

EU to expand dual-use goods export control and sanctions regimes targeting Russia and Iran

24 April 2024

As mentioned in our previous Client Alert ([here](#)), the European Commission (EC) proposed new initiatives to strengthen EU economic security in late January 2024. The EC intends to take action with 5 initiatives:

- **Initiative 1:** Further strengthening of foreign investment screening leading to EU-wide FDI screenings and – *inter alia* – harmonising core elements of national screening mechanisms with certain minimum standards.
- **Initiative 2:** Exploring the implementation of a legal procedure involving outbound investment risks.
- **Initiative 3:** More effective EU control of dual-use goods exports.
- **Initiative 4:** Review and assessment of existing research and development support linked to technologies with dual-use potential.
- **Initiative 5:** The EC's plan to take action by providing guidance and enhancing resilience across Europe with the aim of bolstering research security across the EU.

This Client Alert focuses on **Initiative 3** regarding exports of **dual-use goods**. In addition, it provides an insight into the most recent and anticipated amendments to **sanctions against Russia and Iran**.

1 Key insights into the current EC proposal on dual-use goods exports

The EC stresses that it is critical for international security that EU goods and technologies with dual-use capabilities "*do not fall into the wrong hands*". According to the EC, the current dual-use regime shows deficiencies, especially when it comes to the interaction between the EU framework and national controls. Therefore, based on recent developments and (geopolitical) risks, the EC sees a clear need for a more effective and more uniform EU approach.

Essentially, the EC proposes certain **actions in the short and medium-term** to address some of the existing shortcomings (see the [White Paper on Export Control](#)):

- (i) Introduction of new items on the EU export control list to close those gaps that have resulted from these items being blocked in multilateral regimes (e.g. "Australia Group") by certain members, in particular by Russia.
- (ii) Setup of a high-level EU forum for discussions regarding developments in export controls and to foster a common EU position.
- (iii) Improved coordination of Member States' national export control lists. The EC proposes that Member States should inform each other and the EC of national control lists amendments ahead of their adoption, whereas this shall be done through a voluntary approach.
- (iv) Launch the evaluation of the current Dual-Use Regulation earlier (early 2025).

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2 Key insights into new EU sanctions provisions (Russia, Iran)

- **Mandatory "No Russia Clause" for EU Exporters:** Originating from the 12th Russia sanctions package published in December 2023, the obligation to insert "*No Russia Clauses*" in contracts entered into effect as of 20 March 2024. EU exporters are now required to incorporate a clause in their contracts prohibiting the re-export of goods to Russia and the re-export for use within Russian borders. This requirement extends beyond just weapons to cover a range of industrial goods and electronic equipment. Exporters must ensure their contracts include strong provisions outlining penalties for any breaches of this clause. Designated Member State authorities must be informed of violations.
- **Reporting of money transfers to third countries:** As of 1 May 2024, EU legal entities that are directly or indirectly owned in a proportion greater than **40%** by Russian legal entities, citizens or residents must report to the competent Member State authority within two weeks of the end of each quarter, any outgoing transfer of funds from the EU exceeding EUR 100,000 made directly or indirectly, in one or several operations. Moreover, as of 1 July 2024, credit and financial institutions must report to the competent Member State authority within two weeks of the end of each semester, information on all outgoing transfers of funds from the EU of a cumulative amount exceeding EUR 100,000 that they initiated, directly or indirectly for the above-mentioned EU legal entities.
- **13th Russia sanctions package:** Adopted in late February 2024, the 13th package added an unprecedented number of 106 individuals and 88 legal entities to the list of individual designations ("asset freeze" list) resulting in now over 2,000 listings in total. Further measures include a great expansion of the export ban list (particularly regarding components used for the production of drones) as well as export restrictions with respect to Russian and other third-country companies that contribute to Russia's military developments.
- **Expected 14th Russia sanctions package:** According to the EC, the 14th package shall be adopted this spring. The new provisions are likely to focus on anti-circumvention, namely regarding enforcement of the oil-price cap.
- **Expected expansion of sanctions against Iran:** Following Iran's attack on Israel on 13 April 2024, EU leaders decided to expand the current sanctions regime against Iran. New measures shall specifically target arms suppliers. Current Iran sanctions include financial measures ("asset freeze") and export restrictions especially for military equipment, software for industrial use and certain metals and goods that can be used for internal repression.

3 Roadmap

Timeline concerning export control:

- 2024: Further discussions on expanded dual-use items list.
- First quarter of 2025: Planned Evaluation of the Dual-Use Regulation.

Timeline concerning sanctions:

- 20 March 2024: Mandatory "No Russia Clause" for certain EU exports.
- April / May 2024: New Iran sanctions to be expected.
- 1 May 2024: Reporting obligation on money transfers for 40% Russian held entities.
- 1 July 2024: Reporting obligation on money transfers for banks.
- Late spring 2024: Planned adoption of 14th Russia sanctions package.

Our **Regulatory Team** has broad experience in advising clients (and investors) on navigating the regulatory framework in Austria and has set up an **economic & national security expert group** comprised of Kurt Retter, Dominik Engel and Georg Knafel from the Vienna Office.

About Wolf Theiss

Wolf Theiss is one of the leading European law firms in Central, Eastern and South-Eastern Europe with a focus on international business law. With more than 400 lawyers in 13 countries, over 80% of the firm's work involves cross-border representation of international clients. Combining expertise in law and business, Wolf Theiss develops innovative solutions that integrate legal, financial and business know-how.

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