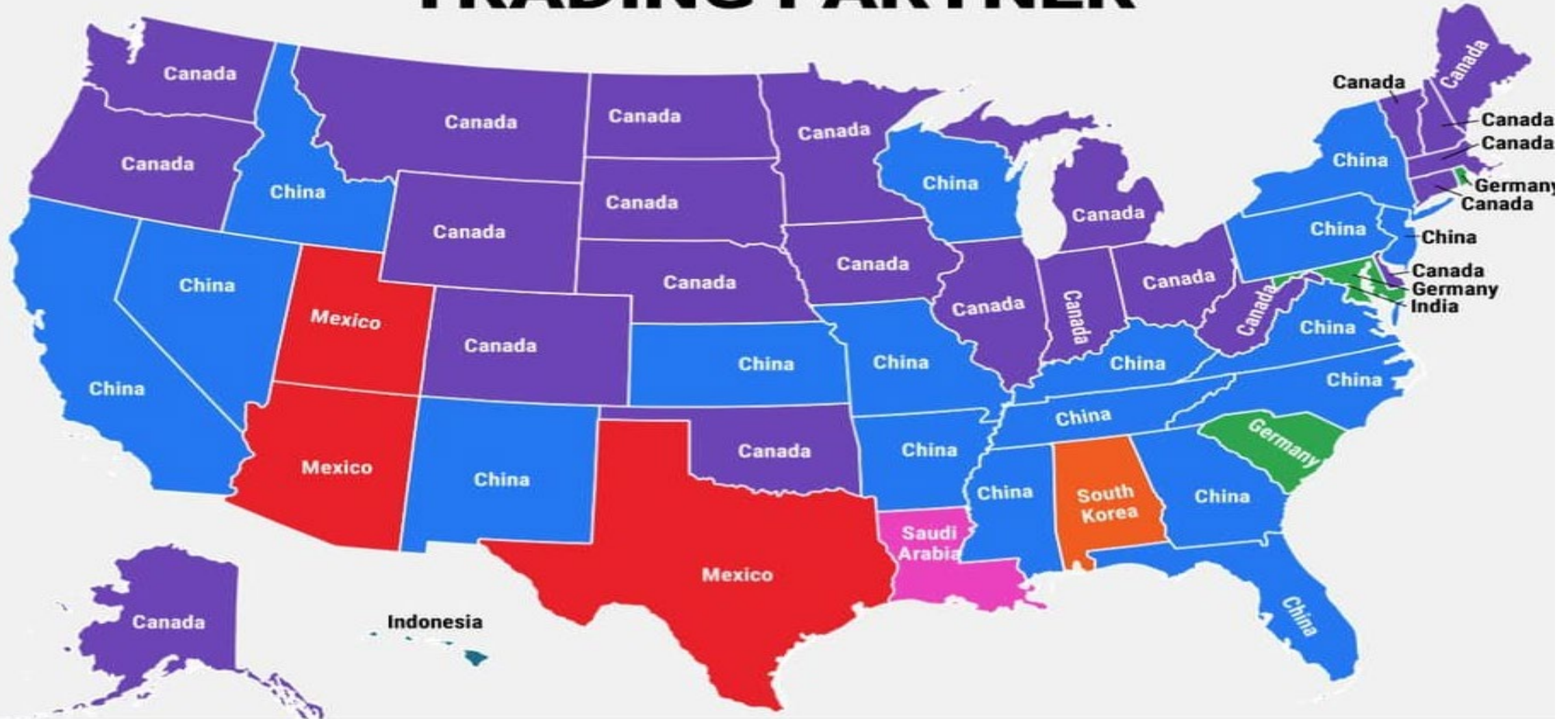


Jan 28, 2025, 3:35 PM EST Powered by **YCHARTS**

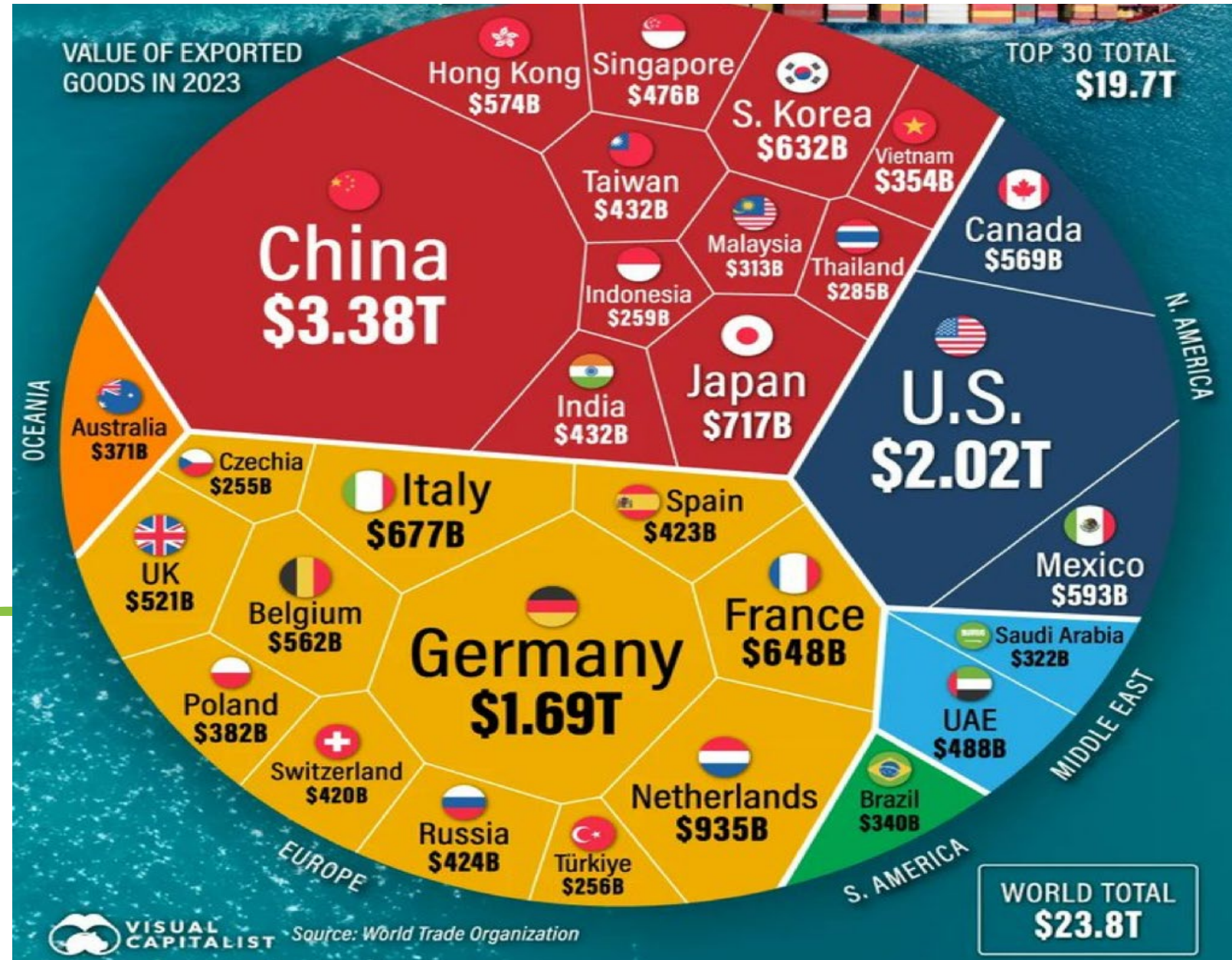
US Trade Balance on Services (I:USBSSM) VAL 25.18B



EACH STATE'S BIGGEST IMPORT TRADING PARTNER



World Export Totals 2023



Trade and tariff uncertainty is the only Administration policy constant.

- **Note: the tariff rate on goods from China has changed six times in less than 115 days.**
- **This total includes at least eight major tariff announcements for various countries and products, and at least 55 tariff changes in those 115 days, but it's hard to get a precise number as changes daily...**
- **Many tariff announcements were made, then paused, reversed, or modified within days or weeks... even hours.**

Figure 6. Short-Run Distributional Impact of 2025 Tariffs to Date

Through May 12

Percentage points of disposable income by household income decile

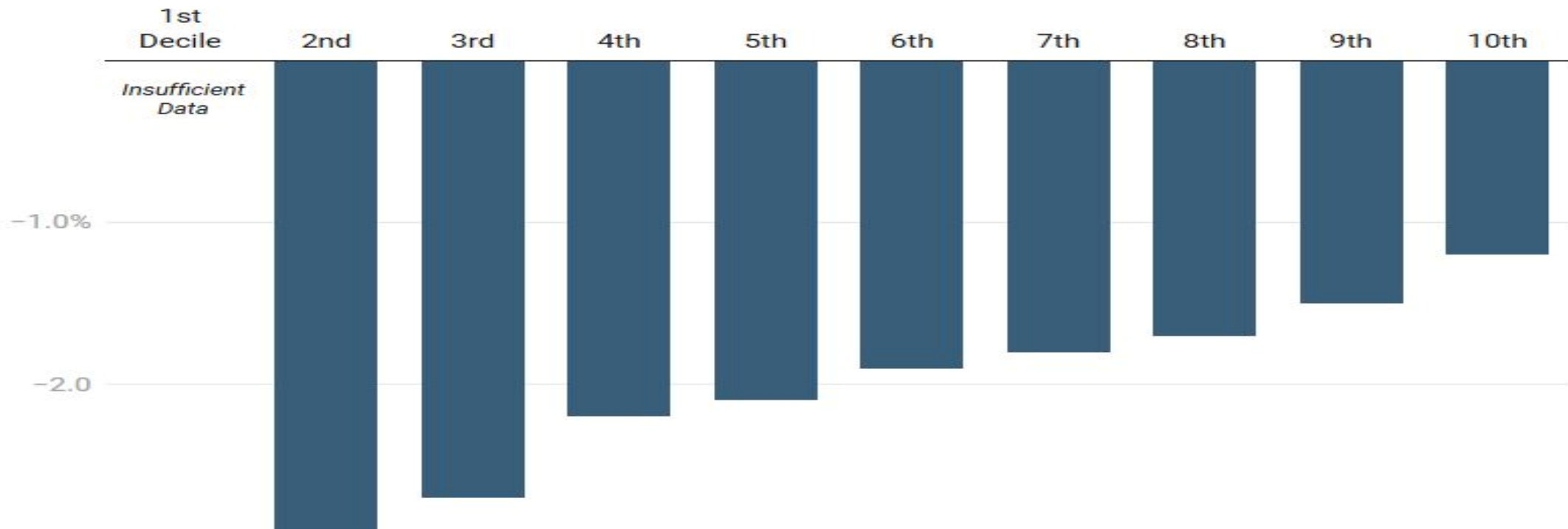


Chart: The Budget Lab • Source: GTAP v7, Census, BLS, BEA, The Budget Lab analysis. • Created with [Datawrapper](#)

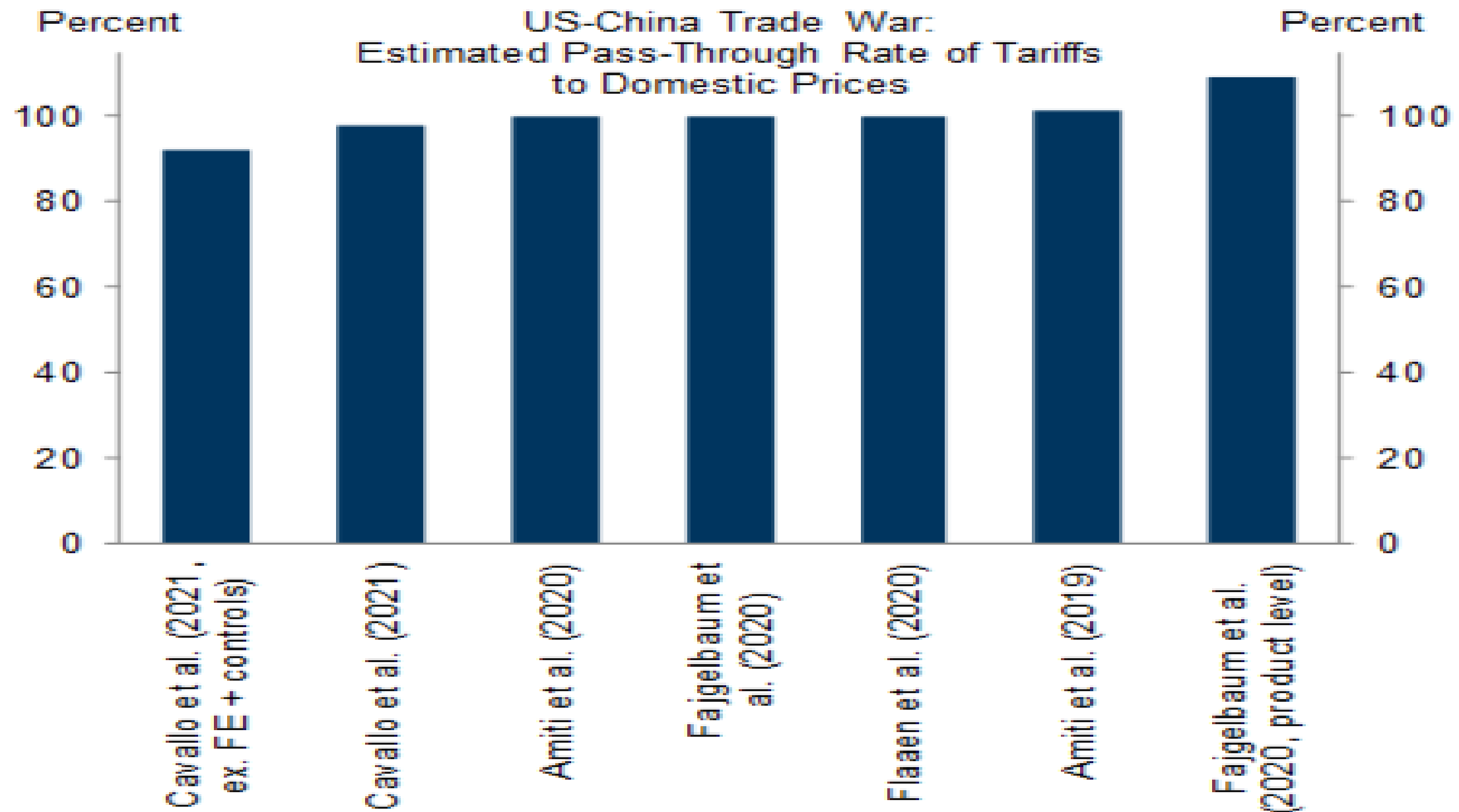
- This past week brought a vivid example of the White House's erratic thinking and rapid changes in policy.
- On Friday, May 23, President Trump [announced he was](#) "recommending a straight 50 percent tariff on the European Union, starting on June 1," and [added during an appearance in the Oval Office](#), "I'm not looking for a deal. I mean, we've set the deal, it's at 50 percent."
- Then on last Sunday evening, Trump [announced on Truth Social](#), "I received a call today from Ursula von der Leyen, President of the European Commission, requesting an extension on the June 1st deadline on the 50 percent Tariff with respect to Trade and the European Union."
- WH greed to the extension on July 9, 2025 — President Tweeted "It was my privilege to do so."
- **Within two days, a 50 percent tariff on EU goods appeared and disappeared**, at least temporarily.
- [Even Matt Gaetz hung around longer](#).

largely due to the role **Congress played in the disastrous 1930 Smoot-Hawley tariff hikes, signed by President Hoover (from Iowa)** that likely worsened the Great Depression, which many believed led to WWII.

- With IEEPA, Congress granted the President sweeping powers to **regulate international commerce** in times of national emergency declared by the executive.
- **IEEPA authorizes the President to “regulate” various economic transactions but does not explicitly state that across-the-board tariffs can be levied with this power.** Never has such authority been attempted by a President.

While the appeals process plays out, the administration has a few options. It can utilize the following powers:

- **Section 301:** A safer, legally tested avenue that requires an investigation into the actions of trading partners.
- **Section 232:** An authority under which sectoral tariffs already exist that cite threats to national security.
- **Section 122:** An untested pathway that allows for the quickest implementation of tariffs, as it does not require a review period; however, duties applied under this power are valid for 150 days, after which Congressional action is needed.



On Thursday, a U.S. District Court Judge in D.C. also found that IEEPA failed to authorize the President to impose such broad tariffs and blocked the Administration from collecting tariffs from two family-owned businesses, who were the plaintiffs in the case.

- The judge ordered a 14-day stay on the ruling to account for the appeals process
- **“The question in the two cases before the court is whether the International Emergency Economic Powers Act of 1977 (‘IEEPA’) delegates these powers to the President** in the form of authority to impose unlimited tariffs on goods from nearly every country in the world.
- The court does not read IEEPA to confer such unbounded authority and sets aside the challenged tariffs imposed thereunder,” the court said.
- “The court holds for the foregoing reasons **that IEEPA does not authorize any of the Worldwide, Retaliatory, or Trafficking Tariff Orders.** The Worldwide and Retaliatory Tariff Orders exceed any authority granted to the President by IEEPA to regulate importation by means of tariffs. The Trafficking Tariffs fail because they do not deal with the threats set forth in those orders,” the New York–based court added.
- **“The challenged Tariff Orders will be vacated and their operation permanently enjoined.”**

On Wednesday, the Court of International Trade – an Article 3 constitutionally established federal court based in Manhattan, which hears disputes involving international trade and customs laws – blocked many of Trump’s signature “Liberation Day” reciprocal tariffs and fentanyl-related duties on Mexico, Canada, and China.

- The court’s three-judge panel, consisting of appointees from Presidents Reagan, Obama, and Trump, **agreed unanimously to freeze tariffs imposed to date by the Trump administration acting on authority it claims is conferred by the International Emergency Economic Powers Act of 1977 (IEEPA).**
- **'Under that ruling, Congress must expressly authorize economically and politically significant executive actions, which Mr. Trump’s tariffs undeniably are.**
- **But the decision argued that wasn't even the biggest problem with Trump's interpretation: The law doesn't even clearly authorize tariffs.**
- **Instead, it only allows the president to 'investigate, block, prohibit or regulate' imports, exports or transactions that foreign countries or people have an interest in or 'any property, subject to the jurisdiction of the US'.**

Steel prices have climbed 17.7% since Trump became president in mid-January, according to the government's Producer Price Index.

**** That would be the highest average tariff rate since 1934 in the midst of the Great Depression.**

- **As of April 2025, steel cost \$984 a metric ton in the United States**, significantly more than the price in Europe (\$690) or China (\$392), according to the U.S. Commerce Department.
- Trump's current steel and aluminum tariffs will likely be far more damaging than his 2018 tariffs. To begin with, the tariff on aluminum imports is 50%, not 10%.
- **Unlike the 2018 tariffs, the current tariffs do not exempt Canada, Brazil, Mexico, and the European Union, the biggest suppliers of imported steel to the United States.**
- **In addition, U.S. trading partners have already pledged to retaliate.** Ursula von der Leyen, European Union Commission president, called the U.S. steel and aluminum tariffs "unjustified," and promised that "they will trigger firm and proportionate countermeasures,"
- For every mega cap company like [Apple](#) warning of a [\\$900 million hit from tariffs](#) in its June quarter or [Ford Motor](#) projecting a [\\$1.5 billion blow](#) this year, or GM projecting many times that hit to their bottom line...

- Many goods frequently used by contractors, including steel, aluminum, fasteners, manufactured components, and HVAC units, are frequently procured from outside of the U.S.
- Thus, for example, **a 50% tariff on aluminum imported from Canada would significantly alter the bid and cost structure for a contractor installing the HVAC duct** in a new office building.
- So, too, would tariffs on fasteners and HVAC or other necessary construction supplies and parts imported from China at the current historically high tariff rates far above percent.

Summary:

- **While SMACNA members support realistic reshoring efforts** for product supply chain items, we are also in the middle of a time when the demand for electrical, mechanical and sheet metal supplies and building materials far exceeds domestic supply chain inventory.
- **SMACNA supports trade agreements that do not disadvantage our members, markets and supply chains.**
- **Tariffs restricting our access to vitally necessary supplies not available from US producers, or tariff-driven**

IMPACT ON CONSTRUCTION MARKETS

An analysis of Bureau of Labor Statistics data echoes this volatility:

- **Steel mill product prices jumped 5.9% in April**, and copper wire and cable rose 5%, but nearly 1 in 4 anticipate shrinking profit margins in the next six months.
- The secondary effects are mounting. According to recent surveys 59% of construction professionals have seen product cost increases as a top unexpected impact, and a full 75% of businesses have passed those costs on to customers.
- That's leading to customer loss — **16% of construction and transportation firms say buyers are walking away from deals.**
- Basu research found that nearly 22% of contractors had a project delayed or canceled in April due to tariffs, up from 18% in March,
- **Including a \$1 billion dollar Churchill Downs renovation mothballed by tariffs.**
- While 87% have been notified of tariff-related materials price increases. more than half of construction firms have delayed or canceled projects due to tariff-related concerns, and 12% of all sectors cite supply chain disruptions.

- Many trade and econometric models fail to capture the full harm of tariffs. Penn Wharton projects Trump's tariffs (April 2025) **will reduce long-run GDP by about 6% and wages by 5%.**

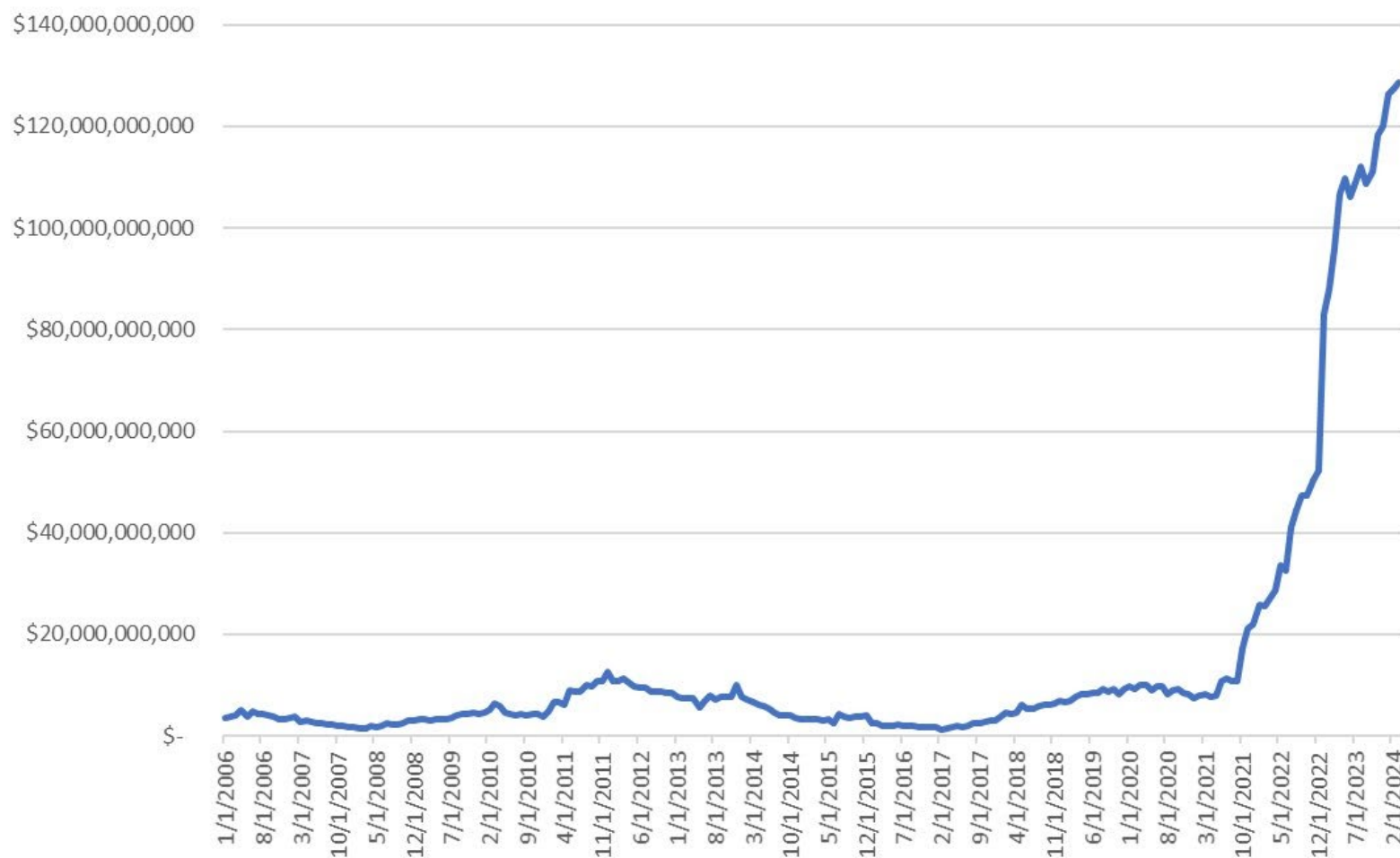
***U of Penn Wharton School model**

- Even conservatively estimating the impact, **the reduction in economic activity is more than twice as large as a tax increase on capital returns** that raises the same amount of revenue.
- A middle-income household faces a \$22K lifetime loss.
- **These losses are twice as large as a revenue-equivalent corporate tax increase from 21% to 36%,** an otherwise highly distorting tax.
- While raising the corporate tax rate is generally seen as highly economically distorting, tariffs **would reduce GDP and wages by more than twice as much.**

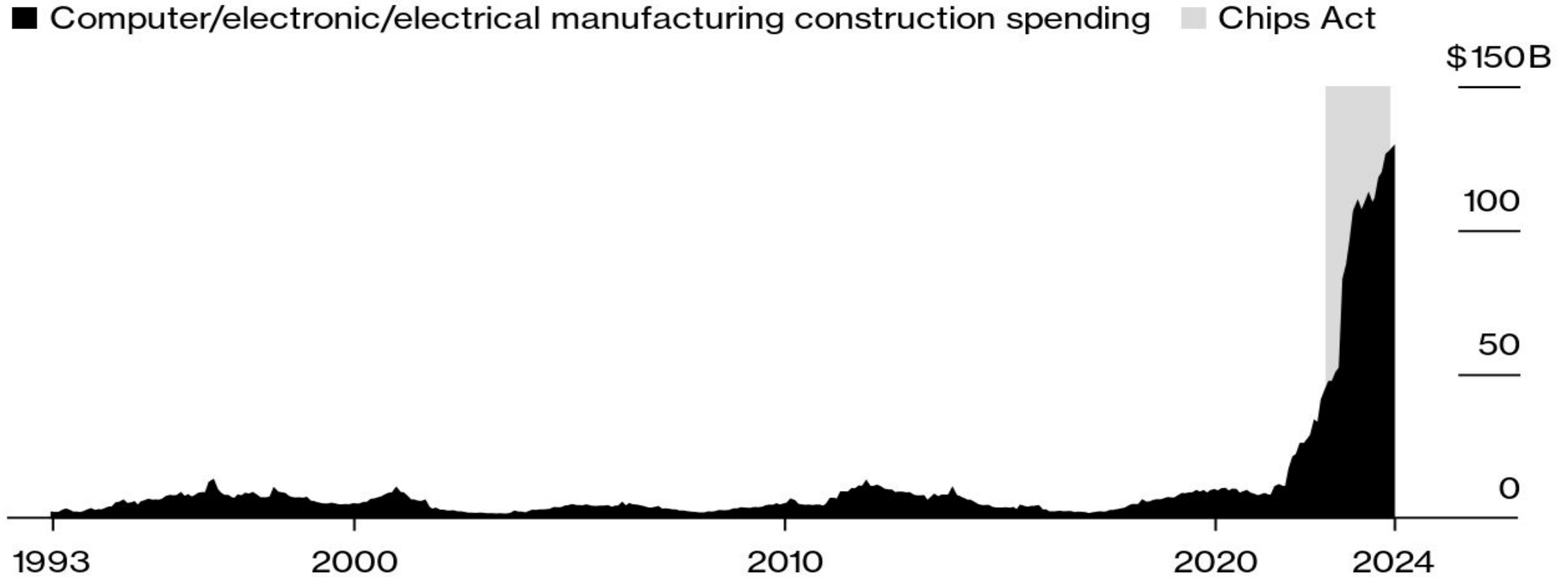
While tariffs were intended to bring more manufacturing back to the U.S., the numbers tell a different story. **(But 88% of businesses surveyed feared speaking up unless anonymous)**

- **Only 9.8% of companies surveyed have actually reshored production**, and 64% haven't made any major supply chain changes.
- **About 18% of firms plan capital expenditures** — spending on new equipment or buildings for instance — in the next six months, **the smallest share since April 2020.**
- **Trump's tariffs during his first term were counterproductive.** In March 2018, the Trump administration imposed a 25% tariff on imported steel and a 10% tariff on imported aluminum.
- In December 2019, the **Federal Reserve Board issued a study** showing just how ineffective the Trump tariffs had been. **In "How Tariffs Hurt Manufacturing,"** the finding of the Fed's study into plain English... **"The higher costs from tariffs swamped benefits to specific firms from import protection.**
- **The tariffs cost more jobs than they created."**

United States, Construction Finances, Private, Non-Residential,
Manufacturing, Computer/Electronic/Electrical, SA, AR, USD, U.S. Census
Bureau, Spending



Chip Factory Construction Skyrockets



Source: Peterson Institute of International Economics. Analysis of US Census Bureau data by Martin Chorzempa

Bloomberg

Legislative Actions in Congress: Seven Republican senators have backed bipartisan legislation to reassert Congress's tariff-setting powers amid growing unease in their party about the trade war's economic toll.

- **The Senate passed the bipartisan S. Con Res. 37 (Kaine / Paul) by the in April attempted to reclaim its tariff authority over Canadian tariffs** from the White House but was **blocked from a vote in the House.**
- Following that two identical bipartisan bills, **The Trade Review Act, H.R. 2665 (Bacon / Gottheimer) and S. 1272 (Grassley/Cantwell)** were introduced in the House and Senate.
- Neither bill has moved but cosponsor numbers are mounting as Congress responds to concerns from the electorate on economic conditions and trends.

Regulatory Options for Contractors: For cost- **There are three clauses in Federal Acquisition Regulation (“FAR”) contracts that may be used to recoup the rising costs of materials that has resulted from tariffs.**

reimbursement contracts, contractors should rely on FAR 31.201-2.

- **New Tax Provision Adjustment:** FAR 52.229-3 provides that “[t]he contract price shall be increased by the amount of any after-imposed Federal tax, **provided the Contractor warrants in writing that no amount for such newly imposed Federal excise tax or duty or rate increase was included in the contract price, as a contingency reserve or otherwise.**”
- For a tariff to be considered a newly imposed tax, the tariff must be implemented after the date set for bid opening or, for a negotiated contract or modification, after the effective date of the contract or modification.
- **Economic Price Adjustment Provision:** **An economic price adjustment clause, including FAR 52.216-4, may be another option if it is included in the contract. FAR 52.216-4** provides that contractors may, at any time during contract performance, notify the Contracting Officer if the unit prices for material shown in the schedule either increase or decrease. **Increased prices that are the result of a tariff arguably fall within the scope of this economic price adjustment provision.** Not all contracts contain economic price adjustment clauses and contracts should be carefully reviewed to determine whether the clause is included and allows for a price increase. If the contract does not include this clause, the possibility always exists to negotiate a modification with the Contracting Officer to include one given the uncertainty in the market with potential tariffs.

Flexibly Priced Federal Contracts: to recover increased costs associated with tariffs. Flexibly priced contracts include cost-reimbursement contracts and other contracts that are subject **Contractors that are performing flexibly priced contracts generally should rely on the allowability rules under FAR 31.201-2** to adjustment based on actual costs incurred, including incentive and certain time-and-materials contracts. FAR 31.201-2 requires that a cost is: (1) reasonable; (2) allocable; and (3) consistent with the Cost Accounting Standards' generally accepted accounting principles and practices (if applicable), contract terms, and any FAR cost principles. **While not yet determined,** **it is likely that FAR 31.201-2 will permit recovery of tariff-related cost increases.**

SMACNA contractors should now take steps to mitigate the impacts of tariffs on construction-related imports. For example, SMACNA contractors should consider any and all of the following actions. Companies must quickly adapt to these changes to mitigate risks and seize potential opportunities by doing the following:

- **Buy in Bulk**—Buying materials in advance avoids any uncertainty regarding price where feasible, and plan to store the additional material need to be addressed as well.
- **Locate U.S. Suppliers**—Now is the time to explore whether domestic suppliers of specific products or manufactured items exist. This, too, is not often feasible, and contractors may need to explore other options.
- **Revise and Update Construction Contracts and Subcontracts**—For new contracts and subcontracts, SMACNA contractors should review the cost structure and update pricing based on the latest tariffs and potential tariffs. Contractors should also consider adding provisions allowing for increased material costs to be passed through to the owner or general contractor.
- **Analyze Existing Contracts and Subcontracts**—For existing contracts and subcontracts, contractors should review any contractual provisions relating to tariffs, changes in laws, and force majeure to determine if they can pass along higher costs upstream should tariffs mean the cost of their materials go up.
 - Consider including price escalation clauses in private and public contracts

- **Legislative Summary:**

- While Congress has significant authority over tariffs, including the power to pass laws to **block** or **alter** tariffs imposed by the President, this power is often **limited by the President's authority** under a select number of existing trade laws.
- In many cases, **Congress must pass new legislation** to change or block all Executive branch trade actions and tariffs, and
- if the President vetoes such legislation, Congress must override the veto with a **two-thirds majority**. The political and legal dynamics often make it difficult for Congress to directly block tariffs unless there is broad bipartisan support.

- **What is going to happen IF the Courts do NOT Intervene?**

From a confidential briefing off the record with the top people at JP Morgan and Morgan Stanley and factoring in their trade experience and my Hill meetings, what I think will happen.

1. **The White House backs down on some but not all reciprocal tariffs** by fall, keeps or even bumps up the 25% on aluminum and steel and soft timber and cars
2. **Trade disputes and breakdown in discussions boosts tariffs from current levels against China...** But keeping less than half the rate earlier threatened of nearly 150%.
3. **Much to resolve by July 4th** / Business interests, SMACNA, are working for more favorable tax treatment
4. **The breakdown predictions with 24-hour shelf life!**

Basic tariffs - 10% tariff stays on everyone (far higher than ever before)

Reciprocal tariffs –elevated number stays in place on some but not most and some special rates will stay high

Sectoral tariffs - largely stay (on us) for steel / aluminum and autos / timber with copper and pharmaceuticals coming... all targets for special pain.

China specialized tariffs – rates move down with opportunities to relax them based upon good behavior, but they do not get anywhere close to 20%.

- What is next?
- **White House and Treasury will announce trade frameworks (NOT agreements)** mostly with the countries we have existing and recent formal agreements with and no or minimal tariffs... to show momentum (with S Korea and Australia and Japan and a less formalized agreement with India to push Apple to get more operations out of China... Less likely if a serious arrangement can be worked out with China by next year.
- **The EU has been working around the US** in the last two to three years and has new agreements for selling more to other nation's ... 70% of US trade to be rerouted.
- The US is now often seen as somewhat unreliable on trade, foreign affairs and NATO matters and the EU getting most of the stock and bond investment funds due to “sell the US market” trend.
- **Most of the nation's we have on the list do major business with China** so can give us tariff relief and buy more from China at better terms, India for example.
- **This exercise is taking the US of out of the leadership role in trade, and many predict it will be a decade to get markets and leadership role back...** recall what happened to corn and soybeans... still not selling close to levels before the last Trump vs China trade skirmish as Brazil got the US market when Trump was in last time...

Conclusion

- **While uncertainty is the new norm, the trends are for tariffs to stay in place, even if in fewer places and on fewer items.**
- The final decision appears more and more in the hands of the US Judicial branch... and the World Trade Court funneling countless cases to the US Supreme Court.



Thank you!

Please reach out to the SMACNA Government Affairs staff with questions!

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