



## Dual-Use Items: EU Seeks to Limit Circumvention of the Sanctions on Russia

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Western dual-use products are essential for Russia's war in Ukraine. Although the EU has adopted comprehensive sanctions in this area, the Russian authorities are attempting to obtain goods and technologies from the Union, including through companies in third countries that do not apply restrictions. To curb these practices, the EU should set up a working group to monitor the implementation of sanctions in this field, strengthen export controls on products, and increase pressure on countries that allow their transit.

Dual-use items are goods, software, and technologies that can be used for both civilian and military purposes, such as lasers, microprocessors, and telecommunications equipment. In 2014, as part of the sanctions against Russia, the Union banned EU entities from selling them to the Russian military sector. The restrictions covered a common EU list of products, set out in an annually updated annex to a regulation establishing a system for controlling dual-use items exports.

Despite these sanctions, prior to the full-scale invasion, in 2020 Russia was the fourth-largest importer of dual-use products from the EU after the U.S., China, and Switzerland, accounting for around 5% of EU exports in this area. According to the Royal United Services Institute (RUSI) and the Kyiv School of Economics (KSE), analyses of Russian military equipment found in Ukraine in 2022 indicate a high level of reliance on Western components coming primarily from the U.S., but also from the EU (mainly Germany, the Netherlands, and France). This indicates that Russia developed effective ways to circumvent restrictions before 2022.

**Scope and Impact of EU Sanctions.** In response to Russian aggression against Ukraine, the EU introduced in 2022 almost a total ban on exports to Russia of dual-use items that are on the common EU list (except, for example, humanitarian supplies). This currently covers 1,373 items under the Combined Nomenclature (CN) codes used in EU

trade policy. The Union has also banned the export to Russia of around 1,400 dual-use products (by CN code) not covered by the common list, including high-technology items. A list of these items is set out in the regulation on EU sanctions regime against Russia.

In order to more effectively enforce the bans, the EU extended financial sanctions to around 580 companies and research centres in the arms and technology sector in Russia. EU entities are not allowed to carry out any financial transactions with them. The EU has also banned the transit of dual-use items through Russia to third countries, including, for example, high-tech and aerospace components, as well as jet fuel and fuel additives.

While there are no data available on Russia's total trade with third countries in the field of dual-use products, available analyses from European and U.S. think tanks on selected goods and technologies indicate a limited impact of sanctions adopted by the EU from 2022 onwards. The restrictions have led to component shortages in Russia and its use of less technologically advanced solutions in some weapons. However, the Russian government, after an initial collapse in Russian imports of dual-use products in the first months after the invasion, has managed to rebuild flows. Estimates from the Free Russia Foundation indicate that the value of Russia's semiconductor imports rose from \$1.82 billion in 2021 to \$2.45 billion in 2022. According to KSE, Russian imports of dual-use products totalled

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\$7.2 billion from January to May this year, up 19% in comparison to the same period in 2022 (\$6.1 billion).

According to the European Commission (EC), Russia obtains EU dual-use items through, among other means, companies from a dozen third countries not bound by sanctions, for example, from China, the United Arab Emirates (UAE), Türkiye, and Central Asian countries. Some products are not subject to EU export controls as they are produced by subsidiaries of Western concerns, for example, in East Asia. The EC monitors customs data for re-exports of EU products, but also relies on information provided at the G7 level, mainly from the U.S. In order to hide the final recipient of the products, Russian services and actors create complex chains of transactions, often including smaller volumes of money and using, among others, fictitious shell companies and small enterprises. Since the beginning of the invasion, the U.S. services have identified Russian smuggling networks involving individuals and legal entities from, for example, Cyprus, Bulgaria, France, Spain, Luxembourg, and Malta.

**EU Tightens Restrictions.** The EU has stepped up diplomatic pressure on countries that do not apply sanctions. As part of the Global Export Control Coalition (39 countries, including the U.S. and UK), it has compiled a list of 45 high-priority dual-use items that are used, for example, in the production of Russian missiles and drones. The EU's international special envoy for the implementation of sanctions, David O'Sullivan, is in talks to halt the transit of products on this list, e.g. with countries in Central Asia and the South Caucasus, Serbia, Türkiye, the UAE (along with the US and UK). According to the EC, several countries, which are interested in developing political and economic relations with the EU, have already put in place mechanisms to hinder such re-exports. In addition, the EC has also drawn up a list of 73 products critical to Russian industry (e.g., chemicals, machinery, electronics) against which it has observed increased flows through some third countries to Russia. The EU envoy is seeking that selected third countries strengthen monitoring of their re-exports.

The EU also imposed financial sanctions on a dozen third-country entities assisting the Russian military-industrial complex in circumventing EU sanctions, including those registered in Armenia, China, Iran, Syria, Uzbekistan, and the UAE. The restrictions are intended as a warning signal to third countries. As a possible punishment in the case of enabling the circumvention of sanctions against Russia, the EU has introduced an option to stop the export of dual-use

items to such countries, as well as the provision of related services. The difficulty to apply this solution is the requirement for the unanimous consent of EU members.

**Outlook.** Effective monitoring of the implementation of sanctions and Russian circumvention practices remains a problem for the EU. The EC and most EU Member States do not have sufficient operational capacity to detect possible violations, as this has not been their priority to date. There is no EU agency to control the implementation of sanctions, as Member States have remained reluctant to adopt Community solutions in this field, considering the issue of sanctions as an area of their sovereign foreign policy-making competence. Export control and the issuing of export licences also remain implemented at the national level, with practices varying between Member States. It would therefore be beneficial to set up an EU working group to monitor available data on the implementation of sanctions in the field of dual-use items and propose common solutions.

In the implementation of the restrictions, it is crucial that EU companies comply with them, including that they put in place appropriate procedures to identify the end users of their products. In order to increase the pressure on EU companies to take action in this direction, it is necessary for Member State authorities to strengthen their monitoring of the implementation of sanctions. This should lead to an increase in the number of investigations initiated in cases of suspected violations. EU states could also launch a joint operation with Europol and Eurojust to exchange information and obtain technical support in the implementation of investigations. Cooperation would be facilitated by the adoption of a Directive (currently under negotiation) on the definition of criminal offences and penalties in the area of EU sanctions violation, as it will harmonise practices in this area.

The challenge is the EU's limited leverage over third countries that allow the supply of components to Russia and have no interest in cooperating with the Union and the U.S. in this field, for instance, China. In such cases, it would be advisable [to block EU exports of dual-use items to this group of countries](#). It would also be beneficial to strengthen the control of financial transactions with companies from these countries by EU financial institutions (e.g., banks, credit card operators). The EC could, for example, develop a detailed list of warning signals for use in monitoring such transactions.