

New Executive Order Targets the Government of Syria and Syria's Energy Sector

August 19, 2011

On August 18, 2011, the President signed an Executive Order blocking the property and interests in property of the Government of Syria and prohibiting certain transactions with Syria. ^[1] In addition, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) added five Syrian entities to its Specially Designated Nationals (SDN) List. ^[2] The Order and additional designations follow two recent Orders blocking the property of members and close associates of Syria's top leadership and are in response to the Government of Syria's escalation of violence against the people of Syria. ^[3]

The Order blocks the property and interests in property of the Government of Syria, including its agencies, instrumentalities and controlled government entities. Intensifying pressure on the Syrian regime, the Order effectively prohibits U.S. persons from engaging in transactions with these entities, along with denying such entities access to the U.S. financial system.

OFAC also specifically identified the following five state-owned Syrian entities involved in the oil and gas sector, which are subject to the sanctions in the Order and were added to OFAC's SDN List:^[4]

- General Petroleum Corporation (GPC)
- Syrian Company For Oil Transport (SCOT)
- Syrian Gas Company
- Syrian Petroleum Company (SPC)
- SYTROL

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Although the Order targets Syria's government and its energy sector, it also generally bans new investment in Syria and the provision of services to Syria. The following transactions and activities are now prohibited:

- New investment in Syria by a U.S. person;^[5]
- Any services provided by a U.S. person or from the United States to Syria;^[6]
- The importation of petroleum or petroleum products of Syrian origin;
- Any dealings by a U.S. person in Syrian-origin petroleum or petroleum products; and
- Any approval, financing, facilitation, or guarantee by a U.S. person of a transaction by a foreign person where such transaction would be prohibited if performed by a U.S. person.

While the prohibitions contained in the Order are broad, on August 18, 2011, OFAC issued six general licenses allowing certain activities with persons in Syria to continue.^[7] The general licenses apply to the provision of diplomatic services; legal services; normal bank service charges; exportation or reexportation of items subject to the Export Administration Regulations and related services; Internet-based services; and personal remittances.

We anticipate further clarification, and potentially, additional general licenses from Treasury will be needed. Among other issues, while the six general licenses cover many transactions, they do not authorize U.S. financial institutions to operate accounts of non-SDNs in Syria. We also are monitoring to determine whether the European Union will follow suit with similar sanctions targeting the Government of Syria.

This article was co-authored by John B. Reynolds, III and Cari N. Stinebower.

[1] See Recent OFAC Actions, *available at* <http://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20110818.aspx>.

[2] See *id.*

[3] See Wiley Rein's "Update: Additional List-Based U.S. Sanctions on Syria" (May 18, 2011), *available at* <http://www.wileyrein.com/publications.cfm?sp=articles&id=7084> and "New List-Based Sanctions on Syria" (Apr. 29, 2011), *available at* <http://www.wileyrein.com/publications.cfm?sp=articles&id=7035>.

[4] Consistent with prior guidance from OFAC, these designations should be treated as also blocking the property of entities owned or controlled by these companies. See OFAC Guidance on Entities Owned by Persons Whose Property or Interest in Property is Blocked (Feb. 14, 2008), *available at* http://www.treasury.gov/resource-center/sanctions/Documents/licensing_guidance.pdf.

[5] A "U.S. person" is defined as any U.S. citizen, permanent resident alien, entity organized under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States.

[6] A license is required from the Department of Commerce to export or reexport all items subject to the Export Administration Regulations (other than food or medicine classified as EAR99) to Syria. 15 C.F.R. Part 736, Supplement No. 1, General Order No. 2.

[7] See Recent OFAC Actions, *available at* http://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20110818_33.aspx.