

The E2C2 Echo

QUARTERLY NEWSLETTER



HOW RUSSIA EVADES WESTERN SANCTIONS

Following the February 2022 Russian invasion of Ukraine, the United States (U.S.), as well as other key allies, announced sweeping sanctions against Russia to weaken their ability to conduct military operations. The unprecedented scope of these sanctions targeted banks and financial institutions; companies in the military defense sector; Russian leadership and elite; state propagandists; and media outlets.

In recent months, the U.S. and its international partners have doubled down on their efforts to disrupt supply channels that offer the Russian defense industry access to sensitive high technology. This includes access to devices such as semiconductors and microelectronics that are manufactured in the U.S., Germany, the United Kingdom, Japan, Taiwan, France, South Korea, and the Netherlands. The Kremlin has historically relied on western technology to power and control many of its military platforms. As the war in Ukraine approaches one year, Russia is finding it very difficult, but not impossible, to re-

place and repair lost equipment during the conflict. Battlefield recoveries of the Russian equipment reveal western components are still being utilized in their weapons platforms.

Military systems such as precision guided munitions, one-way attack drones, and air defense batteries that have been recovered by Ukrainian forces and contain western produced semiconductors.

So how does Russia evade Western sanctions and acquire sensitive technologies? Simply put, Russia exploits the supply chain networks of countries that are already heavily sanctioned or just steals the illicit tactics directly from their playbooks to create their own network. Countries such as Iran, North Korea, Venezuela, Syria, and Cuba have all gained expertise in adapting their economies to heavy sanctions. To that end, Russian firms are setting up front-companies in third party countries, such as Turkey, Georgia, Serbia, Kazakhstan, Kyrgyzstan, Uzbekistan, and Armenia, and transshipping sensitive technologies to Russia through clandestine



It is my pleasure to introduce the **E2C2 Echo**, the official publication of the Export Enforcement Coordination Center (E2C2).

We strongly believe that the E2C2 embodies the true spirit of private/public sector collaboration.

Through this publication, we hope to connect with private industry and interagency partners and provide current trends and threats affecting the U.S. and international export community.

- Michael McCarthy
E2C2 Director

The international sanctions imposed on Russia target both imports and exports and focus most heavily on the sale of oil. To circumvent these sanctions, Russia uses ship-to-ship transfers similar to Iranian evasion tactics. Specifically, Russia off loads its oil at sea to a ship “flagged” under a non-sanctioned country, often selling at discount, which then off-loads its cargo in a European port, hiding its true origin and selling the oil at market value. To accomplish this, the Russian tanker ships turn off, or spoof, their Automatic Identification System trackers hiding their location from both vessels and shore trackers.

Russia’s use of the of the Private Military Company “Wagner Group” has also given Russia access to ports on the continent of Africa in countries such

as Libya, Syria, Sudan, Central African Republic, Congo, and Mali.



This, coupled with the sharp rise in Special Economic Zones (SEZs) in Africa, adds a level of complexity to tracking and tracing beneficial ownership of some of these shell companies. As of 2020, there were 237 SEZs in Africa located in 38 of the continent’s 54 countries. These SEZs, as well as other free trade zones, offer incentives for investment through exemption of duties and taxes as well as relaxed regulatory

controls, which is very beneficial for legitimate businesses. However, this can also provide opportunities for nation states such as Russia, to acquire goods and move funds internationally, without identification of the ultimate end user.

Overall, sanctions have made it more difficult for Russia to acquire what it needs to build and maintain its instruments of war. However, sanctions are never completely effective. Shoring up the gaps requires multi-lateral cooperation that includes both the private and public sectors working together. These partnerships enhance information sharing as well as the ability to improve detection, analysis, investigations and ultimately prosecution of those entities and individuals who facilitate sanctions evasion.

RED FLAG INDICATORS OF SANCTIONS EVASION

Business appears to be new and have little or no history online or in commercial databases.

Customer’s email address doesn’t appear anywhere online.

Goods or services of the company do not match the company’s profile based on information previously provided.

Country of destination does not have the industry need for the product ordered.

The use of shell companies, trusts, or third-party intermediaries to obscure ownership, source of funds, or for international wire transfers. The use of shell companies and trusts, and/or third-party intermediaries, including art and antiquity dealers, lawyers, or real estate agents.

The customer has a complex ownership structure with no valid reason.

Transactions that once involved payments scheduled to go to or from Russia or Belarus prior to sanctions being imposed are cancelled and re-appear as going to countries that are known transshipment points for exports to Russia and Belarus. Often these transactions will have little or no clear economic or business rationale.

Requested shipment route by the customer makes little or no economic or business sense.

Customer appears to obfuscate who they are, where their source of funds is coming from if not using a letter of credit, who the beneficial owner of the company is, and why they choose the payment method they used for the transaction.



ABOUT THE E2C2

The [Export Enforcement Coordination Center \(E2C2\)](#) serves as the primary forum within the federal government for executive departments and agencies to coordinate and enhance their export enforcement efforts.

The E2C2 promotes a robust whole of government approach to export enforcement by ensuring inter-agency coordination, promoting multi-agency collaboration, minimizing duplication of efforts, and strengthening the critical link between law enforcement, the Intelligence Community, export licensing entities, and the public sector.

Agencies, organizations, or businesses who have questions or would like to learn more about partnership opportunities, email us.

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