



The Bottom Line

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RUSSIA SANCTIONED FOLLOWING ACTIONS IN UKRAINE

Summary

U.S. businesses should be aware that the United States has imposed sanctions on Russian persons (individuals, entities, and vessels). This action is in response to Russia's conduct, including the illegal annexation of Crimea, invasion of eastern Ukraine, election interference, malicious cyber activities, human rights abuses, uses of chemical weapons, weapons proliferation, illicit trade with North Korea, and support to Syria and Venezuela.

Background

The Ukraine/Russia-related sanctions program implemented by the Office of Foreign Assets Control (OFAC) began on March 6, 2014, when the President, in Executive Order (E.O.) 13660, declared a national emergency to deal with the threat posed by the actions and policies of certain persons who had undermined democratic processes and institutions in Ukraine; threatened the peace, security, stability, sovereignty, and territorial integrity of Ukraine; and contributed to the misappropriation of Ukraine's assets. Most of the current U.S. sanctions are in response to Russia's 2014 invasion and annexation of Ukraine's Crimea region and Russia's fostering of conflict in eastern Ukraine. Later, on March 2, 2021, the U.S. announced new sanctions on Russia over the 2020 poisoning and imprisonment of opposition leader Alexei Navalny.

In February, Russia recognized the independence of two regions – Donetsk and Luhansk – in the eastern part of Ukraine. In response to this aggression, the Biden administration deployed its most potent sanctioning tool, placing Russian elites and two banks on the Specially Designated Nationals list, effectively kicking them out of the U.S. banking system, banning them from trading with Americans, and freezing their U.S. assets.

Current Status

With the onset of active conflict, the United States, in concert with the U.K. and E.U., has continued to apply pressure to Russia through sanctions. President Biden has advised that the United States would continue to provide "defensive assistance" to Ukraine but had no intention of fighting Russia. Instead, he authorized additional U.S. forces stationed in Europe to strengthen Baltic allies Estonia, Latvia, and Lithuania.

Current sanctions oppose those that the President determines have undermined Ukraine's security and stability, misappropriated Ukrainian state assets, or conducted business, trade, or investment in occupied Crimea. They also provide for sanctions against any Russian government and those who offer them support, persons who operate in the Russian arms sector, and persons who work in critical sectors of the Russian economy. In addition, sectoral sanctions apply to specific entities in Russia's financial, energy and defense industries. U.S. persons are restricted from engaging in transactions with these entities without a license.

Curbs on products sent to Russia have been announced by the U.K., E.U., U.S., and others. These include dual-use goods – items that could have both civilian and military use, such as chemicals or lasers. Imports and Exports from the occupied regions of Donetsk and Luhansk to the United States are forbidden. A bill proposing a ban on Russian oil imports is being discussed by U.S. senators, with support from both Republicans and Democrats.

Russia's foreign ministry has threatened sanctions of its own against the West. These sanctions may also include reducing or shutting off gas supplies to Europe.

The Coalition for a Prosperous America (CPA) and the National Council of Textile Organizations (NCTO) has urged Senate and House Leadership to immediately revoke Most Favored Nation status or Normal Trade Relations (NTR) treatment for Russia in light of Russia's illegal invasion of the sovereign, democratic nation of Ukraine. Doing so would subject all imports from Russia to significantly higher duty rates, the same as those subject to imports from Cuba or North Korea.

There is a past precedent for Congress revoking trade privileges. For example, in 1992, Congress withdrew NTR for Serbia and Montenegro in response to their aggression following the breakup of Yugoslavia. Revoking NTR would eliminate the benefit and privilege Russia currently has related to unfettered trade with the United States and would increase tariffs on Russian goods.

Impact

The ruble, meanwhile, has plummeted in value, and dozens of multinational companies have either ended or dramatically scaled back their work in Russia. Moreover, while U.S. companies and individuals can lawfully engage in business activities involving Russia that are not subject to sanction, penalties for violating U.S. sanctions can be severe.

Therefore, American companies are advised to familiarize themselves with potentially applicable sanctions and to conduct thorough due diligence to ascertain whether a particular type of business activity or customers, clients, suppliers, or partners may be subject to sanctions. Unless otherwise authorized or exempt, transactions by U.S. persons or in the United States are prohibited if they involve transferring, paying, exporting, withdrawing, or otherwise dealing in the property or interests in property of an entity or individual listed on OFAC's SDN List.

RESOURCES

[Biden Puts Sanctions on Russian Banks and Elites as He Says Ukraine Invasion Has Begun](#) (Reuters)

[Ukraine-/Russia-related Sanctions](#) (Office of Foreign Assets Control)

[World Expresses Outrage, Plans Stronger Russia Actions](#) (AP News)

[Biden to impose additional sanctions on Russia now that Ukraine assault is underway](#) (CNN)

[Ukraine: What sanctions are being imposed on Russia?](#) (BBC)

[Russia - Country Commercial Guide](#) (International Trade Administration)

[CPA, NCTO Call on Congress to Revoke Normal Trade Relations with Russia](#) (Coalition for a Prosperous America)