

U.S. Sanctions on Russia

Updated January 17, 2020

Congressional Research Service

<https://crsreports.congress.gov>

R45415



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Sanctions are a central element of U.S. policy to counter and deter malign Russian behavior. The United States has imposed sanctions on Russia mainly in response to Russia's 2014 invasion of Ukraine, to reverse and deter further Russian aggression in Ukraine, and to deter Russian aggression against other countries. The United States also has imposed sanctions on Russia in response to (and to deter) election interference and other malicious cyber-enabled activities, human rights abuses, the use of a chemical weapon, weapons proliferation, illicit trade with North Korea, and support to Syria and Venezuela. Most Members of Congress support a robust use of sanctions amid concerns about Russia's international behavior and geostrategic intentions.

Sanctions related to Russia's invasion of Ukraine are based mainly on four executive orders (EOs) that President Obama issued in 2014. That year, Congress also passed and President Obama signed into law two acts establishing sanctions in response to Russia's invasion of Ukraine: the Support for the Sovereignty, Integrity, Democracy, and Economic Stability of Ukraine Act of 2014 (SSIDES; P.L. 113-95/H.R. 4152) and the Ukraine Freedom Support Act of 2014 (UFSA; P.L. 113-272/H.R. 5859).

In 2017, Congress passed and President Trump signed into law the Countering Russian Influence in Europe and Eurasia Act of 2017 (CRIEEA; P.L. 115-44/H.R. 3364, Countering America's Adversaries Through Sanctions Act [CAATSA], Title II). This legislation codified Ukraine-related and cyber-related EOs, strengthened sanctions authorities initiated in Ukraine-related EOs and legislation, and identified several new targets for sanctions. It also established congressional review of any action the President takes to ease or lift a variety of sanctions.

The United States established sanctions related to Russia's invasion of Ukraine largely in coordination with the European Union (EU). Since 2017, the efforts of Congress and the Trump Administration to tighten sanctions on Russia have prompted some concern in the EU about U.S. commitment to sanctions coordination and U.S.-EU cooperation on Russia and Ukraine more broadly. Many in the EU oppose the United States' use of secondary sanctions, including sanctions aimed at curbing Russian energy export pipelines to Europe, such as Nord Stream 2.

In terms of economic impact, studies suggest that sanctions have had a negative but relatively modest impact on Russia's growth. Changes in world oil prices have had a much greater impact on the Russian economy. After oil prices rose in 2016, Russia's economy began to strengthen even as sanctions remained in place and, in some instances, were tightened. The Obama Administration and the EU designed sanctions related to Russia's invasion of Ukraine, in part, to impose longer-term pressures on Russia's economy while minimizing collateral damage to the Russian people and to the economic interests of the countries imposing sanctions.

Debates about the effectiveness of sanctions against Russia continue in Congress, in the Administration, and among other stakeholders. Russia has not reversed its occupation and annexation of Ukraine's Crimea region, nor has it stopped sustaining separatist regimes in eastern Ukraine. In 2018, it extended its military operations against Ukraine to nearby waters. At the same time, Russia has not expanded its land-based operations in Ukraine, and Moscow participates in a conflict resolution process that formally recognizes Ukraine's sovereignty over Russia-controlled areas in eastern Ukraine. With respect to other malign activities, the relationship between sanctions and changes in Russian behavior is difficult to determine. Nonetheless, many observers argue that sanctions help restrain Russia or that their imposition is an appropriate foreign policy response regardless of immediate effect.

The 116th Congress has continued to consider new sanctions on Russia. The FY2020 National Defense Authorization Act (P.L. 116-92/S. 1790) establishes sanctions related to the construction of Nord Stream 2 and other Russian subsea natural gas export pipelines. The Defending American Security from Kremlin Aggression Act of 2019 (S. 482) and other legislation propose additional measures to address Russian election interference, aggression in Ukraine, arms sales, and other activities.

R45415

January 17, 2020

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Introduction

U.S. Sanctions on Russia: A Key Policy Tool

Sanctions are a central element of U.S. policy to counter and deter malign Russian behavior. The United States has imposed sanctions on Russia mainly in response to Russia's 2014 invasion of Ukraine, to reverse and deter further Russian aggression in Ukraine, and to deter Russian aggression against other countries. The United States also has imposed sanctions on Russia in response to (and to deter) election interference and malicious cyber-enabled activities, human rights abuses, the use of a chemical weapon, weapons proliferation, illicit trade with North Korea, and support to the governments of Syria and Venezuela. Most Members of Congress support a robust use of sanctions amid concerns about Russia's international behavior and geostrategic intentions.

Sanctions related to Russia's invasion of Ukraine are based mainly on national emergency authorities granted the office of the President in the National Emergencies Act (NEA; P.L. 94-412; 50 U.S.C. 1621 et seq.) and International Emergency Economic Powers Act (IEEPA; P.L. 95-223; 50 U.S.C. 1701 et seq.) and exercised by President Barack Obama in 2014 in a series of executive orders (EOs 13660, 13661, 13662, 13685). The Obama and Trump Administrations have used these EOs to impose sanctions on more than 680 Russian individuals, entities, vessels, and aircraft.

The executive branch also has used a variety of EOs and legislation to impose sanctions on Russian individuals and entities in response to a number of other concerns. Legislation that established sanctions specifically on Russian individuals and entities includes the following:

- Sergei Magnitsky Rule of Law Accountability Act of 2012 (P.L. 112-208, Title IV; 22 U.S.C. 5811 note).
- Support for the Sovereignty, Integrity, Democracy, and Economic Stability of Ukraine Act of 2014, as amended (SSIDES; P.L. 113-95; 22 U.S.C. 8901 et seq.).
- Ukraine Freedom Support Act of 2014, as amended (UFSA; P.L. 113-272; 22 U.S.C. 8921 et seq.).
- Countering Russian Influence in Europe and Eurasia Act of 2017, as amended (CRIEEA; P.L. 115-44, Countering America's Adversaries Through Sanctions Act [CAATSA], Title II; 22 U.S.C. 9501 et seq.).

The last of these, CRIEEA, codifies Ukraine-related and cyber-related EOs, strengthens sanctions authorities initiated in Ukraine-related EOs and legislation, and identifies several new sanctions targets. It also establishes congressional review of any action the President takes to ease or lift a variety of sanctions imposed on Russia.

Russia Sanctions and the Trump Administration

The Trump Administration's implementation of sanctions on Russia, particularly primary and secondary sanctions under CRIEEA, has raised questions for some Members of Congress about the Administration's commitment to holding Russia responsible for its malign activities. Administration officials contend they are implementing a robust set of sanctions on Russia, including new CRIEEA requirements, and note that diligent investigations take time.

As of January 2020, the Trump Administration has made 29 designations based on new sanctions authorities in CRIEEA, relating to cyberattacks and/or affiliation with Russia's military intelligence agency (§224, 24 designations), human rights abuses (§228, amending SSIDES, 3 designations), and arms sales (§231, 2 designations). The Administration has not made designations under CRIEEA authorities related to pipeline development, privatization deals, or support to Syria (§§232-234), nor has it made other designations under SSIDES or UFSA (as amended by CRIEEA, §§225-228), related to weapons transfers abroad, gas export cutoffs, certain oil projects, corruption, and secondary sanctions against foreign persons that facilitate significant transactions or sanctions evasion for Russia sanctions designees. Some Members of Congress have called on the President to make more designations based on CRIEEA's mandatory sanctions provisions.

The Trump Administration has made many Russia sanctions designations under other sanctions authorities, however. These authorities include Ukraine-related and cyber-related EOs codified by CRIEEA, as well as EOs related to weapons proliferation, Iran, North Korea, Syria, Venezuela, transnational crime, and international terrorism. The Administration also has made designations based on legislation, such as the Sergei Magnitsky Act; the Global Magnitsky Human Rights Accountability Act (22 U.S.C. 2656 note); the Iran, North Korea, and Syria Nonproliferation Act, as amended (INKSNA; 50 U.S.C. 1701 note); and the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991 (CBW Act; 22 U.S.C. 5601 et seq.).

The United States imposed sanctions related to Russia's invasion of Ukraine in coordination with the European Union (EU). As the invasion of Ukraine progressed in 2014, the Obama Administration argued that EU support for sanctions was crucial, as the EU has more extensive trade and investment ties with Russia than does the United States. Many view U.S.-EU cooperation in imposing sanctions as a tangible indication of U.S.-European solidarity, frustrating Russian efforts to drive a wedge between transatlantic partners. Since 2017, however, the efforts of Congress and the Trump Administration to tighten U.S. sanctions have been more unilateral, prompting some concern in the EU about U.S. commitment to sanctions coordination and U.S.-EU cooperation on Russia and Ukraine more broadly.

How Effective Are Sanctions on Russia?

The United States (together, in some cases, with the EU and others) has imposed sanctions on Russia mainly to pressure Russia to withdraw from Crimea and eastern Ukraine; to cease malicious cyber activity against the United States, its allies, and partners; to deter and, in some instances, take punitive steps in response to human rights abuses and corruption; to abide by the Chemical Weapons Convention; and to halt Russia's support to the North Korean, Syrian, and Venezuelan regimes.

Many observers have debated the degree to which sanctions promote change in Russia's behavior. With respect to Ukraine, Russia has not reversed its occupation and annexation of Crimea, nor has it stopped sustaining separatist regimes in eastern Ukraine. It also has extended military operations to nearby waters, interfering with commercial traffic traveling to and from ports in eastern Ukraine. In November 2018, Russian border guard vessels forcibly prevented three Ukrainian naval vessels from transiting the Kerch Strait, the waterway connecting the Black Sea to the Sea of Azov, firing on them as they sought to leave the area and imprisoning their crew members for 10 months. At the same time, Russia has signed two agreements that formally recognize Ukraine's sovereignty over Russia-controlled areas in eastern Ukraine, and Russia-led separatist military operations have been limited to areas along the perimeter of the current conflict zone. Russia has not expanded its military aggression to other states.

With respect to other malign activities, the relationship between sanctions and changes in Russian behavior is difficult to determine. Sanctions in response to election interference, malicious cyber-enabled activities, human rights abuses, corruption, use of a chemical weapon, weapons proliferation, and support to North Korea, Iran, Syria, and Venezuela are relatively limited and highly targeted. To the extent that Russia does change its behavior, other factors besides sanctions could be responsible.

For example, Russian policymakers may be willing to incur the cost of sanctions, whether on the national economy or on their own personal wealth, in furtherance of Russia's foreign policy goals. Sanctions also might have the unintended effect of boosting internal support for the Russian government, whether through appeals to nationalism or through Russian elites' sense of self-preservation. Finally, sanctions may target individuals that have less influence on Russian policymaking than the United States assumes.

Furthermore, the economic impact of sanctions may not be consequential enough to affect Russian policy. Studies suggest that sanctions have had a negative but relatively modest impact on Russia's growth; changes in world oil prices have had a much greater impact on the Russian economy. Most sanctions on Russia do not broadly target the Russian economy or entire sectors. Rather, they consist of broad restrictions against specific individuals and entities, as well as narrower restrictions against wider groups of Russian companies. Overall, more than four-fifths of the largest 100 firms in Russia (in 2018) are not directly subject to any U.S. or EU sanctions, including companies in a variety of sectors, such as transportation, retail, services, mining, and manufacturing.¹ Although Russia faced several economic challenges in 2014-2015, including its longest recession in almost 20 years, the 2014 collapse in global oil prices had a larger impact than sanctions.² Russia's economy strengthened in 2016 and 2017, as oil prices rose.

The relatively low impact of sanctions on the Russian economy is partially by design. The Obama Administration and the EU intended for sanctions related to Russia's invasion of Ukraine to have a limited and targeted economic impact. They sought to target individuals and entities responsible for offending policies and/or associated with key Russian policymakers in a way that would get Russia to change its behavior while minimizing collateral damage to the Russian people and to the economic interests of the countries imposing sanctions.³ Moreover, some sanctions were intended to put only long-term pressure on the Russian economy, by denying oil companies access to Western technology to modernize their industry or develop new sources of oil. The full economic ramifications of these restrictions potentially have yet to materialize.

There is some evidence that U.S. sanctions on Russia can have broad economic effects if they are applied to economically significant targets. However, doing so may create instability in global financial markets and opposition by U.S. allies, which generally have stronger economic relationships with Russia than the United States. In April 2018, for example, the United States imposed sanctions on Rusal, a global aluminum firm, which had broad effects that rattled Russian

¹ Congressional Research Service (CRS) analysis of data published by Russian media outlet RBC (<https://www.rbc.ru/rbc500/>) on the largest firms in Russia and the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) Specially Designated Nationals and Blocked Persons (SDN) List and Sectoral Sanctions Identifications (SSI) List.

² International Monetary Fund (IMF), *Russian Federation: Staff Report for the 2017 Article IV Consultation*, July 10, 2017; Daniel P. Ahn and Rodney D. Ludema, "The Sword and the Shield: The Economics of Targeted Sanctions," CESifo Working Paper Series 7620, CESifo Group Munich, 2019.

³ See, for example, U.S. Department of the Treasury, "Treasury Sanctions Russian Officials, Members of the Russian Leadership's Inner Circle, and an Entity for Involvement in the Situation in Ukraine," press release, March 20, 2014, at <https://www.treasury.gov/press-center/press-releases/Pages/jl23331.aspx>, and Ahn and Ludema, "The Sword and the Shield," 2019 (see footnote 2).

and global financial markets. These sanctions marked the first time the United States had made a top-20 Russian firm completely off-limits, and the first time the Department of the Treasury appeared prepared to implement CRIEEA-mandated secondary sanctions. In January 2019, however, the Department of the Treasury removed sanctions on Rusal and two related companies after Kremlin-connected billionaire Oleg Deripaska, who is subject to sanctions, agreed to relinquish his control over the three firms (for more, see “Section 241 “Oligarch” List,” below).

About the Report

This report provides a comprehensive overview of the use of sanctions in U.S. foreign policy toward Russia. It is compartmentalized, however, so that readers primarily interested in a particular issue, for example sanctions in response to Russia’s use of a chemical weapon, may find the relevant information in a subsection of the report.

The report first provides an overview of U.S. sanctions authorities and tools, particularly as they apply to Russia. It next describes various sanctions regimes that the executive branch has used to impose sanctions on Russian individuals and entities or that are available for this purpose, addressing authorities, tools, targets, and context. Third, the report briefly discusses countersanctions that Russia has introduced in response to U.S. and other sanctions. Fourth, it addresses the evolution of U.S. coordination with the European Union on Russia sanctions policy, and similarities and differences between U.S. and EU sanctions regimes. Finally, the report assesses the economic impact of sanctions on Russia at the level of the national economy and individual firms.

Use of Economic Sanctions to Further Foreign Policy and National Security Objectives

Economic sanctions provide a range of tools Congress and the President may use to seek to alter or deter the objectionable behavior of a foreign government, individual, or entity in furtherance of U.S. national security or foreign policy objectives.

Scholars have broadly defined economic sanctions as “coercive economic measures taken against one or more countries [or individuals or entities] to force a change in policies, or at least to demonstrate a country’s opinion about the other’s policies.”⁴ Economic sanctions may include limits on trade, such as overall restrictions or restrictions on particular exports or imports; the blocking of assets and interest in assets subject to U.S. jurisdiction; limits on access to the U.S. financial system, including limiting or prohibiting transactions involving U.S. individuals and businesses; and restrictions on private and government loans, investments, insurance, and underwriting. Sanctions also can include a denial of foreign assistance, government procurement contracts, and participation or support in international financial institutions.⁵

⁴ Barry E. Carter, *International Economic Sanctions: Improving the Haphazard U.S. Legal Regime* (Cambridge: Cambridge University Press, 1988), p. 4. Also see Gary Hufbauer, Jeffrey Schott, and Kimberly Elliott et al., *Economic Sanctions Reconsidered*, 3rd edition (Washington, DC: Peterson Institute for International Economics, 2007), and U.S. International Trade Commission, *Overview and Analysis of Current U.S. Unilateral Economic Sanctions*, Investigation No. 332-391, Publication 3124, Washington, DC, August 1998.

⁵ Not everyone agrees on what the sanctions toolbox includes. For example, some characterize export controls, limits on foreign assistance, or visa denials as foreign policy tools that are less about changing the target’s behavior than about administering U.S. foreign policy while meeting the requirements and obligations the United States assumes under treaties, international agreements, and its own public laws. See Senator Jesse Helms, “What Sanctions Epidemic? U.S. Business’ Curious Crusade,” *Foreign Affairs*, vol. 78, no. 1 (January/February 1999), pp. 2-8.

Sanctions that target third parties—those not engaged in the objectionable activity subject to sanctions but engaged with the individuals or entities that are—are popularly referred to as *secondary sanctions*. Secondary sanctions often are constructed to deter sanctions evasion, penalizing those that facilitate a means to avoid detection or that provide alternative access to finance.

The United States has applied a variety of sanctions in response to objectionable Russian activities. Most sanctions on Russia, including most sanctions established by executive order (see “Role of the President,” below), do not target the Russian state directly. Instead, they consist of *designations* of specific individuals, entities, vessels, and aircraft on the Specially Designated Nationals and Blocked Persons List (SDN) of the Department of the Treasury’s Office of Foreign Assets Control (OFAC). Sanctions block the U.S.-based assets of those designated as SDNs and generally prohibit U.S. individuals and entities from engaging in transactions with them. In addition, the Secretary of State, in consultation with the Secretary of Homeland Security and Attorney General, is tasked with denying entry into the United States or revoking visas granted to designated foreign nationals.

Sanctions in response to Russia’s invasion of Ukraine also consist of *sectoral sanctions*. Often, sectoral sanctions broadly apply to specific sectors of an economy. In the case of sanctions on Russia, sectoral sanctions have a narrower meaning; they apply to specific entities in Russia’s financial, energy, and defense sectors that OFAC has identified for inclusion on the Sectoral Sanctions Identifications (SSI) List. These sectoral sanctions prohibit U.S. individuals and entities from engaging in specific kinds of transactions related to lending, investment, and/or trade with entities on the SSI List, but they permit other transactions.

Another major category of sanctions on Russia consists of a presumption of denial to designated end users for export licenses. The Department of Commerce’s Bureau of Industry and Security (BIS) places entities subject to export restrictions on the *Entity List* (Supplement No. 4 to Part 744 of the Export Administration Regulations).⁶

Role of the President

The President, for a variety of reasons related to constitutional construction and legal challenges throughout U.S. history, holds considerable authority when economic sanctions are used in U.S. foreign policy.⁷ If Congress enacts sanctions in legislation, the President is to adhere to the provisions of the legislation but is responsible for determining the individuals and entities to be subject to sanctions.

The President also often has the authority to be the sole decisionmaker in initiating and imposing sanctions. The President does so by determining, pursuant to the International Emergency Economic Powers Act (IEEPA), that there has arisen an “unusual and extraordinary threat, which has its source in whole or substantial part outside the United States, to the national security,

⁶ The Department of Commerce’s Bureau of Industry and Security (BIS) established an Entity List in 1997 to oversee U.S. compliance with international treaty and agreement obligations to control the export of materials related to weapons of mass destruction. Subsequently, the Entity List expanded to include entities engaged in activities considered contrary to U.S. national security and/or foreign policy interests. U.S. Department of Commerce, “Entity List,” at <https://www.bis.doc.gov/index.php/policy-guidance/lists-of-parties-of-concern/entity-list>.

⁷ The Constitution divides foreign policy powers between the executive and legislative branches in a way that requires each branch to remain engaged with and supportive of, or responsive to, the interests and intentions of the other. See U.S. Congress, House Committee on Foreign Affairs, *Strengthening Executive-Legislative Consultation on Foreign Policy*, Congress and Foreign Policy Series (No. 8), 98th Cong., 1st sess., October 1983, pp. 9-11.

foreign policy, or economy of the United States.”⁸ The President then declares that a national emergency exists, as provided for in the National Emergencies Act (NEA), submits the declaration to Congress, and establishes a public record by publishing it in the *Federal Register*.⁹ Under a national emergency, the President may invoke the authorities granted his office in IEEPA to investigate, regulate, or prohibit transactions in foreign exchange, use of U.S. banking instruments, the import or export of currency or securities, and transactions involving property or interests in property under U.S. jurisdiction.¹⁰

President Obama invoked NEA and IEEPA authorities to declare that Russia’s 2014 invasion of Ukraine constituted a threat to the United States. On that basis, he declared the national emergency on which most sanctions related to Russia’s invasion of Ukraine are based. President Obama and President Trump also have invoked NEA and IEEPA authorities to declare national emergencies related to cyber-enabled malicious activities and election interference.

Role of Congress

Congress influences which foreign policy and national security concerns the United States responds to with sanctions by enacting legislation to authorize, and in some instances require, the President to use sanctions. Congress has taken the lead in authorizing or requiring the President (or executive branch) to use sanctions in an effort to deter weapons proliferation, international terrorism, illicit narcotics trafficking, human rights abuses, regional instability, cyberattacks, corruption, and money laundering. Legislation can define what sanctions the executive branch is to apply, as well as the conditions that need to be met before these sanctions may be lifted.

One limitation on the role of Congress in establishing sanctions originates in the U.S. Constitution’s bill of attainder clause.¹¹ Congress may not enact legislation that “legislatively determines guilt and inflicts punishment upon an identifiable individual without provision of the protections of a judicial trial.”¹² In other words, Congress may enact legislation that broadly defines categories of sanctions targets and objectionable behavior, but it is left to the President to “[determine] guilt and [inflict] punishment”—that is, to populate the target categories with specific individuals and entities.

Sanctions Implementation

In the executive branch, several agencies have varying degrees of responsibility in implementing and administering sanctions. Primary agencies, broadly speaking, have responsibilities as follows:

- Department of the Treasury’s OFAC designates SDNs to be subject to the blocking of U.S.-based assets; designates non-SDNs for which investments or transactions may be subject to conditions or restrictions; prohibits transactions; licenses transactions relating to exports and investments (and limits those licenses); restricts access to U.S. financial services; restricts transactions related

⁸ International Emergency Economic Powers Act (IEEPA); P.L. 95-223, §202(a); 50 U.S.C. 1701(a). For more, see CRS Report R45618, *The International Emergency Economic Powers Act: Origins, Evolution, and Use*, coordinated by Christopher A. Casey.

⁹ National Emergencies Act (NEA); P.L. 94-412, §201; 50 U.S.C. 1621.

¹⁰ IEEPA, §203; 50 U.S.C. 1702.

¹¹ “No Bill of Attainder or ex post facto Law Will Be Passed.” U.S. Constitution, Article I, §9, clause 3.

¹² See out-of-print CRS Report R40826, *Bills of Attainder: The Constitutional Implications of Congress Legislating Narrowly*, available to congressional clients on request.

- to travel, in limited circumstances; and identifies entities for placement on the SSI List as subject to investment and trade limitations.
- Department of State restricts visas, arms sales, and foreign aid; implements arms embargos required by the United Nations; prohibits the use of U.S. passports to travel, in limited circumstances; and downgrades or suspends diplomatic relations.
- Department of Commerce's BIS restricts licenses for commercial exports, end users, and destinations.
- Department of Defense restricts arms sales and other forms of military cooperation.
- Department of Justice investigates and prosecutes violations of sanctions and export laws.¹³

U.S. Sanctions on Russia

The United States imposes sanctions on Russia in accordance with several laws and executive orders. In 2012, the United States introduced a new sanctions regime on Russia in response to human rights abuses. In 2014, the United States introduced an extensive new sanctions regime on Russia in response to Russia's invasion of Ukraine. In 2016, the United States imposed sanctions on Russian individuals and entities for election interference and other malicious cyber-enabled activities. In 2017, legislation was enacted to strengthen existing sanctions authorities and establish new sanctions in response to Russia's invasion of Ukraine, malicious cyber-enabled activities, human rights abuses, and corruption. The United States also has imposed sanctions on Russian individuals and entities in response to the use of a chemical weapon, weapons proliferation, trade with North Korea in violation of U.N. Security Council requirements, support for the Syrian and Venezuelan governments, transnational crime, and international terrorism.

For an overview of Russia sanctions authorities and designations, see **Appendix B**.

Sergei Magnitsky Act and the Global Magnitsky Act

In December 2012, Congress passed and the President signed into law the Sergei Magnitsky Rule of Law Accountability Act of 2012 (hereinafter the Sergei Magnitsky Act).¹⁴ This legislation bears the name of Sergei Magnitsky, a Russian lawyer and auditor who died in prison in November 2009 after uncovering massive tax fraud that allegedly implicated government

¹³ Other departments, bureaus, agencies, and offices of the executive branch also weigh in, but to a lesser extent. The Department of Homeland Security, Attorney General, and Federal Bureau of Investigation, for example, all might review decisions relating to visas; Customs and Border Protection has a role in monitoring imports; the Department of Energy has responsibilities related to export control of nuclear materials; and the National Security Council reviews foreign policy and national security determinations and executive orders as part of the interagency process.

¹⁴ The act was enacted as Title IV of the Russia and Moldova Jackson-Vanik Repeal and Sergei Magnitsky Rule of Law Accountability Act of 2012 (P.L. 112-208). "Jackson-Vanik" refers to provisions in the Trade Act of 1974 that conditioned U.S. trade with the Soviet Union on that country's emigration policies (P.L. 93-618, §402; formerly 19 U.S.C. 2432) (see text box entitled "Linking U.S.-Russia Trade to Human Rights"). Earlier iterations of the Sergei Magnitsky Act were introduced in the 111th Congress, as S. 3881 (2010) and H.R. 6365 (2010), and in the 112th Congress, as H.R. 1575 (2011), S. 1039 (2011), H.R. 4405 (2012), and S. 3406 (2012). H.R. 6156 ultimately became the successful legislative vehicle, enacting both the Sergei Magnitsky language and the permanent normal trade relations requirements. The measure passed the House by a vote of 365-43 and the Senate by a vote of 92-4. The President signed it into law on December 14, 2012.

officials. The act entered into law as part of a broader piece of legislation related to U.S.-Russia trade relations (see text box entitled “Linking U.S.-Russia Trade to Human Rights,” below).

The Sergei Magnitsky Act requires the President to impose sanctions on those he identifies as having been involved in the “criminal conspiracy” that Magnitsky uncovered and in his subsequent detention, abuse, and death.¹⁵ The act also requires the President to impose sanctions on those he finds have committed human rights abuses against individuals who are fighting to expose the illegal activity of Russian government officials or seeking to exercise or defend internationally recognized human rights and freedoms.

The Global Magnitsky Human Rights Accountability Act (P.L. 114-328, Title XII, Subtitle F; 22 U.S.C. 2656 note) followed in 2016.¹⁶ This act authorizes the President to apply globally the sanctions authorities in the Sergei Magnitsky Act aimed at the treatment of whistleblowers and human rights defenders in Russia. The Global Magnitsky Act also authorizes the President to impose sanctions against government officials and associates around the world responsible for acts of significant corruption.

Of the 55 individuals designated pursuant to the Sergei Magnitsky Act, 40 are directly associated with the alleged crimes that Magnitsky uncovered and his subsequent ill-treatment and death. OFAC has designated another 13 individuals, all from Russia’s Chechnya region, for human rights violations and killings in that region and for the 2004 murder of Paul Klebnikov, the American chief editor of the Russian edition of *Forbes*.¹⁷ Two designations target the suspected killers of former Russian spy Alexander Litvinenko in London in 2006.¹⁸

In December 2017, President Trump issued EO 13818 to implement the Global Magnitsky Act, in the process expanding the target for sanctions to include those who commit any “serious human rights abuse” around the world, not just human rights abuse against whistleblowers and human rights defenders.¹⁹ At the same time, the Administration issued the first 13 designations under the act; among them were two Russian citizens designated for their alleged participation in high-level corruption.²⁰

¹⁵ Sergei Magnitsky Act, §404(a)(1); 22 U.S.C. 5811 note.

¹⁶ In the 113th Congress, Senator Benjamin Cardin introduced S. 1933, the Global Magnitsky Human Rights Accountability Act, in January 2014, upon which it received no further consideration. A year later, in the 114th Congress, Senator Cardin introduced S. 284, which was matched by a companion bill in the House, H.R. 624, introduced by Representative Chris Smith. An amended version of the bill was incorporated into the National Defense Authorization Act for Fiscal Year 2017, signed into law on December 23, 2016. For more, see CRS In Focus IF10576, *The Global Magnitsky Human Rights Accountability Act*, by Dianne E. Rennack.

¹⁷ On the murder of Paul Klebnikov, see Otto Pohl, “The Assassination of a Dream,” *New York*, November 2004; Richard Behar, “Open Letter to Russia’s Putin on Tenth Anniversary of Forbes’ Editor Paul Klebnikov’s Murder: Why Haven’t You Solved It?,” *Forbes*, July 16, 2014; and Bermet Talant, “American Journalist Paul Klebnikov’s Alleged Killer Arrested in Kyiv,” *Kyiv Post*, November 19, 2017.

¹⁸ On the murder of Alexander Litvinenko, see Alex Goldfarb with Marina Litvinenko, *Death of a Dissident: The Poisoning of Alexander Litvinenko and the Return of the KGB* (New York: Free Press, 2007), and Luke Harding, *A Very Expensive Poison: The Assassination of Alexander Litvinenko and Putin’s War With the West* (New York: Vintage Books, 2017).

¹⁹ Executive Order 13818 of December 20, 2017, “Blocking the Property of Persons Involved in Serious Human Rights Abuse or Corruption,” 82 *Federal Register* 60839. The National Emergencies Act, which EO 13818 invokes, requires the President to extend annually any national emergency declaration (otherwise, it lapses). The President most recently extended EO 13818 on December 18, 2019.

²⁰ One of these individuals is a former Ukrainian official with dual citizenship who currently resides in Russia.

Linking U.S.-Russia Trade to Human Rights

The Sergei Magnitsky Act continues a U.S. foreign policy tradition that links U.S. trade with Russia to concerns about human rights. The act is part of a broader piece of legislation granting permanent normal trade relations (PNTR) status to Russia. This legislation authorized the President to terminate the application to Russia of Title IV of the Trade Act of 1974 (P.L. 93-618; 19 U.S.C. 2101 et seq.), pursuant to which Russia was denied PNTR status. The Trade Act originally imposed restrictions on trade with Russia's predecessor, the Soviet Union, due to its nonmarket economy and prohibitive emigration policies (the latter through Section 402, popularly cited as the Jackson-Vanik amendment). After the collapse of the Soviet Union, these trade restrictions formally continued to apply to Russia, even though the United States granted Russia *conditional* normal trade relations beginning in 1992. In 2012, Russia joined the World Trade Organization (WTO) with U.S. support. The United States subsequently had to grant Russia PNTR status or opt out of WTO "obligations, rules, and mechanisms" with respect to Russia (H.Rept. 112-632). This would have meant that

the United States would not benefit from all of Russia's concessions.... Russia could impose WTO-inconsistent restrictions on U.S. banks, insurance companies, telecommunications firms, and other service providers, but not on those from other WTO members. Russia also would not be required to comply with WTO rules regarding SPS [sanitary and phytosanitary] standards, intellectual property rights, transparency, and agriculture when dealing with U.S. goods and services, and the U.S. government would likewise not be able to use the WTO's dispute settlement mechanism if Russia violates its WTO commitments (H.Rept. 112-632).

Although the PNTR legislation enjoyed broad congressional support, some Members of Congress were reluctant to terminate the application to Russia of the Trade Act's Jackson-Vanik amendment, which helped champion the cause of Soviet Jewish emigration in the 1970s, without replacing it with new human rights legislation. According to one of the original Senate sponsors of the Sergei Magnitsky Act, Senator Benjamin Cardin, pairing the Sergei Magnitsky Act with the PNTR legislation "allowed us to get this human rights tool enacted" while "[giving] us the best chance to get the PNTR bill done in the right form." He elaborated that "today we close a chapter in the U.S. history on the advancing of human rights with the repeal ... of Jackson-Vanik. It served its purpose. Today, we open a new chapter in U.S. leadership for human rights with the Sergei Magnitsky Rule of Law Accountability Act" (*Congressional Record*, S7437, December 5, 2012).

Sanctions Related to Russia's Invasion of Ukraine

Most OFAC designations of Russian individuals and entities have been in response to Russia's 2014 invasion and annexation of Ukraine's Crimea region and Russia's subsequent instigation of separatist conflict in eastern Ukraine. In 2014, the Obama Administration said it would impose increasing costs on Russia, in coordination with the EU and others, until Russia "abides by its international obligations and returns its military forces to their original bases and respects Ukraine's sovereignty and territorial integrity."²¹

The United States has imposed sanctions related to Russia's invasion of Ukraine on more than 680 individuals, entities, vessels, and aircraft by placing them on OFAC's Specially Designated Nationals List (SDN) or Sectoral Sanctions Identification List (SSI) (see **Table 1** and **Table B-1**). In addition to Treasury-administered sanctions, the Department of Commerce's BIS denies export licenses for military, dual-use, or energy-related goods to designated end users, most of which also are subject to Treasury-administered sanctions. The basis for these sanctions is mainly a series of four executive orders (EOs 13660, 13661, 13662, and 13685) that President Obama issued in 2014.²²

²¹ The White House, "Fact Sheet: Ukraine-Related Sanctions," March 17, 2014, at <https://obamawhitehouse.archives.gov/the-press-office/2014/03/17/fact-sheet-ukraine-related-sanctions>.

²² The President declared that events in Ukraine constituted a national emergency in the first executive order; the subsequent three orders built on and expanded that initial declaration. EO 13660 must be extended annually to remain in force; the President extended it most recently on March 4, 2019. Executive Order (EO) 13660 of March 6, 2014,

Two of President Obama's Ukraine-related EOs target specific objectionable behavior. EO 13660 provides for sanctions against those the President determines have undermined democratic processes or institutions in Ukraine; undermined Ukraine's peace, security, stability, sovereignty, or territorial integrity; misappropriated Ukrainian state assets; or illegally asserted governmental authority over any part of Ukraine. EO 13685 prohibits U.S. business, trade, or investment in occupied Crimea and provides for sanctions against those the President determines have operated in, or been the leader of an entity operating in, occupied Crimea.

The other two EOs provide for sanctions against a broader range of targets. EO 13661 provides for sanctions against Russian government officials, those who offer them support, and those operating in the Russian arms sector. EO 13662 provides for sanctions against individuals and entities that operate in key sectors of the Russian economy, as determined by the Secretary of the Treasury.

Specially Designated Nationals

OFAC established four SDN lists based on the four Ukraine-related EOs: two lists for those found to have engaged in specific activities related to the destabilization and invasion of Ukraine, and two lists for broader groups of targets. As of January 2020, OFAC has placed more than 390 individuals, entities, vessels, and aircraft on the four Ukraine-related SDN lists (see **Table 1** and **Table B-1**).

OFAC has drawn on EO 13660 to designate individuals and entities for their role in destabilizing and invading Ukraine. Designees mainly include former Ukrainian officials (including ex-President Viktor Yanukovich and a former prime minister), de facto Ukrainian separatist officials in Crimea and eastern Ukraine, Russia-based fighters and patrons, and associated companies or organizations.

OFAC has drawn on EO 13685 to designate primarily Russian or Crimea-based companies and subsidiaries that operate in occupied Crimea. In September 2019, OFAC also drew on EO 13685 to designate nine individuals, entities, and vessels for evading Crimea-related sanctions in furtherance of an illicit scheme to deliver fuel to Russian forces in Syria.

OFAC has drawn on EO 13661 and EO 13662 to designate a wider circle of Russian government officials, members of parliament, heads of state-owned companies, other prominent businesspeople and associates, including individuals the Department of the Treasury has considered part of Russian President Vladimir Putin's "inner circle," and related entities.²³

Among the designated government officials and heads of state-owned companies are Russia's minister of internal affairs, Security Council secretary, directors of the Foreign Intelligence Service and National Guard Troops; the chairs of both houses of parliament; and the chief executive officers of state-owned oil company Rosneft, gas company Gazprom, defense and technology conglomerate Rostec, and banks VTB and Gazprombank. OFAC also has drawn on

"Blocking Property of Certain Persons Contributing to the Situation in Ukraine," 79 *Federal Register* 13493; EO 13661 of March 16 [17], 2014, "Blocking Property of Additional Persons Contributing to the Situation in Ukraine," 79 *Federal Register* 15535; EO 13662 of March 20, 2014, "Blocking Property of Additional Persons Contributing to the Situation in Ukraine," 79 *Federal Register* 16169; and EO 13685 of December 19, 2014, "Blocking Property of Certain Persons and Prohibiting Certain Transactions with Respect to the Crimea Region of Ukraine," 79 *Federal Register* 77357.

²³ See, for example, U.S. Department of the Treasury, "Treasury Sanctions Russian Officials, Members of the Russian Leadership's Inner Circle, And An Entity For Involvement In The Situation In Ukraine," press release, March 20, 2014, at <https://www.treasury.gov/press-center/press-releases/Pages/jl23331.aspx>.

EO 13661 to designate four Russian border guard officials for their role in Russia's November 2018 attack against Ukrainian naval vessels and their crew in the Black Sea near occupied Crimea.

OFAC has designated several politically connected Russian billionaires (whom the Department of the Treasury refers to as oligarchs) and companies they own or control under EO 13661 and EO 13662.²⁴ Designees include 9 of Russia's wealthiest 100 individuals, including 3 of the top 20, as estimated by *Forbes*.²⁵ Of these 9 billionaires, 5 were designated in April 2018 as "oligarchs ... who profit from [Russia's] corrupt system."²⁶ Under EO 13661, OFAC also has designated Yevgeny Prigozhin, a wealthy state-connected businessperson alleged to be a lead financial backer of private military companies operating in Ukraine, Syria, and other countries. Prigozhin is also designated under other authorities for election interference operations in the United States and elsewhere.

The entities OFAC has designated include holdings owned or controlled by SDNs. These holdings include Bank Rossiya, which the Department of the Treasury has described as the "personal bank" of Russian senior officials;²⁷ other privately held banks and financial services companies (e.g., SMP Bank and the Volga Group); gas pipeline construction company Stroygazmontazh; construction company Stroytransgaz; and vehicle manufacturer GAZ Group. Private aluminum company Rusal, electric company EuroSibEnergo, and the related En+ Group were delisted in January 2019 after being designated in April 2018 (for more, see "Section 241 "Oligarch" List").

Designated entities also include several defense and arms firms, such as the state-owned United Shipbuilding Corporation, Almaz-Antey (air defense systems and missiles), Uralvagonzavod (tanks and other military equipment), NPO Mashinostroyeniya (missiles and rockets), and several subsidiaries of the state-owned defense and hi-tech conglomerate Rostec, including the Kalashnikov Group (firearms).

Sectoral Sanctions Identifications

Prior to April 2018, OFAC used EO 13662 solely as the basis for identifying entities for inclusion on the SSI List. Individuals and entities under U.S. jurisdiction are restricted from engaging in specific transactions with entities on the SSI List, which OFAC identifies as subject to one of four directives under the EO. SSI restrictions apply to new equity investment and financing (other than 14-day lending) for identified entities in Russia's financial sector (Directive 1); new financing (other than 60-day lending) for identified entities in Russia's energy sector (Directive 2); and new financing (other than 30-day lending) for identified entities in Russia's defense sector (Directive 3).²⁸ A fourth directive prohibits U.S. trade with identified entities related to the development of

²⁴ EO 13661, for being a Russian government official or supporting a senior government official, and EO 13662, for operating in the energy sector.

²⁵ "The World's Billionaires," *Forbes*, 2019, at https://www.forbes.com/billionaires/list/#version:static_country:Russia.

²⁶ U.S. Department of the Treasury, "Treasury Designates Russian Oligarchs, Officials, and Entities in Response to Worldwide Malign Activity," April 6, 2018, press release, at <https://home.treasury.gov/index.php/news/featured-stories/treasury-designates-russian-oligarchs-officials-and-entities-in-response-to>.

²⁷ U.S. Department of the Treasury, "Treasury Sanctions Russian Officials, Members Of The Russian Leadership's Inner Circle, And An Entity For Involvement In The Situation In Ukraine," March 20, 2014 (footnote 23).

²⁸ Directive 1 has been amended twice to narrow lending windows from, initially, 90 days (July 2014) to 30 days (September 2014) to 14 days (September 2017). The lending window in Directive 2 has been narrowed once, from 90 days (July 2014) to 60 days (September 2017). Directives are available at <https://www.treasury.gov/resource-center/sanctions/Programs/Pages/ukraine.aspx>.

Russian deepwater, Arctic offshore, or shale projects that have the potential to produce oil and, amended as a result of requirements enacted in CRIEEA in 2017, such projects worldwide in which those entities have an ownership interest of at least 33% or a majority of voting interests.

As of January 2020, OFAC has placed 13 Russian companies and their subsidiaries and affiliates on the SSI List. The SSI List includes major state-owned companies in the financial, energy, and defense sectors; it does not include all companies in those sectors. The parent entities on the SSI List, under their respective directives, consist of the following:

- Four large state-owned banks (Sberbank, VTB Bank, Gazprombank, Rosselkhozbank) and VEB (rebranded VEB.RF in 2018), which “acts as a development bank and payment agent for the Russian government”;²⁹
- State-owned oil companies Rosneft and Gazpromneft, pipeline company Transneft, and private gas producer Novatek;
- State-owned defense and hi-tech conglomerate Rostec; and
- For restrictions on transactions related to deepwater, Arctic offshore, or shale oil projects, Rosneft and Gazpromneft, private companies Lukoil and Surgutneftegaz, and state-owned energy company Gazprom (Gazpromneft’s parent company).

Sanctions Related to Russia’s Invasion of Ukraine: A Chronology

U.S. sanctions related to Russia’s invasion of Ukraine have evolved from 2014 to the present. From March to June 2014, OFAC made designations based on EOs 13660 (March 6, 2014) and 13661 (March 17, 2014). OFAC announced initial designations on March 17, 2014, the day after Crimea’s de facto authorities organized an illegal referendum on secession. OFAC announced a second round of designations on March 20, the day before Russia officially claimed to annex Crimea. OFAC made three more rounds of designations through June 2014.

Before July 2014, the Obama Administration did not invoke EO 13662 (March 20, 2014), which established a means to impose sectoral sanctions. An Administration official characterized the introduction of EO 13662 as a signal to Russia that if Moscow “further escalates this situation [it] will be met with severe consequences.” The official explained that “this powerful tool will allow us the ability to calibrate our pressure on the Russian government” (The White House, “Background Briefing on Ukraine by Senior Administration Officials,” March 20, 2014).

On July 16, 2014, as the conflict in eastern Ukraine escalated and congressional pressure for a stronger U.S. response mounted, the Obama Administration announced the first round of sectoral sanctions on selected Russian financial services and energy companies through the issuance of two directives specifying a narrower set of sanctions than those EO 13662 had authorized. On the basis of the previous EOs, OFAC also made additional designations.

The next day, Malaysia Airlines Flight MH17, a commercial aircraft en route from Amsterdam to Kuala Lumpur, was shot down over eastern Ukraine. All 298 passengers and crew aboard were killed, including 193 Dutch citizens and 18 citizens of other EU countries. Intelligence sources indicated that separatist forces had brought down the plane using a missile supplied by the Russian military. The MH17 tragedy helped galvanize EU support for sectoral sanctions on Russia similar to those the United States had imposed (for more, see “U.S. and EU Ukraine-Related Sanctions Compared,” below).

In coordination with the EU, the Obama Administration expanded sectoral sanctions in the wake of the MH17 tragedy. The Administration announced two more rounds of designations in July and September 2014, the second time together with two new directives that imposed sectoral sanctions on Russian defense companies and certain oil development projects. On December 19, 2014, President Obama issued a fourth Ukraine-related executive order (EO 13685). The same day, OFAC issued a new round of designations. The Obama Administration announced six more rounds of designations under the Ukraine-related EOs.

²⁹ The Administration also designated the Bank of Moscow, which later became a subsidiary of VTB Bank. U.S. Department of the Treasury, “Announcement of Treasury Sanctions on Entities Within the Financial Services and Energy Sectors of Russia, Against Arms or Related Materiel Entities, and those Undermining Ukraine’s Sovereignty,” press release, July 16, 2014, at <https://www.treasury.gov/press-center/press-releases/Pages/jl2572.aspx>.

The Trump Administration has made eight rounds of designations under these EOs, most recently in September 2019. In the April 2018 round, OFAC used the relatively broad authorities of EOs 13661 and 13662 to designate 24 Russian government officials and politically connected billionaires “in response to [Russia’s] worldwide malign activity.”

Ukraine-Related Legislation

In addition to issuing four Ukraine-related executive orders in 2014, President Obama signed into law the Support for the Sovereignty, Integrity, Democracy, and Economic Stability of Ukraine Act (SSIDES) on April 3, 2014, and the Ukraine Freedom Support Act (UFSA) on December 18, 2014. SSIDES was introduced in the Senate on March 12, 2014, six days after President Obama issued the first Ukraine-related EO, declaring a national emergency with respect to Ukraine. The President signed UFSA into law the day before he issued his fourth Ukraine-related EO, prohibiting trade and investment with occupied Crimea. CRIIEA, which President Trump signed into law on August 2, 2017, amended SSIDES and UFSA (for more on CRIIEA, see “Countering Russian Influence in Europe and Eurasia Act of 2017,” below).

Both SSIDES and UFSA expanded on the actions the Obama Administration took in response to Russia’s invasion of Ukraine. President Obama did not cite SSIDES or UFSA as an authority for designations or other sanctions actions.³⁰ In November 2018, President Trump cited SSIDES, as amended by CRIIEA (Section 228), to designate two Ukrainian individuals and one entity for committing serious human rights abuses in territories forcibly occupied or controlled by Russia. President Trump has not cited UFSA as an authority for any sanctions designations.

Some sanctions authorities in SSIDES and UFSA overlap with steps taken by the President in issuing executive orders under emergency authorities. Many individuals and entities OFAC designated for their role in destabilizing Ukraine, for example, could have been designated pursuant to SSIDES. Similarly, some of the individuals OFAC designated in April 2018 as “oligarchs and elites who profit from [Russia’s] corrupt system” could have been designated pursuant to the authority in SSIDES that provides for sanctions against those responsible for significant corruption.³¹ In addition, Russian arms exporter Rosoboronexport, subject to sanctions under UFSA, is subject to sanctions under other authorities (see “Weapons Proliferation”).

SSIDES and UFSA contain additional sanctions provisions that the executive branch could use. These include sanctions against Russian individuals and entities for corruption, arms transfers to Syria and separatist territories, and energy export cutoffs. They also include potentially wide-reaching secondary sanctions against foreign individuals and entities that facilitate significant transactions for Russia sanctions designees, help them to evade sanctions, or make significant investments in certain oil projects in Russia (for details, see text box entitled “Sanctions in Ukraine-Related Legislation,” below).

Sanctions in Ukraine-Related Legislation

Enacted in April 2014, SSIDES requires the imposition of sanctions on those the President finds to have been responsible for violence and human rights abuses during antigovernment protests in Ukraine in 2013-2014 and for having undermined Ukraine’s peace, security, stability, sovereignty, or territorial integrity. In addition, it requires

³⁰ In his signing statement, President Obama said that the Administration did “not intend to impose sanctions under this law, but the Act gives the Administration additional authorities that could be utilized, if circumstances warranted.” The White House, “Statement by the President on the Ukraine Freedom Support Act,” December 18, 2014, at <https://obamawhitehouse.archives.gov/the-press-office/2014/12/18/statement-president-ukraine-freedom-support-act>.

³¹ U.S. Department of the Treasury, “Treasury Designates Russian Oligarchs, Officials, and Entities in Response to Worldwide Malign Activity,” April 6, 2018 (footnote 26).

the imposition of sanctions on Russian government officials, family members, and close associates the President finds to be responsible for acts of significant corruption in Ukraine. It also initially authorized, but did not require, the President to impose restrictions on Russian government officials and associates responsible for acts of significant corruption in Russia.

In 2017, CRIEEA amended SSIDES to *require* the President to impose sanctions on Russian government officials and associates responsible for acts of significant corruption worldwide and those responsible for “the commission of serious human rights abuses in any territory forcibly occupied or otherwise controlled” by the Russian government. It also amended SSIDES to introduce secondary sanctions against foreign individuals and entities that help evade sanctions provided for in Ukraine-related or cyber-related EOs, SSIDES, or UFSA, or that facilitate significant transactions for individuals (and their family members) and entities subject to any sanctions on Russia.

Enacted in December 2014, UFSA requires the President to impose sanctions on Russian state arms exporter Rosoboronexport and requires sanctions on Russian entities that transfer weapons to Syria or, without consent, Ukraine, Georgia, Moldova, and potentially other countries that the President designates as countries of significant concern.

UFSA also initially authorized the President to impose secondary sanctions on foreign individuals and entities that make a significant investment in deepwater, Arctic offshore, or shale oil projects in Russia (a provision similar to the restrictions OFAC established in September 2014 but targeted against third parties). In addition, it initially authorized the President to impose secondary sanctions on foreign financial institutions that facilitate significant transactions related to defense- and energy-related transactions subject to UFSA sanctions or for individuals and entities subject to sanctions under UFSA or Ukraine-related EOs.

In 2017, CRIEEA amended UFSA to *require* the President to impose sanctions on (1) foreign individuals and entities that make significant investments in deepwater, Arctic offshore, or shale oil projects in Russia and (2) foreign financial institutions that facilitate significant transactions related to defense- and energy-related transactions subject to UFSA sanctions, or for individuals and entities subject to sanctions under UFSA or Ukraine-related EOs.

Finally, UFSA provides for sanctions against state-owned energy company Gazprom, if it is found to withhold significant natural gas supplies from NATO member states or countries such as Ukraine, Georgia, and Moldova.

Table I. U.S. Sanctions Related to Russia’s Invasion of Ukraine
(authorities, targets, and Treasury designees)

Authorities	Targets	Designations (as of 1/2020)
Executive Order (EO) 13660; Countering Russian Influence in Europe and Eurasia Act of 2017 (CRIEEA; P.L. 115-44, Title II; 22 U.S.C. 9501 et seq.)	Those responsible for undermining Ukraine’s democracy; threatening its peace, security, stability, sovereignty, or territorial integrity; misappropriating assets; and/or illegally asserting government authority.	116 individuals, 24 entities
EO 13661; P.L. 115-44	Russian government officials; those operating in Russia’s arms or related materiel sector; entities owned or controlled by a senior Russian government official; those acting on behalf of, or materially assisting or supporting, a senior Russian government official.	89 individuals, 65 entities, 3 aircraft, 1 vessel
EO 13662; P.L. 115-44	Entities and individuals operating in specified sectors of the Russian economy. Four Treasury directives specify financial services, energy (including deepwater, Arctic offshore, and shale oil development projects), and defense.	289 entities (SSI); 6 individuals, 13 entities (SDN)
EO 13685; P.L. 115-44	Prohibits U.S. business, trade, or investment in occupied Crimea and provides for sanctions against those the President determines have operated in, or been the leader of an entity operating in, occupied Crimea.	71 entities, 8 individuals, 7 vessels

Authorities	Targets	Designations (as of 1/2020)
Support for the Sovereignty, Integrity, Democracy, and Economic Stability of Ukraine Act of 2014 (SSIDES; P.L. 113-95, as amended by P.L. 115-44; 22 U.S.C. 8901 et seq.)	Those responsible for violence and human rights abuses during antigovernment protests in Ukraine in 2013-2014; undermining Ukraine's peace, security, stability, sovereignty, or territorial integrity; and serious human rights abuses in territory forcibly occupied or controlled by Russia. Russian government officials, family members, and close associates for acts of significant corruption. Foreign individuals and entities for violating Ukraine- or cyber-related sanctions or facilitating significant transactions for individuals, their family members, and entities subject to sanctions on Russia.	2 individuals, 1 entity; authorities and categories of targets partially overlap with executive orders and related designations.
Ukraine Freedom Support Act of 2014 (UFSA; P.L. 113-272, as amended by P.L. 115-44; 22 U.S.C. 8921 et seq.)	State-run arms exporter Rosoboronexport. Russian individuals and entities for conducting weapons transfers to Syria, Ukraine, Georgia, Moldova, and potentially other countries. Foreign individuals and entities for investing in deepwater, Arctic offshore, or shale oil projects in Russia. Foreign financial institutions for facilitating significant transactions (1) related to Russia's weapons transfers to Syria, Ukraine, Georgia, Moldova, and potentially other countries; (2) related to deepwater, Arctic offshore, or shale oil projects in Russia; and (3) for individuals and entities subject to sanctions related to Russia's invasion of Ukraine. Withholding by Gazprom of significant natural gas supplies from NATO member states or countries such as Ukraine, Georgia, or Moldova.	No designations specifically attributed to the act, to date. Rosoboronexport is designated pursuant to the Syria-related EO 13582, in addition to sectoral sanctions pursuant to EO 13662, Directive 3.

Source: U.S. Department of the Treasury, Office of Foreign Assets Control (OFAC); Congressional Research Service (CRS).

Notes: The total number of SDNs under the Ukraine-related EOs is 394. Three individuals and six entities have been designated twice under the Ukraine-related EOs.

SSI: Sectoral Sanctions Identifications List, SDN: Specially Designated Nationals and Blocked Persons List.

Election Interference and Other Malicious Cyber-Enabled Activities

The executive branch draws on national emergency authorities to impose sanctions for a range of malicious cyber-enabled activities, including election interference and other activities the United States has attributed to the Russian government. On April 1, 2015, President Obama issued EO 13694, invoking national emergency authorities to declare that “the increasing prevalence and severity of malicious cyber-enabled activities originating from, or directed by persons located ... outside the United States, constitute an unusual and extraordinary threat.” EO 13694 targeted those who engage in cyberattacks (1) against critical infrastructure, (2) for financial or commercial gain, or (3) to significantly disrupt the availability of a computer or network.³²

³² EO 13694 did not target a specific state, entity, or individual. President Obama issued the EO four months after the Sony Pictures hack, which the U.S. intelligence community assessed had originated in North Korea, and 10 months after the U.S. Department of Justice indicted several Chinese military officers for cyber-related espionage. EO 13694 of April 1, 2015, “Blocking the Property of Certain Persons Engaging in Significant Malicious Cyber-Enabled Activities,”

On December 28, 2016, President Obama issued EO 13757, which amended EO 13694 to establish sanctions against those engaged in “tampering with, altering, or causing a misappropriation of information with the purpose or effect of interfering with or undermining election processes or institutions.”³³ President Obama issued this EO almost three months after the Department of Homeland Security and the Office of the Director of National Intelligence (ODNI) issued a joint statement, on October 7, 2016, which said the U.S. intelligence community was “confident that the Russian Government directed the recent compromises of e-mails from US persons and institutions, including from US political organizations” and that “these thefts and disclosures are intended to interfere with the US election process.”³⁴

Nine days after President Obama issued EO 13757, the ODNI released an unclassified Intelligence Community Assessment on Russian activities and intentions related to the 2016 U.S. presidential election. The assessment stated that the Central Intelligence Agency, the Federal Bureau of Investigation, and the National Security Agency had “high confidence” that Russian President Vladimir Putin had “ordered an influence campaign in 2016 aimed at the U.S. presidential election.”³⁵

CRIEEA, enacted in August 2017, codified EO 13694, as amended, and, in Section 224, enlarged the scope of cyber-related activities subject to sanctions to include a range of activities conducted on behalf of the Russian government that undermine “cybersecurity against any person, including a democratic institution, or government” (for more on CRIEEA, see “Countering Russian Influence in Europe and Eurasia Act of 2017,” below).³⁶

On September 12, 2018, President Trump issued EO 13848, invoking new national emergency authorities to declare that “the ability of persons located ... outside the United States to interfere in or undermine public confidence in United States elections, including through the unauthorized accessing of election and campaign infrastructure or the covert distribution of propaganda and disinformation, constitutes an unusual and extraordinary threat.”³⁷ EO 13848 also states that “the proliferation of digital devices and internet-based communications has created significant vulnerabilities and magnified the scope and intensity of the threat of foreign interference, as illustrated in the 2017 Intelligence Community Assessment.” In addition, it states that “there has

⁸⁰ *Federal Register* 18077, April 2, 2015. EO 13694, as amended, must be extended annually to remain in force; the President extended it most recently on March 26, 2019.

³³ EO 13757 of December 28, 2016, “Taking Additional Steps to Address the National Emergency With Respect to Significant Malicious Cyber-Enabled Activities,” 82 *Federal Register* 1.

³⁴ U.S. Department of Homeland Security, “Joint Statement from the Department Of Homeland Security and Office of the Director of National Intelligence on Election Security,” October 7, 2016.

³⁵ Office of the Director of National Intelligence, *Assessing Russian Activities and Intentions in Recent U.S. Elections*, Intelligence Community Assessment 2017-01D, January 6, 2017.

³⁶ The Countering Russian Influence in Europe and Eurasia Act of 2017, as amended (CRIEEA; P.L. 115-44, Title II, §224; 22 U.S.C. 9524(d)) defines these activities to include the following:

(1) significant efforts—(A) to deny access to or degrade, disrupt, or destroy an information and communications technology system or network; or (B) to exfiltrate, degrade, corrupt, destroy, or release information from such a system or network without authorization for purposes of—(i) conducting influence operations; or (ii) causing a significant misappropriation of funds, economic resources, trade secrets, personal identifications, or financial information for commercial or competitive advantage or private financial gain; (2) significant destructive malware attacks; and (3) significant denial of service activities.

³⁷ Executive Order 13848 of September 12, 2018, “Imposing Certain Sanctions in the Event of Foreign Interference in a United States Election,” 83 *Federal Register* 46843. EO 13848 must be extended annually to remain in force; the President extended it most recently on September 10, 2019.

been no evidence of a foreign power altering the outcome or vote tabulation in any United States election.”

EO 13848 provides for sanctions against foreign individuals and entities that have “directly or indirectly engaged in, sponsored, concealed or otherwise been complicit in foreign interference in a United States election.” The EO requires the Director of National Intelligence to make an initial assessment regarding foreign interference within 45 days of an election and the Attorney General and Secretary of Homeland Security to issue a second report regarding the impact of such interference on election and campaign infrastructure within another 45 days. In addition, the EO requires the Secretary of State and the Secretary of the Treasury to recommend to the President the appropriateness of additional sanctions, including against the largest business entities of the country determined to have interfered in elections, including at least one each from the financial services, defense, energy, technology, and transportation sectors.

Related Actions

Election Interference: Under one or more of these authorities, the United States has designated for activities related to election interference at least 49 Russian individuals and related entities, vessels, and aircraft. Several of the designated individuals also have been indicted by the Department of Justice for related crimes.

In December 2016, President Obama announced the first designations under EO 13694, as amended. Pursuant to this authority, OFAC designated four individuals and five entities for election-related malicious cyber activities. These designees included Russia’s leading intelligence agency (Federal Security Service, or FSB), military intelligence agency (Main Intelligence Directorate, or GRU), and four GRU officers. They also included three companies that allegedly facilitated election-related cyberattacks.

In March 2018, the Trump Administration designated 13 individuals and 3 entities for election-related activities pursuant to EO 13694, as amended. These designees included the Internet Research Agency (IRA), the Russian “troll factory” that the Department of Justice’s Special Counsel’s Office indicted for crimes related to U.S. election interference in February 2018, as well as 12 of its employees, alleged financial backer Yevgeny Prigozhin, and two of Prigozhin’s companies, all of which were also indicted.³⁸

In December 2018, the Administration designated nine GRU officers under Section 224 and two individuals and four entities under EO 13694, as amended, for activities related to election interference. All the GRU officers were indicted previously by the Department of Justice Special Counsel’s Office for related crimes.³⁹ The six other designees were “related to Project Lakhta, a broad Russian effort that includes the IRA.”⁴⁰ The designees included a Project Lakhta employee whom the Department of Justice charged in September 2018 for conspiracy to defraud the United

³⁸ OFAC first designated Prigozhin and his two companies in 2016 and 2017 for activities related to Russia’s invasion of Ukraine. For the Special Counsel’s indictment, see U.S. Department of Justice, “Grand Jury Indicts Thirteen Russian Individuals and Three Russian Companies for Scheme to Interfere in the United States Political System,” press release, February 16, 2018, at <https://www.justice.gov/opa/pr/grand-jury-indicts-thirteen-russian-individuals-and-three-russian-companies-scheme-interfere>.

³⁹ U.S. Department of Justice, “Grand Jury Indicts 12 Russian Intelligence Officers for Hacking Offenses Related to the 2016 Election,” press release, July 13, 2018, at <https://www.justice.gov/opa/pr/grand-jury-indicts-12-russian-intelligence-officers-hacking-offenses-related-2016-election>.

⁴⁰ U.S. Department of the Treasury, “Treasury Targets Russian Operatives over Election Interference, World Anti-Doping Agency Hacking, and Other Malign Activities,” press release, December 19, 2018, at <https://home.treasury.gov/news/press-releases/sm577>.

States related to Project Lakhta's efforts "to interfere in the U.S. political system, including the 2018 midterm election."⁴¹

The first EO 13848-mandated reports on foreign election interference were submitted after the 2018 U.S. midterm elections. The Director of National Intelligence's report concluded that "Russia, and other foreign countries, including China and Iran, [had] conducted influence activities and messaging campaigns targeted at the United States to promote their strategic interests," although the report did not identify "any compromise of [U.S.] election infrastructure that would have prevented voting, changed vote counts, or disrupted the ability to tally votes."⁴² A report by the Attorney General and Secretary of Homeland Security found no evidence "that any identified activities of a foreign government or foreign agent had a material impact on the integrity or security of election infrastructure or political/campaign infrastructure used in the 2018 midterm elections."⁴³

In response to Russian efforts to interfere in the 2018 U.S. midterm elections, the Administration issued its first designations under EO 13848 in September 2019. Designees included the IRA, Prigozhin, and four IRA employees (all previously designated under EO 13694, as amended), as well as two other IRA employees, three Prigozhin-owned aircraft and a yacht, and three associated front companies.

Other Malicious Cyber Activities: EO 13694, as amended, and CRIEEA, Section 224, have been used to designate Russian individuals and entities for malicious cyber activities unrelated to election interference. In December 2016, OFAC designated two individuals under EO 13694 for illicit financial-related activities.⁴⁴ In March 2018, the Trump Administration designated, pursuant to Section 224, the FSB, GRU, and four GRU officers (all previously designated under EO 13694, as amended), as well as two other GRU officers for "destructive cyberattacks," including the 2017 "NotPetya" ransomware attack that the Department of the Treasury called "the most destructive and costly cyberattack in history."⁴⁵

⁴¹ U.S. Department of Justice, "Russian National Charged with Interfering in U.S. Political System," press release, October 19, 2018, at <https://www.justice.gov/opa/pr/russian-national-charged-interfering-us-political-system>. Also see Kevin Roose, "Is A New Russian Meddling Tactic Hiding in Plain Sight?" *New York Times*, September 25, 2018, and Anna Nemtsova, "Russia's Disinformation Chief Takes Fresh Aim at America," *Daily Beast*, December 11, 2018.

⁴² Office of the Director of National Intelligence, "DNI Coats Statement on the Intelligence Community's Response to Executive Order 13848 on Imposing Certain Sanctions in the Event of Foreign Interference in a United States Election," December 21, 2018, at <https://www.dni.gov/index.php/newsroom/press-releases/item/1933-dni-coats-statement-on-the-intelligence-community-s-response-to-executive-order-13848-on-imposing-certain-sanctions-in-the-event-of-foreign-interference-in-a-united-states-election>.

⁴³ U.S. Department of Justice, "Acting Attorney General and Secretary of Homeland Security Submit Joint Report on Impact of Foreign Interference on Election and Political/Campaign Infrastructure in 2018 Elections," February 5, 2019, at <https://www.justice.gov/opa/pr/acting-attorney-general-and-secretary-homeland-security-submit-joint-report-impact-foreign>.

⁴⁴ At this time, the Administration also declared 35 Russian diplomatic personnel persona non grata and denied Russian personnel access to two Russian government-owned compounds in Maryland and New York. The Administration said these measures were a response to the increased harassment of U.S. diplomatic personnel in Russia over the previous two years. The White House, "Fact Sheet: Actions in Response to Russian Malicious Cyber Activity and Harassment," December 29, 2016, at <https://obamawhitehouse.archives.gov/the-press-office/2016/12/29/fact-sheet-actions-response-russian-malicious-cyber-activity-and>.

⁴⁵ U.S. Department of the Treasury, "Treasury Sanctions Russian Cyber Actors for Interference with the 2016 U.S. Elections and Malicious Cyber-Attacks," press release, March 15, 2018, at <https://home.treasury.gov/news/press-releases/sm0312>. On the NotPetya attack, see Andy Greenberg, "The Untold Story of NotPetya, The Most Devastating Cyberattack in History," *Wired*, August 22, 2018.

In June and August 2018, OFAC designated under EO 13694, as amended, five individuals and seven entities that the Department of the Treasury referred to as FSB enablers. One of these entities, Divetechnoservices, “procured a variety of underwater equipment and diving systems for Russian government agencies” and “was awarded a contract to procure a submersible craft.” The Department of the Treasury noted that Russia “has been active in tracking undersea communications cables, which carry the bulk of the world’s telecommunications data.”⁴⁶

In December 2018, OFAC designated four GRU officers under Section 224 for cyber-enabled operations against the World Anti-Doping Agency and/or the Organization for the Prohibition of Chemical Weapons (OPCW). These officers have been indicted by the Department of Justice for related crimes.⁴⁷

In December 2019, OFAC designated a Russian cybercriminal organization known as Evil Corp and 23 related individuals and entities under EO 13694, as amended. The Department of the Treasury alleged that Evil Corp deployed malware “to infect computers and harvest login credentials from hundreds of banks and financial institutions in over 40 countries, causing more than \$100 million in theft.”⁴⁸ The same day, the Department of Justice announced related charges against two alleged leaders of Evil Corp.

Also in response to malicious cyber-enabled activities, in September 2018, the Administration imposed its first secondary sanctions pursuant to Section 231 of CRIIEA, targeting those engaged in “significant transactions” with the Russian defense or intelligence sectors. OFAC designated the Equipment Development Department of China’s Central Military Commission, as well as its director, for taking delivery of 10 Su-35 combat aircraft in December 2017 and S-400 surface-to-air missile system-related equipment in 2018.⁴⁹

Countering Russian Influence in Europe and Eurasia Act of 2017

On August 2, 2017, President Trump signed the Countering America’s Adversaries Through Sanctions Act of 2017 (CAATSA), which includes as Title II the Countering Russian Influence in

⁴⁶ U.S. Department of the Treasury, “Treasury Sanctions Russian Federal Security Service Enablers,” press release, June 11, 2018, at <https://home.treasury.gov/news/press-releases/sm0410>, and U.S. Department of the Treasury, “Treasury Targets Attempted Circumvention of Sanctions,” August 21, 2018, at <https://home.treasury.gov/news/press-releases/sm462>. Also see Greg Walters, “The U.S. Is Worried About Russian Submarines Spying on the Internet,” *Vice News*, June 11, 2018.

⁴⁷ U.S. Department of Justice, “U.S. Charges Russian GRU Officers with International Hacking and Related Influence and Disinformation Operations,” press release, October 4, 2018, at <https://www.justice.gov/opa/pr/us-charges-russian-gru-officers-international-hacking-and-related-influence-and>.

⁴⁸ Three associated entities that OFAC designated were delisted eight days later. U.S. Department of the Treasury, “Treasury Sanctions Evil Corp, the Russia-Based Cybercriminal Group Behind Dridex Malware,” press release, December 5, 2019, at <https://home.treasury.gov/news/press-releases/sm845>; Meduza, “U.S. Treasury Removes Three Russian Companies with Alleged Ties to Hacker Collective Evil Corp from Sanctions List,” December 13, 2019.

⁴⁹ In addition, the Secretary of State, in consultation with the Secretary of the Treasury, selected five specific sanctions, pursuant to CRIIEA, to impose on the Equipment Development Department. These sanctions consisted of a denial of export licenses, a prohibition on foreign exchange transactions, a prohibition on transactions with the U.S. financial system, asset blocking, and the imposition of sanctions on a principal executive officer. Section 231 of CRIIEA requires the President to impose at least 5 of 12 sanctions described in Section 235 on individuals and entities that the President determines have engaged in significant transactions with Russia’s defense or intelligence sector. U.S. Department of State, “CAATSA Section 231: ‘Addition of 33 Entities and Individuals to the List of Specified Persons and Imposition of Sanctions on the Equipment Development Department,’” September 20, 2018, at <https://www.state.gov/caatsa-section-231-addition-of-33-entities-and-individuals-to-the-list-of-specified-persons-and-imposition-of-sanctions-on-the-equipment-development-department/>.

Europe and Eurasia Act of 2017 (CRIEEA).⁵⁰ CRIEEA codifies Ukraine-related and cyber-related EOs (discussed above), strengthens sanctions authorities initiated in Ukraine-related EOs and legislation, and establishes several new sanctions. It also establishes congressional review of any action the President takes to ease or lift a variety of sanctions. In September 2018, President Trump issued EO 13849 establishing the means to implement certain sanctions provided for in CRIEEA (and UFSA, as amended).⁵¹

As of January 2020, the Trump Administration has made 29 designations based on new sanctions authorities in CRIEEA, relating to cyberattacks and/or GRU affiliation (§224, 24 designations), human rights abuses (§228, amending SSIDES, 3 designations), and arms sales (§231, 2 designations). These designations are discussed in previous sections of this report.

Some Members of Congress have called on the President to make more designations based on CRIEEA's mandatory sanctions provisions. As of January 2020, the Administration has not imposed sanctions under other CRIEEA authorities (§§225-228, 232-234). The Administration could use these authorities to target the following:

- significant foreign investment in deepwater, Arctic offshore, or shale oil projects within Russia (§225, amending UFSA);
- foreign financial institutions that facilitate certain transactions for Russia's defense or energy sectors, or for those subject to sanctions related to Russia's invasion of Ukraine (§226, amending UFSA);
- those who engage in significant corruption (§227, amending UFSA);
- sanctions evaders and foreign persons that facilitate significant transactions for those subject to sanctions on Russia (§228, amending SSIDES);
- investment in Russia's energy export pipelines (§232);
- investment (or facilitating investment) that contributes to the privatization of Russia's state-owned assets "in a manner that unjustly benefits" government officials and associates (§233); and
- any foreign person who supports or facilitates Syria's acquiring or developing a variety of advanced or prohibited weapons and defense articles, including weapons of mass destruction (§234).

CRIEEA Sanctions on Russia

- Codification of Ukraine-related EOs 13660, 13661, 13662, and 13685 (§222)
- Codification of cyber-related EO 13694, as amended by EO 13757 (not Russia-specific) (§222)
- Modifications to EO 13662 directives to reduce short-term lending terms to financial services and energy companies and to expand restrictions on transactions by U.S. individuals and entities related to the development of deepwater, Arctic offshore, and shale oil projects in which identified Russian entities have an ownership interest of at least 33% or a majority of voting interests (§223)

⁵⁰ The Countering America's Adversaries Through Sanctions Act (CAATSA; P.L. 115-44; 22 U.S.C. 9501 et seq.) passed the House by a vote of 419-3 on July 25, 2017, and the Senate by a vote of 98-2 on July 27, 2017. CRIEEA had a complex legislative history before becoming Title II of CAATSA. It was previously attached to S. 722, Countering Iran's Destabilizing Activities Act of 2017, which passed the Senate, 98-2, on June 15, 2017. In addition, a prior version of CRIEEA, which included the act's assistance-related provisions but no sanctions provisions, was introduced as a stand-alone bill (S. 1221) in the Senate on May 24, 2017, and reported by the Senate Committee on Foreign Relations on June 6, 2017. A companion bill to S. 722, H.R. 3203, was introduced in the House on July 12, 2017. Several separate Russia provisions were introduced in bills that did not receive further consideration.

⁵¹ EO 13849 of September 20, 2018, "Authorizing the Implementation of Certain Sanctions Set Forth in the Countering America's Adversaries Through Sanctions Act," 83 *Federal Register* 48195.

- New sanctions against **individuals and entities** for
 - Engaging in or supporting significant activities that undermine cybersecurity on behalf of the Russian government (§224)
 - Engaging in significant transactions with Russia’s defense and intelligence sectors (§231)
 - Making or facilitating investments of \$10 million or more that contribute to Russia’s privatization of state-owned assets “in a manner that unjustly benefits” government officials, relatives, or associates (§233)
- New sanctions against **foreign individuals and entities** for
 - Violating Ukraine- or cyber-related sanctions (§228)
 - Facilitating significant transactions for individuals, their family members, and entities subject to sanctions on Russia (§228)
 - Serious human rights abuses in territories forcibly occupied or otherwise controlled by Russia (§228)
 - Significant support for Syria’s acquisition or development of a variety of advanced or prohibited weapons and defense articles (not Russia-specific) (§234)
- Mandatory sanctions (previously discretionary) against **foreign individuals and entities** for
 - Investing in deepwater, Arctic offshore, or shale oil projects in Russia (§225)
- Mandatory sanctions (previously discretionary) against **foreign financial institutions** for facilitating significant transactions related to or for
 - Russia’s weapons transfers to Syria, Ukraine, Georgia, Moldova, and potentially other countries (§226)
 - Deepwater, Arctic offshore, or shale oil projects in Russia (§226)
 - Individuals and entities subject to sanctions related to Russia’s invasion of Ukraine (§226)
- Mandatory sanctions (previously discretionary) against **Russian government officials**, family members, and close associates for acts of significant corruption (§227)
- Discretionary authority to impose sanctions against **individuals and entities** that invest or engage in trade valued at \$1 million, or cumulatively at \$5 million over 12 months, that enhances Russia’s ability to construct energy export pipelines (§232)

Issues Related to CRIEEA Implementation

The Trump Administration’s implementation of sanctions, particularly primary and secondary sanctions under CRIEEA, has raised some questions in Congress about the Administration’s commitment to holding Russia responsible for its malign activities. Administration officials contend they are implementing a robust set of sanctions on Russia, including new CRIEEA requirements, and note that diligent investigations take time.

When President Trump signed CAATSA (with CRIEEA as Title II) into law in August 2017, his signing statement noted that the legislation was “significantly flawed” and “included a number of clearly unconstitutional provisions.” He said he would implement the legislation “in a manner consistent with the President’s constitutional authority to conduct foreign relations.”⁵² On March 15, 2018, OFAC made its first designations, related to cyberattacks, under CRIEEA’s new

⁵² For example, the President cited Sections 253 and 257 of CAATSA as provisions that “purport to displace the President’s exclusive constitutional authority to recognize foreign governments, including their territorial bounds.” The President noted, however, that he shared the policy views of those two sections. Section 253 states that the United States “does not recognize territorial changes effected by force, including the illegal invasions and occupations of Abkhazia, South Ossetia, Crimea, Eastern Ukraine, and Transnistria.” Section 257 states that it is U.S. policy “to support the Government of Ukraine in restoring its sovereign and territorial integrity” and “to never recognize the illegal annexation of Crimea by the Government of the Russian Federation or the separation of any portion of Ukrainian territory through the use of military force.” The White House, “Statement by President Donald J. Trump on the Signing of H.R. 3364,” August 2, 2017, at <https://www.whitehouse.gov/the-press-office/2017/08/02/statement-president-donald-j-trump-signing-hr-3364>.

authorities. OFAC made its most recent designations under CRIEEA authorities in December 2018.

The Administration might not invoke various CRIEEA authorities for a number of reasons. The Administration might cite only a relevant executive order and not legislation with similar authority or requirements. Different sanctions provisions have different evidentiary requirements, which could lead the Administration to choose one over another; it also might be easier to later remove a designation made under one authority than another. Investigations can take time; if OFAC has not made a designation, it may still be investigating activity that is potentially subject to sanctions. Finally, the Administration may seek to use a particular authority to deter objectionable activity; if that deterrence effort is successful, it may need to make only a few (or no) designations based on that authority.

Section 231 Sanctions on Transactions with Russia's Defense and Intelligence Sectors

Congress and the Administration have had differences over Section 231 of CRIEEA, which targets individuals and entities that engage in significant transactions, including arms purchases, with Russia's defense and intelligence sectors. Under the provision, as of January 2020, the Administration has designated a Chinese military department and its director for the purchase of Russian Su-35 combat aircraft and S-400 surface-to-air missile system-related equipment. Congressional concerns persist, however, about other Russian arms sales; these include the transfer of S-400 system components to Turkey starting in July 2019 and a reported advance payment by India for S-400 systems by November 2019.⁵³

In October 2017, the State Department issued initial guidance regarding its implementation of Section 231 sanctions. It indicated it would examine “a wide range of factors ... in looking at any individual case” to determine whether a “significant transaction” had occurred. These factors “may include, but are not limited to, the significance of the transaction to U.S. national security and foreign policy interests, in particular whether it has a significant adverse impact on such interests; the nature and magnitude of the transaction; and the relation and significance of the transaction to the defense or intelligence sector of the Russian government.”⁵⁴

Also in October 2017, the Administration fulfilled a Section 231 reporting requirement to “specify the persons that are part of, or operate for or on behalf of, [Russia's] defense and intelligence sectors.”⁵⁵ The State Department emphasized that the entities on the list were not subject to sanctions but that secondary sanctions could be imposed on individuals and entities “that are determined to knowingly engage in a significant transaction with a person specified in

⁵³ On Turkey, see “Potential Section 231 Sanctions on Turkey,” below. On India, see *Al Jazeera*, “India ‘Makes Advance Payment’ for Russian S-400 Missile System,” November 18, 2019; Franz-Stefan Gady, “India Makes \$800 Million Advance Payment for Russian S-400 Air Defense Systems,” *Diplomat*, November 20, 2019.

⁵⁴ U.S. Department of State, “Briefing on Sanctions with Respect to Russia's Defense and Intelligence Sectors Under Section 231 of the Countering America's Adversaries Through Sanctions Act of 2017,” October 27, 2017, at <https://www.state.gov/briefing-on-sanctions-with-respect-to-russias-defense-and-intelligence-sectors-under-section-231-of-the-countering-americas-adversaries-through-sanctions-act-of-2017/>; U.S. Department of State, “Public Guidance on Sanctions with Respect to Russia's Defense and Intelligence Sectors Under Section 231 of the Countering America's Adversaries Through Sanctions Act of 2017,” updated September 20, 2018, at <https://www.state.gov/countering-americas-adversaries-through-sanctions-act/public-guidance-frequently-asked-questions/>.

⁵⁵ U.S. Department of State, “CAATSA Section 231(e) Defense and Intelligence Sectors of the Government of the Russian Federation,” at <https://www.state.gov/caatsa-section-231d-defense-and-intelligence-sectors-of-the-government-of-the-russian-federation/>.

the Guidance on or after the date of enactment of the Act.”⁵⁶ The State Department expanded and formalized the list as the List of Specified Persons in September 2018; in doing so, the State Department indicated that “any person who knowingly engages in a significant transaction with any of these persons is subject to mandatory sanctions under CRIEEA section 231.”⁵⁷

In January 2018, the Administration indicated that the threat of Section 231 sanctions was having an effect without making any designations. A State Department spokesperson said the State Department estimated that Section 231 had led “foreign governments [to abandon] planned or announced purchases of several billion dollars in Russian defense acquisitions.”⁵⁸ In February 2018, then-Secretary of State Rex Tillerson reiterated that “we’ve been advising countries around the world as to what the impact on their relationship and purchases that they might be considering with Russia, and many have reconsidered those and have decided to not proceed with those discussions.”⁵⁹ In August 2018, then-U.S. Assistant Secretary of State Wess Mitchell said that “the chilling effect” of Section 231 had led to some \$8 billion to \$10 billion in “foreclosed arms deals.”⁶⁰

At the same time, the Administration sought greater flexibility with regard to Section 231 sanctions. CRIEEA grants the President authority to waive the application of sanctions for national security reasons, but this waiver is subject to congressional review under Section 216 of the act. As originally enacted, Section 231 also authorized the President to waive the initial application of sanctions for national security reasons or to “further the enforcement of this title,” but only if the President certified that Russia had “made significant efforts to reduce the number and intensity of cyber intrusions.” In addition, the President could delay the imposition of sanctions, if the President certified that an individual or entity was “substantially reducing the number of significant transactions” it makes with Russia’s defense or intelligence sector.

In April 2018, then-Secretary of Defense James Mattis asked Congress to consider introducing a more “flexible [national security] waiver authority.” Otherwise, he said, “we prevent ourselves from acting in our own best interest and place an undue burden on our allies and partners.”⁶¹ In July 2018, Secretary Mattis wrote to the chairpersons of the House and Senate Armed Services Committees to request the introduction of a broader national security waiver that “would enable allied nations to simultaneously sustain their current force while they move to a closer security relationship with the U.S.” In so doing, the United States would be able to support those “whose

⁵⁶ U.S. Department of State, “Public Guidance on Sanctions with Respect to Russia’s Defense and Intelligence Sectors,” updated September 20, 2018 (see footnote 54).

⁵⁷ The State Department again expanded the list in December 2018. U.S. Department of State, “CAATSA Section 231: ‘Addition of 33 Entities and Individuals,’” September 20, 2018 (footnote 49); U.S. Department of State, “Sanctions Announcement on Russia,” December 19, 2018, at <https://translations.state.gov/2018/12/19/sanctions-announcement-on-russia/>.

⁵⁸ Carol Morello, “White House Says There’s No Need for New Russia Sanctions,” *Washington Post*, January 29, 2018.

⁵⁹ U.S. Department of State, “Press Availability with Turkish Foreign Minister Mevlut Cavusoglu,” February 16, 2018, at <https://translations.state.gov/2018/02/16/secretary-of-state-rex-tillerson-and-turkish-foreign-minister-mevlut-cavusoglu-at-a-press-availability/>.

⁶⁰ Testimony of A. Wess Mitchell, in U.S. Congress, Senate Committee on Foreign Relations, *U.S.-Russia Relations*, hearings, 115th Cong., 2nd sess., August 21, 2018, transcript at <http://www.cq.com/doc/congressionaltranscripts-5378064>.

⁶¹ Testimony of James N. Mattis, in U.S. Congress, Senate Committee on Armed Services, *Department of Defense Budget Posture*, hearings, 115th Cong., 2nd sess., April 26, 2018, at https://www.armed-services.senate.gov/download/mattis_04-26-18.

goal is to end reliance on Russian weapons sales.... Failure to provide waiver relief would deny the U.S. a very effective tool to undermine Russian influence in many areas of the world.”⁶²

In response to Secretary Mattis’s request, Congress amended Section 231 in the John S. McCain National Defense Authorization Act for Fiscal Year 2019 (P.L. 115-232, §1294). The amendment provides for a national security waiver that does not require congressional review but does require the President to certify a transaction would not (1) be with an entity that directly participated in or facilitated cyber intrusions, (2) endanger the United States’ multilateral alliances or ongoing operations, (3) increase the risk of compromising U.S. defense systems, or (4) negatively impact defense cooperation with the country in question. The President also must certify that the country is taking steps to reduce the share of Russian-produced arms and equipment in its total inventory or is cooperating with the United States on other matters critical to U.S. national security. As of January 2020, the Administration has not used this waiver authority.

Potential Section 231 Sanctions on Turkey.⁶³ In December 2017, Turkey and Russia reportedly signed an agreement for Turkey to purchase an S-400 surface-to-air missile system from Russia, in a deal worth \$2.5 billion, with a portion of the total cost to be financed by a Russian loan.⁶⁴ In July 2019, Turkey began taking delivery of system components, and Turkish President Recep Tayyip Erdogan said the system would be fully deployed by April 2020.⁶⁵ In November 2019, the head of Turkey’s defense procurement agency said the delivery of some components may be delayed over talks on technology sharing and joint production.⁶⁶

As of January 2020, the Trump Administration has neither imposed Section 231 sanctions on Turkey for its acquisition of the S-400 system nor issued a national security waiver to avert sanctions. The acquisition has led to the U.S. removal of Turkey from participation in the F-35 Joint Strike Fighter program.⁶⁷ In July 2019, President Trump reportedly asked a group of Senators for flexibility in sanctions implementation as he considered pursuing a deal potentially allowing Turkey to remain in the F-35 program if it (1) agreed not to use the S-400 and (2) acquired a U.S. Patriot air defense system.⁶⁸ Some Members of Congress have introduced legislation, largely in response to Turkey’s 2019 military incursion into northern Syria, calling on the President to impose Section 231 sanctions in response to Turkey’s S-400 acquisition or a determination as to whether the acquisition constitutes a significant transaction pursuant to Section 231.⁶⁹

⁶² See Paul McLeary, “Mattis Makes New Plea to HASC for Russian Sanctions Relief,” *Breaking Defense*, July 25, 2018; RFE/RL, “U.S. Defense Chief Urges Congress to Allow Waivers Of Russian Sanctions,” July 21, 2018.

⁶³ This section is based on CRS Report R44000, *Turkey: Background, U.S. Relations, and Sanctions In Brief*, by Jim Zanotti and Clayton Thomas.

⁶⁴ Tuvan Gumrukcu and Ece Toksabay, “Turkey, Russia Sign Deal on Supply of S-400 Missiles,” Reuters, December 29, 2017.

⁶⁵ Sarah Dadouch, “Turkey’s Erdogan Says Russian S-400s Will Be Fully Deployed By April 2020,” Reuters, July 15, 2019.

⁶⁶ Reuters, “Turkey Says Delivery of Second Russian S-400 Batch May Be Delayed,” November 4, 2019.

⁶⁷ Turkey had planned to purchase 100 U.S.-origin F-35s and was one of eight original consortium partners in the development and industrial production of the aircraft. U.S. Department of Defense, “Press Briefing on DOD’s Response to Turkey Accepting Delivery of the Russian S-400 Air And Missile Defense System,” July 17, 2019, at <https://www.defense.gov/Newsroom/Transcripts/Transcript/Article/1908442/under-secretary-of-defense-for-acquisition-and-sustainment-ellen-m-lord-and-dep/>. For information on the consortium and its members, see CRS Report RL30563, *F-35 Joint Strike Fighter (JSF) Program*, by Jeremiah Gertler.

⁶⁸ Carol E. Lee, Leigh Ann Caldwell, and Courtney Kube, “Trump Asks GOP Senators for ‘Flexibility’ on Turkey Sanctions,” *NBC News*, July 24, 2019.

⁶⁹ See CRS Insight IN11185, *Turkey Sanctions in Pending Legislation: Issues for Congress*, by Jim Zanotti and

Section 241 “Oligarch” List

CRIEEA, in Section 241, requires the Administration to submit a report to Congress that includes “an identification of any indices of corruption” among “the most significant senior foreign political figures and oligarchs in the Russian Federation, as determined by their closeness to the Russian regime and their net worth.” The Section 241 requirement neither authorizes nor requires the President to impose sanctions on individuals included in the report.

The Department of the Treasury submitted this report in unclassified form with a classified annex in January 2018. The unclassified report drew on publicly available lists of political figures and wealthy Russians, without assessments of their closeness to the regime or “indices of corruption.”⁷⁰ According to the Department of the Treasury, the classified annex contains an “extremely thorough analysis” of information pertaining, among other things, to “links to corruption, and international business affiliations of the named Russian persons.”⁷¹

Many observers speculated that the list—or a more tailored version, possibly based on information from the classified annex—might serve as the basis for new designations. In January 2018 testimony to the Senate Committee on Banking, Housing, and Urban Affairs, Secretary of the Treasury Steven Mnuchin indicated that “we intend to now use that report and that intelligence to go forward with additional sanctions.”⁷²

On April 6, 2018, OFAC designated several politically connected Russian billionaires (whom the Department of the Treasury referred to as oligarchs), companies owned or controlled by these individuals, and government officials. OFAC made these designations under Ukraine-related emergency authorities codified by CRIEEA. The Department of the Treasury, however, implied that the designations were in the spirit of CRIEEA’s broader authorities, as they were “in response to worldwide malign activity” and not just Russia’s invasion of Ukraine.⁷³ The Department of the Treasury added that “Russian oligarchs and elites who profit from [a] corrupt system will no longer be insulated from the consequences of their government’s destabilizing activities.”

In particular, the designation of Rusal, a leading global producer of aluminum, attracted international attention. The move marked the first time OFAC designated one of Russia’s 20 largest companies. International attention also focused on the fact that designating Rusal could lead to the possible imposition of wide-ranging secondary sanctions, mandated by CRIEEA, on foreign individuals and entities that facilitate significant transactions on behalf of designees.

Clayton Thomas.

⁷⁰ U.S. Department of the Treasury, “Treasury Releases CAATSA Reports, Including on Senior Foreign Political Figures and Oligarchs in the Russian Federation,” press release, January 29, 2018, at <https://home.treasury.gov/news/press-releases/sm0271>.

⁷¹ U.S. Department of the Treasury, “Treasury Information on CAATSA Report and Russian Sanctions,” press release, February 1, 2018, at <https://home.treasury.gov/news/press-releases/sm0276>.

⁷² Testimony of Steven Mnuchin, in U.S. Congress, Senate Committee on Banking, Housing, and Urban Affairs, *Hearing on Financial Stability Oversight Council Annual Report*, 114th Cong., 2nd sess., January 30, 2018, transcript at <http://www.cq.com/doc/congressionaltranscripts-5256410?17>.

⁷³ OFAC made the designations one month after the March 4, 2018, nerve agent attack against UK citizen and former Russian intelligence officer Sergei Skripal and his daughter in the United Kingdom (see “Use of a Chemical Weapon”) and one week after the Administration responded to that attack by expelling 60 Russian diplomats it said were intelligence operatives and closing Russia’s Consulate General in Seattle. U.S. Department of the Treasury, “Treasury Designates Russian Oligarchs,” April 6, 2018 (see footnote 26).

Rusal's designation made foreign banks and firms reluctant to engage in transactions with the firm.

The Trump Administration appeared to be responsive to international concerns regarding Rusal's designation. In April 2018, the Administration provided a six-month wind-down period for transactions with Rusal that it repeatedly prolonged. In addition, Treasury officials indicated the United States would remove sanctions against the firm if Kremlin-connected billionaire Oleg Deripaska, who is subject to sanctions, divested and ceded control (since his control was the justification for Rusal's designation in the first place). In December 2018, the Department of the Treasury announced that an agreement on eliminating Deripaska's control of Rusal's parent company had been reached and, accordingly, notified Congress it intended to terminate sanctions on Rusal and two related companies in 30 days.⁷⁴

The Russia Sanctions Review Act of 2017 (Part 1 of CRIIEA; 22 U.S.C. 9511) provides a means for Congress to block the President's action to terminate or waive certain sanctions on Russia if it adopts a (presumably) veto-proof joint resolution of disapproval within 30 days of the President taking the action. In January 2019, the Senate and House each took up the matter. The House adopted H.J. Res. 30 to disapprove the delisting of Rusal by a vote of 362-53; the Senate, however, failed to invoke cloture for final consideration of its companion bill, S.J. Res. 2, by a vote of 57-42.

Use of a Chemical Weapon

On August 6, 2018, Secretary of State Michael Pompeo determined that on March 4, 2018, the Russian government used a chemical weapon in the United Kingdom in contravention of international law (see text box entitled "U.S. Determination of Russia's Use of a Chemical Weapon," below). This finding triggered the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991 (CBW Act).⁷⁵

U.S. Determination of Russia's Use of a Chemical Weapon

In August 2018, the United States determined that Russia had used a chemical weapon in contravention of international law in relation to the March 2018 nerve agent attack on UK citizen Sergei Skripal, a former Russian military intelligence officer once imprisoned in Russia for allegedly working as a UK double agent, and his daughter. A police officer also was injured in the attack. In July 2018, UK media reported that another UK citizen died after she came into contact with a bottle containing the nerve agent.

On March 15, 2018, President Trump and the leaders of the United Kingdom, France, and Germany issued a joint statement condemning the chemical attack, calling it "the first offensive use of a nerve agent in Europe since the Second World War" and its use by a state party "a clear violation of the Chemical Weapons Convention and a breach of international law."

Also in March 2018, in an annual report on compliance with the Chemical Weapons Convention (CWC), the Trump Administration stated that "due to the use of a military-grade nerve agent to attack two individuals in the United Kingdom, the United States certifies that the Russian Federation is in non-compliance with its obligations under the CWC."

⁷⁴ U.S. Department of the Treasury, "OFAC Notifies Congress of Intent to Delist EN+, Rusal, and EuroSibEnergo," press release, December 19, 2018, at <https://home.treasury.gov/news/press-releases/sm576>; Radio Free Europe, "Rusal Names New Chairman as Part of Deal To End U.S. Sanctions," December 28, 2018.

⁷⁵ The CBW Act has been invoked on two other occasions. In August 2013, the State Department determined that the government of Syria had used chemical weapons but invoked national security waiver authority, stating that the decision to apply or waive sanctions "will be made on a case-by-case basis." In February 2018, the Secretary of State determined that the government of North Korea was responsible for the lethal 2017 nerve agent attack on Kim Jong Nam, the half-brother of North Korean leader Kim Jong-un, in Malaysia. Sanctions that were largely redundant with restrictions already in place on North Korea went into effect in March 2018.

In April 2018, the Organization for the Prohibition of Chemical Weapons “confirm[ed] the findings of the United Kingdom relating to the identity” of the nerve agent and noted that it “was of high purity.” The Trump Administration said it agreed “that Russia is responsible for the attack on UK soil using a chemical weapon—either through deliberate use or through its failure to declare and secure its stocks of this nerve agent.”

In September 2018, UK authorities charged two individuals for the attack. Then-UK Prime Minister Theresa May said that the suspects “are officers from the Russian military intelligence service, also known as the GRU.” Russian authorities deny involvement in the attack and possession of chemical weapons. In reference to Skripal, Russian President Vladimir Putin said months after the attack that “traitors must be punished.”

Sources: U.S. Department of State, *Compliance With the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction Condition 10(C) Report*, March 2018; The White House, “Statement from the United States, France, Germany, and the United Kingdom on the Attack in Salisbury,” March 15, 2018; Organization for the Prohibition of Chemical Warfare (OPCW), “Summary of the Report Carried Out in Support of a Request for Technical Assistance by the United Kingdom of Great Britain and Northern Ireland,” April 12, 2018; U.S. Mission to the Organization for Security and Cooperation in Europe, “Response to the United Kingdom’s Update on the OPCW Report on the Nerve Agent Attack in Salisbury, UK,” April 12, 2018; Peter Walker, “Salisbury Attackers Were Russian Military Intelligence, Says May,” September 5, 2018; President of Russia, “Interview with The Financial Times,” June 27, 2019.

When such a finding is made, the CBW Act first requires the President to terminate arms sales; export licenses for U.S. Munitions List items; foreign military financing; and foreign assistance, other than that which addresses urgent humanitarian situations or provides food, agricultural commodities, or agricultural products. The act also requires the President to deny credit, credit guarantees, or other financial assistance from the U.S. government, including Export-Import Bank programs, and to deny export licenses for goods or technology controlled for national security reasons (the Commodity Control List).⁷⁶

The CBW Act requires the imposition “forthwith” of these sanctions on determining that a chemical weapon has been used. On August 27, 2018, Assistant Secretary of State for International Security and Nonproliferation Christopher Ford announced the imposition of this first round of sanctions but invoked national security waiver authority to allow for the continuation of foreign assistance, exports related to space cooperation and commercial space launches, and export licensing for national security-sensitive goods and technology in specific categories, including exports related to civil aviation safety, commercial end-users for civil end-uses, U.S. and foreign wholly owned subsidiaries operating in Russia, and deemed export licenses for Russian nationals working in the United States.⁷⁷

Within three months after the initial determination (that is, by early November 2018), the CBW Act required the President to take additional restrictive steps unless he determined and certified to Congress that Russia

- “is no longer using chemical or biological weapons in violation of international law or using lethal chemical or biological weapons against its own nationals,”
- “has provided reliable assurances that it will not in the future engage in any such activities,” and

⁷⁶ CBW Act, §307(a); 22 U.S.C. 5605(a). President Clinton delegated the authority to make determinations and exercise waiver authority to the Secretary of State. Based on the Secretary of State’s determinations, the authority to restrict certain imports or exports is delegated to, respectively, the Secretary of the Treasury and the Secretary of Commerce. Executive Order 12851 of June 11, 1993, “Administration of Proliferation Sanctions, Middle East Arms Control, and Related Congressional Reporting Responsibilities,” 58 *Federal Register* 33181.

⁷⁷ U.S. Department of State, “Determinations Regarding Use of Chemical Weapons by Russia Under the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991,” 83 *Federal Register* 43723, August 27, 2018.

- “is willing to allow on-site inspections by United Nations observers or other internationally recognized, impartial observers, or other reliable means exist, to ensure that [Russia] is not using chemical or biological weapons in violation of international law and is not using lethal chemical or biological weapons against its own nationals.”⁷⁸

If the President did not certify on all these terms, he was required to execute, in consultation with Congress, at least three additional measures among the following:

- Oppose loans or financial or technical assistance to Russia by international financial institutions;
- prohibit U.S. banks from making loans or providing credit to the Russian government, except for the purchase of food or other agricultural commodities or products;
- prohibit exports to Russia of all other goods and technology, except food and other agricultural commodities and products;
- restrict importation into the United States of articles that are of Russia-origin growth, product, or manufacture;
- downgrade or suspend diplomatic relations; and
- set in motion the suspension of foreign air carriers owned or controlled by Russia “to engage in foreign air transportation to or from the United States.”⁷⁹

In September 2018 testimony to the House Committee on Foreign Affairs, then-Assistant Secretary of State Manisha Singh said “we intend to impose a very severe second round of sanctions under the CBW. The global community will not tolerate behavior such as we have seen from Russia, especially in poisoning and killing its own citizens.”⁸⁰

On November 6, 2018, the State Department informed Congress that it “could not certify that Russia met the required conditions” and intended “to proceed in accordance with the terms of the CBW Act, which directs the implementation of additional sanctions.”⁸¹ The Administration did not immediately impose a second round of CBW Act-related sanctions, but in December 2018 OFAC designated two GRU officers for the “attempted assassination” of Sergei Skripal and his daughter through the use of a lethal nerve agent.⁸² Although the attempted assassination was not cyber-related, OFAC used CRIEEA, Section 224 (undermining cybersecurity), to designate these officers as agents of the previously designated GRU.

The Administration took its next steps to implement CBW Act-related sanctions on August 1-2, 2019. On August 1, President Trump issued EO 13883 to require the Secretary of the Treasury to implement measures, “when necessary,” to oppose U.S. support for international financing and to prohibit access to U.S. bank loans.⁸³ On August 2, Treasury issued a directive (the “CBW Act

⁷⁸ CBW Act, §307(b)(1); 22 U.S.C. 5605(b)(1).

⁷⁹ CBW Act, §307(b)(2); 22 U.S.C. 5605(b)(2).

⁸⁰ Testimony of Manisha Singh, in U.S. Congress, House Committee on Foreign Affairs, *Oversight of U.S. Sanctions Policy*, hearings, 115th Cong., 2nd sess., September 13, 2018, transcript at <https://plus.cq.com/doc/congressionaltranscripts-5388021?8>.

⁸¹ Reuters, “U.S. Intends More Sanctions On Russia Over Chemical Weapons: Spokeswoman,” November 6, 2018.

⁸² U.S. Department of the Treasury, “Treasury Targets Russian Operatives over Election Interference, World Anti-Doping Agency Hacking, and Other Malign Activities,” December 19, 2018 (footnote 40).

⁸³ EO 13883 of August 1, 2019, “Administration of Proliferation Sanctions and Amendment of Executive Order

Directive”) specifying that the latter measures prohibited U.S. banks from “lending non-ruble denominated funds to the Russian sovereign” and participating “in the primary market for non-ruble denominated bonds issued by the Russian sovereign.”⁸⁴ According to Treasury, U.S. banks are not prohibited from participating in the secondary market for Russian sovereign debt. Prohibitions do not apply to transactions with Russian state-owned enterprises.

On August 2, the State Department announced the pending imposition of these sanctions, as well as a third: the Department of Commerce would implement a “presumption of denial” policy for export licenses for goods controlled for dual-use chemical and biological applications. According to the State Department, restrictions entered into effect on or around August 19, 2019, and “could curtail Russia’s access to billions of dollars of bilateral commercial activity with the United States.”⁸⁵

CBW-related sanctions remain in place for at least a year. They may be removed only after the President determines and certifies to Congress that the three conditions stated above have been met and that Russia is making restitution to those affected by the use of the chemical weapon.

The CBW Act authorizes the President to waive sanctions if he finds it essential to U.S. national security interests to do so and notifies Congress at least 15 days in advance. The President also may waive sanctions if he finds “that there has been a fundamental change in the leadership and policies of the government of that country, and if the President notifies the Congress at least 20 days before the waiver takes effect.”⁸⁶

Other Sanctions Programs

The United States imposes economic sanctions on Russian individuals and entities in response to a variety of other objectionable activities. These activities include weapons proliferation, trade with North Korea in violation of U.N. Security Council requirements, support for the Syrian and Venezuelan governments, transnational crime, and international terrorism.

Weapons Proliferation

Several laws require the President to impose sanctions on those he determines have engaged in trade in weapons of mass destruction or advanced conventional weapons.⁸⁷ Restrictions cover a range of activities but generally include a one- to two-year cutoff of procurement contracts with the U.S. government and restrictions on import and export licensing. Restrictions also may include a denial of U.S. foreign aid, sales of defense articles and defense services subject to U.S. export control for national security and foreign policy purposes (U.S. Munitions List items), and export licenses for dual-use goods and services (Commerce Control List).⁸⁸

12851,” 84 *Federal Register* 38113.

⁸⁴ Office of Foreign Assets Control, “Issuance of Russia-Related Directive Pursuant to Executive Order 13883 of August 1, 2019,” 84 FR 48704, September 16, 2019.

⁸⁵ U.S. Department of State, “Imposition of a Second Round of Sanctions on Russia under the Chemical and Biological Weapons Control and Warfare Elimination Act,” August 2, 2019, at <https://www.state.gov/imposition-of-a-second-round-of-sanctions-on-russia-under-the-chemical-and-biological-weapons-control-and-warfare-elimination-act/>.

⁸⁶ CBW Act, §307(d)(1)(B); 22 U.S.C. 5605(d)(1)(B).

⁸⁷ See CRS Report RL31502, *Nuclear, Biological, Chemical, and Missile Proliferation Sanctions: Selected Current Law*, by Dianne E. Rennack.

⁸⁸ Defense articles and defense services subject to U.S. export controls for national security and foreign policy purposes are identified on the U.S. Munitions List, as established in Section 38 of the Arms Export Control Act (22 U.S.C.

Pursuant to the Iran, North Korea, and Syria Nonproliferation Act, as amended (INKSNA), Russian state-owned arms exporter Rosoboronexport and seven other Russian defense entities currently are denied most U.S. government procurement contracts, export licenses, and trade in U.S. Munitions List-controlled goods and services. Weapons proliferation sanctions against Rosoboronexport are in addition to Ukraine-related sectoral sanctions imposed on the agency in December 2015 and its designation in April 2018 as an SDN for providing support to the Syrian government.⁸⁹ Restrictions against entering into government contracts and other transactions with Rosoboronexport have been stated in annual Defense appropriations acts since 2013 (see “Restrictions on U.S. Government Funding,” below).

The prohibitions against transactions with Rosoboronexport do not apply to contracts related to the maintenance or repair of Mi-17 helicopters purchased by the United States “for the purpose of providing assistance to the security forces of Afghanistan, as well as for the purpose of combating terrorism and violent extremism globally.” They also do not apply to procurement related to the purchase or maintenance of optical sensors that “improve the U.S. ability to monitor and verify Russia’s Open Skies Treaty compliance.”⁹⁰

In October 2012, the Department of Commerce’s BIS imposed restrictions on 119 Russian individuals and entities, and 45 others from 11 other countries, for suspected involvement in procurement and delivery of items to Russia for military-related and other governmental or related end uses in violation of the Export Administration Regulations (EAR) and the International Traffic in Arms Regulations.⁹¹ BIS periodically has imposed restrictions on other Russian individuals and entities for suspected violations of the EAR with respect to exports to Russia for military and other purposes.

In December 2017, BIS imposed export-licensing restrictions on two entities for producing a ground-launched cruise missile system and associated launcher in violation of the Intermediate-

Weapons Proliferation Sanctions on Russia: Historical Background

The United States has imposed a variety of proliferation-related sanctions on Russian entities over the last two decades related to weapons sales and assistance to Iran, Syria, and North Korea. In 1998-1999, 10 Russian entities became subject to proliferation sanctions for providing supplies and assistance to Iran’s missile and nuclear programs. In 1999-2004, another six entities became subject to sanctions for providing lethal military equipment to Iran or other state sponsors of terrorism. Sanctions on these entities expired or were removed by the Clinton (2000), Bush (2004), and Obama (2010) Administrations.

State-owned arms exporter Rosoboronexport first became subject to U.S. sanctions in July 2006 pursuant to the Iran Nonproliferation Act of 2000 (P.L. 106-178). The United States again imposed sanctions on Rosoboronexport, along with other Russian defense entities, pursuant to P.L. 106-178, as amended (from December 2006) and INKSNA (from October 2008). The Obama Administration did not renew proliferation sanctions on Rosoboronexport in 2010; it reapplied them in 2015.

2778). Dual-use goods and services similarly subject to export controls are identified on the Commerce Control List, 15 C.F.R. Part 774 Supplement 1, pursuant to authorities in the Export Control Act of 2018 (P.L. 115-232, Title XVII, Part I) to the extent it continues regulations issued under the Export Administration Act of 1979 (P.L. 96-72; 50 U.S.C. 4601 et seq.) (see, in particular, §1758(g)(2) of the 2018 act). The Commerce Control List, under the Export Control Act of 2018 (§1759), is subject to review not later than 270 days after the date of enactment. The act was signed into law on August 13, 2018.

⁸⁹ Two other Russian defense firms, the Instrument Design Bureau (precision-guided weapons) and NPO Mashinostroyeniya (rockets and missiles), also have been subject to recurring U.S. proliferation sanctions since 2014, in addition to being designated pursuant to Ukraine-related executive orders.

⁹⁰ U.S. Department of State, “Imposition of Nonproliferation Measures Against Rosoboronexport, Including a Ban on U.S. Government Procurement,” 83 *Federal Register* 21333, May 9, 2018.

⁹¹ BIS, “Addition of Certain Persons to the Entity List,” 77 *Federal Register* 61249, October 9, 2012.

Range Nuclear Forces Treaty (INF Treaty).⁹² As a result of Russia's failure to return to compliance with the INF Treaty, the United States withdrew from the treaty in August 2019.⁹³

North Korea Sanctions Violations

The U.N. Security Council, beginning in 2006, has required its member states to curtail a range of diplomatic, finance, trade, and exchange relations with North Korea. The Security Council took action in response to North Korea's withdrawal from the Treaty on Non-Proliferation of Nuclear Weapons, testing of nuclear weapons, and efforts to develop missile delivery systems. Security Council resolutions also have drawn attention to North Korea's abuse of diplomatic privileges and immunities, money laundering, bulk cash smuggling, disruption of regional stability, and disregard for the human rights conditions of its civilian population.⁹⁴

To meet the United States' U.N. obligations, and to implement requirements enacted in the North Korea Sanctions and Policy Enhancement Act of 2016 (P.L. 114-122; 22 U.S.C. 9201 et seq.), as amended by the Korean Interdiction and Modernization of Sanctions Act (CAATSA, Title III), the President has issued a series of executive orders to block assets, transactions, and travel of designated North Korean individuals and entities. These sanctions also apply to other foreign individuals and entities that engage in trade or support North Korean designees.⁹⁵

The Trump Administration has designated at least 22 Russia-related individuals, entities, and vessels for evading sanctions restricting trade and financial transactions with North Korea. Designations include the following:

- in June and August 2017, a Russian oil company and its subsidiary, three Russian individuals, and two Singapore-based companies those individuals control for trade in petroleum with North Korea, under EO 13722 (March 2016);
- in June 2017, two Russian entities and two related individuals for providing supplies and procuring metals to a North Korean company designated in 2009 for its weapons of mass destruction programs, under EO 13382 (June 2005);
- in August 2018, a Russian bank for "facilitating a significant transaction on behalf of an individual designated for weapons of mass destruction-related activities," under EO 13810 (September 2017);⁹⁶
- in August 2018, two Russian shipping companies and six vessels for involvement "in the ship-to-ship transfer of refined petroleum products with North Korea-

⁹² BIS, "Addition of Certain Persons to the Entity List," 82 *Federal Register* 60304, December 20, 2017.

⁹³ For more, see CRS In Focus IF11051, *U.S. Withdrawal from the INF Treaty: What's Next?*, by Amy F. Woolf.

⁹⁴ See CRS Report R41438, *North Korea: Legislative Basis for U.S. Economic Sanctions*, by Dianne E. Rennack.

⁹⁵ The EOs referenced in this section are EO 13382 of June 28, 2005, "Blocking Property of Weapons of Mass Destruction Proliferators and Their Supporters," 70 *Federal Register* 38567; EO 13722 of March 15, 2016, "Blocking Property of the Government of North Korea and the Workers' Party of Korea, and Prohibiting Certain Transactions With Respect to North Korea," 81 *Federal Register* 14943; and EO 13810 of September 20, 2017, "Imposing Additional Sanctions With Respect to North Korea," 82 *Federal Register* 44705. Other North Korea-related EOs are EO 13466 (June 26, 2008), EO 13551 (August 30, 2010), EO 13570 (April 18, 2011), and EO 13687 (January 2, 2015).

⁹⁶ According to the Department of the Treasury, the bank had a commercial relationship with North Korean entities since at least 2009. U.S. Department of the Treasury, "Treasury Targets Russian Bank and Other Facilitators of North Korean United Nations Security Council Violations," press release, August 3, 2018, at <https://home.treasury.gov/news/press-releases/sm454>.

flagged vessels, an activity expressly prohibited by the U.N. Security Council,” under EO 13810;⁹⁷

- in September 2018, a Russia-based front company for a China-based information technology company that “in reality ... is managed and controlled by North Koreans” and facilitates the exportation of information technology workers from North Korea, under EO 13722 and EO 13810;⁹⁸ and
- in June 2019, a Russian institution for helping North Korea evade sanctions through the provision of financial services to a subsidiary of North Korea’s primary foreign exchange bank and a zinc export company, under EO 13382.

Syria-Related Sanctions

In a series of executive orders dating back to 2004, the President has sought to block trade and transactions with the government of Syria and its supporters. The U.S. government has imposed these sanctions in response to Syria’s past occupation of Lebanon, support of international terrorism, pursuit of weapons of mass destruction and the means to deliver them, undermining of international efforts to stabilize Iraq, and escalating violence against its own people.⁹⁹

In April 2018, OFAC designated Russia’s state-owned arms exporter Rosoboronexport and an associated bank pursuant to EO 13582 (August 2011) for providing material support and services to the government of Syria.¹⁰⁰ Previously, during the Obama Administration, OFAC designated two other banks, which have since had their licenses revoked, and 12 related individuals pursuant to EO 13582 (in May 2014, November 2015, and December 2016).

In November 2018, OFAC designated under EO 13582 one Russian individual and three Russia-based entities for providing material support and services to the government of Syria. Treasury said these designees were part of “a complex scheme Iran and Russia have used to bolster the Assad regime and generate funds for Iranian malign activity.” This scheme involved moving oil from Iran to Syria and funneling funds to the Islamic Revolutionary Guard Corps-Qods Force, its proxies, and Hamas and Hezbollah.¹⁰¹

In September 2019, OFAC designated one entity under EO 13582 and associated individuals and vessels under the Ukraine-related EO 13685 for providing material support and services to the

⁹⁷ U.S. Department of the Treasury, “Treasury Targets Russian Shipping Companies for Violations of North Korea-Related United Nations Security Council Resolutions,” press release, August 21, 2018, at <https://home.treasury.gov/news/press-releases/sm463>.

⁹⁸ U.S. Department of the Treasury, “Treasury Targets North Korea-Controlled Information Technology Companies in China and Russia,” press release, September 13, 2018, at <https://home.treasury.gov/news/press-releases/sm481>.

⁹⁹ The EO referenced in this section is EO 13582 of August 17, 2011, “Blocking Property of the Government of Syria and Prohibiting Certain Transactions with Respect to Syria,” 76 *Federal Register* 52209. The initial declaration of a national emergency relating to Syria is stated in EO 13338 of May 11, 2004, “Blocking Property of Certain Persons and Prohibiting the Export of Certain Goods to Syria,” 69 *Federal Register* 26751.

¹⁰⁰ Before Rosoboronexport was designated as an SDN in April 2018, SSI sectoral sanctions applied to it as a subsidiary of the Russian defense conglomerate Rostec. Other sanctions relating to weapons proliferation also applied (see “Weapons Proliferation”).

¹⁰¹ The Islamic Revolutionary Guard Corps-Qods Force, Hamas, and Hezbollah are each subject to U.S. sanctions as foreign terrorist organizations (FTO), specially designated global terrorists (SDGT), and for their activities in the Middle East. One of the designated entities was also designated for Iran-related activities and as an SDGT. Another was previously designated for Iran-related activities and as an SDGT. U.S. Department of the Treasury, “Treasury Designates Illicit Russia-Iran Oil Network Supporting the Assad Regime, Hizballah, and HAMAS,” press release, November 20, 2018, at <https://home.treasury.gov/news/press-releases/sm553>.

government of Syria and for evading Ukraine-related sanctions. Treasury said the entity was serving as a front company for a sanctioned entity as part of a “scheme to facilitate the [illicit transfer] of jet fuel to Russian forces operating in Syria.”¹⁰²

Venezuela-Related Sanctions

In March 2019, the Administration designated a bank that is jointly owned by Russian and Venezuelan state-owned companies under EO 13850 for providing support to Venezuela’s state-owned oil company, Petroleos de Venezuela, S.A. (PdVSA).¹⁰³ The Administration designated PdVSA in January 2019 to curb the availability of resources to the regime of Nicolás Maduro.

Energy Export Pipelines

Two legislative authorities provide for sanctions related to the development of Russian energy export pipelines. No designations have been made under these authorities as of January 2020.

CRIEEA, Section 232, authorizes (but does not require) sanctions on individuals or entities that invest at least \$1 million, or \$5 million over 12 months, or engage in trade valued at an equivalent amount for the construction of Russian energy export pipelines. Section 232 was a response to the development of the Nord Stream 2 natural gas pipeline, a Gazprom-owned project designed to increase the amount of Russian gas delivered to Germany and other parts of Europe via the Baltic Sea.¹⁰⁴

The Trump Administration has not used Section 232 to oppose the construction of Nord Stream 2. In October 2017, the Administration published guidance noting that Section 232 sanctions would not apply to projects for which contracts were signed prior to August 2, 2017, the date of CRIEEA’s enactment.¹⁰⁵ Gazprom signed agreements with five European companies to partially finance the construction of Nord Stream 2 in April 2017. Section 232 does not provide for sanctions on financing specifically, although it does provide for sanctions on the provision of services and support.

A newer authority providing for sanctions related to the construction of Nord Stream 2 and other Russian energy export pipelines is the Protecting Europe’s Energy Security Act of 2019 (PEESA). PEESA, enacted on December 20, 2019, is included in the FY2020 National Defense Authorization Act (P.L. 116-92, Title LXXV). PEESA requires sanctions on foreign persons who, since the date of enactment, the President determines have sold, leased, or provided subsea pipe-laying vessels for the construction of Nord Stream 2 and TurkStream (a second new Russian gas export pipeline), or any successor pipeline.¹⁰⁶ PEESA provides for a 30-day wind-down period; exceptions for repairs, maintenance, environmental remediation, and safety; and a national

¹⁰² U.S. Department of the Treasury, “Treasury Targets Sanctions Evasion Scheme Facilitating Jet Fuel Shipments to Russian Military Forces in Syria,” press release, September 26, 2019, at <https://home.treasury.gov/news/press-releases/sm785>.

¹⁰³ EO 13850 of November 1, 2018, “Blocking Property of Additional Persons Contributing to the Situation in Venezuela,” 83 *Federal Register* 55243. The initial declaration of a national emergency relating to Venezuela is stated in EO 13692 of March 8, 2015, “Blocking Property and Suspending Entry of Certain Persons Contributing to the Situation in Venezuela,” 80 *Federal Register* 12747.

¹⁰⁴ For more, see CRS In Focus IF11138, *Nord Stream 2: A Fait Accompli?*, by Paul Belkin et al.

¹⁰⁵ U.S. Department of State, “CAATSA/CRIEEA Section 232 Public Guidance,” October 31, 2017, at <https://www.state.gov/caatsa-crieaa-section-232-public-guidance/>.

¹⁰⁶ On TurkStream, see CRS In Focus IF11177, *TurkStream: Another Russian Gas Pipeline to Europe*, by Sarah E. Garding et al.

security waiver. In addition, PEESA provides for the termination of sanctions if the President certifies to Congress “that appropriate safeguards have been put in place”

- to minimize Russia’s ability to use the sanctioned pipeline project “as a tool of coercion and political leverage” and
- to ensure “that the project would not result in a decrease of more than 25 percent in the volume of Russian energy exports transiting through existing pipelines in other countries, particularly Ukraine, relative to the average monthly volume of Russian energy exports transiting through such pipelines in 2018.”

As of January 2020, PEESA’s impact on completion of the Nord Stream 2 pipeline was uncertain (TurkStream’s subsea pipelines were completed in November 2018). According to media reports, about 100 miles of the approximately 760-mile pipeline remained to be constructed.¹⁰⁷ On December 21, 2019, Allseas, the Swiss-Dutch company laying the pipeline, stated that it had “suspended its Nord Stream 2 pipelay activities [and would] proceed, consistent with the legislation’s wind down provision.”¹⁰⁸ On December 27, 2019, the State Department said that “the United States’ intention is to stop construction of Nord Stream 2” and that sanctions would be imposed “unless related parties *immediately* demonstrate good faith efforts to wind-down.”¹⁰⁹

Russian officials have issued contradictory responses to these sanctions. Some have said that Russia will be able to finish construction of the pipeline with a vessel it reportedly acquired in 2016. One official has said it could take Russia a few years to design and build the necessary ships.¹¹⁰ On December 30, 2019, Russia concluded an agreement with Ukraine to continue transiting Russian natural gas through Ukraine, albeit in lesser amounts than before: in 2020, a volume equal to about 75% of the 2018 volume and, from 2021 to 2024, a volume equal to less than half the 2018 volume.¹¹¹

Transnational Crime

Russian individuals and entities are subject to sanctions for activities related to transnational crime.¹¹² OFAC currently designates at least 15 Russian individuals and 6 entities for their roles in transnational criminal organizations (TCOs). In December 2017, OFAC designated as a TCO the “Thieves-in-Law,” which it characterized as “a Eurasian crime syndicate that has been linked to a long list of illicit activity across the globe.”¹¹³ OFAC also designated 10 individuals (Russian

¹⁰⁷ Brian Scheid and Anastasia Dmitrieva, “US Gives Companies 30 Days To Avoid Nord Stream 2 Sanctions,” *S&P Global*, December 27, 2019.

¹⁰⁸ Allseas, “Allseas Suspends Nord Stream 2 Pipelay Activities,” press release, December 21, 2019, at <https://allseas.com/news/allseas-suspends-nord-stream-2-pipelay-activities/>.

¹⁰⁹ U.S. Department of State, “Fact Sheet on U.S. Opposition to Nord Stream 2,” December 27, 2019, at <https://www.state.gov/fact-sheet-on-u-s-opposition-to-nord-stream-2/>.

¹¹⁰ DW, “Russia Can Complete Nord Stream 2 Pipeline By Itself: Kremlin,” December 26, 2019; RFE/RL, “Russian, Ukrainian State Gas Companies To Meet On Finalizing New Contract,” December 26, 2019; Reuters, “Russia May Use Vessel Docked In Pacific To Finish Nord Stream 2: Minister,” December 27, 2019.

¹¹¹ Vladimir Soldatkin, Andrey Kuzmin, and Natalia Zinets, “Russia, Ukraine Outline Terms for Five-Year Gas Transit Deal To End Row,” Reuters, December 21, 2019; Vladimir Soldatkin and Natalia Zinets, “Russia, Ukraine Clinch Final Gas Deal on Gas Transit to Europe,” Reuters, December 30, 2019.

¹¹² EO 13581 of July 24, 2011, “Blocking Property of Transnational Criminal Organizations,” 76 *Federal Register* 44757. Although the EO does not explicitly address denial of entry into the United States of transnational crime (TCO) designees, the Secretary of Homeland Security, Secretary of State, and Attorney General could draw on authorities stated in the Immigration and Nationality Act (at 8 U.S.C. 1189) to deny entry.

¹¹³ U.S. Department of the Treasury, “Treasury Targets the ‘Thieves-in-Law’ Eurasian Transnational Criminal

nationals and others) and 2 entities as TCOs for their relation to the Thieves-in-Law; these designees include several individuals OFAC previously designated, during the Obama Administration, as part of a related TCO, the Brothers' Circle.¹¹⁴ When OFAC designated the Thieves-in-Law, it delisted the Brothers' Circle and some related individuals and entities.

Terrorism

Russian individuals and entities are subject to sanctions related to international terrorism.¹¹⁵ OFAC has designated at least 2 entities and 12 affiliated individuals, in Russia or as fighters abroad, as Specially Designated Global Terrorists (SDGTs). The Caucasus Emirate, a terrorist and insurgent group in Russia's North Caucasus region, was established in 2007; OFAC listed its founder, Doku Umarov, as an SDGT in 2010 (he was killed in 2013).¹¹⁶ OFAC designated the Caucasus Emirate itself in May 2011. In 2015, the Islamic State recognized as its local affiliate the Caucasus Province (Vilayet), which reportedly was established by insurgents previously affiliated with the Caucasus Emirate. OFAC designated the Caucasus Province as an SDGT in September 2015.

Restrictions on U.S. Government Funding

As in past years, FY2020 appropriations restrict assistance to the Russian government. The Department of Defense Appropriations Act, 2020 (P.L. 116-93, Division A), prohibits the use of defense funding to make a loan or loan guarantee to Rosoboronexport or any of its subsidiaries (§8101). The Energy and Water Development and Related Agencies Appropriations Act, 2020 (P.L. 116-94, Division C), prohibits funds to Russia from the Defense Nuclear Nonproliferation account (§305(a)).¹¹⁷ The Department of State, Foreign Operations, and Related Programs Appropriations Act, 2020 (P.L. 116-94, Division G), requires country notification procedures to be invoked for foreign aid to Russia (§7015(f)). This act also prohibits funds from being made available to Russia's central government (§7047(a)), a restriction in place since FY2015.

Organization," press release, December 22, 2017, at <https://home.treasury.gov/news/press-releases/sm0244>.

¹¹⁴ The Obama Administration designated the Brothers' Circle as one of four transnational criminal organizations under EO 13581 of July 24, 2011 (the other three were the Italian Camorra, Japanese Yakuza, and Mexico-based Loz Zetas). The Administration described the Brothers' Circle as "a criminal group composed of leaders and senior members of several Eurasian criminal groups that ... serves as a coordinating body for several criminal networks, mediates disputes between the individual criminal networks, and directs member criminal activity globally." It indicated that many Brothers' Circle members "share a common ideology based on the 'thief-in-law' tradition." In all, the Obama Administration designated a related 23 individuals (Russian nationals and others) and 7 entities pursuant to EO 13581. U.S. Department of the Treasury, "Fact Sheet: New Executive Order Targets Significant Transnational Criminal Organizations," July 25, 2011, at <https://www.treasury.gov/press-center/press-releases/Pages/tg1255.aspx>; U.S. Department of the Treasury, "Treasury Designates Key Members of the Brothers' Circle Criminal Organization," press release, December 20, 2012, at <https://www.treasury.gov/press-center/press-releases/Pages/tg1811.aspx>.

¹¹⁵ EO 13224 of September 23, 2001, "Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten To Commit, or Support Terrorism," 66 *Federal Register* 49079; EO 13268 of July 2, 2002, "Termination of Emergency With Respect to the Taliban and Amendment of Executive Order 13224 of September 23, 2001," 67 *Federal Register* 44751; and EO 13372 of February 16, 2005, "Clarification of Certain Executive Orders Blocking Property and Prohibiting Certain Transactions," 70 *Federal Register* 8499.

¹¹⁶ OFAC also designated Umarov's successor as a Specially Designated Global Terrorist less than a month before his death in 2015. After a designee dies, an SDN remains designated so that his or her estate remains subject to blocking. Descendants may appeal to OFAC to have assets released.

¹¹⁷ The restriction in Defense appropriations has been in place since FY2013. The restriction in Energy appropriations has been in place since FY2015.

The State Department's 2019 *Trafficking in Persons Report* identifies Russia as a Tier 3 nation that fails to meet minimum standards for the elimination of human trafficking. The designation requires limits on aid and U.S. support in international financial institutions.¹¹⁸

In 2018, under the International Religious Freedom Act of 1998, as amended (P.L. 105-292, 22 U.S.C. 6401 et seq.), Secretary of State Pompeo included Russia for the first time on the Special Watch List identifying “governments that have engaged in or tolerated severe violations of religious freedom.”¹¹⁹ The Special Watch List was established in 2016 to publicly name foreign governments whose treatment of religious freedoms has deteriorated over the past year. Naming to the Special Watch List serves as a warning that the United States could be considering designating the foreign nation as a Country of Particular Concern (CPC) in the coming year. If Russia were to be designated a CPC, it would become subject to diplomatic and economic sanctions that could range from private demarches to prohibitions on export licensing, procurement contracts, and transactions through U.S. financial institutions.¹²⁰ In 2019, the U.S. Commission on International Religious Freedom, a bipartisan federal government commission, recommended that Russia be designated as a CPC.¹²¹

Russian Countersanctions

The Russian government has responded to U.S. and other sanctions by imposing a variety of retaliatory measures, also known as countersanctions. The day the Senate passed the Sergei Magnitsky Act in December 2012, the Russian government announced new restrictions on imported beef, pork, and poultry that, within a few months, led to a major decline in U.S. meat imports to Russia.¹²² Several days after President Obama signed the act into law, the Russian parliament voted to ban U.S. adoptions of Russian children.¹²³ It also introduced a visa ban against U.S. citizens whom Russia characterized as being involved in human rights violations or crimes against and persecution of Russian citizens. The day after OFAC issued its first designations under the Sergei Magnitsky Act in April 2013, the Russian government issued a list of U.S. citizens prohibited from entering Russia.¹²⁴

¹¹⁸ U.S. Department of State, *Trafficking in Persons Report*, June 2019, pp. 393-396, at <https://www.state.gov/wp-content/uploads/2019/06/2019-Trafficking-in-Persons-Report.pdf>.

¹¹⁹ U.S. Department of State, “Briefing on Religious Freedom Designations,” December 11, 2018, at <https://www.state.gov/briefing-on-religious-freedom-designations/>.

¹²⁰ See, in particular, Title IV of the International Religious Freedom Act of 1998, which includes designation of a “country of particular concern” (§402(b), 22 U.S.C. 6442(b)), a delineation of possible presidential actions (§405, 22 U.S.C. 6445), presidential waiver authority (§407, 22 U.S.C. 6447), and termination of any designation (§409, 22 U.S.C. 6449).

¹²¹ U.S. Commission on International Religious Freedom, *2019 Annual Report*, April 2019, at <https://www.uscifr.gov/sites/default/files/2019USCIRFAnnualReport.pdf>.

¹²² Ellen Barry, “Russia Announces Barriers on Imports of U.S. Meat,” *New York Times*, December 8, 2012; Dina Gusovsky, “Russia’s U.S. Meat Ban: What’s the Beef?” *CNBC*, February 20, 2013.

¹²³ Charles Clover, “Russia Bans Adoptions by U.S. Citizens,” *Financial Times*, December 21, 2012. This Russian ban on U.S. adoptions, taken in response to the Sergei Magnitsky Act, emerged as an issue in the U.S. Special Prosecutor’s investigation of possible Russian interference in the 2016 U.S. presidential election. See, for example, Jo Becker, Matt Apuzzo, and Adam Goldman, “Trump Team Met with Lawyer Linked to Kremlin During Campaign,” *New York Times*, July 8, 2017.

¹²⁴ U.S. Department of State, “Release of Magnitsky List,” April 12, 2013, at <https://2009-2017.state.gov/r/pa/prs/ps/2013/04/207436.htm>; VOA News, “Russia Bans 18 Citizens,” April 13, 2013.

Russia also imposed countersanctions in response to U.S. and EU sanctions related to Russia's invasion of Ukraine. These measures included additional travel prohibitions and a ban on the import of agricultural products from countries that had imposed sanctions on Russia.

Russia imposed countersanctions related to CRIEEA in anticipation of the act being signed into law. The day after Congress passed the legislation in July 2017, and while the bill awaited the President's signature, the Russian government ordered a reduction of U.S. mission personnel in Russia to no more than 455, which it said was equal to the number of Russian personnel in the United States.¹²⁵ It also suspended U.S. use of storage and resort facilities in Moscow. Some observers viewed these measures as a response to CRIEEA but also, belatedly, to the Obama Administration's December 2016 decision to declare certain Russian diplomatic personnel *persona non grata* and to deny access to two Russian government-owned compounds. In response, on August 31, 2017, the Trump Administration closed Russia's Consulate General in San Francisco, a chancery annex in Washington, DC, and a consular annex that functioned as a trade office in New York City.¹²⁶

In March 2018, in response to a nerve agent attack on UK citizen and former Russian military intelligence officer Sergei Skripal and his daughter, the Trump Administration expelled 60 Russian diplomats and closed the Russian consulate in Seattle. In response, Russia expelled 60 U.S. diplomats and closed the U.S. Consulate General in St. Petersburg.

After the United States' imposition of new designations of Russian government officials and politically connected billionaires and their holdings in April 2018, President Putin signed into law an act authorizing, but not requiring, restrictions related to trade with the United States and other unfriendly states, as well as foreign access to Russian public procurement and privatization.¹²⁷

U.S. and EU Coordination on Sanctions

Like the United States, the EU has imposed sanctions—or *restrictive measures* in EU parlance—against Russia since 2014 for its invasion of Ukraine. The EU imposed these sanctions largely in cooperation with the United States. EU sanctions are similar, although not identical, to U.S. sanctions.

Many in the EU welcomed efforts by Congress in 2017 to ensure that the Trump Administration maintained U.S. sanctions on Russia. At the same time, EU and other European officials have regarded some new sanctions on Russia since 2017 as more unilateral in nature. In particular, many have expressed opposition to secondary sanctions that could negatively impact European companies, including sanctions aimed at curbing Russian energy export pipelines, such as Nord

¹²⁵ President Putin later said this would mean a reduction of around 755 mission personnel (which would include foreign nationals). Neil MacFarquhar, "Russia Seizes 2 U.S. Properties and Orders Embassy to Cut Staff," *New York Times*, July 28, 2017; Andrew Roth, "Putin Orders Cut of 755 Personnel at U.S. Missions," *Washington Post*, July 30, 2017.

¹²⁶ U.S. Department of State, "Achieving Parity in Diplomatic Missions," August 31, 2017, at <https://www.state.gov/achieving-parity-in-diplomatic-missions/>.

¹²⁷ The original version of the law would have imposed prohibitions against government use of U.S. software and technology, imports of U.S. pharmaceuticals and agricultural, alcohol, and tobacco products, exports of rare-earth metals, and the hiring of U.S. citizens. Konstantin Kroll, Mikhail Usubyan, and Harry Clark, "Further Update—Russian Counter-Sanctions Measures and New U.S. Sanctions Against Russia," Orrick, June 18, 2018, at <https://www.orrick.com/Insights/2018/06/Further-Update-Russian-Counter-Sanctions-Measures-and-New-US-Sanctions-Against-Russia>; Reuters, "Factbox: Russia's List of U.S. Imports That Could Be Banned," April 13, 2018.

Stream 2 (see “Energy Export Pipelines,” above). Such measures have raised concerns about the continued alignment of U.S.-EU sanctions and cooperation on Ukraine policy more broadly.

Unlike the United States, the EU has not imposed sanctions on Russian individuals or entities for actions related to human rights violations, malicious cyber activity, corruption, transnational crime, or support to North Korea, Syria, or Venezuela.¹²⁸ However, the March 2018 nerve agent attack in the United Kingdom helped spur the EU to agree to a broad new sanctions regime targeting individuals and entities involved in the development and use of chemical weapons. In January 2019, the EU imposed sanctions under this new chemical weapons regime on four GRU officers believed responsible for or involved in carrying out the Skripal attack (including the head and deputy head of the GRU).¹²⁹ A new EU sanctions regime aimed at addressing cyberattacks could be used in the future against Russian individuals or entities, and momentum is building within the EU for EU-wide restrictive measures against people and organizations that commit human rights abuses.

Imposing EU sanctions requires the unanimous agreement of all EU member states. Most EU sanctions are imposed for a defined period of time (usually six months or a year) to incentivize change and provide the EU with flexibility to adjust the sanctions as warranted. Unanimity among EU member states also is required to renew (i.e., extend) EU sanctions.

U.S. and EU Cooperation on Ukraine-Related Sanctions

Since Russia’s invasion of Ukraine in 2014, the United States and the EU have pursued largely similar policies—including related to sanctions—aimed at restoring Ukraine’s territorial integrity and supporting domestic political reforms. Observers viewed U.S.-EU cooperation in imposing sanctions on Russia and coordination on other political and diplomatic responses to Russia’s invasion as a high point in transatlantic relations and as a means to prevent Russia from driving a wedge between the United States and Europe.

In the first half of 2014, sanctions related to Russia’s invasion of Ukraine that the United States and the EU imposed focused mostly on denying visas and freezing assets of Russian and Ukrainian government officials and pro-Russian separatists. The United States then imposed its first round of sectoral sanctions on July 16, 2014. At the time, many in the EU were hesitant to impose sectoral sanctions on Russia; they worried that doing so might hinder a peaceful resolution to the conflict and negatively affect the EU’s extensive trade and investment relations with Russia. Some EU countries dependent on Russian oil and gas supplies also feared that stronger sanctions could prompt Russia to cut off energy exports in retaliation.

¹²⁸ The EU does impose counterterrorism sanctions on roughly a dozen Russian nationals (mostly from Russia’s Chechnya or Dagestan regions) and one Russian-affiliated group in the context of implementing sanctions adopted by the U.N. Security Council related to Al Qaeda and the Islamic State terrorist organization. European Council, “Different Types of Sanctions,” at <https://www.consilium.europa.eu/en/policies/sanctions/different-types/>. For the U.N. Security Council list of sanctioned individuals and entities associated with Al Qaeda or the Islamic State, see https://www.un.org/sc/suborg/en/sanctions/1267/aq_sanctions_list.

¹²⁹ In addition to the four Russians, the EU designated five Syrian officials and one Syrian entity under its chemical weapons sanctions regime. Council of the EU, “Chemical Weapons: The Council Adopts a New Sanctions Regime,” press release, October 15, 2018, at <https://www.consilium.europa.eu/en/press/press-releases/2018/10/15/chemical-weapons-the-council-adopts-a-new-sanctions-regime/>; Council of the EU, “Chemical Weapons: The EU Places Nine Persons and one Entity Under New Sanctions Regime,” press release, January 21, 2019, at <https://www.consilium.europa.eu/en/press/press-releases/2019/01/21/chemical-weapons-the-eu-places-nine-persons-and-one-entity-under-new-sanctions-regime/>.

On July 17, 2014, the day after President Obama imposed the first U.S. sectoral sanctions on Russia, separatist fighters in eastern Ukraine allegedly downed Malaysia Airlines Flight MH17 with a missile supplied by the Russian military. This event, along with the intensifying conflict and continued Russian intransigence, changed the political calculus in Europe on sanctions. European officials and publics were particularly dismayed when the separatists prohibited access to the MH17 crash site and delayed recovery of the remains of the 298 victims, including over 200 EU citizens. By the end of July 2014, the EU expanded its list of individuals and entities subject to asset freezes and visa bans and joined the United States in imposing sanctions on selected companies in Russia's financial, defense, and energy sectors. Both the United States and the EU further tightened their sectoral sanctions in September 2014.

U.S.-EU coordination sought to close as many gaps as possible between the two sanction regimes to send a unified message to Russia, maximize the effectiveness of sanctions, and make compliance for financial firms and multinational companies easier. President Obama asserted that the combined U.S.-EU measures would "have an even bigger bite" than U.S. sanctions alone.¹³⁰

Although EU sectoral sanctions largely mirror those imposed by the United States, they represent a carefully crafted compromise among EU member states. Agreeing on sectoral sanctions was difficult for the EU, given that the bloc's member states have varying economic interests and historical relations with Russia. EU member states sought to draft certain provisions in ways that would protect some national economic interests. For example, Germany and other member states dependent on Russian gas supplies were eager to preserve their energy ties to Russia. Consequently, the EU decided to apply lending and investment restrictions only in the oil sector, not to Gazprom or other companies in the Russian gas sector. The EU also applied restrictions on the sale of energy exploration equipment, technology, and services only to oil, not gas, development projects. Finally, the EU designed sectoral sanctions in a way that would share potential economic burdens across all member states.¹³¹

The EU has tied lifting sanctions on Russia to the full implementation of the Minsk peace agreements for Ukraine and asserts that it is committed to maintaining sanctions until this goal is achieved. At the same time, questions persist in some EU countries about the sanctions' effectiveness, especially amid concerns that sanctions could be hindering EU relations with Russia on other global priorities and harming European business interests. The EU sanctions (and Russian countersanctions) have come with financial costs for certain industries in some EU member states, including Germany, Finland, and the Baltic states, although the overall impact on EU trade appears to be limited.¹³² Some European officials have periodically floated ideas about restructuring the sanctions. Others firmly reject suggestions to relax or recalibrate EU sanctions and have urged the Trump Administration to uphold U.S. sanctions on Russia.

U.S. and EU Ukraine-Related Sanctions Compared

EU sanctions in response to Russia's invasion of Ukraine consist of three measures:

¹³⁰ As quoted in Griff Witte and Karen DeYoung, "Obama Announces Expanded Sanctions Against Russia as EU Aligns," *Washington Post*, July 29, 2014.

¹³¹ Valentina Pop, "EU Approves Economic Sanctions on Russia," EUObserver.com, July 29, 2014; Christian Oliver and Kathrin Hille, "Sberbank Target of Latest EU Sanctions," *Financial Times*, July 31, 2014.

¹³² Sarantis Michalopoulos, "Baltic Farmers: Russian Embargo Creates Need for New Export Market," EurActiv.com, July 11, 2016; Rick Noack, "U.S. Sanctions Against Russia Are Also Hurting Germany—A Lot," *Washington Post*, December 14, 2017; Sergiy Solodkyy, Tetiana Levoniuk, and Kateryna Zarembo, "Sanctions Against Russia Don't Damage the EU, But Italy, Hungary, and Austria Might Try To Get Them Scrapped," Euromaidan Press, December 11, 2018.

- **Restrictive measures on individuals and entities in Russia and Ukraine believed to be involved in the annexation of Crimea and destabilization of eastern Ukraine.** Designees are subject to asset freezes and, for individuals, visa bans. As of January 2020, the EU has designated 170 individuals and 44 entities (Council Decision 2014/145/CFSP, March 17, 2014).
- **Economic sanctions targeting Russia's finance, defense, and energy sectors (sectoral sanctions).** The EU requires its member states to impose lending and investment restrictions on five major state-controlled Russian banks, three defense firms, and three energy companies, as well as their subsidiaries outside the EU. The sanctions also ban the import and export of arms; the sale of dual-use goods and technology to Russian military end users and nine mixed companies; and sales of equipment, technology, and services for oil-development projects related to deepwater, Arctic offshore, and shale exploration (Council Decision 2014/512/CFSP, July 31, 2014).
- **Restrictions on economic relations with Ukraine's occupied Crimea region.** The EU has banned EU individuals and EU-based companies from importing goods, exporting certain goods and technologies, and providing tourism services to Ukraine's Crimea region. The EU also has restricted trade and investment in certain economic sectors and infrastructure projects (Council Decision 2014/386/CFSP, June 23, 2014).

In addition, in response to the political upheaval in Ukraine in early 2014 and in an effort to bolster Ukraine's domestic reforms, the EU imposed restrictive measures on individuals identified as responsible for the misappropriation of Ukrainian state funds or for the abuse of office causing a loss of Ukrainian public funds. The EU hoped to prevent the transfer of such funds outside of Ukraine and to facilitate their recovery. As of January 2020, the EU has frozen assets of and imposed visa bans on 12 former Ukrainian officials, including ex-Ukrainian president Viktor Yanukovich (Council Decision 2014/119/CFSP, March 5, 2014).

International Sanctions Related to Russia's Invasion of Ukraine

U.S. and EU sanctions on related to Russia's invasion of Ukraine have been complemented by similar blocking and sectoral sanctions imposed by other countries, including **Australia, Canada, Japan, and Iceland**. Four countries—**Norway, Ukraine**, and EU candidate countries **Albania and Montenegro**—formally align their sanctions on Russia with those imposed by the EU. **Switzerland** also has imposed sanctions, including regulations to prevent EU-designated individuals and entities from using the Swiss financial system to bypass sanctions.

Sanctions Targeting Individuals and Entities

As of January 2020, the United States has designated as Ukraine-related SDNs—subject to asset freezes, prohibitions on transactions, and, for individuals, travel bans—218 individuals, 168 entities, and 11 vessels and aircraft. In its equivalent sanctions programs, as noted above, the EU has designated 170 individuals and 44 entities. Both the United States and the EU have designated a number of high-ranking Russian officials and other individuals close to President Putin.

The U.S. and EU lists of designated individuals and entities are not identical. Various legal and political reasons account for some of the differences in the U.S. and EU designations. The EU has imposed sanctions on more individuals and entities directly related to the fighting in Ukraine—military officials, insurgents, and battalions—than has the United States. The United States has specifically designated more companies operating in Crimea and entities affiliated with other designated individuals and entities, whereas the EU provides for blanket restrictions on Crimea-

related activities and against affiliated individuals and entities. The EU is unable to impose restrictive measures on some individuals who hold dual citizenship with EU countries.

Since 2014, several individuals have been removed from the EU sanctions list. Unlike the United States, which requires a decedent's survivors to petition for removal, the EU removes individuals from its sanctions list due to death. In addition, some designees have successfully petitioned for their removal.

Sectoral Sanctions

EU and U.S. restrictions against lending and/or investments with entities in specific sectors mostly overlap and target a handful of key companies and their subsidiaries in the financial, defense, and energy sectors, including exports and services related to deepwater, Arctic offshore, or shale oil projects in Russia (see **Table C-1**).

The manners in which the United States and the EU employ this measure differ somewhat and have changed over time. As of January 2020, the United States specifically identifies 13 Russian companies and 276 of their subsidiaries and affiliates as subject to sectoral sanctions. The EU, for its part, identifies 11 entities (and majority-owned subsidiaries outside the EU) as subject to sectoral sanctions. The United States has explicitly identified several companies, including Gazprom, with which sales of equipment, technology, and services for certain oil projects are prohibited; by contrast, the EU has not named specific companies to which these prohibitions apply. In addition, the EU does not impose sanctions on such oil projects worldwide, as the United States does.

EU and U.S. policies are comparable in restricting most arms trade with and dual-use exports to Russia, but the EU applied arms-trade sanctions to future contracts only. The EU decision to allow existing arms sales and service contracts with Russia to continue was largely at the insistence of France (which had an existing contract to sell two Mistral helicopter carriers to Russia) and some Central European countries that rely on Russian companies to service their Soviet-era weapons systems. Analysts suggest, however, that the arms-trade sanctions—and ongoing concern about Russia's actions in Ukraine and Russia's military resurgence—prompted EU members to reevaluate some existing weapons system sales and licenses. Although not required to do so under the terms of the EU sanctions, France canceled the contract with Russia for the Mistral helicopter carriers. Germany also canceled a contract to supply Russia with a \$155 million combat simulation center.¹³³ Central and Eastern European countries have been advancing plans to phase out Russian-origin military equipment and replace it with more modern U.S. and European equipment.¹³⁴

The EU and the United States also addressed the issue of existing sales and service contracts on energy development projects differently. The EU allowed for the continuation of existing contracts and agreements, in certain cases with authorization at the national level. The United States generally prohibited, other than a brief wind-down period, the continuation of existing contracts and agreements, unless otherwise authorized by OFAC. This difference led, for instance, to Eni (an Italian energy company) continuing its deepwater exploration in the Black Sea in partnership with Russian state-controlled oil company Rosneft; by contrast, ExxonMobil

¹³³ Jeevan Vasagar, "Russia Sanctions Take Toll on Germany," *Financial Times*, August 25, 2014; Sabrina Tavernise, "Canceling Deal for 2 Warships, France Agrees to Repay Russia," *New York Times*, August 5, 2015.

¹³⁴ Aaron Mehta, "Inside America's Multimillion-Dollar Plan To Get Allies Off Russian Equipment," *Defense News*, May 29, 2019.

withdrew from certain joint ventures with Rosneft in 2018 after failing in April 2017 to secure a waiver from the Department of the Treasury to move forward with its own oil exploration project in the Black Sea.¹³⁵

Neither the United States nor the EU has employed sectoral sanctions that broadly target Russia's gas sector or state-controlled gas company Gazprom. Reports suggest that as the United States and EU worked to develop sanctions on Russia in 2014, they agreed to avoid measures that could harm the other's interests, including in relation to the production and supply of Russian gas.¹³⁶ As discussed above, many EU countries dependent on Russian gas supplies were particularly worried about sanctions that could impede the flow of Russian gas and harm relations with Russia in this area. The United States and EU do apply financial restrictions to two Gazprom subsidiaries (Gazpromneft, its oil production and refining subsidiary, and Gazprombank, a financial institution), and the U.S. restrictions on deepwater, Arctic offshore, and shale oil projects also specifically apply to Gazprom. In addition, the United States applies lending restrictions to Novatek, a private Russian gas company. Neither the United States nor the EU has applied sanctions targeting gas production or trade.

Developments Since 2017

Given previously close U.S.-EU coordination on sanctions related to Russia's invasion of Ukraine, some in the EU have been concerned about what they view as a more unilateral U.S. approach since 2017. Many in the EU were dismayed, for example, by certain provisions in CRIEEA as the legislation evolved. European leaders and EU officials recognized that the main intent of CRIEEA was to codify and strengthen sanctions on Russia, including many with parallels in EU legislation. At the same time, European policymakers were uneasy with some of CRIEEA's initial provisions, which they viewed as having been drafted without regard for the EU's role as a U.S. partner.

Many in the EU contended that CRIEEA could negatively affect EU economic, business, and energy interests. For example, the German and Austrian governments were concerned about possible effects of CRIEEA, Section 232, authorizing (but not requiring) sanctions against trade and investments related to the construction of Russian energy pipelines (see "Energy Export Pipelines," above).¹³⁷

Some in Europe argued that CRIEEA could complicate the delicate political consensus on the EU's own sanctions and weaken U.S.-EU cooperation on Ukraine. Others warned that codifying U.S. sanctions could reduce flexibility in negotiations with Moscow on resolving the conflict in Ukraine.¹³⁸ Finally, many in the EU were troubled that CRIEEA's introduction of more general

¹³⁵ Jack Farchy and Chiara Albanese, "Sanctions-Proof Oil Rig Thwarts U.S. Policy from Cuba to Russia," Bloomberg, December 19, 2017; Henry Foy and Ed Crooks, "ExxonMobil Abandons Joint Ventures with Russia's Rosneft," *Financial Times*, March 1, 2018.

¹³⁶ *Deutsche Welle*, "U.S. Sanctions Experts: European Concerns Are Exaggerated," July 28, 2017; Boris Toucas, "Russia Sanctions Act Is Enacted: Is President Trump Europe's Best Ally in Managing the Impact on the Transatlantic Link?" Center for Strategic and International Studies, August 4, 2017, at <https://www.csis.org/analysis/russia-sanctions-act-enacted-president-trump-europes-best-ally-managing-impact>.

¹³⁷ Nord Stream 2 has been controversial within the EU for years. Although Germany and Austria largely view Nord Stream 2 as a commercial project, Poland and most Central European countries have expressed considerable concern that the pipeline will increase Russia's influence in Europe. The European Commission also has expressed reservations about Nord Stream 2.

¹³⁸ Toucas, "Russia Sanctions Act Is Enacted," August 4, 2017 (footnote 136); Dominik Toksdorf, "U.S. Sanctions Law and Western Coordination on Russia Policy," The Wilson Center, December 20, 2017, at

secondary sanctions against those who engage in significant transactions with U.S. designees could impact European business partners of Russian companies, even if those companies were not on the EU's own sanctions list.

EU concerns were accommodated to some degree by language inserted in CRIIEA specifying that the President should “continue to uphold and seek unity” with European partners on sanctions (§212) and that new U.S. sanctions on pipeline ventures would not be imposed without coordinating with U.S. allies (§232). Following CRIIEA's enactment, the European Commission (the EU's executive) expressed overall satisfaction that “European interests can thus be taken into account in the implementation of any [U.S.] sanctions.”¹³⁹ State Department guidance issued in October 2017 stated that the United States would not impose any such sanctions without coordination with U.S. allies.¹⁴⁰

Nonetheless, some European officials and experts are skeptical of the Trump Administration's commitment to consult the EU and its member states ahead of imposing new sanctions, especially amid broader European concerns about whether the Administration regards the EU as a partner or a competitor. Those of this view point, for example, to the Trump Administration's April 2018 designation of several Russian billionaires and the companies they control. Some media reports suggested the Trump Administration issued these designations without significant prior consultations with the EU or leading European governments.¹⁴¹

In particular, the designation of Rusal, a leading global producer of aluminum and the raw material alumina, had potentially significant implications for Europe's aluminum and manufacturing sectors. Concern that the Administration would enforce CRIIEA's secondary sanctions against European firms that have commercial and financial dealings with Rusal (whose facility in Ireland supplies many European aluminum producers) effectively halted such transactions. The U.S. announcement also led to a rise in the price of alumina. European officials warned that sanctions on Rusal could lead to plant closures, job losses, and the supply and production chains of key European industries, ranging from the makers of aluminum cans and foil to automobile and aerospace companies.¹⁴²

The Trump Administration appears to have been responsive to subsequent European entreaties (and those of other international partners, such as Brazil) regarding the difficulties posed for them by Rusal's designation. Treasury Secretary Mnuchin indicated that the “impact on our partners and allies” contributed to a U.S. decision to extend the wind-down period for transactions with Rusal.¹⁴³ In January 2019, the Department of the Treasury removed sanctions on Rusal and two related companies (see “Section 241 “Oligarch” List,” above).

In December 2019, U.S.-EU tensions again arose over the enactment of new sanctions related to the construction of the Nord Stream 2 pipeline (see “Energy Export Pipelines.” Despite

https://www.wilsoncenter.org/sites/default/files/kennan_cable_29_-_tolksdorf.pdf.

¹³⁹ European Commission, “European Commission President Juncker: New U.S. Sanctions on Russia Only After Consultation of Allies,” August 2, 2017, at https://eeas.europa.eu/headquarters/headquarters-homepage/30682/european-commission-president-juncker-new-us-sanctions-russia-only-after-consultation-allies_en.

¹⁴⁰ U.S. Department of State, “CAATSA/CRIIEA Section 232 Public Guidance,” October 31, 2017 (footnote 105).

¹⁴¹ Ian Talley and Amrith Ramkumar, “U.S. Extends Deadline for Investors to Disentangle from Rusal,” *Wall Street Journal*, April 23, 2018.

¹⁴² Neil Hume, Guy Chazan, and Harriet Agnew, “Europe in Diplomatic Push to Ease Russia Sanctions,” *Financial Times*, April 20, 2018.

¹⁴³ U.S. Department of the Treasury, “Treasury Extends Wind-Down Period for United Company RUSAL PLC,” press release, April 23, 2018, at <https://home.treasury.gov/news/press-releases/sm0365>.

reservations about Nord Stream 2 within the European Commission and among some EU member states, EU officials have asserted strong opposition to PEESA, noting that the EU rejects as a “matter of principle” the imposition of sanctions against EU companies conducting legitimate business in line with EU and European law.¹⁴⁴

Some analysts have noted that the United States and the EU continue to coordinate on some sanctions related to Russia’s invasion of Ukraine. In January 2018, for example, the Trump Administration designated three individuals (including a Russian deputy energy minister) and one entity under Ukraine-related authorities that the EU had sanctioned in April 2017 for their involvement in supplying occupied Crimea with gas turbines.¹⁴⁵ In March 2019, the United States, Canada, and the EU imposed sanctions on Russian officials for their involvement in Russia’s November 2018 attack on Ukrainian naval vessels.¹⁴⁶

Potential New EU Sanctions on Russia

Beyond Ukraine, the EU and many member states are concerned about a range of other Russian activities, including cyber threats and human rights abuses. In May 2019, the EU established a framework enabling it to impose sanctions aimed at deterring and responding to cyberattacks. Authorized sanctions include travel bans and asset freezes. These could be imposed on individuals or entities either directly responsible for cyberattacks or that provide financial, technical, or material support for such attacks. The EU has not yet named individuals or entities subject to these new sanctions, but many analysts expect they could be used in the future against Russian individuals or entities engaged in malicious cyber activities.¹⁴⁷

For many years, some European leaders and EU officials—including some members of the European Parliament—have called for an “EU Magnitsky Act” that would target Russians (and others) complicit in human rights abuses. Since 2016, Estonia, Latvia, and Lithuania have passed their own national versions of the Sergei Magnitsky Act or Global Magnitsky Act. In May 2018, the UK Parliament approved a so-called Magnitsky amendment to its new Sanctions and Anti-Money Laundering Act that expands UK authorities to sanction individuals, companies, or states that commit gross human rights violations.¹⁴⁸ Press reports indicate that Sweden, Denmark, and the Netherlands are considering similar national “Magnitsky” legislation.¹⁴⁹

The EU appears to be moving forward with establishing a new sanctions regime that could be applied to individuals accused of human rights abuses worldwide, regardless of their nationality.

¹⁴⁴ BBC News, “Nord Stream 2: Germany and Russia Decry U.S. Sanctions,” December 21, 2019; RFE/RL, “European Commission President Criticizes U.S. Nord Stream Sanctions,” December 27, 2019.

¹⁴⁵ German company Siemens originally sold the turbines for use in Russia; the EU determined that the transfer of the turbines to Crimea was in breach of contractual provisions covering the original sale by Siemens and in contravention of EU prohibitions on the supply of key equipment for certain infrastructure projects in Crimea. European Council, “EU Adds 3 Persons and 3 Companies to Sanctions List Over Actions Against Ukraine’s Territorial Integrity,” press release, August 4, 2017, at <https://www.consilium.europa.eu/en/press/press-releases/2017/08/04/sanctions-ukraine/>.

¹⁴⁶ Doina Chiacu and Susan Heavey, “U.S., EU, Canada Impose Sanctions on Russia Over Ukraine,” Reuters, March 15, 2019.

¹⁴⁷ Council of the EU, “Cyber-attacks: Council Is Now Able to Impose Sanctions,” press release, May 17, 2019, at <https://www.consilium.europa.eu/en/press/press-releases/2019/05/17/cyber-attacks-council-is-now-able-to-impose-sanctions/>.

¹⁴⁸ “UK Lawmakers Back ‘Magnitsky Amendment’ on Sanctions on Human Rights Abuses,” Reuters, May 1, 2018; Government of the United Kingdom, “Sanctions and Anti-Money Laundering Act Receives Royal Assent,” May 24, 2018, at <https://www.gov.uk/government/news/sanctions-and-anti-money-laundering-act-receives-royal-assent>.

¹⁴⁹ Andrew Rettman, “Dutch MPs Follow Danes in Debate on Russia Sanctions,” EUObserver.com, March 29, 2018.

In December 2019, the EU announced it would begin “preparatory work on a global sanctions regime to address serious human rights violations.”¹⁵⁰ This would likely be similar to the EU frameworks designed to sanction those responsible for chemical weapons attacks or cyberattacks and many believe that it would be used to target Russian government officials or other individuals involved in human rights abuses. Work on the EU human rights regime is expected to take several months at least, and all member states must ultimately approve the new sanctions framework for it to enter into force.¹⁵¹

Some in the EU are hesitant to name such a human rights sanctions regime after Sergei Magnitsky, both because of concerns that it could make ensuring the necessary EU consensus more difficult and because it could prompt a negative Russian reaction. In addition, many EU officials and outside experts note that the motivations for developing an EU-wide human rights sanctions regime go beyond concerns about Russia and have been prompted by the killing of Saudi journalist Jamal Khashoggi.¹⁵² Others in the EU reportedly remain supportive of naming any global human rights sanctions regime after Magnitsky. In a March 2019 resolution, the European Parliament supported the adoption of an EU sanctions regime aimed at punishing state and non-state actors responsible for gross violations of human rights worldwide and recommended that any such EU sanctions regime should carry the Magnitsky name.¹⁵³

Following the Skripal attack, some UK parliamentarians and analysts began calling for additional financial sanctions on Russia, including possibly banning financial clearinghouses from selling Russian sovereign debt. Experts note that any such sanctions likely would be more effective if imposed by the EU, given that key European clearinghouses are not incorporated in the UK and would not be affected by unilateral UK sanctions. Many analysts are skeptical, however, that the EU would be able to achieve the required unanimity to impose such additional EU-wide sanctions on Russian financial activity.¹⁵⁴ Some analysts also suggest that the UK’s scheduled departure from the EU in January 2020 may diminish the prospects for any further EU sanctions targeting Russia’s sovereign debt.

¹⁵⁰ European Union External Action Service, “Remarks by High Representative/Vice-President Josep Borrell at the Press Conference Following the Foreign Affairs Council,” December 9, 2019, at https://eeas.europa.eu/headquarters/headquarters-homepage/71725/remarks-high-representativevice-president-josep-borrell-press-conference-following-foreign_en.

¹⁵¹ Laurence Norman, “EU Moves Closer to Creating U.S.-style Magnitsky Act,” *Wall Street Journal*, December 9, 2019.

¹⁵² Andrew Rettman, “Dutch Flesh Out Proposal for EU Human Rights Sanctions,” *EUObserver.com*, November 19, 2018.

¹⁵³ European Parliament, “MEPs Call for EU Magnitsky Act to Impose Sanctions on Human Rights Abusers,” press release, March 14, 2019, at <https://www.europarl.europa.eu/news/en/press-room/20190307IPR30748/meps-call-for-eu-magnitsky-act-to-impose-sanctions-on-human-rights-abusers>.

¹⁵⁴ Patrick Wintour, “May Considers Banning City of London from Selling Russian Debt,” *The Guardian*, March 28, 2018; Yuliya Fedorinova, “UK Lawmakers Urge Curbs on Russia Sovereign Debt, Share Sales,” *Bloomberg*, May 21, 2018.

Economic Impact of Sanctions on Russia

Russian Economy Since 2014

It is difficult to disentangle the impact of sanctions imposed on Russia, particularly those related to its invasion of Ukraine, from fluctuations in the global price of oil, a major export and source of revenue for the Russian government.

In 2014 and 2015, Russia faced serious economic challenges and entered a two-year recession (**Figure 1**), its longest in almost 20 years.¹⁵⁵ Investor sentiment collapsed, resulting in capital flight, a collapse in the value of the ruble, and inflation (**Figure 1** and **Figure 2**). The Russian government and many Russian firms (including firms not subject to sanctions) were broadly shut out of capital markets.¹⁵⁶ The government's budget deficit widened, and it tapped reserves to finance spending, defend the value of the ruble, and recapitalize banks affected by sanctions. Between the end of 2013 and May 2015, Russia's international reserves fell by about one-third.¹⁵⁷

Oil prices began to rise in 2016. Although they have not reached pre-2014 levels, the uptick helped to stabilize Russia's economy. The rate of economic contraction slowed, inflation fell, and the value of the ruble stabilized (**Figure 1**). The Russian government and non-sanctioned Russian entities resumed some access to international capital markets, capital outflows slowed, and foreign direct investment into Russia rebounded (**Figure 2**). At the same time, 2016 was a difficult fiscal year; the Russian government relied heavily on funding from one of its sovereign wealth funds and was forced to partially privatize Rosneft, the prized state-owned oil company, to raise funds.

The Russian economy largely stabilized in 2016 and 2017. International reserve holdings rebounded to pre-crisis levels. In 2017, the International Monetary Fund (IMF) commended Russian authorities for their effective policy response, which, along with higher oil prices, helped the economy exit its two-year recession.¹⁵⁸ One expert noted "the fear of economic destabilization that has permeated the country since its 2014 invasion of Crimea—which was met with crippling sanctions from the West—has all but evaporated."¹⁵⁹

However, Russia continues to face long-term economic challenges relating to limited progress on structural reforms and adverse demographic changes. Analysts have characterized Russia's economy as surviving, not thriving.¹⁶⁰ In 2019, the IMF projected that, absent deeper structural reforms, long-run growth in Russia will settle around a relatively modest 1.8% per year.¹⁶¹ At the same time, sanctions continue to constrain the ability of some Russian firms, particularly in the banking sector, to access financing (**Figure 2**).

¹⁵⁵ Kathrin Hille, "Russia: Putin's Balance Sheet," *Financial Times*, April 7, 2016.

¹⁵⁶ Max Seddon, Thomas Hale, and Elaine Moore, "Russia Launches First Bond Since Ukraine Crisis," *Financial Times*, May 23, 2016. Also see, for example, Max Seddon, "Russia Raises \$4bn in Eurobond Issue," *Financial Times*, March 16, 2018.

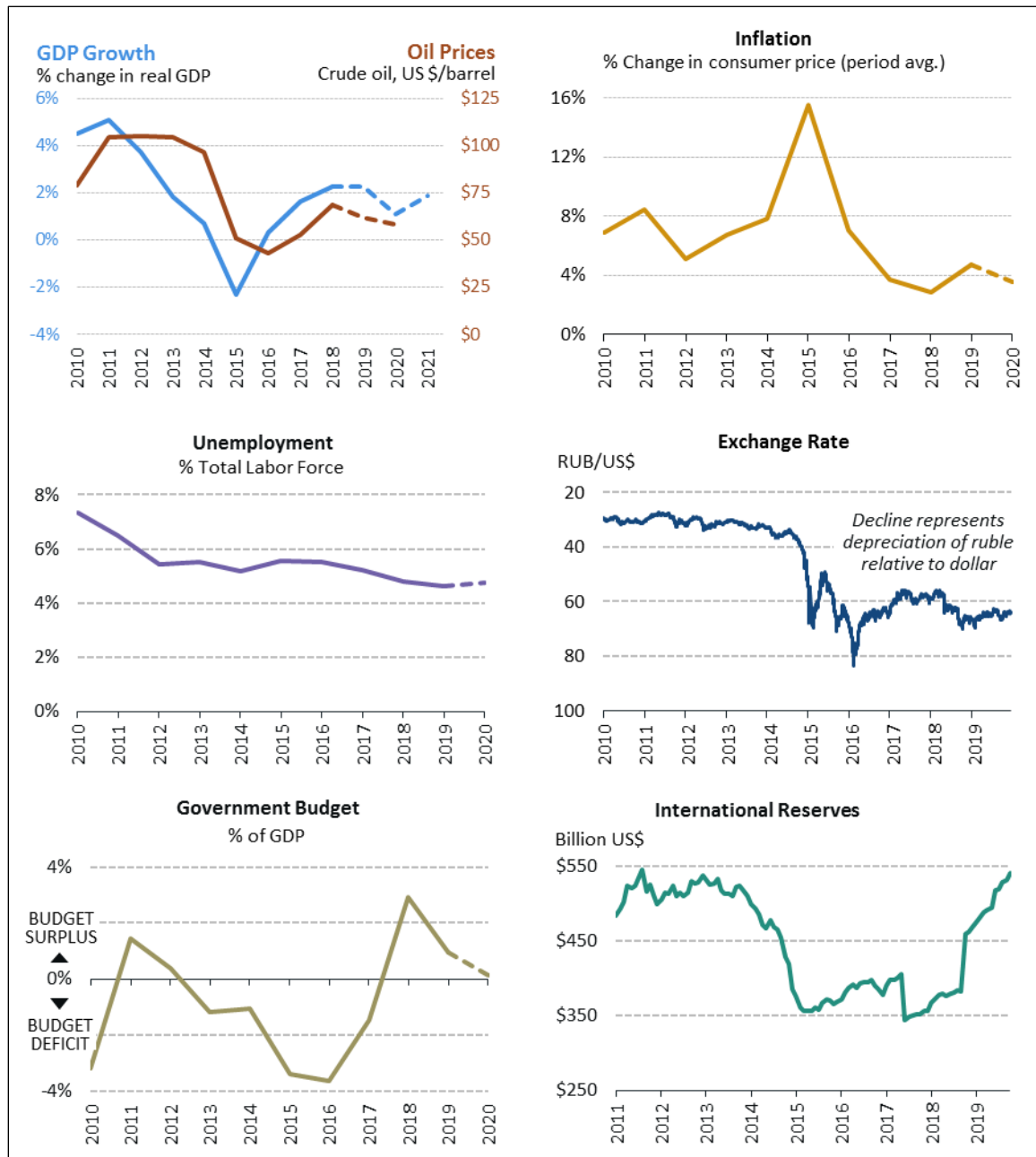
¹⁵⁷ Central Bank of Russia, International Reserves of the Russian Federation (End of Period), at https://www.cbr.ru/eng/hd_base/mrrf/mrrf_m/, accessed November 19, 2019.

¹⁵⁸ IMF, *Russian Federation: Staff Report for the 2017 Article IV Consultation*, July 10, 2017.

¹⁵⁹ Anders Aslund, "Russia's Bad Equilibrium," *Project Syndicate*, February 7, 2017.

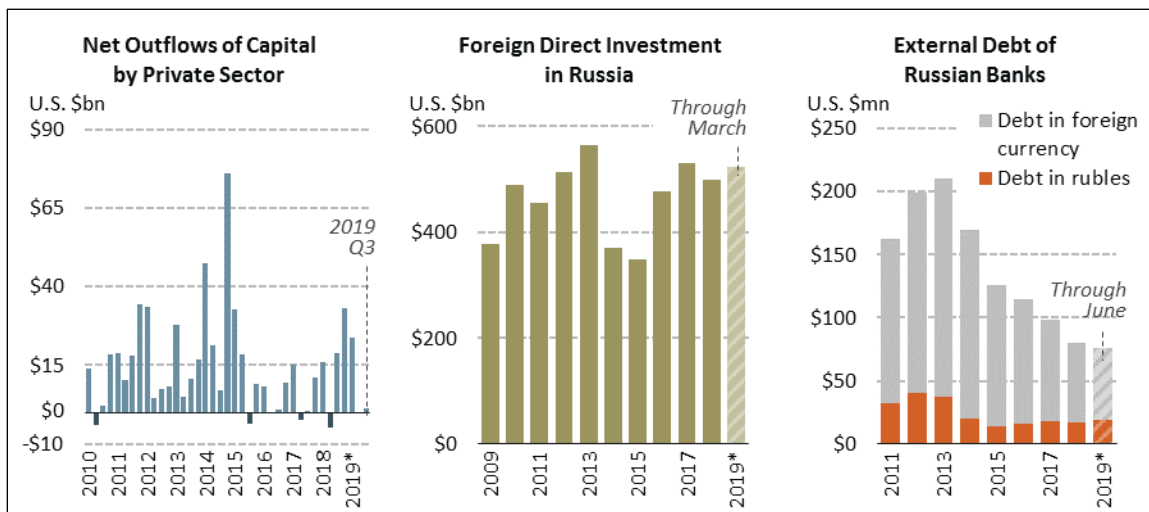
¹⁶⁰ For example, see Testimony of Rachel Ziemba, in U.S. Congress, Senate Committee on Banking, Housing, and Urban Affairs, *Russia Sanctions: Current Effectiveness and Potential Future Steps*, 115th Cong., 2nd sess., September 6, 2018, transcript at <http://www.cq.com/doc/congressionaltranscripts-5385791?1>.

¹⁶¹ IMF, *Russian Federation: Staff Report for the 2019 Article IV Consultation*, August 2019.

Figure I. Russia: Key Macroeconomic Indicators

Source: International Monetary Fund (IMF), *World Economic Outlook*, October 2019; IMF Exchange Rate Database; Central Bank of Russia, International Reserves of the Russian Federation (End of Period), accessed November 20, 2019. Based on current dollars/rubles.

Note: Dashed lines indicate data estimates and projections.

Figure 2. Russia and International Capital Markets

Source: Central Bank of Russia, “Financial Transactions of Private Sector,” “Direct Investment in the Russian Federation: Positions by Instrument and Partner Country (Asset/Liability Principle),” and “External Debt of the Russian Federation in National and Foreign Currency: Detailed Analytical Position,” at <https://www.cbr.ru/eng/>, accessed November 21, 2019. Based on current dollars/rubles.

Note: * denotes estimated data (capital outflows and FDI) or partial year data (external debt).

Estimates of the Broad Economic Impact

Some statistical studies estimate the precise impact of sanctions on Russia’s economy relative to other factors, particularly large swings in oil prices. These studies have produced various estimates.

- One survey of research on the economic impact of sanctions and oil prices concluded that sanctions had a relatively smaller impact on Russian gross domestic product (GDP) than oil prices.¹⁶²
- Another analysis found that oil prices, not sanctions, drove changes in the value of the ruble.¹⁶³
- In November 2014, Russian Finance Minister Anton Siluanov estimated the annual cost of sanctions to the Russian economy at \$40 billion (2% of GDP), compared to \$90 billion to \$100 billion (4% to 5% of GDP) lost due to lower oil prices.¹⁶⁴
- In 2015, Russian economists estimated that sanctions would decrease Russia’s GDP by 2.4% by 2017 but that this effect would be 3.3 times lower than the effect of the oil price shock.¹⁶⁵

¹⁶² Ahn and Ludema, “The Sword and the Shield,” 2019 (footnote 2).

¹⁶³ Christian Dreger et al., “Between the Hammer and the Anvil: The Impact of Economic Sanctions and Oil Prices on Russia’s Ruble,” *Journal of Comparative Economics*, vol. 44, no. 2 (May 2016), pp. 295-308.

¹⁶⁴ European Parliamentary Research Service, *Sanctions over Ukraine: Impact on Russia*, January 2018, at [http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_BRI\(2018\)614665](http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_BRI(2018)614665).

¹⁶⁵ Evsey Gurvich and Ilya Prilepskiy, “The Impact of Financial Sanctions on the Russian Economy,” *Russian Journal of Economics*, vol. 1, no. 4 (December 2015), pp. 359-385.

- A Russian consulting firm, the Economic Expert Group, estimated that, due to the negative effect of sanctions on capital inflows into the Russian economy, by the end of 2017 Russia's GDP was 1.8% lower than it would have been otherwise, but that the negative effects of sanctions had declined over time.¹⁶⁶
- In August 2019, the IMF estimated that sanctions led growth to fall short of expectations by about 0.2% per year since 2014. In comparison, the decline in global oil prices caused Russian growth to be about 0.6% lower than expectations each year since 2014.¹⁶⁷

Russian officials and businesspeople subject to sanctions, who at times have harshly criticized the sanctions, have made public statements that appear to support these conclusions. For example, in November 2016, Putin argued that sanctions were “severely harming Russia” in terms of access to international financial markets but that the impact was not as severe as the harm from the decline in energy prices.¹⁶⁸ Likewise, in July 2017, Alexei Kudrin, an economic adviser to Putin, argued that U.S. sanctions were curbing economic growth in Russia and preventing the country from regaining its status as a leading economic power. He contended, however, that a robust structural reform package could lift growth to 3%-4% and offset the effects of sanctions.¹⁶⁹

Some more recent public statements have somewhat downplayed the sanctions' effects, however. For example, in May 2018, Arkady Rotenberg, a billionaire businessman close to Putin, said the Ukraine-related sanctions “did create certain difficulties, but we've overcome them, and these difficulties made us unite.”¹⁷⁰ Likewise, in August 2019, the Russian finance minister said that Russia's financial system has proven resilient to external pressures.¹⁷¹ Meanwhile, in separate statements in November 2019, President Putin credited sanctions with helping the Russian economy become more self-reliant, but he also criticized the use of “unilateral sanctions, including those that are politically motivated,” as harming the global economy.¹⁷²

Factors Influencing the Broad Economic Impact

Russia's economic recovery in 2016-2017 occurred while sanctions remained in place and, in some instances, were tightened. As a result, some have questioned why the sanctions have not had a greater economic impact. A key factor is that the Obama Administration, the EU, and other international counterparts designed sanctions related to Russia's invasion of Ukraine, which account for most U.S. and international sanctions on Russia, to have a limited and targeted economic impact. The sanctions do not broadly prohibit economic activity with Russia. They were intended to be “smart sanctions” that targeted individuals and entities responsible for offending policies and/or were associated with key Russian policymakers but inflicted minimal

¹⁶⁶ Estimate by the Economic Expert Group, as cited in Maria Snegovaya, *Tension at the Top: The Impact of Sanctions on Russia's Poles of Power*, Center for European Policy Analysis, July 2018.

¹⁶⁷ IMF, *Russian Federation: Staff Report for the 2015 Article IV Consultation*, August 2019, p. 5.

¹⁶⁸ Nikolaus Blome, Kai Kiekmann, and Daniel Biskup, Interview with Putin, *Bild*, November 1, 2016.

¹⁶⁹ Darya Korsunskaya, Alexander Winning, and Andrew Osborn, “Russia Risks Decades of Low Growth Under U.S. Sanctions: Putin Adviser,” Reuters, July 27, 2017.

¹⁷⁰ Anton Troianovski, “Putin's Bridge to Crimea Illustrates His Power—and His Regime's Weak Spot,” *Washington Post*, May 15, 2018.

¹⁷¹ Reuters, “New U.S. Sanctions Won't Hurt Russian Financial System: Siluanov,” August 3, 2019.

¹⁷² Holly Ellyatt, “Russia Has Always Had ‘Great Respect’ for the US, Putin Says,” *CNBC*, November 20, 2019; Reuters, “Russia's Putin Slams Sanctions, Says They Impede Global Growth,” November 13, 2019.

collateral damage to the Russian people and to the economic interests of countries imposing sanctions.¹⁷³

Sanctions related to Russia's invasion of Ukraine target specific individuals and firms. In some cases, they prohibit only specific types of transactions. Overall, more than four-fifths of the largest 100 firms in Russia (in 2018) are not directly subject to any U.S. sanctions, including companies in a variety of sectors, such as railway, retail, autos, services, mining, and manufacturing (**Table D-1**).¹⁷⁴ According to one independent Russian polling firm, 78% of individuals polled in April 2018 reported that they were largely unaffected by Western sanctions.¹⁷⁵

More than half of the U.S. SDN sanctions that block assets and restrict transactions target individuals, not firms. Such sanctions may be consequential for the specific individuals involved and may send important political messages, but they are unlikely to have broader effects on Russia's economy. SDN sanctions on entities are mainly limited to businesses controlled by designated individuals, companies that operate in Crimea, and several defense and arms firms. Of the 100 largest firms in Russia, 5 are subject to full blocking (SDN) sanctions (**Table D-1**).¹⁷⁶

In contrast, the sectoral (SSI) sanctions target large Russian companies, affecting 7 of Russia's 10 largest companies. However, they limit a specific set of transactions relating to debt, equity, and/or certain long-term oil projects (**Table D-2**). In terms of debt (and, in some cases, equity) restrictions, sanctions were intended to restrict the access of major Russian financial, energy, and defense firms to international markets. Many major Russian firms had borrowed heavily from international investors. Restricting their access to new financing from western capital markets was intended to disrupt their ability to refinance (rollover) existing debts. As their debts matured, this would force firms to make large repayments or scramble for alternative sources of financing.

The sectoral sanctions restricting certain oil projects sought to put long-term pressure on the Russian government by denying Russian oil companies access to Western technology to modernize their industry or develop new sources of oil. In 2016, a State Department official explained that sanctions were not designed to push Russia "over the economic cliff" in the short run but to exert long-term economic pressure on the country.¹⁷⁷ By design, the full economic ramifications of restrictions on oil projects may have yet to materialize fully. The IMF estimated that lower capital accumulation and technological transfers resulting from sanctions could reduce Russia's output in the longer term by up to 9%; in contrast, it estimated the short-term impact of the sanctions as much smaller, between 1.0% and 1.5%.¹⁷⁸

Questions have also been raised about the extent to which CBW Act-related sanctions on sovereign debt and bank loans to the Russian government will impact the latter's finances and growth prospects (see "Use of a Chemical Weapon," above). The CBW sanctions were imposed in August 2019, however, and so it may be too early to assess their economic impact. Still,

¹⁷³ Ahn and Ludema, "The Sword and the Shield," 2019 (footnote 2).

¹⁷⁴ CRS analysis of data published by Russian media outlet RBC (<https://www.rbc.ru/rbc500/>) on the largest firms in Russia and OFAC SDN and SSI sanctions lists.

¹⁷⁵ *Moscow Times*, "Most Russians Say They Are Unaffected and 'Unworried' by Western Sanctions," May 14, 2018.

¹⁷⁶ The "Top 100" list used by CRS includes 114 firms due to tied rankings. Out of these 114 firms, 5 are subject to full blocking (SDN) sanctions. Another two were designated in April 2018 but delisted in January 2019. CRS analysis of data published by Russian media outlet RBC (<https://www.rbc.ru/rbc500/>) on the largest firms in Russia and OFAC SDN and SSI sanctions lists.

¹⁷⁷ Robin Emmott, "Sanctions Impact on Russia to be Longer Term, U.S. Says," Reuters, January 12, 2016.

¹⁷⁸ IMF, *Russian Federation: Staff Report for the 2015 Article IV Consultation*, August 2015, p. 5.

analysts have raised a number of questions about whether such restrictions will place significant fiscal pressure on the Russian government.¹⁷⁹ The CBW sanctions target a relatively narrow category of sovereign financing: non-ruble bank loans to the Russian government and transactions in non-ruble-denominated Russian sovereign bonds in primary markets. Sanctions do not prohibit, for example, U.S. investors from purchasing ruble-denominated sovereign bonds or non-ruble-denominated Russian sovereign bonds on secondary markets. Most of Russia's outstanding bonds are denominated in rubles (\$134 billion) rather than in foreign currency (\$40 billion).¹⁸⁰ In addition, there may be sufficient demand by non-U.S. investors to offset the loss of U.S. demand for the sanctioned bonds and bank loans. More broadly, the Russian government's fiscal position has been bolstered by an uptick in oil prices, low levels of debt, and large reserve holdings.

Sanctions on Rusal: Acute Economic Effects

Some designations the Department of the Treasury's Office of Foreign Assets Control (OFAC) made in 2018 suggest that U.S. sanctions on Russia may have more acute effects on Russia's economy depending on the significance of the targeted firm, the type of sanctions applied, and the application of secondary sanctions. In particular, OFAC's April 2018 designation of Rusal, the world's second-largest aluminum company, attracted international attention and made foreign banks and firms reluctant to engage in any transactions with Rusal.

Investors reacted to the sanctions with a rapid sell-off of Russian stocks, bonds, and the ruble, resulting in one of the worst days for Russian markets since 2014. Many analysts focused on the effects of the Rusal sanctions and expected them to be felt broadly in commodity markets, particularly through higher prices. OFAC extended the wind-down period on transactions with Rusal in April 2018, however, and the next month suggested the firm could be delisted if its ownership changed. In December 2018, the Department of the Treasury announced that such an agreement had been reached and, accordingly, notified Congress that it intended to terminate sanctions on Rusal and two related companies in 30 days. OFAC delisted Rusal in January 2019.

The Department of the Treasury characterized its actions against Rusal and other companies as "among the most impactful targeted sanctions actions ever taken by OFAC and included many of the globally integrated companies the oligarchs rely on to generate their wealth." It stated that sanctions against Rusal had fulfilled their objective, namely to sever control by a Kremlin-linked billionaire. With the delisting of Rusal, some argued that this approach demonstrated limits to U.S. resolve on sanctions.

Sources: Henry Foy and David Sheppard, "U.S. Sanctions on Oligarchs Set to Resonate Globally," *Financial Times*, April 8, 2018; Matt Phillips, "Russian Markets Reel After U.S. Imposes New Sanctions," *New York Times*, April 9, 2018; Leonid Bershidsky, "The Rusal Case is a Failure of U.S. Sanctions," *Bloomberg*, April 24, 2018; U.S. Department of the Treasury, "OFAC Notifies Congress of Intent to Delist EN+, Rusal, and EuroSibEnerg," press release, December 19, 2018; U.S. Department of the Treasury, "OFAC Delists EN+, Rusal, and EuroSibEnerg," press release, January 27, 2019.

Impact on Russian Firms and Sectors

If the effects of sanctions on Russia's economy as a whole may be modest, their impact on specific firms and sectors may be more significant. Several anecdotal examples illustrate the impact of sanctions on the firm and sector levels:

- Russian banks have been reluctant to provide financial services in Crimea over the threat of sanctions.¹⁸¹

¹⁷⁹ For example, see Daniel Fried, Brian O'Toole, and David Mortlock, "New Russia Sanctions: Justified, but Feeble and Awkward," *Atlantic Council*, August 5, 2019; John E. Smith, et al., "TGIF? No, CBW: U.S. Government Imposes Narrow Financing Restrictions and Other Sanctions on Russia," Morrison & Foerster LLP, August 6, 2019.

¹⁸⁰ Retrieved November 26, 2019 from Bloomberg terminal.

¹⁸¹ Alissa de Carbonnel and Elizabeth Piper, "Sanctions Trump Patriotism for Russian Banks in Crimea," *Reuters*, April 9, 2014; Leonid Bershidsky, "Russia Sets Out to Sanction Western Sanctions," *Bloomberg*, May 16, 2018.

- Rostec, a major state-owned defense conglomerate, saw profits drop in 2014 from a loss in foreign investment caused by sanctions.¹⁸²
- Some Western oil service companies, a valuable source of expertise and equipment for Russian oil companies, limited their operations in Russia following sanctions.¹⁸³
- Exxon canceled its involvement in a joint venture with Rosneft over U.S. sanctions.¹⁸⁴
- Sanctions reportedly forced Rosneft to suspend an oil project in the Black Sea.¹⁸⁵
- The Russian government has encouraged wealthy Russians to repatriate offshore funds, citing the need for financing in the face of sanctions.¹⁸⁶
- Workers in Rusal's hometown expressed concerns about their jobs following U.S. sanctions.¹⁸⁷
- Alfa Bank, Russia's largest privately held bank (and not under U.S. sanctions), announced in January 2018 that it was winding down its business with Russian defense firms, many of which are subject to SDN sanctions.¹⁸⁸

One study uses firm-level data to assess, using statistical models, the impact of U.S. and European sanctions in 2014 on Russian firms.¹⁸⁹ Based on data from between 2012 and 2016, it finds that sanctioned firms on average lost about one-quarter of their operating revenues, over one-half of their asset values, and about one-third of their employees relative to their non-sanctioned peers. The authors argue that the findings suggest the sanctions effectively targeted firms with relatively minimal collateral damage to other Russian firms.

The study estimates the average effects on sanctioned firms and provides only a snapshot of the sanctions' effects. Some sanctioned firms did worse than average; other sanctioned firms did well. For example, the ruble-denominated profits of Sberbank (the largest bank in Russia), Rostec (a major defense conglomerate), and Novatek (an independent natural gas producer) were higher by 2018 than when sectoral sanctions were imposed in 2014 (see **Table D-2**).¹⁹⁰

Factors Influencing the Impact on Firms and Sectors

Some firms have weathered sanctions better than others. This discrepancy may be attributable to a number of factors. First, the extent to which sanctions interrupted economic transactions varies across sanction targets. It is not clear to what extent some sanctioned targets, including Russian intelligence services, the Night Wolves (a motorcycle club), or the Eurasian Youth Union, engage

¹⁸² *Moscow Times*, "Sanctions Hit Profits at Russian Defense and Technology Giant Rostec," July 22, 2015.

¹⁸³ *Moscow Times*, "Sanctions Squeeze Western Oil Service Companies Out of Russia," September 14, 2014.

¹⁸⁴ Chris Isidore and Matt Egan, "ExxonMobil Drops Out of Russian Joint Venture Due to Sanctions," CNN, March 1, 2018.

¹⁸⁵ Elena Holodny, "Russian Oil Behemoth Rosneft Reportedly Suspends an Oil Project in the Black Sea Because of Western Sanctions," *Business Insider*, October 30, 2017.

¹⁸⁶ *Moscow Times*, "Putin Tries to Lure \$1 Trillion Home as Sanctions Fear Grows," December 27, 2017.

¹⁸⁷ *Moscow Times*, "Russian Workers Desperate to Save Jobs at Sanctions-Hit Rusal," April 30, 2018.

¹⁸⁸ Max Seddon, "Moscow Creates Bank to Help It Avoid U.S. Sanctions," *Financial Times*, January 19, 2018.

¹⁸⁹ Ahn and Ludema, "The Sword and the Shield," 2019 (footnote 2).

¹⁹⁰ There have been large swings in the value of the ruble since 2013. In dollars, Sberbank and Rostec are more profitable, and Novatek is less profitable.

in significant economic transactions with the United States or in the U.S. financial system.¹⁹¹ If the transactions are limited, the sanctions are more symbolic than disruptive of economic activity. Additionally, the limited design of the sectoral sanctions did not necessarily result in a rapid disruption in business operations, particularly as oil prices picked up. Despite sanctions, Russian energy firms largely have been able to carry on business as normal.¹⁹² Russian oil production reached record highs in 2018, despite restrictions on access to Western technology for certain oil exploration projects.¹⁹³

Second, the Russian government has implemented various measures to support some sanctioned firms. For example, Sberbank benefited from substantial central bank purchases of its new debt, which it can no longer sell in U.S. and European capital markets due to sanctions.¹⁹⁴ The Russian government strategically granted contracts to sanctioned firms; it provided sanctioned Bank Rossiya the sole contract to service the \$36 billion domestic wholesale electricity market, granted the contract to build a bridge linking the Russian mainland with occupied Crimea to a sanctioned construction company (Stroygazmontazh), and selected a sanctioned bank (VTB) to be the sole manager of the government's international bond sales.¹⁹⁵

In December 2014, the government launched a bank recapitalization program worth about 1.2% of GDP to support large and regional banks directly or indirectly affected by the sanctions, as well as provided regulatory forbearance and increased deposit insurance.¹⁹⁶ The central bank also helped sanctioned banks access foreign currency.¹⁹⁷ The Russian government increased its orders from its defense industry firms in 2014, offsetting sales lost from the sanctions.¹⁹⁸ It also repurposed a nationalized bank, Promsvyazbank, to finance Russia's defense industry in response to financing challenges created by sanctions.¹⁹⁹ Promsvyazbank extended a new credit line to the Renova Group, owned by billionaire Viktor Vekselberg, to support the firm within weeks after it and its owner came under U.S. sanction in April 2018.²⁰⁰

More broadly, the government created a department within the Finance Ministry to liaise with sanctioned businesses, study their challenges, and draft government proposals for support.²⁰¹ The government is also planning to launch a special exchange where sanctioned companies can list their bonds and is considering easing accounting rules for sanctioned defense firms.²⁰² Although it

¹⁹¹ RFE/RL, "Q&A: Ex-White House Official Says New Russia Sanctions Will Have 'Marginal, If Any, Impact,'" March 15, 2018.

¹⁹² Henry Foy, "Russian Energy Groups Largely Unscathed by Western Sanctions," *Financial Times*, March 15, 2018.

¹⁹³ Vladimir Soldatkin, "Russian Oil Output Reaches Record High in 2018, Reuters, January 2, 2019.

¹⁹⁴ Leonid Bershidsky, "Some Sanctioned Russian Firms Thrive on Adversity," *Bloomberg*, May 8, 2018.

¹⁹⁵ *Moscow Times*, "Sanctioned Bank Rossiya Becomes First Major Russian Bank to Expand in Crimea," April 15, 2017; Jack Stubbs and Yeganeh Torbati, "U.S. Imposes Sanctions on 'Putin's Bridge' to Crimea," Reuters, September 1, 2016; Thomas Hale and Max Seddon, "Russia to Tap Global Debt Markets for a Further \$1.25 Billion," *Financial Times*, September 22, 2016.

¹⁹⁶ IMF, *Russian Federation: Staff Report for the 2015 Article IV Consultation*, August 2015, p. 16.

¹⁹⁷ Jason Bush, "Russian Central Bank to Lend Dollars to Offset Western Sanctions," Reuters, October 3, 2014.

¹⁹⁸ *Moscow Times*, "Sanctions Hit Profits at Russian Defense and Technology Giant Rostec," July 22, 2015.

¹⁹⁹ Max Seddon, "Moscow Creates Bank To Help It Avoid US Sanctions," *Financial Times*, January 19, 2018.

²⁰⁰ "Russia's Renova Gets Credit Line from Promsvyazbank," Reuters, May 14, 2018.

²⁰¹ Olga Tanas and Katia Dmitrieva, "Russia's Sanctioned Companies Seek \$1.6 Billion in State Support," *Bloomberg*, April 20, 2018.

²⁰² Katie Martin and Max Seddon, "Russia Plans Exchange for US-Sanctioned Companies to Raise Debt," *Financial Times*, October 17, 2019; "Russia Might Ease Accounting Rules on Sanctioned Firms," *Moscow Times*, November 8, 2019.

is difficult to find a precise quantitative estimate of the extent to which the Russian government has used resources to shield firms from sanctions, such support shifts the cost of sanctions from the targeted firms to the government.

Third, some Russian firms have minimized the sanctions' impact by forging alternative economic partnerships. For example, sanctions had the potential to jeopardize Russia's military modernization program, but Russia ultimately found alternative suppliers, particularly from China, South Korea, and Southeast Asia.²⁰³ Additionally, independent gas company Novatek secured alternative financing from China to proceed with a natural gas project in the Arctic.²⁰⁴ Gazprom secured a \$2 billion loan from the Bank of China, the largest loan from a single bank in Gazprom's history.²⁰⁵ More generally, Russian energy firms have concluded a number of corporate agreements with Chinese and Saudi companies following the imposition of sanctions.²⁰⁶

The extent to which Russia can successfully execute a "pivot to China" and other non-Western sources of financing, investment, and trade should not be overstated, however. Public Chinese banks seem more willing to engage than private Chinese banks, and business transactions are complicated by other geopolitical considerations.²⁰⁷ Eager to attract investment, Russian firms also appear to be offering better investment deals to Chinese investors to circumvent financing problems caused by sanctions, suggesting that alternative financing has not been a full substitute for Western capital.²⁰⁸ Finally, CRIIEA's introduction of a policy option to impose secondary sanctions against third parties that engage in significant transactions with sanctioned Russian individuals and firms, and with Russia's defense and intelligence sectors, means that these alternatives remain risky and uncertain.²⁰⁹

Finally, the Russian government and Russian companies are exploring a number of ways to reduce their reliance on the U.S. dollar to minimize the impact of sanctions. For example, the Russian government is shifting away from dollars in its reserve holdings, establishing swap lines with China, considering the creation of a sovereign cryptocurrency (the "cryptoruble"), and advocating the creation of alternative payment systems as ways to sidestep sanctions.²¹⁰ Russian companies also are exploring contracts denominated in non-dollar currencies, including rubles, yuan, and euros, to reduce the impact of sanctions and reduce vulnerability to future sanctions.²¹¹ Given the continued predominance of the U.S. dollar in the global economy, and particularly in

²⁰³ Paul Mcleary, "Did Western Sanctions Actually Help the Russian Military?" *Foreign Policy*, January 23, 2017.

²⁰⁴ Jack Farchy and Elena Mazneva, "Russia Wins in Arctic After U.S. Fails to Kill Giant Gas Project," *Bloomberg*, December 14, 2017.

²⁰⁵ Alexander Gabuev, "A Pivot to Nowhere: The Realities of Russia's Asia Policy," *Carnegie Moscow Center*, April 22, 2016, at <https://carnegie.ru/commentary/63408>.

²⁰⁶ Henry Foy, "Russia Turns to New Friends from China and the Middle East," *Financial Times*, October 11, 2017.

²⁰⁷ Gabuev, "A Pivot to Nowhere," April 22, 2016 (footnote 205).

²⁰⁸ Peter Harrell et al., *The Future of Transatlantic Sanctions on Russia*, Center for a New American Security, June 15, 2017, at <https://www.cnas.org/publications/reports/the-future-of-transatlantic-sanctions-on-russia>.

²⁰⁹ U.S. Department of the Treasury, "Frequently Asked Questions Regarding CAATSA Section 228," at https://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq_other.aspx#sec_228.

²¹⁰ Natasha Doff, "Putin's Big Dollar Dump Cost Russia \$8 Billion in One Year," *Bloomberg*, October 15, 2019; Andrey Ostroukh, "Russia and China Open Currency-Swap Line," *Wall Street Journal*, October 13, 2014; Max Seddon and Martin Arnold, "Putin Considers 'Cryptoruble' As Moscow Seeks to Evade Sanctions," *Financial Times*, January 1, 2018; and "Russia Backs Global Use of Its Alternative SWIFT System," *Reuters*, March 19, 2019.

²¹¹ Polina Devitt and Katya Golubkova, "Russian Firms Test Non-Dollar Deals to Sidestep Any U.S. Sanctions," *Reuters*, October 18, 2018; Olga Yagova, "Russia's Rosneft Seeks Euros for All New Export Deals," *Reuters*, October 3, 2019; and Max Seddon and Henry Foy, "Russia Looks at Alternatives to Dollar for Energy Transactions," *Financial Times*, October 13, 2019.

oil markets, analysts argue that it will be difficult for Russia to shift away from the dollar (or “de-dollarize”) quickly if at all.²¹²

Outlook

Debates about the effectiveness of U.S. and other sanctions on Russia continue in Congress, in the Administration, and among other stakeholders. After more than five years of escalating sanctions, Russia has not reversed its occupation and annexation of Ukraine’s Crimea region, nor has it stopped sustaining separatist regimes in eastern Ukraine. On the contrary, it has extended military operations to the Black Sea and the Azov Sea bordering Ukraine and Russia. The United States and its allies have documented multiple instances of Russian cyber-enabled malicious activities. They also have determined that Russian agents used a lethal nerve agent to attack an opponent in the United Kingdom. In addition, Russia remains an influential supporter of the Syrian and Venezuelan governments.

Nonetheless, many observers argue that sanctions help to restrain Russia or that the imposition of sanctions is an appropriate foreign policy response regardless of immediate effect. Since the introduction of sanctions, multiple reports suggest Russian government officials and their supporters pay close attention to sanctions developments and express concern about their real and potential impact. Observers also note that sanctions have led the Russian government to make policy adjustments, including diverting resources to affected businesses and sectors.

There exists a wide range of options moving forward. Some argue it is necessary to introduce more sanctions on Russia, including more comprehensive and/or more targeted sanctions. Others contend that the Administration should focus on fully implementing the range of existing sanctions authorized by law. Some observers stress the need to coordinate new sanctions with Europeans and other allies. Others are skeptical that sanctions can produce desired changes in Russian behavior, especially without also using other foreign policy tools. Some express concerns that sanctions, particularly those that are imposed unilaterally, hurt U.S. businesses and cede economic opportunities to firms in other countries.

The 116th Congress has continued to consider new sanctions on Russia. The FY2020 National Defense Authorization Act (P.L. 116-92/S. 1790) establishes sanctions related to the construction of Nord Stream 2 and other Russian subsea natural gas export pipelines. The Defending American Security from Kremlin Aggression Act of 2019 (S. 482) and other legislation propose additional measures to address Russian election interference, aggression in Ukraine, arms sales, and other activities.

²¹² Henry Foy, “Can Russia Stop Using the US Dollar?,” *Financial Times*, October 3, 2018.

Appendix A. Legislative Abbreviations and Short Titles

CAATSA: Countering America’s Adversaries Through Sanctions Act (P.L. 115-44)

CBW Act: Chemical and Biological Weapons Control and Warfare Elimination Act of 1991 (P.L. 102-182, Title III; 22 U.S.C. 5601 et seq.)

CRIEEA: Countering Russian Influence in Europe and Eurasia Act of 2017, as amended (P.L. 115-44, Title II; 22 U.S.C. 9501 et seq.)

Global Magnitsky Act: Global Magnitsky Human Rights Accountability Act (P.L. 114-328, Title XII, Subtitle F; 22 U.S.C. 2656 note)

IEEPA: International Emergency Economic Powers Act (P.L. 95-223; 50 U.S.C. 1701)

INKSNA: Iran, North Korea, and Syria Nonproliferation Act, as amended (P.L. 106-178, 50 U.S.C. 1701 note)

NEA: National Emergencies Act (P.L. 94-412; 50 U.S.C. 1621)

PEESA: Protecting Europe’s Energy Security Act of 2019 (P.L. 116-92, Title LXXV)

Sergei Magnitsky Act: The Sergei Magnitsky Rule of Law Accountability Act of 2012 (P.L. 112-208, Title IV; 22 U.S.C. 5811 note)

SSIDES: Support for the Sovereignty, Integrity, Democracy, and Economic Stability of Ukraine Act of 2014, as amended (P.L. 113-95; 22 U.S.C. 8901 et seq.)

UFSA: Ukraine Freedom Support Act of 2014, as amended (P.L. 113-272; 22 U.S.C. 8921 et seq.)

Appendix B. U.S. Sanctions on Russia

Table B-I. U.S. Sanctions on Russia for Which Designations Have Been Made

Objectionable Behavior and Authorities ^a	Date of Authority	Targets	Designations and Other Actions (as of 12/31/2018)
<i>Invasion of Ukraine^b</i>			
EO 13660; Countering Russian Influence in Europe and Eurasia Act of 2017 (P.L. 115-44, Title II; 22 U.S.C. 9522)	3/6/2014 (codified 8/2/2017)	Those responsible for undermining Ukraine's democracy; threatening its peace, security, stability, sovereignty, or territorial integrity; misappropriating assets; and/or illegally asserting government authority.	116 individuals, 24 entities
EO 13661; P.L. 115-44	3/17/2014 (codified 8/2/2017)	Russian government officials; those operating in Russia's arms or related materiel sector; entities owned or controlled by a senior Russian government official; those acting on behalf of, or materially assisting or supporting, a senior Russian government official.	89 individuals, 65 entities, 3 aircraft, 1 vessel
EO 13662; P.L. 115-44	3/20/2014 (codified 8/2/2017)	Entities and individuals operating in specified sectors of the Russian economy. Four Treasury directives specify financial services, energy (including deepwater, Arctic offshore, and shale oil development projects), and defense.	289 entities (SSI); 6 individuals, 13 entities (SDN)
EO 13685; P.L. 115-44	12/19/2014 (codified 8/2/2017)	Those engaging in new investment, trade, and related economic activities with the occupied Crimea region of Ukraine.	71 entities, 8 individuals, 7 vessels
<i>Malicious Cyber-Enabled Activities^c</i>			
EO 13694, as amended by EO 13757; P.L. 115-44 (22 U.S.C. 9522)	4/1/2015 (amended on 12/28/2016; codified 8/2/2017)	Those engaged in malicious cyber-enabled activities, including related to election interference, likely to result in a significant threat to the national security, foreign policy, or economic health or financial stability of the United States.	43 individuals, 26 entities, 3 aircraft, 1 vessel

Objectionable Behavior and Authorities^a	Date of Authority	Targets	Designations and Other Actions (as of 12/31/2018)
P.L. 115-44 (§224); 22 U.S.C. 9524	8/2/2017	Those engaged in activities on behalf of the Russian government to undermine cybersecurity against any person, including a democratic institution, or government.	21 individuals, 3 entities
P.L. 115-44 (§231); 22 U.S.C. 9525	8/2/2017	Those that engage in significant transactions with persons that are part of, or operate for or on behalf of, Russia's defense and intelligence sectors.	1 entity, 1 individual (additionally, 5 of 12 sanctions as listed in 22 U.S.C. 9529)
Human Rights Abuses and Corruption^d			
Sergei Magnitsky Rule of Law Accountability Act of 2012 (P.L. 112-208, Title IV; 22 U.S.C. 5811 note)	12/14/2012	Those responsible for the detention, abuse, or death of Sergei Magnitsky, or who covered up related crimes, or those who financially benefitted from the related criminal conspiracy or are responsible for human rights abuses against individuals seeking to expose illegal Russian government activity or to exercise and defend human rights and freedoms.	55 individuals
Global Magnitsky Human Rights Accountability Act (P.L. 114-328, Title XII, Subtitle F; 22 U.S.C. 2656 note); EO 13818	12/23/2016 (EO issued on 12/20/2017)	Those responsible for human rights abuses against foreign persons seeking to expose illegal government activity or defending human rights and freedoms and those engaged in acts of significant corruption.	2 individuals
Support for the Sovereignty, Integrity, Democracy, and Economic Stability of Ukraine Act of 2014 (SSIDES; P.L. 113-95), as amended by P.L. 115-44 (§228); 22 U.S.C. 8910	4/3/2014, amended 8/2/2017	Foreign persons for committing serious human rights abuses in territories forcibly occupied or controlled by Russia.	2 individuals, 1 entity
Weapons Proliferation^e			
EO 13382	6/28/2005	Foreign persons engaged in activities that materially contribute to the proliferation of weapons of	2 individuals, 3 entities (North Korea-related)

Objectionable Behavior and Authorities^a	Date of Authority	Targets	Designations and Other Actions (as of 12/31/2018)
Iran, North Korea, and Syria Nonproliferation Act, as amended (INKSNA, P.L. 106-178; 50 U.S.C. 1701 note)	3/14/2000 (amended on 11/22/2005 and 10/13/2006)	mass destruction or their means of delivery. Foreign persons who engage in weapons trade or trade that might materially contribute to Iran, North Korea, or Syria developing or gaining access to a weapon of mass destruction or cruise or ballistic missile system.	Export restrictions on 8 entities
Export Control Act of 2018 (P.L. 115-232, Title XVII, Part I), to the extent it continues export controls and regulations issued under the Export Administration Act of 1979 (P.L. 96-72; 50 U.S.C. 4601 et seq.)	8/3/2018; 9/29/1979	Foreign persons suspected of U.S. export violations related to the procurement and delivery of items to Russia for military-related and other governmental or related end uses.	Export restrictions on 119 individuals and entities
Export Control Act of 2018 (P.L. 115-232, Title XVII, Part I), to the extent it continues export controls and regulations issued under the Export Administration Act of 1979 (P.L. 96-72; 50 U.S.C. 4601 et seq.)	8/3/2018; 9/29/1979	Foreign persons involved in producing a ground-launched cruise missile system and associated launcher in violation of the Intermediate-Range Nuclear Forces Treaty.	Export restrictions on 2 entities
Use of a Chemical or Biological Weapon			
Chemical And Biological Weapons Control and Warfare Elimination Act of 1991 (CBW Act; P.L. 102-182, Title III; 22 U.S.C. 5601 et seq.)	12/4/1991	Any foreign government that has used chemical or biological weapons in violation of international law; used lethal chemical or biological weapons against its own nationals; or made substantial preparations to engage in such activities.	Export restrictions on U.S. Munitions List items and national-security sensitive goods or technologies (the Commodity Control List); termination of arms sales and foreign military financing; denial of U.S. government credit, credit guarantees, or other financial assistance; termination of foreign assistance. Prohibits U.S. banks from lending non-ruble denominated funds to the Russian state and participating in the primary market for non-ruble denominated bonds

Objectionable Behavior and Authorities ^a	Date of Authority	Targets	Designations and Other Actions (as of 12/31/2018)
			<p>issued by the Russian state.</p> <p>Restricts export licenses for goods controlled for dual-use chemical and biological applications.</p> <p>Waiver authority invoked to continue foreign assistance; exports related to space cooperation and commercial space launches; and export licensing in specific categories related to civil aviation safety, commercial end-users for civil end-uses, U.S. and foreign wholly owned subsidiaries operating in Russia, and deemed export licenses.</p>
Trade with North Korea^f			
EO 13722	3/18/2016	Those who trade in metals, graphite, coal, or software in a way that benefits the government of North Korea; those who engage in the exportation of workers from North Korea.	3 individuals, 5 entities
EO 13810	9/20/2017	Those who engage in at least one significant trade transaction with North Korea; those who operation in the information technology sector of North Korea; foreign financial institutions that conduct or facilitate transactions with North Korean designees or any significant transaction in connection with trade with North Korea.	4 entities, 6 vessels
Support to Syria^g			
EO 13582	8/17/2011	Those providing material support and services to the government of Syria.	13 individuals, 8 entities
Support to Venezuela^h			

Objectionable Behavior and Authorities ^a	Date of Authority	Targets	Designations and Other Actions (as of 12/31/2018)
EO 13850	11/1/2018	Foreign financial institutions providing material support and services to the government of Venezuela.	1 entity
Transnational Crime and Terrorismⁱ			
EO 13581	7/24/2011	Foreign persons that constitute a significant transnational criminal organization and those who support them.	15 individuals, 6 entities
EO 13224	9/23/2001	Foreign persons who commit acts of terrorism that threaten the security of U.S. nationals or of U.S. national security, foreign policy, or economy.	12 individuals, 2 entities

Source: Congressional Research Service (CRS).

Notes: Individuals and entities on the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) Specially Designated Nationals and Blocked Persons List (SDN) have their assets blocked, and U.S. persons generally are prohibited from engaging in transactions with them.

With entities on OFAC's Sectoral Sanctions Identifications List (SSI), U.S. persons are prohibited from engaging in certain types of transactions (related to financing, investment, and/or trade, depending on the economic sector of the target).

- a. Executive orders (EOs) shown in this column are based on authorities provided to the President to (1) declare that there exists a national emergency (National Emergencies Act; P.L. 94-412; 50 U.S.C. 1601 et seq.) that threatens the national security, foreign policy, or economy of the United States and "which has its source in whole or substantial part outside the United States" and (2) to use economic tools to address the threat (International Emergency Economic Powers Act; P.L. 95-223; 50 U.S.C. 1701 et seq.). EOs based on these authorities are generally codified at 50 U.S.C. 1701 note. The President is required annually to renew any EO that declares a national emergency.
- b. In addition to listed SDN designations, the United States has imposed export restrictions on many entities for activities related to Russia's invasion of Ukraine. Most of these entities are on the SDN list. For a list of SDN designees and entities on the SSI list, see Programs "UKRAINE-EO 13660," "UKRAINE-EO 13661," "UKRAINE-EO 13662," and "UKRAINE-EO 13685," at <https://sanctionssearch.ofac.treas.gov/>. Entities subject to export restrictions are on the Entity List (Supplement No. 4 to Part 744 of the Export Administration Regulations). Other sanctions program lists are specified below.
- c. For SDN designees, see Programs "CYBER2" and "CAATSA-RUSSIA," at <https://sanctionssearch.ofac.treas.gov/>.
- d. For SDN designees, see Programs "MAGNIT" and "GLOMAG," at <https://sanctionssearch.ofac.treas.gov/>.
- e. For SDN designees, see Program "NPWMD," at <https://sanctionssearch.ofac.treas.gov/>. Entities subject to INKSNA sanctions are available at <https://www.state.gov/wp-content/uploads/2019/06/MASTER-Sanctions-chart-June-2019.pdf>. Entities subject to export restrictions are on the Entity List (Supplement No. 4 to Part 744 of the Export Administration Regulations).
- f. For SDN designees, see Programs "DPRK3" and "DPRK4," at <https://sanctionssearch.ofac.treas.gov/>. Provisions referenced are those that have been used to designate Russian nationals or those affiliated to Russian nationals, as identified by CRS.
- g. For SDN designees, see Program "SYRIA," at <https://sanctionssearch.ofac.treas.gov/>.
- h. For SDN designees, see Program "VENEZUELA-EO 13850," at <https://sanctionssearch.ofac.treas.gov/>.

- i. For SDN designees, see Programs “TCO” and “SDGT,” at <https://sanctionssearch.ofac.treas.gov/>. Designees are those identified by CRS as Russian nationals or affiliated to Russian nationals.

Table B-2. U.S. Sanctions on Russia for Which Designations Have Yet to Be Made

Authority	Targets	Sanctions Action
Ukraine Freedom Support Act (UFSA; P.L. 113-272); 22 U.S.C. 8923(a)	Russian individuals and entities for conducting weapons transfers to Syria, Ukraine, Georgia, Moldova, and potentially other countries.	At least 3 of 9 sanctions as listed in 22 U.S.C. 8923(c)
UFSA; 22 U.S.C. 8923(b)(3)	Withholding by Gazprom of significant natural gas supplies from NATO member states or countries such as Ukraine, Georgia, or Moldova.	Prohibition on investment in equity or debt of longer than 30 days maturity and at least 1 additional sanction as listed in 22 U.S.C. 8923(c)
UFSA, as amended by P.L. 115-44 (§225); 22 U.S.C. 8923(b)(1)	Foreign individuals or entities for investing in deepwater, Arctic offshore, or shale oil projects in Russia.	At least 3 of 9 sanctions as listed in 22 U.S.C. 8923(c)
UFSA, as amended by P.L. 115-44 (§226); 22 U.S.C. 8924	Foreign financial institutions for facilitating significant transactions related to or for (1) Russia’s weapons transfers to Syria, Ukraine, Georgia, Moldova, and potentially other countries; (2) deepwater, Arctic offshore, or shale oil projects in Russia; and (3) individuals and entities subject to sanctions related to Russia’s invasion of Ukraine.	Prohibition on the opening of correspondent or payable-through accounts in the United States and a prohibition or imposition of strict conditions on the maintenance of such accounts
Support for the Sovereignty, Integrity, Democracy, and Economic Stability of Ukraine Act of 2014 (SSIDES; P.L. 113-95), as amended by P.L. 115-44 (§227); 22 U.S.C. 8908	Russian government officials, family members, and close associates for acts of significant corruption.	Asset blocking, prohibitions against transactions with U.S. persons, visa denials
SSIDES, as amended by P.L. 115-44 (§228); 22 U.S.C. 8909	Foreign individuals and entities for violating Ukraine- or cyber-related sanctions or facilitating significant transactions for individuals, their family members, and entities subject to sanctions on Russia.	Asset blocking, prohibitions against transactions with U.S. persons, visa denials
P.L. 115-44 (§232); 22 U.S.C. 9526	Individuals and entities for investing or engaging in trade valued at \$1 million, or cumulatively at \$5 million over 12 months, that enhances Russia’s ability to construct energy export pipelines (discretionary).	At least 5 of 12 sanctions as listed in 22 U.S.C. 9529
P.L. 115-44 (§233); 22 U.S.C. 9527	Individuals and entities for making or facilitating investments of \$10 million or more that contribute	At least 5 of 12 sanctions as listed in 22 U.S.C. 9529

Authority	Targets	Sanctions Action
	to Russia's privatization of state-owned assets "in a manner that unjustly benefits" government officials, relatives, or associates.	
P.L. 115-44 (§234); 22 U.S.C. 9528	Foreign individuals and entities for significant support for Syria's acquisition or development of a variety of advanced or prohibited weapons and defense articles.	Asset blocking, prohibitions against transactions with U.S. persons, visa denials
P.L. 116-92 (Title LXXV)	Foreign persons that have sold, leased, or provided subsea pipe-laying vessels for the construction of Nord Stream 2 and TurkStream, or any successor pipeline.	Asset blocking, prohibitions against transactions with U.S. persons, visa denials

Source: CRS.

Appendix C. U.S. and EU Sectoral Sanctions

Table C-1. U.S. and EU Sectoral Sanctions

United States (EO 13662, Directives 1-4)	European Union (EU) (Council Decision 2014/512/CFSP)
Financial Sector	
Gazprombank (+ affiliated)	Gazprombank
Rosselkhozbank (+ affiliated)	Rosselkhozbank
Sberbank (+ affiliated)	Sberbank
VEB (+ affiliated)	VEB
VTB Bank (+ affiliated)	VTB Bank
Defense Sector	
Rostec (+ affiliated)	Oboronprom (Rostec subsidiary)
	United Aircraft Corporation
	Uralvagonzavod (Rostec subsidiary since end of 2016)
Energy Sector	
Gazpromneft	Gazpromneft
Rosneft (+ affiliated)	Rosneft
Transneft	Transneft
Novatek (+ affiliated)	
Arctic Offshore, Deepwater, and Shale Oil Projects	
Gazprom (+ affiliated)	Companies not specified.
Gazpromneft	
Lukoil	
Rosneft (+ affiliated)	
Surgutneftegaz (+ affiliated)	

Source: CRS.

Appendix D. Russian Firms and U.S. Sanctions

Table D-1. Russia's Largest Firms and U.S. Sanctions

Rank	Company Name	Sector	SDN (Blocking) Sanctions	SSI (Debt and/or Equity) Sanctions	SSI (Oil Project) Sanctions
1	Gazprom	Oil and gas			X
2	Lukoil	Oil and gas			X
3	Rosneft	Oil and gas		X	X
4	Sberbank	Finance		X	
5	Russian Railways	Transport			
5 (tie)	Rostec	Investments		X	
6	Surgutneftegas	Oil and gas			X
7	X5 Retail Group	Trade			
8	VTB	Finance		X	
9	Magnit	Trade			
9 (tie)	SAFMAR	Investments			
10	Rosatom	Atomic industry			
11	Rosseti	Power engineering			
12	Inter RAO	Power engineering			
13	Transneft	Oil and gas		X	
14	Tatneft	Oil and gas			
15	Novatek	Oil and gas		X	
16	Evrast	Metals and mining			
16 (tie)	AFK Sistema	Investments			
17	NLMK	Metals and mining			
18	Nornickel	Metals and mining			
19	Megapolis Group	Distribution			
20	Gazprombank	Finance		X	
21	Rusal	Metals and mining			
22	Aeroflot	Transport			
23	Sibur	Chemistry and petrochemistry			
24	Severstal	Metals and mining			
25	Siberian Coal Energy Company	Metals and mining			
26	Magnitogorsk Iron and Steel Works	Metals and mining			

Rank	Company Name	Sector	SDN (Blocking) Sanctions	SSI (Debt and/or Equity) Sanctions	SSI (Oil Project) Sanctions
27	Ural Mining and Metallurgical Company	Metals and mining			
28	Mobile TeleSystems	Telecommunications			
29	Metalloinvest	Metals and mining			
30	Lenta	Trade			
31	United Aircraft Corporation	Defense and machine building			
32	RusHydro	Electricity			
33	Sakhalin Energy	Oil and gas			
34	T Plus	Power engineering			
35	M.video	Trade			
36	EuroChem	Chemistry and petrochemistry			
37	VimpelCom	Telecommunications			
38	Alfa-Bank	Finance			
39	United Shipbuilding Corporation	Defense and machine building	X		
40	MegaFon	Telecommunications			
41	Rostelecom	Telecommunications			
42	TMK	Metals and mining			
43	Slavneft	Oil and gas			
43 (tie)	Toyota Motor	Cars			
44	Mechel	Metals and mining			
45	Avtotor	Cars			
46	Stroygazmontazh	Infrastructure Construction	X		
46 (tie)	JTI	Alcohol and tobacco			
47	Red&White	Trade			
48	Alrosa	Metals and mining			
49	DIXY	Trade			
50	VEB	Finance		X	
50 (tie)	Philip Morris	Alcohol and tobacco			
50 (tie)	Volkswagen Group Rus	Cars			
51	AvtoVAZ	Cars			

Rank	Company Name	Sector	SDN (Blocking) Sanctions	SSI (Debt and/or Equity) Sanctions	SSI (Oil Project) Sanctions
51 (tie)	Leroy Merlin Vostok	Trade			
51 (tie)	Auchan	Trade			
52	Russian Agricultural Bank	Finance		X	
53	DNS Group	Trade			
54	TNS Energo	Power engineering			
55	Protek	Pharmaceuticals			
56	PIK Group	Development and construction			
57	United Engine Corporation	Defense and machine building		X	
58	Independent Oil and Gas Company	Oil and gas			
59	Merlion	Distribution			
60	PhosAgro	Chemistry and petrochemistry			
60 (tie)	Kia Motors Rus	Cars			
61	Katren	Pharmaceuticals			
62	Otkritie	Finance			
63	Tactical Missiles Corporation	Defense and machine building			
64	Rolf Group	Cars			
65	TAIF-NK	Oil and gas			
66	Transmashholding	Defense and machine building			
66 (tie)	Metro Cash & Carry	Trade			
67	Mostotrest	Construction of infrastructure	X		
68	SOGAZ	Finance			
68 (tie)	Apple Inc. Rus	Electronics			
69	Arktikgaz	Oil and gas			
70	Nizhnekamskneftekhim	Chemistry and petrochemistry			
71	Tomskneft	Oil and gas			

Rank	Company Name	Sector	SDN (Blocking) Sanctions	SSI (Debt and/or Equity) Sanctions	SSI (Oil Project) Sanctions
72	Zarubezhneft	Oil and gas			
73	EuroSibEnergo	Power engineering			
74	Russian Helicopters	Defense and machine building		X	
75	GAZ Group	Cars	X		
76	Russian Post	Postal services			
76 (tie)	MUMT (British American Tobacco)	Alcohol and tobacco			
77	Stroytransneftegaz	Construction of infrastructure	X		
78	Kamaz	Cars			
79	FC Pulse	Pharmaceuticals			
80	Polyus	Metals and mining			
80 (tie)	Hyundai Motor CIS	Cars			
81	S7 Group	Transport			
82	Yamal LNG	Oil and gas			
83	Sodrugestvo	Agriculture and Food			
84	Chelyabinsk Pipe Rolling Plant	Metals and mining			
85	Irkutsk Oil Company	Oil and gas			
86	RussNeft	Oil and gas			
87	National Computer Corporation	Information Technology			
87 (tie)	Mercedes-Benz Russia	Cars			
88	Rusenergosbyt	Power engineering			
89	United Metallurgical Company	Metals and mining			
90	Uralkali	Chemistry and petrochemistry			
91	Tashir	Development and construction			
92	Gas Alliance Company	Metals and mining			
93	FortInvest	Oil and gas			
94	Major Group	Cars			
95	Ruselectronics	Defense industry and engineering		X	

Rank	Company Name	Sector	SDN (Blocking) Sanctions	SSI (Debt and/or Equity) Sanctions	SSI (Oil Project) Sanctions
96	SNS	Distribution			
97	Sibanthracite Group	Metals and mining			
98	O'Key Group	Trade			
99	Mosinzhproekt	Development and construction			
100	UCL Holding	Transport			

Source: CRS analysis of data published by Russian media outlet RBC (<https://www.rbc.ru/rbc500/>) on the largest firms in Russia and the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) Specially Designated Nationals and Blocked Persons (SDN) and Sectoral Sanctions Identifications (SSI) sanctions lists. Data accessed on November 19, 2019.

Notes: Individuals and entities on OFAC's SDN list have their assets blocked, and U.S. persons are generally prohibited from engaging in transactions with them.

With entities on OFAC's SSI list, U.S. persons are prohibited from engaging in certain types of transactions (related to financing, investment, and/or trade, depending on the economic sector of the target).

Table D-2. Selected Major Russian Firms Designated for Sanctions in 2014

Billion Rubles (Billion \$)

Company	Description	Date of Sanction	2013 Profit	2018 Profit	Change in Profit
SDN Sanctions on Top Russian Firms					
United Shipbuilding Corporation	State-owned company engaged in shipbuilding, repair, and maintenance	6/29/2014	2.7 (a.) (0.05)	3 (0.04)	0.3 (0.0)
Stroygazmontazh	Gas pipeline construction	4/28/2014	12 (0.4)	13 (0.2)	1.0 (-0.2)
StroyTransNefteGaz (formerly Stroytransgaz)	Oil and gas engineering construction	4/28/2014	-1.6 (-0.05)	7.0 (0.10)	8.6 (0.1)
SSI Debt and Equity Sanctions					
Sberbank	Russia's largest bank, state-owned	9/12/2014	364 (11.1)	833 (12.0)	469.0 (0.9)
VTB	Russia's second-largest bank, state-owned	9/12/2014	96 (2.9)	179 (2.6)	83.0 (-0.4)
Gazprombank	Russia's third-largest bank, state-owned	9/12/2014	33 (1.0)	41 (0.6)	8.0 (-0.4)
VEB	Russian state-owned financial institution that acts as a development bank and payment agent for the Russian government	7/16/2014	8.5 (0.3)	-172 (-2.5)	-180.5 (-2.7)

Rosselkhozbank	State-owned agricultural bank	7/29/2014	0.7 (0.0)	2 (0.03)	1.3 (0.0)
SSI Debt Sanctions					
Rostec	State-owned conglomerate for Russia's defense industry	9/12/2014	26 (a.) (0.46)	128 (2.1)	102.0 (1.4)
Transneft	State-owned pipeline company	9/12/2014	158 (4.8)	212 (3.1)	54.0 (-1.0)
Novatek	Russia's largest independent natural gas producer	7/16/2014	110 (3.4)	164 (2.4)	54.0 (-1.0)
United Engine Corporation	Produces engines for military and civil aviation and space exploration programs (Rostec subsidiary)	9/12/2014	-31 (-0.9)	14 (0.2)	45.0 (1.1)
Russian Helicopters	Helicopter design and manufacturing company (Rostec subsidiary)	9/12/2014	21 (0.6)	27 (0.4)	6.0 (-0.3)
SSI Debt and Oil Project Sanctions					
Rosneft	Russia's largest oil company and third-largest gas producer (state-owned)	7/16/2014	555 (17.0)	549 (7.9)	-6.0 (-9.1)
SSI Oil Project Sanctions					
Gazprom	State-owned global energy company	9/12/2014	1,139 (34.8)	1,456 (20.9)	317.0 (-13.9)
Lukoil	Oil and gas company	9/12/2014	243 (7.4)	619 (8.9)	376.0 (1.5)
Surgutneftegas	Oil company	9/12/2014	279 (8.5)	850 (12.2)	571.0 (3.7)

Source: CRS analysis of data published by Russian media outlet RBC (<https://www.rbc.ru/rbc500/>) on the largest firms in Russia and OFAC SDN and SSI sanctions lists. Data accessed on November 19, 2019.

Notes: Values denominated in rubles converted to dollars using International Monetary Fund data on end-year exchange rates. Figures may not add due to rounding.

a. 2014 data.

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