



Commerce–Treasury–State Alert: Impact of Sanctions and Export Controls on Russia’s Military–Industrial Complex¹

Overview: Since Russia’s unjustified and unprovoked invasion of Ukraine in February 2022, the United States has worked with allies and partners around the world to impose costs on Russia for its war of aggression. The Department of the Treasury’s Office of Foreign Assets Control (OFAC), the Department of Commerce’s Bureau of Industry and Security (BIS), and the Department of State are issuing this alert to inform the public of the impact of sanctions and export control restrictions targeting Russia’s defense capabilities and warn of the risks of supporting Russia’s military-industrial complex.

Summary of actions taken in response to Russia’s unjust war: In response to Russia’s attack on Ukraine, OFAC, BIS, and the Department of State, along with our foreign partners, have imposed an unprecedented range of sanctions and export controls.

Since February 2022, OFAC and the Department of State have:

Worked with partners and allies to immobilize about \$300 billion worth of [assets of the Central Bank of the Russian Federation](#), limiting the central bank’s ability to aid the war effort and mitigate sanctions impacts.

Imposed sanctions on [Russia’s largest financial institutions](#) and restricted dealings with banks representing 80% of Russian banking sector assets.

Issued approximately 1,500 new and 750 amended sanctions listings, including:

- [State Corporation Rostec](#), the cornerstone of Russia’s defense-industrial base that includes more than 800 entities within the Russian military-industrial complex, such as Sukhoi, MiG, and Kalashnikov Concern.
- [Joint Stock Company Mikron](#), Russia’s largest manufacturer and exporter of microelectronics.
- [Tactical Missiles Corporation JSC](#), a Russian state-owned enterprise that produces missiles used by the Russian Armed Forces in Ukraine.
- Numerous other defense-related firms determined to operate or have operated in the defense and related materiel, aerospace, electronics, marine, or technology sectors of the Russian Federation economy.
- Non-Russian entities that have provided material support to Russian defense-procurement firms.

¹ This alert is explanatory only and does not have the force of law. It does not modify statutory authorities, Executive Orders, or regulations. It is not intended to be, nor should it be interpreted as, comprehensive, or as imposing requirements under U.S. law, or otherwise addressing any requirements under applicable law. Please see the legally binding provisions cited for relevant legal authorities.

Determined eight sectors of the Russian Federation economy to be sectors in which persons who operate or have operated can be subject to sanctions, namely the [financial services sector](#); [the aerospace, electronics, and marine sectors](#); [the accounting, trust and corporate formation services, and management consulting sectors](#); and [the quantum computing sector](#) of the Russian Federation economy.

These sector determinations complement pre-February 2022 sanctions administered by OFAC with respect to persons operating in the technology sector and the [defense and related materiel sector](#) of the Russian Federation economy.

Prohibited or implemented prohibitions on the exports on certain goods or services to persons located in the Russian Federation, including [dollar-denominated banknotes](#); [accounting, management consulting, and trust and corporate formation services](#); and [quantum computing services](#).

Issued [guidance](#) emphasizing the sanctions risk to individuals and companies inside and outside Russia that provide material support for Russia's sham referenda and purported annexation of the Kherson, Zaporizhzhya, Donetsk, and Luhansk regions of Ukraine.

Issued [guidance](#) emphasizing the sanctions risk to financial institutions that enter into new or expanded agreements with National Payment Card System Joint Stock Company (NSPK), the operator of Russia's Mir National Payment System.

Since [February 2022](#), BIS has focused on degrading Russia's military capabilities and has:

Denied exports to, reexports to, and transfers within Russia and Belarus of items that are multilaterally controlled.

Denied exports to, reexports to, and transfers within Russia and Belarus of items on the Commerce Control List that are unilaterally controlled, including for anti-terrorism reasons.

Targeted military end users and put them on the Entity List. BIS is denying items to these end users, except in some very limited cases, such as for certain U.S. Government space collaboration involving the International Space Station.

Denied exports to, reexports to, and transfers within Russia and Belarus of a large subset of items that would otherwise be designated EAR99 (e.g., low-technology consumer goods not on the Commerce Control List). In most cases, we have identified these items by Harmonized Tariff Schedule and Schedule B numbers.

- *Targeting oil refining.* Denied exports to, reexports to, and transfer within Russia and Belarus of items needed for oil refining.
- *Targeting various industrial and commercial items.* Denied exports to, reexports to, and transfers within Russia and Belarus of a wide array of items needed by Russian industry, in order to further undermine the Russian defense industrial base.
- *Targeting items useful for Russian's chemical and biological weapons production capabilities and other advanced manufacturing.* Denied exports to, reexports to, and transfers within Russia and Belarus of items potentially useful for Russia's chemical and biological weapons production capabilities and items needed for advanced production and development capabilities, in order to hinder advanced manufacturing across a number of industries.
- *Targeting "luxury goods" to impose costs on elites supporting Russian government.* Denied exports, reexports, and in-country transfers of luxury goods for all end users within Russia or Belarus, and for certain Russian and Belarusian oligarchs and malign actors worldwide.

Added foreign direct product rules (FDPRs) targeted at Russia and Belarus to be sure that U.S. tools, software, and technology are not used to produce foreign items to support Russia's military capabilities. Accordingly, BIS has imposed a FDPR to Russia and Belarus as destinations, and an even more expansive FDPR targeting Russian and Belarussian military end users.

Formed a coalition of 37 other countries, who have applied their own substantially similar controls. Because these countries are aligned with the United States, foreign produced items made in these countries are exempted from certain U.S. regulations.

Strategic Intent and Impact of Our Actions:

The strategic intent of our actions is to degrade Russia's ability to wage its unjust war against Ukraine and prevent Russia from projecting military force beyond its borders.

Sanctions and export controls are having significant and long-lasting consequences on Russia's defense industrial base, which relies extensively on foreign-sourced items. By restricting Russia's access to advanced goods, technology and services, the United States and our allies have degraded the Russian defense industry's ability to replace weapons destroyed in the war, including over 6,000 pieces of military equipment, such as tanks, armored personnel carriers, and infantry fighting vehicles. For example, one of Russia's major tank producers, Uralvagonzavod, was reported to be due to a lack of foreign components and has had to furlough employees. Major supply shortages for Russian forces in Ukraine, in part because of sanctions and export controls, are forcing Russia to turn to less technologically advanced countries like Iran and North Korea for supplies and equipment.

Russia's defense industry is reliant on imported microelectronics. Since imposition of U.S. and allied restrictions, semiconductor imports from all global sources, the lifeblood of Russia's weaponry, have dropped on a sustained basis over time of approximately 70 percent. Russian hypersonic ballistic missile production has nearly ceased due to the lack of necessary semiconductors used in the manufacturing process. The production of cars fell by three-quarters compared to last year, indicating that critical advanced microchips for civilian vehicles are being redirected for military use. The Russian military is reportedly cannibalizing chips from dishwashers and refrigerators to fix their military hardware, because they have run out of semiconductors. Russia's military aviation program no longer benefits from the revenue and resupply provided by aviation trade. Russian media reports that production of its next-generation airborne early warning and control (AEW&C) aircraft has stalled due to lack of foreign components, including semiconductors. Mechanical plants, including those producing surface-to-air missiles (SAMs), have been shut down. Russia has begun using Soviet-era defense stocks as its own companies are targeted by our measures.

As flagged in recent guidance, OFAC is also prepared to use its broad targeting authorities against non-U.S. persons that provide ammunition or other support to the Russian Federation's military industrial complex, as well as private military companies (PMCs) or paramilitary groups participating in or otherwise supporting the Russian Federation's unlawful and unjustified attack on Ukraine. OFAC will continue to target Russia's efforts to resupply its weapons and sustain its war of aggression against Ukraine, including any foreign persons who assist the Russian Federation in those efforts.

While Russia has benefited from high energy prices and a store of foreign exchange reserves, the U.S. Government has worked with partners and allies to immobilize about \$300 billion worth of assets of the Central Bank of the Russian Federation, limiting the central bank's ability to aid the war effort and mitigate sanctions impacts. Sanctioned Russian oligarchs and financial institutions have been forced to divest from long-held assets outside Russia. Sanctions on Russia's financial leadership have prompted banks in several countries to curtail ties with the Russian financial sector, for example by suspending use of Russia's Mir payment system.

From a macroeconomic perspective, Putin's war has resulted in a sharp economic contraction for Russia and will drag on Russia's economy for years to come. The International Monetary Fund (IMF), World Bank, and Organisation for Economic Co-operation and Development (OECD) forecasters expect Russia's economy to contract between 3.4 and 5.5 percent in 2022 and between 2.3 and 4.5 percent in 2023, roughly in line with private sector forecasts. Longer term, potential growth is expected to be very low, as Russia has shifted spending from investment to its military, lost access to key technologies, and diminished its human capital due to brain drain, while its companies have been severed from developed financial markets. Amid the impact of sanctions, Putin's choices, and the weak outlook, multinational corporations have fled Putin's Russia. According to estimates, over 1,000 global companies have curtailed or suspended operations in Russia. Academic and private sector analysts have estimated that that Russia's imports from the rest of the world fell around 30% in the wake of Russia's attack on Ukraine, and remain below levels observed prior to Putin's invasion.

Sanctions Evasion

To overcome the impacts on its military supply chain and to illicitly procure foreign technology, Russia is attempting to evade U.S. and partner sanctions and export controls using a range of techniques, including front companies and fraudulent end-user licenses.

Existing sanctions authorities allow OFAC and the Department of State to impose sanctions on deceptive or structured transactions or dealings to circumvent any United States sanctions, as well as on persons that materially assist, sponsor, or provide financial, material, or technological support for, or goods or services to or in support of, sanctioned persons or sanctionable activities. OFAC and the Department of State have and will continue to use their authorities against persons inside and outside Russia that engage in sanctions evasion or circumvention.

For example, in March 2022, the Department of State [designated](#) a Russian defense-related firm, Radioavtomatika, due to its role as an entity specializing in the procurement of foreign items for Russia's military and defense industry. Since March, Radioavtomatika has attempted to leverage front companies and intermediaries in Uzbekistan, Armenia, and the People's Republic of China to continue its importation of critical technologies. In June 2022, the Department of State designated an Uzbekistan-based entity that actively supported Radioavtomatika in its efforts to evade U.S. sanctions. In September 2022, OFAC [designated](#) individuals, front companies, and foreign intermediaries associated with a Radioavtomatika procurement network set up to procure foreign items for Russia's defense industry. These designations should serve as a warning that those who support sanctioned Russian persons risk being sanctioned themselves.

Similarly, in June 2022, OFAC [designated](#) three Russian individuals and one entity based in Asia that were part of a covert procurement network linked to the Russian Federal Security Service (FSB). This FSB-linked network covertly procured U.S., Japanese, and European components for Russia's defense-industrial base through various foreign countries and bank accounts.

To assist industry identifying export control evasion, in June 2022 the Financial Crimes Enforcement Network (FinCEN) and BIS issued a [joint alert](#) that provides financial institutions with an overview of BIS's current export restrictions; a list of commodities of concern for possible export control evasion; and select transactional and behavioral red flags to assist financial institutions in identifying suspicious transactions relating to possible export control evasion.

Additional Information

For additional information about sanctions and export controls imposed in response to Russia's unjust war against Ukraine, please visit [OFAC's website](#) , [BIS's website](#) or [State's page on Ukraine and Russia Sanctions](#).

