INCONSISTENCY AS A RISK FACTOR: NEW CHALLENGES IN INTERNATIONAL COMPLIANCE, LAW, AND TRADE-TARIFF REGULATION

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Summary

In the context of global transformation processes in international politics and economics, the instability and occasional irrationality of legal frameworks governing international relations have a substantial impact on global trade and law enforcement.

This article explores inconsistency as a risk factor from the perspective of international compliance, law, and trade-tariff regulation. In particular, it focuses on changes in international trade, sanctions policies, tariff regimes, as well as abrupt shifts in guidelines and legislation in some countries that have a significant impact on global trade.

The article analyzes potential risks for companies involved in international trade, especially those with operations spanning multiple regions of the world. Practical recommendations for managing risks in the context of legal instability are also proposed. The methodology includes a comparative analysis of the approaches to regulation in the United States and the European Union in the given context, content analysis of legislative and regulatory acts, as well as an examination of hypothetical cases of companies facing legal uncertainty, using a systemic approach to identify connections between political decisions and economic consequences.

Key words: global transformations, regulatory uncertainty, sanctions, legal instability, impact.

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1. Introduction

The world as we know it, along with the global economy and international law, is undergoing a period of significant and, in some cases, fundamental changes, which, in turn, give rise to a new quality of regulatory uncertainty – its constant presence or expectation.

Regulatory unpredictability has become one of the main challenges for international trade. Frequent and often contradictory changes in legislation, sanctions; international military conflicts, and trade wars, as well as the unreliability of international agreements, are the primary sources of inconsistency in the legal field. All of this creates substantial risks for companies operating in the international environment.

Against the backdrop of this instability, companies face difficulties in adapting to changing regulations, requiring them to make prompt business decisions and implement flexible compliance strategies.

The novelty of this study lies in the examination of regulatory inconsistency as a systemic phenomenon that affects all aspects of international trade, law enforcement, and sanctions regulation. The assessment of the causes and consequences of this issue, as well as proposed risk minimization strategies, could make an important contribution to the study of international law, compliance, and economics.

The purpose of the article is to identify the key causes of regulatory inconsistency and unpredictability, assess its impact on international trade and law enforcement, and propose effective approaches to managing this risk.

The research tasks are as follows: to determine the main factors causing legal inconsistency in international trade, to assess the consequences of regulatory changes for compliance practices and business, and to explore adaptive risk management mechanisms in conditions of legal uncertainty.

As previously mentioned, the methodology of this study combines multiple approaches to provide a comprehensive understanding of the topic. It includes a comparative analysis of the regulatory systems of leading global players, as well as content analysis of relevant legislative and regulatory acts. The study further examines real-life scenarios in which companies encounter legal uncertainty, providing practical insights. A systemic approach is applied to explore the connections between the inconsistencies in international regulation and their broader economic consequences, ultimately contributing to a deeper understanding of the problem.

This article is an important effort to shed light on the complexities of regulatory issues and provide solutions for navigating the ever-changing landscape of international law and trade.

2. Causes of regulatory unpredictability and inconsistency

Regulatory unpredictability and inconsistency result from several interrelated factors, shaped by contemporary geopolitical, economic, and legal processes. These factors significantly complicate the challenges faced by companies trying to navigate the constantly evolving landscape of international relations.

(a) Political decisions and Sanctioning Pressure

Political decisions by one country and opposition from another country or group of countries cause a global transformation in international trade. A clear example of this is the application of sanctions against the Russian Federation. As stated, “since the start of Russia's full-scale invasion of Ukraine on 24 February 2022, the EU has imposed massive and unprecedented sanctions against Russia.

... The sanctions include targeted restrictive measures (individual sanctions), economic sanctions, diplomatic measures, and visa measures. The aim of the economic sanctions is to impose severe consequences on Russia for its actions and to effectively thwart Russia's ability to continue its aggression.

... Sanctions are more effective if a broad range of international partners are involved. The EU has worked closely over the last few years with like-minded partners such as the United States in order to coordinate sanctions. The EU is working with the World Bank Group, the European Bank for Reconstruction and Development (EBRD), the Organisation for Economic Co-operation and Development (OECD), and other international partners to prevent Russia from obtaining financing from such institutions. To coordinate this international effort, the Russian elites, proxies, and oligarchs task force allows the EU to cooperate with the G7 countries – Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States – as well as with Australia, to ensure sanctions are implemented. *(Council of the European Union, 2022)*”.

At the same time, the United States has also increased its sanctions pressure on Russia in 2022. As stated: “since the February 24, 2022, Russian invasion of Ukraine, the scope and severity of U.S. sanctions and export controls imposed on Russia have expanded significantly. … U.S. exporters should consider conducting transactional due diligence for all business involving Russia and Russian entities or individuals, and may wish to keep in mind the substantial sanctions that have been levied against the Russian banking and financial sector, which greatly complicate payments. Transportation and logistics in/out of Russia have also become more complicated, in part due to restrictions on air and maritime links. These actions have been coordinated extensively with European and Asian allies. U.S. exporters should be aware that the United Kingdom, European Union, Canada, Japan, Australia, and other allies and partners have also imposed sanctions against Russia in response to the invasion. While the sanctions and export controls have been substantially and carefully coordinated, companies should be aware of differences between the U.S. and international sanction and export control regimes" *(International Trade Administration, U.S. Department of Commerce, 2022)*.

Analyzing and summarizing the regulatory measures implemented under international law by the European Union and the United States in response to Russia's wrong political decisions and horrific military conflict, it becomes evident that these sanctions have been highly coordinated, aligning in both goals and objectives. They have exerted a significant influence on Russia's ability to sustain the active phase of the war, leading to a considerable weakening of its economy and military capacity.

Analytical and statistical data confirm this. As stated, "the effect of Western sanctions on both Russia's GDP and levels of personal disposable income has been considerable *(IMF, 2025)*. After three years of war, Russian GDP is now 10-12% below pre-invasion trends… With both inflation and domestic interest rates in Russia currently running at over 20% – as well as the loss of foreign exchange reserves, bankruptcies rising in domestic businesses and real estate, and increasing difficulties in interbank and state bank transactions – Russia's economy looks increasingly weak" *(Szyszczak, 2025)*.

However, in February 2025, signs of inconsistency and even irrationality in regulating this area began to emerge. As noted in a recent article: "A dramatic day of high stakes diplomacy at the United Nations has exposed growing cracks in the transatlantic alliance since President Donald Trump returned to the global stage and massively shifted US foreign policy. When Russia invaded Ukraine three years ago, Europe had no stronger partner than the United States. But this week, in the halls of the General Assembly and at the Security Council, the US worked against its closest allies and sided with Russia, Belarus and North Korea to pass resolutions on the conflict in Ukraine. …Washington's diplomats had urged other countries to vote against the measure and to instead support their "forward looking resolution" that was only three short paragraphs. It took a neutral stance on the war, without blaming Russia, and called for a swift end with a lasting peace to follow" *(Tawfik, 2025)*.

Furthermore, U.S. officials have recently made increasingly frequent statements about the need to normalize relations with Russia and the possibility of a partial lifting of sanctions. Such messages increase regulatory uncertainty, making it difficult to prognose and plan global trade flows, logistics routes, and the balance of supply and demand in international markets, especially for countries and companies that have implemented and are complying with these sanctions.

Uncertainty and inconsistency arise from sudden changes in approaches to international law and sanction regimes, making them difficult to predict. As a result, businesses and market participants face challenges in adapting to rapidly changing conditions, often driven by political decisions.

(b) Trade Wars: Unexpected Tariffs

On January 20, 2025, United States President Donald Trump issued the "America First Trade Policy", "that promotes investment and productivity, enhances our Nation's industrial and technological advantages, defends our economic and national security, and – above all – benefits American workers, manufacturers, farmers, ranchers, entrepreneurs, and businesses" *(Presidential Actions, 2025).*

On February 1, 2025, President Donald Trump issued three executive orders imposing tariffs on almost all imports from China (+10%), Canada (10% on energy and energy resources and 25% on all other goods of Canadian origin), and Mexico (25% on all goods of Mexican origin).

As a result, all affected Chinese imports, regardless of their value, will be subject to total tariffs of up to 35%, combining the existing 25% Section 301 duties from Trump's first term with the newly introduced 10% tariffs under the current administration.

The effective date of these tariffs on imports from Mexico and Canada was postponed from February 4, 2025 to March 4, 2025.

Canada, China and Mexico, in turn, are developing a program to respond to such an important and unexpected (for Canada and Mexico) decision.

On February 10, 2025, President Donald Trump reinstated the 25% tariff on imports of steel, emphasizing the effectiveness of the tariff in "mitigating the threatened impairment of U.S. national security*" (Presidential Actions, 2025).*

President Donald Trump has repeatedly stated his intention to impose tariffs on goods from the European Union, averaging 25%, in the near future.

According to the Kiel Institute for the World Economy, Trump's threatened 25% tariffs on EU imports "could trigger "economic turmoil", sharply push down growth and send inflation soaring".

These unexpected and rapid tariff and regulatory measures, particularly against partner countries such as Canada and the European Union, are the cause of inconsistency in international trade. It is already evident that they will lead to strict countermeasures and inflation growth, both in the countries where manufacturing occurs and directly in the United States.

3. Challenges for companies in global trade

Let's consider a manufacturing and trading company based in the European Union, specifically in Poland, which specializes in the production of steel kitchen furniture for restaurants. The primary customers of this company are a group of businesses located in the United States. This Polish company strictly complies with all legislative requirements, including sanctions and tariff regulations.

However, due to the current state of global trade regulation, long-term budget and sales planning for this company is either unrepresentative or impossible. This is primarily because there is a noticeable inconsistency in global trade regulation, which manifests itself in various ways:

– Possible Abrupt Imposition of Import Tariffs in the U.S.: The company may face the sudden introduction of high import tariffs by the U.S. government. This volatility creates significant uncertainty, especially when tariffs can change the overall costs for the company's customers in the U.S. market.

– Sanctions on Russian Companies: There is also the possibility that sanctions against Russian companies could either be lifted entirely or partially. This would present an additional risk to the Polish company, as Russian suppliers, able to offer similar products at lower prices due to cheaper raw materials, could gain a competitive advantage. If sanctions are lifted, Russian companies could enter the market, making it more difficult for the Polish company to maintain its market share.

– Impact of Steel Tariffs on Imports to the U.S.: The company is also exposed to the potential influence of steel tariffs, which may be either increased or maintained, depending on the political decisions of the U.S. government. Changes in tariffs could drastically affect the final price of steel products, thus impacting the Polish company's profit margins and pricing strategy.

– Currency Fluctuations: Given the current instability in the market and regulatory environment, significant fluctuations in exchange rates are another potential challenge. Such fluctuations would directly affect the company's profitability, especially since it deals with international transactions and relies on stable currency exchange rates for forecasting revenue.

Therefore, all of these factors share one common feature: due to the current global political climate and regulatory inconsistency, all these outcomes are equally likely. This uncertainty makes long-term planning highly difficult for companies in the international trade environment, as they must remain adaptable and ready to adjust quickly to rapidly changing conditions. The company in this case finds itself in a precarious position where traditional methods of strategic planning no longer suffice, and instead, it must continuously react to the global economic and political landscape.

4. Risk mitigation strategies amid regulatory uncertainty

Regulatory uncertainty affects all industries, from manufacturing and commerce to finance, logistics and technology. As a result, organizations need to adopt proactive and adaptable strategies to manage potential risks. Below are two key strategies to mitigate these risks in an ever-changing global landscape:

(a) Proactive Strategy for Adapting to Changes.

– Diversification of supply chains: Analyzing and establishing alternative supply chains with partners from different jurisdictions reduces dependence on a single country and minimizes risks associated with sanctions or tariffs.

– Exploring alternative locations for product substantial transformation: The utilization of alternative jurisdictions where substantial transformation of goods occurs enables companies to use the country of origin rule based on the location of substantial transformation. This strategic approach provides access to more favorable import conditions.

– Proactively identifying new markets: Companies that analyze and explore promising export and import substitution opportunities in advance gain a competitive edge over those that adapt reactively.

Those who adapt to changes first gain a strategic advantage, reduce operational risks, and strengthen their position in international markets.

(b) Implementation of a Legal Monitoring and Compliance Risk Analysis System.

In an era of regulatory uncertainty, businesses must adopt a systematic and proactive approach to monitoring legal changes and assessing compliance risks. The rapid evolution of trade policies, sanctions, and tariffs necessitates an adaptive legal framework that enables companies to anticipate, evaluate, and respond to emerging regulatory challenges.

5. Conclusions

The conducted research confirms that regulatory inconsistency in global trade poses systemic risks to companies engaged in international business. Sudden shifts in tariff policies, sanctions regimes, and trade agreements create significant uncertainty, complicating long-term planning and strategic decision-making. The analysis of recent developments demonstrates that businesses must use proactive adaptation strategies to maintain stability and competitiveness.

The key conclusions of this study are as follows:

– Regulatory inconsistency has a structural impact on global trade and economic stability. The unpredictability of trade policies and compliance requirements increases financial and operational risks for international businesses.

– Companies need to implement advanced legal monitoring and risk assessment mechanisms to track regulatory changes in real time and ensure compliance with evolving legal frameworks.

– Proactive strategies, including supply chain diversification and jurisdictional risk mitigation, are crucial for reducing exposure to regulatory shocks and ensuring business continuity.

Further research should focus on practical solutions that help businesses navigate regulatory uncertainty, including:

– Developing algorithms for early prediction of changes in compliance frameworks and regulatory policies, enabling companies to respond quickly to regulatory changes.

– Analyzing the financial impact of regulatory instability and strategies for mitigating associated costs.

By focusing on these areas, businesses can reduce exposure to regulatory risks and maintain competitiveness in an unpredictable global market.

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