

EU POLICY ENGAGEMENT ON ADVANCED CONVENTIONAL WEAPONS AND SANCTIONS COMPLIANCE IN THE SOUTH CAUCASUS

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I. INTRODUCTION AND STRATEGIC CONTEXT

The South Caucasus has entered a new and promising phase following the initiation of the Armenia–Azerbaijan peace process facilitated by the United States. After decades of intermittent conflict, fragile ceasefire arrangements and limited progress through traditional negotiation formats, the current diplomatic path has opened a window for stabilization, regional connectivity and a gradual normalization of relations. After decades of conflict, Armenia and Azerbaijan’s initialling of a peace treaty and accompanying political declaration at the Washington Peace Summit in August 2025 marked a significant breakthrough.¹ However, the treaty has yet to be formally signed or ratified; the process remains politically sensitive and implementation of the treaty provisions—including communications links and border arrangements—has yet to begin. The normalization trajectory between Armenia and Azerbaijan (referred to throughout this paper as “normalization”) is therefore promising but fragile, and the analysis in this paper reflects that context. While the long-term durability of this normalization process relies on many political factors, it has already altered the regional security environment and created space for confidence-building measures beyond conventional security and political domains.

In this context, non-proliferation, export controls and sanctions compliance deserve closer attention as practical measures that may support stability, especially as these tools operate through institutions, regulatory frameworks and market behaviour. When implemented consistently, these mechanisms can reduce opportunities for illicit activity, increase transparency and contribute to trust between states

SUMMARY

This paper examines how sanctions compliance and controls related to advanced conventional weapons can contribute to confidence building and stabilization in the context of fragile normalization in the South Caucasus. In particular, it focuses on the backdrop of expanded international sanctions regimes following Russia’s full-scale invasion of Ukraine in 2022. While the South Caucasus comprises multiple states, this paper focuses primarily on Armenia and Azerbaijan, in line with its emphasis on post-conflict dynamics, sanctions compliance and confidence building following the start of the Armenia–Azerbaijan peace process in 2025. The paper analyses regional vulnerabilities related to transit, re-export and dual-use goods. It explores how institutional capacity, regulatory frameworks and private-sector engagement shape compliance outcomes, and it assesses the role of coordinated action by the European Union and the United States in supporting risk mitigation and responsible trade. The main argument in this paper is that sanctions compliance, when embedded in transparent and cooperative governance frameworks, can serve as an indirect but meaningful confidence-building measure in post-conflict environments.

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¹ Avdaliani, E., ‘Trump’s road TRIPP delivers a deal’, Center for European Policy Analysis, 13 Aug. 2025.

and with external partners. For regions such as the South Caucasus, characterized by unresolved security dilemmas, complex trade routes and proximity to sanctioned jurisdictions, they are more than mere technicalities; they carry indirect strategic relevance. While all three South Caucasus states—Armenia, Azerbaijan and Georgia—face compliance challenges related to advanced conventional weapons (ACWs) and Georgia in particular serves as a significant regional transit hub, this paper focuses primarily on Armenia and Azerbaijan. This reflects the paper's emphasis on the confidence-building dimension of compliance in the context of the Armenia–Azerbaijan peace process. Georgia's specific regulatory and transit dynamics, while analytically important, fall outside the scope of this paper and would merit separate treatment.

Normalization dynamics following the US-facilitated peace process

The US-brokered engagement between Armenia and Azerbaijan has shifted the immediate focus among states and external partners away from active confrontation and towards a cautious normalization process, with early-stage discussions about connectivity and economic interaction. This normalization remains fragile: borders between Armenia and Azerbaijan are still closed, economic interaction is minimal, and any emerging contacts are politically sensitive and subject to tight control.² This shift does not equate to the resolution of all outstanding political or security issues, nor does it eliminate the risk of renewed tensions; however, it does reduce the likelihood of large-scale hostilities in the short term and creates incentives for both states to engage in conflict transformation processes.

Post-conflict transitions are often accompanied by increased exposure to illicit trade and diversion risks. As borders reopen, infrastructure projects expand and commercial exchanges intensify, the volume and complexity of cross-border transactions also grow.³ In regions located along major transit corridors, this environment can be exploited by networks seeking to

procure dual-use goods and components relevant to ACWs through means of diversion.⁴

At the same time, Armenia and Azerbaijan are under heightened external scrutiny due to their geographic position. Both are located near jurisdictions subject to extensive international sanctions, most notably Russia and, in the case of Azerbaijan's southern border, Iran. Since 2022, sanctions imposed on Russia by the European Union (EU), the USA and other like-minded states have expanded significantly in scope and depth, with a strong emphasis on restricting access to military-relevant technologies, components and production inputs.⁵ Enforcement efforts have increasingly focused on circumvention risks, including the role of third countries, intermediaries and logistics routes in facilitating re-export and diversion.⁶

Recent EU restrictive measures reflect this shift. Sanctions packages adopted by the EU and allied countries since 2022 have placed growing emphasis on anti-circumvention tools, enhanced due diligence expectations for economic operators and contractual safeguards aimed at preventing the re-export of sensitive goods to sanctioned end users.⁷ As a result, countries situated along key trade corridors are increasingly exposed to compliance, reputational and enforcement risks, even when they are not the intended direct targets of sanctions regimes.

Against this backdrop, the current normalization period presents both opportunities and challenges. On the one hand, it allows space to strengthen institutions, modernize regulatory frameworks and align national practices with international standards. On the other hand, gaps in sanctions compliance, export controls or private-sector oversight run the risk of undermining stabilization efforts and exposing states to legal and political consequences.

⁴ Financial Action Task Force (FATF), *Guidance on Proliferation Financing Risk Assessment and Mitigation* (FATF: Paris, June 2021). See also FATF, *Complex Proliferation Financing and Sanctions Evasion Schemes* (FATF: Paris, June 2025).

⁵ European Council/Council of the European Union, 'Russia's war against Ukraine: EU sanctions', accessed 30 June 2026.

⁶ European Commission, *Guidance for EU Operators: Implementing Enhanced Due Diligence to Shield against Russia Sanctions Circumvention* (European Commission: Brussels, 2023).

⁷ Council Regulation (EU) no. 833/2014 of 31 July 2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine, *Official Journal of the European Union*, L229, 31 July 2014 (consolidated version).

² Sukiasyan, N., 'A TRIPP toward peace through Armenia's highlands', German Marshall Fund of the United States, 13 Aug. 2025.

³ Holtzman, S. B., Elwan, A. and Scott, C., *Post-Conflict Reconstruction: The Role of the World Bank* (World Bank: Washington, DC, 1998).

The EU's role in supporting confidence building through non-proliferation and sanctions policy

The EU has a direct and sustained interest in the stability of the South Caucasus. Beyond geographic proximity, the region is linked to the EU through energy routes, trade corridors, and broader neighbourhood and partnership frameworks. Under its Common Foreign and Security Policy (CFSP), the EU has consistently emphasized non-proliferation, responsible arms transfers and sanctions enforcement as core elements of its external engagement.⁸

EU involvement in the South Caucasus has traditionally focused on conflict prevention and economic cooperation, with direct mediation in the Armenia–Azerbaijan context limited primarily to the period 2022–23 and supported by the EU Mission in Armenia (EUMA) since February 2023.⁹ However, the current context calls for a more nuanced approach. Sanctions compliance and controls related to ACWs represent one of the potential pathways to connect security objectives with institutional development and economic governance. A first dimension of this argument concerns framing: these instruments need not be presented solely as measures that constrain trade or penalize actors. When compliance systems are functional, transparent and applied consistently, they can serve as enablers of responsible trade, risk reduction and international credibility.¹⁰

A second related but analytically distinct dimension concerns the EU's own approach to implementation.

⁸ Non-proliferation and disarmament are defined as core elements of EU external action under the CFSP. See e.g. European External Action Service (EEAS), 'About the European External Action Service', [n.d.]; European Commission, Service for Foreign Policy Instruments, 'Common foreign and security policy', [n.d.]; and Council of the European Union, 'Fight against the proliferation of weapons of mass destruction: EU strategy against proliferation of weapons of mass destruction', 15708/03, 10 Dec. 2003, as updated by Council of the European Union, 'New Lines for Action by the European Union in combating the proliferation of weapons of mass destruction and their delivery systems', 17172/08, 17 Dec. 2008.

⁹ The EUMA is a civilian, unarmed Common Security and Defence Policy (CSDP) mission deployed on the Armenian side of the Armenia–Azerbaijan border to observe, report and contribute to confidence building. It was established by Council Decision (CFSP) 2023/162 of 23 January 2023 on a European Union mission in Armenia (EUMA), *Official Journal of the European Union*, L22, 24 Jan. 2023, and launched by Council Decision (CFSP) 2023/386 of 20 February 2023 launching the European Union Mission in Armenia (EUMA) and amending Decision (CFSP) 2023/162, *Official Journal of the European Union*, L53, 21 Feb. 2023. See also European External Action Service, 'EU Mission in Armenia (EUMA)', [n.d.].

¹⁰ Council of the European Union, 'EU strategy against proliferation of weapons of mass destruction' (note 8).

While the first dimension is about how these instruments can be reframed, this second dimension is about how the EU is already treating them with greater seriousness in practice. Recent EU policy developments reflect this shift towards deeper enforcement. The strengthening of sanctions enforcement, including the introduction of a common framework for criminal offences and penalties related to sanctions violations, reflects a move towards treating compliance as a legal and institutional discipline rather than purely as a means of political signalling.¹¹ This development amplifies the seriousness of the expectations placed on both public authorities and private-sector actors operating in or through high-risk environments.

For Armenia and Azerbaijan, closer alignment with EU standards in sanctions compliance and export controls can serve multiple purposes. It can reduce their respective vulnerabilities to diversion and circumvention networks; strengthen cooperation with European and transatlantic partners; and support broader reform agendas related to border management, customs oversight and financial transparency. For the EU, targeted engagement in this domain offers a way of contributing to confidence building—both among regional states and between regional actors and their international partners—without direct involvement in sensitive political negotiations.

This paper argues that sanctions compliance and controls on ACW-related goods should be understood not only as enforcement mechanisms but also as confidence-building measures in a fragile normalization setting. When embedded within broader frameworks of regional cooperation and transparency, these practices can reinforce stability, support responsible state behaviour and advance both the EU's non-proliferation objectives and confidence-building efforts—between regional states as well as between those states and international partners—in the South Caucasus.

II. ADVANCED CONVENTIONAL WEAPONS AND THE SANCTIONS ENVIRONMENT

The ways in which the security landscape has evolved following Russia's 2022 full-scale invasion

¹¹ Directive (EU) 2024/1226 of the European Parliament and of the Council of 24 April 2024 on the definition of criminal offences and penalties for the violation of Union restrictive measures and amending Directive (EU) 2018/1673, *Official Journal of the European Union*, L2024/1226, 29 Apr. 2024.

of Ukraine have altered how ACWs are viewed within international sanctions and export control frameworks. While non-proliferation regimes have historically focused on weapons of mass destruction, recent enforcement trends demonstrate a clear shift towards constraining the production, transfer and modernization of conventional military capabilities.¹² This reflects the growing recognition among key stakeholders that ACWs play an important role in contemporary conflicts and pose direct risks to regional and European security.

Definition and relevance of ACWs and dual-use or highly sensitive components

ACWs comprise a broad and evolving category of military systems and technologies. While no universally accepted definition exists, ACWs are generally understood to include technologically sophisticated conventional weapons that provide enhanced autonomy, lethality, precision or range.¹³ These include missile systems, uncrewed aerial vehicles, precision-guided munitions, advanced air defence platforms and emerging autonomous or semi-autonomous capabilities.

From a sanctions and export control perspective, the primary challenge lies not in the transfer of complete weapon systems but in the circulation of components, subsystems and enabling technologies. Many of these items are dual use in nature and have legitimate civilian applications.¹⁴ Microelectronics, semiconductors, sensors, navigation systems, composite materials, advanced machine tools and specialized software are particularly relevant in this context.¹⁵

The strategic relevance of these components has increased as sanctioned states seek to sustain or modernize their military capabilities under conditions of restricted market access. As a result, sanctions and export control regimes have recalibrated their focus

towards identifying and restricting access to critical components rather than concentrating solely on complete weapon platforms. This trend is particularly visible in the trade restrictions imposed on Russia since 2022. In direct response to the full-scale invasion of Ukraine, the EU, the USA, the United Kingdom and Japan jointly developed the Common High Priority Items List—which identifies the goods of greatest strategic concern, items that Russia most needs to sustain its military production. These states have progressively incorporated the goods on this list into their own national restricted-goods lists, extending its practical reach and encouraging its application by other jurisdictions.¹⁶ General dual-use export controls (those maintained under the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-use Goods and Technologies and the EU’s dual-use regulation) apply to exports to all destinations.¹⁷ Notably, Armenia, Azerbaijan and Georgia are not participating states in the Wassenaar Arrangement, so, as with EU sanctions, their alignment with these standards rests on voluntary convergence rather than binding membership obligations. Many of the most consequential recent restrictions, however, are calibrated specifically to Russia’s military-industrial needs: rather than applying uniformly across all goods and destinations, they target a defined set of high-priority items that Russia most needs for weapons production. It is this targeting that makes them operationally significant. This distinction matters for the South Caucasus: the compliance pressure on regional actors stems primarily from their geographic proximity to Russia and their role in supply chains that Russian procurement networks have sought to exploit, rather than from broad non-proliferation concerns alone.

Intersection of sanctions regimes and export controls with ACW-related risks

Sanctions regimes and export controls address ACW-related risks through distinct but increasingly inter-linked mechanisms. Export controls aim to prevent diversion through licensing, classification and end-use verification, while sanctions restrict transactions with

¹² International Institute for Strategic Studies (IISS), *The Military Balance 2024* (Taylor and Francis: Abingdon, 2024). See chapter 5 ('Russia and Eurasia') for regional force data.

¹³ See e.g. United Nations Institute for Disarmament Research (UNIDIR), 'Security and technology', [n.d.]

¹⁴ Regulation (EU) 2021/821 of the European Parliament and of the Council of 20 May 2021 setting up a Union regime for the control of exports, brokering, technical assistance, transit and transfer of dual-use items (recast), *Official Journal of the European Union*, L206, 11 June 2021 (EU dual-use regulation).

¹⁵ Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-use Goods and Technologies, 'List of Dual-use Goods and Technologies and Munitions List', vol. II, 2025.

¹⁶ See e.g. British Government, 'Russia Sanctions: Common High Priority Items List', [n.d.].

¹⁷ Wassenaar Arrangement (note 15); and EU dual-use regulation (note 14).

designated actors and prohibit specific categories of trade.¹⁸

Since 2022, this distinction has become less rigid in practice. Sanctions targeting Russia have increasingly incorporated export control logic, including restrictions on specific categories of goods and technologies essential for military production and maintenance. Conversely, export control enforcement has become more closely tied to sanctions compliance, particularly where violations involve sanctioned entities or jurisdictions.¹⁹

This convergence creates complex compliance environments for companies operating in or through third countries. It is important to note that, unlike US sanctions, EU restrictive measures do not apply extraterritorially; companies based outside the EU are not, as a rule, directly bound by EU sanctions law. Rather, obligations on third-country companies arise primarily through contractual requirements imposed by EU-based exporters (who must seek commitments from recipients regarding re-export restrictions) as well as through national export control laws and, where applicable, US sanctions with broader extraterritorial reach. A significant step change occurred with the introduction of the ‘no re-export to Russia’ clause in the EU’s 12th and subsequent sanctions packages (from December 2023), which requires EU exporters to insert contractual prohibitions on re-export of sensitive goods into any contract with a non-EU counterpart.²⁰ Thus, even absent direct legal obligations, this obligation effectively extends EU compliance expectations into the contractual relationships of companies in the South Caucasus importing from the EU. When combined with the EU’s broader anti-circumvention tools introduced in the 11th sanctions package (June 2023), this represents a meaningful expansion of the compliance

burden facing third-country actors.²¹ Companies in the South Caucasus operating in manufacturing, trade, logistics or finance are therefore most directly exposed to overlapping reporting and compliance obligations arising from contractual arrangements with EU exporters, US secondary sanctions risks and their own national export control frameworks.²² Compliance failures can result in administrative penalties, criminal liability, loss of market access and reputational damage.

Emerging enforcement trends and implications for the South Caucasus

Recent enforcement trends demonstrate a growing focus among EU member states on circumvention networks and intermediary jurisdictions. Enforcement actions increasingly target the use of third-country companies, freight forwarders and financial intermediaries that facilitate indirect access to restricted goods.²³

Within the EU, this has been accompanied by enhanced expectations regarding due diligence, contractual safeguards, information sharing and risk-based screening for sensitive exports. Authorities have also strengthened cooperation with international partners to detect and disrupt diversion pathways.

For the South Caucasus, these developments are directly relevant. Pertinently, the region’s position along key trade corridors increases its exposure to diversion risks, particularly for dual-use and ACW-related components. At the same time, uneven regulatory capacity and varying levels of private-sector awareness can create structural vulnerabilities.

These risks should not be interpreted as evidence of intentional non-compliance. Rather, they reflect broader challenges faced by normalization and

¹⁸ European Commission, Directorate-General for Trade and Economic Security, ‘Exporting dual-use items’, [n.d.].

¹⁹ European Council/Council of the European Union, ‘Why the EU adopts sanctions’, [n.d.].

²⁰ Council Regulation (EU) no. 833/2014 of 31 July 2014 (note 7), as amended by Council Regulation (EU) 2023/2878 of 18 December 2023, *Official Journal of the European Union*, L2023/2878, 18 Dec. 2023 (the EU’s 12th sanctions package against Russia), Article 12g. The ‘no re-export to Russia’ clause obliges EU exporters to insert contractual prohibitions on re-export of in-scope goods to Russia in all contracts with non-EU counterparts; contracts concluded on or after 19 Dec. 2023 ‘must contain the “no re-export to Russia” clause as of 20 March 2024’. European Commission, ‘“No re-export to Russia” clause related article: Article 12g of Council Regulation 833/2014 frequently asked questions: as of 18 December 2024’, 22 Feb. 2024.

²¹ Council Regulation (EU) no. 833/2014 of 31 July 2014 (note 7), as amended by Council Regulation (EU) 2023/1214 of 23 June 2023, *Official Journal of the European Union*, L159, 23 June 2023 (the EU’s 11th sanctions package against Russia).

²² US Office of Foreign Assets Control, ‘A framework for OFAC compliance commitments’, US Department of the Treasury, Washington, DC, May 2019.

²³ See e.g. European Commission, ‘Making sanctions effective’, updated 23 Apr. 2026, which notes the appointment of the EU’s Special Envoy for the Implementation of EU Sanctions (David O’Sullivan, Jan. 2023), with an explicit mandate to engage third countries on circumvention risks; and Caprile, A. and Cirlig, C., European Parliamentary Research Service, ‘EU sanctions against Russia 2025: State of play, perspectives and challenges’, Briefing, PE 767.243, Feb. 2025, which notes that nearly half of Russia’s battlefield item imports in the first 10 months of 2023 involved goods transiting through third countries in ways that attracted EU and allied enforcement attention.

transition economies where trade expansion outpaces institutional oversight. Addressing such vulnerabilities requires sustained investment in legal frameworks, enforcement capacity and public–private cooperation.

Understanding the evolving relationships among ACWs, sanctions and export controls is therefore essential to identifying risks and opportunities for confidence building. Strengthened compliance frameworks can reduce exposure to illicit networks while reinforcing the credibility of regional actors within the international security and trade environment.

III. SANCTIONS COMPLIANCE AS A CONFIDENCE-BUILDING MEASURE

The preceding section examined how ACW-related risks and sanctions regimes intersect in the South Caucasus. This section addresses a prior analytical question: why should compliance with these frameworks be understood as a confidence-building tool and through what causal mechanism does it operate? In post-transition and fragile normalization environments, confidence building is often discussed primarily in political or security terms, such as ceasefire monitoring, diplomatic engagement or military transparency. However, institutional and regulatory practices can also play an indirect but meaningful role in shaping perceptions of reliability, predictability and responsible behaviour. In this regard, sanctions compliance and controls related to ACWs may contribute to confidence building, although their effect is gradual and operates at one remove from direct political and security dynamics.

A preliminary legal clarification is warranted here. Armenia, Azerbaijan and Georgia are not legally obliged to comply with EU sanctions on Russia, including those concerning dual-use technologies. EU restrictive measures apply within the EU jurisdiction and bind EU-based entities and transactions; they do not have automatic extraterritorial effect on third states. Compliance by South Caucasus states with EU sanctions or export control expectations instead rests on voluntary political alignment, regulatory convergence or domestic legal decisions—not on inherent legal obligations arising from EU law. This distinction is analytically important: engagement in this domain must be framed as cooperative and incentive-based rather than as a legal compliance requirement.

Unlike traditional confidence-building measures, which are often bilateral or security focused,

compliance-based measures operate through administrative systems, legal frameworks and market behaviour. Nevertheless, by reducing uncertainty, limiting opportunities for misuse and strengthening transparency, compliance-based measures can contribute to a more stable and predictable regional environment.²⁴

Transparency

Confidence building is closely linked to reducing uncertainty among actors. Sanctions compliance contributes to this objective by clarifying the rules, responsibilities and expectations governing cross-border trade and sensitive transactions. The causal mechanism linking sanctions compliance to confidence building operates through three reinforcing channels: (a) transparency, (b) institutional alignment and (c) reputational signalling. First, transparency: when regulatory frameworks are publicly accessible, licensing procedures are predictable and enforcement decisions are consistent, the behaviour of state and private-sector actors becomes more intelligible to external observers, thereby reducing uncertainty about whether sensitive goods are being effectively controlled. Second, institutional alignment: when states adopt and operationalize compliance standards that are compatible with those of their trading partners and international institutions, they create a shared frame of reference that supports predictable cooperation and reduces misperceptions about intent. Third, reputational signalling: sustained compliance performance, even where it is not legally required, communicates to external partners that a state is a responsible actor in the international trade and security environment. In fragile normalization and transitional settings, this signal carries particular weight, as it provides an observable and verifiable indicator of governance quality that is distinct from the contested political narratives that often dominate bilateral relations.²⁵

²⁴ Organization for Security and Co-operation in Europe (OSCE), ‘Vienna Document 2011: Negotiations on confidence- and security-building measures’, FSC.DOC/1/11, 30 Nov. 2011.

²⁵ This is exemplified by the OSCE. The OSCE’s approach establishes that transparency, information exchange and verification mechanisms reduce the risk of miscalculation and build predictability among states. OSCE, ‘Confidence- and security-building measures’, [n.d.]. On the theoretical relationship between institutional transparency and trust see also Grimmelikhuijsen, S. et al., ‘The effect of transparency on trust in government: A cross-national comparative experiment’,

Monitoring

Effective sanctions compliance as a confidence-building measure also depends on monitoring and information-sharing mechanisms. These mechanisms do not require disclosure of sensitive national security information but rather focus on procedural cooperation, shared reporting standards and interagency coordination platforms, all of which can enhance the effectiveness of sanctions implementation while building institutional trust.²⁶ Such mechanisms function most effectively, with capacity building and technical assistance playing critical roles in ensuring sustainability and local ownership, when they are embedded within existing administrative structures rather than treated as ad hoc or externally imposed requirements.

Due diligence

Sanctions compliance also supports confidence building through its impact on responsible trade. By strengthening due diligence requirements, end-use verification and record-keeping practices, compliance frameworks help to distinguish legitimate commercial activity from high-risk transactions, benefiting both public authorities and private-sector actors by reducing exposure to legal, reputational and operational risks. For transit-oriented regions in particular, the ability to demonstrate effective oversight becomes a factor shaping international perceptions of reliability, making sanctions compliance an element of economic governance and international credibility, not solely a security-related obligation.

Implications for the South Caucasus

Applied to the South Caucasus, this analysis suggests that sanctions compliance and ACW-related controls can contribute to confidence building without requiring explicit political linkage to the ongoing Armenia–Azerbaijan normalization talks or other sensitive

regional negotiations. By focusing on institutional performance rather than political intent, compliance frameworks provide a neutral space for cooperation and engagement. This approach aligns with broader EU policy principles that emphasize rule-based governance, transparency and institutional resilience as necessary foundations for stability.²⁷ It also complements US-led security and non-proliferation efforts by reinforcing the administrative and regulatory dimensions of risk reduction. Viewed in this light, sanctions compliance should not be understood solely as a constraint or enforcement burden but as an opportunity to embed confidence building within everyday governance practices, supporting gradual stabilization in fragile normalization settings.

IV. REGIONAL VULNERABILITIES AND COMPLIANCE GAPS

The South Caucasus holds a strategically significant position at the intersection of major trade and transport corridors connecting Europe, the Middle East, Russia and Central Asia. This includes the Trans-Caspian International Transport Route, or Middle Corridor, which has gained strategic relevance as an alternative to Russia-dependent routes, as well as the Trump Route for International Peace and Prosperity (TRIPP). Agreed between Armenia, Azerbaijan and the USA in August 2025, TRIPP envisages the gradual unblocking of regional communications and transport links. The South Caucasus's geographic location, combined with normalization transition dynamics and increasing commercial activity, creates structural challenges related to sanctions compliance and controls on ACWs and their components. These challenges are not unique to this region and should be understood as systemic features common to transit and re-export environments rather than as indicators of intentional non-compliance or policy failure.²⁸

Public Administration Review, vol. 73, no. 4 (July/August 2013). This article suggests that procedural transparency (openness about decision making and enforcement) generates higher institutional trust than mere disclosure of outcomes.

²⁶ On shared reporting standards and interagency coordination as a tool for compliance effectiveness see Bauer, S. and Bromley, M., *Detecting, Investigating and Prosecuting Export Control Violations: European Perspectives on Key Challenges and Good Practices* (SIPRI: Stockholm, Dec. 2019), pp. 3–7 (challenges of interagency and international cooperation) and pp. 18–22 (recommendations for shared risk assessments).

²⁷ Council of the European Union, *A Secure Europe in a Better World: European Security Strategy* (Council of the European Union: Brussels, 12 Dec. 2003), which identifies 'well-governed democratic states' as the foundation of regional security, noting that 'the best protection for our security is a world of well-governed democratic states', p. 10. See also European Union External Action Service (EEAS), *Shared Vision, Common Action: A Stronger Europe A Global Strategy for the European Union's Foreign and Security Policy* (EEAS: Brussels, June 2016), which reaffirms that rule-based governance is a core pillar of EU external action.

²⁸ Center for Strategy and Development (CSD), *Preventing Illicit Transactions Related to Advanced Conventional Weapon (ACW) Systems: An Operational Manual for Armenia* (CSD: Tbilisi, 2022).

The South Caucasus as a transit and re-export environment

In transit-oriented regions, the most significant ACW-related risks arise at the level of components rather than finished military systems. ACW-relevant components (such as microelectronics, semiconductors, sensors, navigation systems, precision manufacturing inputs and specialized software) are widely used in civilian industries but also play a critical role in modern military systems.²⁹ Their dual-use nature, combined with high-volume commercial circulation, complicates identification and control through traditional customs and border oversight mechanisms.

Re-export and trans-shipment practices further increase compliance complexity. Goods may be lawfully imported for civilian purposes, then stored, processed or redistributed through intermediary actors before being redirected to higher-risk destinations. In such cases, end-use verification becomes more difficult, particularly where transactions involve multiple jurisdictions, layered contractual arrangements or third-party logistics providers. These structural features increase the risk of inadvertent involvement in sanctions evasion or illicit procurement networks, even in the absence of deliberate intent. Available open-source data illustrates the scale of these dynamics in the South Caucasus. For example, Armenia's imports of microchips from the USA surged by approximately 515 per cent between 2021 and 2022, while imports of the same category from the EU grew by around 212 per cent over the same period; a *Wall Street Journal* analysis cited by the US Bureau of Industry and Security indicated that the large majority of these goods were subsequently re-exported onward, including to Russia. In the same period, the value of Armenia's exports of integrated circuits to Russia increased from under US\$2000 to approximately \$13 million, while exports of electrical machinery and equipment grew by a factor of approximately 38. Re-exports as a share of total Armenian exports rose from an estimated 6 per cent in 2021 to around 26 per cent in 2022 and approximately 48 per cent by 2023. These figures illustrate the structural exposure of transit-oriented economies to diversion dynamics and underline why the region has

attracted sustained EU and US enforcement attention. They also underscore that the compliance risk seems to be primarily structural—rooted in trade patterns and economic incentives—rather than a reflection of deliberate state policy.³⁰

For transit-oriented regions, these dynamics underscore the importance of risk-based oversight mechanisms that focus on transaction patterns, supply-chain vulnerabilities and the cumulative effect of seemingly low-risk activities rather than on isolated shipments. Azerbaijan's compliance exposure operates through a distinct but equally significant channel: primarily the energy sector rather than re-export of goods. For example, in 2025, three tankers flying the Azerbaijani flag and affiliated with the state-owned Azerbaijan Caspian Shipping Company (ASCO) were sanctioned by the EU and the UK for transporting Russian crude oil from the Russian port of Primorsk on the Baltic Sea to a refinery in Türkiye operated by SOCAR (Azerbaijan's state-owned oil company). As of 2024, approximately 98 per cent of the refinery's crude feedstock originated from Russia, with around 73 per cent sourced directly from Lukoil (which is itself under US sanctions); approximately 87 per cent of the refinery's seaborne exports were destined for members of the Group of Seven (G7).³¹ This arrangement prompted the EU to extend its reach to cover the refinery within its 18th sanctions package against Russia (July 2025), which bans imports of refined products derived from Russian crude oil processed in third countries.³²

³⁰ Data on Armenia's microchip import surge (515% from the USA, 212% from the EU in 2022) drawn from: Swanson, A. and Stevis-Gridneff, M., 'Russia is importing Western weapons technology, bypassing sanctions', *New York Times*, 18 Apr. 2023; *Wall Street Journal* analysis (May 2023), cited in Kuzio, T., 'Armenia needs to choose: Europe or Russia', *Geopolitical Monitor*, 1 Mar. 2024; re-export share estimates (6%, 26%, 48%) drawn from Amberd Research Center, cited in 'Re-exporting Armenia', *Caucasus Watch*, 30 May 2025; and 38× increase in electrical machinery exports based on TradeMap data cited in 'Armenia's surge in exports to Russia raise concerns about sanctions circumvention', *Insight News*, 29 Mar. 2024.

³¹ Ibadoghlu, G., 'Balancing act: Azerbaijan's energy links to Russia and the sanctions regime', *Crude Accountability*, 3 July 2025.

³² The measure prohibits, as of 21 Jan. 2026, the purchase, import or transfer into the EU of petroleum products obtained in third countries from Russian crude oil. Council Regulation (EU) no. 833/2014 of 31 July 2014 (note 7), as amended by Council Regulation (EU) 2025/1494 of 18 July 2025, *Official Journal of the European Union*, L2025/1494, 19 July 2025 (the EU's 18th sanctions package against Russia), Article 3ma. See also European Council/Council of the European Union, 'Russia's war of aggression against Ukraine: EU adopts 18th package of economic and individual measures', 18 July 2025; Canbäck, R., 'EU sanctions quietly extend to Azerbaijani refinery for processing Russian petrol', *OC Media*,

See also Bromley, M. et al., 'Dual-use and arms trade controls', *SIPRI Yearbook 2023* (Oxford University Press: Oxford, 2023); and Banks, B. and Mehdiyeva, S., *Preventing Illicit Transactions Related to Advanced Conventional Weapon (ACW) Systems: An Operational Manual* (CSD: Tbilisi, 2022).

²⁹ See e.g. British Government (note 16).

Separately, British export data indicated that vehicle exports to Azerbaijan reached approximately £273 million (approximately \$340 million) in 2023—a 1860 per cent increase compared with the five-year pre-invasion average—raising concerns among some independent analysts about Azerbaijan’s role as a transit point for goods ultimately destined for Russia.³³ While the character of Azerbaijan’s structural exposure differs from Armenia’s—that is, Azerbaijan is centred on energy rather than goods—it is no less significant from a compliance risk perspective. Together, these country-level patterns illustrate that the South Caucasus presents diverse but reinforcing circumvention vulnerabilities that require differentiated, country-specific EU engagement.

Gaps in national legislation, enforcement capacity and institutional coordination

Countries in the South Caucasus have established legal frameworks governing export controls, customs procedures and sanctions implementation. In formal terms, these frameworks often reflect international standards or draw upon EU and multilateral models. However, as is the case in many transit-focused environments, practical gaps remain between legal alignment and operational effectiveness.³⁴

One recurring challenge is the fragmentation of responsibilities among authorities involved in licensing, customs control, financial supervision and law enforcement. In Armenia, these functions are distributed across the State Revenue Committee (customs and tax), the Ministry of Economy (licensing of dual-use and sensitive goods), the Financial Monitoring Center (anti-money laundering and financial intelligence) and the National Security Service (strategic goods and export controls). In Azerbaijan, relevant authorities include the State Customs Committee, the Ministry of Economy (strategic goods licensing), the Financial Monitoring Service and the Export Control Agency operating under the Cabinet of Ministers. While formal coordination mechanisms exist in both countries, information sharing in practice is often reactive and

case-specific rather than systematic. This can limit the ability of authorities to develop comprehensive risk assessments or to identify cross-sectoral patterns related to ACW-relevant goods and sanctions circumvention.

Capacity constraints represent another impediment to enforcement outcomes. Effective implementation of sanctions and export controls requires specialized technical knowledge, continuous training and timely access to updated control lists and risk indicators. Where such capacities are unevenly developed, authorities may struggle to identify emerging risks associated with new technologies, intangible transfers or complex procurement methods.³⁵

Enforcement responses also tend to prioritize administrative measures, such as licensing decisions or financial penalties, while criminal investigations remain comparatively limited. Although administrative enforcement plays an important role in compliance systems, its deterrent effect depends on consistent application and the availability of escalation mechanisms in cases involving repeated or deliberate violations.³⁶

Private-sector exposure and compliance challenges

Private-sector actors operating in logistics, transport, trade facilitation and financial services play a central role in shaping compliance outcomes. These actors often serve as intermediaries within ACW-relevant supply chains and are critical to early risk identification. At the same time, they face structural challenges that limit their ability to detect and manage compliance risks.³⁷

Many companies operating in the South Caucasus are primarily engaged in civilian trade and may not have the technical expertise required to assess the military relevance of the goods or services they provide. Small- and medium-sized enterprises are particularly exposed, as they frequently lack dedicated compliance staff or access to specialized screening tools. Even larger companies may find it difficult to adapt existing

4 Sep. 2025; and Sarukhanyan, V., ‘EU sanctions Azerbaijani oil tankers over Russia trade’, Hetq, 25 July 2025.

³³ The 1860% increase refers to the 5-year pre-invasion average (2017–21). Sky News analysis of UK trade data (Mar. 2024), cited in ‘Russian sanctions circumvention: Are you asleep at the wheel?’, Ankura, 11 July 2024.

³⁴ European Commission (note 18).

³⁵ Bauer and Bromley (note 26), pp. 4–6; and Bromley, M. et al. (note 28).

³⁶ Bauer and Bromley (note 26), pp. 7–9. See also Immenkamp, B., European Parliamentary Research Service, ‘Directive on the violation of Union restrictive measures’, Briefing, PE 751.409, July 2024.

³⁷ Bauer et al., *Internal Compliance and Export Control Guidance Documents for Transport or Distribution Service Providers* (SIPRI: Stockholm, July 2017). On compliance challenges for small and medium-sized enterprises more broadly see European Commission (note 6), p. 3.

compliance programmes to address risks related to ACW-relevant components, especially when transactions involve multiple jurisdictions or intangible transfers such as software or technical assistance.

In the logistics and transport sectors, compliance challenges are compounded by a reliance on customer-provided documentation and limited oversight over downstream transactions. Financial institutions face parallel difficulties, particularly in identifying indirect exposure through trade finance, correspondent banking or complex payment structures. As sanctions enforcement increasingly targets facilitation and circumvention, these sectors face rising legal and reputational risks.

Structural nature of compliance risks and analytical implications

Taken together, these factors indicate that ACW-related compliance risks in the South Caucasus are structural rather than episodic. The risks emerge from the interaction of geography, trade patterns, membership in overlapping international frameworks (notably Armenia's participation in the Eurasian Economic Union, which sustains structural economic ties with Russia), regulatory complexity and limited institutional capacity, rather than from isolated policy or enforcement failures. Similar patterns have been observed in other transit-oriented regions undergoing post-transition or economic normalization adjustment.

This analytical framing has important implications for policy engagement. Addressing compliance gaps requires approaches that prioritize risk-based oversight, institutional coordination and sustained engagement with private-sector actors. Legislative expansion or punitive enforcement alone is unlikely to resolve structural vulnerabilities and may, in some cases, undermine trust and cooperation.

As a result, sanctions compliance and controls on ACW-relevant goods should be viewed not only as legal obligations but also as governance tools that can contribute to transparency, predictability and confidence building. The structural vulnerabilities documented in this section directly inform the operational and policy dimensions of EU and US engagement examined in the following section.

V. EU POLICY ENGAGEMENT AND TRANSATLANTIC COORDINATION

EU engagement on sanctions compliance and ACW-related controls in the South Caucasus represents one of the most concrete and operationally feasible dimensions of the EU's broader stabilization and partnership agenda in the region. Unlike direct political mediation, compliance-focused engagement operates through technical assistance, institutional capacity building and regulatory dialogue—areas that the EU has established instruments and demonstrated comparative advantage. This section examines (a) the EU's own policy instruments and frameworks for such engagement and (b) the complementarity and coordination between EU approaches and those of the USA, bearing in mind the changed transatlantic context since early 2025.

These dynamics suggest that EU–US engagement should prioritize calibrated and phased approaches rather than maximalist expectations of rapid or comprehensive alignment. Focusing initially on the highest-risk goods, the most exposed transit practices and the most feasible institutional reforms may enhance durability and reduce the risk of political pushback.

Effective engagement on sanctions compliance and the control of ACWs in the South Caucasus depends not only on national implementation but also on the coherence and complementarity of external support. In this regard, coordination between the EU and the USA plays a critical role in shaping incentives, aligning standards and reinforcing institutional capacity without creating parallel or competing frameworks. EU–US coordination in non-proliferation, export controls and sanctions enforcement has intensified since 2022, particularly in operational terms, in response to Russia's full-scale invasion of Ukraine. This coordination has increasingly emphasized implementation, enforcement and anti-circumvention, moving beyond declaratory alignment towards operational cooperation.³⁸ Within this broader transatlantic context, the South Caucasus is a region where coordinated engagement can have stabilizing effects while supporting fragile normalization and institutional development.

³⁸ European Commission and US Government, 'EU–US Trade and Technology Council Inaugural Joint Statement' (Pittsburgh Statement), 29 Sep. 2021. On EU–US coordination on export controls and sanctions enforcement more broadly see European Commission, *Making Sanctions Effective*, updated 23 Apr. 2026.

EU Common Foreign and Security Policy instruments and partnership frameworks

Under its CFSP, the EU employs a range of instruments relevant to sanctions compliance and ACW-related controls. These include restrictive measures adopted under CFSP decisions, export control regulations, non-proliferation strategies and targeted capacity-building initiatives implemented through external action instruments.

In the South Caucasus, EU engagement is embedded within broader neighbourhood and partnership frameworks, including the Eastern Partnership and, at the bilateral level, the 2025 Strategic Agenda for the EU–Armenia Partnership, which provides a framework for regulatory approximation, governance reform and cooperation on security-related issues.³⁹ These frameworks emphasize regulatory approximation, institutional resilience and rule-based governance rather than coercive enforcement. Within this context, sanctions compliance and export controls can be integrated as part of wider efforts to strengthen customs administration, border management, financial oversight and trade governance.

Recent EU policy developments have further reinforced this approach. Specifically, the introduction of a harmonized framework for criminal offences and penalties related to sanctions violations reflects a shift towards more consistent enforcement across EU member states.⁴⁰ While this framework applies within the EU, it also shapes expectations for cooperation with third countries, particularly in relation to information sharing, due diligence and the prevention of circumvention.

Importantly, EU instruments allow for flexible engagement tailored to regional conditions. Technical assistance, expert exchanges and support for institutional coordination can be delivered without linking compliance explicitly to political conditionality. This flexibility is particularly relevant in normalization settings where overly securitized engagement may be counterproductive.

³⁹ European External Action Service (EEAS), Delegation of the European Union to Armenia, ‘European Union and Armenia adopt new Strategic Agenda to deepen partnership’, 2 Dec. 2025. This agenda, adopted at the 6th EU–Armenia Partnership Council (2 Dec. 2025) as part of the EU–Armenia Comprehensive and Enhanced Partnership Agreement, supersedes the 2021 Partnership Priorities and sets out a more ambitious framework covering democracy, security cooperation, economic development and connectivity.

⁴⁰ Directive (EU) 2024/1226 (note 11).

A key existing mechanism in this regard is the EU Peer-to-Peer Export Control Programme (EU P2P programme), which represents the EU’s primary channel for conducting export control capacity building with third countries.⁴¹ Both Armenia and Azerbaijan are already engaged through the EU P2P programme. Armenia is included in the EU P2P programme’s global project, which covers Eastern Europe and the Caucasus among its 10 regions and focuses on dual-use trade controls.⁴² Azerbaijan is covered under a parallel EU-funded chemical, biological, radiological and nuclear (CBRN) critical infrastructure protection project (2023–28), implemented through the CBRN Centres of Excellence network, which lists Azerbaijan alongside Armenia, Georgia and other East European states.⁴³ This engagement provides a concrete institutional foundation for the type of capacity building described in this paper. EU policymakers and implementing actors should ensure that EU P2P programme activities in the region are adequately resourced, sequenced with broader governance reform efforts, and explicitly connected to the strategic objectives of regional stability and responsible trade. The question for EU engagement in the South Caucasus is not whether to start from scratch but how to deepen, sustain and strategically frame existing work.

Complementarity with US-led peace and non-proliferation efforts

The USA plays a central role in security engagement in the South Caucasus, including through diplomatic mediation, security assistance and non-proliferation programmes. Since 2025, this engagement has taken on new bilateral dimensions: the USA concluded a strategic partnership with Armenia in January 2025 and with Azerbaijan in February 2026, including memoranda of understanding covering border security

⁴¹ For further information see the EU P2P programme website.

⁴² The project is planned to cover the period December 2023–December 2026 and is implemented by Expertise France. European Commission, CBRN Risk Mitigation, ‘Two new projects will strengthen strategic trade controls of dual-use goods at global and transregional level’, 1 Feb. 2024; and European Union, EU Global Threats programme, ‘Project 103: EU P2P Export Control Programme–Dual-Use Goods (Global)’, [n.d.].

⁴³ European Commission, CBRN Risk Mitigation, ‘EU launches project to enhance CBRN critical infrastructure protection and security in South East and Eastern Europe and Central Asia’, 11 Oct. 2023; and European Union, EU Global Threats programme, ‘Project 101: Enhance CBRN Critical Infrastructure Protection and (Cyber) Security in South East and Eastern Europe, Central Asia and Middle East’, [n.d.].

and non-proliferation areas.⁴⁴ The TRIPP framework, agreed in August 2025, further formalizes US engagement in regional connectivity and stabilization. US-led initiatives in export control assistance, border security and sanctions enforcement have traditionally focused on operational capacity and risk mitigation, often delivered through specialized programmes and bilateral cooperation, including through the US Department of State's Export Control and Border Security (EXBS) programme.⁴⁵

Rather than duplicating these efforts, EU engagement can complement US activities by emphasizing regulatory alignment, institutional sustainability and integration with broader governance reforms. This division of labour reflects the respective strengths of each actor and reduces the risk of fragmented or overlapping assistance. However, it should be noted that the broader transatlantic coordination architecture has been significantly disrupted since early 2025. The status of the EU–USA Trade and Technology Council (TTC), which had served as one of the principal platforms for aligning export control and sanctions outreach efforts, is uncertain following the change in the US administration in 2025.⁴⁶

In the context of sanctions compliance, US enforcement practice places strong emphasis on extraterritorial reach (meaning the application of US sanctions to non-US entities as well as transactions involving US persons, US-origin goods or US financial infrastructure), private-sector liability and deterrence. This creates direct legal exposure for companies in third countries, including in the South Caucasus, regardless of whether they are bound by EU or domestic sanctions law. EU engagement, by contrast, often prioritizes legal harmonization, administrative capacity and proportional enforcement. Together, these approaches create a more comprehensive compliance environment

that addresses both preventive and corrective dimensions.⁴⁷

Coordination mechanisms at the transatlantic level have historically provided platforms for aligning priorities and sharing risk assessments on sanctions and export controls. While formal channels such as the TTC have been suspended since 2025, informal coordination between EU and US counterparts, including at embassy level in the region, continues. When translated into regional engagement, such coordination can enhance consistency of messaging and reduce compliance uncertainty for regional authorities and private-sector actors alike.

Opportunities for practical coordination on export control and sanctions implementation

Given the suspension of formal EU–US coordination platforms since 2025, the most realistic opportunities for practical cooperation lie at the operational and technical levels rather than in structured strategic dialogue. Three areas remain feasible in the current context: capacity-building coordination, typology sharing through multilateral channels and independent EU private-sector outreach.

Capacity-building coordination

Capacity building on export controls and sanctions implementation remains the most practical area for complementary EU–US action. Where EU instruments such as the EU P2P programme and US instruments such as the EXBS programme are both active in the region, de-confliction and sequencing of activities would improve efficiency and avoid duplication, even in the absence of formal coordination structures. EU delegations and US embassies in Yerevan and Baku are well placed to facilitate this informally.

Typology sharing through multilateral channels

Sharing of information about circumvention typologies and emerging procurement patterns can be managed at the working level—through existing multilateral forums such as the Wassenaar Arrangement and through direct liaison between customs and export control authorities—without requiring formal bilateral

⁴⁴ US Embassy in Armenia, 'Charter on strategic partnership between the United States of America and the Republic of Armenia', signed 14 Jan. 2025; US Embassy in Azerbaijan, 'US–Azerbaijan Charter', signed 10 Feb. 2026, proceeding from a memorandum of understanding signed 8 Aug. 2025.

⁴⁵ For further information see the EXBS programme website.

⁴⁶ European Commission and US Government (note 38). The TTC was suspended following the change in the US administration in Jan. 2025. On the move to end the TTC see Letter to US Secretary of Commerce Howard Lutnick from members of the US Congress's Select Committee on the Strategic Competition between the United States and the Chinese Communist Party, 9 Apr. 2025. See also Belton, E. and Gruenig, M., *The Future of the EU–US Trade and Technology Council* (Heinrich Böll Stiftung: Washington, DC, Jan. 2025).

⁴⁷ On EU proportionality and legal harmonization as enforcement principles see Directive (EU) 2024/1226 (note 11). On the broader EU approach of prioritizing regulatory alignment over enforcement coercion in third-country engagement see the EU Non-Proliferation and Disarmament Consortium's programmatic documents.

coordination frameworks. Such exchanges do not require disclosure of sensitive intelligence but rather focus on regulatory patterns, common high-priority goods and trade-route risks relevant to transit-oriented jurisdictions.

Independent EU private-sector outreach

The EU can take independent steps to align its guidance for private-sector actors in the region with international best practice, including the Common High Priority Items List jointly developed with the UK, the USA and partner states. Ensuring that EU due diligence expectations are clearly communicated to companies in Armenia and Azerbaijan—through EU P2P programme outreach, EU delegation engagement and translated toolkits—would reduce inadvertent non-compliance without requiring active US coordination.

Taken together, these three areas represent a realistic operational agenda that does not depend on the restoration of formal transatlantic platforms. The overall objective is to embed compliance as a shared governance dimension of EU engagement in the South Caucasus, contributing to stability through technical means rather than through political conditionality.

VI. CONCLUSIONS

This paper has examined sanctions compliance and the control of ACWs as underexplored but increasingly relevant dimensions of regional stability in the South Caucasus. In the aftermath of the USA-facilitated Armenia–Azerbaijan peace process, the region faces a dual dynamic: opportunities for normalization and connectivity on one hand, and heightened exposure to sanctions circumvention and diversion risks on the other.

The analysis demonstrates that ACW-related risks in the South Caucasus are primarily structural in nature. They stem from the region’s geographic position along key trade corridors, the growing complexity of global supply chains and the evolving scope of international sanctions regimes—particularly those imposed following Russia’s full-scale invasion of Ukraine. These risks do not necessarily indicate intentional non-compliance but rather reflect challenges common to transit regions operating in proximity to sanctioned jurisdictions.

At the same time, recent developments in EU and US sanctions policies show a clear shift towards deeper enforcement, anti-circumvention measures and a

greater emphasis on the role of third countries and private-sector actors. This shift has direct implications for the South Caucasus, where regulatory alignment, enforcement capacity and private-sector awareness become increasingly important in managing exposure to legal, reputational and security risks.

The paper has argued that sanctions compliance and controls related to ACWs should be understood not only as enforcement obligations but also as potential indirect confidence-building measures. When embedded within institutional frameworks that emphasize transparency, predictability and accountability, compliance practices may help to reduce uncertainty, support responsible trade and contribute to trust among regional actors and international partners.

Within this framework, the EU is well positioned to contribute to regional stability through targeted, non-coercive engagement. In coordination with US-led security and non-proliferation efforts, EU action can reinforce institutional resilience and support stabilization in a fragile normalization context without politicizing compliance or linking it directly to sensitive negotiation processes.

VII. POLICY RECOMMENDATIONS

The following recommendations are addressed primarily to EU policymakers and strategic-level institutions, including those involved in the CFSP, sanctions policy and external engagement in the Eastern Partnership region. They are built on the analysis presented in this paper and focus on shaping EU policy approaches rather than prescribing operational measures.

Position sanctions compliance as a strategic element of EU engagement in the South Caucasus

EU policymakers should explicitly recognize sanctions compliance and controls related to ACWs as *strategic enablers of stability* rather than as narrowly defined enforcement tools. In the context of the South Caucasus, compliance should be framed as part of the EU’s broader objectives related to regional stability, rule-based trade and gradual normalization. At the strategic level, this implies integrating compliance considerations into EU strategic documents, regional policy frameworks and political dialogue with partner countries, rather than treating them solely as technical or legal issues. At the operational level, this may

involve incorporating compliance benchmarks into CFSP country strategies for Armenia and Azerbaijan, using structured political dialogues under the Eastern Partnership framework as a venue for raising regulatory alignment and ensuring that EU delegations in the region are equipped to communicate compliance expectations clearly and consistently to both public authorities and private-sector interlocutors.

Incorporate ACW- and sanctions-related risk awareness into EU regional policy planning

EU institutions should ensure that risk awareness related to ACW-relevant components, dual-use goods and sanctions circumvention is reflected in strategic assessments and programming for the South Caucasus. This includes acknowledging the region's role as a transit and re-export environment when designing EU engagement on connectivity, trade and economic governance. Such integration would allow EU policymakers to anticipate compliance-related challenges at an early stage and align policy objectives across security, trade and external relations domains.

Treat compliance engagement as part of EU confidence-building and stabilization efforts

EU policymakers should consider sanctions compliance and ACW-related controls as indirect confidence-building measures within fragile normalization environments. By emphasizing transparency, predictability and institutional accountability, compliance frameworks can support trust building without requiring explicit linkage to sensitive political or security negotiations. At the strategic level, this approach aligns with the EU's emphasis on gradual stabilization through governance and institutional resilience rather than through coercive measures. Concretely, this may involve delivering phased technical assistance through instruments such as the EU P2P programme, supporting interagency coordination dialogues between customs, licensing and financial supervision authorities, and providing sector-specific guidance toolkits for private-sector actors in logistics, trade finance and distribution. Engagement should be sequenced to begin with the highest-risk goods categories and the most exposed trade corridors, building institutional confidence progressively rather than through comprehensive alignment demands.

Support accessibility of compliance tools and resources

EU policymakers should consider supporting the development, adaptation and localization of practical compliance tools relevant to the South Caucasus. This effort should build on and deepen existing frameworks—most notably the EU P2P programme—rather than creating parallel or ad hoc instruments. Armenia is already included in the scope of an ongoing EU P2P programme project on dual-use trade controls and Azerbaijan has participated in regional EU P2P programme activities in the past; EU policymakers and implementing actors should ensure that this engagement is adequately resourced, strategically framed and connected to broader governance reform objectives.⁴⁸ This includes translating existing EU or international compliance guidance, toolkits and screening resources into Armenian and Azerbaijani, as well as promoting access to low-cost or open-source compliance software. Improving the accessibility of such tools would reduce compliance costs for both public authorities and private-sector actors, particularly small- and medium-sized enterprises, and strengthen the preventive dimension of sanctions implementation without expanding enforcement burdens.

Apply proportionality as a guiding principle for EU sanctions-related engagement

Finally, EU policymakers should ensure that proportionality remains a guiding principle in sanctions-related engagement with the South Caucasus. Strategic choices should take into account normalization and recovery dynamics, economic normalization objectives and the structural characteristics of transit-oriented regions. By maintaining a balanced and risk-based approach, the EU can support compliance objectives while safeguarding broader policy goals related to regional connectivity, trust and long-term stability.

⁴⁸ Bauer, S., 'Arms trade control capacity building: Lessons from dual-use trade controls', SIPRI Insights on Peace and Security no. 2013/2, Mar. 2013; and Holtom, P. and Mičić, I., 'EU arms export controls outreach activities in Eastern and South-Eastern Europe', Non-Proliferation Papers, no. 14 (Apr. 2012).

ABBREVIATIONS

ACW	Advanced conventional weapons
ASCO	Azerbaijan Caspian Shipping Company
CBRN	Chemical, biological, radiological and nuclear
CFSP	Common Foreign and Security Policy
CSDP	Common Security and Defence Policy
EEAS	European External Action Service
EU	European Union
EUMA	European Union Mission in Armenia
EU P2P	European Union Peer-to-Peer Export Control Programme
EXBS	Export Control and Border Security
FATF	Financial Action Task Force
G7	Group of Seven
OFAC	Office of Foreign Assets Control
OSCE	Organization for Security and Co-operation in Europe
SOCAR	State Oil Company of the Azerbaijan Republic
TRIPP	Trump Route for International Peace and Prosperity
TTC	Trade and Technology Council



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A EUROPEAN NETWORK

In July 2010 the Council of the European Union decided to support the creation of a network bringing together foreign policy institutions and research centres from across the EU to encourage political and security-related dialogue and the long-term discussion of measures to combat the proliferation of weapons of mass destruction (WMD) and their delivery systems. The Council of the European Union entrusted the technical implementation of this Decision to the EU Non-Proliferation Consortium. In 2018, in line with the recommendations formulated by the European Parliament the names and the mandate of the network and the Consortium have been adjusted to include the word 'disarmament'.

STRUCTURE

The EU Non-Proliferation and Disarmament Consortium is managed jointly by six institutes: La Fondation pour la recherche stratégique (FRS), the Peace Research Institute Frankfurt (HSFK/ PRIF), the International Affairs Institute in Rome (IAI), the International Institute for Strategic Studies (IISS–Europe), the Stockholm International Peace Research Institute (SIPRI) and the Vienna Center for Disarmament and Non-Proliferation (VCDNP). The Consortium, originally comprised of four institutes, began its work in January 2011 and forms the core of a wider network of European non-proliferation and disarmament think tanks and research centres which are closely associated with the activities of the Consortium.

MISSION

The main aim of the network of independent non-proliferation and disarmament think tanks is to encourage discussion of measures to combat the proliferation of weapons of mass destruction and their delivery systems within civil society, particularly among experts, researchers and academics in the EU and third countries. The scope of activities shall also cover issues related to conventional weapons, including small arms and light weapons (SALW).

www.nonproliferation.eu

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