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U.S. Sanctions on Russia

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SUMMARY

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Cory Welt, Coordinator
Analyst in European Affairs

Kristin Archick
Specialist in European Affairs

Rebecca M. Nelson
Specialist in International Trade and Finance

Dianne E. Rennack
Specialist in Foreign Policy Legislation

U.S. Sanctions on Russia

Sanctions are considered by many to be a central element of U.S. policy to counter Russian malign behavior. Most Russia-related sanctions have been in response to Russia's 2014 invasion of Ukraine. In addition, the United States has imposed sanctions on Russia in response to human rights abuses, election interference and cyberattacks, weapons proliferation, illicit trade with North Korea, support to Syria, and use of a chemical weapon. The United States also employs sanctions to deter further objectionable activities. Most Members of Congress support a robust use of sanctions amid concerns about Russia's international behavior and geostrategic intentions.

Ukraine-related sanctions are mainly based on four executive orders (EOs) the President introduced in 2014. In addition, Congress passed and the President 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) and the Ukraine Freedom Support Act of 2014 (UFSA; P.L. 113-272).

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

Additional sanctions on Russia may be forthcoming. On August 6, 2018, the United States determined that in March 2018 the Russian government used a chemical weapon in the United Kingdom in contravention of international law. In response, the United States launched an initial round of sanctions on Russia, as required by the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991 (CBW Act; P.L. 102-182, Title III). The law requires a second, more severe round of sanctions in the absence of Russia's reliable commitment to no longer use such weapons.

The United States has imposed most Ukraine-related sanctions on Russia in coordination with the European Union (EU). Since 2017, the efforts of Congress and the Trump Administration to tighten U.S. sanctions on Russia have prompted some degree of concern in the EU about U.S. commitment to sanctions coordination and U.S.-EU cooperation on Russia and Ukraine more broadly. The EU, in addition, continues to consider its response to Russia's use of a chemical weapon in the United Kingdom.

Debates about the effectiveness of U.S. and other sanctions on 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 fostering separatism in eastern Ukraine. With respect to other malign activities, the relationship between sanctions and Russian behavior is difficult to determine. Nonetheless, many observers argue that sanctions help to restrain Russia or that their imposition is an appropriate foreign policy response regardless of immediate effect.

In the 115th Congress, several bills have been introduced to increase the use of sanctions in response to Russia's malign activities. The 116th Congress is likely to continue to debate the role of sanctions in U.S. foreign policy toward Russia.

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Introduction

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

Sanctions are considered by many to be a central element of U.S. policy to counter Russian malign behavior, including Russia's invasion of Ukraine in 2014, election interference and cyberattacks, human rights abuses, illicit trade with North Korea, support to the government of Syria, and use of a chemical weapon. The United States also employs sanctions in an effort to deter further objectionable activities by Russia (e.g., expanding the war in Ukraine or launching new attacks in neighboring countries). Most Members of Congress support a robust use of sanctions amid concerns about Russia's international behavior and geostrategic intentions.

Most Russia-related sanctions implemented by the United States have been levied in response to Russia's 2014 invasion of Ukraine. These sanctions are based 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) and International Emergency Economic Powers Act (IEEPA; P.L. 95-223; 50 U.S.C. 1701) and were exercised by President Barack Obama in 2014 in a series of executive orders (EOs 13660, 13661, 13662, and 13685). The Obama and Trump Administrations have used these EOs to impose sanctions on approximately 650 Russian individuals and entities.

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 specifically Russia-related sanctions 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 from the 2014 Ukraine-related EOs and legislation, and identifies several new sanctions targets, both possible new categories of designees and additional objectionable behavior. It also establishes congressional review of any action the President takes to ease or lift a variety of sanctions.

Russia Sanctions and the Trump Administration

The Trump Administration's pace in implementing 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 behavior. Administration officials contend they are implementing a robust set of sanctions on Russia, including new CRIEEA requirements.

As of November 2018, the Trump Administration has made 14 designations based on new sanctions authorities in CRIEEA, relating to cyberattacks (§224, 9 designations), human rights

abuses (§228, amending SSIDES, 3 designations), and arms sales (§231, 2 designations). The Administration has not made designations under new CRIEEA authorities related to pipeline development, corrupt 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, special oil projects, corruption, and sanctions evasion. 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-related designations under sanctions authorities that predate CRIEEA. These authorities include Ukraine-related and cyber-related EOs codified by CRIEEA, as well as EOs related to weapons proliferation, North Korea, Syria, transnational crime, and international terrorism. The Administration also has made designations based on earlier 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 has imposed most Ukraine-related sanctions on Russia in coordination with the European Union (EU). As the invasion of Ukraine progressed, 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, the efforts of Congress and the Trump Administration to tighten U.S. sanctions unilaterally have prompted some degree of 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 (and, in response to certain activities, 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 Syrian and North Korean regimes.

Many observers have debated the degree to which sanctions promote change in Russia's behavior. Russia has not reversed its occupation and annexation of Crimea, it has not stopped fostering separatism in eastern Ukraine, and it has extended military operations to the Black Sea and the Azov Sea bordering Ukraine and Russia. However, it has signed two agreements that recognize the entire occupied region in eastern Ukraine as part of Ukraine, and Russian-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 Russian behavior is difficult to determine. Sanctions in response to Russia's malicious cyber-enabled activities, human rights abuses, corruption, use of a chemical weapon, weapons proliferation, and support to Syria and North Korea are relatively limited and highly targeted. The extent to which such sanctions might be expected to change Russian behavior is unclear. To the extent that Russia does change its behavior, other factors besides sanctions could be responsible.

If Russia does not change its behavior in response to sanctions, this may be for a number of reasons. 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 ("rally around the flag") or through Russian elites' sense of self-preservation. Finally, sanctions may be targeting 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. Most Russia-related sanctions 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 2017) 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 sanctions' relatively low impact on the Russian economy was by design. The Obama Administration and the EU intended for Ukraine-related sanctions, which account for most U.S. and global Russia-related sanctions, 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 or 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 locate 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, although doing so may create instability in global financial markets. April 2018 sanctions on Rusal, a global aluminum firm, had broad effects that rattled Russian and global financial markets. The sanctions on Rusal marked the first time the United States and the EU imposed full blocking sanctions on a top-20 Russian firm and the first time the Treasury Department appeared prepared to implement CRIEEA-mandated secondary sanctions. The Treasury Department repeatedly has prolonged the wind-down period for entities to end transactions with Rusal, however, and it has suggested that sanctions against the firm could

[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: 2017 Article IV Consultation-Press Release; Staff Report," July 10, 2017, at http://www.imf.org/en/Publications/CR/Issues/2017/07/10/Russian-Federation-2017-Article-IV-Consultation-Press-Release-Staff-Report-45054; Daniel P. Ahn and Rodney Ludema, "The Sword and the Shield: The Economics of Targeted Sanctions," Working Paper, December 2017, at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3095325.

[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," December 2017 (see footnote 2).

be removed if the businessman who is Treasury's main target fully relinquishes control over Rusal.

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 historical 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]

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,

[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 takes on 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.

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 Russia-related sanctions, 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, and vessels on the Specially Designated Nationals and Blocked Persons List (SDN) of the Treasury Department'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 Russia-related sanctions, 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 Russia-related sanctions 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 and 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, 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

[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.

[8] International Emergency Economic Powers Act (IEEPA); P.L. 95-223, §202(a); 50 U.S.C. 1701(a).

declaration to Congress, and establishes a public record by publishing it in the *Federal Register*.[9] Under a national emergency, the President may further 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 interference in Ukraine constituted a threat to the United States. On that basis, he declared the national emergency on which most Ukraine-related sanctions are based. President Obama and President Trump also have used the NEA and IEEPA 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; prohibits transactions; licenses transactions relating to exports (and limits those licenses); restricts access to U.S. financial services; restricts transactions related 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.

[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 upon request.

- 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. Russia-Related Sanctions

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. In 2017, Congress introduced and the President signed into law legislation that strengthened existing sanctions authorities and established several 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 government, transnational crime, and terrorism.

For an overview of Russia-related 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 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 imposes sanctions on those the President determines were involved in the "criminal conspiracy" that Magnitsky uncovered and in his subsequent detention, abuse, and death.[15] The act also imposes sanctions on those the President finds to have committed human

[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.

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

rights abuses in Russia against individuals fighting to expose the illegal activity of 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 aimed at the treatment of whistleblowers and human rights defenders in Russia in the 2012 act. 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 49 individuals designated pursuant to the Sergei Magnitsky Act, 38 are directly associated with the alleged crimes that Magnitsky uncovered and his subsequent ill-treatment and death.[17] OFAC has designated another nine 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*. Two designations target the suspected killers of former Russian spy Alexander Litvinenko in London in 2006.

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.[18] 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.[19]

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]

[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.

[17] The Obama Administration implemented five rounds of designations under the Sergei Magnitsky Act: one in April 2013, two in 2014, one in 2016, and one in 2017, three days before leaving office. The Trump Administration implemented another round of designations in December 2017.

[18] Executive Order 13818 of December 20, 2017, "Blocking the Property of Persons Involve in Serious Human Rights Abuse or Corruption," 82 *Federal Register* 60839, December 26, 2017.

[19] One of these individuals is a former Ukrainian official with dual citizenship who currently resides in Russia. Under the Global Magnitsky Act, OFAC has designated individuals from several countries, including Burma, the Dominican Republic, The Gambia, Nicaragua, and Turkey.

> 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).

Ukraine-Related Executive Orders and Legislation

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 fostering 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."[20]

The United States has imposed Ukraine-related sanctions on more than 650 individuals, entities, and vessels (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 Ukraine-related sanctions is a series of four executive orders (EOs 13660, 13661, 13662, and 13685) that President Barack Obama issued in 2014.[21]

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 provides for sanctions against those the President determines have conducted business, trade, or investment in occupied Crimea.

The other two EOs provide for sanctions against a broader range of targets. EO 13661 provides for sanctions against any 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.

[20] 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.

[21] The President declared events in Ukraine constituted a national emergency in the first executive order; the subsequent three orders built on and expanded that initial declaration. Executive Order (EO) 13660 of March 6, 2014, "Blocking Property of Certain Persons Contributing to the Situation in Ukraine," 79 *Federal Register* 13493, March 10, 2014; EO 13661 of March 16 [17], 2014, "Blocking Property of Additional Persons Contributing to the Situation in Ukraine," 79 *Federal Register* 15535, March 19, 2014; EO 13662 of March 20, 2014, "Blocking Property of Additional Persons Contributing to the Situation in Ukraine," 79 *Federal Register* 16169, March 24, 2014; 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, December 24, 2014.

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 November 2018, OFAC has placed more than 365 individuals, entities, and vessels on the four Ukraine-related SDN lists (see **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 Yanukovych and a former prime minister), de facto Ukrainian separatist officials in Crimea and eastern Ukraine, Russian-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.

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, and other prominent businesspeople and associates, including individuals the Treasury Department has considered part of Russian President Vladimir Putin's "inner circle."[22] It also has designated related entities.

Among the designated government officials and heads of state-owned companies are Russia's minister of internal affairs, secretary of the Security Council, 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 designated several politically connected Russian billionaires (whom the Treasury Department refers to as oligarchs) under EO 13661 and, as of April 2018, EO 13662. Designees include 11 of Russia's wealthiest 100 individuals, including 2 of the top 10, as estimated by *Forbes*.[23] Of these 11 billionaires, 7 were designated in April 2018.

The entities OFAC has designated include holdings owned or controlled by SDNs. These holdings include Bank Rossiya, which the Treasury Department has described as the "personal bank" of Russian senior officials;[24] other privately held banks and financial services companies (e.g., SMP Bank and the Volga Group); private aluminum company Rusal; gas pipeline construction company Stroygazmontazh; construction company Stroytransgaz; electric company EuroSibEnergo; and vehicle manufacturer GAZ Group.

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 Mashinostroyenia (missiles and rockets), and several subsidiaries of the state-owned defense and hi-tech conglomerate Rostec, including the Kalashnikov Group (firearms).

[22] 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.

[23] "The World's Billionaires," *Forbes*, 2018, at https://www.forbes.com/billionaires/list/#version:static_country:Russia.

[24] 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.

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).[25] A fourth directive prohibits U.S. trade with identified entities related to the development of 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 November 2018, 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,[26] Gazprombank, and Rosselkhozbank) and VEB, which "acts as a development bank and payment agent for the Russian government";[27]
- 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).

U.S. Ukraine-Related Sanctions: A Chronology

U.S. Ukraine-related sanctions have developed from 2014 to the present. The executive branch and Congress initially established the sanctions regime from March to December 2014, in response to Russia's evolving aggression in Ukraine. The Obama Administration continued to make Ukraine-related designations in 2015 and 2016. In August 2017, the Countering Russian Influence in Europe and Eurasia Act (CRIEEA; P.L. 115-44, Title II) codified the four Ukraine-related executive orders from 2014 and strengthened the Ukraine-related legislation that President Obama also signed that year (see "Ukraine-Related Legislation," below). The Trump Administration has made Ukraine-related designations based on the 2014 EOs, both before and after their codification by CRIEEA.

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 annexed Crimea. OFAC made three more rounds of designations through June 2014.

[25] 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.

[26] The Administration also designated the Bank of Moscow, which later became a subsidiary of VTB Bank.

[27] 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.

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 separatist 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 his 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: three times in 2015 and three times in 2016.

The Trump Administration has made four rounds of designations under these EOs: in June 2017, January 2018, April 2018, and November 2018. 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. CRIEEA, which President Trump signed into law on August 2, 2017, amended SSIDES and UFSA (for more on CRIEEA, see "Countering Russian Influence in Europe and Eurasia Act of 2017," below).

Both SSIDES and UFSA expanded upon the actions the Obama Administration took in response to Russia's invasion of Ukraine. President Obama, however, did not cite SSIDES or UFSA as an authority for designations or other sanctions actions.[28] In November 2018, President Trump cited SSIDES, as amended by CRIEEA (Section 228), to designate two individuals and one entity for 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.

[28] 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.

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" potentially could have been designated pursuant to the authority in SSIDES that provides for sanctions against those responsible for significant corruption.[29] 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-related 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 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 Russia-related sanctions.

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.

[29] 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.

Table 1. U.S. Ukraine-Related Sanctions on Russia

(authorities, targets, and Treasury designees)

Authorities	Targets	Designations (as of 11/2018)
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.	114 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.	84 individuals, 65 entities
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); 5 individuals, 12 entities (SDN)
EO 13685; P.L. 115-44	Those engaging in new investment, trade, and related economic activities with the occupied Crimea region of Ukraine.	66 entities, 5 individuals, 2 vessels
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; for undermining Ukraine's peace, security, stability, sovereignty, or territorial integrity; and for 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 Russia-related sanctions.	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 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 Ukraine-related sanctions. 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: SSI: Sectoral Sanctions Identifications List, SDN: Specially Designated Nationals and Blocked Persons List.

Cyber-Related Executive Orders and Legislation

The executive branch draws on national emergency authorities to impose sanctions for a range of malicious cyber-enabled activities, including 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 against critical infrastructure, for financial or commercial gain, or to significantly disrupt the availability of a computer or network.[30] Although the President declared the national emergency relating to malicious cyber-enabled activities in April 2015, he did not announce the first designations until December 2016.

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."[31] Under the amended EO, 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 (Main Intelligence Directorate, or GRU), and four GRU officers.[32] In addition, OFAC designated two individuals for financial-related malicious cyber-enabled activities.[33]

In March 2018, the Trump Administration designated another 13 individuals and 3 entities for election-related malicious cyber activities. These designees included the Internet Research Agency, the Russian "troll factory" that the Department of Justice's Special Counsel's Office has indicted for crimes related to U.S. election interference, as well as 12 of its employees, its alleged financial backer, and two of the financier's companies.

In June 2018, OFAC designated another three individuals and five entities that it 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 Treasury Department noted that Russia "has been active in tracking undersea communications cables, which carry the bulk of the world's telecommunications data."[34]

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[30] 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 ten 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," 80 *Federal Register* 18077, April 2, 2015.

[31] 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, January 3, 2017.

[32] OFAC also designated three companies that allegedly facilitated election-related cyberattacks.

[33] 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.

[34] 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. Also see Greg Walters, "The U.S. Is Worried About Russian Submarines Spying on the Internet," *Vice News*, June 11, 2018.

CRIEEA, enacted in August 2017, codified EO 13694 and enlarged the scope of cyber-related activities subject to U.S. 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).[35] In March 2018, the Trump Administration designated, pursuant to CRIEEA, the FSB, GRU, and four GRU officers, all of which OFAC previously had designated under EO 13694, as well as two other GRU officers, for the 2017 "NotPetya" ransomware attack that targeted Ukraine and spread to other countries.[36] In June 2018, OFAC designated one more entity under this authority.

Executive Orders on Election Interference

President Obama and President Trump both have issued executive orders establishing sanctions against individuals and entities that interfere in U.S. elections. On December 28, 2016, President Obama issued EO 13757, which amended a previous executive order on malicious cyber-enabled activities to establish sanctions against cyber-related election interference. 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 that 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."

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."

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."

The President added 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." He also stated that "there has been no evidence of a foreign power altering the outcome or vote tabulation in any United States election."

EO 13848 provides for sanctions—which the Administration has yet to use—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 intelligence community and interagency departments to make an initial assessment regarding foreign interference within 45 days of an election and to issue a full report within another 45 days. In addition, the EO requires the Secretary of State and 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.

[35] 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.

[36] On the NotPetya attack, see Andy Greenberg, "The Untold Story of NotPetya, The Most Devastating Cyberattack in History," *Wired*, August 22, 2018.

Sources: 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; 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; 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, September 14, 2018; CQ Transcriptions, "Senior Administration Officials Hold a News Briefing via Teleconference on Sanctions in the Event of Foreign Interference in a United States Election—New Briefing," September 12, 2018.

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 Europe and Eurasia Act of 2017 (CRIEEA).[37] CRIEEA codifies Ukraine-related and cyber-related EOs (discussed above), strengthens sanctions authorities from 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.

As of November 2018, the Trump Administration has made 14 designations based on new sanctions authorities in CRIEEA, relating to cyberattacks (§224, 9 designations), human rights abuses (§228, amending SSIDES, 3 designations), and arms sales (§231, 2 designations). The Administration has not made designations under other new CRIEEA authorities related to pipeline development, questionable privatization deals, and 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, certain oil projects, corruption, and sanctions evasion. Some Members of Congress have called on the President to make more designations based on CRIEEA's mandatory sanctions provisions.

Trump Administration designations pursuant to CRIEEA include the following (some of which are discussed in more detail above, in "Ukraine-Related Executive Orders and Legislation" and "Cyber-Related Executive Orders and Legislation"):

- On March 15, 2018, OFAC made its first designations under new CRIEEA authorities in response to actions taken to undermine cybersecurity (§224). OFAC designated two entities and six individuals responsible for a 2017 global ransomware attack. Separately, OFAC made 16 designations for election-related cyber-enabled activities pursuant to EO 13694 (which was codified by CRIEEA).
- On April 6, 2018, OFAC imposed sanctions on 7 politically connected Russian billionaires (referred to by the Treasury Department as oligarchs), 12 companies they own or control, and 17 government officials. OFAC made these designations under the Ukraine-related EOs codified by CRIEEA.[38] OFAC has made three

[37] 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 the Countering Russian Influence in Europe and Eurasia Act of 2017, 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.

[38] EO 13661, for being a Russian government official or supporting a senior government official, and EO 13662, for

other rounds of designations under these Ukraine-related EOs: on June 20, 2017 (before CRIEEA entered into law), when it designated as SDNs or placed on the SSI List 58 individuals and entities; on January 26, 2018, when it designated or placed on the SSI List 42 individuals and entities; and on November 8, 2018, when it designated 9 individuals and entities.

- On June 11, 2018, OFAC designated three individuals and five entities it referred to as FSB enablers for malicious cyber-enabled activities pursuant to EO 13694.[39] OFAC also designated one of these entities pursuant to Section 224 of CRIEEA.
- On September 20, 2018, the Administration imposed its first secondary sanctions, pursuant to Section 231 of CRIEEA, against 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.[40]
- On November 8, 2018, OFAC designated two individuals and one entity for committing serious human rights abuses in Russian-occupied regions of Ukraine pursuant to SSIDES, as amended by CRIEEA, Section 228.

As of November 2018, 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 Ukraine-related sanctions (§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 Russia-related sanctions (§228, amending SSIDES);
- investment in Russia's energy export pipelines (§232);
- investment in or facilitation of the privatization of Russia's state-owned assets "in a manner that unjustly benefits" government officials and associates (§233); and

operating in the energy sector.

[39] U.S. Department of the Treasury, "Treasury Sanctions Russian Federal Security Service Enablers," June 11, 2018 (see footnote 34).

[40] In addition, the Secretary of State, in consultation with the Secretary of the Treasury, selected five specific sanctions, pursuant to CRIEEA, to impose on the Equipment Development Department. These sanctions included 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 CRIEEA 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/r/pa/prs/ps/2018/09/286077.htm.

- 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).

Russia-Related Sanctions in CRIEEA

- 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)
- 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 Russia-related sanctions (§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 Ukraine-related sanctions (§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 pace in implementing 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 Russia-related sanctions, including new CRIEEA requirements.

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."[41] He said he would implement the legislation "in a manner consistent with the President's constitutional authority to conduct foreign relations."

In the first few months of 2018, some Members of Congress expressed concern about the absence of new designations pursuant to CRIEEA's new authorities. Resolutions were introduced in the Senate, on February 12, 2018, and the House, on February 26, 2018, calling on the President to exercise relevant mandatory sanctions authorities under CRIEEA in response to Russia's "continued aggression in Ukraine and forcible and illegal annexation of Crimea and assault on democratic institutions around the world, including through cyber attacks."[42] On March 15, 2018, OFAC made its first designations, related to cyberattacks, under CRIEEA's new authorities.

The Administration might not invoke various CRIEEA authorities for a number of reasons. First, the Administration might cite only a relevant executive order, for example, and not legislation with corresponding authority or requirements. Second, 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 under another. Third, 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 worked to align their positions on one of CRIEEA's new authorities, Section 231, which imposes sanctions on individuals and entities that engage in significant transactions, including arms purchases, with Russia's defense and intelligence sectors.

In October 2017, the State Department issued initial guidance regarding 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."[43] A senior State Department official said the State Department would "take a close look around the world at transactions and dealings that we think

[41] 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.

[42] S.Res. 402; H.Res. 749.

[43] 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/r/pa/prs/ps/2017/10/275164.htm; 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/t/isn/caatsa/275118.htm.

may fall within the scope of this sanctions provision, and we're going to look at really robust engagement ... and talk to partners and allies about where we find transactions that may be problematic."[44]

In October 2017, the Administration fulfilled a Section 231 requirement to "specify the persons that are part of, or operate for or on behalf of, [Russia's] defense and intelligence sectors."[45] The State Department emphasized that the 39 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 the Guidance on or after the date of enactment of the Act."[46]

In January 2018, the Administration indicated that the threat of Section 231 sanctions was having an effect without making any designations. State Department spokesperson Heather Nauert 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."[47] 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."[48] In August 2018, 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."[49]

At the same time, the Administration sought greater flexibility with regard to Section 231 sanctions. As originally enacted, Section 231 allowed the President to waive the 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, 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."[50] In July 2018, Secretary Mattis wrote to the chairpersons of the House and Senate Armed Services Committees to request the introduction of a limited national security waiver that "would enable

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[44] U.S. Department of State, "Briefing on Sanctions with Respect to Russia's Defense and Intelligence Sectors," October 27, 2017 (see footnote 43).

[45] U.S. Department of State, "CAATSA Section 231(d) Defense and Intelligence Sectors of the Government of the Russian Federation," at https://www.state.gov/t/isn/caatsa/275116.htm.

[46] U.S. Department of State, "Public Guidance on Sanctions with Respect to Russia's Defense and Intelligence Sectors," updated September 20, 2018 (see footnote 43).

[47] Carol Morello, "White House Says There's No Need for New Russia Sanctions," *Washington Post*, January 29, 2018.

[48] U.S. Department of State, "Press Availability with Turkish Foreign Minister Mevlut Cavusoglu," February 16, 2018, at https://www.state.gov/secretary/20172018tillerson/remarks/2018/02/278410.htm.

[49] 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.

[50] 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.

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 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."[51]

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 November 2018, the Administration has not used this waiver authority.

On September 20, 2018, OFAC made its first designations pursuant to Section 231 against the Equipment Development Department of China's Central Military Commission, as well as its director, for taking delivery from Russia of 10 Su-35 combat aircraft in December 2017 and S-400 surface-to-air missile system-related equipment in 2018.

In September 2018, the State Department also expanded and formalized the list of individuals and entities it considers part of Russia's defense and intelligence sectors. Now referring to this list as the List of Specified Persons, 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."[52]

The Section 241 "Oligarch" List

CRIEEA, in Section 241, required 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 Treasury Department 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."[53] According to the Treasury Department, 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."[54]

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[51] 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.

[52] U.S. Department of State, "CAATSA Section 231: 'Addition of 33 Entities and Individuals,'" September 20, 2018 (see footnote 40).

[53] 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.

[54] 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.

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."[55]

On April 6, 2018, OFAC designated several politically connected Russian billionaires (whom the Treasury Department referred to as oligarchs), companies owned or controlled by these individuals, and government officials. OFAC made these designations under Ukraine-related authorities codified by CRIEEA. The Treasury Department, however, suggested the designations were in the spirit of CRIEEA's new authorities, as they were "in response to worldwide malign activity" and not just Russia's invasion of Ukraine.[56] The Treasury Department 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."

The designation of Rusal, a leading global producer of aluminum, attracted global 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 opened the door 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. Rusal's designation made foreign banks and firms reluctant to engage in transactions with the firm.

The Trump Administration appears responsive to international concerns regarding Rusal's designation. On April 23, 2018, the Administration provided a six-month wind-down period for transactions with Rusal and implied that Rusal could be removed from the list of designated entities if the billionaire who controlled it divested and ceded control (since that control was the justification for Rusal's designation in the first place). The Treasury Department has since extended the wind-down period on Rusal until mid-December 2018.

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 the use of a chemical weapon, weapons proliferation, trade with North Korea in violation of U.N. Security Council requirements, support for the Syrian government, transnational crime, and terrorism.

Use of a Chemical Weapon

On August 6, 2018, Secretary of State Michael Pompeo determined that in March 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

[55] 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.

[56] 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 29).

Weapon," below). This finding triggered the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991 (CBW Act).[57]

The CBW Act requires the President (who, in 1993, delegated CBW Act authorities to the Secretary of State) 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 controlled for national security reasons (the Commodity Control List).[58] The act requires the imposition "forthwith" of these sanctions upon 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 establishment of these sanctions. However, he invoked national security waiver authority to allow for the continuation of foreign assistance, exports related to government space cooperation and commercial space launches, and export licensing for national security-sensitive goods and technology in specific categories

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

In August 2018, the United States determined that Russia used a chemical weapon in contravention of international law in relation to the March 2018 nerve agent attack on British citizen Sergei Skripal, a former Russian military intelligence officer and UK double agent, and his daughter. A police officer also was injured in the attack. In July 2018, British media reported that another British citizen died after she and her partner allegedly 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."

In April 2018, the Trump Administration said it agreed "with the [United Kingdom's] assessment 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, British authorities charged two individuals for the attack. British Prime Minister Theresa May said that the suspects "are officers from the Russian military intelligence service, also known as the GRU."

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; 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.

[57] The CBW Act has been invoked on two previous 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. See CRS In Focus IF10962, *Russia, the Skripal Poisoning, and U.S. Sanctions*, by Dianne E. Rennack and Cory Welt.

[58] CBW Act, §307(a); 22 U.S.C. 5605(a).

related to civil aviation safety, deemed exports or reexports on a case-by-case basis, wholly owned U.S. subsidiaries operating in Russia, and commercial end users for commercial purposes.

Within three months after the initial determination (in this case, early November 2018), the CBW Act also requires the President to take further economic and diplomatic punitive steps unless he can determine and certify 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"
- "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 or against its own nationals.[59]

If the President does not certify on all these terms, he, in consultation with Congress, is required to

- oppose support to Russia in international financial institutions;
- prohibit U.S. banks from making loans or providing credit to the Russian government, other than those related to 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."[60]

As of November 2018, the Secretary of State has not levied a new round of sanctions, nor has the President determined that Russia meets the three conditions needed to avert sanctions. On November 6, 2018, the State Department informed Congress that it "could not certify that Russia met the required conditions" and intends "to proceed in accordance with the terms of the CBW Act, which directs the implementation of additional sanctions."[61] 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."[62]

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

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

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

[61] Reuters, "U.S. Intends More Sanctions On Russia Over Chemical Weapons: Spokeswoman," November 6, 2018.

[62] 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.

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."[63]

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.

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.[64] 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).[65]

Pursuant to the Iran, North Korea, and Syria Nonproliferation Act, as amended (INKSNA), Russian state-owned arms exporter Rosoboronexport and six other Russian defense entities 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.[66] Restrictions against entering into government contracts and other transactions with Rosoboronexport have been stated in annual Defense appropriations acts since 2013.

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."[67]

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

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

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

[65] 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. 2778). Dual-use goods and services similarly subject to export controls are identified on the Commerce Control List, 15 CFR 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.

[66] Two other Russian defense firms, the Instrument Design Bureau (precision-guided weapons) and NPO Mashinostroyenia (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.

[67] U.S. Department of State, "Imposition of Nonproliferation Measures Against Rosoboronexport, Including a Ban on U.S. Government Procurement," 82 *Federal Register* 15547, March 29, 2017.

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.[68] 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-Range Nuclear Forces Treaty.[69]

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.

Support to North Korea

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, its testing of nuclear weapons, and its 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.[70]

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 (Title III, CAATSA), 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.[71]

In June and August 2017, OFAC designated a Russian oil company and its subsidiary, three Russian individuals, and two Singapore-based companies those individuals control under EO 13722 (March 2016) for trade in petroleum with North Korea. OFAC also designated two Russian entities and two related individuals for sanctions pursuant to EO 13382 (June 2005) for providing

[68] BIS, "Addition of Certain Persons to the Entity List," 77 *Federal Register* 61249, October 9, 2012.

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

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

[71] 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, July 1, 2005; 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, March 18, 2016; and EO 13810 of September 20, 2017, "Imposing Additional Sanctions With Respect to North Korea," 82 *Federal Register* 44705, September 25, 2017.

supplies and procuring metals to a North Korean company designated in 2009 for its programs in the development of weapons of mass destruction and missile delivery systems.

In August and September 2018, OFAC designated four more entities and six vessels for facilitating trade with North Korea. On August 3, 2018, OFAC designated a Russian bank under EO 13810 (September 2017) for "facilitating a significant transaction on behalf of an individual designated for weapons of mass destruction-related activities."[72] According to the Treasury Department, the bank has had a commercial relationship with North Korean entities since at least 2009. On August 21, 2018, OFAC designated two Russian shipping companies and six vessels under EO 13810 for involvement "in the ship-to-ship transfer of refined petroleum products with North Korea-flagged vessels, an activity expressly prohibited by the U.N. Security Council."[73] On September 13, 2018, OFAC designated under EO 13722 and EO 13810 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.[74]

Support to Syria

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.[75]

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.[76] 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).

Transnational Crime

Russian individuals and entities are subject to sanctions for activities related to transnational crime.[77] 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

[72] 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.

[73] 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.

[74] 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.

[75] 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, August 22, 2011.

[76] 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").

[77] EO 13581 of July 24, 2011, "Blocking Property of Transnational Criminal Organizations," 76 *Federal Register* 44757, July 27, 2011. In all likelihood, the Immigration and Nationality Act at 8 U.S.C. 1189 would deny entry to transnational crime (TCO) designees.

"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."[78] OFAC also designated 10 individuals (Russian nationals and others) and 2 entities as TCOs for their relation to the Thieves-in-Law; these designees included 6 individuals that OFAC previously had designated in July 2011, during the Obama Administration, as part of a related TCO, the Brothers' Circle.[79] In December 2017, OFAC delisted the Brothers' Circle and several related individuals and entities, when it designated the Thieves-in-Law.

Terrorism

Russian individuals and entities are subject to sanctions related to global terrorism.[80] 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). OFAC designated the Caucasus Emirate itself in May 2011.[81] 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, FY2018 and FY2019 appropriations restrict assistance to the Russian government. The Department of Defense Appropriations Act, 2019 (P.L. 115-245, Division A), prohibits the use of defense funding to make a loan or loan guarantee to Rosoboronexport or any of its subsidiaries (§8103). For FY2018, the Energy and Water Development and Related Agencies Appropriations Act, 2018 (P.L. 115-141, Division D), prohibits funds to Russia from its Defense Nuclear Nonproliferation Account (§305(a)).[82] For the same year, the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2018 (Division K), requires

[78] U.S. Department of the Treasury, "Treasury Targets the 'Thieves-in-Law' Eurasian Transnational Criminal Organization," press release, December 22, 2017, at https://home.treasury.gov/news/press-releases/sm0244.

[79] 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.

[80] 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, September 25, 2001; 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, July 3, 2002; and EO 13372 of February 16, 2005, "Clarification of Certain Executive Orders Blocking Property and Prohibiting Certain Transactions," 70 *Federal Register* 8499, February 18, 2005.

[81] OFAC also designated Umarov's successor as a Specially Designated Global Terrorist less than a month before his death in 2015.

[82] The restriction in Defense appropriations has been in place since FY2013. The restriction in Energy appropriations has been in place since FY2015.

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 (§7070), a restriction in place since FY2015.[83]

The State Department's 2018 *Trafficking in Persons Report* identifies Russia as a Tier 3 nation, which fails to meet minimum standards for the elimination of human trafficking. The designation requires limits on aid and cultural exchanges, the latter of which are waived for U.S. national interests.

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.[84] Several days after President Obama signed the act into law, the Russian parliament voted to ban U.S. adoptions of Russian children.[85] 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.[86]

Russia also imposed countersanctions in response to Ukraine-related sanctions. 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.[87] 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

[83] Energy, State, and Foreign Operations appropriations are currently continued by Section 101 of the Continuing Appropriations Act, 2019 (Division C, P.L. 115-245), enacted September 28, 2018.

[84] 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.

[85] 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.

[86] 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.

[87] 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.

Francisco, a chancery annex in Washington, DC, and a consular annex that functioned as a trade office in New York City.[88]

In March 2018, in response to a nerve agent attack on British 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.[89]

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 annexation of Ukraine's Crimea region and its subsequent fostering of separatism in eastern Ukraine. The EU imposed Ukraine-related 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. However, new sanctions that Congress introduced in CRIEEA raised concerns in Europe 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 Syria or North Korea.[90] However, in the wake of the March 2018 nerve agent attack in the United Kingdom on former Russian intelligence officer Sergei Skripal and his daughter, some in the EU began to call for additional sanctions on Russia.

In mid-October 2018, the EU approved a new legal framework that will allow it to impose restrictive measures on individuals and entities involved in the development and use of chemical weapons, regardless of their nationality or location. Authorized sanctions include travel bans and asset freezes. Although this measure is not aimed at Russia specifically, observers largely view the Skripal attack as providing impetus for the new sanctions framework. The EU has not yet

[88] U.S. Department of State, "Achieving Parity in Diplomatic Missions," August 31, 2017, at https://www.state.gov/r/pa/prs/ps/2017/08/273738.htm.

[89] The original version of the law introduced in the Russian Duma (lower house of parliament) 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.

[90] 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.

named individuals or entities subject to these new sanctions, but many analysts expect the two Russian intelligence officers suspected of carrying out the Skripal attack will be among those ultimately designated.[91]

Imposing EU sanctions requires the unanimous agreement of all 28 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 Sanctions Cooperation

Since the outbreak of the Ukraine crisis in early 2014, the United States and the EU have pursued similar policies—including those related to sanctions—aimed at supporting Ukraine's political transition and restoring its territorial integrity. U.S.-EU cooperation in imposing sanctions on Russia and coordination on other political and diplomatic responses to the Ukraine conflict largely have been viewed as a high point in transatlantic relations and have helped prevent Russia from driving a wedge between the United States and Europe.

In the first half of 2014, Ukraine-related sanctions 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.

On July 17, 2014, the day after President Obama imposed the first U.S. sectoral sanctions on Russia, separatists in eastern Ukraine 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.[92]

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 union's 28 member states have varying economic interests and historical relations with Russia. EU member states sought to draft certain provisions in ways to

[91] 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/.

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

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.[93]

The EU has tied lifting its 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.[94] 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 annexation of Crimea and destabilization of eastern Ukraine consist of three measures:

- **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 November 2018, the EU has designated 155 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 in 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).

[93] 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.

[94] 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.

In addition, in response to the political upheaval in Ukraine in early 2014 and in an effort to bolster Ukraine's political transition, 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 November 2018, the EU has frozen assets of and imposed visa bans on 13 former Ukrainian officials, including ex-Ukrainian president Viktor Yanukovych and others who served in his government (Council Decision 2014/119/CFSP, March 5, 2014).

International Ukraine-Related Sanctions Against Russia

U.S. and EU sanctions on Russia related to the conflict in 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 November 2018, the United States has designated as SDNs—subject to asset freezes, prohibitions on transactions, and, for individuals, travel bans—206 individuals, 158 entities, and 2 vessels. In its equivalent sanctions programs, the EU has designated 155 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.[95] 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 November 2018, 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

[95] 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.

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 CRIEEA 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 $1.2 billion 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 Russian actions in Ukraine and Russian 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 sales contract with Russia for the Mistral helicopter carriers. Germany also canceled a preexisting contract to supply Russia with a $155 million combat simulation center.[96] 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.

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 withdrew from certain joint ventures with Rosneft in 2018 after failing in April 2017 to secure a waiver from the Treasury Department to move forward with its own oil exploration project in the Black Sea.[97]

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.[98] 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

[96] 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.

[97] 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.

[98] "U.S. Sanctions Experts: European Concerns Are Exaggerated," *Deutsche Welle*, 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.

Novatek, a private Russian gas company. Neither the United States nor the EU has applied sanctions targeting gas production or trade.

Implications of CRIEEA

Given the previously close U.S.-EU coordination on Ukraine-related sanctions, many in the EU were dismayed by certain provisions in CRIEEA as the draft legislation evolved in 2017. 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. They also were concerned, however, that some of the initial provisions were drafted without regard for the EU's role as a U.S. partner and had the potential to negatively affect EU economic, business, and energy interests.

For example, the German and Austrian governments were concerned about the possible effects of a provision authorizing (but not requiring) sanctions on individuals or entities that engage in trade or make investments (with a value of $1 million, or $5 million in aggregate over 12 months) that enhance Russia's ability to construct energy export pipelines. This provision had the potential to establish new secondary sanctions on German, Austrian, and other European energy companies through their financing of the Nord Stream 2 pipeline, a Gazprom-run project to increase the amount of Russian gas delivered to Germany and other parts of Europe via the Baltic Sea.[99]

Some in Europe also objected to what they viewed as a unilateral imposition of sanctions. Those of this view worried that new U.S. sanctions 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.[100] Finally, many in the EU were troubled that CRIEEA's introduction of more general 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 CRIEEA 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 CRIEEA'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."[101]

At the same time, some in Europe remain wary that implementation of new U.S. sanctions could affect European energy projects. The European Commission has cautioned that the EU is prepared to take "appropriate steps" if U.S. sanctions disadvantage EU companies trading with

[99] Nord Stream 2 has been controversial within the EU. Although Germany and Austria largely view Nord Stream 2 as a commercial project and argue that it would increase the supply of gas to Europe, Poland and most Central European countries voice considerable objections. Those opposed contend that Nord Stream 2 would undercut Ukraine (the pipeline would bypass the country) and increase rather than decrease European reliance on Russian gas. Successive U.S. Administrations and many Members of Congress also have voiced opposition to Nord Stream 2. For more, see CRS In Focus IF10943, *Nord Stream 2: A Geopolitical Lightning Rod*, by Paul Belkin, Michael Ratner, and Cory Welt.

[100] Toucas, "Russia Sanctions Act Is Enacted," August 4, 2017; Dominik Tolksdorf, "U.S. Sanctions Law and Western Coordination on Russia Policy," The Wilson Center, December 20, 2017, at https://www.wilsoncenter.org/sites/default/files/kennan_cable_29_-_tolksdorf.pdf.

[101] 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.

Russia in the energy sector.[102] The EU has not elaborated publicly on what such "appropriate steps" might be, and the EU hopes to avoid the need for these measures.[103] In October 2017, the Trump Administration published guidance noting that pipeline-related sanctions in CRIEEA, Section 232, would not apply to existing projects (i.e., those initiated before August 2, 2017). The guidance also reasserted that the United States would not impose any such sanctions without coordination with U.S. allies.[104]

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 6, 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.[105]

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 CRIEEA'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.[106]

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, which currently lasts through mid-November 2018.[107]

Some analysts have noted that the United States and the EU continue to coordinate other Ukraine-related sanctions. 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. German company Siemens originally sold the turbines for use in

[102] European Commission, "New U.S. Sanctions on Russia Only After Consultation of Allies" (see footnote 101).

[103] Media reports have suggested that "appropriate steps" could include filing a complaint with the World Trade Organization (WTO), pursuing WTO-approved retaliatory trade measures, or imposing retaliatory EU sanctions on certain U.S. companies (although this latter option likely would be difficult to agree upon, as it would require unanimity among all EU member states). Ryan Heath, "Brussels Prepares to Bite Back at U.S. over Russia Sanctions," *Politico Europe*, July 24, 2017; Robin Emmott, "EU Divided on How to Answer New U.S. Sanctions Against Russia," Reuters, July 24, 2017.

[104] U.S. Department of State, "CAATSA/CRIEEA Section 232 Public Guidance," October 31, 2017, at https://www.state.gov/e/enr/275195.htm.

[105] Ian Talley and Amrith Ramkumar, "U.S Extends Deadline for Investors to Disentangle from Rusal," *Wall Street Journal*, April 23, 2018.

[106] Neil Hume, Guy Chazan, and Harriet Agnew, "Europe in Diplomatic Push to Ease Russia Sanctions," *Financial Times*, April 20, 2018.

[107] 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.

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.[108]

Potential New EU Sanctions

Beyond Ukraine, the EU and many member states are concerned about a range of other Russian activities, including Russian disinformation efforts and potential election interference in Europe, Russian actions in Syria, cyber threats, and alleged human rights abuses. Some European leaders and EU officials—including several dozen members of the European Parliament—have called for an "EU Magnitsky Act" to impose sanctions on Russians complicit in human rights abuses, money-laundering activities, and other "antidemocratic" activities.[109] 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 an 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. Although this "Magnitsky amendment" is not specifically aimed at Russia, it was given added impetus by the March 2018 nerve agent attack on Sergei Skripal and his daughter.[110] The Skripal attack has spurred other European countries, including Sweden, Denmark, and the Netherlands, to consider similar national "Magnitsky" legislation.[111]

Some UK parliamentarians and analysts have called for additional sanctions in response to the Skripal attack and other malign Russian activity, including possibly banning financial clearinghouses from selling Russian sovereign debt. UK Prime Minister Theresa May reportedly has agreed to look into imposing such a ban on the City of London, but 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.[112]

Some EU member states—led by the UK and the Netherlands—reportedly are pressing for new EU restrictive measures against people and organizations that carry out cyberattacks. Like the EU's newly announced regime targeting individuals and entities involved in the development and use of chemical weapons, such EU-wide sanctions would not be aimed at Russia specifically but could be used against Russian individuals and groups believed engaged in malicious cyber

[108] 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/; U.S. Department of the Treasury, "Treasury Sanctions Individuals and Entities in Connection with the Conflict in Ukraine and Russia's Occupation of Crimea," press release, January 26, 2018, at https://home.treasury.gov/news/press-releases/sm0266.

[109] Rikard Jozwiak, "MEPs Urge EU Magnitsky Act to Tackle Kremlin's 'Antidemocratic' Activities," RFE/RL, April 26, 2018.

[110] "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.

[111] Andrew Rettman, "Dutch MPs Follow Danes in Debate on Russia Sanctions," EUObserver.com, March 29, 2018.

[112] 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.

activities. Press reports indicate that such sanctions likely would consist of travel bans and asset freezes.[113]

Economic Impact of Sanctions on Russia

The 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.[114] 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.[115] 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 foreign exchange reserves fell by about one-third.[116]

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 nonsanctioned 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.

Russia continues to face long-term economic challenges relating to adverse demographic changes and limited progress on structural reforms. Its reserve holdings remain well below their peak levels. In addition, sanctions continue to constrain the ability of some Russian firms, particularly in the banking sector, to access financing (**Figure 2**).

However, the Russian economy is notably stronger than in 2014-2015. 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.[117] 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."[118]

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[113] Natalia Drozdiak and Nikos Chrysoloras, "UK, Netherlands Lead EU Push for New Cyber Sanctions," Bloomberg, October 11, 2018.

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

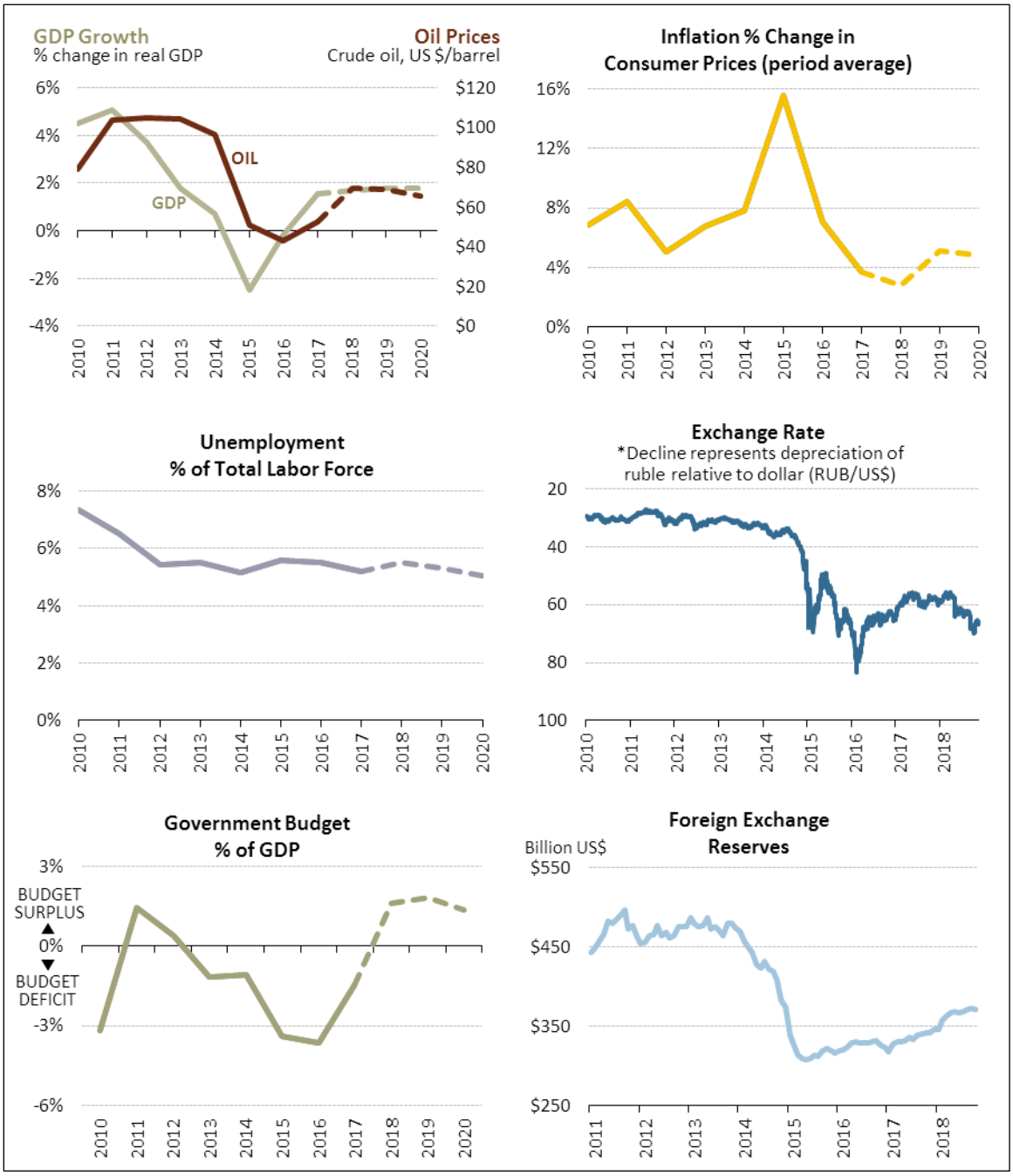
[115] Max Seddon, Thomas Hale, and Elaine Moore, "Russia Launches First Bond Since Ukraine Crisis," *Financial Times*, May 23, 2016. Also see, for example, Max Seddon, "Russia Raises $4bn in Eurobond Issue," *Financial Times,* March 16, 2018.

[116] 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 May 9, 2018.

[117] IMF, "Russian Federation: 2017 Article IV Consultation-Press Release; Staff Report," July 10, 2017 (see footnote 2).

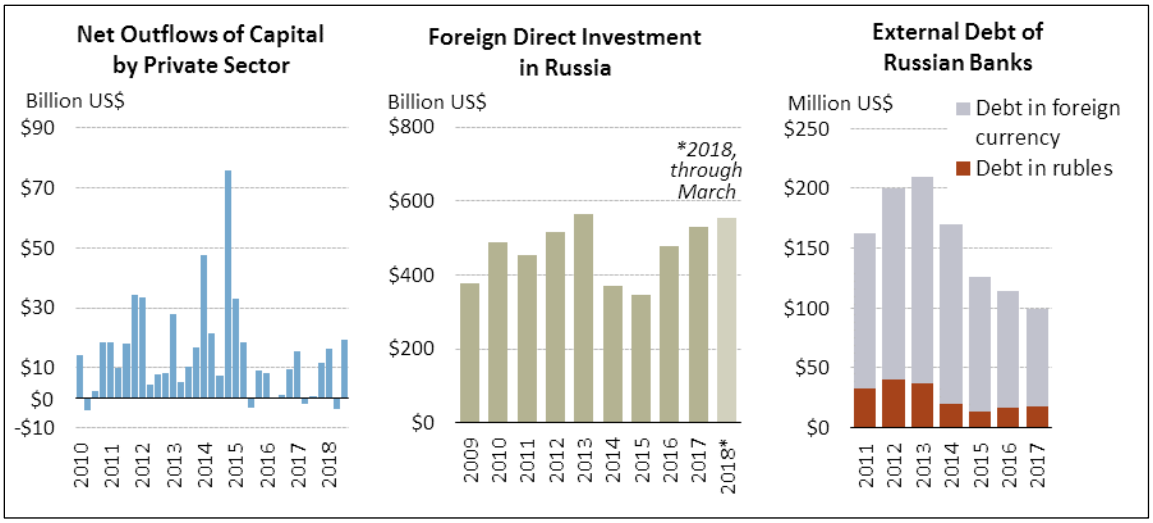
[118] Anders Aslund, "Russia's Bad Equilibrium," *Project Syndicate,* February 7, 2017.

Figure 1. Russia: Key Macroeconomic Indicators



Source: International Monetary Fund (IMF), *World Economic Outlook*, October 2018; IMF Exchange Rate Database; Central Bank of Russia, International Reserves of the Russian Federation (End of Period), accessed October 17, 2018. Based on current dollars/rubles.

Figure 2. Russia and International Capital Markets



Source: Central Bank of Russia, "Net Inflows/Outflows of Capital by Private Sector," "Foreign Direct Investment in Russia," and "External Debt of the Russian Federation in National and Foreign Currency," at https://www.cbr.ru/eng/, accessed October 17, 2018. Based on current dollars/rubles.

Estimates of the Broad Economic Impact

Some statistical studies estimate the precise impact of sanctions relative to other factors, particularly large swings in oil prices. These studies suggest that sanctions may have had a negative but modest impact. 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.[119] Likewise, 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.[120] Similarly, 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.[121] Another analysis found that oil prices, not sanctions, drove changes in the value of the ruble.[122]

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.[123] 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

[119] Ahn and Ludema, "The Sword and the Shield," December 2017 (see footnote 2).

[120] 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.

[121] 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.

[122] 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.

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

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.[124] 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."[125]

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 Ukraine-related sanctions, which account for most of the implemented U.S. and global Russia sanctions, 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 collateral damage on the Russian people or on the economic interests of countries imposing sanctions.[126]

As a result, the Ukraine-related sanctions target specific Russian 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 2017) 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**).[127] According to one independent Russian polling firm, 78% of individuals polled in April 2018 reported that they were largely unaffected by Western sanctions.[128]

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.[129] 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, 7 are subject to full blocking (SDN) sanctions (**Table D-1**).[130]

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-1**). In terms of debt (and, in some cases, equity) restrictions, the sanctions were intended to restrict the access of major Russian financial, energy,

[124] Darya Korsunskaya, Alexander Winning, and Andrew Osborn, "Russia Risks Decades of Low Growth Under U.S. Sanctions: Putin Adviser," Reuters, July 27, 2017.

[125] Anton Troianovski, "Putin's Bridge to Crimea Illustrates His Power—and His Regime's Weak Spot," *Washington Post*, May 15, 2018.

[126] Ahn and Ludema, "The Sword and the Shield," December 2017 (see footnote 2).

[127] 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.

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

[129] An exception may be the recent round of designations in April 2018, which targeted oligarchs controlling vast resources. According to one estimate, the seven targeted oligarchs had a combined personal net worth of about $40 billion, about 3% of Russia's GDP. *Forbes*, "The World's Billionaires," 2018 (see footnote 23).

[130] The "Top 100" list used by CRS includes 115 firms due to tied rankings. Out of these 115 firms, 8 are subject to full blocking (SDN) sanctions. CRS analysis of data published by Russian media outlet RBC (https://www.rbc.ru/rbc500/ https://www.rbc.ru/rbc500/) on the largest firms in Russia and OFAC SDN and SSI sanctions lists.

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 locate 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.[131] 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%.[132]

Sanctions on Rusal: Acute Economic Effects

Some designations 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.[133] Many analysts focused on the effects of the Rusal sanctions and expected them to be felt broadly in commodity markets, particularly through higher prices.[134]

OFAC extended the wind-down period on transactions with Rusal in April 2018 and, the next month, suggested the firm could be delisted if its ownership changed. Some argued this approach would help to minimize the sanctions' broader impacts on Rusal and to focus the impact on the sanctioned businessperson who controlled the firm. Others argued that it demonstrated limits to U.S. resolve on sanctions.[135]

Impact on Russian Firms and Sectors

Even if the economic effects on Russia's economy as a whole may have been modest, the impact on specific firms and sectors may be more significant. Several anecdotal examples illustrate the sanctions' impact on the firm and sector levels:

- Russian banks have been reluctant to provide financial services in Crimea over the threat of sanctions.[136]

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

[132] IMF, *Russian Federation: Staff Report for the 2015 Article IV Consultation*, August 2015, pp. 5, at https://www.imf.org/en/Publications/CR/Issues/2016/12/31/Russian-Federation-Staff-Report-for-the-2015-Article-IV-Consultation-43143.

[133] Matt Phillips, "Russian Markets Reel After U.S. Imposes New Sanctions," *New York Times*, April 9, 2018.

[134] Henry Foy and David Sheppard, "U.S. Sanctions on Oligarchs Set to Resonate Globally," *Financial Times*, April 8, 2018.

[135] Leonid Bershidsky, "The Rusal Case is a Failure of U.S. Sanctions," *Bloomberg*, April 24, 2018.

[136] 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.[137]
- Some Western oil service companies, a valuable source of expertise and equipment for Russian oil companies, limited their operations in Russia following sanctions.[138]
- Exxon canceled its involvement in a joint venture with Rosneft over U.S. sanctions.[139]
- Sanctions reportedly forced Rosneft to suspend an oil project in the Black Sea.[140]
- The Russian government has encouraged wealthy Russians to repatriate offshore funds, citing the need for financing in the face of sanctions.[141]
- Workers in Rusal's hometown have expressed concerns about their jobs following U.S. sanctions.[142]
- 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.[143]

Using statistical models, one study uses firm-level data to assess the impact of U.S. and European sanctions in 2014 on Russian firms.[144] 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 nonsanctioned 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) are higher today than when sectoral sanctions were imposed in 2014 (see **Table D-2**).[145]

Factors Influencing the Impact on Firms and Sectors

Some firms have weathered the sanctions better than others have. 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

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

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

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

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

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

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

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

[144] Ahn and Ludema, "The Sword and the Shield," December 2017 (see footnote 2).

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

Youth Union, engage in significant economic transactions with the United States or in the U.S. financial system.[146] 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.[147] Russian oil production has reached record highs, despite restrictions on access to Western technology for certain oil exploration projects.[148]

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.[149] 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 annexed 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.[150]

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.[151] The central bank also helped sanctioned banks access foreign currency.[152] The Russian government increased its orders from its defense industry firms in 2014, offsetting sales lost from the sanctions.[153] It is also repurposing a nationalized bank, Promsvyazbank, to finance Russia's defense industry in response to financing challenges created by sanctions.[154] In addition, 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.[155]

More government support may be forthcoming. For example, the head of Novatek, an independent natural gas producer subject to financing restrictions, reportedly has requested government assistance funding the creation of deepwater drilling equipment to replace U.S. imports.[156] The government is creating a department within the Finance Ministry to liaise with sanctioned businesses, study their challenges, and draft government proposals for support.[157]

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

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

[148] Bud Coote, *Impact of Sanctions on Russia's Energy Sector*, *Atlantic Council*, March 2018, at http://www.atlanticcouncil.org/publications/reports/impact-of-sanctions-on-russia-s-energy-sector.

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

[150] "Sanctioned Bank Rossiya Becomes First Major Russian Bank to Expand in Crimea," *Moscow Times*, 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.

[151] IMF, *Russian Federation: Staff Report for the 2015 Article IV Consultation*, August 2015, pp. 16 (see footnote 132).

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

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

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

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

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

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

Although it 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.[158] Additionally, independent gas company Novatek secured alternative financing from China to proceed with a natural gas project in the Artic.[159] Gazprom secured a $2 billion loan from the Bank of China, the largest loan from a single bank in Gazprom's history.[160] More generally, Russian energy firms have concluded a number of corporate agreements with Chinese and Saudi companies following the imposition of sanctions.[161]

However, 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. Public Chinese banks seem more willing to engage than private Chinese banks, and business transactions are complicated by other geopolitical considerations, such as Russia's reluctance to join China's new development bank, the Asian Infrastructure Investment Bank, or participate in Asian forums, such as the Asia-Pacific Economic Cooperation summit.[162] 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.[163] Finally, CRIEEA'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.[164]

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 four years of escalating sanctions, Russia has not reversed its occupation and annexation of Ukraine's Crimea region, nor has it stopped fostering separatism in eastern Ukraine. 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 government.

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

[158] Paul Mcleary, "Did Western Sanctions Actually Help the Russian Military?" *Foreign Policy*, January 23, 2017, at https://foreignpolicy.com/2017/01/23/did-western-sanctions-actually-help-the-russian-military/.

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

[160] 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.

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

[162] Gabuev, "A Pivot to Nowhere," April 22, 2016 (see footnote 160).

[163] 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.

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

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 first 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.

In the 115th Congress, several bills have been introduced to increase the use of sanctions to address Russia's malign activities. Members of Congress likely will continue to debate the establishment and implementation of U.S. sanctions on Russia in the 116th Congress.

Potential new sanctions on Russia in legislation range widely. In the 115th Congress, they include measures to expand the types of targeted individuals, entities, and sectors (S. 3336, H.R. 6437, S. 2313/H.R. 4884, H.R. 5428, H.R. 5216); expand the range of prohibited transactions, including with regard to Russian sovereign debt (S. 3336, H.R. 6437, S. 2313/H.R. 4884, H.R. 6423, H.R. 5428); make mandatory previously discretionary secondary sanctions on Russian pipeline investment (S. 3229, H.R. 6384); expand the scope of sanctions in response to malicious cyber-enabled activities (H.R. 5576/S. 3378); determine whether the government of Russia supports acts of international terrorism (which would expand sanctions on Russia) (S. 3336, S. 2780, H.R. 6573, H.R. 6475); and expand congressional review procedures to the Sergei Magnitsky Act (S. 3336, S. 3275).

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)

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-1. 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 11/15/2018)
Invasion of Ukraine[b]			
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.	114 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.	84 individuals, 65 entities
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.	5 individuals, 12 entities; 289 entities (SSI)
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.	66 entities, 5 individuals, 2 vessels
Malicious Cyber-Enabled Activities[c]			
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.	24 individuals, 15 entities

Objectionable Behavior and Authorities[a]	Date of Authority	Targets	Designations and Other Actions (as of 11/15/2018)
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.	6 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.	49 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, 2 entities

Objectionable Behavior and Authorities[a]	Date of Authority	Targets	Designations and Other Actions (as of 11/15/2018)
		mass destruction or their means of delivery.	
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)	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 14 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. Waiver authority invoked to continue foreign assistance; exports related to government space cooperation and commercial space launches; and export

Objectionable Behavior and Authorities[a]	Date of Authority	Targets	Designations and Other Actions (as of 11/15/2018)
			licensing in specific categories related to civil aviation safety, deemed exports or reexports on a case-by-case basis, wholly owned U.S. subsidiaries operating in Russia, and commercial end users for commercial purposes.
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.	3 individuals, 4 entities
EO 13810	9/20/2017	Those who engage in at least one significant trade transaction with 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.	3 entities, 6 vessels
Support to Syria[g]			
EO 13582	8/17/2011	Those providing material support and services to the government of Syria.	12 individuals, 4 entities
Transnational Crime and Terrorism[h]			
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 Ukraine-related activities. Most of these entities are on the SDN list. For a list of SDN designees and entities on the SSI list, see Programs "UKRAINE-EO13660," "UKRAINE-EO13661," "UKRAINE-EO13662," and "UKRAINE-EO13685," 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/documents/organization/284359.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 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 Ukraine-related sanctions.	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

Authority	Targets	Sanctions Action
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 Russia-related sanctions.	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 to Russia's privatization of state-owned assets "in a manner that unjustly benefits" government officials, relatives, or associates.	At least 5 of 12 sanctions as listed in 22 U.S.C. 9529
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

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	VTB	Finance		X	
7	X5 Retail Group	Trade			
8	Surgutneftegas	Oil and gas			X
9	Magnit	Trade			
10	Rosseti	Power engineering			
11	Inter RAO	Power engineering			
12	Transneft	Oil and gas		X	
13	Rosatom	Atomic industry			
13 (tie)	AFK Sistema	Investments			
14	Tatneft	Oil and gas			
15	Megapolis Group	Distribution			
16	Gazprombank	Finance		X	
17	Evraz	Metals and mining			
18	NLMK	Metals and mining			
19	Novatek	Oil and gas		X	
20	Rusal	Metals and mining	X		
21	Norilsk Nickel	Metals and mining			
22	Aeroflot	Transport			
23	Severstal	Metals and mining			
24	Sibur	Chemistry and petrochemistry			
25	United Aircraft Corporation	Defense and machine building			
26	Mobile TeleSystems	Telecommunications			
27	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
28	Ural Mining and Metallurgical Company	Metals and mining			
29	RusHydro	Power engineering			
30	MegaFon	Telecommunications			
31	Lenta	Trade			
32	Metalloinvest	Metals and mining			
33	Stroygazmontazh	Construction of infrastructure	X		
34	T Plus	Power engineering			
35	VimpelCom	Telecommunications			
36	SUEK	Metals and mining			
37	United Shipbuilding Corporation	Defense and machine building	X		
38	Sakhalin Energy	Oil and gas			
39	Rostelecom	Telecommunications			
40	Alfa-Bank	Finance			
41	Otkritie Holding	Finance			
42	Mechel	Metals and mining			
43	VEB	Finance		X	
43 (tie)	Auchan	Trade			
43 (tie)	Japan Tobacco International Russia	Alcohol and tobacco			
44	EuroChem	Chemistry and petrochemistry			
45	DIXY	Trade			
45 (tie)	Philip Morris Sales and Marketing	Alcohol and tobacco			
46	Alrosa	Metals and mining			
46 (tie)	Toyota Motor	Cars			
47	Rosselkhozbank	Finance		X	
48	Protek	Pharmaceuticals			
49	OAO TMK	Metals and mining			
50	Russian Helicopters	Defense and machine building		X	
51	TNS Energo	Power engineering			
52	Katren	Pharmaceuticals			

Rank	Company Name	Sector	SDN (Blocking) Sanctions	SSI (Debt and/or Equity) Sanctions	SSI (Oil Project) Sanctions
53	Slavneft	Oil and gas			
53 (tie)	Volkswagen Group Rus	Cars			
54	United Engine Corporation	Defense and machine building		X	
54 (tie)	Metro Cash & Carry	Trade			
54 (tie)	Leroy Merlin Vostok	Trade			
55	AvtoVAZ	Cars			
56	New Stream Group	Oil and gas			
57	Merlion	Distribution			
58	Avtotor	Cars			
59	Tactical Missiles Corporation	Defense and machine building			
60	Red&White	Trade			
61	Mostotrest	Construction of infrastructure	X		
61 (tie)	MUMT (British American Tobacco)	Alcohol and tobacco			
62	M.video	Trade			
63	DNS Group	Trade			
64	PhosAgro	Chemistry and petrochemistry			
65	Rolf Group	Cars			
66	O'Key Group	Trade			
67	Independent Oil and Gas Company	Oil and gas			
68	PIK Group	Development and construction			
69	EuroSibEnergo	Power engineering	X		
70	Russian Post	Postal services			
70 (tie)	Kia Motors Rus	Cars			
71	Nizhnekamskneftekhim	Chemistry and petrochemistry			
71 (tie)	Mercedes-Benz Russia	Cars			
72	Rusenergosbyt	Power engineering			

Rank	Company Name	Sector	SDN (Blocking) Sanctions	SSI (Debt and/or Equity) Sanctions	SSI (Oil Project) Sanctions
73	United Metallurgical Company	Metals and mining			
74	GAZ Group	Cars	X		
75	Tashir	Development and construction			
76	SNS Holding	Distribution			
77	National Computer Corporation	Information Technology			
78	Uralkali	Chemistry and petrochemistry			
79	TAIF-NK	Oil and gas			
80	Polyus	Metals and mining			
81	United Company Eurobusiness Euroset	Trade			
82	Chelyabinsk Pipe Rolling Plant	Metals and mining			
83	Sodrugestvo	Agriculture and Food			
84	SOGAZ	Finance			
85	KamAZ	Cars			
86	Transmashholding	Defense and machine building			
86 (tie)	Hyundai Motor CIS	Cars			
87	StroyTransNefteGaz (formerly Stroytransgaz)	Construction of infrastructure	X		
87 (tie)	Apple Inc. Rus	Electronics			
88	FC Pulse	Pharmaceuticals			
89	Zarubezhneft	Oil and gas			
90	Arktikgaz	Oil and gas			
91	Tomskneft	Oil and gas			
92	UCL Holding	Transport			
93	Credit Bank of Moscow	Finance			
93 (tie)	Procter & Gamble Distribution Company	Consumer goods			
94	LSR Group	Development and construction			

Rank	Company Name	Sector	SDN (Blocking) Sanctions	SSI (Debt and/or Equity) Sanctions	SSI (Oil Project) Sanctions
95	Mosinzhproekt	Development and construction			
96	Major Group	Cars			
97	ForteInvest	Oil and gas			
98	Irkutsk Oil Company	Oil and gas			
99	Uralvagonzavod	Defense and machine building	X		
100	RussNeft	Oil and gas			

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, 2018.

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	2017 Profit	Change in Profit
SDN Sanctions on Top Russian Firms					
Stroygazmontazh	Gas pipeline construction	4/28/2014	12 (0.4)	15 (0.3)	3.0 (-0.1)
United Shipbuilding Corporation	State-owned company engaged in shipbuilding, repair, and maintenance	6/29/2014	2.7 (0.05)	5.9 (0.1)	3.2 (0.1)
StroyTransNefteGaz (formerly Stroytransgaz)	Oil and gas engineering construction	4/28/2014	-1.6 (-0.05)	-7.1 (-0.1)	-5.6 (-0.1)
Uralvagonzavod	State-owned company that builds a variety of military equipment, including tanks (Rostec subsidiary since the end of 2016)	7/16/2014	-7.0 (-0.2)	1.3 (0.0)	8.3 (0.2)
SSI Debt and Equity Sanctions					
Sberbank	Russia's largest bank, state-owned	9/12/2014	364 (11.1)	749 (13.0)	385.0 (1.9)
VTB	Russia's second-largest bank, state-owned	9/12/2014	96 (2.9)	120 (2.1)	24.0 (-0.8)

Gazprombank	Russia's third-largest bank, state-owned	9/12/2014	33 (1.0)	34 (0.6)	1.0 (-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)	-288 (-5.0)	-296.5 (-5.3)
Rosselkhozbank	State-owned agricultural bank	7/29/2014	0.7 (0.0)	-19 (-0.3)	-19.7 (-0.4)
SSI Debt Sanctions					
Rostec	State-owned conglomerate for Russia's defense industry	9/12/2014	26 (0.46)	121 (2.1)	95.0 (1.6)
Transneft	State-owned pipeline company	9/12/2014	158 (4.8)	192 (3.3)	34.0 (-1.5)
Novatek	Russia's largest independent natural gas producer	7/16/2014	110 (3.4)	166 (2.9)	56.0 (-0.5)
Russian Helicopters	Helicopter design and manufacturing company (Rostec subsidiary)	9/12/2014	21 (0.6)	28 (0.5)	7.0 (-0.2)
United Engine Corporation	Produces engines for military and civil aviation and space exploration programs (Rostec subsidiary)	9/12/2014	-31 (-0.9)	25 (0.4)	56.0 (1.4)
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)	297 (5.2)	-258.0 (-11.8)
SSI Oil Project Sanctions					
Gazprom	State-owned global energy company	9/12/2014	1,139 (34.8)	767 (13.3)	-372.0 (-21.5)
Lukoil	Oil and gas company	9/12/2014	243 (7.4)	420 (7.3)	177.0 (-0.1)
Surgutneftegas	Oil company	9/12/2014	279 (8.5)	195 (3.4)	-84.0 (-5.1)

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, 2018.

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.

Author Information

Cory Welt, Coordinator
Analyst in European Affairs

Kristin Archick
Specialist in European Affairs

Rebecca M. Nelson
Specialist in International Trade and Finance

Dianne E. Rennack
Specialist in Foreign Policy Legislation

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