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U.S. Sanctions on Russia in Response to Events in Ukraine

Dianne E. Rennack, Coordinator, Specialist in Foreign Policy Legislation (drennack@crs.loc.gov, 7-7608)

William H. Cooper, Specialist in International Trade and Finance (wcooper@crs.loc.gov, 7-7749)

Rebecca M. Nelson, Specialist in International Trade and Finance (rnelson@crs.loc.gov, 7-6819)

Steven Woehrel, Specialist in European Affairs (swoehrel@crs.loc.gov, 7-2291)

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Many view Russia's annexation of the Crimean region of Ukraine on March 18, 2014, and efforts to destabilize eastern and southern Ukraine as the culmination of long-standing [Russian resentment](#) of the 1991 breakup of the Soviet Union. Russian leaders have claimed they have the right to protect Russian citizens and "compatriots" (those linked by language, culture, or ethnicity) in neighboring countries. In this context, Ukraine may have a particularly important place in Russian history. Ethnic Russians make up over 17% of Ukraine's population, concentrated in the east and south of the country, and Russian officials have warned that they are willing to intervene militarily to protect them (see CRS reports on [Russia](#) and [Ukraine](#)).

On July 17, 2014, a civil aircraft carrying 298 persons from Netherlands to Malaysia, flying over the Ukraine-Russia border, was downed, killing all aboard. In the month previous, two Ukraine military aircraft were similarly taken out, likely by surface-to-air missiles. The U.N. Security Council has called an emergency session to weigh options.

Economic Sanctions

On March 6, 2014, President Barack Obama invoked [emergency authorities](#) to declare that events in Ukraine—destabilization, undermining democracy, misappropriation of state assets—constituted a threat to U.S. national security, and blocked property of, and transactions with, top Ukraine officials, who were subsequently ousted from office. On March 16, he expanded the emergency, finding that the actions of the Russian government—including deploying military forces in the Crimean region—threatened the peace, security, stability, sovereignty, and territorial integrity of Ukraine. In initial determinations, 18 entities—including Bank Rossiya and the Volga Group—and 34 individuals, considered to form Russian President Putin's "inner circle," were made subject to U.S. sanctions. Another 12 individuals and entities in Ukraine were restricted from U.S. transactions and accounts. The Departments of State and Commerce also announced they would [deny export licenses](#) for military and dual-use goods where the end user is a sanctioned person or entity.

On March 20, 2014, the President issued a third order to assert his intention to target Russia's financial services, energy, metals and mining, engineering, and defense sectors. In a [news conference](#) with German Chancellor Angela Merkel on May 2, 2014, both the President and the Chancellor stated that, if Russia continued to destabilize Ukraine and jeopardize presidential elections scheduled for May 25, transactions involving these sectors would be prohibited.

On July 16, 2014, the United States initiated [unilateral restrictions targeting powerful interests](#) in Russia's financial, energy, and military technology sectors—including Gazprombank, Novatek, and Rosneft. Treasury also blocked assets of four senior Russian government officials in an effort to "[tighten the noose](#)," as one policy observer put it.

On May 1, 2014, 23 Republican Senators introduced the Russian Aggression Prevention Act of 2014 ([S. 2277](#)), to impose economic and diplomatic sanctions, and substantially support Ukraine and other former Soviet states. On May 22, 2014, the House adopted the National Defense Authorization Act, FY2015 ([H.R. 4435](#)), which could significantly curtail military contracts with Rosoboronexport and prohibit other government-to-government funding.

Economic Effect

Analysts disagree about how sanctions and instability in Ukraine are impacting Russia's economy, which had not recovered fully from the 2008 global financial crisis. [Some](#) argue that the direct effects on Russia's economy overall could be limited, because the United States accounts for a small share of Russia's trade and capital inflows. Russia's economic relationship with Europe is much stronger. Many analysts believe that U.S.-European cooperation on Russia sanctions is critical for their success.

[Others](#) argue that U.S. sanctions could have substantial effects on Russia's economy. Sanctions targeting the financial sector, and restricting economic transactions with U.S. banks, in particular could be disruptive to Russia's economy. Targeted sanctions could disrupt U.S.-Russia economic activities at the firm level, which in some cases are substantial. Additionally, sanctions could undermine investor confidence in Russia, creating substantial indirect economic effects.

Questions have also been raised about the costs of sanctions on the U.S. economy. While Russia accounts for a small proportion of total overseas U.S. economic activity, several large [U.S. companies are active in Russia](#). [ExxonMobil](#) has sizable commitments with Rosneft, Russia's largest petroleum oil company now subject to sanctions. Caterpillar, Citi, Boeing, Disney, General Electric, Ford, PepsiCo, Procter & Gamble, and Pfizer are also active in Russia. U.S. business groups have [opposed](#) Russia sanctions, arguing that the sanctions could harm U.S. jobs and [could trigger retaliation](#).

In June, Russia [filed a complaint](#) against U.S. sanctions at the World Trade Organization (WTO). Some argue that the sanctions are allowed under WTO's national security exemption.

U.S. Foreign Policy Decisions

Economic sanctions as a foreign policy tool are intended to change objectionable behavior. The initial rounds of sanctions against Russia, however, appear to have had little or no encouraging effect on Russian behavior. Ukrainian and U.S. government observers note that Russian intelligence has supported and directed separatists to accelerate seizures of installations in Ukraine. Those who support strong swift imposition speculate that Putin will not reverse course until the United States and its allies raise the cost of Moscow's current actions against Ukraine. They contend the cautious approach emboldens Russia to engage in further aggression. Others counsel caution, concerned that the costs to the American and European economies will be high, and the possibility of Russian retaliation is equally high.

The United States and Russia cooperate on a range of pursuits: negotiations for Iran and North Korea denuclearization; peace in Syria; the purchase of Rosoboronexport helicopters to equip Afghanistan's military; supporting the International Space Station; and compliance with arms control treaties, to name a few. These cooperative efforts could be jeopardized by events in Ukraine.

On April 28, [President Obama said](#) the sanctions "could have an adverse impact on the Russian economy over the long haul," perhaps leading Putin to engage in a diplomatic resolution of the Ukraine crisis. The President admitted that "[w]e don't yet know whether it's going to work. And that's why the next phase if ... we saw further Russian aggression towards Ukraine could be sectoral sanctions ... addressing sectors like banking or the defense industry."