



U.S. Imposes Sanctions on Portions of the Turkish Government

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On October 14, 2019, President Trump issued an Executive Branch Order “Blocking Property and Suspending Entry of Certain Persons Contributing to the Situation in Syria” (the “E.O.”) targeting the Turkish Government for the recent military offensives into northeast Syria. The E.O. is unique in that it contains a fairly comprehensive collection of sanctions the executive can levy under its authority including the traditional blocking component, and a range of primary and even secondary sanctions.

The same day, the U.S. Department of the Treasury’s Office of Foreign Asset Controls (OFAC) designated two government ministries – the Government of Turkey’s Ministry of National Defense and the Ministry of Natural Resources, and three senior Turkish officials – the Minister of Interior, the Minister of Energy, and the Minister of Defense. Along with the action, OFAC issued three limited General Licenses. Importantly, the E.O. provides for potential sanctions on foreign financial institutions that knowingly conduct or facilitate any significant financial transaction for or on behalf of any person whose property and interests in property are blocked pursuant to the E.O. It also establishes a menu of potential sanctions for persons disrupting the cease-fire in Northern Syria, negatively impacting displaced persons, or disrupting UN activities in Syria.

In furtherance of this action, Secretary of State Mike Pompeo, through a State Department Press Release, reiterated the intent of the E.O.:

“Turkey’s actions in northeast Syria severely undermine the D-ISIS campaign, endanger civilians, and threaten the security of the entire region. If Turkey’s operation continues, it will exacerbate a growing and daunting humanitarian crisis, with potentially disastrous consequences. To avoid suffering further sanctions imposed under this new Executive Order, Turkey must immediately cease its unilateral offensive in northeast Syria and return to a dialogue with the United States on security in northeast Syria.”

The E.O.

Blocking Sanctions

Section 1: Blocks all property and interests for those as determined by the Secretary of the Treasury and Secretary of State to be:

- responsible for, complicit in, directly or indirectly engaged in, or having attempted to engage in:
 1. actions or policies that further threaten the peace, security, stability, or territorial integrity of Syria; or
 2. serious human rights abuses in Syria;
- a current or former official of the Government of Turkey;
- any subdivision, agency, or instrumentality of the Government of Turkey;
- operating in any sector of the Turkish economy designated by the Secretary of the Treasury and Secretary of State;
- found to have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, any person designated pursuant to the E.O.; or
- owned or controlled by, or to have acted or purported to act for or on behalf of, directly or indirectly, any person designated pursuant to this E.O.

Menu Based Sanctions addressing the cease-fire and negatively impacting displaced persons; sanctions targeting trafficking in expropriated property

Section 2(a): Authorizes the Secretary of State along with the Secretary of the Treasury to impose certain menu-based sanctions on any person responsible for or complicit in – via financing or other means – any of the following:

- the obstruction, disruption, or prevention of a ceasefire in northern Syria;
- the prevention of displaced persons from voluntarily returning to their places of residence in Syria;
- the forcible repatriation of persons or refugees to Syria; or
- the obstruction, disruption, or prevention of efforts to promote a political solution to the conflict in Syria, including UN constitutional efforts, elections, and the creation of a new Syrian government.

Section 2(a) also authorizes the designation of an adult family member of a person designated under this E.O. and persons responsible for or complicit in the expropriation of property for personal gain or political purposes in Syria.

Section 2(b) and 2(c): Provide for the menu-based sanctions on persons designated under Section 2(a), ranging in sanctions from prohibiting the procurement of goods or services from such sanctioned person, denying visas to the sanctioned person, blocking all property of the sanctioned person, prohibiting transactions in foreign exchange, and more.

Foreign Financial Institution Sanctions

Section 3: Authorizes the Secretary of the Treasury to impose sanctions on any foreign financial institution that knowingly conducted or facilitated any significant financial transaction for or on behalf of any person designated pursuant to this E.O. and may prohibit the opening a U.S. correspondent account or a payable-through account – or impose strict conditions for maintaining such account – by the foreign financial institution.

The Designations:

Coupled with the E.O. and the GLs, OFAC designated the following Ministries and Ministers:

- *Republic of Turkey Ministry of National Defence*
- *Republic of Turkey Ministry of Energy and Natural Resources*
- *Hulusi Akar*– The Minister of National Defence of the Republic of Turkey
- *Suleyman Soyly*– The Minister of Interior of the Republic of Turkey
- *Fatih Donmez* – The Minister of Energy of the Republic of Turkey

The General Licenses (GLs):

GL1: Authorizes all transactions and activities that are for the conduct of the official business of the U.S. Government.

GL2: Authorizes all transactions and activities that are necessary for the wind-down of operations, contracts, or other agreements through November 13, 2019 involving the Turkish Ministry of National Defence or the Turkish Ministry of Energy and Natural Resources along with any entity that is at least 50% owned directly or indirectly by any of those ministries.

GL3: Authorizes all transactions and activities involving the Turkish Ministry of National Defence or the Turkish Ministry of Energy and Natural Resources along with any entity that is at least 50% owned directly or indirectly by any of those ministries that are for the conduct of the official business of the United Nations and other related organizations.

Takeaways:

- As with all designations, U.S. citizens and permanent residents, U.S. companies and their foreign branches, and anyone physically present in the United States are prohibited to transact with the designated parties and must block any of their assets. Companies – especially those operating internationally – may wish to consider conducting enhanced due diligence with respect to Turkish counterparties, vendors, or clients to ensure they are not owned or controlled by such prohibited parties.
- To the extent that U.S. Persons have business with the Turkish Ministry of National Defence or the Turkish Ministry of Energy and Natural Resources or entities owned 50% or more by such ministries, they may seek to rely on GL 2 to wind down such business.
- Foreign financial institutions and other non-U.S. companies should consider employing internal controls to ensure they are not engaging in business with prohibited parties such that they may become subject to sanctions themselves.
- The E.O. permits the United States Government to sanction other individuals, entities, organizations, and even sectors in the Turkish economy, so it is prudent for companies to periodically check for sanctions developments on an ongoing basis.

5 Min Read

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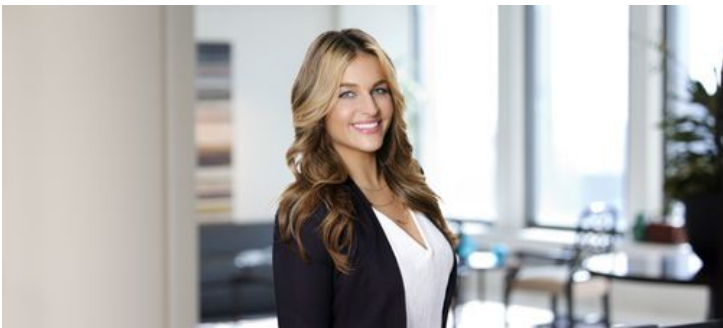
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