

# RUSSIA'S DECADE-LONG WAR AGAINST UKRAINE: How to Accelerate Ukrainian Victory

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**The Open Dialogue Foundation** was established in Poland in 2009 on the initiative of Ukrainian student and civic activist Lyudmyla Kozlovska (who currently serves as President of the Foundation). Since its founding, statutory objectives of the Foundation include the protection of human rights, democracy and the rule of law in the post-Soviet area. In July 2017 area of interest of the Foundation was expanded due to the rapidly deteriorating situation in Poland and other EU member states affected by illiberal policies implemented by their populist governments. The Foundation has its permanent representations in Brussels, Warsaw and Kyiv.

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**Human Rights Protection Foundation Qaharman** – a Kazakhstani human rights organisation which was established for the purpose of protecting fundamental human rights in Kazakhstan, in particular, the right to peaceful assembly, right to a fair trial, and right to participation in the management of state affairs, as well as freedom of speech and dissemination of information. As a public initiative, Qaharman began its activities in Kazakhstan in 2019, and in February 2020, it was officially registered. Qaharman activists monitor politically motivated trials and the right to peaceful assembly.

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**The human rights movement '405'** is a public initiative founded in 2019. The main goal of the movement is to protect participants of peaceful assemblies and bloggers who are subject to political prosecution under Article 405 of the Criminal Code of Kazakhstan ("participation in the activities of the organisation after its recognition as extremist"). The movement protects the right to peaceful expression, which should not be regarded by the authorities as 'extremism'.

Twitter: [@hr405kz](https://twitter.com/hr405kz); e-mail: [movement405hr@gmail.com](mailto:movement405hr@gmail.com)



**The Bostandyq Kz human rights movement** intends to fight for the observance of the constitutional rights and freedoms of the citizens of Kazakhstan, and to inform about human rights violations in the country. The movement was founded on 14 September 2020.

Facebook: [Bostandyq Kz](https://www.facebook.com/BostandyqKz)



**The human rights movement Veritas** was established on 17 September 2020. The aim of the movement is to protect human rights in Kazakhstan, with special attention to freedom of speech, peaceful assembly and peaceful association. The movement monitors the implementation of Kazakhstan's commitments in the areas of human rights, environment, health and anti-corruption, and informs the EU, the UN, PACE, the OSCE, GRECO and the governments of democratic states about the results of the monitoring. Veritas conducts public campaigns to protect politically persecuted activists, political prisoners and victims of torture.

Facebook: [Veritas human rights movement](https://www.facebook.com/VeritasHumanRightsMovement); e-mail: [veritas15.09.20@gmail.com](mailto:veritas15.09.20@gmail.com)



The "Femina Virtute" human rights movement, was established on 4 November 2020, and aims to combat discrimination against women in Kazakhstan and to document violations of women's, civil and political rights. The members of the movement conduct solidarity actions in defence of human rights and train citizens to defend their rights. Based on the monitoring results, the movement provides information to the European Parliament, the European Commission, the UN, the OSCE, the Council of Europe, governments and politicians of the EU states, as well as the USA, Canada, Australia, the UK, Norway and Switzerland.



Facebook: [Femina Virtute](#) ; e-mail: [ulbolsynturdieva@gmail.com](mailto:ulbolsynturdieva@gmail.com)

Human rights movement "Article 14" was established on 5 November 2020 with the aim of monitoring the right to fair justice in Kazakhstan. The members of the movement inform citizens of Kazakhstan and the international community about violations of the right to a fair trial, fight for greater transparency in the justice process, and draw public attention to violations during trials.



Facebook: [Article Hrm](#) ; e-mail: [article14hrm@gmail.com](mailto:article14hrm@gmail.com)

The Human Rights movement Elimay was established on 17 October 2020. The movement aims to protect civil and political rights and freedoms in Kazakhstan. The movement calls to put an end to all forms of political repression and release of political prisoners in Kazakhstan.



Facebook: [ELIMAY ~ defence of human rights in Kazakhstan](#) ; e-mail: [elimayfreedom@gmail.com](mailto:elimayfreedom@gmail.com)

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## EXECUTIVE SUMMARY

This report is the sixth in a series of reports on how Russia circumvents sanctions with the help of Central Asian countries, particularly by way of Kazakhstan and Kyrgyzstan.<sup>1</sup> The subject of this report is an analysis of global trends and facts that point to Russia's ability to accumulate sufficient resources for at least another 10 years of destructive war against Ukraine and Western countries.

The IMF forecasts Russia's economy to grow by 0.7% in 2023. Despite the drop in Russia's oil and gas revenues in 2023, Russia's continued projected economic growth and projects, aimed at redirecting exports to alternative markets, form the basis for a perennial war against Ukraine. Through unpunished assistance in circumventing 11 international sanctions packages provided by third countries, Russia has increased its arms production, and the Russian economy will continue to show resilience in the face of massive sanctions unless Ukraine and its Western allies take decisive measures to isolate Russia economically and neutralise its accomplices.

In 2023, Ukraine's military budget is almost 3 times smaller than Russia's military budget — about USD 40 billion versus USD 110 billion. Under such conditions, expecting a rapid or large-scale counteroffensive by Ukraine is unjustified.

Bypassing sanctions has a direct impact on the growth of military production in Russia. For example, Russia produced 40 cruise missiles per month in December 2022, 65 cruise missiles per month in May 2023 and 100 cruise missiles per month in July 2023. Russia's main aides in circumventing sanctions are Kazakhstan and Kyrgyzstan, as members of the Eurasian Economic Union (EEU) and the Collective Security Treaty Organisation (CSTO). In 2023, enjoying impunity for helping Russia circumvent sanctions, the authorities in Kazakhstan and Kyrgyzstan increased their shipments of sanctioned goods, including dual-use goods, to Russia.

The assistance of Kazakhstani President Kasym-Jomart Tokayev, the entourage and family members of former Kazakhstani President Nursultan Nazarbayev and Kyrgyz President Sadyr Zhaparov to Russia is causing enormous harm to Ukraine, resulting in human casualties, destruction of infrastructure and hindering the restoration of Ukraine's territorial integrity. In authoritarian countries like Kazakhstan and Kyrgyzstan, only the political leadership and their entourage, including affiliated businesses, can supply sanctioned goods to Russia. For example, by order from the presidents, the customs service allows unlimited transport of sanctioned goods, and the systemically important banks that conduct financial transactions on sanctioned trade deals are owned or controlled by the entourage of Kasym-Jomart Tokayev, Nursultan Nazarbayev and Sadyr Zhaparov.

Contrary to Presidents Tokayev and Zhaparov's "promises" to respect sanctions during visits by officials from the United States, the European Union, and the United Kingdom to Kazakhstan and Kyrgyzstan, the authorities of the two countries continue to help Russia circumvent sanctions. On 13 July 2023, MEPs adopted a resolution calling on the European Commission to reassess the Generalised Scheme of Preferences Plus benefits (GSP+) to Kyrgyzstan, given the country's commitments under international conventions, and on the Kyrgyz government to refrain from circumventing the sanctions that the EU has imposed on Russia for its war of aggression against Ukraine.<sup>2</sup> The speed and decisiveness of action against the beneficiaries of war by the European Commission, the U.S. Department of State, as well as the Canadian and British governments will determine Russia's ability to use third countries to wage war for another 10 years.

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<sup>1</sup> <https://en.odfoundation.eu/c/publications/reports/>

<sup>2</sup> [https://www.europarl.europa.eu/doceo/document/TA-9-2023-0290\\_EN.html](https://www.europarl.europa.eu/doceo/document/TA-9-2023-0290_EN.html)

**The existing risks of a perennial war are amplified by three global challenges for Ukraine and the West:**

- Putin, Tokayev and Lukashenko are setting the stage for the potential use of the CSTO — the military alliance of Russia, Belarus, Armenia, Kazakhstan and Kyrgyzstan — to participate in the war against Ukraine. Given that Russia has constitutionally recognised Ukraine's seized territories as its own, according to the CSTO charter, Russia can use troops from the CSTO member states to "protect" the seized territories. **Our experts estimate that by paying USD 3,000 a month on contract, Russia can recruit up to 500,000 people among the poor population of 80 million people in Central Asia.**
- Russia, Central Asia, China and Iran form new "Axis of Evil". Putin and Tokayev are actively working to realign transport and logistics routes to increase Russian exports to the markets of China, Iran, Pakistan, the Middle East, India and Southeast Asia. **Russia has the economic resources to wage war for 10 years. Now the countries of the new Axis of Evil are working on projects that will allow Russia to reduce its economic dependence on the West, restore economic growth and budget revenues, and thus wage war for many years.**
- Russia, with the support of Kazakhstan and other Axis of Evil countries, is actively working on the development of gas transport infrastructure. According to experts of the report, the design capacity of existing gas pipelines and those being prepared for construction will allow Russia to compensate for 100% of the losses (about 140 billion cubic metres of gas per year) of its pipeline gas exports to the EU.

Russia's ability to produce more weapons since the sanctions were imposed demonstrates the ineffectiveness of the current secondary sanctions against shell companies and the ban on the transit of high-tech goods through Russian territory. Third-country authorities can create thousands of shell companies and imposing sanctions against them is a waste of time and the resources of Western taxpayers. Examples of sanctions against companies from Uzbekistan, Kazakhstan and Kyrgyzstan confirm the ineffectiveness of such sanctions.

**Swift smart personal sanctions against the beneficiaries of war** are the only effective tool. **By beneficiaries of war** we mean political leadership, including the presidents of Kazakhstan and Kyrgyzstan and their oligarchs for helping Russia circumvent sanctions. The speed and accuracy of smart sanctions imposed by the European Commission, the governments of Canada, the UK and the US Department of State against the beneficiaries of war will determine the extent to which their ability to help Russia circumvent sanctions is paralysed. Sanctions are also needed against the EEU political and economic union, the CSTO Secretary General and the organisation itself to prevent them from legitimising their activities in the international arena and further expanding through the accession of new countries.

A number of Western countries have **unfounded fears** that sanctions against individuals or entities from Kazakhstan will "push Kazakhstan into the arms of Putin" or China. The political top brass, including Kazakhstan's top officials, have a long history of dependence and loyalty to Russia. Kazakhstan is a member of political, economic and military alliances with Russia (the EEU and the CSTO). In addition, due to the prevalence of Russian propaganda and total state control over the media, Kazakhstan is in the same information and cultural space as Russia. Kazakhstan's political, military and economic dependence on Russia is the result of the policies of former President Nursultan Nazarbayev and current President Kassym-Jomart Tokayev, who worked with Nursultan Nazarbayev for more than 30 years as Prime Minister, head of the Ministry of Foreign Affairs, Chairman of the Senate, etc.

**A number of democratic countries also fear that the imposition of sanctions on companies, oligarchs and the leadership of Kazakhstan will allegedly lead to the destruction of trade relations.** Western officials refer to the fact that, in particular, the EU countries are dependent on energy imports from Kazakhstan. This position is erroneous. Kazakhstan's key export commodity to the EU is crude oil. Kazakhstan, unlike Russia, does not have the ability to dramatically reorient its oil exports to new markets. EU member states are traditional importers of Kazakhstani crude oil. And Kazakhstan was, remains and will be interested in selling crude oil to the European market even after the imposition of personal sanctions. Kazakhstan is dependent on oil sales to the EU. At the same time, the EU is not dependent on Kazakhstan, as it can freely purchase oil on the world market. Therefore, the fears of Western politicians about imposing sanctions on the beneficiaries of the war from Kazakhstan are unfounded.

### **Recommendations:**

EU losses from Russia's invasion of Ukraine in 2022 are at least USD 1 trillion, and global economic losses are USD 2.8 trillion.<sup>3,4</sup> Given the trillion-dollar losses and the prospect of a 10-year war with hundreds of billions of dollars needed to support Ukraine, we recommend:

- 1) Impose urgent smart personal sanctions on key beneficiaries of the war against Ukraine (**list in Annex 1**).
- 2) Given that Russia's military expenditures exceed Ukraine's military expenditures by 3 times, it is necessary to increase military aid to Ukraine in accordance with its needs.
- 3) Provide political and financial support to independent civil society in Kazakhstan and Kyrgyzstan that gathers evidence of the involvement of political leadership in Kazakhstan and Kyrgyzstan in helping Russia circumvent sanctions. The authors of the report welcome the adoption of a resolution by the European Parliament on 13 July 2023 on the suppression of media and freedom of expression in Kyrgyzstan.<sup>5</sup>
- 4) Curb the misuse of inter-state cooperation tools by authoritarian regimes such as Kazakhstan for political persecution/transnational repression of the opposition and their loved ones abroad, and to prevent lifting or softening of anti-Russian sanctions.

The Open Dialogue Foundation would like to express its gratitude to the Kazakhstani and international experts who assisted in the preparation of the report, especially for the importance of the expert analysis provided by Mukhtar Ablyazov, opposition politician and former Minister of Energy, Trade and Industry of Kazakhstan.

## **1. GENERAL OVERVIEW OF RUSSIA'S ECONOMIC AND MILITARY CAPABILITIES**

### **1.1. Review of Russia's economic capabilities to fight a ten-year war**

Following the introduction of several sanctions packages in the spring of 2022, the World Bank predicted that Russia's economy would contract by 11.2%.<sup>6</sup> However, at the end of 2022, as estimated by the World

<sup>3</sup> <https://www.bloomberg.com/news/articles/2022-12-18/europe-s-1-trillion-energy-bill-only-marks-start-of-the-crisis#xj4y7vzkg>

<sup>4</sup> <https://www.reuters.com/markets/europe/energy-inflation-crises-risk-pushing-big-economies-into-recession-oecd-2022-09-26/>

<sup>5</sup> [https://www.europarl.europa.eu/doceo/document/TA-9-2023-0290\\_EN.html](https://www.europarl.europa.eu/doceo/document/TA-9-2023-0290_EN.html)

<sup>6</sup> <https://documents1.worldbank.org/curated/en/09905350422211133/pdf/IDU0c72f82f302430046a80b0400a3effeb3e549.pdf>

Bank and the International Monetary Fund, Russia's GDP declined by only 2.1%.<sup>7</sup> As of April 2023, the International Monetary Fund (IMF) expects Russia's economy to grow by 0.7%, while the World Bank predicts Russia's GDP to drop by 0.2%. In 2024, the IMF expects Russia's economy to grow by 1.3%.<sup>8</sup> By comparison, in October 2022 the IMF estimated that the Russian economy would shrink by 2.3% in 2023 and in January 2023 the forecast was +0.3%. The Russian economy is thus showing resilience in the face of massive sanctions from democratic countries. While Ukraine's economy shrank by almost 30.3% in 2022 – and that includes financial assistance from the West.<sup>9</sup>

On 8 August 2023, the Russian Ministry of Finance reported that in January-July 2023, oil and gas revenues decreased by 41.4% compared to the same period in 2022, and the budget deficit was about USD 28.8 billion at the exchange rate as of 9 August 2023, or 1.8% of GDP. At the same time, Russia's planned budget deficit for 2023 is about USD 30 billion or 2% of GDP.<sup>10</sup> By comparison, Germany, the EU's largest economy, is expected to have a budget deficit of 4.25 % of GDP in 2023 and France is expected to have a deficit of 4.9% of GDP.<sup>11, 12</sup> At the same time, Russia, which is under sanctions, is expected to have a planned budget deficit at least half that of Germany and France. Even if Russia's budget deficit at the end of 2023 is about USD 60 billion or about 4% of GDP, **Putin will have enough economic power to wage war for at least 10 years:**<sup>13, 14</sup>

- 1) Bloomberg experts estimate that in 2022, Russia retained about **USD 80 billion in "shadow reserves" abroad** from raw material exports.<sup>15</sup> Russian journalists analyzed data from Russia's Federal Customs Service and found that energy exports in 2022 amounted to USD 383.7 billion, which is 43 % more than in 2021.<sup>16</sup>
- 2) Russia's international reserves reached USD 594 billion as of 28 July 2023.<sup>17</sup> In March 2022, the Russian Ministry of Finance reported that Western countries had seized about USD 300 billion of Russia's reserves out of a total of USD 640 billion.<sup>18</sup> Consequently, **Russia still has about USD 300 billion of unseized assets.**
- 3) According to a report by the Central Bank of Russia, individuals and entities had **about USD 1 trillion in deposits** with Russian banks at the end of 2022.<sup>19</sup> The state could borrow some of these funds by issuing securities.

It is important to note that these calculations do not take into account the further projected growth of the Russian economy.

<sup>7</sup> <https://www.consilium.europa.eu/en/infographics/impact-sanctions-russian-economy/#:~:text=The%20chart%20shows%20that%2C%20in,IMF%20forecasts%20growth%20by%200.3%25>

<sup>8</sup> <https://www.imf.org/en/Countries/RUS>

<sup>9</sup> <https://www.rbc.ua/ukr/news/minekonomiki-nazvali-tsifru-padinnya-vvp-1681123480.html#:~:text=%D0%9F%D0%BE%20%D0%BE%D1%86%D0%B5%D0%BD%D0%BA%D0%B0%D0%BC%20%D0%9C%D0%92%D0%A4%2C%20%D0%B2%202022,%D1%80%D0%BE%D1%81%D1%82%D0%B0%20%D0%BD%D0%B0%201%2C%25>

<sup>10</sup> [https://minfin.gov.ru/ru/press-center/?id\\_4=38632-predvaritelnaya\\_otsenka\\_ispolneniya\\_federalnogo\\_byudzheta\\_za\\_yanvar-iyul\\_2023\\_goda](https://minfin.gov.ru/ru/press-center/?id_4=38632-predvaritelnaya_otsenka_ispolneniya_federalnogo_byudzheta_za_yanvar-iyul_2023_goda)

<sup>11</sup> <https://www.reuters.com/markets/europe/germany-expects-deficit-425gdp-2023-fin-min-2023-04-26/>

<sup>12</sup> <https://www.reuters.com/markets/europe/france-tighten-government-spending-further-with-eye-deficit-2023-05-24/#:~:text=The%20government%20expects%20the%20public,to%20less%203%25%20in%202027>

<sup>13</sup> YouTube channel of Russian lawyer and opposition figure Mark Feigin: GRAY SCHEMES. AN INTERVIEW WITH MUKHTAR ABLYAZOV (updated analysis of Russia's economic capabilities to wage war against Ukraine and Western countries), date of publication 28 June 2023, <https://www.youtube.com/watch?v=iW8AdSiRCEg&t=1869s>

<sup>14</sup> YouTube channel of Ukrainian Channel "24": Shock! PUTIN is in a deal with PRIGOGIN / Russia WILL ITS WAGE WAR for another 10 years? / Who is Kazakhstan DECEIVING? - ABLYAZOV, publication date 1 July 2023, <https://www.youtube.com/watch?v=IhwAtZzbpWc&t=2s>

<sup>15</sup> <https://www.bloomberg.com/news/articles/2023-03-14/russia-built-80-billion-offshore-cash-pile-in-year-of-sanctions#xj4y7vzkg>

<sup>16</sup> <https://www.currenttime.tv/a/rossiya-neft-dohody/32316574.html>

<sup>17</sup> [https://www.cbr.ru/hd\\_base/mrrf/mrrf\\_7d/](https://www.cbr.ru/hd_base/mrrf/mrrf_7d/)

<sup>18</sup> <https://www.rbc.ru/economics/13/03/2022/622dd6ee9a7947081b63341c>

<sup>19</sup> [https://cbr.ru/Collection/Collection/File/43816/analytical\\_review\\_bs-2022.pdf](https://cbr.ru/Collection/Collection/File/43816/analytical_review_bs-2022.pdf)

## 1.2. Overview of Russian and Ukrainian military budgets

The Stockholm International Peace Research Institute estimates that in 2022 Russia spent about USD 86.4 billion on military expenditures, while Ukraine spent USD 44 billion.<sup>20</sup> A twofold difference. In 2023, Janis Kluge, an expert at the German Institute for International Security Studies, estimates that Russia spends about USD 9.4 billion a month on military expenditures.<sup>21</sup> Over a year, the amount is more than USD 110 billion. In 2023, Russia officially increased its war budget to USD 100 billion.<sup>22</sup>

While the expenditures of Ukraine are three times less – about USD 3 billion a month, per Ukraine's Minister of Finance.<sup>23</sup> For 2023, this amount will be around USD 40 billion. Consequently, in 2023 the difference in military budgets has become even larger, although Ukraine needs to carry out more large-scale and costly counteroffensive operations to liberate its territories. An important aspect of comparing the military budgets of the two countries is that Russia covers its costs by running its own economy, while Ukraine relies almost entirely on direct financial and military aid from democratic countries.

Despite extensive Western sanctions on Russia, the Russian economy continues to generate the resources needed to wage war. Russia's projected GDP growth indicates that the existing sanctions, as well as measures against sanctions circumvention, are not achieving the desired effect.

**The circumvention of sanctions by way of third countries plays an important role in this, because Russia's military-industrial complex not only continues to produce weapons, but is increasing its production volumes.<sup>24</sup> For example, in December 2022, the Ukrainian military reported that Russia was capable of producing about 40 cruise missiles per month, and in May 2023 – already 65 cruise missiles per month, in July 2023 – 100 cruise missiles per month.<sup>25, 26, 27</sup> And that's not the limit.**

## 2. EXAMPLES OF HOW THE KAZAKHSTANI AND KYRGYZ AUTHORITIES HAVE ASSISTED PUTIN IN THE WAR

Tokayev and Zhaparov's assistance to Russia has a direct positive impact on Russia: support for the Russian economy and military-industrial complex and support for Russian citizens such as access to goods and services. But for Ukraine it has a direct negative impact – the prospect of a long-term destructive war. And in the short term, it creates difficulties for the Ukrainian counteroffensive. Ukrainians themselves acknowledge that the counteroffensive is difficult and that Russia has prepared well for it.<sup>28</sup>

Kazakhstan, and more specifically President Tokayev and his entourage, are the key supporters of Russia in circumventing the sanctions. Their help includes the supply of sanctioned goods worth billions of dollars, access to international financial transactions (Visa and Mastercard), funding of a war worth

<sup>20</sup> <https://www.dw.com/ru/sipri-v-evrope-proizosel-samyj-rezkij-v-mire-rost-voennyh-rashodov/a-65383664>

<sup>21</sup> <https://www.moscowtimes.ru/2023/05/16/rossiya-tratit-na-voinu-bolshe-30-miliardov-rublei-v-den-a43050>

<sup>22</sup> [https://www.reuters.com/world/europe/russia-doubles-2023-defence-spending-plan-war-costs-soar-document-2023-08-04/#:~:text=LONDON%2C%20Aug%20%20\(Reuters\),growing%20strain%20on%20Moscow's%20finances](https://www.reuters.com/world/europe/russia-doubles-2023-defence-spending-plan-war-costs-soar-document-2023-08-04/#:~:text=LONDON%2C%20Aug%20%20(Reuters),growing%20strain%20on%20Moscow's%20finances)

<sup>23</sup> <https://www.rbc.ua/ukr/news/marchenko-nazvav-misyachnu-sumu-vidatkiv-1680079699.html>

<sup>24</sup> Source: official statistics of foreign trade of Kazakhstan and Kyrgyzstan with Russia

<sup>25</sup> <https://hromadske.ua/ru/posts/rossiya-ezhemesyachno-proizvodit-okolo-40-novyh-raket-ukrainskaya-voennaya-razvedka>

<sup>26</sup> <https://focus.ua/voenye-novosti/567766-novost-nepriyatnaya-rossiya-uvlichila-proizvodstvo-raket-na-40-ekspert-video>

<sup>27</sup> <https://www.ukrinform.ua/rubric-ato/3731271-oleksij-gromov-zastupnik-nacalnika-golovnogo-operativnogo-upravlinna-genstabu-zsu.html>

<sup>28</sup> <https://www.bbc.com/russian/articles/c80d94yrrgo>

billions of dollars, preventive rescue of assets of *Rosatom*, *Eurasian Development Bank* and *Polymetal* from potential sanctions and much more – read more in the reports (links in the footnotes).<sup>29, 30, 31, 32</sup>

The Kazakhstani and Kyrgyz authorities have also abused interstate cooperation mechanisms to lobby for the lifting of anti-Russian sanctions. To achieve this goal, the presidents of Kazakhstan and Kyrgyzstan use state agencies and companies:

- 1) In July 2022, the US Department of Treasury lifted sanctions imposed on *Alfa-Bank Kazakhstan*.<sup>33</sup> In March 2023, the US Department of Treasury lifted sanctions imposed on *Sberbank Kazakhstan*.<sup>34</sup> The lifting of the anti-Russian sanctions was made possible by lobbying efforts on the part of the National Bank, the Agency for Regulation and Development of the Financial Market, the Ministry of Foreign Affairs of Kazakhstan, and national management holding *Baiterek* at the behest of Tokayev.
- 2) In May 2023, Kazakhstan's Finance Minister Yerulan Zhamaubayev said that the Kazakhstani authorities are persuading the EU to unblock USD 700 million in the *Eurasian Development Bank*.<sup>35</sup> *The Eurasian Development Bank* is the key investment bank of the Eurasian Economic Union (EEU) and finances projects that contribute to the stable development of the economies of EEU member states, including Russia.
- 3) In June 2023, three Kyrgyz government ministers travelled to Brussels to persuade EU officials to unblock funds from the Russia-Kyrgyz Development Fund in the amount of USD 163 million.<sup>36, 37</sup> The Fund was established in 2014 and has supported Kyrgyz entrepreneurs. However, there are concerns that the Fund could also be used to buy shares in Russian oil companies and support the Russian economy.

## 2.1. Examples of how the Kazakhstani authorities assisted in supplying Russia's military-industrial complex and sanctions circumvention.

- 1) In 2022, Kazakhstan exported **11.5 tonnes of gunpowder** worth USD 437,000 to Russia, although it did not make any shipments in 2021. At the same time, in 2022, Kazakhstan imported 17.8 tonnes of gunpowder from France. From 11.5 tonnes of gunpowder, **3.5 billion 7.62x54mmR cartridges** can be produced. Meanwhile, European officials reported in March 2023 that the EU has a shortage of explosives for Ukraine's ammunition production.<sup>38</sup> Thus, for Kazakhstan, which supplies French gunpowder to Russia, the gunpowder was sold, while for Ukraine the stock of gunpowder turned out to be already "used up".
- 2) Supplies of **bearings used in the production of armoured vehicles** in 2022 exceeded USD 111 million, **almost twice** the amount in 2021.
- 3) The sum of exports of **integrated circuits** from Kazakhstan to Russia exceeded USD 18 million, **74 times** the amount of exports for 2021.

<sup>29</sup> <https://en.odfoundation.eu/a/494919,kremlins-secret-ally-how-tokayev-is-helping-putin-circumvent-sanctions/>

<sup>30</sup> <https://en.odfoundation.eu/a/508247,the-secret-of-tokayev-and-putin-how-to-circumvent-the-oil-embargo/>

<sup>31</sup> <https://en.odfoundation.eu/a/570712,everything-for-the-front-everything-for-victory-how-tokayev-helps-putin-while-fooling-ukraine-and-the-west/>

<sup>32</sup> <https://en.odfoundation.eu/a/624385,the-beneficiaries-of-russias-war-against-ukraine-how-the-nazarbayev-tokayev-regime-is-helping-putin/>

<sup>33</sup> <https://ofac.treasury.gov/recent-actions/20220714>

<sup>34</sup> <https://ofac.treasury.gov/recent-actions/20230308>

<sup>35</sup> [https://tengrinews.kz/kazakhstan\\_news/zamorozku-rossiyskoy-doli-v-eabr-prokomentiroval-jamaubaev-500497/](https://tengrinews.kz/kazakhstan_news/zamorozku-rossiyskoy-doli-v-eabr-prokomentiroval-jamaubaev-500497/)

<sup>36</sup> <https://economist.kg/vlast/2023/06/22/aktiv-rkfr-v-ies-zamorozhieny-srazu-tri-ministra-v-lyietieli-v-brussiel-na-pierieghovory/>

<sup>37</sup> <https://economist.kg/vlast/2023/07/05/na-schietakh-v-ies-zamorozhieno-30-ot-kapitala-rkfr/>

<sup>38</sup> <https://www.ft.com/content/aee0e1a1-c464-4af9-a1c8-73fbc46ed17>

- 4) Contrary to promises to "comply with sanctions," Tokayev continues his policy of sanctions circumvention by supplying sanctioned goods to Russia in 2023: in just five months of 2023 (January-May), chip shipments to Russia amounted to USD 11 million. This is **45 times more than for the whole of 2021.**

**The above-mentioned facts indicate a purposeful abuse of the Enhanced Partnership and Cooperation Agreement (EPCA) with the European Union by the Kazakhstani authorities. By taking advantage of the free purchase of sanctioned goods, Kazakhstan's top officials ensure the uninterrupted supply of Russia's military industry for the war against Ukraine and Western countries.**

## **2.2. Examples of the assistance of the Kyrgyz authorities in supplying Russia's military-industrial complex and sanctions circumvention**

**The President of Kyrgyzstan, not only directly supported Putin's occupation policy from the first hours of Russia's full-scale invasion of Ukraine,<sup>39</sup> but also ensured the supply of critical sanctioned goods to the Russian military-industrial complex, for example:**

- 1) Kyrgyzstan exported **115,920 electric detonators** to Russia in 2022, although it did not make any shipments in 2021. Electric detonators are used in the production of **anti-personnel and anti-tank mines**, which pose a problem for the Ukrainian counteroffensive. For its part, Kyrgyzstan imported 193,536 electric detonators from Canada in 2022. That is, Kyrgyzstan was exporting Canadian-made electric detonators to Russia.
- 2) Shipments of integrated circuits from Kyrgyzstan to Russia in 2022 amounted to USD 612,800, **104 times more** than in 2021.
- 3) Over just 5 months (January-May) of 2023 Kyrgyzstan supplied to Russia 8.5 times more integrated circuits than for the whole 2022, worth USD 5.2 million. This is 887 times more than for the whole 2021.

More information on shipments of sanctioned goods can be found in the Foundation's reports at the links in the footnotes.<sup>40, 41</sup>

## **2.3. Sanctions are circumvented at the state level**

In authoritarian countries like Kazakhstan and Kyrgyzstan, only the political leadership and their entourage have the power to ship sanctioned goods to Russia:

- The Customs Service allows such goods to be supplied under orders from the presidents.
- The main banks that conduct financial transactions on trade deals belong to Tokayev and Zhaparov's entourage. The banks provide access to *Visa* and *Mastercard* to Russians in violation of sanctions, with Tokayev and Zhaparov's permission, otherwise the national banks of Kazakhstan and Kyrgyzstan would have long ago penalised such banks for helping Russians. In the case of Kazakhstan, government agencies are acting as lobbyists in the US and have succeeded in getting sanctions lifted from Russian banks (*Sberbank*, *Alfa-Bank*) in Kazakhstan.

<sup>39</sup> <http://www.kremlin.ru/events/president/news/67869>

<sup>40</sup> <https://en.odfoundation.eu/a/624385,the-beneficiaries-of-russias-war-against-ukraine-how-the-nazarbayev-tokayev-regime-is-helping-putin/>

<sup>41</sup> <https://en.odfoundation.eu/a/627027,russias-accomplices-in-the-war-against-ukraine-kazakhstan-and-kyrgyzstan-the-russian-armys-reliable-rear/>

- The country's main financial resources for purchasing large quantities of sanctioned goods belong to the political leadership and their entourage.
- Railway companies transporting sanctioned goods are owned by the state.

### 3. THE CSTO IS AN ESSENTIAL RESERVE TO REPLENISH THE RUSSIAN ARMY

Russia's military alliance, the Collective Security Treaty Organisation (CSTO), is preparing to reinforce its army by recruiting in Central Asia for the war against Ukraine:

- The Collective Security Treaty Organisation (CSTO) is a military alliance of Russia, Belarus, Armenia, Kazakhstan and Kyrgyzstan. Since 1 January 2023, the Secretary General is the representative of Kazakhstan Imangali Tasmagambetov, Kazakhstan's former prime minister, former Minister of Defence and longtime aide to former President Nursultan Nazarbayev.
- On 28 February 2023 at a meeting with Russian Minister of Trade and Industry Denis Manturov, Imangali Tasmagambetov, on behalf of Nazarbayev and Tokayev, proposed that Russia organise joint arms production and repair within the CSTO member states due to "the geopolitical situation and increasing tensions".<sup>42</sup>
- The choice of Kazakhstan is not accidental – Kazakhstan is the only country within the CSTO that is not under sanctions and has the infrastructure and significant financial resources to produce and repair weapons, and is able to freely import Western-made electronic components.
- Russia has constitutionally recognised Ukraine's seized territories as its own, allowing the CSTO to be used for "protection against a Ukrainian counter-attack". This does not require a UN mandate, just a formal reference to the CSTO charter, apart from the fact that Putin does not need legal justification or UN permission to use the CSTO.
- In late May 2023, Russian MP Sergey Mironov, voicing the Kremlin's position, called for an interstate solution to the issue of prosecutions for "mercenarism" in Kazakhstan, Kyrgyzstan and Uzbekistan for the involvement of their citizens in the war against Ukraine.<sup>43</sup>
- On 31 May 2023, Kazakhstan's lower house of parliament ratified agreements with the CSTO that introduce the concept of a "*coordinating state*" (within the CSTO this can only be Russia) and define the manner in which CSTO "*peacekeeping*" troops are to be deployed.<sup>44</sup> And while the Kazakhstani authorities state that CSTO peacekeeping troops can only be used under a UN agreement, it is clear that Putin, who does not respect international law, can also use CSTO troops in a war against Ukraine to increase escalation and force Ukraine to accept "new territorial realities".

Russia could recruit at least 500,000 people in Central Asia. **This assessment by our experts is based on the following factors: (1) there are about 80 million people in Central Asia; (2) the main population of Central Asia is poor; (3) the average payment to the Russian military is about three thousand dollars a**

<sup>42</sup> [https://odkb-csto.org/news/news\\_odkb/generalnyy-sekretar-odkb-imangali-tasmagambetov-vstretilsya-s-zamestitelem-predsedatelya-pravitelstv/?ysclid=leokr4rqy7996701643#loaded](https://odkb-csto.org/news/news_odkb/generalnyy-sekretar-odkb-imangali-tasmagambetov-vstretilsya-s-zamestitelem-predsedatelya-pravitelstv/?ysclid=leokr4rqy7996701643#loaded)

<sup>43</sup> [https://24.kg/obschestvo/267164\\_sergey\\_mironov\\_vozmutilsya\\_chno\\_migrantov\\_nakazyivayut\\_zauchastie\\_vvoynne\\_vukraine/](https://24.kg/obschestvo/267164_sergey_mironov_vozmutilsya_chno_migrantov_nakazyivayut_zauchastie_vvoynne_vukraine/)

<sup>44</sup> <https://www.zakon.kz/6395312-mazhilis-ratifikiroval-izmeneniya-v-soglashenie-o-mirotvorcheskoy-deyatelnosti-stran-odkb.html>

month<sup>45</sup>; and (4) Russia is home to about 8 million Central Asian migrants.<sup>46</sup> Russia is already recruiting citizens of Central Asian states to fight in the war, but so far in limited numbers.<sup>47, 48</sup>

#### 4. RUSSIA IS BUILDING AN AXIS OF EVIL WITH IRAN, CHINA AND CENTRAL ASIA

Similar to the Triple Alliance in World War II, the new Axis of Evil poses a global challenge to Ukraine and all democratic countries. Putin has launched the biggest war in Europe since World War II. Iran is supplying drones and munitions to Russia.<sup>49</sup> China has ramped up its energy imports from Russia, helping the Russian economy.<sup>50</sup> Central Asian countries are a back door for circumventing sanctions. In the new Axis of Evil, Kazakhstan and the whole of Central Asia play a key role due to their geographical location: goods from China go to Russia, including through Kazakhstan, and goods, gas and oil exports to China from Russia also go through Kazakhstan. Putin and Tokayev are building the infrastructure to circumvent sanctions and reorient and expand Russian exports to Iran, China, Pakistan, India and Southeast Asia in the long term. In this way, Russia will reduce its dependence on the West, increase exports to new markets and gain the necessary resources to fight a perennial war.

Such a strategy by Putin is reflected and supported in Tokayev's statement at the Eurasian Economic Union (Russia, Kazakhstan, Belarus, Kyrgyzstan and Armenia) summit in Moscow on 25 May 2023.<sup>51</sup>

Tokayev stated that Kazakhstan would act as a reliable logistical hub for the Eurasian Economic Union (EEU), and proposed Kazakhstan as the centre for EEU industrial cooperation. In fact, he proposed organising in Kazakhstan the production of industrial goods that Russia is currently forced to import to circumvent sanctions. This corroborates Tasmagambetov's earlier words about such plans.

Tokayev also welcomed Russia's intentions to form transport and logistics corridors in the direction of China, India, Pakistan, Iran, the Middle East and Southeast Asia. Tokayev supports Russia in this direction, as Kazakhstan participates in new transport routes: a "North-South" trade corridor via the Caspian Sea from Russia to Iran, railway routes from Russia through Kazakhstan to China and Iran.<sup>52</sup>

#### 5. THE AXIS OF EVIL IS BUILDING THE INFRASTRUCTURE FOR A COMPLETE REORIENTATION OF RUSSIA'S GAS EXPORTS TO ASIA

An illustrative example of the functioning of the new axis of evil is the joint development of gas transport routes. Russia is also working on projects to develop gas transportation routes towards China via Kazakhstan, into Central Asia and Iran with access to the Persian Gulf and the Indian market.<sup>53, 54, 55</sup> Thus, Russia wants to compensate for its loss of the European gas market and to get rid of its economic

<sup>45</sup> <https://fintolk.pro/skolko-platyat-za-uchastie-v-speczialnoj-voennoj-operaczii-v-2022-godu/>

<sup>46</sup> <https://longreads.cabar.asia/migraciya#:~:text=%D0%9F%D0%BE%20%D0%B4%D0%B0%D0%BD%D0%BD%D1%8B%D0%BC%20%D1%80%D0%BE%D>

<sup>47</sup> <https://www.bbc.com/russian/articles/ce417zgy2g5o>

<sup>48</sup> <https://www.reuters.com/world/europe/russia-targets-neighbour-kazakhstan-with-army-recruitment-ads-2023-08-03/>

<sup>49</sup> <https://news.sky.com/story/irans-alleged-ammunition-for-russias-war-in-ukraine-the-secret-journey-of-the-cargo-ships-accused-of-supplying-invasion-12828039>

<sup>50</sup> <https://www.forbes.ru/biznes/486911-rossia-perenapravila-neft-v-kitaj-i-indiu-dostatocno-li-etih-dvuh-rynkov>

<sup>51</sup> <https://www.akorda.kz/ru/prezident-kazahstana-prinyal-uchastie-v-zasedanii-vysshego-evraziyskogo-ekonomicheskogo-soveta-254528>

<sup>52</sup> Капра: <https://www.onthemosway.eu/international-north-south-transport-corridor-set-to-expand-capacity/?cn-reloaded=1>

<sup>53</sup> <https://eadaily.com/ru/news/2023/06/28/42-mlrd-gazprom-predstavit-gazifikaciju-kazahstana-s-vyhomom-v-kitaj>

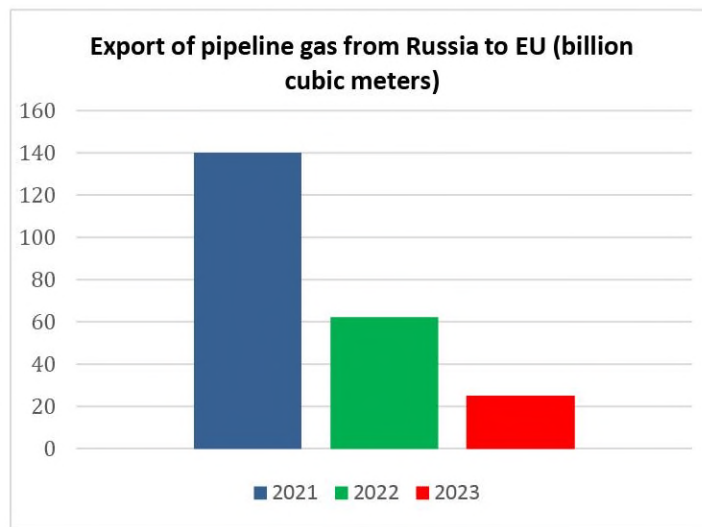
<sup>54</sup> <https://www.currenttime.tv/a/uzbekistan-rossiya-gaz/32465602.html>

<sup>55</sup> <https://www.kommersant.ru/doc/6029314>

dependence on Europe by reorienting Russian oil and gas exports to the markets of China, India and other countries in the Global South. The examples described in this chapter indicate that Russia is capable of fully compensating for the loss of its gas exports to Europe within a 5-year time horizon. The realisation of the project of reorienting Russian gas exports is possible only by using the territory of Kazakhstan. Therefore, the leadership of Kazakhstan is implementing this project together with Russia and purposefully helps Russia to level the effects of Western sanctions, which will allow Russia to wage a perennial war.

### 5.1. Gas exports from Russia to the EU

In 2021, Russia exported 141 billion cubic metres of pipeline gas to the EU. At the same time, the total volume of Russian pipeline gas exports was 210 billion cubic metres.<sup>56,57</sup> Accordingly, in 2021, the European market accounted for two-thirds of Russia's total pipeline gas exports.



In 2022, Russia exported about 62 billion cubic metres of gas to the EU. In 2023, Russia's gas exports to the EU are forecast to be around 25 billion cubic metres of gas.

In order to compensate for the loss of the European market, Russia is actively developing projects to export gas to alternative markets. This will allow Russia to offset some of the lost revenues from gas exports to the European market, restore some budget revenues and finance the war. As a result, the existing Western sanctions will not achieve the expected effect.

### 5.2. Gas exports from Russia to alternative markets

The design capacity of the existing and forthcoming pipelines described below will allow Russia to compensate 100% of the losses (about 140 billion cubic metres/year) of its pipeline gas exports to the EU within 5 years.

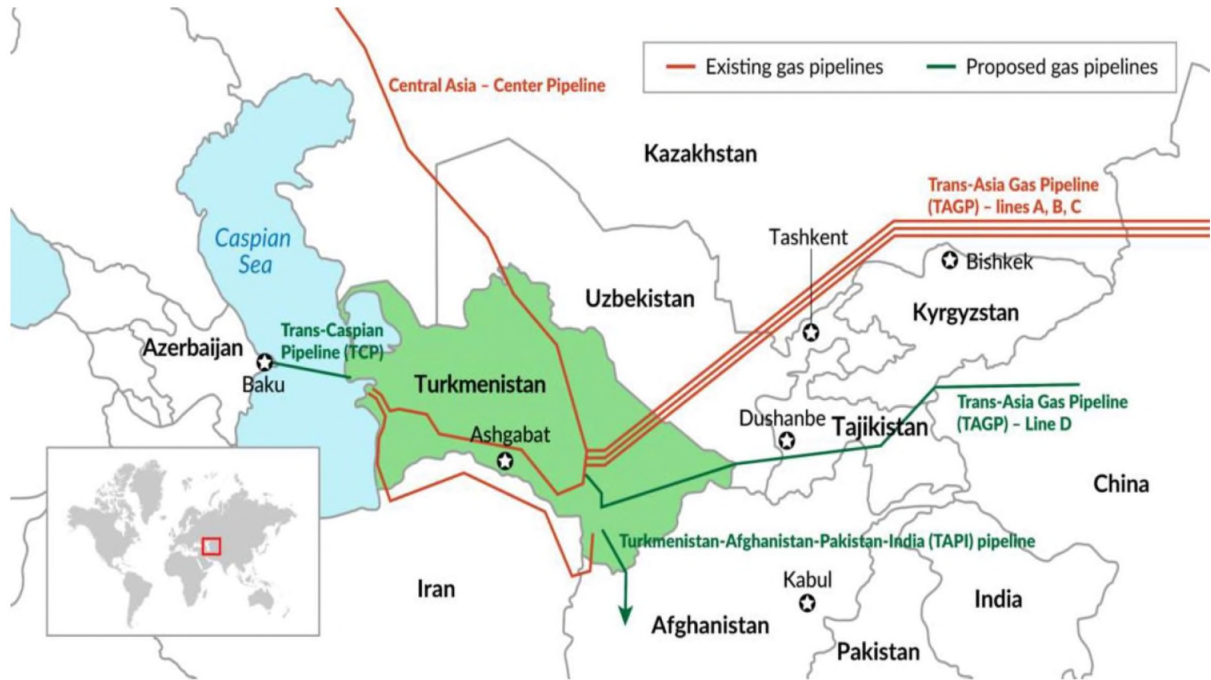
**Through the existing gas pipeline infrastructure, Russia can export gas to the following markets:**

**(1) Uzbekistan** – up to 6 billion cubic metres of gas per year through the *Central Asia-Centre* gas pipeline system.

<sup>56</sup> <https://tass.ru/ekonomika/16760853>

<sup>57</sup> <https://www.vedomosti.ru/business/articles/2022/09/26/942465-eksport-rossiiskogo-gaza-mozhet-virasti>

On 19 June 2023, Uzbekistan's Energy Ministry said it would start buying 2.8 billion cubic metres of Russian gas per year from 1 October 2023, but supplies could be increased to 6 billion cubic metres per year.<sup>58,59</sup> Russian gas will flow through the existing *Central Asia-Centre* gas pipeline system from Russia through Kazakhstan to Uzbekistan. It is important to note that it was economically advantageous for Uzbekistan to purchase gas from its traditional supplier and neighbour, Turkmenistan. However, the signed contract for the purchase of Russian gas indicates the political nature of the agreement between Russia and Uzbekistan. Russia is looking for a replacement for a major European market for its gas.



<sup>58</sup> <https://rus.azattyq.org/a/32466029.html>

<sup>59</sup> <https://www.kommersant.ru/doc/6053346>

**(2) China** - up to 38 billion cubic metres of gas per year through the *Power of Siberia* pipeline.

In 2022, pipeline gas exports from Russia to China via the existing *Power of Siberia* pipeline increased by 49% to 15.5 billion cubic metres.<sup>60,61</sup> The design capacity of the *Power of Siberia* gas pipeline is 38 billion cubic metres. Russia plans to reach the design capacity of gas exports through this pipeline by 2027.



**(3) China** - up to 10 billion cubic metres of gas per year through the *Central Asia-China* pipeline.

The existing *Central Asia-China* gas pipeline system currently has three branches with a total capacity of 50 billion cubic metres of gas per year.<sup>62</sup> In practice, the pipeline exports about 40 billion cubic metres of gas per year. Turkmenistan is the main exporter of gas to China through this pipeline — about 35 billion cubic metres of gas per year.<sup>63</sup> The pipeline starts in Turkmenistan and passes through Uzbekistan, Kazakhstan and on to China. Russia can supply Central Asia with 10 billion cubic metres of gas per year through the *Central Asia-Centre* pipeline, with further gas transported through the *Central Asia-China* pipeline, which connects to the *Central Asia-Centre* pipeline.

**Simultaneously, Putin is working on building three more new Russian gas export routes for the following markets:**

**(1) China** - through the *Power of Siberia 2* gas pipeline with a design capacity of about 50 billion cubic metres of gas per year through Mongolia.<sup>64</sup> Construction is expected to start in 2024. The commissioning date of the Mongolian part is tentatively scheduled for 2027-2028.<sup>65</sup>

<sup>60</sup> <https://www.vedomosti.ru/business/articles/2023/01/16/959224-rossiya-prokachala>

<sup>61</sup> Капра: <https://www.russia-briefing.com/news/mongolian-transit-of-power-of-siberia-2-pipeline-construction-to-begin-in-2024.html/>

<sup>62</sup> Капра: <https://www.gisreportsonline.com/r/turkmenistan-international-politics/>

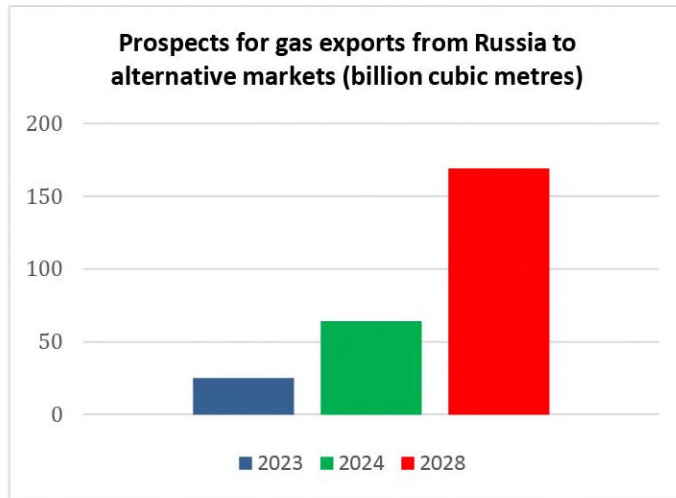
<sup>63</sup> <https://neftegaz.ru/news/transport-and-storage/765467-turkmenistan-obsuzhdaet-s-kitaem-proekt-stroitelstva-4-y-nitki-gazoprovoda-turkmenistan-kitay/>

<sup>64</sup> <https://tass.ru/ekonomika/15820571>

<sup>65</sup> <https://tass.ru/ekonomika/15820571>

**(2) Kazakhstan and China** - 40 billion cubic metres of gas per year. According to the project, the volume of gas exports along this route through East Kazakhstan and further to China will amount to 40 billion cubic metres of gas. Of this, 10 billion cubic metres of gas will be used by Kazakhstan (for Northern and Eastern Kazakhstan) and 30 billion cubic metres of gas will be exported to China.<sup>66</sup>

**(3) China** – through the *Central Asia-China* gas pipeline, Russia will be able to supply gas to China by agreeing on joint supplies together with Turkmenistan. Russia will be able to supply about 15 billion cubic metres of gas per year through this route as follows: China and Turkmenistan are working on a project to build a fourth branch of the *Central Asia-China* gas pipeline from Turkmenistan through Tajikistan,



Kyrgyzstan and onwards to China.<sup>67</sup> The new branch of the gas pipeline will increase the capacity of the pipeline by 30 billion cubic metres of gas per year. By reaching an agreement with Turkmenistan, Russia will be able to split some of its gas export volumes to China through the *Central Asia-China* gas pipeline.

China may be interested in additional imports of Russian gas through the *Central Asia-China* gas pipeline, as this will reduce the price of imported gas (or keep it low) due to the fact that Turkmenistan will cease to be a monopoly gas exporter through this pipeline.

**Note:** the estimate of gas exports from Russia in the future is calculated taking into account that some European countries will continue to import Russian gas at the level of 25 billion cubic metres of gas per year.

#### **(4) to India through Iran**

The most long-term and complex project involves the export of Russian gas through Iran to India. Although Iran's Minister of Petroleum said in June 2023 that Iran aims to build a gas hub on the Persian Gulf coast with the participation of Russia, Qatar and Turkmenistan, experts suggest that this project is difficult to realise.<sup>68</sup> Experts predict that the realisation of such a project is possible in the 2030s.<sup>69</sup> At this stage, Russia and Iran are working on the joint development of ten oil and gas fields in Iran with a planned cost of USD 40 billion for further exports to world markets.<sup>70</sup> Russia and Iran have already agreed to swap deliveries of 5 million tonnes per year of Russian oil and 10 billion cubic metres per year of Russian gas to northern Iran in 2023.<sup>71</sup>

<sup>66</sup> <https://kz.kursiv.media/2023-02-24/zhnb-gazpipelinechina/>

<sup>67</sup> <https://www.reuters.com/markets/commodities/china-prioritising-turkmenistan-over-russia-next-big-pipeline-project-2023-05-24/>

<sup>68</sup> <https://www.vedomosti.ru/business/articles/2023/06/08/979209-iran-zayavil-o-planah-sozdaniya-gazovogo-haba>

<sup>69</sup> <https://vz.ru/economy/2023/6/8/1215615.html>

<sup>70</sup> <https://tass.ru/ekonomika/17771903>

<sup>71</sup> Explanation: The essence of swap deliveries (or structured deliveries) is that two countries or companies exchange goods without the need to use cash. In this case, Russia will provide Iran with oil and gas, and Iran will provide specific goods or services in return. This approach can be advantageous when two countries have different resources or goods that they need and they can mutually exchange these resources or goods without having a financial transaction.

**Conclusion:**

The design capacity of the existing and forthcoming pipelines described above will allow Russia to compensate for 100% of the losses (about 140 billion cubic metres of gas per year) of its pipeline gas exports to the EU. **It will take 5 years for Russia to implement projects for a complete reorientation of gas exports.** Russia is actively working to reduce its economic dependence on the West by developing transport and logistics routes, gas transport infrastructure, and expanding exports to alternative markets. This is largely due to the assistance of the Kazakhstani authorities. In the medium and long term, 5-10 years, Russia will reorient its oil and other exports to new and existing markets, which will generate enough resources to wage war against Ukraine and Western countries. And for the next 10 years, until these projects are realised as described above, Russia has the economic capacity to finance the war.

## **6. HOW TO DEPRIVE RUSSIA OF THE ECONOMIC AND MILITARY CAPABILITIES TO WAGE A PROLONGED WAR**

### **6.1. Which sanctions have proved ineffective**

The facts described above show that the existing international sanctions, including secondary sanctions, do not achieve the desired effect, in part due to the enormous assistance in circumventing sanctions on the part of third countries, and, first and foremost, members of the EEU and the CSTO military-political alliances. Let us examine below which of the existing sanctions mechanisms Russia and third countries have learnt to circumvent:

- Sanctions against shell companies

In April 2023, the U.S. imposed sanctions on an Uzbek company, *Alfa Beta Creative*.<sup>72</sup> Oleg Grablin is the nominal owner of this company. In June 2022, another of Oleg Grablin's companies, *Promcomplektlogistic*, came under U.S. sanctions.<sup>73</sup> This did not result in a disruption of the supply of sanctioned goods from Uzbekistan to Russia. The authorities of Uzbekistan, Kazakhstan or other authoritarian countries can set up thousands of shell companies. It is useless to impose sanctions against them. On 1 July 2023, President Zelensky imposed sanctions against two companies from Kazakhstan, but this would not have any effect on the continued supply of sanctioned goods from Kazakhstan to Russia, as a million such companies could be created.<sup>74</sup> In July 2023, the US imposed sanctions on four companies from Kyrgyzstan.<sup>75, 76</sup> These examples demonstrate that such sanctions are ineffective because the authorities in Kazakhstan, Kyrgyzstan and Uzbekistan can create any number of shell companies or use existing ones and continue to assist Russia.

- Ban on the transit of sanctioned goods through Russian territory

The EU's 11th sanctions package includes a transit ban on high-tech goods through Russia (and these goods transit through Russia to Kazakhstan and other Central Asian countries). But Kazakhstan and Kyrgyzstan can bring, for instance, semiconductors from Europe or the United States by plane directly to Kazakhstan and Kyrgyzstan and then deliver them using trucks to Russia. In addition, Kazakhstan and Kyrgyzstan purchase a significant portion of sanctioned goods, including microchips, semiconductors from

<sup>72</sup> <https://www.federalregister.gov/documents/2023/04/17/2023-07840/additions-and-revisions-of-entities-to-the-entity-list>

<sup>73</sup> <https://uz.kursiv.media/2022-06-29/kompaniya-iz-uzbekistana-popala-pod-sankcii-ssha/>

<sup>74</sup> <https://rus.azattyq.org/a/32485005.html>

<sup>75</sup> <https://rus.azattyq.org/a/32485005.html>

<sup>76</sup> <https://www.bbc.com/russian/articles/c9ekp78zyny>

South Korea, Japan, China, Taiwan, Malaysia, Vietnam and other countries.<sup>77, 78</sup> Therefore, a transit ban is not effective. For the same reason, the EU and the US export controls on Kazakhstan and Kyrgyzstan will not prove effective.

With their promises to "comply with sanctions" or statements of "neutrality" beneficiaries of the war, like Tokayev, Zhaparov and their representatives, are buying time to further help Russia circumvent sanctions. This practice has proven to be the most effective for them — after a year and a half of helping Russia circumvent sanctions, neither the US, the EU, Canada, nor the UK are applying personal sanctions to them. Given the fact that the European MPs have left to prepare for the upcoming elections in June 2024, as well as the upcoming US presidential election, decisions on sanctions may slow down, which will contribute to further weakening of the sanctions regime.

## 6.2. Smart personal sanctions against Russia's war beneficiaries

The experience of personal sanctions against other dictatorships emphasises the importance of speed and timeliness of decision-making. At the moment, the only effective tool is **urgent personal sanctions against the beneficiaries of the war** — i.e. against the political leadership of Kazakhstan and Kyrgyzstan, including the presidents and their oligarchs, for their assistance to Russia in circumventing sanctions (the list of candidates for sanctions is given below). This paralyses their ability to assist Russia in circumventing sanctions.

Geographically, Kazakhstan is adjacent to Russia, China, and other Central Asian states, and has significant financial resources to assist Russia. Thus, in addition to its own supplies of sanctioned goods to Russia, goods from neighbouring countries — China, Uzbekistan, Tajikistan and Kyrgyzstan — are also exported to Russia through the territory of Kazakhstan. At the same time, shipments of sanctioned goods pass through border and customs points without inspection and, accordingly, without being included in the official statistics of Kazakhstan's foreign trade.<sup>79</sup> Kazakhstan is therefore a key country that provides significant assistance to Russia in circumventing sanctions, as well as provides its territory for other countries to circumvent sanctions. Taking advantage of impunity, the Kyrgyz authorities are increasing the supply of sanctioned goods to Russia in 2023 (Chapter 2.2 "**Examples of how Kyrgyz authorities assist Russia in supplying its military-industrial complex and circumventing sanctions**"), making Kyrgyzstan one of Russia's key accomplices, along with Kazakhstan.

Personal sanctions against war beneficiaries paralyses the ability of Kazakhstan and Kyrgyzstan to help Russia circumvent sanctions:

- This would freeze the assets they hold in the West and put them at risk of losing them altogether.
- Personal sanctions can more precisely limit the access of political leaders to financial and other resources, thereby damaging their influence and capabilities.
- The executors of their orders to help circumvent sanctions will be frightened and afraid to follow orders — even verbal ones — to help Russia circumvent sanctions.
- **The beneficiaries of the war will be limited in their financial capacity to carry out import and export operations for sanctioned goods, and thus will reduce Russia's economic and military capabilities.**

<sup>77</sup> <https://en.odfoundation.eu/a/624385,the-beneficiaries-of-russias-war-against-ukraine-how-the-nazarbayev-tokayev-regime-is-helping-putin/>

<sup>78</sup> <https://en.odfoundation.eu/a/627027,russias-accomplices-in-the-war-against-ukraine-kazakhstan-and-kyrgyzstan-the-russian-armys-reliable-rear/>

<sup>79</sup> <https://respublika.kz.media/archives/92124>

- Personal sanctions can incentivise a country to implement political and institutional reforms to avoid further sanctions and restore international confidence.
- Personal sanctions would delegitimise the activities of the EEU and the CSTO and limit their further expansion through the accession of new countries.

This sanctions policy will have a positive impact on the Ukrainian counteroffensive and will send a strong signal to other countries that are helping Russia that the leadership of these countries and their entourage will not be able to hide from responsibility behind nominal beneficiaries and shell companies, but will be held personally accountable.

### 6.3. Unfounded fears of personal sanctions

A number of Western countries have unfounded fears that imposing sanctions on individuals or entities from Kazakhstan will "*push Kazakhstan into the arms of Putin*" or China.<sup>80</sup> This is an illusion. Kazakhstan (its leadership) has long been on Russia's side. Kazakhstan is a member of political and military alliances with Russia (the EEU and the CSTO). In addition, due to the prevalence of Russian propaganda and total state control over the media, Kazakhstan is in the same information and cultural space as Russia. More than 80% of all goods and more than 90% of Kazakhstan's oil are exported through Russia. Russia and Kazakhstan share a common air defence system. Kazakhstan's political, military and economic dependence on Russia is the result of the policies of former President Nursultan Nazarbayev and current President Kassym-Jomart Tokayev, who worked with Nursultan Nazarbayev for more than 30 years as Prime Minister, head of the Ministry of Foreign Affairs, Chairman of the Senate, etc. Kazakhstan is providing massive assistance to Russia in the war against Ukraine. China is present in Kazakhstan's economy, but does not have even close to the influence of Russia.

**A number of democratic countries also fear that the imposition of sanctions on companies, oligarchs and the leadership of Kazakhstan will allegedly lead to the destruction of trade relations.** Western officials refer to the fact that the EU countries depend on energy imports from Kazakhstan. This position is erroneous. Kazakhstan's key export commodity to the EU is crude oil. According to Kazakhstan's statistics, about 39 million tonnes of crude oil from Kazakhstan (about 60% of all crude oil exports) were exported to the EU in 2022. Kazakhstan's share of the EU crude oil market is approximately 8%.<sup>81</sup> In their assessments, Western policies should be based on statistical data on trade with Kazakhstan, which show that Kazakhstan's share of total oil imports is insignificant. Kazakhstan, unlike Russia, does not have the ability to dramatically reorient its oil exports to new markets. EU member states are traditional importers of Kazakhstani crude oil. And Kazakhstan was, remains and will be interested in selling oil to the European market even after the imposition of personal sanctions. Kazakhstan is dependent on oil supplies to the European Union. At the same time, the EU is not dependent on Kazakhstan, as it can freely purchase oil on the world market. Therefore, the fears of Western politicians about imposing sanctions on the beneficiaries of the war from Kazakhstan are unfounded.

For example, in 2022, Kazakhstan's foreign trade turnover with France amounted to USD 3.98 billion.<sup>82</sup> Of this, exports from Kazakhstan to France amounted to USD 3 billion, while imports from France to Kazakhstan reached USD 0.9 billion. At the same time, Kazakhstan's key exports to France were crude oil (USD 2.7 billion) and uranium (USD 243.2 million).<sup>83</sup> Accordingly, crude oil shipments from Kazakhstan to France account for a key share of Kazakhstan's exports to France — 88.8%. Uranium is mined in

<sup>80</sup> <https://kz.kursiv.media/2023-06-25/dmrv-es-kazakhstan-rossii/>

<sup>81</sup> <https://ec.europa.eu/eurostat/web/products-eurostat-news/w/DDN-20230328-1>

<sup>82</sup> [https://el.kz/ru/tovarooborot-mezhdu-kazakhstanom-i-frantsiy-za-god-vyros-na-298\\_73201/](https://el.kz/ru/tovarooborot-mezhdu-kazakhstanom-i-frantsiy-za-god-vyros-na-298_73201/)

<sup>83</sup> <https://ism.kz/tovarooborot-kazakhstan-franciya-2022-god>

Kazakhstan by French companies. Kazakhstan's share in France's imports is only 0.4%. If Kazakhstani crude oil is subtracted from French imports, which can be purchased from other countries, Kazakhstan's share of French imports would amount to only 0.05%.

In 2022, Kazakhstan's foreign trade turnover with Italy amounted to USD 14.9 billion.<sup>84</sup> Of these, exports from Kazakhstan to Italy amounted to USD 13.85 billion, while imports from Italy to Kazakhstan reached USD 1 billion. At the same time, Kazakhstan's key export commodity to Italy was crude oil (USD 13.3 billion). Accordingly, crude oil shipments from Kazakhstan to Italy hold the key share in Kazakhstan's exports to Italy — 96%. Kazakhstan's share in Italy's imports is only 2%. If Kazakhstani crude oil is subtracted from Italy's imports, which can be purchased from other countries, Kazakhstan's share in Italy's imports would amount to only 0.08%.

Kazakhstan is **dependent on exports to the European Union**, so there is no risk that personal sanctions will lead to the cessation of trade with Kazakhstan.

## RECOMMENDATIONS

The damage to the European Union from Russia's invasion of Ukraine in 2022 amounts to a minimum of USD 1 trillion, and the loss to the global economy is USD 2.8 trillion.<sup>85,86</sup> Given the trillion-dollar damage and the prospect of a 10-year war with hundreds of billions of dollars needed to support Ukraine, we recommend:

- 1) Impose urgent smart personal sanctions on key beneficiaries of the war against Ukraine **(list in Annex 1)**.
- 2) Given that Russia's military expenditures exceed Ukraine's military expenditures by 3 times, it is necessary to increase military aid to Ukraine in accordance with its needs.
- 3) Provide political and financial support to independent civil society in Kazakhstan and Kyrgyzstan that gathers evidence of the involvement of the political leadership in those countries in helping Russia circumvent sanctions. The authors of the report welcome the adoption of a resolution by the European Parliament on 13 July 2023 on the suppression of media and freedom of expression in Kyrgyzstan.<sup>87</sup>
- 4) Curb the misuse of inter-state cooperation tools by authoritarian regimes such as Kazakhstan for political persecution/transnational repression of the opposition and their loved ones abroad, and to prevent lifting or softening of anti-Russian sanctions.

<sup>84</sup> <https://ism.kz/tovarooborot-s-italiej-2022>

<sup>85</sup> <https://www.bloomberg.com/news/articles/2022-12-18/europe-s-1-trillion-energy-bill-only-marks-start-of-the-crisis#xj4y7vzkg>

<sup>86</sup> <https://www.reuters.com/markets/europe/energy-inflation-crises-risk-pushing-big-economies-into-recession-oecd-2022-09-26/>

<sup>87</sup> [https://www.europarl.europa.eu/doceo/document/TA-9-2023-0290\\_EN.html](https://www.europarl.europa.eu/doceo/document/TA-9-2023-0290_EN.html)

**Annex 1. The rationale for the inclusion of the above persons and entities in the list of personal sanctions**

Individual	Reasons
<b>Kazakhstan</b>	
<p><b>TOKAYEV Kassym-Jomart:</b> born on 17 May 1953, a Kazakhstani politician and diplomat who is currently serving as the President of Kazakhstan since 20 March 2019.</p>	<p>As head of state, Tokayev controls all branches of government. All the actions of the customs service, the state railroad company, the country's financial regulator (controlling the second-tier banks that secure transactions) are subordinated to the President of Kazakhstan. Therefore, export operations to circumvent sanctions cannot take place without his direct instruction and coordination.</p>
<p><b>TASMAGAMBETOV Imangali Nurgaliyevich:</b> born on 9 December 1956, a Kazakhstani politician and diplomat, Secretary General of the Collective Security Treaty Organisation (CSTO) since 1 January 2023, as the representative of the Republic of Kazakhstan.</p>	<p>As Secretary General of the CSTO, he manages the CSTO bodies and promotes the joint production and repair of weapons for Russia. He also supports Kremlin military propaganda, accusing the West of fomenting the war.</p>
<p><b>KULIBAYEV Timur Askarovich:</b> born on 10 September 1966, a Kazakhstani oligarch, son-in-law of former Kazakhstani president Nursultan Nazarbayev.</p>	<p>On 13 April 2022, Timur Kulibayev through his Halyk Bank purchased from Sberbank Kazakhstan part of its loan portfolio that consisted of 7500 corporate borrowers (25% of the loan portfolio of Sberbank Kazakhstan). Kulibayev paid a purchase price of over USD 730 million for that loan portfolio, thereby providing much needed liquidity to the sanctioned Russian subsidiary bank. On 30 May 2022, the shareholder of Sberbank Kazakhstan, Sberbank Russia, decided to pay a shareholder dividend of 99.99% of Sberbank Kazakhstan's net profit, which was approximately USD 300 million.</p>

<p><b>TURLOV Timur Ruslanovich:</b> born on 13 November 1987, a Russian oligarch, founder and major shareholder of <i>Freedom Holding</i>.</p>	<p>Freedom Bank, owned by Timur Turlov, provides Russians with access to the Mastercard international payment system, thus helping to circumvent financial sanctions. Timur Turlov has been on Ukraine's sanctions list since autumn 2022, but without sanctions from the US and EU, he will continue to help Russia bypass financial sanctions.</p>
<p><b>VASILENKO Roman Yurievich:</b> born on 14 August 1972, a Kazakhstani diplomat, Deputy Minister of Foreign Affairs of the Republic of Kazakhstan since January 2022.</p>	<p>Deputy Minister Vasilenko is responsible for disinforming Ukraine and Western countries about Kazakhstan's alleged compliance with sanctions. However, official statistics on Kazakhstan's foreign trade indicate massive shipments of sanctioned goods from Kazakhstan to Russia. Deliberate disinformation allows the regime in Kazakhstan to avoid secondary sanctions and enjoy impunity, while helping Russia to continue its aggressive war against Ukraine.</p>
<p><b>Freedom Holding:</b> a Kazakhstani investment company, founded by Russian oligarch Timur Turlov.</p>	<p>The holding company owns the Freedom Bank, which assists Russians in circumventing financial sanctions. The company has been on Ukraine's sanctions list since autumn 2022, but without sanctions from the US and EU, it will continue to help Russia bypass financial sanctions.</p>
<p><b>International organisations</b></p>	
<p><b>Collective Security Treaty Organisation (CSTO):</b> an interstate military alliance in Eurasia consisting of six post-Soviet states:</p>	<p>Despite the fact that Russia, with the support of Belarus, its closest ally and another member of the CSTO, launched a full-blown war in February 2022, Kazakhstan continues to regularly conduct military</p>

<p>Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan.</p>	<p>exercises and joint training with Russia and Belarus within the framework of the CSTO.</p> <p>Recent military exercises of the CSTO have focused on enhancing the organization’s special forces management, air defense, and collective response capabilities. These exercises serve as a cover for Russia to train its troops and prepare for its military aggression against Ukraine.</p> <p>CSTO member states are making preparations for the potential involvement of the CSTO in a war against Ukraine.</p>
<p><b>Eurasian Economic Union (EEU):</b> an interstate political union in Eurasia, consisting of five post-Soviet states: Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia.</p>	<p>EEU member states support Russia in circumventing sanctions. The EEU, as an organisation, promotes and facilitates parallel import procedures.</p>
<p><b>Kyrgyzstan</b></p>	
<p><b>JAPAROV Sadyr Nurgojoyevich:</b> born on 6 December 1968, president of Kyrgyzstan since 28 January 2021.</p>	<p>As head of state, Sadyr Japarov oversees state authorities that facilitate the circumvention of sanctions in favour of Russia, including the State Customs Service and the National Bank of Kyrgyzstan. Without guidance from the head of state, the Customs Service and the financial regulator cannot take actions that facilitate the circumvention of sanctions.</p>
<p><b>TASHIYEV Kamchybek Kydyrshaevich:</b> born on 27 September 1968, chairman of the State Committee for National Security of Kyrgyzstan since October 2020.</p>	<p>As chairman of the State Committee for National Security and the closest confidante of President Sadyr Japarov, Kamchybek Tashiyev oversees all security agencies in Kyrgyzstan and pursues a policy of repression against opponents of the authorities.</p> <p>As the closest confidante of the President and chairman of the State Committee for National Security, he ensures the security of shipments of sanctioned goods to Russia.</p>

<p><b>ZULUSHEV Kurmankul Toktoralievich:</b> born on 12 February 1970, General Prosecutor of Kyrgyzstan since October 2020.</p>	<p>As General Prosecutor, whose function is to oversee the rule of law, Kurmankul Zulushev has engaged in political persecution of civil society and restriction of the activities of independent media. By suppressing civil society, Prosecutor General Kurmankul Zulushev prevents unbiased reporting of facts on the circumvention of sanctions.</p>
<p><b>NIYAZBEKOV Ulan Omokanovich:</b> born on 28 August 1975, Minister of Internal Affairs of Kyrgyzstan since 14 October 2020.</p>	<p>As Minister of Internal Affairs, Ulan Niyazbekov is directly responsible for human rights violations in Kyrgyzstan and political persecution of civil activists, human rights defenders and politicians, in particular in the case of the transfer of the <i>Kempir-Abad</i> reservoir to Uzbekistan and the arbitrary detention of peaceful protesters supporting Ukraine. By suppressing civil society, Minister of Internal Affairs Ulan Niyazbekov prevents unbiased reporting of facts on the circumvention of sanctions.</p>
<p><b>MAKSUTOV Altynbek Askarovich:</b> born on 13 October 1972, Minister of Culture, Information, Sports and Youth Policy of Kyrgyzstan since October 2022.</p>	<p>As Minister of Culture and Information, Altynbek Maksutov is directly responsible for suppressing independent media such as <i>Radio Azattyk</i>, limiting critical coverage of socially important processes in Kyrgyzstan, including the facts of sanctions circumvention and human rights abuses.</p>
<p><b>BOKONTAEV Kubanychbek Keneshovich:</b> Born on 18 January 1969, chairman of the National Bank of Kyrgyzstan since 29 September 2021.</p>	<p>As chairman of the National Bank of Kyrgyzstan, Kubanychbek Bokontayev is directly responsible for helping Kyrgyzstan's banks circumvent financial sanctions. The financial regulator, led by Kubanychbek Bokontayev, encourages Kyrgyzstan's banks to provide Russians with access to international payment systems, as well as provide export transactions for sanctioned goods to Russia.</p>

<p><b>ISABEKOV Samat Satarovovich:</b> born on 9 October 1972, chairman of the State Customs Service of Kyrgyzstan from 20 January 2022.</p>	<p>As chairman of the State Customs Service of Kyrgyzstan, Samat Isabekov allows the re-export of sanctioned goods from Kyrgyzstan to Russia.</p>
<p>RSK Bank Kyrgyzstan</p>	<p>One of the commercial banks in Kyrgyzstan that gave Russians access to international financial transactions while bypassing sanctions.</p>
<p>Bakai Bank Kyrgyzstan</p>	<p>One of the commercial banks in Kyrgyzstan that gave Russians access to international financial transactions while bypassing sanctions.</p>
<p>Demir Bank</p>	<p>One of the commercial banks in Kyrgyzstan that gave Russians access to international financial transactions while bypassing sanctions. In October 2022, Demir Bank unjustifiably blocked the account of <i>Azattyk Media</i> without a court decision in a politically motivated case.</p>