



**CLIENT ALERT: UNITED STATES IMPOSES SANCTIONS
AGAINST TURKEY TARGETING MINISTRY OF ENERGY &
NATURAL RESOURCES AND MINISTRY OF DEFENCE**

October 16, 2019

Introduction

On October 6th, in a telephone conversation with President Erdogan of Turkey, President Trump advised that he would be ordering the withdrawal of the remaining U.S. forces in northern Syria. On October 9th the Turkish military began an incursion into northern Syria designed to establish a 20 mile wide “safe zone” for 300 miles along the northern border and to remove the area from the control and influence of the Kurdish Syrian Democratic Forces. The United States promptly objected to the Turkish military action in Syria. As civilian casualties and displacement mounted, on October 14th the U.S. issued an Executive Order imposing sanctions against the Turkish Ministry of Energy and Natural Resources and the Turkish Ministry of National Defence. In addition, the Minister of National Defence, the Minister of Interior and the Minister of Energy were all designated as individuals to the U.S. Specially Designated National List (“SDN List”).

Executive Order of October 14, 2019

While the Executive Order of October 14th may have far-reaching effects, it does not directly target either Turkish shipping or the international shipping community. However, any shipowners who engage in transactions with the Turkish Ministry of Energy and Natural Resources and the Turkish Ministry of National Defence are directly affected. A summary of the provisions of the Executive Order is as follows:

Section 1 - blocks any property or interest in property in the United States, or under the possession or control of any U.S. person, of any persons determined:

- (A) to be engaged in actions or policies that threaten the peace, security or stability or territorial integrity of Syria or in the commission of serious human rights abuse.
- (B) to be a current or former official of the Government of Turkey.
- (C) to be any subdivision, agency or instrumentality of the Government of Turkey.
- (D) to operate in sectors of the Turkish economy as may be determined by the Secretary of the Treasury.

- (E) to have materially assisted, sponsored or provided financial, material, or technological support for, or goods or services to or in support of, any person whose property and interests in property are blocked pursuant to this order.
- (F) to be owned or controlled by, or to have acted for or on behalf of, directly or indirectly, any persons whose property is blocked pursuant to the order.

Section 2 - Authorizes the imposition of sanctions against a foreign person who is determined to be responsible for or complicit in, or who has directly or indirectly engaged in, attempted to engage in or financed, a variety of activities, including preventing a ceasefire in northern Syria, preventing displaced persons from returning to Syria, forcibly repatriating persons to Syria or obstructing efforts to promote a political solution to the conflict in Syria. Sanctions are also authorized against an adult family member of any person designated under this section and against any person who has engaged in the expropriation of property for personal gain or political purposes in Syria.

Penalties imposed against persons sanctioned under this section can include prohibition from U.S. government agency contracts, the denial of a visa to any person who is a corporate officer or principal of, or a shareholder with a controlling interest in, any sanctioned entity, denial of loans in excess of USD10 million in any 12 month period from U.S. financial institutions, exclusion from the U.S. financial system, blocking of all property and interest in property in the United States, prohibition against a U.S. person investing in the sanctioned entity and a restriction or prohibition on imports of goods, technology or services, directly or indirectly, into the United States from the sanctioned entity.

Section 3 - authorizes the imposition of sanctions on foreign financial institutions who knowingly conduct or facilitate any significant financial transaction for on behalf of any person whose property is blocked under Section 1 of the Order.

Section 4 - suspends entry into the United States of any persons designated under subsections 1(a) and 2(a) of the Order.

Section 5 - prohibits donations to any person whose property is blocked pursuant to Section 1 of the Order.

Section 6 - prohibits contributing or providing funds, goods or services to or for the benefit of any person whose property is blocked pursuant to the order and prohibits the receipt of any contribution, provision of funds, goods or services from such persons.

Section 7 - prohibits any transaction that evades or avoids, has the purpose of evading or avoiding, causes a violation of or attempts to violate any of the prohibitions in the Order.

The Order defines the “Government of Turkey” as “the Government of Turkey, any political subdivision, agency or instrumentality thereof, or any person owned or controlled by or acting for or on behalf of the Government of Turkey.”

Impact on U.S. Persons and Non-U.S. Persons

U.S. persons are immediately prohibited from engaging in any transactions with the Turkish Ministries of Energy and Natural Resources and National Defence, or with the three designated individuals. In addition, should a U.S. person hold any property of either the Ministries or the three designated individuals, that property must be blocked.

Non-U.S. persons can be subject to sanctions if they are determined to have materially assisted, sponsored or provided financial, material, or technological support for, or goods or services to or in support of, any person whose property and interests in property are blocked pursuant to this order. For example, under a similar provision in the sanctions against Syria, an entity was designated to the U.S. SDN List in 2015, along with six vessels it owned or controlled, for materially assisting Syria by regularly arranging for the shipment of products such as liquefied petroleum gas (LPG) and gasoil to the Syrian Government-controlled port of Baniyas. Therefore, non-U.S. persons need to exercise caution in any transactions with either the Turkish Ministry of Energy and Natural Resources or the Turkish Ministry of Defence. Any transaction that could be considered as material assistance to, or goods or services in support of, those Ministries could result in the imposition of sanctions against a non-US person.

Non-US persons should also monitor the website of the U.S. Office of Foreign Asset Control (“OFAC”) to determine whether any other Turkish entities, individuals or sectors of the Turkish economy are designated to the U.S. SDN List under the October 14th Executive Order.

General Licenses

At the same time the Executive Order was issued on October 14th OFAC also issued three general licenses.

General License 1 permits the United States government, its employees, grantees or contractors to continue all transactions or activities otherwise prohibited by the Executive Order.

General License 2 authorizes all transactions and activities prohibited by the Executive Order that would be ordinarily incident and necessary to the wind down of operations, contracts or other agreements involving the Turkish Ministry of National Defence or the Ministry of Energy and Natural Resources, until November 13, 2019.

General License 3 authorizes all transactions and activities otherwise prohibited under Sections 1, 2 and 3 of the Executive Order that are for the official business of the United Nations, its programs and funds, its specialized agencies and related organizations.

Summary

While only two Turkish government Ministries and three individuals have thus far been designated under the October 14th Executive Order, events on the ground in Syria could result in the designation of additional entities and individuals or of sectors of the Turkish economy. Both U.S. persons and non-US persons should carefully monitor the status of U.S. sanctions against Turkey to avoid engaging in sanctionable activities.

This Client Alert is only a general summary for informational purposes. It and its content are not intended to be and should not be used or construed as legal advice. Readers should seek specific legal advice before acting with regard to the subjects mentioned herein.

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