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U.S. imposes more than 500 new sanctions on Russia after Navalny's death

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Jeff Stein, Catherine Belton,
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The Biden administration announced Friday that it will hit Russia with hundreds of new sanctions after the death of dissident Alexei Navalny, but experts say they appear unlikely to curb the billions of dollars in energy revenue that have financed President Vladimir Putin's war in Ukraine.

The United States will impose more than 500 new sanctions on Russian companies, individuals and firms in other countries that supply Russia's military and industrial production, according to a Treasury Department spokeswoman. Treasury on Friday said it would also sanction Russia's largest shipping company, while simultaneously granting most of that company's fleet an exemption to continue to trade without financial penalties. Energy sales are by far the biggest source of revenue for the Kremlin, but Western allies have been wary of shutting off a crucial source of fuel for the global economy, and Friday's moves appear to do little to alter that.

The West's sanctions on Russia, though billed as among the toughest ever, have thus far failed to deter Putin from carrying out the war in Ukraine, and the announcement of new measures may raise questions about why the United States had not previously targeted these firms. Despite the predictions of some analysts, Russia's economy grew by more than 3 percent last year - faster than the United States - as Moscow spent extensively to support the war effort. Deputy Treasury Secretary Wally Adeyemo told reporters the United States will not seek to lower the price at which Russians can sell oil, under the existing Western "price cap" that requires purchasers to buy Russian oil at a discounted rate or face severe financial penalties.

"You will, of course, see sanctions aimed at Russia's human rights abuses at home and abroad," Adeyemo said, previewing an address he is expected to give Monday at the Council on Foreign Relations in New York. Adeyemo said additional human rights-related sanctions would be announced by the State Department. "Know that Alexei Navalny's tragic death, and the abuses that preceded it, will not be forgotten nor go unanswered," he said.

Navalny died last week in a remote Arctic prison colony, and his family and many supporters believe the opposition leader was murdered. President Biden met with his widow and daughter, Yulia and Daria Navalnaya, in San Francisco on Thursday and has said he believes Putin is responsible for the death. The new sanctions come one day before the second anniversary of Russia's invasion of Ukraine, which began on Feb. 24, 2022.

"If Putin does not pay the price for his death and destruction, he will keep going. And the costs to the United States - along with our NATO Allies and partners in Europe and around the world - will rise," Biden said in a statement. "These sanctions will target individuals connected to Navalny's imprisonment as well as Russia's financial sector, defense industrial base, procurement networks and sanctions evaders across multiple continents. They will ensure Putin pays an even steeper price for his aggression abroad and repression at home."

The new sanctions target Russia's ability to import tools critical to advanced manufacturing and technology, aiming to cut off the robotics, industrial automation, software and lasers that are important to Moscow's military hardware, often acquired from firms abroad. While the Russian economy has continued to grow, U.S. officials maintain that it has only done so by expanding military spending, making it more vulnerable overall to targeted sanctions on international suppliers. European and British officials are joining the U.S. sanctions, aiming to force these international suppliers to pick between the West's financial system and Russia.

"These firms have a choice: Do business with Russia's military industrial complex or with countries that represent more than 50 percent of the global economy," Adeyemo said.

The United States is also imposing sanctions on the National Card Payments System (NSPK), the Russian central bank-owned operator of the country's Mir bank card - set up in 2014 as an alternative to Visa and Mastercard. Russia had sought to expand the number of countries accepting its Mir card to bypass a payment blockade by Visa and Mastercard since Russia's invasion. Payments through Mir have been accepted in Cuba, Venezuela, Vietnam and the former Soviet republics of Armenia, Belarus, Kazakhstan, Tajikistan and Uzbekistan. Turkey also provided an important channel until its state banks - under pressure from the U.S. government - suspended transactions through the system in September 2022.

But Sergey Aleksashenko, a former deputy chairman of Russia's central bank now living in exile in the United States, said the raft of new sanctions would undoubtedly further hit the Russian economy. Although it was difficult to gauge the overall impact since many of the firms targeted were obscure, the cost of transactions for the newly targeted Russian entities would increase, as they'll have to pay ever-higher commissions to firms enabling them to bypass sanctions via myriad trading routes through India, China and other countries, he said.

"For Putin, the economic cost of the war is going to grow," Aleksashenko said. "But it is not going to be a factor that changes [his] political calculation."

The sanctions targeting NSPK, meanwhile, would mostly impact ordinary Russians trying to make payments abroad, including those in opposition to Putin who have left the country. "This is a clear mistake," Aleksashenko said.

The attempt to tighten financial penalties comes at a perilous moment for Ukraine and its allies, with Republicans in Congress blocking Biden's proposed foreign aid package amid opposition from former president Donald Trump. Kyiv and its Western allies have grown alarmed by the prospect that military and economic support from the United States could fall through entirely, and Adeyemo called for House Republicans to back the proposal.

The Biden administration has argued that the West's sanctions efforts have hurt the Russian economy and made it more difficult for Putin to fight the war, maintaining that it was never realistic to hope sanctions could stop the fighting altogether. Treasury officials say Russian energy revenue dropped by about 40 percent last year, largely due to the imposition of the price cap.

But Russia still earned roughly $99 billion in oil and gas revenue last year, according to S&P Global. Treasury on Friday announced new sanctions on the Russian shipping firm Sovcomflot, as the U.S. tries to make it more expensive for Moscow to sell oil outside the price cap. But it also undercut those sanctions by granting a "general license" that appears to exempt all but 14 of its vessels.

Ukrainian officials and some allies of the Biden administration have urged them to go further in cutting off Russian energy sales. Eswar Prasad, an economist at Cornell University who worked at the International Monetary Fund, said the latest round of sanctions is "likely to be symbolically important, but substantively of limited value in crimping the Russian economy." Prasad pointed out that China has stepped up to help Russia and that Kremlin officials have proved adept at circumventing the sanctions and managing their country's economy.

"The trade-off between inflicting pain on the Russian economy and limiting the economic fallout to their own economies has certainly kept the U.S. from tightening the screws to the extent necessary to inflict economic pain on Russia," Prasad said. "The sobering reality is that these sanctions are not quite having the substantial effect on Russia that had been anticipated."

Adeyemo said U.S. officials are wary that cutting off Russian oil sales too aggressively could cause prices to spike internationally, leading to more revenue for the Kremlin and hurting low-income nations.

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