

## Red Flag Tip Sheet: Research Institutes Rely on Domestic Russian Suppliers, Not Foreign Trade

### Executive Summary

In light of the recent actions by the U.S. Departments of State, Commerce and Treasury, Sayari has conducted an investigation into transactional relationships of state-run research institutes and private entities designated for their role in the development or manufacturing of chemical and/or biological weapons. The lack of direct international trade to and from the research institutes observed in commercially available trade data indicates that they likely source equipment and materials from overseas via Russian third parties which creates an increased risk of incidental trade or financial engagement with these weapons programs.

This red flag briefing serves to inform foreign partners of the key typological differences between the state-run and private entities and the impact of those differences on chemical and biological weapon (CBW) proliferation risk mitigation strategies.

### Recent U.S. Regulations Target Russian Scientific Research Institutes

On Mar. 2, 2021, the U.S. Secretary of State determined that the Russian government had used a chemical weapon in violation of the Chemical Weapons Convention. In response, the U.S. government expanded sanctions and export restrictions on Russian scientific institutes:

- The U.S. State Department [added six Russian research institutes](#) to the CAATSA Section 231 List of Specified Persons that support the Russian defense or intelligence sectors.
- The U.S. State Department also [designated three research institutes, the FSB, the GRU, and two GRU officers](#) under Executive Order (E.O.) 13382.
- The U.S. Treasury Department [designated the Director of the FSB](#) under E.O. 13382.

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- The U.S. Department of Commerce’s Bureau of Industry and Security [added 14 entities in Russia, Germany, and Switzerland](#) to the Entity List.

## Transaction Differences Between Institutes and Private Entities

Over the course of our investigation into the 19 blocked entities, Sayari paid special attention to their transactional relationships with third parties. In conducting this analysis, we observed different types of transactions between the state research facilities themselves and the private entities also included on the Entity List. These differences had a significant impact on the available data and methods used to arrive at our findings, and should be noted when evaluating public and/or private entities exposed to CBW proliferation risk.

While the private entities engaged in observable international trade, the state-run research institutes did not. The research institutes, by contrast, did not appear in commercially available Russian import or export data and appeared to rely exclusively on domestic suppliers in Russia. These transactions were subsequently logged in the Unified Information System for Procurements (Единая информационная система в сфере закупок), Russia’s state procurement database.

This difference in typology between the private and state-run institutes significantly impacts the research process around identifying transactional counterparties. Commercially available trade data quickly reveals international counterparties of designated private entities. Tracing the supply chains of the research institutes, however, is more complex. Their reliance on domestic trading partners means that further investigation into those Russian supply networks and their corporate and/or trade relationships overseas is necessary to effectively mitigate exposure to CBW proliferation risk.