

Working Group Paper #11

Action Plan 2.0

Strengthening Sanctions against the Russian Federation

The International Working Group on Russian Sanctions

April 24, 2023

<https://fsi.stanford.edu/working-group-sanctions>

Introduction

In response to Russia's barbaric February 2022 invasion and occupation of Ukraine, a coalition of four dozen countries has implemented the most comprehensive sanctions ever against Russia. The number and severity of these sanctions have been impressive. Sanctions imposed to date have reduced Russia's resources for waging its war against Ukraine, further isolated the Russian economy from the world, and levied real costs on Russian individuals and companies supporting Russia's war effort. Vladimir Putin has been indicted by the International Criminal Court for war crimes. Most importantly, the sanctions coalition remains strong and dedicated, demonstrating readiness to implement further actions against Russia.

Tragically, however, Russia's army continues to kill Ukrainians – both soldiers and civilians – and occupy Ukrainian territory, blatantly violating human rights and the most fundamental international laws. Russia's actions also have threatened the security and well-being of millions outside Ukraine. Russia's blockade of Ukrainian ports and its disruption of food and fertilizer supply chains exacerbates global food security.

The only way to stop the ongoing killing, suffering, and economic destruction is to defeat the Russian military and force Russian soldiers to withdraw from Ukraine's sovereign territory. The Armed Forces of Ukraine are achieving that objective on the battlefield. With military assistance from partner countries, Ukrainian soldiers can expel Russian soldiers from Ukraine's territory. But they need help from the international community. By weakening Russia's military capabilities and reducing the Kremlin's resources to finance this war, new and better sanctions can provide the needed support. Countries seeking to end this war must move beyond incrementalism and impose qualitatively harsher sanctions at a much faster pace with greater enforcement. The goal of these sanctions is to end Russia's invasion and occupation and restore Ukraine's national sovereignty and territorial integrity. Until that goal is achieved, more must be done. Every day that Russian armed forces are killing Ukrainians is a day that new sanctions should be imposed.

This new paper outlines many new sanctions that should and can be imposed on Russia. The paper includes sections on (1) Strengthening Sanctions on Oil and Energy; (2) Strengthening Sanctions on Non-Energy Trade; (3) Strengthening Military Sanctions; (4) Strengthening Technology Sanctions; (5) Strengthening Financial Sanctions; (6) Confiscating Russian Assets; (7) Increasing Individual Sanctions; (8) Designating Russia as a State Sponsor of Terrorism; (9) Enhancing Disclosure Requirements; (10) Supporting Business Divestment from Russia; (11) Strengthening Enforcement; and (12) Broadening the Sanctions Coalition.

One year ago, the [International Working Group on Russian Sanctions](#) published [Working Group Paper #1: Action Plan on Strengthening Sanctions against the Russian Federation](#). Although initially dismissed by many as too radical and not practical, many of the proposed ideas were later implemented by countries in the sanctions coalition. We applaud these countries for doing so and now call on them to do more. Since releasing that original paper, we have published nine more comprehensive working papers outlining recommendations for new sanctions, as well as numerous

other op-eds, articles, and reports. All of our working papers and publications can be found at [our website](#).

This paper – Action Plan 2.0 – outlines a roadmap for sanctions policy development and new actions in 2023. Similar to last year, we will follow up this publication with specific papers on each section of this roadmap. Our ambition is to think creatively and provide new ideas to countries that are implementing sanctions. In proposing a new action plan, we also aim to help to stave off sanctions fatigue. Every day, Ukrainian soldiers are making the ultimate sacrifice to defend their territory, their freedom, and their democracy. The least that the rest of the democratic world can do is show more leadership in imposing and implementing sanctions to reduce Russia’s capability to kill Ukrainian soldiers and civilians, while illegally occupying Ukrainian land.

The [International Working Group on Russian Sanctions](#) aims to provide expertise and experience to governments and companies around the world by assisting with the formulation of sanctions proposals that will increase the cost to Russia of invading Ukraine and that will support democratic Ukraine in the defense of its territorial integrity and national sovereignty. Our working group is comprised of independent experts from many countries. We coordinate and consult with the Government of Ukraine and those governments imposing sanctions. This consultation process helps to inform our views, but our members express independently held opinions and do not take direction from or act at the behest of the Government of Ukraine or any other government or entity. All members of this working group participate in their private capacities. Like other papers produced by this working group, our aim is not to produce a consensus document, but instead to provide a menu of possible additional measures to be considered by governments, multilateral institutions, and private actors. The implications of every sanction have not been thoroughly analyzed, and not everyone necessarily agrees with every specific sanction or action proposed.

I. Strengthening Sanctions on Oil and Energy

Current Context

Ukraine and Ukraine’s partners have imposed broad embargos on Russian oil and coal. The Group of Seven (G7) has imposed an oil price cap, and European purchases of Russian gas have collapsed. These bold measures are producing a major impact on the Russian economy, as reflected in the current deep discount in Russian oil and the 85% fall in Russian pipeline gas sales to Europe. Without question, these sanctions have reduced Vladimir Putin’s resources for continuing his invasion of Ukraine. For these remarkable achievements, European leaders in particular should be applauded for their courage in implementing such measures, despite the adverse impact on the economic well-being of their own citizens.

However, we believe that much more should be done now to intensify pressure on Russia. Given the importance of Russia’s energy sector, we see further energy sanctions as key to

constraining its war-making capability, especially because the G7 has recently decided against lowering the price cap. The faster these sanctions are implemented, the shorter this war might be.

Proposed New Measures

A. Lower oil price cap

Ratchet down the oil price cap to \$45 on a barrel of crude oil (bbl) now, with a target of \$30/bbl. The current agreed oil price cap is \$60/bbl, which is substantially higher than the marginal cost of producing a barrel of oil in Russia. The coalition should reduce the oil price cap immediately by \$15/bbl to a \$45/bbl cap for crude, a level at which Russian exporters have regularly been prepared to sell in recent months. It should set the goal of ratcheting down the crude oil price cap to the marginal cost of Russian oil, which we believe would currently be a \$30/bbl cap for crude, with corresponding cuts in the oil product caps.

Strengthen oil price cap enforcement. Enforcement of any level of the price cap needs serious strengthening. We have some ideas. First, countries in the sanctions coalitions should establish a registry of oil offtakers that are authorized to provide accepted attestations. Second, the coalition should require publication by shipping service providers of the attestations provided by offtakers that the cargo is priced at or below the oil price cap. Third, the coalition should require credible oil spill insurance and a proper, up-to-date inspection record for ships carrying Russian oil. Finally, the coalition must impose fines for and bans on Western offtakers and service providers who have failed to sufficiently ensure compliance with the price cap.

Impose an import tax on Russian oil and gas supply to sanctions coalition countries. We propose the imposition of an import tax on all Russian oil and gas supply to coalition countries as a structural measure to reinforce the price cap. As an additional benefit, this instrument could be used to finance Ukrainian reconstruction.

B. Energy embargo

End the direct supply of Russian gas to the European Union (EU), except for through Ukraine. We propose sanctions resulting in the suspension of operations for all remaining Russian-controlled pipeline routes that are currently able to convey Russian-sourced natural gas to the European market, aside from any remaining flows directed via the Ukrainian gas transmission system, which has ample transit capacity. In particular, this measure would end Russia's use of the Turkstream natural gas pipeline for gas deliveries to the EU. Furthermore, we propose sanctions that would ban imports of Russian liquified natural gas (LNG) to Europe.

Build a reserve buffer of gas in Ukraine. We urge Europe to build up an additional buffer of stored gas in western Ukraine's gas storage facilities to strengthen the security of the European gas supply next winter.

Embargo Russian energy in East Asia. We urge Ukraine's partners in East Asia (e.g., Japan, South Korea, and Taiwan), which have reduced purchases of Russian energy substantially, to follow Europe's lead and stop buying Russian energy. They should set firm deadlines for ending

purchases of Russian LNG, crude, and coal, with targeted and time-limited exemptions, if required. Japan could take the lead by making such a commitment before hosting the G7 summit in May.

Third-country enforcement. Sanctions coalition countries should explore the scope for imposing anti-dumping or similar measures on any country that is making excessive use of Russian energy. Restrictive measures such as tariffs or quotas may be warranted where countries have increased their imports of Russian energy (e.g., crude oil) and then increased exports of energy-intensive products (e.g., refined oil products) to sanctions coalition countries.

C. Other oil and gas measures

Sanction Russian oil and gas companies. Impose full sanctions on all Russian oil and gas companies – including Gazprom, Gazpromneft, Rosneft, Surgutneftegaz, Lukoil, Tatneft, Transneft, Sibur, Zarubezhneft, and Novatek – with limited exemptions for oil price cap compliant transactions and with temporary exemptions to the European embargo.

Sanction Gazprombank. Impose full sanctions on Gazprombank, which previously was exempted from sanctions to facilitate the energy trade.

Impose full taxation on Western oil and gas companies remaining in Russia. Sanctions coalition governments should impose a 100% tax on any benefit derived by one of their oil and gas companies – such as Total and SLB – from operations in Russia or Belarus since February 24, 2022, with any proceeds earmarked to support Ukrainian reconstruction.

Block Russian access to Western oil field services. Ban the provision of advanced Western oil field and computing services to the Russian oil industry, including, but not limited to, drilling services, workover and well services, and licensing or sale of oil sector software packages, reinforced by action against any companies which seek to provide these services to Russian companies through intermediaries or third jurisdictions.

Sanction Russian oilfield service (OFS) companies. We propose sanctions on the oil field service subsidiaries of the main Russian oil companies (i.e., Rosneft-Burenie, Gazprom Burenije, Surgutneftegaz) and the main independent Russian oil field services companies (i.e., Naftagaz, Burintekh, Integra Burenije) to restrict access to Western technology.

D. Other energy-related measures

Impose sanctions on Rosatom. We call for all countries in the coalition to sanction Rosatom. As we first recommended in our Working Group Paper #8,¹ we propose a warning package of measures, including a ban on Russian uranium, as well as personal sanctions on the management of Rosatom and Rosatom officials active in Ukraine. These actions should be combined with a credible commitment to further sanctions if Russia triggers a nuclear incident in

¹ See [Working Group Paper 8: Rosatom and Civilian Nuclear Power: Recommendations for Sanctions](#), International Working Group on Sanctions, November 2022.

Ukraine, including full sanctions on Rosatom and all its subsidiaries, with a targeted exemption for an entity to manage an orderly rundown of existing contracts.

Enact restrictions on energy intensive exports. We call for higher tariffs on selected energy-intensive Russian exports and an extension of the price cap to hold the price of petrochemicals and nitrogen fertilizer sold to sanctions coalition countries at a level consistent with the crude price cap.

II. Strengthening Sanctions on Non-Energy Trade

Current Context

Trade between the sanctions coalition countries and Russia has dropped dramatically since the beginning of Russia's invasion of Ukraine. At the same time, we are witnessing a comparable increase in trade between the sanctions coalition countries (particularly the EU) and Russia's neighbors (particularly in Central Asia and the Caucasus), accompanied by a similar increase in trade between Russia's neighbors and Russia. A plausible explanation for this pattern may be that Russia is channeling part of its trade (such as imports of products potentially under sanctions, including dual-use products) through its neighboring countries to evade sanctions.

Russia's non-energy exports accounted for approximately 40% of its total exports in 2022 and exceeded \$200 billion. An estimated 30% of total Russian exports (including energy) and 25% of total Russian imports are sanctioned.² According to the European Commission, since the beginning of the invasion, the EU has banned over €43.9 billion in exported goods to Russia (49% of the EU's 2021 exports to Russia) and €91.2 billion in imported goods (58% of the EU's 2021 imports from Russia) under current sanctions.³ The EU has imposed bans on a wide range of Russian goods, including finished and semi-finished steel products, gold, cement, wood pulp and paper, certain machinery and appliances, intermediate chemicals, certain fertilizers, asphalt, synthetic rubber, and plastics. The EU also has disrupted exports to Russia of specific goods and services for oil exploration, energy, aviation, space industries, cutting-edge technology (e.g., quantum computers, advanced semiconductors, electronic components, and software), certain types of machinery and transportation equipment, dual-use goods, and professional services.

However, the current sanctions regime on both exports and imports could be strengthened by: (1) extending the scope of sanctions and reducing the number of Russia's exports and imports that are still not sanctioned, and (2) eliminating loopholes and strengthening enforcement of the current sanctions. We recommend expanding partial embargoes and imposing new bans.

² Kyiv School of Economics estimate based on Russia's trade data in 2021.

³ See [EU Sanctions against Russia explained](#).

Proposed New Measures

Metals. We propose imposing a full embargo on all iron and steel products without exemptions, but with long transition periods (as in the case of EU imports of slabs, which have been permitted up to a quota of more than 3.7 million tons per year until 2024). We also recommend the introduction of a ban on steel products processed in third countries using steel originating from Russia among all members of the sanctions coalition. Because this ban will be in effect in the EU as of September 30, 2023, all other countries in the sanctions coalition should do the same. Countries should also close important loopholes in the current regime by extending full sanctions on metals companies that supply raw materials to the Russian military for armaments and fund the war through significant tax payments (e.g., Alrosa, Evraz, Mechel, Metalloinvest, MMK, Norilsk Nickel, NLMK, Polymetal, Polyus, Rusal, Severstal, TMK, Uralsteel, and VSMPO-Avisma).

Sanctioning Russian metals is important for two reasons. First, they account for a significant part of Russia's export revenues. In 2021, Russia exported ferrous metals and related products for a total of \$32.9 billion. Almost one-third (29.4%, or \$8.5 billion) of the total volume of exported ferrous metals was supplied to the EU market. Second, Ukrainian metallurgical products can become an alternative to imports from Russia for the EU and other markets. Ukraine can partially replace the supply of cast iron, iron ore, and billets if logistical problems are solved (according to Mentinvest). However, the EU sanctions did *not* include restrictions on trade in goods under CN codes 7201 - 7205 (including code 7202 - ferroalloys), as well as iron ore (code 2601). Moreover, Russian steel and iron products have not been sanctioned by some members of the coalition, though they were partially banned by the EU and UK.

Diamonds. Belgium has been the world's largest purchaser of Russian diamonds. In 2021, Belgium imported 41% of all Russian exports of diamonds, which provided Russia with \$2.1 billion. Although Belgium cut its imports by 22% in 2022, they remain significant. Over the past year, the United States, Canada, the United Kingdom, New Zealand, and the Bahamas have sanctioned Alrosa, the main Russian producer of diamonds.⁴ Smaller Russian producers like Grib Diamonds were sanctioned because of sanctions on its owner, VTB Bank. Yet the EU did not impose sanctions on diamonds, nor on Alrosa. In addition, there is still a "country of origin" loophole, because the importation of Russian diamonds that have undergone "substantial transformation" by being cut and polished in other countries is still permitted.

This major generator of revenues to finance Russia's war in Ukraine must be reduced. The EU should include Alrosa and Grib Diamonds on its list of sanctioned entities and impose individual sanctions on Alrosa's top management. In addition, the EU should impose an import

⁴ Alrosa is responsible for 90% of Russia's diamond mining capacity and 28% of global diamond mining. Alrosa is 33% owned by the Russian Federation and 33% owned by the Government of the Republic of Sakha (Yakutia), with the remainder publicly traded.

ban on all Russian diamonds (HS code 7102), plus sanction trade in Russian diamonds that are processed in third countries to eliminate country of origin loopholes, therefore restricting Russian diamonds from acquiring a non-Russian country of origin designation. The sanctions coalition should agree to a system for tracking the origin of rough diamonds and enhancing supply-chain traceability, as suggested by the Belgium government.

Gold. Because sanctions on Russian gold were well coordinated and comprehensive, they have therefore resulted in the visible impact of decreased export volumes of gold to coalition members. But to further strengthen the impact of these sanctions, we recommend extending the gold embargo to jewelry originating from Russia by all coalition members. In addition, a ban should be imposed on imports of gold from countries with a high risk of being a reseller of Russian gold (the United Arab Emirates, China, India, and Turkey should be in the first wave), unless proof of its non-Russian origin can be provided. Full blocking sanctions should be imposed on the top 10 Russian gold miners and producers, and strict export controls should be adopted on the supply of machinery and equipment to Russia's gold mining and production.

Services. The most complete versions of export bans on services have been adopted by the EU and Switzerland. In particular, the EU has imposed bans on providing services to the Government of Russia or legal persons established in Russia in IT consultancy, legal advisory, architecture, and engineering services. Russian business is heavily dependent on Western countries for the import of legal and advanced services (more than 80% of all legal services are imported from G7 countries, which significantly affects the ability of Russian businesses to carry out their international activities).⁵ We propose that other countries in the sanctions coalition mirror the EU's full ban on the export of services and therefore align services bans, especially on legal and IT services, architecture, and engineering services.

Additional goods. Different countries have imposed different sanctions on goods, thus creating loopholes. Aligning lists of sanctioned products across the sanctions coalition would help to prevent trade redirections and circumvention. Sanctions that have been introduced by certain countries in the coalition should be extended to all its members. This logic applies, for instance, to diamonds (banned by US), fish (banned by UK and partially banned by EU), steel products (banned by UK and EU), and timber (banned by UK and EU), etc.

⁵ "EU sanctions against Russia now include a ban on the provision of legal advisory services," *European Business Association*, October 14, 2022, <https://eba.com.ua/en/sanktsiyi-yes-proty-rosiyi-vidteper-vklyuchayut-zaboronu-nadannya-yurydychnyh-poslug>.

III. Strengthening Military Sanctions

Current Context

General sanctions on military and dual-use goods were imposed on the Russian Federation in 2014, after Putin illegally annexed Crimea and Russian security and military forces engaged in fighting in eastern Ukraine. Since February 2022, the sanctions coalition has made a more concerted and successful effort to limit Russia's access to advanced technology. Countries in the coalition have expanded the list of sanctioned companies and individuals involved in military production, extended the list of dual-use goods prohibited for export, and suspended trade licenses.

Russia's continued need for imported high-tech components highlights an ongoing dependence that sanctions have exploited, leading to temporary halts in production, increased production costs, lower quality equipment, and reduced attacks as the Russian military has run low on high-tech weapons, such as precision-guided missiles. Although some Russian defense companies shifted to round-the-clock production, they have primarily focused on upgrading weapons, rather than producing new models. For instance, Uralvagonzavod, Russia's sole tank manufacturer, has yet to have had a single Armata tank – its most advanced design – deployed in combat. Instead, the company has focused on upgrading older equipment such as the T-62, despite lacking high-tech components. The impact of sanctions on the Russian defense industry has been mitigated by sanction evasion schemes.

Proposed New Measures

To strengthen the sanctions regime for military and dual-use goods and to restrict the Russian defense sector's access to advanced equipment, we propose the following measures:

Improve cooperation on sanctions on military and dual-use goods. At present, the sanctions lists of coalition countries differ significantly, even regarding key enterprises of the Russian defense industry. Different approaches to the classification of dual-use goods create additional opportunities for circumvention. We propose that countries agree to harmonized definitions of what goods are considered “dual-use” and apply restrictions consistently across jurisdictions.

Enhance export controls and enforcement capability. Several evasion schemes have been discovered, including the use of intermediaries in non-sanctioned countries, the restructuring of companies to conceal sanctioned entities or individuals, and purchases of components for assembly within Russia. Limited sanction controls and difficulty in detecting end users have resulted in Western components being found in newly produced Russian military equipment. We propose a stricter export licensing process and increased enforcement capacity, with particular attention to products under sanctions that are sold to intermediaries and countries that are closely

ted to Russia and may act as intermediaries for Russian companies. The creation of a unified database with all sanctioned entities and institutions, including related parties (such as subsidiaries and family members) could significantly strengthen export controls and their enforcement. In addition, we propose the introduction of guidelines for companies on verifying transactions for compliance with the sanctions regime, which would help them to detect and avoid trading with Russia. A duty should be imposed to act with due care in complying with this procedure.

We furthermore call on the private space sector to rapidly release open-source multispectral geospatial imagery datasets for use by analysts in the academic, non-governmental organization, think tank, and investigative journalist community to aid in sanctions compliance, evasion, and enforcement tracking. This information should include both optical and radio frequency datasets that can help fill in the so-called “dark ship” problem associated with sanctions-evading vessels attempting to avoid detection on open-source AIS-based tracking platforms.

Impose secondary sanctions on companies in third countries that are supplying Russia with military and dual-use goods. Trade flows have shifted regarding important components and dual-use goods, with cases of increased trade in high-tech goods with countries outside of the sanction coalition. For example, Russia has dramatically expanded imports of semiconductors and integrated electronic circuits from countries not in the sanctions coalition. The value of Chinese semiconductor exports to Russia jumped from \$200 million in 2021 to over \$500 million in 2022. We therefore propose that the coalition impose secondary sanctions on entities in third countries that continue to supply the Russian military sector with these technologies. The sanctions coalition should announce this policy now to help deter third countries from providing this kind of military assistance.

Extend the dual-use goods list to include any civil goods which are used as part of military operations. As one example, because tablets and notebooks are widely used to control drones on the frontline, their export to Russia should be prohibited. Civilian goods may also contain components like microchips that can be repurposed for military production. We propose including these goods and software on dual-use goods lists and restricting their trade to Russia.

To enhance the effectiveness of sanctions on dual-use goods, the list of such goods should be aligned with the Harmonized System (HS) codes that are used globally for classifying trade products. Sanctions should be expanded to cover all goods within the same 4-digit HS code that contains at least one dual-use item, to improve compliance via simplified monitoring and enforcement.

Stop producing for and/or providing high-tech products that aid the Russian military. Russian missiles and drones are equipped with foreign-made microchips that support GLONASS – Russia’s satellite navigation system – which guides them on selected targets. Several foreign companies, including Linx Technologies (USA), Qualcomm (USA), and STMicroelectronics (Switzerland), reportedly continue to produce GLONASS-enabled microchips and sell them to

Russia through numerous shell companies, whether intentionally or not. Removing that feature could reduce Russian military capacity and sanctions circumvention. Furthermore, because GPS continues to be used in Russian military equipment, we propose that at a minimum the Russian military's use of GPS should be restricted in the border regions in Belarus and Russia, as well as in the occupied territory in Ukraine.

Impose comprehensive sanctions on the Russian and Belarussian military-industrial sector. These sanctions must include all subsidiaries and legal entities in every holding (e.g., Rostec) within the sector, in order to complicate the procurement of imported components needed for weapons production. They should also include sanctions on any related parties of Russian military industry or officials.

IV. Strengthening Technology Sanctions

Current Context

In November 2022, we published Working Group Paper #7 on IT and Technology Sanctions⁶ which proposed a series of recommendations covering: (i) dual-purpose IT and technology infrastructure, as well as items that participate in the deployment and supply chain of technology capabilities of a dual-use nature; (ii) the need to accelerate the winding down of IT-related business arms of Western companies within Russia, and how to do this effectively; (iii) ways to counter the expansion of Russian-origin cyberattacks against Ukraine, its allies, and critical infrastructure; and (iv) strategies to create open, fair, and healthy online social ecosystems, while combating the exploitation of these ecosystems by state-level actors to disseminate propaganda and disinformation with the goal of undermining support for Ukraine or causing direct harm to individuals and organizations. All of these proposed measures should still be pursued.

Proposed New Measures

Sale and export of dual-use technology to Russia. We reiterate the critical need to take action to stem the flow of IT and supporting technology goods into Russia through primary and secondary channels. Over the past year, the Kremlin has successfully created an environment for Russian businesses and the state to bypass constraints on the availability of Western technology. Allied governments have insufficiently investigated or held companies accountable.

⁶ See [Working Paper 7: IT and Supporting Technologies - Recommendations for Sanctions](#), International Working Group on Sanctions, November 2022.

Strong evidence suggests that Western computer chips, optical scoping, drones, and many other components and full products are being used by Russia in its war against Ukraine. This is unacceptable and must be stopped.

Beyond sanctions, there must be effective multilateral and empowered coordination mechanisms to identify leaks and to incentivize companies to take a more proactive stance in blocking such flows of goods that undermine the objectives of Ukraine and its allies. Recent reports suggest that China, Pakistan, Kazakhstan, and other regional neighbors of the Russian Federation have been used to facilitate a continuous supply of consumer and industrial components that are subsequently discovered in equipment recovered from Russian battlefield losses. These must be interrupted through the threat or use of secondary sanctions.

Existing IT and related technology assets in Russia. Not only should dual-use technologies (or any potentially dual-use component thereof) be stringently prevented from entering the Russian Federation and its known partners facilitating such flows, but any existing IT resources from Western companies deployed within Russia (e.g., data centers, server clusters, warehouses for IT supply chains, and licensed software such as middleware, firmware, and related device controllers) must be blocked and disabled, such that they cannot be reused by the Russian government and its partners to harm Ukrainian and allied interests.

Not only has Western software and IT infrastructure been used for military and military-adjacent uses by Russia (see Working Group Paper #7 for a more detailed treatment), but access to such infrastructure and networks also continues to enable Russia's hybrid warfare across European and U.S. information systems.

State-sponsored cyberattacks. Even before the full-scale invasion of Ukraine in 2022, the Russian Federation had stepped up its exploitation of vulnerabilities in Ukrainian and allied sovereign information infrastructure, public-facing government websites, broadcasters, and a wide array of government-adjacent and civil society organization information systems. During the past year, the intensity of attacks has increased considerably and continues to put critical energy, information, and financial infrastructure at risk, potentially impacting the functioning of government programs and depressing economic activity.

Russian cyberattacks make use of network infrastructure powered and managed by switches, routers, accumulators, software, middleware, and device controllers, packet inspection IP, and a variety of technical infrastructure, much of which is either developed, manufactured, or assembled by Western companies. The same is true of user nodes (i.e., laptops, desktop computers, server blades, cloud resources, and mobile computing devices) that are used to interface with attack-related digital activities.

We recommend broad sanctions on Western provision of any software, service, or infrastructure that can passively or actively support the illegal cyber activities of the Russian

Federation and related actors. This measure includes actively disabling any such services or access to such services, as appropriate.

State-supported disinformation and propaganda. Western social media platforms and news organizations continue to be exploited by disinformation and propaganda campaigns whose aim is to sow division, undermine support for Ukraine, and cause harm to specific individuals and organizations who oppose Russia's war. It remains critically important for governments, civil society, social media or news platforms, and stakeholders of these platforms to seek effective, scalable, and democratic ways to eradicate coordinated use of the Internet as a vehicle for state-sponsored propaganda.

Working Group Paper #7 proposed several potentially viable mechanisms, including (i) the creation of common resources and accountability instruments enabling a higher level of coordination among the key actors; (ii) the application of regulatory measures categorizing certain types of high-reach social media activities as requiring compliance with broadcast rules; and (iii) mechanisms to quickly and fairly review accounts that have been disabled, identity verification, and authentication mechanisms that maintain safe and inclusive ecosystems for all standard users.

There remains much to be done to reduce the impact of Western technology in undermining Ukrainian sovereignty. Technology from the West currently permeates the mobilization, training, and deployment of troops, the logistics, and para-military support structures, active decision-making, targeting, tracking, intelligence, and defense operations, as well as the creation of dense propaganda and information walls constructed and maintained by the Kremlin. Countries in the sanctions coalition must deploy with much greater vigor the array of instruments described here to reduce Western technological support for Putin's war machine.

V. Strengthening Financial Sanctions

Current Context

Ukraine's allies have imposed multiple restrictions on Russian financial institutions, including full transaction bans and asset freezes, limitations on access to financial and capital markets, restrictions on debt and equity issuance, and disconnection from the SWIFT financial messaging system. In addition, the Central Bank of the Russian Federation (CBR) and the Russian National Wealth Fund (NWF) were sanctioned by imposing transaction bans and freezing assets under coalition countries' jurisdictions. Despite an initial surge in demand in liquidity and sharp ruble depreciation, a systemic financial crisis did not materialize, largely due to record oil and gas revenues generated by higher prices triggered by the war, as well as the CBR's policy response. Now that oil and gas revenues have decreased, we propose that the sanctions coalition further tighten sanctions on Russian banks in a situation in which the government is exhausting its liquid reserves and faces a growing challenge to finance its deficit.

Proposed New Measures

A. Russian banks

Impose full sanctions on Russia’s ten largest banks. Restrictions on Russia’s largest banks – Sberbank, VTB Bank, Gazprombank, Alfa-Bank, Rosselkhozbank, Credit Bank of Moscow, Bank Otkritie, VEB, Promsvyazbank, and Sovcombank – are not aligned across the sanctions coalition. We urge Ukraine’s partners to impose full sanctions on all these institutions that are not yet covered by comprehensive measures. In particular, there is no compelling argument for excluding Gazprombank from full sanctions, as Europe’s dependence on Russian energy has effectively ended. Limited exemptions could be considered for specific transactions, including those under the G7 price caps on Russian oil and oil products.

Eventually, the coalition should extend full sanctions to all systemically important banks. While the ten largest institutions account for more than three-fourths of the Russian banking system in asset terms, we propose extending full sanctions to all systemically important banks that have the capacity to partially substitute for the largest banks. A working definition of “systemically important” could be Russia’s top 30 banks, but the sanctions coalition will need to be flexible, given dynamic adjustments by Russia’s banks in response in part to sanctions. They should be ready to act against any significant bank which receives a license in a third country or appears to be playing a key role in circumventing sanctions. In this context, we applaud the imposition of full sanctions on MTS by the United States after its receipt of a banking license in the United Arab Emirates as a timely and appropriate response.

Set deadlines for the exit of remaining foreign banks from the Russian market. While many foreign banks have disengaged or are close to completing their exit (e.g., Société Générale and Citibank), several Western banks (e.g., Raiffeisenbank, UniCredit, and Hungary’s OTP) remain. This is unacceptable. Regulators, including the European Central Bank, should establish clear processes and timelines that lead to the exit of all banks under their respective jurisdictions. Furthermore, authorities such as the U.S. Treasury Department’s Office of Foreign Assets Control (OFAC) and HM Treasury’s Office of Financial Sanctions Implementation should vigorously enforce compliance with existing financial sector sanctions.

Disconnect all major Russian banks from SWIFT to drive up transaction costs. Cutting off banks from SWIFT does not mean that they are no longer able to conduct cross-border transactions, as alternative systems exist. However, the disconnection of additional institutions has the potential to further increase costs and thus weaken the banking system overall. We recognize that pushing Russian banks into alternative channels may make it more difficult to trace their activities, but we believe that tradeoff is worth taking.

B. Additional financial sanctions

Threaten third-country institutions with secondary sanctions to close loopholes. As more restrictions are imposed on Russian banks, new attempts to circumvent sanctions through financial hubs outside of the sanctions coalition’s jurisdiction -- e.g., Dubai, Hong Kong, and

Singapore -- will inevitably follow and are, in fact, already being undertaken. Ukraine's partners should consider the targeted use of threatening secondary sanctions to encourage third-country institutions to end their relationships with Russian banks. This measure is particularly important with respect to Russian institutions involved in Russia's defense sector.

Keep foreign assets out of reach of the Russian state. International sanctions on Russia's CBR and NWF, including transaction bans and asset freezes, are among the measures that have had the biggest impact on overall macro stability. However, while a significant share of foreign reserves was immobilized through sanctions in the early days of the full-scale invasion – around \$315 billion (or 55% of the total) at current valuation – Russia has acquired new assets abroad in 2022 due to large foreign exchange inflows from energy exports – \$147 billion according to CBR balance of payments data. Keeping these potential sources of funding out of reach of Russian authorities also requires addressing potential loopholes in the sanctions regime. Specifically, we propose to extend restrictions to any state bodies that may be used to secure liquid foreign exchange through cross-border transactions, including the Ministry of Finance State Fund of Precious Metals and Precious Stones (“Gokhran”).

End multilateral funding for projects that involve imports from Russia. After the full-scale invasion of Ukraine, money that was lent by the European Bank for Reconstruction and Development (EBRD) to the Government of Georgia was used to purchase rolling stock for the Tbilisi metro from Russia. To block the institutions of democratic states from being used to finance future Russian aggression, we propose that all multilateral lenders – and especially major European development institutions such as the EBRD and European Investment Bank (EIB) – prohibit the use of their funds for purchasing goods from Russia for the duration of the war.

Ban new investments in Russia and freeze existing projects. The United States, United Kingdom, and Japan have prohibited specific types of investments or instituted broad bans. We encourage the EU and the remaining countries of the coalition to follow suit as soon as possible. In addition, governments should force the freezing of existing investments by companies under their jurisdiction.

VI. Confiscating Russian Assets

Current Context

Shortly after the invasion, the G7 countries froze an estimated \$315 billion in CBR reserves that were held in their jurisdictions. Moreover, approximately \$66 billion in private Russian assets have been frozen since the war began.⁷ These assets must now be transferred to Ukraine. Some

⁷ This figure is an approximate estimate based on the publicly available data, including reports by Russian Elites, Proxies, and Oligarchs (REPO) Task Force and communications from the Swiss authorities.

small progress has been made regarding private assets seized. A new Canadian law paves the way for the confiscation of a foreign state's property in some circumstances.⁸ A new U.S. law also allows the transfer of property for a sanctioned person who seeks to avoid sanctions.⁹ In February 2023, the EU launched an ad hoc group to identify solutions that would allow the use of frozen Russian assets to support Ukraine, while the European Commission will require the EU member states to report any CBR assets held by their financial institutions. Nevertheless, there has been no confiscation of Russian state-owned assets thus far.

Proposed New Measures

A. Clarify legal authority for confiscation

Identify beneficial ownership. Where otherwise not present, national regulation should be adopted to enable the effective identification of Russian assets, including those held by nominee beneficiaries and through multi-jurisdictional structures.

Clarify domestic legal authorities for the seizure of Russian sovereign assets. Each of the sanctioning countries has different existing legal authorities for the disposal of frozen assets, and different constitutional and sovereign immunity protections for sovereign assets. We urge each of the sanctioning countries to adopt or clarify comprehensive legislation, where not otherwise in place, to ensure the following legal authorities. First, in each country, domestic legislation must identify and empower a competent national authority to initiate a confiscation or transfer of Russian sovereign assets. Second, domestic legislation must allow for the abrogation of any applicable sovereign immunity protections in exceptional circumstances such as Russia's manifest violations of international law. Finally, each country must ensure that any confiscation process is structured in a manner consistent with due process and any domestic constitutional protections which may be applicable.

Pass legislation that provides the legal basis for confiscation of private assets. We also recommend the enactment of legislation in sanctioning countries that would allow confiscation of private assets of sanctioned entities and individuals under processes which comport with due process, any applicable domestic constitutional provisions, and the rule of law.

B. Transfer and manage confiscated assets

Establish a fund for Ukrainian reconstruction.¹⁰ After new laws have been adopted, and CBR reserves have been seized and put into escrow accounts, countries should negotiate and adopt

⁸ Special Economic Measures Act, June 2022.

⁹ Consolidated Appropriations Act, December 2022. Around \$5.4 million in assets belonging to Konstantin Malofeev – who was charged with sanctions evasion – was transferred to Ukraine under this law in February 2023.

¹⁰ While a robust international reconstruction fund is our long-term recommendation for the effective use of the vast universe of frozen Russian assets, we should clarify that, where appropriate and consistent with the rule of law,

an international agreement that sets out the governance, purpose, and sources of financing of a fund for the reconstruction of Ukraine, as well as compensation for Ukrainian victims of the war (“the Reconstruction Fund”). Countries involved in asset transfers should then appoint a board and executive management of the fund. Provisions should be made for financing the payment of compensation to Ukrainian victims of the war and financing reconstruction, in coordination with the Government of Ukraine, including the State Agency for Restoration and Infrastructure Development and the Central Bank of Ukraine.

Reporting and accountability. We recommend ensuring a high degree of transparency in the use of the funds by the Reconstruction Fund, including regular reports and audits.

VII. Increasing Individual Sanctions

Current Context

In Working Group Paper #3, we proposed a robust framework for individual sanctions, including asset freezes, visa bans, early termination of board or executive mandates of sanctionable individuals at state-owned companies and banks in sanctions coalition countries.¹¹ We also recommended legal action and the loss of any government pensions or other benefits received post-government service for individuals holding board or senior executive positions at Russian or Belarusian companies or banks. This framework is as valid today as it was one year ago.

The Ukrainian National Agency for Corruption Prevention (NACP) has proposed that individual sanctions – asset freezes and visa bans – be imposed on over 25,000 individuals for their role in Russia’s invasion of Ukraine as a result of their actions or position of responsibility.¹² However, even the most active of the countries in the coalition have thus far imposed individual sanctions on only a fraction of this number (approximately 1,500 by the United States and EU, and 1,700 by Canada). Thousands of additional Russians should be sanctioned.

Individual sanctions must be expanded dramatically as an effective solution that targets its effects on members of the Russian elite who are directly responsible for supporting the war effort. We see this effort as a low cost, highly beneficial measure, particularly since the situation is asymmetric: a large proportion of the Russian elite have part of their assets and families in the

smaller bilateral transfers to support Ukrainian security assistance and/or urgent humanitarian needs may constitute an important part of a robust and flexible global commitment to aid Ukraine while the invasion remains ongoing.

¹¹ See [Working Group Paper #3: Individual Sanctions Roadmap: Recommendations for Sanctions against the Russian Federation](#), International Working Group on Sanctions, June 2022.

¹² “Sanctions Lists,” *The National Agency on Corruption Prevention*, <https://sanctions.nazk.gov.ua/sanction-lists>.

West, and individual sanctions are highly disruptive to their lifestyle, while few in the West have such links to or assets in Russia.

Additionally, expanded individual sanctions are likely to be complementary to other types of sanctions recommended in this paper, including those more focused on corporate and government entities. Systematically sanctioning business owners, government officials, and senior managers across Russia as identified by the NACP would also make it more difficult for them to help their businesses evade other types of sanctions using personal accounts, relatives, or shell companies. A heightened risk of secondary sanctions may further deter new interactions with recently sanctioned individuals.

Proposed New Measures

Systematic expansion of sanctions of all individuals supporting the war. Our proposal is for the systematic imposition of individual sanctions on all Russians who are in positions of authority. Anyone serving the Russian state or supporting the Russian government today is supporting the war. This list includes all senior government officials, senior officials at large state-owned enterprises, senior military officers, politicians supporting the war, and members of political parties supporting the war. It also includes senior journalists and propagandists, cultural figures defending the war, and judges involved in wrongly prosecuting those telling the truth about the war, as well as Russian businessmen with significant assets indirectly financing the war.

We also propose a new target category – Russian market vultures. In response to the exodus of foreign investors from the Russian market, the Kremlin has adopted measures to increase the cost of exit for Western companies. As a result, assets have changed hands at a substantial discount. Unsurprisingly, the new owners of more lucrative assets are close to the Kremlin. These companies and their beneficiaries should be included on sanctions lists.

In addition, we urge the International Olympic Committee (IOC), International Paralympic Committee (IPC), international sports federations, and national Olympic committees (NOCs) to ban: (i) international sports events being organized or supported by an international sports federation or NOC in Russia or Belarus; (ii) the participation of Russian and Belarussian athletes in any sports event or meetings organized or supported by the IOC, IPC, or international sports federations or NOCs of the sanctions coalition countries; and (iii) any invitations or accreditations of Russian and Belarussian government or state officials for any such international sports events or meetings. We also urge the International Chess Federation (FIDE) to take a firmer line in isolating Russia. Russians should not hold positions of leadership in any FIDE body, while Russian companies, such as Freedom Holding Companies and Kaspersky Labs, should not be allowed to sponsor events. Russian citizens should be banned from competition.

Systematic expansion of the substance of individual sanctions. For the individuals who have been identified and sanctioned, the effectiveness of these measures still depends on the

enforcements of visa bans, asset freezes, or other sanctions. We recommend that the sanctions coalition establish better monitoring of the extent of the individual sanctions that have already been introduced, including especially the effectiveness and completeness of asset freezes.

Defining clearly how to avoid sanctions. We also propose that the sanctions coalition countries should define a clear route for individuals to avoid sanctions. At a minimum, this mechanism should require that the individuals resign from the positions of authority specified above, and then unequivocally support Ukraine’s territorial integrity within its internationally recognized borders (“the 1991 borders”), call for Russia to withdraw all its troops from Ukrainian territory immediately, and support payment of compensation to Ukraine for the harm Russia has caused, as discussed in detail in Working Group Paper #3.

We are also mindful of the fact that a mechanism for lifting individual sanctions will need to be introduced to encourage proper behavior on the part of sanctioned individuals. At a minimum, the above steps need to be made to consider lifting the visa ban and the asset freeze. Clear guidance on how to be delisted from sanctions lists should become an important aspect of the sanctions strategy, because it would demonstrate that sanctions policy is result-oriented. It would further communicate that a way out is available, provided the applicable criteria are met, and in turn incentivize designated individuals to cooperate with the sanctioning authorities. Therefore, other states might find in the guidance additional incentives to join the sanctions coalition, which would be beneficial for building up national delisting practices. Ideally, the delisting strategy should become a homogenous, uniformly applied framework across the sanctions coalition to increase effectiveness in implementation. In a future paper, we will detail specific measures that could be implemented regarding this process.

Alignment of sanctions. We propose that the sanction coalition countries should seek to align their personal sanctions, share data on targeted persons and associated data for justifying the sanctions, and consider extending sanctions to all individuals who have been sanctioned by other members of the coalition, including by Ukraine. The goal should be to construct one unified list for all countries in the sanctions coalition.

Mandatory disclosure of membership of Russian political parties. We propose that Russian applications for visas to enter the sanction coalition countries should require disclosure of any membership of a Russian political party, with a presumption of refusal for any applications from members of Russian political parties that are supporting the invasion of Ukraine, including, but not limited to, United Russia.

Family members and nominal owners. We urge the extension of sanctions to close family members or proxy owners, in cases where such individuals hold the sanctioned person’s assets or otherwise benefit from their relationship with the sanctioned person. For that purpose, a clearer legal framework needs to be adopted by the sanctions coalition countries to target the family members of sanctioned individuals.

Changes to tourist visas for Russian citizens. Regarding all Russian citizens, some European countries, including Poland, Lithuania, Latvia, Estonia, and Finland, have already imposed travel bans on tourist visas. Other countries should consider doing the same. Another option would be to add a “Ukrainian reconstruction fee” to all visas that are issued to Russian citizens traveling to Europe and other sanction coalition countries. Russians can then choose to pay the additional fee and travel to Rome or avoid the fee and vacation in Minsk.

VIII. Designating Russia as a State Sponsor of Terrorism

Current Context

In November 2022, the European Parliament recognized Russia as a state sponsor of terrorism (SST). It highlighted that “deliberate attacks and atrocities committed by Russian forces and their proxies against civilians in Ukraine, the destruction of civilian infrastructure and other serious violations of international and humanitarian law amount to acts of terror.”¹³ Although the EU designation lacks robust enforcement mechanisms, such as those that are available under U.S. law, European policymakers have expressed their intent to develop legal mechanisms that would give teeth to their SST designation. We applaud this progress. We also urge the United States to show leadership and finally designate Russia a state-sponsor of terrorism. It is hard for Ukrainians or other people in the world to understand how Cuba is on the U.S. list, but Russia is not.

It is crucial to emphasize the importance of SST designations of Russia by U.S. authorities in stopping Russian aggression, given that U.S. regulations offer an unparalleled enforcement framework. Specifically, the SST designation would trigger the following measures:

- **Export controls and finance**

With a ban on all arms-related exports and sales, controls over the export, re-export, and transfer of dual-use items would be strengthened even further, alongside additional financial restrictions.

- **Secondary sanctions**

Third parties that are transacting with the Russian state and private sector would face secondary sanctions and therefore additional compliance with existing sanctions internationally.

¹³ “European Parliament declares Russia to be a state sponsor of terrorism,” November 23, 2022, *Delegation of the European Union to Ukraine*, https://www.eeas.europa.eu/delegations/ukraine/european-parliament-declares-russia-be-state-sponsor-terrorism_en

- **Private sector and individual sanctions**

The SST designation would have the effect of immediately extending U.S. financial sanctions to thousands of persons whom we have previously recommended for individual sanctions because of their government positions, but who have yet to be sanctioned directly.

- **Lifting of jurisdictional and enforcement immunity in the U.S. courts**

This mechanism would allow U.S. nationals and employees to sue Russia for compensation.

Proposed New Measures

As in our Action Plan from April 2022, we urge the United States Government to:

- Designate the Russian Federation as a state sponsor of terrorism.
- Designate the Armed Forces of the Russian Federation as a Foreign Terrorist Organization (FTO) and Specially Designated Global Terrorists (SDGTs).
- Recognize the pro-Putin, pro-war political parties “United Russia,” “Communist Party of Russian Federation,” “A Just Russia – For Truth (SRZP),” and “Liberal Democratic Party of Russia (LDPR)” as terrorist-supporting organizations, or as persons, groups, and entities involved in the support of terrorist acts.

Notably, in February 2023, the Financial Action Task Force (FATF) suspended the membership of the Russian Federation and voiced its concerns regarding the arms trade between Russia and United Nations-sanctioned jurisdictions.¹⁴ This was progress. However, Russia has not been put on the black or gray list.

We recommend that Russia should be blacklisted, as FATF already states that Russia’s war in Ukraine poses a threat to the integrity, safety, and security of the international financial system. Moreover, there are numerous indications that Russia's state policies are aimed at obstructing the international system from preventing money laundering and countering terrorist financing.

¹⁴ “FATF Statement on the Russian Federation,” *The Financial Action Task Force*, <https://www.fatf-gafi.org/en/publications/Fatfgeneral/fatf-statement-russian-federation.html>.

IX. Enhancing Disclosure Requirements

Current Context

Since Russia’s full-scale invasion of Ukraine, private companies have faced challenges related to their business operations in Russia and Belarus – particularly whether to continue business as usual or to divest, terminate, and suspend their ties. Because Russia has clearly made its war against Ukraine an overriding priority, all companies doing business with or in Russia are effectively providing resources that are financing its war effort. That should stop. Companies based in democratic countries that are operating within the rules-based international order should not be providing financing for Russia’s invasion of and war in Ukraine.

Proposed New Measures

We propose that companies and other legal entities operating in sanctions coalition countries be obligated to disclose information on their business ties with Russia and Belarus. At a minimum, the proposed disclosure requirements should obligate EU, U.S., Canadian, Korean, Japanese, UK, and Ukrainian companies that have business ties with Russia to disclose the existence of such ties, the identity of their Russian counterparts, and the nature of the relationship. Similar disclosures should be made for business ties and relationships with Belarus.

These disclosures will increase awareness of these businesses’ dealings, investors, creditors, clients, and other stakeholders of such relationships. Having this information will allow decision makers to better understand the impact of their decisions on their capital markets. Exposing these business ties can significantly increase the reputational risks for these business entities and raise their reputational costs, ideally causing them to sever their links with Russia and its satellites. Ultimately, business ties with a state committing the level of aggression that Russia has against Ukraine must be recognized as unacceptable.

Defining “business ties with Russia”. We propose to operationalize the meaning of the term “business ties with Russia” as follows:

- the company’s owners include Russian citizens, residents, or legal entities;
- the company’s governing bodies, such as boards of directors or executive boards, include Russian citizens or residents;
- the company has any commercial relations with Russian counterparties, including legal entities controlled by Russia;
- the company has any subsidiaries, branches, representative offices, or other units operating in Russia;
- the company has any joint ventures with Russian citizens, residents, or legal entities;

- the company has any equity stakes (shares) in a legal entity domiciled in or controlled by Russia;
- the company holds any securities other than shares of a legal entity domiciled in or controlled by Russia; and/or
- the company has loans or other finance from legal entities domiciled in or controlled by Russia.

The following list could serve as an example of what the mandatory disclosure may contain:

- Total assets owned by the firm in Russia
 - All full or partial ownership of entities or property in Russia need to be disclosed;
 - Approximate value of each asset needs to be provided;
- Number of employees the firm has in Russia, whether through full subsidiaries or through partially owned entities;
- Amount of taxes to the Russian government the firm paid over the last 3 years;
 - Federal taxes - profit, licenses, tariffs, VAT, rent on usage on natural resources, etc.;
 - Employment taxes - how much taxes employees of the firm paid to Russia (can be approximated);
- Approximate amount of sales to Russian legal entities and consumers;
- Approximate amount of purchases (goods and services) from Russian entities;
- Plans for managing firm exposure on an ongoing basis.

Enforcement mechanisms. The stock market regulators and financial industry regulators should obligate entities that they oversee to disclose their business ties with Russia via these entities' ongoing disclosure and material development reporting, as part of their annual and interim reports, and on their websites.

The respective requirements may be established via amending secondary or primary legislation of the respective countries or introducing specific disclosure requirements by stock market regulators and financial industry regulators of the respective countries. Industry authorities could introduce new requirements and recommendations for banks to implement additional Know

Your Customer (KYC) procedures that will identify ties with Russia and screen against sanction watchlists.

Extensions. These requirements should also cover the business ties with countries that indirectly support Russia’s invasion of Ukraine, such as Belarus or Iran. The proposed disclosure rules also could be extended to cover countries falling within the following criteria: (i) high-risk jurisdictions subject to a Call for Action as determined by the FATF; and (ii) state sponsors of terrorism.

Implementation. The proposed measures could be implemented via the following progression:

- **Voluntary pledge on breaking business ties with Russia**

This mechanism implies that companies will terminate their business ties with Russia voluntarily to demonstrate socially responsible behavior that is consistent with Environmental, Social, and Governance (ESG) norms and commitments. For this purpose, a platform could be established by reputable international companies that have already terminated ties with Russia.

These companies should provide proof that they have no ties with Russia, subscribe to a business compact pledging not to have such ties, and disclose their membership in the business compact on their websites. Information on the business compact and the list of members should be disclosed on the business’s website. Any company willing to join the initiative should be able to do so.

- **Soft law**

Specific recommendations on terminating business ties with Russia may be introduced as part of soft law recommendations in the EU, the US, and the UK, at a minimum. One mechanism would be to amend the national corporate governance codes. Companies will need to explain (using the “comply or explain” principle) their business ties with Russia, if any.

These recommendations could be introduced by an international standard-setting organization, such as the Organization for Economic Cooperation and Development (OECD). The respective recommendations may be part of updated G20/OECD Principles of Corporate Governance or separate guidelines on responsible business in wartime.

- **Hard law**

Specific recommendations on stopping business ties with Russia also could be introduced as a legal requirement in the EU, the US, and the UK, at a minimum. The main advantage of this approach is enforcement. As soon as the ban on having business ties with Russia becomes part of listing rules or other regulations, companies are required to comply or else face sanctions from financial regulators.

X. Supporting Business Divestment from Russia

Current Context

Since February 2022, almost 1,400 foreign companies have left Russia¹⁵, including over 200 that sold or wrote off assets in Russia,¹⁶ and 1,200 that have announced a reduction of operations or temporary halt of operations. Most multinationals have left or substantially reduced their presence in Russia since the early months of war. However, more than a thousand foreign companies remain in Russia.

Subsequently, the Russian government has adopted measures to increase the cost of exit for Western companies. Since August 2022, particularly restrictive measures have been applied to entities and nationals of “unfriendly states,” which broadly corresponds to the sanctions coalition and includes the United States, EU member states, the United Kingdom, Australia, and Canada. For example, Russian law now permits the votes of foreign shareholders and board members to be disregarded. The sale of shares in qualified companies requires Presidential approval, and Western businesses are required to sell assets with a discount of no less than 50% of the market value indicated in the asset appraisal report and offer payment deferment for one to two years and/or to commit to voluntarily transfer at least 10% of the transaction value to the federal budget.

Proposed New Measures

A. Divest from Russia

We urge companies that are owned or headquartered in sanctioning countries to divest from Russia to ensure that their business operations and tax payments do not support Russia’s war in Ukraine. The deterioration in the Russian regulatory regime, with exits becoming more difficult and costly, suggests leaving as rapidly as possible is a prudent financial decision. We specifically recommend that foreign companies scale back operations and initiate winding up of Russian subsidiaries. We also emphasize the importance of companies operating in technology-intensive sectors taking measures to prevent Russia from gaining access to their intellectual property and technological capabilities following their departure.

B. Initiate investment arbitration to recover losses caused by discriminatory Russian regulations

Russia has over sixty bilateral investment treaties (“BITs”) in force with most EU members, and other countries such as Canada, Japan, Korea, Switzerland, and the UK. There is no

¹⁵ For further details, please see analysis by Yale School of Management at <https://som.yale.edu/story/2022/over-1000-companies-have-curtailed-operations-russia-some-remain>.

¹⁶ For further details, please see analysis by KSE Institute at <https://leave-russia.org>.

BIT between Russia and the United States, but U.S. companies may nonetheless initiate investment arbitration if they structured their investments in Russia through a jurisdiction that does have a Russian BIT.

Based on the preliminary analysis, Russian restrictive measures violate nearly all internationally accepted standards of investment protection incorporated in the majority of BITs, including fair and equitable treatment of investors, protection from unlawful expropriation (direct and gradual), and protection from abrupt adverse change in the legislative regime. Therefore, we recommend that multinationals take advantage of applicable BITs and initiate investment arbitration proceedings against Russia. We also recommend the creation of a “consortium” of claimants at the pre-arbitration stage of a dispute in order to exert pressure on the Russian government.

C. Tax dividends from Russian companies and restrict dividend payouts to Russians

We propose that countries in the sanctions coalition should introduce the following legal requirements: (i) a 100% tax on dividends and other revenues received from Russia for the companies domiciled in the sanctions coalition countries from February 24, 2022; (ii) a restriction of any payment of dividends or other income from securities to companies domiciled in Russia and Russian residents; and (iii) a body of law to ensure that these funds be accumulated and used to finance the recovery needs of Ukraine.

D. Disclose business with Russia and Belarus

As discussed in the previous section, we recommend that regulators in the sanctions coalition require full disclosure of all assets and business conducted with Russia and Belarus and with Russian and Belarussian companies in third countries, with a statement of board policy on business with Russia while the war continues. We believe that light is the best disinfectant. Disclosure will make the proposed measures more effective as well.

XI. Strengthening Enforcement

Current Context

Since the beginning of the war, Russia has used a variety of schemes to avoid sanctions, including for its oil, trade, finance, and import of critical technology and components. In response, the sanctions coalition countries have acted diligently to prevent circumvention. While the EU has yet to criminalize sanctions violation, it announced the establishment of a Sanctions Information Exchange Repository to improve information flows between Member States and the Commission

and has allowed for secondary sanctions. Similarly, the United States has launched Task Force KleptoCapture, an interagency law enforcement body dedicated to enforcing Russian sanctions.

Still, there is room for improvement. Numerous proposals in many jurisdictions have been advanced to strengthen enforcement, but sanctions violations have yet to be criminalized in all countries of the sanctions coalition.¹⁷ The establishment of a Ukrainian national authority to coordinate sanctions policy would also contribute to effectiveness.

Proposed New Measures

A. Immediate enforcement

Secondary sanctions. The US and EU authorities should impose secondary sanctions on actors who are involved in sanctions evasion. Most importantly, new sanctions should be applied to those who are facilitating import into Russia of dual-use goods, technology, machinery, and equipment, as well as the Russian export of hydrocarbons and other commodities.

Block access to business and financial “safe havens”. We urge the sanctions coalition to engage in political dialogue with international financial hubs and offshore jurisdictions to prevent sanctioned Russian companies and high net-worth individuals from receiving domicile or citizenship, as well as relocating their operations. We also recommend that Visa and Mastercard prevent unwarranted issuance of cards to Russian citizens in other countries on the basis of fake documentation as residents, e.g., requiring applicants to provide additional proof of residency, alongside a national code or insurance number.

Shared data on sanctions and on offenders. We propose that the governments of the sanctions coalition create and share a single comprehensive list of entities and individuals that have been sanctioned, what the sanctions are, and which members of the coalition supporting Ukraine have imposed them. This information exchange should be supplemented by a list of all companies against whom enforcement action has been initiated and the outcomes of those enforcement actions. Shared information on sanction evasion schemes – including techniques such as changing customs classification codes, issuing fake documentation and certificates, and concealing the intended origin or destination of the goods – will assist law enforcement agencies.

A traffic light system to assess compliance by countries. This system could apply to countries which may be involved in trade with Russia, with a “red” traffic light designation triggering enhanced clearance and approval procedures for trade.

¹⁷ See, for example, DGAP Policy Brief No. 29, *Strict and Uniform: Improving EU Sanctions Enforcement*, https://dgap.org/system/files/article_pdfs/DGAP-PolicyBrief-2022-29-EN_0.pdf.

The creation of a publicly available resource on Russian trade data. Such information could be compiled from bilateral sources, therefore showing the evolution of Russian imports and exports, particularly for key items such as oil and gas, dual-use goods, machinery, and equipment.

Nominee beneficiary. We propose that sanctions which are applied to the ultimate owner and controller of the assets also should be applied to any nominee who has been given formal title to the assets as part of a sanction evasion strategy.

Wealth management professionals. We also suggest targeting the wealth management professionals who provide legal, trust company, investment advisory, accounting, and other similar services to Russian oligarchs and other elites attempting to avoid sanctions. A recent study drawing on millions of records from the Panama, Paradise, and Pandora Papers leaks suggests that the networks of wealth managers serving Russian oligarchs are highly fragile and vulnerable to substantial disruptions by removing even a small number of the most important intermediaries.¹⁸ Existing export services bans on elements of these wealth management services should be harmonized, expanded, and further enforced. Additional reporting requirements for wealth managers should be implemented, and new secondary sanctions should be enacted on the most important intermediaries.

B. Institutional enforcement

Expert panel. We propose the establishment of an institution to monitor and report on compliance with sanctions on Russia across various jurisdictions. Such a body could be modeled on the existing UNSC Panel of Experts on sanctions relating to North Korea. It could be tasked with collecting and analyzing data, making recommendations on sanctions design and enforcement, and serving as a center of expertise on sanctions.

Treaty. We propose an international treaty among partners of Ukraine to strengthen cooperation, including criminalizing violations of sanctions on Russia in all sanctions coalition countries, and to provide the legal basis for international cooperation in detecting and freezing sanctioned assets.

¹⁸ Ho-Chun Herbert Chang, Brooke Harrington, Feng Fu, and Daniel Rockmore, “Complex systems of secrecy: the offshore networks of oligarchs,” *PNAS Nexus* 2, no. 3 (March 2023), <https://doi.org/10.1093/pnasnexus/pgad051>.

XII. Broadening the Sanctions Coalition

Current Context

Countries representing a major portion of the global economy are part of a coalition that is supporting Ukraine and imposing sanctions on Russia. Yet many countries across Africa, Asia, Latin America, and the Middle East are not part of this coalition. Some gaps in the sanctions regime – such as the continued purchase by India of Russian oil or the provision of financial services by the United Arab Emirates – are well known. Others are now being revealed through published trade data for 2022, which demonstrates for many countries a surge in trade with Russia since the war began.¹⁹ We propose a strategy that will broaden the sanctions coalition and persuade more countries to align themselves with Ukraine.

Proposed New Measures

A. Diplomatic dialogue

Intensified public diplomacy. We recommend intensifying diplomatic efforts to combat the Russian narrative that war-related issues with food security or other supply chain issues are due to Western sanctions. In reality, they are a consequence of Russia’s belligerent behavior and unprovoked war of aggression in Ukraine.

Rapid response to Russian diplomacy. We recommend monitoring Russian diplomatic initiatives around the world (such as signing memorandums of cooperation with African countries and African organizations) and developing effective countermeasures. Given Russia’s extensive diplomatic resources, such measures should be taken by all sanctions coalition countries, not only Ukraine.

B. Positive incentives

Provide positive incentives for alignment with Ukraine. It would be beneficial to work with third countries to identify mutually beneficial solutions (such as the oil price cap or green-technology transfers for their economies) that leverage the West’s significant economic and social attraction. For example, countries could offer attractive trade deals and market access or make visa and travel concessions, in return for cooperation with sanctions and action to reverse financial and economic ties with Russia.

¹⁹ Tania Babina, Benjamin Hilgenstock, Oleg Itzhoki, Maxim Mironov, and Elina Ribakova, “Assessing the Impact of International Sanctions on Russian Oil Exports,” February 23, 2023, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4366337.

Develop alternative offers to combat Russia’s offers. Alternatives should be developed to Russia’s offer in third countries in the nuclear, oil and gas, mining, and defense sectors. They should be accompanied by exposing the downsides of long-term engagement with Russia, as well as underlining the technological and financial advantages of alignment with Ukraine and the sanctions coalition countries.

C. Economic pressure

Economic levers. We recommend identifying existing economic and trade concessions and signaling potential for the suspension of benefits in the absence of constructive engagement with restrictions on Russia.

Secondary sanctions. It is also important to intensify the use of extraterritorial sanctions on entities and individuals in third countries facilitating Russia sanctions evasion.

Business involvement. In parallel, countries can strengthen economic pressure by mobilizing greater international business involvement through the promotion of stricter “know your customer” procedures and whistleblowing mechanisms to expose sanctions evasion.

Note: The inclusion of affiliations is for identification purposes only and does not represent an endorsement of shared views with the co-signer.

Sergey Aleksashenko, Member of the Board, Free Russia Foundation.

Dr. Anders Åslund, Senior Fellow, Stockholm Free World Forum.

Alex Bashinsky, LLM, Certified Global Sanctions Specialist, Co-Founder at Global Sanctions Training Institute.

Torbjörn Becker, Director of Stockholm Institute of Transition Economics, Stockholm School of Economics.

Daniel Berkowitz, Professor of Economics, University of Pittsburgh.

Olga Bielkova, Corporate Affairs Director, Gas Transmission System Operator, and former Member of Ukrainian Parliament.

Edward Chow, Senior Associate, Center for Strategic and International Studies.

Anne L. Clunan, Associate Professor of National Security Affairs, Naval Postgraduate School, and Faculty Affiliate, Center for International Security and Cooperation (CISAC), Stanford University. *The views here are my own, and not those of the U.S. Navy, Department of Defense, or Government.*

Tatyana Deryugina, Associate Professor of Finance, University of Illinois.

Anastassia Fedyk, Assistant Professor of Finance, the Haas School of Business, University of California - Berkeley; Co-organizer of the Economists for Ukraine group.

Yuriy Gorodnichenko, Quantedge Presidential Professor of Economics, Department of Economics, University of California - Berkeley; Co-organizer of the Economists for Ukraine group.

Denis Gutenko, Ukrainian Emerging Leaders Program Fellow, Stanford University, and Former Head of the State Fiscal Service of Ukraine.

Benjamin Hilgenstock, Senior Economist, Kyiv School of Economics.

James Hodson, Chief Executive Officer, AI for Good Foundation; Co-organizer of the

Economists for Ukraine group.

Eric Johnson, Former Managing Director, Cambridge Associates, and Former National Security Council Staff, White House Situation Room.

Bronte Kass, Program Manager, Freeman Spogli Institute for International Studies (FSI), Stanford University; Assistant Coordinator, International Working Group on Russian Sanctions.

Tom Keatinge, Director of the Centre for Financial Crime and Security Studies, RUSI.

Dr. Craig Kennedy, Center Associate, Davis Center for Russian and Eurasian Studies, Harvard University, and Former Vice Chairman, Bank of America Merrill Lynch.

Tyler Kustra, Assistant Professor of Politics and International Relations, University of Nottingham.

Jeremy Lewin, Harvard Law School 2022.

Oleksandr Lysenko, Board Member of the Corporate Governance Professional Association (CGPA).

Michael McFaul, Director, Freeman Spogli Institute for International Studies (FSI), Professor of Political Science, and Hoover Institution Senior Fellow, Stanford University; Coordinator, International Working Group on Russian Sanctions.

Dinsha Mistree, Research Fellow, Hoover Institution and Stanford Law School.

Richard Morningstar, Former Ambassador to the European Union, Ambassador to Azerbaijan, and Special Envoy for Eurasian Energy.

Tymofiy Mylovanov, President of the Kyiv School of Economics; Associate Professor, University of Pittsburgh.

Oleksandr Novikov, Head of the National Agency on Corruption Prevention, Ukraine.

Steven Pifer, Former U.S. Ambassador to Ukraine; Affiliate, Center for International Security and Cooperation, Stanford University.

Lukasz Rachel, Assistant Professor of Economics, University College London.

Dr. Benjamin L. Schmitt, Senior Fellow, Kleinman Center for Energy Policy, University of Pennsylvania; Associate, Harvard-Ukrainian Research Institute; Senior Fellow, Center for European Policy Analysis (CEPA); Rethinking Diplomacy Fellow and Space Diplomacy Lab Co-Founder, Duke University.

Moritz Schularick, Professor, Sciences Po Paris, and University of Bonn.

Stephen Sestanovich, Professor, Columbia University School of International and Public Affairs; Senior Fellow, Council on Foreign Relations.

Natalia Shapoval, Vice President for Policy Research, Kyiv School of Economics.

Jeffrey A. Sonnenfeld, Senior Associate Dean for Leadership Studies and Lester Crown Professor of Leadership Practice, Yale School of Management.

William B. Taylor, Former U.S. Ambassador to Ukraine; Vice President, Russia and Europe, United States Institute of Peace.

Steven Tian, Director of Research, Yale University Chief Executive Leadership Institute.

Pavlo Verkhniatskyi, Managing Partner, Director, COSA.

Vladyslav Vlasiuk, PhD, Secretary of Ukrainian Working Group on Russian Sanctions.

Anna Vlasyuk, Research Fellow, Kyiv School of Economics Institute.

Denys Yatsyshyn, Director, Corporate Relations, U.S.-Ukraine Business Council (USUBC).

Agiya Zagrebelska, National Agency on Corruption Prevention, Ukraine.