Escaping Protectionism

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How are high trade barriers evaded? This paper develops a general-equilibrium model of international trade featuring endogenous re-exporting ("evasion") via third countries. The framework distinguishes between legal trade diversion and illicit evasion. We apply our model to the wide-ranging export controls imposed by Western countries on Russia. Using transaction-level Russian customs data, we document substantial post-sanctions imports of goods originating in sanctioning countries but arriving via intermediary hubs. We conduct counterfactual exercises comparing the observed enforcement level with two benchmarks: perfect enforcement with no re-exporting, and a world with unconstrained evasion. Our results suggest that the observed level of evasion substantially dampens the effectiveness of sanctions, though far less than it would under unconstrained evasion.