



TARIFFS

Thoughts on Tariffs and Trade Wars.





Thoughts on trade wars & tariffs

A **tariff** is nothing more than a tax on imports or exports, so it is surprising to me how quickly a “tax” can escalate into a “war” – especially a war that can impact Canadian wool. These last few weeks of hand-wringing got me thinking and reading about how we do business. I’d like to share some thoughts about trade and how tariffs affect my business.

HOW DID WE GET HERE

Recently, my friend and I were in a heated debate about US/Canada relations. Fun, right? My friend is a Canadian artist living in Brooklyn. Exasperated by our conversation and on the verge of hanging up, she blurted out “what are tariffs, anyway? And why they are ‘bad’?” Her question left me wishing I had a simple answer. I went searching and this is what I came up with.

Countries rely on trade for economic survival. Selling goods abroad brings money back home, securing jobs, and stimulating spending. On a simpler level, the same thing happens within families. Parents go to work to earn salaries that they bring home to sustain their families. And while the world didn’t always look this way, humans have been trading goods and building economies since Neolithic times. In other words, the existential trade crisis we face today is nothing new.

As early as 8000 BCE, Mesopotamian people were designing social structures. Modern agriculture, science, invention, and trade began to take shape. By 130 BCE, the Chinese Han Dynasty opened the Silk Roads, facilitating the first trading between Asia and the Middle East. Silk Roads remained open until 1430, when the Ottoman Empire boycotted trade with China in favour of oceanic trade with Europe. Jump ahead another 350 years and the Scottish economist and philosopher [Adam Smith’s seminal work, *The Wealth of Nations*](#), becomes a precursor to the capitalist free market economy under which global trade operates today.



Admittedly, this is an ultra-simplified map of how modern trade evolved. I'm a wool agent - not an economist. The important thing to note is that we've been trading with other countries for a long time and that disputes and accords are not new and neither are they permanent. They are organic things that reflect the state of the societies they serve.

THE MECHANICS OF TARIFFS

Canada exports the stuff it makes to countries who don't make that stuff! And it imports the stuff it doesn't already make. Thanks to the 24-hour news cycle, we know that Canada exports lumber, aluminum, nickel, potash, gas, and car parts. We export lots of other stuff too. Grain, meat, animal genetics, medical devices, airplanes, boats, maple syrup and much more... In February 2025, [Canada exported \\$87.8 bn in goods around the world](#) and economists tell us this is a deep drop in export compared with previous months.

Countries who have sufficient manufacturing capacity to meet domestic demand will impose higher tariffs on imports of that product to offset the threat to local industries and give domestic production a competitive advantage. Conversely, countries apply a lower import tariff on products they don't manufacture, improving access to those products for its citizens. In countries where a lot of reciprocal business happens, there may be a Free Trade Agreement - an accord that acknowledges the advantages for both countries to removing trade barriers. Canada currently upholds [15 Free Trade Agreements](#) covering 51 countries. In and of themselves, tariffs are useful instruments for trade balance and the US is right to re-evaluate their import and export system, periodically and responsibly.

Unfortunately, the current US tariff threat has lost credibility and impact because of poor strategy, communication, and implementation. Tariffs are applied indiscriminately, even where no US manufacturing capacity exists to replace imports. The administration's unclear explanations and menacing language further undermine their effectiveness. Chaotic implementation (or lack thereof) destabilizes partners, damaging centuries-old relationships and adding confusion and strife. An irresponsible rollout is what make these tariffs "bad".

TARIFFS OF WOOL RUGS

A few years ago, I was asked to produce [an export plan for Canadian wool carpets](#). The project involved identifying manufacturing pathways and foreign markets that might have an appetite for Canadian wool.



Naturally, I considered countries with rich rug-making traditions, expecting they would appreciate our wool. However, this proved ineffective because these countries imposed higher import tariffs on foreign-made rugs compared to those countries with little rug-making capability. For example, Syria imposes a 54% import tariff, making Canadian wool rugs significantly more expensive than local ones. It would be impossible for Canadian rugs to compete in the Syrian market. In contrast, countries like Australia (1.76%), the US (2.2%), South Africa (2.72%), Europe (2.89%), and Japan (6.64%) impose much lower tariffs. And despite being a wool superpower, Australia had the lowest tariffs of all on imported wool rugs. This is because they don't have sufficient manufacturing capacity to meet their own wool rug needs. (The tariffs per country are in brackets.)

NEVER WASTE A GOOD CRISIS...

At the outset of the trade war, Canadian businessman Pierre Lassonde donated [\\$50M to Université de Montréal](#) to fund an institute for disruptive innovation. He believes Canada has grown used to being dependent on the U.S., but warned those days are now gone. "Never waste a good crisis," he said, and "...this is a good crisis." A statement like that is a *cri de cœur* for any entrepreneur.

Over the years, I've developed a deep trade relationship with [American Woolen](#), New England's oldest commercial weaving mill. We share the same vision and values. In fact, we built our visions collaboratively, learning from each other's wins and losses. We even built our own Silk Roads along the New England interstate between Quebec and Connecticut.

When tariffs were first announced, I had a major project on the loom with them. It was a contract I negotiated over a year ago with a high-profile Canadian client. At the time, tariffs were not on anyone's mind so I hadn't planned for the legal and financial fall-out that a 25% reciprocal tariff would impose.

Like many Canadian makers, I produce as much as possible domestically. Canadian wool, scouring, spinning, and dyeing. I supplement with foreign manufacturers like American Woolen for weaving and finishing since Canada doesn't have those capabilities.

When Canada imposed reciprocal tariffs on US imports, I panicked. My business model was to repatriate the wool as finished product (wool blankets). Manufacturing in US dollars with a destabilised US/CAN foreign exchange and a 25% tariff is absolutely crippling.



American Woolen helped me quickly adapt. They accelerated production to beat a tariff deadline and suggested moving cut-and-sew back to Canada to reclassify the import as semi-finished cloth.

I prepared affidavits and certificates of origin for the Canadian wool and its components. Partners here in Canada sourced a local cut-and-sew facility, and our strong collaboration with shipper and customs broker ensured smooth passage at the border. It was a successful, ecosystem-wide effort based on trust and experience.

Going forward, American Woolen will continue to provide the non-tariffed "service of weaving," and we will repatriate semi-finished cloth on rolls with final assembly at a family-owned atelier in the Quebec countryside.

We didn't waste a good crisis. We turned it into an opportunity for improved efficiency and business, thanks to our strong US partner. This is the type of trade relationship Canadians fear losing in a trade war. We need to be strengthening relationships with companies like American Woolen, not destroying them.

THANKS FOR READING ALONG...

This is the second edition of my LATEST news and I'm still finding my feet. To know me is to know that I'm pretty introverted with my work. I typically work alone. I struggle to post on social media. I hate getting my picture taken. Blogs make me as itchy as a 37-micron sweater. But I love business. I love art, culture, design, and sheep. Through this outlet, I hope to step out of my shell and share with you the fascinating things that come across my desk as Canada's first Wool Agent. Feedback is always welcome!

My best to you,