



OPEN DIALOGUE

STRENGTHENING THE AXIS OF EVIL: DICTATORSHIPS AGAINST UKRAINE



RUSSIA

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WELCOME TO
KAZAKHSTAN
ШЕКАРА БАҚЫЛАУ АЙМАҒЫ
ЗОНА ПОГРАНИЧНОГО КОНТРОЛЮ
BORDER CONTROL AREA



12 March 2024

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The Open Dialogue Foundation (ODF) was established in Poland in 2009. It is headquartered in Brussels, with offices in Warsaw, Kyiv and Miami, FL. 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. ODF initially focused its attention on Ukraine, Kazakhstan, Russia and - since 2016 - Moldova. This area of interest was expanded in 2017 due to the rapidly deteriorating situation in Poland and other EU member states affected by illiberal policies implemented by their populist governments.

ODF pursues its goals through the organisation of observation missions, paying particular attention to individual cases of violation of fundamental rights. It also advocates for international legislation better serving human rights, such as the Magnitsky Act or the adding of conditionality clauses to EU & international financial assistance programmes directed at nondemocratic states and hybrid regimes. The Foundation also has extensive experience in the field of protection of the rights of political prisoners and refugees.

Based on its work, ODF publishes analytical reports and distributes them among EU institutions, OSCE, Council of Europe, the UN, other human rights organisations, foreign ministries and parliaments, as well as the media. It is actively engaged in cooperation with members of parliaments involved in foreign affairs, human rights and relations with monitored third countries.

ODF advocates for the reform of international legal cooperation mechanisms, like those of Interpol and - more recently - the Schengen Information System (SIS II), preventing them from being abused by authoritarian and hybrid regimes to persecute their opponents. Most recently, ODF has also been fighting against the practice of financial exclusion of human rights defenders falling victim to the abuse of Anti-Money Laundering & Counter Financing of Terrorism (AML-CFT) regulation, as well as advocating for Bitcoin to serve as a solution.

Since Ukraine's Revolution of Dignity in 2013/14 and Russia's aggression in the Donbass, ODF has been supporting Ukraine in the fight by delivering - as of late 2023 - over €8 million worth of defence equipment and humanitarian aid. ODF has also been among the first NGOs to support refugees fleeing the war-torn country, operating the "Ukrainian World" support centre in central Warsaw from 2014 to 2016, and again supporting refugees via numerous aid programmes from the day of Russia's fullscale invasion in 2022.

In our fight for the rule of law in Poland, ODF is primarily concerned with the diminishing independence of the judiciary and separation of powers, which in turn weaken the protection of civil rights and lead to political persecution, most notably by the state prosecution service and subservient law enforcement agencies. These are the basic values the Foundation has been protecting in post-Soviet states since its inception, hence they are of natural concern also in the country where it was founded.

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EXECUTIVE SUMMARY

This report is the eighth in a series of reports¹ on how third-party countries, especially Kazakhstan and Kyrgyzstan, are assisting Russia in its war against Ukraine. This report focuses on:

- the interim results of Western and Ukrainian policies towards Russia and recommendations for strengthening the effectiveness of sanctions mechanisms;
- analysing the consequences of the lack of personal sanctions against Russia's key aides in circumventing Western sanctions, in particular the authorities and oligarchs of the Central Asian countries of Kazakhstan, Kyrgyzstan and Uzbekistan;
- the strategic need for Western democratic governments to change their approach to Central Asian governments not only in the context of Russia's war against Ukraine, but also in the context of the global confrontation between democracies and dictatorships.

Last year, 2023, was a year of increased interaction between autocracies around the world and the escalation of conflicts initiated by them, which requires the democratic countries and Ukraine to change their approach to authoritarian countries allied with the Kremlin. Two years of impunity for helping to strengthen Russia's economic and military capabilities has caused enormous damage to Ukraine and hinders the prospects for a just peace.

Attempts to "bribe" and "coax" dictators around the world, including at the cost of turning a blind eye to political repression in some countries, are increasingly eroding international stability and the relevance of international obligations, in particular the *UN Charter*.

Two years after Russia's full-scale invasion of Ukraine, it is clear that the current sanctions policy of Western countries has failed in its task of weakening Russia's economy. In particular, it has failed to cap Russia's revenues from energy trade. The erroneous assessment of the role and scale of Central Asian countries' assistance in supporting Russia's military-industrial complex and economy is discrediting sanctions mechanisms, dividing the unity of Western countries, and, as a consequence, weakening assistance to Ukraine.

While Ukraine is trying to obtain a military budget for 2024 at the level of the planned 2023 military budget (about USD 41 billion), Russia continues to increase its military budget. In 2024, Russia's official military budget will exceed USD 125 billion. This is three times more than in Ukraine. However, our experts estimate that Russia's real military budget will be at least USD 150 billion. With insufficient funding and military assistance, the liberation of all Ukrainian territories seems remote.

Central Asian countries (mainly Kazakhstan, Kyrgyzstan and Uzbekistan) are actively helping Russia to circumvent sanctions, produce industrial products, support its business and replenish its budget.

The report also contains information on how Kazakhstan:

- handed to Russia the second-largest uranium deposit in the world, worth USD 16 billion, free of charge;
- will pay Russia USD 2 billion to build three thermal power plants in Kazakhstan;
- will sign a contract with the Russian state corporation *Rosatom* to build the first nuclear power plant in Kazakhstan (the project cost is at least USD 10 billion).

Kazakhstan, Kyrgyzstan and Uzbekistan are actively increasing the supply of sanctioned goods to Russia.

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

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Uzbekistan intends to produce drones jointly with a Russian company for further export to Russia. Central

Asian countries are also assisting Russia in reorienting its crude oil, gas and other exports. This is allowing Russia to reduce its economic dependence on Western countries and replenish its budget to wage war against Ukraine.

During the period from June 2022 to December 2023, the democratic states and Ukraine imposed sanctions on at least 16 companies from Kazakhstan, Kyrgyzstan and Uzbekistan for assisting Russia. In 2023, senior officials from the democratic states made at least 12 visits to Central Asian countries, during which they persuaded them not to help Russia circumvent sanctions. All these measures have proven ineffective — the Central Asian authorities have transferred sanctions flows to yet another shell company and can do so endlessly.

Western countries and Ukraine need to change their policy towards dictatorial countries — they should switch from “close co-operation” to imposing personal sanctions against the beneficiaries of Russia’s war against Ukraine:

1. TASMAGAMBETOV Imangali Nurgaliyevich (Kazakhstan)
2. KULIBAYEV Timur Askarovich (Kazakhstan)
3. TURLOV Timur Ruslanovich (Kazakhstan)
4. TASHIYEV Kamchybek Kydyrshaevich (Kyrgyzstan)
5. MAKSUTOV Altynbek Askarovich (Kyrgyzstan)
6. ISABEKOV Samat Satarovovich (Kyrgyzstan)
7. Collective Security Treaty Organisation (CSTO)
8. Eurasian Economic Union (EEU)

A full list and rationale is provided in Annex 1.

In addition, it is necessary to reconsider the approach to third-country financial institutions, which are being used as a key tool of war against Ukraine. In this way, serious economic damage will be inflicted on Russia, and its economic and military potential will be reduced. The consequences of not imposing personal sanctions on the beneficiaries of the war have led — and continue to lead — to growing cooperation between authoritarian countries, i.e. Russia’s allies and aides.^{2,3} Similarly, the absence of sanctions on the EEU leads to increased co-operation between the EEU, primarily Russia, and Iran, which is also under sanctions. In December 2023, the EEU countries signed a free trade zone agreement with Iran. As a result, duty-free trade with Iran will affect industrial goods critical for the Russian military industrial complex.

We also recommend blocking the export of Russian crude oil and petroleum products through the Black Sea.

The Open Dialogue Foundation would like to thank Kazakhstani and international consultants for their assistance in preparing this report. We also thank Mukhtar Ablyazov, opposition politician and former Minister of Energy, Trade and Industry of Kazakhstan, for his assistance in writing the report. The report is based on materials collected as of 1 January 2024.

² <https://en.odfoundation.eu/a/624385,the-beneficiaries-of-russias-war-against-ukraine-how-the-nazarbayev-tokayev-regime-is-helping-putin/>

³ <https://en.odfoundation.eu/a/627027,russias-accomplices-in-the-war-against-ukraine-kazakhstan-and-kyrgyzstan-the-russian-armys-reliable-rear/>

1. CORRELATION AND FORMATION OF THE MILITARY BUDGET OF RUSSIA AND UKRAINE

On 27 November 2023, Russian President Vladimir Putin signed the law “On the federal budget for 2024 and for the planned period of 2025 and 2026”.⁴ Russia’s expenditures on “national defence” for 2024 are planned at the level of 10 trillion, 775 billion rubles.⁵ This is one third of all Russian budget expenditures for 2024.⁶ Experts polled by the Central Bank of Russia expect the ruble–dollar exchange rate in 2024 at the level of 92 rubles per dollar.⁷ Accordingly, Russia’s military expenditures in 2024 will be at least USD 117 billion.

It is important to keep in mind that almost one third of Russia’s budget was classified. During the consideration of the budget bill in the State Duma of Russia, 3.2% of classified budget expenditures for 2024 were declassified.⁸ The share of classified expenditures decreased from 30% to 26.8%. Inside 3.2% of declassified spending (USD 12.7 billion) — USD 7.9 billion is for the military. Thus, Russia’s official military expenditure in 2024 will be at least USD 125 billion. Given that another 26.8% of Russia’s federal budget expenditure in 2024 is classified, the authors of the report suggest that Russia’s military expenditures in 2024 will be more than USD 150 billion.

Ukraine’s military expenditures in 2024 will be at least three times less than Russia’s official military expenditures, totalling about USD 41.5 billion.⁹ At the same time, Ukraine is facing a large-scale and incommensurable goal — to return to the borders of 1991. This goal has been repeatedly stated by the President of Ukraine and Ukrainian officials.^{10, 11} Only after achieving this goal, as President Volodymyr Zelenskyy said, will Ukraine be ready for diplomacy. At the same time, Ukraine’s counteroffensive, as Zelenskyy said, did not bring the expected results in the summer and autumn of 2023.¹²

Having studied the military (including planned) expenditures of Ukraine and Russia in 2022–24, one notices a growing difference between the military expenditures of the two countries (Figure 1). While in 2022 and 2023 Russia’s military budget was double Ukraine’s defence budget, in 2024 the difference will be threefold.

⁴ <http://www.kremlin.ru/acts/news/72828>

⁵ <https://www.dw.com/ru/v-budzete-rf-na-2024-god-zalozeny-rekordnye-voennye-rashody/a-67455374>

⁶ <https://tass.ru/ekonomika/19392425>

⁷ https://cbr.ru/statistics/ddkp/mo_br/

⁸ https://www.rbc.ru/economics/15/11/2023/655363029a79475deb5b0942?utm_source=telegram&utm_medium=messenger

⁹ <https://www.dw.com/ru/verhovnaa-rada-prinala-budzet-ukrainy-na-2024-god/a-67361028>

¹⁰ <https://www.rbc.ua/ukr/news/ukrayina-bude-gotova-diplomatiyi-pislya-vihodu-1688215576.html>

¹¹ <https://news.liga.net/politics/news/kuleba-granitsy-1991-goda-strategicheskaya-tsel-ukrainy-my-ne-budem-prosit-zapad-voevat>

¹² <https://apnews.com/article/zelenskyy-ukraine-russia-war-interview-winter-75f1f785b17452fc23819d459e6ab64b>

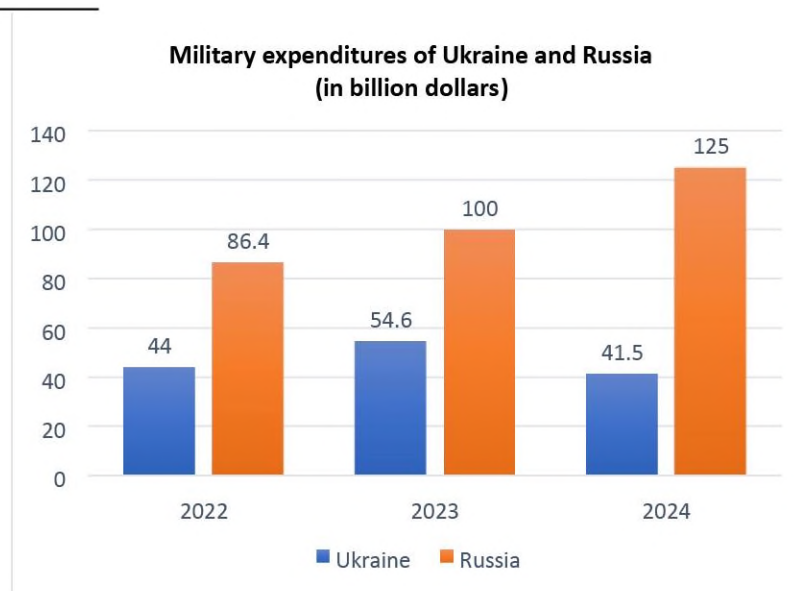


Figure 1: Military expenditures of Ukraine and Russia in 2022–24 (in billion dollars)^{13, 14, 14, 15, 16, 17, 19}

Another significant aspect is the way the budgets of the two countries are formed. Ukraine is fully dependent on financial aid from democratic countries and international organisations. At least half of Ukraine's budget is financed by foreign aid (Figure 2). It is important to note that Ukraine's own revenues also depend on support from the West, e.g.:

¹³ <https://www.sipri.org/media/press-release/2023/world-military-expenditure-reaches-new-record-high-european-spending-surges> ¹⁴ <https://ria.ru/20230705/byudzhets-1882434959.html>

¹⁴ [https://www.reuters.com/world/europe/russia-doubles-2023-defence-spending-plan-war-costs-soar-document-2023-08-04/#:~:text=LONDON%2C%20Aug%204%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%204%20(Reuters),growing%20strain%20on%20Moscow's%20finances)

¹⁵ <https://www.dw.com/ru/verhovnaa-rada-prinala-budzet-ukrainy-na-2024-god/a-67361028>

¹⁶ <https://www.dw.com/ru/v-budzete-uf-na-2024-god-zalozeny-rekordnye-voennye-rashody/a-67455374>

¹⁷ https://www.rbc.ru/economics/15/11/2023/655363029a79475deb5b0942?utm_source=telegram&utm_medium=messenger ¹⁹ https://t.me/Denys_Smyhal/6097

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- 1) Ukraine's ability to make social payments, payments to the military, civil servants, and employees of state institutions. They, in turn, pay taxes, consume services, purchase goods, supporting economic activity in the country;
- 2) the ability to stabilise the hryvnia exchange rate and inflation rate; 3) the ability to keep the country's economy from collapsing.

Therefore, foreign financial aid has a deeper impact on Ukraine's economy. And Russia is financing the war against Ukraine at the expense of its own functional and, as expected in 2023 and 2024, growing economy.¹⁸

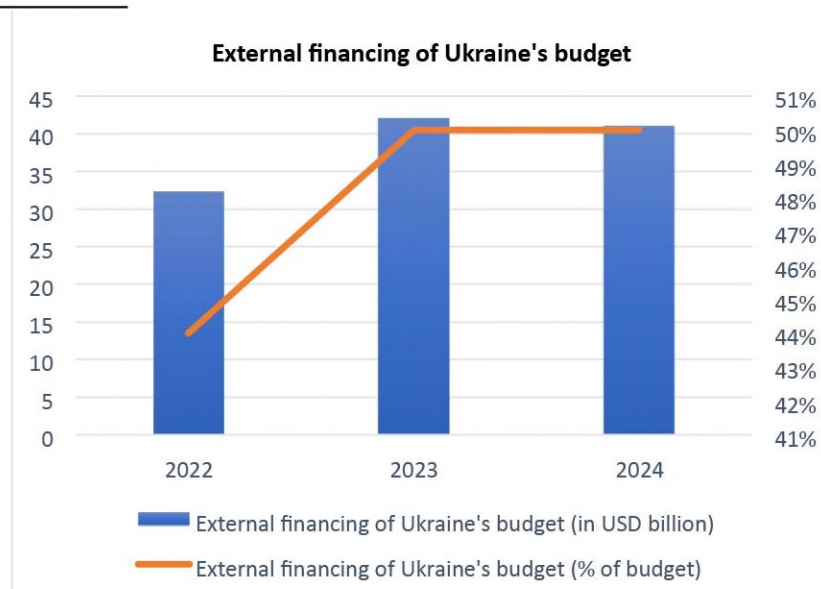


Figure 2: External financing of Ukraine's budget (in USD billion and % of budget)^{19, 22, 20, 21}

¹⁸ https://cbr.ru/statistics/ddkp/mo_br/

¹⁹ <https://index.minfin.com.ua/finance/budget/gov/2022/> ²² <https://t.me/verkhovnaradaukrainy/54876>

²⁰ <https://forbes.ua/ru/news/mizhnarodna-dopomoga-v-byudzheti-2024-ochikuetsya-na-rivni-42-mlrd-marchenko-09082023-15321>

²¹ <https://finance.liga.net/ekonomika/novosti/zelenskiy-podpisal-proekt-zakona-o-gosudarstvennom-byudzhet-na-2024-god>

2. HOW CENTRAL ASIAN COUNTRIES ARE HELPING RUSSIA

Central Asian countries are actively assisting Russia not only in the supply of sanctioned goods, but also by providing large-scale support to Russian companies, participating in joint transport and logistics, industrial and manufacturing projects, and providing access to the international financial system. Kazakhstan is a key supporter of Russia in Central Asia due to its geographical location, the size of its economy, its availability of natural resources and its integration into the international financial system.

2.1. Kazakhstan's assistance to the Russian nuclear corporation *Rosatom*

In December 2022, the Russian company *Uranium One Group* (100% of shares owned by *Rosatom* Corporation) acquired 100% of the shares of the Kazakhstani joint venture (JV) *Stepnogorsk Mining and Chemical Combine* from Russian oligarch Vasily Anisimov and Kazakhstani oligarch Alexander Klebanov.²² The deal, which, according to media reports, was financed by Russia's *Gazprombank*, totalled USD 1.6 billion. *Stepnogorsk Mining and Chemical Combine* owns a 49% share in the Kazakh joint venture *Budenovskoye*. The remaining 51% of the *Budenovskoye JV* is owned by *Kazatomprom*, the Kazakhstani national company.

Budenovskoye JV owns sections 5, 6, 7 of Kazakhstan's *Budenovskoye* uranium deposit. Although the controlling stake in the joint venture is formally owned by the Kazakhstani national company *Kazatomprom*, it is the Russian corporation *Rosatom* that actually controls the *Budenovskoye* enterprise. The *Budenovskoye* deposit is currently the world's second-largest uranium deposit.

The budget of Kazakhstan did not receive a single dollar from this deal. In 2016, Nazarbayev and Tokayev transferred for free a 49% stake in the joint venture to develop the *Budenovskoye* deposit to the *Stepnogorsk Mining and Chemical Combine* and its owners Russian oligarch Vasily Anisimov and

Kazakhstani oligarch Alexander Klebanov (through his son Yakov Klebanov).²³ It is well known in Kazakhstan that oligarch Alexander Klebanov and his son Yakov Klebanov have for many years been nominal owners of assets beneficially owned by Nursultan Nazarbayev and his family.

In 2022, Alexander Klebanov and Vasily Anisimov sold 100% of shares in *Stepnogorsk Mining and Chemical Combine* to *Uranium One Group* for USD 1.6 billion. **The authors of the report estimate that the market value of this asset is at least USD 16 billion.**

Pursuant to Article 44 of the Law of Kazakhstan "On Subsoil and Subsoil Use", a permit for the transfer of the subsoil use right (share in the subsoil use right) is issued by the competent authority — the Interdepartmental Commission under the Government of Kazakhstan.²⁴ The sale of 100% of the shares of the *Stepnogorsk Mining and Chemical Combine* joint venture to the Russian corporation *Rosatom* could only have taken place with the permission of the Kazakhstani government appointed by Tokayev. The Kazakhstani government could have exercised its legal right of pre-emptive purchase and could have purchased the *Stepnogorsk Mining and Chemical Combine* shares itself from Anisimov and Klebanov, especially since the sale price was one tenth of the market price, thus becoming 100% owner of the second-largest uranium deposit in the world.

²² <https://profile.ru/economy/yadernyj-priz-rosatom-poluchil-kontrol-nad-budjonovskim-mestorozhdeniem-urana-v-kazhstane-1313969/>

²³ <https://kz.kursiv.media/2017-04-28/stepnogorskiy-gorno-khimicheskiy-kombinat-smenil-khozyaev/>

²⁴ <https://adilet.zan.kz/rus/docs/K1700000125>

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At a meeting with the Russian president in August 2023, Alexey Likhachev, head of *Rosatom* Corporation, thanked Putin for his support in the acquisition of the *Stepnogorsk Mining and Chemical Combine*.²⁵ This allowed *Rosatom*, according to Alexey Likhachev, to rank second in the world in terms of uranium reserves.

On 1 September 2023, Tokayev said that Kazakhstan would hold a referendum on the construction of a nuclear power plant in the country.²⁶ Given that there have never been fair and transparent elections and referendums in the history of Kazakhstan, the announcement of the decision to hold a referendum is an attempt to deceive democratic states and create the illusion that the decision to build a nuclear power plant was made by the people of Kazakhstan. Kazakhstan is considering Russia's *Rosatom*, China's *CNNC*, South Korea's *KHNP* and France's *EDF* to build Kazakhstan's first nuclear power plant.²⁷ The construction of the nuclear power plant will cost Kazakhstan USD 10 billion from its budget.²⁸ Given the sale of Kazakhstan's largest uranium deposit to the Russian state corporation *Rosatom*, there is every reason to believe that *Rosatom* will participate in the construction of a nuclear power plant in Kazakhstan.^{29,30} The Kazakhstani authorities are going to present the construction of the nuclear power plant by the Russian corporation *Rosatom* to an international audience as the execution of the "will of the people".

2.2. Kazakhstan's assistance to Russian industrial and energy companies in circumventing sanctions

1) Russian companies receive favourable contracts in Kazakhstan. This allows them to generate revenues and pay taxes to the Russian budget. In October 2023, it became publicly known that **Russian engineering holding *PETON* had won a tender to build a gas processing plant in the Kazakhstani town of Zhanaozen**.³⁴ The project budget for the construction of the new gas processing plant is 148 billion tenge (about USD 309 million).

In April 2021, *PETON* holding bought a 93% stake in the Russian company *Yug Energo*.³⁵ *Yug Energo* owns the Novoshakhtinsk Petroleum Products Plant in the Rostov region of Russia. *PETON* holding bought the

Novoshakhtinsk oil refinery from Ukrainian oligarch Viktor Medvedchuk. The refinery was formally owned by Medvedchuk's wife Oksana Marchenko. In 2021, Ukraine imposed sanctions on Medvedchuk and his wife, as well as on the Novoshakhtinsk oil refinery.³¹ The Novoshakhtinsk oil refinery has come under sanctions for supplying petroleum products to the occupied Donbass, including fuelling Russian military equipment in Donbass.³² The founders of *PETON* holding are Andrey Grankin, ex-head of the Moscow National Guard, and entrepreneur Igor Mnushkin.³⁸ **At the same time, *PETON* Holding is not on the sanctions list of Western countries, which mitigates the effectiveness of the current sanctions.**

2) A notable example is the decision of the Kazakhstani authorities to have the Russian company *Inter RAO Export* build three thermal power plants in Kazakhstan.³³ The construction cost of the three thermal power plants in Kazakhstan is estimated at USD 2 billion, which the Kazakhstani authorities will pay to the Russian company *Inter RAO Export*.³⁴

²⁵ https://ria.ru/20230814/mestorozhdenie-1889960173.html?utm_source=yxnews&utm_medium=desktop

²⁶ <https://rus.azattyq.org/a/referendum-po-aes-dva-novyh-ministerstva-ni-slova-o-kantare-poslanie-tokaeva/32574161.html>

²⁷ <https://kaztag.kz/ru/news/kazakhstan-vedet-uglublennyye-peregovory-po-aes-s-rosatomom-i-eshche-tremya-kompaniyami>

²⁸ <https://inbusiness.kz/ru/news/vopros-prakticheski-reshen-kogda-v-kazahstane-postroyat-aes>

²⁹ <https://tass.ru/ekonomika/19439729>

³⁰ https://tengrinews.kz/kazakhstan_news/budet-stroit-pervuyu-aes-kazahstane-short-list-kompaniy-507798/

³⁴ <https://ulysmidia.kz/news/22111-rossiiskii-kholding-vyigral-tender-po-stroitelstvu-zhanaozenskogo-gpz/> ³⁵

<https://www.interfax.ru/russia/759728>

³¹ <https://rostov.rbc.ru/rostov/freenews/606b14bf9a794769c51caef7>

³² <https://hromadske.ua/ru/posts/diztoplivom-iz-neftepererabatyvayushego-zavoda-marchenko-zapravlyayut-rossijskie-tanki-na-donbasse-danilov> ³⁸

<https://mash.ru/rnd/news/152868>

³³ <https://kapital.kz/economic/120746/partnerom-po-stroitelstvu-trekh-t-ets-v-kazahstane-budet-inter-rao-eksport.html>

³⁴ <https://lsm.kz/v-kazahstane-nazvali-stoimost-stroitelstva-odnoj-novoj-tec>

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3) In August 2023, it became known that the Kazakhstani national company *Kazmunaigas* sold to the Russian oil company *Lukoil* a 50% stake in *Kalamkas-Khazar Operating*.³⁵ *Kalamkas-Khazar Operating* is the company that will develop the Kalamkas Sea, Khazar and Auezov oil and gas fields in the Caspian Sea. Production is due to start in 2028 and will amount to 4 million tonnes of oil per year.

2.3. Kazakhstan helps Russian auto industry circumvent US sanctions

Russian carmaker *Avtovaz* plans to restart production of its cars at Kazakhstan's *Saryarkaavtoprom* plant.³⁶ The government of Kazakhstan supports the company's plans and has agreed to change the legislation of Kazakhstan to improve co-operation with the company. Thus, Kazakhstan is helping Russia to bypass the US sanctions against *Avtovaz* that were imposed in September 2022.³⁷

2.4. Oligarchs of the Nazarbayev family provided Putin with access to the international banking system

In August 2023, Russian media confirmed that Kazakhstani banks *Freedom*, *Jusan* and others provide Russians with access to international financial services, brokerage services, etc.⁴⁴ According to our consultants, at least 80% of Kazakhstan's banking sector is owned by the family of ex-president Nursultan Nazarbayev: for example, the country's largest bank *Halyk Bank* is owned by his son-in-law Timur Kulibayev, and *Freedom Bank* is owned by nominal owner Timur Turlov, while the real controlling owner of the bank is the Nazarbayev family.^{38, 39} With the imposition of financial sanctions against Russia, Russian oligarchs and ordinary citizens are actively using the services of Kazakhstani banks to circumvent financial sanctions.

On 15 August 2023, the US research organisation *Hinderburg Research* published an investigation into the activities of *Freedom Holding*.⁴⁰ *Freedom Bank* is a part of *Freedom Holding*.⁴¹ The nominal owner of the holding is Russian oligarch Timur Turlov. *Hinderburg Research* concluded that *Freedom Holding* helped Russians circumvent sanctions, manipulated the market, falsified revenue data and misused client funds.

Freedom Holding called the investigation a "speculation" and "a set of unsubstantiated facts", while the head of the holding Timur Turlov said that the investigation by *Hinderburg Research* had two goals: "to become famous" and "to make money".^{42, 43} On 6 October 2023, it became known that the US Department of Justice and the Securities and Exchange Commission were investigating *Freedom Holding*.⁴⁴

It is important to note that the facts of assistance of Timur Turlov and *Freedom Holding* in circumventing sanctions against Russia appeared back in 2022.⁴⁵ A year later, we regret to say that neither the European Union nor the United States have imposed sanctions on Timur Turlov and *Freedom Holding*.

³⁵ <https://ru.sputnik.kz/20230823/vygoda-i-tolko-eksperty-o-sovmestnom-proekte-kazmunaygaza-i-lukoyla-na-kaspii-37896394.html>

³⁶ <https://www.autonews.ru/news/65112f5e9a794747f81b0fc1>

³⁷ <https://www.moscowtimes.ru/2023/09/14/ssha-vveli-sanktsii-protiv-avtovaza-idesyatkov-drugih-kompanii-a106945>

https://www.ng.ru/economics/2023-08-02/100_183002082023.html

³⁸ <https://forbes.kz/ranking/object/40>

³⁹ <https://forbes.kz/ranking/object/1062>

⁴⁰ <https://hinderburgresearch.com/freedom/>

⁴¹ <https://support.bankffin.kz/o-banke/freedom-bank-kto-my>

⁴² <https://www.forbes.ru/finansy/494630-freedom-nazvala-rassledovanie-hinderburg-research-spekulaciej>

⁴³ https://forbes.kz/economy/business/proslavitsya_i_zarabotat_turlov_nazval_tseli_rassledovaniya_hinderburg_research/

⁴⁴ <https://www.cnbc.com/2023/10/06/doj-scrutinizing-kazakh-freedom-holding-after-hit-by-short-sellers.html>

⁴⁵ <https://en.odfoundation.eu/a/494919,kremlins-secret-ally-how-tokayev-is-helping-putin-circumvent-sanctions/>

www.odfoundation.eu

Freedom Bank Kazakhstan allows Russians to transfer funds in roubles to Visa and Mastercard payment system cards of foreign banks that support the card-to-card transfer function, as well as to Russian *Mir* cards and vice versa.⁴⁶ *Freedom Bank* is owned by Russian oligarch Timur Turlov, who obtained a Kazakh passport in June 2022 to avoid Western sanctions. Timur Turlov and *Freedom Holding* have been under Ukrainian sanctions since autumn 2022, but Western countries have not imposed sanctions on Turlov and his bank despite numerous instances of assisting Russia in circumventing international sanctions.⁴⁷ The absence of Western sanctions against Timur Turlov and *Freedom Bank* undermines existing sanctions and allows Turlov to continue to help Russia circumvent sanctions with impunity.

2.5. Assistance of Central Asian countries in providing Russian military logistics

In August 2023, the Finnish media outlet *Kauppalehti* published an article pointing out the rapid growth of Finland's trade with Central Asian countries, namely Kazakhstan, Uzbekistan and Kyrgyzstan.⁴⁸ Finland exported three times more goods to these countries in May 2023 than in May 2019. Exports totalled USD 52 million (increased from USD 17 million to USD 52 million). An example is the export of semi-trailer trucks, which serve as dual-use goods, as they are used by Russia for military purposes.

In the 20 years from 2002 to 2022, Finland exported only seven such trucks to Kazakhstan. And in 2023 (at the time of publication of the article) exports amounted to 67 tractors, i.e. during 2023 Kazakhstan imported ten times more tractors from Finland than in the previous 20 years. The situation with Kyrgyzstan is similar. From 2002 to 2022, Kyrgyzstan imported only three tractors, and in 2023 it imported 33 tractors (an 11-fold increase). According to General Pekka Toveri, former chief of staff of the Finnish General Staff, Russia could use such tractors to "ensure uninterrupted logistics during combat operations, as the country is experiencing a shortage of tractors to transport certain cargoes".

2.6. Uzbekistan and Russia launch joint production of drones

Russian company *Fly and See Agro* plans to develop and produce unmanned aerial vehicles in the Navoi free economic zone in Uzbekistan.⁴⁹ According to Russian and Uzbek media reports, the drones will be produced for agricultural needs with the prospect of export to foreign markets, including Russia.⁵⁰ *Fly and See Agro's* website states that the company has been involved in unmanned aviation since 2014.⁵⁸ Although the declared purpose of the company's construction is to produce drones for "agricultural needs", such drones can also be used for military purposes, given the statement about their further export

to Russia. The company's drones, as stated on its website, allow for aerial photography, terrain scanning, thermal imaging and the creation of 3D terrain maps. The Uzbek authorities are not under sanctions from democratic states for helping Russia circumvent sanctions, so they are using state authorities to import the necessary components to produce drones.

⁴⁶ <https://frankmedia.ru/138071>

⁴⁷ <https://hindenburesearch.com/freedom/>

⁴⁸ <https://www.kauppalehti.fi/uutiset/suomesta-on-alettu-vieda-miljoonilla-kuorma-autoja-venajan-lahimaihien/544eece9-a9be-4396-b6d6013a061d4273?ref=economist.kg>

⁴⁹ <https://www.kommersant.ru/doc/6312244>

⁵⁰ <https://podrobno.uz/cat/uzbekistan-i-rossiya-dialog-partnerov-/rossiyskaya-kompaniya-naladit-proizvodstvo-bespilotnikov-v-uzbekistane/> ⁵⁸ <https://flyseeagro.ru/>



Screenshot from the company's website

2.7. Kazakhstan helps Russian gold bypass sanctions

In August 2023, Russian gold and silver mining company *Polymetal* completed its re-registration from Jersey island to Kazakhstan.⁵¹ *Polymetal* is the largest silver producer and the second-largest gold producer in Russia.⁵² The company changed its registration in order to secure its assets against potential sanctions. *Polymetal* plans to exchange its blocked shares in the National Settlement Depository of Russia (the National Settlement Depository of Russia is under EU sanctions) for new shares issued in Kazakhstan.⁵³

In May 2023, the United States imposed sanctions on JSC *Polymetal* (a Russian company that is part of the *Polymetal* group of companies).⁵⁴ The sanctions do not apply to a company that has been re-registered in Kazakhstan.⁵⁵ Owning contracts for the development of gold deposits not only in Russia but also in Kazakhstan (Kazakhstan accounts for a third of the company's revenue), the company continues to operate with access to the international financial system in Kazakhstan. Even in the face of sanctions against the Russian structure of the company, *Polymetal* is increasing its revenue and net profit. In the first half of 2023, the company's revenue grew by 25% compared to the first half of 2022 to USD 1.3 billion, of which 30% came from Kazakhstan. The company's net profit for the same period increased by 28%.⁵⁶

2.8. Kazakhstan contributes to the growth of companies with Russian capital

As of 1 August 2023, there were ~41,100 foreign entities in Kazakhstan, of which almost 50% (18,381) were Russian-owned companies. For 2023, the growth in the number of companies with Russian capital registered in Kazakhstan was +70.1% (compared to 2022).⁵⁷ The Kazakhstani authorities facilitate the

registration of Russian companies in Kazakhstan and grant them access to the international financial system, goods and sales markets.

⁵¹ <https://www.polymetalinternational.com/ru/investors-and-media/news/press-releases/08-08-2023/>

⁵² <https://www.finam.ru/publications/item/polymetal-rastushaya-kompaniya-na-goryachem-rynke-20201009-145900/>

⁵³ <https://quote.ru/news/article/655ef3269a7947a57e197947>

⁵⁴ <https://ofac.treasury.gov/recent-actions/20230519>

⁵⁵ <https://ofac.treasury.gov/faqs/1129>

⁵⁶ <https://www.polymetalinternational.com/ru/investors-and-media/news/press-releases/25-09-2023/>

⁵⁷ <https://ulysmidia.kz/news/20952-pochti-polovina-inostrannykh-kompanii-v-kazakhstane-iz-rf-dinamika-relokatsii-rossiiskogo-biznesa/>

2.9. Russia gets Kazakhstan's largest steelmaker

On 28 October 2023, an explosion occurred at a mine of the Kazakhstani steel company *ArcelorMittal Temirtau*, killing 46 people.⁶⁶ *ArcelorMittal Temirtau* (formerly Karaganda Metallurgical Plant) is the only steelmaking enterprise in Kazakhstan. According to our consultants, the actual owner of the enterprise is former Kazakh President Nursultan Nazarbayev, although formally it was owned only by *Lakshmi Mittal*.

Taking advantage of the adverse situation around *Lakshmi Mittal's* management of the enterprise, Nursultan Nazarbayev sold it. Nursultan Nazarbayev sells his assets in Kazakhstan to Russian oligarchs to provide for his young wife and their two sons before his death. By selling Kazakhstan's largest assets to Putin's oligarchs, Nursultan Nazarbayev is counting on security guarantees from Putin for his family. By helping Nazarbayev and Putin, Tokayev wants guarantees that the authoritarian regime in Kazakhstan will remain in place.

This boosts Putin's economic power and allows him to directly control Kazakhstan's largest financial and industrial assets. Kazakhstan isn't under sanctions, Russian oligarchs and their companies can hide their assets in Kazakhstan and bypass sanctions. This means that Russia has additional resources to wage a long-term war against Ukraine.

In the summer of 2023, the expert community in Kazakhstan discussed the option of selling *ArcelorMittal Temirtau* to Russian oligarch Alexey Mordashov and his company *Severstal*. Kazakhstan's Finance Minister Yerulan Zhamaubayev confirmed on 22 August that such a political decision had already been made.⁶⁷ However, because Alexey Mordashov and *Severstal* are under US and EU sanctions, Nursultan Nazarbayev and Kasym-Jomart Tokayev decided to make an indirect deal to sell *ArcelorMittal Temirtau*.^{68, 69, 70} In other words, Nazarbayev sold *ArcelorMittal Temirtau* to a nominee, but the ultimate actual owner of the enterprise, according to our sources, will be Vladimir Putin. Putin's oligarchs will control the enterprise through secret deals.

To make this deal happen, Tokayev and his government are helping the Nazarbayev family to mislead the international community. For example, on 31 October 2023, Kazakhstan's Minister of Industry and Construction Kanat Sharlapayev stated that the Kazakhstani authorities do not plan to transfer the enterprise to foreign investors.⁷¹ And on 4 November 2023, Deputy Prime Minister of Kazakhstan Roman Sklyar said that the buyer of the company will be a national investor.⁷² On 8 December 2023, the Ministry of Industry and Construction of Kazakhstan announced that the *ArcelorMittal Temirtau* steel company has been taken over by the Kazakhstani government.⁷³ The new investor was a Kazakhstani oligarch, the

⁶⁶ <https://www.currenttime.tv/a/v-kazhastane-posle-avarii-na-shahte-nashli-tela-vseh-pogibshih/32661734.html#:~:text=%D0%92%20%D0%9A%D0%B0%D0%B7%D0%B0%D1%85%D1%81%D1%82%D0%B0%D0%BD%D0%B5%20%D0%BF%D0%BE%D1%81%D0%BB%D0%B5%20%D0%B0%D0%B2%D0%B0%D1%80%D0%B8%D0%B8%20%D0%BD%D0%B0%20%D1%88%D0%B0%D1%85%D1%82%D0%B5%20%D0%B8%D0%BC%D0%B5%D0%BD%D0%B8%20%D0%9A%D0%BE%D1%81%D1%82%D0%B5%D0%BD%D0%BA%D0%BE%20%D0%BA%D0%BE%D0%BC%D0%BF%D0%B0%D0%BD%D0%B8%D0%B8%20%22%D0%90%D1%80%D1%81%D0%B5%D0%BB%D0%BE%D1%80%D0%9C%D0%B8%D1%82%D1%82%D0%B0%D0%BB,%D0%BF%D1%80%D0%B5%D0%B4%D0%BF%D0%BE%D0%BB%D0%BE%D0%B6%D0%B8%D1%82%D0%B5%D0%BB%D1%8C%D0%BD%D0%BE%2C%2046%2D%D0%B3%D0%BE%20%D0%BF%D0%BE%D0%B3%D0%B8%D0%B1%D1%88%D0%B5%D0%B3%D0%BE>

⁶⁷ https://tengrinews.kz/kazakhstan_news/smena-sobstvennika-arselormittal-temirtau-govoryat-508246/

⁶⁸ <https://ofac.treasury.gov/recent-actions/20220602>

⁶⁹ <https://ofac.treasury.gov/recent-actions/20220602>

⁷⁰ <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=OJ:L:2022:059:FULL&from=EN>

⁷¹ <https://ulysmedia.kz/news/22442-inostrannogo-investora-ne-budet-sharlapaev-o-peredache-amt-gosudarstvu/>

⁷² <https://kaztag.kz/ru/news-of-the-day/sklyar-kategoricheski-otverg-veroyatnuyu-svyaz-pretenduyushchego-na-obekty-amt-chastnika-s-putinyam>

⁷³ <https://www.gov.kz/memleket/entities/miid/press/news/details/667501?lang=ru>

www.odfoundation.eu

financer of Nursultan Nazarbayev's family, Andrey Lavrentyev. The deal went through for USD 286 million, although such an enterprise, according to our experts, is worth at least USD 6 billion.

Nursultan Nazarbayev and Tokayev transferred the enterprise under the management of nominal owner Andrey Lavrentyev. Andrey Lavrentyev intends to raise a billion dollars by issuing bonds for investment in the enterprise.⁵⁸ The consultants of the Open Dialogue Foundation assume that state-owned companies, through their affiliated companies, will buy the bonds of Andrey Lavrentyev's company, thus embezzling state funds. In reality, the company has been placed under the direct management of Russian oligarchs from Putin's entourage through secret deals.

3. HOW THE EURASIAN ECONOMIC UNION ENSURES PARALLEL IMPORTS FOR RUSSIA

Since the beginning of Russia's full-scale invasion of Ukraine, Central Asian countries and members of the Eurasian Economic Union (EAEU) have been assisting Russia in circumventing sanctions. **Russia uses the EEU to actively import goods to circumvent sanctions through neighbouring countries, including Kazakhstan, Uzbekistan and Kyrgyzstan.** The rise in parallel imports has fuelled demand for warehouses in these countries, leading to a shortage of storage space.⁵⁹ In August 2023, the Russian government amended the soft loans programme for the purchase of imported goods.⁶⁰ The list of goods includes: industrial equipment, machine tools, consumer electronics, agricultural products, radar and radio navigation equipment, microelectronics, etc. The Russian government website states: *"Now the funds of soft loans will be available to importers not only for the purchase of materials, components, parts, raw materials and equipment, design and commissioning works, payment of value added tax and customs duties, but also to pay for leasing of equipment necessary for the manufacturing of products."*

Within the framework of the Eurasian Economic Union, which includes Russia, Kazakhstan, Belarus, Armenia and Kyrgyzstan, the leaders of the countries are working to simplify trade turnover among EEU members.⁶¹ On 14 November 2023, the Russian State Duma ratified a protocol amending the EEU treaty.⁶² According to the protocol, the Council of the Eurasian Economic Commission (the executive body of the EEU) will approve rules for mutual recognition of electronic digital signatures in order to provide companies with access to public procurement in EEU member countries. The protocol also provides for simplification of the issuance of import–export licences. The implementation of the new rules should lead to the development of trade turnover between EEU member states, which, in turn, should stimulate parallel imports to Russia.

Despite the drop in exports from the EU to Russia, EU countries are increasing exports to Russia's neighbours Kazakhstan, Uzbekistan, Kyrgyzstan, Azerbaijan, Georgia and Armenia.^{63, 64} This indicates that Russia's neighbours are helping it to circumvent sanctions. On 30 November 2023, Robin Brooks, chief economist at the Institute of International Finance, published data on exports from the European Union,

⁵⁸ <https://www.interfax.ru/business/935394>

⁵⁹ <https://www.kommersant.ru/doc/6298812>

⁶⁰ <http://government.ru/news/49242/>

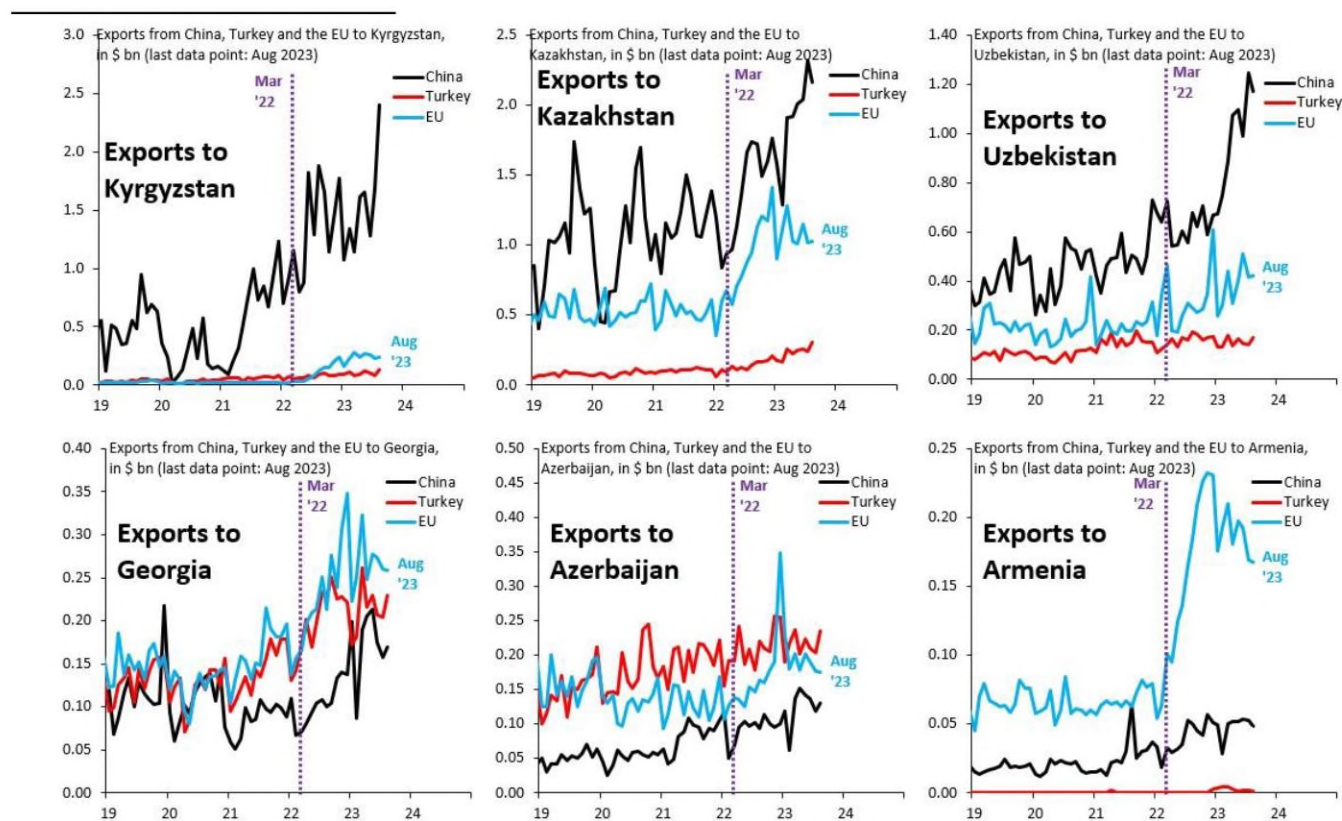
⁶¹ <https://www.kommersant.ru/doc/6337573>

⁶² <https://1prime.ru/government/20231114/842261934.html>

⁶³ <https://www.kommersant.ru/doc/6364243>

⁶⁴ <https://www.iif.com/publications/id/5591>

China and Turkey to a number of post-Soviet countries.⁶⁵ For example, between March 2022 and July 2023, the EU exports to Kyrgyzstan increased by 821% and to Kazakhstan by 98%.



Graph 1: Exports from the EU to a number of post-Soviet countries (Source: Robin Brooks/Institute of International Finance)⁶⁶

The change in exports from Sweden to Russia and a number of post-Soviet countries is illustrative. In the period January–October 2023, exports from Sweden to Russia fell by 7% compared to January–October 2022. At the same time, exports from Sweden to Kazakhstan, Kyrgyzstan, Azerbaijan and Georgia increased significantly (Figure 3).⁶⁷

⁶⁵ <https://twitter.com/robinbrooksif/status/1730298506781380946?s=46&t=Q8vQY8ovCH278SDnaUsl-Q>

⁶⁶ <https://twitter.com/robinbrooksif/status/1733160174083326293?s=46&t=pDPMVxWwSH8w-aLPUejfOA>

⁶⁷ <https://www.scb.se/en/finding-statistics/statistics-by-subject-area/trade-in-goods-and-services/foreign-trade/foreign-trade---exports-and-imports-of-goods/pong/tables-and-graphs/exports-and-imports-of-goods-by-countries/?ref=economist.kg>

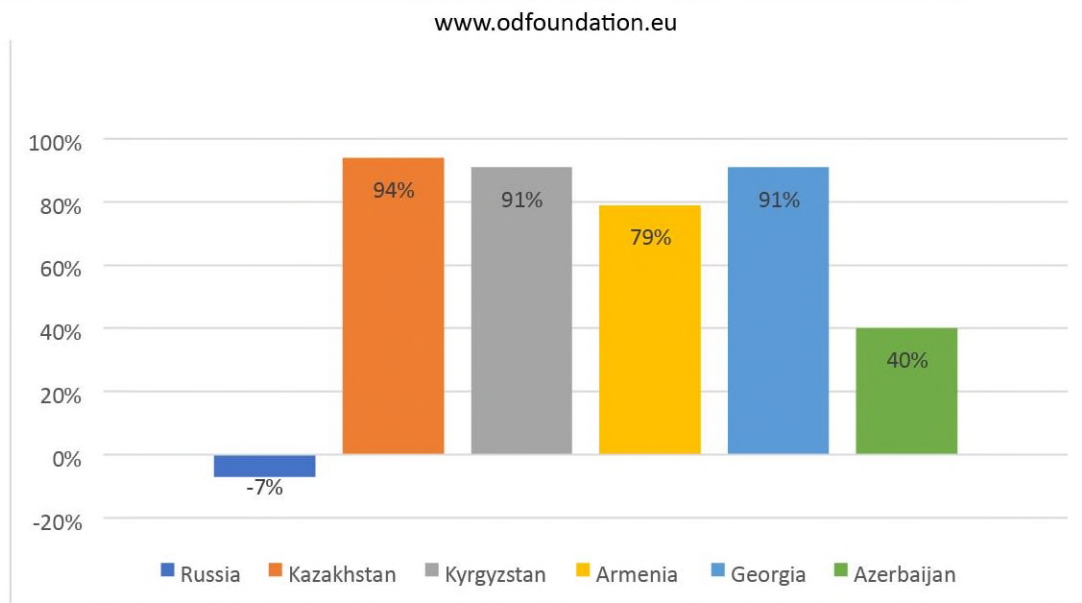


Figure 3: Dynamics of exports from Sweden to Russia, Kazakhstan, Kyrgyzstan, Armenia, Georgia, Azerbaijan in January-October 2023 compared to the same period in 2022 (in %). Source: Statistics Sweden

In addition to re-exporting goods, including for Russia's military industry, countries such as Kazakhstan are involved in another type of sanctions circumvention.⁶⁸ In particular, goods formally intended for customers in Kazakhstan do not even reach Kazakhstan when transiting through Russia. The Kazakhstani authorities ensure the work of an endless number of shell companies, which conclude contracts in Kazakhstan for the supply of goods, knowing in advance that the goods are intended for consumers in Russia. In this way, Kazakhstan and other Central Asian countries pass through the control of the customs authorities of European countries bordering Russia and receive sanctioned goods. When the sanctioned goods transit through the territory of Russia, these goods remain on Russian territory. Journalists of the Finnish edition of *Yle* found out that luxury cars get to dealerships in Russia without reaching Kazakhstan. Given the above, the authors of the report call on Western governments to add the EEU to the lists of international sanctions.

⁶⁸ <https://kyivindependent.com/investigation-czech-parts-make-their-way-to-russian-military-helicopters-despite-sanctions/>

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How luxury cars intended for Kazakhstan end up in Russia (Source: YLE)

4. THE WEST TALKS, PUTIN ACTS

Attempts to “bribe” and “coax” dictators around the world, including at the cost of turning a blind eye to political repression in some countries, contribute to an increasing weakening of international stability and the relevance of international obligations, in particular the *UN Charter*.

Two years after Russia’s full-scale invasion of Ukraine, it is clear that the current approach of Western countries’ sanctions policy has failed in its main task of weakening Russia’s economy, including by limiting revenues from energy trade to be used in waging war against Ukraine. The erroneous assessment of the role and scope of Central Asian countries’ assistance in supporting Russia’s military-industrial complex and economy has led to a discrediting of the sanctions mechanism and has divided the unity of Western countries and thus weakened assistance to Ukraine. In October 2023, the IMF projected Russia’s GDP growth in 2023 at 2.2%, while the Russian authorities expected GDP growth of over 3%.^{69, 70} Russia’s

budget deficit in 2023 was planned at the level of 2% of the country’s GDP. At the end of 2023, Russia’s budget deficit amounted to 1.9% of GDP.^{87, 88} Comparatively, the budget deficit of Ukraine, which is not under sanctions, was expected to be around 20% of GDP in 2023 (Figure 4).

⁶⁹ <https://www.imf.org/en/Publications/WEO/Issues/2023/10/10/world-economic-outlook-october-2023>

⁷⁰ <https://www.kommersant.ru/doc/6350683>

www.odfoundation.eu

Russian carriers, and more than a third of all oil shipments are carried without insurance from Western companies.^{71, 102} The largest buyers of Russian crude oil are China and India, which have purchased about USD 93 billion worth of Russian crude oil since 1 January 2023 (as of 6 December 2023).⁷² India has been buying Russian oil at on average USD 12 over its price cap (at USD 72 per barrel).

The resilience of the Russian economy is primarily due to the ineffective approach of democratic countries towards sanctions. For example, as stated in our report on sanctions against Russia's diamond exports, the new sanctions packages have failed to cause serious damage to the Russian economy.⁷³ **Instead of new and increasingly ineffective sanctions packages, existing sanctions should be strengthened.** A prime example of the ineffectiveness of the approach to sanctions taken by democratic countries is the continued and deliberately futile attempt to persuade Central Asian countries to comply with sanctions. Attempts to persuade Central Asian dictators to comply with sanctions while ignoring human rights abuses in those countries foster a sense of impunity for both human rights abuses and violations of sanctions against Russia. The unprecedented number of meetings in 2023 at various levels between representatives of democratic states and officials of Central Asian countries, against the backdrop of the continued supply of sanctioned goods to Russia from Central Asian countries, proves the ineffectiveness of the approach adopted by democratic countries:

1. In March 2023, the US Secretary of State visited Kazakhstan and Uzbekistan.⁷⁴
2. In March 2023, the UK Foreign Secretary visited Kazakhstan.⁷⁵
3. In March 2023, the European Union's International Special Envoy for the Implementation of EU Sanctions, David O'Sullivan, visited Kyrgyzstan.⁷⁶
4. In April 2023, David Reed, Head of the UK Sanctions Directorate, Elizabeth Rosenberg, Assistant Secretary of the US Department of the Treasury, and Matthew Axelrod, Assistant Secretary of Commerce, visited Kazakhstan and Kyrgyzstan.^{108, 109, 77}
5. In June 2023, James O'Brien, head of the US Office of Sanctions Coordination, visited Kazakhstan.⁷⁸
6. In June 2023, the Head of the European Council visited Kyrgyzstan, where he met with the presidents of Central Asian countries.⁷⁹
7. In June 2023, the President of Germany visited Kazakhstan and Kyrgyzstan.^{80, 81}
8. In July 2023, the Ukrainian Ministry of Foreign Affairs summoned the Kyrgyz ambassador and informed him of the need to comply with the sanctions.⁸²
9. In August 2023, a delegation of Members of the European Parliament visited Kazakhstan and

⁷¹ <https://www.bloomberg.com/news/features/2023-12-06/oil-prices-how-russia-punched-an-11-billion-hole-in-west-s-sanctions-regime?srnd=premium> ¹⁰² <https://www.ft.com/content/7c6998aa-a0d9-4ba7-9e35-e291978ca4d6>

⁷² <https://www.russiafossiltracker.com/>

⁷³ <https://en.odfoundation.eu/a/723375,diamonds-are-not-forever-analysing-ineffectiveness-of-diamond-embargo-in-hurting-russias-economy/>

⁷⁴ <https://www.currenttime.tv/a/kazakhstan-uzbekistan-blinken-usa/32294806.html>

⁷⁵ <https://www.akorda.kz/ru/kasym-zhomart-tokaev-prinyal-ministra-inostrannyh-del-velikobritanii-dzheymsa-kleverli-182486>

⁷⁶ <https://kloop.kg/blog/2023/03/28/evrosoyuz-prizval-kyrgyzstan-ne-stanovitsya-instrumentom-rossii-dlya-obhoda-zapadnyh-sanktsij/>

¹⁰⁸ <https://rus.azattyq.org/a/32378835.html> ¹⁰⁹ <https://rus.azattyq.org/a/32385826.html>

⁷⁷ https://kaktus.media/doc/479716_predstavitel_mid_velikobritanii_pribyl_v_kyrgyzstan_dlia_obsydeniia_sankciy_protiv_rossii.html

⁷⁸ <https://informburo.kz/novosti/predstavitel-gosdipa-ssa-kazaxstan-vzval-na-sebya-funkcii-regionalnogo-xaba-kotorym-ranse-byla-rossiya>

⁷⁹ https://kaktus.media/doc/481750_evrosoyuz_poobeshal_ne_vvodit_sankcii_protiv_stran_centralnoy_azii.html

⁸⁰ <https://www.akorda.kz/ru/prezidenty-kazaxstana-i-germanii-proveli-peregovory-v-rasshrennom-formate-2052556>

⁸¹ <https://www.dw.com/ru/prezident-frg-prizval-kyrgyzstan-sobludat-sankcii-protiv-rf/a-66005073>

⁸² <https://kloop.kg/blog/2023/07/21/mid-ukrainy-vyzval-posla-kyrgyzstana-iz-za-informatsii-o-pomoshhi-rossii-v-obhode-sanktsij/>

Kyrgyzstan.^{83, 84}

10. In September 2023, the presidents of the Central Asian countries met with the President of the United States, the Chancellor and the President of Germany.^{85, 86, 87}
11. In October 2023, the President of France visited Kazakhstan and Uzbekistan.^{121, 88} During his visit to Kazakhstan, the French President praised Kazakhstan's position on the war in Ukraine.⁸⁹
12. In November 2023, the European Union's International Special Envoy for the Implementation of EU Sanctions, David O'Sullivan, visited Kazakhstan and Uzbekistan.^{90, 91}
13. The US President is expected to visit Central Asia soon.⁹²

It is surprising that democratic countries continue trying to persuade Central Asian countries to comply with sanctions against Russia. Numerous meetings, including at a high level, and separate sanctions against the Central Asian countries' shell companies have had no effect (see table below). We have repeatedly emphasised that imposing sanctions on shell companies is ineffective.^{93, 94, 95} The authorities could create thousands of such companies and continue to help Russia circumvent sanctions. Personal sanctions should be imposed on those individuals who organised the supply of sanctioned goods to Russia and facilitate the circumvention of sanctions. In Central Asian countries (authoritarian countries), these are presidents and their inner circles.^{96, 97, 98, 99}

Date sanctions were imposed	Who imposed the sanctions	Companies	The country of the company's registration
June 2022 ¹³¹	USA	"Promcomplektlogistic"	Uzbekistan
April 2023 ¹³²	USA	"Alfa Beta Creative"	Uzbekistan
May 2023 ¹³³	USA	"Tro.Ya"	Kyrgyzstan

⁸³ <https://orda.kz/predstaviteli-evrosojuza-objasnili-kak-kazhstancam-oblegchit-poluchenie-shengenskoj-vizy/>

⁸⁴ <https://bishkek24.kg/sadyr-zhparov-prinyal-predsedatelya-komiteta-evroparlamenta-devida-makalistera/>

⁸⁵ <https://www.golosameriki.com/a/readout-of-president-biden-s-meeting-with-the-c5-1-leaders-at-unga/7275348.html>

⁸⁶ <https://www.dw.com/ru/o-cem-kancler-germanii-dogovorilsa-s-liderami-pati-stran-centralnoj-azii/a-66963360>

⁸⁷ <https://www.akorda.kz/ru/prezident-kazhstana-prinyal-uchastie-vo-vstreche-glav-gosudarstv-centralnoj-azii-s-prezidentom-germanii-2983559> ¹²¹

<https://www.golosameriki.com/a/macron-praises-kazakhstan/7338431.html>

⁸⁸ <https://www.golosameriki.com/a/macron-backs-market/7340046.html>

⁸⁹ <https://www.golosameriki.com/a/macron-praises-kazakhstan/7338431.html>

⁹⁰ <https://rus.azattyq.org/a/32703485.html>

⁹¹ <https://www.gazeta.uz/ru/2023/12/05/david-o-sullivan/>

⁹² https://kaktus.media/doc/487447_djo_bayden_zaiavil_chno_posetit_odny_iz_stran_centralnoj_azii_v_skorom_vremeni.html

⁹³ <https://en.odfoundation.eu/a/684240,russias-decade-long-war-against-ukraine-how-to-accelerate-ukrainian-victory/>

⁹⁴ <https://en.odfoundation.eu/a/624385,the-beneficiaries-of-russias-war-against-ukraine-how-the-nazarbayev-tokayev-regime-is-helping-putin/>

⁹⁵ <https://en.odfoundation.eu/a/627027,russias-accomplices-in-the-war-against-ukraine-kazakhstan-and-kyrgyzstan-the-russian-armys-reliable-rear/>

⁹⁶ <https://en.odfoundation.eu/a/684240,russias-decade-long-war-against-ukraine-how-to-accelerate-ukrainian-victory/>

⁹⁷ <https://uz.kursiv.media/2022-06-29/kompaniya-iz-uzbekistana-popala-pod-sankcii-ssha/>

⁹⁸ <https://public-inspection.federalregister.gov/2023-07840.pdf> ¹³³

<https://rus.azattyq.org/a/32429647.html>

⁹⁹ https://kaktus.media/doc/484087_kakie_kompanii_kyrgyzstana_popali_pod_sankcii_ssha_iz_zapostavok_tovarov_v_rossiu_spisok.html ¹³⁵

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

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July 2023 ¹³⁴	USA	“RM Design and Development” “Progress Leader” “GTME Technologies” “Cargoline”	Kyrgyzstan
July 2023 ¹³⁵	Ukraine	“ITS-Astana” “Tynys”	Kazakhstan

November 2023 ¹⁰⁰	USA	“Mvizion”	Uzbekistan
December 2023 ¹⁰¹	USA	“Elem Group”	Kazakhstan
December 2023 ¹⁰²	USA	Weitmann Handeln Allianz LLC (Weitmann)	Kyrgyzstan
December 2023 ¹⁰³	Great Britain	Mvizion	Uzbekistan
December 2023 ¹⁴⁰	Japan	“Alfa Beta Creative” “GFK Logistic Asia”	Uzbekistan

Ineffective Western and Ukrainian sanctions against Central Asian shell companies

Official statistics on foreign trade of Kazakhstan and Kyrgyzstan (Uzbekistan does not publish such data) show an increase in the supply of sanctioned goods from Kazakhstan and Kyrgyzstan to Russia despite numerous meetings with officials of democratic states and sanctions imposed on shell companies.

1. Following signals from US Secretary of State Anthony Blinken, the President of Germany, the British Foreign Secretary, the President of the European Council and other Western officials, and after sanctions imposed by Ukraine, Kazakhstan exported USD 5.3 million worth of semiconductors to Russia in the period July–September 2023. In those three months of 2023, semiconductor shipments from Kazakhstan to Russia were 1.6 times greater than in the entire pre-war year of 2021.
2. After the US sanctions in May and July 2023, Kyrgyzstan officially continued to supply sanctioned goods to Russia. Exports of integrated circuits in the period July–September 2023 to Russia totalled USD 1.9 million. This is 321 times more than in the entire pre-war year of 2021.

Nearly two years after Russia’s invasion of Ukraine, democratic countries have not taken effective measures to both significantly limit Russia’s economic capacity to wage war and close sanctions circumvention loopholes. This is one of the reasons why Russia was able to prepare for the 2023 Ukrainian counteroffensive – because it had the economic and military-technical (by supplying components to circumvent sanctions) capabilities.

¹⁰⁰ <https://www.gazeta.uz/ru/2023/11/03/mvizion/>

¹⁰¹ <https://inbusiness.kz/ru/last/kazahstanskaya-kompaniya-poluchila-ogranicheniya-po-eksportu-so-storony-ssha>

¹⁰² <https://home.treasury.gov/news/press-releases/jy1978?ref=economist.kg>

¹⁰³ <https://www.gov.uk/government/news/uk-hits-military-suppliers-propping-up-russias-war-machine> ¹⁴⁰

<https://www.mofa.go.jp/files/100595628.pdf>

5. THE CONSEQUENCES OF THE LACK OF PERSONAL SANCTIONS TOWARDS THE BENEFICIARIES OF THE WAR AGAINST UKRAINE

We note with regret that the lack of personal sanctions against the beneficiaries of the war against Ukraine — representatives of the authorities, oligarchs of third countries, as well as military and economic alliances controlled by Russia — has resulted in the negative trends that the Open Dialogue Foundation informed about in its previous reports. The recommendations presented were aimed not just at weakening Russia in the context of Russia's war against Ukraine, but also at strengthening democracies in the global confrontation with authoritarian regimes.

5.1. Russian crude oil exports

In the report by the Open Dialogue Foundation dated 30 December 2022, *The Secret of Tokayev and Putin: How to Circumvent the Oil Embargo*, the authors of the report provided data on how Tokayev would assist Russia in subverting international efforts to reduce Russia's oil export revenues.¹⁰⁴ In particular, the authors of the report indicated that Russia would increase its crude oil exports through the territory of Kazakhstan to China via the existing Atasu–Alashankou oil pipeline. In an interview with the Russian news outlet *Izvestia* on 8 November 2023, Tokayev confirmed that more than 100 million tonnes of Russian crude oil will be exported to China through Kazakhstan by 2033.¹⁰⁵

Russia's revenue from exporting 100 million tonnes of crude oil to China via the pipeline through Kazakhstan would be about USD 42 billion over 10 years: 100 million tonnes of oil × 7 (tonnes to barrels) × USD 60 per barrel (oil price cap). At the same time, the oil price cap does not apply to the oil pipeline from Russia to China via Kazakhstan, so the revenue will be more than USD 42 billion. Russia's revenue from crude oil exports from one direction is comparable to ten years of revenue from diamond exports.

5.2. Gas exports

In the report *Russia's Decade-Long War Against Ukraine*, ODF made a forecast of how Russia, with the help of Central Asian countries, would diversify its gas exports and compensate for the loss of gas supplies to the European market within five years.¹⁰⁶ The first phase of this project has already been realised. On 7 October 2023, Tokayev and Uzbek President Shavkat Mirziyoyev travelled to Russia to congratulate Vladimir Putin on his birthday and to participate in the ceremonial launch of Russian gas transit through Kazakhstan to Uzbekistan.¹⁰⁷ Russia will supply about three billion cubic metres of gas per year to Uzbekistan, with the possibility of increasing exports to six billion cubic metres per year. Uzbekistan could buy gas from neighbouring Turkmenistan, but the supply of three billion cubic metres of Russian gas via Kazakhstan to Uzbekistan has a different reason. Russia plans to reorient gas exports to Asian markets, as

¹⁰⁴ <https://en.odfoundation.eu/a/508247,the-secret-of-tokayev-and-putin-how-to-circumvent-the-oil-embargo/>

¹⁰⁵ <https://iz.ru/1601418/valentin-loginov/otnosheniia-mezhdu-kazakhstanom-i-rossiei-imeiut-bogatoe-proshloe-i-blestiashee-budushchee>

¹⁰⁶ <https://en.odfoundation.eu/a/684240,russias-decade-long-war-against-ukraine-how-to-accelerate-ukrainian-victory/>

¹⁰⁷ https://tengrinews.kz/kazakhstan_news/tokayev-prinyal-uchastie-tseremonii-zapuska-tranzita-gaza-512791/

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it has done with oil (for more details, see the report *Russia's Decade-Long War Against Ukraine*).¹⁰⁸ Putin confirmed these plans in a meeting with Tokayev on 7 October 2023, instructing him to set up a working group to strengthen energy cooperation with Kazakhstan and Central Asia.¹⁴⁶

On 1 November 2023, Kazakhstan's Deputy Prime Minister and the head of *Gazprom Corporation*, Alexey Miller, signed an agreement which, among other things, envisages a solution to the issue of gas transportation.¹⁰⁹ Russia will engage in gasification of the North and East of Kazakhstan.¹¹⁰ The gas pipeline that Russia and Kazakhstan plan to build will be able to supply 10 billion cubic metres of gas to North and East Kazakhstan, with an additional 30 billion cubic metres of gas transported to China.¹¹¹

In November 2023, Alexey Miller publicly announced that, by mid-2024 Russia, Kazakhstan, Kyrgyzstan and Uzbekistan planned to sign a treaty that would allow Russia to utilise Central Asia's gas pipeline infrastructure for gas exports and transit.¹¹²

5.3. Industrial cooperation and development of transport routes

The countries of the Eurasian Economic Union (EEU) are actively cooperating on the issue of industrial cooperation and development of transport routes due to the organisation's absence from the list of international sanctions, as the Foundation wrote in its previous report.¹¹³ A meeting of the Intergovernmental Council of the Eurasian Economic Union (Russia, Kazakhstan, Armenia, Belarus, Kyrgyzstan) was held on 24 August 2023 and attended by the prime ministers of the EEU member states.¹⁵² The heads of government identified several priorities for further development: the development of transport and logistics relations, financial markets, industrial cooperation and food security. In December 2023, the heads of the EEU states approved this programme plan for EEU development.¹¹⁴

Industrial co-operation involves the production on the territory of the EEU countries of those goods that Russia has to import by bypassing sanctions. Kazakhstan is not under sanctions, has sufficient financial and production resources to become the centre of industrial cooperation of the EEU and help Russia. Putin noted that about 60 industrial cooperation projects worth over USD 27 billion are being implemented or being worked out.¹¹⁵

As we pointed out in our report of 15 August 2023, citing Tokayev's statements during the EEU summit in Moscow on 25 May 2023, Tokayev proposed to use Kazakhstan as the EEU's logistics hub and industrial cooperation centre. The EEU member states, primarily Russia and Kazakhstan, are working to diversify transport and logistics routes in order to reorient Russia's exports and reduce its dependence on the West.

The key role of Kazakhstan is related to the fact that it is faster for Russia to export and import goods to and from China through the territory of Kazakhstan. In addition, Kazakhstan is one of the countries

¹⁰⁸ <https://en.odfoundation.eu/a/684240,russias-decade-long-war-against-ukraine-how-to-accelerate-ukrainian-victory/> ¹⁴⁶ <https://tass.ru/ekonomika/18938909>

¹⁰⁹ https://forbes.kz/economy/energy-subsoil/kazakhstan_podpisal_s_gazmpromom_soglashenie_o_strategicheskome_sotrudnichestve/

¹¹⁰ <https://ulysmedia.kz/news/22799-glava-qazaqgaz-rasskazal-o-gazovom-sotrudnichestve-s-rossiei/>

¹¹¹ <https://kz.kursiv.media/2023-02-24/zhn-gazpipelinechina/>

¹¹² <https://www.gazeta.uz/ru/2023/11/05/gas-cooperation/>

¹¹³ <https://en.odfoundation.eu/a/684240,russias-decade-long-war-against-ukraine-how-to-accelerate-ukrainian-victory/> ¹⁵² <https://www.youtube.com/watch?v=Hj1UgAHWhRo&t=4s>

¹¹⁴ <https://www.kommersant.ru/doc/6426560>

¹¹⁵ <http://kremlin.ru/events/president/news/72699>

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involved in the development of a North–South transport route from Russia via the Caspian Sea, Kazakhstan, Azerbaijan, Turkmenistan to Iran and onwards to global markets. In October and November 2023, Putin and Tokayev confirmed the development of alternative logistics routes that would help Russia redirect exports to Asian markets.^{116, 117, 118} In December 2023, during the summit of the EEU heads of state, Tokayev once again confirmed that Kazakhstan and Russia are working to develop alternative logistics routes, which, as we have repeatedly emphasised, are aimed at reorienting Russian exports to new markets.¹¹⁹

The development of alternative routes and industrial co-operation within the EEU will in the long term further reduce Russia’s dependence on the West and generate resources for a long-term war against Ukraine.

5.4. A new “Axis of Evil” threatens the civilised world

The new Axis of Evil consisting of Russia, China, Iran, Belarus, Central Asian countries and North Korea have challenged the world order based on international law. We are concerned about the democratic countries’ hesitancy to act commensurately with the threats posed by the new Axis of Evil. The countries of the new Axis of Evil are authoritarian countries, and by the nature of their political systems will support each other in their struggle against democratic countries. The attempts of the West to persuade the Central Asian countries and China not to help Russia are therefore baffling.¹²⁰ The lack of determination in the actions of the West undermines international systems of checks and balances and peace.

In our report dated 15 August 2023, we highlighted worrying trends in the context of the new Axis of Evil. Russia is waging a full-scale war against Ukraine, increasing its military production and military budget, while Iran is creating hotbeds of tension in the Middle East, siphoning off some of the resources of Western countries, while Venezuela is threatening to annex part of the territory of neighbouring Guyana.^{160, 161, 162} North Korea supplied Russia with one million shells between August and October 2023, while the European Union delivered only 480,000 shells to Ukraine during the year instead of the pledged 1 million.^{163, 164} China supplies Russia with military and dual-use goods and provides substantial economic assistance, increasing the volume of trade turnover.^{165, 166, 167} In 2023, Russia–China trade turnover totalled USD 240 billion, compared to USD 190 billion in 2022 and USD 146.8 billion in 2021.^{168, 169}

Russia and other EEU countries are deepening relations with Iran. Taking advantage of impunity for helping bypass sanctions imposed on Russia, the EEU countries signed a fully-fledged free trade zone agreement with Iran on 25 December 2023.¹⁷⁰

“The free trade agreement now signed between the EEU and the Islamic Republic of Iran will bring trade between our countries to a qualitatively new level. The deal is ambitious — import customs duties will be eliminated on almost 90% of goods, which accounts for more than 95% of our mutual trade,” said Mikhail Myasnikov, Chairman of the Board of the Eurasian Economic Commission.

Free trade will affect a wide range of goods, including products of the industrial sector (machine building, aircraft and shipbuilding, equipment manufacturing and many others).

¹¹⁶ https://tengrinews.kz/kazakhstan_news/kazakhstan-rossiya-teryayut-produktsiyu-iz-za-nedostatkov-516347/

¹¹⁷ https://tengrinews.kz/kazakhstan_news/vospolzovatsya-preimuschestvami-tokaev-obratilsya-lideram-513472/

¹¹⁸ <https://vestikavkaza.ru/news/putin-kazahstan-i-turkmenistan-zainteresovany-v-proekte-sever-ug.html>

¹¹⁹ <https://tengrinews.kz/sng/tokaev-sdelal-ryad-zayavleniy-na-sammite-eaes-521341/>

¹²⁰ <https://www.politico.eu/article/eu-china-summit-list-chinese-firms-russia-links-xi-jinping/>

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The expanding interaction of the countries of the Axis of Evil leads to the destabilisation of the international security system, and the lack of determination of the Western countries to act objectively in accordance with current and future threats leading to the strengthening of authoritarian countries and the emergence of new conflicts.

5.5. Russia's control over Kazakhstan and Kyrgyzstan

While Western countries try not to “push” Central Asian countries into the “arms” of Russia or China and therefore do not criticise them on human rights issues and personal sanctions for helping Russia, Russia is gaining more and more control over Central Asian countries. Russia controls the airspace of the Collective Security Treaty Organisation countries, which include Russia, Belarus, Armenia, Kazakhstan, Kyrgyzstan and Tajikistan.

On 12 October 2023, the President of Kyrgyzstan signed the law “on ratification of the agreement between Kyrgyzstan and Russia on the establishment of a joint regional air defence system”.¹⁷¹ Russia has a similar agreement with Kazakhstan. On 16 November, the Russian Defence Minister confirmed that a joint air defence system had been established within the CSTO.¹⁷² The authorities of Kazakhstan and Kyrgyzstan

- ¹⁶⁰ <https://www.bbc.com/russian/media-67639677#:~:text=7%20%D0%BE%D0%BA%D1%82%D1%8F%D0%B1%D1%80%D1%8F%202023%20%D0%B3%D0%BE%D0%B4%D0%B0%20%D0%BF%D0%B0%D0%BB%D0%B5%D1%81%D1%82%D0%B8%D0%BD%D1%81%D0%BA%D0%B0%D1%8F,%D0%B2%D0%B7%D1%8F%D0%B2%20%D0%B1%D0%BE%D0%BB%D0%B5%D0%B5%20200%20%D0%B2%20%D0%B7%D0%B0%D0%BB%D0%BE%D0%B6%D0%BD%D0%B8%D0%BA%D0%B8>
- ¹⁶¹ <https://www.eurointegration.com.ua/rus/news/2023/11/3/7172772/>
- ¹⁶² <https://english.elpais.com/international/2023-12-06/venezuela-guyana-dispute-maduro-mobilizes-the-army-and-announces-annexation-ofessequiibo.html>
- ¹⁶³ <https://www.bloomberg.com/news/articles/2023-11-01/north-korea-sent-1-million-rounds-to-russia-spy-agency-says>
- ¹⁶⁴ <https://www.reuters.com/world/europe/eu-countries-order-only-60000-shells-ukraine-via-new-scheme-sources-2023-12-06/>
- ¹⁶⁵ <https://www.telegraph.co.uk/world-news/2023/08/19/china-helping-arm-russia-helicopters-drones-metals-xi-putin/?s=09>
- ¹⁶⁶ <https://www.politico.eu/article/china-firms-russia-body-armor-bullet-proof-drones-thermal-optics-army-equipment-shanghai-h-win/>
- ¹⁶⁷ <https://media.defense.gov/2023/Oct/19/2003323409/-1/-1/1/2023-MILITARY-AND-SECURITY-DEVELOPMENTS-INVOLVING-THE-PEOPLES-REPUBLIC-OF-CHINA.PDF>
- ¹⁶⁸ <https://tass.ru/ekonomika/19330113>
- ¹⁶⁹ <http://www.customs.gov.cn/customs/302249/zfxgk/2799825/302274/302275/5624373/index.html>
- ¹⁷⁰ <https://eec.eaeunion.org/news/eaes-i-iran-sozdayut-polnoformatnuyu-zonu-svobodnoy-torgovli/>
- ¹⁷¹ <https://economist.kg/vlast/2023/10/12/kyrgyzstan-ratifikiroval-soghlasheniie-s-rossiei-o-sozdanii-obiediniennoi-sistemy-pvo/>
- ¹⁷² <https://www.kommersant.ru/doc/6364146>

voluntarily surrender their countries' independence to Russia for the sake of preserving authoritarian regimes.

During the CSTO summit in Minsk on 23 November 2023, Tokayev said that one of the key directions of the organisation's work within the framework of Kazakhstan's chairmanship of the CSTO in 2024 will be “the completion of the legal and regulatory framework on the issues of ensuring the operational deployment of the CSTO collective forces. Unimpeded and direct transport of military contingents”.¹²¹ Tokayev is interested in Russia's CSTO troops being able to react quickly to mass peaceful protests in Kazakhstan and help him hold on to power, just as they did in January 2022.

5.6. Increase in re-exports to Russia and concealment of data on exports to Russia

In the reports *Russia's Accomplices in the War Against Ukraine* and *Beneficiaries of Russia's War Against Ukraine*, we pointed out that the authorities in Kazakhstan and Kyrgyzstan would conceal shipments of

¹²¹ <https://rus.azattyq.org/a/32697101.html>

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sanctioned goods to Russia.^{122, 123, 176} Having analysed data on exports of sanctioned goods in the period January–February 2023, we projected that, if volumes remain unchanged, exports of sanctioned goods from Kazakhstan and Kyrgyzstan in 2023 would exceed 2022 volumes (Figure 5):

1. Exports of semiconductors from Kazakhstan to Russia in the period January–September 2023 (for 9 months) officially reached USD 17 million. For the whole of 2022 export of semiconductors from Kazakhstan to Russia amounted to USD 13.2 million.
2. Supplies of integrated circuits from Kyrgyzstan to Russia in the period January–September 2023 exceeded USD 7 million. For the whole year 2022, supplies of integrated circuits from Kyrgyzstan to Russia amounted to USD 600,000.

¹²² <https://en.odfoundation.eu/a/624385,the-beneficiaries-of-russias-war-against-ukraine-how-the-nazarbayev-tokayev-regime-is-helping-putin/>

¹²³ <https://en.odfoundation.eu/a/627027,russias-accomplices-in-the-war-against-ukraine-kazakhstan-and-kyrgyzstan-the-russian-armys-reliable-rear/> ¹⁷⁶ <https://www.eurointegration.com.ua/rus/news/2023/11/6/7172977/>

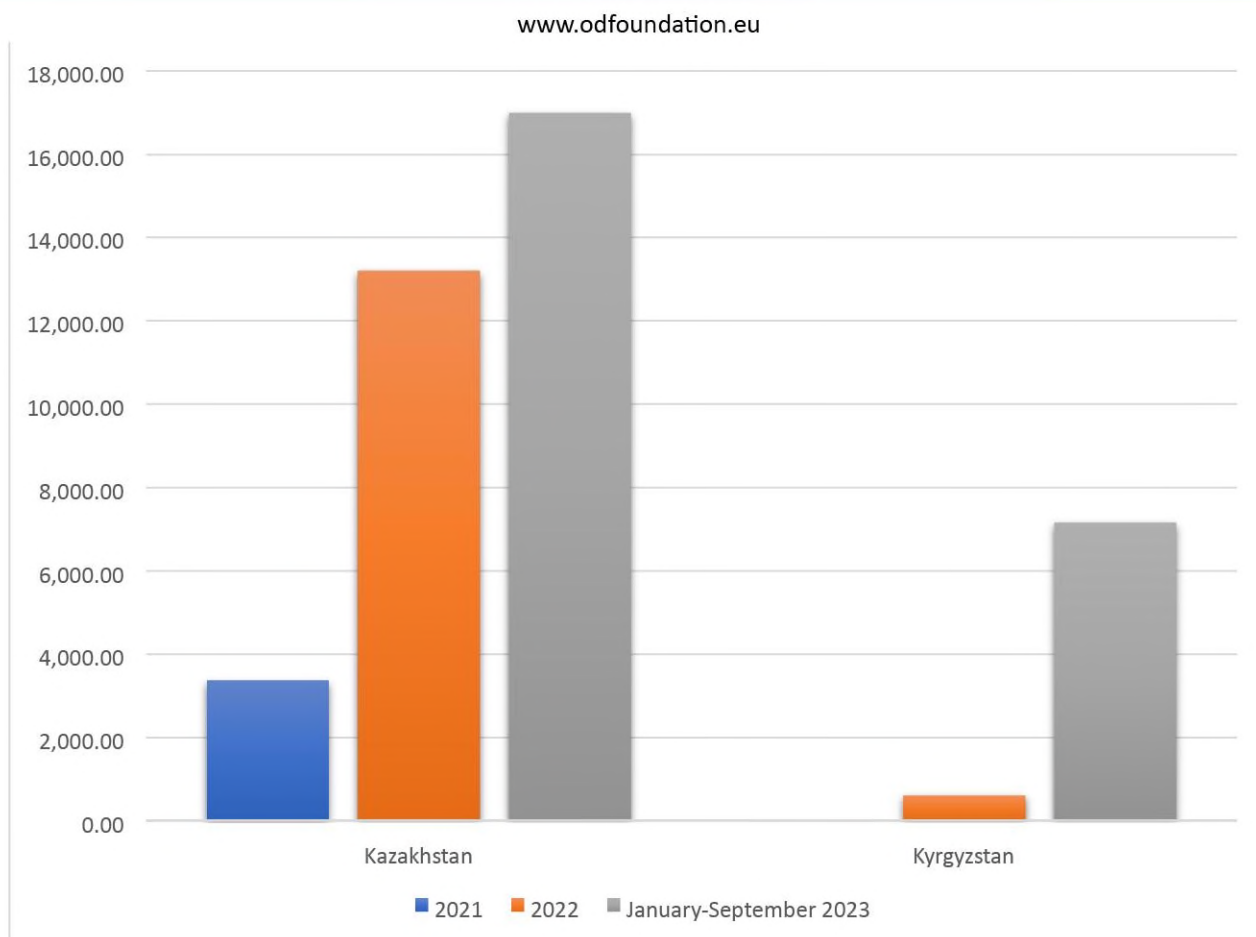


Figure 5: Exports of semiconductors from Kazakhstan to Russia and integrated circuits from Kyrgyzstan to Russia in 2021, 2022 and January–September 2023 (in USD million). Source: Statistical Agencies of Kazakhstan and Kyrgyzstan

As of April 2023, the Kyrgyz authorities stopped publishing import and export statistics based on ten-digit commodity codes. Ten-digit commodity codes allow the analysis of information on exports and imports of a specific type of goods. Currently, Kyrgyz authorities only publish foreign trade statistics based on four-digit commodity codes, which allow tracking only general groups of goods (e.g. semiconductors — but it is not known what type). The Kyrgyz publication *Kaktus.media*, citing the National Statistical Committee of Kyrgyzstan, reported that the termination of publications on exports and imports of goods on the basis of ten-digit commodity codes is allegedly due to “simplification of collection and for more prompt provision of information”.¹²⁴

The Kazakhstani authorities use at least three methods of concealing statistics:

1. The authorities have created and are co-ordinating a list of “green companies”.¹⁷⁸ “Green companies” are companies that export sanctioned goods to Russia without passing through border controls. Accordingly, data on exports are not entered into the statistical database. Therefore, the actual volume of shipments of sanctioned goods is higher than is reflected in official statistics. “Green companies” transport goods without border and customs controls not only when entering Russia, but also when entering Kazakhstan from China. This leads to sanctioned goods from China

¹²⁴ https://kaktus.media/doc/484890_kyrgyzstan_nachal_skryvat_statistiky_zachem_i_pri_chem_tyt_sankcii.html ¹⁷⁸ <https://respublika.kz.media/archives/92124>

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also entering Russia by transit through Kazakhstan from China and not being included in the statistics.

2. Sanctioned goods are in fact exported from Kazakhstan to Russia, but customs declarations indicate other countries (e.g., Japan, Finland, USA, Uzbekistan). Therefore, statistics show that, for example, Kazakhstan exported some semiconductors not to Russia, but to Uzbekistan or Finland.
3. Sanctioned goods supposedly intended for Kazakhstan remain on the territory of Russia. Kazakhstan's foreign trade statistics do not record them. On 5 December 2023, Finnish Customs reported that 3,500 drones worth EUR 2 million ended up in Russia when formally exported to another country.¹²⁵ Finnish customs suspect that EUR 350,000 worth of military products designed to intercept drones remained on Russian territory when transiting through Russia to Kazakhstan.

There is reason to believe that the authorities in Kazakhstan and Kyrgyzstan will keep concealing statistical data more and more in an effort to mislead the international community and avoid responsibility for helping Russia circumvent sanctions.

6. RECOMMENDATIONS

Western countries need to change their policy towards authoritarian countries, abandoning futile attempts to persuade them not to help Russia. A change of policy towards authoritarian countries, especially China and Central Asian countries, should be accompanied by a change in the sanctions approach towards Russia and its aides. Instead of introducing new packages of ineffective sanctions, it is necessary to toughen existing sanctions and impose personal sanctions against representatives of the authorities, interstate unions such as the CSTO and the EEU, as well as oligarchs of third countries that ensure the circumvention of sanctions. This will cause serious economic damage to Russia and reduce its economic and military potential.

We recommend blocking the export of Russian crude oil and petroleum products through the Black Sea, as well as imposing sanctions on President of Kazakhstan Kassym-Jomart Tokayev, President of Kyrgyzstan Sadyr Zhaparov, their entourages, and legal entities and international organisations such as the EEU and the CSTO (as listed in Annex 1).^{126, 127}

¹²⁵ <https://tulli.fi/-/tulli-paljasti-yli-kolmen-miljoonan-euron-rikoskokonaisuuden-eu-pakotteiden-kiertamisessa>

¹²⁶ <https://en.odfoundation.eu/a/684240,russias-decade-long-war-against-ukraine-how-to-accelerate-ukrainian-victory/>

¹²⁷ <https://en.odfoundation.eu/a/723375,diamonds-are-not-forever-analysing-ineffectiveness-of-diamond-embargo-in-hurting-russias-economy/>

Annex 1. The rationale for the inclusion of the listed persons in the list of personal sanctions

Individual	Rationale
Kazakhstan	
<p>TOKAEV Kasym-Zhomart Kemeluly: 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>

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<p>TASMAGAMBETOV Imangali Nurgaliyevich: 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>KULIBAYEV Timur Askarovich: 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>TURLOV Timur Ruslanovich: 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>

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<p>VASILENKO Roman Yurievich: 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>Freedom Holding: 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>International organisations</p>	
<p>Collective Security Treaty Organisation (CSTO): 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>

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<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>Eurasian Economic Union (EEU): 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>Kyrgyzstan</p>	
<p>JAPAROV Sadyr Nurgojoyevich: 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>

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<p>TASHIYEV Kamchybek Kydyrshaeovich: 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>ZULUSHEV Kurmankul Toktoralievich: 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>NIYAZBEKOV Ulan Omokanovich: 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>KempirAbad</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>MAKSUTOV Altynbek Askarovich: 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>

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<p>BOKONTAEV Kubanychbek Keneshovich: 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>ISABEKOV Samat Satarovovich: 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>

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RUSSIA

PETON Engineering Holding

PETON Engineering Holding owns the Novoshakhtinsk oil refinery in the Rostov region of Russia. The Novoshakhtinsk refinery was placed under sanctions for supplying petroleum products to the occupied Donbass, including for fuelling Russian military equipment in Donbass. However, PETON Engineering Holding itself is not under Western sanctions.