IFCBAA Position Paper – Current Position on Artificial Intelligence (AI) in the Freight Forwarding and Customs Brokerage Industry

EXECUTIVE SUMMARY

Artificial Intelligence (AI) is accelerating rapidly and is poised to transform the Australian international freight forwarding and customs brokerage sector. While AI is already embedded in many parts of society such as finance, media, customer service, and entertainment amongst others, its application in international trade brings unique opportunities and risks that require proactive industry policy, capability development, and strong ethical frameworks. Given the rapid pace of technological development and the evolving capabilities of AI systems, this policy paper reflects IFCBAA's current position and may be reviewed and updated as the technology, regulatory landscape and industry practices continue to evolve.

For Freight Forwarders and Licenced Customs Brokers, AI offers the potential to enhance productivity, improve risk-assessment tools, streamline document management, and reduce administrative workloads. However, the technology also brings challenges around reliance, accuracy, legal responsibility, and workforce transition. The ability of AI to generate recommendations without contextual understanding, combined with its limitations in interpreting complex HS classification rules, means human expertise remains essential.

AI is likely to significantly reshape intermediary roles like customs classifiers and customs compilers as well as entry-level roles like registration clerks, customer service and the nearly obsolete "runner" role. This has the potential to reduce traditional pathways for new entrants to develop foundational skills. At the same time, new roles in data analysis, systems governance, and AI oversight will emerge. Skill profiles across the industry may shift - traditional manual competencies may decline while digital literacy, analytical capability, and critical reasoning become key assets.

Artificial intelligence is already being adopted by businesses engaged in international trade. Research conducted jointly by the World Trade Organization (WTO) and the International Chamber of Commerce (ICC) found that almost half of surveyed firms are already using AI in trade-related activities, with firms reporting improvements in operational efficiency, decision-making and supply-chain management.

Regulators are also engaging. International regulatory developments, including recent U.S. CBP rulings, reinforce that customs-related decision-making remains the responsibility of licenced professionals, regardless of the use of AI or digital platforms. The Australian Government's *National AI Plan* released 2 December 2025 and Austrade's *Australian AI Industry Capability Report* released 13 November 2025 signal increasing oversight and expectations of responsible use, cybersecurity standards, and workforce readiness. RTOs must also adapt as AI-assisted plagiarism, assessment authenticity, and curriculum relevance become pressing issues.

1. Purpose of this Paper

This paper sets out IFCBAA's policy position on the use of AI within the international freight forwarding and customs brokerage sectors. As AI technologies continue to develop rapidly and become more embedded across the global economy, it is important that the industry adopts a considered and responsible approach to their use.

The purpose of this paper is to outline:

- the opportunities presented by AI in international trade
- the operational and compliance risks associated with its use
- the implications for workforce capability and professional standards
- IFCBAA's policy principles for the responsible adoption of AI.

AI is widely regarded as one of the most significant technological and economic transformations of the modern era, with the potential to unlock trillions of dollars in global productivity. This paper, however, focuses specifically on AI in the context of international trade, freight forwarding and customs brokerage, recognising that while AI is already used across society (entertainment, banking, finance, customer service, media, communications, etc.), the regulatory, operational, and risk environment for our sector is unique.

2. IFCBAA Position on Artificial Intelligence in International Trade

Artificial Intelligence is increasingly being integrated into global supply chains, trade documentation processes and regulatory environments. IFCBAA recognises that AI has the potential to enhance productivity, improve data analysis, and support more efficient trade facilitation.

However, the use of AI in international trade must occur within appropriate governance frameworks to ensure that regulatory compliance, professional accountability and supply chain integrity are maintained.

IFCBAA supports the responsible adoption of AI within the freight forwarding and customs brokerage sectors, guided by the following principles:

- Artificial Intelligence should support, not replace, professional judgement and regulatory expertise.
- Licenced customs brokers and industry professionals must remain accountable for regulatory decisions and compliance outcomes.
- AI use must be supported by clear governance frameworks, data protection safeguards and professional standards.
- Industry and government should collaborate to ensure AI strengthens trade facilitation while maintaining the integrity of Australia's border systems.

2.1 Definitions

For the purposes of this paper:

Licenced Customs Broker (LCB)

A Licenced Customs Broker is a person licenced under Part XI of the *Customs Act 1901 (Cth)* to carry on customs business on behalf of others. Licenced Customs Brokers are authorised to perform regulated customs activities and are subject to statutory obligations, licence conditions and professional accountability requirements under the *Customs Act 1901 (Cth)* and associated instruments.

Legislative context

Section 180 of the *Customs Act 1901 (Cth)* defines a customs broker as a person who holds a broker's licence that is in force.

Sections 183B–183C further clarify participation in the work of a customs broker, including where individuals act as nominees, agents, officers or employees, or exercise direction or control over customs broker activities.

Freight Forwarder

There is no statutory definition of a freight forwarder under Australian law.

As such, IFCBAA adopts a definition that aligns with international frameworks, including FIATA, WCO and WTO, while incorporating modern expectations around compliance, due diligence and supply chain accountability relevant to the Australian regulatory environment.

For the purposes of this paper:

A freight forwarder is a person or entity engaged in the planning, coordination and facilitation of the international movement of goods (by air, sea or multimodal transport) on behalf of others. This includes arranging carriage, consolidation, storage, handling and distribution of goods, as well as managing associated documentation and regulatory formalities required for cross-border trade. In performing these functions, a freight forwarder acts as an intermediary and has responsibilities that include the exercise of due diligence and the management of compliance obligations within the supply chain, distinct from the statutory functions of licenced customs brokers in Australia.

3. Why AI Matters to Our Industry

AI tools are increasingly capable of emulating human reasoning and are strong in pattern recognition, prediction, and language interpretation. Unlike traditional software that produces binary, rules-based outputs, AI systems use vast amounts of data to generate insights, classifications, and recommendations. A study on Automatic Product Classification in 2023 assessing modern large language models (LLMs) for HS classification reported accuracy rates of approximately 80% at classifying products into 6-digit Harmonized System (HS) categories and above 90% for HS 2-digit Chapters under test conditions.

For an industry built on compliance, precision, documentary accuracy, and the interpretation of complex regulatory frameworks, AI presents both opportunities and significant risks. The freight forwarding and customs brokerage professions must understand the implications of AI before its widespread rollout fundamentally changes how international trade is facilitated. AI must fit workflows, and its success depends on embedding AI into existing tools and routines so users can act on insights naturally.

International evidence confirms that AI is already being used by businesses to support international trade activities. The WTO - ICC survey found that approximately 49 per cent of firms surveyed were already using AI technologies in their operations, with the majority of those firms engaged in international trade. Firms reported that AI tools are particularly useful in supporting trade compliance, communication, document processing, and market intelligence. These findings demonstrate that AI is rapidly becoming embedded within the operational environment that freight forwarders and customs brokers operate in.

According to Gartner, global spending on AI-enabled supply chain software is projected to reach approximately US$53 billion by 2030, reflecting accelerating enterprise adoption of

advanced technologies to enhance automation, forecasting and decision-making across increasingly digital and interconnected supply chains.

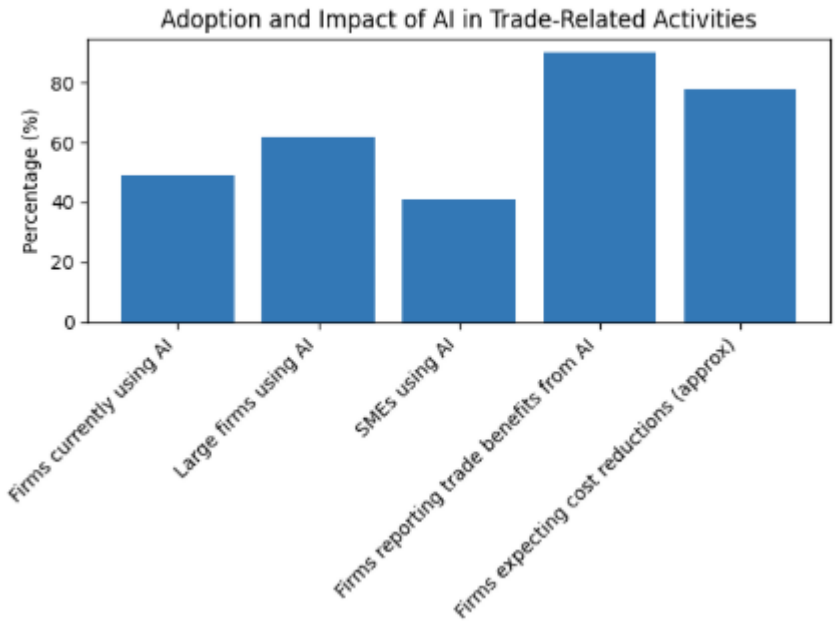


Figure 1 – Adoption and Impact of Artificial Intelligence in Trade-Related Activities
Source: World Trade Organization & International Chamber of Commerce, *Adopting AI for Trade: Business Insights to Inform Policy and Practice* (2025)

These findings reinforce the importance of responsible AI adoption frameworks and continued human oversight in high-compliance environments such as customs brokerage and international freight forwarding.

4. Key Characteristics of AI Relevant to International Trade

Artificial intelligence differs fundamentally from traditional software used in customs and trade operations. Unlike rule-based programs that follow clearly defined datasets and linear logic, such as calculating customs value from cost fixed inclusions and exclusions, AI generates outputs based on probability. They generate outputs based on patterns and likelihoods, not fixed rules, which can introduce ambiguity in high-compliance environments where accuracy is essential. If the AI platform does not have access to internal documents like SOPs, notes, investigations and the like, the result may not show the complete picture.

Research referenced by the World Customs Organization (WCO) shows that users often trust AI-generated outputs until they discover those outputs were produced by an algorithm. Once they know the recommendation came from a machine rather than a human expert,

confidence typically declines. This highlights the continuing need for transparency, fundamental knowledge and human oversight in customs related AI applications.

At the same time, AI demonstrates significant strengths that are highly relevant to the international movement of goods. It is very good at analysing large and complex datasets, identifying anomalies, predicting risks, and automating repetitive or high-volume tasks. These capabilities support functions such as targeting, screening, profiling (especially for border agencies like the ABF, but also internal identity verification), and document analysis, and they can enhance efficiency across freight forwarding and customs clearance, provided that AI is used responsibly and within appropriate governance frameworks.

A distinction is emerging between assistive AI, which supports human decision-making, and agentic AI, which is capable of taking autonomous actions. This distinction is particularly important in regulated environments such as international trade.

5. The Continuing Role of Licenced Customs Brokers in the Context of AI

Despite rapid advancements in artificial intelligence, licenced customs brokers remain crucial to the integrity of Australia's border and compliance systems. Brokers must interpret the Harmonized System, apply Section and Chapter Notes, use General Rules for the Interpretation of Schedule 3 and assess form, function, composition, origin, anti-dumping/anti-countervailing considerations amongst other things, areas where AI continues to lack precision and contextual understanding. Critical functions such as classification, rules of origin, valuation, permit controls, tariff concessions, and biosecurity considerations all require the ability to ask targeted, situational questions that AI models cannot yet formulate.

AI-generated outputs can also mislead importers who lack the technical knowledge to evaluate correctness, creating risks when suggestions are treated as authoritative. Brokers will therefore remain essential in guiding, validating, and supervising AI-assisted processes to ensure compliance and protect supply-chain integrity.

AI should be viewed as a tool. Like a chainsaw or surgeon's scalpel, they're powerful in skilled hands but dangerous in untrained ones.

6. The Continuing Role of Freight Forwarders in the Context of AI

As AI becomes more integrated across global supply chains, the role of freight forwarders remains essential. While AI can streamline documentation, optimise routing, and enhance data analysis, it cannot replace the nuanced judgement, relationship management, and

problem-solving skills that forwarders provide. Disruptions, regulatory changes, biosecurity issues, stakeholder coordination, and not to mention relationship/network benefits, still require human expertise and industry experience. Forwarders act as trusted intermediaries who interpret complex requirements, manage exceptions, and ensure compliance across multiple jurisdictions, areas where AI tools currently fall short. Rather than replacing forwarders, AI is more likely to elevate their role, enabling them to deliver faster, more informed, and higher-value services.

7. Opportunities for the Freight Forwarding & Brokerage Sector

AI has potential benefits when used safely, including:

- Faster document checking and consistency validation
- Predictive biosecurity or customs risk identification
- Enhanced data analytics for supply chain optimisation
- Automated preparation of draft declarations (subject to human review)
- Improved customer service through chat interfaces and virtual support
- Workflow automation to reduce manual tasks

Used appropriately, AI can enhance productivity rather than replace human decision-making.

International research also identifies several specific use cases where AI is already supporting global trade operations. These include the automation of document processing, translation of trade documentation, trade compliance checks, contract analysis, and market intelligence. AI tools are particularly effective in analysing large volumes of unstructured data and assisting with language-related tasks such as document translation and communication with international suppliers and customers. These functions closely align with many of the day-to-day administrative and analytical activities performed by freight forwarders and customs brokers.

7.1 AI Applications in Customs and Trade Compliance

AI technologies are increasingly being used in customs and trade-related functions across global supply chains. Research indicates that firms are applying AI tools to assist with tasks such as Harmonized System classification, tariff and duty calculations, rules of origin analysis, pre-filling customs declarations, and identifying anomalies in trade data. AI is also being used to help identify potential compliance risks and assist businesses in understanding how to benefit from preferential trade agreements. These developments illustrate how AI can support regulatory compliance and administrative efficiency, provided that outputs are subject to appropriate human review and professional oversight.

Responsible AI adoption in international trade requires alignment between:

- **Professional Oversight** – human verification and licenced broker accountability
- **Governance Frameworks** – policies, compliance standards and regulatory alignment
- **Technology Systems** – secure AI tools, automation and data capabilities

8. Impacts on Industry Roles and Workforce Development

AI is expected to significantly reshape job functions within the freight forwarding and brokerage sectors:

8.1 Roles most likely to be affected

- Classifiers
- Compilers
- Data-entry teams
- Documentation processing roles

8.2 Emerging roles

- AI Quality Assurance Analyst
- Data Validation Specialist
- Compliance Technology Officer
- AI Model Training/Prompt Specialist
- Hybrid broker/analyst roles

International trade professionals increasingly perform the role of trade facilitators, acting as the critical link between traders and government. Licenced Customs Brokers and Freight Forwarders are central to trade facilitation, supporting compliance, customs clearance and regulatory integrity across the supply chain. This is simply illustrated by the 124,000 business importers and 56,000 exporters versus the ~1500 LCBs. Acknowledging that there are some traders who perform their own customs formalities, but even allowing for this, LCBs carry a very large weight of those transactions.

The WCO released a study on Customs Brokers back in 2016 and subsequently issued Customs Brokers Guidelines in 2018. There are a lot of interesting observations and conclusions drawn in there, which lend themselves to the concept of trade facilitators. One of the points raised is that Customs can leverage the role of customs brokers as a communicator and a force multiplier to improve compliance because customs brokers are uniquely positioned by on one hand supporting traders and conducting the formalities related to customs clearance whilst at the same time being expected to maintain government interests.

Likewise, Freight Forwarders and Licenced Customs Brokers are potential partners in curbing illicit trade as well as ensuring compliance with regulatory requirements of other government agencies.

The WTO-ICC report which highlights how AI can significantly enhance trade efficiency, reduce compliance costs, and streamline documentation, these being core functions of Australia's freight forwarding and customs broking sector. AI's strongest reported benefits include faster processing of trade documents, automated compliance checks, improved HS classification accuracy, and better management of regulatory risks such as valuation discrepancies and preferential trade agreement eligibility. For Freight Forwarders and Licenced Customs Brokers, AI directly supports day-to-day operational tasks like tariff calculations, document translation, supply-chain optimisation, and customer communication. Importantly, firms globally expect 25–50% reductions in communication and compliance costs, reinforcing the value of AI adoption within Australia's border-controlled logistics environment.

Global research also highlights disparities in the adoption of AI technologies across businesses. Surveys indicate that approximately 62 per cent of large firms have adopted AI, compared with around 41 per cent of small and medium-sized enterprises (SMEs). This adoption gap suggests that smaller firms may face barriers relating to cost, technical capability, or access to expertise. For the freight forwarding and customs brokerage sector, this raises important considerations about ensuring smaller businesses are not left behind as digital technologies become more embedded in trade operations.

8.3 Risks to industry pathways

Fewer intermediary roles like customs classifiers, and customs compilers as well as entry-level roles like registration clerks, customer service and "runner" type roles may reduce traditional pathways into customs brokerage and forwarding careers. New workers may need stronger data literacy, analytical capability and technology fluency, rather than purely document-based experience. Despite this, there still needs to be an avenue for new entrants to develop fundamental experience of the goods movement and border clearance processes, beyond learning by rote alone.

Within sections 183CC and 183CD of the Customs Act 1901 (Cth) (the Act) it sets out the criteria you must meet to be granted a nominee customs broker licence, the three core criteria being that you must:

1. be a fit and proper person to hold a licence
2. be qualified to be a customs broker through holding a Diploma of Customs Broking or other recognised relevant qualification (unless formally exempted)
3. *have sufficient acquired experience to carry out the work of a customs broker in a satisfactory and responsible manner.* (emphasis added)

It is point 3 that has the most concerns. Fewer pathway jobs may make this criterion difficult to obtain. In this context, the training and development of industry participants will be critical to ensure qualifications are maintained to the highest standard and that the robustness of all three core criteria is preserved.

9. Training, Education and Professional Standards

AI raises important considerations for the Registered Training Organisations (RTOs) that deliver customs broker training. IFCBAA does not believe the Diploma of Customs Broking (DCB) needs major rewriting for the purposes of AI. Like the use of existing tariff search functions which give suggested classifications based on search criteria, AI is the same in principle, although with a much wider data base of inputs and machine learning. This is ultimately a tool a customs broker could use for classification consideration. The same when consulting US CROSS rulings or Canadian tariff opinions – they are not legally binding in Australia, but they do provide the opinions of competent customs agencies and contain the legal justification for the decisions. The Australian customs broker can use all these resources and then make their Australian 8-digit classification based on their knowledge, training and use of legal notes and interpretive rules. The customs broker still needs to justify their classification based on the above legalities.

The DCB and Diploma of International Freight Forwarding (DIFF) may need supplementing with additional learning competencies or possibly a shift in required skills from less rote learning to more analytical and digital skills. It could also include education on the safe use of AI at work and its integration in workflows, instilling the mantra that the human is always ultimately responsible.

Licenced Customs Brokers must understand the regulatory consequences of misusing AI, with the Customs Act and the broker licence conditions and obligations being the guiding principle. IFCBAA will seek engagement with government agencies such as ABF and DAFF on AI-safe training practices, with CPD forums, trade and logistics forums, and stand-alone webinars serving as key vehicles to raise awareness.

There is also the risk of AI-assisted plagiarism, compromising assessment integrity. Schools and education departments are addressing AI-assisted plagiarism through clear policies, revised assessment designs, educator training, and a greater emphasis on authentic assessment methods that focus on a student's unique understanding rather than just the final output. Strategies include updating acceptable use agreements to include guidelines on AI, encouraging students to disclose the use of AI tools, and training staff to look beyond AI detection software, which can be unreliable. While plagiarism detection tools may have some capacity to identify the potential use of generative AI tools, they can often provide inaccurate or inconclusive results. These can include false positives (incorrectly identifying plagiarism), false negatives (failing to detect actual plagiarism), and accidental self-plagiarism (where students reuse their own work).

10. Policy, Governance and Emerging Regulatory Expectations

Governments globally are now taking AI seriously, with many countries developing their own AI plans and strategies.

10.1 Australian developments

- **2 December 2025:** Australian Government released the *National AI Plan*, outlining national priorities for responsible AI adoption. https://www.industry.gov.au/publications/national-ai-plan

- **13 November 2025:** Austrade published the *Australian AI Industry Capability Report*, highlighting how Australian industry can adopt and scale AI capabilities. https://www.austrade.gov.au/en/international/investor-resources/australian-ai-industry-capability-report

- **31 July 2025:** Australian Government published its AI Technical Standard for the government, along with 'GovAI,' a platform designed to foster collaborative use of the technology across departments. The new technical standard sets out technical requirements for AI systems across their full lifecycle, from initial design to monitoring and to decommissioning.

These developments suggest future regulatory expectations for sectors that rely on decision-making tools, including customs and border-related services. Issues such as transparency and auditability may become legally mandated.

There may also be implications for:

- Data security
- Cross-border information flows
- Supply chain digitalisation requirements
- AI-enabled trade facilitation by ABF, DAFF and international customs administrations

10.2 International developments

- **New Zealand:** On 8 July 2025 New Zealand launched the New Zealand Institute for Advanced Technology. The public research organization is tasked with "supercharging" the country's economy through advanced technology with a focus on turning technologies like AI and quantum computing into commercial successes.

- **China:** On 27 August 2025 China released guidance on its Artificial Intelligence (AI) Plus Initiative. The guidelines, issued by the country's State Council, aim to promote the in-depth integration of AI and various industries, vowing to achieve extensive and deep integration of AI in areas including science and technology, industrial development, and governance by 2027. The guideline stipulated that by 2027, next-generation intelligent terminals adoption should exceed 70 percent while the scale of core industries in AI should achieve a high growth rate.

- **South Korea:** On 2 September 2025 South Korea established the National AI Strategy Committee. The committee aims to strengthen governance and accelerate innovation in artificial intelligence (AI). The committee will set Korea's national AI vision, define medium- to long-term strategies, and drive policies that aim to position the country among the world's top three AI leaders.

- **United States**: On 23 July 2025, the US announced America's AI Action Plan, its flagship strategy for governing and promoting artificial intelligence across the federal government and the private sector.

  Recent regulatory developments in the United States provide important guidance on the application of digital platforms and AI within customs processes. In a 2026 ruling, U.S. Customs and Border Protection (CBP) clarified that certain activities performed by online platforms, including extracting, structuring, or preparing data for customs entry, as well as providing tariff classification outcomes intended for lodgement, may constitute "customs business" and therefore require a licenced customs broker. The ruling reinforces that the use of technology does not alter underlying regulatory

obligations, and that responsibility for customs-related decision-making must remain with appropriately licenced professionals.

This development is consistent with IFCBAA's position that AI and digital tools should support, but not replace, the professional judgement and accountability of Licenced Customs Brokers. It further highlights the need for clear governance frameworks to ensure that emerging technologies, including AI-enabled platforms and offshore service models, do not inadvertently perform regulated customs functions without appropriate authorisation or oversight.

11. Risks and Challenges

International research highlights several concerns businesses have regarding the use of AI in trade environments. Key issues include cybersecurity risks, data privacy concerns, regulatory uncertainty, and limited transparency in how AI systems generate recommendations. Many firms report that AI systems can appear to operate as "black boxes," where outputs are difficult to fully explain or audit. These concerns are particularly significant in regulated environments such as customs brokerage, where professionals remain legally responsible for the accuracy and compliance of declarations and advice.

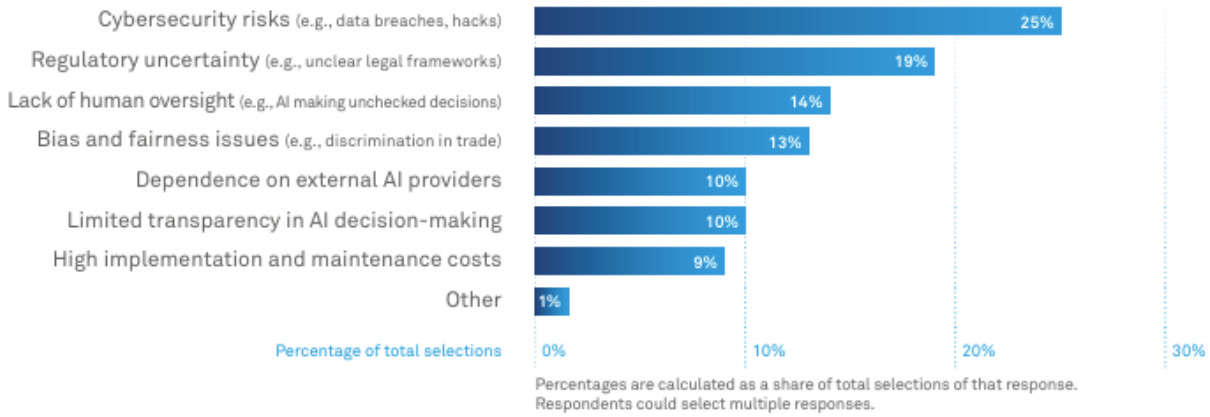
- Over-reliance on AI leading to compliance breaches
- Incorrect or fabricated AI outputs. There have been reports that some lawyers have been found out by quoting legal precedents that don't exist!
- Difficulty auditing AI decision paths
- Lack of industry standards or professional controls
- Misuse by importers to bypass Licenced Customs Brokers
- Increased cyber and data-security exposure
- Reputational risk if AI produces incorrect regulatory advice

Artificial intelligence and emerging technologies present growing risks of misuse in international trade and sanctions compliance. These tools can be exploited to commit fraud through deepfake impersonations, falsified documents, or synthetic identities supported by convincing, AI-generated records. Recent Financial Action Task Force (FATF) findings highlight how AI may facilitate sophisticated sanctions-evasion techniques, including the creation of complex fake corporate structures and manipulated digital footprints. In the trade environment, AI can enhance deceptive practices such as falsifying the nature, origin or destination of goods. The ability to generate realistic invoices, bills of lading or certificates of origin increases the challenge of detecting trade-based money laundering and sanctions breaches.

The Office of Foreign Assets Control ("OFAC") of the US Department of the Treasury administers and enforces economic and trade sanctions based on US foreign policy and national security goals against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy or economy of the United States. No matter how advanced a system becomes, regulators, especially OFAC, still expect firms to understand, explain, and control their systems. Technology does not transfer accountability. OFAC can impose substantial financial fines, often per violation. For example, non-wilful or record-keeping violations may trigger fines.

As highlighted in the WTO-ICC survey below, cybersecurity risks are a major concern when using AI in trade. Freight Forwarders and Licenced Customs Brokers handle highly sensitive commercial, identity and supply-chain data. The report identifies data breaches, insecure AI tools, and model misuse as significant business risks, particularly with cross-border data flows and offshore service providers. Another concern is that AI tools may misinterpret documentary or regulatory requirements, such as tariff classification, rules of origin, valuation or biosecurity declarations, which are areas where Licenced Customs Brokers carry legal liability. Misclassification or automated errors may still result in penalties or audits.

Figure 13 **Concerns about AI in trade among AI-adopting firms**



12 Adopting AI for Trade: Business Insights to Inform Policy and Practice

11.1 Agentic AI and Autonomous Decision-Making Risks

As AI capabilities evolve, a distinction is emerging between assistive AI, which supports human decision-making, and agentic AI, which is capable of taking autonomous actions. This distinction introduces additional regulatory, governance and liability considerations that are particularly relevant in the international trade environment.

Assistive AI tools provide analytical support, recommendations, or draft outputs that are subject to human review. In contrast, agentic AI systems may initiate actions such as submitting declarations, modifying documentation, or interacting with supply chain systems without direct human intervention. While these capabilities may offer efficiency gains, they present heightened risks in regulated environments. The use of agentic AI within customs brokerage, freight forwarding and trade compliance raises several key concerns.

First, autonomous decision-making may weaken professional oversight. Regulatory functions such as tariff classification, valuation, rules of origin and permit assessment carry legal consequences. If these activities are executed without appropriate human validation, errors may result in non-compliance, penalties or enforcement action. Regardless of the technology used, accountability remains with the licenced customs broker or responsible business.

Second, automated decision chains may be difficult to supervise in real time. Agentic systems operating across multiple processes could initiate or alter actions without clear visibility, creating risks where documentation or instructions are modified without appropriate authorisation.

Third, transparency and auditability challenges arise. AI systems typically generate outputs based on probabilistic models rather than explicit rule-based reasoning. In regulatory environments where decisions must be explainable and defensible, it may be difficult to fully reconstruct how an outcome was reached, complicating audits, compliance reviews and dispute resolution. An example is the use of Interpretive Rule 3b - *Mixtures, composite goods consisting of different materials or made up of different components, and goods put up in sets for retail sale, which cannot be classified by reference to 3(a), shall be classified as if they consisted of the material or component which gives them their essential character, insofar as this criterion is applicable.*

Agentic AI also raises broader governance and trust considerations. Businesses, regulators and trading partners must be able to identify when AI systems are involved in operational or regulatory processes, particularly where decisions affect declarations or supply chain movements. Lack of transparency may undermine confidence in compliance outcomes.

In addition, bias and unintended outcomes may arise where AI systems rely on historical datasets that contain embedded assumptions or inconsistencies. In a trade context, this may influence classification, risk profiling or supplier assessments.

The use of agentic AI also has implications for professional liability and insurance, particularly where regulatory actions are undertaken without human oversight. These considerations are addressed further in Section 13.

The emergence of agentic AI systems also has implications for sanctions compliance, export controls and the detection of illicit trade activities. Artificial intelligence technologies may be exploited by malicious actors to generate convincing falsified documentation, manipulate trade data, or obscure the true origin, destination or ownership of goods. When combined with autonomous decision-making capabilities, AI systems could potentially be used to automate aspects of trade-based money laundering, sanctions evasion or the creation of fake corporate identities. These developments reinforce the importance of maintaining strong human oversight, robust due diligence practices and effective verification mechanisms across international trade operations.

Overall, while agentic AI may continue to evolve, regulatory decision-making within international trade must remain subject to accountable human oversight. AI systems should support, but not independently execute, compliance-critical functions.

12. IFCBAA Policy Principles on Artificial Intelligence in International Trade

In response to the opportunities and risks outlined above, IFCBAA has developed the following policy principles to guide the responsible use of AI in international trade. As AI technologies become increasingly integrated into international trade and supply chain operations, IFCBAA supports their responsible adoption in a manner that strengthens trade facilitation while maintaining regulatory integrity, professional accountability and supply chain trust.

The following principles are intended to guide the use of AI within the freight forwarding and customs brokerage sectors.

1. Human Accountability and Professional Oversight

Artificial Intelligence should support, but not replace, professional judgement in customs brokerage and freight forwarding operations. Licenced Customs Brokers and industry professionals must remain responsible for regulatory decisions, including tariff classification,

valuation, rules of origin and compliance with border requirements. AI-generated outputs should always be subject to appropriate human review and verification.

2. Responsible and Transparent Use

Businesses using AI in trade operations should adopt clear policies governing its use and ensure appropriate transparency with clients and trading partners. AI should be deployed in a manner that supports accuracy, compliance and trust in the preparation of trade documentation, regulatory advice and operational decision-making.

3. Protection of Data and Commercial Confidentiality

Freight Forwarders and Licenced Customs Brokers manage sensitive commercial and regulatory information. AI tools must be implemented in ways that safeguard confidential trade data and client information from unauthorised access, misuse or unintended disclosure.

4. Collaboration with Government and Regulators

The development and application of AI in international trade should occur in close collaboration between industry and government agencies. IFCBAA supports ongoing engagement with regulators, including the ABF and DAFF, to ensure AI technologies enhance trade facilitation while maintaining the integrity of Australia's border regulatory systems. IFCBAA also supports enhanced information sharing between government and industry in relation to cybersecurity threats, including timely notification of incidents that may impact trade systems or supply chain participants. Consideration should also be given to the provision of guidance on high-risk or non-approved AI tools, particularly where their use may compromise compliance, data security or insurance coverage.

5. Workforce Development and Industry Capability

As AI reshapes operational practices across the supply chain, the industry must ensure that professionals develop the skills required to operate effectively in an increasingly digital environment. This includes strengthening analytical capability, digital literacy and regulatory expertise while ensuring new entrants continue to develop fundamental knowledge of international trade processes.

6. Boundaries for AI Use in Regulated Trade Activities

IFCBAA considers it important to establish clear boundaries for the use of AI in regulated trade activities, particularly in relation to customs lodgements/reporting and compliance functions.

While assistive AI can provide significant benefits in supporting analysis, document preparation and decision-making, regulatory acts must remain subject to human control and accountability.

In particular, IFCBAA supports the following positions:

- AI systems should be assistive in nature, with outputs treated as advisory and subject to verification by qualified professionals.
- Final regulatory decisions including tariff classification, valuation, rules of origin and compliance determinations must be made by appropriately licenced individuals.
- AI should not independently execute regulatory actions, including the submission, amendment or lodgement of customs declarations, without explicit human authorisation.
- AI systems should not operate autonomously within live border or regulatory systems where actions may have legal or compliance consequences.
- Businesses should ensure that AI-enabled processes include clear human-in-the-loop controls, auditability and governance oversight.

These positions are consistent with emerging international regulatory developments. Notably, a recent U.S. CBP ruling clarified that certain activities performed by digital platforms may constitute “customs business” and therefore require a licenced customs broker. This reinforces the principle that the use of technology does not alter underlying regulatory obligations or accountability. This development aligns with IFCBAA’s position that AI systems must operate in a strictly assistive capacity within regulated trade environments and should not independently execute customs-related functions without appropriate human authorisation.

IFCBAA considers that as AI technologies evolve, there will be a need for Australian regulators to provide clear operational and legislative parameters to define the appropriate use of AI in customs brokerage and freight forwarding, including obligations, boundaries and accountability.

IFCBAA does not support prescriptive restrictions on which roles may utilise AI tools within businesses. However, it strongly supports clear regulatory boundaries to ensure that only appropriately licenced and qualified professionals undertake regulated customs and trade compliance activities, regardless of whether AI is used to support those functions.

13. Governance, Controls and Responsible Implementation

The adoption of Artificial Intelligence within trade operations must be supported by appropriate governance frameworks to ensure technology is used safely, responsibly and in accordance with regulatory obligations.

Clear Internal Policies

Businesses should implement clear internal policies defining where and how AI may be used within their operations. These policies should be formally documented, regularly reviewed (at least annually), and updated to reflect evolving regulatory, technological and risk environments. Policies should identify approved use cases, restricted activities, and the requirement for human oversight in compliance-related tasks.

Client Transparency

Where AI assists in operational processes, businesses should ensure that clients understand how technology is being used and that professional oversight remains in place.

Cybersecurity and Data Breach Obligations

Businesses must comply with applicable legal obligations relating to the notification of data breaches, including requirements under Australian privacy and cybersecurity legislation. Timely identification and disclosure of cybersecurity incidents is critical to maintaining regulatory compliance, protecting supply chain integrity, and preserving client trust.

Insurance and Professional Liability Considerations

Businesses should consider the implications of AI use for professional indemnity insurance and confirm that their practices align with insurer requirements and policy conditions.

Appropriate AI Tools and Data Controls

Organisations should distinguish between secure enterprise-grade AI systems and high-risk public tools. Sensitive commercial or regulatory documents should not be uploaded into unrestricted platforms where data protection cannot be guaranteed. AI outputs relating to regulatory matters should always be verified by qualified professionals.

Industry Standards and Best Practice

Consistent guidance across the sector will help ensure that AI adoption supports professional standards and compliance expectations. IFCBAA supports the development of industry-wide best practice principles to guide the responsible use of AI in international trade.

13.1 Insurance and Liability Considerations

Feedback from industry insurance specialists highlights that the primary liability risk arising from AI use is over-reliance without appropriate governance and oversight. Organisations must ensure systems are properly assessed prior to deployment and maintain a clear "human in the loop" to validate outcomes and mitigate unexpected errors. IFCBAA strongly recommends that Licenced Customs Brokers and Freight Forwarders maintain appropriate cybersecurity insurance coverage in addition to professional indemnity insurance. Consideration should also be given to whether such requirements apply to both existing licence holders and new applicants.

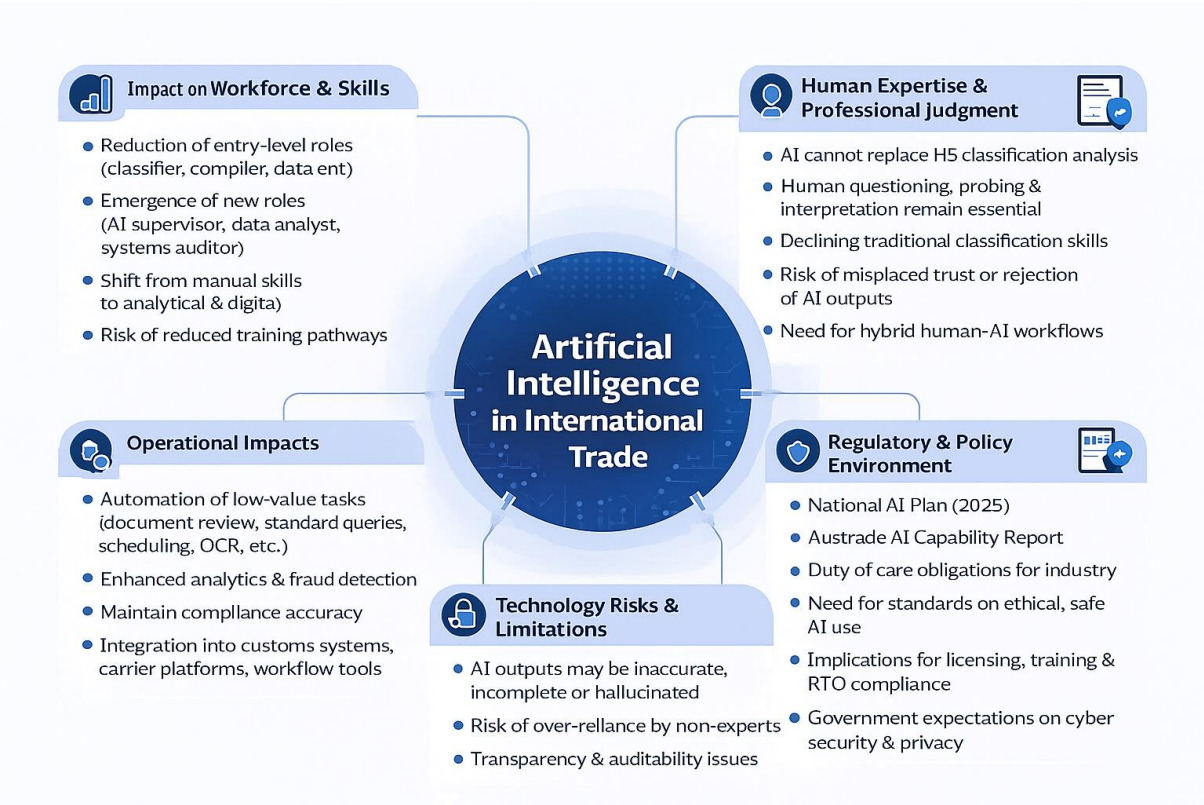
From a legal perspective, liability will likely turn on whether a business has acted reasonably in its use of AI, with higher-risk activities requiring greater levels of oversight. In highly regulated environments such as customs broking, governed by the Customs Act 1901 and broker licence conditions, compliance obligations are strict. Reliance on AI does not diminish liability exposure and may, in fact, heighten risk where errors occur.

There are also insurance implications. Inappropriate or poorly governed use of AI may fall within exclusions relating to reckless or deliberate conduct, potentially impacting coverage. Conversely, when implemented effectively, AI presents opportunities to enhance risk management, compliance monitoring and data analysis, which may reduce claims frequency and support improved insurance outcomes over time.

Insurers are also increasingly adopting AI within their own operations, particularly in risk assessment and premium modelling. This is expected to move the market away from "one size fits all" underwriting toward more granular, data-driven risk profiling, enabling insurers to better assess individual business exposures and tailor coverage accordingly.

For industry participants, this underscores the importance of proactively engaging with brokers and insurers, including clearly explaining how AI is being used, the controls in place, and the impact on risk. Greater transparency and data sharing will support improved mutual understanding and may lead to more appropriate coverage structures and pricing outcomes over time.

Finally, insurers are expected to increasingly assess how AI is used within businesses. Organisations will need to clearly demonstrate both the benefits and the controls associated with its deployment. Early adoption, particularly of more autonomous or agentic AI, should be approached cautiously, as inadequate due diligence may expose businesses to significant financial, regulatory and reputational risks.



14. Artificial Intelligence and the Future of Trade Facilitation

The policy principles outlined in Section 12 provide a foundation for how AI can be adopted responsibly across the international trade environment. AI is no longer simply a tool. It is rapidly becoming a form of general-purpose intelligence infrastructure, capable of reasoning, predicting and generating knowledge at scale. Unlike the internet, which transformed how information is shared, AI is transforming how intelligence is applied. This is a major shift, where human-like thinking (analysis, decision-making, problem-solving) can now be re-produced and used wherever needed, almost like a resource or service.

The implications for international trade are significant. Questions of how AI systems are trained, how data is used, and how transparency and accountability are maintained are not purely technical, they are matters of governance and policy. As trade becomes increasingly digital and interconnected, these considerations will shape the future integrity and efficiency of global supply chains.

In this environment, the role of trusted intermediaries becomes even more important. Licenced customs brokers and professional freight forwarders provide the human accountability layer within the border regulatory system, ensuring that regulatory obligations are interpreted, applied and executed responsibly.

Rather than replacing industry professionals, artificial intelligence is more likely to enhance their capabilities. Used appropriately, AI can enable brokers and forwarders to focus on higher-value advisory, compliance management and problem-solving functions, while routine administrative tasks become increasingly automated.

IFCBAA supports the adoption of artificial intelligence where it enhances productivity, supports compliance analysis and improves operational efficiency, provided that appropriate safeguards are in place. This includes maintaining strong human oversight, clear professional accountability, transparency of AI-assisted processes and robust governance frameworks.

While AI technologies will continue to evolve, regulatory responsibility within international trade cannot be delegated to autonomous systems. The integrity of customs, biosecurity and sanctions compliance frameworks depends on accountable human decision-making supported by well-governed technology.

The challenge for industry and government is not whether AI should be adopted, but how it can be implemented in a way that strengthens trade facilitation while preserving compliance integrity, professional standards and trust in the international trading system.

15. Member feedback

Members broadly support the exploration of artificial intelligence within the freight forwarding and customs brokerage sector, while emphasising the need for strong governance, professional oversight, and clear industry boundaries.

- **AI Should Be Treated as a Tool, Not a Replacement for Expertise**
  Members consistently noted that AI should be viewed as a supporting tool rather than a substitute for professional knowledge and judgement. When used responsibly, AI can improve productivity, assist with research and analysis, and support regulatory interpretation. However, human expertise remains essential in interpreting legislation, making compliance decisions, and managing complex trade scenarios.

- **Productivity Benefits Are Already Emerging**
  Some members noted that AI is already delivering significant productivity gains, particularly in areas such as research, document analysis and legislative referencing. AI tools can assist professionals by identifying regulatory provisions or analytical insights that might otherwise take considerable time to locate.

- **Strong Governance and Clear Controls Are Essential**
  A key theme from members was the importance of clear rules governing the use of AI, including:
  - internal policies on acceptable AI use
  - clarity on which AI tools or systems are permitted
  - defined responsibilities for human oversight
  - transparency with clients regarding the use of AI
  - consideration of insurer requirements and liability implications.

  Without appropriate controls, the rapid adoption of AI could create compliance, operational and professional risks.

- **Compliance Risks and Criminal Misuse Must Be Considered**
  Members highlighted that AI may also be exploited by criminal actors to facilitate fraud, sanctions evasion, or other illicit activities. The ability of AI to quickly analyse publicly available information could make it easier for bad actors to manipulate trade documentation or identify weaknesses in compliance systems.

- **Maintaining Professional Standards in a Digital Environment**
  There was concern that excessive reliance on automation or other cost-reducing operational models could create downward pressure on professional fees and potentially erode compliance standards. Maintaining strong professional frameworks, licensing standards, and clearly defined roles for licenced customs brokers and freight forwarders will be important to preserve industry integrity.

- **The Role of Human Expertise Remains Critical**
  Despite the growth of AI, members emphasised that international trade remains highly complex and unpredictable. Issues such as regulatory interpretation, supply chain disruptions, and problem resolution require human judgement and experience that AI cannot currently replicate.

<u>Overall sentiment</u>

Members support the responsible adoption of AI, provided that appropriate governance frameworks, professional oversight, and industry safeguards are established to ensure technology enhances rather than undermines compliance and professional standards.

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