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“How can AI be leveraged without compromising the responsible supervision and control obligations mandated by 19 CFR Part 111?”

The 21st century has been a torrent of challenges for the Customs Brokers industry. The complexity of supply chains due to globalization and emerging technologies has created both havoc and opportunity for firms small and large. International governance, as well as U.S. foreign and trade policies based on security and protectionism, as well as intellectual property and human rights, have made doing business much more difficult. Artificial intelligence offers a potential solution that can optimize the entry process by streamlining operations and managing trade data while being compliant in reasonable care and supervision directives as mandated by the Customs Modernization Act and 19 CFR Part 111. Technology should not be feared or discounted but embraced by the community as we progress in this ever-changing business environment. AI can help us to manage the information overload that we experience on a daily basis while providing our clients with the data they need to protect their supply chains and cash flow while mitigating regulatory risks.

Historically the main mandates of customs brokers are the dual responsibilities of protecting the revenue of the United States and to protect the importers' interests in the navigation of various import regulations. This mandate is firmly rooted in United States law and was codified by the Anti-Smuggling Act of 1935 passed by Congress and signed by President Franklin Delano Roosevelt. The two main mandates are augmented by the requirement that customs brokers open

up their records, documents, and correspondence to government oversight through what was then the United States Customs Service under the Department of the Treasury. The act allowed “the Secretary to revoke or suspend the license of a customhouse broker shown to be incompetent, disreputable, or has refused to comply with the rules and regulations” governing customhouse brokers, or “who has with intent to defraud, in any manner willfully and knowingly deceived, misled, or threatened any importer, exporter, claimant, or client, or prospective importer, exporter, claimant, or client, by word, circular, letter or by advertisement.” (CBP, 2005).” Title 19 of the Code of Federal Regulations Part 111 is the statute that governs the operations and responsibilities of our industry and regulates our professional relationships with both our importing clients and the U.S. Government. Customs Brokers take their responsibilities very seriously since the loss of our licenses is a loss of our reputations and professionalism both on a corporate and individual level.

The Importers also have responsibilities that are codified in law. Title VI of the North American Free Trade Agreement Implementation Act (Pub. L. 103-182, 107 Stat. 2027) also known as the Customs Modernization Act of 1993 amended the Tariff Act of 1930 (19 U.S.C. § 1484) to include the concept of “Reasonable Care and Shared Responsibility” between the importing community and the U.S. Government. The U.S. Government under its agency, The United States Customs Service (now called Customs and Border Protection) has the legal obligation to provide the public the information needs to exercise their rights and obligations in reasonable care as it pertains to the importation of goods in the United States. This information takes the form of informed compliance publications, customs rulings concerning valuation, country of origin marking, classification under Customs Online Search System (CROSS), Customs Bulletins, and pipelines, CBP’s dedicated website, and publications such as the Harmonized Tariff Schedule of the United States, and the Federal Regulations. Customs and Border Protection host

in-person seminars, online webinars, and Trade Days at local ports to provide platforms for disseminating the legally mandated information as well as questions and answers for the trade community. Importers and the customs brokers with power of attorney use this information to develop business practices for the conformity of abiding by statutes and decisions enacted by federal governance. The failure of an importer or their customs broker to follow regulations brings the risk of penalties and fines and if persistent, revocation of importing privileges and the case of a broker, revocation of their license to conduct customs business.

The 21st century has been very pivotal in the field of international trade. 9/11 has brought on the need to monitor the supply chains for terrorist threats. The passing of the Bioterrorism Act of 2002 and the Security and Accountability for Every Port (SAFE) Act of 2006 has deeply impacted the importing community. Customs Brokers are no longer just international trade professionals but a vital part of the security of the United States. We collect data on shipments that are used by government analysts to make sure national security is maintained. Customs brokers have to balance trade and security in our everyday transactions, and this should be very much a part of our business strategy. Our mandate to protect the revenue of the United States while protecting the importer now includes using our skills and experience to protect the lives of our fellow Americans. These mandates put pressure on our operations due to the myriad reasonable care responsibilities that warrant our attention and steadfast gaze. We need every tool we can muster to fulfill our role as the sentinels of trade and security.

Customs Brokers have progressed since the days of typing up Entry Summaries and the manual calculation of duties that existed four decades ago. Our profession now has Automated Broker Interfaces (ABI) whereby data elements as outlined by cargo and entry summary business rules are transmitted electronically to Customs and to Partner Government Agencies such as Food

and Drug and the Environmental Protection Agency, among others. Customs uses this data to generate reports in the Automated Customs Environment (ACE) portal with access internally for CBP employees and for Importers and brokers. Massive amounts of data are collected and without the proper analytical tools can be overwhelming for professionals under time constraints for which the supply chain is known. Information overload and burnout are trademarks in our industry and due to both national and foreign geopolitical concerns beyond our control applies pressure on us to do more with less in order to keep up with our client's needs as well as abide by our legal obligations. Spreadsheets and manual processes are no longer up to the task of facilitating trade and security monitoring and we need to devise innovative solutions and protocols for our business models.

Technology has provided a partial solution to customs broker operational challenges in the usage of Artificial Intelligence or AI for short. What is AI? Masoodifar, Arslan, and Tumbek Tekeoglu in their article, *Artificial Intelligence in Global Business and Its Communication* (Masoodifar, Arslan, and Tumbek Tekeoglu, 2023) have provided valuable insights on AI. According to this essay there are actually two types of AI. The first is narrow or weak AI. which are systems that are designed to perform specific tasks based on speech or image classification. The best example that is currently used by the customs brokerage community is the use of Optical Character Recognition or OCR (de Jager and Nel, 2019). This type of AI. is utilized to convert commercial invoices to a digital format that can be used to incorporate into Excel or other spreadsheets with the goal of arranging data to extract the data elements that are needful for entry processing. Country of origin, commodity descriptions, quantities, values, and currency make up the major elements for entry processing on an invoice. Paired with vetted harmonized tariff databases which quickly match the commodity to an accurate tariff code facilitates the processing

of time-sensitive shipments much more accurately than the mere manual entry of data by human operators. This type of weak A.I. use is widely used in the Customs Brokerage industry and is non-controversial due to the multilayer human-directed process of extraction and implementation of the data elements under supervision by the Customs Broker or internal I.T. team that reports to the broker ensuring adequate reasonable control of customs business.

The second type of AI as defined by Masoodifar, Arslan, and Tumbek Tekeoglu is General or Strong AI which they state, “AI systems that can understand, learn, and apply knowledge across a wide range of tasks, exhibiting a level of intelligence comparable to human intelligence. General AI is still largely theoretical and not yet fully realized (Masoodifar et al. note, 2023).” The use of this type of artificial intelligence has the overall business community, not just customs brokers, alarmed due to the perception of job elimination and lack of ethical and moral oversight of AI capabilities. However with the proper oversight and interaction by a customs broker this use of AI can be beneficial while adhering to legal parameters. The following insights into operational integration of AI can augment the duties and responsibilities of the industry while remaining compliant with regulatory scrutiny and audits by CBP. Keep in mind that the customs broker must not allow AI to make decisions or compromise data security. That responsibility lies with the customs broker and his supervised staff as they conduct customs business.

AI generated analytics can utilize open-source intelligence to identify red flags of potential clients for the customs broker. By providing reports obtained from financial institutions, news sources, chambers of commerce, government sanctions list, and other reputable outlets of information brokers can make business decisions before entering into agreements with business entities that have the potential of jeopardizing the broker’s reputation and integrity. Risk indicators rather than accusations of wrongdoing must be reviewed and evaluated before every decision to

conduct business. This protects the broker from aiding and abetting clients who use forced labor, infringe on intellectual property rights, illicit trade, or are a security risk to the United States and its citizens. The research can be added to the client's records with access to CBP as per recording keeping requirements. On a positive note AI can assist the customs broker in learning more about the needs of the client based on common industry knowledge that can be collected from online sources. Knowledge of a client's commodities and business practices can assist the broker to develop a comprehensive standard of procedures that meets the requirements of the clients and helps them with their compliance of U.S. law. This facilitates protecting the importer mandate in the Tariff Act of 1930.

One of the main obstacles of conducting customs business efficiently is researching the latest regulations and judgements by the governing authorities so the broker can make decisions that are current, accurate, and timely both for internal operations and the advising of clients. AI can assist by quickly compiling and summarizing Customs and Partner Government Agencies' regulations that are relevant and up to date. CROSS rulings can be amended or revoked, CSMS messages may be updated, and antidumping/countervailing case rulings can be modified. The customs broker must be aware of changes for detailed decision making and compliancy and this is a regulatory requirement and takes precedence in conducting customs business. The information attained can also serve another vital purpose, the training and supervision of the broker's staff as per 19 CFR 111.

Brokers are a part of the supply chain and without goods being cleared timely disruptions occur, which is costly for the broker and client due to demurrage and delivery-on-time agreements. AI monitoring ship and airline tracking and work-flow entry processes can alleviate service failures. A.I. can also assist in the staffing of brokerage personnel based on historical and real-time

data. AI generated reports provide key performance indicators (KPIs) both for the broker and the clients that rely on the data for sourcing, scheduling, and shipping of products in ever increasing complex supply chains.

CBP is already using strong AI to conduct their enforcement missions with guarded standards of procedures to ensure they do not intrude into areas of legal ambiguity and lack of transparency. The following is an excerpt of CBP Directive NO. 1450-030:

“The use of AI at CBP is, first and foremost, lawful, mission-appropriate, and mission-enhancing. CBP uses AI in a responsible manner to fulfill and advance the CBP mission. CBP ensures this through a rigorous review and approval process, appropriate data and information management, and transparency, as well as through compliance with applicable laws, as well as this directive and Government-wide and DHS policies. All CBP personnel using AI in the performance of their official duties should review and verify any AI-generated content before it is shared, implemented, or acted upon. CBP personnel are accountable for the outputs of their work and are responsible for using these tools judiciously, ensuring that accuracy, appropriateness, and context are always considered. (CBP, 2025)”

Customs brokers would be well served by duplicating CBP’s own operational frameworks for AI utilization as a decision-support tool that enhances professional human wisdom and judgement. What is very much needed is collaboration between NCBFAA and CBP to establish best industry practices that ensure ethical deployment while safeguarding the statutory role of customs brokers in protecting U.S. revenue, national security, and the importing community. Usage within limits can be a valuable tool to assist customs brokers stay competitive and on task within the business and regulatory environment.

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