INTERNATIONAL TRADE COMPLIANCE

Article

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Legal Approaches in International Trade Compliance

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Abstract: Modern conditions imply the need for compliance procedures, the use of civil law instruments of due diligence, assurances and guarantees, etc., for the implementation of international trade relations, including various kinds of economic restrictions. Compliance with the requirements of international trade law has a significant impact on the development of industrial and trade relations complicated by a foreign element. The process of ensuring compliance with the requirements of international trade law refers to international trade compliance. When implementing international trade compliance procedures, it is important to ensure legal monitoring and control over export-import relations, in particular, international trade transactions, logistics, settlements, customs procedures, administrative and other mandatory requirements of the national legislation of exporting and importing countries, etc. In a dynamically changing environment, international trading companies must adapt to the new rules in order to ensure stability and legitimacy of cross-border trade operations, while respecting ethical and legal standards.

The purpose of the paper is to study international trade compliance and determine its legal nature, propose the most effective legal compliance practices in the field of international trade and good practices for working with various regulatory requirements, develop proposals for

optimizing legal educational programs in the field of international trade compliance, suggest new ideas for the use of automated solutions in the field of compliance and systematization of sanctions and anti-sanction restrictions.

Keywords: international trade compliance; classification; harmonized system; valuation activities; customs procedures; compliance procedures; foreign economic activity; export-import operations

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Contents

I. Introduction

Modern conditions for the implementation of international trade relations, including various kinds of economic restrictions, imply the need for compliance procedures, the use of civil law instruments of due diligence, assurances and guarantees, etc.

Compliance with the international trade law standards has a significant impact on the development of industrial and trade relations complicated by a foreign element. The process of ensuring compliance with the requirements of international trade law refers to international trade compliance.

Law, as a system of rules and norms regulating public relations, plays a particularly significant and fundamental role in the implementation of compliance procedures in international trade, since international trade, as the basis of the world economy, is in most cases comprehensively regulated by the rules of law of various levels and jurisdictions. Indeed, international trade compliance is based on the process of ensuring compliance of activities under consideration with the requirements of the rules of law. In modern conditions, international trade compliance, in a broader sense, can also include trajectories for challenging economic restrictions and adopted regulatory legal acts. In view of the above, the formation of legal competencies and the constant improvement of legal literacy of compliance managers is also an important element of the formation of effective compliance programs.

According to the definition of the International Chamber of Commerce, international trade compliance includes the rules, regulations and best practices of exporting and importing goods, operating within the framework of the laws, rules, regulations and requirements of each of the participating countries (Wiggett and Scrimgeour, 2020).

When implementing international trade compliance procedures, it is important to ensure legal monitoring and control over export-import relations, in particular international trade transactions, logistics, settlements, customs procedures, administrative and other mandatory requirements of the national legislation of exporting and importing countries.

The legitimacy of certain international trade relations depends on the requirements of the national legislation of a particular State. The legitimization of international trade relations is also influenced by geopolitical and economic factors, including the factors mediated by the relations between specific countries and integration associations.

Thus, in the modern world, parallel imports implemented in compliance with the international principle of exhaustion of intellectual property rights can and should become a mechanism for the free trade development, ensuring international competition and protecting the interests of consumers around the world (Shakhnazarov, 2023, p. 720).

When carrying out export-import operations, it is necessary to analyze and take into account current trends in international trade

regulation. For example, it is important to take into account that the trade-restrictive or discriminatory effect of non-tariff measures is increasing in the world (Nabeshima and Obashi, 2021); strict technical barriers to trade drive exporters out from markets that create more obstacles (Fontagné and Orefice, 2018). The paper highlights that technical (formalized) regulations can both improve a well-being and facilitate the development of markets, as well as hinder trade; and the effects of technical regulation that impede trade are especially alarming for developing countries (Essaji, 2008). However, it is worth noting that, although not all standards and requirements for imported products reduce trade volumes (Buono and Lalanne, 2012), some of them act as a barrier to trade, increasing the cost of exports: they can reduce the number of competitors in the market, the number of categories of goods available to consumers, and they may affect different exporters unequally (Fontagné et al., 2015). It is also necessary to investigate the impact of financial development on the structure of the trade balance, in particular, on the share of exports in relation to a specific business activity (Beck, 2002).

International trade compliance exists, among other things, as a guarantee that companies engaged in international trade develop international practices of ethical behavior (Aiman, 2015). In modern conditions of a protectionist trade policy development, international compliance also exists to protect the economic interests of competing States.

The implementation and enforcement of compliance procedures in the field of international trade requires companies to comply with international export legislation, trade and financial legislation. And it is legal expertise and legal analytics that play a key role in these processes.

II. Methodology

Developing international trade relations mediated by the processes of globalization in the conditions of widespread economic constraints acquires new vectors, trajectories and forms. With regard to the compliance procedures, the most recent contractual, settlement, logistics and other solutions in the field of foreign trade make the participants

resort to the latest legal approaches, which primarily mediates the need to use in this paper the comparative method aimed at determining ways to verify and ensure compliance with regulatory requirements in the field of international trade. The comparative research method in the indicated context continues the logic of the comparative methodology for the implementation of compliance procedures. The formal legal research method is used to define the terms in the area under consideration.

Based on the results of a formal legal analysis of existing regulatory methods, the author substantiates the need to adapt the activities of international trading companies to the changing rules of international trade according to their dynamics in order to ensure the stability and legitimacy of cross-border trade operations, while observing ethical and legal standards.

III. Risks of Non-Compliance with Procedures in International Trade

Since compliance with the effective rules in the field of international trade is becoming more complicated due to external reasons, the consequences of non-compliance with the relevant requirements are also becoming more complicated.

The lack of an international trade compliance system in a trading entity and its non-compliance with international trade rules exposes participants of international trade relations to fines, penalties and delays in deliveries. This may also damage business reputation of suppliers. Thus, it is advisable to have reliable procedures to monitor compliance with the requirements of relevant regulatory legal acts, to prevent and mitigate risks. In this context, it is worth noting that the risks in the field of international trade can be very different. They can be related to law and include both an intentional and unintentional violation of the requirements of the national legislation of the State where trade relations are implemented or of any another State. They can be operational when employees or the staff of management bodies fail to comply with local regulations, internal policies and rules of the company, resulting in losses or technical errors in the company's operating activities (operational risks in some cases may exist even in

the event of force majeure). They can be reputational, related to the defect of the company's business reputation, in particular, due to the publication of defaming information about the company, its founders (participants), and employees. Such risks can be global (industry-specific), corporate (affecting a specific company) or local (affecting a specific employee or group of people in the organization).

International trade compliance involves ensuring compliance with international export, trade and financial legislation. Business activity that meets the requirements of international trade compliance involves strict compliance with the rules and regulations for importing and exporting the goods, as well as monitoring such compliance. Compliance with international trade requirements covers various aspects of international trade, including classification, certification, trade risks, taxes and import duties, product testing, licensing and approval of imports in a particular country, personnel training and retraining.

Every global business has a global supply chain; therefore, subjects (participants) of international trade relations often have to interact with several government authorities when trading in the same country. In some cases, it is necessary to comply with sanctions restrictions in accordance with the foreign policy of their countries.

The liability risks under the US OFAC Rule 50 provide an example of the need for complex analysis to eliminate or minimize sanctions risks. This Rule widens and expands the possibilities for identifying sanctioned (blocked) entities, since any company 50 percent (or more) of which is owned by blocked persons is also subject to sanctions restrictions.

There are numerous cases when a company is fined due to the ignorance of the law or carelessness, which is confirmed by the statistics of fines imposed for violating sanctions — a measure that is more lenient as compared with blocking individuals, but still quite significant in the context of international trade. For example, from 2009 to 2020, the US Department of the Treasury fined 216 violators. Only in 32 cases did the regulator revealed willful violations, while in 80 cases the regulator alleged recklessness of companies and management (Timofeev and Khomenko, 2020). In other cases, various forms of carelessness,

management errors, failures in transaction audits etc., were also discovered.

In addition, in the context of determining the risks of international trade, it is worth considering the fact that regulators pay attention not only to egregious violations of sanctions restrictions. They also take into account minor violations and various nuances, and interpret the effect of sanctions broadly, which was proved, for example, in the *Haverly case* where a fine was imposed on Haverly Systems, Inc. based on a specific and non-obvious interpretation of US legislation. Payments for Haverly Systems' services were delayed due to delays in filing tax documents, but the regulator interpreted the delay as Haverly Systems actually providing a loan to Rosneft, that is, as a violation of OFAC Directive No. 2, 2017 as amended under Executive Order 13662.

Among EU countries, Germany, for example, does not impose sanctions unilaterally, but applies UN and EU sanctions. However, Germany maintains a discrete national export control regime used in limited circumstances to impose unilateral export control measures, sometimes referred to as "German sanctions" abroad. Following the adoption of the German Sanctions Enforcement Act I ("SEA I") in May 2022 containing measures that could be implemented in the short term to improve the effectiveness of sanctions enforcement in Germany, Germany adopted the Sanctions Enforcement Act II ("SEA II") in December 2022. The adoption of this Act led to a structural modernization of sanctions enforcement in Germany. Germany does not maintain a list of sanctioned persons and entities, but uses the consolidated list of persons, groups and entities subject to EU financial sanctions. Searching and consolidating the lists of hundreds of sanctions is a labor-intensive process. Thus, companies often rely on compliance service providers. Compliance requirements in the current German environment include various types of checks with varying degrees of complexity, depending on the type of a company. The most comprehensive compliance requirements are found in the German financial services industry, where companies must conduct sanctions checks at several stages of a life cycle of a relationship (Schwarz et al., 2023).

In the context of determining the maximum risk level of international trade transactions in Germany, it is worth noting that

violations of EU sanctions and German foreign trade law, including the German export control regime, can be classified as criminal or administrative offences. Intentional violations are criminal offences. For example, under Section 17(1) AWG (Foreign Trade and Payments Act), an arms embargo violation is a criminal offence punishable by up to 10 years in prison. In addition, a fine determined depending on the individual financial situation/income of the perpetrator and the offence may be imposed.

We can also refer to one more case as an example that a normative focus can also be given to EU law as a whole. For example, on 12 April 2024, the Council of the European Union adopted the Directive criminalizing the breach of sanctions at the European Union (EU) level. In the European Union, although sanctions are adopted by the Council of the European Union, compliance with them remains the responsibility of each EU Member State. Due to the lack of a uniform sanctions regime, there are differences between EU Member States, with some considering breaches of EU sanctions to be criminal offences and others considering them to be subject only to administrative penalties (Naugès et al., 2024). Therefore, the Directive establishes a framework for defining criminal offences and sets thresholds for fines for breaches of EU sanctions. The Directive provides that certain breaches of EU sanctions shall constitute a criminal offence, in particular: making funds or economic resources available to a person; failure to freeze assets; trade, import, export, sale, purchase, transfer, transit or transportation of prohibited goods; provision of prohibited or restricted economic and financial services; circumvention of EU sanctions, etc.

It is important to understand that EU Member States may decide that infringements of EU sanctions involving funds or economic resources, goods, services or, more generally, activities of less than EUR 10,000 do not constitute criminal offences.

The Directive also harmonizes the standard of liability applicable to criminal offences. As far as natural persons are concerned, the infringements listed in the Directive will constitute criminal offences if committed intentionally. Trade, import, export, sale, purchase, transfer, transit or transport of prohibited goods, at least where such conduct

concerns items included in the EU Common Military List or dual-use items, will also constitute a criminal offence if committed with serious negligence.

The analysis and accurate interpretation of the measures outlined constitutes an essential tool for preventing and minimizing the risks associated with the violation of European sanctions restrictions when conducting international trade. Preventing the risks of liability under the relevant Directive is possible with a clear understanding of its meaning in combination with law enforcement practice.

A well-structured system of compliance with relevant legal requirements guarantees uniformity in the context of standardization of goods, requirements for ethical, environmental, price and quality control. Undoubtedly, this contributes to the creation of a transparent, fair and secure global supply chain.

The system and plan for the implementation of international trade compliance procedures allows enterprises to have a competitive advantage. Their products that comply with the law have an advantage over those that do not comply with the law.

Compliance with the rules of international trade reduces risks in the implementation of export-import relations in other ways, e.g., protection and improvement of the business reputation of the company and employees; reduction of risks of financial losses, fines and penalties; prevention of delay, suspension of customs procedures, customs investigation, saving time; guarantees of customer orientation and improved quality of customer service.

Indeed, the consequences of non-compliance with international trade rules range from delays in deliveries in the case of minor violations to financial liability and, in some cases, criminal liability for culpably committed socially dangerous acts.

Compliance with trade requirements is an excellent balancing factor: every business, regardless of whether it is large or small, must comply with the requirements of international trade law.

Effective implementation of international trade compliance procedures requires coordinated efforts of various departments and employees of the company — from law departments to operational and

sales departments. The burden of compliance with the requirements for international trade lies with the business owner. To this end, international trade processes should be constantly reviewed to avoid non-compliance.

IV. Harmonization in International Trade Compliance

Compliance with trade requirements is of great importance because it ensures harmonization and unification of trade practices worldwide. Trade requirements include a number of legal requirements and obligations applicable to all enterprises to protect consumers, suppliers and the enterprises themselves.

Optimizing trade compliance processes involves tracking, monitoring and analyzing certificates, time requirements, customs regulations, and necessary documentation and payment terms in different regions and States. Hiring a customs broker can also simplify the legal support for export-import operations, which in most cases would significantly minimize the risks of non-compliance with international trade rules. Effective risk management and a systematic approach to international trade compliance also involves maintaining communication with logistics business partners in different countries in order to ensure compliance with all import rules and export requirements.

Thus, international trade compliance involves analysis and monitoring of a number of requirements and rules of international trade, carrying out appropriate procedures, the consideration of which for the purposes of this study should be carried out separately.

Thus, one of the most important elements of international trade compliance is the classification of goods.

In the context of compliance procedures, it is advisable to verify the assignment of the correct commodity (codes of the commodity nomenclature of foreign economic activity) and tariff codes for goods in order to simplify customs clearance. An incorrectly assigned product code can result in incorrect payment of import duties.

A correct classification of goods is fundamental to compliance with customs regulations, as well as to establishing the correct rates of duties, origin of goods, export controls and many other customs procedures.

As for the legal regulation of relations based on the classification of goods in the context of international trade, descriptions and goods coding are actively used in this area. The Harmonized System was developed and adopted on the basis of the International Convention on the Harmonized Commodity Description and Coding System (Brussels, 14 June 1983). The Convention entered into force on 1 January 1988.

For the Russian Federation, this Convention entered into force on 1 January 1997 under Resolution of the Government of the Russian Federation No. 372 dated 3 April 1996. No. 372.

The Harmonized Commodity Description and Coding System is a standard nomenclature for naming and classifying goods maintained and administered by the World Customs Organization (WCO). The system includes more than 5,000 product groups; each of the products is identified by a six-digit code that has a legal and logical structure and is supported by clearly defined rules to provide a unified classification.

Assessing the unifying nature of the provisions of the Convention, it is important to note that the contracting parties under the Convention are obliged to use the headings and subheadings of the harmonized system without any addition or modification, apply the classification rules prescribed in the harmonized system, calculate and make publicly available import and export trade statistics in accordance with the Harmonized System (HS).

Taking into account the above and the fact that the system is used by more than 200 states as a basis for the formation of customs tariffs and for the collection of international trade statistics, we can conclude that in the field of description and coding of goods for the purposes of international trade, maximum unification of rules has been achieved, which, in turn, allows for the harmonization of customs procedures in general at the international level and contributes to the simplification and development of international trade.

More than 98 % of goods in international trade are classified according to the HS, despite the fact that a little more than 150 countries have signed the International Convention on the Harmonized Commod-

ity Description and Coding System, and some States use the Harmonized System only to develop their own nomenclature, without signing the Convention.[1]

To classify a particular product, a six-digit code is used. It has the following structure: XX — Chapter to which a specific product belongs; XXXX — heading within that Chapter; XXXXXX — subheading.[2]

The Eurasian Economic Union, in turn, also joined the Convention under consideration, which led to the use of the harmonized system as the foundation for the Common Commodity Nomenclature of Foreign Economic Activity of the Eurasian Economic Union (EAEU). It is noteworthy that the EAEU Customs Code uses a ten-digit code, since member states of the Convention are allowed to use a larger number of symbols to classify products within countries.

The harmonized system consists of 21 Sections and 99 Chapters (3 of which are reserved) and includes all products traded globally.

The classification is based on various distinctive features of the product, such as origin, function, chemical composition and component material.

Speaking about the importance of a harmonized commodity description and coding system for the purposes of international trade compliance, it is worth mentioning the function of organizing the regulation of international trade relations and convergence of approaches to the classification of goods in order to ensure the stability and sustainability of foreign trade, and, primarily, export-import operations.

[1] Application of customs codes to classify goods. IFCG Encyclopedia online. Available at: https://clck.ru/3B44vP (In Russ.) [Accessed 04.02.2024].

[2] The Harmonized Commodity Description and Coding System. The HS term definition. Alta-Soft website. Available at: https://www.alta.ru/information/glossarium/%D0%B3%D0%B0%D1%80%D0%BC%D0%BE%D0%BD%D0%B8%D0%B7%D0%B8%D1%80%D0%BE%D0%B2%D0%B0%D0%BD%D0%BD%D0%B0%D1%8F_%D1%81%D0%B8%D1%81%D1%82%D0%B5%D0%BC%D0%B0_%D0%BE%D0%BF%D0%B8%D1%81%D0%B0%D0%BD%D0%B8%D1%8F_%D0%B8_%D0%BA%D0%BE%D0%B4%D0%B8%D1%80%D0%BE%D0%B2%D0%B0%D0%BD%D0%B8%D1%8F_%D1%82% D0%BE%D0%B2%D0%B0%D1%80%D0%BE%D0%B2/ (In Russ.) [Accessed 04.02.2024].

In addition, a correct classification of tariffs that is the legal obligation of importers and exporters is of particular importance in ensuring financial foundations of international trade. The correct classification of tariffs makes it possible to determine the appropriate rates of duties, taxes and benefits. Permits, licenses and other requirements related to obtaining documents necessary for carrying out a specific activity may be determined by the tariff classification. It is important to understand that trade documentation and data transmission can be standardized using the tariff classification. The tariff classification of goods in this context is also an important tool for collecting, comparing and analyzing trade statistics for business planning and trade negotiations. Failure to comply with the relevant requirements can lead to delays in deliveries, increased inspections, fines and other administrative penalties, or even confiscation of goods (Wiggett and Scrimgeour, 2020).

It is worth noting that disagreements may arise regarding the tariff classification not only internationally, but also at the national level. There are many examples of court cases when different interpretations of the provisions of the Harmonized System at the national level have led to challenging appeals regarding the classification of the Harmonized System.[3]

Given the complexities associated with the classification of the Harmonized System and the potential impact on compliance and revenue collection, governments around the world have introduced various ways to provide guidance for the interpretation of the provisions of the Harmonized System. The World Customs Organization has established Standard 9.9 of the General Annex to the Revised Kyoto Convention on Simplification and Harmonization of Customs Procedures of 1973 that provides for preliminary decisions so that importers are confident in the tariff classification of goods before importing the goods.

In addition, the World Customs Organization publishes Explanatory Notes that provide users with an official interpretation of the Harmonized System. Although explanatory notes are not mandatory in all countries,

[3] International Federation of Customs Brokers Associations. The importance of the HS to tariff classification: thoughts from the IFCBA. Available at: https://mag.wcoomd.org/magazine/wco-news-86/the-importance-of-the-hs-to-tariff-classification-thoughts-from-the-ifcba/ [Accessed 05.02.2024].

they are widely used to improve the uniformity of understanding and application of the Harmonized System worldwide.

Legal Notes that are legally binding in nature should also be taken into account. For example, under Legal Notes the term "Babies' garments and clothing accessories" means articles for young children of a body height not exceeding 86 cm (heading 61.11), Section 10 does not include cereals that have been peeled or otherwise processed; rice, paddy or rough, semi-milled or wholly-milled whether or not polished or glazed, is classified under Heading 1006.

The Harmonized System Committee of the World Customs Organization (and the Harmonized System Review Sub-Committee), in addition to overseeing the five-year cycle of changes to update the Harmonized System, is tasked with regulating disputes regarding interpretation and providing classification opinions to be included in the Compendium of Classification Opinions. It also provides classification opinions and recommendations regarding new technologies such as 3D printers and drones.

Moreover, dispute resolution procedures established under the Harmonized System play an important role in facilitating international trade. Although the Harmonized System, as a multi-purpose goods classification system, has many different applications, it will still be used to collect import duties and taxes for revenue and/or for trade policy purposes (including protection of domestic industry). This monetary function, of course, creates the potential for disputes between duty collecting authorities and duty payers. In this context, the Harmonized System Committee is an effective dispute resolution mechanism that, as an international dispute resolution authority, can consider disputes between customs administrations regarding classification issues.

V. Customs Legal Relations and Other Aspects of International Trade Compliance in the Context of Restrictive Measures

Special attention should be paid to the issues of functioning of the World Customs Organization in the context of geopolitical transformation, as well as sanctions against Russia. Thus, the European

Union (EU) tried to suspend the participation of Russia and Belarus in the World Customs Organization. On 20 May 2022, the EU, the EU member States and their international partners in the World Customs Organization (WTO) issued the Joint Statement condemning Russian aggression against Ukraine assisted by Belarus in the strongest possible terms and re-emphasizing the damage caused by such actions.

The Joint Statement also calls for action in a number of areas, namely, to limit or otherwise effectively suspend the participation of the Russian Federation and the Republic of Belarus in the work of the World Customs Organization. It was also proposed to replace any Russian or Belarusian chairmen and deputy chairmen of the working bodies of the World Customs Organization, including the Policy Commission, the Finance Committee and the Audit Committee.

Restricting/suspending the participation of representatives of the Russian Federation and the Republic of Belarus in all working bodies of the World Customs Organization and their access to the premises and participation in the activities of the World Customs Organization was also required in the Statement. An attempt was also made to suspend all financing programs supported by the World Customs Organization for the Russian Federation and the Republic of Belarus and to stop providing the Russian Federation and the Republic of Belarus with access to information on law enforcement or terrorism.

With this joint Statement, the participating States, which account for 60 % of global GDP and 40 % of world trade, tried to form a request for restrictive actions by the World Customs Organization against the Russian Federation, as well as demonstrate hypothetical damage to international cooperation between customs authorities, as well as to their coordinated efforts to promote safe and legitimate trade.

It was expected that over the next few weeks, more members of the World Customs Organization would declare their support for the Joint Statement and specific actions to implement relevant requests, which would be effective in cooperation with other members of the organization.

At the same time, it is important to note that at the session of the World Customs Organization, held on 23–25 June in Brussels, it

was possible to adopt a "fairly balanced" resolution, which calls on all parties "not to destroy the customs infrastructure."

The Federal Customs Service of the Russian Federation previously reported that at the session of the Customs Co-operation Council of the World Customs Organization in Brussels, the Russian Federation was decisively aimed to prevent the inclusion of "political issues not directly related to the work of customs authorities" in the organization's agenda. At the same time, Russia called for discussing "such intractable problems as customs infrastructure, the security of our customs posts and the destruction of global logistics chains" (Davydov, 2022).

International customs cooperation, representing the basis for the normal functioning of the world economy and sustainability of international trade, should not be subject to any political influence. It becomes increasingly important to master internal governance and multi-stakeholder collaboration, to build a compliance strategy that mitigates regulatory, reputational and resiliency risks (Wood, 2024). Only the restrictions established at the global international law level, provided for by international treaties (in which all parties to a particular political conflict participate) can be legitimate and binding in nature.

Speaking about possible consequences of incorrect tariff classification, it is worth noting that incorrect application of the tariff classification can lead to the situation when the supplies of a particular item of trade relations will be brought under control and "nvestigated" by customs authorities. Incorrect classification of tariffs can also lead to fines and penalties at ports of entry and delays in deliveries. If the product is classified incorrectly and a special permit or other documents are required, the shipment of the goods may be delayed until the permit is received or its import into the country may be prohibited. Incorrect classification of tariffs can also lead to overpayment or underpayment of customs duties.

When importing and exporting, it is also necessary to take into account the nature of the origin of the goods. Preferential origin refers to goods that are subject to reduced-duty or duty-free benefits or preferential tariffs when goods come from certain countries in accordance with their Free Trade Agreements (FTA).

For example, if one State makes a Free Trade Agreement providing duty-free access for certain goods with another State, there is no import duty on the export of goods to the relevant country. Conversely, standard duties will be levied on goods of non-preferential origin. The rules related to the identification of origin are specific and may differ in relation to different countries with which the importer is connected (Melia, 2019).

In this context, it is advisable to check the country of origin and the relevant terms of the free trade agreement, pre-check the compliance of goods with the FTA rules based on percentage and regional rules. In some cases, it is required, for example, to ensure a minimum percentage of local production or assembly in order to consider that the product was produced in the country.

The activity of the World Trade Organization (WTO) forms one more important area of international trade regulation. Dispute resolution within the WTO is in crisis and we witness the need to reform the WTO dispute settlement system — reforms that might institutionalize and reintroduce flexibility lost due to precedent extensions (Kucik et al., 2023).

VI. International Trade Compliance and Contractual Relations

Monitoring and analysis of contractual terms is another important element of international trade compliance. For instance, it is necessary to clearly understand and monitor compliance with the terms of Incoterms (if applied) — a set of international trade terms and rules that establish the terms of delivery of goods between buyers and sellers in international trade transactions, in particular, conditions predetermining distribution of responsibility between the buyer and seller, as well as the moment of transition of the risks of accidental loss, etc. The relevant conditions are often included in cross-border sales contracts and determine the delivery process, costs, risks and responsibilities.

The Incoterms rules are also important for the international business standardization, since this tool makes international trade transactions less complicated and reduce the likelihood of financial and legal problems. Incoterms regulate how goods are to be transported and transferred and who is responsible for transportation and insurance costs and determine the moment when obligations in relation to the goods transfer from the seller to the buyer.

Incoterms is an effective tool for reducing costs and increasing revenues, as it allows for a fair distribution of obligations and risks between the parties involved in the transaction. In addition, the use of Incoterms can facilitate international trade activities, make them faster and more efficient, giving companies an advantage in the global market.

Detailed analysis of licensing activities is also important in the implementation of international trade compliance procedures. When exporting or importing goods located in a particular State under special legal regimes due to the permissive nature of their turnover (such as, for example, live animals and medicines), it is necessary to provide for obtaining an appropriate license or permit in advance.

It is advisable to pay special attention to the planning of customs administration procedures. In cases where goods are selected for customs investigation and further inspections by customs authorities, the customs administration and planning will ensure unhindered compliance with the customs rules and permission to import the relevant goods.

Comprehensive counterparty verification (due diligence or screening) also appears to be an integral element of international trade compliance.

Thus, it is advisable for the participants of international trade to choose counterparties selectively and with due diligence. Verification of potential customers, suppliers and employees, as well as verification of incoming payments and operational activities of the company, help prevent business, civil, administrative and criminal risks. Screening should be carried out regularly, and not only at the beginning of the implementation of new international trade transactions.

VII. Evaluation Activities in International Trade Compliance

Certain risks of international trade activities can also be avoided by applying proper evaluation procedures. Carrying out a correct assessment of the goods and providing the results of such an assessment to the relevant government authority with a receipt and invoice attached are often extremely important for the purposes of efficient and effective fulfilment of export-import operations. For example, Para. 2 Art. 51 of the Customs Code of the EAEU defines that the basis for calculating customs duties, depending on the type of goods and the types of rates applied, consists of the customs value of goods and (or) their physical characteristics in kind (quantity, weight, including the primary packaging of goods inseparable from the goods before its consumption and (or) in which the product is presented for retail sale, volume or other characteristic of the product), unless otherwise established by the EAEU Customs Code. According to Para. 1 Art. 53 of the Customs Code of the EAEU, the rates applicable on the day of registration by the customs authority of the customs declaration are applied to calculate customs duties and taxes. This allows the customs authorities to determine a customs duty and import tax or VAT (value added tax).

It is worth noting here that the customs authorities are constantly improving customs procedures also in terms of customs declaration. Thus, since 3 April 2023 the Federal Customs Service (FCS) has launched an experiment on customs monitoring. Companies participating in the experiment are required to provide customs authorities with the access to their goods accounting systems in order to compare the information contained in their systems with the information from customs declarations. The main task in this case is to collect information on the indicators of customs declaration (implementation of foreign economic activity) of the participating entity. As a basis for customs monitoring, it was logically proposed to compare one of these indicators with the same indicators in the same quarter of the previous year.

With regard to the actual problem of the correct valuation of goods, it is very important to ensure proper compliance with the requirements. Incorrect assessment leads to overpayment or underpayment of taxes and fees, risks of violation of regulatory requirements and risks of prosecution.

VIII. Training in Trade Rules Monitoring and Bringing Activities in Line with them

It is worth noting that each state maintains unique and diverse import and export rules in accordance with the requirements of the World Trade Organization or any free trade agreement, defining the country of origin of goods. The identification, analysis and accounting of regulatory legal acts requiring careful compliance with these standards, as well as the alignment of activities with such standards, is important for the purposes of ensuring sustainability of international trade in general and specific international trade transactions in particular.

In fact, organization of the international trade compliance system and training of employees in compliance procedures is becoming a necessity for various companies around the world.

Programs training experts in international trade compliance are indispensable in raising awareness and competencies of employees, as well as providing recommendations regarding legitimate and unhindered cross-border trade operations, which ultimately prevents the risks of violations of mandatory requirements of regulatory legal acts and risks of imposing civil, administrative or criminal responsibility on the participants of international relations.

Training and retraining programs for compliance managers (officers) focused on the formation of competencies in the field of ensuring compliance with requirements applied in international trade employ information technologies and multimedia resources, which allows training more employees, optimizing and teaching effectively the knowledge and skills in the field of international trade compliance and highlighting the difficulties of implementing international trade relations.

In such educational programs, it is proposed to focus on such learning outcomes as developing skills in identifying legal norms, including working with (legal) databases, reference systems, legal information portals, search and analytical services, legal research, legal analysis of regulatory legal requirements, comparing legal norms effective in one jurisdiction, assessing the extraterritorial nature of legal norms, analyzing the risks of violating international trade rules. It also

seems important to invite business community, legal advisers, lawyers and current compliance managers, relevant associations and unions to review educational programs.

It is advisable to develop tailored educational programs (syllabi and curricula) in the field of international trade compliance. Training can take many forms. What is appropriate for one organization may not be appropriate for another. Organizations operating in multiple jurisdictions will undoubtedly require a more detailed training plan than a small organization based only in, for example, the UK (Ullah and Turner, 2024). Training may include providing relevant employees with precise information regarding internal controls, policies and procedures, internal face-to-face or webinar training in sanctions obligations (for the staff and individual employees), legal and regulatory requirements, internal controls and reporting obligations (both internal and external). Such programs may also include external tailored training for individuals working in key positions in risk management and compliance and in high-risk areas within the business (Ullah and Turner, 2024). On-site and external educational trajectories, including training in production and trade organizations, can be a truly effective tool, since it encourages to visually and personally perceive external practices, exchange experiences with external colleagues.

In the context of growing dependence of international trade on information technology in general, it is extremely important to ensure IT compliance (Ghiran and Bresfelean, 2012), which involves the analysis and accounting of databases, the use of information tools and special applications in the implementation of international trade activities. Thus, the use of blockchain technology can provide authors with an effective means of protection of their works in international trade simultaneously in many States. For example, *Binded* service allows registering an image in blockchain in compliance with the requirements of American legislation applied to the registration of copyright objects by the United States Copyright Office of the Library of Congress that is a reliable "authoritative" procedure to prove the copyright of creators (copyright holders) of works (Shakhnazarov, 2022, p. 208).

In modern conditions, there is a need to automate administration of compliance processes using special IT solutions and best practices

(Kharbili et al., 2008). However, the problem of lack of trust in the correctness and completeness of their compliance with regulatory requirements when using software solutions remains, since technological systems designed to manage risks themselves, if used incorrectly, can create various risks, covering some illegal actions (Bamberger, 2010).

If we talk about Russia's sanctions agenda in the context of international trade and in general, then the development of a separate automated solution to systematize anti-sanctions measures taken in Russia in the context of the imposed sanctions seems to be one of the appropriate digital solutions in the field of compliance. A key tool here may be a service for summarizing anti-sanctions documents, analyzing compliance with anti-sanctions requirements (from personal, sectoral, in particular, currency restrictions, anti-crisis legal decisions in the field of international trade, to any legal relations with an "unfriendly element"), taking into account mandatory introduction of the digital stamp "anti-sanctions regulatory legal act" or "anti-sanctions the act" (depending on the nature of the document) and analytical tools that assign a stamp, systematize the appropriate regulatory array with a stamp and pre-assess compliance with the requirements.

In the given context, it seems appropriate to amend the RF Government Resolution of 13 August 1997 No. 1009 "On Approval of the Rules for the Preparation of Regulatory Legal Acts of Federal Executive Bodies and Their State Registration" (as amended by the RF Government Resolution of 19 February 2024 No. 186) and to add provisions according to which acts issued by federal executive bodies that fall under the category of "anti-sanction regulatory legal act" or "anti-sanction act" are registered in a special register according to an appropriate classification. Anti-sanction regulatory legal acts are included in the plans for the preparation of draft regulatory legal acts for the next calendar year, approved annually by the heads of federal executive bodies. An act of state authorities is classified as "anti-sanction" if this act is aimed at implementing anti-crisis legal decisions in the context of sanctions, retaliatory restrictions, including retorsion, regulates any kind of relations complicated by an "unfriendly element" and is adopted in the context of countermeasures to sanctions imposed on Russia. It is proposed to assign the maintenance of the register of acts of executive and legislative authorities, related to the category of "anti-

sanction regulatory legal act" or "anti-sanction act," to the Ministry of Justice of the Russian Federation.

Conceptually, implementation of international trade compliance systems in international trade enterprises around the world can contribute to the formation of global trade ethics, as well as a culture of good faith behavior. The introduction of continuous learning initiatives into the international trade compliance system ensures continuous compliance with the established requirements.

As noted above, compliance with international trade rules is often a difficult and complex task, since companies engaged in international trade face a complex and heterogeneous regulatory environment and differing requirements imposed by different administrative authorities, even within the same country. These rules are often not harmonized, even despite the efforts of international organizations, which creates serious problems related to their compliance. In addition, the teams of departments and offices of international trade compliance face internal pressures to optimize global supply chains, while meeting expectations for faster delivery and maintaining strict compliance standards set by government authorities.

Compliance with the rules of trade should be the responsibility of the organization's employees. Therefore, it is advisable to identify and apply the relevant applicable regulatory requirements related to trade. In this context, companies often employ one experienced compliance specialist to ensure compliance with trade legislation. A compliance officer can also be employed as a reporting officer in the field of money laundering in trade operations and as an officer explaining to other employees the procedure for compliance with regulatory requirements related to trade.

However, effective compliance with international trade rules usually involves implementation of a compliance system by an organization in a number of departments (in particular, in the activities of legal, operational and trade departments) in order to reduce the risks of violations of national and international trade rules (Porter, 2020).

Thus, in the process of ensuring compliance with the rules of international trade, it is important to carry out the following procedures: 1) checking counterparties for international trade transactions; 2) establishing a clear procedure for identifying and

controlling trade transactions with counterparties; 3) introducing a procedure for profiling full risks associated with the implementation of trade transactions or the intention to carry them out; 4) introducing a procedure for checking the prices of contracts related to the import or export of goods or services; 5) determining the procedure for processing and explaining unclear, coded or verbal provisions in a foreign language for the company; 6) introducing the procedure for checking the goods for their compliance with the relevant trade policy.

It is also advisable to establish a clear procedure for identifying a dual purpose and dual use of goods, including determining import or export licensing requirements; to identify the end-use and the end-user; to verify the goods for their compliance with the UN Security Council Resolutions.

IX. Conclusion

Thus, international trade compliance primarily comes down to the process of ensuring that the company's export and import operations comply with the applicable law and relevant regulatory legal acts and policies. International trade rules enforcement covers a wide range of public relations, including trade agreements, tariffs, customs regulations, export controls, sanctions, and anti-corruption laws.

It is important for the companies engaged in international trade to be able to identify legal requirements and rules relevant and applicable to the companies' business activities and to introduce policies and procedures ensuring compliance with such rules, based on clear accounting, timely reporting and internal audit aimed at identifying and resolving any problems related to their compliance with trade rules.

Taking into account the nature of international trade operations and their even minimal connection with specific States, in addition to the development of programs for compliance with international standards of trade and customs operations, a differentiated approach to international trade compliance is also justified. This approach involves taking into account regulatory requirements of individual States and independent monitoring of compliance with the requirements of the State with which the relationship is connected in the absence, in most cases, of a detailed international legal regulation (based on international agreements) of

export-import operations based on comprehensive software solutions adapted to the requirements of each jurisdiction.

It is advisable to use automated compliance solutions to summarize sanctions and anti-sanctions documents, analyze compliance with restrictive requirements in the field of international trade paying special attention to the mandatory introduction of the digital classification of "sanctions" or "anti-sanctions" instruments and analytical tools that carry out the classification.

Unstable global trading environment and dynamic changes in the regulatory and law enforcement constitute a separate set of problems. Countries are changing their sanctions and anti-sanctions policies in response to the foreign policy of counterparties, which leads to rapid changes in national rules governing compliance processes in global international trade.

In a dynamically changing environment, international trading companies have to adapt to the new rules in order to ensure stability and legitimacy of cross-border trade operations, while respecting ethical and legal standards.

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