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United States Senate

COMMITTEE ON ARMED SERVICES

WASHINGTON, DC 20510-6050

CHRISTIAN D. BROSE, STAFF DIRECTOR
ELIZABETH L. KING, MINORITY STAFF DIRECTOR

June 2, 2016

The Honorable Jacob J. Lew
Secretary of the Treasury
Washington, D.C. 20220

Dear Secretary Lew,

I write to express my concern with the appearance of selective enforcement of sanctions imposed in response to the invasion of Crimea by the Russian Federation. I am particularly troubled that, today, the Administration is allowing for the procurement of rocket engines for military space launches that result in the payment of money to a Russian state-owned corporation controlled by officers or directors who have been individually sanctioned in connection with that invasion.

In a March 2, 2016 letter, responding to a request from the Senate Armed Services Committee to review the sanctions' implications of Russian President Putin's recent reorganization of the Russian space enterprise, the Acting Director of the Office of Foreign Assets Control (OFAC) conceded that resulting control over Roscosmos or NPO Energomash by individuals sanctioned under Executive Order (E.O.) 13661 could be a "potential basis for OFAC to designate those entities and block their property and interests." In fact, there are numerous Roscosmos board members and executives who have either been targeted by sanctions under E.O. 13661 or that have ties to Russian corporations sanctioned under E.O. 13662.

For example, Sergei Chemezov, a prominent board member of Roscosmos, is currently subject to sanctions under E.O. 13661. Chemezov's state-owned corporation, a defense company called Rostec, is also sanctioned under E.O. 13662. In addition, Novikombank, a Rostec-owned bank that finances Roscosmos' operations, is sanctioned under E.O. 13662.

This is very troubling. When examining the organizational structure of Roscosmos after Putin's recent restructuring initiative, it becomes abundantly clear that we are funneling U.S. taxpayer dollars to a Russian space agency that is financed by a sanctioned Russian bank, which is owned by a sanctioned Russian defense company, and which is controlled by a sanctioned Russian CEO, who also happens to be a close personal friend of Vladimir Putin.

Moreover, other Russian companies owned by Rostec and controlled by Chemezov have already been targeted by U.S. sanctions under E.O. 13662. For example, Rosoboronexport, a state-owned arms exporter and subsidiary of Rostec, was first targeted by U.S. sanctions in September 2015. Kalashnikov, Russia's largest manufacturer of automatic and sniper weapons and guided artillery shells, was first targeted by sanctions in July 2014. Why, then, is Russia's space industry receiving such disparate treatment, especially in light of how it is financed and controlled?

Considering the relationship between Sergei Chemezov and Dmitry Rogozin, as well as numerous other Roscosmos board members and executives who have been targeted by U.S.

sanctions or who have ties to sanctioned Russian corporations, OFAC's decision to date not to enforce current sanctions against Roscosmos and NPO Energomash appears disturbingly arbitrary and hypocritical.

I therefore request that OFAC (1) conduct the due diligence necessary to conclusively determine whether federal funding associated with the purchase of space launch activities under the Evolved Expendable Launch Vehicle (EELV) program is being used for a purchase from, or payment to, any entity owned or controlled by any person included on the list of specially-designated nationals and blocked persons maintained by the OFAC pursuant to Executive Order 13661 or any other executive order or provision of law imposing sanctions with respect to the Russian Federation in connection with the invasion of Crimea by the Russian Federation; and (2) report timely to the Committee on its findings.

Thank you for your attention to this important request. If your staff has any questions about this letter, your staff may contact Majority Professional Staff Member Daniel Lerner at 202-224-9349.

Sincerely,

A handwritten signature in blue ink that reads "John McCain". The signature is fluid and cursive, with the first name "John" and last name "McCain" clearly distinguishable.

John McCain
Chairman