

## United States and European Union Impose Broad Economic Sanctions Against Russia

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### A. U.S. Sanctions

During a speech at the White House on July 29, President Obama announced additional sanctions against Russia. The measures include:

- a prohibition on exports of certain goods and technology to Russia's energy sector
- a suspension of credit that encourages exports to Russia and financing for economic development projects in Russia
- designation of certain Russian banks and defense companies as Specially Designated Nationals and Blocked Persons (SDNs) and Sectoral Sanctions Identifications List (SSIL) entities.

Under the first of these new sanctions measures, the Department of Commerce, Bureau of Industry and Security (BIS) will implement a policy of denial with regard to any "export, reexport or foreign transfer of certain items for use in Russia's energy sector that may be used for exploration or production from deepwater, Arctic offshore, or shale projects that have the potential to produce oil." BIS notes that, "[w]hile these sanctions do not target or interfere with the current supply of energy from Russia or prevent Russian companies from selling oil and gas to any country, they make it difficult for Russia to develop long-term, technically challenging future projects." <sup>1</sup>

Additionally, the Department of Treasury, Office of Foreign Assets Control (OFAC) expanded its sanctions designations to include additional Russian financial and defense companies. First, OFAC added OJSC United Shipbuilding Corporation, a Russian defense technology company, to its SDN list, prohibiting U.S. persons from engaging in any transactions with the company.

In conjunction with OFAC's SDN designation, BIS also added OJSC United Shipbuilding Corporation to its Entity List. As a result, all exports, reexports or other foreign transfers of commodities, software and technology subject to the Export Administration Regulations now require a license to be transferred to OJSC United Shipbuilding Corporation, and the Department of Commerce will consider such license requests with a presumption of denial.<sup>2</sup>

Second, OFAC added the following entities to the SSIL, prohibiting U.S. persons from transacting in, providing financing for or otherwise dealing in **new debt** of longer than 90 days maturity or **new debt** for these persons, their property or their interests in property:

- Bank of Moscow, Russia
- Russian Agricultural Bank, Russia
- VTB Bank OAO, Russia

See OFAC's designations [here](#).

## B. EU Sanctions

In coordination with the United States, the EU also announced additional sanctions against Russia on July 29, 2014. These measures, according to a statement released by the Council of the European Union, include:

- a prohibition against EU nationals and companies “buy[ing] or sell[ing] new bonds, equity or similar financial instruments with a maturity exceeding 90 days, issued by major state-owned Russian banks, development banks, their subsidiaries and those acting on their behalf. Services related to the issuing of such financial instruments, e.g., brokering, are also prohibited.”
- an embargo “on the import and export of arms and related materials from/to Russia” covered under the EU common military list.
- a prohibition on “exports of dual use goods and technology for military use in Russia or to Russian military end-users. All items in the EU list of dual use goods are included.”
- a requirement of prior authorization to export “certain energy-related equipment and technology to Russia”; export licenses will be denied “if products are destined for deep water oil exploration and production, arctic oil exploration or production and shale oil projects in Russia.”

The measures above apply to only **new** contracts and will be effective the day following publication in the *EU Official Journal*, which is scheduled for July 31, 2014. The sanctions will initially last for 12 months, but will be reviewed by the end of October, according to an EU official. The EU would require unanimity to invalidate the measures before the 12 months are up.<sup>3</sup>

In addition, the EU announced additional restrictions for Crimea and Sevastopol banning new investment in the following sectors: “infrastructure projects in the transportation, telecommunications and energy sectors and in relation to the exploitation of oil, gas and minerals.” The EU will also prohibit the export of “key equipment” to these six sectors in Crimea and Sevastopol and also ban “finance and insurance services related to such transactions.”

Finally, the EU agreed to expand its targeted sanctions to include eight additional individuals close to President Vladimir Putin and three entities deemed to have “provided support to or benefited from Russian decision makers responsible for the destabilization of Eastern Ukraine and the illegal annexation of Crimea.” The list of these individuals is set to be published on July 30.

To see the statement by the EU outlining the sanctions, see [here](#).

### **C. Japan Sanctions**

Senior Japanese government officials also announced, on July 28, 2014, that Japan will likely impose asset freezes against individuals and groups supporting the separation of Crimea from Ukraine, as well as restrictions on imports from Crimea. Japan will also follow a recent decision by the European Bank for Reconstruction and Development to deny funds for new projects in Russia.

Japan’s cabinet must still approve these measures, which is expected to happen later this week. Once the measures receive approval, Japan’s foreign ministry will publish a list of individuals and groups subject to the sanctions measures.<sup>4</sup>

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<sup>3</sup> See U.S. Department of Commerce Bureau of Industry and Security, *U.S. Commerce Department Expands Export Restrictions on Russia* (July 29, 2014), available at <http://www.bis.doc.gov/index.php/about-bis/newsroom/press-releases/107-about->

[bis/newsroom/press-releases/press-release-2014/710-u-s-commerce-department-expands-export-restrictions-on-russia](https://www.bis/newsroom/press-releases/press-release-2014/710-u-s-commerce-department-expands-export-restrictions-on-russia).

<sup>2</sup> See *id.*

<sup>3</sup> See James G. Neuger & Jonathan Stearns, *EU Aims at Russian Banks, Technology in Widest Sanctions*, Bloomberg (July 29, 2014), available at <http://www.bloomberg.com/news/2014-07-29/eu-aims-at-russian-banks-technology-in-widest-sanctions-yet.html>.

<sup>4</sup> See Mari Yamaguchi, Associated Press, *Japan to Step Up Sanctions Against Russia* (July 28, 2014), available at .

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