



## The EU's Options to Limit Russia's Arms Exports

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In response to Russia's aggression in Ukraine, the European Union may consider imposing an embargo on Russian arms exports to its partners in the form of secondary sanctions. The aim would be to discourage third countries from purchasing weapons from Russia and to reduce the profits of the Russian defence industry. This could translate into lower revenues for the Russian budget and limiting its influence in the world. The EU should coordinate actions with the U.S. and its allies, including adopting a programme of support in the replacement of Russian weapons by states that are its traditional recipients.

**The Importance of the Arms Trade for Russia.** Russia is the second largest exporter of arms and military equipment in the world, behind the U.S. and ahead of France and China. According to the Swedish SIPRI institute, it accounted for 19% of the value of global arms exports from 2017 to 2021 (although this was a decrease of five percentage points compared to 2012 to 2016). Russia exports arms to 45 countries, the most important destination being Asia (61% of the value of exports), and the largest recipients being India (28% in 2017 to 2021), China (21%), Egypt (18%) and Algeria (16%). The main types of equipment sold are aircrafts (48% of export value), engines (16%) and missiles (12%). Russia makes most of the deals through Rosoboronexport, part of the state-owned arms conglomerate Rostec. The popularity of Russian weapons is determined by, among other things, Cold War ties, value for money, ease of maintenance and operation, readiness for technology transfer and joint production in the buyer's country, as well as attractive and flexible financing conditions. What is also important is the lack of conditions regarding internal politics, respect for human rights or the state of democracy, which makes Russia the main supplier for authoritarian countries such as Myanmar, Venezuela and Eritrea. On the other hand, the main problems are delays in the delivery of equipment, deteriorating quality and rising procurement costs.

Arms exports are of economic and political importance to Russia. In the first dimension, this means budget revenues, increasing foreign exchange reserves, financing the defence

industry, and opportunities for the development of military technologies. Since 2000, the average annual income from this has amounted to \$13-15 billion. Although the armaments account for only about 4.5% of exports from Russia (worth \$332 billion in 2020), it is the fourth largest item in its foreign sales (after crude and refined oil, gas and gold). However, of much greater importance (as shown by the attitude of many countries towards the aggression against Ukraine) is the political significance of the arms trade. The dependence of customers on its supplies allows Russia to gain their support and limit criticism of its actions. The countries which voted on March 2 against the UN resolution condemning Russia's aggression against Ukraine (for example, Belarus) or abstained from voting (such as India and China) are among the largest importers of Russian weapons and are mostly dependent on its supplies (Belarus is 100%, Kazakhstan, 91%, Algeria and China, 81%, Vietnam, 56%, India, 46%). Some of these countries explained their position by stating that they were, to a large extent, dependent on the import of Russian weapons.

Hence, limiting arms exports from Russia is important for several reasons. First, the very announcement of the sanctions sends a political signal discouraging third countries from purchasing Russian weapons and points to another area of international isolation for Russia. Second, by obstructing trade, settlements and deliveries, it will reduce Russia's budgetary revenues and hit defence companies. Third, it will contribute to a decline in confidence in Russia

as an arms supplier and may reduce the vulnerability of third countries to Russian pressure.

**Options and Limitations.** Russia has been subject to an arms embargo by a number of Western countries, including the EU, since the annexation of Crimea in 2014. The EU restrictions include a ban on the export and import of weapons from Russia, participation in arms transport and financing, the sale of dual-use technologies and the provision of services to the Russian military. The restrictions apply to transactions concluded after August 1, 2014 and to goods intended for re-export to third countries. The U.S. introduced its own sanctions in 2014, including a ban on trading weapons and military technology with Russia. The Countering America's Adversaries Through Sanctions Act (CAATSA), adopted by Congress in July 2017, plays a special role in restricting trade in arms. It allows the imposition of secondary (extraterritorial) sanctions, including 12 types of restrictions (such as financial) on persons and entities involved in "significant transactions" with the Russian defence or intelligence sector. On this basis, the U.S. has so far introduced restrictive measures on entities from China (September 2018) for the purchase of 10 SU-35 aircrafts and S-400 system components, and from Turkey (December 2020) for the purchase of the S-400 (however, they are considering granting an exception to India for the purchase of S-400 in 2018). In view of the existing U.S. and EU regulations and the impossibility of imposing sanctions by the UN Security Council (due to the certain veto of Russia, and possibly also China), further restrictions on trade in Russian arms by the EU would have to take the form of sanctions similar to those provided for in CAATSA.

Three kinds of challenges hinder its implementation: technical, legal and political. First, it is about creating regulations that can be effectively implemented, including monitoring and verification. Companies, institutions or people importing weapons from Russia should expect difficulties in economic cooperation with the EU. The main problem will be making those countries which already have limited economic ties with the West (such as Myanmar) comply with the regulations. Second, there is doubt as to whether such sanctions are compatible with international and European law. Until now (for example, in the blocking statute of 1996), the EU has opposed similar actions to those imposed by the U.S. against Iran or Russia. It seems that the emergency measures at present could be justified by the paralysis of the UNSC and the violation of the fundamental principles of the UN Charter by Russia, a permanent member of the Security Council. Third, secondary sanctions carry

a political risk in relations with those countries which import Russian arms, which will perceive it as a blow to their security.

**Conclusions and Recommendations.** Limiting Russia's ability to sell arms is essential to reducing its budget revenues and military capabilities. The sanctions introduced in 2022 (such as the partial disconnection of Russia from the SWIFT transaction system) will delay the implementation of the arms contracts Russia has already concluded and will reduce its attractiveness as an arms supplier. However, cutting off Russian defence companies as much as possible from foreign funds may worsen their financial condition, making it difficult to repair and modernise existing weapons, and to develop new types of arms.

The introduction of an additional arms embargo on Russia by the EU will be technically difficult and politically controversial, including in the EU's relations with the current importers of Russian weapons. To limit criticism from them, two types of action can be considered. On the one hand, a flexible application of sanctions should be allowed, taking into account the important strategic and security interests of partners, and allowing for waivers and transitional periods. On the other hand, the U.S. and the EU should intensify defence cooperation with democratic states interested in increasing the supply of weapons from alternative sources and reducing dependence on Russia.

Although it seems impossible to halt the sale of Russian weapons completely, Poland may propose discussions between EU Member States on this subject, and commission analysis of the legal services of the EU Council in terms of introducing secondary sanctions similar to the American CAATSA Act. Until these emergency measures are adopted, the EU can offer full cooperation with the U.S. in broadly implementing U.S. restrictions (CAATSA) on trade in Russian arms, enhancing political pressure on third countries and helping to combat smuggling. This action should make it difficult for Russia to export arms, causing political and economic losses. In order to minimise political controversy and reduce tensions with third countries, the EU should engage in dialogue with the recipients of Russian equipment sooner rather than later, introduce regulations facilitating the flexible application of sanctions, and offer democratic countries (such as India) alternative supply options from Europe. The European offer could be strengthened by, for example, the creation of attractive purchase financing opportunities and the readiness to share technologies and transfer some of the production to EU partners who want to become independent of supplies of weapons from Russia.