



ECONOMIC  
SECURITY COUNCIL  
*of* UKRAINE

## **Briefing Paper: A Review of Ukraine's Export Control System (Abridged Version)**

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### **Executive summary**

Russia's large-scale war triggered fundamental re-evaluation of European security, prompting Western nations to scale up their defence industries. For Ukraine, this new reality presents a dual challenge: need to satisfying the urgent, absolute priority of supplying its Armed Forces, while simultaneously building a sustainable, competitive defence industrial base capable of ensuring long-term security.

This review was induced by Ukraine's lasting de-facto export ban on military and dual-use goods, a measure implemented in 2022 to prioritize battlefield needs for all defence manufacturers. The imposed restriction was relevant it that time, however nowadays this policy risks stifling the growth of a domestic industry whose production capacity has begun to outperform national procurement funding.

The industry is marking the export ban as a politically exposed decision claiming export control as a core tool in its fulfilment. At the same time, Ukrainian government signals about its readiness for steps forward towards liberation. Relevant public initiatives like "Build with Ukraine" were introduces that will require gradual export liberations. The core challenge here is to move beyond a simplistic "export or ban" dilemma. Ukraine requires a modern, predictable, and EU-aligned export control system that functions as both: (i) a shield for national security, and (ii) a driver for defence industry growth.

This analysis gives a slide grasp on the bigger research effort being progressed within the scope of the Defence Industries Initiatives at the Economic Security Council of Ukraine (ESCU) covering the existing export control framework in Ukraine. The research effort examines Ukraine's export control alignment with the EU acquis, identifies key frictions and gaps, and lays the groundwork for complex reforms that support Ukraine's immediate defence and its future integration into European markets.



## Legal Framework

Ukraine's export control system is a multi-layered legal structure built to meet international non-proliferation obligations and protect national interests. It relies on the core legislation: Law of Ukraine No. 549-IV, "On State Control over International Transfers of Military and Dual-Use Goods."

This law defines controlled items, outlines state policy principles, and establishes the methods for control, including permits, certificates, and highlights oversight mechanism. Subsequent legal architecture is supplemented by numerous decrees from the Cabinet of Ministers that detail procedures for military and dual-use goods, sanctions implementation, and interagency coordination, etc.

Furthermore, Ukraine is a participant in all major non-proliferation regimes (e.g., Wassenaar Arrangement, MTCR, AG, etc.) and has ratified key disarmament treaties. Thus is an important pillar of the Ukraine's EU accession progress, however, does not guarantee full alignment with EU export control norms, which have a broader scope.

In response to the significant security calls the Ukrainian government has introduced temporary measures to adapt the system to wartime realities. These include simplifying import procedures for critical defence items and exempting certain dual-use goods (drones, communication tools, generators) from state control to facilitate their supply. Ukraine also aligns its sanction policies to make sure they paralleled with the West.

Overall, the Ukraine's legal basis is adequate to safeguard national security and prioritize the Armed Forces. However, its procedural complexity, coupled with the asymmetry between simplified imports and restricted exports, may pose systemic risks for the defence industry's long-term development, investment attractiveness, and integration into international supply chains.



## Governmental Entities and Stakeholders

Ukraine's export control architecture is institutionally comprehensive, with responsibilities distributed across legislative, executive, and oversight bodies. On the strategic and policy level the Parliament sets the legal basis, while the President oversees strategic direction and export-control alignment with defence and foreign policy priorities. The Cabinet of Ministers, primarily through the Ministry of Economy Environment and Agriculture, shapes and implements policy.

The State Service of Export Control of Ukraine (SSECU) is the main executive authority. It holds a central role in licensing, and is responsible for issuing permits for all international transfers of controlled goods, registering entities, and certifying their internal compliance programs (where applicable).

In turn, the National Security and Defence Council of Ukraine (NSDCU) performs a key oversight function, primarily through its Interagency Commission for Military-Technical Cooperation and Export Control Policy. This commission, which includes representatives from the Ministry of Defence, intelligence agencies, and other key bodies, is a primary President's tool, assigned to ensure that licensing decisions align with national defence needs and foreign policy objectives. In wartime, its role has become central in shaping the de facto restrictions on exports.

The other governmental institutions and services like the State Customs Service, State Border Guard Service, state's intelligence agencies, and the Security Service of Ukraine support the regime through border control, custom inspections, intelligence and counter-intelligence activities.

This structure ensures Ukraine is legally and institutionally capable of meeting its obligations. The key question this report addresses is whether this system functions efficiently and predictably under wartime conditions to support both security and industrial growth.

The research also superficially examines **Key Procedures** related to the export control system. The holistic process is built around a sequence of steps designed to ensure compliance and security. For any business entity, the process involves three main phases:

- (i) Preparation: Identifying if goods are on the control lists, registering with SSECU, and establishing an Internal Export Control System (IECS).
- (ii) Authorization: Applying to SSECU for the correct type of authorization, which can be a single, general, or open permit (for transfers of ownership) or a "conclusion" (for temporary transfers like exhibitions or negotiations).
- (iii) Execution and Reporting: Presenting the permit at customs for clearance and submitting regular reports to SSECU on the transfers made.

While the formal procedures for exports and imports are structurally similar, their focus differs. Export processes emphasize rigorous end-user verification and alignment with international non-proliferation commitments. Import processes, especially in wartime, are more focused on customs



compliance and meeting domestic accountability rules, with procedures themselves having been simplified to accelerate supply to the front. In practice, stakeholders report that navigating these official procedures is often difficult. Bureaucratic hurdles, lengthy paperwork, and inconsistent interpretation of rules can lead to significant delays, creating uncertainty for manufacturers.

### **Alignment with the EU acquis**

The comprehensive examination shows that Ukraine has made significant progress in aligning its export control system with main EU frameworks (EU Regulation 2021/821 and the Common Position 2008/944/CFSP), establishing a solid foundation for broad interoperability. However, important differences and gaps remain. At the same time, the guiding principle for this reform should be functional alignment, namely adopting EU practices that enhance Ukraine's wartime resilience and credibility, rather than full, formalistic harmonization that might add unnecessary burdens.

Among areas of strong alignment, it worth mentioning that Ukrainian legal acts in general cover the full range of transfers (exports, imports, brokering, etc.) similar to the EU in essence, with slight difference in terminology and purpose. Ukraine's mandatory Internal Export Control System (IECS) is functionally equivalent to the EU's recommended Internal Compliance Programme (ICP). Ukraine's list of controlled military goods is fully aligned with the Wassenaar Arrangement, matching the EU's military list.

At the same time, key gaps and differences include, but not limited to the dual-use list alignment. Ukraine's official dual-use list is formally outdated compared to the EU's 2024 update, although a "catch-all" clause is used to mitigate those non-proliferation related risks in practice; unlike the EU, which controls brokering transactions, Ukrainian law requires authorization for negotiations themselves, creating a significant barrier for industry at the pre-contract stage; in addition, Ukraine lacks the EU's specific controls for cyber-surveillance tools and does not yet have legally codified e-licensing or mandatory denial-sharing mechanisms; in terms of licensing the EU system offers more flexible licensing types, like Union-wide general authorizations (EUGA) which are not present in Ukraine's framework. Since that is not critical gap, but further attention to this matter would be recommended as Ukraine is looking towards integration into the EU defence market ecosystem.

In sum, closing these gaps is essential in terms of enabling Ukraine's deeper integration into EU defence markets, but any changes must be carefully calibrated to support state's paramount security interests through adding more flexibility to the system rather than additional constraining barriers.



## Identifying Key Frictions and Constraints

The further analysis of Ukraine's export control system reveals **six key areas of friction** where the government's security imperatives clash with the defence industry's need for predictability and growth. The central, unifying feature across all these gaps is **uncertainty**. Further elaborations show the following results:

- (i) *Export-Import Asymmetry:* A de facto, unwritten moratorium on military exports and uncertainty around its potential reopening exists alongside formally simplified import procedures.

Government views this as necessary wartime measure to prioritize the needs of the Armed Forces. While the industry is convinced that with production capacity now exceeding domestic funding, the ban stifles growth, blocks access to revenue needed for scaling, and pushes companies to consider relocating their production capabilities abroad.

- (ii) *Outdated and Fragmented Legislation:* The system relies on a patchwork of laws and decrees that are not fully harmonized with modern international practices.

From the government position the existing framework is functional. The "catch-all" clause is instrumental and covers any gaps in control lists. Modernization is needed, but it should be a gradual process. In turn, industry's claim, that the patchwork creates legal risk and delays. A single, modern law is needed with digital licensing, clear timelines, and routine list updates for predictability.

- (iii) *Institutional and Procedural Weaknesses:* State agencies suffer from chronic understaffing and rely on paper-heavy, manual workflows that cause unpredictable delays.

In general, governmental institutions acknowledge the human resource problem, which is common across the system. At the same time, security concerns justify careful, paper-based interagency vetting, that might take extra time. The new Stratlink digital system is a pilot project aimed at streamlining processes. Industry views the existing bureaucratic system as a bottleneck. They insist on the necessity to implement e-licensing and a "single-window" approach to reduce backlogs and increase transparency.

- (iv) *Economic and Industrial Constraints:* Controls on pre-contract negotiations and barriers to exhibiting products abroad severely limit market access and deal-making. Weak governmental domestic policies on long-term contracting, access to credit as well as necessary working capital further exacerbate the gap.

Government views pre-contract negotiations and demo exhibitions controls as essential risk-aversion tools to prevent the diversion of sensitive technology and information. From that's standpoint, exports can only be opened where they do not compete with frontline supply. For industry, these are major growth constraints. Without export revenue or long-



term domestic contracts, firms cannot finance the scaling needed to meet wartime demands.

- (v) *The Strategic “Export Dilemma”*: This gap is looking at export restrictions in terms of strategic risks to Ukraine’s economy and defence industry. The core tension here lays in balancing the risk of flowing-out of critical for the frontline assets out of the country against the risk of isolating and weakening the domestic defence industry without ability to scale-up to bring more funds for the state through taxation hereby to increase its purchasing power.

Government insists that the national security is paramount goal, where over-liberalizing exports creates unacceptable risks of technology leakage and diversion. For defence manufacturers over-restricting exports risks losing foreign partners, undermining integration into EU supply chains, and triggering an outflow of industrial capacity abroad, that is in essence a firm step towards ultimately weakening national security.

- (vi) *International Cooperation and related Challenges*: Policy unpredictability deters foreign partners, prime contractors, and investors, jeopardizing Ukraine’s access to EU defence funds and joint ventures.

From formal standpoint the strategic goal is deep EU integration, but compliance and security must be guaranteed to protect these partnerships. For business a stable, transparent, EU-aligned system is needed to build the trust required to secure foreign investment and fully embed Ukrainian companies in European supply chains.



## Conclusion and Path Forward

In sum, at this stage, the research concludes that Ukraine's export control system is institutionally comprehensive and legally sound. It allows to ensure fulfilment of Ukraine's non-proliferation obligations within international regimes. However, it is hampered by a critical lack of predictability in its wartime application. The de facto export ban, coupled with outdated legislation and bureaucratic procedures, creates an environment of uncertainty that may undermine confidence for both domestic manufacturers and international partners. At the same time, for Ukraine preservation of statehood and placing its national security interests upfront remain the paramount and stays under the government's area of responsibility. The solution should not be a binary choice between an indefinite ban and blanket liberalization. Instead, Ukraine needs a codified, risk-tiered wartime regime that reconciles competing priorities. This requires a dual-track approach:

- (i) **Systemic Reform:** Introduce a single, modern law anticipating a digital, "single-window" licensing platform, clear timelines, diversified permit types, and EU-aligned denial-sharing and transparency mechanisms. Such framework should allow selective export reopening under strict conditions, such as robust end-use monitoring and trusted-exporter control mechanisms.
- (ii) **Financial Strategy:** Pursue the proactive scaling of domestic procurement through long-term contracts and mobilization of international instruments (e.g., EU funding, donor programs) to increase state's finance capacity. This ensures that exports complement, rather than compete with the priority of supplying the Armed Forces.

By implementing such balanced strategic approach into the shaping of country's regulatory framework and state-driven reform agenda, Ukraine can transform its military export system from a source of friction into a strategic asset, that safeguards national security while enabling the sustainable industrial growth needed to win the war and secure the lasting peace.