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U.S. Imposes New Round of Russia Sanctions

On March 2, 2021, the U.S. Government, in coordination with the European Union, announced a range of new sanctions against Russian Government officials and entities in response to the poisoning and imprisonment of opposition leader Alexei Navalny by Russian intelligence officers. The United States took a whole-of-government approach with new sanctions and export controls being implemented by the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC), the U.S. Department of State, and the U.S. Department of Commerce's Bureau of Industry and Security (BIS). These sanctions are the first against Russia imposed by the Biden administration and suggest that the new administration may be more willing to use sanctions and other economic measures to counter Russian human rights abuses. The sanctions were announced alongside newly approved European Union sanctions, indicating a renewed interest in coordinating U.S. sanctions with those imposed by the European Union and United Kingdom.

OFAC Sanctions

The sanctions announced by OFAC include the addition of seven Russian officials and three entities to the Specially Designated Nationals and Blocked Persons List (SDN List). The sanctioned individuals are primarily Russian intelligence and defense officials, and also include Russia's prosecutor general and the director of Russia's federal prison service. The sanctioned entities include scientific centers that are suspected of proliferating chemical and biological weapons. The OFAC sanctions largely parallel those issued by the European Union and United Kingdom in October 2020 in response to Nalvany's poisoning. In a move that EU Foreign Minister Josep Borrell said was done in coordination with the United States, the European bloc also imposed travel bans and asset freezes on four officials—two of whom were sanctioned by OFAC—over accusations they were involved in Navalny's imprisonment and the repression of peaceful protests.

State Department Sanctions

In addition to the new OFAC sanctions, the U.S. Department of State added six entities to the Countering America's Adversaries through Sanctions Act (CAATSA) Section 231 list of persons identified as part of, or operating on behalf of, the Russian defense or intelligence sectors. Any person or entity—regardless of location—who knowingly engages in a significant transaction with any of the persons on the Section 231 list will be subject to mandatory secondary sanctions. In a statement, Secretary of State Anthony Blinken explained that the sanctions were intended to "send a clear signal that Russia's use of chemical weapons and abuse of human rights have severe consequences."

The Department of State also announced that it was expanding existing sanctions that were first imposed in response to the poisoning of Sergei Skripal in 2018. These sanctions were imposed pursuant to the U.S. Chemical and Biological Weapons Control and Warfare Elimination Act of 1991, and following a State Department determination that the Russian Government had used a chemical weapon against its

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own nationals in violation of the Chemical Weapons Convention. These sanctions will take effect following a 15-day Congressional notification period.

The State Department sanctions include:

- **Foreign Assistance**: Termination of assistance to Russia, except for urgent humanitarian assistance and food or other agricultural commodities or products.
- **Arms Sales**: Termination of sales to Russia of ITAR-controlled defense articles or defense services, and the termination of ITAR export licenses for Russia.
- **Arms Sales Financing**: Termination of all foreign military financing for Russia.
- **Denial of U.S. Government Credit**: Denial to Russia of any credit, credit guarantees, or financial assistance by any U.S. Government department, agency, or instrumentality.
- **Exports of National Security-Sensitive Goods and Technology**: Prohibition on the export to Russia of any goods or technology controlled for national security sensitivity.

While the export control restrictions under the ITAR and EAR are potentially very broad, many of these restrictions have already been in place with respect to Russia on a formal or informal basis. These sanctions will remain in place for at least twelve months and until the Executive Branch determines and certifies to Congress that the Russian Government has met various conditions related to its obligations under the Chemical Weapons Convention.

BIS Actions

The U.S. Department of Commerce's Bureau of Industry and Security (BIS) announced that it is adding 14 entities located in Russia, Germany, and Switzerland to the Entity List based on their role in proliferation activities in support of Russia's chemical weapons programs. A Commerce Department official indicated that the entities were involved in various aspects of biological and chemical agent production. No items subject to the EAR may be exported, reexported, or transferred to parties on the Entity List without a specific license from BIS. No license exceptions under the ERA will be available with respect to these entities.

Key Takeaways

These sanctions are the first imposed against Russia by the Biden administration, and represent the administration's attempt to fulfill its pledge to confront Russia and President Putin over human rights abuses and the use of chemical weapons. Russian Foreign Minister Sergei Lavrov indicated that Russia would respond to the new sanctions, but did not provide details as to the manner in which the country would do so. These actions may also signal a return to the U.S. policy of coordinating with the EU and UK on Russian sanctions, which had prevailed in 2014 and 2015 before the United States began imposing additional sanctions against Russia on a unilateral basis. In a nod toward future transatlantic coordination, the UK foreign minister commented that the UK would "continue to work closely with international partners to hold Russia to account for failing to uphold their chemical weapons and human rights obligations".

Because the newly announced sanctions largely match existing EU and U.K. sanctions, their effect on both U.S. and non-U.S. companies is likely to be limited. Nonetheless, companies should review their dealings with Russian persons, current export licenses, and their export control and sanctions policies to ensure compliance with the new sanctions.

If you have any questions regarding the Russia sanctions program or how it may affect your business, please reach out to the contacts listed below.

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Special thanks to Gregory Bernstein, Corporate Law Clerk, for his valuable assistance in the research and drafting of this client alert.

This alert is not intended to provide legal advice, and no legal or business decision should be based on its contents. If you have any questions about the contents of this alert, please call your regular Fried Frank contact or the attorneys listed below:

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