

# Air Cargo Trade Compliance – Recent Regulatory Changes



Recent regulatory guidance and updates with highlight of specific goods and countries of risk for Air Cargo Operators.

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The latest figures from IATA (The International Air Transport Association) state that Air Cargo Operators transport close to \$6 trillion worth of goods equating to about 35% of global trade by value each year. As air freight continues to prosper, cargo operators have to maintain their due-diligence procedures in relation to the shipment of 'dual-use', military and sanctioned goods to mitigate the potential risk of financial and criminal penalties and protect their reputation in the market.

Examples of recent regulatory guidance and updates below, highlight specific goods and countries of risk; it's the Air Cargo Operator's responsibility to effectively screen and manage these compliance risks.

## IATA (The International Air Transport Association)

IATA has repeatedly recommended that airlines prioritize screening of export controls and sanctions through developing appropriate due-diligence procedures to manage shipments of 'dual-use', military and sanctioned goods. IATA note that integrating the Wassenaar Arrangement (42 member states), EU and U.S. regulation into cargo compliance screening is key to remaining mitigating risk and maintaining reputation in the industry.

## United States

In the last year, the U.S. Bureau of Industry and Security (BIS) has extended their export control and military goods guidance following a plenary meeting conducted by the Wassenaar Arrangement. Controls were changed for:

- Explosives – for example TKX-50 and Ethylenedinitramine
- Electronics – additional controls for automotive anti-collision radar
- Computers – increasing the requirements of a digital computer to be controlled, based on their extensive use in a broad range of industries
- Superalloys – extending regulation to include the control of specific types of superalloys used to make gas turbine engine blades, following advancements in technology and modernization of their manufacture
- Semiconductors and Supercomputers – added controls for specific types of these items being exported to China, relating to evidence that U.S. made components are being used to develop Chinese military items

Additional restrictions on goods' movement by the U.S. added in the last year include:

- Sanctions enforced on Russia and Belarus following their conflict with Ukraine – most goods are restricted for export to these countries including aircraft equipment, cameras, oil field equipment, luxury goods
- Implementation of Australia Group decisions made in July 2022, to introduce controls on marine-toxins, for example nodularin and palytoxin
- In May 2023, The U.S. BIS announced new restrictions on exports to Russia, listing 'high priority' items along with HS codes, specifically electronic integrated circuits and radio aid apparatus, for example GNSS modules

## European Union

The European Union has made several additions to its export control regulation as well as sanctions regime in the last year:

- Sanctions enforced on Russia and Belarus in the last year, for example luxury goods, wood, metals, household items

- Additional controls on surveillance and monitoring equipment following technological advances in cyber-security and prominence of digital threats
- Implementation of Australia Group decisions made in July 2022, to introduce controls on marine-toxins, for example nodularin and palytoxin
- Overall alignment of European Union Military List with the Wassenaar Arrangement guidance on munitions, incorporating controls on software designed to conduct military offensive cyber operations
- In March 2023, the Netherlands government announced plans to restrict exports of its semiconductor technologies to protect national security, following on from guidance by U.S. regulators in an effort to curb China's military advances

Note: Netherlands company ASML holdings is Europe's largest technology company and a major supplier of semiconductor components (e.g., DUV lithography systems used to increase the capabilities of microchips) to Europe and Asia.

## Global Regulators

Updates on export control regulations regionally include:

- Canada Export Control List – additional controls on electronic substrates, software for designing integrated circuits, military helmets and ballistic protections and chemicals to be manufactured into chemical weapons
- Japan regulators have confirmed that as of July 2023, they will restrict the export of 23 new types of chip-manufacturing technology, not only to China but other countries as well
- Singapore updated its strategic trade controls in October 2022, to align with the guidance from various multilateral organizations such as the Wassenaar Arrangement and Nuclear Suppliers Group

It's clear that regulators around the world are aligning in their efforts to maintain safe trading practice. The prohibition of goods to certain countries will continue as the threats to national security persist. Air Cargo Operators can ensure they remain compliant with the everchanging landscape of export laws, by screening their cargo against the S&P Global Market Intelligence [Trade Compliance Secure](#) solution.

## Trade Compliance Secure solution

Below is a snapshot of some of the data integrated into the screening solution:

- 190,000 military and defense items including brand names
- 30,000 semiconductors, microcontrollers and processors
- 25,000 serial numbers for specific integrated chips and circuits
- 20,000+ nuclear grade components and technologies recognized by the International Atomic Energy Agency
- 5,000+ UN classified dangerous explosives
- 400+ chemicals listed by name, formula and CAS number
- All Harmonized System codes related to dual-use, military and sanctioned goods

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