

The potential implications of the Sanctioning Russia and Iran Act



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An analysis of the Lindsey O. Graham Sanctioning Russia and Iran Act of 2026, and what its secondary tariff mechanism means for apparel and textile sourcing.

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The Lindsey O. Graham Sanctioning Russia and Iran Act of 2026 has been signed into law, giving the President power to impose up to 100% tariffs on goods from countries buying crude oil or natural gas from Russia. The bill doesn't mention textiles, garments, or HTS chapters 50 through 63 anywhere in its text, but the mechanism it uses is a country-wide tariff triggered by a country's energy purchases from Russia.

So, the textiles sector will likely be impacted alongside every other category of imports, depending on the exporting country's status as evaluated by USTR. This is a follow-up to our last piece on how the 2025 tariff shock moved through the value chain: same question, new trigger.

What the bill does

The bill covers a much larger sanctions package aimed at Russian officials, banks, and energy infrastructure, but two tariff provisions matter for us.

The first is a blanket duty of up to 500% on goods imported directly from Russia. This one barely touches us, since Russia isn't a meaningful apparel or textile supplier to the US.

The second is the one that is critical for us to study. Section 113 authorizes duties of up to 100% on all goods imported from any country that is among the five largest importers, by volume, of Russian crude oil or natural gas, or among the top five countries facilitating sanctions evasion, over the prior 12 months. USTR re-runs the list every 180 days, starting 180 days after the first duty takes effect. Currently, we are uncertain about which countries are on the list.

The whole sanctions title, including Section 113, sunsets automatically 5 years after enactment unless terminated earlier. The law also provides extension to the Iran Sanctions Act of 1996 which now sunsets in 2031 alongside this act.

500% maximum duty on goods imported directly from Russia	100% maximum Section 113 duty on all goods from a listed country
180 days between USTR updates to the country list	2031 automatic sunset, 5 years after enactment

So does this touch apparel and textiles?

Yes, because Section 113 is a catch all based on energy imports from Russia.

Section 113(a) applies the duty to “all goods imported into the United States from a country described in subsection (c)(and only from a country described in subsection (c)).” There are no carve-outs for apparel, footwear, home textiles, or raw fiber, and no de minimis threshold. If a country lands on that list, these additional duties will apply over and about the current duties and tariffs, irrespective of the product.

Additionally, Section 113(f) states the duty is in addition to any other duty, fee, tax, exaction, or charge applicable to the good, and names title VII of the Tariff Act of 1930, and sections 122, 201, and 301 of the Trade Act of 1974, and section 232 of the Trade Expansion Act of 1962. So a Section 301 tariff a country is already carrying stays in place, and Section 113 adds to it rather than replacing it.

Reading Section 113 closely, and where it gets murky

We reviewed subsections (a) through (i) of the enrolled text line by line, because a bill like this needs to be understood at the clause level before we can assess the true impact.

What's clear: a country becomes “described” under 113(c) two ways. Either it made new Russian energy purchases after the 30-day grace period and was among the top 5 importers, by volume, of crude oil or natural gas in the trailing 12 months, or it was among the top 5 countries facilitating Russian oil-sanctions evasion. Crude and gas get separate top 5 lists under the bill's own definitions section, so landing on either one is enough. This is a disjunctive test, not a combined one.

What isn't clear, and what matters for anyone trying to model exposure:

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| 113(d) | Section 113(d)'s exception is written around "a country described in subsection (c)(1) for the importation by that country of natural gas." One reading: it only relieves a country whose (c)(1) designation came from gas purchases specifically, so it does nothing for a country designated on crude, however little gas that country happens to import. Another reading: the exception could apply to any (c)(1) country that separately clears the gas-volume test, regardless of what put it on the list in the first place. The enrolled text is identical to the introduced version here, so this genuinely wasn't cleaned up in drafting, and the two readings produce very different outcomes for a crude-heavy buyer with little to no gas exposure. |
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| 113(d)(2) | "Has taken significant steps to reduce its imports" (113(d)(2)) has no defined metric, percentage, or baseline year. It's a discretionary call with and the text is unclear on how this will be measured or assessed. |
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| 113(c)(1)(A) | "New purchases" (113(c)(1)(A)) carries no materiality threshold. So the real impact is likely going to stem from the ranking to be reviewed every 180-days from the date of the law |
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| "Country" | The bill never defines "country" for a bloc like the EU. Duties are normally administered at the national customs level, so individual member states, Hungary and Slovakia, given their direct pipeline purchases, would likely be assessed on their own rather than "the EU" as a unit. But the statute is ambiguous on the same. |
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“Made”

113(c)(1)(A) triggers on a country having “knowingly made new purchases” of Russian crude or gas on or after the 30-day mark, but the bill never defines when a purchase is “made.” Read one way, a long-term supply contract signed before the deadline, with deliveries continuing for years afterward, was “made” before the cutoff and never counts as a new purchase, however much oil keeps flowing across the border. Read the other way, each shipment or drawdown under that contract is its own purchase event, and continued deliveries after the deadline count regardless of when the contract was signed. That gap creates an obvious incentive to front-load long-term contracts in the 30-day window if the first reading holds, and it interacts with 113(c)(1)(B), which separately catches a country for simply being among the top-5 importers by volume. Whether (A) and (B) both need to be satisfied, or either one alone is enough, isn't specified either.

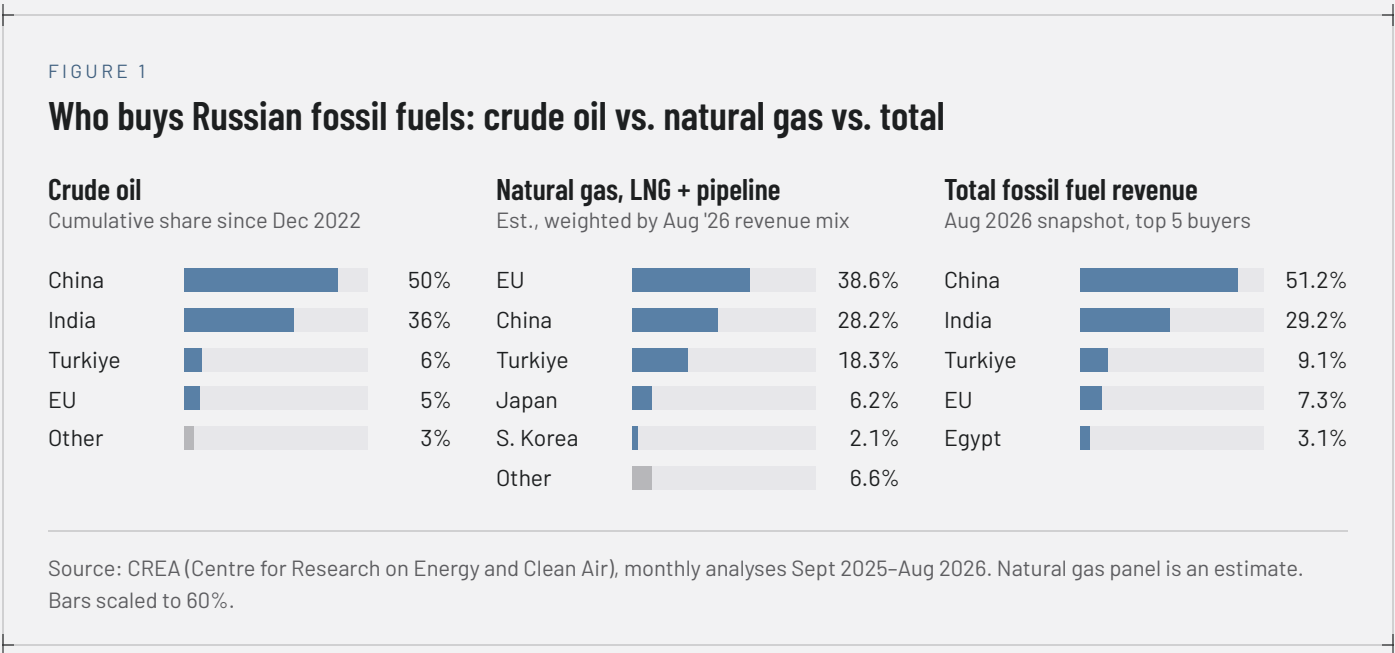
Without an implementing regulation or a USTR determination, none of this is clearly resolved. Every point above is a question for us, not a settled answer, and we are evaluating this as we get additional information.

Where the exposure actually sits

No USTR list exists yet, so we went to the closest available proxy: the Centre for Research on Energy and Clean Air (CREA), the most consistent public tracker of country-level Russian fossil fuel trade. Two caveats on this data. CREA reports revenue, not the volume the statute specifies, and its monthly write-ups don't support a clean top-10 ranking, since several months only report 3 or 4 countries with a usable figure. What follows is the best directional read available, not an official ranking.

Crude oil, cumulative share since December 2022: China 50%, India 36%, Turkiye 6%, EU 5% (concentrated almost entirely in Hungary and Slovakia via the Druzhba pipeline), the rest of the world roughly 3%.

Natural gas is more fragmented across LNG and pipeline gas, and CREA doesn't publish one combined figure. We weighted the two using the actual revenue split between them in August 2026, when pipeline ran roughly twice LNG, to get a directional blend: EU ~39% (again concentrated in a handful of member states), China ~28%, Turkiye ~18%, Japan ~6%, South Korea ~2%, the rest roughly 7%. Treat this blend as our estimate, not a CREA-published number.



The takeaway: this is a top-4 story for crude, since China, India, Turkiye, and the EU cover roughly 97% of it, and a similarly concentrated story for gas. There's no real top-10 to report with the data publicly available today.

OTEXA data: who ships us chapters 50–63

The overlap between who buys Russian energy and who supplies our apparel and textiles is the whole risk, so this section needed a real update since our last read. The picture has shifted since then, and one shift in particular is worth naming upfront.

Through the first seven months of 2026, per OTEXA-sourced apparel import data, the ranking by dollar value runs: Vietnam \$9.36B (down 1.03% year over year), Bangladesh \$4.66B (down 6.50%), China \$4.55B (down 34.21%), Indonesia \$2.74B (up 2.76%), Cambodia \$2.62B (up 10.48%), India \$2.45B (down 25.77%), and Pakistan \$1.26B (down 5.60%). Total US apparel imports came to \$41.83B, down 8.65% overall.

FIGURE 2

US apparel imports by value, January–July 2026

COUNTRY	VALUE	YOY	RUSSIAN ENERGY BUYER (CREA)
Vietnam	\$9.36B	–1.03%	Not quantifiable
Bangladesh	\$4.66B	–6.50%	Not quantifiable
China	\$4.55B	–34.21%	#1 crude
Indonesia	\$2.74B	+2.76%	Not quantifiable
Cambodia	\$2.62B	+10.48%	Not quantifiable
India	\$2.45B	–25.77%	#2 crude
Pakistan	\$1.26B	–5.60%	Not quantifiable
Total US apparel imports	\$41.83B	–8.65%	

Source: OTEXA-sourced apparel import data; CREA.

The headline is Bangladesh overtaking China for the number two spot behind Vietnam, a real reordering rather than a rounding change. A separate cut of the data through May 2026 shows China's decline carries into volume as well as price, shipped units down roughly 30% alongside the ~43% drop in value, which points to fewer orders rather than just cheaper goods.

Scope note, and it matters: this is apparel value, not the combined textile-and-apparel volume (MSME, across HS chapters 50 through 63) we cited last time. The two aren't directly comparable. India's rank drops sharply in this apparel-only cut versus the combined figure we used before, which is consistent with India being more of a fabric, yarn, and home-textile exporter than a finished-garment one. We're flagging the scope shift rather than presenting the two tables as if they measure the same thing.

Set against the CREA data, China's decline here is happening for reasons that have nothing to do with Section 113, tariff realignment already underway, not a Russian-energy-buyer designation. But if China were designated under Section 113 on top of this existing trend, the compounding effect on an already-shrinking supplier relationship is worth war-gaming now, before a list is published rather than after. India sits in a similar spot: a declining apparel supplier by this data and, per CREA, the second-largest buyer of Russian crude, which stacks two separate pressures onto the same sourcing relationship.

Bangladesh, Cambodia, Vietnam, Indonesia, and Pakistan still don't show up in CREA's country-level Russian energy data at a quantifiable level. Under the current picture, these look like the more insulated sourcing bases from this specific mechanism, and they're also the group where 2026 share is holding up or growing. That combination, energy-mechanism insulation alongside share gains already in motion, is probably the more durable read of where sourcing is heading, independent of how Section 113 plays out.

What our last analysis already told us about this scenario

Our earlier piece on the 2024–2025 tariff shock found that a 17-point increase in the average US apparel tariff rate produced only a 2% rise in import unit prices and 0.6% in retail prices. Roughly 12 weeks of pre-tariff inventory bought time, and factories and brands absorbed a disproportionate share of the hit rather than passing it through. That absorption capacity wasn't evenly distributed: small and medium factories reported far more strain than larger, better-capitalized suppliers, and Bangladesh's reported closures showed what that strain looks like at the extreme, though compounded by energy costs, labor unrest, and credit conditions unrelated to tariffs.



A Section 113 tariff would land on top of whatever baseline tariff regime is already in place, including Section 301 duties, and with a 30-day runway. If China or India is designated, there's no fresh 12-week inventory buffer to draw on. Most of it was already spent absorbing the last shock.

The clock and the discretion, side by side

A few features of the bill pull against each other. The tariff can move fast: 30 days from enactment to the first duties, then a fresh country list every 180 days, with USTR required only to give Congress ten days' written notice before a change. But the President can also stop it entirely, at any point, by certifying a waiver is in the national interest, no vote required, just a report to Congress. And the whole mechanism has a hard stop built in regardless: the 5-year sunset means Section 113 disappears on its own by 2031 even if nothing else changes. Anyone building a sourcing contingency plan around this bill is planning around a lever with an expiration date, not a permanent feature of the trade landscape.

So, what's next?

Three things are worth doing now, regardless of whether this gets triggered against a country we source from:

- 01 Map supplier country concentration against the current Russian-energy-buyer picture, using both the CREA and OTEXA data above, and re-check it every time USTR publishes an update. The list is designed to move, so a one-time exercise won't hold.
- 02 Talk to us about our read on the Section 113(d) gas exception specifically. Whether it can relieve a crude-based designation at all is unresolved even in the enacted text, and the answer changes whether a country like India has any exception pathway if designated.
- 03 Ask China- and India-based suppliers what wind-down or contingency plans they'd have if a 100% secondary tariff landed with 30 days' notice, on top of whatever Section 301 exposure they already carry. The 2025 shock showed the factories with the least cash buffer took the biggest hit, and that's worth knowing before it's tested again.

If any of this maps onto a country or supplier relationship you're already watching, we'd like to hear from you. Reach out to us at Gherzi, and we're glad to work through what a Section 113 designation would actually mean for your specific sourcing book, not just the general read above.



ABOUT THE AUTHOR

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