

opening minds enabling dreams

Impact of Tariffs on BC Libraries
Scott Hargrove, CEO



TRADE WARS



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Overview

- Introduction
- The Story So Far
- Origin of potential tariffs
- What are the details of the proposed tariffs?
- How will it impact BC Libraries and their budgets?
- What should we be doing to assess and prepare?
- Other important considerations
- Questions and discussion

Introduction

- Things I am not:
 - An economist

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Introduction

- Things I am not:
 - An economist
 - An accountant

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Introduction

- Things I am not:
 - An economist
 - An accountant
 - A lawyer

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Introduction

- Things I will focus on:
 - Explanations of the current tariffs and trade war situation between the US and Canada
 - The impact of the current tariff situation, and the potential impacts of tariffs proposed for the future
 - Strategies libraries can use to assess and mitigate financial risk as far as budgets are concerned

Introduction

- Things I will **NOT** focus on:
 - Global tariff situation

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Introduction

- Things I will **NOT** focus on:
 - Global tariff situation
 - Politics (well, mostly...)

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Oh no, I'm not brave enough for politics.

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Introduction

- Things I will **NOT** focus on:
 - Global tariff situation
 - Politics (well, mostly...)
 - Value judgements

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Introduction

- Things I will **NOT** focus on:
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 - Politics (well, mostly...)
 - Value judgements
 - Speculation (again, mostly...have to engage in some speculation for long range planning)

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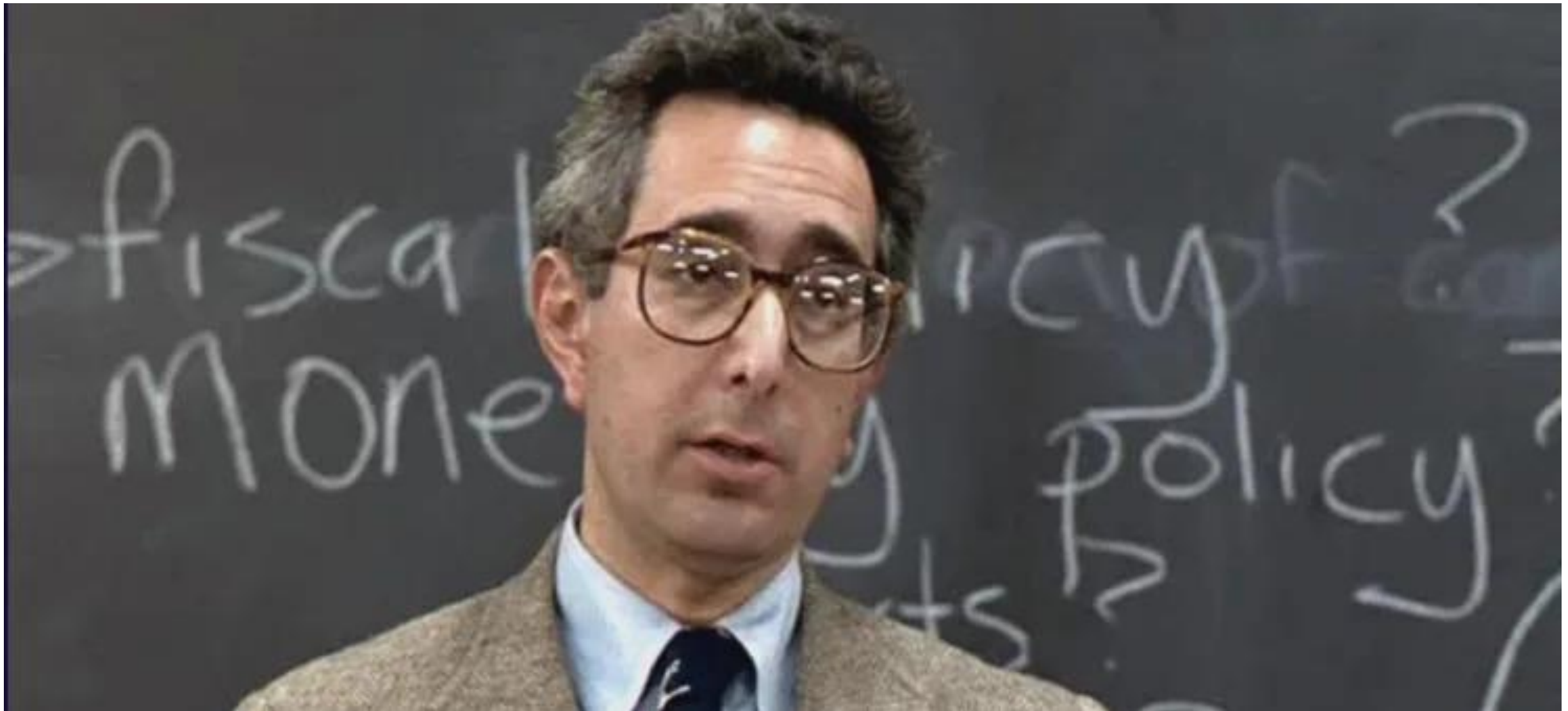
The Story So Far

- Canada and the US have historically had a tumultuous trade relationship
- At various times earlier in our history, both countries enacted strong tariffs on each other to protect their own industry and business

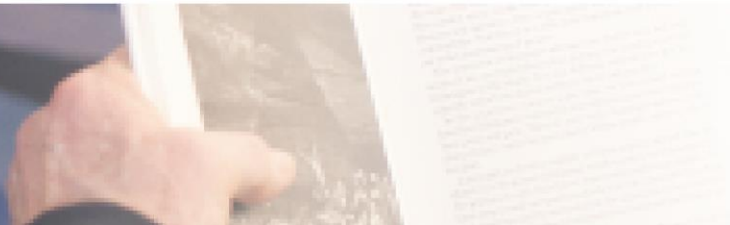
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The Story So Far

- In one of the best known examples, in 1930, after the stock market crash of 1929, US President Hoover signed the Smoot-Hawley Act into law, ostensibly to protect US farmers from foreign competition, but later extended to a wide array of products, with a 20% tariff increase on agricultural and industrial goods



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The Story So Far

- As with today, in 1930 many countries, including Canada, immediately enacted retaliatory tariffs on the US
- In Canada's case, tariffs were placed on 16 US products, representing about a third of US exports at the time
- Badly weakened the US economy, with exports dropping by 61% by 1933

The Story So Far

- President Hoover's popularity fell, and Roosevelt defeated him in the 1932 election
- Between 1934 and 1939, the Roosevelt administration negotiated new trade agreements with 19 countries, and the Reciprocal Trade Agreements Act of 1934
- Economists are generally aligned in condemning the Smoot-Hawley Act as disastrous policy that intensified and extended The Great Depression

Origin and Details of Potential Tariffs

- The tariffs in force, but currently paused, by US President Trump, were issued under Presidential Emergency Powers
- Amount to a 25% tax on all goods **of Canadian origin** that cross the border and are **cleared through customs**
- Additional 10% on energy products – oil, uranium, rare earths – but not electricity

Additional Tariffs

- The US additionally applied a 25% tariff on Canadian steel and aluminum, and a 25% tariff on Canadian automobiles
- In response, Canada has applied a 25% tariff on approximately \$30 billion worth of US Goods, including steel, aluminum and certain auto imports, and 10% on potash and energy products not compliant with the Canada-U.S.-Mexico Agreement (CUSMA)
- Canada has enacted, but paused for 90 days, a Phase 2 list of goods (worth \$125 billion)

Additional Tariffs

- List of products from the US subject to 25% tariffs, effective March 4, 2025 (Phase 1)
- <https://www.canada.ca/en/departement-finance/news/2025/03/list-of-products-from-the-united-states-subject-to-25-per-cent-tariffs-effective-march-4-2025.html>

Additional Tariffs

- Canada has paused 15% of retaliatory tariffs (Phase 2) on \$125 billion worth of US Goods that was supposed to go into force March 25, 2025
- <https://www.canada.ca/en/department-finance/programs/international-trade-finance-policy/canadas-response-us-tariffs/complete-list-us-products-subject-to-counter-tariffs.html>

Additional Tariffs

- List of proposed products from the US subject to 25% tariffs
- <https://www.canada.ca/en/departement-finance/programmes/consultations/2025/notice-intent-impose-countermeasures-response-united-states-tariffs-on-canadian-goods.html>

What happened to NAFTA?

- Under NAFTA, goods of Canadian or American origin are “duty free” – this would be flipped with these tariffs
- Orders did NOT overturn NAFTA – the analysis of the origin of goods is still in force. Duty free, but not tariff free
- Focused on traditional physical goods – electronic goods such as downloadable software are not included

What happened to NAFTA?

- Under NAFTA 2/USMCA/CUSMA, tariffs are a clear violation of the trilateral agreement
- BUT...all have provisions that allow suspension of these rules in a National Emergency...fentanyl and mass migration being the emergency identified by President Trump
 - “novel use of the provision” – not used during the pandemic
 - “driving a truck through a pinhole”

What happened to NAFTA?

- Can and are being challenged in both NAFTA and WTO – but it is a lengthy process which basically allows the other side to enact counter-tariffs, which Canada is already doing
- Process shortened dramatically through IEEPA, successor to the “Trading with the Enemy Act” used for sanctions, sidestepping various government agencies and watchdogs
- Canadian response took longer, with Orders in Council

Late breaking news...again...

- On May 28, the federal Court of International Trade, struck down the “emergency tariffs” enacted since April 4th
 - Tariffs struck down:
 - 10% universal baseline tariff
 - 20% duties on Chinese goods in response to its alleged failures to combat fentanyl trafficking
 - 10% reciprocal “duty” targeting all Chinese goods
 - De minimis tariffs on Chinese goods valued at less than \$800

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Late breaking news...again...

- On May 28, the federal Court of International Trade, struck down the “emergency tariffs” enacted since April 4th
 - Tariffs that remain in place:
 - 25% on auto imports (excluding non-U.S. content of USMCA-compliant autos)
 - 25% on auto parts imports (USMCA-compliant parts exempt)
 - 25% on all steel, aluminum and aluminum articles

Late breaking news...again...again...

- On May 29th, the United States Court of Appeals has paused the ruling of the first court, and has required both sides to present written arguments on the question of blocking the tariffs

Late breaking news...again...again...

- Does not help Canada directly...yet...
- Does indicate that...some?...of the tariff orders **may** not be legal
- But...the US Administration will appeal, and have stated that there are “3 or 4 other ways” they could use to enact the tariffs
- So stay tuned for more late late...later?...breaking news...

How will it impact BC Libraries and their budgets?

- Two separate impacts:
 - Impact of Canadian Tariffs (direct impact)
 - Impact of US Tariffs (indirect impact)

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How will it impact BC Libraries and their budgets?

- Canadian tariffs
 - Primary concern of libraries is a direct tariff on physical books placed by the Canadian government, presumably 10% or 25%, as was originally floated in the federal government proposals
 - Depending on the determination of country of origin, it would be a direct increase to the cost of physical books for libraries, reducing our buying power by the same percentage
 - Advocacy efforts are under way from Library Associations, publishers and bookstores

How will it impact BC Libraries and their budgets?

- Canadian tariffs
 - Although book tariffs are the primary risks, any other products libraries need that originate in the US are a concern
 - FVRL example: Back-up Generator

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How will it impact BC Libraries and their budgets?

- US tariffs
 - Libraries aren't selling anything to the US, so our budgets are not directly affected by the US tariffs
 - However, the business and residents who support us through tax dollars WILL be heavily impacted, and taxes will be cut to help support them
 - Tax cuts will have a negative impact on library budgets in the longer term
 - Hard decisions will have to be made

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The Most Popular Question

- “When considering the situation, how do we get our funders to understand the problem, and just give us more money to offset the tariffs?”

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The Unwelcome, Unpopular Answer

- We don't.
- The tariffs are part of a trade war, and amount to an economic attack on Canada - every industry is going to be affected
- To assume otherwise will simply make our funders angry with us, and traditional for-profit businesses resentful of us
- There is a major economic problem facing our country – we are all going to have to accept that all of us are facing major budget issues

The Unwelcome, Unpopular Answer

- Advocacy currently underway may reduce the tariffs – speculation – I wouldn't be surprised to see a tariff on US origin books reduced from 25% to 10%
- This would be a major win for libraries and bookstores – but will still have a significant impact on our buying power

What should we be doing to assess and prepare?

- Plan for impact on materials budget
 - Change our buying patterns, as many libraries have already started
 - Buy more eBooks and eAudiobooks, currently not subject to tariffs, instead of physical books
 - Focus on buying materials appropriate to the format – more adult fiction eBooks, and transitioning the budget for physical materials more to children's books, for example

What should we be doing to assess and prepare?

- Still an evolving situation, but key planning includes understanding the known factors with your own procurement, including:
 - Consider origin of all purchased goods carefully
 - Immediately re-evaluate supply chains
 - Evaluate impact of other trade agreements and consider new suppliers
 - Examine existing contracts with consideration of the new tariff environment – who bears the risk?

Other Important Considerations

- Critical to follow federal and provincial instructions in any response, as opposed to determining and enacting our own directions

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- Consider roles and responsibilities: Role of the Board, especially the Board Chair, and the Library Director

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Other Important Considerations

- Critical to follow federal and provincial instructions in any response, as opposed to determining and enacting our own directions
- Consider roles and responsibilities: Role of the Board, especially the Board Chair, and the Library Director
- Maintain constant vigilance, and reassess when things change – 11 versions of this presentation in two weeks

Questions and Discussion



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