



International Trade & Regulatory ADVISORY ■

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U.S. State Department Targets Russian, Iranian Firms in Sanctions Move Against WMD and Missile Proliferation

The U.S. Department of State imposed sanctions on September 2, 2015, against 23 companies around the world for involvement in the transfer or purchase to or from Iran, North Korea or Syria of goods, services or technology listed on multilateral export or U.S. national control lists or other items that could make a material contribution to the development of weapons of mass destruction or missile proliferation. Sanctions have been enacted against these companies under Section 3 of the Iran, North Korea, and Syria Nonproliferation Act. The sanctions include broad prohibitions on the export of controlled items to penalized companies and the denial of access for those companies to U.S. government procurement, assistance or defense articles or services.

From the State Department notice:

The Act provides for penalties on foreign entities and individuals for the transfer to or acquisition from Iran since January 1, 1999; the transfer to or acquisition from Syria since January 1, 2005; or the transfer to or acquisition from North Korea since January 1, 2006, of goods, services, or technology controlled under multilateral control lists (Missile Technology Control Regime, Australia Group, Chemical Weapons Convention, Nuclear Suppliers Group, Wassenaar Arrangement) or otherwise having the potential to make a material contribution to the development of weapons of mass destruction (WMD) or cruise or ballistic missile systems. The latter category includes (a) items of the same kind as those on multilateral lists but falling below the control list parameters when it is determined that such items have the potential of making a material contribution to WMD or cruise or ballistic missile systems, (b) items on U.S. national control lists for WMD/missile reasons that are not on multilateral lists, and (c) other items with the potential of making such a material contribution when added through case-by-case decisions.

Russian Defense Industry a Primary Target

Five Russian defense firms have been subjected to the new sanctions order. These include Rosoboronexport,

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Russian Aircraft Corporation MiG, weapons manufacturer Instrument Design Bureau (KBP) Tula, the missile fabrication firm NPO Mashinostroyenia (NPOM), and Katod, a defense technology exporter located in Novosibirsk. Two of the newly listed firms, Instrument Design Bureau and NPOM, had previously been sanctioned as Specially Designated Nationals (SDNs) by the U.S. Treasury's Office of Foreign Assets Control.

Iranian Groups Also Sanctioned

The sanctions also target several Iranian entities affiliated with Iran's nuclear and missile development programs as well as Iran's sponsorship of terrorist activities and support for the Syrian regime of Bashar al-Assad. These include the Iranian Revolutionary Guard Corps (IRGC) Qods Force (Iran), the Rock Chemie Company of Iran, Hizballah facilitators for logistics (Syria) and Lebanese Hizballah (Syria). The targeting of Iranian organizations on the cusp of the implementation of the landmark nuclear nonproliferation treaty appears to reinforce the stated intention of the Obama Administration to maintain certain types of sanctions on Iran going forward.

Restrictions Associated with the Sanctions

Effective September 2, 2015, the following sanctions are now in effect for all firms listed in the notice. U.S. exporters should take special note of the new prohibitions on export of controlled items:

- No department or agency of the United States Government may procure or enter into any contract for the procurement of any goods, technology, or services from these foreign persons, except to the extent that the Secretary of State otherwise may determine;
- No department or agency of the United States Government may provide any assistance to these foreign persons, and these persons shall not be eligible to participate in any assistance program of the United States Government, except to the extent that the Secretary of State otherwise may determine;
- No United States Government sales to these foreign persons of any item on the United States Munitions List are permitted, and all sales to these persons of any defense articles, defense services, or design and construction services under the Arms Export Control Act are terminated; and
- No new individual licenses shall be granted for the transfer to these foreign persons of items the export of which is controlled under the Export Administration Act of 1979 or the Export Administration Regulations, and any existing such licenses are suspended.

These sanctions apply not only to the listed companies, but also to any successor, sub-unit or subsidiary of a sanctioned entity. In recent weeks, the U.S. has tightened sanctions on Russia following the apparent divestment of sanctioned entities by Russian persons attempting to circumvent U.S. export controls. U.S. manufacturers and exporters should exercise extreme caution and due diligence when dealing with foreign parties seeking to import items controlled by the U.S. Export Administration Regulations.

The full listing of foreign entities subject to these sanctions may be found at the *Federal Register* here: <https://www.federalregister.gov/articles/2015/09/02/2015-21778/imposition-of-nonproliferation-measures-against-foreign-persons-including-a-ban-on-us-government>.

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