

# Syria Update: Significant New Sanctions Imposed

September 19, 2011 by [Thaddeus McBride](#) & [Mark Jensen](#)

On August 18, 2011, based on the “continuing escalation of violence against the people of Syria,” President Barack Obama issued [Executive Order 13582](#) (“EO 13582”) to expand significantly U.S. sanctions on Syria. This briefing summarizes those sanctions as well as the General Licenses issued—first on August 18 and again on September 9—by the U.S. government to authorize limited transactions with Syria.

## **Background.**

The United States has maintained a comprehensive export embargo and targeted economic sanctions against Syria since May 2004, when President George W. Bush issued Executive Order 13338 to implement the Syria Accountability and Lebanese Sovereignty Act of 2003. The export embargo has primarily been enforced by the U.S. Commerce Department, Bureau of Industry and Security (“BIS”), which administers controls on most exports of U.S. commercial goods, software, and technology. (The U.S. State Department has long administered a comprehensive arms embargo on Syria.)

Until the issuance of EO 13582, as summarized further below, economic sanctions against Syria were quite selective, targeting only specific types of economic transactions with certain designated entities and individuals. Those restrictions are codified in 31 C.F.R. Part 542 and, like the new sanctions

imposed pursuant to EO 13582, are administered by the U.S. Treasury Department, Office of Foreign Assets Control (“OFAC”).

### **New sanctions.**

The days of selective Syrian sanctions are over. To begin with, pursuant to EO 13582, U.S. persons are prohibited from dealing in assets of the Government of Syria, including agencies of that government. This prohibition extends to any person determined to have assisted or otherwise provided support to, to be owned or controlled by, or to be acting on behalf of, any person whose property is blocked under EO 13582. (As discussed below, several entities were so designated on August 18; in addition, three senior government officials of Syria were so designated on August 30.)

U.S. persons must also freeze assets of any such person when those assets come within their possession or control. This therefore imposes a substantial diligence obligation on any U.S. person considering conducting business with any party where there is some indication that the entity could be owned or controlled by the Syrian government. In addition, U.S. banks wherever located, if holding assets of a blocked Syrian party, or a non-U.S. bank holding such assets in its New York or other U.S. office, must block those assets with immediate effect. Pursuant to 31 C.F.R. § 501.603, the bank also must report to OFAC within ten business days of freezing any such assets.

EO 13582 also prohibits the export of services to Syria from the United States or by U.S. persons, wherever located. This covers both the direct and indirect provision of services to Syria. Based on other U.S. sanctions programs with similar prohibitions, it is likely OFAC will interpret this prohibition to mean that the provision of a service anywhere in the world, where the benefit is received in Syria, is prohibited. Before EO 13582, U.S. persons could provide many kinds of services in and to Syria; absent specific authorization from OFAC, the provision of such services is now generally prohibited.

EO 13582 also specifically blocks new investment in Syria and introduces measures that target Syria's petroleum exports, a significant source of the government's revenue. In conjunction with issuance of EO 13582, five specific energy companies affiliated with the Government of Syria were blocked.<sup>[1]</sup> In addition, the importation into the United States of Syrian petroleum or petroleum products is prohibited. More generally, U.S. persons, wherever located, are prohibited from conducting transactions involving Syrian petroleum or petroleum products.

### **General Licenses.**

As summarized above, the new sanctions are expansive and dramatically reduce the types of transactions that U.S. persons can conduct in and with Syria. OFAC has, however, issued ten General Licenses (the "GLs") to authorize certain transactions with Syria. Six GLs are dated August 18, 2011; the other four are dated September 9, 2011.

The GLs seem intended both to mitigate the effect of the new sanctions on the Syrian people and, notably, to facilitate the ability of the Syrian people to oppose their current government. In particular, GL 5 authorizes the provision of services incident to the exchange of personal communications over the Internet (*e.g.*, instant messaging, social networking, photo and movie sharing) and other such services, which have played an important role in the organization and, seemingly, the efficacy of demonstrations in Syria and elsewhere in the Arab world since the beginning of 2011. Other GLs authorize U.S. persons to provide legal services to Syrian nationals (GL 2), engage in diplomatic services related to Syria (GL 1), and impose normal bank service charges on Syrian accounts (GL 3). General License 8 authorizes certain transactions related to the conduct of official United Nations business, and GL 9 authorizes U.S. persons resident in Syria to conduct many transactions within Syria (though most transactions with blocked persons in Syria are generally prohibited).

General License 6 authorizes U.S. persons to make personal remittances to Syria. Under this GL by itself, the mechanics of making such remittances were challenging; however, such transactions have been made easier courtesy of GL 10, which authorizes U.S. financial institutions to operate accounts for non-blocked nationals of Syria so long as underlying transactions are for personal use and not to support or to operate a business in Syria (nor for the benefit of a blocked party).

General License 7 also is for the benefit of U.S. companies and individuals: it authorizes U.S. companies to take steps, until November 25, 2011, to wind down contracts or other agreements involving the Government of Syria. Among other things, GL 7 authorizes U.S. persons to transfer their interest or ownership in a Syrian investment to a non-U.S. person. Despite the broad authorization provided pursuant to GL 7, the authorization does not extend to dealings with an account held by the Government of Syria or another blocked party. In addition, parties conducting transactions pursuant to GL 7 must submit reports to OFAC within 10 business days of the underlying activity.

General License 4 authorizes the export and re-export to Syria of goods subject to the Export Administration Regulations (“EAR”) and all transactions ordinarily incident thereto, provided that the exportation or re-exportation of such items is licensed or otherwise authorized by BIS. Although GL 4 may at first seem inconsistent with the broad sanctions, there is in fact no conflict: under the EAR there is only a narrow authorization for the export and re-export of EAR99 food and medicine to Syria. See General Order No. 2 to Supplement No. 1 of Part 736. While case-by-case licensing is available for exports to Syria of certain medicine, medical devices, telecommunications equipment and associated computers, software and technology, and items in support of U.S. government or UN activities, subject to these limited exceptions, license applications are subject to a general policy of denial.

## **Conclusion.**

While the political situation in Syria is evolving, these new sanctions make clear that the U.S. government is willing to use its full arsenal of economic sanctions to influence the outcome of events in the country. Further developments are likely. Any company or individual with interests in Syria or, given the broad scope of the asset freezing components of EO 13582, elsewhere in the region, should monitor the situation closely.

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[1] Those companies are the General Petroleum Corporation, Syrian Petroleum Company, Syrian Company for Oil Transport, Syrian Gas Company, and SYTROL.