



Sanctions: Bringing the Wagner Group and State Proxies into the CTF Fold

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About Project CRAFT

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Governments and supranational political bodies, such as the EU, opposing Russia's invasion of Ukraine are devoting more attention to Russia's proxy groups. One such organisation, the Wagner Group, has been the subject of a wide array of targeted financial sanctions (TFS). Created in 2014 by former convicted felon Yevgeny Prigozhin, the Wagner Group originally served the Russian government's interests by playing a role in taking over Crimea.¹ More recently, the Wagner Group's activities have garnered additional international attention in Ukraine due to the pivotal role the group has played in Russia's current efforts to capture large swathes of eastern Ukraine. Between the bookends of 2014 and 2023 of Wagner's military activities in Ukraine, the organisation has expanded its remit by deploying mercenaries to Syria,² Libya,³ and multiple countries throughout Africa.⁴ Unlike its activities in Ukraine, Wagner's involvement, especially in Africa, centre on the nominal provision of security services in exchange for access to natural resources.⁵ Wagner's access to diamonds,⁶ gold and timber allows the organisation to pay its members, spread Russian influence, and shape elections by spreading disinformation,⁷ and allows the group to funnel funds to purchase weapons that are used in its fight against Ukraine. At the same time, Wagner's access to world leaders and its entrenchment around key military bases overseas represent a threat to international peace and security.⁸

Wagner's rapid expansion is raising alarm bells in Europe, the US and the UK.⁹ In particular, the group's ability to secure wealth, especially its access to precious materials, which are portable, retain value and can be moved outside of the formal financial system, will prove nettlesome to governments as they try to restrict Wagner's, and possibly Russia's, ability to finance its activities.¹⁰ As Wagner grows in prominence, the increasing use of TFS to counter the organisation will likely also grow. This paper will examine whether the current array of targeted financial sanctions are having any effects on the Wagner Group and whether other available financial-related countermeasures, such as the yet to be deployed sanction tools, will have any impact on Wagner's finances.

How Have Targeted Financial Sanctions Been Deployed Against the Wagner Group?

The Wagner Group has been subject to TFS since 2017 when the US designated it pursuant to Executive Order 13660 due to its part in the illegal Russian annexation of Crimea.¹¹ Since then, Australia, Canada, Japan, and the UK have targeted Wagner's extensive financial and geopolitical footprint by also using various legal authorities to subject the group to

1. Pjotr Sauer, 'Putin Ally Yevgeny Prigozhin Admits Founding Wagner Mercenary Group', *The Guardian*, 26 September 2022.
2. International Federation for Human Rights, 'Complaint Filed in Moscow Against Wagner Paramilitary Fighters, on Behalf of Syrian Victim', press release, 22 March 2021.
3. Robert Uniacke, 'Libya Could be Putin's Trump Card', *Foreign Policy*, 8 July 2022.
4. Declan Walsh, "'From Russia With Love': A Putin Ally Mines Gold and Plays Favorites in Sudan", *New York Times*, 5 June 2022.
5. Federica Saini Fasanotti, 'Russia's Wagner Group in Africa: Influence, Commercial Concessions, Rights Violations, and Counterinsurgency Failure', Brookings, 8 February 2022.
6. Mary Ilyushina and Francesca Ebel, 'Russian Mercenaries Accused of Using Violence to Corner Diamond Trade', *Washington Post*, 6 December 2022.
7. Nathaniel Reynolds, 'Putin's Not-So-Secret Mercenaries: Patronage, Geopolitics, and the Wagner Group', Carnegie Endowment for International Peace, July 2019.
8. Uniacke, 'Libya Could be Putin's Trump Card'.
9. Erin Banco, Sarah Anne Aarup and Anastasiia Carrier, 'Inside the Stunning Growth of Russia's Wagner Group', *Politico*, 18 February 2023.
10. There is no concrete reporting that Wagner's wealth is benefiting Russia directly. However, given Prigozhin's access to, and historic relationship with, Vladimir Putin, it is highly likely Russia has access to Wagner's ill-gotten gains. There are several recent news reports from top Russia watchers and experts that the Wagner Group generally operates at the direction of Putin.
11. 'Executive Order 13660—Blocking Property of Certain Persons Contributing to the Situation in Ukraine', US Government Federal Register, Vol. 79, No. 46, 10 March 2014.

financial sanctions. The EU has also used TFS measures as part of an effort to curb Wagner's financial enterprise. Specifically, the Council of the European Union has implemented restrictive measures against the Wagner Group on multiple occasions. For example, the Council implemented EU Regulations 2021/2194¹² and 2021/2195¹³ targeting the Wagner Group with restrictive measures due to its support for the government of Bashar Al-Assad in Syria (2021/2194) and for engaging in human rights abuses (2021/2194). The Council has also highlighted the Wagner Group's human rights abuses (2022/2374)¹⁴ by implementing additional restrictive measures against Wagner's membership. Moreover, the Council, using an EU regulation adopted in 2014 for Russia's invasion of Crimea, has also implemented targeted financial sanctions against the Wagner Group for its involvement in Ukraine.¹⁵ Due to the array of Council-implemented EU regulations, as of late February 2023, the EU has in place targeted financial measures against nine members of the Wagner Group. The various restrictive measures focus on the financial capabilities of the Wagner Group. Yet there are no reports of meaningful implementation or enforcement of the various financial sanctions targeting the Wagner Group due to its human rights abuses, support to the Assad regime or its offensive operations in Ukraine. The EU is not alone on this point, however. Like the EU, there are no reports that the US, Australia, the UK or Canada have been able to freeze any assets associated with the Wagner Group. Simply put, the sanctions on the books against the Wagner Group are exactly that – they exist on paper but in practice they have not been successfully enforced.

Targeted Financial Sanctions Continue to Expand Against the Wagner Group – What Does This Mean for the EU?

The TFS directed at the Wagner Group and its membership have not resulted in meaningful results. While the symbolic and normative value associated with the EU's (and others') sanctioned-oriented measures is critical, curbing the financial might of the Wagner Group is more important. The recent US government decision to label the Wagner Group as a transnational criminal organisation (TCO)¹⁶ pursuant to Executive Order 13581 may result in additional pressure for other governments to step up countermeasures, including financial, against the Wagner Group. The EU does not have a comparable TFS-regime equivalent to the United States' TCO executive order. However, late 2022 Commission¹⁷ efforts to criminalise violations of EU sanctions are arguably more important than establishing a new TFS regime focusing on criminal organisations.¹⁸ The European Commission's efforts are a direct response to Russia's invasion in Ukraine and criminalising sanctions evasion would have more bite, and possibly result in more enforcement action, against the Wagner Group. Indeed, the European Commission is considering significant consequences for: violations for failing to freeze sanctioned funds; enabling the entry of designated people into the territory of a member state or their transit through the territory of a member state; entering into transactions with third countries that are prohibited or restricted by

12. Council of the European Union, 'Council Implementing Regulation (EU) 2021/2194 of 13 December 2021 Implementing Regulation (EU) No 36/2012 Concerning Restrictive Measures in View of the Situation in Syria', *Official Journal of the European Union* (L 445, 13 December 2021). The underlying EU regulation on Syria was adopted by the EU in 2012.
13. Council of the European Union, 'Council Implementing Regulation (EU) 2021/2195 of 13 December 2021 Implementing Regulation (EU) 2020/1998 Concerning Restrictive Measures Against Serious Human Rights Violations and Abuses', *Official Journal of the European Union* (L 445, 13 December 2021). The underlying EU regulation related to human rights abuses for which Wagner and members of the group have become subject to restrictive measures was adopted by the EU in 2020.
14. Council of the European Union, 'Council Implementing Regulation (EU) 2022/2374 of 5 December 2022 Implementing Regulation (EU) 2020/1998 Concerning Restrictive Measures Against Serious Human Rights Violations and Abuses', *Official Journal of the European Union* (L 314, 6 December 2022).
15. See Council of the European Union, 'Council Implementing Regulation (EU) 2021/2193 of 13 December 2021 Implementing Regulation (EU) No 269/2014 Concerning Restrictive Measures in Respect of Actions Undermining or Threatening the Territorial Integrity, Sovereignty and Independence of Ukraine', *Official Journal of the European Union* (L 445, 13 December 2021).
16. US Department of the Treasury, 'Treasury Sanctions Russian Proxy Wagner Group as a Transnational Criminal Organization', press release, 26 January 2023, <<https://home.treasury.gov/news/press-releases/jy1220>>, accessed 23 February 2023. In addition to Wagner's designation as a TCO, multiple individuals, entities and aircraft associated with Wagner's illicit activity were added to the Department of the Treasury's Office of Foreign Assets Control Specially Designated Nationals and Blocked Persons List.
17. European Commission, 'Ukraine: Commission Proposes to Criminalise the Violation of EU Sanctions', press release, 2 December 2022, <https://ec.europa.eu/commission/presscorner/detail/en/ip_22_7371>, accessed 23 February 2023.
18. It is important to note that there are EU states who have domestically criminalised EU-related sanctions evasion violates. However, there is value in the EU more broadly criminalising sanctions evasion, especially if it can result in greater harmonisation within Europe.

EU restrictive measures; trading in goods or services whose import, export, sale, purchase, transfer, transit or transport is prohibited or restricted; providing financial activities which are prohibited or restricted; or providing other services which are prohibited or restricted, such as legal advisory services, trust services and tax consulting services.¹⁹ Enforcing these potential criminal-related countermeasures for sanctions violations would carry more weight than emulating the recent US decision to designate Wagner as a TCO. Further, criminalising violations of existing EU sanctions, to which Wagner and nine of its members, including Prigozhin, are subject, may help stave off requests to impose additional targeted financial measures against the organisation.

Nevertheless, pressure for the EU to do more against the Wagner Group is looming. This may especially become the case if recent reports are true that the UK's Home Office will soon proscribe the Wagner Group as a terrorist organisation.

Should the EU Consider Labelling the Wagner Group as a Terrorist Organisation?

The possibility that a country may designate the Wagner Group as a terrorist organisation will inevitably provoke discussion in Brussels on whether it should follow suit. Since December 2001, the EU has listed terrorist groups pursuant to CFSP 931. As of late February 2023, the EU has proscribed 21 organisations and 13 individuals.²⁰ Of the terrorist groups on the EU list, none fit the profile of the Wagner Group. The Wagner Group profile is of a mercenary outfit that serves as a proxy to further the interests of Russia in Libya, Sudan, Mali, the Central African Republic and many other locations where Russian geostrategic interests converge with those of states failing to meet internal security challenges.

Furthermore, since Wagner is perceived to be very different from groups already on the EU's list, such as the Islamic State and Al-Qa'ida, adding Wagner could have the unintended result of diluting the EU's terrorist list. Indeed, it could result in more groups, even criminal organisations, being added to the list, potentially having the effect of rapidly expanding member states' enforcement responsibilities.

Pressure for the EU to do more against the Wagner Group is looming

Nevertheless, despite its profile as a private military company (PMC), there is a credible argument to be made that the Wagner Group has deployed terrorism tactics targeting civilians as part of a broader strategy to create an atmosphere of fear that has been exploited by the group so it can gain political and economic leverage, particularly in Africa.²¹ Indeed, the Wagner Group's support to high-level figures in the Central African Republic and in Mali comes with dangerous consequences – especially for innocent civilians. In a recent study by the non-profit Armed Conflict Location and Event Data (ACLED) project, Wagner Group members were involved in nearly 40% of the acts of political violence against civilians in the Central African Republic between December 2020 and July 2022.²² In the Central African Republic, as in other parts of Africa, Wagner Group mercenaries not only train host-country personnel. They are also operational, carrying out joint operations with government security forces. Wagner Group personnel also participate in unilateral operations – which can be even deadlier. The same ACLED study explained that Wagner Group targeting of civilians while on unilateral operations has increased considerably.²³ The use of political violence by the Wagner Group in countries where it operates has become a dangerous hallmark of the organisation in Africa.

19. *Ibid.*

20. European Council, 'The EU Terrorist List', <<https://www.consilium.europa.eu/en/policies/fight-against-terrorism/terrorist-list/#terrorists>>, accessed 24 February 2023.

21. UK House of Commons Foreign Affairs Committee, 'Written Evidence Submitted by Jason Blazakis (WGN0023)', 1 November 2022, <<https://committees.parliament.uk/writtenevidence/112217/html/>>, accessed 24 February 2023.

22. ACLED, 'Wagner Group Operations in Africa', 30 August 2022.

23. *Ibid.*

Nonetheless, a possible EU listing of the Wagner Group could invite controversy among member states. Hungary, for instance, has been reluctant to impose additional energy sanctions against Russia.²⁴ Designating a Russian proxy group, such as Wagner, with close ties to the Kremlin²⁵ no doubt will be similarly controversial.

To date, however, it bears reiterating that there are no reports of effective implementation of TFS measures already deployed by the EU, the US, the UK, Australia, Japan or Canada

Nevertheless, the European Parliament called on the Council to include the Wagner Group on the EU's terrorist list.²⁶ Even if consensus for an EU terrorist listing of the Wagner Group were possible, the tangible impact of such a decision would likely be minor. EU terrorist listings have two primary consequences. First, groups and individuals listed become subject to a freezing of funds and financial assets.²⁷ As noted above, since the Wagner Group is already subject to TFS via multiple EU implementing regulations, Wagner's terrorism listing would not have any meaningful impact. Second, EU terrorism listings also result in modalities that allow for increased judicial and law enforcement cooperation targeting the listed actor.²⁸ At an abstract level, the prospect of leveraging a terrorism listing to improve information sharing between states against an organisation that has been able to obscure its financial dealings is important. However, in reality, EU member states still would have to navigate their own domestic laws and regulations before information sharing could occur.

News reporting further indicates that the US is mulling a possible designation of Wagner as a Foreign Terrorist Organization (FTO).²⁹ As Jason Wright, a national security lawyer, recently testified to the US Congress, the chief benefit the FTO designations have over International Emergency Economic Powers Act (IEEPA)-related designations previously levied against the Wagner Group, such as Executive Order 13581, is that 'prosecutors seeking to establish a material support violation only need to establish that the accused "knowingly" provided material support or resources to a designated FTO, as opposed to IEEPA designations which impose a more stringent "willful" *mens rea*'.³⁰ This advantage of FTO designations is why the legislative branch in the US recently convened a hearing on whether Wagner should be treated as a terrorist group. Additionally, the US Congress has reintroduced legislation that would compel the US Department of State to label Wagner as an FTO.³¹ Moreover, the recent US designation of Wagner as a TCO coupled with the possibility of a UK terrorism proscription of Wagner should, if nothing else, accelerate EU discussions on the pros and cons of listing Wagner as a terrorist group.

Conclusion

To date, however, it bears reiterating that there are no reports of effective implementation of TFS measures already deployed by the EU, the US, the UK, Australia, Japan or Canada. While some governments, such as the US, have also designated Wagner Group-linked companies, there have not been successful asset freezes associated with these sanctions.³² The Wagner Group continues to elude the dragnet of targeted financial measures the international community has imposed upon it. Using new tools such

24. Reuters, 'Hungary Cannot Support Any Additional EU Energy Sanctions Against Russia: Govt', 29 September 2022.

25. Yevgeny Prigozhin, popularly known as 'Putin's chef' because he won several food-services contracts from the Kremlin, is a Russian oligarch with close ties to Vladimir Putin.

26. European Parliament, 'European Parliament Declares Russia to be a State Sponsor of Terrorism', press release, 23 November 2022, <<https://www.europarl.europa.eu/news/en/press-room/20221118IPR55707/european-parliament-declares-russia-to-be-a-state-sponsor-of-terrorism>>, accessed 10 March 2023.

27. European Council, 'The EU Terrorist List'.

28. *Ibid.*

29. Banco, Aarup and Carrier, 'Inside the Stunning Growth of Russia's Wagner Group'. FTO Designations are made by the secretary of state pursuant to the Immigration and Nationality Act. The chief advantage of an FTO designation over other types of US designations is the federal material support statute (18 U.S.C. 2339B).

30. Jason Wright, 'Testimony Before the U.S. Helsinki Commission', US Congress, 9 March 2023, available at HelsinkiCommission, Youtube, <<https://www.youtube.com/watch?v=2YuZK-A3YtQ&t=1s>>, accessed 10 March 2023.

31. Leah Vredenbregt, 'Senators Push for Russian Mercenaries in Ukraine to be Labeled Terrorist Organization', ABC News, 16 February 2023, <<https://abcnews.go.com/Politics/News/group-senators-push-russian-mercenaries-ukraine-labeled-terrorist/story?id=97260117>>, accessed 24 February 2023.

32. US Department of the Treasury, 'Treasury Targets Financier's Illicit Sanctions Evasion Activity', press release, 15 July 2020, <<https://home.treasury.gov/news/press-releases/sm1058>>, accessed 24 February 2023.

as terrorism listings could alter the calculations of governments, such as the Central African Republic, that have allowed Wagner to set up operations designed to exploit natural resources.³³ However, there is no guarantee that countries which host Wagner today would derisk from their respective partnerships. Another possible benefit of a terrorism listing would be the deterrent effect it could have on countries that may be contemplating a relationship with Wagner.³⁴ Yet the ability to measure the deterrent and preventative aspects of targeted financial sanctions is notoriously difficult.

The international community and the EU can do more to counter the Wagner Group

Putting aside discussions on other TFS measures, such as terrorism listings, that could be deployed against the Wagner Group, the failures of the current measures imposed upon Wagner are problematic. Without actionable information, operationalising TFS is impossible. One practical step the EU and allies can take to counter the Wagner Group is to create an international coalition that coordinates future sanctions while at the same time share information that can better illuminate Wagner's shadowy apparatus. One possible model to emulate is the Global Coalition to Defeat Daesh, which played a role in countering the Islamic State's

financing. Additionally, another practical action the EU can take is criminalising the evasion of EU sanctions. As noted earlier in this briefing, discussions to do this are underway in Brussels. Achieving EU consensus to criminalise sanctions evasion could provide more leverage for member states to prosecute Wagner Group members. Such a move by the EU would also serve as a practical response to the recent US designation of the Wagner Group as a criminal enterprise.

The international community and the EU can do more to counter the Wagner Group. Russia clearly sees the benefit of groups such as Wagner. Indeed, in early 2023, there are reports that the Russian energy giant Gazprom is establishing its own private army.³⁵ Russia understands the value in copying the playbook the Wagner Group has executed. The risk of not doing more to counter the new way PMCs are being deployed to fight in places such as Ukraine or how PMCs can exploit the wealth of countries in Africa is significant.

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33. It is well documented that the Wagner Group is benefiting from the harvesting of timber and diamonds in the Central African Republic. There are also credible reports that Wagner has accessed gold in Sudan and Mali.

34. UK House of Commons Foreign Affairs Committee, 'Written Evidence Submitted by Jason Blazakis (WGN0023)'.

35. Ariel Cohen, 'The Coming Hurricane – Russian Energy Giant Gazprom is Creating an Army', *Forbes*, 22 February 2023.