

# ARTICLE

## INTERNATIONAL ECONOMIC SANCTIONS ADOPTED IN RESPONSE TO THE SITUATION IN UKRAINE – STATUS AS AT FEBRUARY 24TH, 2022

| 24/02/22 | Olivier Attias

*This article will be completed by a presentation of the additional package of sanctions decided by the European Council this morning, which are currently undergoing a legal review by the Council.*

Monday, February 21st, the President of the Russian Federation signed a decree recognizing the independence and the sovereignty of the two separatist Ukrainian republics in the Donbas region, the republics of Donetsk and of Luhansk. This decision to recognize them as being independent and separate from Ukraine and the subsequent decision to send in military forces constitutes a clear violation of international law and numerous multilateral agreements that has brought about an immediate reaction from the West and the progressive adoption of a series of economic sanctions.

First, by the **European Union** which, through the voice of its High Representative for Foreign Affairs and Security Policy, Josep Borrell, announced as of February 22nd the unanimous adoption by the 27 Member States of a first package of sanctions.

On February 23rd, the Council of the European Union, chaired by the French foreign affairs minister, published five implementing regulations<sup>[1]</sup> taking immediate effect. These legislative acts specify the arrangements for implementation of this first package of sanctions.

The targeted measures concern:

- The 351 members of the Russian State Duma who voted, on February 15th, at President Putin's request, in favor of recognizing the independence of the self-proclaimed republics of Donetsk and of Luhansk; and
- 27 prominent individuals and legal entities (banks, businessmen/women, influencer agencies, military leaders).

These persons are the subject of **travel bans on entering the European Union** and to a **freeze of their assets and funds**.

> Accordingly, all European persons are prohibited from directly or indirectly making funds available to persons designated by the European Union as being a sanctioned individual or entity.

Sectoral obligations target, more broadly, trade and economic relations between the European Union and the Donbas regions and **prohibit**:

- **Any imports of goods** from the Donbas, as well as the **provision of financing or insurance or reinsurance services** in connection with any such imports;

For agreements entered into prior to February 23rd, 2022, this ban will take effect on May 24th, 2022.

- **New investments**, whether in real estate or in connection with holdings in companies operating in the Donbas;

- **The export of certain goods and technologies** that can be used in the sectors of **transport, telecommunications, energy or the prospecting, exploration and production of oil, gas and mining resources**;

A precise list of these goods and technologies is to be found in Annex II of Regulation (EU) 2022/263 and includes, for example, motor vehicles for the transport of goods, aluminum, lead, household appliances, and all instruments and appliances for navigation by sea, land or air.

- All **tourism services** in the Donbas region.

It should be noted that European Council has announced a second package of sanctions further restricting trade between the European Union and Russia, covering (i) the financial sector, (ii) the energy and transport sectors, (iii) dual-use goods, as well as (iv) export controls that should be adopted by the European Union before the end of this week. New names should also added to the list of sanctioned individuals and entities.

> **By way of reminder**, it is a **criminal offense** in France under §459-1 bis of the Customs Code for any natural or legal person to contravene or attempt to contravene European sanctions.

> The penalties for this offense can go up to **5 years' imprisonment** and a **fine of at least the amount and at most double (tenfold for legal entities) the amount of the prohibited transactions**; and can be accompanied by additional penalties such as disqualification from public contracts, prohibition from serving as a corporate director, etc.

The **United States** has also been very quick in adopting a number of economic restrictions to sanction the actions of the Russian President.

On February 21st, U.S. President Joe Biden signed an executive order<sup>[2]</sup> banning trade and investment between the United States and the two separatist regions of eastern Ukraine. The executive order prohibits, among other things:

- any **new investment in the region** by a person subject to U.S. law, regardless of where that person is located, and



- the **importation into the United States**, directly or indirectly, of any goods, services, or technology from the covered regions.

In addition, on February 24th, President Biden announced a new set of economic sanctions in response to the invasion by the Russian armed forces, taking the form of a "Final rule" published by the Bureau of Industry and Security and of an update of the persons designated by the Office of Foreign Asset Control (OFAC) comprising:

- **export controls** targeting in particular the **Russian defense, telecommunications, energy, aerospace and marine sectors**, and banning the export of some electronic and telecommunication items and technologies without a license exception;

- targeted sanctions against the main Russian banks and financial institutions and their subsidiaries (**Sberbank, VTB Bank, Oktritie, Sovcombank, Novikombank**) and 11 major public corporations such as **Gazprom, Rostelecom, RusHydro** and **Transneft**;

- the designation on the sanctions lists of **many close associates of the Russian President**.

It should be noted that the U.S. sanctions target nearly 80% of all banking assets in Russia.

It should be borne in mind that these sanctions apply directly to the activities in respect of which OFAC enforces economic and trade sanctions:

- Transactions by "**U.S. Persons**", meaning :

> U.S. citizens or residents of the United States of America;

> all U.S. incorporated entities; and

> in some cases, the foreign subsidiaries of U.S. companies.

- Transactions using the **U.S. financial system** (for example, the processing, by U.S. financial institutions, of U.S. dollar-clearing transactions) which create a territorial connection with the U.S.;

- Transactions taking place on **U.S. soil**.

[1] Regulations (EU) 2022/259, 2022/260, 2022/261, 2022/262 and 2022/263 of the Council of February 23rd, 2022 amending Regulation (EU) No. 269/2014 concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine

[2] Executive Order on Blocking Property of Certain Persons and Prohibiting Certain Transactions With Respect to Continued Russian Efforts to Undermine the Sovereignty and Territorial Integrity of Ukraine, February 21st, 2022

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