More Fallout from Crimea: Commerce and State Departments Announce Holds on New Licenses for Exports to Russia

BY THE PAUL HASTINGS GLOBAL TRADE CONTROLS GROUP

The United States continues to ratchet up the pressure on Russia over its annexation of Crimea. We previously reported on U.S. sanctions imposed on designated Russian individuals and entities as a result of the Russian actions. Not widely reported, and more quietly implemented, is the move by the Obama Administration to restrict approvals for certain exports to Russia, a step which could have significant economic impacts on both sides of the trading relationship.

Earlier this week, in a discreet announcement on its website, the U.S. Department of Commerce’s Bureau of Industry and Security (“BIS”) declared that, effective March 1, 2014, it had placed a “hold” on issuing new export licenses to Russia. The move was followed by an announcement by the U.S. Department of State’s Directorate of Defense Trade Control’s (“DDTC”) that it too will not issue new licenses for the export of defense articles and services to Russia.

These administrative policies of denial affect only new license applications and do not invalidate or prohibit exports to Russia under previously-issued authorizations. Exports that do not require a specific license to Russia may continue being shipped; however, exporters should be vigilant in monitoring the BIS and DDTC websites for updates, should the agencies take action to expand the scope of the export restriction.

In 2013, BIS licensed nearly $1.5 billion in exports to Russia. There are no similar statistics on the value of authorizations issued by DDTC, but the combined action can be expected to have a larger impact on U.S.-Russia trade, in absolute dollars, than the relatively narrow, but much more publicized Treasury Department “blocking” sanctions on designated persons. These new measures could also impact third-country companies that sell U.S.-origin items controlled for export to Russia, or engage in joint development activities with Russian parties that that involve U.S. technologies, as some of those transactions fall under the licensing authority of BIS or DDTC.

The U.S. actions also echo a similar announcement by the United Kingdom’s Department for Business Innovation & Skills, suspending existing licenses and application processing “for direct export to Russia for military and dual use items destined for units of the Russian armed forces or other state agencies which could be or are being deployed against Ukraine.”
On several fronts and in several ways, the United States and its allies are tightening the screws on commerce with Russia. Unless events on the ground change, companies transacting business with Russia, exporting goods or services to Russia, or engaging in joint development activities with Russian counterparties may need to prepare for a series of escalating sanctions that will continue to choke off economic activity.

If you have any questions concerning these developing issues, please do not hesitate to contact any of the following Paul Hastings Washington D.C. lawyers:

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