

NAVIGATING TRADE CHALLENGES AND COMPLIANCE

The evolving landscape of international trade presents Canadian importers and exporters with numerous challenges, including recent U.S. tariffs under the Trump administration, ongoing trade disputes with China, and stringent compliance requirements enforced by the Canada Border Services Agency (CBSA). Effective customs brokerage is essential for businesses to navigate these complexities, ensure compliance, and maintain operational efficiency.

Impact of New U.S. Tariffs

In February 2025, President Trump announced a 25% tariff on all steel and aluminum imports to the United States, effective March 12, 2025, eliminating previous exemptions. This move aims to protect American steelmakers but raises concerns about increased costs for U.S. industries reliant on these imports.

For Canadian businesses, these tariffs pose significant challenges:

- **Increased Costs:** Exporters of steel and aluminum to the U.S. face higher tariffs, impacting competitiveness.
- **Supply Chain Disruptions:** Companies relying on U.S. steel and aluminum may encounter increased costs and supply shortages.
- **Trade Tensions:** Escalating tariffs strain Canada-U.S. trade relations, leading to potential retaliatory measures.

China Trade Issues

Canada's trade relationship with China has experienced increased tensions, leading to a series of tariffs and counter-tariffs:

- **Canadian Tariffs:** In October 2024, Canada imposed a 100% tariff on Chinese electric vehicles and a 25% tariff on Chinese steel and aluminum products, citing concerns over market distortion and unfair competition.
- **Chinese Retaliation:** In March 2025, China announced retaliatory tariffs on Canadian agricultural products, including a 100% tariff on rapeseed oil, peas, and oilcakes, and a 25% tariff on aquatic products and pork, effective March 20, 2025.

These measures have significant implications for Canadian businesses engaged in trade with China, necessitating strategic adjustments to mitigate risks.

Canada's Tariff Structure

Canada's tariff system is designed to protect domestic industries while promoting fair trade:

- **Most Favoured Nation (MFN) Tariffs:** Applied to imports from World Trade Organization (WTO) member countries, including China.
- **Preferential Tariff Programs:** Reduced tariffs through trade agreements such as the Comprehensive Economic and Trade Agreement (CETA) with the European Union and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).
- **Special Import Measures Act (SIMA) Duties:** Imposed on goods deemed to be dumped or subsidized, particularly from China.

- Agricultural and Consumer Goods Tariffs: Specific tariff rate quotas (TRQs) apply to goods like dairy, poultry, and textiles, restricting the volume of low-tariff imports.
- Harmonized Tariff Schedule (HTS) Classification: Proper classification ensures compliance and avoids penalties from incorrect duty application.

Example of a Verification (VI) Audit Report

The CBSA conducts Verification (VI) Audits to ensure compliance with customs regulations. A typical scenario involves:

Case Study: Importer of Steel Components from China

- Company: ABC Manufacturing Inc.
- Product: Steel Fasteners
- Issue: The company classified their imported steel fasteners under a general tariff code (MFN duty 5%), but a CBSA audit determined that the product fell under a SIMA duty classification due to an anti-dumping ruling on Chinese steel fasteners (additional 80% duty).

Findings in VI Audit Report:

1. Incorrect Classification: Product misclassified under general HS code instead of anti-dumping category.
2. Underpaid Duties: The company failed to pay the additional 80% SIMA duty.
3. Retroactive Assessment: CBSA demanded back-payment of underpaid duties for the last 12 months, totaling \$250,000.
4. Corrective Measures: The company was required to reclassify future imports correctly and implement an internal compliance program.

[Example of VI Audit Report](#)

How Frontier Can Help

Frontier Supply Chain Solutions offers comprehensive services to assist businesses in navigating these challenges:

- **Customs Compliance & Tariff Classification:** Ensuring accurate HS classification to prevent misclassification penalties and duty overpayments.
- **Audit Support & Risk Mitigation:** Assisting businesses in preparing for CBSA Verification Audits and resolving compliance issues.
- **Duty Reduction Strategies:** Helping businesses leverage trade agreements, duty deferrals, and other programs to minimize tariff costs.
- **Regulatory Advisory Services:** Keeping clients informed of evolving Canadian and international trade regulations, including sanctions, tariffs, and trade restrictions.
- **Supply Chain Optimization:** Offering strategic guidance to restructure supply chains, source alternative suppliers, and reduce tariff exposure.
- **End-to-End Brokerage Solutions:** Managing the entire customs clearance process to ensure smooth and cost-effective import operations.

Canadian importers face increasing challenges due to new U.S. tariffs, China-related trade issues, and CBSA audits. By partnering with Frontier Supply Chain Solutions, businesses can mitigate risks, optimize costs, and maintain compliance in a shifting trade landscape.

Our expertise ensures that companies remain competitive while navigating the complexities of international trade.