

The E2C2 Echo

QUARTERLY NEWSLETTER



How Russia is Coping with Sanctions on its Commercial Aviation Sector

The recent sanctions the United States and the European Union imposed on Russia's aviation sector have put the country's domestic airlines in a difficult financial situation. The sanctions prohibit the supply of spare parts, software updates, and new aircraft to Russian carriers, as well as the use of foreign airspace by Russian planes. The sanctions are a direct response to Russia's war in Ukraine.

The United States and its partners have been vigilant in their efforts to curb illicit activities related to aviation exports to Russia and the sanctions are starting to show their effectiveness. According to the press, in the first week of December 2023, there were at least eight serious mechanical

failures reported by Russian airlines that forced pilots to make emergency landings. Without serving and spare parts from the manufacturers, Russian airlines are increasingly reporting that their planes are experiencing severe engine vibrations and failures of hydraulic systems, wing flaps, steering systems, autopilot, and oil filters.¹ However, Russia has not given up on its commercial aviation industry, which serves more than 120 million passengers annually. It has adopted various measures to evade some of the sanctions and keep its planes flying, at least on domestic routes. According to United States trade data, in the last year, tens of millions of dollars of sanctioned parts were obtained by Rossiya Airlines, Aeroflot, Ural Airlines, S7

Airlines, Utair Aviation, and Pobeda Airlines.² These deliveries are often made possible by shell/shelf corporations and straw purchasers in various transshipment points in Asia and the Missile East. In one instance, various shipments of copper wires, bolts, and graphite that were delivered from the United States from Boeing were transhipped by straw purchasers through free-trade zones and industrial parks in the United Arab Emirates and China before making their way to Aeroflot warehouses in Russia.

Here are some of the ways that Russia is acquiring part of its commercial aircraft fleet:

Foreign-Owned Planes

In March 2023, Russian President Vladimir Putin signed a law that allows Russian airlines to register planes leased from Western companies in Russia.³ This means that foreign companies who lease airplanes to Russian companies lose control over their planes and cannot repossess them without Russian government approval. In essence allowing Russia to seize them with no legal recourse from the owners. This led to the seizure of over 180 Western-owned aircraft that Russia pressed into service. This figure does not include the planes that were stripped for parts.⁴

Cannibalizing Older Aircraft

Russia is also securing critical components for its planes by disassembling idled aircraft and using their parts to maintain the active ones. According to aviation experts, this strategy has enabled Russia to preserve its domestic air travel capacity by reducing the wear and tear on its fleet.⁵ However, this practice also raises safety concerns, as modern aircraft are highly complex machines that require regular maintenance and inspection by certified technicians.

Indigenizing the Industry

Russia is also trying to develop its own aircraft industry and reduce its dependence on Western suppliers. Russia has several commercial projects underway to produce passenger jets, including the MS-21, the Superjet 100, and the Il-114.^{2 3} However, these projects face many challenges, such as technical know-how and expertise, lack of capital, and a lack of demand. Additionally, these planes will still likely rely on foreign-

made components, such as engines and avionics, which are subject to sanctions.

Transshipment Points

To resupply its commercial fleet, Russia has established a vast supply chain that touches many countries and various free trade zones. These countries often include China, the United Arab Emirates, Uzbekistan, and Turkey, to name a few. For example, two individuals were recently arrested in Arizona and charged with money laundering and violating United States export laws after allegedly helping Russia obtain parts. According to the criminal complaint, the two shipped components ranging from nuts-and-bolts to a Boeing 737 brake system.⁶ The items were often transshipped via countries such as Turkey, China, and the Maldives. With every import and export, it becomes more difficult to track the ultimate end-user.

Seeking Cooperation with Other Countries

Russia is also looking for partners willing to cooperate in the aviation sector despite the sanctions. For example, Russia has signed agreements with China, Turkey, and Iran to jointly develop and produce new aircraft and drones.⁷

Shell Companies and Straw Purchasers

According to a recent report, Russian entities have used shell companies and straw purchasers to purchase United States-made aircraft parts and ship them to Russia.⁸ This obfuscation has made it difficult for law enforcement and regulators to track the ultimate end-user.

Collaboration

The sanctions imposed on aviation exports to Russia and Belarus demonstrate the United States' commitment to the people of Ukraine and send a message to Moscow that they cannot act with impunity. Nevertheless, as the reported illicit activities revealed, challenges persist in ensuring these controls are foolproof.

Collaboration between governments, manufacturers, and exporters is essential to tackle this issue comprehensively. It is incumbent upon all stakeholders to remain vigilant and committed to preventing the unauthorized export of sanctioned aviation items. Only through such collective efforts can we ensure the integrity of international trade while safeguarding global security and stability.



ABOUT THE E2C2

The Export Enforcement Coordination Center (E2C2) serves as the primary forum within the federal government for executive departments and agencies to coordinate and enhance their export enforcement efforts.

The E2C2 promotes a robust whole of government approach to export enforcement by ensuring inter-agency coordination, promoting multi-agency collaboration, minimizing duplication of efforts, and strengthening the critical link between law enforcement, the Intelligence Community, export licensing entities, and the public sector.

Agencies, organizations, or businesses who have questions or would like to learn more about partnership opportunities, email us.

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Endnotes

1 Russian air passengers face peril as plans show strains of sanctions. January 16, 2024. *Washington Post*. <https://www.washingtonpost.com/world/2024/01/16/russia-air-travel-danger-sanctions/>

2 U.S.-Made Technology Is Flowing to Russian Airlines, Despite Sanctions. <https://www.nytimes.com/2023/05/15/business/economy/russia-airlines-sanctions-ukraine.html>

3 Western Sanctions Push Russia's Presidential Fleet to Offer Planes to Commercial Carriers. <https://www.aviacionline.com/2023/09/western-sanctions-push-russias-presidential-fleet-to-offer-planes-to-commercial-carriers/>

4 Sanctions Haven't Stopped Russians from Having Their Fun in the Sun. <https://foreignpolicy.com/2023/07/21/russia-sanctions-boeing-tourism-turkey/>

5 Sanctions: Russia's commercial airlines face a slow death. <https://www.dw.com/en/sanctions-russias-commercial-airlines-face-a-slow-death/a-63804157>

6 Russia received over \$14 million in illegal aircraft parts despite sanctions. <https://www.businessinsider.com/russia-airlines-received-14-million-illegal-aircraft-parts-despite-sanctions-2023-5>

7 US sanctions: Iran's drone program has ties to China, Turkey, Russia. <https://www.jpost.com/international/article-759802>

8 Shell sorry and pledges to stop buying Russian oil. <https://www.bbc.com/news/business-60661611>