

# SUPPORT OF THE SANCTIONS REGIME AGAINST RUSSIA BY TÜRKIYE AND COUNTRIES OF THE SOUTH CAUCASUS AND CENTRAL ASIA

## Group of authors:

Yevgeniya Gaber, Yurii Poita, Gela Vasadze

## TÜRKIYE

### Causes and Origins of the Problem

Despite Türkiye's membership in NATO, its candidacy for EU membership, and its strategic partnership with Ukraine, official Ankara has not joined the sanctions regime in connection with Russia's armed aggression against Ukraine. Moreover, there is evidence of its assistance to other countries in circumventing sanctions restrictions against Russia and Belarus. Türkiye's particular position on non-adherence to the sanctions regime can be explained by several factors.

**First, Türkiye traditionally does not recognize sanctions as a foreign policy tool.** Ankara has repeatedly rejected the possibility of joining sanctions, insisting that they are ineffective, counterproductive, and contribute to the isolation of offending countries and the subsequent escalation of tension. Instead, the rhetoric of the Turkish leadership is based on calls for peace, inclusive dialogue, continued economic cooperation to engage all parties to the conflict in negotiations, etc. Ankara adheres to such a position, for example, with regard to Iran, condemning U.S. sanctions and advocating the renewal of the nuclear agreement. The best known in this sense was the case of the Turkish state bank Halkbank<sup>1</sup> and Reza Zarrab<sup>2</sup>, a businessman with dual Turkish-Iranian citizenship and close ties to the Turkish government<sup>3</sup>, who created multi-billion dollar schemes to circumvent the Iranian sanctions imposed by the U.S. and UN. Most recently, Turkish Foreign Minister Mevlüt Çavuşoğlu emphasized Türkiye's opposition to "unilateral sanctions" against Iran during a meeting with his Iranian counterpart in June of this year<sup>4</sup>.

<sup>1</sup> <https://www.reuters.com/article/us-usa-turkey-halkbank-idUSKBN1WU2TW>

<sup>2</sup> <https://www.theatlantic.com/international/archive/2018/01/iran-turkey-gold-sanctions-nuclear-zarrab-atilla/549665/>

<sup>3</sup> <https://www.cnn.com/2017/11/30/middleeast/reza-zarrab-us-trial-erdogan/index.html>

<sup>4</sup> <https://www.dailysabah.com/politics/diplomacy/turkey-against-one-sided-sanctions-on-iran-fm-cavusoglu-says>

Accordingly, from the very beginning of the Russian-Ukrainian war in 2022, Minister Çavuşoğlu declared that Türkiye was not going to impose sanctions against Russia<sup>5</sup>.

**Second, the issue of sanctions is particularly delicate for Ankara, as Türkiye itself has been for many years under sanctions from the EU, Canada and the United States,** primarily in the defense industry. Such restrictions include, for example, American sanctions under the CAATSA (Countering America’s Adversaries Through Sanctions Act) for Ankara’s purchase of Russian S-400 air defense systems and personal sanctions against the Turkish defense industry leadership; exclusion of Türkiye from the F-35 fifth generation fighter jet development program and suspension of cooperation on F-16 modernization; European sanctions for human rights violations; embargo on arms and spare parts as “punishment” for military operations of the Republic of Türkiye (RT) against Kurds in northern Syria and Iraq in 2019; the Canadian ban on the supply of Wescam optical electronic systems, a set of sensors for Bayraktar, during the second Karabakh war in 2020.

**Third, there is a strong anti-Western and anti-American sentiment in Türkiye, making it difficult to accede to any “Western” solutions, especially restrictions on Russia, Iran, the Middle East and Africa.** In April of this year, Ankara stated that it was theoretically ready to join sanctions only if they were agreed at the UN level<sup>6</sup>. On the one hand, this allows Türkiye not to join the existing sanctions under the pretext of their partial “legitimacy” without UN approval. On the other hand, the country’s information field often carries a narrative about the problems of the global South caused by Western sanctions, not by Russian aggression.

**Fourth, amid attempts to bring Kyiv and Moscow to the negotiating table, Ankara explains its refusal to join the sanctions regime by the need to maintain dialogue with Russia, which is an important condition for successful mediation.** After the launch of a mechanism to unblock Ukraine’s Black Sea ports to resume Ukrainian grain exports and the establishment of the Joint Coordination Center in Istanbul, we should expect that these arguments will only strengthen as sanctions, according to Ankara, will prevent the preservation of this “lifeline for humanity”<sup>7</sup>, which should ensure the supply of grain to Africa and the Middle East.

**Fifth (and most important), the domestic political context plays a key role – a year before the national elections in 2023, the Turkish economy is in free fall.** According to the State

<sup>5</sup> <https://www.aa.com.tr/en/russia-ukraine-crisis/turkiye-has-no-intention-of-joining-sanctions-against-russia-foreign-minister/2520387>

<sup>6</sup> <https://en.interfax.com.ua/news/general/824094.html>

<sup>7</sup> <https://www.trtworld.com/magazine/istanbul-based-centre-for-ukrainian-grain-exports-a-lifeline-to-humanity-59234?fbclid=IwAR3O7fkJWuAp8GpJduHtrFmuamGBm15O5Ubr8IYPno8C76yqDOYRhA1P4NA>

Statistics Committee, in June 2022 inflation reached a record level of 80% (unofficial estimates put it at 120%<sup>8</sup>), the country is critically dependent on Russian energy supplies (about 50% of domestic needs of the RT are covered by Russian gas imports), Russian markets and Russian tourists (the tourism industry provides 20-25% of the budget, and Russia remains the largest provider of tourists to Türkiye). Under such conditions, the imposition of sanctions against Russia would be a shock to the Turkish economy.

### **Current State of Turkish-Russian Cooperation to Bypass Sanctions**

At a meeting with Çavuşoğlu in Ankara in June this year, Minister Sergey Lavrov noted that the volume of bilateral trade between Russia and Türkiye doubled in the first quarter of 2022<sup>9</sup>. Further trade growth is expected to be stimulated by the planned transition to the national currency or gold payments under commercial agreements instead of dollar or euro, as the presidents of the two countries agreed on back in March this year. Türkiye has not only opposed the exclusion of Russian banks from the SWIFT system, but also actively expands the network of the Russia's MIR payment system<sup>10</sup>. Turkish Finance and Treasury Minister has repeatedly stated that there will be no problems for Russian citizens with card payments in Türkiye<sup>11</sup>.

In addition, the head of the Türkiye-Russia Business Council (DEIK) Izzet Ekmekçibaş reported that in March 2022 alone more than a thousand new Russian companies were opened in Türkiye<sup>12</sup>. Turkish media also reported on Russian-Turkish agreements to relocate the European headquarters of forty-three leading Russian companies, including Gazprom, to Türkiye<sup>13</sup>. Public invitations for the relocation to Türkiye of sanctioned Russian businesses and production concern all sectors of the economy. Leading publications such as the Washington Post<sup>14</sup>, Economist<sup>15</sup>, Newsweek<sup>16</sup>, Forbes<sup>17</sup> and others have written about how Türkiye has become a “safe haven” for Russian oligarchs using it to avoid European sanctions.

<sup>8</sup> <https://www.theguardian.com/business/2022/jul/04/turkey-hit-with-soaring-prices-as-inflation-reaches-24-year-high-erdogan>

<sup>9</sup> <https://www.bbc.com/turkce/haberler-dunya-61740947>

<sup>10</sup> [https://www.dailysabah.com/business/economy/trade-can-be-conducted-in-ruble-yuan-gold-erdogan-tells-putin?fbclid=IwAR3-Y689\\_MCVL3jiLCLFPZ782nbYV8TgxjCpOBjTH7HlwriGYIrs3Oy\\_eI8](https://www.dailysabah.com/business/economy/trade-can-be-conducted-in-ruble-yuan-gold-erdogan-tells-putin?fbclid=IwAR3-Y689_MCVL3jiLCLFPZ782nbYV8TgxjCpOBjTH7HlwriGYIrs3Oy_eI8)

<sup>11</sup> <https://www.dailysabah.com/business/tourism/russias-tourists-wont-struggle-with-payments-in-turkey-nebati>

<sup>12</sup> <https://english.nv.ua/business/how-turkey-is-attracting-russian-billions-bypassing-western-sanctions-50236196.html>

<sup>13</sup> <https://www.haberturk.com/yazarlar/cetiner-cetin/3465136-rus-sirketleri-turkiyeye-tasiniyor>

<sup>14</sup> <https://www.washingtonpost.com/world/2022/04/01/turkey-aue-dubai-russian-oligarchs-safe-haven/>

<sup>15</sup> <https://www.economist.com/europe/2022/04/07/how-turkey-is-courting-russias-oligarchs>

<sup>16</sup> <https://www.newsweek.com/turkey-becomes-haven-superyachts-owned-sanctioned-russian-oligarchs-1706965>

<sup>17</sup> <https://www.forbes.com/sites/giacomotognini/2022/05/03/why-turkey-could-become-the-next-haven-for-russian-oligarchs-fleeing-sanctions/?sh=435ad5c71678>

Cooperation in the energy sector is actively developing. In addition to the Blue Stream and Turkish Stream pipelines, which transfer Russian gas to Türkiye, Russia's Rosatom is building the country's first nuclear power plant, Akkuyu. Contracts worth millions are also being executed in some regions of the country.

Turkish-Russian cooperation in tourism is also developing at a rapid pace. According to the Hürriyet Daily News, this summer Turkish carriers make 438 flights a week to Russia<sup>18</sup>. According to the pro-government Sabah newspaper, the national carrier Turkish Airlines has signed an agreement to fly 1.5 million Russian tourists in 2022<sup>19</sup>. Journalist investigations also report on the Turkish government's plans to provide loans under government guarantees to support Turkish travel companies working with Russians and to create new airlines to carry exclusively Russian tourists<sup>20</sup>. At a time when sanctions have forced other countries to close the airspace to Russian planes, Istanbul airport has become the main transfer point for Russian passengers<sup>21</sup>.

Finally, the issue of the illegal trade in stolen Ukrainian grain, which Russia sends from Ukraine's occupied territories to the Turkish ports of Samsun, Derince, Bandırma, Izmir, Iskenderun and others<sup>22</sup>, also remains unresolved. Despite the existence of direct evidence<sup>23</sup> of the involvement of Turkish port administrations and companies in Russian crimes and official appeals from Ukraine<sup>24</sup>, the Turkish side refuses to investigate these cases and continues to accept ships from occupied Crimea, which in itself is a violation of international sanctions of the "Crimean Package" of 2014 and internal regulations of the Turkish Chamber of Shipping since 2017.

At the same time, Ankara has consistently called on the international community to unblock trade in Russian grain and fertilizers by restoring Russian ship insurance, returning Russian banks to the SWIFT system and resuming other related services. During Sergey Lavrov's visit to Türkiye in June, Mevlüt Çavuşoğlu claimed that Ankara considered Moscow's demands to be logical and fair, and supported the easing of Western sanctions against Russia<sup>25</sup>.

<sup>18</sup> <https://www.hurriyetdailynews.com/turkish-carriers-to-fly-most-russian-tourists-this-season-173977>

<sup>19</sup> <https://www.sabah.com.tr/ekonomi/rus-turist-getirene-kredi-destegi-5944589>

<sup>20</sup> <https://www.eurointegration.com.ua/articles/2022/05/4/7138850/>

<sup>21</sup> [https://www.hurriyetdailynews.com/istanbul-airport-second-busiest-in-europe-174521?fbclid=IwAR0iOT4sucfX3UWwbFW2ZGCzmUSKf9jp-9dXDNChS33kKpC2YEafY\\_hsgGs](https://www.hurriyetdailynews.com/istanbul-airport-second-busiest-in-europe-174521?fbclid=IwAR0iOT4sucfX3UWwbFW2ZGCzmUSKf9jp-9dXDNChS33kKpC2YEafY_hsgGs)

<sup>22</sup> <https://www.atlanticcouncil.org/blogs/turkeysource/grain-drain-why-turkey-cant-afford-to-ignore-russian-grain-smuggling-from-ukraine/>

<sup>23</sup> <https://myrotvorets.news/krymsko-turetskyi-zernovyi-ekspres/>

<sup>24</sup> <https://www.reuters.com/world/ukraines-envoy-says-turkey-among-those-buying-grain-stolen-by-russia-2022-06-03/>

<sup>25</sup> <https://theArabweekly.com/own-interests-stake-turkey-backs-russia-grain-deal>

Ankara's desire to “avoid the isolation of Russia” and continue cooperation despite Western sanctions led the U.S. Treasury Department's Financial Crimes Enforcement Network (FinCEN) in July 2022 to include Türkiye on a list of 18 countries<sup>26</sup> that help circumvent sanctions on exports to Russia and Belarus. Thus, the NATO member country ended up on the list of violators next to Armenia, Nicaragua, China, Tajikistan and others.

### Conclusions and Recommendations

As the aforementioned examples demonstrate, Türkiye's refusal to join the Western sanctions regime against Russia as an aggressor country is systemic in nature and has a conceptual justification based on a set of domestic political, ideological and economic factors. Consequently, it is virtually impossible to change Ankara's position on the sanctions issue.

Türkiye's dependence on Russia on many other issues (Syria, the South Caucasus, Kurdish terrorism, etc.) and Ukraine's dependence on Türkiye (political support, UAV deliveries, blocking the straits for Russian ships, the operation of grain corridors) make any kind of pressure to apply sanctions not feasible.

Indirectly, the threats of new sanctions from the U.S. and the EU, conditioning the lifting of the embargo on arms and equipment (in particular, new aircraft and parts for F-16s) on a change in the position of the RT on Russia, as well as the prospects of limiting access to the Ukrainian market for Turkish goods and companies involved in illegal deals with Russia can become leverage on Ankara to restrict Russian-Turkish cooperation in particularly sensitive areas of defense industry, aviation and space technology. An important argument also remains the incomplete ratification of the recently signed Free Trade Agreement between Ukraine and the RT, which, according to many experts, is economically much more beneficial to Türkiye than to the Ukrainian side<sup>27</sup>.

---

<sup>26</sup> <https://www.fincen.gov/>

<sup>27</sup> <https://www.ukrinform.ua/rubric-economy/3403898-ugoda-pro-zvt-z-tureccinou-rickovi-portoviki-maut-raditi.html>

## SOUTH CAUCASUS COUNTRIES

### GEORGIA

#### Causes and Origins of the Problem

Georgian Prime Minister Irakli Garibashvili's statement in late February 2022 that Georgia was not going to join any sanctions against Russia<sup>28</sup> surprised many. However, it was a certain continuation of the policy of recent years. The following factors should be taken into account:

First, the Georgian government has long chosen the tactic of not irritating Moscow, and **the removal of the threat of war (a recurrence of Russian aggression) is considered perhaps the main achievement of the ruling Georgian Dream party.**

With no other accomplishments, the chance not to be afraid of war is being sold to a Georgian voter from election to election. The representatives of the Georgian Dream call the main opposition party of Georgia, the United National Movement, nothing short of a war party. An illustrative case took place at the April 2 elections for the vacant deputy's seat when the voters were given leaflets on which it was written as an agitation for the party in power, to elect between the war party or the ruling party's candidate.

**Second, Russian enterprises or those owned by Russian citizens are operating on the territory of Georgia.** They can become channels for laundering Russian money. The largest of them is the state energy holding Inter RAO, whose shareholders are Russian state companies, it owns 75% of the electricity distribution company of Georgia Telasi and hydropower plants Khrami HPP-1 and Khrami HPP-2. The Russian business also owns Dariali HPP, Larsi HPP, and Shilda HPP. The latter was at one time the largest investment from Russia in 2011. Russian citizens also own Avani HPP, Algeti HPP, Skurdidi HPP. Russian citizens own the oil companies Lukoil, Gulf, Poti Oil Terminal, precious metals mining companies RMG Gold and RMG Copper, producer of mainline DC locomotives Elmavalmshenebeli. The Georgian and Russian sides also jointly own Sakrusenergo, which manages the country's power transmission system.

David Yakobashvili, a businessman of Georgian origin working in Russia, owns the offshore company Milarm International Corp, through which he owns the advertising company SMOD Advertising in Georgia. Rosneft holds a 49% stake in Petrocas Energy Limited, owned by Yakobashvili. RMG Gold and RMG Copper are precious metals

---

<sup>28</sup> <https://www.newsgeorgia.ge/gruzija-ne-prisoedinitjsja-k-sankcijam-za/>

mining companies whose sole owner is Rich Metals Group, registered in the offshore zone of the Netherlands. Its owners are Russian billionaires Dmitry Troitsky and Dmitry Korzhev. Most importantly, the de facto leader of the ruling Georgian Dream, Bidzina Ivanishvili, himself has significant stakes in Russian business and, accordingly, business interests.

These are only the largest companies involving Russian business, the activities of which can be tracked quite easily. Things are much more complicated with offshore companies and businesses of individual Russian citizens or those associated with Russia. If we analyze the dynamics of investments from offshore companies in Georgia, most of them will turn out to be Russian investments.

**Third, there are over a hundred thousand Russian citizens living in Georgia today.** The liberal visa regime allows them to stay in the country without registration for up to a year, and then simply leave for the neighboring country for a couple of hours and come back. This number consists of expats who have been living in the country for some time, as well as those who started arriving en masse in the last five months. The latter group is the biggest problem.

Among expats, there are many people who opened small and medium businesses in Georgia (for example, a considerable part of Georgia's hotel business is owned by Russians or people with dual citizenship), IT specialists, etc. According to Transparency Int. more than 6,400 companies have been registered by Russian citizens.

Since the start of the war, Russian citizens in Georgia have faced the problem of converting rubles into dollars. It is virtually impossible to do it through banks. Financial control regulations in Georgia are very strict. Almost all banks have leading Western banks among their founders, including the European Bank for Reconstruction and Development. One of the ways to solve this problem is conversion through cryptocurrency. That is, Russians buy cryptocurrency for rubles, and then convert it to dollars through specialized companies. But if ordinary citizens have such an opportunity, then it is logical to assume that the same scheme can be used by larger structures. In addition, at the beginning of spring, Russian citizens could freely receive payment cards from Georgian banks, which was eventually restricted at the level of the banks themselves.

## ARMENIA

### Statement of the Problem

**First, Armenia is an ally of the Russian Federation**, which explains most of the former country's decisions. Every aggravation in the Nagorno-Karabakh direction, which has become more frequent in recent years, leads to the restriction of Yerevan's foreign policy maneuvering. At the same time, over the past few months, there has been a certain disappointment in Russia's peacekeeping and security capabilities in the region<sup>29</sup>, and consequently, more skeptical sentiments in Armenia.

**Second, Armenia and Russia have active and deep economic contacts.**

The list of major Armenian businessmen in Russia is substantial. They can be found in practically every city of the Russian Federation, so they can fall under international sanctions. It is quite logical to assume that such companies will look for workarounds through Armenia.

Also, a large number of Russian enterprises (including state-owned) operate in Armenia. The largest are Rosneft Armenia, ArmRosGazprom, South Caucasus Railway, Vivacell-MTS, Rostelecom, and Rosgosstrakh Armenia. They are among the major taxpayers of the country. These are system-creating enterprises, and it is hard to imagine the functioning of the Armenian economy without them. The list of Russian enterprises in Armenia, as well as the list of Russian entrepreneurs doing business in Armenia is extensive. The main point to note is that Russia is represented in all sectors of the economy, which makes it easy to circumvent sanctions by ordering sanctioned goods, including high-tech ones, for their companies in Armenia and then shipping them to Russia unhindered. All the more so since the scheme has already been tested by gray trade with Iran. Although, most of the trade went through the occupied territories of Karabakh and there were certain problems after 2020. However, in the case of Russia, such problems will be easier to avoid.

**Third, Armenia is an ideal platform for circumventing sanctions.** Armenia is a member of the EAEU, has legal channels of military and political cooperation with Russia and exchanges intelligence with it. Armenia, though, has no land border with Russia, but oversized sanctioned goods can be transported by air, and transit cargoes going from Armenia to Russia are not inspected.

Fourth, one should not forget about the large **Armenian diaspora** in Russia through which influence can be exerted, as well as the Armenian lobby in the United States and the EU. In addition, Armenia has become one of the key destinations for Russians after the start of the February aggression.

---

<sup>29</sup> <https://www.rbc.ru/politics/04/08/2022/62eb78099a794799cf7a16c4>



## AZERBAIJAN

### Statement of the Problem

**First**, unlike Georgia and Armenia, there is neither a serious presence of Russian capital in Azerbaijan (the only exceptions here are several companies, including Lukoil), nor a large flow of migrants from Russia. Moreover, land borders with Russia are still closed in Azerbaijan. However, this does not mean that Azerbaijan cannot be “useful” to Russia. Even on the contrary, **Azerbaijan today is of critical importance for Russia, primarily as a north-south transport and logistics hub** linking Russia with markets in the Middle East, Asia and Africa. It is no coincidence that President Putin, while in Tehran, emphasized the need for the prompt construction of the Astara-Rasht railroad, which would connect Russia with the Indian-owned Chabahar and Bandar Abbas ports in Iran via Azerbaijan.

Second, **many Azerbaijani natives have large assets in Russia**. Thus, their business falls under the general sanctions against Russia, and consequently, we can expect their attempts to use their ties with their historical homeland to circumvent the sanctions.

Third, **there is a fairly large Azerbaijani diaspora in Russia itself**, which this country will also try to use, as well as its agents of influence in Azerbaijan. Their role has decreased considerably in recent times, but has not vanished. It is clear that the Kremlin will use those opportunities.

Fourth, among other things, **Azerbaijan’s rather tough regime** ensures control over the processes inside the country. Therefore, in the case of Azerbaijan, the Kremlin will have to negotiate only at the highest level. Given Azerbaijan’s close ties with Türkiye, the uncertain situation with Nagorno-Karabakh, and attempts to conduct an independent and equidistant foreign policy, we can assume that Moscow has few tools left to win Baku to its side.

As of today, **Azerbaijan is not on the list of countries under suspicion for circumventing sanctions**. This is most likely due to the fact that the Kremlin needs Azerbaijan not so much to bypass sanctions, as to create alternative routes for its trade.

In general, we can summarize that **all the countries of the South Caucasus can be used to circumvent sanctions, with or without their authorities knowing**.

## CENTRAL ASIAN COUNTRIES

### Statement of the Problem

In general, all Central Asian (CA) countries declare a neutral stance toward the Russian-Ukrainian war. They do not provide Russia with military or military-technical assistance or direct political support and demonstrate a willingness to adhere to the sanctions regime imposed on Russia. This is explained by the unwillingness of the Central Asian countries to fall under secondary sanctions and jeopardize their own economies. The above is articulated at the highest level, during international events, bilateral contacts with Western diplomats, etc. For example, the President of Kazakhstan Kassym-Jomart Tokayev in an interview with the Russian media noted that Kazakhstan would not violate the sanctions imposed on Russia<sup>30</sup>.

At the same time, despite this, there are some cases that suggest **unofficial assistance to Russia in circumventing the sanctions**.

**First, the economies of Uzbekistan and Kazakhstan, which are similar to the Russian one**, and trade volumes large enough to conceal increased shipments make these countries the most actively involved in the process of evading sanctions. In particular, industrial sectors similar to those of Russia enable the purchase of relevant sanctioned equipment for the oil and gas sector with subsequent transfer to the Russian side. The sufficiently large volume of purchases makes this process unnoticed against the background of their own needs.

Second, this is facilitated by Russia's **common borders with Kazakhstan and** the participation of most CA countries in the **EAEU**, which allows for duty-free movement of goods and capital. Heavy political dependence of CA countries on Russia and developed economic and military-technical ties make them more closely connected.

Third, **the rules of conducting foreign business in CA countries** make it relatively quick and easy to register non-resident companies and open accounts for individuals and legal entities, including Russian citizens. In this regard, their use in order to re-register Russian companies, opening bank accounts for third parties (including Visa and Mastercard) to avoid anti-Russian sanctions, is quite possible. The domestic legislation of the CA countries does not prohibit these operations and **has no mechanisms for tracking and blocking sanctioned foreign businesses**, including Russian ones. A ban on relevant transactions may apply to sanctioned individuals or specific goods when crossing the border with Russia, but not to the business or industry as a whole.

---

<sup>30</sup> <https://www.pravda.com.ua/rus/news/2022/06/15/7352648/>

According to information received from local experts, the work of large Russian business through Central Asia to circumvent the sanctions regime **is most intensively carried out through Uzbekistan**. In particular, a number of sanctioned banks, including VTB, Gazprombank, Sovcombank, etc., are registered in Uzbekistan and are active in financing the Russian oil and gas production business. For example, VTB is closely linked with the Navoi Mining and Metallurgical Combine (NMMC) and the Almalyk Mining and Metallurgical Combine (AMMK), which produce gold, copper, uranium, and other minerals in Uzbekistan. The above-mentioned combines are among the world's top 10 companies in their respective industries. Russian financing of the projects in Uzbekistan may look as follows: Russian capital, via one of the Russian banks represented in Uzbekistan, finances AMMK or Uzbek limited liability companies founded by third parties, which use the obtained funds to purchase the necessary equipment and hire workers in the local labor market. After the sale of extracted raw materials on world markets, the profits are distributed between the Uzbek and Russian sides<sup>31</sup>.

To date, we can observe the following **methods and measures to circumvent sanctions by Russia** through Central Asian countries:

**Creation (relocation) of Russian companies in (to) the CA countries.** As a rule, this applies to small and medium-sized businesses, not yet restricted, and not related to the government or the defense sector. At the same time, these companies are trying to reduce the constraints affecting them in one way or another, particularly with regard to their inability to purchase relevant foreign-made goods, make financial payments to foreign suppliers, etc. For example, the number of companies registered by Russians in Kazakhstan has increased dozens of times (355 in March, 651 in April and 362 in May). Russian law firms have already responded by offering comprehensive services for business relocation to Kazakhstan<sup>32</sup>.

Another example is the signing of scores of cooperation agreements between Uzbekistan and Russia in the fields of mechanical engineering, metallurgy, energy, chemical industry, etc. at April 2022 “Innoprom: Central Asia” trade fair in Uzbekistan. Among them are two agreements related to the pharmaceutical industry: in particular, Uzbekistan plans to open two enterprises worth \$35 million with Russian capital to produce insulin and chemotherapy drugs. According to Uzbek officials, after the start of a full-scale Russian-Ukrainian war, Russian big business has initiated measures to establish production sites together with Uzbek contractors in order to enter the markets of the region<sup>33</sup>.

<sup>31</sup> Interview with a Kazakh expert.

<sup>32</sup> <https://moderator.az/ru/diger/519741/vita-liberta-kazahstan-pomozhet-rossii-oboyti-sankciivoley-nevoley/>

<sup>33</sup> <https://rus.ozodlik.org/a/31824645.html?fbclid=IwAR3PIGRQUY3qzUdkcfbMLbM596QDvXesbvEtERaTqjlpJ0QBrO1reVwZunE>

**The transfer of sanctioned Russian businesses to the territory of CA countries or the creation of joint ventures (productions).** This applies both to the civilian sector and to Russian defense industry enterprises. In particular, based on the results of the above-mentioned fair “Innoprom: Central Asia,” it became known that some Russian engineering companies intend to receive spare parts from Europe through intermediaries in Uzbekistan, as well as to locate industrial and logistics facilities in this country<sup>34</sup>. This applies, in particular, to Russian companies KAMAZ and AvtoVAZ. KAMAZ products were equipped with parts from foreign manufacturers: Cummins engines (the United States), ZF gearboxes (Germany), and Bosch fuel equipment (Germany). After the EU sanctions were imposed in February 2022, KAMAZ and AvtoVAZ experienced problems with the supply of foreign-made parts and spare parts, forcing them to significantly reduce their operations and cease the production of a number of models. Similar actions were observed in Kyrgyzstan, where KAMAZ intensified its cooperation with the Kyrgyz company LKW Center<sup>35</sup>, including through the Russian company Kamexport, which is the official dealer of KAMAZ in Kyrgyzstan. According to the agreement signed between KAMAZ and LKW Center, it is planned to establish a joint production enterprise in Bishkek. It is expected that the enterprise will manufacture, repair, service and diagnose KAMAZ vehicles, including with the help of Western producers’ components. The above will probably allow Russian manufacturers, through partners in Kyrgyzstan, to obtain the necessary sanctioned equipment, spare parts and consumables for their automobiles, the supply of which stopped after the sanctions were imposed on the Russian company.

Another example could be the Russian sanctioned retailer chains Magnit and Lenta, which are trying to form logistics chains through Kazakhstan to supply the Russian market with imported foreign-made goods, for which a shortage may arise (or has already arisen)<sup>36</sup>.

**Establishment of Russian shell companies in Central Asian countries to import sanctioned equipment.** Reliable information on such cases has not been found at this point, but some indications suggest such a scenario. In particular, the establishment of Russian legal companies in the territory of Kazakhstan, designed to provide services for the registration of Russian companies in Kazakhstan (as noted above). According to information received from Uzbek experts, generally the rules of foreign business in Uzbekistan make it relatively quick and easy to register a company, open an account for individuals and legal entities, including by citizens of the Russian Federation. In this regard, the use of CA countries, including

<sup>34</sup><https://rus.ozodlik.org/a/31824645.html?fbclid=IwAR3PIGRQUY3qzUdkcfbMLbM596QDvXesbvEtERaTqjlpJ0QBrOIreVwZunE>

<sup>35</sup> LKW Center company is an official dealer of ISUZU and MAN vehicles in Kyrgyzstan; it sells and provides complex maintenance of heavy trucks, including ISUZU, MAN, KAMAZ, GAZ

<sup>36</sup>[https://tengrinews.kz/kazakhstan\\_news/krupnyie-rossiyskie-reteyleryi-hotyat-postavlyat-tovaryi-467822/?fbclid=IwAR2ZAooxgYFTJyoFpydFJON5pCTIII\\_IVidvgyNhgg2-ShAfXS0pUI9RVIg](https://tengrinews.kz/kazakhstan_news/krupnyie-rossiyskie-reteyleryi-hotyat-postavlyat-tovaryi-467822/?fbclid=IwAR2ZAooxgYFTJyoFpydFJON5pCTIII_IVidvgyNhgg2-ShAfXS0pUI9RVIg)

Uzbekistan, for the purpose of creation of shell companies for the import of sanctioned equipment, opening bank accounts on third parties to avoid anti-Russian sanctions is quite possible<sup>37</sup>.

**Relocation of Western businesses from Russia to CA countries with subsequent export of products to Russia.** No cases of this have been found so far, but it may become possible due to the withdrawal of Western companies from Russia and their unwillingness to lose the Russian market. This is confirmed by the order of the President of Kazakhstan Kassym-Jomart Tokayev to create favorable conditions for the relocation of Western companies that have suspended their activities or withdrawn from the Russian market. As of July 2022, their number, according to the President of Kazakhstan, was about 700, which “will give Kazakhstan a great opportunity to increase production of goods.”<sup>38</sup> Given the duty-free zone between Kazakhstan and Russia within the EAEU, the implementation of this project will actually provide Russia with the necessary goods produced by Western companies that were forced to leave Russia for sanctions or moral reasons.

**Purchase and transfer of sanctioned oil and gas equipment to the Russian side.** This can be implemented through Kazakhstan, which has a similar economic structure that allows Kazakhstani companies to purchase Western-made equipment and consumables with subsequent covert transfer to Russia. The statement of Daniyar Berlibayev, Chairman of the Management Board of KazMunayGas and Chairman of the Board of Directors of the Caspian Pipeline Consortium CPC-R, can confirm the possibility of such a scenario. When asked what will happen if the situation arises that the Russian side will need parts, equipment and technology for maintenance, repair of the CPC pipeline and the port, which they cannot buy abroad because of sanctions, he replied that the purchase of sanctioned equipment will be made through Kazakhstan, in particular, through the Kazakh part of the CPC (CPC-K) and subsequently will be transferred to the Russian part of CPC-R. He added that, “Perhaps the West will not like it. But we have official statements from the White House and the European Union, that the CPC is beyond sanctions, there is no problem” On this occasion, Kazakhstani experts report that the possibility of such purchases is most probably lobbied to the American government by Chevron Corporation in order to ensure the continued operation of the CPC, which supplies a significant portion of the oil produced by Chevron Corporation in Kazakhstan<sup>39</sup>. The absence of the CPC in the sanctions list, on the one hand, ensures the supply of oil from Kazakhstan to Europe, and on the other hand, allows the Russian side to put pressure on the American side by creating artificial breakdowns on the Russian part of the

<sup>37</sup> Interview with an Uzbek expert.

<sup>38</sup> <https://www.rbc.ru/business/14/07/2022/62cfb1f79a7947dad0a7439f>

<sup>39</sup> Interview with a Kazakh expert.

pipeline. Thus, the Russian side can create a channel for the delivery of some of the equipment it needs for its oil and gas industry with the help of CPC-K, making purchases through Kazakh intermediaries.

This is also confirmed by the fact that in July 2022 a number of Central Asian countries (Kazakhstan, Uzbekistan, Tajikistan and Kyrgyzstan) were included in the list of countries compiled by the Bureau of Industry and Security of the U.S. Department of Commerce, through which sanctioned goods can get to Russia. In particular, this applies to equipment that can be used for military purposes: parts for aircraft, hydroacoustic systems, antennas, spectrophotometers, test equipment, GPS systems, vacuum pumps, oilfield equipment, etc.<sup>40</sup> As a consequence, the Uzbek company Promcomplektlogistic came under sanctions on suspicion of “supporting Russia’s military-industrial complex”<sup>41</sup>.

**Provision of military and technical equipment to Russia.** Given the close integration of Russia’s defense industry with Central Asian countries, some of them are involved in the production of components for the Russian Armed Forces. In particular, this applies to the Kazakhstani enterprise “Tynys” of the national company “Kazakhstan Engineering” under the Ministry of Defense and Aerospace Industry, which produces components for Russian-designed aircrafts and helicopters. The main consumer is aircraft building and aircraft repair enterprises of Russia and Belarus. “Tynys” supplies parts for the Su, MiG, Il series aircraft, Mi helicopters, cooperates with Russian sanctioned companies, members of the United Aircraft Corporation, the Russian Helicopters holding, aircraft factories in Ulan-Ude, Kazan, with the Kumertau plant, and the Kalashnikov Concern.

Another example is the Kyrgyz enterprise Dastan, which develops and produces torpedo armament for submarines and surface ships (including UMGT-291, USET-80, SET-65) and equipment for the Russian Navy (guidance devices, hull fuses, etc.). The company works in cooperation with Russian enterprises, including Dagdizel, a Russian sub-sanctioned plant developing and producing naval underwater weapons, engines, diesel power plants for Russian Navy ships.

**Participation in transportation of stolen Ukrainian grain.** This refers to the provision of Kazakhstani company transport vessels to Russian contractors. In particular, in June 2022 the vessel ZHIBEK ZHOLY belonging to the Kazakh state company KTZ EXPRESS SHIPPING TOO carried out transportation of stolen Ukrainian grain from the occupied port of Berdiansk to Türkiye under the Russian flag. The Kazakhstani side stated that it did not violate the

---

<sup>40</sup><https://www.currenttime.tv/a/vlasti-ssha-vklyuchili-strany-tsentralnoy-azii-v-spisok-stran-kotorye-mogut-potentsialno-narushit-mezhdunarodnye-sanktsii/31940022.html>

<sup>41</sup> <https://www.gazeta.uz/ru/2022/06/29/sanctions/>

sanctions regime because the Russian lessee company (Green Line LLC) and its owners were not under sanctions, and the lessee, according to the terms of the contract, does not agree with the ship owner on the type of cargo and the routes of its transportation<sup>42</sup>. As a result, after appeal of the Ukrainian authorities to Türkiye, the vessel was detained, but no arrest was made.

### **Conclusions**

Thus, the CA countries, despite their declared compliance with the sanctions regime, take measures or provide assistance in circumventing and mitigating the sanctions imposed on Russia. This is facilitated by their significant political, economic and security dependence on Russia, defense industry ties, and the lack of an effective mechanism for imposing secondary sanctions for cooperation with Russian sanctioned businesses. In addition, the domestic legislation of Central Asian countries does not prohibit doing business with restricted companies and has no mechanisms for tracking them, and has generally established a favorable regime for registering Russian companies in its territory.

---

<sup>42</sup>[https://railways.kz/articles/company/news/ao\\_nk\\_ktj\\_yavlyaetsya\\_priverjencem\\_strogogo\\_sobludeniya\\_sankcionnyh\\_ogranichenii](https://railways.kz/articles/company/news/ao_nk_ktj_yavlyaetsya_priverjencem_strogogo_sobludeniya_sankcionnyh_ogranichenii)

## References

1. <https://www.reuters.com/article/us-usa-turkey-halkbank-idUSKBN1WU2TW>
2. <https://www.dailysabah.com/politics/diplomacy/turkey-against-one-sided-sanctions-on-iran-fm-cavusoglu-says>
3. <https://www.aa.com.tr/en/russia-ukraine-crisis/turkiye-has-no-intention-of-joining-sanctions-against-russia-foreign-minister/2520387>
4. <https://en.interfax.com.ua/news/general/824094.html>
5. <https://www.trtworld.com/magazine/istanbul-based-centre-for-ukrainian-grain-exports-a-lifeline-to-humanity-59234?fbclid=IwAR3O7fkJWuAp8GpJduHtrFmuamGBm15O5Ubr8IYPno8C76yqDOYRhA1P4NA>
6. <https://www.bbc.com/turkce/haberler-dunya-61740947>
7. [https://www.dailysabah.com/business/economy/trade-can-be-conducted-in-ruble-yuan-gold-erdogan-tells-putin?fbclid=IwAR3-Y689\\_MCVL3jiLCLFPZ782nbYV8TgxjCpOBjTH7HlwriGYlrs3Oy\\_eI8](https://www.dailysabah.com/business/economy/trade-can-be-conducted-in-ruble-yuan-gold-erdogan-tells-putin?fbclid=IwAR3-Y689_MCVL3jiLCLFPZ782nbYV8TgxjCpOBjTH7HlwriGYlrs3Oy_eI8)
8. <https://www.dailysabah.com/business/tourism/russias-tourists-wont-struggle-with-payments-in-turkey-nebati>
9. <https://english.nv.ua/business/how-turkey-is-attracting-russian-billions-bypassing-western-sanctions-50236196.html>
10. <https://www.haberturk.com/yazarlar/cetiner-cetin/3465136-rus-sirketleri-turkiyeye-tasiniyor>
11. <https://www.newsweek.com/turkey-becomes-haven-superyachts-owned-sanctioned-russian-oligarchs-1706965>
12. <https://www.hurriyetdailynews.com/turkish-carriers-to-fly-most-russian-tourists-this-season-173977>
13. <https://www.sabah.com.tr/ekonomi/rus-turist-getirene-kredi-destegi-5944589>
14. <https://www.eurointegration.com.ua/articles/2022/05/4/7138850/>
15. [https://www.hurriyetdailynews.com/istanbul-airport-second-busiest-in-europe-174521?fbclid=IwAR0iOT4sucfX3UWwbFW2ZGCzmUSKf9jp-9dXDNChS33kKpC2YEafY\\_hsgGs](https://www.hurriyetdailynews.com/istanbul-airport-second-busiest-in-europe-174521?fbclid=IwAR0iOT4sucfX3UWwbFW2ZGCzmUSKf9jp-9dXDNChS33kKpC2YEafY_hsgGs)
16. <https://www.atlanticcouncil.org/blogs/turkeysource/grain-drain-why-turkey-cant-afford-to-ignore-russian-grain-smuggling-from-ukraine/>
17. <https://myrotvorets.news/krymsko-turetskyi-zernovyi-ekspres/>
18. <https://www.reuters.com/world/ukraines-envoy-says-turkey-among-those-buying-grain-stolen-by-russia-2022-06-03/>
19. <https://the arabweekly.com/own-interests-stake-turkey-backs-russia-grain-deal>
20. <https://www.fincen.gov/>
21. <https://www.newsgeorgia.ge/gruzija-ne-prisoedinitstva-k-sankcijam-za/>
22. <https://www.pravda.com.ua/rus/news/2022/06/15/7352648/>
23. <https://moderator.az/ru/diger/519741/vita-liberta-kazahstan-pomozhet-rossii-oboyti-sankcii-voley-nevoley/>
24. <https://rus.ozodlik.org/a/31824645.html?fbclid=IwAR3PIGRQUY3qzUdkcfbMLbM596QDvXesbvEtERaTqjlpJQBrO1reVwZunE>
25. [https://tengrinews.kz/kazakhstan\\_news/krupnyie-rossiyskie-reteyleryi-hotyat-postavlyat-tovaryi-467822/?fbclid=IwAR2ZAooxgYFTJyoFpydFJQN5pCT1II\\_IVidvgyNhg2-ShAfXS0pUI9RVIg](https://tengrinews.kz/kazakhstan_news/krupnyie-rossiyskie-reteyleryi-hotyat-postavlyat-tovaryi-467822/?fbclid=IwAR2ZAooxgYFTJyoFpydFJQN5pCT1II_IVidvgyNhg2-ShAfXS0pUI9RVIg)
26. <https://www.currenttime.tv/a/vlasti-ssha-vklyuchili-strany-tsentralnoy-azii-v-spisok-stran-kotorye-mogut-potentsialno-narushit-mezhdunarodnye-sanktsii/31940022.html>



27. [https://railways.kz/articles/company/news/ao\\_nk\\_ktj\\_yavlyaetsya\\_priverjencem\\_strogogo\\_s\\_obludeniya\\_sankcionnyh\\_ogranichenii](https://railways.kz/articles/company/news/ao_nk_ktj_yavlyaetsya_priverjencem_strogogo_s_obludeniya_sankcionnyh_ogranichenii)
28. <https://www.cnn.com/2017/11/30/middleeast/reza-zarrab-us-trial-erdogan/index.html>
29. <https://www.theatlantic.com/international/archive/2018/01/iran-turkey-gold-sanctions-nuclear-zarrab-atilla/549665/>
30. <https://www.washingtonpost.com/world/2022/04/01/turkey-aue-dubai-russian-oligarchs-safe-haven/>
31. <https://www.economist.com/europe/2022/04/07/how-turkey-is-courting-russias-oligarchs>
32. <https://www.forbes.com/sites/giacomotognini/2022/05/03/why-turkey-could-become-the-next-haven-for-russian-oligarchs-fleeing-sanctions/?sh=435ad5c71678>
33. <https://www.gazeta.uz/ru/2022/06/29/sanctions/>
34. <https://www.theguardian.com/business/2022/jul/04/turkey-hit-with-soaring-prices-as-inflation-reaches-24-year-high-erdogan>
35. <https://www.rbc.ru/business/14/07/2022/62cfb1f79a7947dad0a7439f>

© Foreign Policy Council “Ukrainian Prism”

**Group of authors:**

Yevgeniya Gaber, Yurii Poita, Gela Vasadze



The information and views set out in this study are those of the author and do not necessarily reflect the official opinion of the Konrad-Adenauer-Stiftung e.V. or the Ministry of Foreign Affairs of Ukraine.

**Foreign Policy Council “Ukrainian Prism”**

Phone.: +380935788405

Email: [info@prismua.org](mailto:info@prismua.org)

<http://prismua.org/>