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# Unrest in Syria and U.S. Sanctions Against the Asad Regime

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## Summary

This report analyzes the current unrest in Syria and the U.S. response to the Syrian government's crackdown against demonstrators. It also provides background information on U.S. sanctions against the Asad regime and its supporters.

A variety of U.S. legislative provisions and executive directives prohibit direct foreign assistance funding to Syria and restrict bilateral trade relations, largely because of the U.S. State Department's designation of Syria as a sponsor of international terrorism. On December 12, 2003, President George W. Bush signed the Syria Accountability Act, P.L. 108-175, which imposed additional economic sanctions against Syria. Syrian individuals and government officials are subject to targeted financial sanctions pursuant to executive orders relating to terrorism, proliferation, and regional security. Successive administrations have designated several Syrian entities as weapons proliferators and sanctioned several Russian companies for alleged weapons of mass destruction or advanced weapons sales to Syria.

The following legislation introduced in the 112<sup>th</sup> Congress addresses the current situation in Syria.

- H.R. 2106, The Syria Freedom Support Act. Sanctions the development of petroleum resources of Syria, the production of refined petroleum products in Syria, and the exportation of refined petroleum products to Syria.
- H.Res. 296 (S.Res. 180 in the Senate). Expresses support for peaceful demonstrations and universal freedoms in Syria and condemns the human rights violations by the Assad Regime.
- H.R. 2105, The Iran, North Korea, and Syria Nonproliferation Reform and Modernization Act of 2011. States that it shall be U.S. policy to fully implement and enforce sanctions against Iran, North Korea, and Syria for their proliferation activities and policies.
- S. 1048, The Iran, North Korea, and Syria Sanctions Consolidation Act of 2011. Amends the Iran, North Korea, and Syria Nonproliferation Act to include in the scope of such act a person that (1) acquired materials mined or extracted within North Korea's territory or control; or (2) provided shipping services for the transportation of goods to or from Iran, North Korea, or Syria relating to such countries' weapons of mass destruction programs, support for acts of international terrorism, or human rights abuses. Excludes from such provisions shipping services for emergency or humanitarian purposes.
- S. 1472, The Syria Sanctions Act of 2011. Denies companies that conduct business in Syria's energy sector (investment, oil purchases, and sale of gasoline) access to U.S. financial institutions and requires federal contractors to certify that they are not engaged in sanctionable activity.

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## Uprising and Crackdown in Syria

For a full account of recent events and an assessment of their implications, see “Current Status.”

### Overview: Syria’s Changing Political Landscape and Repercussions For U.S. Policy

The Asad family has ruled Syria since 1970. President Bashar al Asad, like his father Hafez al Asad before him, has wielded almost total control over domestic politics and has steered the country’s outsized foreign policy to play key roles in multiple arenas in the Middle East (Lebanon, Israel-Palestine, Iran, and Iraq) despite Syria’s small size and lack of resources. Now, with the country in turmoil, many observers are interested in how prolonged Syrian instability (or a possible changing of the guard there) might affect other U.S. foreign policy priorities in the region, such as Lebanese stability and countering Hezbollah; limiting Iranian influence; and solving the Arab-Israeli conflict. Unlike in Egypt, where the United States has provided support to the military and democracy assistance to newly empowered political groups, the U.S. role in Syria is more limited. Some U.S. sanctions are already in place and Syria has been ineligible for U.S. aid due to its inclusion on the State Sponsor of Terrorism list. Military and intelligence cooperation is sporadic and limited. Thus the role the United States can play in Syria’s evolving domestic crisis is in question, and policymakers may be searching for channels of influence in order to preserve U.S. interests in a rapidly changing political landscape.

As of November 8, 2011, the United Nations High Commissioner for Human Rights estimates that that over 3,500 civilians have been killed. In addition, Syrian human rights groups report that over 12,000 Syrian protestors have been arrested.

### Current Status

More than 3,500 people have been killed during the uprising in Syria according to official estimates. The actual figure may be much higher. In addition, between 11,000 and 25,000 people have fled the country due to violence or regime threats against protestors and their families. Activists estimate that tens of thousands of people have been detained for organizing or participating in anti-government demonstrations. Despite the Syrian government’s recent formal agreement to an Arab League-proposed end to the government crackdown, most observers expect violence between regime forces and protestors to continue for some time.

Unrest in Syria shows no sign of abating, and much uncertainty persists regarding the country’s future. Some experts believe that the Alawite-dominated regime, in one form or another (perhaps without Asad family rule), can remain in power. Others believe that a sectarian war is likely and that recent violent clashes between Alawites and Sunnis reflect a trend toward heightened inter-communal conflict. Another view posits that international sanctions are working, and that economic pressure may eventually topple the regime perhaps within the next two years. Finally, some fear that the violence within Syria’s borders may spread elsewhere, with what has been a domestic conflict turning regional due to possible Sunni-Shiite tensions, a Syrian or Hezbollah provocation of Israel, or transnational Kurdish restiveness in Syria-Turkey-Iraq-Iran border areas.

Within Syria, protests continue nationwide, though central Damascus and Aleppo, the two largest cities, have remained quieter than most areas. The frequency of protests has remained steady, although unconfirmed reports suggest that in some cities, protest turnouts are diminishing. The

opposition has begun to coalesce around a new umbrella organization, the Syrian National Council (SNC), most of whose members are exiles. Inside Syria, some local activists question SNC positions and leadership. The SNC remains officially committed to non-violent, peaceful protest. However new rebel groups composed of defected soldiers espouse and are conducting armed resistance. Most Syrians still reject international military intervention, though some have stated their support for U.N.-mandated assistance.<sup>1</sup>

Various urban and rural areas (Dara'a, Hama, Idlib, Rastan, Deir Al Zour) have experienced regime-opposition clashes, but none more so than Homs, Syria's third largest city. There, local fighters and army defectors reportedly are protecting whole neighborhoods from regime security forces, and casualties on both sides occur daily. Civilians in some areas are confined to their houses. In recent weeks, there has been a spate of reportedly sectarian-motivated killings of doctors, a nuclear engineer, and professors. However, some reports indicate that some Alawites inside Homs are opposed to the government crackdown.<sup>2</sup> In early November, regime forces have attempted to retake areas of Homs controlled by defectors, allegedly deploying tanks to the Baba Amr area of Homs in attempt to wipe out rebel forces based there. According to one opposition figure, "The defectors and the people don't have enough weapons or strength to wage a war against a professional and disciplined army. We cannot talk about a war between them because they're not equal powers. It's impossible for defectors to keep the city."<sup>3</sup>

Fear of all-out sectarian warfare, akin to the situation in Iraq between 2006 and 2008, may drive many religious minorities to continue their support for the Asad regime. Some Christians have participated in and are leaders of the protest movement, yet many are at least still publicly hesitant to withdraw their support from the government. Christian religious leaders have been especially vocal lately in articulating their communities' ongoing support for the Asad regime, as have some Lebanese Christian leaders.<sup>4</sup>

In order to bolster its claim that it is at least attempting to adopt political reforms, the Syrian government has taken formal steps toward liberalization, though many skeptics doubt the regime's intentions to truly promote political pluralism in the midst of a brutal crackdown. In April, the regime abolished the Emergency Law, though it has continued its apparently unlawful detention of protestors. To date, the government has pledged to implement a new political parties law<sup>5</sup> to allow for competition with the ruling Ba'ath party; to implement a new media law to promote press freedom; to implement a new decree to allow for more competition for state jobs; to hold parliamentary elections in early 2012; and to rewrite the constitution. In addition, several

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<sup>1</sup> In October, one prominent longtime activist, Haitham al Maleh, called for United Nations assistance but rejected help from NATO. According to Maleh, "NATO means America and I'm against that. But it's different when the Security Council intervenes. That provides an international umbrella, which is what is needed." See, U.S. Open Source Center (OSC) Report GMP20111016637001, "Syria: Opposition Figure Al-Malih Supports International Intervention," *Al Akhbar* (Beirut), October 14, 2011.

<sup>2</sup> In September, three senior Alawite shaykhs in Homs issued a statement in which they said that the Asad regime does not represent their entire religious sect. OSC Report GMP20110912631001, "Syria: Three Alawite Figures Condemn 'Savage Acts,' Ask Syrians To Join Protests," *Al-Arabiya.net* (Dubai), September 12, 2011.

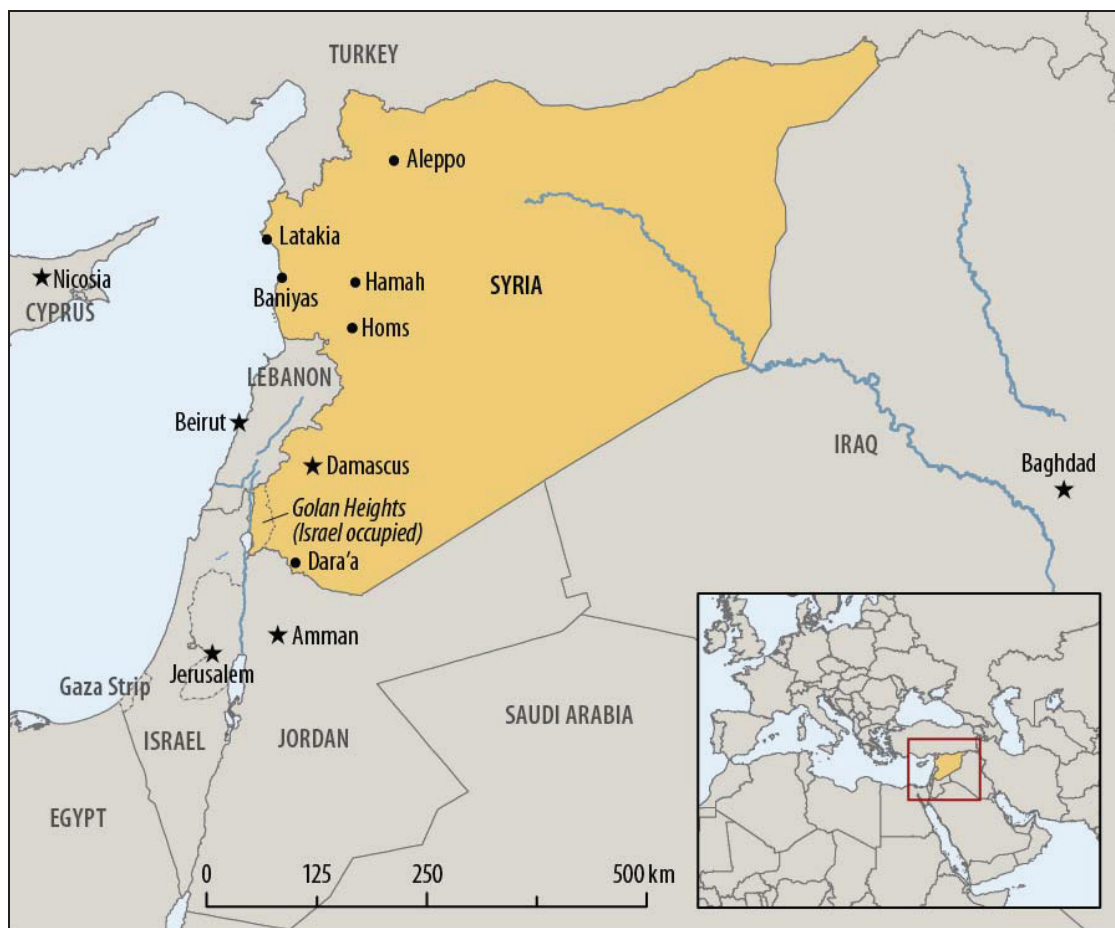
<sup>3</sup> "Death Toll in Syria Mounts as Government Assault Continues," *New York Times*, November 8, 2011.

<sup>4</sup> In early October, Lebanon's Maronite Catholic Patriarch, Beshara al Rai, stated that he feared the collapse of "regimes described as dictatorial... could lead to civil war, with Christians being the main victims."

<sup>5</sup> On July 25, 2011, the Syrian government issued a bill that would permit the establishment of various new political parties. See, Syria: Bill Proposed to Allow New Political Parties, available online at: [[http://www.loc.gov/lawweb/servlet/lloc\\_news?disp3\\_l205402763\\_text](http://www.loc.gov/lawweb/servlet/lloc_news?disp3_l205402763_text)]

pro-regime rallies have taken place in recent months, with crowds estimated by government sources to be as large as 100,000. The Syrian government continues to place the blame for instability on terrorist elements with external support.

**Figure I. Map of Syria**



Source: CRS Graphics.

## The Syrian Opposition and Armed Resistance

Syrian opposition groups have grown increasingly organized as the uprising has unfolded, but remain divided over strategy and tactics. Local Coordinating Councils active in many areas create an informal network linking activists around the country. Two opposition coalition groups, one based in Syria and the other based in neighboring Turkey, are seeking to shape the political agenda and strategy of the movement:

- The **Syrian National Council (SNC)** was formally organized in Turkey in October 2011 and brings together a range of external activists, along with representatives of the Damascus Declaration Forces for National and Democratic Change, the Syrian Muslim Brotherhood, and the Syrian Revolution General Commission (SRGC). The National Council has called for “immediate protection for civilians,” in contrast to some of its domestic counterparts. The Council also



firmsly believes that dialogue with the Asad government is impossible. The Council rejected the Arab League agreement with the Syrian government on November 2 (see below), and called on the Arab League “to freeze Syria’s membership, ensure the protection of civilians and recognize the SNC as the representative of the Syrian revolution.” Prominent leaders of the SNC include Council chairman Burhan Ghalyun, a France-based Syrian academic, and Muhammad Riyad al Shaqfah, the Controller General of the Syrian Muslim Brotherhood.

- The **National Coordination Commission of the Forces of Democratic Change (NCC)** is a Syria-based alliance of leftist groups, Kurdish activists, and individuals associated with the 2005 Damascus Declaration on political reform. The NCC has criticized calls for any civilian protection measures that might invite external military intervention and has left open the prospect of dialogue with the Syrian government, predicated on an end to the use of force against civilians. Prominent leaders of the NCC include general coordinator Hassan Abd al Azim and long-time domestic opposition activists such as Michel Kilo.

Reports from Syria increasingly suggest that dissident military personnel and officers, many acting under the aegis of two organizations called the Free Syrian Army and the Free Officers Movement, are actively targeting government security forces in armed attacks. Free Syrian Army forces are rumored to number several hundred personnel, but precise and verifiable estimates are not available. Public accounts further suggest that thousands of Syrian military and security personnel may have defected during the uprising as forces have been increasingly stretched geographically and logistically and as individuals have rejected orders to crack down on civilian protestors. The Syrian government has condemned the use of force against state security personnel and attributes the growing number of attacks on military and police forces to “terrorists” and armed Islamists.

The use of force by Syrian opposition groups raises fundamental questions about the nature and future of the Syrian uprising. It also is complicating internal opposition debates over strategy and tactics. Some groups view force as a necessary and appropriate response to the violently repressive tactics being used by government personnel. Others argue that the use of force opens the opposition to criticism, undercuts its international legitimacy, and could increase fear among “fence sitting” supporters of the government about the likelihood of violent chaos in the wake of regime change. The debate over the use of force is an extension of the broader political debate that divides the leading opposition groups over the possibility of dialogue with the Asad government. Those who view the government as disingenuous in its offers of reform and dialogue may be more likely to support or acquiesce to the use of force as the political confrontation continues.

## **International Reactions and Policy Responses**

Syria’s geographic location, its diverse population, and its leaders’ foreign policy tactics raise the stakes of the current political confrontation for Syria’s neighbors and the international community. Destabilizing refugee flows, cross-border sectarian rivalries, the future of regional terrorist groups, the prospect of weapons proliferation, and potential changes to regional power dynamics all hang in the balance.



## **Syria's Neighbors**

To date, Syria's neighbors have taken cautious and concerned approaches in response to the country's unrest. Groups in each country have particular concerns about conflict in Syria potentially having destabilizing effects on their national security and diverse populations. Turkey has been the most vocal and involved of Syria's neighbors to date, and the government of Turkish Prime Minister Recep Tayyip Erdoğan has shifted its approach from seeking to foster dialogue between the Asad government and its critics to hosting Syrian opposition groups and warning of unspecified sanctions or military actions if Syrian authorities continue to use force against civilians. This change in approach by Turkish Prime Minister Recep Tayyip Erdoğan seems to coincide with his desire to project a regionally populist stance that is not viewed by Arab populations as siding with autocrats or entrenched commercial interests. One of Turkey's concerns is that region-wide unrest, especially in neighboring Syria, could endanger the political stability of the entire area and possibly jeopardize Turkey's political and economic influence in the region.

Lebanese concerns are focused on the potential for conflict or regime change in Syria to affect Lebanon's fragile sectarian balance. Some prominent Lebanese Christians have warned that the rise of Syria's majority Sunni population to power could pose risks to Christians and other religious minorities in Syria and Lebanon. Reciprocally, Syrian officials accuse Lebanese Sunnis of providing shelter and support to armed opposition forces inside Syria. A number of disputed cross-border incidents illustrate rising Lebanese-Syrian tensions. The outsized role that Syria plays in Lebanon's affairs and its role as a lifeline for Hezbollah further raises the stakes of the unrest both for Lebanon and for Israel. Hezbollah has stated its support for the Asad government and both have warned that third-party intervention in Syria's crisis could lead to regional conflagration, widely interpreted as a threat to Israel.

Syria's other neighbors also have their concerns over instability there. In Iraq, Shiites including Prime Minister Nouri al Maliki, may be concerned over the possibility of Syrian Sunni Muslims toppling the Asad regime, and therefore the Prime Minister has supported Asad's promises for reform. In Jordan, the monarchy may be concerned that violence in Syria may lead many Syrians to take refuge in Jordan, though to date fewer than a thousand Syrians are said to have sought refuge in the kingdom. Of all of the neighbors, Syrian unrest places Israel in the most precarious position. The Syrian regime has been a stable and predictable Israeli adversary for decades. If the Syrian regime fears its downfall may be imminent, Israelis fear that the Asad government could try to instigate a conflict with Israel in order to distract opposition to its rule. Should the Syrian regime fall, Israelis are concerned over its replacement with a more radical Sunni-Islamist government.

## **Regional and Global Actors**

The Asad government has positioned Syria as a pivot point in a number of regional rivalries, complicating efforts by other Middle Eastern governments to take a unified and decisive approach to the current crisis. Syria's role as a facilitator of Iranian support to Hezbollah while serving as host to Hamas and other Sunni terrorist groups is perhaps the most important example of this dynamic. Saudi Arabia's King Abdullah has vigorously criticized the Asad government's use of force against civilians, but many observers believe this may stem more from an interest in countering Iranian regional influence than from genuine concern for the well-being of Syrian nationals. Arab League diplomacy has focused on setting terms for a ceasefire and a resumption of dialogue between the opposition and the government, and the conditions of the agreement

announced on November 2 reflect this approach, but they have been met by criticism from Syrian opposition forces and a continuing use of force by Syrian security personnel and some armed opposition groups.

Action at the U.N. Security Council reflects shared concerns among the permanent members of the Security Council about the crisis and its potential spillover effects, along with deep divisions about the way forward. Russia and China jointly vetoed a proposed Security Council resolution in early October, citing concern that a resolution could pave the way for one-sided intervention in the Syrian unrest, and warning of the risks of repeating a scenario like the NATO-led intervention in Libya in the more fragile and geopolitically important environment of the Levant. Critics of the veto point to Russian and Chinese interests in preserving their long-standing arms sales relationships with Syria, protecting the principle of non-intervention, and gaining access to potential energy resources. On November 1, NATO Secretary-General Anders Fogh Rasmussen categorically ruled out the possibility of a NATO-led military intervention in Syria. The European Union has prohibited the purchase of Syrian oil exports, dealing a potentially crippling blow to Syrian state export revenues unless alternatives are found (see below).

## **U.S. Policy and Sanctions**

President Obama and his Administration have been calling for Asad's resignation since August. On November 2, after reports surfaced that Syria had agreed to an Arab League-proposed plan to end its crackdown, a State Department spokesperson reiterated the Administration position, stating that "Syria's made a lot of promises to the international community in the past.... Our position remains that President Assad has lost his legitimacy to rule and should step down."<sup>6</sup> When asked whether or not the United States would intervene militarily in Syria to protect demonstrators, a State Department spokesperson responded that "The vast majority of the Syrian opposition continues to speak in favor of peaceful, nonviolent protests and against foreign intervention of any kind, and particularly foreign military intervention into the situation in Syria, and we respect that."<sup>7</sup> Some U.S. officials have publicly indicated their belief that President Asad will not be able to remain in office over time. According to Secretary of Defense Leon Panetta, "While he continues to resist, I think it's very clear that it's a matter of time before that (exit) in fact happens. When it does, we don't know."<sup>8</sup> In response to unspecified threats against the recently confirmed U.S. Ambassador to Syria, Robert S. Ford, the Ambassador returned to Washington, D.C. in October. Ford had been previously targeted by pro-government demonstrators who obstructed a meeting he conducted with opposition activists in September 2011.

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<sup>6</sup> "U.S. Cautions on Syria Deal, Says Assad Must Go," Reuters, November 2, 2011.

<sup>7</sup> "US Doubts Military Option on Syria," Agence France Presse, October 24, 2011.

<sup>8</sup> "Fall of Syrian Regime a 'matter of time': US," Agence France Presse, October 3, 2011.

**Table A-I. U.S.-Syrian Trade Statistics 2005-2010**

(\$ in millions)

|                         | 2005           | 2006           | 2007           | 2008           | 2009           | 2010           |
|-------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| U.S. Exports to Syria   | \$155.0        | \$224.3        | \$361.4        | \$408.8        | \$300.0        | \$506.2        |
| U.S. Imports from Syria | \$323.5        | \$213.7        | \$110.5        | \$352.0        | \$285.9        | \$428.7        |
| <b>Totals</b>           | <b>\$478.5</b> | <b>\$438.0</b> | <b>\$471.9</b> | <b>\$760.8</b> | <b>\$585.9</b> | <b>\$934.9</b> |

**Source:** TradeStats Express – National Trade Data, Presented by the Office of Trade and Industry Information (OTII), Manufacturing and Services, International Trade Administration, U.S. Department of Commerce.

The Administration has continued to expand U.S. sanctions on Syria while advocating further multilateral sanctions. Table 1 (below) summarizes U.S. sanctions activity since the start of the Syria uprising in March 2011.

**Table I. U.S. Sanctions Against Syria in 2011**

(Implemented by Treasury Department's Office of Foreign Assets Control [OFAC])

| Date                                    | Sanctioned Individual/Entity                                                                                                        | Sanction or Related Activity Description                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| October 3, 2011, Treasury Department    |                                                                                                                                     | OFAC issued two general licenses related to Syria to authorize payments in connection with overflight or emergency landing and transactions with respect to telecommunications                                                                                                                                                                                                           |
| September 27, 2011, Treasury Department |                                                                                                                                     | OFAC issued a General License related to Syria to authorize third-country diplomatic and consular funds transfers and to authorize certain services in support of nongovernmental organizations' activities.                                                                                                                                                                             |
| September 9, 2011, Treasury Department  |                                                                                                                                     | OFAC issued four general licenses related to Syria to authorize wind down transactions, certain official activities of international organizations, incidental transactions related to U.S. persons residing in Syria and operation of accounts.                                                                                                                                         |
| August 30, 2011, Treasury Department    | Walid Mouallem (Foreign Minister), Ali Abdul Karim Ali (Syrian Ambassador to Lebanon), Bouthaina Shaaban (Advisor to the President) | Added to OFAC's Specially Designated Nationals (SDN) List                                                                                                                                                                                                                                                                                                                                |
| August 18, 2011, Executive Order 13582  | Government of Syria                                                                                                                 | Freezes all assets of the Government of Syria, prohibits U.S. persons from engaging in any transaction involving the Government of Syria, bans U.S. imports of Syrian-origin petroleum or petroleum products, prohibits U.S. persons from having any dealings in or related to Syria's petroleum or petroleum products, and prohibits U.S. persons from operating or investing in Syria. |

| Date                                  | Sanctioned Individual/Entity                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Sanction or Related Activity Description |
|---------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|
| August 18, 2011, Treasury Department  | General Petroleum Corporation, Syrian Company For Oil Transport, Syrian Gas Company, Syrian Petroleum Company, Sytrol                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Added to OFAC's SDN List                 |
| August 10, 2011, Treasury Department  | Commercial Bank of Syria and its Lebanon-based subsidiary, Syrian Lebanese Commercial Bank, Syriatel, the country's main mobile phone operator                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Added to OFAC's SDN List                 |
| August 4, 2011, Treasury Department   | Muhammad Hamsho (businessman with ties to Asad family), Hamsho International Group                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Added to OFAC's SDN List                 |
| June 29, 2011, Treasury Department    | Jamil Hassan (Head of Air Force Intelligence), Political Security Directorate (PSD, domestic intelligence)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Added to OFAC's SDN List                 |
| May 18, 2011, Executive Order 13573   | President Bashar al Asad, Farouk al Shara (vice president), Adel Safar (prime minister), Mohammad Ibrahim al Shaar (minister of the interior), Ali Habib Mahmoud (minister of defense), Abdul Fatah Qudsiya (head of Syrian military intelligence), Mohammed Dib Zaitoun (director of political security directorate), Nabil Rafik al Kuzbari, General Mohsen Chizari (Commander of Iran Revolutionary Guard Corp Qods Force suspected of human rights abuses in Syria), Al Mashreq Investment Fund, Bena Properties, Cham Holding, Syrian Air Force Intelligence, Syrian Military Intelligence, Syrian National Security Bureau | Added to OFAC's SDN List                 |
| April 29, 2011, Executive Order 13572 | Maher al Asad, Ali Mamluk (director of the Syrian General Intelligence Directorate GID), Atif Najib (former head of the Syrian Political Security Directorate for Dara'a province and the president's cousin), the General Intelligence Directorate, and Iran's Islamic Revolutionary Guard Corps – Quds Force (for allegedly assisting Syria in its crackdown)                                                                                                                                                                                                                                                                  | Added to OFAC's SDN List                 |

**Source:** U.S. Treasury Department.

**Notes:** As part of its enforcement efforts, OFAC publishes a list of individuals and companies owned or controlled by, or acting for or on behalf of, targeted countries. It also lists individuals, groups, and entities, such as terrorists and narcotics traffickers designated under programs that are not country-specific. Collectively, such individuals and companies are called Specially Designated Nationals or SDNs. Their assets are blocked and U.S. persons are generally prohibited from dealing with them.

## Congressional Action

The Syrian government's use of lethal force in response to political demonstrations has refocused attention on the basic tenets of U.S. policy toward Syria. Some Members of Congress and nongovernmental observers argue that the recent violence demonstrates the futility of expecting

any substantive reform by Syrian authorities and suggests that U.S. policy should shift toward outright confrontation and embrace regime change as a policy goal. While the Administration has called for President Asad to step down, arguments in favor of regime change have been accompanied by wariness about what the implications of confrontation would be, and what the implications of regime change would be for regional security, particularly in light of the delicate sectarian balance in the Levant and a lack of established U.S. relationships with government and non-government actors in Syria. Other lawmakers have urged a gradual approach of increasing multilateral political condemnation and economic pressure against the Assad regime.

The following legislation introduced in the 112<sup>th</sup> Congress addresses the current situation in Syria.

- H.R. 2106, The Syria Freedom Support Act—Would, among other things, sanction the development of petroleum resources of Syria, the production of refined petroleum products in Syria, and the exportation of refined petroleum products to Syria.
- H.Res. 296 (S.Res. 180 in the Senate), A Resolution Expressing support for peaceful demonstrations and universal freedoms in Syria and condemning the human rights violations by the Assad Regime—Among other things, it urges the “President to continue to work with the European Union, the Government of Turkey, the Arab League, the Gulf Cooperation Council, and other allies and partners to bring an end to human rights abuses in Syria, hold the perpetrators accountable, and support the aspirations of the people of Syria.”
- H.R. 2105, The Iran, North Korea, and Syria Nonproliferation Reform and Modernization Act of 2011—States that it shall be U.S. policy to fully implement and enforce sanctions against Iran, North Korea, and Syria for their proliferation activities and policies. Would, among other things, prohibit U.S. nuclear cooperation agreements and related export licenses and transfers of materials, services and goods with a country that is assisting the nuclear program of Iran, North Korea, or Syria, or is transferring advanced conventional weapons to such countries.
- S. 1048, The Iran, North Korea, and Syria Sanctions Consolidation Act of 2011—Amends the Iran, North Korea, and Syria Nonproliferation Act to include in the scope of such act a person that (1) acquired materials mined or extracted within North Korea’s territory or control; or (2) provided shipping services for the transportation of goods to or from Iran, North Korea, or Syria relating to such countries’ weapons of mass destruction programs, support for acts of international terrorism, or human rights abuses. Excludes from such provisions shipping services for emergency or humanitarian purposes.
- S. 1472, The Syria Sanctions Act of 2011—Denies companies that conduct business in Syria’s energy sector (investment, oil purchases, and sale of gasoline) access to U.S. financial institutions and requires federal contractors to certify that they are not engaged in sanctionable activity.

## **Syria’s Economy Under Strain**

Though more robust Western sanctions on Syria have only recently been enacted, early reports indicate that the Syrian economy and national budget are suffering due to a drop in oil exports

resulting from sanctions, months of domestic unrest and the loss of international tourism revenues, and new social and military spending aimed at quelling public anger. In September, the International Monetary Fund indicated that it expects Syria's economy to contract by 2% this year.

The Syrian government has responded somewhat erratically to its negative economic outlook. In order to preserve hard currency, the government initially banned almost all imported goods, leading to price hikes, inflation, and shortages of many basic items. After 12 days, it rescinded the ban, concerned about angering the private sector in Damascus and Aleppo, which has largely been supportive of the regime. The Central Bank of Syria says that it has \$18 billion in foreign exchange reserves and can cover import costs for up to a year. In addition, in late September the Syrian government surprised many when it announced a massive increase in domestic spending, precisely at the same time as new international sanctions were taking effect. The government approved a 58% increase in the state budget, bringing it to \$26.5 billion according to official estimates. Food and energy subsidies account for 30% of the total budget.

### **Sanctions and Syria's Oil and Gas Sector**

With the loss of European markets due to an oil export ban, Western countries have denied Syria a major source of revenue and hard currency (25%-30% of total government revenue or \$4 billion a year). Before sanctions, the main buyers of approximately 150,000 barrels per day (bpd) of exported Syrian oil were Italy, Germany, France, the Netherlands, Austria, Spain and Turkey. Syria produces about 380,000 bpd total. Existing foreign producers inside Syria are still able to maintain operations, though many foreign companies, including Gulfsands Petroleum (UK), Royal Dutch Shell, Total (France), CNPC (China), and ONGC (India), have cut back production because alternative buyers have yet to surface and Syria has limited domestic refining and storage capacity. Western countries also have banned new investment in Syria's oil and gas sector. These include Canada, which announced a new investment ban in October. The Calgary-based Suncor Energy Inc. already is an existing partner with Syria's General Petroleum Corp in a \$1.2 billion Ebla natural gas project. In mid October, another Canadian company, Mena Hydrocarbons Inc, said that it had suspended drilling in Syria due to political turmoil in the country. Sanctions also are having an impact on other aspects of Syria's energy sector, including financing and shipping. According to one oil products trader based in the Middle East, "I don't do Syria anymore. Sanctions appeared tougher, so I gave up.... The problem is getting a bank to finance it and a ship owner to go there."<sup>9</sup>

Since new sanctions were enacted, many analysts have speculated about whether new investors and foreign markets would arise for Syrian oil exports, albeit at lower prices due to sanctions and increased shipping costs. Some experts believe that both India and China are in a position to refine the heavy crude that Syria exports, and some reports suggest that India's ONGC is considering importing oil it currently produces in Syria to India, instead of shutting down its field operations.<sup>10</sup> According to one energy expert, "There is almost certainly someone who will buy it.... In the past there have been trading companies that would launder oil for Iraq or Iran, for example. Some countries will buy gasoline from Caribbean refiners without knowing the origin of the oil."<sup>11</sup> However, others assert that some Asian buyers would find the prospect of

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<sup>9</sup> "Syria Cancels Fuel Export Tender, Sanctions Deter," Reuters, November 3, 2011.

<sup>10</sup> "Syrian Oil Exports Paralyzed as Sanctions Bite," Reuters, September 22, 2011.

<sup>11</sup> "Syria looking for buyers after West rejects its oil," *International Herald Tribune*, September 29, 2011.



purchasing Syrian oil too risky. According to one report, “As far as Chinese and the Indians are concerned, they could of course try to buy some volumes. But the economics don't make any sense for them and volumes are too small to take the risks.”<sup>12</sup>

## **Options and Uncertainty**

At present, all eyes are fixed on the Syrian government and opposition’s possible responses to the Arab League ceasefire and dialogue proposal. Fighting in and around the city of Homs appears to signal the Asad government’s determination to quell resistance with force, and many in the region and internationally are interpreting the siege of Homs as a rejection of the Arab League agreement. Should the government follow through on its commitments to withdraw military forces from cities and reengage in dialogue with opposition, prolonged violence and potential sectarian escalation may be avoided. If opposition forces halt attacks on government personnel and are able to engage in dialogue with the government in a unified fashion, then prospects for a smoother transition to more open political competition could improve.

It appears unlikely that international diplomacy focused on a new round of Security Council-backed sanctions or the possible referral of the situation in Syria to the International Criminal Court (ICC) will resume in earnest until the response of both sides to the Arab League initiative becomes clearer. Russia and China appear adamant that further sanctions targeting the Syrian government are unwarranted and argue that the international community should not overlook the use of force by Syrian opposition groups. The Security Council’s response to the Libyan conflict revived a broad international debate over the effect of referrals to the ICC on the decisions of indicted leaders and officials facing calls for their resignation. Intransigence by the Asad government and disunity among Syrian opposition forces could alter regional and global policy calculations on these issues.

President Asad has taken a number of opportunities recently to warn of a regional “earthquake” and prolonged, destabilizing chaos in the event of intervention or the fall of his government. While these warnings have an obvious self-serving purpose, they mirror concerns being expressed by many observers and officials in the region who fear that the types of complications now on display in Libya could have far more dire consequences if they emerge in the more volatile context of the eastern Mediterranean.

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<sup>12</sup> Reuters, September 22, 2011, op.cit.



## Appendix. Previous U.S. Sanctions and Legislation

The following section provides background on U.S. sanctions against Syria. It predates the nation-wide unrest that began in March 2011. For recent information on U.S. sanctions, please see, **Table 1** above.

### Overview

Syria remains a U.S.-designated State Sponsor of Terrorism and is therefore subject to a number of U.S. sanctions. Syria was placed on the State Department's State Sponsors of Terrorism List in 1979. Moreover, between 2003 and 2006 Congress passed legislation and President Bush issued new executive orders that expanded U.S. sanctions on Syria. At present, a variety of legislative provisions and executive directives prohibit U.S. aid to Syria and restrict bilateral trade.<sup>13</sup> Principal examples follow.

### General Sanctions Applicable to Syria

*The International Security Assistance and Arms Export Control Act of 1976* [P.L. 94-329]. Section 303 of this act [90 Stat. 753-754] required termination of foreign assistance to countries that aid or abet international terrorism. This provision was incorporated into the Foreign Assistance Act of 1961 as Section 620A [22 USC 2371]. (Syria was not affected by this ban until 1979, as explained below.)

*The International Emergency Economic Powers Act of 1977* [Title II of P.L. 95-223 (codified at 50 U.S.C. §1701 et seq.)]. Under the International Emergency Economic Powers Act (IEEPA), the President has broad powers pursuant to a declaration of a national emergency with respect to a threat "which has its source in whole or substantial part outside the United States, to the national security, foreign policy, or economy of the United States." These powers include the ability to seize foreign assets under U.S. jurisdiction, to prohibit any transactions in foreign exchange, to prohibit payments between financial institutions involving foreign currency, and to prohibit the import or export of foreign currency.

*The Export Administration Act of 1979* [P.L. 96-72]. Section 6(i) of this act [93 Stat. 515] required the Secretary of Commerce and the Secretary of State to notify Congress before licensing export of goods or technology valued at more than \$7 million to countries determined to have supported acts of international terrorism. (Amendments adopted in 1985 and 1986 relettered Section 6(i) as 6(j) and lowered the threshold for notification from \$7 million to \$1 million.)

A by-product of these two laws was the so-called state sponsors of terrorism list. This list is prepared annually by the State Department in accordance with Section 6(j) of the Export

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<sup>13</sup> Because of a number of legal restrictions and U.S. sanctions, many resulting from Syria's designation as a country supportive of international terrorism, Syria is no longer eligible to receive U.S. foreign assistance. Between 1950 and 1981, the United States provided a total of \$627.4 million in aid to Syria: \$34.0 million in development assistance, \$438.0 million in economic support, and \$155.4 million in food assistance. Most of this aid was provided during a brief warming trend in bilateral relations between 1974 and 1979. Significant projects funded under U.S. aid included water supply, irrigation, rural roads and electrification, and health and agricultural research. No aid has been provided to Syria since 1981, when the last aid programs were closed out.

Administration Act. The list identifies those countries that repeatedly have provided support for acts of international terrorism. Syria has appeared on this list ever since it was first prepared in 1979; it appears most recently in the State Department's annual publication *Country Reports on Terrorism, 2009*, issued on August 5, 2010. Syria's inclusion on this list in 1979 triggered the above-mentioned aid sanctions under P.L. 94-329 and trade restrictions under P.L. 96-72.

*Omnibus Diplomatic Security and Antiterrorism Act of 1986* [P.L. 99-399]. Section 509(a) of this act [100 Stat. 853] amended Section 40 of the Arms Export Control Act to prohibit export of items on the munitions list to countries determined to be supportive of international terrorism, thus banning any U.S. military equipment sales to Syria. (This ban was reaffirmed by the Anti-Terrorism and Arms Export Amendments Act of 1989—see below.) Also, 10 U.S.C. 2249a bans obligation of U.S. Defense Department funds for assistance to countries on the terrorism list.

*Omnibus Budget Reconciliation Act of 1986* [P.L. 99-509]. Section 8041(a) of this act [100 Stat. 1962] amended the Internal Revenue Code of 1954 to deny foreign tax credits on income or war profits from countries identified by the Secretary of State as supporting international terrorism. [26 USC 901(j)]. The President was given authority to waive this provision under Section 601 of the Trade and Development Act of 2000 (P.L. 106-200, May 18, 2000).

*The Anti-Terrorism and Arms Export Control Amendments Act of 1989* [P.L. 101-222]. Section 4 amended Section 6(j) of the Export Administration Act to impose a congressional notification and licensing requirement for export of goods or technology, irrespective of dollar value, to countries on the terrorism list, if such exports could contribute to their military capability or enhance their ability to support terrorism.

Section 4 also prescribes conditions for removing a country from the terrorism list: prior notification by the President to the Speaker of the House of Representatives and the chairmen of two specified committees of the Senate. In conjunction with the requisite notification, the President must certify that the country has met several conditions that clearly indicate it is no longer involved in supporting terrorist activity. (In some cases, certification must be provided 45 days in advance of removal of a country from the terrorist list).

*The Anti-Economic Discrimination Act of 1994* [Part C, P.L. 103-236, the Foreign Relations Authorization Act, FY1994-1995]. Section 564(a) bans the sale or lease of U.S. defense articles and services to any country that questions U.S. firms about their compliance with the Arab boycott of Israel. Section 564(b) contains provisions for a presidential waiver, but no such waiver has been exercised in Syria's case. Again, this provision is moot in Syria's case because of other prohibitions already in effect.

*The Antiterrorism and Effective Death Penalty Act of 1996* [P.L. 104-132]. This act requires the President to withhold aid to third countries that provide assistance (Section 325) or lethal military equipment (Section 326) to countries on the terrorism list, but allows the President to waive this provision on grounds of national interest. A similar provision banning aid to third countries that sell lethal equipment to countries on the terrorism list is contained in Section 549 of the Foreign Operations Appropriations Act for FY2001 (H.R. 5526, passed by reference in H.R. 4811, which was signed by President Clinton as P.L. 106-429 on November 6, 2000).

Also, Section 321 of P.L. 104-132 makes it a criminal offense for U.S. persons (citizens or resident aliens) to engage in financial transactions with governments of countries on the terrorism list, except as provided in regulations issued by the Department of the Treasury in consultation

with the Secretary of State. In the case of Syria, the implementing regulation prohibits such transactions “with respect to which the United States person knows or has reasonable cause to believe that the financial transaction poses a risk of furthering terrorist acts in the United States.” (31 CFR 596, published in the *Federal Register* August 23, 1996, p. 43462.) In the fall of 1996, the then chairman of the House International Relations Committee reportedly protested to then President Clinton about the Treasury Department’s implementing regulation, which he described as a “special loophole” for Syria.

In addition to the general sanctions listed above, specific provisions in foreign assistance appropriations legislation enacted since 1981 have barred Syria by name from receiving U.S. aid. The most recent ban appears in Section 7007 of P.L. 111-117, the Consolidated Appropriations Act, 2010, which states that “None of the funds appropriated or otherwise made available pursuant to Titles III through VI of this Act shall be obligated or expended to finance directly any assistance or reparations for the governments of Cuba, North Korea, Iran, or Syria: Provided, That for purposes of this section, the prohibition on obligations or expenditures shall include direct loans, credits, insurance and guarantees of the Export-Import Bank or its agents.”

Section 307 of the Foreign Assistance Act of 1961, amended by Section 431 of the Foreign Relations Authorization Act for FY1994-1995 (P.L. 103-236, April 30, 1994), requires the United States to withhold a proportionate share of contributions to international organizations for programs that benefit eight specified countries or entities, including Syria.

The Iran Nonproliferation Act of 2000, P.L. 106-178, was amended by P.L. 109-112 to make its provisions applicable to Syria as well as Iran. The amended act, known as the Iran and Syria Nonproliferation Act, requires the President to submit semi-annual reports to designated congressional committees, identifying any persons involved in arms transfers *to or from* Iran or Syria; also, the act authorizes the President to impose various sanctions against such individuals. On October 13, 2006, President Bush signed P.L. 109-353 which expanded the scope of the original law by adding North Korea to its provisions, thereby renaming the law the Iran, North Korea, and Syria Nonproliferation Act (or INKSNA for short). The list of Syrian entities designated under INKSNA includes Army Supply Bureau (2008), Syrian Navy (2009), Syrian Air Force (2009), and Ministry of Defense (2008).<sup>14</sup> On May 24, 2011, the State Department designated the Industrial Establishment of Defense and Scientific Studies and Research Center (SSRC) under INKSNA.

## **Specific Sanctions Against Syria**

Specific U.S. sanctions levied against Syria fall into three main categories: (1) sanctions resulting from the passage of the 2003 Syria Accountability and Lebanese Sovereignty Act (SALSA) that, among other things, prohibit most U.S. exports to Syria; (2) sanctions imposed by executive order from the President that specifically deny certain Syrian citizens and entities access to the U.S. financial system due to their participation in proliferation of weapons of mass destruction, association with Al Qaeda, the Taliban, or Osama bin Laden; or destabilizing activities in Iraq and Lebanon; and (3) sanctions resulting from the USA Patriot Act levied specifically against the Commercial Bank of Syria in 2006.

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<sup>14</sup> See, State Department Press Releases And Documents “Near East: Iran, North Korea, and Syria Nonproliferation Act: Imposed Sanctions,” July 20, 2010.

## **The 2003 Syria Accountability Act**

On December 12, 2003, President Bush signed H.R. 1828, the Syria Accountability and Lebanese Sovereignty Restoration Act into law, as P.L. 108-175. This law requires the President to impose penalties on Syria unless it ceases support for international terrorist groups, ends its occupation of Lebanon, ceases the development of weapons of mass destruction (WMD), and has ceased supporting or facilitating terrorist activity in Iraq (Section 5(a) and 5(d)). Sanctions include bans on the export of military items (already banned under other legislation, see above<sup>15</sup>) and of dual use items (items with both civil and military applications) to Syria (Section 5(a)(1)). In addition, the President is required to impose two or more sanctions from a menu of six:

- a ban on all exports to Syria except food and medicine;
- a ban on U.S. businesses operating or investing in Syria;
- a ban on landing in or overflight of the United States by Syrian aircraft;
- reduction of diplomatic contacts with Syria;
- restrictions on travel by Syrian diplomats in the United States; and
- blocking of transactions in Syrian property (Section 5(a)(2)).

## ***Implementation***

On May 11, 2004, President Bush issued Executive Order 13338, implementing the provisions of P.L. 108-175, including the bans on munitions and dual use items (Section 5(a)(1)) and two sanctions from the menu of six listed in Section 5(a)(2). The two sanctions he chose were the ban on exports to Syria other than food and medicine (Section 5(a)(2)(A) and the ban on Syrian aircraft landing in or overflying the United States (Section 5(a)(2)(D)). In issuing his executive order, the President stated that Syria has failed to take significant, concrete steps to address the concerns that led to the enactment of the Syria Accountability Act. The President also imposed two additional sanctions based on other legislation.

- Under Section 311 of the USA PATRIOT Act, he instructed the Treasury Department to prepare a rule requiring U.S. financial institutions to sever correspondent accounts with the Commercial Bank of Syria because of money laundering concerns.
- Under the International Emergency Economic Powers Act (IEEPA), he issued instructions to freeze assets of certain Syrian individuals and government entities involved in supporting policies inimical to the United States.

## ***Waivers***

In the executive order and in an accompanying letter to Congress, President Bush cited the waiver authority contained in Section 5(b) of the Syria Accountability Act and stated that he wished to issue the following waivers on grounds of national security:

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<sup>15</sup> Syria's inclusion on the State Sponsors of Terrorism List as well as SALSA requires the President to restrict the export of any items to Syria that appear on the U.S. Munitions List (weapons, ammunition) or Commerce Control List (dual-use items).

Regarding Section 5(a)(1) and 5(a)(2)(A): The following exports are permitted: products in support of activities of the U.S. government; medicines otherwise banned because of potential dual use; aircraft parts necessary for flight safety; informational materials; telecommunications equipment to promote free flow of information; certain software and technology; products in support of U.N. operations; and certain exports of a temporary nature.<sup>16</sup>

Regarding Section 5(a)(2)(D): The following operations are permitted: takeoff/landing of Syrian aircraft chartered to transport Syrian officials on official business to the United States; takeoff/landing for non-traffic and non-scheduled stops; takeoff/landing associated with an emergency; and overflights of U.S. territory.

## **Targeted Financial Sanctions**

Since the initial implementation of the Syria Accountability Act (in Executive Order 13338 dated May 2004), the President has repeatedly taken action to sanction individual members of the Asad regime's inner circle.<sup>17</sup> E.O. 13338 declared a national emergency with respect to Syria and authorized the Secretary of the Treasury to block the property of individual Syrians. Based on Section 202(d) of the National Emergencies Act (50 U.S.C. 1622(d)), the President has annually extended his authority to block the property of individual Syrians (latest on April 29, 2011). When issuing each extension, the President has noted that the actions and policies of the government of Syria continued to pose an unusual and extraordinary threat.<sup>18</sup>

The following individuals and entities have been targeted by the U.S. Treasury Department (Office of Foreign Assets Control or OFAC):

- On June 30, 2005, the U.S. Treasury Department designated two senior Syrian officials involved in Lebanon affairs, Syria's then-Interior Minister and its head of military intelligence in Lebanon (respectively, the late General Kanaan and General Ghazali), as Specially Designated Nationals, thereby freezing any assets they may have in the United States and banning any U.S. persons, including U.S. financial institutions outside of the United States, from conducting transactions with them.<sup>19</sup> Kanaan allegedly committed suicide in October 2005, though some have speculated that he may have been murdered.
- On January 18, 2006, U.S. Treasury Department took the same actions against the President's brother-in-law, Assef Shawkat, chief of military intelligence.

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<sup>16</sup> According to U.S. regulations, any product that contains more than 10% *de minimis* U.S.-origin content, regardless of where it is made, is not allowed to be exported to Syria. For U.S. commercial licensing prohibitions on exports and re-exports to Syria, see 15 C.F.R. pt. 736 Supp No. 1. The Department of Commerce reviews license applications on a case-by-case basis for exports or re-exports to Syria under a general policy of denial. For a description of items that do not require export licenses, see, Bureau of Industry and Security (BIS), U.S. Department of Commerce, Implementation of the Syria Accountability Act, available at [http://www.bis.doc.gov/licensing/syriaimplementationmay14\\_04.htm](http://www.bis.doc.gov/licensing/syriaimplementationmay14_04.htm).

<sup>17</sup> According to the original text of E.O. 13338, the President's authority to declare a national emergency authorizing the blocking of property of certain persons and prohibiting the exportation or re-exportation of certain goods to Syria is based on "The Constitution and the laws of the United States of America, including the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.) (IEEPA), the National Emergencies Act (50 U.S.C. 1601 et seq.) (NEA), the Syria Accountability and Lebanese Sovereignty Restoration Act of 2003, P.L. 108-175 (SAA), and Section 301 of Title 3, United States Code." available at <http://www.treas.gov/offices/enforcement/ofac/legal/EO/13338.pdf>.

<sup>18</sup> The President last extended the State of Emergency on April 29, 2011.

<sup>19</sup> See <http://www.treas.gov/press/releases/js2617.htm>.



- On April 26, 2006, President Bush issued Executive Order 13399 that authorized the secretary of the Treasury to freeze the U.S.-based assets of anyone found to be involved in the February 2005 assassination of former Lebanese Prime Minister Rafiq Hariri. It also affects anyone involved in bombings or assassinations in Lebanon since October 2004, or anyone hindering the international investigation into the Hariri assassination. The order allows the United States to comply with UNSCR 1636, which calls on all states to freeze the assets of those persons designated by the investigating commission or the government of Lebanon to be involved in the Hariri assassination.
- On August 15, 2006, the U.S. Treasury Department froze assets of two other senior Syrian officers: Major General Hisham Ikhtiyar, for allegedly contributing to Syria's support of foreign terrorist organizations including Hezbollah; and Brigadier General Jama'a Jama'a, for allegedly playing a central part in Syria's intelligence operations in Lebanon during the Syrian occupation.<sup>20</sup>
- On January 4, 2007, the U.S. Treasury Department designated three Syrian entities, the Syrian Higher Institute of Applied Science and Technology, the Electronics Institute, and the National Standards and Calibration Laboratory, as weapons proliferators under an executive order (E.O.13382) based on the authority vested to the President under IEEPA. The three state-sponsored institutions are divisions of Syria's Scientific Studies and Research Center, which was designated by President Bush as a weapons proliferator in June 2005 for research on the development of biological and chemical weapons.<sup>21</sup>
- On August 1, 2007, the President issued E.O. 13441<sup>22</sup> blocking the property of persons undermining the sovereignty of Lebanon or its democratic processes and institutions. On November 5, 2007, the U.S. Treasury Department designated four individuals reportedly affiliated with the Syrian regime's efforts to reassert Syrian control over the Lebanese political system, including Assaad Halim Hardan, Wi'am Wahhab and Hafiz Makhluf (under the authority of E.O.13441) and Muhammad Nasif Khayrbik (under the authority of E.O.13338).<sup>23</sup>
- On February 13, 2008, President Bush issued another Order (E.O.13460) blocking the property of senior Syrian officials. According to the U.S. Treasury Department, the order "targets individuals and entities determined to be responsible for or who have benefitted from the public corruption of senior officials of the Syrian regime. The order also revises a provision in Executive Order 13338 to block the property of Syrian officials who have undermined U.S. and international efforts to stabilize Iraq."<sup>24</sup> One week later, under the authority of

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<sup>20</sup> See <http://www.treas.gov/press/releases/hp60.htm>.

<sup>21</sup> See, <http://www.treas.gov/press/releases/hp216.htm>.

<sup>22</sup> On July 29, 2010, President Obama extended that National Emergency with respect to Lebanon for another year, stating that "While there have been some recent positive developments in the Syrian-Lebanese relationship, continuing arms transfers to Hizballah that include increasingly sophisticated weapons systems serve to undermine Lebanese sovereignty, contribute to political and economic instability in Lebanon, and continue to pose an unusual and extraordinary threat to the national security and foreign policy of the United States." See, Notice of July 29, 2010—Continuation of the National Emergency With Respect to the Actions of Certain Persons to Undermine the Sovereignty of Lebanon or Its Democratic Processes and Institutions, Federal Register, Title 3—The President, [Page 45045].

<sup>23</sup> See, <http://www.treas.gov/press/releases/hp666.htm>.

<sup>24</sup> A previous executive order, E.O. 13315, blocks property of former Iraqi President Saddam Hussein and members of (continued...)

E.O.13460, the U.S. Treasury Department froze the U.S. assets and restricted the financial transactions of Rami Makhluf, the 38-year-old cousin of President Bashar al Asad. Makhluf is a powerful Syrian businessman who serves as an interlocutor between foreign investors and Syrian companies. According to one report, "Since a military coup in 1969, the Asads have controlled politics while the Makhlufs have been big business players. The tradition continues in the next generation, with Bashar al-Assad (sic) as president and Rami Makhluf as a leading force in business."<sup>25</sup> Makhluf is a major stakeholder in Syriatel, the country's largest mobile phone operator. In 2008, the Turkish company Turkcell was in talks to purchase Syriatel, but, according to *Reuters*, negotiations over the sale were taking longer than expected because some Turkcell executives have U.S. passports.<sup>26</sup> Then, in August 2008, Turkcell said it had frozen its plans for a venture in Syria amid U.S. opposition to the project. Makhluf's holding company, Cham, is involved in several other large deals, including an agreement with Syria's state airline and a Kuwaiti company to set up a new airline. Several months ago, Dubai-based real-estate company Emaar Properties announced it had agreed to set up a \$100 million venture with Cham to develop real estate projects in Syria. Makhluf also is a minority shareholder in Gulfsands Petroleum,<sup>27</sup> a publicly traded, United Kingdom-incorporated energy company. According to the *Wall Street Journal*, a Gulfsands executive said the Treasury Department's sanctioning of Makhlouf would have no impact on the company pursuing its partnership with Cham.<sup>28</sup>

## **Sanctions Against the Commercial Bank of Syria**

As previously mentioned, under Section 311 of the USA PATRIOT Act, President Bush instructed the Treasury Department in 2004 to prepare a rule requiring U.S. financial institutions to sever correspondent accounts with the Commercial Bank of Syria because of money laundering concerns. In 2006, the Treasury Department issued a final ruling that imposes a special measure against the Commercial Bank of Syria as a financial institution of primary money laundering concern. It bars U.S. banks and their overseas subsidiaries from maintaining a correspondent account with the Commercial Bank of Syria, and it also requires banks to conduct due diligence that ensures the Commercial Bank of Syria is not circumventing sanctions through its business dealings with them.<sup>29</sup>

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(...continued)

his former regime. On June 9, 2005, the Treasury Department blocked property and interests of a Syrian company, SES International Corp., and two of its officials under the authority of E.O.13315.

<sup>25</sup> "Sanctions on Businessman Target Syria's Inner Sanctum," *Washington Post*, February 22, 2008.

<sup>26</sup> "Turkcell Continues Talks on Syriatel Stake," *Reuters*, April 14, 2008.

<sup>27</sup> Gulfsands' chief executive and largest shareholder, John Dorrier, is an American citizen, and the company has offices in Houston.

<sup>28</sup> "Syrian Tycoon Bristles At US Sanctions Against Him," the *Wall Street Journal*, March 26, 2008.

<sup>29</sup> See, "U.S. Trade and Financial Sanctions Against Syria." Available at <http://damascus.usembassy.gov/sanctions-syr.html>



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