

Sanctions circumvention and the Russia diversion problem

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Since 2022, the enforcement of the Russia sanctions has become the dominant theme of border control in Europe. The European Union has adopted successive packages of restrictive measures that prohibit the export of a growing range of goods to Russia. Switzerland has followed most of them through its Ordinance on Measures in Connection with the Situation in Ukraine. The difficulty lies in circumvention. Western components, especially electronics, machine tools and certain chemicals, have continued to reach Russia through third countries such as Turkey, the states of the Caucasus and Central Asia and the United Arab Emirates. Trade statistics show sharp increases in the imports of those countries from the European Union after 2022, which cannot be explained by domestic demand alone.¹

The European Union responded with several instruments that affect the border directly. The first is the list of common high priority items, drawn up with the United States, the United Kingdom and Japan, which identifies the battlefield goods found in Russian weapons systems and classifies them by customs tariff codes. Because the list uses tariff codes, customs systems can flag consignments automatically. The second is the "no Russia" clause under Article 12g of Regulation 833/2014, which requires European exporters to prohibit re-export to Russia in their contracts for certain sensitive goods. The third is a duty of best efforts on European parent companies to ensure that their subsidiaries in third countries do not undermine the sanctions. Switzerland has adopted comparable measures in its own ordinance, with differences in detail and timing.²

For a city at the junction of three customs territories, the question of circumvention through Switzerland is sensitive. A good that may not be exported from Germany to Kazakhstan without due diligence could in principle be exported first to Switzerland and from there to a third country,

if Swiss controls were weaker. The European Union has therefore watched Swiss implementation closely. Switzerland has sought to prevent any impression that it serves as a circumvention hub, both for political reasons and because the Swiss export industry depends on the trust of its European partners. In the Basel region, the result has been an intensification of controls on re-exports of European goods, a closer exchange of information with German and French customs and greater attention to transit consignments passing through the Rhine ports.³

The goods most often involved in diversion cases are not exotic weapons components. They are standard industrial products: microelectronics, connectors, bearings, machine tools, optical devices and spare parts for aircraft or vehicles. Many of them are produced or traded by companies in southern Germany and northern Switzerland. Customs officers in the region must therefore recognise suspicious patterns among ordinary consignments, such as a new consignee in a third country, an unusual route, a value inconsistent with the goods or a payment made by a party unconnected with the transaction. The skills required are closer to those of a financial investigator than to the traditional skills of a tariff specialist, which explains why customs administrations across Europe have invested in analytical units.⁴

1 Notes

1. Council Regulation (EU) No 833/2014 as amended; Ordinance of 4 March 2022 on Measures in Connection with the Situation in Ukraine (SR 946.231.176.72); on diversion through third countries, see the European Commission's analyses and the reports of research institutes on trade flows after 2022. Figures to be verified. ↩
2. On the common high priority items list, see the European Commission's guidance on the list and its annex in Regulation 833/2014; on the "no Russia" clause, see Article 12g of Regulation 833/2014, introduced by the eleventh package of June 2023; on the best-efforts obligation for subsidiaries, see Article 8a of Regulation 833/2014, introduced by the fourteenth package of June 2024; on the Swiss counterparts, see the amendments to the Ukraine Ordinance. Status to be verified. ↩
3. On the European Union's assessment of Swiss implementation of the Russia sanctions and the anti-circumvention measures adopted by Switzerland, see the communications of SECO and the Federal Council since 2022 and the reports of the EU sanctions envoy. Status to be verified. ↩

4. On the typology of goods and indicators in Russia diversion cases, see the joint guidance of the European Union, the United States, the United Kingdom and Japan for industry on preventing evasion, and the FinCEN and BIS joint alerts of 2022 and 2023. To be verified. ↩

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