

# **Russia's Sanctions Evasion Report 2023 - 2024**

## **Focus: Central Asian Countries, Caucasus, and China**

**Compiled by: Center for Global Civic and Political Strategies and Civil Society  
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## REPORT OVERVIEW AND CONCLUSIONS

Even though Central Asian and Caucasus governments promised international community to abide by the sanctions, a plethora of small and large businesses in those countries owned by Russian oligarchs offer aid to Russia to evade sanctions. Central Asian countries continue to serve as a transit hub between developed economies and sanctioned Russia.

Obviously, like in the previous years it is hard to prove direct sanction evasion cases due to the secretive nature of contracts and deals between Russian and Central Asian companies. The central trade registries either not timely updated or continue to pose bureaucratic obstacles to the public, making it hard for the latter to properly trace movement of goods and services from the Central Asian countries, Caucasus, and China to Russia. We are left with only one valid reference source - UN trade statistics, which unfortunately and more so understandably, represents data for the past year with a slight delay.

The most exploited routes for getting sanctioned products to Russia are through Kazakhstan, Kyrgyzstan, Uzbekistan, Georgia, and Armenia, all of which except Kazakhstan considerably increased their exports to Russia in the past year. This is obviously, not to claim that Kazakhstanis are completely uninvolved in the sanction's circumvention aid to Russia.

China became a new hub for circumventing sanctions in 2023. China uses Central Asia as an intermediary channel for getting products and spare parts to Russia to enable it to continue atrocities in Ukraine. As sad as it can be majority of those parts are purchased in the West. This is partly possible due to their membership in the Eurasian Economic Union (EAEU), a Russia-led coalition of trade partners. Members of EAEU countries can easily engage in trade partnerships with the outer world while enjoying free movement of goods within the Union, creating an opportunity for sanctioned products to easily enter Russia.

Above all other complications, Russia continues to enjoy a supply of the spare parts and raw materials which enable it to produce weapons and munitions in quantities sufficient to continue its aggression against Ukraine. Shockingly, billions dollars worth of microchips for Russian missiles have been purchased from Western companies and shipped through Central Asia.

While Russia and Belarus were sanctioned heavily by the international sanctions, the West has not applied comprehensive sanctions to other members of the Eurasian Economic Union. This permits the flow of products between Central Asia and neighboring countries Georgia and Armenia. Sanctions have had an impact on the number of exports entering Russia but simultaneously created a significant increase of goods entering the Eurasian Economic Zone and Caucasus which still benefited Russia as the end user of the product supplies.

Instead of rushing to apply secondary sanctions the Western countries chose to improve diplomatic and economic relations with the countries that are deemed to help Russian

sanctions evasion. No effective systematic tools for monitoring sanction evasion process have been developed so far. The US and EU continue to financially assist the countries allied with Russia and continue negotiation process with the possibility of a future integration of Central Asia into Europe.

This past year we have noticed an increase in migration of Central Asian businesses to and out of Russia and a vice versa. While we are still working to understand the various schemes, businesses are trying to establish to evade sanctions, we have an idea of the structural base formed to support sanction evasion process. The key sanctioned figures in Russia resign from their posts, buy businesses in Central Asia, and register the latter under their names. In other words, they are changing companies' ownership and jurisdictions to remain in business and supply the Russian military industry with spare parts and raw materials required to produce weapons and munitions.

Since the governments of these countries have agreed to abide by the international sanctions more data became available on private companies' deals. However, governments seem to turn a blind eye to the bigger deals that is strategically important to Russia and might fall within the interests of the regional political elite. At the end of the report, we site two responses by the government agencies for our information request.

A trend is noticeable that Russia and their allied countries have started actively using third countries that are not under thorough international scrutiny like China or the Middle East. More cases of private companies were revealed that supply the Russian military industry with dual-purpose goods, spare parts, and raw materials for weapons and munition (missiles, drones, gunpowder, etc.).

Sanctions that predicted to have a longer-term effect have not yet started working. This year, due to the tightened restrictions and threat of secondary sanctions, a few businesses were caught and criminal cases against them were initiated. This however has not stopped Russian physical faces and entities from circumventing sanctions.

In additional to geopolitical survival and continued aggression against Ukraine, Russia has learnt how to circumvent sanctions and still make profits from their main strategic resources like oil and gas. At the same time Western law enforcement agencies started paying serious attention to their own Western companies that continue cutting deals with Russia. By the end of 2023, it became clear that Western companies would be obliged only to enter deals with counterparts that were willing to guarantee not to resell products to Russia through enforcement of intellectual property rights.

In 2023 it is noticeable that the anti-war coalition did a better job of coordinating sanctions. Yet sanctions observation is not monitored thoroughly and in 2024 more efforts would be implemented to adapt techniques that will help to trace products to the end user. The international sanctions policy was scrutinized in 2023 and faces more stricter approaches in 2024. Key political figures in the West have underlined the importance of observing the international sanctions and outlined the risks involved in helping Russia to evade sanctions.

## RECOMMENDATIONS

### **To the international community in general**

The international community around the world should seriously pay attention to the sanction evasion process, especially in the countries that consider themselves as holding neutral grounds and still maintaining friendly relationship with Russia. The international community should take a stronger stance on Russian continued aggression and criticize the continued supply of products to Russia enabling the latter to build weapons and munitions. The international community can continuously address the rest of the targets mentioned below to send the similar message across.

### **To the Western Law Enforcement agencies**

The policy of imposing sanctions should be revisited as soon as possible, and secondary sanctions should apply to those individuals, entities, or governments that help Russia to evade sanctions. Also, law enforcement agencies at the level of international organizations like the UN should implement effective monitoring of the cleanliness of goods and financial movement all connected to Russia. The legislative framework should be further harmonized across the nations to accommodate for the rapid action on all suspicious deals.

### **To governments and businesses in the Russia allied countries**

The governments of the countries mentioned in this report should do a better job of providing transparency on all business transactions that take place with Russia. This transparency means that the data should be gathered, processed, and made publicly available. Businesses in their turn should not enter into contractual relationships without a due diligence and once the contracts or agreements signed both governments and businesses should monitor proper delivery and usage of goods once it leaves the factory.

### **To the international media**

Western mainstream reporting should be more focused on monitoring of the import/export to Russia – Kazakhstan and any other Russian allies. Investigations should cover more Western companies which are being used as a part of sanctions circumvention scheme through a third countries. Analyzing similar dynamics through the other countries except of former soviet republics. More interviews/round tables/video shows shall be done with the sanction specialists. Not just occasionally, but at least once a month.

### **To the civil societies around the globe**

To create and participate in the activities of the regional sanction evasion monitoring groups. These groups should actively enquire about information from the governments and businesses on how the cooperation with Russia is handled. Possibly the civil societies should even send across an ultimatum to their decision makers to stop any cooperation until the war is not stopped and Russian troops are withdrawn. Civil society groups should keep track of attempts to bypass sanctions and produce quarterly reports with suggestions for those imposing the sanctions and the global monitoring body, as well as regular monthly updates. Additionally, their task should be to consistently



communicate with the local press about ways of bypassing sanctions. The think tanks could be involved in analyzing sanctions and possibly predicting where exactly it would be evaded. An international monitoring organization should be established to compile the results of monitoring by regional groups, adherence to sanctions. Regional monitoring groups can collect such reports on their websites.

Develop an online platform for the international monitoring group and expert community to communicate with government agencies in countries imposing sanctions. This platform will serve as a permanent forum for the exchange of views, joint statement preparation and publication, and appeals. The purpose of the platform is to provide a space for discussion and collaboration on tightening international sanctions policy and development of preventive or response mechanisms.

Certainly, refining and optimizing sanctions policies can play a crucial role in achieving the overarching goal of ending the conflict. Here is the recap of some actions that we would like governments and law enforcement agencies to implement within the anti-war coalition:

- *Targeted Sanctions*: Review and refine the list of sanctioned entities, individuals, and sectors to ensure it accurately targets those directly involved in perpetuating the conflict. Utilize intelligence gathered from your analysis to identify key actors and entities contributing to sanctions evasion and consider expanding or narrowing sanctions as necessary.
- *Enhanced Monitoring and Enforcement*: Allocate resources towards bolstering surveillance mechanisms to better detect and prevent sanctions evasion activities. Invest in advanced technologies and data analytics tools to improve the monitoring of financial transactions, trade activities, and illicit networks involved in sanctions evasion.
- *International Cooperation*: Strengthen collaboration and information sharing among coalition members to harmonize sanctions policies and coordinate enforcement efforts. Establish mechanisms for sharing intelligence on sanctions evasion activities and facilitating joint investigations to disrupt illicit networks operating across borders.
- *Transparency and Accountability*: Promote transparency in implementation of sanctions policies, including clear guidelines for compliance and reporting mechanisms for sanctions violations. Hold accountable individuals and entities found to be facilitating sanctions evasion through legal measures and targeted enforcement actions.
- *Public Awareness and Education*: Increase public awareness about the impact of sanctions evasion on prolonging the conflict and the importance of compliance with international sanctions regimes. Launch public awareness campaigns and educational initiatives targeting businesses, financial institutions, and general public to foster a culture of compliance.
- *Diplomatic Engagement*: Deepening diplomatic engagement with countries and entities that may be complicit in sanctions evasion, urging them to strengthen their regulatory frameworks and cooperate with international efforts to enforce sanctions. Use diplomatic channels to exert pressure on key stakeholders and address underlying factors contributing to sanctions evasion.

By implementing these recommendations, governments and law enforcement agencies and NGOs can make necessary adjustments to sanctions policies, enhance their effectiveness, and contribute to the broader objective of ending the bloodshed war.

## BACKGROUND

The Russian aggression against Ukraine has continued to wreak havoc and devastation, with new levels of damage and countless human lives lost. According to the United Nations Human Rights Monitoring Mission in Ukraine (HRMMU), the toll on civilians has been staggering. By 2023, Ukraine had lost at least 10,000 civilians, including over 560 children who were killed, and more than 18,500 injured since Russia's full-scale armed attack in February 2022.<sup>1</sup> Furthermore, the Knyha Pamiyati (Memory Book of the Fallen for Ukraine) civic group reported that at least 30,000 Ukrainian defenders had been killed as of November 2023.<sup>2</sup> The ongoing conflict has resulted in immeasurable loss and suffering for the people of Ukraine, with the devastating impact reverberating across the nation. The relentless aggression has not only led to a staggering loss of life, but it has also inflicted widespread destruction on Ukraine's infrastructure and economy. The ongoing conflict has left countless families displaced and struggling to rebuild their lives amidst the chaos and devastation. The long-term consequences of this aggression are likely to be felt for generations to come, as the nation grapples with the immense challenges of recovery and healing. As the international community continues to grapple with the ongoing crisis, it is imperative that concerted efforts are made to provide humanitarian aid and support to the people of Ukraine.

The international community, spearheaded by the anti-war coalition, has moved beyond mere condemnation of the atrocities committed by Russia in Ukraine. Recognizing the urgency of the situation, efforts are focused on implementing comprehensive economic sanctions to weaken the economic foundation of the Russian war machine. This report delves into the rationale behind this strategy, its effectiveness, and the broader implications for both the geopolitical landscape and the ongoing conflict in Ukraine. It's not surprising that Russia has had to navigate significant challenges in its international trade due to ongoing sanctions. In response, Russia has likely explored various strategies to mitigate the impact of these sanctions and maintain its trade relationships. These strategies may include seeking alternative trading partners, adapting its export-import patterns, or investing in domestic industries to reduce reliance on imports. Additionally, Russia might engage in efforts to enhance its economic ties with countries that are less affected by the sanctions or actively pursue diplomatic initiatives to ease tensions and sanctions. However, it's essential to consider the broader implications of these actions. While Russia may find short-term solutions to circumvent sanctions, such measures could have long-term consequences for its economy and geopolitical standing. Furthermore, the effectiveness of these evasion routes may be limited by the persistence and enforcement of international sanctions, as well as evolving global economic dynamics.

As we move from 2023 to 2024 cycle, it will be interesting to see how Russia continues to adapt its trade policies and navigate the complex international landscape in the face of ongoing sanctions and geopolitical tensions. Russia's adeptness at navigating international isolation and sanctions is indeed noteworthy. By diversifying its business

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<sup>1</sup> <https://ukraine.un.org/en/253322-civilian-deaths-ukraine-war-top-10000-un-says>

<sup>2</sup> <https://euromaidanpress.com/2023/11/18/ukraines-grim-toll-over-30000-defenders-killed-in-war-with-russia-civic-group-says/>

interests and leveraging complex ownership structures, Russia has found ways to continue profiting despite being under sanction regimes. Operating through intermediary countries allows them to obscure the true origin of transactions, making it more challenging for sanctions enforcement mechanisms to effectively target them. One such destination is Central Asia with the kleptocratic nature of its governments and the current economic ties with Russia that help to facilitate the sanctions evasion process. We also recognize that Central Asian countries could be viewed as a buffer for other third countries, thus we have expanded the geography of sanctions evasion research even further including Caucasus and China.

The geopolitical dynamics in Central Asia and the Caucasus have indeed shifted dramatically amid the conflict, with Russian citizens and businesses seeking refuge in these regions. This influx has not only provided a sanctuary but also facilitated the relocation of Russian businesses, potentially aiding in sanctions evasion efforts. Moreover, the strategic location of these regions has made them crucial hubs for Moscow's supply of essential resources, further deepening Russia's influence in the area. The chaotic situation has undoubtedly reshaped the dynamics in this region, with implications that extend beyond immediate humanitarian concerns. The replenishment of the Russian military industry with raw material supplies from third countries and those circumventing sanctions undoubtedly fuels concerns about the continuation of aggression against Ukraine and other destabilizing actions. This inflow of resources enables Russia to maintain and potentially even expand its military capabilities, prolonging conflicts and exacerbating the suffering in affected regions. The consequences, including loss of life and destruction, underscore the urgent need for diplomatic efforts to address the root causes of these conflicts and prevent further escalation.

The Financial Crimes Enforcement Network's (FinCEN) publication of the Financial Trend Analysis (FTA) in September 2023 sheds light on suspected evasion of Russian export controls and highlights concerning trends in the movement of sensitive goods to Russia. The FTA, based on analysis of Bank Secrecy Act (BSA) reports, identifies key U.S.-origin goods exported to Russia, emerging jurisdictions involved in export control evasion, and intermediaries facilitating this illicit trade. With 333 BSA reports mentioning joint alerts, detailing nearly one billion dollars in suspicious activity, the report underscores the magnitude of the issue and the extent of financial flows associated with potential violations of export controls. This information is crucial for authorities to identify and address illicit activities, strengthen enforcement measures, and prevent the proliferation of sensitive goods to unauthorized end-users or destinations, ultimately enhancing global security efforts.<sup>3</sup>

The involvement of Western companies in dealing with sanctioned Russian oil, despite the restrictions, is indeed a concerning issue. The exploitation of loopholes such as utilizing the Caspian Pipeline Consortium (CPC) pipeline or shadow vessels to transport oil to Europe and then back to Russia allows for the continuation of lucrative transactions, which ultimately contribute to the Russian economy. Given that oil and gas are major

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<sup>3</sup> [https://www.fincen.gov/sites/default/files/shared/FTA\\_Russian\\_Export\\_Controls\\_FINAL\\_508.pdf](https://www.fincen.gov/sites/default/files/shared/FTA_Russian_Export_Controls_FINAL_508.pdf)



revenue sources for Russia, these actions not only undermine the effectiveness of sanctions but also perpetuate the economic stability that enables aggressive actions. Addressing this issue requires enhanced vigilance and cooperation among governments, regulatory bodies, and the private sector to close loopholes and enforce sanctions more effectively.

Furthermore, it highlights the importance of corporate responsibility and ethical business practices, as well as the need for stronger international regulations to prevent complicity in sanctions evasion. Only through collective efforts can we hope to curb these illicit activities and advance the broader goals of peace and stability in the region. It's a prudent approach to reevaluate the mechanisms of sanctions evasion, especially considering the geopolitical dynamics involved. Russia-aligned countries often serve as conduits for such activities due to various factors, including less stringent regulatory oversight and closer economic ties with sanctioned entities. By focusing on the key deals in these regions, you can gain insights into the methods and actors involved in circumventing sanctions. This could form more effective enforcement measures and diplomatic strategies to address the issue.

In our approach we are combining open-source data, insider views, direct interviews, and social media surveys that provide a multi-faceted perspective on sanctions evasion issues. While it's understandable that resource limitations prevent a comprehensive examination of every sanctioned item, company, or individual, focusing on key trends and comparisons between 2022 and 2023 can still yield valuable insights for decision-makers within the anti-war coalition. By presenting the scales of sanctions evasion in 2023 and highlighting any significant changes or trends compared to the previous year, we can help decision-makers understand the evolving dynamics of sanctions evasion and prioritize areas for intervention. Additionally, drawing on insider views and social media surveys can offer unique insights into the methods and actors involved in sanctions evasion, enriching our analysis and recommendations. Overall, the comprehensive summary and comparisons between 2022 and 2023 will provide decision-makers with valuable information to refine and strengthen sanctions policies, ultimately contributing to the coalition's efforts to end the conflict.

Certainly, refining and optimizing sanctions policies can play a crucial role in achieving the overarching goal of ending the conflict. With this report we provided some recommendations to governments and law enforcement agencies within the anti-war coalition as to suggest using more targeted approach in imposing sanctions, conduct effective monitoring and enforcement, bolster international cooperation, push for international transparency and accountability, create public awareness and accountability, and engage more with countries that could be more complicit in sanctions evasion process. By implementing these recommendations, governments and law enforcement agencies can make necessary adjustments to sanctions policies, enhance their effectiveness, and contribute to the broader objective of ending the bloodshed war.

## INTERNATIONAL SANCTIONS POLICY TRENDS IN 2023

Sanctions hitting Russia are usually split into two main categories. There are individual sanctions, which target people associated with the Russian regime, and there are sectoral ones, which focus on companies and products. The latter relates to Russian imports and exports, with energy sanctions being the most important aspect, which could probably only compare to the restrictions placed on Russia's financial sphere.

In 2022 Russia earned \$218 billion, with oil being the most profitable one, and in 2023 they made \$11,3 billion of the oil deals only

Indeed, Russia has demonstrated resilience in navigating and mitigating the impacts of sanctions through various means, including leveraging partnerships with neighboring countries and regional economic unions like the

Eurasian Economic Union (EAEU). By exploiting the benefits of these alliances, such as reduced customs procedures and tariffs within the union, Russia can facilitate the movement of goods across borders more efficiently and economically.

Kazakhstan, Russia's closest neighbor shares a more than 7,500 km border with numerous customs entry points. When importing to Russia from Kazakhstan, there are fewer customs procedures than usual. This means customs duties must be paid only once when the goods enter any member state of the Eurasian Economic Union from the "outside world". Then the goods can move relatively freely although some payments are still required.<sup>4</sup>

Additionally, Russia has employed other tactics to circumvent sanctions, such as establishing alternative financial mechanisms, creating shell companies, and seeking new markets for its exports. These adaptive strategies, combined with its resource-rich economy, have enabled Russia to continue generating profits despite facing international sanctions. In 2022 they earned \$218 billion, with oil being the most profitable

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Astana 2023

- Elizabeth Rosenberg, Assistant Secretary US

one, and in 2023 they made \$11,3 billion of the oil deals only.<sup>5</sup> It's essential for countries imposing sanctions to continually assess and adapt their measures to address these evasion tactics effectively. As geopolitical dynamics evolve, so too must the strategies employed to uphold the efficacy of sanctions regimes. The imposition of new restrictions in 2023 such as price thresholds for the transportation of Russian oil and regulations targeting luxury goods imports from Russia illustrate the ongoing evolution and expansion of sanctions measures by initiating countries. By establishing price thresholds, countries aim to limit the profitability of Russian oil exports while also potentially impacting the

<sup>4</sup> <https://www.bbc.com/russian/features-64404234>

<sup>5</sup> <https://inkstickmedia.com/russias-handbook-for-evading-sanctions/>

logistical routes and transportation methods used by Russian oil companies. Carriers in the initiating countries were prohibited from transporting it by sea if the price was above the established threshold of \$60 pbl.<sup>6</sup> Regulations such as EU Regulation 833/2014 restricts the import of certain goods from Russia that could contribute to luxury consumption, reflect a broader effort to curtail the flow of revenue to Russian entities associated with the ruling regime. The arrest of cars belonging to Russian citizens entering Europe underscores the enforcement efforts aimed at preventing the circumvention of sanctions through personal or luxury goods.<sup>7</sup>

A special attention was given to the secondary sanctions, that is, restrictions against businesses and individuals from third countries for conducting business with sanctioned persons. In 2023, there were indeed more secondary sanctions than in the previous year. In every discovered deal of the US companies violating sanctions, there were figurants from third countries who in that or another way cooperated with Russia. There were attacks on companies supplying dual-use goods to Russia, specifically electronics originating from countries such as UAE, Turkey, China, India, Kyrgyzstan, etc., and surprisingly the list also included countries considered to be allies of the United States in the “sanctions coalition” - Germany, Finland, Estonia, and Cyprus. There were small shell companies specifically created to circumvent sanctions or simply willing to take risks for profit. Blocking such entities is unlikely to solve the problem of sanctions circumvention for the United States and other initiators of sanctions. In place of banned companies, new ones were emerging. It is obvious that the Russian market is still quite large and stakes remain high.

Increased focus on criminal prosecution of sanctions violators in 2023 indicates a heightened commitment to enforcing sanctions regimes. The fact that the United States took the lead on cases involving the attempted import of electronics or other dual-use goods into Russia suggests a strategic approach to target areas of potential vulnerability in the sanctions enforcement process. This could be part of broader efforts to curb illicit activities that circumvent sanctions and undermine their effectiveness.<sup>8</sup> In 2023 Russia's sanctions circumvention received much higher levels of attention. In this respect helpers of Russia have received a red flag and seemingly the last warning before the application of secondary sanctions. In addition to the public statements and executive orders, there have been several trips to Central Asia by high-ranking officials in which the importance of following sanctions was underlined by the West. Below are the few highlights of initiatives taken on sanctions in 2023 by the United States:

- In February, U.S. Secretary of State Antony Blinken traveled to Kazakhstan and other Central Asian countries to discuss with its presidents the possibility of Washington imposing secondary sanctions. Later Elizabeth Rosenberg, assistant treasury secretary for terrorist financing and financial crimes, reiterated those risks on her visit in April. "Our top priority is to prevent Russia from repurposing goods for the war, and to cut off its

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6 <https://www.vox.com/world/2022/12/6/23490654/price-cap-60-russian-oil-european-union-ban-group-of-seven-united-states>

7 <https://www.dw.com/ru/aresty-v-germanii-avtomobilej-iz-rf-postradavsie-protiv-nemeckoj-tamozni/a-66159967>

8 <https://russiancouncil.ru/analytics-and-comments/analytics/kakie-sanktsii-vvodilis-protiv-rossii-v-2023-godu-i-kakim-byli-ikh-rezultat/>

facilities from the inputs needed to fill their production gaps. We are providing intelligence, technical assistance, and actionable information to government regulators and private-sector entities to help enable countries to stamp out Russian defense procurement in or through their jurisdictions" she said in Astana.<sup>9</sup>

- As early as April 2023 US has strengthened control over the implementation of anti-Russian sanctions and for this purpose has developed a new strategy. The agency decided to expand its focus to scrutinizing the work of foreign investment consultants, hedge funds, law firms, and private wealth managers who help Russia and wealthy Russians bypass restrictive measures. In addition, the department decided to investigate how cryptocurrencies could be used to circumvent sanctions.<sup>10</sup>

- Jim O'Brien, the director of the US State Department's Office of Sanctions Coordination, made a significant statement in June 2023 implicating Kazakhstan in facilitating Russia's efforts to restore imports of crucial electronics to pre-war levels. These electronics, including microcircuits, integrated systems, and processors, are not inherently dual-use goods but are utilized in Russia's military industry. O'Brien specifically highlighted Kazakhstan as a key re-export destination, emphasizing the country's emerging role in this process. He noted a shift in the re-export dynamics, where international companies now directly export products to Kazakhstan and other Central Asian nations, bypassing Russia. Subsequently, these goods are then redirected to Russia, effectively circumventing any sanctions or restrictions in place.<sup>11</sup>

- On December 22, President Biden signed a new Executive Order (E.O.) that strengthens U.S. sanctions authorities against financial facilitators of Russia's war machine. The E.O. makes clear to foreign financial institutions that they risk losing access to the U.S. financial system if they facilitate significant transactions relating to Russia's military-industrial base. The E.O. also provides authority to broaden U.S. import bans on certain Russian goods.<sup>12</sup>

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9 <https://asia.nikkei.com/Opinion/Kazakhstan-s-backdoor-trade-with-Russia-must-be-stopped>

10 <https://www.forbes.ru/society/488191-minust-ssa-rasskazal-o-novoj-strategii-bor-by-s-obhodom-sankcij-protiv-rossii>

11 <https://ru.krymr.com/a/%D0%BF%D1%80%D0%B5%D0%B7%D0%B8%D0%B4%D0%B5%D0%BD%D1%82-%D1%80%D1%84-%D0%B2%D0%BB%D0%B0%D0%B4%D0%B8%D0%BC%D0%B8%D1%80-%D0%BF%D1%83%D1%82%D0%B8%D0%BD-%D0%B8-%D0%BF%D1%80%D0%B5%D0%B7%D0%B8%D0%B4%D0%B5%D0%BD%D1%82-%D0%BA%D0%B0%D0%B7%D0%B0%D1%85%D1%81%D1%82%D0%B0%D0%BD%D0%B0-%D0%BA%D0%B0%D1%81%D1%8B%D0%BC-%D0%B6%D0%BE%D0%BC%D0%B0%D1%80%D1%82-%D1%82%D0%BE%D0%BA%D0%B0%D0%B5%D0%B2-%D0%B8%D0%BB%D0%BB%D1%8E%D1%81%D1%82%D1%80%D0%B0%D1%82%D0%B8%D0%B2%D0%BD%D0%BE%D0%B5-%D1%84%D0%BE%D1%82%D0%BE/32454274.html>

12 <https://www.whitehouse.gov/briefing-room/statements-releases/2023/12/22/fact-sheet-biden-administration-expands-u-s-sanctions-authorities-to-target-financial-facilitators-of-russias-war-machine/>

It's worth noting that both the EU and the U.S. employ secondary sanctions, which target entities and individuals suspected of undermining the effectiveness of sanctions, rather than imposing direct penalties on entire countries.

The European Union was not far behind the United States in a similar area. The EU addressed violations related to the supply of dual-use goods, which can have both civilian and military applications. Harmonizing legislation across EU countries in terms of administrative and criminal

prosecution for violating sanction regimes seems to be a priority. Even without complete harmonization, some countries like Germany, the Netherlands, Finland, and Estonia are using their national laws to prosecute offenders. Additionally, there's collaboration between EU countries and the United States to extradite individuals who breach American restrictions.

- The European Union's move to discuss new sanctions mechanisms targeting third countries regarding Russia's evasion of sanctions reflects a concerted effort to strengthen their response to such circumvention. By adopting a comprehensive approach to sanctions, the EU aims to exert pressure on individuals, companies, and organizations involved in activities undermining the effectiveness of sanctions against Russia. These sanctions encompass various sectors and measures, including visa arrangements, import and export bans, financial and business services restrictions, energy and transport industry sanctions, controls on dual-use goods, and asset recovery and confiscation measures. With over 1800 individuals sanctioned and more than 24 billion euros of frozen assets,<sup>13</sup> the EU demonstrates its commitment to enforcing consequences for actions that violate international norms. In comparison, the United States has taken significant measures as well, with over \$280 billion in assets frozen. If approved by the U.S. Congress, the proposed transfer of frozen assets to Ukraine would further bolster Ukraine's capacity to resist Russian aggression and strengthen its position in the ongoing conflict. This coordinated effort between the EU and the US underscores the international community's resolve to address Russian actions effectively.

- The EU's 11th sanctions package, passed in 2023, underscores the bloc's commitment to curbing efforts to circumvent existing trade sanctions against Russia. While the focus is on combating such circumvention rather than introducing new bans, the measures extend to targeting companies and individuals in third countries, such as those in Central Asia, including Kazakhstan, if they are found to be aiding Russia in evading sanctions. I

It's worth noting that both the EU and the U.S. employ secondary sanctions, which target entities and individuals suspected of undermining the effectiveness of sanctions, rather than imposing direct penalties on entire countries. This approach allows for a more targeted response, aiming to deter entities from engaging in activities that would undermine the intended impact of the sanction's regime.

- The 12th package of European Union sanctions, adopted in December 2023, imposes strict regulations on the export of sensitive goods and technology to Russia. Under this package, EU exporters are obligated to include clauses in their contracts prohibiting the re-exportation of certain items to Russia or for use in Russia when selling to third

<sup>13</sup> [https://eu-solidarity-ukraine.ec.europa.eu/eu-sanctions-against-russia-following-invasion-ukraine/sanctions-against-individuals-companies-and-organisations\\_ru](https://eu-solidarity-ukraine.ec.europa.eu/eu-sanctions-against-russia-following-invasion-ukraine/sanctions-against-individuals-companies-and-organisations_ru)



countries, excluding partner nations. These prohibited items encompass those identified as being part of Russian military systems observed on the battlefield in Ukraine, or those crucial for the development, production, or utilization of such Russian military systems. Additionally, the clause extends to cover aviation goods and weapons, enhancing the scope of restricted exports in response to Russia's actions.<sup>14</sup>

- On December 6, 2023, the UK's National Economic Crime Centre (NECC) took significant action by issuing a red alert concerning the export of high-risk goods being utilized by Russia on the battlefield in Ukraine. This red alert serves as a warning to various sectors, including financial services, transportation, and logistics, highlighting indicators of potential sanctions evasion. These indicators encompass suspicious transaction characteristics, customer profiles, requested services, and specific items being traded. Furthermore, HM Treasury's Office of Financial Sanctions Implementation (OFSI) has taken decisive steps by designating 46 individuals and entities suspected of supplying the Russian military with sanctioned goods and technology. These designated entities are in Russia, Belarus, China, Serbia, Turkey, the United Arab Emirates (UAE), and Uzbekistan, indicating a widespread effort to monitor and disrupt channels facilitating the transfer of prohibited items to Russia.

- On December 11, 2023, Industry and Economic Security Minister Nusrat Ghani unveiled plans for the establishment of the Office of Trade Sanctions Implementation (OTSI), slated to commence operations in early 2024. This dedicated unit will concentrate on the civil enforcement of UK trade sanctions, with a particular focus on investigating and addressing instances of sanctions evasion.<sup>15</sup>

- On January 17, 2024, European Parliament passed a strategy on Central Asia directed on strengthening economic ties with Central Asian countries like Kazakhstan, Kyrgyzstan, and Uzbekistan. This could indeed be a strategic move for the European Union. By offering increased economic cooperation, the EU aims to foster closer relations and potentially reduce the likelihood of these countries aligning too closely with Russia, especially in terms of circumventing sanctions. It also demonstrates the EU's recognition of the importance of Central Asia as a region with geopolitical significance and economic potential. This strategy could have implications for regional stability and influence, as well as for the broader dynamics between the EU, Russia, and the Central Asian nations.<sup>16</sup>

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<sup>14</sup> <https://www.consilium.europa.eu/en/press/press-releases/2023/12/18/russia-s-war-of-aggression-against-ukraine-eu-adopts-12th-package-of-economic-and-individual-sanctions/>

<sup>15</sup> <https://www.steptointernationalcomplianceblog.com/2023/12/uk-publishes-red-alert-on-sanctions-evasion-makes-new-designations-and-announces-the-creation-of-trade-sanctions-civil-enforcement-body/>

<sup>16</sup> European Parliament resolution of 17 January 2024 on the EU strategy on Central Asia (2023/2106(INI)). P9\_TA(2024)0027, A9-0407/2023. [https://www.europarl.europa.eu/doceo/document/TA-9-2024-01-17\\_EN.html](https://www.europarl.europa.eu/doceo/document/TA-9-2024-01-17_EN.html)

· On January 18, 2024, Members of the European Parliament entered a deal with the European Council on new measures to harmonize the EU toolkit to fight money laundering, terrorist financing, and sanctions evasion. They agreed to implement more strict measures for banks and other economic entities to apply Anti Money Laundering policies. The Financial Intelligence Unit (FIU) will expand its powers to analyze and detect money laundering and terrorist financing cases as well as to suspend suspicious transactions, accounts, or business relationships. They will work closely with competent authorities such as the Anti-Money Laundering Authority (AMLA), Europol, Eurojust, and the European Public Prosecutor's Office. They will have access to information on beneficial ownership, bank accounts, land or real estate registers, or certain high-value goods.<sup>17</sup>

· On February 23, 2024, EU together with the US and the UK, adopted a 13th sanctions package targeting Russia focused on new restrictions on Russia's military and defense sector, the package also includes new sanctions designations and aims to combat sanctions circumvention. This comes as the United States announced its largest-ever package of Russia sanctions designations, totaling some 500 individuals and entities. These measures adding 27 new companies: 17 from Russia and 10 from third countries, including, China, Kazakhstan, India, Serbia, Thailand, Sri Lanka and Türkiye aim to tighten restrictions on the export of dual-use and advanced technology items to certain entities, particularly those in Russia and other specified countries. By expanding the list of entities subject to enhanced restrictions and including new items such as components for drones and military applications, the intention seems to be to limit the potential for these technologies to contribute to Russia's military capabilities or defense sectors. This suggests a focus on controlling the export of sensitive technologies that could be used for military purposes, especially considering the geopolitical context involving Russia and other countries mentioned. These packages dedicated to the 2 year of Russia invasion of Ukraine and death of Navalny.<sup>18</sup>

## IMPACT OF THE INTERNATIONAL SANCTIONS ON RUSSIA

The effectiveness of imposed sanctions is indeed multifaceted and contingent on various factors. While their impact on Russia's political course might not have been as significant as desired, particularly in altering Moscow's policy towards the West, including its actions in Ukraine, there have been notable economic repercussions. Although the energy sector has largely remained unaffected, other segments of Russia's economy have experienced turbulence. The EU maintains that the measures imposed have exerted palpable effects on Russia's economy. Despite Russia's substantial oil and gas revenues following the Ukraine invasion, sanctions have begun to impinge on its budget, industrial sector, and technological base. The effectiveness of sanctions unfolds gradually, with their influence deepening over time. As such, while immediate results might not always be apparent,

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<sup>17</sup> <https://www.europarl.europa.eu/news/en/press-room/20240115IPR16801/deal-on-new-eu-measures-against-money-laundering>

<sup>18</sup> [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_24\\_963](https://ec.europa.eu/commission/presscorner/detail/en/ip_24_963)

cumulative impact can be substantial, with long-term implications for the targeted country's economic stability and strategic decision-making.<sup>19</sup>

It seems like the initiators of sanctions have effectively influenced geopolitical landscape, particularly in Central Asia and Caucasus. The fact that most governments in these regions have expressed dedication to the sanctions policy suggests a significant

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diplomatic achievement. However, the acknowledgment of the possibility of businesses violating the sanctions indicates that enforcing compliance across all sectors may pose challenges. Overall, it reflects the complex dynamics between international pressure and domestic economic interests. The impact of geopolitical tensions and economic sanctions on multinational businesses' operations in Russia is significant. The fear of violating Western restrictions,

particularly those imposed by the US, has led many large companies to reassess their involvement in Russia. Even in sectors not directly affected by sanctions, companies are opting for caution. This cautious approach manifests in various ways: some companies are withdrawing from Russia, others are operating through intermediaries to mitigate direct exposure, and there's a trend of smaller firms with higher risk appetites stepping in where larger ones have withdrawn. The research from Yale University identifies around 1000 large MNCs that have ceased operations in Russia, sheds light on the scale of this phenomenon.<sup>20</sup>

Although Russia is still enjoying its influence over the Central Asian countries the year 2023 was marked by an attempt among some of these multi-vectoral allies to increase cooperation with European Union, the United States, China, and Turkey on re-orienting the economies bypassing Russia. These Central Asian countries' external cooperation focuses on trade and economic development and have striven to reduce dependence on Russia. It is quite clear that all these countries still help Russia to circumvent sanctions, but at the same time, this fact underlines that most of those countries do not wish to fall under the secondary sanctions. This is why a summit was held in Cholpon-Ata, Kyrgyzstan in 2022 and in September 2023 in Dushanbe, Tajikistan. The EU dedicated

<sup>19</sup> [https://www.eeas.europa.eu/eeas/yes-sanctions-against-russia-are-working\\_en#:~:text=Since%2010%20August%202022%2C%20EU,and%20G7%2B%20oil%20price%20caps.](https://www.eeas.europa.eu/eeas/yes-sanctions-against-russia-are-working_en#:~:text=Since%2010%20August%202022%2C%20EU,and%20G7%2B%20oil%20price%20caps.)

The Russian economy contracted in 2022 by 2.1%. Manufacturing was down 6% at the end of 2022, with high and medium-high technology manufacturing recording a 13% annual loss. The production of motor vehicles was down 48% year-on-year, other transport equipment by 13%, and computer, electronic and optical production by 8% while retail trade was 10% lower and wholesale trade 17%

<sup>20</sup> Heineken, Unilever, Oreo maker Mondelez and many other companies are accused of breaking promises to leave Russia <https://som.yale.edu/story/2022/over-1000-companies-have-curtailed-operations-russia-some-remain>

US\$19.97 b to infrastructure projects. Central Asian producers increasingly use the Middle Corridor to export goods like fertilizers, lentils, and apparel to Europe, Türkiye, and the Middle East.<sup>21</sup>

## EVIDENCE OF WESTERN COMPANIES AIDING RUSSIA TO EVADE SANCTIONS

The Russian oil supply to the Western markets and the sale of Western spare parts to Russia enable the Russian war machine to build more weapons turned against Ukraine. The Russian oil supply to Western markets has significant implications for global energy security and geopolitical dynamics. Dependency on Russian oil exposes Western countries to supply disruptions and gives Russia leverage in international affairs. Similarly, the sale of Western spare parts enabling the Russian military to enhance its capabilities poses a dilemma. On one hand, it fuels the conflict and exacerbates tensions in the region. On the other hand, restrictions on such sales might prompt Russia to seek alternative sources or develop indigenous capabilities, potentially leading to further escalation. Addressing both issues requires careful consideration of economic, political, and security factors, with an aim to mitigate risks while promoting stability and adherence to international norms.

The Crude Accountability an American-based nonprofit argues that Russian companies own 36.5% of shares of the Caspian Pipeline Consortium (CPC), with an additional 3.825% partly held by Rosneft through Rosneft-Shell Caspian Venture Limited. Western companies hold approximately 31.93% of shares, with the remaining held by Kazakhstani or other ventures. A significant portion of the shares, and thus control, of the consortium, is held by the sanctioned Russian entities. This demonstrates a continued partnership between Chevron, Shell, ENI, and sanctioned Russian entities. Russian oil flows through the pipeline to the global market. Gas condensate from the Karachaganak field flows to the Orenburg refinery, owned by Gazprom. These companies and sanctioned entities continue to profit while the war in Ukraine continues and the Russian economy benefits from oil exports, which comprised 45% of the economy in 2021.<sup>22</sup>

This highlights a complex and interconnected situation involving the Caspian Pipeline Consortium (CPC) and its ownership structure, which involves both Russian and Western companies. The fact that significant shares and control of the consortium are held by

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21 The C5+1 format for meetings in Nov 2022 EU–Central Asia Connectivity Conference in Samarkand was attended by EU foreign affairs staff and foreign ministers of the five Central Asian countries. The meeting in Cholpon-Ata with President of the European Council Charles Michel in June 2023 is to be followed by an EU–Central Asia Summit in Uzbekistan in 2024. A May 2023 in-person summit with Chinese President Xi Jinping in Xi'an followed a virtual China–Central Asia Summit in Jan 2022. A C5+1 Presidential Summit with US President Joe Biden was held in New York in September 2023. The C5 format asserted a shared history, geography and culture — a shared vision that did not include Russia. <https://eastasiaforum.org/2023/12/27/central-asias-gradual-economic-repositioning/>

22 <https://crudeaccountability.org/the-caspian-pipeline-consortium-russian-and-western-accountability-in-the-oil-and-gas-sector-during-wartime/>

sanctioned Russian entities raises questions about the extent of Western involvement and cooperation with these entities, especially in the context of geopolitical tensions such as the conflict in Ukraine. The flow of Russian oil through the pipeline to the global market, as well as the transportation of gas condensate to the Orenburg refinery owned by Gazprom, underscores the economic significance of these energy resources for both Russia and its partners. It also suggests that despite sanctions and geopolitical tensions, economic interests often transcend political differences. It's crucial to consider the broader implications of such partnerships, including their impact on regional stability, the effectiveness of sanctions, and the global energy market.

This situation further illustrates the intricate balance between economic interests and geopolitical considerations, especially concerning the enforcement of sanctions in a globalized economy. The involvement of various companies, both prominent ones like Lukoil PJSC and lesser-known entities like Bellatrix Energy and Nord Axis Ltd, highlights the complexity of the situation. The fact that Russia's revenues from oil almost doubled between April and October 2023 despite sanctions underscores the challenges of effectively enforcing such measures. The involvement of domestic and shadow fleet owners in transporting Russian oil, along with the use of hired vessels, further complicates efforts to restrict its export. The reliance on Greek vessels for a significant portion of Russian oil shipments showcases how diverse actors in the global economy are involved in facilitating these transactions, potentially undermining the effectiveness of sanctions imposed by certain countries or groups of countries.

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In the first nine months of 2023, Bellatrix, for instance, handled about 20% of shipments from Surgutneftegas. Russia's revenues from its main tax-generating sources of petrodollars almost doubled between April and October 2023. Russia's net oil revenues of \$11.3 billion in October accounted for 31% of the nation's overall net budget. The sanctions are also breached when the oil is shipped outside of Russia on hired vessels. Domestic and shadow fleet owners collectively moved over 70% of Russian oil cargoes in the first nine months of 2023, allowing Moscow to maintain control over its exports and progressively increase prices. Greek vessels have carried 20% of all Russia's oil shipments so far in 2023 and almost a third of its exports of the flagship grade Urals crude, according to shipping data.<sup>23</sup> Despite sanctions, there have been breaches when oil is transported outside of Russia using hired vessels. Both domestic and shadow fleet owners played a significant role in moving most of Russian oil cargoes during this period, allowing Moscow to maintain control over exports and gradually increase prices. Greek vessels have also played a notable role, carrying a significant percentage of Russia's oil shipments in 2023, including a significant portion of its Urals crude exports, according to shipping data.

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<sup>23</sup> <https://www.bloomberg.com/news/features/2023-12-06/oil-prices-how-russia-punched-an-11-billion-hole-in-west-s-sanctions-regime>



The integration of Western components into Russian military technology, particularly in drones and missiles like the Kinzhal and Iskander systems, reveals the intricate global supply chain dynamics and the challenges of enforcing sanctions effectively. Kyrgyzstan's role as a transit point for goods destined for Russia underscores the complexity of international trade networks. The firms are profiting from sales of sanctioned Chinese and European goods — from drones and aircraft parts to rifle scopes and advanced bomb circuitry — most of which are flown or shipped overland to companies in Russia. They are still importing crucial missile components directly from EU countries as if nothing had happened.<sup>24</sup> Both Kinzhal and Iskander missiles are filled with Western components with Texas Instruments chips and German coils. Since Russia's military production relies heavily on foreign components, companies registered in countries not participating in the sanctions—such as China, Turkey, and the United Arab Emirates—became key hubs for the reexport of Western technologies.<sup>25</sup>

It seems that despite sanctions and compliance efforts from companies like Intel Corp, Advanced Micro Devices, and others, there are still concerns about chips finding their way into Russia through potentially illegal means. The lack of clarity on which companies imported the chips and when they were produced raises questions about enforcement and oversight mechanisms. If these chips are indeed being illegally supplied to Russia, it could have implications for both the companies involved and the geopolitical landscape, potentially leading to further scrutiny and measures to prevent such activities. Bloomberg reported that Russia has imported \$1,2 b worth of foreign-made chips over nine months of 2023. Most of these chips (worth more than \$1,2 b) were produced by American and European companies, including Intel Corp, Advanced Micro Devices, Analog Devices, Infineon Technologies, STMicroelectronics and NXP Semiconductors. The customs documents do not indicate which companies imported the chips to Russia and when the products were produced. The companies listed by Bloomberg have assured that they are complying with sanctions and have ceased operations in Russia and are also investigating schemes for the illegal supply of chips to Russia.<sup>26</sup>

An analysis of BSA reports in referred above FinCEN Financial Trade Analysis highlights a concerning trend of U.S.-origin goods potentially being diverted to support Russian military efforts, particularly in Ukraine. The findings suggest a complex web of financial transactions involving U.S.-based companies and entities in Russia or other countries, possibly acting as intermediaries. The fact that these relationships were often established before the invasion of Ukraine raises questions about the awareness and diligence of the involved parties regarding potential export control violations. The implications extend beyond mere financial transactions; they suggest a potential risk to national security, as the goods in question could bolster Russia's defense capabilities and support its military and intelligence services. Such activities undermine the effectiveness of U.S. export

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<sup>24</sup> <https://theins.ru/en/politics/266147>

<sup>25</sup> <https://foreignpolicy.com/2023/11/09/russia-sanctions-weapons-technology-exports-evasion-arms-production-missiles-chips/>

<sup>26</sup> [https://www.bloomberg.com/news/articles/2024-01-25/russia-s-war-machine-powered-by-chips-from-intel-amd-infineon-stm?utm\\_source=website&utm\\_medium=share&utm\\_campaign=copy](https://www.bloomberg.com/news/articles/2024-01-25/russia-s-war-machine-powered-by-chips-from-intel-amd-infineon-stm?utm_source=website&utm_medium=share&utm_campaign=copy)

controls and could contribute to geopolitical tensions. Analysis of BSA data identified that a U.S.-based company that manufactures fluid transfer system components received wires from entities in Russia for potential purchases from December 2021 to October 2022. Between October 2022 and January 2023, this company began receiving wires for purchases from a Central Asia-based company, potentially to evade Russia-related export controls.<sup>27</sup>

The number of criminal cases opened in the United States so far outlines the scale of Russia's supply with Western spare parts. Charges were brought by the US against Russian citizen M. Marchenko of supplying micro displays from the United States to Russia via Hong Kong, bypassing export controls<sup>28</sup> also Russians O. Patsulya and V. Besedin were arrested on charges of attempting to export dual-use goods from the United States to Russia through a third country, etc.<sup>29</sup> There was an extradition to the United States from Estonia of Russian citizen V. Konoshchenok, accused of attempting to import electronics and ammunition into Russia.<sup>30</sup> Another case is the arrest in Cyprus of A. Petrov for supplying electronics, or the recent arrest of two citizens of Bosnia and Herzegovina for helping in the escape of Russian citizen A. Uss from Italy. Previously, he and his colleague Yu. Orekhov were detained by the authorities of Italy and Germany, respectively, at the request of the United States in connection with the alleged circumvention of sanction.<sup>31</sup>

## RUSSIAN RESPONSE AND METHODS USED TO EVADE SANCTIONS

Russia's response to international sanctions in 2022 was indeed marked by a tightening of its internal legal and regulatory mechanisms. This included various measures aimed at controlling imports and exports, as well as restricting the usage of foreign currency. Maximum limits on the amount of foreign currency that citizens could possess or take out of the country were set. Additionally, Russia declared several Western figures as persona non-grata, signaling a diplomatic standoff with certain Western countries. The expulsion of diplomats, numbering 312 in 2022 and 34 in 2023, further underscored the strain in diplomatic relations between Russia and Western nations during that period. These actions were seen as part of Russia's efforts to respond to the economic and diplomatic pressure exerted by international sanctions.<sup>32</sup>

Moscow's response in 2023 involved a multi-faceted approach to counter Western financial sanctions, including legal mechanisms for blocking such sanctions domestically.

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27 [https://www.fincen.gov/sites/default/files/shared/FTA\\_Russian\\_Export\\_Controls\\_FINAL\\_508.pdf](https://www.fincen.gov/sites/default/files/shared/FTA_Russian_Export_Controls_FINAL_508.pdf)

28 <https://www.justice.gov/opa/pr/russian-international-money-launderer-arrested-illicitly-procuring-large-quantities-us>

29 <https://www.justice.gov/opa/pr/justice-department-announces-five-cases-part-recently-launched-disruptive-technology-strike>

30 <https://www.justice.gov/opa/pr/suspected-russian-intelligence-operative-extradited-estonia-face-charges-related-providing>

31 <https://www.justice.gov/opa/pr/bosnia-and-herzegovina-national-arrested-aiding-escape-russian-defendant>

32 <https://www.rbc.ru/politics/10/10/2023/609d11a69a79477cef513697>

They also implemented visa bans and restrictions on transactions involving individuals from "unfriendly countries." Moreover, there were bans on exporting critical goods and limitations on capital exports. It's interesting that there's caution about criminal prosecution for implementing Western sanctions, with Russian law even considering compliance with such sanctions as an offense. This indicates a significant effort to assert control over economic interactions and to deter cooperation with Western sanctions regimes.

So far, such norms have not appeared in the legislative framework. Asymmetric retaliation is often a strategy used by countries facing such measures when direct mirroring isn't feasible due to economic or political disparities. Russia's response likely aims to mitigate the impact of sanctions while also sending a message of resolve. Finding ways to navigate these dynamics can be complex and require careful consideration of various factors. Russian retaliatory measures are asymmetrical to the international sanctions. The differences in the economies of Russia and Western countries are too great for "mirror" measures to be installed as a counterbalance.<sup>3334</sup>

Focusing on sanctions evasion processes involving Russia and its external relations with allied countries like those within the Eurasian Economic Union (EAEU), Collective Security Treaty Organization (CSTO), and Shanghai Cooperation Organization (SCO) is crucial for understanding broader regional dynamics. Infrastructure projects, such as the new railroad construction in Northern Kazakhstan, add another layer to this intricate web of relationships, potentially facilitating closer ties between China and Russia via Kazakhstan. Incorporating legal monitoring conducted by a Russian law firm, presented chronologically, provides a structured approach to analyzing the evolution of these sanctions evasion tactics over time. The inclusion of link in the footnotes to the detailed summaries of the restrictions introduced by Russia would allow our readers to access additional information for a comprehensive understanding of the subject matter.

## WHO AIDS RUSSIA TO CIRCUMVENT INTERNATIONAL SANCTIONS: STATE GOVERNMENTS VS. OLIGARCHS?

The intertwining of economic power and political influence is a common feature in many countries, and Russia is no exception. Oligarchs often have significant influence within their respective industries and can wield considerable power in shaping government policies, either through direct engagement or through informal channels. However, their relationship with the government can be complex, as they must navigate between their own interests and the broader political goals of the state. The imposition of Western sanctions on certain oligarchs reflects the international community's attempt to exert pressure on Russia, particularly in response to actions perceived as undermining international norms or stability. The fact that Tinkoff pulled out and fled the country

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33 This link is summarizing well all the counter sanctions that took place since 2022 <https://nplaw.ru/blog/detail/monitoring-kontrsanktsiy-rossii-v-otnoshenii-drugikh-stran/>

34 This link is summarizing well all the counter sanctions that took place since 2022 <https://base.garant.ru/57750630/>

suggests the complexities and risks involved for individuals navigating such a landscape. There are 80 oligarchs, who are currently under Western sanctions. Among the Russian businessmen who openly supply the Russian army are Alexey Mordashov (Severstal), Vladimir Potanin (Norilsk Nickel), Vagit Alekperov (Lukoil), Mikhail Fridman (LetterOne), Roman Abramovich (Millhouse), Gennady Timchenko ("Novatek"), Alisher Usmanov (USM), Yuri Kovalchuk (Bank of Russia), Arkady Rotenberg (Mostotrest).

This scheme works also for most of the post-soviet countries that consider themselves as the closest allies of Russia. It was even once the case for Ukraine, Georgia, Kyrgyzstan, and Moldova, until they started observing Western democratic values and fighting corruption in an attempt to build democratic institutions per international standards. However, that notion also depended on the peculiarity of political rule in the country and changed accordingly mirroring power switches, like for example how it happened several times in Kyrgyzstan. Original hopes of being an island of democracy in Central Asia perished with President Japarov's approach towards Russia. One may argue that such a state of things is happening because republics of Central Asia are dependent on Russia and become hostages of the situation due to the large number of labor migrants currently residing and working in Russia.

The intertwining of familial and oligarchic control in Kazakhstan's economy, particularly under the leadership of President Nazarbayev and his family, has indeed been a notable feature of the country's governance. This close nexus between political power and economic influence has often been cited as a factor contributing to corruption within the

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country. The influence of oligarchs and their networks in post-Soviet states, including Central Asia, has been a complex and enduring phenomenon, with ties often extending across borders and institutions. The observation regarding the willingness of Central Asian oligarchs to assist Russian counterparts in evading sanctions underscores the interconnected nature of elite networks across the region. Shared educational

backgrounds and personal relationships, fostered during their time in Russian universities, can certainly play a significant role in facilitating such cooperation. Moreover, historical, cultural, and economic ties between Russia and its former Soviet neighbors continue to influence dynamics within the region, including attitudes towards governance, business practices, and international relations. Efforts to combat corruption and promote transparency in Kazakhstan and other former Soviet republics remain ongoing challenges, requiring comprehensive reforms and sustained commitment from both domestic authorities and the international community. Addressing the root causes of corruption, including the concentration of power and influence among a select few, will be essential for fostering accountable governance and fostering economic development in the region.

Central Asian countries are caught in a difficult position between international pressure to abide by sanctions against Russia and their own economic and geopolitical ties with Moscow. While some countries like Kazakhstan have chosen to support the international sanctions policy, they also recognize the challenges in fully controlling trade relations,

especially given their historical and economic ties with Russia. Kyrgyzstan and Uzbekistan's neutral stance may reflect a desire to avoid direct confrontation with either side, instead placing the responsibility on individual businesses for their trade decisions. However, as you mentioned, the extent of independence for small and medium businesses in such a controlled environment could be limited. The situation underscores the complex interplay between geopolitics, economics, and regional dynamics in Central Asia. Despite not supporting Russia's actions in Ukraine, these countries may still face repercussions for their economic ties, highlighting the difficult balancing act they must navigate. Below we outlined some of the ways oligarchs use to help Russia circumvent sanctions.

### **Methods used by oligarchs to circumvent sanctions**

There are four popular ways that oligarchs use to help Russia to circumvent sanctions:

- 1) Businesses owned by oligarchs in Kazakhstan and Central Asian countries are sold to Russian oligarchs so they can produce products and ship them back to Russia mainly to be used in the military industry.*
- 2) Central Asian companies that are owned by or have relationships with oligarchs are buying products in the West as if it was for their use, however, while shipping goods back to their countries, consignment gets switched to the destination in Russia.*
- 3) Oligarchs who influence authorities or even state-owned corporations in third countries help Russian businesses to relocate there. Once relocated Russian businesses start manufacturing and supplying goods and raw materials back to Russia. Similar to the first version, the only difference is the form of ownership.*
- 4) Oligarchs from Central Asia primarily from Kazakhstan are acquiring assets in Russia so the companies would de facto fall under the Kazakh individual jurisdiction. One of the ways to separate the company from the sanctioned individual.*

These methods involve leveraging businesses in Central Asian countries, particularly Kazakhstan, to facilitate trade with Russia despite sanctions. It's a complex situation that involves exploiting loopholes and leveraging relationships across borders.

Below is the summary of responses we received to our survey ran on social media platforms in Kazakhstan/Kyrgyzstan informational space. We also must recognize that the respondents do not have access to the official data well hidden by the governments, but at least we get to know what the civil society in one given country thinks about sanction evasion:

\* First question was related to the timeline Kazakhstan helped Russia to circumvent sanctions if any. We have made a chart with multiple-choice answer questions. It appeared that the peak of help was between 2022 – 2023 according to the majority of respondents. However, 2024 has just started and we might see different dynamics later in the year. Please, refer to the Diagram 1 below.





Diagram 1 – Social media survey on whether Kazakhstan helps Russia to evade sanctions

\* Second question was also a multiple-choice answer question directed at clarifying which particular aid was given by Kazakhstan to Russia. The parallel export scored the highest percentage of responses, although the rest were equally distributed by above 80% of respondents. The lowest percentage of respondents reacted to drone supply. Please, refer to the Diagram 2 below.

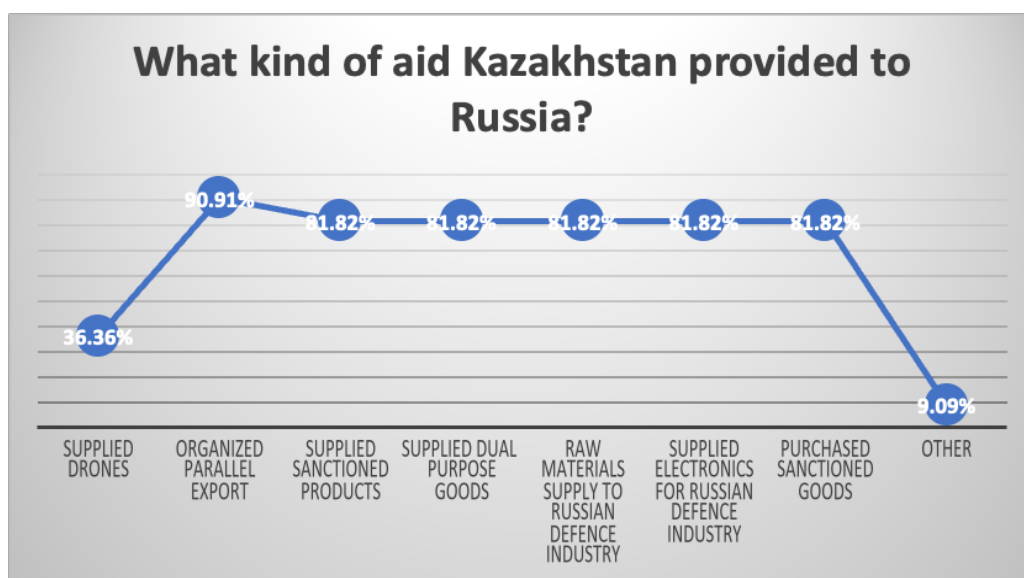


Diagram 2 – Social media survey on what kind of aid Kazakhstan provides to Russia

\*And lastly third question was a single choice and was related to whether the government or private companies helped to evade sanctions. Over 50% of Kazakh respondents believed that official Kazakhstan is involved in helping Russia to evade sanctions. Please, refer to the Diagram 3 below.

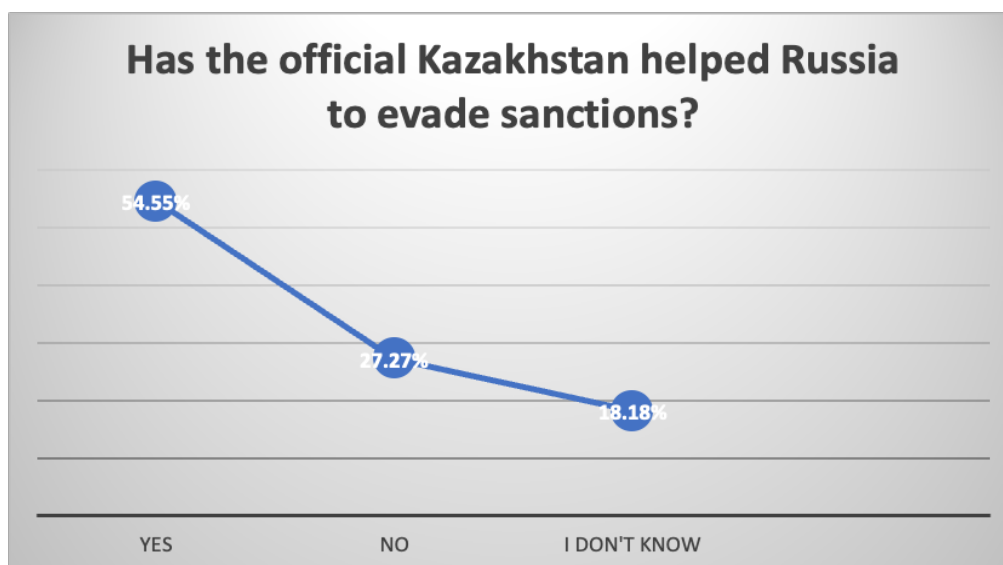


Diagram 3 – Social media survey on whether Kazakh government aids Russia

## EVIDENCE OF HOW CENTRAL ASIA AND CAUCASUS AIDING RUSSIA TO CIRCUMVENT SANCTIONS

All official data that could point out to the sanctions' evasion is often restricted by the concerned parties. Government resources are shut to the public, for example, Kazakhstan-Russia official trade turnover data was closed or hard to access on the respective industry support websites since the war in Ukraine began. The Kazakhstani statistical agency is perhaps the only government structure that publishes trade dynamics, but the data is not user friendly and hard to verify.<sup>35</sup> In appendixes section at the end of this report we attached the letters communicating with the state agencies, which basically referred to each other and provide somewhat limited support in aggregating necessary information. Eventually, the Kazakh government launched an official website to monitor the movement of the sanctioned goods between the two countries. The website only describes the type of sanctioned products, and one may still argue that whatever data made available to the public is strictly censored.<sup>36</sup> Even though official statistics are closed, public analysis of the trends can be drawn from the open-source information. These dynamics show sky-rocketing exports from Kazakhstan to Russia since the beginning of Russia's aggression in Ukraine from \$15 to \$185 million for technological goods; in general, trade turnover increased 215 times, with a particularly noticeable increase in the supply of dual-use goods that can be disassembled into microchips for military equipment (drones).

<sup>35</sup> Official website of BUREAU OF NATIONAL STATISTICS AGENCY FOR STRATEGIC PLANNING AND REFORMS OF THE REPUBLIC OF KAZAKHSTAN <https://stat.gov.kz/en/>

<sup>36</sup> The information is presented on this Kazakh state web site is provided for the purpose of familiarizing yourself with sanctions measures taken by third countries against the Russian Federation and the Republic of Belarus [traderadar.kz](https://traderadar.kz)

There are occurrences when the shipped goods were reassigned to trucks with Belarussian and Russian license plates during transit through those countries on the way from Europe. The original ban on reassigning cargos to foreign license plates was lifted which made Kazakh truck drivers very unhappy. Numerous videos and articles were floating in the social networks where the truck drivers explained that the companies with Belarussian and Russian participation registered in Kazakhstan were delivering cargo as if they were Kazakh drivers. This is one of the ways how Russia is circumventing sanctions while delivering cargoes within the Eurasian Economic Union. It's not uncommon for companies to try to find loopholes to avoid restrictions, but it's important for authorities to enforce regulations to ensure fair and legal practices. If these reports are accurate, it could be a matter of regulatory oversight or even deliberate evasion of sanctions, which would need to be addressed at both national and international levels.<sup>37</sup>

It is also important to note that not only do the bigger companies owned by oligarchs help Russia to evade sanctions there are a lot of sole traders who are engaged in the so-called parallel import. The issue of parallel imports is indeed significant, especially in the context of evading sanctions and circumventing copyright regulations. Parallel imports refer to the practice of importing genuine products into a country without the authorization of the intellectual property rights holder. This can occur when products are sold in one market at a lower price compared to another market, prompting individuals or entities to import and sell them in the higher-priced market without the authorization of the rights holder. In the case of Russia allowing parallel imports in response to demarche by foreign companies since 2022, it showcases a complex interplay between government policies, economic interests, and international relations. By permitting parallel imports, Russia seeks to mitigate the impact of sanctions imposed by foreign entities, while also satisfying domestic demand for various goods.

The fact that goods worth \$20 billion entered Russia through parallel import schemes in 2022 highlights the scale of this practice and its significance in the country's economy.

Russian officials have compiled a list of what can be imported using “parallel import”: iPhones, Dyson hair dryers, cars, furs, alcohol, and dozens of other miscellaneous categories. Items from the list covered more than 30% of all Russian imports. The fact that goods worth \$20 billion entered Russia through parallel import schemes in 2022 highlights the scale of this practice and its significance in the country's economy. This volume of imports underlines the challenges posed by sanctions and the resilience of parallel import networks in fulfilling market demand. However, it's essential to recognize the potential consequences of parallel imports, including the erosion of intellectual property rights, undermining the incentives for innovation, and complicating international trade relations. Additionally, the legality and ethical implications of parallel imports vary across jurisdictions, making it a complex issue to address comprehensively.<sup>38</sup>

It seems like despite sanctions against Russia, trade between Russia and Uzbekistan has been steadily increasing, as indicated by data from the Uzbekistan State Statistics Committee. The trade turnover between the two countries reached \$5.6 billion over the

<sup>37</sup> <https://vecher.kz/pochemu-kazakhstanskije-gruzoperevozchiki-ostalis-za-bortom>

<sup>38</sup> <https://www.bbc.com/russian/features-64404234>

first eight months of 2022, marking a significant 27.1% increase compared to the same period in 2021. This growth has been primarily fueled by a substantial 45.4% increase in exports. Furthermore, there has been a notable rise in the flow of goods from China to Uzbekistan, with an increase of almost \$1 billion. It's speculated that some of these Chinese goods might be intended for re-export to Russia. Moreover, intermediary companies based in various countries, including China, Hong Kong, Belgium, Germany, Singapore, Turkey, the UAE, and the UK, seem to be purchasing U.S.-origin goods on behalf of Russian end-users. These intermediary companies facilitate the movement of goods, including electronics and computer components, from countries like China, South Korea, and the United States to Russia through third countries. The BSA data has identified a network of UAE-based companies, some of which have banking operations in Hong Kong, involved in transporting items to Russia. Transactions between Russia and the UAE have been noted between January 2020 and April 2023. Overall, this indicates a complex web of trade dynamics involving multiple countries, despite the sanctions against Russia, with various intermediary actors playing a crucial role in facilitating trade flows.

Central Asia-based companies—often subsidiaries of Russia-based parent companies or affiliates of Russia-based companies—procured goods, such as electronic components or aircraft parts, from suppliers that previously transacted with the related Russian entities, according to analysis of BSA data. For example, one filer noted a UAE-based electronic products retailer that may have been purchasing goods on behalf of Russian entities, was entering into transactions with certain companies located in multiple countries, such as Azerbaijan, the British Virgin Islands, Estonia, Kazakhstan, Kyrgyzstan, Russia, and Serbia.<sup>39</sup>

Despite the fact that Turkey is not mentioned in this report, as one of the aides in helping Russia to circumvent international sanctions, Turkish entities are facilitating the transfer of dual-use goods to Russia, which are then utilized in the ongoing conflict in Ukraine. Specifically, it mentions Margiana Insaat Dis Ticaret Limited Sirketi (Margiana) and Demirci Bilisim Ticaret Sanayi Limited Sirketi (Demirci) as entities that have been targeted by the U.S. Department of the Treasury for their roles in this activity. Margiana has been implicated in making numerous shipments to Russian entities, including SMT-iLogic and Saturn EK, both of which have been designated under Executive Order 14024. SMT-iLogic is known for its involvement in the supply chain for manufacturing Russian military UAVs, which have been utilized in the conflict in Ukraine. The shipments from Margiana to these entities have included items crucial in various Russian weapons systems used against Ukraine. Similarly, Demirci has been involved in sending sensors and measuring tools to Russia. As a result, it was designated under Executive Order 14024 for its activities in the technology sector of the Russian economy.<sup>40 41</sup>

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39 [https://www.fincen.gov/sites/default/files/shared/FTA\\_Russian\\_Export\\_Controls\\_FINAL\\_508.pdf](https://www.fincen.gov/sites/default/files/shared/FTA_Russian_Export_Controls_FINAL_508.pdf)

40 [https://c4ads.org/commentary/putting-the-pieces-together/?utm\\_medium=Email&utm\\_source=Mass+Email&utm\\_campaign=SRFCommentary](https://c4ads.org/commentary/putting-the-pieces-together/?utm_medium=Email&utm_source=Mass+Email&utm_campaign=SRFCommentary)

41 <https://home.treasury.gov/news/press-releases/jy1731>

## KAZAKHSTAN

The UN Comtrade data shows the trade dynamics between 2021 – 2022 and we can see that imports from Russia to Kazakhstan show no major fluctuations in two years, whereas exports to Russia have grown. Kazakhstan exported \$8,8 b worth of goods in 2022 compared to \$7,1 b in 2021. The imports remained within the same corridor in 2022 - \$17,3 b as compared to \$17,6 b in 2021. These official stats show that there has been no dramatic increase in two years since probably Kazakhstan chose to respect the sanctions policy, however, unofficial data may represent a different picture. The imports on the other hand from Europe and the United States to Kazakhstan have also grown, especially for electronics and dual-use goods. Below is the chart of imports and exports between Russia, Central Asian countries, and Caucasus. The 2023 UN Comtrade data has not yet been released.<sup>42</sup> Nevertheless, according to the National Statistical Bureau of Kazakhstan the imports to Russia had been moderate and even lowering for some of the items.

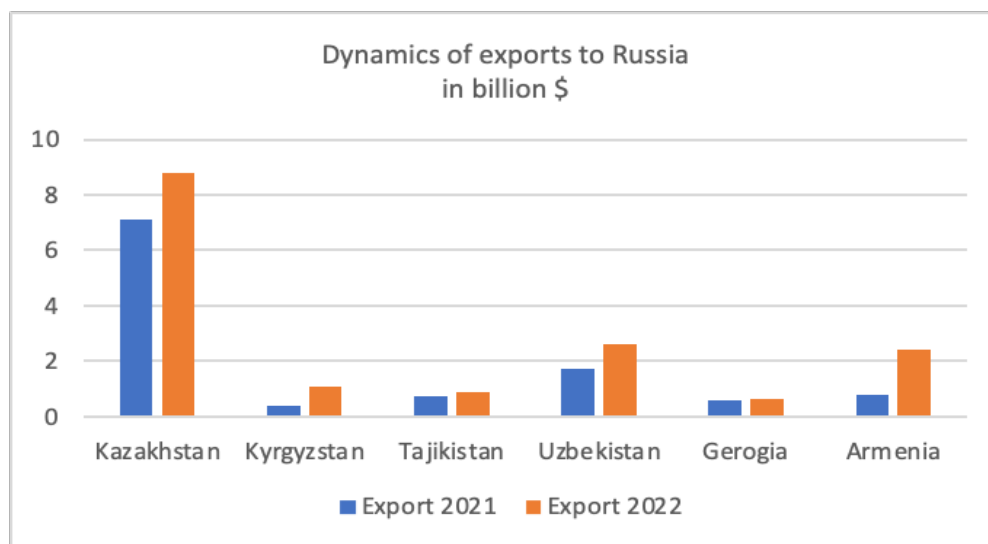


Diagram 4 – Exports to Russia from Central Asia and Caucasus

<sup>42</sup><https://comtradeplus.un.org/TradeFlow?Frequency=A&Flows=X&CommodityCodes=TOTAL&Partners=643&Reporters=398&period=2021&AggregateBy=none&BreakdownMode=plus>



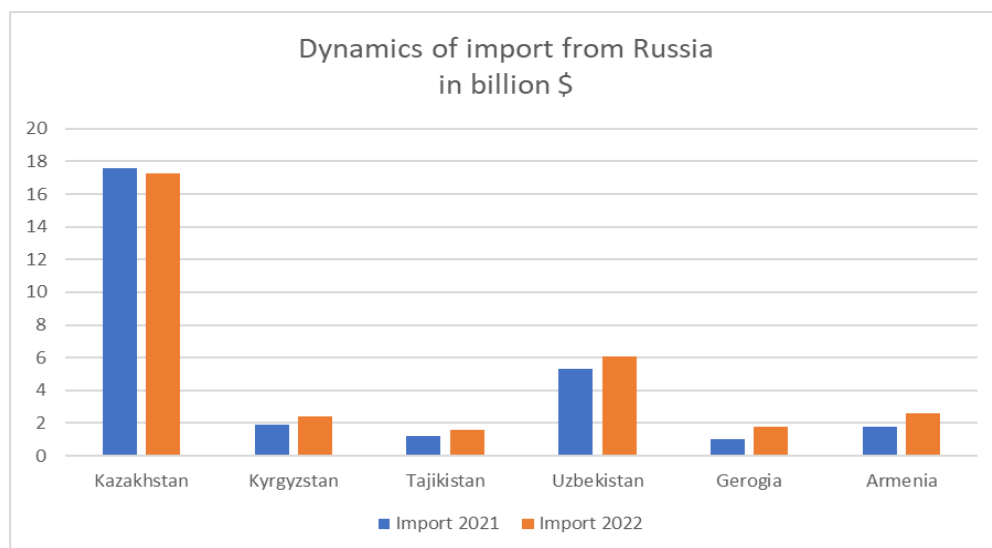


Diagram 5 – Imports from Russia from Central Asia and Caucasus

Kazakhstan continued to supply Russia's defense industry in 2023 with spare parts and raw materials enabling Russia to produce weapons and munitions. In this respect, as reported by OCCRP, Kazakhstan and Uzbekistan have increased exports of cotton pulp used in the production of gunpowder, to Russia since the 2022 invasion of Ukraine. The cotton pulp is usually picked by Russian importers who then supply it to military factories specialized in producing gunpowder and other propellants. Kazakhstan, whose cotton pulp exports go to almost exclusively Russia, increased its exports in 2022, sending nearly 60 percent more than the previous year.<sup>43</sup>

The United States determined which companies resell microchips to entities in Russia which are currently under sanctions due to the war in Ukraine. This was reported by the head of the US State Department for sanctions coordination, James O'Brien. According to a State Department spokesman, the United States has identified companies from five countries: Kazakhstan, Armenia, Georgia, Turkey and the United Arab Emirates.

A German company Elix-St owned by a Russian couple imported microchips from Western manufacturers like STMicroelectronics, Infineon, Analog Devices, and Texas Instruments and sent microchips to a Kazakh company Da Group 22, established shortly after the invasion of Ukraine, owned by their son. It then sent microchips to Russian company Stek which sells microchips to war-associated military and space and defense manufacturers.<sup>44</sup>

43 According to leaked export - one long-term contract signed in March 2020 secured Kazakh cotton pulp for the Kazan powder plant until January 2026. Another, signed in December 2022, ensured shipments for the Aleksin Chemical Plant, which also produces gunpowder, until January 2024., in the first nine months of 2023, Uzbek firms exported some \$8.7 million worth of cotton pulp to Russia — more than 70 percent than they did the entire previous year. <https://www.occrp.org/en/investigations/central-asian-cotton-powers-russias-sanctioned-gunpowder-plants>

44 <https://www.occrp.org/en/investigations/kazakhstan-has-become-a-pathway-for-the-supply-of-russias-war-machine-heres-how-it-works>

Another telling example of sanction circumvention with use of Kazakh company, as intermediary, was done through Belarus as was found through official data of OFAC and reported by OCCRP. Kazakh company “KBR Technologies” founded by Belarus businessman Evgeny Kostiyuk partnered with Zhanat Ibrayev to form the mentioned

Over \$3 m. worth of high technological spare parts were procured from Europe through Kazakhstan registered company and sent from Europe via Belarus to Russia between 2022-2023

above organization placed an order for high-technological spare parts with European suppliers who in their turn sent consignment of \$716 thousand to Belarus “Tefida” company which then supplied “Ostek” group in Russia as

shown in the Diagram 5 below. Ostek does not produce weapons but supplies western technologies and rendered technical services to the producers and engineers of “Tochka U” and “Iskander M” missiles in addition to supply to the Ryazan Radio plant which belongs to “Rostech” one of the key provider of radio-communication systems to the Russian missiles.

In May 2023, the US Treasury Department imposed sanctions on Ostek conglomerate, as well as Kostyuk and his companies Inter-Trans and BMA Spedition, prohibiting them from doing business with them. Soon after this, supplies from Kostyuk’s companies directly to Ostek stopped. However, between April and August 2023, Tefida supplied goods of worth approximately \$2.5 million on behalf of KBR-Technologies to the Russian company FabCenter, which is associated with Ostech through common current and former owners, as reflected in the Diagram 6 below.

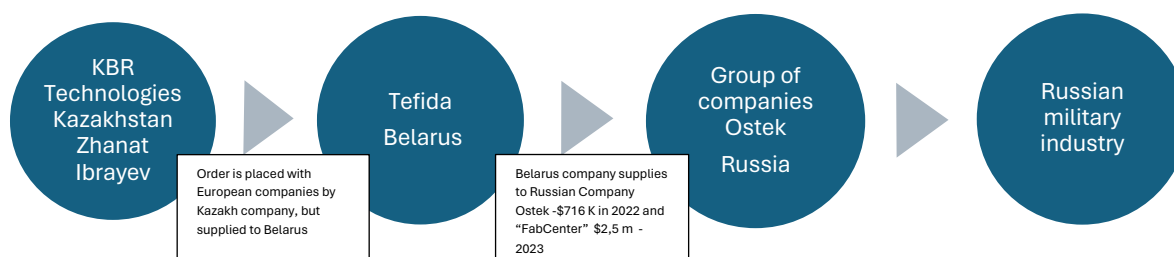


Diagram 6 – Kazakh company KBR Technologies helps Russia to circumvent sanctions through Belarus

The investigation conducted by Radio Free Europe/Radio Liberty Kazakh sheds light on concerning developments in the transfer of dual-use technology from Kazakh companies to Russian suppliers associated with the Kremlin's military apparatus. Despite efforts by Western countries to prevent such transfers, these findings show the challenges in regulating and monitoring the flow of sensitive technology through Central Asian nations. The revelation that Russian firms receiving dual-use technology from Kazakh and Kyrgyz exporters have links to the Russian defense industry, including entities subject to Western sanctions due to Russian aggression, raises significant concerns about potential circumvention of international sanctions regimes. The collaborative effort between RFE/RL's Kazakh and Kyrgyz Services, along with Schemes from the Ukrainian Service, underscores the importance of investigative journalism in uncovering such illicit activities and holding accountable those involved in facilitating the transfer of sensitive technology. The analysis of customs, procurement, and corporate records, coupled with intelligence data from Ukrainian sources, provides valuable insights into the complex networks

involved in the illicit transfer of dual-use technology and highlights the need for enhanced international cooperation to address such challenges effectively.

The supplies involve companies, some of which were created right after February 24, 2022, and have Russian roots. The authors of the investigation found evidence of the supply of Western dual-use goods through third countries to Russia, including microchips, telecommunications equipment and other electronics, which the Ukrainian military found in Russian missiles, tanks, helicopters, drones and radio systems. At the same time, the scale of these deliveries has increased significantly compared to previous years. The revelation of such supply chains shows the complexity of international trade and the challenges of enforcing sanctions effectively. It's concerning to see Western dual-use goods being diverted to support Russian military capabilities, especially amid ongoing geopolitical tensions. This highlights the importance of stringent export controls and robust monitoring mechanisms to prevent the proliferation of sensitive technologies to actors with aggressive agendas. In particular, we are talking about the following companies helping Russia circumvent sanctions:

- Eltex Alatau based in Kazakhstan. They supply chips from the American company Analog Devices for Sosna-U night vision devices, which are used in T-72B3M tanks. Interestingly, Eltex Alatau's official partners, Eltex-MSK and Eltex, collaborate with the Ministry of Defense and the FSB of the Russian Federation. Additionally, both the Kazakh company and Eltex have a common shareholder in Russian businessman Alexey Chernikov. This situation suggests a complex web of connections between companies in different countries and their ties to defense and security agencies.
- Astaris - from May to September 2022, sent dozens of shipments of Western dual-use goods to the New Electronic Company in Smolensk. The owner is an entrepreneur of Belarusian origin Alexander Skorobogatiy.<sup>45</sup>
- Elem Group is a company associated with the Russian company Streloy E-Commerce, owned by businessman Kirill Tulyakov. Streloy E-Commerce supplied electronics to companies participating in Russian military-industrial exhibitions.
- "Electronics Company" - is associated with the Russian ITC, the supplier of the "M.L. Dukhov Research Institute of Automation", where nuclear warheads are developed. Lithuanian intermediary company is used for supply - the OTK Group company with Russians on the list of shareholders.<sup>46</sup>

On July 12, 2023, Bureau of Industry and Security (BIS) of the US Department of Commerce suggested to amend the Export Administration Regulations (EAR) by adding forty-two entities under forty-four entries to the Entity List. These entities are listed under the destinations of Armenia (3), Belarus (1), Belgium (3), China, People's Republic of (China) (1), Cyprus (4), Germany (1), Kazakhstan (1), Netherlands (1), Russia (28), and the United Arab Emirates (1). These entities have been

On February 23, 2024, OFAC imposed sanctions on Kazakhstani companies: 1) Elem Group for supplying high-priority items to sanctioned in Russia STRELOI EKOMMERTS and 2) DA GROUP for being an intermediary for high-priority goods between German company ELIX ST and STEK RUSSIA that supplies Russian military

<sup>45</sup> <https://www.rferl.org/a/kyrgyz-kazakh-firms-investigation-western-tech-russia-war-ukraine/32467795.html>

<sup>46</sup> <https://www.rferl.org/a/kyrgyz-kazakh-firms-investigation-western-tech-russia-war-ukraine/32467795.html>

determined by the U.S. Government to be acting contrary to the national security or foreign policy interests of the United States. Elem Group one of them.<sup>47</sup> The inclusion of Elem Group and other entities on the Entity List by the Bureau of Industry and Security (BIS) indicates that they have been deemed to pose a risk to U.S. national security or foreign policy interests. Being listed on the Entity List imposes restrictions on these entities' ability to access certain items, such as technology or commodities, that are subject to U.S. export controls.

Another clear example of sanctions evasion is the supply of Samsung and Apple smartphones from Kazakhstan to Russia. Both corporations left the Russian market. Kazakhstani distributors, taking advantage of parallel import legalization in Russia, began supplying products in May 2022 to Russian retail chains Svyaznoy, M.Video, and DNS. Most of the models had the Kazakhstan labeling, meaning that gadgets were originally made for the Kazakhstani market.

Many representatives of large Russian businesses are relocating their businesses to Kazakhstan. For example, there is a well-known story about the relocation to Kazakhstan of the Russian Polymetal plant producing rare earth metals, which was subject to Western sanctions in Russia. In Kazakhstan, Polymetal is headed by the Nesis brothers, who resigned from the board of directors of Polymetal Russia to escape sanctions and continue supplying rare earth metals to Russia from Kazakhstan. In 2022 the Polymetal company became the owner of 75% in the project for the development of copper-gold assets of the Baksy deposit in Kazakhstan.<sup>48</sup>

Recently it became known that Rosatom (Russia's State Atomic Energy Corporation) acquired from businessmen Vasily Anisimov and Alexander Klebanov, associated with the ex-president Nazarbayev, the largest uranium deposit "Budenovskoye" along with a mining and chemical plant in Stepnogorsk. The deal took place through a 100%

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47 <https://www.federalregister.gov/documents/2023/12/07/2023-26935/addition-of-entities-to-the-entity-list>The ERC determined to add Elem Group, LLC, under the destination of Kazakhstan, to the Entity List pursuant to § 744.11 of the EAR for posing a risk of diversion of items subject to the EAR to Russia. The ERC determined to add Hans Maria De Geetere, Knokke-Heist Support Management Corporation, and European Technical Trading BV under the destination of Belgium; Eriner Limited and The Mother Ark., under the destination of Cyprus; and Hasa Nederland B.V., under the destination of the Netherlands to the Entity List. These entities are involved in ongoing efforts to circumvent U.S. export controls on sensitive military electronics, contrary to U.S. national security and foreign policy interests under § 744.11 of the EAR. Specifically, these entities acquired and illicitly diverted U.S.-origin electronic components on behalf of parties in China and Russia. These components can be used in military applications including missiles, unmanned aerial vehicles, electronic warfare receivers, and military radar. Further, Hans Maria De Geetere has falsified official documents and provided false end-user information to U.S. and foreign companies to circumvent export controls and sanctions. At times, these falsified documents were also used for export license applications.

48 [https://zolteh.ru/news/polimetall\\_stal\\_vladeltsem\\_75\\_v\\_medno\\_zolotom\\_proekte\\_baksy\\_na\\_severe\\_kazakhstana/](https://zolteh.ru/news/polimetall_stal_vladeltsem_75_v_medno_zolotom_proekte_baksy_na_severe_kazakhstana/)

subsidiary of Rosatom, the company “Uranium One Group” as described in the Diagram 7 below. The concentration of uranium deposits in these hands is alarming.

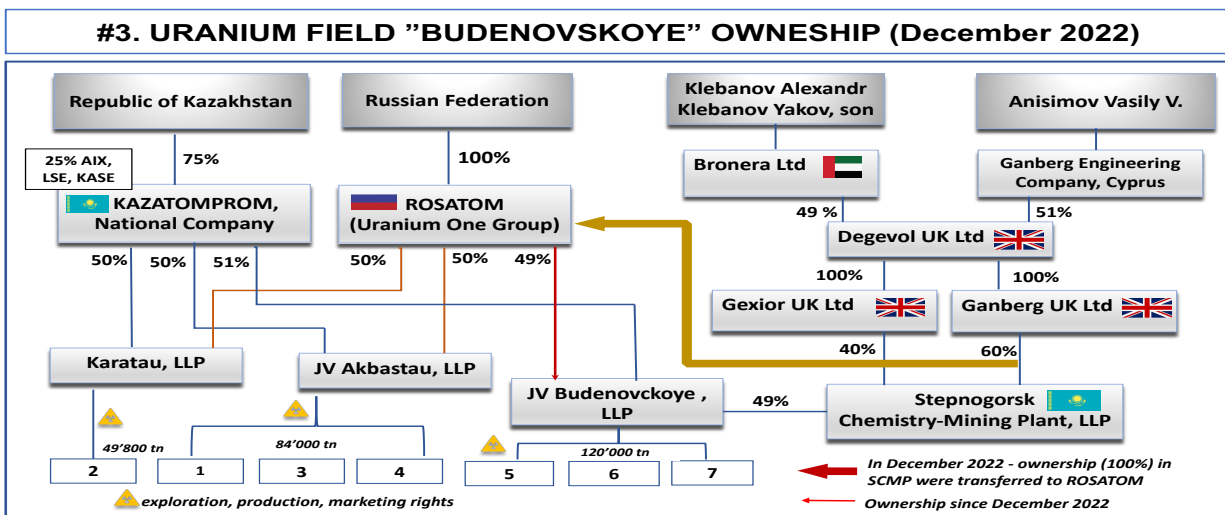


Diagram 7 - Showing the schemes through which Rosatom acquired a large share in Kazakhstan's uranium.

Another example is the Freedom Finance Co., headed by Timur Turlov, which provides brokerage services and access of Russian citizens to the IPO of Western countries, including the United States. In a short period, Turlov's company announced income that was several times higher than the income of Wall Street sharks. Also, ex-Russian businessman Turlov is known for issuing credit and debit bank cards with the help of which the finances of Russian citizens are circulated.

Oligarchs from the entourage of the ex-president of Kazakhstan, who continue to supply sanctioned products to Russia, are directly involved in schemes for circumventing sanctions. For example, Eurasia Resource Group (ERG), which is close to the ex-president, supplied aluminum to Russia. The capacity of its plant in Pavlodar ("Aluminum of Kazakhstan") is 1.4 million tons of alumina per year. Alumina from Kazakhstan is supplied by rail. ERG sells alumina to Russia and receives payments through then sanctioned VTB Kazakhstan Bank. Later sanctions imposed on VTB were lifted.

At the time of Russia's invasion of Ukraine rich Kazakh oligarchs already owned businesses in Russia, however, they continued to change their ownership and acquired even more businesses and assets. We believe that it is directly connected to the sanctions evasion process. Kazakh oligarchs are cutting a deal with Russians to disguise who is the real owner of the business.

Timur Kulibayev, who is the son-in-law of the former president of Kazakhstan, Nursultan Nazarbayev, together with his wife Dinara Kulibayeva, owns ALMEX Holding Group JSC. Through ALMEX Holding Group JSC, they control Halyk Bank of Kazakhstan JSC and have a 40% stake in Altyn Bank JSC. This conglomerate operates across several countries including Kazakhstan, Russia, Kyrgyzstan, Uzbekistan, Tajikistan, and Georgia. Kulibayev is also the main owner of Kipros LLP, which is a diversified structure encompassing various entities such as Viled Group LLP, Emdeu Group LLP, iQ Solutions

LLP, and PetroRetail LLP (which manages the KMG gas station network). Additionally, Kipros LLP owns Mercury Properties LLP, which is engaged in renting and managing commercial real estate in cities like Almaty, Astana, Dubai, and others. Moreover, Kulibayev controls Vitol Group. In 2021, Vitol Group, along with Glencore Plc and Trafigura Group, were the primary companies involved in transporting roughly 40% of Russia's Urals crude, indicating significant influence in the global energy market.

In July 2022, there was a change in ownership for Kamkor Lokomotiv LLP and Kamkor Wagon LLP, with both companies transitioning to the balance of Kazakhstan Transport Technologies LLP. Kamkor Lokomotiv LLP's founders originally included Joint Technologies LLP and Kamkor Management LLP, while Kamkor Wagon LLP's founders included Kamkor Management LLP. Among the founders of Kamkor Management LLP were Andrey Kim, Alibek Kulibaev (nephew of Timur Kulibaev), Dias Suleimenov (a business partner of Timur Kulibaev), and Joint Technologies LLP. Joint Technologies LLP, in turn, is owned by Raushan Sagdieva and Kipros LLP, which is owned by Timur Kulibayev. The new owner, Kazakhstan Transport Technologies LLP, has two founders: Vector Technological Solutions LLC and Discus LLC. Interestingly, the beneficiary of Vector Technological Solutions LLC, which was created just a month before the transaction, is Russian citizen Alexey Lebedev. This intricate web of ownership changes suggests a strategic realignment or restructuring within the transportation sector in Kazakhstan, possibly influenced by both domestic and international interests.<sup>49</sup>

Vladimir Kim, who holds the top position among the 50 wealthiest individuals in Kazakhstan, is engaged in tolling copper concentrate and polymetals through the Zhezkent Mining and Processing Combine (MPC) and the Auezov-Bakirchinsky MPC, alongside individuals subject to Russian sanctions. In July 2023, KAZ Minerals, a copper producer owned by Vladimir Kim and his partner Oleg Novachuk, halted operations in Russia, announcing their withdrawal from the Baimskoye copper project in Chukotka. Following this move, GDK Baimskaya LLC, the entity responsible for developing the Baimskoye field, saw a change in ownership. The new owner is Trianon Limited, a Kazakh private company registered in 2022 in the Astana International Financial Centre (AIFC). Interestingly, the shareholders of Trianon Limited are the same individuals who own KAZ Minerals, namely Vladimir Kim and Oleg Novachuk. KAZ Minerals had previously acquired the Chukotka-based Baimka project for \$900 million from Roman Abramovich and Alexander Abramov. This deal, which was announced in 2018, was finalized in 2021. These developments illustrate the complex dynamics of resource extraction projects involving prominent figures in the Kazakh business landscape and their strategic maneuvers within the mining sector.<sup>50</sup>

Kairat Itemgenov, a businessman featured on the Forbes Kazakhstan lists, owns hotels in Moscow and is the majority shareholder of the Aqniyet Group, which holds the Mövenpick and Pana brands in Kazakhstan. By the end of 2022, a Holiday Inn Express hotel managed by Itemgenov was brought under the Pana brand in Moscow. Alongside the hotel, the Tary ethnic cafe was inaugurated in the Russian capital. In January 2024,

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49 [https://forbes.kz/leader/bolshaya\\_peremena\\_1556256977\\_1699239200/](https://forbes.kz/leader/bolshaya_peremena_1556256977_1699239200/)

50 [https://forbes.kz/economy/business/chem\\_kazahstantsyi\\_iz\\_spiskov\\_forbes\\_vladeyut\\_v\\_rossii/?utm\\_source=forbes&utm\\_medium=incut\\_fw&utm\\_campaign=313943](https://forbes.kz/economy/business/chem_kazahstantsyi_iz_spiskov_forbes_vladeyut_v_rossii/?utm_source=forbes&utm_medium=incut_fw&utm_campaign=313943)



Itemgenov's group made headlines by announcing the acquisition of Globaltrans, a Russian company specializing in rail freight transportation across CIS countries. This move is significant, as it demonstrates strategic investment in companies that could potentially aid Russia in circumventing sanctions and addressing logistical and shipping challenges. Such investments may play a role in bolstering Russia's resilience amid geopolitical and economic pressures.

We have reported previously on Kenes Rakishev who the closest friend of sanctioned Chechnya President, Ramzan Kadyrov who is known to be the right hand of Putin. Rakishev is running Fincraft Group LLP. The group does business in Kazakhstan, the USA, Ukraine, Romania, Belarus, Russia, Cyprus and the Isle of Man. In Kazakhstan he allegedly signed the contract as private investor in 2017 along with Ministry of Finance, National Bank of the Republic of Kazakhstan, JSC “National Welfare Fund “Samruk-Kazyna”, JSC “Problem Loans Fund “, JSC “Kazkommertsbank”, JSC “BTA Bank”, JSC “Halyk Savings Bank of Kazakhstan” to invest trillions of tenges into saving two banks BTA and Kazcommerce by supporting them financially. The deal was closed in a non-transparent manner, without any market value estimates and tax deductions.<sup>51</sup>

Kairat Mazhibaev, the founder of RG Brands JSC, operates a private company registered in Dubai since 2021. This company is a subsidiary of Area Plus DMCC, which is based in Dubai and ultimately owned by Mazhibaev himself. While RG Brands primarily focuses its business activities in Kazakhstan, the company also has foreign subsidiaries. One such subsidiary is RG Brands North LLC, located in Russia's Novosibirsk region. Established in 2016, RG Brands North LLC is tasked with the sale and distribution of the group's products in Russia. In terms of financial performance, RG Brands experienced significant revenue growth, with the group generating 156.4 billion tenge in revenue in 2022 compared to 100.1 billion tenge the previous year. This growth underscores the company's expanding presence and success in the market, both domestically and internationally.

Marat Bakkulov the owner of the Almaty Ventilator Plant (AVZ) has its own plant in Russia: in 2020, the company opened production in Tatarstan to “cover the needs of the Russian market.” The Russian enterprise, which is called BhB System, has a central office in Kazan, an office in Moscow, and a representative office in Nizhny Novgorod. It is unclear whether the sanctions regime is violated, but the fact remains true that this company is running a business next to a very thin line.<sup>52</sup>

The sanctions evasion report would not be complete without mentioning some of the already sanctioned entities in addition to Elem Group and DA GROUP 22 mentioned above. These sanctions highlight efforts to target entities that may be facilitating or benefiting from Russian aggression against Ukraine, aiming to apply pressure on Russia and its supporters. It appears there are three Kazakh companies currently sanctioned by

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<sup>51</sup> <https://kiar.center/the-public-foundation-elge-qaitaru-demands-that-authorities-investigate-kenes-rakishev-and-the-pool-of-banks-suspicious-deal/>

<sup>52</sup> [https://forbes.kz/economy/business/chem\\_kazahstantsyi\\_iz\\_spiskov\\_forbes\\_vladeyut\\_v\\_rossii/?utm\\_source=forbes&utm\\_medium=incut\\_fw&utm\\_campaign=313943](https://forbes.kz/economy/business/chem_kazahstantsyi_iz_spiskov_forbes_vladeyut_v_rossii/?utm_source=forbes&utm_medium=incut_fw&utm_campaign=313943)

the Office for Foreign Assets Control (OFAC) due to their connection to Russian aggression against Ukraine:

- BELMAGISTRALAVTOTRANS SPEDITIONS GMBH: This company, owned by Belarus national Evgueni Kostiouk, operates as a freight forwarder based in Germany. Belmagistralavtotrans Speditions GmbH (BMA Spedition) arranges transports between Western Europe and Russia, Belarus, and other former Soviet republics.
- BANK VTB KAZAKHSTAN JOINT STOCK COMPANY: Bank VTB Kazakhstan Joint Stock Company is a bank located in Kazakhstan. The imposition of sanctions against Russia's top financial institutions aims to impede Russia's ability to raise capital, which is crucial for its aggressive actions.
- SBER VOSTOK LIMITED LIABILITY PARTNERSHIP: Sber Vostok Limited Liability Partnership is engaged in retail and wholesale trade in Kazakhstan. Similar to Bank VTB Kazakhstan, the imposition of sanctions against Russia's top financial institutions aims to hinder its ability to raise capital, which is essential for its aggressive activities.

Aside from trade, Kazakhstan has maintained a significant relationship with Russia in terms of military cooperation, including the leasing of areas for the testing of weapons systems. The Sary-Shagan range, located between Almaty and Astana, has been utilized by Russia for testing intercontinental ballistic missiles, as evidenced by the announcement of a new missile test in April 2023. Additionally, Baikonur Cosmodrome in Western Kazakhstan has long been leased to Russia on a long-term basis for space rocket launches. This historic and strategic site has been crucial for Russia's space program, serving as the primary launch facility for manned and unmanned missions. Kazakhstan's cooperation with Russia in these areas reflects the complex geopolitical dynamics in the region, where economic, security, and historical factors intersect.

## KYRGYZSTAN

We will turn to the UN Comtrade data for multiple countries that are in the spotlight, mainly because it is hard to access national statistics for most of them. The UN Comtrade data for Kyrgyzstan outlined in the chart above shows the export and import dynamics between 2021 – 2022 and we can see that the exports to Russia from Kyrgyzstan have grown as compared to imports. In 2021 Kyrgyzstan exported \$392 m worth of goods as compared to the tripled amount of goods worth \$1,06 b in 2022. The import remained within the same corridor in 2021 - \$1,9 b compared to \$2,4 b in 2022.<sup>53</sup> This sharp increase leads us to the conclusion that there was a jump in the exported goods to Russia, this could be connected to the sanctions evasion processes. The data for 2023 has not yet been released.

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<sup>53</sup><https://comtradeplus.un.org/TradeFlow?Frequency=A&Flows=X&CommodityCodes=TOTAL&Partners=643&Reporters=417&period=2023&AggregateBy=none&BreakdownMode=plus>

Kyrgyzstan witnessed the expansion of import-export companies that do business mainly with Russia. The firms are profiting from sales of sanctioned Chinese and European goods — from drones and aircraft parts to rifle scopes and advanced bomb circuitry — most of which are flown or shipped overland to companies in Russia.

In August 2023, U.S. Senator Bob Menendez, Chairman of the Senate Foreign Relations Committee, sent a letter to the President of the Kyrgyz Republic regarding allegations that Kyrgyzstan has assisted Russia, or its proxies, in evading international sanctions imposed in response to Russia's invasion of Ukraine.<sup>54</sup> Shortly

after the European Parliament's Foreign Committee chair, David McAllister urged Kyrgyzstan to ensure compliance with international sanctions against Russia amid growing concerns countries in Central Asia are being used to bypass the measures.<sup>55</sup>

Many Russian drones contain Western parts and technology, and Kyrgyzstan witnessed the expansion of import-export companies that do business mainly with Russia. The firms are profiting from sales of sanctioned Chinese and European goods — from drones and aircraft parts to rifle scopes and advanced bomb circuitry — most of which are flown or shipped overland to companies in Russia. According to UN trade data Kyrgyzstan did not import or export a single part for airplanes, helicopters, or drones in 2021, but in 2022, Kyrgyz firms imported \$3.5 million in such parts -- primarily from the United States -- and exported \$1.5 million in this category to Russia.

RM Design and Development (Kyrgyzstan) - supplies the Russian company Micropribor with AD822 operational amplifiers from the American Analog Devices for the BMP-1AM Basurmanin missile. The founders of Micropribor are accountant Liliya Ismagilova and karate instructor Maria Fedorova, who previously worked at the Izhevsk Radio Plant and works for the Russian armed forces. St. Petersburg Region-Prof and M.L. Dukhov Research Institute of Automation." The founder is Kyrgyz businessman Shakir Marov, a business partner of Anton Ripp, who has a business in Russia.<sup>56</sup>

It appears that five companies from Kyrgyzstan have been placed on the sanctions list by the United States government for their collaboration with Russia. This decision was officially announced by the US Treasury Department, specifically by the Office of Foreign Assets Control (OFAC). The sanctions were implemented as part of the commitments made by the G7 leaders on February 24 and May 19, 2023. These measures aim to limit Russia's access to products supporting its military capabilities, reduce its income from the metals and mining sector, undermine its future energy capabilities, restrict access to the international financial system, and deprive Russia of technologies crucial for its technology, aerospace, and defense sectors.

· LLC RM Design and Development ("RM Design and Development"). The company was established in March 2022, is based in the Kyrgyz Republic, and sells electronic and telecommunication equipment and spare parts. Since its founding last year, it has been

<sup>54</sup> <https://www.foreign.senate.gov/press/dem/release/chairman-menendez-calls-on-kyrgyzstan-to-uphold-international-sanctions-against-russia-reverse-course-on-democratic-backsliding>

<sup>55</sup> <https://www.rferl.org/a/european-parliament-kyrgyzstan-russia-sanctions-compliance/32564971.html>

<sup>56</sup> <https://www.rferl.org/a/kyrgyz-kazakh-firms-investigation-western-tech-russia-war-ukraine/32467795.html>

actively supplying Russia with dual-use goods, including firms that supplied electronics to Russian defense companies, according to US authorities. It is reported that the company sent hundreds of shipments of goods, including semiconductor devices, electronic integrated circuits and capacitors, to the Russian LLC Basis Trade Prosoft (BTP), Radiotekhsnab (RTS), Region-Prof. All three are also included in the sanctions list.

- Progress Leader LLC, established in March 2022, has been involved in numerous deliveries to the Russian company Siaisi (CIC), which primarily deals with electronic and optical equipment, as well as computers and related equipment. CIC is owned and led by Russian citizen Tatyana Grigorievna Ivanova, who is also the general director and owner of Progress Leader. Both CIC and Ivanova were previously included in the sanctions list, and Progress Leader has now been added for providing material assistance, sponsorship, or financial, material, or technological support, as well as goods or services, to or in support of CIC.

- CJSC "GTME Technologies," registered in the Kyrgyz Republic and established in June 2022, has made numerous shipments of goods to Russia, including high-priority items listed in the FinCEN-BIS Supplemental Alert, such as tantalum capacitors and electronic integrated circuits. The primary customer of GTME Technologies was the Russian company Technologies Systems and Complexes Limited (TSC), which is a supplier of electronic and digital equipment. Both GTME Technologies and TSC have been included in the sanctions list for their involvement in the technological sector of the Russian Federation economy.

- Cargoline LLC, established in March of the previous year and headquartered in Kyrgyzstan, has supplied millions of dollars worth of foreign-made aircraft to Russia, including directly to airlines subject to US export controls. As a result, Cargoline has been included in the sanctions list under the category "for assistance in activities in the aerospace sector of the economy of the Russian Federation."

- Weitmann Handeln Allianz LLC (Weitmann), based in the Kyrgyz Republic, offers turnkey supply, logistics, and customs clearance services to foreign clients. Weitmann has sent hundreds of shipments to Russia containing automatic data processing machines and disk storage devices. As a result of its activities, Weitmann has been designated pursuant to Executive Order 14024 for operating or having operated in the technology sector of the Russian Federation economy.<sup>57</sup>

It's not uncommon for economic sanctions to prompt shifts in trade patterns. If Russian firms face restrictions on accessing certain goods or technologies due to sanctions, they may seek alternative sources for their manufacturing needs. Kyrgyzstan's market could become more attractive to Russian firms seeking to circumvent sanctions or find alternative suppliers. This could lead to an increase in business activity between the two countries, particularly in sectors where Kyrgyzstan can provide goods or services that are subject to sanctions elsewhere.

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<sup>57</sup> <https://home.treasury.gov/news/press-releases/jy1978>

## TAJIKISTAN

It's interesting to observe the export and import dynamics between Russia and Tajikistan, as reflected in the UN Comtrade data for the years 2021 and 2022. Despite fluctuations, the overall level of trade seems relatively stable between these two years. In 2021, Tajikistan exported \$72 million worth of goods, which increased to \$88 million in 2022. Similarly, imports from Russia to Tajikistan remained within a similar range, amounting to \$1.2 billion in 2021 and increasing to \$1.6 billion in 2022. These official statistics suggest that there hasn't been a dramatic shift in trade volumes between the two countries over the two-year period. However, it's important to note that official statistics may not always capture the full extent of trade activities, especially if there are unofficial or informal channels of trade operating alongside formal ones. Therefore, while the official data indicates stability, unofficial data or anecdotal evidence could potentially paint a different picture, revealing shifts in trade patterns that aren't reflected in official statistics.

Since the data for 2023 has not yet been released, it will be interesting to see if there are any notable changes in trade dynamics between Russia and Tajikistan in that year, especially considering the evolving geopolitical and economic landscape. In the summer of 2023, Tajikistan's First Deputy Minister of Economic Development and Trade Ashurboy Solehzoda reported that foreign trade with Russia accounts for 24.8% making it first among other countries. Tajikistan views Russia as its main partner and is set to boost trade with the country despite Western sanctions.

The arrest of Tajik-American businessman Salimjon Nasriddinov in New York in 2023 on charges related to smuggling, conspiracy to violate sanctions, and wire fraud conspiracy is significant. Nasriddinov, along with his two Canadian partners, Nikolay Goltsev and Kristina Puzyreva, allegedly operated a global scheme to evade U.S. sanctions and export controls by acquiring critical technology for the Russian military, which was reportedly used in its conflict in Ukraine. The scheme involved using two companies registered in Brooklyn, SH Brothers and SN Electronics, to purchase dual-use electronics from U.S. manufacturers and ship them abroad. SH Brothers was established by Nasriddinov in June 2021, while SN Electronics was registered under his wife's name in January 2023. According to U.S. prosecutors, the equipment was initially shipped to countries such as China, India, and Turkey, before being forwarded to Russia. This case underscores the importance of enforcing export controls and sanctions compliance to prevent the unauthorized transfer of sensitive technology to entities and countries subject to sanctions or embargoes.<sup>58</sup>

Over the course of a year, Nasriddinov is accused of sending over 300 shipments of restricted items, valued at approximately \$7 million, to the Russian battlefield.

The imposition of sanctions on Tajikistan-based Jamaiyati Doroi Masuliyati Mahdudi Kafolati Komil (Kafolati Komil LLC) by the State Department is significant. The company reportedly faced sanctions for its alleged involvement in sending foreign-made aviation parts to Russia via the United Arab Emirates. Kafolati Komil LLC was designated pursuant

<sup>58</sup> <https://www.rferl.org/a/russia-military-us-technology-smuggling/32675092.html>

to Executive Order 14024 for its operation or alleged operation in the aerospace sector of the Russian Federation economy. These sanctions highlight the efforts of the United States government to enforce measures aimed at restricting the transfer of sensitive technology or goods to Russia, particularly in sectors such as aerospace. Such actions are part of broader strategies to address concerns related to national security and international stability.<sup>59</sup>

## UZBEKISTAN

The significant increase in exports from Uzbekistan to Russia, as reflected in the UN Comtrade data for 2021 and 2022, is indeed noteworthy. In 2022, Uzbekistan exported \$2.6 billion worth of goods to Russia, compared to \$1.7 billion in 2021. Similarly, imports from Russia to Uzbekistan also experienced a slight increase, rising from \$5.3 billion in 2021 to \$6.05 billion in 2022. Such substantial changes in trade volumes between the two countries could potentially be linked to attempts to circumvent sanctions. Given the geopolitical context and the imposition of sanctions on certain countries, including Russia, by various entities, there may be efforts by some nations to exploit loopholes or engage in alternative trade routes to continue business with sanctioned entities. While the data for 2023 has not yet been released, it will be interesting to observe whether these trends continue or if there are any shifts in trade dynamics between Uzbekistan, Kyrgyzstan, and Russia in the coming year.<sup>60</sup>

The coordinated action taken by the United States and the United Kingdom on April 12 targeted the facilitation network of Alisher Usmanov, a Russian businessman subject to sanctions in multiple jurisdictions. This action aimed to disrupt Russia's ability to evade sanctions and import critical technologies used in its conflict against Ukraine. As part of this effort, the U.S. Office of Foreign Assets Control (OFAC) designated 25 individuals and 29 entities with connections in 20 different jurisdictions. In addition to these designations, the U.S. Department of State concurrently designated several entities operating in the defense sector of the Russian Federation economy, along with entities supporting Russia's war against Ukraine. Furthermore, additional entities associated with Russia's State Atomic Energy Corporation (Rosatom) were also targeted.<sup>61</sup>

"Zimenkov network," has been engaged in projects related to Russian defense supply, particularly involving high-technology devices, following Russia's full-scale invasion of Ukraine on February 24, 2022

The US Department of Treasury's Office of Foreign Assets Control (OFAC) imposed sanctions on February 1, 2023, targeting 22 individuals and entities for their involvement in assisting Russia in evading sanctions. This action was part of the efforts of the Russian Elites, Proxies, and Oligarchs

(REPO) Task Force, which aims to identify, investigate, and freeze Russian assets

<sup>59</sup> <https://www.asiaplustj.info/en/news/tajikistan/politics/20231214/tajikistan-based-company-subjected-to-us-sanctions-for-supplying-aviation-parts-to-russia>

<sup>60</sup> <https://comtradeplus.un.org/TradeFlow?Frequency=A&Flows=X&CommodityCodes=TOTAL&Partners=643&Reporters=398&period=2021&AggregateBy=none&BreakdownMode=plus>

<sup>61</sup> <https://home.treasury.gov/news/press-releases/jy1402>



worldwide. The sanctions specifically targeted a network led by arms dealer Igor Vladimirovich Zimenkov, based in Russia and Cyprus. This network, known as the "Zimenkov network," has been engaged in projects related to Russian defense supply, particularly involving high-technology devices, following Russia's full-scale invasion of Ukraine on February 24, 2022. Members of this network have also been involved in various deals related to Russian cybersecurity and helicopter sales abroad, and have direct connections with Rosoboronexport, a Russian state-owned military export company. Alexander Volfovich, the public and registered owner of six companies within the Zimenkov network, including entities located in Cyprus, Bulgaria, and Israel, has been implicated in facilitating these activities. Additionally, Maks Borisovich Piflaks, based in Uzbekistan and serving as the director of Mateas Limited, along with his son Gilad Piflaks, are members of the Zimenkov network and associated with D.E.S. Defense Engineering Solutions LTD, an entity linked to Russian state military manufacturers. Maks Piflaks was designated pursuant to Executive Order 14024 for his leadership role within Mateas Limited.<sup>62</sup>

It seems like Uzbekistan's Fergana Chemical Plant has been extensively involved in supplying cotton pulp to Russian military plants, which are under sanctions by Ukraine, the U.S., and Switzerland. The company has not only supplied to Russian importers but has also directly shipped to Russian plants, including gunpowder plants in Kazan and Perm. According to trade data, these direct shipments amounted to over \$2.2 million in 2022. Additionally, in the same year, the company made direct shipments to Russia's Tambov powder plant for almost half a million dollars. In 2023, the company's exports to Russia increased significantly, totaling at least \$2.6 million, which indicates a notable increase compared to the previous year. This information, as reported by the OCCRP, highlights Uzbekistan's involvement in supplying Russia's military industry, raising concerns due to the sanctions imposed on the Russian plants by several countries.<sup>63</sup>

In 2023, Uzbekistan Fergana Chemical Plant's exports of cotton pulp to Russia increased significantly, totaling at least \$2.6 million, which indicates a notable increase compared to the previous year. Cotton pulp is used in Russia as a raw material from producing gun powder.

The UK's National Economic Crime Centre has made 46 new designations under the Russia and Belarus financial sanctions regimes, targeting entities suspected of involvement in circumventing sanctions on the export of high-risk goods used by Russia in the conflict in Ukraine. These designations include 31 Russian individuals and entities engaged in designing and manufacturing drones, missile parts, and importing key electronic components. Additionally, companies from China, Serbia, and the UAE have been designated for their business activities in sectors of strategic significance to the Russian government, such as energy and defense. Among the designated entities are:

<sup>62</sup> <https://home.treasury.gov/news/press-releases/jy1241>

<sup>63</sup> <https://www.occrp.org/en/investigations/central-asian-cotton-powers-russias-sanctioned-gunpowder-plants>

- A Belarusian entity, JSC Display Design Bureau, associated with manufacturing military technology for the Belarusian regime, which has directly supported Russia's actions in Ukraine.
- A Serbian company, AVIO CHEM, which has sent multiple shipments of aircraft parts and accessories to Russian entities.
- An Uzbek company, MVIZION, which acted as an intermediary to import parts into Russia.
- A Turkish entity, Smart Trading Limited, involved in the supply of sanctioned electronics to Russia.
- Three Chinese entities: Asia Pacific Links Limited, Sinno Electronics Co., Limited, and Xinghua Co., Limited, engaged in supplying goods crucial to Russia's war efforts.
- Four UAE-based entities: K&O Ship Management, Oil Tankers (SCF) Management, Radiating World Shipping Services LLC, and Star Voyages Shipping Services LLC, utilizing opaque corporate structures and deceptive shipping practices to facilitate trade in Russian oil without hindrance.

The Office of Foreign Assets Control (OFAC) has sanctioned five Uzbek companies for various activities:

- Three companies from Alisher Usmanov's network: AIAKHANGARANCEMENT JOINT STOCK COMPANY, AKKERMANN CEMENT CA LIMITED LIABILITY COMPANY, and WINDFEL PROPERTIES LIMITED. These companies are likely affiliated with Alisher Usmanov, a Russian oligarch. The specific reasons for their sanctions were not provided in your message.
- OOO MVIZION, which acted as an intermediary to import parts into Russia. The details regarding the specific parts and their use were not mentioned.
- PRIVATE COMPANY PROMCOMPLEKTLOGISTIC, which has actively supported Radioavtomatika in its efforts to evade U.S. sanctions since Radioavtomatika's designation on March 3, 2022. Promcomplektlogistic Private Company has provided electronic components, such as microcircuits, to Radioavtomatika.

Uzbek officials have been leveraging meetings with representatives of the European Union to advocate for the removal of sanctions against Russian oligarch Alisher Usmanov and his sister, Gulbakhor Ismailova. This lobbying effort suggests a diplomatic maneuver to influence EU policies regarding sanctions on individuals with ties to Alisher Usmanov, who is a prominent figure in Russia's business and political spheres. The motivations behind Uzbekistan's lobbying could vary, including diplomatic relations with Russia, economic interests, or strategic partnerships. It's noteworthy that Alisher Usmanov has significant investments in Uzbekistan, and Uzbek officials might perceive his sanctions as detrimental to the country's economic ties or political stability. However, the EU's stance on sanctions is typically based on factors such as human rights violations, corruption, or involvement in activities contrary to European interests or values. Alisher Usmanov and Gulbakhor Ismailova's activities and their adherence to the criteria for sanctions removal.

## GEORGIA

The significant increase in imports to Georgia from Russia, nearly doubling from \$1.023 billion in 2021 to \$1.8 billion in 2022, while exports remained relatively stable around \$610 million in 2021 and \$642 million in 2022, raises concerns about potential sanctions

The Georgian authorities recently introduced a prohibition on car exports to Russia, which was the most popular car dealers destination until August 2023. However, witnesses claim that hundreds of sanctioned vehicles continue to be shipped to Russia.

evasion. This disparity in trade figures could indeed indicate efforts to bypass sanctions by increasing imports from Russia, where certain goods or entities might be subject to sanctions, while maintaining stable export levels. The possibility of sanctions evasion through trade is a serious issue that requires scrutiny and investigation by relevant authorities.

Such practices undermine the effectiveness of sanctions regimes and can have broader implications for regional stability and compliance with international norms. The release of data for 2023 will be important for further analysis and to assess whether this trend continues or changes. Monitoring trade patterns and identifying irregularities or discrepancies are crucial steps in detecting and addressing potential sanctions evasion activities.<sup>64</sup>

The United States has identified five countries, including Georgia, that are allegedly aiding Russia in evading sanctions. According to a speech by U.S. State Department sanctions coordinator Jim O'Brien at the annual meeting of the European Council on Foreign Relations, these countries are implicated in facilitating the circumvention of sanctions imposed on Russia. The other four countries mentioned in this context are Turkey, Kazakhstan, the United Arab Emirates, and Armenia. This designation suggests that these countries may be involved in activities that undermine the effectiveness of international sanctions against Russia, potentially by providing routes or mechanisms for Russia to evade sanctions and continue its economic activities despite international restrictions.<sup>65</sup>

It appears that Russia has significant involvement in various sectors of the Georgian economy through foreign direct investment. Here's a summary of the sectors and examples of Russian ownership:

- **Energy Sector:** Russian-owned companies are involved in electricity generation, supply, transmission, and trade. For instance, Russian Inter RAO owns Telmico, which supplies electricity exclusively to the Georgian capital, Tbilisi.
- **Oil and Gas Sector:** One of the largest retail oil operators in Georgia is owned by Russia. Additionally, until May 2021, Russia held a 33% stake in the oil terminal at Poti port, indicating involvement in the oil trade.

<sup>64</sup><https://comtradeplus.un.org/TradeFlow?Frequency=A&Flows=X&CommodityCodes=TOTAL&Partners=643&Reporters=398&period=2021&AggregateBy=none&BreakdownMode=plus>

<sup>65</sup> <https://jam-news.net/politico-georgia-helping-russia-evade-sanctions/>

- **Communications Market:** A significant portion, 25%, of the communications market in Georgia is owned by Russian citizens, suggesting a presence in telecommunications infrastructure or services.
- **Mineral Water and Mining:** Seven of the largest companies in the mineral water and mining sectors in Georgia are under Russia's control, indicating significant investment and influence in these industries.

This level of Russian ownership and investment across multiple sectors of the Georgian economy underscores the economic ties between the two countries. However, it can also raise questions about economic dependence and potential geopolitical implications, particularly considering the broader context of Russia's relations with neighboring countries and international sanctions imposed on Russia in response to its actions in various regions. This raises certain concern about independence of the country and creates a big loophole allowing to evade the sanctions and implement Russian corrupt practices. Russian-owned businesses in Georgia face risks due to Western sanctions as they could be targeted by sanctions or used to evade them. Recent cases, like with IDS Borjomi and VTB Bank Georgia – companies affected by Western sanctions.<sup>66</sup> Hence the Georgian authorities made public statements that there is not a single case of sanctions violation.

In 2022 Georgian ruling party “Georgian Dream” following its warm relationships with Russia was suspected of providing assistance to the latter in sanctions evasion. There was a tanker with Russian oil products spotted in the port of Batumi. This was reported by the Georgian opposition channel Mtavari, suggesting that Georgia plans to change the origin of the cargo and send it to Europe as a product from Kazakhstan. In turn, the leader of the Servant of the People faction, David Arakhamia, said that during a visit to the United States, the Ukrainian delegation brought to the attention of its allies that the Georgian authorities are helping the Russians circumvent sanctions.<sup>67</sup> OFAC so far sanctioned only VTB Bank Georgia Joint Stock Company. The imposition of sanctions against Russia's top financial institutions fundamentally imperils Russia's ability to raise capital key to its acts of aggression.

## ARMENIA

The significant increase in both exports from and imports to Russia from Armenia, as indicated by the UN Comtrade data between 2021 and 2022, suggests a notable expansion in trade between the two countries. In 2021, Armenia exported \$793 million worth of goods, which surged to \$2.4 billion in 2022. Similarly, imports from Russia to Armenia increased from \$1.8 billion in 2021 to \$2.6 billion in

Sharp increase in imports of Chips and Microprocessors: Between 2021 and 2022, Armenia's imports of chips and microprocessors from the United States surged by 515%, while imports from EU markets increased by 212%. The US Bureau of Industry and Security estimates that up to 97% of these imported goods were re-exported to Russia.

<sup>66</sup> <https://freepolicybriefs.org/2023/11/27/risks-russian-business-ownership/>

<sup>67</sup> <https://society.comments.ua/news/developments/chto-proishodit-s-gruziyei-pochemu-pomogaet-agressoru-kak-v-etoy-situacii-deystvovat-ukraine-699746.html>

2022. This sharp rise in trade volumes between Armenia and Russia, with a 92% increase in trade exchanges in 2022 compared to the previous year, raises concerns about potential involvement in sanctions evasion processes. Such a dramatic increase in trade could indicate efforts to bypass sanctions or mitigate their impact by strengthening economic ties with Russia. The surge in Armenia's exports to Russia, increasing by 2.4 times compared to the previous level, suggests a significant shift in trade dynamics and potentially points to strategic economic maneuvers aimed at offsetting the effects of sanctions or taking advantage of new market opportunities.

A document provided to Politico by the US Bureau of Industry and Security suggests a concerning pattern of Armenia potentially serving as a conduit for goods, particularly electronic components like chips and microprocessors, destined for Russia.<sup>68</sup> Here are the key points:

- **Sharp Increase in Imports of Chips and Microprocessors:** Between 2021 and 2022, Armenia's imports of chips and microprocessors from the United States surged by 515%, while imports from EU markets increased by 212%. The US Bureau of Industry and Security estimates that up to 97% of these imported goods were re-exported to Russia.
- **Armenian Government's Confirmation of Cooperation with Russia:** The Armenian government confirmed its continued expansion of cooperation with Russia in various sectors, including political, economic, military, and security areas. This indicates a close relationship between Armenia and Russia, which could facilitate trade flows between the two countries.
- **Top Exports to Russia:** Electrical and electronic equipment topped Armenia's exports to Russia in 2022, amounting to \$462.35 million, according to Trading Economics.
- **Limited Industrial Capacity of Armenia:** It is noted that Armenia lacks the industrial capacity and resources to significantly boost exports to Russia within a year. Therefore, the substantial increase in exports to Russia raises questions about the origin and nature of these goods.
- **Increased Imports from Major Economies:** There was a significant increase in Armenia's imports from major economies like Vietnam, Mexico, and Japan, suggesting that these countries may have used Armenia as a backdoor to reach the Russian market.

These findings raise concerns about Armenia's potential role in facilitating the circumvention of sanctions or trade restrictions imposed on Russia by serving as a transit point for goods destined for the Russian market. Such practices could undermine the effectiveness of international sanctions regimes and warrant further investigation by relevant authorities.<sup>69</sup>

Armenia's assistance in sanctions circumvention have not been limited to technology transfers. In only one year, money transfers to Armenia reached record figures.

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68 <https://caspiannews.com/news-detail/us-says-armenia-helping-russia-evade-sanctions-2023-6-9-21/>

69 <https://neweasterneurope.eu/2023/05/26/armenia-russias-backdoor-to-circumvent-sanctions/#:~:text=Russia's%20economy%20continues%20to%20suffer,to%20bypass%20these%20new%20restrictions.>

Compared to 2021, there was 2.5 times increase and money transfers from Russia to Armenia specifically grew at least four times, amounting to 3.6 billion dollars. This unprecedented growth in money transfers was mostly caused by different countries' continuing interest in trade exchanges with Russia, in which Armenia came in handy in bypassing the sanctions barrier. The Russian market is flooded with the Armenian cars brought to Russia via Georgia. The cars are bought in the United States and received in the Poti port in Batumi and then transferred directly to Russia as confirmed by many sole traders.<sup>70</sup>

The Information provided highlights the sanctions imposed by the Office of Foreign Assets Control (OFAC) on three Armenian companies:

- VTB BANK ARMENIA JOINT STOCK COMPANY: This Armenian bank has been sanctioned by OFAC due to its affiliation with Russia's top financial institutions. Sanctions against such institutions are aimed at hindering Russia's ability to raise capital, which could be used to support aggressive actions.
- The Taco LLC: Designated for supporting Radioavtomatika, a Russian company involved in the military or defense sector. Radioavtomatika was previously targeted by sanctions, and The Taco LLC's support for it led to its own designation.
- Milur Electronics LLC: This Armenian entity has been designated by OFAC for its ties to Milandr, a Russian developer and manufacturer of integrated microcircuits involved in military research and development. Milur Electronics LLC has been used as a front company for Milandr's business with foreign partners.

As mentioned above on July 12, 2023, Bureau of Industry and Security (BIS) of the US Department of Commerce suggested to amend the Export Administration Regulations (EAR) by adding forty-two entities under forty-four entries to the Entity List. These entities were also from Armenia. The ERC determined to add two individuals, Aram Kocharyan and Hermine Kocharyan, and one company, ARM-BEKAR LLC.<sup>71</sup>

## RE-EXPORTS TO RUSSIA FROM CHINA VIA CENTRAL ASIAN COUNTRIES

The study conducted by The Diplomat on imports of products from China to Central Asian countries and their subsequent exports to Russia suggests a potential pattern of Chinese assistance to the Russian military machine through Central Asia. While China maintains

In Uzbekistan, two new categories appeared in the list of top imports from China and exports to Russia for 2022: nuclear reactors, boilers, and machinery which increased by 264%, and electrical machinery and equipment which increased by 150%.

a neutral political stance on international sanctions, this analysis indicates a correlation between the increase in supply from China to Central Asian countries and their exports to Russia, particularly since the onset of the conflict in Ukraine. Central

<sup>70</sup> <https://www.france24.com/en/live-news/20230804-armenia-funnels-us-cars-to-russia-in-sanctions-evasion>

<sup>71</sup> <https://www.federalregister.gov/documents/2023/12/07/2023-26935/addition-of-entities-to-the-entity-list>



Asia, situated between China and Russia, serves as an intermediary buffer zone for trade and other interactions between the two countries. The significant growth in supply in both directions following the outbreak of the war in Ukraine raises suspicions about the nature of these transactions and their potential implications. It is possible that China is leveraging its economic ties with Central Asian countries to indirectly support Russia's military efforts by supplying goods or resources that could be used in military operations or to circumvent sanctions. This underscores the complex dynamics of international relations and the challenges faced in enforcing sanctions and preventing illicit activities in a globalized world.

In Uzbekistan, two new categories appeared in the list of top imports from China and exports to Russia for 2022: nuclear reactors, boilers, and machinery which increased by 264%, and electrical machinery and equipment which increased by 150%. There were four new categories in Kyrgyzstan in both lists of imports from China and exports to Russia in 2021 – 2022: nuclear reactors, boilers, and machines which increased by 23 times or by 41%, knitted fabrics increased by 411 times, footwear articles increased by 7 times, and various articles of base metals increased by 1,2 times. However, cotton exports accounted for almost a quarter of last year's growth in supplies to Russia increasing by 7,5%. In Kazakhstan, nuclear reactors, boilers, and machines as well as electrical machinery and equipment were also in the lists of both top 2022 imports from China and exports to Russia. These categories have increased fivefold since 2021. Iron and steel are a new top category for 2022, and inorganic chemicals, as well as non-railway vehicles also showed noticeable increases. All of these categories might easily cover goods limited by sanctions and which can be used by the Russian military-industrial complex.<sup>72</sup>

FinCEN analysis identified transactions linking trade activity, likely involving sensitive goods, between end-users in Russia and China, Hong Kong, Turkey, and the UAE. Payments were often flowing through U.S.-based correspondent accounts. According to the 2021-2022 data China and Hong Kong based entities network was identified that may be providing support to Russia's military and/or defense industrial base with payments conducted through payment intermediaries located in China. A global financial network was identified which was linked to the possible trade of dual-use goods intended for military end-users in Russia and procurement of non-lethal military-related equipment, according to a BSA report detailing transactions between October 2022 and February 2023. This financial network involved at least four Turkey-based entities, as well as entities located in China, Hong Kong, and Russia.

Kazakhstan and China launched a joint venture to produce a variety of drone aircrafts. Representatives of Kazakhstan's Petropavlovsk Heavy Machine Building Plant have unveiled prototypes of four different drone models, the official Russian news agency TASS reports.

<sup>72</sup> In 2019, imports from China to Central Asia grew by 17% they declined in 2020 due to the pandemic and then rebounded to pre-pandemic levels in 2021. Then in 2022, there was a 44 percent increase in imports from China, with Kyrgyzstan's share of those imports growing particularly quickly. According to Temur Umarov, fellow at the Carnegie Russia Eurasia Center, 2023 became a record year for trade turnover between Central Asian countries and China. <https://thediplomat.com/2024/01/following-chinas-export-of-sanctioned-goods-through-central-asia-to-russia/>

Some companies in the electronics industry identified in the BSA reports were located in Hong Kong and maintained bank accounts in China, Hong Kong, and Russia. Analysis of BSA data identified a U.S.-based manufacturer of radio frequency products that received wires from companies in Azerbaijan and China between March 2022 and January 2023.

A U.S.-based company was suspected of selling products within the airline, electronic warfare, government, military, and wireless industries to counterparties in Azerbaijan and China to circumvent global sanctions against Russia. In addition to companies linked to the electronics industry, analysis of BSA data identified companies in the industrial machinery industry as potentially supplying Russia with equipment, such as fluid transfer system components, gas compressors, wood materials, plumbing equipment, precision tungsten rods, and welding equipment. These companies were identified to be operating in China, Hong Kong, Singapore, the United States, and other countries.<sup>73</sup>

Russia has a 7,500 km border with China but may use Kazakhstan depending on where their plants are located. It was announced recently that the government of Kazakhstan will be constructing additional railroads next to the Chinese border. At the end of 2023, Russian Rail Roads and Kazakh Rail Roads management met to discuss mutual cooperation in the transportation of goods between the two countries and the reconstruction of the Kyzyl Tu – Granichnaya – Russkaya Polyana route, connecting the north of Kazakhstan with the Omsk region of Russia.<sup>74</sup>

It seems that there's a complex web of partnerships and ownership involved in the production and distribution of drones. The BIS of the US Department of Commerce determined to add Planet Technology, under the destination of China, to the Entity List based on actions and activities that are contrary to the national security and foreign policy interests of the United States. Specifically, this entity has procured U.S.-origin items that were recovered from a downed Iranian drone used by Russia in Ukraine.<sup>75</sup> The collaboration between Kazakhstan and China to produce drone aircraft reflects the growing interest and investment in drone technology globally.

Kazakhstan and China launched a joint venture to produce a variety of drone aircrafts. Representatives of Kazakhstan's Petropavlovsk Heavy Machine Building Plant have unveiled prototypes of four different drone models, the official Russian news agency TASS reports. Parts for the aircraft are currently jointly produced, but the Petropavlovsk plant intends to take over full production and assembly after relevant employees complete training in China. Trade statistics show large increases of drone and microelectronics imports to Kazakhstan since Russia's full-scale invasion of Ukraine in early 2022. The drones are procured through a Chinese-owned company in the Netherlands by Kazakh Company Aspan Arba and then sold to Russian Nebesnaya Mekhanika. Both companies

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73 [https://www.fincen.gov/sites/default/files/shared/FTA\\_Russian\\_Export\\_Controls\\_FINAL\\_508.pdf](https://www.fincen.gov/sites/default/files/shared/FTA_Russian_Export_Controls_FINAL_508.pdf)

74 <https://asia24.media/news24/kazakhstan-i-rossiya-obsudili-vosstanovlenie-zheleznoy-dorogi-mezhdu-severo-kazakhstanskoy-i-omskoy/>

75 <https://www.federalregister.gov/documents/2023/12/07/2023-26935/addition-of-entities-to-the-entity-list>

list a man named Ilya Golberg as their owner. The Kazakh company's director, Mikhail Sapozhnikov, used to co-own Nebesnaya Mekhanika with Golberg.<sup>76</sup>

Furthermore, there is a strong likelihood that China provides military equipment assistance to Russia. A blogger in Kazakhstan filmed the transportation of armored cars (tanks) from China through Kazakhstan heading to Western Kazakhstan which shares a border with Russia. This video was widely distributed on the social media and created a lot of fuss.

## PROGRESS MADE IN BUILDING SUPPORT AGAINST FACILITATORS OF SANCTION CIRCUMVENTION IN BOTH THE US AND EUROPE

One can look into the US Treasury Department, OFAC sanctions list and see only four Kazakh entities sanctioned so far, as compared to several in Kyrgyzstan or Uzbekistan which even has sanctioned individuals. Kazakh authorities lobbied hard to take off the lists two subsidiaries of Russian banks in Kazakhstan.<sup>77</sup>

This past year we had more than 100 meetings related to sanctions evasion and participated in US think tank panel discussions for the same reason. This also includes one-on-one meetings with executive and representative authorities of the US and UK on the issues of sanctions circumvention. We evaluated the progress by assessing the public awareness of the shocking levels of sanctions evasion. We did this by investigating and publishing to the international community clear-cut facts and analytics on sanctions evasion. We believe that the most effective tactic is the creation of transparency on all the deals held with Russia.

The key success factor was spreading the word and speaking to the media on cases of sanctions circumvention since the war in Ukraine began. We distributed widely the report on sanctions circumvention in 2022. In Ukraine for example Timur Turlov mentioned in the report was sanctioned and currently, he is under investigation by the US Justice Department.

In regard to sale of uranium sites to Rosatom by Kazakh side, in June 2023 all three companies associated with Anisimov and Klebanov - Ganberg UK Ltd, Gexior UK Ltd and

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<sup>76</sup> <https://www.occrp.org/en/investigations/kazakhstan-has-become-a-pathway-for-the-supply-of-russias-war-machine-heres-how-it-works>

<sup>77</sup> On 8 February 2023, it became known that the US Department of the Treasury would lift sanctions on the sanctioned Sberbank Kazakhstan (Bereke Bank). Sberbank Kazakhstan came under US sanctions on 6 April 2022, as a subsidiary of Sberbank Russia. In February 2023, the US Department of Treasury said it had received "credible assurances" that "Bereke Bank will not be involved in a sanctions violation". In July 2022, the US lifted sanctions on Eco Centre Bank (Alfa Bank Kazakhstan). Alfa Bank Kazakhstan, like Sberbank Kazakhstan, came under US sanctions on 6 April 2022. Representatives of the Kazakhstan Agency for Financial Market Regulation and Development traveled to the US, where they "explained" details of the transaction to the Office of Foreign Assets Control (OFAC) to obtain the removal of sanctions from Alfa Bank Kazakhstan.

Degevol UK Ltd - applied for voluntary liquidation. However, in August, the British Companies House registration chamber suspended the liquidation process due to the protest (objection) received which was initiation by the civil society.<sup>78</sup>

In response to such public transparency, Kazakhstan has made some moves to increase monitoring of imports intended for re-export. But Astana still needs to address the “ghost trade,” in which goods are imported for shipment to a designated Kazakh end-user but are instead diverted to Russia. This activity has flourished since the Tokayev administration loosened import labeling rules.

Redirection of goods is also a simple matter due to Russia, Kazakhstan, Tajikistan, and Kyrgyzstan being all members of the Eurasian Economic Union (EAEU). As such, there are almost no customs checks for goods transiting the 7,591-km border between Russia and Kazakhstan. Officials of other Central Asian countries and the Caucasus have all made statements and agreed to observe the international sanctions policy.

We also would like to think that the information we were part and distributed last year<sup>79</sup> was used by both European Union and the United States government agencies to strengthen control over grey export, and the loopholes in import/export control from the international level. As well as it helped to develop a legislative framework enabling to punish third parties that help Russia evade sanctions.

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<sup>78</sup> <https://kz.kursiv.media/2024-03-07/print1026-tttr-uran/>

<sup>79</sup> <https://freedomforeurasia.org/report/analytical-report-updated/>

ҚАЗАҚСТАН РЕСПУБЛИКАСЫ  
СТРАТЕГИЯЛЫҚ ЖОСПАРЛАУ  
ЖӘНЕ РЕФОРМАЛАР  
АГЕНТТІГІ  
ҰЛТТЫҚ СТАТИСТИКА  
БЮРОСЫ



АГЕНТСТВО ПО  
СТРАТЕГИЧЕСКОМУ  
ПЛАНИРОВАНИЮ И  
РЕФОРМАМ РЕСПУБЛИКИ  
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На № 3Т-2024-03033222

от 2 февраля 2024 года

Бюро национальной статистики Агентства по стратегическому планированию и реформам Республики Казахстан (далее – Бюро), рассмотрев в пределах компетенции Ваше обращение, сообщает следующее.

Данные по экспорту и импорту публикуются на сайте Бюро [www.stat.gov.kz](http://www.stat.gov.kz) в разделе «Главная» страница, «Экономика» – «Статистика внешней, взаимной торговли и товарных рынков» – «Электронные таблицы» – по 4, 6, 10 знакам ТН ВЭД ЕАЭС.

Данный ответ представлен на языке обращения. Участник административной процедуры, руководствуясь частью 1 статьи 91 Кодекса Республики Казахстан от 29 июня 2020 года «Административный процедурно–процессуальный кодекс», вправе обжаловать административный акт, административное действие (бездействие), не связанное с принятием административного акта в административном (досудебном) порядке.

При возникновении дополнительных вопросов, Вы можете обратиться в Единый Контакт-центр Бюро по номеру 1446, а также на электронную почту [e.stat@aspire.gov.kz](mailto:e.stat@aspire.gov.kz).

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ДАМУ АГЕНТТІГІ»**

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РЕСПУБЛИКАНСКОЕ ГОСУДАРСТВЕННОЕ  
УЧРЕЖДЕНИЕ

**«АГЕНТСТВО РЕСПУБЛИКИ  
КАЗАХСТАН ПО РЕГУЛИРОВАНИЮ  
И РАЗВИТИЮ ФИНАНСОВОГО РЫНКА»**

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№ 01-0-16/\_\_\_\_\_ от .02.2024 года

*На № ЖТ-2024-03126190 от 2.02.2024г.*

Департамент банковского регулирования Агентства Республики Казахстан по регулированию и развитию финансового рынка (далее – Агентство, Департамент), рассмотрев Ваше обращение от 2.02.2024г., поступившее через информационную систему «Е-Отinish», касательно предоставления информации о количестве банковских счетов, открытых гражданам, прибывшим из Российской Федерации и Республики Беларусь, сообщает следующее.

Исходя из статьи 14 Закона Республики Казахстан «О государственном регулировании, контроле и надзоре финансового рынка и финансовых организаций» в целях обеспечения качественного и своевременного выполнения возложенных на Агентство функций государственного регулирования, контроля и надзора финансового рынка и финансовых организаций, Агентство вправе безвозмездно получать от банков необходимую информацию, в том числе сведения, составляющие служебную, коммерческую, банковскую и иную охраняемую законом тайну. **При этом полученная информация не подлежит разглашению.**

Работники Агентства несут ответственность за разглашение сведений, полученных в ходе осуществления ими контрольных и надзорных функций, составляющих служебную, коммерческую, банковскую или иную охраняемую законом тайну, в соответствии с законами Республики Казахстан.

Таким образом, Агентство не вправе запрашивать у банков сведения с целью передачи ее третьим лицам.

При этом отмечаем, что согласно статье 8 Закона Республики Казахстан «О Национальном Банке Республики Казахстан» функции Национального Банка включают формирование и распространение статистической информации по вопросам платежей и платежных систем.

В это связи, для получения запрашиваемой информации, рекомендуем Вам обратиться в Национальный Банк.

**Директор Департамента**  
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**Ж. Абдикадиров**



## ACKNOWLEDGEMENTS

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