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### **The Effect of Tariffs on Air Cargo**

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#### **Abstract**

The air cargo industry is an essential component of global trade, facilitating the rapid movement of goods and underpinning economic development. However, it now faces increasing uncertainty due to the imposition of tariffs by the United States under Section 232 of the Trade Expansion Act of 1962 and Section 301 of the Trade Act of 1974. These measures introduce volatility into global supply chains, increasing costs and disrupting operational efficiency. In response, the International Civil Aviation Organization (ICAO), the International Air Transport Association (IATA), and The International Air Cargo Association (TIACA) must intensify their collaborative efforts to advocate for regulatory frameworks that protect air cargo from restrictive trade policies.

ICAO, pursuant to its Long-Term Vision for International Air Transport Liberalization, has long endorsed the removal of barriers to air cargo operations. Its Air Transport Regulation Panel (ATRP) continues to develop multilateral agreements that promote market access and regulatory harmonization. Meanwhile, IATA's Cargo Strategy and Simplifying the Business (StB) Cargo program seek to modernize customs processes and facilitate trade by reducing operational frictions. TIACA's Air Cargo Sustainability Roadmap further emphasizes the necessity of policy frameworks that ensure stability and resilience within the air cargo sector.

The imposition of tariffs contradicts the principles enshrined in ICAO's Chicago Convention, Annex 9 – Facilitation, and the Trade Facilitation Agreement (TFA) under the World Trade Organization (WTO). ICAO, IATA, and TIACA must therefore engage in sustained dialogue with States to align regulatory policies

with the objectives of air cargo liberalization. By fostering international cooperation and championing trade facilitation, these organizations can safeguard the air cargo industry from disruptive protectionist measures, ensuring its continued role as a driver of economic growth and global connectivity.

Keywords: Air Cargo, IATA, ICAO, Market Access, Tariffs, TIACA, Trade Liberalization

## **1. Introduction**

The International Civil Aviation Organization (ICAO) says that in the contemporary landscape of global commerce, the air transport industry facilitates the movement of goods valued at over \$5 trillion annually.<sup>1</sup>

The International Air Transport Association (IATA) – the global association of airlines – stated in January 2025 that global air cargo demand, as measured in cargo tonne-kilometers (CTK), recorded a 3.2% increase in January 2025 compared to the corresponding period in 2024, with international operations registering a slightly higher growth of 3.6%. This marks the 18th consecutive month of expansion in the sector.

Meanwhile, available cargo capacity, assessed in available cargo tonne-kilometers (ACTK), exhibited a 6.8% rise over January 2024 levels, with international operations experiencing a 7.3% increase. Reflecting on these developments, Willie Walsh, Director General of IATA, observed: “January marked 18 consecutive months of growth for air cargo, yet the 3.2% year-on-year increase represents a moderation from the double-digit surges witnessed in 2024.”<sup>2</sup>

He further noted that yields, despite remaining above January 2024 levels, experienced a 9.9% decline from December 2024, accompanied by a 1.5 percentage point reduction in cargo load factors on average. While external drivers such as trade expansion, reduced fuel costs, and the continuing growth of e-commerce contribute positively to air cargo performance, industry stakeholders must remain attentive to evolving market conditions. A particularly crucial factor in this regard is the potential for tariff-induced trade policies under the Trump Administration in the United States. However, as Walsh pointed out, the air cargo sector has demonstrated resilience and adaptability in navigating shifts in the global operating environment.

Given the substantial growth forecasted for this sector—coupled with its indispensable role in fostering international trade and economic prosperity—it is imperative that the regulatory frameworks, operational procedures, and international standards underpinning its global efficacy be recalibrated to align with evolving technological advancements and modern exigencies. Air cargo operators continue to confront a range of constraints, including restricted market access under a multitude of

traditional bilateral agreements and a regulatory framework predominantly designed for passenger and combination services. In addition, these operators face significant operational impediments such as night curfews, limitations on ground handling rights, and cumbersome customs procedures.

The rapid evolution of e-commerce has further underscored the urgency for regulatory reform in air cargo operations. The shifting dynamics of global retail demand increasingly efficient, reliable, and cost-effective logistics solutions to accommodate rising consumer expectations and higher shipment volumes. In the near future, remotely piloted aircraft systems and unmanned aircraft systems are poised to play a transformative role in the supply chain, with wide-body aircraft facilitating seamless connectivity from suppliers to last-mile package delivery.

Regulatory frameworks must evolve in tandem with supply chain advancements to ensure that air cargo operations remain efficient and competitive. A defining characteristic of air cargo is its predominantly unidirectional flow, alongside the rise of globally integrated express delivery operators managing hubs across multiple jurisdictions. These operational realities highlight the detrimental impact of continued regulatory constraints on industry expansion and customer accessibility in an increasingly globalized market.

Stakeholders have persistently advocated for greater recognition of air cargo's distinct operational attributes and the imperative for enhanced commercial freedoms. In response, the Sixth Worldwide Air Transport Conference recommended, and the 39th ICAO Assembly endorsed, ICAO's leadership in advancing the liberalization of air cargo services.

ICAO has taken an active role in addressing these regulatory challenges through its Air Transport Regulation Panel (ATRP). During its session (ATRP/14), held in Montreal from 5 to 7 July 2017, consensus was reached on drafting a protocol for a multilateral agreement aimed at liberalizing market access for air cargo services. The Panel has further endorsed the development of a dedicated protocol for all-cargo operations, encompassing up to seventh freedom rights and operational flexibility, thereby reinforcing ICAO's commitment to fostering a more adaptive and commercially viable regulatory environment for air cargo.<sup>3</sup> At the ICAO Global Air Cargo Summit held from 9-11 April 2025 in Turkey one of the key objectives of the summit was to achieve continuous optimization of the numerous benefits of air cargo services and to assure the sustainable growth of this unique sector, with concerted efforts to improve its operating environment by removing operational and regulatory constraints without compromising safety and security. In this regard, it is necessary to establish a more liberal and flexible market access for air cargo operations by putting in place quality

infrastructure commensurate with the current and future air cargo development; and encouraging improved and integrated supply chains under a liberalized marketplace.

ICAO Assembly Resolution A39-15: *Consolidated statement of continuing ICAO policies in the air transport field* urges Member States *inter alia* to give due regard to the distinct features of air cargo services when exchanging market access rights in the framework of air service agreements and grant appropriate rights and operational flexibility so as to promote the development of these services.<sup>4</sup> The Resolution urges the Council of ICAO to finalize its examination of an international agreement that would enable States to liberalize market access, while concurrently advancing the development of an international framework aimed at liberalizing air carrier ownership and control. Additionally, a dedicated international agreement should be formulated to further facilitate the liberalization of air cargo services. These efforts should be undertaken with due regard to the objectives outlined in ICAO's long-term vision for international air transport liberalization, as well as the experiences and accomplishments of States in this domain. Consideration should also be given to existing agreements on market access liberalization concluded at bilateral, regional, and multilateral levels, along with the various proposals presented during the Sixth Worldwide Air Transport Conference (*ATConf/6*) held in 2012.<sup>5</sup>

## **2. The United States Tariffs**

Air cargo operators now find themselves in a position of strategic vigilance as they assess the implications of U.S. President Donald Trump's tariff policies on global trade. The inherent volatility of tariffs, which tends to restrict the movement of goods both within and outside the jurisdiction of the imposing nation, introduces significant uncertainty into international commerce. In this instance, the U.S. has imposed tariffs that are likely to elicit retaliatory measures from affected states, thereby exacerbating the complexity of air cargo operations.

Of particular concern is the potential impact on e-commerce, a sector that has fueled much of the recent growth in air cargo demand. The imposition of tariffs could disrupt this trend, given that online retail relies heavily on swift and cost-effective cross-border trade. However, any attempt to predict the precise repercussions of these policies is fraught with difficulty, as the U.S. administration's stance on tariffs remains fluid and subject to abrupt modification.

Despite these concerns, specialist analysts at Xeneta project a 4-6% expansion in global air cargo volumes in 2025, even in the face of prevailing market anxieties and a less-than-robust start to the year. In a research note dated February 5, Niall van de Wouw, Chief Air Freight Officer at Xeneta, pointed out that the decline in air cargo

demand observed in January was not attributable solely to President Trump's policies, nor to the timing of the Lunar New Year. Rather, it must be viewed in the context of an exceptionally high base of comparison from January 2024.<sup>6</sup> Nevertheless, van de Wouw acknowledged the broader climate of uncertainty,<sup>7</sup> which renders operational planning increasingly challenging for industry stakeholders.

One of the more acute concerns for air cargo operators, particularly those engaged in e-commerce, is the U.S. administration's decision not only to impose a 10% tariff on Chinese imports but also to revoke the longstanding "de minimis" exemption. The de minimis exception in the context of tariffs imposed by the United States serves as a critical facilitative mechanism in international trade, particularly for low-value shipments transported by air cargo. Under this provision, goods valued below a specified threshold—currently set at \$800—are exempt from customs duties and expedited through simplified clearance procedures. This regulatory measure significantly enhances the efficiency of cross-border e-commerce, reducing transactional costs for both consumers and businesses while fostering the seamless movement of goods. However, as trade policies evolve, there remains a need for careful scrutiny of potential adjustments to de minimis thresholds, particularly in the context of broader tariff strategies and their implications for global supply chains.<sup>8</sup> This exemption had previously facilitated the duty-free movement of lower-value goods, an essential component of the e-commerce supply chain. Given that e-commerce represents approximately 20% of global air cargo tonnage and that the U.S. is a pivotal market, the revocation of this exemption introduces substantial procedural and financial burdens for logistics providers. Glyn Hughes, Director General of The International Air Cargo Association (TIACA),<sup>9</sup> has emphasized that the resulting complexity in revenue collection could impose additional strain on operators.<sup>10</sup>

Hughes further noted that the removal of the de minimis threshold, coupled with the potential for increased regulatory compliance requirements, is likely to precipitate inflationary pressures, heightened supply chain complexity, and retaliatory measures from affected trade partners. TIACA has long advocated for open and unrestricted trade as a cornerstone of global economic prosperity, contending that any movement toward protectionism risks destabilizing the intricate balance that underpins international commerce.

Adding to the uncertainty, the de minimis exemption was temporarily suspended in early February, purportedly to grant customs authorities the time necessary to implement the requisite administrative systems. This suspension coincided with the Lunar New Year holiday in China, a period during which many manufacturing facilities were closed. As a result, reports of clearance blockages emerged at U.S. entry points,

with millions of additional shipments suddenly requiring border clearance. Hughes observed that the coming weeks will be instrumental in determining the longer-term implications of these measures, particularly in terms of whether they will catalyze shifts in supply chain dynamics to the advantage of alternative markets.

A fundamental question that arises from these developments is whether consumers will prioritize cost savings over expedited delivery timelines. If price considerations take precedence, it is conceivable that air freight rates may experience downward pressure at a global scale. However, van de Wouw cautioned against premature speculation, noting that while such an outcome remains plausible, the industry must guard against overreaction.

It is also important to recognize that this is merely the opening phase of the second Trump administration, and substantial policy shifts remain possible. Van de Wouw underscored that tariff implementation is inherently transactional, with reciprocal measures by trading partners such as China, Canada, and Mexico constituting a dynamic negotiation process. At this juncture, definitive outcomes remain elusive. However, what is clear is that uncertainty is detrimental to trade confidence and investment decisions. Shippers, therefore, would be well-advised to maintain a state of readiness rather than rush into reactionary measures.

For the immediate future, managing uncertainty remains the foremost challenge for air cargo operators. Prudent firms are maintaining composure, closely monitoring developments, and—where resources permit—incorporating adaptability into their operational frameworks. As Hughes aptly summarized, the interplay between geopolitics and trade is becoming increasingly intricate, ensuring that volatility in the international trade landscape will persist for the foreseeable future.

### **3. A Deeper Analysis of the Issue**

The imposition of tariffs by the Trump administration on Canada, Mexico, China, and other trading partners represents a marked departure from the principles of free trade that have long underpinned the global economic order. These measures, framed as an effort to protect domestic industries and reduce trade deficits, have triggered a chain reaction of retaliatory tariffs and recalibrated supply chain dynamics. The broader implications of such policies on global trade, economic growth, and international relations merit thorough examination from both legal and economic perspectives.

From a legal standpoint, tariffs imposed under Section 232 of the Trade Expansion Act of 1962 and Section 301 of the Trade Act of 1974 have raised significant questions regarding compliance with international trade law. Section 232 tariffs,<sup>11</sup> justified on national security grounds, were leveraged to impose duties on steel and aluminum

imports from Canada, Mexico, and the European Union. Section 301 of the Trade Act of 1974 provides the United States with a unilateral mechanism to address unfair trade practices by foreign nations that adversely affect U.S. commerce. Under this provision, the U.S. Trade Representative (USTR) is empowered to investigate and determine whether specific trade policies or practices of a foreign government are unjustifiable, unreasonable, or discriminatory, thereby burdening or restricting U.S. trade. If such findings are made, the President has broad authority to impose remedial measures, including tariffs, quotas, or other trade restrictions, to counteract the identified harm. While Section 301 has historically served as a tool for enforcing U.S. trade rights under international agreements, its recent application—particularly in the imposition of tariffs on Chinese imports—has raised complex questions regarding its compatibility with multilateral trade norms, as well as its broader implications for the stability of the global trading system. The invocation of national security as a rationale for these tariffs has been met with skepticism by the World Trade Organization (WTO) and U.S. trading partners, many of whom argue that such a justification is tenuous and primarily protectionist in nature. Under WTO rules, nations may impose trade restrictions for national security reasons, but the broad application of this exception has led to legal challenges and disputes.

Section 301 of the Trade Act of 1974 was used as the basis for imposing tariffs on Chinese goods in response to alleged unfair trade practices, particularly concerning intellectual property rights and forced technology transfers. The legal argument underpinning these tariffs is that China has engaged in discriminatory practices that undermine U.S. commercial interests, warranting unilateral countermeasures. However, the WTO dispute settlement mechanism, which generally discourages unilateral trade actions outside its prescribed framework, has been critical of these measures, leading to an escalation in trade tensions between the U.S. and China.

Economists generally contend that tariffs introduce distortions into global trade by disrupting established supply chains, increasing costs for consumers and businesses, and fostering inefficiencies. Empirical research indicates that tariff-induced trade wars typically result in welfare losses for all parties involved. The imposition of tariffs on steel and aluminum, for instance, led to higher input costs for U.S. manufacturers reliant on these materials, diminishing their global competitiveness. In the automotive sector, tariffs on imported vehicles and auto parts similarly inflated production costs, with adverse effects on employment and investment decisions.

The economic consequences of the U.S.-China trade war, which was characterized by successive rounds of tariff escalation, have been extensively analyzed by organizations such as the International Monetary Fund (IMF) and the World Bank.

Studies indicate that these measures contributed to a slowdown in global trade growth and increased economic uncertainty, thereby discouraging investment. The IMF estimated that the cumulative impact of U.S.-China tariffs resulted in a 0.8% reduction in global GDP, with spillover effects on emerging markets and developing economies that are heavily integrated into global supply chains.<sup>12</sup>

One of the most pronounced effects of the tariffs has been their influence on global supply chain restructuring. Faced with higher costs associated with tariffs, multinational corporations have explored alternative production hubs in countries such as Vietnam, India, and Mexico. This realignment, while creating opportunities for some economies, has also introduced inefficiencies and transition costs, as firms are forced to navigate new regulatory environments and infrastructure constraints.

The de minimis exemption, which previously allowed low-value shipments to enter the U.S. duty-free, was another casualty of the Trump administration's trade policy. The removal of this exemption increased administrative burdens for customs authorities and e-commerce firms, complicating cross-border transactions. The ramifications of this measure were particularly pronounced in the context of e-commerce, where the seamless movement of small parcels plays a crucial role in sustaining business models reliant on rapid delivery.

Retaliatory measures imposed by Canada, Mexico, China, and the European Union further exacerbated trade tensions. Canada's response to U.S. steel and aluminum tariffs included countermeasures targeting a range of U.S. exports, from agricultural products to consumer goods. Mexico adopted a similar approach, imposing tariffs on American pork, cheese, and whiskey. China's retaliatory tariffs, aimed at U.S. agricultural exports such as soybeans and pork, had far-reaching consequences for American farmers, many of whom experienced significant income losses as a result of reduced access to the Chinese market.

The broader economic discourse on tariffs underscores the inherent risks associated with protectionist policies. Classical economic theories, including those advanced by David Ricardo and Adam Smith, advocate for the principles of comparative advantage and free trade, emphasizing that protectionism ultimately leads to inefficiencies and suboptimal economic outcomes. Modern economic analyses corroborate this view, illustrating that tariff-induced trade disruptions often result in higher costs for consumers, reduced export competitiveness, and retaliatory cycles that constrain economic growth.

The Trump administration's tariffs also had geopolitical ramifications, straining relations with long-standing allies and complicating multilateral trade negotiations. The United States-Mexico-Canada Agreement (USMCA), which replaced the North



American Free Trade Agreement (NAFTA), was negotiated under the shadow of tariffs, with Canada and Mexico seeking assurances that trade restrictions would not be arbitrarily imposed in the future. The WTO's credibility was also tested, as the proliferation of unilateral tariffs and countermeasures highlighted the organization's limited enforcement capabilities in the face of escalating trade disputes.

In evaluating the long-term impact of these tariffs, it is instructive to consider historical precedents. The Smoot-Hawley Tariff Act of 1930, which imposed high duties on a wide range of imported goods, is widely regarded as having exacerbated the Great Depression by triggering retaliatory measures that curtailed global trade.<sup>13</sup> While the economic environment of the 21st century differs significantly from that of the 1930s, the fundamental lesson remains applicable: protectionist trade policies tend to generate unintended consequences that undermine economic stability and growth.

The response of global markets to the Trump administration's tariffs further underscores the interconnected nature of the modern economy. Stock market volatility, fluctuations in currency exchange rates, and shifts in commodity prices all reflected investor apprehension regarding the sustainability of global trade relations. The uncertainty engendered by these policies deterred long-term capital investment, as businesses struggled to anticipate the regulatory landscape and adjust their strategic planning accordingly.

Although the Biden administration adopted a more multilateral approach to trade policy, many of the tariffs imposed during the Trump era remained in place, illustrating the complexity of unwinding protectionist measures once they have been enacted. The persistence of these tariffs suggests that their effects will continue to shape global trade dynamics in the years to come, necessitating careful policy deliberation to mitigate adverse economic repercussions.

Ultimately, the imposition of tariffs as a means of achieving domestic economic objectives must be weighed against the broader implications for global trade stability and economic growth. While targeted trade policies can, in some instances, address specific market distortions or strategic vulnerabilities, their indiscriminate application often yields counterproductive outcomes. A balanced approach that prioritizes international cooperation, transparent trade negotiations, and adherence to multilateral trade agreements remains the most viable path toward fostering sustainable economic development in an increasingly interconnected world.

#### **4. Effects of Sanction on Air Cargo**

The imposition of sanctions on air cargo operations has introduced complex legal and regulatory challenges that demand a thorough analysis of their implications for the

global aviation industry. The effects of these sanctions extend beyond national borders, influencing trade, economic stability, and diplomatic relations. Various stakeholders, including ICAO, IATA, TIACA and Airports Council International (ACI), have weighed in on the subject, offering perspectives on the legality, economic repercussions, and operational constraints that arise from such measures.

Sanctions, typically imposed as instruments of foreign policy, can take the form of trade restrictions, asset freezes, and prohibitions on financial transactions. The legal basis for these sanctions often derives from national legislation, such as the International Emergency Economic Powers Act (IEEPA)<sup>14</sup> in the United States, or multilateral frameworks established by the United Nations or regional organizations like the European Union. The application of sanctions to air cargo carriers can be particularly disruptive, as it directly impacts the movement of goods, compliance obligations, and the broader supply chain infrastructure.

ICAO, as the specialized UN agency responsible for international civil aviation, has consistently emphasized the need for adherence to the principles outlined in the Chicago Convention of 1944. While ICAO does not possess enforcement mechanisms to override sanctions imposed by individual states, it has raised concerns about the fragmentation of global air transport regulation when unilateral measures are imposed. ICAO maintains that any restrictions on air cargo should be implemented in a manner that minimizes undue disruptions to international connectivity while balancing legitimate security concerns.

IATA, representing the interests of the airline industry, has been vocal in its criticism of sanctions that impede the efficiency of global air cargo operations. From a legal perspective, IATA has underscored the challenges associated with compliance, particularly when airlines and logistics providers must navigate conflicting regulations imposed by different jurisdictions. The extraterritorial reach of some sanctions regimes, particularly those enacted by the United States, has led to instances where non-U.S. entities face penalties for engaging in transactions deemed unlawful under U.S. law. IATA has advocated for greater regulatory harmonization to prevent such legal ambiguities, arguing that excessive restrictions on air cargo undermine economic stability and global trade flows.

TIACA, which serves as a global voice for the air cargo industry, has echoed these concerns, highlighting the operational constraints imposed by sanctions. The organization has pointed out that the air cargo industry plays a crucial role in facilitating humanitarian aid, medical supply distribution, and e-commerce, all of which are adversely affected by restrictive trade policies. The suspension of cargo operations to sanctioned countries has disrupted time-sensitive deliveries, leading to inefficiencies

and increased costs. TIACA has also argued that the broad application of sanctions can have unintended consequences, particularly when they hinder the ability of developing nations to access essential goods.

ACI, representing airports worldwide, has focused on the infrastructural and logistical ramifications of air cargo sanctions. Airports serve as critical hubs in the global supply chain, and restrictions on sanctioned carriers have led to underutilization of cargo facilities, financial losses for airport operators, and disruptions in scheduled freight movements. ACI has advocated for a balanced regulatory approach that ensures compliance with international obligations while preserving the economic viability of airports and the air cargo industry.

Beyond institutional perspectives, the aviation community at large has expressed concerns over the long-term consequences of sanctions on air cargo. Industry experts have noted that sanctions often lead to the reconfiguration of supply chains, as businesses seek alternative routes and logistics solutions to circumvent restrictions. This has, in some cases, resulted in inefficiencies and higher transportation costs. The diversion of cargo operations to non-sanctioned jurisdictions has also created regulatory arbitrage, where businesses exploit legal loopholes to maintain trade flows. While some nations have benefited from these shifts, the overall impact has been an increase in uncertainty and unpredictability in global air cargo logistics.

Economists have also weighed in on the broader effects of air cargo sanctions on global trade and economic stability. Empirical studies indicate that trade restrictions, including sanctions, tend to reduce overall trade volumes, impede economic growth, and exacerbate supply chain disruptions. Sanctions that target air cargo have a particularly pronounced effect due to the sector's reliance on just-in-time logistics and the critical role it plays in high-value goods transportation. The World Trade Organization (WTO) has observed that such restrictions often lead to retaliatory measures, further amplifying trade tensions and economic fragmentation.

One of the primary concerns raised by economists is the inflationary impact of sanctions on air cargo. When access to certain markets is restricted, businesses face higher transportation costs, which are ultimately passed on to consumers. This has been evident in cases where sanctions on major cargo hubs have forced businesses to seek alternative, less efficient routes. The disruption of established trade networks has also affected industries that depend on the timely delivery of components and raw materials, particularly in the manufacturing and technology sectors.

The legal and regulatory landscape surrounding air cargo sanctions remains complex and dynamic. While governments have justified these measures on national security or foreign policy grounds, their implementation has raised critical questions

regarding proportionality, compliance burdens, and economic consequences. The aviation industry continues to advocate for a regulatory framework that balances security imperatives with the need to maintain efficient and predictable trade flows. The ongoing dialogue between ICAO, IATA, TIACA, ACI, and policymakers will be instrumental in shaping future approaches to air cargo regulation in an era of geopolitical uncertainty.

## **5. Will the United States Benefit from Tariffs on Air Cargo?**

The imposition of tariffs on air cargo is a matter that necessitates a careful and nuanced analysis, particularly when considering the broader implications for the United States economy. The interconnectedness of global trade, the indispensable nature of air cargo in supply chain logistics, and the economic principles that underpin tariffs collectively shape the outcomes of such a policy decision. It is incumbent upon us to dissect the implications of tariffs on air cargo with a view to assessing whether the United States economy stands to gain or suffer as a consequence.

Air cargo serves as the lifeblood of international trade, particularly in sectors that rely on expedited transportation, such as pharmaceuticals, high-value electronics, perishable goods, and automotive components. The expeditious movement of these goods is not merely a matter of convenience; it is a vital component of economic efficiency. The imposition of tariffs on air cargo disrupts this efficiency by increasing costs for businesses that depend on the seamless flow of goods across borders. Tariffs, by their very nature, introduce a distortion into the market, compelling businesses to reassess supply chain strategies, reconfigure logistics, and, in many instances, pass on increased costs to consumers. Consequently, a tariff regime that targets air cargo has the potential to introduce inflationary pressures into the domestic economy, thereby diminishing purchasing power and adversely affecting consumer welfare.

From a macroeconomic perspective, the United States benefits significantly from trade liberalization, and any measure that inhibits the free movement of goods carries the potential for unintended economic repercussions. The proponents of tariffs often argue that they serve as a mechanism to protect domestic industries from foreign competition. However, when applied to air cargo, the protective effect is less discernible. The reason for this lies in the fact that air cargo is fundamentally a facilitative mechanism rather than a competitive industry in itself. By increasing the cost of air transportation through tariffs, the policy does not directly enhance the competitiveness of domestic air cargo providers; rather, it creates an environment of inefficiency where businesses that rely on just-in-time delivery and high-speed logistics face new financial burdens.

A crucial aspect to consider is the retaliatory nature of trade policy. The imposition of tariffs on air cargo by the United States is unlikely to occur in isolation. Trading partners, particularly those with robust export-oriented economies, may respond with reciprocal measures, thereby leading to a cascade of economic consequences. Such retaliatory actions could further impede the flow of goods, create bottlenecks in supply chains, and erode the comparative advantages that American businesses currently enjoy in various global markets. In this respect, tariffs on air cargo have the potential to create a self-defeating scenario where the purported gains in protecting certain industries are offset by retaliatory measures that undermine broader economic interests.

It is also pertinent to examine the impact on key industries that rely on air cargo. The pharmaceutical industry, for instance, is heavily dependent on the rapid transportation of medical supplies, vaccines, and biologics. Delays and increased costs resulting from tariffs could compromise the efficiency of supply chains, affecting both domestic consumption and the ability to meet global demand. Similarly, the automotive industry, which operates on a just-in-time inventory system, may experience disruptions in the timely arrival of critical components, leading to production delays and increased costs. The net effect is a reduction in industrial productivity, which in turn affects employment, investment, and economic growth.

Moreover, air cargo is integral to the operations of e-commerce, a sector that has seen exponential growth in recent years. Consumers have come to expect rapid delivery services, often facilitated by international air cargo networks. Tariffs that increase the cost of air transportation could result in higher shipping fees for consumers, thereby dampening demand and impacting the revenue streams of both domestic and international e-commerce businesses. The competitive advantage that U.S.-based firms such as Amazon and FedEx hold in the global market is partially contingent on cost-effective and efficient logistics. The imposition of tariffs on air cargo could erode this advantage, making it more difficult for these firms to maintain their market dominance.

From an economic policy standpoint, tariffs are often justified on the grounds of national security and the need to reduce trade deficits. While these considerations hold merit in certain contexts, their application to air cargo tariffs is questionable. The nature of air cargo does not lend itself easily to the objectives of protecting national security, as the industry operates within a highly regulated framework that already incorporates stringent safety and security measures. Furthermore, the impact of air cargo tariffs on the trade deficit is likely to be marginal at best, given that they do not directly address the underlying structural issues that contribute to trade imbalances, such as domestic savings rates and consumption patterns.

The ripple effects of air cargo tariffs extend beyond immediate cost implications. They also have a bearing on foreign direct investment (FDI) and the overall attractiveness of the United States as a destination for multinational enterprises. Firms that rely on an efficient logistics infrastructure may reconsider their investment decisions in light of increased operational costs. A diminished FDI inflow could result in slower economic growth, reduced job creation, and a weakened competitive standing in the global economy. Given that the United States has historically been a leader in fostering an open and trade-friendly environment, policies that introduce new barriers to trade may signal a shift in economic strategy that could deter investors.

Aviation, as a sector, has historically been a driver of economic growth, fostering connectivity and enabling trade. Any policy measure that constrains its efficiency must be carefully evaluated to ensure that the purported benefits outweigh the costs. In the case of air cargo tariffs, the evidence suggests that the economic costs far exceed any potential advantages. The impact is not limited to air cargo carriers alone; rather, it permeates multiple industries, affecting businesses, consumers, and the broader economy. The interconnected nature of modern supply chains means that any disruption, however seemingly targeted, has the potential to create widespread economic inefficiencies.

In the final analysis, the imposition of tariffs on air cargo presents a scenario where the costs imposed on businesses, consumers, and the broader economy far outweigh any theoretical gains. The principles of trade liberalization and economic efficiency suggest that a tariff regime targeting air cargo is counterproductive, introducing distortions that undermine growth rather than fostering it. The retaliatory risks, supply chain disruptions, inflationary pressures, and negative impact on key industries all point to the conclusion that such a policy would be detrimental to the United States economy. Economic policy should be designed to enhance competitiveness, foster innovation, and promote growth, rather than to create artificial barriers that impede these objectives. The broader lesson is that while trade policy is a powerful tool, its application must be judicious and informed by a comprehensive understanding of the economic interdependencies that define the modern world.

## **6. Conclusion**

The global air cargo industry, a vital enabler of international trade and economic growth, faces increasing uncertainty due to shifting tariff policies, particularly those imposed by the United States under various trade laws, including Section 232 of the Trade Expansion Act of 1962 and Section 301 of the Trade Act of 1974. In this evolving landscape, ICAO, IATA and TIACA must play an enhanced role in regularizing and

regulating air cargo operations while advocating for policies that protect the industry from undue trade restrictions. These organizations must collaborate closely with States to ensure that air cargo remains a seamless and efficient conduit for global commerce, unencumbered by restrictive tariff regimes that may undermine the principles of liberalized market access.

A fundamental priority for ICAO is to uphold the principles enshrined in the Chicago Convention and its Annexes, particularly those pertaining to the facilitation and economic regulation of air transport. ICAO has long recognized the importance of air cargo in international trade, as reflected in its Long-Term Vision for International Air Transport Liberalization, which calls for a progressive approach to market access and regulatory harmonization. The 39th ICAO Assembly reaffirmed the need for continued liberalization of air cargo services, emphasizing that States should remove unnecessary restrictions to promote efficiency and economic sustainability. ICAO's Air Transport Regulation Panel (ATRP) has also worked toward developing multilateral agreements aimed at reducing regulatory barriers to air cargo operations. Given the current trade climate, ICAO must intensify its efforts to encourage States to adopt policies that safeguard air cargo from disruptive tariffs and unilateral trade measures.

IATA, as the representative body of global airlines, has a vested interest in ensuring that air cargo remains an integral and efficient component of the global supply chain. The IATA Cargo Strategy underscores the necessity of harmonized regulatory frameworks and trade facilitation measures that minimize friction in cross-border air cargo operations. IATA has consistently advocated for the reduction of trade barriers and the modernization of customs processes through the implementation of its Cargo Transformation Program, which aligns with ICAO's initiatives on air transport liberalization. The imposition of tariffs by the United States presents a direct challenge to these efforts, as it introduces volatility into supply chains and increases operational costs for air cargo carriers. IATA must strengthen its engagement with policymakers to highlight the adverse economic impacts of protectionist trade policies and promote regulatory frameworks that align with the objectives of the World Trade Organization (WTO) and ICAO.

TIACA, as a global forum for air cargo stakeholders, has a critical role in fostering dialogue between regulators and industry participants. The association has repeatedly emphasized the need for collaborative policymaking that recognizes the unique nature of air cargo logistics. The TIACA Air Cargo Sustainability Roadmap outlines key principles for enhancing efficiency and resilience in the air cargo industry, including regulatory stability and trade facilitation. In the face of escalating tariff measures, TIACA must amplify its advocacy efforts to ensure that air cargo is not

disproportionately affected by protectionist trade policies. This includes working with ICAO and IATA to push for regulatory reforms that mitigate the impact of tariffs on air cargo flows and ensure that States adopt policies that facilitate, rather than hinder, global trade.

One of the key arguments against imposing restrictive tariffs on air cargo is the critical role it plays in supporting global supply chains, particularly in sectors such as pharmaceuticals, e-commerce, and perishables. According to ICAO's Manual on the Regulation of International Air Transport (Doc 9626), air cargo should be governed by policies that recognize its distinct characteristics and operational requirements. Unlike passenger air transport, air cargo exhibits a directional flow that is highly sensitive to economic and trade fluctuations. The imposition of tariffs disrupts this flow, leading to inefficiencies, increased costs, and potential retaliatory measures from affected trading partners. ICAO, IATA, and TIACA must advocate for policy frameworks that exempt air cargo from punitive trade measures, emphasizing its indispensable role in global economic stability.

Furthermore, ICAO's Annex 9 – Facilitation - establishes guidelines for the expeditious processing of air cargo shipments, including customs procedures and security measures. The introduction of tariffs complicates compliance with these provisions, as it necessitates additional documentation, inspections, and financial outlays that impede the seamless movement of goods. IATA's Simplifying the Business (StB) Cargo program, which promotes digital transformation and process optimization in air cargo logistics, is particularly relevant in this context. By leveraging technologies such as electronic airway bills (e-AWB) and automated customs clearance systems, the industry can mitigate some of the administrative burdens imposed by tariffs. However, these measures alone are insufficient; ICAO, IATA, and TIACA must continue to press for policy solutions that address the root causes of trade barriers.

Another critical aspect that requires attention is the potential for tariff-driven trade policies to undermine the liberalization of air cargo services. ICAO's Manual on Air Services Agreements (Doc 9587) outlines best practices for negotiating bilateral and multilateral agreements that facilitate market access and operational flexibility. Many States have entered into Open Skies agreements that eliminate restrictions on air cargo operations, fostering a more integrated and efficient global air transport system. The imposition of tariffs runs counter to the objectives of such agreements, creating inconsistencies in international air transport regulation. ICAO, IATA, and TIACA must work with States to ensure that air cargo remains a priority in liberalization efforts, shielding it from trade disputes that could disrupt global connectivity.



Additionally, the Trade Facilitation Agreement (TFA) under the WTO framework provides a foundation for reducing trade barriers and enhancing the efficiency of global logistics networks. Air cargo is a primary beneficiary of the TFA's provisions on customs simplification and expedited clearance procedures. Any attempt to impose restrictive tariffs on air cargo contravenes the spirit of this agreement, creating unnecessary obstacles to trade. ICAO, IATA, and TIACA must engage with the WTO and national governments to ensure that air cargo remains aligned with the principles of trade facilitation and economic integration.

Looking ahead, the air cargo industry must prepare for continued shifts in global trade policies. While external factors such as e-commerce expansion and digitalization present opportunities for growth, regulatory challenges must be addressed proactively. ICAO, IATA, and TIACA must remain at the forefront of discussions on trade policy, advocating for solutions that preserve the integrity of air cargo operations. This includes encouraging States to adopt policies that promote regulatory harmonization, streamline customs procedures, and exempt air cargo from punitive trade measures.

The air cargo industry has long demonstrated resilience in adapting to changing economic and regulatory landscapes. However, the current trade climate necessitates a concerted effort from ICAO, IATA, and TIACA to safeguard the industry from undue disruptions. By strengthening regulatory frameworks, fostering international cooperation, and championing trade facilitation, these organizations can ensure that air cargo continues to serve as a cornerstone of global economic prosperity. In doing so, they reaffirm their commitment to the fundamental principles of an open, efficient, and sustainable air transport system.

## Endnotes

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<sup>1</sup> <https://www.icao.int/Security/aircargo/Pages/default.aspx>.

<sup>2</sup> *Airlines*, Further growth for air freight but industry wary of tariffs, Thursday 27th February 2025. See <https://airlines.iata.org/2025/02/27/further-growth-air-freight-industry-wary-tariffs>.

<sup>3</sup> <https://www.icao.int/sustainability/economic-policy/Pages/Air-Cargo-Economic-Policy.aspx>.

<sup>4</sup> [https://www.icao.int/sustainability/economic-policy/Documents/10075\\_en.pdf](https://www.icao.int/sustainability/economic-policy/Documents/10075_en.pdf).

<sup>5</sup> *Ibid.*

<sup>6</sup> Niall van de Wouw & Wenwen Zhang, A flying start to 2025 but, after 14 months of double-digit demand growth, air cargo stakeholders remain cautious. XENETA, January 09, 2025. See <https://www.xeneta.com/news/a-flying-start-to-2025-but-after-14-months-of-double-digit-demand-growth-air-cargo-stakeholders-remain-cautious>.

<sup>7</sup> Air Cargo Market Faces Uncertain Growth in 2025, Published: Friday, January 17, 2025. See Air Cargo update at <https://aircargoupdate.com/air-cargo-market-faces-uncertain-growth-in-2025/>

<sup>8</sup> See Tara Deschamps, What is the de minimis exemption? Why Canadian businesses fret over its fate, The Canadian Press, 6 February 2025. <https://globalnews.ca/news/11006577/de-minimis-exemption-us-canada-business/>

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<sup>9</sup> The International Air Cargo Association (TIACA) is the unique international not-for-profit association representing and uniting all parts of the air cargo industry, including shippers, freight forwarders, ground handlers, airports, airlines, manufacturers, and solution providers. Launched in the early 1990s, our roots go back to 1960, when a committee of the Society of Automotive Engineers in the USA launched the first Air Cargo Forum to explore the needs of the emerging air cargo industry.

<sup>10</sup> The intersection of geopolitics and trade: What it means for air cargo, *Aviation Business News*, <https://www.aviationbusinessnews.com/cargo/cargo-interviews-comments-articles/the-intersection-of-geopolitics-and-trade-what-it-means-for-air-cargo/>

<sup>11</sup> Section 232 of the Trade Expansion Act of 1962 confers upon the President of the United States the authority to impose trade restrictions—including tariffs and quotas—on imported goods that are determined to pose a risk to national security. The mechanism for such action is an investigative process conducted by the U.S. Department of Commerce, which assesses whether specific imports adversely affect domestic industries essential to national defense and economic resilience. Should a determination of such impairment be made, the President possesses broad discretionary power to implement corrective measures aimed at mitigating the identified risks. In recent years, this provision has been invoked to justify tariffs on steel and aluminum imports, premised on the argument that an overreliance on foreign suppliers for these critical materials could compromise the security and self-sufficiency of U.S. defense industries. However, its application has sparked significant debate, particularly concerning its economic repercussions, its impact on international trade relations, and the evolving interpretation of national security within the broader framework of global commerce.

<sup>12</sup> International Monetary Fund, World Economic Output Update, January 2025. See <https://www.imf.org/en/Publications/WEO/Issues/2025/01/17/world-economic-outlook-update-january-2025>.

<sup>13</sup> Chandelis Duster, Did tariffs contribute to the Great Depression? Here's what to know, NPR Vermont Public, March 6, 2025. See <https://www.npr.org/2025/03/06/nx-s1-5318076/tariffs-great-depression-explainer>.

<sup>14</sup> Title II of Pub. L. 95–223. The International Emergency Economic Powers Act (IEEPA) is a United States federal law that authorizes the president to regulate international commerce after declaring a national emergency in response to any unusual and extraordinary threat to the United States. The IEEPA grants executive authority over emergencies during peace-time and allows the president to reform the economic policies of the United States in response to national security threats.