

Business with the Baltics: acting with legal certainty across borders

Foreign trade law, compliance and criminal law risks for companies

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A German machine manufacturer intends to sell specialized machines through a distribution partner in Lithuania. What initially appears to be a typical intra-EU transaction may harbour risks under foreign trade law. It is crucial not only to consider the place of delivery but also where the machinery will actually be used and who is involved in the transaction. The European domestic market guarantees the free movement of goods, services and capital. However, it is not a legal vacuum. Foreign trade regulations, sanctions, and export controls impose clear limits – even within the EU. Due to their geographical location and their role as logistics and trade hubs, the Baltics are under particular regulatory scrutiny. Legally sound foreign trade with the Baltics at a glance:

- Foreign trade restrictions may apply even within the EU.
- Supply chains, re-export risks and economic operators play an important role, particularly

in trade with the Baltics.

- Companies must establish appropriate compliance structures to identify and manage sanctions and export control risks.
- Violations can result in criminal penalties, fines and liability consequences.

1. Legal admissibility of transactions and typical risk areas

Whether a transaction between Germany and the Baltics is permissible depends not only on the location of the contracting parties. Four key factors must be considered: the type of goods or services, the economic purpose of the transaction, the parties involved and any third-country links. Companies should particularly pay attention to the following risks:

- Goods and technologies subject to export restrictions (embargoes, dual use) Shipments may be prohibited or require authorization if the goods can be used for military or security purposes, especially when resold

through international supply chains and the final use is difficult to verify.

- Business partners and beneficial owners Transactions with individuals or companies listed on sanctions lists are generally prohibited – even if sanctioned persons control the company indirectly.
- Payment and trading structures Funds must not benefit sanctioned individuals or entities. Multi-layered payment routes, third-party payments, and opaque trading structures may indicate attempts to circumvent sanctions.
- Investments and strategic sectors Certain investments or equity participations may be restricted or require authorization.

Info-Box: Official sources for sanctions and export controls Companies should regularly find out about applicable restrictions. Reliable information is provided by:

- EU Sanctions Map: www.sanctionsmap.eu
- EU Sanction list (consolidated): data.europa.eu



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· BAFA — Embargos und Export Control: www.bafa.de
These sources provide an overview, but do not replace a case-by-case legal review.

2. Compliance requirements in foreign trade

To conduct foreign trade lawfully, companies need clear organizational structures. These structures help identify and mitigate risks at an early stage. Key elements of an effective foreign trade compliance program include:

- Risk-based analysis of markets, products and business partners
- Control of end-use and potential re-export
- Monitoring of payment flows and financing structures
- Documentation of diligence and decision-making processes
- Clear internal responsibilities and guidelines
- Training of relevant staff and regular updates of measures

The scope of these measures depends on the company's size and risk profile.

3. Consequences of insufficient compliance

Violations of foreign trade regulations can result in criminal penalties or fines. Sanctions violations often trigger investigations against both companies and responsible individuals, such as managing directors and senior executives. Investigative measures may include searches of business and private premises, seizure of electronic data, confiscation of documents and freezing of assets. Foreign trade law proceedings frequently have international dimensions, as authorities from different countries often cooperate. Companies may face simultaneous investigations in multiple jurisdictions. Early legal guidance is crucial to limit risks and manage proceedings strategically.

4. Contact person for foreign trade compliance and preliminary investigations

Are you maintaining or planning business relations with the Baltics? We support you in compliance as well

as in governmental investigations and administrative proceedings. René Scheier is a specialist lawyer for criminal law focusing on corporate and economic criminal law. He represents companies and executives in investigative proceedings and provides preventive advice on criminal law risks in business, particularly in the areas of foreign trade and sanctions law. Theis Klauberg is managing partner of the international law firm Klauberg BALTICS and an EU lawyer with a focus on Germany, Latvia, Lithuania and Estonia. He advises companies on the design and implementation of compliance strategies and has more than 25 years of experience in cross-border legal issues, particularly in corporate and EU law and international transactions. Carmen Felsing is a business lawyer and advises companies on compliance, corporate governance and legally secure organizational structures. A particular focus of her work is the development and implementation of practical compliance systems, especially in international business transactions.