

# Policy Solutions

## Strengthen U.S. Geo-Economic Policy (Matthew Zweig)

The Biden administration's sanctions against Russia, particularly following its invasion of Ukraine, have been marked by both innovative strategies and challenges. Among the key innovations is the unprecedented coordination between the U.S. and its Western allies. This cooperation created a unified front of economic sanctions that target key areas of Russia's economy, such as its energy sector, financial institutions, and oligarchs. Furthermore, the administration adopted new sanctions measures, particularly those aimed at limiting Russia's access to high-tech exports, such as semiconductors and aerospace technologies. These moves represent a significant shift, aiming to hinder Russia's access to critical technologies vital for its military and broader economic interests.

However, despite these innovations, the Biden administration has struggled to limit Russia's energy revenues effectively or reduce Europe's dependence on Russian oil and gas. Sanctions enforcement measures against sanctions evaders have been lacking in effect. The next major step in strengthening the Russia sanctions could be a structural realignment, shifting the focus to a broader regime that targets most economic activities, including financial transactions, exports, and imports.<sup>14</sup>

### **Evolution of the Russia Sanctions Architecture**

The U.S. sanctions regime against Russia has significantly evolved from 2014-2024. What began as carefully targeted sanctions following Russia's 2014 annexation of Crimea and its military intervention in eastern Ukraine has grown into a wide-ranging sanctions framework. Between 2014 and 2016, the U.S. primarily imposed travel bans and asset freezes on Russian officials, oligarchs,

**14.** THIS SECTION FOCUSES ON HOW THE NEXT ADMINISTRATION COULD STRENGTHEN SANCTIONS AGAINST RUSSIA STRUCTURALLY.

and entities linked to the Kremlin;<sup>15</sup> and minor sectoral restrictions in Russia's financial, energy, and defense sectors; and a total trade ban on Crimea.<sup>16</sup>

Under the Trump administration, the U.S. Congress took a leading role in expanding sanctions through the Countering America's Adversaries Through Sanctions Act in 2017.<sup>17</sup> This law codified U.S. sanctions against Russia, making it more difficult for the executive branch to unilaterally lift them.<sup>18</sup> The act also broadened the scope of sanctions to address malign activities by Russia, including cyber operations, corruption, and human rights abuses.<sup>19</sup> The Trump Administration made use of new and existing authorities to expand sanctions both through administrative action and significant enforcement actions.<sup>20</sup>

Following Russia's 2022 invasion of Ukraine, the Biden administration imposed sweeping sanctions under a new sanctions regime developed in 2021: the Russian Harmful Foreign Activities Sanctions.<sup>21</sup> In the years since, the most significant measures taken under this authority have been Russian financial, energy, and defense technology sanctions, an oil price cap, and export controls.

**15.** EXECUTIVE ORDER 13661 — BLOCKING PROPERTY OF ADDITIONAL PERSONS CONTRIBUTING TO THE SITUATION IN UKRAINE. [OFAC.TREASURY.GOV/MEDIA/5956/DOWNLOAD?INLINE](https://www.ofac.treas.gov/MEDIA/5956/DOWNLOAD?INLINE); EO 13660 — BLOCKING PROPERTY OF CERTAIN PERSONS CONTRIBUTING TO THE SITUATION IN UKRAINE. [OFAC.TREASURY.GOV/MEDIA/5946/DOWNLOAD?INLINE](https://www.ofac.treas.gov/MEDIA/5946/DOWNLOAD?INLINE)

**16.** EO 13685 — BLOCKING PROPERTY OF CERTAIN PERSONS AND PROHIBITING CERTAIN TRANSACTIONS WITH RESPECT TO THE CRIMEA REGION OF UKRAINE. [OFAC.TREASURY.GOV/MEDIA/5966/DOWNLOAD?INLINE](https://www.ofac.treas.gov/MEDIA/5966/DOWNLOAD?INLINE); EO 13662 — BLOCKING PROPERTY OF ADDITIONAL PERSONS CONTRIBUTING TO THE SITUATION IN UKRAINE. [OFAC.TREASURY.GOV/MEDIA/5961/DOWNLOAD?INLINE](https://www.ofac.treas.gov/MEDIA/5961/DOWNLOAD?INLINE)

**17.** COUNTERING AMERICA'S ADVERSARIES THROUGH SANCTIONS ACT (CAATSA), PUBLIC LAW 115-44. [CONGRESS.GOV/115/PLAWS/PUBL44/PLAW-115PUBL44.PDF](https://www.congress.gov/115/plaws/publ44/plaw-115publ44.pdf)

**18.** IBID, SECTION 216.

**19.** IBID, SECTION 224, SECTION 227, SECTION 228.

**20.** EO 13883 — ADMINISTRATION OF PROLIFERATION SANCTIONS AND AMENDMENT OF EXECUTIVE ORDER 12851. [OFAC.TREASURY.GOV/MEDIA/26281/DOWNLOAD?INLINE](https://www.ofac.treas.gov/MEDIA/26281/DOWNLOAD?INLINE); EO 13849 — AUTHORIZING THE IMPLEMENTATION OF CERTAIN SANCTIONS SET FORTH IN THE COUNTERING AMERICA'S ADVERSARIES THROUGH SANCTIONS ACT. [HOME.TREASURY.GOV/NEWS/PRESS-RELEASES/SM0338#:~:text=RUSSIAN%20MACHINES%20IS%20BEING%20DESIGNATED%20FOR](https://www.treasury.gov/press-releases/sm0338#:~:text=RUSSIAN%20MACHINES%20IS%20BEING%20DESIGNATED%20FOR)

**21.** 31 CFR PART 587 - RUSSIAN HARMFUL FOREIGN ACTIVITIES SANCTIONS REGULATIONS. [ECFR.GOV/CURRENT/TITLE-31/SUBTITLE-B/CHAPTER-V/PART-587](https://www.ecfr.gov/current/title-31/subtitle-b/chapter-v/part-587)

## Understanding U.S. Financial Sanctions on Russia

One of the most significant aspects of the U.S. sanctions regime against Russia is its focus on crippling the country's financial system. As of December 2023, the U.S. implemented new secondary sanctions risks on foreign financial institutions that knowingly or unknowingly conduct Russia-related transactions.<sup>23</sup> In June 2024, the Biden administration broadened U.S. targeting of Russia's defense industrial base to include all individuals and entities sanctioned under Executive Order 14024. This expansion encompassed major Russian financial institutions like Sberbank and VTB. This move marked a notable escalation, heightening the risks of potential secondary sanctions for parties engaging with these already-designated Russian banks.<sup>24</sup>

Since February 2022, hundreds of billions of dollars in Russian foreign and sovereign assets have been frozen due to these sanctions.<sup>25</sup> These assets, held in the U.S. and E.U., can now be used as collateral for loans to Ukraine, effectively weakening Russia's financial position.<sup>26</sup> Additionally, sanctions prohibit dealings with Russian sovereign debt, preventing the Russian government from raising capital through Western markets.<sup>27</sup>

Despite these restrictions, Russia has found ways to circumvent sanctions through regulatory arbitrage, particularly by using cryptocurrencies and

**22.** DETERMINATION PURSUANT TO SECTION 1(A)(I) OF EXECUTIVE ORDER 14024 - ACCOUNTING, TRUST AND CORPORATE FORMATION SERVICES, AND MANAGEMENT CONSULTING SECTORS OF THE RUSSIAN FEDERATION ECONOMY. [OFAC.TREASURY.GOV/MEDIA/922951/DOWNLOAD?INLINE](https://ofac.treasury.gov/media/922951/download?inline); DETERMINATION PURSUANT TO SECTIONS 1(A)(II), 1(B) AND 5 OF EXECUTIVE ORDER 14071 - PROHIBITIONS RELATED TO CERTAIN ACCOUNTING, TRUST AND CORPORATE FORMATION, AND MANAGEMENT CONSULTING SERVICES. [OFAC.TREASURY.GOV/MEDIA/922956/DOWNLOAD?INLINE](https://ofac.treasury.gov/media/922956/download?inline); DETERMINATION PURSUANT TO SECTION 1(A)(I) OF EXECUTIVE ORDER 14024 - FINANCIAL SERVICES SECTOR OF THE RUSSIAN FEDERATION ECONOMY. [OFAC.TREASURY.GOV/MEDIA/918726/DOWNLOAD?INLINE](https://ofac.treasury.gov/media/918726/download?inline)

**23.** EO 14114 — TAKING ADDITIONAL STEPS WITH RESPECT TO THE RUSSIAN FEDERATION'S HARMFUL ACTIVITIES. [OFAC.TREASURY.GOV/MEDIA/932441/DOWNLOAD?INLINE](https://ofac.treasury.gov/media/932441/download?inline)

**24.** UPDATED GUIDANCE FOR FOREIGN FINANCIAL INSTITUTIONS ON OFAC SANCTIONS AUTHORITIES TARGETING SUPPORT TO RUSSIA'S MILITARY-INDUSTRIAL BASE. [OFAC.TREASURY.GOV/MEDIA/932436/DOWNLOAD?INLINE](https://ofac.treasury.gov/media/932436/download?inline)

**25.** REUTERS. WHAT AND WHERE ARE RUSSIA'S \$300 BILLION IN RESERVES FROZEN IN THE WEST? [REUTERS.COM/WORLD/EUROPE/WHAT-WHERE-ARE-RUSSIAS-300-BILLION-RESERVES-FROZEN-WEST-2023-12-28/#:~:text=MOSCOW,%20DEC%2028%20\(Reuters\)%20-%20AFTER](https://reuters.com/world/europe/what-where-are-russias-300-billion-reserves-frozen-west-2023-12-28/#:~:text=MOSCOW,%20DEC%2028%20(Reuters)%20-%20AFTER)

**26.** IBID; COOBAN, ANNA. EUROPE WILL LOAN WAR-TORN UKRAINE UP TO \$39 BILLION AS PART OF G7 PLEDGE. CNN. THE REBUILDING ECONOMIC PROSPERITY AND OPPORTUNITY FOR UKRAINIANS ACT (REPO ACT) IS BIPARTISAN LEGISLATION THAT WAS RECENTLY PASSED BY THE U.S. CONGRESS AUTHORIZING THE ADMINISTRATION TO CONFISCATE BILLIONS OF DOLLARS IN RUSSIAN SOVEREIGN ASSETS SITTING IN U.S. BANKS AND OTHER INSTITUTIONS TO FUND UKRAINE RECONSTRUCTION AND AID, WHICH MAY BE A PART OF OR REINFORCE THIS EFFORT.

**27.** TREASURY DEPARTMENT, OFFICE OF FOREIGN ASSET CONTROLS FREQUENTLY ASKED QUESTION 965: HOW DOES DIRECTIVE 1A UNDER EXECUTIVE ORDER (EO) 14024, PROHIBITIONS RELATED TO CERTAIN SOVEREIGN DEBT OF THE RUSSIAN FEDERATION (RUSSIA-RELATED SOVEREIGN DEBT DIRECTIVE) CHANGE PROHIBITIONS RELATING TO U.S. FINANCIAL INSTITUTION DEALINGS IN RUSSIAN SOVEREIGN DEBT PURSUANT TO DIRECTIVE 1 UNDER EO 14024.

alternative payment systems.<sup>28</sup> These alternative systems allow Russia to bypass traditional banking systems, making it harder for sanctions to be fully effective. Furthermore, Russia has strengthened financial ties with adversaries of the U.S., including China, creating an alternative financial ecosystem to evade Western sanctions.<sup>29</sup> Russia's de-dollarization efforts aim to reduce reliance on the U.S. dollar in trade, shifting to alternative currencies like China's yuan to mitigate the effect of sanctions.

## **Russia Energy Sector Sanctions and the Oil Price Cap**

Energy sanctions form another critical pillar of the U.S.'s sanctions regime. The U.S. has banned imports of Russian oil, coal, and liquefied natural gas<sup>30</sup> and is working with European allies to reduce reliance on Russian energy.<sup>31</sup> In addition to the sanctions on energy imports, critical technologies necessary for Russia's oil exploration and production, such as those used in Arctic drilling, have long been restricted.<sup>32</sup>

The most significant aspect of the energy sanctions regime is the oil price cap, implemented by the G7 countries in December 2022.<sup>33</sup> This price cap aims to limit Russia's oil revenues while maintaining global market stability. The G7 nations, along with the European Union and Australia, worked together to enforce this cap on Russian oil exports by restricting the provision of critical services, such as shipping, insurance, and financing, to entities that purchase Russian oil above

- 28.** GLOBAL EFFORT DISRUPTS RUSSIA LINKED NETWORK USING CRYPTO TO EVADE SANCTIONS, U.S. CHARGES TWO RUSSIANS. COINDESK. [HTTPS://MARKETS.BUSINESSINSIDER.COM/NEWS/CURRENCIES/GLOBAL-EFFORT-DISRUPTS-RUSSIA-LINKED-NETWORK-USING-CRYPTO-TO-EVADE-SANCTIONS-US-CHARGES-TWO-RUSSIANS-1033802614](https://markets.businessinsider.com/news/currencies/global-effort-disrupts-russia-linked-network-using-crypto-to-evade-sanctions-us-charges-two-russians-1033802614); RUSSIA TO ALLOW CRYPTO PAYMENTS IN INTERNATIONAL TRADE TO COUNTER SANCTIONS. REUTERS. [REUTERS.COM/TECHNOLOGY/RUSSIA-LAUNCH-INTERNATIONAL-PAYMENTS-CRYPTO-BEFORE-END-2024-07-30](https://www.reuters.com/technology/russia-launch-international-payments-crypto-before-end-2024-07-30/); TREASURY DESIGNATES RUSSIAN COMPANIES SUPPORTING SANCTIONS EVASION THROUGH VIRTUAL ASSET SERVICES AND TECHNOLOGY PROCUREMENT. [HOME.TREASURY.GOV/NEWS/PRESS-RELEASES/JY2204](https://www.treasury.gov/news/press-releases/jy2204)
- 29.** HOW IS CHINA MITIGATING THE EFFECTS OF SANCTIONS ON RUSSIA? THE ATLANTIC COUNCIL. [ATLANTICCOUNCIL.ORG/BLOGS/ECONOGRAPHICS/HOW-IS-CHINA-MITIGATING-THE-EFFECTS-OF-SANCTIONS-ON-RUSSIA/](https://atlanticcouncil.org/blogs/econographics/how-is-china-mitigating-the-effects-of-sanctions-on-russia/); RUSSIA, CHINA FIND PAYMENTS WORKAROUND AS US SANCTIONS NET WIDENS, SOURCES SAY. REUTERS. [REUTERS.COM/WORLD/RUSSIA-CHINA-FIND-PAYMENTS-WORKAROUND-US-SANCTIONS-NET-WIDENS-SOURCES-SAY-2024-06-20/](https://www.reuters.com/world/russia-china-find-payments-workaround-us-sanctions-net-widens-sources-say-2024-06-20/)
- 30.** FACT SHEET: UNITED STATES BANS IMPORTS OF RUSSIAN OIL, LIQUEFIED NATURAL GAS, AND COAL. THE WHITE HOUSE. [WHITEHOUSE.GOV/BRIEFING-ROOM/STATEMENTS-RELEASES/2022/03/08/FACT-SHEET-UNITED-STATES-BANS-IMPORTS-OF-RUSSIAN-OIL-LIQUEFIED-NATURAL-GAS-AND-COAL/](https://www.whitehouse.gov/briefing-room/statements-releases/2022/03/08/fact-sheet-united-states-bans-imports-of-russian-oil-liquefied-natural-gas-and-coal/)
- 31.** A 10-POINT PLAN TO REDUCE THE EUROPEAN UNION'S RELIANCE ON RUSSIAN NATURAL GAS. INTERNATIONAL ENERGY AGENCY. [ENERGY.GOV/SITES/DEFAULT/FILES/2022-03/IEA%20PLAN%20TO%20REDUCE%20EU%20RELIANCE%20ON%20RUSSIAN%20GAS.PDF](https://www.iea.org/sites/default/files/2022-03/iea%20plan%20to%20reduce%20eu%20reliance%20on%20russian%20gas.pdf)
- 32.** TREASURY DEPARTMENT, OFFICE OF FOREIGN ASSET CONTROLS FREQUENTLY ASKED QUESTION 412. WHAT DO THE PROHIBITIONS CONTAINED IN DIRECTIVE 4 MEAN? WHAT IS THE SCOPE OF PROHIBITED SERVICES? [OFAC.TREASURY.GOV/FAQS/412](https://www.ofac.treasury.gov/faqs/412)
- 33.** PRICE CAP ON CRUDE OIL OF RUSSIAN FEDERATION ORIGIN. [HTTPS://OFAC.TREASURY.GOV/MEDIA/929776/DOWNLOAD?INLINE](https://www.ofac.treasury.gov/media/929776/download?inline); OFAC PRELIMINARY GUIDANCE ON IMPLEMENTATION OF THE PRICE CAP POLICY FOR PETROLEUM PRODUCTS OF RUSSIAN FEDERATION ORIGIN. [OFAC.TREASURY.GOV/MEDIA/930191/DOWNLOAD?INLINE](https://www.ofac.treasury.gov/media/930191/download?inline)

the capped price.<sup>34</sup> By dominating these service industries, G7 countries have been able to exert considerable influence over the oil market and restrict Russia's ability to generate revenue from its energy exports.

However, Russia has found ways to evade these sanctions. One tactic involves blending Russian oil with other crude products to obscure its country of origin.<sup>35</sup> Russia has also developed a "shadow fleet" of oil tankers that operate outside of the regulatory oversight of Western countries. These tankers often engage in ship-to-ship transfers in international waters to further disguise the oil's origin.<sup>36</sup>

"Evasion" includes both direct sanctions violations and circumventing sanctions by using non-Western services, effectively undermining the oil cap relevance. Alternative services such as non-G7 insurers, ship owners, and financial institutions are emerging to facilitate Russia's oil trade. These services, primarily from countries that operate outside G-7 jurisdiction, allow Russia to bypass Western sanctions and continue its energy exports through independent channels.<sup>37</sup>

### **Sanctions and Export Controls on Defense Technologies**

The convergence of sanctions and export controls concerning Russia represents a strategic realignment of these tools aimed at limiting access to critical technologies and financial resources. At its core is a robust framework of export controls and sanctions designed to limit Russia's access to key technologies, particularly those that could be used in its defense sector. High-tech goods such as microchips, essential for military applications like missile guidance systems,

**34.** IBID, BUYERS OF RUSSIAN OIL MUST PROVIDE PROOF THAT THEY ARE PURCHASING OIL AT OR BELOW THE CAPPED PRICE TO ACCESS SHIPPING AND INSURANCE SERVICES, PLACING THE BURDEN OF VERIFICATION ON BOTH BUYERS AND SERVICE PROVIDERS. THE G-7 COUNTRIES, THROUGH REGULATORY AND LEGAL FRAMEWORKS, ENSURE COMPLIANCE BY MONITORING TRANSACTIONS AND PENALIZING VIOLATIONS.

**35.** KUCZYŃSKI, GRZEGORZ. RUSSIAN OIL IS GETTING MIXED IN SINGAPORE. THE WARSAW INSTITUTE. [WARSAWINSTITUTE.ORG/RUSSIAN-OIL-GETTING-MIXED-SINGAPORE/](https://www.warsawinstitute.org/ruddian-oil-getting-mixed-singapore/); MILLARD, RACHEL. LATVIAN BLEND: HOW RUSSIA BENDS THE RULES TO KEEP ITS OIL FLOWING. THE TELEGRAPH. [ROYALDUTCHSHELLPLC.COM/2022/04/23/LATVIAN-BLEND-HOW-RUSSIA-BENDS-THE-RULES-TO-KEEP-ITS-OIL-FLOWING/](https://www.royaldutchshellplc.com/2022/04/23/latvian-blend-how-russia-bends-the-rules-to-keep-its-oil-flowing/); BOWIE, NILE. THE DIRTY FIVE LAUNDERING RUSSIA'S OIL: CHINA, INDIA, SINGAPORE, TURKEY, AND UAE ARE ALL PROVIDING RUSSIA A HELPING HAND IN EVADING WESTERN OIL SANCTIONS. [ASIATIMES.COM/2023/05/THE-DIRTY-FIVE-LAUUNDERING-RUSSIAS-OIL/](https://www.asiatimes.com/2023/05/the-dirty-five-laundering-russias-oil/)

**36.** PRICE CAP COALITION COMPLIANCE AND ENFORCEMENT ALERT. [OFAC.TREASURY.GOV/MEDIA/932571/DOWNLOAD?INLINE](https://ofac.treasury.gov/media/932571/download?inline)

**37.** IBID; SHEPPARD, DAVID, COOK, CHRIS, AND FISHER, LUCY. UK IMPOSES SANCTIONS ON RUSSIAN INSURER PROTECTING 'SHADOW FLEET' OF TANKERS. FINANCIAL TIMES. [FT.COM/CONTENT/13D496BC-116C-460A-B490-FE2F352837B5](https://www.ft.com/content/13d496bc-116c-460a-b490-fe2f352837b5)

have been severely restricted.<sup>38</sup> These controls are implemented through mechanisms like the Foreign Direct Product Rule, which extends U.S. export controls to products made outside of the U.S. using American technology. This rule prevents Russia from sourcing restricted goods through third countries.<sup>39</sup> In addition to these controls, the U.S. has implemented sanctions to deter foreign businesses from engaging with entities that supply high-tech goods to Russia.<sup>40</sup> By working closely with international allies, the U.S. has ensured that Russia remains economically and technologically isolated.

Despite these efforts, Russia has continued to find ways to circumvent sanctions and export controls.<sup>41</sup> Russian military equipment continues to incorporate Western components, often acquired through illicit networks or intermediaries. Critical parts, such as semiconductors, microchips, and advanced electronics, are

**38.** DETERMINATION PURSUANT TO SECTION 1(A)(I) OF EXECUTIVE ORDER 14024 - AEROSPACE, ELECTRONICS, AND MARINE SECTORS OF THE RUSSIAN FEDERATION ECONOMY. [OFAC.TREASURY.GOV/MEDIA/921226/DOWNLOAD?INLINE](https://ofac.treasury.gov/media/921226/download?inline); DETERMINATION PURSUANT TO SECTION 1(A)(I) OF EXECUTIVE ORDER 14024 - QUANTUM COMPUTING SECTOR OF THE RUSSIAN FEDERATION ECONOMY. [OFAC.TREASURY.GOV/MEDIA/926586/DOWNLOAD?INLINE](https://ofac.treasury.gov/media/926586/download?inline); DETERMINATION PURSUANT TO SECTION 1(A)(II) OF E.O. 14024 - CERTAIN ITEMS INVOLVING RUSSIA'S MILITARY-INDUSTRIAL BASE. [OFAC.TREASURY.GOV/MEDIA/932446/DOWNLOAD?INLINE](https://ofac.treasury.gov/media/932446/download?inline); DETERMINATION PURSUANT TO SECTION 1(A)(I) OF EXECUTIVE ORDER 14024 - ARCHITECTURE, ENGINEERING, CONSTRUCTION, MANUFACTURING, AND TRANSPORTATION SECTORS OF THE RUSSIAN FEDERATION ECONOMY. [OFAC.TREASURY.GOV/MEDIA/931771/DOWNLOAD?INLINE](https://ofac.treasury.gov/media/931771/download?inline); DETERMINATION PURSUANT TO SECTIONS 1(A)(II), 1(B), AND 5 OF EXECUTIVE ORDER 14071 - PROHIBITIONS RELATED TO ARCHITECTURE SERVICES AND ENGINEERING SERVICES. [OFAC.TREASURY.GOV/MEDIA/931776/DOWNLOAD?INLINE](https://ofac.treasury.gov/media/931776/download?inline); DETERMINATION PURSUANT TO SECTION 1(A)(I) OF EXECUTIVE ORDER 14024 - METALS AND MINING SECTOR OF THE RUSSIAN FEDERATION ECONOMY. [OFAC.TREASURY.GOV/MEDIA/931336/DOWNLOAD?INLINE](https://ofac.treasury.gov/media/931336/download?inline); U.S. CONTINUES TO DEGRADE RUSSIA'S MILITARY-INDUSTRIAL BASE AND TARGET THIRD-COUNTRY SUPPORT WITH NEARLY 300 NEW SANCTIONS. U.S. DEPARTMENT OF THE TREASURY. [HOME.TREASURY.GOV/NEWS/PRESS-RELEASES/JY2318](https://home.treasury.gov/news/press-releases/jy2318)

**39.** 15 CFR 734.9. [ECFR.GOV/CURRENT/TITLE-15/SUBTITLE-B/CHAPTER-VII/SUBCHAPTER-C/PART-734/SECTION-734.9](https://ecfr.gov/current/title-15/subtitle-b/chapter-vii/subchapter-c/part-734/section-734.9). THE RUSSIA/BELARUS FDP RULE LIMITS ACCESS TO CERTAIN FOREIGN-PRODUCED ITEMS BY RUSSIA AND BELARUS. IT CONTROLS ITEMS THAT ARE EITHER DIRECT PRODUCTS OF U.S.-ORIGIN SOFTWARE OR TECHNOLOGY GOVERNED BY THE EAR OR MADE BY PLANTS OR COMPONENTS THAT ARE THEMSELVES DIRECT PRODUCTS OF SUCH U.S. TECHNOLOGY. THIS RULE EFFECTIVELY EXTENDS U.S. EXPORT CONTROLS TO PRODUCTS MADE OUTSIDE THE U.S. USING AMERICAN TECHNOLOGY OR SOFTWARE, PREVENTING RUSSIA FROM SOURCING RESTRICTED GOODS THROUGH THIRD COUNTRIES. IN DOING SO, IT HAS GLOBALIZED U.S. EXPORT CONTROLS BY MAKING CERTAIN THAT FOREIGN COMPANIES USING U.S.-ORIGIN TECHNOLOGY COMPLY WITH THESE RESTRICTIONS.

**40.** AS RUSSIA COMPLETES TRANSITION TO A FULL WAR ECONOMY, TREASURY TAKES SWEEPING AIM AT FOUNDATIONAL FINANCIAL INFRASTRUCTURE AND ACCESS TO THIRD COUNTRY SUPPORT

**41.** GLOBAL ADVISORY ON RUSSIAN SANCTIONS EVASION ISSUED JOINTLY BY THE MULTILATERAL REPO TASK FORCE. [HOME.TREASURY.GOV/SYSTEM/FILES/136/REPO\\_JOINT\\_ADVISORY.PDF](https://home.treasury.gov/system/files/136/repo_joint_advisory.pdf); UPDATED GUIDANCE FOR FOREIGN FINANCIAL INSTITUTIONS ON OFAC SANCTIONS AUTHORITIES TARGETING SUPPORT TO RUSSIA'S MILITARY-INDUSTRIAL BASE.

[OFAC.TREASURY.GOV/MEDIA/932436/DOWNLOAD?INLINE](https://ofac.treasury.gov/media/932436/download?inline); DEPARTMENT OF COMMERCE, DEPARTMENT OF THE TREASURY, AND DEPARTMENT OF JUSTICE TRI-SEAL COMPLIANCE NOTE: OBLIGATIONS OF FOREIGN-BASED PERSONS TO COMPLY WITH U.S. SANCTIONS AND EXPORT CONTROL LAWS. [BIS.GOV/SITES/DEFAULT/FILES/PRESS-RELEASE-UPLOADS/2024-03/TRI-SEAL%20COMPLIANCE%20NOTE%20-%20FOREIGN%20PERSONS%203.6.24%20%28FINAL%29.PDF](https://bis.gov/sites/default/files/press-release-uploads/2024-03/tri-seal%20compliance%20note%20-%20foreign%20persons%203.6.24%20%28final%29.pdf). BY LEVERAGING RE-EXPORTING THROUGH CERTAIN COUNTRIES, RUSSIA CAN ACCESS SANCTIONED GOODS SUCH AS ELECTRONICS, MACHINERY, AND EVEN MILITARY EQUIPMENT. GOODS IMPORTED INTO THESE COUNTRIES FROM WESTERN MARKETS ARE THEN SENT TO RUSSIA, CIRCUMVENTING SANCTIONS ON DIRECT EXPORTS

sourced from third countries or black markets, enabling Russia to maintain and upgrade its military capabilities despite international restrictions.<sup>42</sup>

It has leveraged third countries like China,<sup>43</sup> India,<sup>44</sup> Türkiye,<sup>45</sup> and other such jurisdictions<sup>46</sup> to funnel goods back into Russia, to evade sanctions and export controls. By exploiting legal loopholes and offshore jurisdictions with opaque corporate structures, Russia has managed to obscure its economic and financial activities, making enforcement more difficult for U.S., E.U., and allied authorities.<sup>47</sup>

### **Next Steps for Russia Sanctions**

Going forward, the U.S. could enhance its sanctions regime by shifting from a conduct-based framework to a more comprehensive approach targeting Russia as a whole. This would involve expanding sanctions to block most trade with Russia, applying broad sanctions to the Russian government, and allowing only certain approved transactions and trades to continue. Both executive and legislative measures could be used to implement these comprehensive sanctions, extend conduct-based sanctions in the energy sector, enforce secondary sanctions on oil price cap violators, and more aggressively target sanctions evasion networks.

The U.S. could continue to apply the secondary financial sanctions described above to any individual or entity that violates the new status-based designation criteria. The next administration should also systematically list the foreign branches of banks, financial institutions, and other entities that have been sanctioned.

The administration could also impose “EAR 99” restrictions on Russia, which is essential for imposing comprehensive sanctions because it extends control over

**42.** MACKINNON, AMY. RUSSIA'S WAR MACHINE RUNS ON WESTERN PARTS. FOREIGN POLICY. [FOREIGNPOLICY.COM/2024/02/22/RUSSIA-SANCTIONS-WEAPONS-UKRAINE-WAR-MILITARY-SEMICONDUCTORS/](https://foreignpolicy.com/2024/02/22/ruussia-sanctions-weapons-ukraine-war-military-semiconductors/); RIBAKOVA, ELINA. WESTERN COMPANIES ARE STILL FUELLING PUTIN'S WAR MACHINE. FINANCIAL TIMES. [FT.COM/CONTENT/C7BCF2CA-9DB4-4E6E-A16C-68AC1D3985F0](https://ft.com/content/c7bcf2ca-9db4-4e6e-a16c-68ac1d3985f0)

**43.** ROBIN BROOKS ON X: CHINA'S EXPORTS TO RUSSIA (RED) HAVE DOUBLED... [X.COM/ROBIN\\_J\\_BROOKS/STATUS/1838103024067129496](https://x.com/ROBIN_J_BROOKS/STATUS/1838103024067129496)

**44.** ROBIN BROOKS ON X: INDIA'S EXPORTS TO RUSSIA... [X.COM/ROBIN\\_J\\_BROOKS/STATUS/1838474953403859309](https://x.com/ROBIN_J_BROOKS/STATUS/1838474953403859309); ROBIN BROOKS ON X: INDIA'S IMPORTS FROM RUSSIA... [X.COM/ROBIN\\_J\\_BROOKS/STATUS/1838104216805474654](https://x.com/ROBIN_J_BROOKS/STATUS/1838104216805474654)

**45.** ROBIN BROOKS ON X: WHY DOES THE GLOBAL SOUTH SIDE WITH RUSSIA [X.COM/ROBIN\\_J\\_BROOKS/STATUS/1838473616486265188](https://x.com/ROBIN_J_BROOKS/STATUS/1838473616486265188)

**46.** ROBIN BROOKS ON X: CENTRAL ASIA IS A TRANSSHIPMENT HUB FOR [X.COM/ROBIN\\_J\\_BROOKS/STATUS/1837425233147437297](https://x.com/ROBIN_J_BROOKS/STATUS/1837425233147437297)

**47.** GUDZOWSKA, JUSTYNA, LOCKHART, ELIZA, AND KEATINGE, TOM. DISABLING THE ENABLERS OF SANCTIONS CIRCUMVENTION. POLICY BRIEF. RUSI. [RUSI.ORG/EXPLORE-OUR-RESEARCH/PUBLICATIONS/POLICY-BRIEFS/DISABLING-ENABLERS-SANCTIONS-CIRCUMVENTION](https://rusi.org/explore-our-research/publications/policy-briefs/disabling-enablers-sanctions-circumvention)

Commerce Control List. By restricting these items, which may seem non-critical, the U.S. can limit a wide range of exports that could otherwise support the sanctioned government's economy or military.

Expanding whistleblower rewards within the U.S.'s Departments of Justice and Treasury in a way that makes it commercially competitive for firms to identify Russia-related sanctions and export control evasion could further enhance sanctions enforcement. And Congress could consider enacting a mechanism like a qui tam provision, which allows private citizens to file lawsuits against violators of Russia sanctions, to increase the pressure on potential violators and improve compliance.

By strengthening enforcement measures and expanding the scope of the U.S. sanctions regime, the U.S. can further isolate Russia economically and apply greater pressure on the Kremlin to alter its behavior. As Russia continues to seek ways to evade sanctions, comprehensive and well-coordinated international efforts will be crucial to ensuring that the sanctions have their intended effect.

Finally, effective resourcing of Russia sanctions enforcement is essential to ensure compliance, close loopholes, and prevent evasion. Adequate resources enable monitoring, investigation, and enforcement actions against violators. Without proper funding, personnel, and authorities, sanctions risk becoming ineffective, undermining foreign policy objectives and international security.