

United States Implements Multiple Sanctions and Export Restrictions on Russia

Note: This previously published client update has been revised to provide links to the official notices published by the Departments of Commerce and State on March 18, 2021.

Key Notes:

- U.S. government agencies have implemented sanctions and export restrictions in parallel with the European Union and United Kingdom against Russia for human rights violations in connection with the poisoning and imprisonment of Aleksey Navalny.
- Dozens of Russian affiliates, officials and entities have been sanctioned and designated to various blacklists, the SDN List, Entity List and CAATSA's 231 List.
- U.S. and foreign persons face significant risk from engaging in certain transactions or dealings with the newly sanctioned persons.

On March 2, 2021, the Departments of Commerce, State and the Treasury imposed sanctions and export restrictions on numerous Russian officials and government entities in response to the Russian Federation's imprisonment and alleged previous poisoning of opposition figure Aleksey Navalny. These actions follow similar sanctions imposed by the European Union and the United Kingdom.

In a brief press statement, Secretary of State Antony Blinken stated that the United States has "exercised its authorities to send a clear signal that Russia's use of chemical weapons and abuse of human rights have severe consequences. Any use of chemical weapons is unacceptable and contravenes international norms." It is understood that Mr. Navalny was poisoned with Novichok

nerve agents, chemicals created by the former Soviet Union, accessible only to Russian state authorities.

Chemical and Biological Weapons Control and Warfare Elimination Act (CBW Act) Sanctions

Pursuant to the CBW Act, the State Department has issued a [notice of sanctions](#) imposing sanctions which will be effective March 18 for a minimum of 12 months (or until the president determines and certifies to Congress that the Russian government has met four specific conditions). The department has waived some of the potential sanctions but those in effect include:

- **Arms Sales and Arm Sales Financing:** Termination of all foreign military financing for Russia, sales to Russia under the Arms Export Control Act of defense articles and services and licenses for items on the U.S. Munitions List, with some exceptions.
- **Denial of Credit or Other Financial Assistance:** Denial to Russia of any credit, credit guarantees, or other financial assistance by any department, agency, or instrumentality of the United States, including the Export-Import Bank.
- **Export Controls on National-Security Sensitive Goods and Technology:** Prohibition on exports to Russia of items subject to national security controls, as described in more detail below.

Countering America's Adversaries Through Sanctions Act (CAATSA) Section 231 Sanctions

Under CAATSA Section 231, the State Department has [listed six Russian entities](#) as persons determined to be a part of or working on behalf of the defense or intelligence sectors of

Russia. Persons, including foreign persons, who knowingly engage in any significant transactions with these persons are subject to mandatory sanctions. The entities added are:

- 27th Scientific Center (a.k.a. 27TH NTS);
- 33rd Scientific Research and Testing Institute (a.k.a. 33rd TsNIII);
- 48 Central Scientific Research Institute Sergiev Posad (a.k.a. 48 TsNII Sergiev Posad; a.k.a. 48th Central Research Institute, Sergiev Posad);
- 48 Central Scientific Research Institute Kirov (a.k.a. 48th Central Research Institute Kirov; a.k.a. 48th TsNII);
- 48 Central Scientific Research Institute Yekaterinburg (a.k.a. 48th TsNII Yekaterinburg); and
- State Scientific Research Institute of Organic Chemistry and Technology (a.k.a. GoSNIIOKhT).

A “significant transaction” is determined on the totality of the circumstances including but not limited to its impact on U.S. national security interests, the nature and magnitude of the transaction and its impact on the defense and intelligence sectors of Russia. The mandatory sanctions include, among others, prohibitions concerning property transactions, export license restrictions, Export-Import Bank assistance restrictions, debt and equity restrictions, visa ramifications for corporate officers, and U.S. government procurement prohibitions.

Treasury’s Office of Foreign Assets Control (OFAC) Sanctions

Pursuant to [E.O. 13661](#) (Blocking Property of Additional Persons Contributing to the Situation in Ukraine) and [E.O. 13382](#) (Blocking Property of Weapons of Mass Destruction Proliferators), OFAC has [designated nine senior Russian government officials and five Russian government entities](#) to the Specially Designated Nationals and Blocked Entities (SDN) List. The SDNs are:

- Pavel Anatolievich Popov, Deputy Minister of Defense of the Russian Federation;
- Aleksei Yurievich Krivoruchko, Deputy Minister of Defense of the Russian Federation;
- Sergei Vladilenovich Kiriyenko, First Deputy Chief of Staff of the Presidential Executive Office;

- Andrei Veniaminovich Yarin, Chief of the Presidential Policy Directorate;
- Alexander Vasilievich Bortnikov, Director of Russia’s Federal Security Service (FSB);
- Igor Victorovich Krasnov, Russia’s Prosecutor General;
- Alexander Petrovich Kalashnikov, Director of the Russia Federal Penitentiary Service (FSIN);
- Alexander Yevgeniyevich Mishkin, Officer in Russia’s Main Intelligence Directorate (GRU);
- Anatoliy Vladimirovich Chepiga, Officer in Russia’s Main Intelligence Directorate (GRU);
- Federal Security Service (a.k.a. FEDERALNAYA SLUZHBA BEZOPASNOSTI; a.k.a. FSB);
- State Scientific Research Institute of Organic Chemistry and Technology (a.k.a. GosNIIOKhT);
- 33rd Scientific Research and Testing Institute (a.k.a. 33RD TSNIII);
- 27th Scientific Center; and
- Main Intelligence Directorate (a.k.a. Glavnoe Razvedyvatel'noe Upravlenie; a.k.a. GRU; a.k.a. Main Directorate of the General Staff; a.k.a. Main Intelligence Department).

These persons are now designated to the SDN List. Effective immediately, all property and interests in property of these individuals and entities that are in the United States or in the possession or control of U.S. persons are blocked and must be reported to OFAC. In addition, U.S. persons are generally prohibited from engaging in transactions with them. In addition, any entities that are owned, directly or indirectly, 50 percent or more by the designated persons and entities are also blocked.

While only some of these entities are on the CAATSA 231 List, OFAC has stated that any foreign person who knowingly facilitates a significant transaction or transactions for or on behalf of one of these persons or entities risks also being sanctioned.

State’s Directorate of Defense Trade Controls (DDTC) Export Restrictions

DDTC has issued a [final rule](#) effective March 18, 2021, amending the International Traffic in Arms Regulations (ITAR) at § 126.1 to include Russia in the list of countries

“subject to a policy of denial for exports of defense articles and defense services.” Limited exceptions include:

- Amendments to ITAR § 126.1(a) to allow for exemptions provided in ITAR §§ 126.4(a)(2) and (b)(2) for exports to Russia involving transfers by or for the U.S. government;
- A case-by-case review of exports to Russia that support government space cooperation; and
- A case-by-case review of exports to Russia when in support of commercial space launches (prior to September 1, 2021, and thereafter a policy of denial).

Commerce’s Bureau of Industry and Security’s (BIS) Commerce Control List Export Restrictions

On March 4, 2021, the BIS [added 14 entities](#) located in Russia, Germany and Switzerland to the Entity List due to their support of Russia’s weapons of mass destruction programs and chemical weapons activities. These entities are:

- 27th Scientific Center;
- Chimmed Group;
- Chimconnect GmbH;
- Chimconnect AG;
- Pharmkontract GmbH;
- Femteco;
- Interlab;
- LabInvest;
- OOO Analit Products;
- OOO Intertech Instruments;
- Pharmcontract GC;
- Rau Farm;
- Regionsnab; and
- Riol-Chemie.

Being placed on the Entity List means that the export, reexport, and in-country transfer of items subject to the Export Administration Regulations (EAR) to these entities requires a license from BIS. These license requirements and restrictions apply in any instances where these 14 entities act as the purchaser, intermediate consignee, ultimate consignee, or end-user. No license exceptions are available under the EAR for these entities.

In addition, under the CWB Act BIS has issued a [notice of implementation](#) that exports under the EAR of national security (NS) controlled items to Russia will be further restricted, including:

- License exceptions Service and Replacement of Parts and Equipment (RPL), Technology and Software Unrestricted (TSU), and Additional Permissive Reexports (APR) will not be allowed for export of NS items to Russia.
- Applications for commercial end-users and civil end-uses of NS items will now be reviewed under a “presumption of denial” policy.
- Exports of NS items in support of commercial space flight activities in Russia will continue to be reviewed on a case-by-case basis for a six-month transition period, after which such exports will be subject to a license review policy of a presumption of denial.

The following export license exceptions will still be useable for NS controlled items: Temporary Imports, Exports, and Reexports (TMP); Governments, International Organizations, and International Inspections under the Chemical Weapons Convention (GOV); Baggage (BAG); Aircraft and Vessels (AVS); and Encryption Commodities and Software (ENC).

Further, applications for export of NS items to Russia for the following reasons will be reviewed on a case-by-case basis:

- Exports needed to ensure the safe operation of commercial passenger aviation;
- Exports to wholly-owned subsidiaries of U.S. and other foreign companies in Russia;
- Deemed export licenses for Russian nationals working in the United States; and
- Exports in support of government space cooperation.

FOR MORE INFORMATION

Any further developments in these actions toward Russia will be reported on Thompson Hine’s [SmarTrade blog](#), which offers timely news and analysis of the latest developments in international trade law. To receive an email notification whenever a new post is published, please [subscribe to the blog](#).

Our International Trade group has extensive experience advising on compliance with U.S. sanctions and export restrictions.

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