

## International Trade Alert

### State Department Lifts Sanctions Against Russian Entities Imposed for Exports to Iran and Syria

May 27, 2010

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On Friday, May 21, 2010, the U.S. Department of State announced the repeal of sanctions against Rosoboronexport State Corporation, the Russian state agency for the export and import of military and dual-use items, that had been in place since 2006, as well as the repeal of certain other sanctions on three Russian entities (the D. Mendeleev University of Chemical Technology of Russia, the Moscow Aviation Institute and the Tula Institute Design Bureau) that had been in place at various times since 1999. (See [75 Fed. Reg. 28672](#) and [75 Fed. Reg. 28673](#).)

The sanctions on these entities had been imposed for transferring sensitive missile and nuclear goods and technology to Syria and Iran. Although U.S. government officials stated that the lifting of sanctions was not directly related to Russia's agreement last week to new United Nations sanctions against Iran, State Department spokesman P.J. Crowley stated that, "Over time, Russia's approach to Iran has evolved" and "Russia's ability to work with us on nonproliferation has given us confidence we can take this step while protecting our nonproliferation interests."

The lifting of these sanctions and Mr. Crowley's statement may signal a new opening in U.S.-Russia trade relations that could lead to the further reduction of restrictions on exports to Russia and on dealings with Russian entities in the future, including possible liberalization of export controls, more favorable treatment of license applications, expanded U.S. government assistance to Russian companies and greater market access to the U.S. and Russian markets.

The sanctions that had been imposed against the four entities include the following—

- **No U.S. Government Procurement** – The U.S. government could not procure, or enter into contracts to procure, any goods, technology or services, and contracts in existence on the effective date of the sanctions were subject to case-by-case review. (D. Mendeleev University, Moscow Aviation Institute, Rosoboronexport, Tula Institute (until 2008))
- **No U.S. Government Assistance** – The U.S. government could not provide any government assistance to these entities. (D. Mendeleev University, Moscow Aviation Institute, Tula Institute, Rosoboronexport)
- **No Imports into the United States, Except Information/Informational Materials** – The U.S. government prohibited the importation of goods, technology and services produced or provided by these entities, other than information and informational materials, into the United States. (D. Mendeleev University, Moscow Aviation Institute)
- **Suspension of All State Department Licenses and Denial of New Licenses** – The State Department suspended all licenses and other approvals and implemented a policy of denial for new licenses and approvals for 1) exports of defense articles and services from the United States, 2) transfers of U.S.-origin defense articles and services from non-U.S. destinations and 3) temporary imports of defense articles to or from these entities. (D. Mendeleev University, Moscow Aviation Institute)
- **Designation on the Entity List with a Presumption of Denial** – The U.S. Department of Commerce listed certain entities on the Bureau of Industry and Security's Entity List and required a license to export all items subject to the



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Export Administration Regulations (EAR) having a classification other than EAR99 to these entities, with a presumption that the license application will be denied. (D. Mendeleev University, Moscow Aviation Institute, Tula Institute)

- **No Sales of U.S. Munitions List (USML) Items** – The U.S. government could not sell any items on the USML, and all sales of defense articles, defense services and design and construction services under the Arms Export Control Act were terminated. (Rosoboronexport, Tula Institute (until 2008))
- **No Transfer of Items Subject to the Export Administration Regulations** – The U.S. Department of Commerce could not grant any new individual licenses for the transfer of items controlled under the EAR (i.e., so-called “dual-use” items), and any existing licenses were suspended. (Rosoboronexport, Tula Institute (until 2008))

The State Department’s action lifted the sanctions against all of these entities with respect to U.S. government procurement, U.S. government assistance and imports into the United States; it also lifted the sanctions against Rosoboronexport with respect to U.S. government sales of USML items and the transfer of EAR items. However, since these entities had little, if any, engagement with the United States to begin with, the sanctions likely had negligible economic impact on them, and it is unclear whether these entities will win government contracts, receive U.S. government aid or export items to the United States in significant quantities now that the sanctions are lifted. Moreover, the current round of sanctions against Rosoboronexport was set to expire on October 23, 2010 in any event, although the U.S. government had renewed its sanctions against the company twice previously.

Finally, notwithstanding the State Department’s May 21, 2010 announcement, the D. Mendeleev University, the Moscow Aviation Institute, and the Tula Institute continue to be listed on the [Entity List](#) and are thereby subject to a presumption of denial for exports to these entities of items that are subject to the EAR. Also, all licenses and other approvals for defense articles and services involving the D. Mendeleev University and the Moscow Aviation Institute continue to be suspended, and new licenses and other approvals for exports and temporary imports of defense articles and services destined for these two entities continue to be subject to a policy of denial. (See 64 [Fed. Reg. 2936](#) and 75 [Fed. Reg. 28672](#).) Therefore, it will still be very difficult to export sensitive goods, software and technology with U.S.-origin content or a U.S. nexus to these three entities.

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