

# Exploring the Interplay between Law and Compliance

Dasong Yuan<sup>1</sup>, Hongxia Liu<sup>2</sup>

<sup>1</sup> Doctoral Supervisor, School of Law, Beijing Normal University, Beijing 100875, China

<sup>2</sup> PhD Candidate in Economic Law, School of Law, Beijing Normal University, Beijing 100875, China

## ABSTRACT

In recent years, compliance has become a prominent topic in both legal academia and corporate management, spanning multiple industries and involving complex mechanisms. While there has been a surge of research on specific regulatory frameworks in specialized fields, comprehensive studies on compliance management from the broader perspectives of law and legal governance remain insufficient. This paper first explores the origins, concept, theoretical framework, key stakeholders, and substantive content of compliance, arguing that compliance management inherently possesses a strong economic law attribute. Secondly, considering the cross-border nature of corporate compliance management, the paper advocates for the advancement of international economic law as a bridge between domestic and international legal frameworks. Finally, from a World Economic Law perspective, it suggests that China should promote inclusive economic compliance regulations and establish a paradigm for World Economic Law in compliance management to better adapt to the evolving international economic landscape.

## KEYWORDS

Compliance; Economic Law; Jurisprudence; Rule of Law; World Economic Law.

## 1. LEGAL ISSUES OF COMPLIANCE

Law is a normative system that regulates individual social behavior and serves as a fundamental mechanism for social governance. In comparison, compliance focuses on regulating the behavioral norms between individuals and organizations, constituting a crucial component of organizational governance. The core of law lies in the establishment of rights and obligations, with enforcement ensured through state authority. In contrast, compliance obligations encompass both mandatory requirements that organizations must adhere to and voluntary standards that organizations choose to follow, the latter not being entirely dependent on state enforcement. However, in essence, both law and compliance function as normative systems designed to regulate social interests. They complement each other, jointly fostering social harmony and order.

### 1.1. Functional Comparison between Law and Compliance

The primary function of law is to regulate and govern the behavior of social members through state enforcement, ensuring the maintenance of social order and the protection of public interests. By establishing rights and obligations, law ensures that every member of society not only enjoys rights but also assumes corresponding responsibilities. Through the compulsory enforcement mechanisms of state institutions, such as courts and law enforcement agencies, law plays a fundamental role in social governance. The binding nature of law extends beyond regulating individual conduct to supervising and restraining the actions of the state and social organizations. In contrast, the function

of compliance is more specific, focusing on the internal regulation of organizational behavior. Compliance encompasses both legally mandated requirements (i.e., mandatory compliance) and voluntarily adopted internal policies, industry standards, and ethical guidelines (i.e., voluntary compliance). The establishment of a compliance system aims to prevent potential legal and ethical risks arising from an organization's business activities, thereby safeguarding its reputation and long-term interests. Accordingly, compliance serves as a proactive and preventive management mechanism, assisting organizations in navigating complex legal environments while mitigating legal and regulatory risks.

## **1.2. Distinction between Coercion and Voluntariness**

Law is enacted by the state and enforced through state coercive power. Its compulsory nature is reflected in the fact that any violation of the law is subject to sanctions or intervention by state authorities. Regardless of an individual's or organization's intent, any breach of legal provisions may result in corresponding legal liabilities and penalties. Although compliance also includes mandatory obligations, it is not limited to them. Voluntary compliance by organizations is often driven by multiple factors, including industry norms, corporate social responsibility, ethical standards, and market competition. Unlike legal compliance, which relies primarily on state enforcement, voluntary compliance is implemented through internal mechanisms, corporate culture, and ethical guidelines. For instance, some companies voluntarily commit to adhering to environmental or social responsibility standards that exceed legal requirements. Such voluntary compliance is often motivated by a desire to enhance corporate reputation, mitigate operational risks, or meet stakeholder expectations.

## **1.3. Interaction and Complementarity between Law and Compliance**

Law and compliance do not exist in isolation; rather, they are interdependent and complementary. Law provides the fundamental framework that ensures an organization's basic conduct meets the minimum legal requirements. At the same time, compliance serves to interpret, refine, and extend legal provisions, assisting organizations in better understanding and implementing legal requirements. Particularly in a rapidly evolving market environment and a complex legal system, compliance management offers organizations a flexible tool to navigate legal risks effectively. Moreover, compliance can fill legal gaps. In certain areas, the law may lag behind technological advancements or market developments, making it difficult to provide timely and clear regulatory guidance. In such cases, compliance—through industry self-regulation and internal policies—can adapt proactively to mitigate potential legal risks. For example, in the field of data protection, many companies voluntarily adhered to best practices for data security even before the General Data Protection Regulation (GDPR) came into effect. This proactive compliance allowed them to swiftly align with new legal requirements once the regulation was formally enacted.

## **1.4. Globalization of Compliance and Localization of Law**

In the context of globalization, multinational corporations face complex compliance requirements, as they must not only adhere to the laws of different countries and regions but also manage compliance within diverse legal systems. This necessitates a high degree of adaptability and flexibility in corporate compliance frameworks to address variations in legal and cultural contexts across jurisdictions. For instance, a multinational company operating in the United States, the European Union, and China may encounter significant differences in legal regimes concerning data protection, antitrust, and anti-bribery regulations. Consequently, businesses must establish a globally unified compliance framework while simultaneously ensuring alignment with the specific legal requirements of each jurisdiction. Compliance management is not merely a passive adherence to legal norms but also an active response to global legal trends. Conversely, law often exhibits a localized character,

reflecting the cultural, social, and political values of a particular country or region. The interpretation and enforcement of legal norms are inherently shaped by local contexts, particularly in jurisdictions with significant cultural disparities. Therefore, when implementing global compliance strategies, corporations must tailor their approaches to the legal environments and cultural backgrounds of different countries. This is not only a matter of legal conformity but also an expression of respect for cultural norms, ethical principles, and corporate social responsibility.

### **1.5. Institutional Development of Law and Compliance**

The institutional development of law is primarily achieved through legislation, judicial interpretation, and enforcement. Legislative bodies are responsible for enacting laws, judicial authorities interpret and apply legal provisions through adjudication, and enforcement agencies ensure the implementation and execution of legal norms. The construction of legal institutions emphasizes the integrity of the legal system and the guarantee of state enforcement power. In contrast, the institutional development of compliance focuses more on the internal governance structures, management processes, and compliance culture of corporations and organizations. A well-established compliance framework includes the formulation of compliance policies, compliance training, internal audits, risk assessments, compliance investigations, and reporting mechanisms. The core objective of compliance is prevention—by identifying potential legal and ethical risks, organizations can implement appropriate control measures to minimize the likelihood of violations. Furthermore, the development of compliance systems must be integrated with corporate strategic objectives. A successful compliance framework not only ensures adherence to legal requirements but also enhances corporate competitiveness and reputation. The cultivation of a compliance culture is a crucial aspect of institutional development. By embedding the principle that “compliance creates value” within the organization, businesses can ensure that compliance becomes an integral part of their daily operations.

### **1.6. The Interdisciplinary Nature of Compliance and Legal Issues**

By thoroughly understanding and analyzing the relationship between law and compliance, organizations can more effectively mitigate legal risks, enhance operational efficiency, and ultimately achieve sustainable development. Due to its interdisciplinary and evolving nature, compliance research spans a wide range of fields, with academia and industry often focusing on different aspects of the subject.

From a management perspective, compliance management can be categorized into two primary domains: (1) public administration, in which the government enforces compliance in the interest of public welfare, and (2) corporate and organizational self-governance, whereby businesses and other social entities ensure the legality and ethical integrity of their operations. Since the 1960s, corporate compliance management has gradually shifted from a reliance on public regulatory oversight to more sophisticated internal corporate governance systems. These systems have evolved in alignment with external regulatory environments and industry standards, leading to the development of comprehensive organizational frameworks, institutional structures, operational mechanisms, and compliance cultures. This transformation has been driven by the increasing complexity of socio-economic and business environments. Today, corporations and organizations worldwide commonly establish or strengthen their compliance management systems in accordance with international standards, legal regulations, and governmental oversight requirements. This practice has become a universal norm among global enterprises and various other entities.

In the legal academia, research on compliance has primarily focused on the construction of legal compliance systems. In recent years, scholars have examined the theoretical foundations and application frameworks of compliance mechanisms from the perspectives of various branches of law, including criminal law, administrative law, economic law, commercial law, and environmental law. Academic research often employs a comparative legal approach to analyze the similarities and

differences between China's legal system and those of other jurisdictions, considering legal structures, legal domains, and national contexts. Based on such analyses, scholars propose legal recommendations on how to develop compliance mechanisms suited to China's specific circumstances. Notably, in recent years, President Xi Jinping has repeatedly emphasized the importance of compliance. At the micro level, he has advocated for Chinese enterprises to adhere to compliance-based business principles. At the national level, he has called for alignment with internationally accepted rules, active participation in the revision and improvement of global regulatory frameworks, and resistance to unreasonable international regulations.

Accordingly, legal issues related to compliance can be further divided into compliance issues at the jurisprudential level and those at the rule-of-law level. Within the framework of jurisprudence and the rule of law, the relationship between law and compliance has become a central topic of academic inquiry. As a legal science, jurisprudential research should strive to eliminate subjective value judgments and focus on the specific tensions between rights and obligations—an essential characteristic that distinguishes legal phenomena from other social phenomena. This raises several fundamental questions: What are the research objects and scope of compliance management? Do compliance mechanisms possess both universality and specificity? In particular, how should the integration of international rules and domestic legal frameworks be balanced in the context of cross-border compliance? These issues not only present challenges for academic research but also provide theoretical support for the practical construction of compliance mechanisms that align with China's national conditions while integrating into internationally accepted regulatory frameworks.

By examining the various manifestations of compliance, this article explores its relationship with jurisprudence and the rule of law, defining its connotation and extension with the aim of laying a foundation for the development of compliance law theory. Furthermore, in light of the practical challenges currently faced in the field of compliance, this study seeks to provide valuable theoretical guidance for cutting-edge legal scholarship and legal practice. Additionally, it offers recommendations for the scientific and systematic advancement of compliance in China.

## **2. LITERATURE REVIEW ON LAW AND COMPLIANCE**

The term “compliance” originates from English and is translated into Chinese as “合规” (héguī). In the English context, according to Merriam-Webster Dictionary, compliance has two primary definitions:

(1) The act or process of conforming to expectations, requirements, recommendations, rules, mandatory regulations, or administrative directives;(2) The capacity to exhibit flexibility under pressure. These definitions illustrate the broad scope of “compliance”, encompassing legal, ethical, and administrative adherence. They also indicate that the concept of compliance extends beyond the traditional realm of legal constraints to include an entity’s or individual’s ability to navigate complex regulatory environments under pressure. Accordingly, compliance is not limited to the observance of mandatory legal provisions but also involves proactive measures taken in response to business ethics, industry standards, and societal expectations. As a result, compliance has become an essential component of modern corporate governance and risk management. Its scope has gradually expanded from centralized governmental oversight and corporate self-regulation to a dynamic interaction with legal frameworks and regulatory systems.

It is noteworthy that Black’s Law Dictionary, a leading authority in legal terminology, does not provide a specific legal definition for “compliance” or “comply” as standalone legal terms. This reflects the conceptual limitations and insufficiencies of "compliance" within legal discourse, suggesting that its status and scope of application within legal systems remain flexible and subject to evolution. However, in its tenth edition, Black’s Law Dictionary introduced the term “compliance

audit”, acknowledging the practical development and increasing integration of compliance within legal and regulatory frameworks.

## 2.1. Theoretical Perspective

American socio-economist Amitai Etzioni introduced “Compliance Theory” in his work “*A Comparative Analysis of Complex Organizations: On Power, Involvement, and Their Correlates*” in 1961[1]. Unlike traditional legal theories, Etzioni’s compliance theory conceptualizes organizations as models to analyze the relationship between managers and subordinates within a power structure. Based on the fundamental assumptions of contingency theory, he categorizes three distinct types of power that influence organizations and employees: Coercive Power (Based on force or threats), Remunerative Power (Based on financial or material rewards), and Normative Power (Based on shared values, beliefs, and ethical standards). Etzioni argues that the type of power an organization employs directly affects the level of participation among its members. Accordingly, employees’ reactions to organizational authority can be classified into three categories: Alienative Involvement (Resistance or opposition to authority), Calculative Involvement (A pragmatic, cost-benefit approach to compliance), and Moral Involvement (Voluntary adherence driven by shared values and ethical commitment). Furthermore, Etzioni emphasizes that the effectiveness of compliance management largely depends on the participation of lower-tier actors, particularly those who are geographically or structurally distant from the organization’s core decision-making center (e.g., third-party suppliers and external partners). His theory not only applies to internal corporate governance (i.e., power dynamics between managers and employees) but also provides a robust theoretical framework for managing compliance risks among external business partners. In the operations of multinational enterprises, especially when dealing with complex supply chain management, normative power plays a significantly enhanced role in global supply chain compliance, as it can guide global partners’ involvement in compliance activities through culture, ethics, and shared values.

Subsequently, the concept of compliance theory was continuously enriched and began to take shape in the form of compliance systems in the United States. The development of the compliance system in the U.S. was marked by national intervention from the late 19th century to the early 20th century, which signified the government’s initial efforts to strengthen market order through legislation and regulation. With the implementation of the *Interstate Commerce Act* and the *Pure Food and Drug Act*, the federal government gradually intervened in business operations, establishing an early regulatory model. This model evolved into a dual regulatory system during the 1970s and 1980s, with corporate self-regulation becoming an effective complement to state regulation.

At the end of the 19th century and the beginning of the 20th century, under the influence of the Industrial Revolution, the United States, as the world’s leading industrial power, reached unprecedented levels of economic prosperity. While the laissez-faire market economy generated wealth, it also led to frequent occurrences of market monopolies and financial oligarchies, resulting in market disorder. In an effort to stabilize the economic market, the government began to intervene more actively. In 1887, the U.S. Congress passed the *Interstate Commerce Act*, establishing the Interstate Commerce Commission to regulate railroad tariffs and prohibit kickbacks in railway transport, marking the first instance of federal government intervention in private economic affairs. In 1892, Illinois spearheaded the enactment of a series of laws, including those on child labor, corporate governance, labor arbitration, municipal government, new taxation, collective bargaining, civil service reform, and laws protecting female workers. As investigations revealed an increasing number of issues, including severe corruption and a rise in safety incidents, the government began to establish specialized agencies for centralized and unified regulation [2]. In 1906, the American realist novelist Upton Sinclair published his novel *The Jungle*, which depicted the exploitation of workers by large corporations and the unsanitary conditions in Chicago’s slaughterhouses. The novel provoked public outrage over the quality of meat processing and caused a public uproar. In response to widespread concerns about corporate integrity, food safety issues, and the disregard for consumer

rights, the U.S. House of Representatives passed a landmark piece of legislation—the Pure Food and Drug Act—with a vote of 240 to 17. Subsequently, regulatory laws were enacted in various areas, including antitrust, and corresponding federal regulatory enforcement agencies were established. In 1914, the Federal Trade Commission Act came into effect, marking the formal commencement of comprehensive government oversight and management of businesses to ensure their compliance with various rules and standards, thereby inaugurating the era of government regulation of enterprises.

Subsequently, during the 1970s and 1980s, the U.S. compliance system underwent a significant shift from government-mandated regulation to corporate self-regulation. Notably, the introduction of the *Organizational Sentencing Guidelines* in 1991 marked the transformation of compliance from a defensive tool for passive legal adherence to a strategic mechanism for active risk management and reputation protection. Since then, the compliance system has evolved from merely a tool to meet legal requirements into an embedded cultural and management framework within business operations.

The transition from mandatory state regulation to corporate self-regulation is a highly representative process. The coexistence and collaborative operation of the dual regulatory system, with both state regulation and corporate self-regulation functioning in parallel, are crucial within modern compliance management frameworks. This balance is particularly significant in the context of the complex legal and regulatory environment of today. Mandatory laws and regulations, such as antitrust and anti-bribery laws, provide the legal framework, while corporations and other social organizations build internal compliance cultures and operational standards through voluntary adherence to industry standards, such as those issued by the International Organization for Standardization (ISO). This ensures that compliance management can address the complexities of modern markets and the challenges of globalization.

## **2.2. Jurisprudential Perspective**

In the domestic academic community, there is a lack of in-depth analysis of compliance from a purely jurisprudential perspective. Most research focuses on how to use jurisprudential concepts to argue for the legality and legitimacy of compliance in criminal applications [3]. Some scholars, starting from the responsibility of corporate entities, have suggested that the cooperation between the state and corporations can be regarded as a concrete manifestation of the theory of collaborative regulation in the field of crime governance. This cooperation holds legitimacy within the framework of criminal law theory [4]. Furthermore, some scholars focus on state-owned enterprises as their primary research subject, emphasizing that the guiding principle of criminal compliance should be to balance corporate operational freedom with the security of maintaining economic order. This jurisprudential discussion introduces a hierarchical analytical framework for internal corporate criminal compliance, providing theoretical support for the allocation of criminal liability at different levels of compliance within a company. Some scholars, from the perspective of U.S. prosecutors, have conducted in-depth analyses of the effectiveness criteria for corporate compliance. From the 'Seven Elements' standard proposed in the 1991 Organizational Sentencing Guidelines to the 'Three Elements' standard in the 2017 Evaluation of Corporate Compliance Programs guidelines, research indicates that a compliance evaluation system centered on corporate culture is a fundamental basis for ensuring compliance effectiveness. These scholars argue that the cultivation of corporate culture plays a key role in compliance management, as it directly influences employees' perceptions and behaviors toward compliance [5]. At the same time, in response to the current theoretical gap in domestic criminal compliance and the insufficient provision of existing regulations, some scholars have proposed recommendations for improving legislation and establishing special compliance procedures within the field of criminal law. These scholars argue that the introduction of criminal compliance challenges traditional theories of corporate crime, particularly in terms of how to define the criminal liability of corporate entities, specifically the criteria for determining when a corporate entity should be held criminally liable or exempted. This issue has become an urgent academic and practical challenge that requires resolution [6].

### **2.3. Administrative Perspective**

In the field of administrative law and compliance research, scholars generally believe that the current administrative settlement system has yet to effectively integrate corporate compliance mechanisms, resulting in a relatively weak role in detecting and preventing administrative violations. To enhance the effectiveness of administrative settlements, scholars have suggested incorporating compliance mechanisms into the framework of administrative settlements as a prerequisite for the termination of administrative investigations [7]. The introduction of compliance mechanisms can further enable the proactive prevention and post-event correction of corporate illegal activities, thereby enhancing the efficiency and legitimacy of administrative regulation. Moreover, administrative law scholars emphasize that the implementation of criminal compliance should be based on administrative compliance, from the perspective of the connection between administrative and criminal law. They argue that focusing solely on compliance within the realm of criminal law may lead to a fragmented and fragile compliance system, making it difficult to establish a comprehensive and unified compliance framework. Although administrative regulatory bodies, driven by a “problem-oriented” approach, have made some progress in exploring how to integrate corporate compliance mechanisms into administrative supervision, overall, the reforms in this area have yet to form a systemic solution. The current administrative compliance mechanisms remain in their early stages of development and require further refinement to ensure their comprehensive implementation in practice.

### **2.4. Environmental Perspective**

Regarding environmental protection, existing regional legal regulations are unable to meet the demands of regional economic integration due to a lack of cross-regional coordination. To address this challenge, environmental law scholars have proposed the need to further improve the legal framework within the field of environmental protection. On one hand, scholars advocate for the creation of a codified legal system to provide a more unified and standardized legal foundation for environmental governance; on the other hand, they emphasize the importance of embedding compliance mechanisms into existing environmental protection regulations to harness the synergistic effects of soft law and hard law, thereby achieving comprehensive governance and joint protection of the environment [8]. Specifically, hard law (such as mandatory environmental laws and regulations) provides enterprises with clear compliance standards and regulatory requirements, while soft law (such as industry self-regulatory standards and best practices for environmental protection) offers enterprises a flexible, voluntary compliance framework. Through the organic integration of soft and hard law, the aim is to effectively address the complex challenges faced in environmental protection during the process of regional economic integration, and to promote collaborative efforts and the advancement of the rule of law in environmental protection across different regions.

### **2.5. Labor and Social Security Law Perspective**

From the perspective of labor and social security law, and in light of the characteristics of the digital and platform economy, scholars have pointed out that the rapid development of the platform economy has led to the weakening of traditional labor relationships, resulting in the proliferation of non-standard forms of employment. The current trend of “de-laborization” within enterprises is becoming increasingly evident, making it difficult to fully protect the rights and interests of workers. In this regard, some scholars [9], from the perspective of labor law compliance, argue that the key to addressing this issue lies in strengthening corporate compliance governance. Enterprises should proactively assume social responsibility, and the platform economy should be integrated into an effective legal regulatory framework, ensuring that platform companies regulate their employment practices more effectively, and that workers' rights related to employment, wages, benefits, and other areas are not neglected. The effective protection of labor rights ultimately depends on enterprises strictly fulfilling their compliance obligations, internalizing labor law requirements as core

components of corporate management and operations. Moreover, only through collaborative governance between government and enterprises can genuine protection of workers' rights be achieved in a complex economic environment. Additionally, with the globalization of the economy, cross-border labor issues are becoming increasingly prominent. Workers employed by multinational companies may be subject to the legal constraints of different countries and regions, presenting greater challenges for corporate compliance management. In international practice, enterprises must strictly adhere to the labor laws of the country in which the workers are located, particularly concerning wage standards, working hours, benefits, health, and safety, to avoid legal liabilities resulting from non-compliance with local labor regulations. Furthermore, labor contracts, taxation, and social security issues related to cross-border employment must also comply with the legal requirements of the workers' place of employment. Enterprises should enhance their global labor compliance framework to ensure that they meet labor compliance requirements across multiple jurisdictions in their multinational operations.

International organizations, such as the International Labour Organization (ILO), provide compliance guidelines for multinational enterprises. These international standards can be used as benchmarks, combined with local regulations, to establish a globally unified labor compliance management system. Especially when dealing with non-traditional forms of employment, such as remote work, freelancers, and contractors, companies should conduct labor compliance risk assessments to ensure that both corporate and worker rights are effectively protected in different countries.

## **2.6. Civil Law Perspective**

From the perspective of the Civil Code, the concept of compliance is given a broader foundational definition. Fundamental principles in the Civil Code, such as the principles of good faith and fairness, provide a clear legal framework for corporate compliance management. Moreover, compliance requirements are specifically reflected in various areas of the Civil Code, including the system of legal persons, property rights, and contract law. For instance, in contract law, compliance demands that enterprises fulfill their legal obligations and assume corresponding legal responsibilities during the execution of contracts. These principles and norms are further concretized through the implementation of corporate law, particularly in areas such as the responsibilities of the board of directors, internal corporate governance structures, and shareholders' rights.

From the civil law perspective, compliance should be built upon the foundation of the Civil Code, using it as the core support for corporate compliance governance, and utilizing corporate law for practical regulation [10]. As the primary legal foundation for corporate internal management, company law provides a robust legal framework for the implementation of compliance. Through the practical application of company law, enterprises can translate the compliance requirements stipulated in the Civil Code into concrete compliance processes and institutional frameworks, ensuring legal conformity in daily operations. Ultimately, the compliance principles embedded in the Civil Code should be comprehensively reflected in corporate governance through the specific regulatory mechanisms of company law, thereby establishing a solid legal basis for corporate legitimacy and risk management.

## **2.7. Organizational Law Perspective**

Within the framework of organizational law, Germany's corporate compliance system is centered on the duty of care imposed on the board of directors, forming a well-developed regulatory framework for compliance governance. Under this system, the board of directors is not only responsible for corporate management but also bears the legal obligation to ensure that the company's actions comply with legal requirements. This framework effectively mitigates compliance risks in corporate decision-making and operations. Drawing on this model, domestic scholars advocate for integrating compliance management into China's corporate legal system, particularly by explicitly incorporating

compliance as a core value within the Company Law and establishing the board of directors' statutory responsibilities in compliance governance to ensure lawful and compliant corporate operations [11]. Professor Carole Basri of Fordham University School of Law argues that compliance management is essentially a self-governance system established by enterprises to ensure that their actions conform to public institutional requirements [12]. This system not only requires enterprises to comply with external legal norms but also emphasizes the transformation of the company's ethical values into concrete management behaviors and business practices through compliance mechanisms. This dual-oriented compliance management, guided by both ethical and legal principles, not only enhances the enterprise's legal compliance capacity but also promotes the fulfillment of corporate social responsibility.

As the primary subjects of compliance are corporations, research on compliance from the perspective of corporate law has become a mainstream direction in academic studies. Domestic scholars have focused on the specific design and implementation of compliance mechanisms within corporate law, particularly through extensive comparative studies that contrast the corporate law systems of China with those of the United States, Japan, and other countries. These studies have delved into issues related to the compliance duties of directors and the setting of internal responsibilities. Through this comparative analysis, scholars generally agree that China's current Company Law should reorient the functions of directors and reconstruct their responsibility pathways in compliance management to better meet the needs of modern corporate governance. By clarifying the core responsibilities of directors in compliance, the ability of enterprises to manage compliance can be effectively enhanced, ensuring that businesses adhere to legal requirements in complex legal and market environments [13].

## **2.8. Economic Law Perspective**

From the perspective of economic law, compliance research focuses on two main aspects. On one hand, it emphasizes traditional sector-specific compliance, which primarily involves the regulation of specific industries and behaviors through special legislation, such as antitrust law and unfair competition law, with particular attention to strengthening legal supervision over the financial system. As economic globalization and market complexity increase, financial compliance has become a core area for ensuring fair market competition and preventing financial risks. On the other hand, with the rapid development of the digital economy, compliance requirements must adapt to the new challenges brought about by technological innovations, especially regarding personal data protection and the compliance of digital financial technology platforms. Many scholars emphasize that, in the financial sector, in addition to strengthening traditional compliance requirements, it is also essential to actively promote digital transformation, enhance compliance management capabilities through technological means, and ensure that fintech platforms comply with data protection and privacy regulations. Digital innovation not only improves regulatory efficiency but also injects greater flexibility and foresight into the financial compliance field, allowing it to respond to the constantly changing technological environment and market demands.

Reviewing the development of compliance theory, its conceptual definition and model evolution reflect the demands of different periods in addressing economic market challenges. The evolution of compliance is not only a legal transformation but also a response to the market pain points of various historical stages, aiming to maintain market order, reduce risks, and promote sustainable corporate development through legal and management mechanisms. Scholars both domestically and internationally have systematically reviewed and analyzed compliance management from multiple dimensions, and in the current context, are actively promoting the innovation and development of compliance theory. In a world where globalization, digitization, and emerging technologies are constantly reshaping market dynamics, the theoretical foundation and practical paths of compliance management are undergoing a new round of reconstruction. Through in-depth research on the compliance needs of different fields and industries, scholars should explore more forward-looking

and flexible compliance frameworks to better address the complex challenges of future economic markets.

### **3. LEGAL ANALYSIS OF COMPLIANCE**

Through a review of the aforementioned literature, it is clear that the legal issues within compliance span multiple dimensions, encompassing not only theoretical jurisprudence but also concerns related to sectoral and specialized legal fields. Furthermore, some compliance issues cannot be easily categorized within any specific legal domain or field, reflecting the complexity and diversity of compliance research. As an emerging area of study, legal research on compliance exhibits high levels of interdisciplinarity and intersectionality. This intersectionality is not only evident in the integration of theory and practice but also in the interconnections between different legal sectors. The complexity of compliance research necessitates a multi-angle, multi-level approach to address the evolving legal, regulatory, and market demands in practice.

#### **3.1. Theoretical Jurisprudence of Compliance**

Theoretical jurisprudence, or "jurisprudence," refers to the concepts, principles, values, and justifications underlying legal provisions. The theoretical jurisprudence of compliance involves examining these underlying ideas, patterns, values, and justifications, aligning with the fundamental tasks of jurisprudence.

First, compliance management is not only an operational legal mechanism but also contains specific values and justifications. However, at the level of theoretical jurisprudence, the "legitimacy" and "justifiability" of compliance management have yet to be fully explored. For instance, issues such as the "long-arm jurisdiction" in the U.S. Foreign Corrupt Practices Act (FCPA), the economic sanction mechanisms of multilateral banks, and the legitimacy of internal corporate compliance investigations all expose the theoretical deficiencies in current practices.

Second, theoretical jurisprudence provides methodological tools for studying the construction of legal systems and the development of legal science. From a macro perspective, legal methods offer a framework for understanding legal phenomena, while at the micro level, they provide concrete paths to resolving legal issues. This methodology is equally applicable to compliance management—compliance can be categorized into general compliance management and specialized compliance management. The former provides tools and approaches for the overall functioning of the compliance system, while the latter focuses on the compliance requirements specific to certain areas.

Third, the theoretical jurisprudence of compliance also involves the distinction between rules and principles. Compliance obligations include not only mandatory requirements that organizations must adhere to but also voluntary norms that organizations choose to follow. Particularly in the realm of voluntary compliance, moral norms such as public order, customs, and cultural practices become key issues in legal discourse. From the perspective of designing and building a compliance management system, principles directly determine the basic nature, content, and value orientation of the compliance system. These principles represent the concentrated embodiment of compliance values and form the theoretical jurisprudential foundation of the entire compliance framework. They not only ensure the harmonious unity of the internal components of compliance management but also provide significant guidance for the operation and improvement of the compliance mechanism.

In the practical operation of compliance management, these principles guide the construction of various types of compliance systems, filling gaps in the institutional framework and enhancing the regulatory capacity of the management system. They also provide a basis for the reasonable functioning of the compliance mechanism, preventing compliance risks or negative consequences caused by unreasonable system design. Although the laws and regulations of different countries vary,

the ultimate aim of compliance management is to reflect the underlying legal spirit through the implementation of these laws and regulations.

### **3.2. Sectoral Legal Issues in Compliance**

Compliance issues span various fields, and scholars have conducted extensive research from the perspectives of criminal law, administrative law, environmental protection law, labor law, and others. However, compliance initially emerged as a theoretical concept within the domain of corporate management. As markets expanded in a disorderly manner, states gradually intervened in market operations through compliance regulation to ensure economic stability. In this context, economic law, as a legal form mediating public authority's involvement in economic relations, arose from the need to regulate exchanges for survival, rather than solely trade relations (which are more common in stages of socio-economic development that are more mature). As a result, compliance management has a deep-rooted connection to economic law.

The French thinker Morelly first proposed the idea of adjusting socio-economic activities through economic legal norms, a concept that marks the formation of economic law. Japanese legal scholar Minemura Teruo [14] pointed out that economic law, through its interplay, blending, and intersection with traditional public and private law, continuously transcends the boundaries between public and private law, ultimately forming an independent domain of social law.

Compliance and economic law exhibit a high degree of consistency in terms of subject matter, conceptual scope, and operational values. Studying compliance management from the perspective of economic law provides a deeper understanding of the essence, value, and both the practical and theoretical significance of compliance. Integrating compliance management with economic law can offer more systematic theoretical support to effectively address compliance challenges in economic activities.

Specialized compliance issues often cannot be clearly categorized into any specific legal field or departmental law. These specialized areas typically include anti-commercial bribery, antitrust, unfair competition, anti-money laundering, labor and human resources compliance, procurement compliance, data compliance, as well as digitalization and compliance management tools. Each of these fields faces unique compliance challenges and legal requirements.

For instance, the China Securities Regulatory Commission's "Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies" and the China Banking Regulatory Commission's "Guidelines for the Compliance Risk Management of Commercial Banks" both address the intersection of administrative and economic law. These documents not only regulate the compliance management behaviors of financial institutions but also reflect the role of economic law in overseeing market activities.

Moreover, the supervision of the investment and operation management of state-owned assets falls under the purview of economic law, while the policy documents issued by the State-owned Assets Supervision and Administration Commission (SASAC) belong to departmental regulations, which also reflect the intersection of administrative law and economic law. This intersectional characteristic indicates that compliance management not only needs to adhere to specific legal provisions but also must take into account the requirements from different legal domains to achieve comprehensive compliance governance.

The legal analysis and categorization of compliance can be approached from various logical frameworks. While the above discussion may seem preliminary, it aims to provide a new legal research perspective for further academic exploration of compliance theory. By investigating the multidimensional characteristics of compliance, scholars can gain a deeper understanding of its role within the legal system, thereby advancing the enrichment and development of compliance theory. This new research dimension not only helps to reveal the interrelationships between compliance and

other legal fields but also provides theoretical support for the formulation of more refined compliance management systems. It is hoped that future research will further explore the practical application and theoretical innovation of compliance management, thereby offering new insights and ideas for academic discussions in relevant fields.

## **4. THE RULE OF LAW MECHANISM IN COMPLIANCE**

The rule of law refers to the state, method, degree, and process through which law is implemented in society. Therefore, the rule of law mechanism in compliance can be understood as the specific operational mode, level of enforcement, and ongoing process of corporate compliance management within a legal framework. With the support of the rule of law, compliance management ensures the normativity and legality of corporate behavior. The rule of law mechanism in compliance can be further subdivided into public law governance, private law governance, social law governance, and economic law governance. Each category constructs the foundation of compliance management from different perspectives. This not only helps us better understand the role of compliance in various legal domains but also provides theoretical and practical guidance for enterprises to formulate compliance strategies that align with the requirements of different legal fields.

### **4.1. Public Law Governance in Compliance**

Public law is a legal system established to protect public interests, with its core emphasis on compulsory obedience and the operation of state power, guaranteed by the coercive force of the state. Within the compliance framework, public law governance is reflected in the mandatory obligations that organizations must comply with, encompassing laws and regulations, permits and authorizations, directives issued by regulatory agencies, and other such requirements. This includes judicial rulings, administrative regulations, and various treaties and conventions. In China, this category encompasses laws, administrative regulations, local regulations, and local government rules, ensuring that public law compliance obligations are both mandatory and universal.

### **4.2. Private Law Governance in Compliance**

In contrast to public law, private law focuses on the autonomy of will, equality, and mutual benefit, emphasizing the protection of rights. Private law governance is primarily reflected in voluntary compliance obligations chosen by enterprises, such as agreements signed with communities, non-governmental organizations, customers, and partners, or adherence to organizational standards and codes of conduct. These compliance obligations are generally non-coercive but still possess a high degree of normative and binding force in day-to-day operations. The scope of private law governance is diverse, covering social norms, industry standards, and more, with the form and efficacy of these obligations varying depending on the context.

### **4.3. Social Law Governance in Compliance**

Social law primarily regulates labor relations, social security, and the rights of specific groups. In various legal systems, this typically includes labor law, laws protecting the rights of minors, and laws safeguarding women's rights. In compliance management systems, social law governance focuses on areas such as labor and personnel compliance, anti-discrimination, and anti-harassment. Additionally, social law includes a wide range of compliance regulations concerning workplace safety, social organization activities, and other related areas, ensuring that corporate labor protections and safety measures meet the requirements of social law. For example, corporate charitable donations and public welfare compliance must adhere to laws such as the “Charity Law” and “Public Welfare Donation Law”.

#### **4.4. Economic Law Governance in Compliance**

Economic law governance is one of the core elements of compliance management, especially in areas of national investment and management, where economic law regulates corporate behavior through rigorous national legislation and oversight mechanisms. State-owned enterprises, as traditional areas of national investment, are governed by compliance obligations through state legislation to ensure that public authorities operate transparently and in compliance within the market economy. In scenarios where the state is not directly involved in investment, economic law governance can be achieved in two ways. First, the state can enforce enterprises to establish internal compliance mechanisms through external regulation, ensuring the stability of the market at a macro level. Second, industry associations and other organizations can represent industry interests, setting compliance standards to ensure that corporate behavior adheres to industry legal norms. While these industry standards are not legally mandatory, they hold considerable binding force in the market and give rise to the concept of “economic soft law”. This form of soft law plays a regulatory role in specific economic activities through public policies, industry rules, and professional standards, further enriching the traditional rule of law model [15].

In the context of globalization, the laws of various countries are becoming increasingly homogenized, gradually forming a global market characterized by shared destiny. The concept of “a Community with a Shared Future for Mankind” not only serves as a guiding principle for interactions between nations but also influences the construction of national legal frameworks, steering legal systems towards a more globally inclusive direction[16]. In the process of building a new global economic legal order, it is necessary for China to reassess and improve its compliance system from a global perspective. By critically reconstructing the existing economic law framework, China can preserve its achievements while actively assuming its responsibilities on the international stage, offering a Chinese solution for global compliance governance, and contributing to the development of a China–World economic law paradigm [17].

### **5. CONCLUSION**

This paper explored the concept of compliance within the context of legal theory, highlighting its deep connections with economic law. We analyzed the origins, functions, and development of compliance, noting how it evolves from a management tool into an essential part of the legal framework governing organizational behavior. The paper also examined the importance of compliance management in both domestic and international contexts, especially in bridging the gap between domestic and international laws. Furthermore, we discussed the necessity of fostering a more inclusive World Economic Law framework that adapts to the ever-changing international economic landscape. Moving forward, further research should focus on refining compliance systems to ensure they align with evolving global standards, particularly in areas such as digital transformation and cross-border business operations. Strengthening the integration of international compliance practices into domestic legal systems will be critical in ensuring that Chinese enterprises remain competitive and compliant in the global market.

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