# Dual-use goods: export control and procurement working together

Dual-use goods are goods, software and technologies that can be used both for civilian and for military purposes. For buyers and suppliers in DACH industry, this creates a dual obligation: procurement and sales must be reviewed under export law, often as early as the enquiry and quotation stage. Anyone who fails to systematically identify dual-use relevance risks fines, delivery stoppages and reputational damage – a topic that should also be embedded in the supplier network and in the pre-qualification of suppliers.

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### Key facts at a glance

01 Dual-use goods are goods with potential civilian and military uses and are subject to export controls such as the EU Dual-Use Regulation.

02 The duty to check rests with exporters, but also applies indirectly to buyers, for example on licensing issues in the supply chain.

03 Classification is typically carried out via goods lists (e.g. Annex I of the EU Regulation) and codes such as the commodity code or technical parameters.

04 End-use and end-user checks (end-use controls) are part of the duty of care, including for re-exports.

05 Violations can result in corporate fines and personal liability for those responsible; a legal review is required in each individual case.

06 Digitalised screening processes and clear roles in procurement (RACI) significantly reduce the risk of wrong decisions.

## Definition: dual-use goods

Dual-use goods are goods, software and technologies that are usually used for civilian purposes but are also suitable for military purposes or for the development of weapons of mass destruction. The legal basis in the EU is the Dual-Use Regulation (Regulation (EU) 2021/821), supplemented by national rules such as the German Foreign Trade and Payments Ordinance (AWV). The term covers not

only physical components but also technical documentation and the transfer of know-how.

### Distinction from armaments

Armaments are explicitly intended for military purposes and fall under their own national lists. Dual-use goods, by contrast, are civilian-oriented goods whose technical potential does not rule out military use. In practice, one and the same component may or may not be classified as a dual-use good depending on the destination country and use.

### Typical examples from industry

Frequently affected are high-precision machine tools, certain electronics and semiconductors, chemical precursors, frequency converters, robust sensors or special alloys. Even standard IT with encryption functions can fall under cryptography regulations. Buyers should involve the export control officer or senior management at an early stage where technical parameters are unclear.

- High-precision machine tools and mechanical engineering components
- Certain electronics, chips and encryption technology
- Chemical precursors and special materials

## Methods and approach: classifying and checking dual-use goods

The handling of dual-use goods follows a multi-stage process that should ideally be laid down in standard operating procedures. The basis is a systematic goods classification, followed by licence checks, end-use control and documentation. A structured data quality report and sound data analysis in procurement support the traceability of these steps.

### Goods classification and list screening

First, each affected product is checked against current export control lists, often using technical parameters, commodity codes and manufacturer information. For material master data, this means: export relevance should be maintained as an attribute in the ERP system, analogous to maintenance classes or hazardous substance labelling. A regular ABC/XYZ classification cycle can be combined with this in order to prioritise the effort involved.

### End use and due diligence

Where there are signs of a critical end use – for example military end use, further processing in sanctioned countries or unclear customer chains – additional checks are required. Red-flag indicators such as unusual payment routes or deviating delivery addresses are part of the sampling process. The due diligence check also extends to intermediaries and sub-suppliers in the supplier network.

### Integration into procurement processes

In the pre-qualification of new suppliers, export control competence, certifications and audit rights should be contractually agreed, for example via a right to audit. Even in project-based purchasing and

in capital equipment procurement, the export status must be clarified as early as the requirements specification phase. This avoids later delivery delays and additional demands.

## Key KPIs and metrics in the context of dual-use goods

Export control can be managed in a measurable way. Typical KPIs concern the completeness of classification, the quality of screening and the efficiency of release processes. These values can be readily integrated into existing procurement reports, for example alongside catalogue quote rate or backorder rate.

### Classification and data quality metrics

The proportion of fully classified material master records is a key indicator. In practice, more mature organisations typically aim for a classification rate of over 95 per cent. In addition, the number of open clarifications shows where data gaps exist – a topic closely linked to the data quality report.

### Process and throughput metrics

Relevant metrics are the average processing time for licence applications, the proportion of export orders released on time and the number of rejected or resubmitted applications. The hit accuracy of automated screening lists (false positive rate) is also frequently measured, as it has a direct impact on workload.

## Risks and controls: securing compliance in procurement

The main risks lie in incorrect or missing classification, inadequate end-use control and insufficient involvement of suppliers. Violations can trigger fines, trade restrictions and reputational damage; in serious cases, personal liability risks for those responsible also loom, which must be examined legally on a case-by-case basis.

### Supply chain risks and subcontractors

Export relevance does not end at the factory gate. Purchased parts whose further processing or re-export is carried out by customers may fall within the scope of the regulations. Contracts with suppliers should therefore include obligations to provide information, documentation and cooperation in checks – in addition to usual compliance framework agreements.

### Organisational controls

Effective controls combine technical and organisational measures: automated screening of business partners, the four-eyes principle for releases, training for procurement and sales, and clear roles in procurement (RACI). An export control officer should be involved early in quotation and procurement decisions.

### Liability and documentation

Complete documentation of checks, decisions and licence documents is crucial in order to be able to demonstrate in the event of an audit that duties of care were fulfilled. Retention periods vary depending on the legal jurisdiction; in Germany, longer retention periods are customary. The specific requirements should be reviewed legally.

## Current developments: regulatory density and digitalisation

Export control regimes are becoming increasingly detailed, especially in technology-intensive sectors such as semiconductors, mechanical engineering and robotics. Geopolitical tensions lead to more frequent list changes and sanctions packages, which requires the continuous updating of master data and screening rules. At the same time, pressure is growing on supply chains to demonstrate compliance even across company boundaries.

### Digitalisation of export control

Automated screening tools, integration into ERP systems and AI-supported data analysis in procurement reduce manual effort and improve the detection of critical patterns. Human final assessment remains important: software can flag anomalies, but the legally binding classification is carried out by responsible employees.

### Interaction with sustainability and reporting obligations

Export control, supply chain due diligence and sustainability requirements such as Science Based Targets draw on the same data pool in supplier management. Companies are therefore increasingly consolidating compliance, sustainability and qualification data in shared supplier master data, which reduces redundancies and improves data quality.

## Typical metrics

| Metric | Typical value |
|---|---|
| **Material master classification rate** | > 95%<br>*Proportion of material master records classified under export law; maturity indicator* |
| **Proportion of export orders released on time** | > 98%<br>*Measures the reliability of the internal release process* |
| **Screening false positive rate** | < 10%<br>*Proportion of false hits in automated list screening; affects effort* |
| **Average processing time for licence enquiries** | 5–15 working days<br>*Common benchmark, depending on authority and case complexity* |

## Practical example

A mid-sized mechanical engineering company supplied precision components to an Asian dealer who allegedly resold them for laboratory purposes. Following an internal review, it emerged that assemblies with certain control electronics fell under goods lists without a licence having been applied for. The company responded with a structured remediation programme before the authorities became active.

- Complete reclassification of all active material master records within six months
- Embedding an export control check in the pre-qualification of new suppliers and in the quotation process
- Introduction of automated customer and partner screening with weekly review
- Training for procurement, sales and development on recognising red-flag indicators

## Conclusion

For technical buyers, dual-use goods are not a peripheral issue but a compliance and risk field in their own right, with a direct impact on ability to deliver, costs and reputation. What matters is sound goods classification, clearly assigned responsibilities and early involvement in procurement and quotation processes. Suppliers and the supplier network must be actively included, since export relevance arises along the value chain. Those who systematically collect KPIs and digitalise screening processes reduce effort and risk at the same time. If in doubt, the rule is: involve expert bodies and legal advice early rather than having to make corrections afterwards.

## Frequently asked questions

**? What are dual-use goods in simple terms?**

Dual-use goods are goods, software or technologies that can be used for both civilian and military purposes. Typical examples include high-precision machine tools, certain electronics or specialty chemicals. Because misuse is possible, they are subject to export controls and must be checked before export and, where necessary, licensed.

**? Which goods fall under the EU Dual-Use Regulation?**

The EU Dual-Use Regulation (2021/821) covers a wide range of goods categories in Annex I, including machinery, electronics, chemicals, materials and cryptography software. Classification is based on technical parameters, not solely on the product name. In case of doubt, manufacturers' specifications, commodity codes and expert bodies should be consulted.

**? What obligations does procurement have with regard to dual-use goods?**

Procurement is not primarily the exporter, but carries indirect obligations: it must flag export-relevant materials in the material master record, bind suppliers to compliance and link procurement decisions to licensing situations. A clear allocation of roles via RACI and the involvement of an export control officer help to avoid failings.

### ? What penalties threaten for violations of export controls?

Possible consequences range from fines and legal costs to trade restrictions and reputational damage; in serious cases, criminal consequences and personal liability for those responsible may also loom. The specific sanctions depend on the legal jurisdiction and the individual case. A legal review of the specific case is therefore indispensable.

### ? What is end-use control?

End-use control examines what a customer actually uses a good for and where it ultimately ends up. It is triggered when there are indications of a critical use or a critical destination, even if the product itself does not appear on a goods list. Typical indicators are unusual enquiries, deviating supply chains or unclear intermediaries.

### ? How do I integrate export control into procurement processes?

A proven approach is to embed it at several stages: export relevance as an attribute in the material master record, an export check in pre-qualification and contract review, a duty to check in quotation and order processes, and regular supplier screening. KPIs such as the classification rate make the level of maturity measurable and support continuous improvement.

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