

Unpacking the Recent US Sanctions Bill

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Context

The US House of Representatives is expected to pass the “Russia, Iran, and North Korea Sanctions Act” on Tuesday 25 July. The bill, as it related to sanctions against Iran and Russia, was first passed by unanimous consent in the Senate on June 29th. However, since language related to North Korea was added to the bill by the House, in addition to revisions related to U.S. oil and gas firms’ objections to the codifications of sanctions, it will need to be considered and passed again by the Senate. Republican leaders in the Senate have indicated they hope to do that before Congress adjourns for the August break. To become law, the Act will also need the President’s signature¹. To date, the **White House gave positive indications that it supports the legislation.**

By codifying previous executive orders into law, the bill ensures that the US Congress has oversight over the administration’s implementation of sanctions. Simultaneously, it adds new sanctions on human rights abuses and Russian companies in sensitive sectors; **however, their application is left to the discretion of the US President in coordination with US allies.**

The section of the bill relevant to Russia comes in response to: (1) Moscow’s meddling in the US election; (2) frustrations in the Senate about a perceived unwillingness of the US President to take action on the Kremlin’s interference; and (3) concerns that President Trump might roll back Obama’s executive orders and unilaterally lift some of the Russia sanctions.

Scope of the Bill

The proposed bill does not move the goalposts: the implementation of the Minsk Accords is still the main criterion for lifting the majority of sanctions.

The main elements in the bill and package of sanctions passed in the House include:

- **Codifying Ukraine-related sanctions and placing Obama’s executive orders into law**, including the anti-cyber sanctions, albeit the administration would have flexibility in their implementation.
- Going beyond previous initiatives and **increasing sanctions in other areas such as the Russian mining and railway sectors although** specific sanctions would be discretionary.
- Adding **new sanctions on Russian human-rights abuses on territories occupied by Russia** and on entities with significant deals with Russian military and intelligence services.

¹ If the President vetoes the bill, a two-thirds majority in both houses would be needed to override it. If the President were to “pocket-veto” – or does not sign in a 10-day period if during that period Congress is already adjourned – then the Senate and afterwards the House would need to pass it again for a vote. Given the strong bipartisan support in both houses, this would be unlikely.

Implications for Europe

The new package of sanctions calls for close cooperation with Europe: the new proposal in the House explicitly invites the President to “continue to uphold and seek unity with European and other key partners on sanctions” (Sec. 212).

Contrary to the joint statement by German Foreign Minister Sigmar Gabriel and Austrian Chancellor Christian Kern, the **bill does not place sanctions on NordStream 2 as a way to promote liquefied natural gas exports.**

Sanctions targeting additional sectors, including Russian energy pipelines, are at the President’s discretion and seek to sanction any person making an investment of \$10 million towards Russian efforts to export its energy. However, the new proposed bill goes to great lengths to ensure that allies’ concerns are not overlooked by calling on the US President to impose new sanctions in “coordination with allies”. (Sec. 232 (a)).

Meanwhile, the statement pertaining to **US energy exports is standard US administration language not making a direct link between sanctions and US LNG:**

(a) Statement Of Policy. — It is the policy of the United States — [...]

(9) to continue to oppose the NordStream 2 pipeline given its detrimental impacts on the European Union’s energy security, gas market development in Central and Eastern Europe, and energy reforms in Ukraine; and

(10) that the United States Government should prioritize the export of United States energy resources in order to create American jobs, help United States allies and partners, and strengthen United States foreign policy. (Sec. 257)

Likewise, sanctions on significant defence and intelligence equipment sales to Russian services involve penalties but this too is rather flexible.

Ultimately, **the new proposed bill is a strengthening of the current US sanctions but it still confers some flexibility.** It is carefully drafted as to not put pressure on Europe or European firms and in fact, paves the way for European allies to closely coordinate with the White House on Russia sanctions. In this context, Europeans should take full advantage of the avenues for sanctions-coordination in the new legislation and engage with the US Administration. Furthermore, in light of German calls for wider EU sanctions and ahead of the upcoming meeting between EU officials on Wednesday July 26th, the question for European leaders should be whether Europe’s own sanctions on Russia are sufficient given Moscow’s escalation in Ukraine and its disruptive actions in Europe, including in national elections.

RASMUSSEN GLOBAL’S UKRAINE PROJECT

Following Anders Fogh Rasmussen’s appointment as external adviser to the President of Ukraine, Petro Poroshenko, Rasmussen Global has initiated an ambitious project on Ukraine. The overall aim is to keep Ukraine on the international agenda while at the same time keeping reform on Kyiv’s agenda. It does so by providing strategic advice to the President and his government, all-the-while engaging with key decision and opinion makers in Western capitals to shape a better understanding of the reform efforts and challenges in Ukraine.