

On Monday, October 14, 2019, the Trump Administration and the Council of the European Union (the Council) announced their condemnation of Turkey's unilateral military action in Northeast Syria.

Also on October 14, the Trump Administration issued an [Executive Order](#) (EO), and the US Department of the Treasury's Office of Foreign Assets Control (OFAC) [added](#) three senior Turkish government officials and two Turkish government agencies to its Specially Designated Nationals and Blocked Persons List (SDN). Simultaneously, OFAC issued three Syria-related General Licenses.



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. Consequently, the Council called for a ministerial meeting to consider corresponding actions, effectively announcing the imminent consideration of sanctions against Turkey.

US

EO

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

Upcoming Event

Boris's Brexit: A Roadmap to a New US-UK Free Trade Agreement?

October 23, 2019, 4-6 p.m. ET Washington DC

Please join us for a discussion to examine some of the most critical aspects of Brexit and their short- and medium-term implications, including a potential roadmap to a US-UK free trade agreement, and what the impact of a possible Jeremy Corbyn-led government could mean for US-UK relations.

Register your interest [here](#). Venue details will be provided after confirmation of registration. If you would like to participate remotely, please indicate your interest during registration.

Section 2 authorizes 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 new OFAC designations are in response to the Turkish government's alleged use of Turkish forces to endanger civilians and destabilize the region. The three newly designated individuals are:

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

The two newly designated entities are the Republic of Turkey's Ministry of National Defence and the Ministry of Energy and Natural Resources. Because of these designations, all property and interests in property of these individuals and entities that are in the US or in the possession or control of a US person must be blocked and reported to OFAC. US persons or entities seeking to engage in transactions prohibited by these designations may only do so pursuant to a general or specific license issued by OFAC.

General Licenses

OFAC 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," creates a wind down period effective through 12:01 a.m. EST, November 13, 2019, for all otherwise prohibited transactions and activities that are 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 owns a 50% or greater interest. General License 2 does not authorize (1) any debit to an account of a person blocked pursuant the October 14, 2019 EO, that is 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," authorizes otherwise prohibited transactions and activities that are for the official business of the United Nations, including its Programmes and Funds, and its Specialized Agencies and Related Organizations. General License 3 does 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 newly designated individuals or entities may expose themselves to designation. Additionally, any foreign financial institutions that knowingly facilitates significant transactions for or on behalf of the newly designated individuals or entities may become 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 a 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. As a practical matter, US 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 dealing with public companies that may be related to the Ministry of National Defence or the Ministry of Energy and Natural Resources.

Although the sanctions imposed do not affect the Turkish financial sector, secondary sanctions aimed at it are in place. It is likely that the US Department of Justice and OFAC will be closely looking at institutions and transactions related to Turkey for strict enforcement of the sanctions. Consequently, financial dealings involving Turkey are likely to become increasingly problematic, and even foreign financial institutions may refuse to process certain Turkey-related transactions, particularly if the subject transactions involve public Turkish companies or companies in the defense and energy sectors.

EU companies are not subject to the prohibitions of the EO, but the EO also authorizes the imposition of sanctions against non-US companies and financial institutions. 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.

[Subscribe](#) to *The Trade Practitioner* blog for our updates and alerts on topics including export controls, sanctions, investment security and tariffs, among others, and access our database of publicly known Committee on Foreign Investment in the United States (CFIUS) filings.



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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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