

The Trump Administration issued an Executive Order (EO) on October 14, 2019, that authorized US Department of the Treasury (Treasury) and US Department of State to impose sanctions on various Turkish individuals and entities involved in the conflict in Northern Syria. The same day that the EO was issued, Treasury's Office of Foreign Assets Control (OFAC) designated three individuals and two entities as Specially Designated Nationals (SDNs) and issued three General Licenses. Then, on October 23, 2019, OFAC announced that it has lifted the previously announced sanctions on two Turkish entities and three Turkish individuals as a result of Turkey's agreement with the US to pause its military operations in Syria.

Additionally, on October 14, 2019, the Council of the European Union (the Council) announced its condemnation of Turkey's unilateral military action in Northeast Syria.

The Council announced in press releases that urgent action is needed to stop Turkey's military advances in Northeast Syria and as a response to its drilling in the East Mediterranean. As a consequence, the Council called for a ministerial meeting to consider corresponding actions, effectively announcing the imminent consideration of sanctions against Turkey.

US

Executive Order

The EO declares a national emergency in regard to the alleged actions of the government of Turkey in conducting a military offensive in Syria. Section 1 of the EO authorizes the Secretaries of State and of the Treasury to block the property or interests in property and impose sanctions on the following:

1. Persons or entities who are responsible or complicit in actions or policies that threaten the peace, security, stability, or territorial integrity of Syria, or the commission of serious human rights abuses
2. Current or former Turkish government officials
3. Turkish government subdivisions, agencies or instrumentalities
4. Persons or entities operating in certain sectors of the Turkish economy, as identified by the Secretaries of State and of the Treasury
5. Persons or entities who materially assisted, sponsored or provided financial, material or technological support, or goods or services to, any blocked person or entity
6. Persons or entities owned or controlled by, or acting on behalf of, any blocked person or entity



Section 2 authorizes for the imposition of primary or secondary sanctions on the following persons:

1. Those responsible for or complicit in, directly or indirectly engaged in, or who have financed:
 - a. The obstruction, disruption or prevention of a ceasefire in Northeastern Syria
 - b. The intimidation or prevention of displaced persons from voluntarily returning to their residences in Syria
 - c. Forcible repatriation of persons or refugees to Syria
 - d. Obstruction, disruption, or prevention of efforts to promote a political solution to the Syrian conflict, including:
 - i. Convening and conducting a credible and inclusive Syrian-led constitutional process under the auspices of the UN
 - ii. The preparation for and conduct of UN-supervised elections, pursuant to the new constitution, that are free and fair and to the highest international standards of transparency and accountability
 - iii. The development of a new Syrian government that is representative and reflects the will of the Syrian people
2. An adult family member of a person designated under subsection (1) of this section
3. Those responsible for or complicit in, or has directly or indirectly engaged in, or attempted to engage in, the expropriation of property, including real property, for personal gain or political purposes in Syria

Section 3 authorizes the imposition of sanctions on a foreign financial institution that knowingly conducted or facilitated any significant financial transaction for or on behalf of any person whose property and interests in property are blocked pursuant to Section 1.

OFAC Designations

The OFAC designations were in response to the Turkish government's alleged use of Turkish forces to endanger civilians and destabilize the region. The three individuals who were previously designated and have now been removed from the SDN List are:

- Hulisi Akar, Turkey's Minister of National Defence
- Suleyman Soylu, Turkey's Minister of Interior
- Fatih Donmez, Turkey's Minister of Energy

The two entities who were previously designated and have now been removed from the SDN List are the Republic of Turkey's Ministry of National Defence and the Ministry of Energy and Natural Resources. As a result of OFAC's actions, all property and interests in property, which were blocked solely as a result of those designations, are now unblocked and all otherwise lawful transactions involving US persons with these individuals or entities are no longer prohibited.

General Licenses

When OFAC designated the individuals and entities mentioned above, it simultaneously issued three Syria-related general licenses that permit certain transactions with the designated individuals or entities. General License 1, "Official Business of the United States Government," permits US government employees, grantees, or contractors to engage in transactions otherwise prohibited by the new EO, provided the conduct is for the official business of the US government. General License 1 does not authorize any transaction or activity prohibited by any other EO or any part of 31 CFR chapter V.

General License 2, "Authorizing Certain Activities Necessary to the Wind Down of Operations or Existing Contracts Involving the Ministry of National Defence or the Ministry of Energy and Natural Resources of the Government of Turkey," created a wind down period that was to be effective through 12:01 a.m. EST, November 13, 2019, for all otherwise prohibited transactions and activities that were incident to the wind down of operations, contracts or other agreements with the Ministry of National Defence or the Ministry of Energy and Natural Resources, or any entity in which either Ministry owned a 50% or greater interest. General License 2 did not authorize (1) any debit to an account of a person blocked pursuant to the October 14, 2019 EO, that was on the books of a US financial institution; or (2) any transactions or activities otherwise prohibited by any other EO or any part of 31 CFR chapter V.

General License 3, "Authorizing Official Activities of Certain International Organizations Involving the Ministry of National Defence or the Ministry of Energy and Natural Resources of the Government of Turkey," authorized otherwise prohibited transactions and activities that were for the official business of the United Nations, including its Programmes and Funds, and its Specialized Agencies and Related Organizations. General License 3 did not authorize (1) unblocking of property blocked pursuant to the October 14, 2019 EO, or any part of 31 CFR chapter V, except as expressly authorized by General License 3; or (2) any transaction or dealing otherwise prohibited by the October 14, 2019 EO, any other EO or any part of 31 CFR chapter V.

Persons engaged in prohibited transactions or activities with any of the previously designated individuals or entities ran the risk of exposing themselves to designation. Additionally, any foreign financial institutions that knowingly facilitated significant transactions for or on behalf of the previously designated individuals or entities risked becoming subject to US correspondent or payable through account sanctions.

EU

Sanctions Consideration in Light of Military Action in Northeast Syria

The Council of the European Union issued a [press release](#) in which it condemned Turkey's unilateral military action in Northeast Syria and called on Turkey for an immediate withdrawal of its troops. The Council emphasized the importance of continuing the UN-led peace keeping effort and the progress made on defeating Da'esh, which will be critical to maintaining security for Turkey, the immediate region, and on the European and international levels.

The Council also highlighted its decision to halt arms exports licensing to Turkey, and announced further decisions on arms exports to Turkey will be made at a working group meeting.

Sanctions Consideration in Light of Illegal Drilling in Cyprus

Also on October 14, the Council issued a [press release](#) whereby it reaffirmed its support for Cyprus's sovereignty and sovereign rights in light of Turkey's continued illegal drilling of hydrocarbons in the Eastern Mediterranean.

The Council invited the High Representative of the Union for Foreign Affairs and Security Policy, as well as the European Commission, to make their proposals on framework of targeted sanctions toward

natural and legal persons responsible for or involved in the illegal drilling activities.

Impact of Sanctions

Right now, both US and EU companies can continue to do business in Turkey, provided that blocked persons are not involved. However, there is legislation pending in the US Congress, which, if passed, could lead to new Turkey sanctions. Also, the Trump Administration could re-impose sanctions, depending primarily on developments on the ground in Northeast Syria.

As a practical matter, EU companies that continue to do business in Turkey should conduct sufficient due diligence to ensure that they are not dealing with a sanctioned person and further advice should be sought when operating in the defense or energy sectors.

The EU is poised to approve sanctions against Turkey in the short term, and EU companies should closely follow the developments, which are most likely to affect the defense and energy sectors. We will be updating this alert when relevant developments on EU sanctions are made public.

Please feel free to contact one of the Trade Practitioners listed on the following page, or you can reach our team at InternationalTradeCompliance@squirepb.com.

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US



George Grammas

Partner, Washington DC/London
T +1 202 626 6234 (Washington DC)
T +44 20 7655 1301 (London)
E george.grammas@squirepb.com



Daniel Waltz

Partner, Washington DC
T +1 202 457 5651
E daniel.waltz@squirepb.com



Christopher Skinner

Principal, Washington DC
T +1 202 626 6226
E christopher.skinner@squirepb.com



Karen Harbaugh

Partner, Washington DC
T +1 202 457 6485
E karen.harbaugh@squirepb.com

EU



Robert MacLean

Partner, Brussels/London
T +32 2 6277 619 (Brussels)
T +44 20 7655 1651 (London)
E robert.macleane@squirepb.com



José María Viñals

Partner, Brussels/Madrid
T +32 2 6271 111 (Brussels)
T +34 91 426 4840 (Madrid)
E josemaria.vinals@squirepb.com



Matthew Kirk

International Affairs Advisor, London
T +44 20 7655 1389
E matthew.kirk@squirepb.com



Simon Lucas

Senior Associate, Leeds
T +44 113 284 7208
E simon.lucas@squirepb.com



Wojciech Maciejewski

Associate, Brussels
T +32 2 627 7612
E wojciech.maciejewski@squirepb.com

International Trade Practice co-leaders: Frank Samolis (partner, Washington DC) and George Grammas

About Us

Our export controls and sanctions lawyers have the ability to provide advice on the shifting regulatory framework on both sides of the Atlantic. We have extensive experience in advising and representing a wide range of companies and financial institutions in Europe, the US and other jurisdictions on export control and sanctions from a multijurisdictional perspective. Our team is part of our overall International Trade Practice, providing a “one-stop shop” solution to global trade compliance through rapid, professional and tailored advice and compliance tools to fit your business needs and processes.

Resources to Strengthen Compliance

We encourage you to visit our blog, [The Trade Practitioner](#), where you will find additional updates and information on export controls, sanctions and other international trade topics. In addition, organizations engaged in the trade of items specially designed for military or space applications are encouraged to download our complimentary [ITAR Practitioner's Handbook](#), which covers the International Traffic in Arms Regulations (ITAR) and the US Department of Commerce “600 Series.”

The contents of this update are not intended to serve as legal advice related to individual situations or as legal opinions concerning such situations, nor should they be considered a substitute for taking legal advice.

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