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The Biden administration is solidifying sanctions against Russia

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On 15 January, the outgoing US administration amended the legal basis for sanctioning nearly 100 Russian entities. The new package of restrictions subjects all these companies to sanctions under Executive Order 13662 (2014), which addresses involvement in the war in Ukraine. Previously, these sanctions were imposed under Executive Order 14024 (2021), targeting harmful foreign activities by the government of the Russian Federation. The modifications affected 38 financial institutions, including Sberbank, Gazprombank, and the Moscow Exchange; 20 entities operating in the energy sector, such as the Arctic LNG 1 and 2 projects and the Zvezda shipyard (a producer of vessels for transporting energy carriers, including LNG carriers); and 38 defence companies, including the state-owned Rostec corporation and the United Aircraft Corporation.

Additionally, 16 new individuals and over 100 entities were added to the sanctions list, including those from Russia, China, Turkey, the United Arab Emirates, and Malaysia. These include the Kyrgyz Keremet Bank, owned since September 2024 by a Russian businessman linked to the Kremlin (whose identity the US has not disclosed). The bank has been implicated in circumventing restrictions imposed on the defence sector.

The introduced sanctions package aims to combat sanctions evasion and dismantle cross-border payment mechanisms for restricted goods. Most importantly, however, it makes it more difficult for President Donald Trump's administration to lift sanctions on key Russian financial, energy, and defence companies without parliamentary approval.

Commentary

- **The potential lifting or easing of some sanctions will require consultation with Congress.** Under the 2017 Countering America's Adversaries Through Sanctions Act (CAATSA), the US President has lost the exclusive authority to relax restrictions imposed on Russia in connection with the situation in Ukraine (such as Executive Order 13662). The President must submit a justification for any such decision to Congress, which can reject it through a resolution passed by both chambers (equivalent to a law). Given the current Republican dominance in both chambers, securing a majority to oppose Trump will prove challenging. However, this process will undoubtedly delay any attempt to ease the restrictions. CAATSA was passed by Congress amid growing anti-Russian sentiment within the American political elite, spurred in part by Russia's active measures against the US, including efforts to influence the 2016 presidential election (see *'Ustawa o*

amerykańskich sankcjach przeciwko Rosji').

- **Washington has imposed statutory sanctions on key entities within the Russian economy, rendering them difficult to amend.** President Joe Biden has further restricted the new administration's flexibility in determining sanctions, not only against the nearly 100 entities previously mentioned but also against oil companies Gazprom Neft' and Surgutneftegaz (along with their subsidiaries), which were subjected to US sanctions on 10 January as part of a package targeting Russia's energy sector (see '*Sanctions on Russia: the Biden administration's parting blow*').
- **The sanctions introduced in January are disrupting newly established cross-border trade channels, causing difficulties in the Russian financial market.** Since mid-2023, Washington's primary sanctioning tool against Russia has been financial restrictions, which have severely impeded Russia's foreign trade and reduced the inflow of foreign currency into the country. This has caused notable volatility in the currency market, further weakening the rouble and driving inflation higher. According to data from Russia's central bank, the country's trade balance in November 2024 (the most recent available) declined to $6.3 billion, compared to an average of over $10 billion in the preceding months of the year. The sanctions targeting the Kyrgyz Keremet Bank and newly devised regional cashless settlement mechanisms, involving major Russian banks as well as other entities from Russia and China, are particularly impacting Russian-Chinese trade. China is Russia's most important economic partner, accounting for nearly 34% of its trade turnover. It provides essential goods to Russia and serves as a significant source of revenue through the sale of raw materials.
- **The disruption of cross-border trade channels underscores Washington's resolve to counter mechanisms designed to circumvent sanctions.** This strategy allows for the swift and consistent closure of newly emerging pathways for payments for restricted goods. However, it remains uncertain whether the incoming administration will also prioritise the enforcement of these restrictions, which is crucial for maintaining their effectiveness.