February 5, 2025

Tariffs, National Security, and the Electrical Construction Industry

On February 1, 2025, President Trump announced executive actions that have imposed significant, additional trade tariffs on imports from Canada, Mexico, and the People's Republic of China (PRC), citing "extraordinary threat[s] posed by illegal aliens and drugs, including deadly fentanyl". Under the authority of the International Emergency Economic Powers Act (IEEPA), and the National Emergencies Act (NEA), these tariffs target the largest U.S. trade partners, accounting for billions of dollars in imports annually on things such as steel and lumber. Whether or not the courts uphold President Trump's use of the IEEPA remains to be seen.

While aimed at addressing illicit drug trafficking and border security, these tariffs may introduce economic challenges for industries dependent on international supply chains – including electrical construction. Understanding the implications of these policies is crucial for contractors to navigate potential cost increases, project delays, or shifts in material sourcing.

As of February 3, 2025, a one-month delay on implementation for tariffs between both Canada and Mexico was enacted in exchange for U.S. border enhancements.

As of February 4, 2025, China announced that it will implement a 15% tariff on certain types of coal and liquefied natural gas, and a 10% tariff on crude oil, agricultural machinery, large-displacement cars and pickup trucks. These levies are set to take effect on February 10th. China's Ministry of Commerce also announced export controls effective immediately on more than two dozen metal products including tungsten and tellurium; critical minerals used in industrial and defense applications as well as solar cells.

Scope of Tariffs

Going into effect 12:01am eastern time on February 4th, 2025, goods imported from Canada, Mexico, and China are now subject to additional tariffs under the recent executive actions. These include:

- 25% tariff on most Canadian and Mexican imports, with a 10% tariff on Canadian energy products and a 10% tariff on all imports from China.
- The Executive Orders do not provide for a product exclusion process, meaning that every imported product from Canada, Mexico and China faces the tariff until otherwise noted by the President. Retaliation Provisions – If Canada, Mexico, or China retaliate with their own tariffs, the President retains the authority to expand or increase duties further.
- On February 1, 2025, Canadian Prime Minister Justin Trudeau announced Canada would impose retaliatory tariffs against the U.S. Canada's Department of Finance and Ministry of Foreign Affairs confirmed it would impose 25% counter-tariffs on U.S. Goods effective on February 4, 2025.
- On February 2, 2025, Mexican President Claudia Sheinbaum ordered her economy minster to implement tariff and non-tariff measures to defend Mexico's interests. While no additional details

have been provided, Sheinbaum emphasized that her government did not want confrontation, but rather collaboration and dialogue.

- Trade Policy Flexibility – Tariffs may be lifted, reduced, or further delayed if Canada and Mexico take decisive action to curb illicit drug trafficking.

Impact on Electrical Contractors

The electrical construction industry may face considerable risks due to these tariffs. The most immediate effects may include:

- Increased Material Costs – Essential imports such as copper wiring, electrical panels, and transformers will now be subject to significant cost increases.
- Supply Chain Disruptions – Delays in material procurement could impact project timelines, particularly for contractors working on large-scale infrastructure projects.
- Contractual Challenges – Employers with fixed-price contracts may face significant financial strain if existing agreements do now allow for adjustments due to increased tariffs.
- Shift to Domestic Suppliers – Some employers may seek U.S. based manufacturers to mitigate tariff exposure, though domestic suppliers may not be able to meet increased demand, further inflating prices.

Strategies for Navigating the Tariff Landscape

Employers and industry stakeholders should adopt a proactive approach to mitigate risks associated with these trade policies. Recommended strategies include:

- Diversified Sourcing – Exploring alternative suppliers, including domestic manufacturers or other countries' imports, can help offset price increases.
- Contractual Adjustments – Proactively negotiating cost escalation clauses in new contracts and reviewing existing agreements for provisions like "force majeure" or "change-in-law" to address tariff-related risks.
- Strategic Inventory Management – Utilizing creative strategic inventory management and coordinating with existing third-party vendors may prevent shortages in materials.
- Policy Advocacy – Engaging with policymakers may help to influence future trade negotiations and provide long term economic relief for affected businesses.
- Legal and Financial Consultation – Consult with legal and financial experts to evaluate contracts, ensure compliance, and manage risks effectively.

The NECA Labor Relations and Government Affairs teams will continue to monitor this rapidly changing landscape and provide regular updates to members and the industry.

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