

March 28, 2022

NEW US RESTRICTIONS ON LUXURY GOODS EXPORTS TO RUSSIA

On March 11, 2022, President Biden issued Executive Order 14068 (EO 14068) Prohibiting Certain Imports, Exports, and New Investment with Respect to Continued Russian Federation Aggression, prompting a set of new regulations addressing, among other things, the luxury goods market. Below are some key takeaways:

· **The Scope.** The EO prohibits the exportation, re-exportation, sale, or supply (either directly or indirectly) of “luxury goods” from the United States or by a “United States person,” wherever the person may be located, to any Russian person in Russia, or to any Belarusian person in Belarus.

· **United States Person.** Means any US citizen, lawful permanent resident, entity organized under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States.

· **The March 16, Final Published Rule.** The final rule, published last week, finally gave clarity by defining “luxury goods” to include the following categories:

- Beverages, spirits, and vinegar
- Tobacco and manufactured tobacco substitutes
- Essential oils and resinoids; perfumery, cosmetic, or toilet preparations
- Plastics
- Leather
- Fur and artificial fur
- Wood
- Printed materials (including books and newspapers)
- Silk
- Fabric and textiles
- Apparel, shoes, and accessories
- Ceramic and glass/glassware
- Metals and precious metals
- Machinery
- Vehicles
- Clocks and watches
- Musical instruments
- Art

The above restrictions are in addition to the wide array of US and multilateral sanctions already existing and recently expanded. Their aim is to further curtail commercial activities with Russia and are intended to affect Russia’s wealthiest citizens most directly by seeking to prevent them from obtaining luxury goods. The extensive list of persons already subject to direct sanctions, and who appear in the Office of Foreign Assets Control’s (“OFAC”) list of specially designated nationals, are already cut off directly from the supply of the categories of goods described above.

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The EO and accompanying restrictions act to further restrict the supply of goods into Russia and Belarus, regardless of whether the purchaser is included in OFAC's list.

We are available to analyze and discuss with our clients the implementation of appropriate compliance measures in view of the above regulations.

Contacting Pavia & Harcourt LLP

Questions regarding matters discussed in this publication may be directed to Giovanni Spinelli at gspinelli@pavialaw.com or Nicolo' Majnoni at nmajnoni@pavialaw.com.

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