

War in Ukraine**Ukraine to buy Chinese drone parts with EU funds**

Brussels allows Kyiv to use part of €6bn tranche for items in short supply in Europe



Ukrainian officials say drones account for about 80% of Russian battlefield casualties © Genya Savilov/AFP/Getty Images

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Ukraine will be allowed to spend funds from an EU defence loan on Chinese drone components, exposing Europe's reliance on Beijing for critical parts as it struggles to build its own defence industry.

Kyiv has obtained a carve-out for part of a €6bn tranche to purchase drone components from China, according to two people familiar with the decision. The funds mark the first allocation from a wider Ukraine support loan, under which €60bn is earmarked for defence procurement.

The decision underscores the gaps that remain in the EU's domestic defence production, despite a push to strengthen Europe's industrial base by tying aid for Ukraine to procurement in the continent.

The carve-out also makes stark China's role in supplying both sides in the more than four-year conflict. While the EU has accused Beijing of being "the key enabler of Russia's war" against Ukraine as a key supplier to Moscow's military-industrial complex, it acknowledges that Kyiv's arms industry also relies on Chinese components.

A Commission spokesperson said on Wednesday that "to respond as quickly as possible to the most urgent needs that Ukraine has . . . derogations are possible. These are granted in exceptionally rare cases."

Without naming China, the spokesperson said the EU was working to expand Europe's defence industry "with the aim of getting to a point very soon, as soon as possible, where we can produce these components within our own market, and then we don't have to look at these derogations."

Ukraine itself has built one of Europe's most innovative defence industries under Russian bombardment. Its domestic producers have outpaced traditional European arms companies in several areas, as suppliers across the continent struggle to meet Kyiv's needs.

However, its consumption of drones, which have become the dominant weapon on the battlefield, is still outstripping its capacity and that of allies to produce certain components for the unmanned aircraft.

Ukrainian officials say drones now account for about 80 per cent of Russian battlefield casualties.

Under the conditions of the EU loan, defence products bought with funds from the bloc must largely come from the single market, Ukraine or approved partners, such as Canada.

Other allies can qualify if they sign a security partnership with the EU, contribute to the scheme and provide substantial support for Ukraine. The UK signed up to the scheme on Monday.

For suppliers outside those approved categories, no more than 35 per cent of a contract can be made up of components from other countries. The regulation says arms purchases must not "contravene the security and defence interests" of the EU.

But the rules also include a carve-out. If similar products cannot be sourced from eligible countries quickly enough, or in the quantities Ukraine needs, Kyiv can ask Brussels for permission to buy them elsewhere.

Ukraine requested and secured an exemption for the first €5.9bn defence tranche, which is dedicated to drone procurement. It allowed Kyiv to buy certain Chinese components that are not sufficiently available in Europe, the people said.

The Ukrainian defence ministry did not respond to requests for comment.

Additional reporting by Christopher Miller in Kyiv and Barbara Moens in Brussels

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