

# Are transshipment hubs facilitating the movement of Western-made components to Russia?



This paper provides an analysis of the trade flow of certain US components into high-risk transshipment areas in the last two years, assessing whether Russia is profiteering from importing reexported US components.

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# Introduction

In the aftermath of Russia's invasion of Ukraine, the EU, US, Japan, the UK and others collectively applied trade embargoes to specific "high-priority common items," "critical items" and "battlefield items" to stop the proliferation of Western-made components ending up in Russian-manufactured military items.

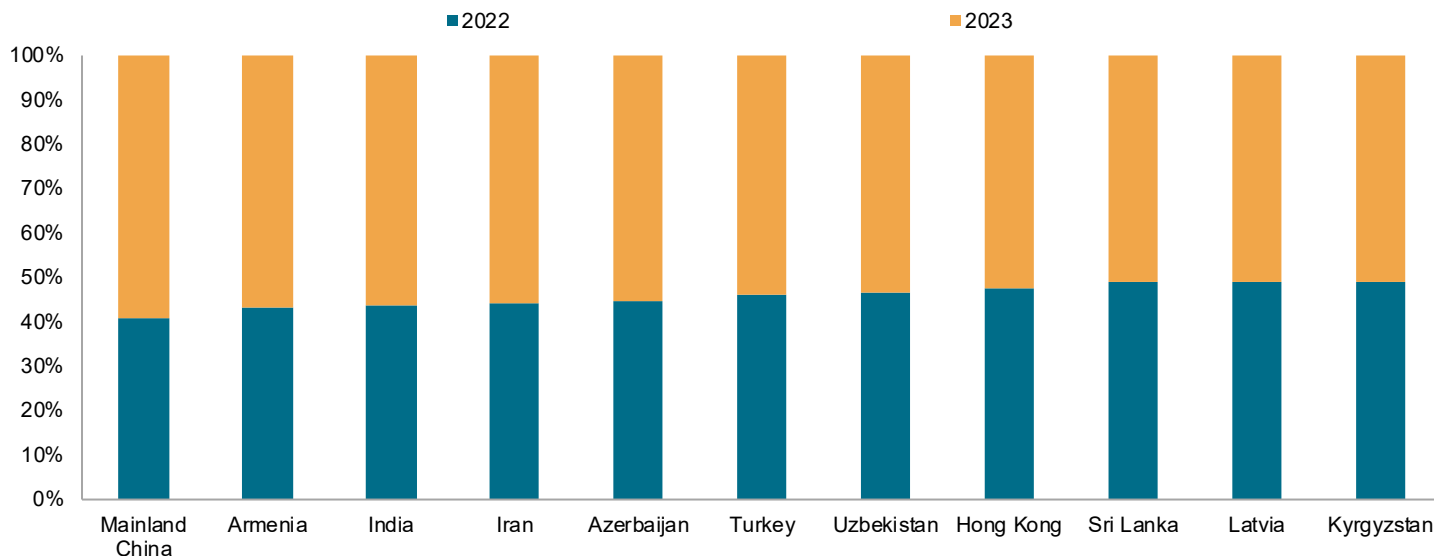
The Financial Crime Enforcement Network (FINCEN) under the US Treasury Department and the Bureau of Industry and Security (BIS) under the US Commerce Department, as well as the EU, also specified high-risk transshipment areas known to be facilitating the reexport of Western-made components to Russia, mentioning Armenia, Brazil, Georgia, India, Israel, Kazakhstan, Kyrgyzstan, Mexico, Nicaragua, Serbia, South Africa, Taiwan, Tajikistan, United Arab Emirates and Uzbekistan.

In the context of the above, this paper will provide an analysis on the trade flow of certain US components into those transshipment points in the last two years to assess whether Russia is profiteering from importing reexported US components.

## Russian supply chain

To understand which assumed transshipment points could be used to facilitate trade with Russia, it is important to first understand the impact sanctions have had on Russia's ability to import goods from other countries. S&P Global Market Intelligence extracted data from customs agents and national statistical authorities to highlight individual country exports to Russia. Figure 1 highlights the percentage change in value of goods (US dollars) exported to Russia, comparing 2022 against 2023. The data show countries with historically strong trade ties to Russia continued the trend, with mainland China and India increasing overall value of exports by more than 45% and 25%, respectively, in the year following the invasion. Neighboring countries to Russia and those with no enforced sanctions on the country to date, such as Armenia, Azerbaijan, Iran, Turkey and Uzbekistan, all expanded their trade exports to Russia in 2023.

**Figure 1: Exports to Russia, 2022 vs. 2023, % change (\$ value)**



Data compiled March 13, 2024.

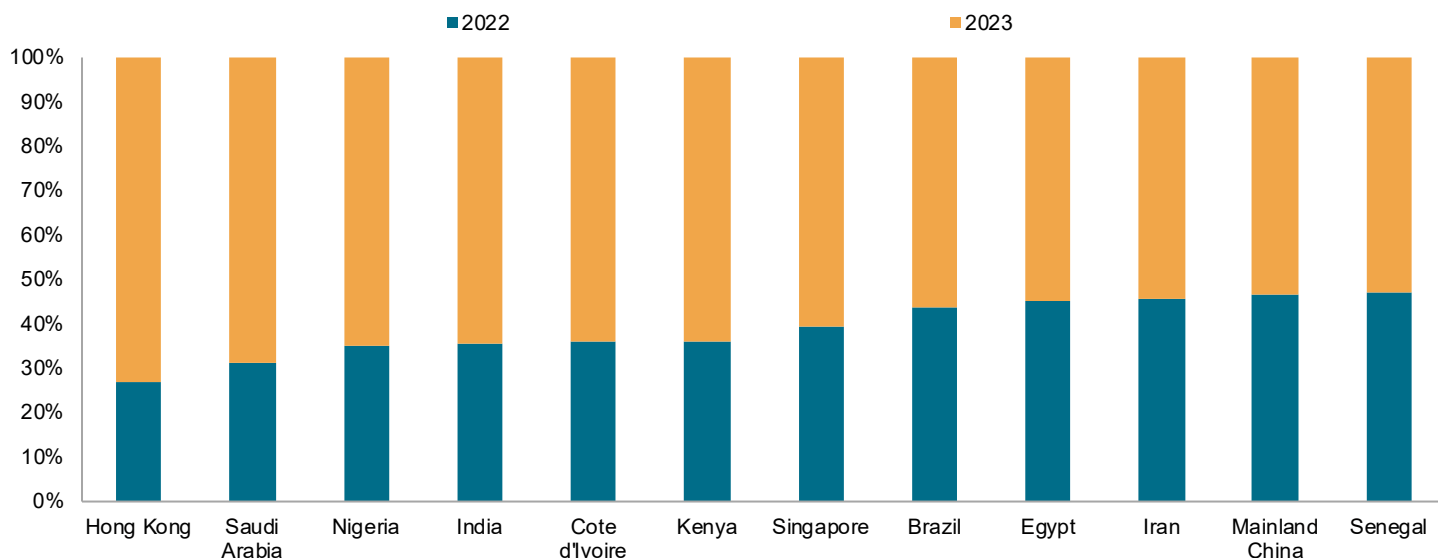
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To date, The Customs Control Committee of the Ministry of Finance in Kazakhstan has not provided full disclosure on its trade activity with Russia for every month in 2023, and therefore is a noted exclusion from the above analysis. Data analyzed from 2022 indicated Kazakhstan was the fifth-largest trade partner of Russia, with total exports valued at more than \$5.5 billion, predominantly exporting iron, steel and radioactive chemicals. Another noted exclusion is the UAE, since its customs authorities do not provide Market Intelligence with trade data. However, Market Intelligence can still provide analysis on its trade flow by looking at the mirror trade of countries importing and exporting goods from the country.

Data were also evaluated to assess the countries that had expanded their imports from Russia in the last two years. Figure 2 highlights the percentage change in value (US dollars) of goods imported from Russia, comparing 2022 against 2023. Nigeria, Cote d'Ivoire, Kenya, Egypt and Senegal increased their imports from Russia in 2023, with Egypt being the 10th-largest importer of Russian-produced goods globally. The shift in 2023 toward countries importing goods such as iron, steel, cereals, wood and petroleum could be considered against trend, as Africa is renowned for its intraregional trade network. This is highlighted when considering that the goods imported and classified under "HS Code Chapter 27: Petroleum and mineral oils" are readily available in oil-rich countries such as Algeria, Angola and Nigeria.

**Figure 2: Imports from Russia, 2022 vs. 2023, % change (\$ value)**



Data compiled March 13, 2024.

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Hong Kong exponentially increased its imports from Russia in 2023. The main contributor of this increase was the import of "HS Code Chapter 71: Natural pearls and precious stones," the import value of which in 2023 was approximately \$8.7 billion, almost a 200% increase on the previous year. Specifically, Hong Kong increased its imports of Russian gold, platinum and diamonds, eclipsing the total value of imports by the UAE, the previous largest importer of those Russian-produced goods. To date, Hong Kong has not sanctioned Russia and remains one of Russia's key trade partners for goods relating to electronic and communications equipment, specifically semiconductors and microchips. The US government has reacted to an increase in certain countries continuing to trade these types of goods with Russia in the last six months. In December 2023, the US president instated the Executive Order 14114, promising the enforcement of secondary sanctions on any foreign financial institution known to be facilitating Russia's war efforts in Ukraine, either by helping Russian entities to circumvent sanctions by processing their transactions or by facilitating payments of potential dual-use goods and technologies. In January 2024, US government officials met with multiple financial institutions in Hong Kong, again reminding them of the repercussions of facilitating Russia's war efforts. In February 2024, the EU also added a "no reexport to Russia" clause in its guidance to member states, advising them to incorporate this official terminology in all trade transactions. Regional regulators are actively continuing to clamp down on any perceived illicit trade activity with Russia, with more guidance, advisory notices and enforcement expected throughout 2024.

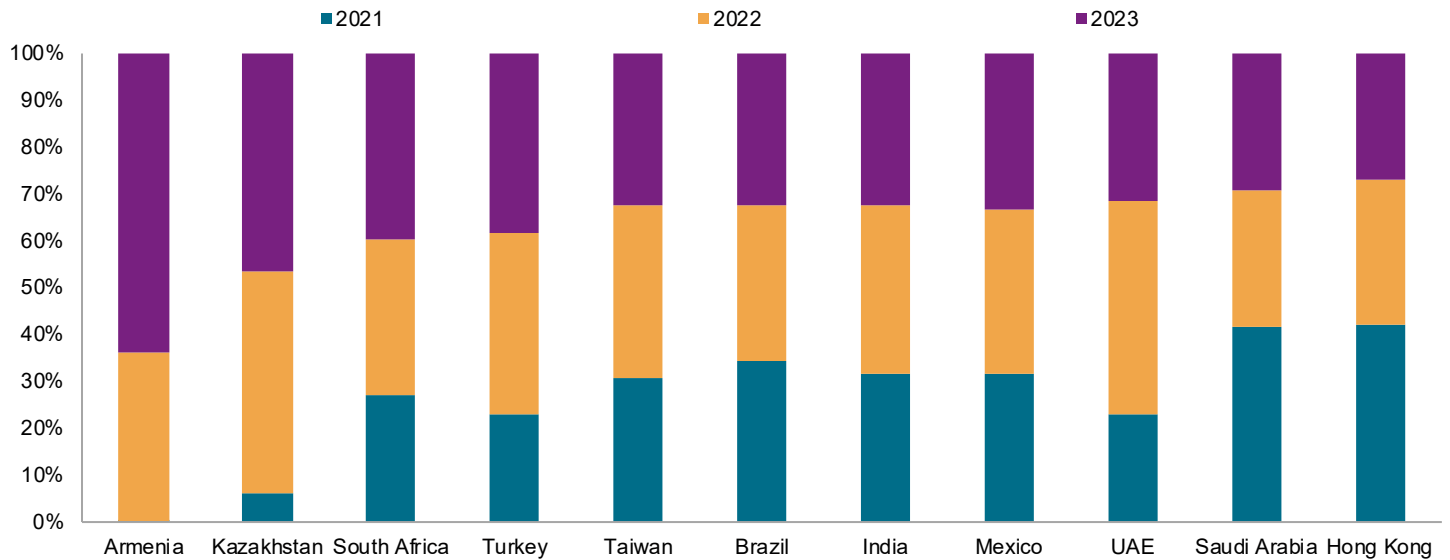
# Common high-priority Russian items

In February 2024, the EU, in coordination with the US, the UK and Japan, enforced further sectoral sanctions on Russia, aiming to curtail its military production. The addition of Tier 4.B. and five new HS codes to the existing 45, covering microelectronics, wireless communication equipment, navigation equipment and different types of electronic manufacturing equipment; it included computer numerically controlled manufacturing equipment, machinery for milling, boring and drilling, and metal machining equipment. Market Intelligence trade data were used to analyze each tier of common high-priority Russian items to understand the year-on-year change in value (US dollars) of US-manufactured items being exported to high-risk transshipment hubs, followed by an analysis to see whether those same countries were reexporting those goods to Russia.

## **Tier 1 — Integrated circuits**

Figure 3 shows the year-on-year percentage change for the last three years of US-manufactured Tier 1 items, valued in US dollars, exported to countries known to be high-risk transshipment hubs. Armenia and Kazakhstan exponentially increased the imports of these goods during 2022 and 2023 compared with 2021, where they reported almost no trade. Three of the high-risk transshipment hubs in Figure 3 were in the top 10 list of importers of US-manufactured Tier 1 items, including Brazil and Taiwan; Mexico was the largest importer, reporting approximately \$11.9 billion in imports value. The export of goods classified under "HS Code 854231: Processors and controllers, electronic integrated circuits" to the countries in Figure 3, accounted for the largest year-on-year percentage from both 2021 to 2022, and 2022 to 2023.

**Figure 3: US exports of Tier 1 common high-priority items, 2021 vs. 2022 vs. 2023, % change (\$ value)**



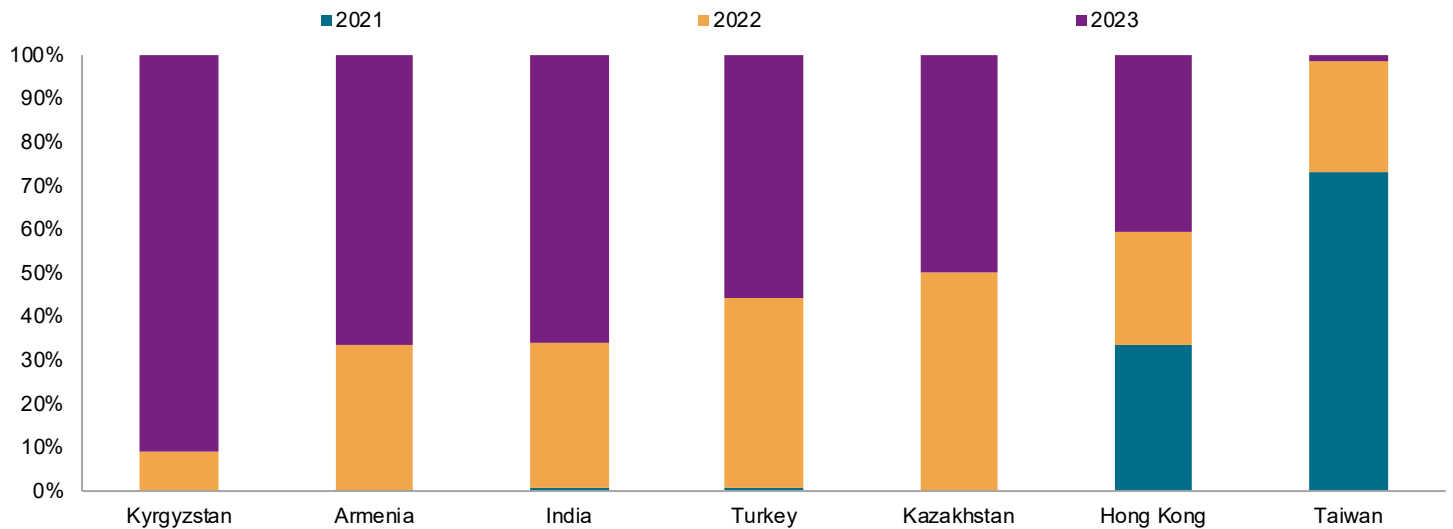
Data compiled March 13, 2024.

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The same countries were then analyzed to compare their trade activity with Russia for Tier 1 items. The largest exponential increase in exports of Tier 1 items to Russia came from Armenia, India, Turkey and Kazakhstan. In 2023, Armenia and Kazakhstan exported approximately \$25.5 million and \$18.3 million worth of Tier 1 items, respectively, whereas in 2021, there was almost no reported trade. Goods classified under "HS Code 854239: Electronic integrated circuits" were the most exported in 2023; these are goods that could be used for military surveillance, communications and weaponry. South Africa and Brazil did not export Tier 1 items to Russia pre- or post-invasion and therefore were not included in Figure 4. As for Taiwan, the aggregated value of exports to Russia decreased year on year following public disclosures from the country's ministry of foreign affairs to align with Western regulators in strongly condemning Russia's activities and, in turn, enforcing similar sanctions to Western regulators. Kyrgyzstan was not listed as a large importer of US-manufactured items of the Tier 1 classified goods, although the country reported exponential increments in exports of those same goods to Russia. Market Intelligence trade data identified Kyrgyzstan's large trade partner for importing those goods was Hong Kong, a country with no enforced trade embargoes on Russia to date.

**Figure 4: Transshipment-risk hubs exporting Tier 1 common high-priority items to Russia, 2021 vs. 2022 vs. 2023, % change (\$ value)**



Data compiled March 13, 2024.

Source: Global Trade Analytics Suite, a product of S&P Global Market Intelligence.

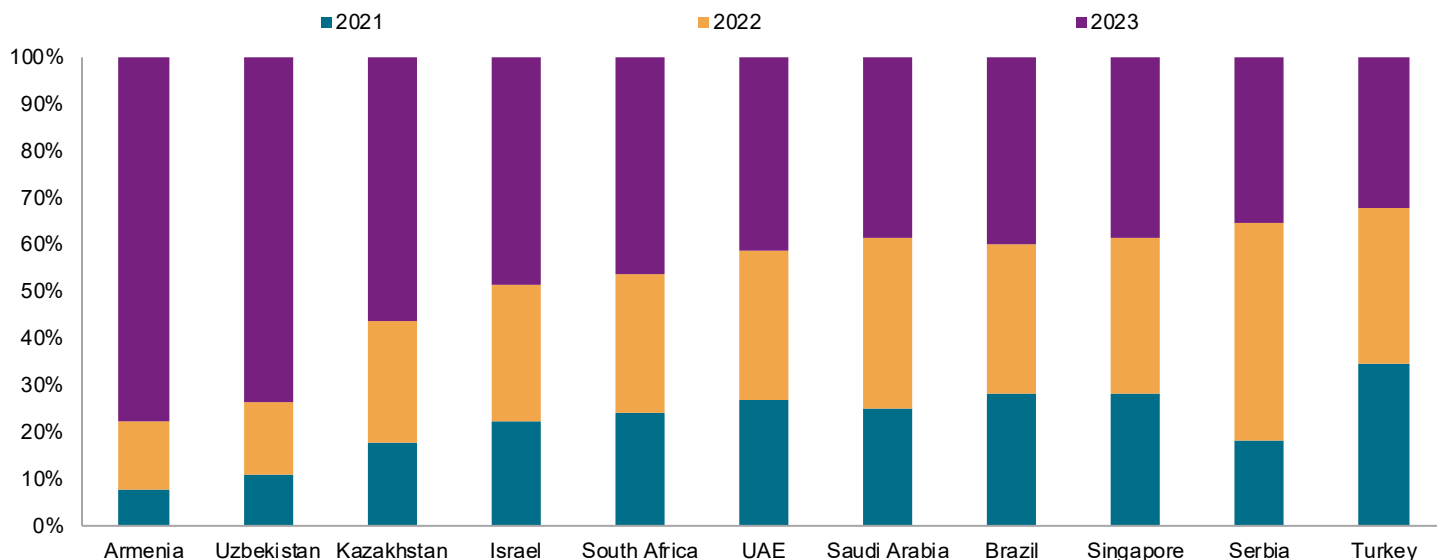
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## Tier 2 — Wireless communications and satellite radio navigation

Figure 5 shows the year-on-year percentage change for the last three years of US-manufactured Tier 2 items, valued in US dollars, exported to countries known to be high-risk transshipment hubs. The data analyzed found a similar trend to Tier 1 items — Armenia, Uzbekistan and Kazakhstan were the largest exponential importers of US-manufactured Tier 2 items, reporting a combined export value of approximately \$36.8 million in 2023, compared with just \$8.4 million in 2021. This increase was attributed to an increase in the imports of goods classified under "HS Code 851762: Voice, imagine transmission equipment." Israel was the ninth-largest importer of US-manufactured Tier 2 items globally in 2023, compared with 2021 where it was the 22nd-largest importer. South Africa also increased its imports of these goods, from approximately \$77.1 million in 2021 to \$147.6 million in 2023. South Africa has maintained friendly relations with Russia in the aftermath of sanctions enforced in the last two years, although its government has refuted claims that it is proliferating the movement of Western military components to Russia via transshipments.



**Figure 5: US exports of Tier 2 common high-priority items, 2021 vs. 2022 vs. 2023, % change (\$ value)**



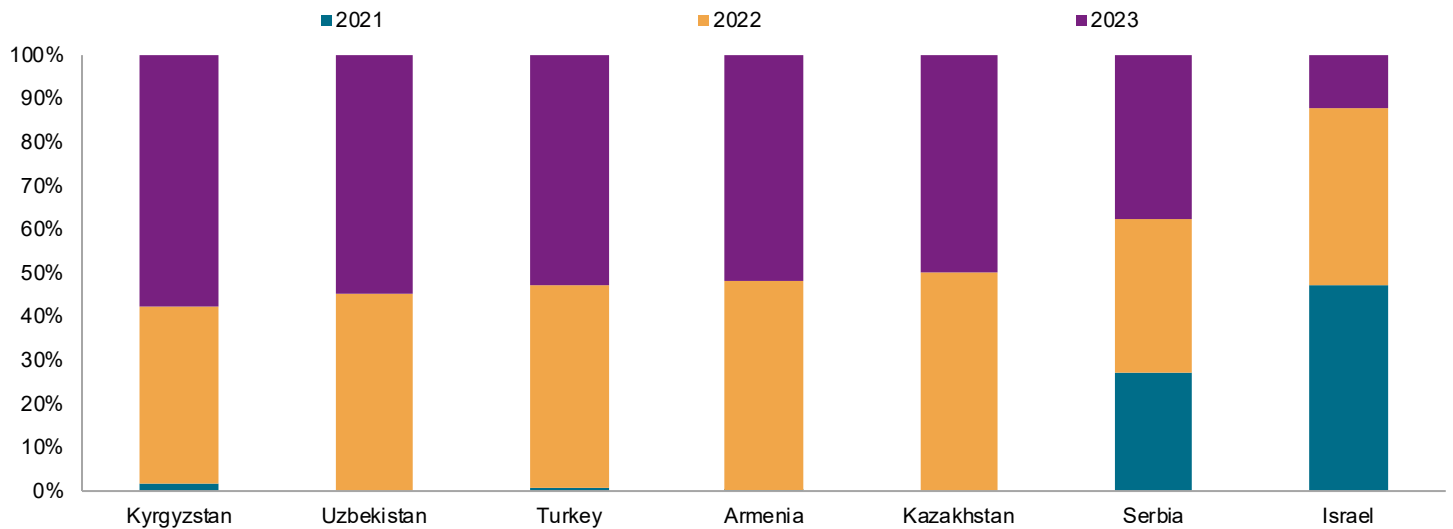
Data compiled March 13, 2024.

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Market Intelligence data were then used to analyze the potential reexport of Tier 2 items to Russia through high-risk transshipment hubs (see Figure 6). In 2023, Armenia reported approximately \$36.5 million worth of exports to Russia of Tier 2 goods compared with under \$1 million in 2021. Armenia is Russia's second-largest trade partner, after Kazakhstan, in the Commonwealth of Independent States (CIS) for wireless communications, satellite radio navigation and processing equipment. Russia's largest overall trade partner of those goods was mainland China, followed closely by Hong Kong and Turkey, with Turkish exports to Russia exponentially increasing in 2022 and again in 2023. Although South Africa increased its imports of US-manufactured Tier 2 items across 2022 and 2023, Market Intelligence data on South Africa exports found Tier 2 items were not being reexported to Russia, potentially validating claims by the South African government of its noninvolvement in facilitating Russia's proliferation of military items.

**Figure 6: Transshipment-risk hubs exporting Tier 2 common high-priority items to Russia, 2021 vs. 2022 vs. 2023, % change (\$ value)**



Data compiled March 13, 2024.

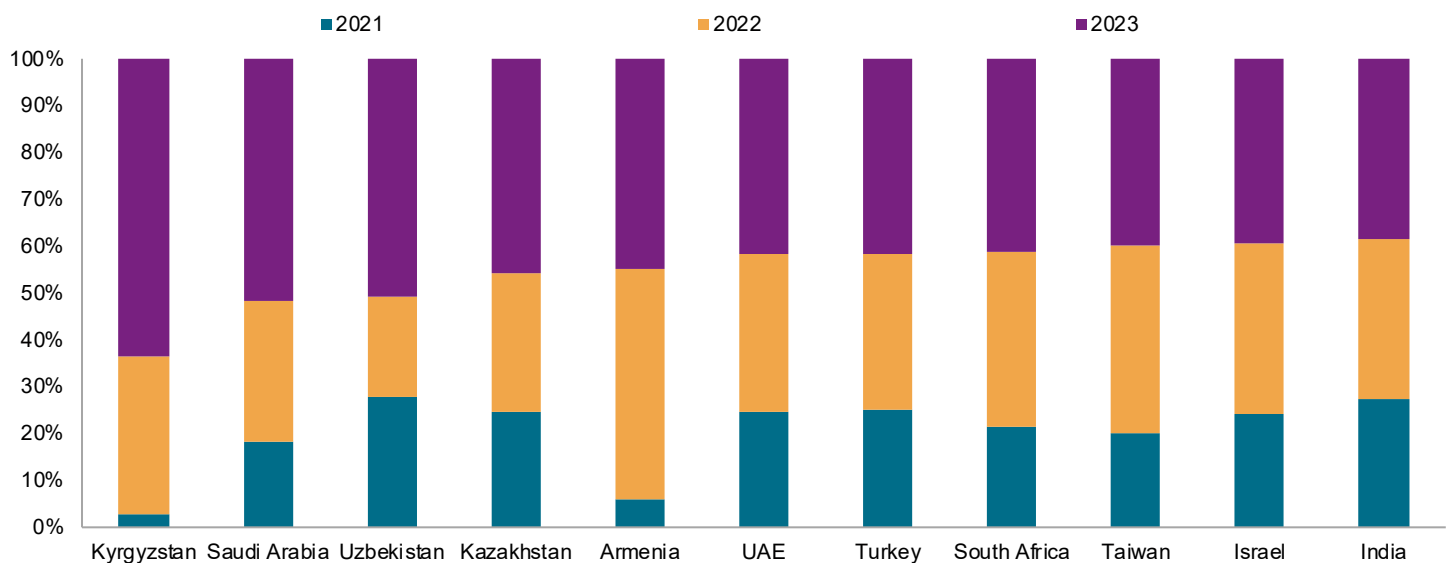
Source: Global Trade Analytics Suite, a product of S&P Global Market Intelligence.

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### Tier 3.A – Discrete electronic components

Similar analysis was conducted for US-manufactured Tier 3.A items, valued in US dollars, exported to countries known to be high-risk transshipment hubs (see Figure 7). Kyrgyzstan, Uzbekistan, Kazakhstan and Armenia all increased the value of imports of Tier 3.A items from the US in the two years following Russia's invasion of Ukraine. The largest import of these four aggregated countries were goods classified under "HS code 850440: Electric static converters," valued at approximately \$6.7 million in 2023. The military use case of these goods is predominantly in military hardware, generators to power manned/unmanned vehicles and weaponry.

**Figure 7: US exports of Tier 3.A common high-priority items, 2021 vs. 2022 vs. 2023, % change (\$ value)**



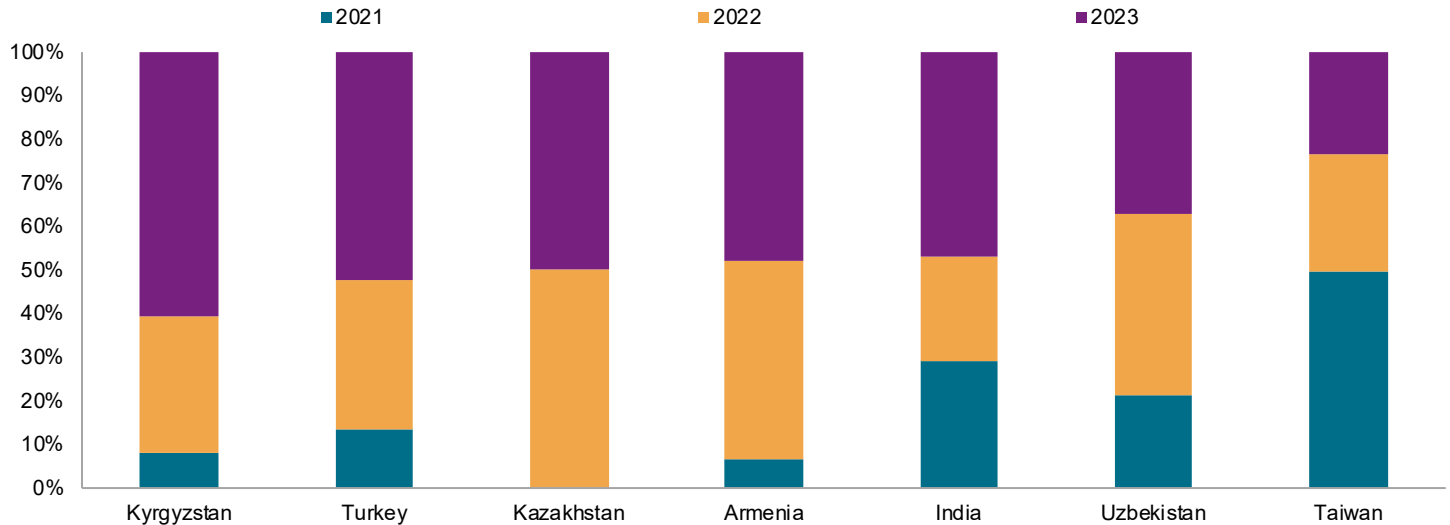
Data compiled March 13, 2024.

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Figure 8 shows a strong trend toward these high-risk transshipment hubs reexporting those goods to Russia. The largest exporter of Tier 3.A goods to Russia was Turkey, with total exports valued at approximately \$110.2 million in 2023. Other key exporters were Armenia and India, who, during 2022, increased their overall exports of the same goods to Russia. The most exported goods were those classified under "HS Code 853690: Switches, fuses, circuit breakers and surge suppressors," key components used in military application covering vehicles and weaponry.

**Figure 8: Transshipment-risk hubs exporting Tier 3.A common high-priority items to Russia, 2021 vs. 2022 vs. 2023, % change (\$ value)**



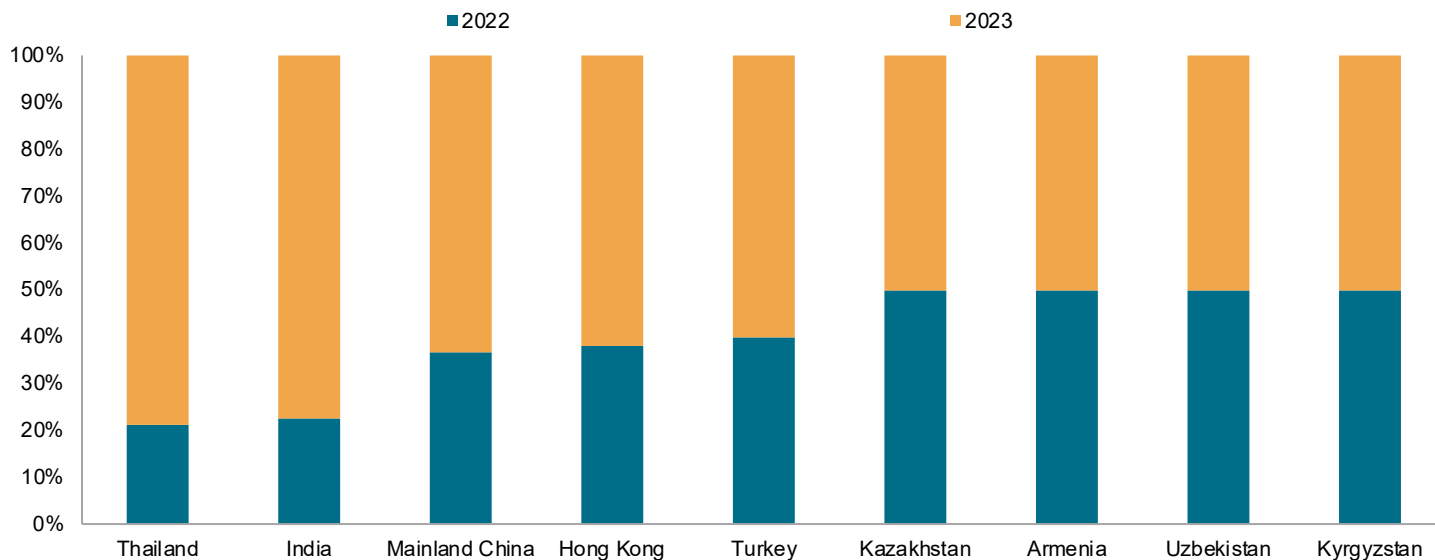
Data compiled March 7, 2024.

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Semiconductor devices have been at the forefront of US regulatory guidance in the past 18 months, with multiple controls enforced to restrict the movement of items classified under ECCN 3A001, 3A090, 3A991, 4A090 and 5A991 not just to mainland China, but also Russia. Investigation by the US government authorities found those items were being used to support the development of missile technologies, which would threaten the US national security. Market Intelligence analyzed the movement of these specific common high-priority Russian items classified by four-digit HS code between noted high-risk transshipment countries and Russia to determine whether there was an upward trend in the movement of those goods being reexported to Russia, comparing 2022 versus 2023 data (see Figure 9). Countries exporting "HS Code 8541: Semiconductor devices" to Russia in 2023 included India, Hong Kong and Turkey, all registering an increased value of exports in the last year. Mainland China, Hong Kong, Thailand and Turkey were the top four exporters of "HS Code 854129: Transistors" to Russia globally in 2023. This is in stark contrast to data from 2022 where Thailand and Turkey were outside of the top 25 countries exporting the same goods to Russia.

**Figure 9: Exporting HS Code 8541: Semiconductor devices to Russia, 2022 vs. 2023, % change (\$ value)**



Data compiled March 13, 2024.

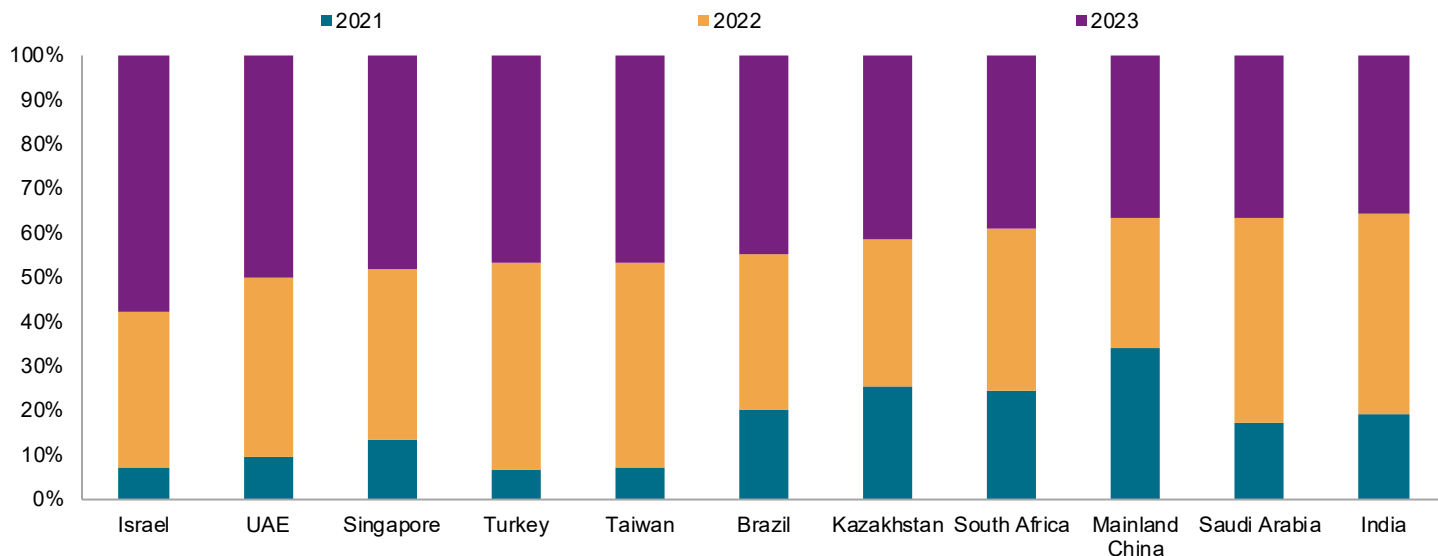
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### Tier 3.B – Bearings, optical and navigation equipment

There were nine HS codes listed under Tier 3.B within the common high-priority list. They covered a broader range of goods, including ball bearings, telescopic sights, optical devices and navigation equipment. Figure 10 shows the year-on-year percentage change for the last three years for US-manufactured Tier 3.B items, valued in US dollars, exported to countries known to be high-risk transshipment hubs. Compared with the analysis of Tier 1 – 3.A items, there was notable exclusions of countries within the CIS region increasing their imports of Tier 3.B items from the US. In 2023, Azerbaijan, Kyrgyzstan, Armenia and Uzbekistan collectively imported less than \$2.0 million worth of Tier 3.B items from the US. The main importers of these goods were Israel, the UAE and Turkey, increasing the value of imports year on year.

**Figure 10: US exports of Tier 3.B common high-priority items, 2021 vs. 2022 vs. 2023, % change (\$ value)**



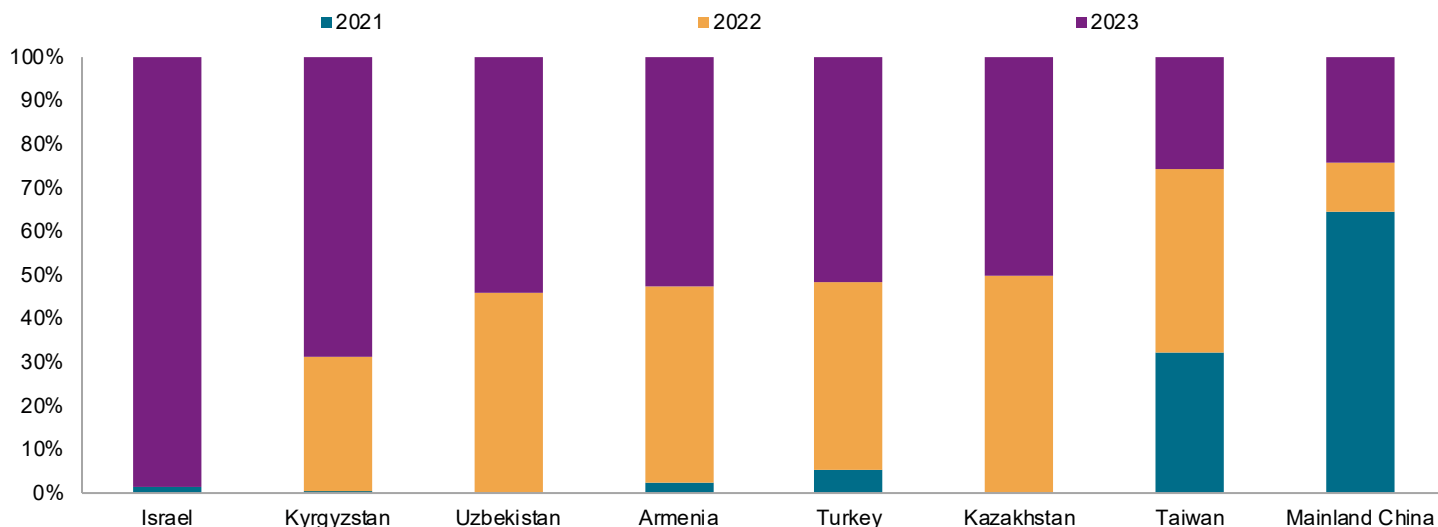
Data compiled March 13, 2024.

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In contrast, when analyzing high-risk transshipment hubs exporting Tier 3.B items to Russia, the data found Kyrgyzstan, Uzbekistan and Armenia were the countries exporting those items at an incremental rate (see Figure 11). In 2023, all three countries collectively exported approximately \$11.6 million worth of goods, with the largest contributor being goods classified under "HS Code 848220: Tapered roller bearings" and "HS Code 880730: Airplane and helicopter parts." Tapered roller bearings can be used in several military applications, including aircraft fuel pumps, missiles, heavy-duty axles and in mining machinery.

**Figure 11: Transshipment-risk hubs exporting Tier 3.B common high-priority items to Russia, 2021 vs. 2022 vs. 2023, % change (\$ value)**



Data compiled March 13, 2024.

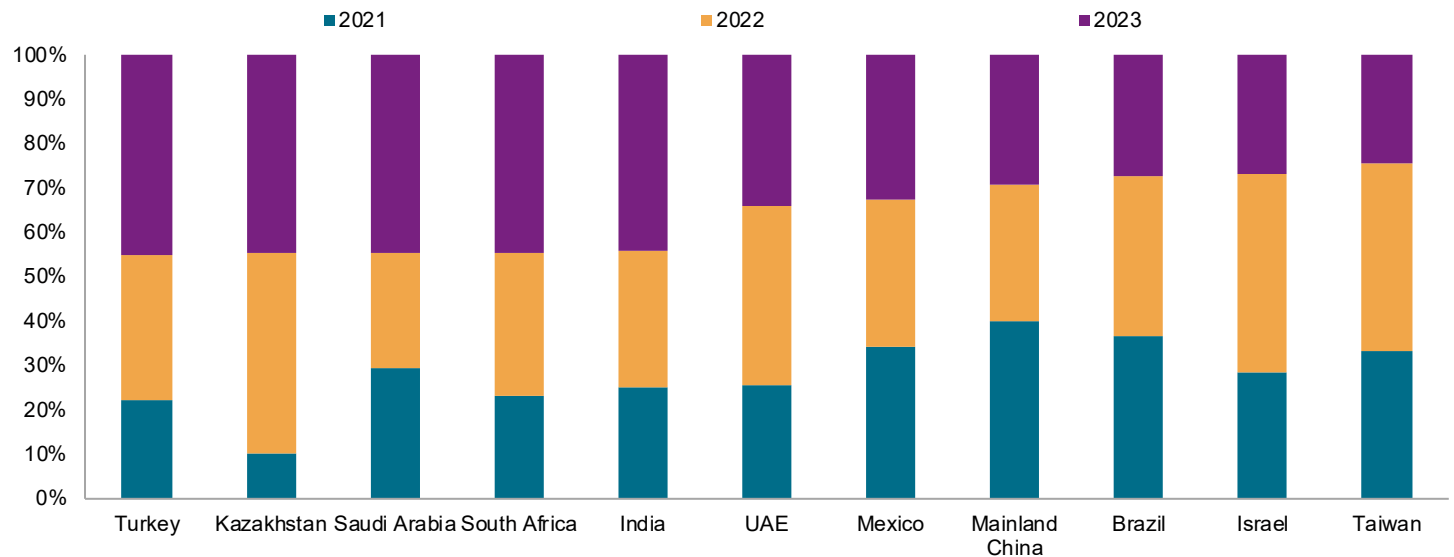
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## Tier 4.A — Electronic manufacturing equipment

Figure 12 shows the year-on-year percentage change for the last three years of US-manufactured Tier 4.A items, valued in US dollars, exported to countries known to be high-risk transshipment hubs. In comparison with the other tiers, there was not a large year-on-year incremental increase of countries increasing their imports of US-manufactured Tier 4.A items. There was also very limited trade of those goods recorded within the countries in the CIS region.

**Figure 12: US exports of Tier 4.A common high-priority items, 2021 vs. 2022 vs. 2023, % change (\$ value)**



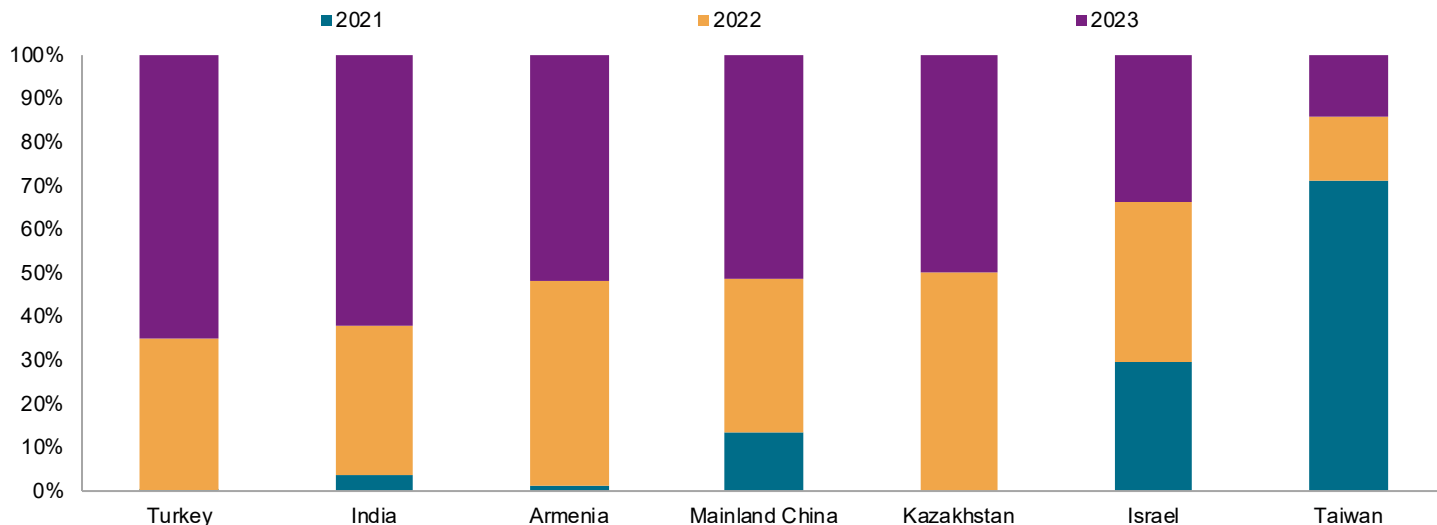
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Turkey, India and mainland China increased their overall exports of Tier 4.A items to Russia across both 2022 and 2023 (see Figure 13). In addition, Armenia reported an aggregate of approximately \$38.2 million of Tier 4.A items across 2022 and 2023 versus less than \$500,000 in 2021. As previously mentioned, Armenia reported almost no imports from the US of Tier 4.A items in the last few years, with most goods imported from Germany and mainland China instead. The three largest global exporters of Tier 4.A items to Russia in 2023 were mainland China, Hong Kong and Turkey.

**Figure 13: Transshipment-risk hubs exporting Tier 4.A common high-priority items to Russia, 2021 vs. 2022 vs. 2023, % change (\$ value)**



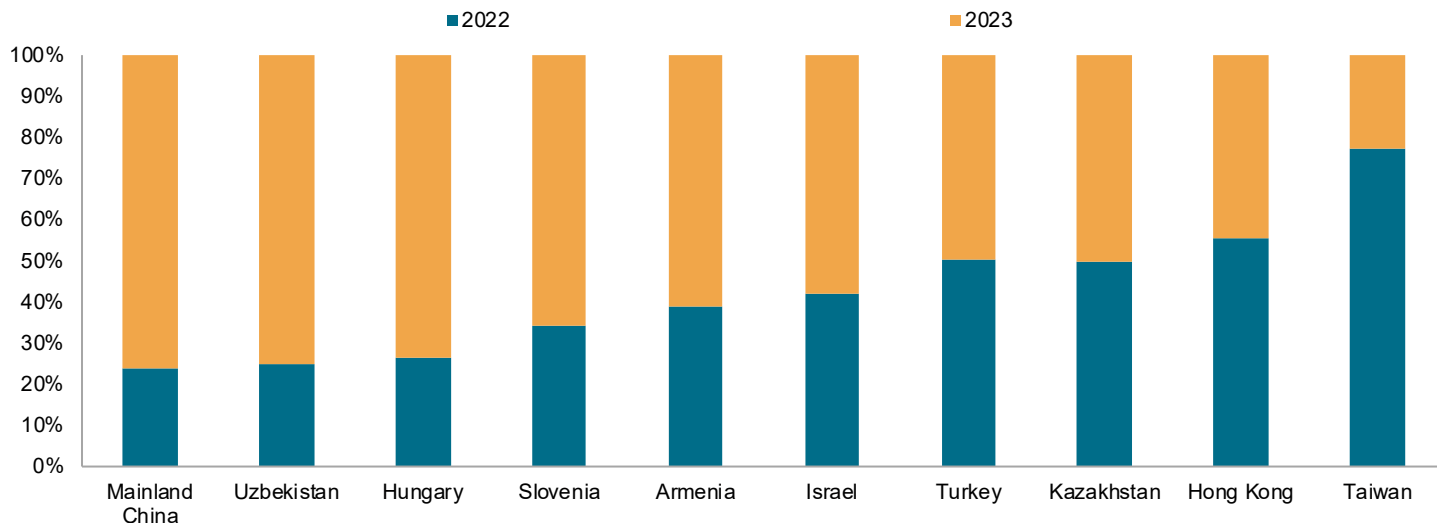
Data compiled March 13, 2024.

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Market Intelligence data revealed that in 2023, mainland China, Slovenia, Israel, Turkey and Hungary were the top five exporters globally of "HS Code 9030: Oscilloscopes, spectrum analyzers and instruments," classified as Tier 4.A items, to Russia. These goods are used in the military to reduce radio interference and jamming opportunities in communications equipment. The largest incremental percentage changes shown in Figure 14 were reported by Brazil, mainland China, Uzbekistan and Slovenia. In contrast, the largest manufacturers of goods under this HS code in 2023 were the US, Japan and Germany. Of all the countries listed in Figure 14, only mainland China, South Korea and Hong Kong are renowned for manufacturing goods classified under HS Code 9030, with all the other countries outside of the top 20 exporters globally. Coincidentally, Market Intelligence data revealed that in 2023, Uzbekistan, Hungary, Armenia, Israel, Turkey and Kazakhstan, as shown in Figure 14, imported HS Code 9030 goods primarily from the US. This is a possible indication of goods being reexported from those transshipment points, with the ultimate destination being Russia.

**Figure 14: Transshipment-risk hubs exporting HS Code 9030: Oscillators, spectrum analysers and instruments to Russia, 2022 vs. 2023, % change (\$ value)**



Data compiled March 13, 2024.

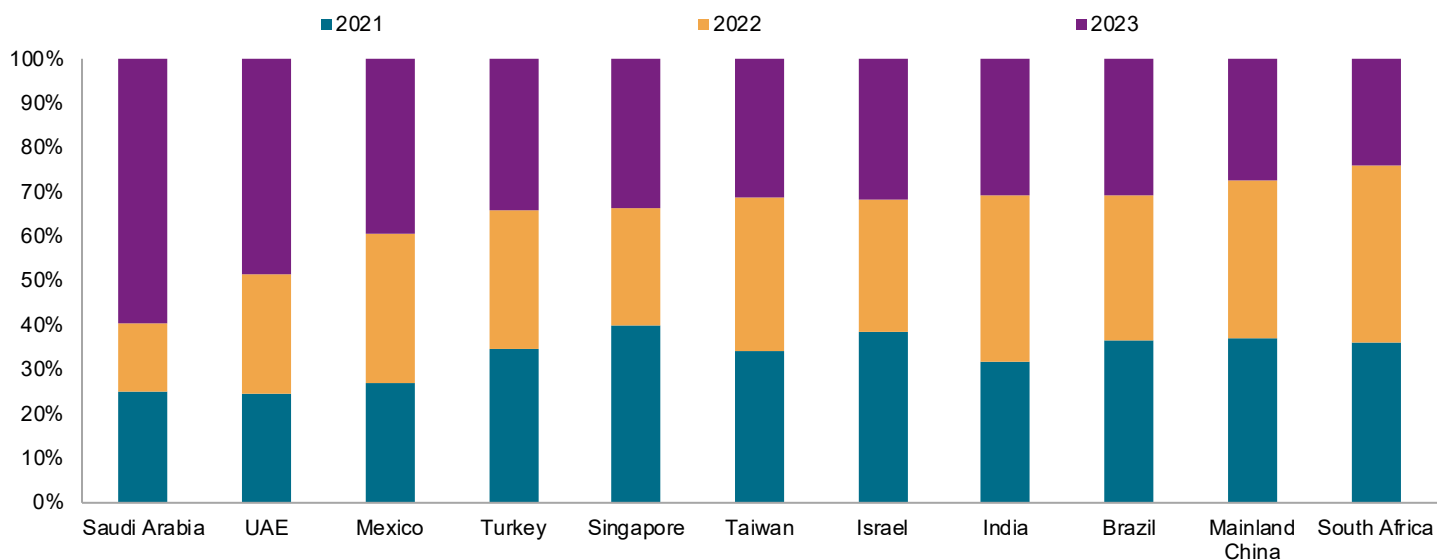
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## Tier 4.B – Computer numerical control machine tools

Market Intelligence data were analyzed to examine the trade flow of goods classified under the five new HS codes added to the common high-priority Russia goods list. These additional codes were identified in February 2024; with Figure 15 suggesting countries considered to be high-risk transshipment hubs importing consistent volumes of US-manufactured Tier 4.B items.

**Figure 15: US exports of Tier 4.B common high-priority items, 2021 vs. 2022 vs. 2023, % change (\$ value)**



Data compiled March 13, 2024.

Source: Global Trade Analytics Suite, a product of S&P Global Market Intelligence.

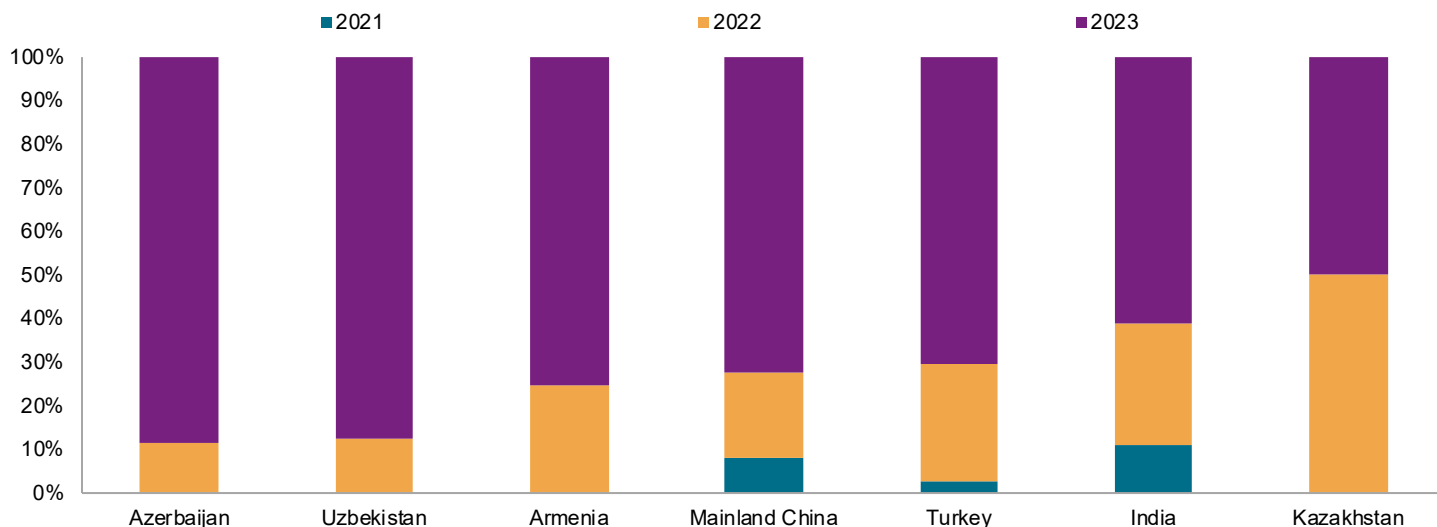
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Mainland China reported an increase of approximately \$590.9 million in overall exports of Tier 4.B items to Russia in 2023 compared with 2022 (see Figure 16). Goods classified under "HS Code 845710: Machining centers for metal" and "HS Code 845811: Horizontal lathes for removing metal" were the



predominant exports to Russia, accounting for approximately \$711 million out of \$813.1 million worth of exports in 2023. These goods are typically used to manufacture heavy machinery and are critical components used for milling and drilling metals. Although countries in the CIS region showed large year-on-year percentage increases in overall exports of Tier 4.B items to Russia, the overall value of exports was quite small, with Azerbaijan, Uzbekistan and Armenia exporting approximately a combined \$3.2 million. As Market Intelligence acquires more customs and government authorities' data during 2024, a similar trend may be noted, whereby there will be an increase in CIS regional countries importing the now-sanctioned goods under Tier 4.B. from Western countries, and then reexporting those goods to Russia.

**Figure 16: Transshipment-risk hubs exporting Tier 4.B common high-priority items to Russia, 2021 vs. 2022 vs. 2023, % change (\$ value)**



Data compiled March 13, 2024.

Source: Global Trade Analytics Suite, a product of S&P Global Market Intelligence.

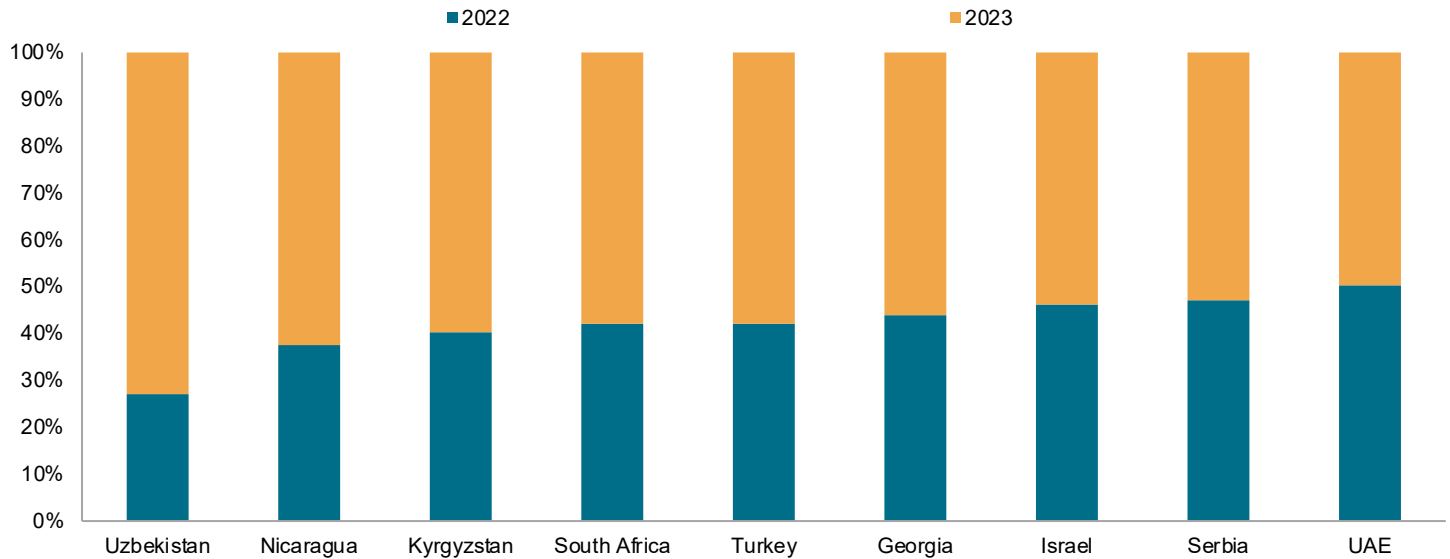
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# US Executive Order 14114

The US government, in addition to aligning with regional regulators on "common high-priority items," also published Executive Order 14114 in December 2023, authorizing additional sanctions on goods known to be proliferating Russia's military-industrial base. The US included certain machine tools, electronic test equipment, manufacturing materials for semiconductors propellants and precursor chemicals, ball bearings, lubricants, advanced optical systems and navigation equipment to this order. Market Intelligence analyzed the movement of these US-manufactured goods, classified by six-digit HS codes, to countries known to be high-risk transshipment areas for re-exportation to Russia, comparing 2022 with 2023. As shown in Figure 17, countries in the CIS region, Nicaragua, South Africa, Turkey, Georgia and Israel almost doubled their imports of these goods in 2023. South Africa and Turkey increased their imports of these goods from the US by approximately by \$15 million and \$30

million, respectively, in 2023.

**Figure 17: US exports of Russian military items, 2022 vs. 2023, % change, (\$ value)**



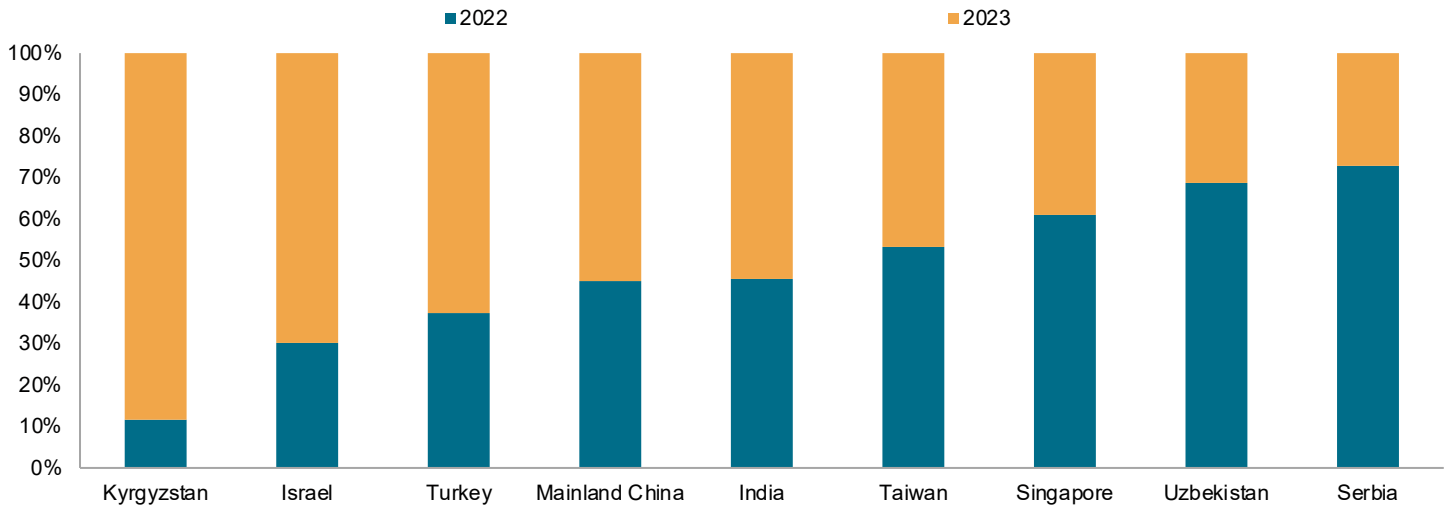
Data compiled March 13, 2024.

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Data were then analyzed to verify the potential risk of these same countries reexporting those goods to Russia (see Figure 18). Kyrgyzstan, Israel, Turkey and mainland China all increased their exports of those items to Russia in 2023 compared with 2022. Data analyzed by Market Intelligence revealed that Kyrgyzstan’s imports of Russian military-industrial items exponentially increased during 2022 and 2023 with imports from mainland China, Turkey, South Korea and the US more than doubling in 2023 compared with 2021. Data taken from the National Statistical Committee of Kyrgyzstan also confirmed exports to Russia almost quadrupled in the two years following the first round of enforced sanctions by regional jurisdictions. This could suggest entities within Kyrgyzstan were importing these goods from the US and other countries, and then reexporting them to Russia. Further due diligence identified Kyrgyzstan almost doubled the value of global imports of "HS Code 848210: Ball bearings" and "HS Code 902750: Optical imaging equipment" in the last 12 months; these items could be used in missile and radar surveillance technology. Additionally, in 2023, Russia was Kyrgyzstan’s largest trade partner of these items, with the value of exports to Russia almost four times of that in 2022.

**Figure 18: Transshipment-risk hubs exporting Russian military items to Russia, 2022 vs. 2023, % change (\$ value)**



Data compiled March 13, 2024.

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As trade data are compiled in 2024, the expectation would be a downward trend in US exports of these items to countries considered to be high-risk transshipment points following the numerous guidance and advisory notices released by US government agencies, alongside the threat of prosecution for breaking sanctions, and potentially the same downward trend in reexports from high-risk transshipment points to Russia.

## Conclusion

As global trade sanctions continue to be enforced on Russia, the complexity of identifying the goods and understanding their end-destination will be paramount to all parties within the trade-supply chain to ensure financial penalties and reputational risk are avoided. Market Intelligence data confirmed increased trade activity between the US and certain high-risk transshipment hubs; they are the same countries increasing their imports of Tier 1, 2, 3.A, 3.B, 4.A and 4.B items — trades that did not take place prior to Russia's invasion of Ukraine — and then exporting those items to Russia. Countries within the CIS region, but also Turkey, mainland China and India, all extended their trade relationship with Russia in 2022 and then again in 2023, bypassing US government warnings on potential secondary sanction enforcement. The correlation between increased imports of US-manufactured common high-priority items by known high-risk transshipment countries, alongside the increase in exports of those same goods to Russia, would indicate Russia is proliferating its military technologies using Western-manufactured items. Some countries, such as Armenia, Uzbekistan, Kyrgyzstan and Turkey, are exporting more US-manufactured common high-priority items to Russia than they are importing from the US, signifying they are also sourcing those goods from other countries and that they are not importing those items for their own use. The UAE has also remained a strong trade partner to Russia in the last few years, with data compiled from the Observatory of Economic

Complexity(OECWorld)<sup>1</sup> confirming that the UAE has increased its exports of broadcasting equipment, computers and certain electronics to Russia. Government authorities from the EU, US and UK met with the UAE government in September 2023 to discuss the possibility of the UAE implementing exports control to Russia with the US government already adding several entities based in the UAE to their sanctioned lists. The expectation would be that as more sanctions are implemented and actions enforced, countries with existing strong ties to Russia will restrict their businesses for fear of being sanctioned and removed from the US trade and banking network.

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<sup>1</sup> See OEC World, "United Arab Emirates, 2022,"  
<https://oec.world/en/profile/bilateral-country/are/partner/rus>.

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