

# SANCTIONS UPDATE: COUNTERING RUSSIAN EVASION OF EXPORT CONTROLS AND NEW SANCTIONS DESIGNATIONS

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**Categories:** [Insights](#), [Publications](#)

The Government of Canada has rolled out joint guidance aimed at limiting Russian evasion of export controls and sanctions. The guidelines list new high priority export items and provide red flags for exporters to avoid diversion of exports through third countries.<sup>[1]</sup> They were issued in partnership with Australia, New Zealand, the United Kingdom, and the United States through the “Export Enforcement Five” (“E5”).

This bulletin provides a summary of these guidelines and further summarizes recent additions to sanctions designations of Russian, Iranian and Haitian persons.

## Priority Controlled Exports Include Electronics and Other Goods Used in Weapons Manufacture

The guidelines, released September 26, 2023, identify 45 categories of goods deemed critical for Russian weapons development. The goods are divided into four tiers, with tiers one and two containing goods deemed of highest priority. Although already prohibited for export to Russia under the [Restricted Goods and Technologies List](#) or other sanctions laws, or already controlled under Canada’s Export Control List,<sup>[2]</sup> exporters should approach transactions involving items contained in all four tiers with significant and increased caution and be aware of tactics used to divert goods to Russia through third countries.

The four tiers of goods are as follows:

Tier	General Description of Goods
1	Electronic integrated circuits
2	Electronics items used for wireless communication, satellite-based radio navigation, and passive electronic components

3	<p>Non-Electrical</p> <ul style="list-style-type: none"> <li>· Ball bearings, spherical and tapered roller bearings</li> <li>· Parts of airplanes, helicopters and unmanned aircraft</li> </ul> <p>Electrical</p> <ul style="list-style-type: none"> <li>· Electrical transformers, static convertors and inductors and parts thereof</li> <li>· Television cameras, digital cameras and video camera recorders</li> </ul>
4	<p>Manufacturing, production, and quality testing equipment for electronic components and circuits</p>

The E5 expects to update the list over time. The complete list outlining specific goods is available [here](#).

### Red Flags for Export Control and Sanctions Evasion

The guidelines highlight three indications of possible diversion. Additional due diligence is required by exporters if the importer 1) did not receive any exports of the goods prior to February 24, 2022, 2) did not receive exports of items listed in tiers one and two prior to that time, or 3) saw a significant spike in exports of items in tiers one and two after February 24, 2022.<sup>[3]</sup>

In addition, the guidelines provide further red flags that may indicate export control or sanctions evasion, including:

- New customers incorporated after February 24, 2022 where products are listed in Tiers 1 or 2, and where the customers that are not based in a GECC country;<sup>[4]</sup>
- Existing customers who only began exporting items in tiers one or two to transshipment points *after* February 24, 2022, and those who are outside the E5 countries and have requested a significant increase in Tier 1 or tier 2 products;
- Customers who significantly overpay;
- Customers who lack or refuse to provide details on banks, shippers, or third parties, including about end-users, intended end-use, or company ownership; and
- Customers who have addresses similar to a party on a proscribed party or sanctions list, among others.

Exporters should consider requesting additional information about the end-use and end-user of the goods, evaluating dates of incorporation, and evaluating the customer’s physical location when faced with any of the above indications of export controls or sanctions evasion.

### Canada’s List of Sanctioned Individuals and Entities Continues to Expand

On August 22, 2023, Canada added 4 Russian individuals and 29 Russian entities with ties to Russia’s military,

nuclear, and financial sectors to its asset freeze and dealings prohibition.<sup>[5]</sup> Further, on September 20, 2023, Canada added an additional 42 individuals and 21 entities to the asset freeze and dealings ban; these entities are involved in the forcible mass transfer of Ukrainian minors, Russian disinformation and Russia's nuclear sector.<sup>[6]</sup>

On September 14, 2023, marking a year since the death of Mahsa Amini at the hands of Iran's "Morality Police," Canada has levied additional sanctions against six Iranian individuals for gross and systemic violations of human rights.<sup>[7]</sup> The sanctioned individuals include the Secretary and three senior members of Iran's Supreme Council for Cultural Revolution, the most senior official for national security and foreign affairs of the Iranian parliament, and the senior commander of the Islamic Revolutionary Guard Corps.

On September 20, 2023, Canada imposed additional sanctions against 3 members of the Haitian economic elite for acts of significant corruption.<sup>[8]</sup>

## Conclusion

McMillan's International Trade Group has published extensively on the continually changing landscape of sanctions compliance and is available to assist Canadian and international businesses with their evolving compliance obligations.

- [Canada Strengthens Its Economic Sanctions and Export Controls Against Russia and Supports Russia's Removal from SWIFT](#) (February 25, 2022);
- [Canada Ratchets Up its Sanctions in Response to the Russia-Ukraine Crisis](#) (March 4, 2022);
- [Canada Further Expands its Sanctions Regime Against Russia](#) (March 29, 2022);
- [Canada Expands Sanctions on Russia and Proposes Broad Legislative Changes to its Sanctions Regime](#) (June 1, 2022);
- [Canada Clamps Down on Services Provided to Russia](#) (June 13, 2022);
- [Services, Sensitive Technologies, Luxury Goods, Gold and Disinformation Sanctions – Plus a Forfeiture Regimes: Canada's Latest Responses to the Russian Invasion of Ukraine](#) (July 13, 2022);
- [Canadian Sanctions Revisited: More Russian and New Iranian Sanctions, Including Price Cap on Russian Oil](#) (October 4, 2022);
- [Sanctions Pivot: Canada Seeks Forfeiture of Russian-Owned Assets to Fund Reconstruction of Ukraine and Adds Oil Price-Cap Restrictions](#) (December 22, 2022);
- [One Year On: Economic Sanctions Have Become a Primary Tool of Canadian Foreign Policy and New Russian Sanctions are Imposed](#) (March 1, 2023);
- [Caught in the Sanctions Crossfire: Canada's New Control Test Has Broad Repercussions on Businesses with Any Nexus to Russia](#) (April 26, 2023); and

- [Russian Telecoms Newest Target of Canadian Sanctions and Canada's \(non-\)Approach to General Permits](#) (August 16, 2023).

[1] Bureau of Industry and Security, United States-Australia-Canada-New Zealand-United Kingdom Release Joint Guidance on Countering Russia Evasion, September 26, 2023, at page 1. Available [online](#).

[2] Global Affairs Canada, [A Guide to Canada's Export Control List](#), January 2023, see Group 1 – Dual-Use List.

[3] Export Five, Guidance for Industry and Academia – Russia Sanctions – Common High Priority Items List, September 26, 2023, at page 4.

[4] Global Export Control Coalition (GECC) partnership, which is comprised of Iceland, Liechtenstein, Norway, Switzerland, Australia, Canada, the 27 member states of the European Union, Japan, the Republic of Korea, Taiwan, New Zealand, the United Kingdom, and the United States.

[5] [Regulations Amending the Special Economic Measures \(Russia\) Regulations](#), SOR/2023-185.

[6] [Regulations Amending the Special Economic Measures \(Russia\) Regulations](#), SOR/2023-191.

[7] [Regulations Amending the Special Economic Measures \(Iran\) Regulations](#), SOR/2023-189. See also [On first anniversary of Mahsa Amini's death, Canada announces additional sanctions against Iranian regime - Canada.ca](#).

[8] [Regulations Amending the Special Economic Measures \(Haiti\) Regulations](#), SOR/2023-192.

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### **A Cautionary Note**

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

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