Reverse Sanctions Evasion and Evidence-Based Policy Gaps: The Case of Russian Oil Re-exports via Georgia

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Abstract: This paper examines the phenomenon of reverse sanctions evasion – a process through which sanctioned goods flow from the Target country back toward Sender economies through intermediary states. Focusing on the case of Georgia, the study explores how Russian-origin petroleum products, subject to EU and G7 restrictions, are re-exported through third countries that lie outside the sanctioning coalition. This case illustrates the challenges of evidence-based enforcement in a multi-level governance environment where data availability, institutional capacity, and cross-border coordination remain uneven.

The research employs a quantitative design using monthly trade flow statistics at the 4-digit HS level (HS 2710) for the period 2018-2025, combined with macroeconomic and price data from national and international sources. Trend and correlation analyses are applied to assess changes in Georgia's petroleum trade with Russia, coalition, and non-coalition partners, and to test how these flows respond to the Brent-Urals oil price gap. The results demonstrate a sharp post-2022 increase in imports of Russian petroleum products, a decline in exports to coalition markets, and a significant rise in exports to non-coalition destinations such as Armenia, Azerbaijan, and Turkey. These effects were amplified by the widening Brent-Urals discount, which created arbitrage incentives for intermediaries to exploit enforcement loopholes. The findings are striking given Georgia's negligible oil production and lack of refining capacity, implying that rebranding, re-documentation, and transshipment schemes underpin these flows.

Theoretically, the paper contributes to the literature on sanctions and governance by introducing the concept of reverse sanctions evasion, expanding the analytical lens beyond conventional Sender-to-Target pathways. Empirically, it provides rare evidence from a post-communist transit economy characterized by limited regulatory resources and hybrid geopolitical alignment. Methodologically, the study demonstrates how high-frequency trade data and price differentials can serve as early-warning indicators for enforcement gaps – a data-driven approach that aligns with evidence-based policymaking principles.

Policy implications are substantial. The findings reveal systemic weaknesses in international sanctions enforcement, where the absence of integrated data systems, shared monitoring tools, and standardized origin verification allows small intermediaries to undermine global policy coordination. The study argues that sanctions cannot be evaluated solely in terms of legal compliance but must incorporate data-informed risk assessment and real-time policy feedback mechanisms. Enhanced cooperation between coalition members, partner governments, and statistical institutions is essential for developing adaptive, evidence-based enforcement frameworks.

The paper concludes that Georgia's case underscores the broader need for capacity-building in data governance, policy evaluation, and institutional learning within transition economies. Strengthening data infrastructure, promoting transparency, and fostering cross-border collaboration are key enablers for transforming sanctions implementation from a reactive regulatory measure into a proactive, evidence-informed governance practice.