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Who's an Oligarch? Rich Russians Fret Over U.S. Sanctions Label

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Kremlin Press Service

(Bloomberg) — When Debevoise & Plimpton lawyers held a seminar in Moscow to explain the impact of new U.S. sanctions legislation, they had to rent out a hall in a hotel to hold all the worried clients who signed up.

A big reason for the interest is a provision in the law that gives President Donald Trump's executive branch until February to identify "oligarchs" close to Vladimir Putin who can be slapped with visa bans and asset freezes as further punishment for Kremlin election meddling.

With the Treasury Department, which is leading the effort, giving little indication of how the list is being compiled, Russia's billionaire class is in the throes of a kind of helpless anxiety. One of the country's richest men said it would be stupid to try to lobby against inclusion in Washington because that would only put a bigger target on his back.

Being classified an oligarch by the U.S. won't automatically trigger the kind of penalties that

have already been imposed on dozens of Russian insiders and state companies over both the election issue and Ukraine. But the threat alone is enough to damage the commercial prospects of an almost unlimited number of Russians, according to Alan Kartashkin, a Debevoise partner in Moscow.

“It could be an endless list,’’ Kartashkin said. “If you’re a Russian oligarch, you don’t want to be on it,” he added.

Frozen Out

Several billionaires with varying degrees of political clout said they’re alarmed by the possibility of being singled out and are peppering their U.S. lawyers and lobbyists with queries about what they can do if they are. The answer: nothing.

An executive at a major U.S. law firm said that all of his major Russian clients are worried about the blacklist and that he fears he’ll be forced to stop representing any who are included. Even some non-billionaires who are no longer close to the Kremlin say they’re feeling the squeeze.

The U.S. law, which Trump grudgingly signed on Aug. 2 after it passed Congress with a veto-proof margin, instructs the Treasury, together with the State Department and intelligence agencies, to identify officials and oligarchs as determined by “their closeness to the Russian regime and their net worth.” The report, due within 180 days of the law’s signing, must include “indices of corruption with respect to those individuals” and any foreign assets they may have.

‘Disgusting’ Ties

The legislation also allows Congress to block Trump from rolling back penalties on Russia and raises the possibility of barring purchases of sovereign Russian debt by U.S. investors. Such a bond ban could deal a major blow to Russia’s finances and make it all but impossible for Trump to achieve his goal of improving America’s relations with its Cold War foe.

Despite high hopes in the Kremlin that Trump’s surprise victory would bring warmer ties, tensions have only deepened as multiple investigations into possible collusion between the U.S. leader’s campaign and Russia wind their way through Washington.

Prime Minister Dmitry Medvedev, a Putin lieutenant for two decades, called the state of the relationship “disgusting” last week. And that was before former National Security Adviser Michael Flynn Friday pleaded guilty to lying to investigators about his discussions of sanctions and other issues with the Russian ambassador before Trump took office.

While the U.S. may be succeeding in making life difficult for some of Putin’s closest allies, that’s not turning into pressure on him to change course, according to Olga Kryshtanovskaya, a sociologist who studies the ruling elite at the Russian Academy of Sciences.

“You can’t be here and have a conflict with him,” Kryshtanovskaya said. “So if the West thinks they can topple Putin with this, they won’t.”

Among business tycoons, concern about the new sanctions list is showing up only as timid

reluctance among some to be seen prominently at Kremlin events, said one, insisting on anonymity.

‘Make Them Radioactive’

Compounding the anxiety in Moscow is the bipartisanship Congress is showing over the sanctions issue. In October, after legislators complained the Trump administration was dragging its feet on listing Russian defense and intelligence companies to be targeted, the Treasury Department added more names than many observers expected.

“People thought the list would be very small but it was much broader,’’ said Adam M. Smith, a former top Treasury sanctions official who now works for the law firm Gibson Dunn. With the oligarch list, “you could imagine a situation where it’s much broader as well,” he said.

Ben Cardin, the top Democrat on the Senate Foreign Relations Committee, said he and other senators including Republican John McCain intend to hold Trump’s feet to the fire on the meddling issue.

“We want the list,” Cardin said. “We’re monitoring very closely the administration’s compliance with the bill we passed.”

Congress’s resolve is clearly sowing fear in Russia, proving that sanctions can be a powerful tool, according to Daniel Fried, a top State Department official under the Obama administration who’s now a fellow at the Atlantic Council.

The goal is to “freeze them out of the U.S. system, freeze them out of the dollar and pretty much make them radioactive,” Fried said.

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