Navigating the Complexities of the U.S.-Canada Trade Environment

Protect Your Business with Comprehensive Risk Management Solutions

On February 3rd, President Trump suspended his threat to impose a **25% tariff on Canadian goods and services**, excluding **energy products, which would incur a 10% tariff**, and agreed to a 30-day pause. If the threat is put into action, Canada plans to implement its own 25% tariff on selected U.S. imports valued at over $150 billion. Economists predict that this trade war will have severe repercussions for both countries, with Canadian companies struggling to adapt.

While some companies plan to absorb the tariffs to maintain U.S. client relationships, others expect U.S. clients to cover the costs, risking reduced trade flows. There are also considerations for relocating production to the U.S. Additionally, a surge in U.S. and international orders has been noted as companies rush to place orders before tariffs take effect, potentially straining buyer credit limits. The overall outlook suggests rising inflation, slowed economic growth, and deteriorating profit margins, alongside worsening credit conditions and disrupted supply chains.

In response to these challenges, **Trade Credit Insurance (TCI)** can provide essential support. TCI protects clients against bad debt losses from buyer payment defaults and insolvency, allowing them to extend more credit and maintain competitiveness. It can also enhance the credit quality of receivables used as collateral for working capital financing, facilitating better lending terms amid tightening bank criteria.

For clients looking to diversify away from the U.S. market, TCI can aid in navigating new and potentially riskier markets by allowing secure trading, and offering reliable credit information on unfamiliar buyers. Additionally, clients planning to establish operations in politically unstable regions can benefit from **Political Risk Insurance (PRI)**, which safeguards assets, contracts, and investment values against losses from political violence, currency controls, and government interference.

Lastly, clients concerned about potential supply chain disruptions can utilize **Trade Disruption Insurance (TDI)**, which compensates for lost profits, contractual penalties and additional expenses incurred from interruptions due to various political, marine and natural hazards.

Designed to effectively navigate the complexities of the current trade environment, TCI, TDI and PRI are essential components of a comprehensive credit and political risk management strategy.

Contact us

Ask your BFL CANADA broker how we can help you stay resilient and competitive in this evolving landscape.