U.S. Imposes Major New Sanctions on Russia, Targeting Finance and Defense

The Biden administration, responding to the death of Aleksei A. Navalny, unveiled its largest sanctions package to date as the war in Ukraine enters its third year.

By Alan Rappeport
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The United States on Friday unleashed its most extensive package of sanctions on Russia since the invasion of Ukraine two years ago, targeting Russia's financial sector and military-industrial complex in a broad effort to degrade the Kremlin's war machine.

The sweeping sanctions come as the war enters its third year, and exactly one week after the death of the opposition leader Aleksei A. Navalny, for which the Biden administration blames President Vladimir V. Putin of Russia. With Congress struggling to reach an agreement on providing more aid to Ukraine, the United States has become increasingly reliant on financial tools to slow Russia's ability to restock its military supplies and to put pressure on its economy.

Announcing the sanctions on Friday, President Biden reiterated his calls on Congress to provide more funding to Ukraine before it is too late.

"The failure to support Ukraine at this critical moment will not be forgotten," he said in a statement.

The president added that the sanctions would further restrict Russia's energy revenues and crack down on its sanctions evasion efforts across multiple continents.

"If Putin does not pay the price for his death and destruction, he will keep going," Mr. Biden said. "And the costs to the United States — along with our NATO allies and partners in Europe and around the world — will rise."

The new sanctions include measures created by the Treasury Department, the State Department and the Commerce Department, and they target more than 500 individuals and entities that have been associated with Russia's aggression toward Ukraine.

The Biden administration is also imposing sanctions on three Russian government officials who were connected to Mr. Navalny's death.

"Russia's economy and military-industrial base are showing clear signs of weakness in part due to the actions we, along with our partners and allies around the world, have taken to support Ukraine's brave defense," Treasury Secretary Janet L. Yellen said in a statement. "Putin has mortgaged the present and future of the Russian people for his own aims to subjugate Ukraine."

Over the last two years, the United States has worked with allies from the Group of 7 nations to cap the price at which Russian oil can be sold on global markets, frozen hundreds of billions of dollars of Russian central bank assets, and enacted trade restrictions to try to block the flow of technology and equipment that Russia uses to supply its military.

The measures announced on Friday attempt to go further, focusing on key cogs in Russia's financial system, digging deeper into its military supply chain and going after enablers in other countries like China and the United Arab Emirates.

One of the Russian entities targeted by the sanctions is SUEK, whose transportation and logistics operation serves the country's military. Alexander Manzyuk/Reuters

Despite the breadth of the sanctions that Western allies have imposed on Russia, its economy has proved to be resilient. China, India and Brazil have been buying Russian oil in record quantities, and spending on the war effort has stimulated the Russian economy, which the International Monetary Fund said last month was growing faster than expected.

It is unclear whether the sanctions that were announced on Friday will make a significant difference in the trajectory of the war.

"These sanctions have considerable symbolic significance but might prove of limited practical value in crimping the Russian economy's performance or deterring Putin's military aggressions, particularly given that military aid to Ukraine remains in jeopardy in Congress," said Eswar S. Prasad, a professor of trade and economics at Cornell University.

The sanctions target two of Russia's largest companies by revenue, SUEK and Mechel. SUEK's transportation and logistics operation serves the Russian military, and Mechel is a major producer of specialty steels. The measures also target Russia's financial sector, with sanctions on the National Payment Card System joint stock company, which operates the Russian national payment system.

In trying to slow Russia's war effort, the Biden administration went beyond just its major defense companies. The sanctions imposed on Friday also go after manufacturers of lubricants, robotics, ball bearings and batteries used by the Russian military.

Daniel Tannebaum, a partner at Oliver Wyman who advises multinational companies on sanctions, said the new measures could have been more robust.

"The majority of the designees are Russian nationals or those resident in Russia, meaning the impact of those sanctions will likely be limited," Mr. Tannebaum, who is also a senior fellow at the Atlantic Council, said. "Russia is still being supported by third countries, and while a handful of those third-country actors were designated, these aren't names of businesses that people know, so it serves as a limited deterrent."

The United States was not alone in ratcheting up the economic pressure on Russia this week. The European Union unveiled its 13th tranche of sanctions on Russia, banning nearly 200 people and entities that have been helping Russia procure weapons from traveling or doing business within the bloc. Britain also announced sanctions on companies linked to Russia's ammunition supply chain, as well as on six Russians accused of running the Arctic prison where Mr. Navalny died.

The United States and Europe are debating taking more aggressive measures, such as seizing $300 billion of Russia's frozen central bank assets and giving the funds to Ukraine to finance its war and reconstruction efforts.

Wally Adeyemo, the deputy Treasury secretary, said that "sanctions alone can only slow down Russia," and that Ukraine also needed more funding and resources. Hannah McKay/Reuters

Wally Adeyemo, the deputy Treasury secretary, told reporters on Thursday that the Group of 7 was still discussing the most legally viable way to use Russia's money to benefit Ukraine.

"Fundamentally, we're not going to do anything on Russian sovereign assets until we move as a coalition," Mr. Adeyemo said, pointing to several options under consideration.

While Mr. Adeyemo said the new sanctions would "throw sand in the gears" of Russia's military, he maintained that the most important way to help Ukraine win the war was by providing it with more funding to carry on the fight.

"Sanctions alone can only slow down Russia," he said. "We need financial support for Ukraine and for the weapons that they need to be able to be on the battlefield to defend themselves."

As long as that support is elusive, sanctions will remain the primary weapon that the U.S. has at its disposal to punish Russia.

On Friday, Mr. Biden told governors at the White House that the sanctions were meant to put further pressure on Mr. Putin, in response to what the president said was a "brutal war of conquest."

Mr. Biden said that the sanctions were also levied after the death of Mr. Navalny and noted that he had met on Thursday with Mr. Navalny's widow and daughter during a trip to California.

"I assured them that his legacy will continue to live around the world and that we in the United States are going to continue to ensure that Putin pays the price for his aggression abroad and repression at home," he said.

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