

**Congress of the United States**  
Washington, DC 20510

April 1, 2022

The Honorable Antony J. Blinken  
Secretary of State  
U.S. Department of State  
2201 C Street, NW  
Washington, DC 20520

The Honorable Janet Yellen  
Secretary of the Treasury  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

Dear Secretaries Blinken and Yellen,

We write to urge the Biden Administration to examine U.S. sanctions on goods that are produced by or benefit Russian companies or oligarchs close to the Kremlin, specifically in the diamond industry and Alrosa, a company already sanctioned to an initial degree along with its CEO Sergei Sergeevich Ivanov. We commend President Biden's March 11<sup>th</sup> announcement that the United States would prohibit imports of Russian-origin diamonds and agree that those who personally gain from the Kremlin's policies should share in the pain of a vigorous sanctions regime. With that said, more must be done to make sure that sanctioned Russian companies and the oligarchs that run them cannot exploit loopholes to profit from U.S. consumers and the global economy.

Alrosa is the world's largest diamond mining company, with sales that totaled \$4.2 billion in sales last year, it is responsible for 90 percent of Russia's diamond mining capacity, which accounts for 28 percent globally. It is a company that is one-third owned by the Russian government, and until recently had an office in New York City. Alrosa's CEO is Sergei Sergeevich Ivanov, son of one of Putin's closest allies, Sergei Borisovich Ivanov. Sergei Borisovich Ivanov previously served as the Chief of Staff of the Presidential Executive Office, Deputy Prime Minister, and Defense Minister of Russia and remains a permanent member of the Security Council of the Russian Federation.

We are concerned that the two tranches of sanctions issued by the Treasury Department to target Russia's diamond industry will have a minimal impact on Alrosa and Sergei Ivanov's ability to freely operate on the world market. The February 24<sup>th</sup> sanctions that listed Alrosa only blocked debt and equity transactions, making a small dent in Russia's oversized stake in the global diamond trade.<sup>1</sup> Although an important initial step, along with the designation of Alrosa's CEO, these have yet to impede trade and revenues that eventually reach the Kremlin.

The administration also announced an import ban on March 11<sup>th</sup> which would ban "products of Russian Federation origin," including non-industrial diamonds, from entering the United States.<sup>2</sup> Experts note a "major loophole" remains in the sanctions regime that allows for importation of diamonds manufactured in India or elsewhere because of the interpretation provided in OFAC FAQs.<sup>3</sup> Namely, the term "Russian Federation origin" excludes goods "substantially transformed in a third country," and it has long been the view of Customs and Border Protection that the cutting or polishing of diamonds in a third country would qualify as a substantial transformation. A recent report on the diamond industry indicated approximately

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<sup>1</sup> U.S. Department of Treasury, "U.S. Treasury Announces Unprecedented & Expansive Sanctions Against Russia, Imposing Swift and Severe Economic Costs," February 24, 2022

<sup>2</sup> "Executive Order on Prohibiting Certain Imports, Exports, and New Investment with Respect to Continued Russian Federation Aggression," March 11, 2022

<sup>3</sup> Rob Bates, "U.S. Ban on Russian Diamond Imports May Have Major Loophole," *JCK Online*, March 14, 2022

95% of the world's diamonds are cut and polished in India.<sup>4</sup> Thus, as it stands at this time, a diamond can be mined by an Alrosa subsidiary, polished or cut in India or another country, and sold to the United States without any prohibition, making a profit for the Russian government.

We first ask that the Treasury Department reconsider the interpretation of origin that allows for the importation of diamonds from countries that may cut or polish Alrosa's diamonds. Second, the United States should work with its Indian counterparts, as well as those in trading centers such as Dubai, to ensure they are not being used to line the pockets of those closest to Vladimir Putin. Finally, State and Treasury Departments should provide guidance to Customs and Border Protection (CBP) and the Department of Homeland Security (DHS) to ensure we prohibit the importation of Russian diamonds into the United States.

Vladimir Putin's unprovoked and brazen invasion of the sovereign territory of Ukraine should be met with a forceful response from the United States and its partners. Luxury goods, especially items like diamonds that are used mainly for export to wealthy nations, should be among the first that Treasury and State Departments consider future action. We ask for your consideration of additional actions that would constrain the Kremlin's capacity to access revenue from their diamond industry which could fund the invasion of democratic and sovereign Ukraine.

Sincerely,



Gerald E. Connolly  
Member of Congress



Austin Scott  
Member of Congress

Brian Fitzpatrick  
Member of Congress

Dina Titus  
Member of Congress

Neal P. Dunn, M.D.  
Member of Congress

Michael Turner  
Member of Congress

Young Kim  
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Peter Meijer  
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David Trone  
Member of Congress

James P. McGovern  
Member of Congress

Ken Buck  
Member of Congress

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<sup>4</sup> Olya Linde, Sophia Kravchenko, Ari Epstein, Karen Rentmeesters, "The Global Diamond Industry 2020–21," *Bain & Company*