

# U.S. and UK Impose New Sanctions on Belarus

17 August 2021

On 9 August 2021, the United States and the United Kingdom implemented new extensive sanctions against the Republic of Belarus. Although announced at the same time, and targeting some of the same industries, the new United States and United Kingdom sanctions are substantively different in form and scope. While the United States chose to extend its sanctions primarily through targeted additions to its Specially Designated Nationals and Blocked Persons List, using both newly introduced and existing Belarus sanctions authorities, the United Kingdom has introduced broader new trade restrictions, which mirror the scope of the enhanced sanctions imposed by the European Union on Belarus on 24 June 2021 (see our [Client Update](#)).

The U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") applied blocking sanctions to 44 Belarus-related entities and individuals under newly added and existing Belarus sanctions authorities. The new U.S. sanctions authorities were introduced under [Executive Order of August 9, 2021](#) (the "Order") and authorize U.S. blocking sanctions to be applied to persons determined to operate in certain key sectors of the Belarus economy, engage in certain enumerated activities in Belarus or be related to the Belarus government.

The United Kingdom's sanctions were imposed by the [Republic of Belarus \(Sanctions\) \(EU Exit\) \(Amendment\) Regulations 2021](#) (the "Regulations") and introduced a raft of new trade restrictions, which affect Belarus' petrochemical, potash and tobacco industries. The Regulations also imposed capital market restrictions on certain state-owned Belarus banks and strengthened trade restrictions on goods that could be used for internal surveillance. The United Kingdom also added a prominent Belarus businessman, Mikhail Gutseriev, to its asset-freeze list.

The United States and United Kingdom have progressively introduced new waves of sanctions against Belarus since October 2020, following the August 2020 Belarusian presidential election and the subsequent protests following allegations of election fraud by the Lukashenko regime. The United States and United Kingdom, in coordination with Canada and the European Union, imposed further sanctions on Belarus in June 2021. These measures responded to the diversion of Ryanair flight 4978 in May 2021

and the subsequent detention of Roman Protasevich and Sofia Sapega. These latest U.S. and UK sanctions, imposed in coordination with Canada, represent the largest set of Belarus-related designations to date by both countries.

The wide scope of these measures will have significant impacts on businesses that operate in Belarus or trade with Belarus counterparties. Companies should therefore update their sanctions controls and procedures to take account of the new measures and designations.

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## U.S. Sanctions against Belarus

### **The Scope of the Measures.**

The Order expands U.S. sanctions authorities under which blocking sanctions may be imposed on a range of Belarus-related persons. Pursuant to the new authorities, blocking sanctions may be imposed on persons determined to operate in certain sectors of the Belarus economy including energy, potash and tobacco products. Additionally, persons determined to engage in, or to be leaders of entities engaged in, certain Belarus-related activities identified in the Order—including election fraud, public corruption, sanctions evasion, or limiting human rights, fundamental freedoms and access to media—may be targeted by U.S. sanctions.

The Order authorizes sanctions to be imposed on designated Belarus government officials, persons owned or controlled by, or acting for, the Belarus government, or political subdivisions, agencies or instrumentalities of the Belarus government. As a result, Belarus state-owned enterprises, government committees, local government bodies or other persons related to the Belarus government may become subject to U.S. blocking sanctions.

The Order also authorizes sanctions on those that have “materially assisted, sponsored, or provided financial, material, or technological support” to persons whose property is blocked under the Order or for activities sanctionable under the Order.

The Order does not generally block the Belarus government, government officials or state-owned enterprises. It also does not impose sectoral sanctions on Belarus or automatically block all persons operating in a certain sector of the Belarus economy.

### **Who Has Been Designated?**

OFAC designated 23 individuals and 21 entities pursuant to the Order and existing Belarus sanctions authorities. Among them is Belaruskali OAO, a Belarusian state-

owned enterprise that is one of the worlds' largest producers and exporters of Potash. [Belarus General License 4](#) provides a 120-day wind-down period for transactions by U.S. persons related to Belaruskali OAO. Grodno Tobacco Factory Neman, another Belarusian state-owned enterprise, has also been designated but with no wind-down period.

OFAC designated the Belarusian National Olympic Committee, describing it as a tool for the Lukashenko regime to launder funds and evade sanctions. Other persons designated by OFAC include three directors of previously designated Belarusian state-owned enterprises, two Belarusian government officials close to Lukashenko, five Belarusian government officials involved with the Ryanair incident, several prominent businesspeople and their businesses, and persons associated with Belarusian security services.

The Order also creates a risk of secondary sanctions being imposed on any persons who directly or indirectly engage in transactions with persons who are sanctioned under the Order.

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## UK Sanctions against Belarus

### The Scope of the Measures.

The Regulations impose a wide-ranging package of trade, financial and aviation sanctions on Belarus, largely matching the sanctions implemented by the European Union on 21 June 2021. The UK measures now include:

- Capital market restrictions, which prohibit providing certain loans or credit to, or dealing with certain securities or money-market instruments of, the Belarusian state or a state-owned bank;
- Restrictions on providing certain financial or technical assistance in relation to petroleum products or certain [named](#) aircraft;
- Export restrictions on tobacco products and import restrictions on potash and petroleum products;
- Restrictions on certain insurance and reinsurance activities involving Belarusian state bodies;
- Restrictions on Belarusian air carriers overflying or landing in the United Kingdom; and

- Asset freeze and travel restrictions on Mr. Mikhail Gutseriev.

In addition, the existing restrictive measures continue to apply, namely:

- Restrictions on trade in, or the provision of financial or technical assistance in relation to, military goods, dual-use goods or technology, or goods that can be used for internal repression; and
- Asset freezes and travel restrictions on 99 persons and asset freezes on nine entities.

### Who Has Been Designated?

The United Kingdom followed the European Union's lead in designating Mr. Mikhail Gutseriev, "a prominent Russian businessman who is one of the main private investors in Belarus and a longstanding associate of Alexander Lukashenko." Mikhail Gutseriev is the founder of the SAFMAR group, a conglomerate that holds shares in major Russian companies including PJSC RussNeft and Russian Coal, as well as companies in Belarus, Azerbaijan and Kazakhstan.

The UK sanctions' "ownership and control" test means that the asset-freeze restrictions also apply to any entities majority owned or controlled by a designated individual. This has significant implications for UK companies that do business with entities linked to Mikhail Gutseriev, as they need to ensure that such entities do not fall within the scope of the sanctions.

### A Move by the United Kingdom to Continue Using "EU-style" Sanctions?

The United Kingdom trailed the European Union by over a month in introducing these measures and announced them on the same day as the U.S. (and Canadian) sanctions on Belarus. This delay may reflect the United Kingdom's desire to show closer alignment to U.S. sanctions policy. When introducing the UK Global Anti-Corruption Sanctions Regulations 2021 in Parliament on 26 April 2021, the UK Secretary of State, Dominic Raab, referenced the United Kingdom's continuing work with its partners, including the United States and Canada, in implementing sanctions. He made fewer references to cooperating with the European Union.

That said, the EU and UK sanctions regimes targeting Belarus are now broadly aligned, and the United Kingdom did not match the more narrow U.S. sanctions. That may suggest that the European Union remains a significant influence on the design of sanctions imposed by the United Kingdom.

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## Implications for Business

The newly introduced sanctions are expansive and likely to impact companies involved in a wide range of industries. As with the recent EU sanctions, companies that operate in Belarus, or trade with Belarus counterparties, should carefully review whether the new U.S. and UK sanctions could affect their operations including potential supply chain issues. In particular, businesses with a UK nexus should consider whether they have any contact with entities that may be owned or controlled by Mikhail Gutseriev, wherever those entities are located. Businesses should also ensure that their sanctions-screening procedures and due diligence processes are up to date and sufficiently robust to take account of the new measures and designations.

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