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THE ROLE OF NON-TARIFF REGULATION IN COMBATING TRADE-BASED MONEY LAUNDERING

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Abstract: This article examines the role of non-tariff regulation in combating money laundering through international trade. Particular attention is paid to trade-based money laundering (TBML), namely schemes for laundering criminal proceeds through foreign trade transactions. The article analyses the role of customs authorities in identifying suspicious trade transactions, verifying documents, monitoring the value of goods, applying risk management, and cooperating with financial intelligence units.

Keywords: TBML, non-tariff regulation, customs control, financial intelligence, FATF, economic security, international trade.

Аннотация: В статье рассматривается роль нетарифного регулирования в противодействии отмыванию денег через международную торговлю. Особое внимание уделяется Trade-Based Money Laundering — TBML, то есть схемам легализации преступных доходов посредством внешнеторговых операций. Анализируется значение таможенных органов в выявлении подозрительных торговых сделок, проверке документов, контроле стоимости товаров, применении риск-менеджмента и взаимодействии с подразделениями финансовой разведки.

Ключевые слова: TBML, нетарифное регулирование, таможенный контроль, финансовая разведка, FATF, экономическая безопасность, международная торговля.

International trade plays an important role in the economic development of countries; however, it can also be used to commit financial crimes. One of the most complex forms of money laundering is trade-based money laundering (TBML), that is, the laundering of money through international trade. This method involves concealing the criminal origin of funds and transferring value through trade transactions. TBML is difficult to detect because illicit value may be concealed behind ordinary contracts, invoices, customs declarations, transport documents, and commercial payments **[1].** In these circumstances, non-tariff regulation assumes particular importance. UNCTAD defines non-tariff measures as policy measures other than ordinary customs tariffs that can potentially have an economic effect on the international trade in goods by changing the quantities traded, prices, or both [2]. Therefore, non-tariff regulation should be viewed not only as a trade policy mechanism, but also as an instrument of customs control and economic security.

Trade-based money laundering relies on foreign trade transactions to transfer illicit value. Unlike traditional money-laundering schemes, which primarily operate through financial institutions, TBML is concealed within the commercial circulation of goods and services. Criminal groups may manipulate the price, quantity, quality, description, or origin of goods in order to transfer value from one jurisdiction to another. The most common TBML methods include over-invoicing, whereby the value of goods is overstated; under-invoicing, whereby the value of goods is understated; multiple invoicing, whereby multiple invoices are issued for the same shipment; false description of goods; and fictitious trade.

In over-invoicing schemes, documents state a price higher than the actual price, allowing an excessive amount of money to be transferred abroad under the guise of payment for goods. In under-invoicing schemes, by contrast, goods are declared at a price below their actual value, thereby enabling value to be covertly transferred in the opposite direction. Multiple invoicing makes it possible to obtain several payments for a single shipment, while false descriptions of goods and fictitious trade may be used to conceal the true nature of a transaction or even the absence of an actual shipment. The FATF's 2021 risk indicators are of particular practical importance. They include indicators related to business structure, trading activity, trade documents, commodities, account activity, and the behaviour of parties to a transaction **[1].** Such indicators are important for customs authorities because they help reveal discrepancies between the declared goods, their value, the transport route, the company's business profile, and the financial flows associated with the transaction.

Non-tariff regulation includes licensing, quotas, certification, technical regulations, sanitary and phytosanitary measures, export controls, prohibitions and restrictions, rules of origin, and other authorization procedures. Such measures are generally introduced to protect public health, national security, consumer rights, the environment, and the domestic market. In the context of TBML, however, they also perform a control function. Through non-tariff measures, the state can verify whether declared goods correspond to their actual characteristics, whether the importer or exporter holds the required licenses, whether the goods comply with technical or sanitary requirements, and whether their origin and intended use are legally justified. This is important because TBML often relies specifically on the manipulation of documents. If the declared goods do not correspond to certificates, licenses, technical descriptions, Harmonized System (HS) codes, or actual market prices, such discrepancies may indicate a suspicious trade transaction. Consequently, non-tariff regulation helps customs authorities identify risk signals before illicit funds fully enter the financial system. For example, if a company imports goods that do not match its usual business profile, declares unusual prices, uses complex routes without economic justification, or submits incomplete certificates, customs authorities may classify the transaction as high-risk and refer the information for further analysis.

Customs authorities occupy a unique position in combating TBML because they operate at the intersection of the physical movement of goods and the documentary and financial aspects of international trade. This role was specifically emphasized by the World Customs Organization at its second webinar dedicated to the 2026 theme, “Customs Protecting Society through Vigilance and Commitment,” held on 12 June 2026. Entitled “Customs’ Hidden Efforts: Combatting Money Laundering for a Safer Society,” the webinar brought together representatives of customs administrations, international organizations, law-enforcement agencies, academia, and the private

sector to discuss the growing role of customs in combating illicit financial flows **[3].** During the same WCO webinar, the connection between cash couriers, TBML, and the FATF Recommendations was highlighted. The FATF Secretariat noted that customs should be a central participant in the anti-money laundering and counter-terrorist financing (AML/CFT) framework because it operates at both the physical and trade borders, possesses important financial data, and is capable of detecting illicit transfers of value before they enter the formal financial system. This is directly related to non-tariff regulation, as customs authorities can use licensing, certification, document verification, and risk management to identify suspicious trading patterns.

Representatives of the WCO, Hong Kong Customs, and the Egmont Group discussed how cooperation between customs authorities and financial intelligence units improves the detection, analysis, and disruption of illicit financial flows. The discussion identified information-sharing, intelligence-led investigations, and cross-border partnerships as key elements in converting suspicious activity into tangible law-enforcement outcomes. This approach is consistent with the position of the FATF and the Egmont Group that no single government authority can detect TBML on its own. The FATF and the Egmont Group recommend improving the exchange of financial and trade data and strengthening cooperation between public authorities and the private sector. In practice, customs authorities may identify irregularities in the goods-related component of a transaction, while financial intelligence units may detect suspicious movements of funds. When these two types of information are combined, the state gains a stronger basis for investigation, prosecution, and the confiscation of illicit proceeds **[4].**

Despite the growing attention paid to TBML, several serious challenges remain. First, it is difficult to determine the actual value of certain goods, particularly when they are specialized, technologically complex, used, or traded in niche markets. Second, criminal groups use shell companies, intermediaries, and complex logistics chains to conceal the transaction's ultimate beneficial owner. Third, digital trade and electronic documentation accelerate legitimate trade flows, but at the same time increase the speed and complexity of suspicious transactions.

Another challenge is data fragmentation. Customs authorities, tax authorities, banks, licensing bodies, and financial intelligence units often possess different pieces of information relating to the same transaction. If these databases are not interconnected, suspicious schemes may go undetected. This is why the WCO's 2026 emphasis on mechanisms for intelligence-sharing and the development of international partnerships is particularly relevant. There is also a regulatory challenge. Non-tariff measures must be transparent and risk-based. If licensing, certification, and control procedures are overly complex or poorly coordinated, they may impose an administrative burden on legitimate traders while failing to identify criminal schemes effectively. The objective of modern non-tariff regulation should therefore be not merely to impose restrictions, but to ensure proportionate oversight based on data, risk analysis, and inter-agency cooperation.

To improve the effectiveness of efforts to combat trade-based money laundering, an integrated digital inter-agency risk-analysis platform should be established to consolidate data from customs authorities, financial intelligence units, tax authorities, banks, and bodies responsible for licensing and certification. Such a platform should automatically cross-check customs declarations, invoices, certificates, licenses, rules of origin, market prices, transport routes, and financial payments. If the system identifies discrepancies—such as over- or under-invoicing, fictitious trade, unusual routes,

or a mismatch between a company's business profile and the declared goods—it should generate a risk alert for customs authorities and financial intelligence units. Such a system would transform non-tariff regulation from a formal administrative mechanism into an effective instrument for detecting and preventing illicit financial flows.

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