



November 8, 2017

# U.S. Sanctions on Russia Related to the Ukraine Conflict

## Background

Since 2014, the United States has imposed sanctions on around 600 individuals, entities, and vessels in response to Russia’s invasion and annexation of Ukraine’s Crimea region and Russia’s subsequent support of separatists in eastern Ukraine. President Barack Obama, in initiating economic sanctions on Russia, declared that Russia’s activities in Ukraine threaten the peace, security, stability, sovereignty, and territorial integrity of its neighbor and

constitute a threat to U.S. national security. The United States, in coordination with the European Union and others, promised to impose increasing costs on Russia until it “abides by its international obligations and returns its military forces to their original bases and respects Ukraine’s sovereignty and territorial integrity.” The Department of the Treasury’s Office of Foreign Assets Control (OFAC) continues to investigate transactions and designate individuals and entities, most recently in June 2017.

**Table 1. U.S. Ukraine-Related Sanctions on Russia: Authorities, Targeted Behavior, and Treasury Designees**

| Authority  | Targeted Behavior  | Designations (as of 11/2017)   |
|--|--|--|
| EO 13660 (3/6/2014); Countering Russian Influence in Europe and Eurasia Act of 2017 (P.L. 115-44, Countering America’s Adversaries Through Sanctions Act [CAATSA], Title II; 22 U.S.C. 9501 et seq.) | Those responsible for undermining Ukraine’s democracy; threatening peace, security, stability, sovereignty, or territorial integrity; misappropriating funds.  | 100 individuals, 20 entities   |
| EO 13661 (3/17/2014); P.L. 115-44  | Anyone designated, including Russian government officials; those engaged in Russia’s arms sector; entities owned or controlled by a senior Russian government official; those materially assisting or supporting a senior Russian government official.   | 60 individuals, 54 entities  |
| EO 13662 (3/20/2014); P.L. 115-44  | Entities operating in sectors of the Russian economy, such as financial services, energy, metals and mining, engineering, and defense and related matériel. Directives 1-4 specify financial services, energy (including certain kinds of oil projects), and defense.  | 278 entities   |
| EO 13685 (12/19/2014); P.L. 115-44   | Activities in the Crimea region, including new investment, trade, and related economic activities.   | 1 individual, 55 entities, 2 vessels   |
| Support for the Sovereignty, Integrity, Democracy, and Economic Stability of Ukraine Act of 2014 (P.L. 113-95, as amended; 22 U.S.C. 8901 et seq.)   | Those responsible for violence; human rights abuses in Ukraine related to protests; the undermining of Ukraine’s peace, security, stability, sovereignty, or territorial integrity.<br>Russian government officials (or associates) responsible for acts of significant corruption.  | No designations to date; authorities and categories of targets partially overlap with executive orders and related designations.   |
| Ukraine Freedom Support Act of 2014 (P.L. 113-272, as amended; 22 U.S.C. 8921 et seq.)   | State-run arms exporter Rosoboronexport; Russian entities that transfer weapons to Syria, Ukraine, Georgia, or Moldova (or other states, depending on President’s designations); and persons who facilitate such transfers.<br><br>Foreign persons who make significant investments in certain kinds of oil projects and foreign financial institutions that fund such projects.<br><br>Foreign financial institutions that engage in transactions for persons subject to Ukraine-related sanctions. | President Obama issued a signing statement with this act, stating that he would not impose sanctions under the act but that it “gives the Administration additional authorities that could be utilized, if circumstances warranted.” |

**Source:** Congressional Research Service (CRS).

## Executive and Congressional Actions

A series of executive orders (EOs) issued in 2014 and codified in the Countering America’s Adversaries Through Sanctions Act (CAATSA; P.L. 115-44) form the basis for

designating Russian individuals and entities subject to Ukraine-related sanctions. Also in 2014, Congress adopted two laws, amended by CAATSA, to strengthen and expand sanctions (see **Table 1**). In issuing the EOs, President

Obama identified individuals and entities subject to economic restrictions for having undermined the stability of Ukraine; misappropriated its state assets; annexed Crimea to Russia; used illicit armed force in Ukraine; and conducted business, trade, or investment in Crimea (see **Table 2**). Any individual or entity designated pursuant to these orders is subject to the blocking of assets under U.S. jurisdiction, prohibitions against U.S. persons engaging in transactions, and denial of entry into the United States. Under EO 13662, Treasury also restricts transactions by persons under U.S. jurisdiction related to investment and financing for designated state-controlled companies in Russia's financial sector, financing for designated companies in Russia's energy and defense sectors, and transactions related to the development of Russian deepwater, Arctic offshore, and shale oil projects.

**Table 2. Targeted Individuals/Entities (as of 11/2017)**

**EO 13660:** 12 former Ukrainian officials; 78 separatist officials of Crimea and the Donbas secessionist entities; 10 Russian supporters; 20 associated companies or organizations.

**EO 13661:** 60 Russian officials, deputies, businesspeople, and associates who support Russia's actions in Ukraine, are considered part of Putin's "inner circle," and/or support senior officials or sanctioned entities; Bank Rossiya, described by Treasury as the "personal bank" of Russian senior officials; Almaz-Antey, a state-owned defense company; 16 other defense firms (mostly subsidiaries of Almaz-Antey or the state-controlled defense and hi-tech conglomerate Rostec); and at least 36 associated companies or organizations.

**EO 13662:** Sectoral sanctions on 13 parent companies and at least 265 subsidiaries: lending and investment restrictions on 4 large state-controlled banks and VEB, which "acts as a development bank and payment agent for the Russian government"; lending restrictions on state-controlled defense and hi-tech conglomerate Rostec, oil companies Rosneft and Gazpromneft, pipeline company Transneft, and private gas producer Novatek; restrictions on transactions related to deepwater, Arctic offshore, or shale oil projects.

**EO 13685:** 50 Russian or Crimea-based companies and 5 subsidiaries operating in Crimea; 1 individual; 2 vessels.

**Source:** CRS.

CAATSA directed the Secretary of the Treasury to further restrict financing for Russia's financial and energy sectors and to extend prohibitions related to the above oil projects to projects worldwide that involve any designated persons who have an ownership interest of not less than 33%.

The Departments of State and Commerce also deny export licenses for military, dual-use, and energy-related goods for almost 200 designated end-users (most of which also are subject to Treasury-administered sanctions).

### Effectiveness and Impact of Sanctions

More than three years since Ukraine-related sanctions were first imposed, observers note that Russia has not reversed its occupation and annexation of Crimea, nor has it dropped its support for the Donbas separatists. Since sanctions were introduced, however, Russia has signed two agreements that recognize all of the Donbas as a part of Ukraine and

Russian-backed rebel military operations have been limited to areas along the perimeter of the current conflict zone.

In terms of the economic impact of sanctions, it is difficult to disentangle their effect from the simultaneous drop in oil prices. Oil is a major export and source of revenue for the Russian government, and the twin shocks of sanctions and collapse in oil prices in 2014 hit the Russian economy hard. Between 2014 and 2016, Russia experienced capital flight, currency depreciation, inflation, and budgetary pressures. Growth slowed to 0.7% in 2014 before contracting by 2.8% in 2015 and by another 0.2% in 2016. The International Monetary Fund (IMF) estimated in 2015 that sanctions and Russia's retaliatory ban on agricultural imports reduced output in Russia over the short term by up to 1.5%.

Even though sanctions have been tightened, economic growth in Russia is strengthening, in part due to higher oil prices. Russia's economy is projected to grow by 1.8% in 2017 and 1.6% in 2018. However, the economic effects of restrictions on U.S. long-term financing for certain sectors and technology for specific oil exploration projects may manifest more prominently over the longer term.

### The Future of Ukraine-Related Sanctions

Before the passage of CAATSA, the Trump Administration stated on several occasions that the sanctions would remain in place "until Moscow reverses the actions that triggered" them. It also has made additional designations. CAATSA has established a mechanism for Congress to review any action the President takes to ease or lift a variety of sanctions. In the case of Ukraine-related sanctions, CAATSA indicates that the President may waive sanctions only if the President certifies that the Russian government "is taking steps to implement the Minsk Agreement to address the ongoing conflict in eastern Ukraine."

Although President Trump signed the act, he said in a signing statement that the legislation was "significantly flawed" and stated his reservations with certain provisions, noting he would implement them "in a manner consistent with the President's constitutional authority to conduct foreign relations."

The United States also imposes sanctions on Russian individuals and entities for activities unrelated to events in Ukraine. For more, see CRS Insight IN10634, *Overview of U.S. Sanctions Regimes on Russia*. Also see CRS In Focus IF10694, *Countering America's Adversaries Through Sanctions Act*; CRS In Focus IF10614, *EU Sanctions on Russia Related to the Ukraine Conflict*; CRS Report R43895, *U.S. Sanctions and Russia's Economy*; and CRS Report R44775, *Russia: Background and U.S. Policy*.

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