Good afternoon,

BGR Group represents the Republic of Azerbaijan. As you know, the U.S.’s multilateral sanctions regime against Russia over its invasion of Ukraine has had remarkable success in constraining the Kremlin – but every day the war drags on reminds us there are greater steps we can take to inflict economic costs on Putin’s Russia. As such, the Azerbaijan Embassy has asked me to share the below report, raising concerns about the potential for egregious sanctions evasions efforts in their region.

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**Armenia’s active engagement in sanctions evasion imposed on Russia**

Armenia’s active engagement in sanctions evasion imposed on Russia due to its war in Ukraine is well documented. This is on top of Armenia’s support to Iran and Syria, including its voting practice in international organizations.

The role of Armenia in evasion of Russia-related sanctions is presented below.

a. **Dubious increase in the trade between Armenia and Russia**

Statistical data indicate dramatic increase in trade turnover between Armenia and Russia since 2022. The Statistical Committee of Armenia reported that the trade turnover between Armenia and Russia sharply increased from 11.8 percent to 71.7 percent in January-August 2022 and exceeded 2.6 billion dollars.\(^1\) The fastest growing sector of exports was land, air, and water vehicles, which increased 2.3 times and is now the second-largest category of exports.\(^2\) It is of particular interest to note that these are the products that Russia needs more in its military campaign, and consequently, are subject to sanctions.

According to The New York Times\(^3\) and NHK World-Japan TV\(^4\) program about Russia’s evasion of sanctions, Armenia increased tenfold smartphone import and its export to Russia since the beginning of the war in Ukraine.

Moreover, massive relocation of Russian businesses in Armenia following the imposition of sanctions on Russia is noteworthy. Vahan Kerobyan, Minister of Economy of Armenia was quoted to state that as a result of the relocation, 300-large companies with Russian capital and about 2,500 small businesses have been registered in Armenia\(^5\).

b. **Re-export of goods through Armenia to and from Russia**

In fact, given the economic indicators of Armenia, such an increase of trade in one-year period is far from being natural. Annual growth of manufacturing in Armenia does not correlate with breakneck rate of its increasing export figures. Experts explain that such a rapid and sharp increase in exports is due to re-exports, which is seen as a major way sanctions evasion.

It is worth reminding that, along with being a member of the Eurasian Economic Union (EAEU) Armenia has also signed the Comprehensive and Enhanced Partnership Agreement (CEPA) with the EU. Enjoying the privileges of having simplified trade regimes with both Unions, Armenia provides a unique “window” between the West and Russia. In this sense, Armenia has a great re-export potential to and from Russia.

The European Bank for Reconstruction and Development (EBRD)-affiliated research indicates that for a number of specific products, for instance, automatic data processing machines, or computers, track-laying tractors and combine harvesters the EU/UK exports to Armenia have been sharply increasing after the sanctions in parallel to the corresponding decline in exports to Russia\(^6\).

According to the study, the dramatic decrease of export from EU, US and UK to Russia last year coincided with the significant jump of sales from Europe and the US to Armenia\(^7\) is a matter of concern for the attempt to divert sanctions imposed on Russia.

These changes are particularly pronounced for sanctioned goods, which accounted for majority of exports prior to the war. A very similar pattern is visible for US exports, with the exports of sanctioned goods to Russia becoming negligible in terms of value after the Russian invasion of Ukraine and the exports to some countries, including Armenia, being on the rise.\(^8\)
The dubious increase in re-export of Armenia has been also highlighted by independent analysts and bureaucrats confirming Armenia's complicity in evasion of Russia-related sanctions.

Latvian Prime Minister Krisjanis Karins made a statement to the press on February 3, 2023, with the assertion that traders use Armenia to evade EU sanctions. Karins pointed to the increase in the trade of Armenia with Europe and said that it was "disproportionate compared to the previous period". The compliance note issued by the US Departments of Commerce, Finance and Justice cites Armenia as one of the few jurisdictions commonly used to illegally redirect restricted items to Russia or Belarus.

The above-mentioned is further confirmed by several public statements of senior officials of Armenia and Russia. Thus, on February 28, 2022, just few days after the start of the war in Ukraine, Vahan Kerobyan, Minister of Economy of Armenia in his interview to Shant TV channel confirmed that "the companies which are under sanctions may enter the international markets in other ways, including through the territory of Armenia." In a similar vein, on August 25, 2022, the Prime Minister of Russia M. Mishustin, in a meeting with his Armenian counterpart, stated that "along with our Armenian partners, we are making operational decisions aimed at protecting our trade and economic cooperation, particularly in the face of illegal sanctions against the Russian Federation."

c. **Iranian link in Armenia's illegal activities circumventing sanctions**

Armenia circumvents sanctions not only with regard to Russia, but to other countries, which have been under sanctions for decades. Iran is one of those countries that Armenia has long-standing and dubious trade and financial relations overcoming international sanctions. In the past, due to its geographic location, Armenia has assisted Iran's money-laundering operations and facilitated its access to international financial system. It is now well-placed to do the same for Russia, and is openly doing so.

Moreover, Armenia yearns for any opportunity to facilitate the illegal and sanctioned trade between Iran and Russia. Likewise, Armenia has become not just a "bridge" to Iran but also a "window" for Russia, helping both countries to evade sanctions.

It is worth mentioning that on March 3, 2022, within the framework of a visit of a high-level Iranian delegation to Armenia, the parties agreed to launch new projects for the joint production of pharmaceutical products and household appliances in Armenia to be exported to third countries.

Russia, certainly, is one of such third countries. Being a member of EAEU, the goods produced jointly with Iran in Armenia would therefore not be subject to customs or border checks for export to Russia. Hence, these new Armenian-Iranian joint enterprises will be a new system of breaking sanctions on Russia in other economic sectors as well.

d. **Facts on the transfer of sensitive technologies supporting Russian defense industry**

The compliance note issued by the US Departments of Commerce, Finance and Justice identifies that one of the most common tactics is the use of third-party intermediaries or transshipment points to avoid restrictions. In this context, the U.S. Department of Treasury sanctioned a transnational network procuring technology that supports the Russian military-industrial complex. Not surprisingly, this network also includes Armenia-based companies that violate sanctions, and thus, were included into the list of entities subject to new US sanctions against Russia.

Specifically, **Milur Electronics LLC (Milur Electronics)**, Armenia-based affiliate of Russian microelectronics company Milandr was used as a front company to conduct Milandr's business with foreign partners.

In the similar vein, another Armenian company - **Taco LLC**, wholesale of electronic and telecommunications equipment and parts, has been designated for supporting Radioavtomatika, a sanctioned Russian company. It was further identified that Radioavtomatika paid Taco for importing components and handling the procurement process within Armenia. In view of the above-mentioned, report by the BBC on the arrest of two men suspected of sending illegal aviation technology to Russia is worth mentioning.

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Please let me know if you have any questions, and I would be happy to connect you with the relevant Embassy official.

All my best,

Mark
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[7] [https://www.ft.com/content/4961a96c-16ac-496b-8baa-16d6025e4dfe](https://www.ft.com/content/4961a96c-16ac-496b-8baa-16d6025e4dfe)  
[12] [https://tass.com/economy/1498253](https://tass.com/economy/1498253)  