



# 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 Assad 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 September 2011, reports suggest that over 2,600 civilians have been killed. In addition, Syrian human rights groups report that over 12,000 Syrian protestors have been arrested.

### Current Status

As of September 2011, popular efforts to overturn the Asad regime have stalled amidst a brutal regime crackdown. Protests continue in Syria almost daily, but reports indicate that the fractured opposition is having difficulty maintaining momentum as the conflict wears on. In recent weeks, some demonstrators have even directly called for international non-military intervention to support their cause, a sign that that some Syrians may be losing hope due to regime-instigated violence. Many foreign nations have condemned the regime’s tactics and some, including the United States, have called on President Bashar al Asad to step down, but no country has indicated its willingness to militarily intervene on behalf of the opposition as had been the case in Libya. Moreover, U.N. efforts to further sanction the Syrian Arab Republic Government (or SARG) have stalled over continued Russian and Chinese opposition to U.N. sanctions. According to U.N. figures, as of September 2011, at least 2,600 people have been killed since the start of the Syria uprising in March 2011.

Many opponents of President Asad had hoped by now that his regime would fracture, particularly the military. That has not happened in any significant way, and the Syrian government has violently sought to ensure core regime stability. When reports surfaced that demonstrators were contemplating violent resistance against the SARG, regime-protection forces even more aggressively pursued opponents, particularly army defectors and former regime officials such as Hama Attorney General Adnan Bakour, who has been the highest level civilian defector to date.

The SARG denied that Bakour had resigned in late August, saying he was kidnapped by an armed group and forced to give a taped statement condemning the regime.

While enduring a violent crackdown, the opposition has undergone a discernible shift in recent weeks from a tone of confidence to one of frustration and even desperation. Recent Friday protest slogans include “Your Silence is Killing Us,” a frustrated reference to lack of international support for Syrian demonstrators. The August 26 slogan for protests was “Patience and Steadfastness” an acknowledgement that Syria’s revolution could take years instead of months. Though protests in the key cities of Damascus and Aleppo have slightly increased, many minority groups, particularly Syrian Christians, continue to at least tepidly support the SARG. Maronite Christian Patriarch Bshara al Rai expressed his concern over a transitional stage in Syria that “might threaten the Christians of the East” adding, “I want to be objective. President Asad started a series of political reforms. More opportunities should be given for internal dialogue and supporting reforms.” Syrian Christians often allude to avoiding the sectarian violence that has plagued Lebanon for decades and Iraq since 2003 as a motivating factor for maintaining loyalty to the regime. Some of Syria’s neighbors have called on the Asad government to implement reforms while expressing concern that rapid change could lead to sectarian conflict or instability.

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

On August 18, 2011, after five months of gradually increasing its criticism of the Asad regime, President Obama called on Syrian President Bashar Al Asad to step down. In a statement accompanying a new round of Administration sanctions, including a U.S. ban on all Syrian oil imports, President Obama said that

“The future of Syria must be determined by its people, but President Bashar al-Assad is standing in their way. His calls for dialogue and reform have rung hollow while he is imprisoning, torturing, and slaughtering his own people. We have consistently said that President Assad must lead a democratic transition or get out of the way. He has not led. For the sake of the Syrian people, the time has come for President Assad to step aside.”

Since this change in U.S. policy, the Administration has continued to expand U.S. sanctions on Syria while advocating for further sanctions at the international level. The State Department has issued several statements that condemn “in the strongest possible terms the slaughter, arrest, and torture of peaceful protesters taking place in Syria.” However, recent reports indicate that while the Administration continues to push for more international condemnation of the SARG, policymakers are preparing themselves for a prolonged crisis. According to one report, “Few [U.S. officials] believe the Syrian leader will ever fully regain control of his country, or his international stature. But they concede the 46-year-old could still hold power in Damascus for the foreseeable future, while overseeing an increasingly repressive state.”<sup>1</sup>

The following table summarizes U.S. sanctions activity since the start of the Syria uprising in March 2011.

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<sup>1</sup> “U.S., Europe See Syrian Stalemate,” *Wall Street Journal*, September 16, 2011.

**Table I. U.S. Sanctions against Syria in 2011**  
(Implemented by Treasury Department's Office of Foreign Assets Control [OFAC])

<b>Date</b>	<b>Sanctioned Individual/Entity</b>	<b>Sanction Description</b>
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 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.
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:** SDN stands for Specially Designated National. 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.

To date, the European Union also has issued sanctions against the SARG. It has sanctioned at least 50 Syrian regime officials or affiliated businessmen. More importantly, it has banned the import of Syrian oil. An estimated 95% of Syria's oil and gas exports had been going to European markets before sanctions. It is unclear where Syria will find replacement markets for its products. The EU has not banned its companies from operating or investing in Syria. Royal Dutch/Shell, among other companies, operates a joint venture with Syria's state oil company and a Chinese-Indian firm to produce Syrian Light crude.

## Select International Responses and Action

A special session of the U.N. Human Rights Council in April adopted Resolution S-16/1, which “unequivocally condemns the use of lethal violence against peaceful protestors by the Syrian authorities” and requested that the U.N. High Commissioner for Human Rights provide a preliminary report on the situation of human rights in Syria. On June 14, the High Commissioner reported that the Office of the High Commissioner (OHCHR) “has received numerous reports alleging the excessive use of force by Syrian security forces against civilians, the majority of whom were peaceful protestors. The most egregious reports concern the use of live ammunition against unarmed civilians, including from snipers positioned on rooftops of public buildings, and the deployment of tanks in areas densely populated by civilians.”<sup>2</sup> The final report, reviewed at a special Council session in August, included reports of murder, “disappearance,” and torture by Syrian security forces and indications that at least 1,900 Syrians had died in the violence through July 15.<sup>3</sup> In response, the Human Rights Council has appointed a three-person independent commission of inquiry that is tasked with reporting by the end of November about specific abuses and identifying perpetrators.

The continuing protests and violence are creating increased pressure for international action, although the positions of some key actors have not changed significantly since June. U.N. leaders and European leaders have been increasingly vocal in demanding action, and the Arab League and several Arab governments have called on the Syrian government to implement reforms and halt the use of force. Opponents of international action, including Russia and China, remain wary about the use of sanctions to create further pressure on President Asad and his government. Syrian opposition leaders are calling for international sanctions, but remain vehemently opposed to international military intervention. As such, most experts and observers see no potential for a successful initiative to seek United Nations Security Council mandate for a military operation.

At present, attention is focused on competing draft Security Council resolutions, sponsored by the Russia and the United States, France, Portugal, Germany, and the United Kingdom respectively.

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<sup>2</sup> U.N. Human Rights Council, Preliminary report of the High Commissioner on the situation of human rights in the Syrian Arab Republic, Seventeenth session, June 14, 2011.

<sup>3</sup> For a summary, see Statement by Ms. Navi Pillay, U.N. High Commissioner for Human Rights to the Human Rights Council 17<sup>th</sup> Special Session on “Situation of human rights in the Syrian Arab Republic” Geneva, August 22, 2011. For the full report, see Report of the Fact-Finding Mission on Syria pursuant to Human Rights Council resolution S-16/1, August 17, 2011.

The U.S.-European draft would impose travel and asset sanctions on Syrian leaders and institute an arms embargo on Syria. The Russian draft would call on opposition and government leaders to resume dialogue while reforms are implemented. U.S. Ambassador to the United Nations Susan Rice has indicated that the U.S. government has not been encouraged by the positions that temporary Security Council members Brazil, India, and South Africa have taken on Syria and similar issues to date.<sup>4</sup> Key related recent statements and developments include

- On September 15, U.N. Secretary General Ban Ki-Moon called on the international community to take “coherent measures and speak with one voice,” saying, “for six months, we have seen escalating violence and repression. The international community has repeatedly appealed to President Assad to stop, most recently the foreign ministers of the Arab League. He must now listen to such urgent calls.”<sup>5</sup>
- The United Kingdom, France, and the European Union (EU) continue to condemn the Asad government’s use of force against protestors, and support the use of sanctions as a means to compel it to cease the repressive use of force. On September 2, the EU banned the import of Syrian oil and widened the scope of existing asset freezes and travel bans on Syrian officials in response to what EU High Representative for Foreign Affairs and Security Policy Catherine Ashton described as “the appalling and unacceptable escalation of the brutal campaign the regime has been waging against the Syrian people.”<sup>6</sup>
- Russia continues to resist proposals to include U.N. sanctions on Syria in a Security Council resolution on the crisis. Some Syrian activists reportedly have organized protests criticizing Russia for its position. On September 12, President Dmitri Medvedev said, “Russia proceeds from the assumption that it’s necessary to approve a resolution on Syria that will be tough, but well balanced at the same time that would address both parties to the conflict—President Bashar Assad’s government and the opposition. Only in that case could it be successful. . . . The resolution must be tough, but it mustn’t automatically involve sanctions. . . . There is absolutely no need now for any additional pressure.”<sup>7</sup>
- China also has opposed the use of U.N. sanctions on Syria. A spokesperson for the Chinese Foreign ministry said on September 15, “The Syria issue should be resolved by relevant parties in Syria through consultations. We hope that Syria will start a Syria-led political process as soon as possible and resolve the crisis through dialogue. We believe that the international community should abide by the purposes and principles of the United Nations Charter as well as the norms governing international relations and should fully respect Syria’s sovereignty, independence, and territorial integrity. Whether the international community should take further action on the Syria issue depends on whether the action will

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<sup>4</sup> Bloomberg News, “U.S. ‘Not Encouraged’ by India, South Africa, Brazil at U.N.,” September 12, 2011.

<sup>5</sup> Massoud A. Derhally and Bill Varner, “Syrian Death Toll Mounts as Uprising Against Assad Enters Seventh Month,” *Bloomberg News*, September 15, 2011.

<sup>6</sup> Statement by the High Representative Catherine Ashton on the extension of restrictive measures against the Syrian regime, A 345/11, Brussels, September 2, 2011.

<sup>7</sup> Associated Press, “Russian president against Syria sanctions, says U.N. resolution must address both sides,” September 12, 2011.



help ease tension in Syria, promote the resolution of differences through political dialogue, and maintain peace and stability in the Middle East.”<sup>8</sup>

- The Arab League has taken a more active role in recent weeks. Arab League Secretary General Nabil al Arabi visited Damascus over the weekend of September 10 for discussions with President Asad. Reports suggest that Al Arabi returned to Cairo with a commitment from President Asad to step down in 2014, to call legislative elections within 6 months, and to name a national unity cabinet for the transition period.<sup>9</sup> The Syrian opposition has widely rejected similar conditions and has demanded an immediate end to President Asad’s rule. The subsequent Arab League Ministerial meeting in Cairo issued a statement on September 13 stating that, “The current situation in Syria is still very serious and an immediate change has to happen in order to stop the bloodshed and prevent people facing more violence.”
- Some Arab Gulf state leaders are publicly criticizing the Asad government as well. King Abdullah bin Abdelaziz Al Saud of Saudi Arabia called on President Asad to stop his “killing machine” and implement reform in early August, and Qatari Foreign Minister Hamad bin Jassim bin Jabor Al Thani said on September 13 that, “We cannot allow people to be killed this way. ... The army must withdraw from inside the cities so that we can start talking about a dialogue between the people and the government.”<sup>10</sup> Both countries, along with Kuwait and Bahrain, have withdrawn their ambassadors from Damascus.
- Ali al Moussawi, an adviser to Iraqi prime minister Nuri Kamal al Maliki, said in September 2011 that “We believe that the Syrian people should have more freedom and have the right to experience democracy.... We are against the one-party rule and the dictatorship that hasn’t allowed for the freedom of expression.” Several weeks earlier, Iran had harshly criticized Syria as well. According to Iranian President Mahmoud Ahmadinejad, “Regional nations can assist the Syrian people and government in the implementation of essential reforms and the resolution of their problems.... A military solution is never the right solution.”

## **Possible Trajectories: Where is Syria Heading?**

In recent months, many observers and foreign government officials have asserted that the regime’s crackdown is unsustainable over the long term. While this may prove true, there is no consensus among experts or officials about the timetable for the regime’s demise. Some suggest that as long as oil exports continue<sup>11</sup> and key security officials commanding regime protection units remain loyal, the government could hold out for many months if not years. Others believe that high level defections, particularly from within the Alawite-dominated military and intelligence apparatuses, are inevitable because Alawite elites will work to ensure their

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<sup>8</sup> Spokesperson Jiang Yu, OSC Report CPP20110915364001, “Transcript of PRC FM Spokesman News Conference,” September 15, 2011.

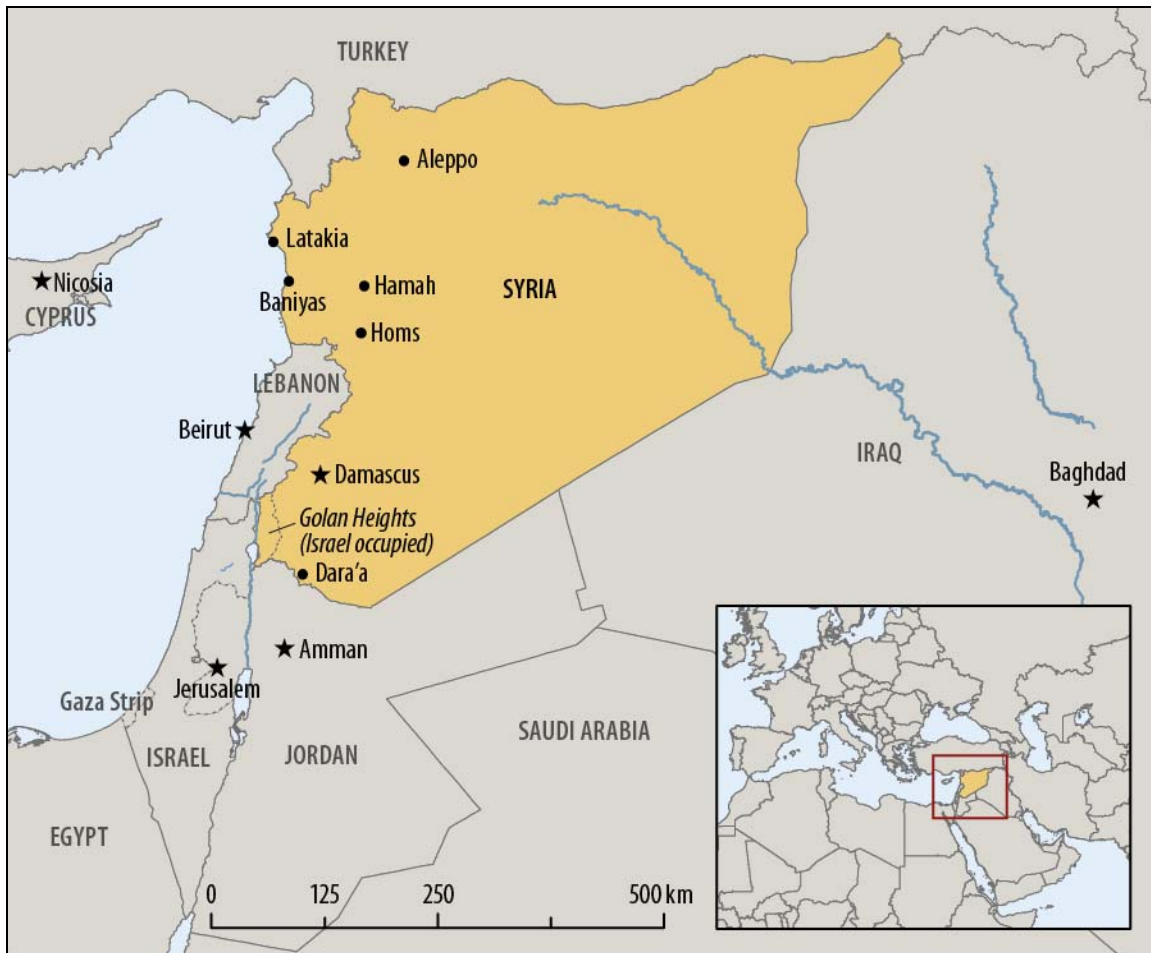
<sup>9</sup> Kristen Chick, “Assad can rule Syria until 2014? Protesters reject Arab League proposal,” *Christian Science Monitor*, September 11, 2011.

<sup>10</sup> *Al Arabiyah*, “Saudi Arabia’s King Abdullah demands an end to violence in Syria,” August 8, 2011; and, *Al Arabiyah*, “Qatar’s FM calls on Syria to stop ‘killing machine’ as Arab League meeting ends,” September 13, 2011.

<sup>11</sup> See, Economist Intelligence Unit, “Syria economy: Vulnerable?,” June 16<sup>th</sup> 2011.

community's primacy by abandoning the Asad family as their position becomes more untenable. Another possibility is that more distant members of the greater Asad family overthrow the ruling family, including President Bashar al Asad himself, his brother Maher who commands several internal security units, and his sister Bushra and her husband Asef Shawkat who also is a military official. Decisions to support or oppose the uprising by military personnel, regime officials, and pro-government social groups are inherently personal and psychological. Should fluid events dictate changes in individuals' calculations of their self-interest and the safety of their families, unexpected shifts in momentum could occur without warning.

**Figure 1. Map of Syria**



**Source:** CRS Graphics.

The longer civil unrest lasts in Syria, the more the likelihood of sectarian clashes would seem to rise. Although the Syrian opposition has condemned sectarianism and has tried to portray itself as nationalist, the opposition is not strong enough to control all of its diverse members, and some Sunni Muslims could begin to organize themselves into militias in order to combat irregular pro-government Alawite militias.<sup>12</sup> The latter have been accused of many human rights violations since demonstrations began seven months ago.

<sup>12</sup> Syrians call plain-clothes security agents, usually distinguishable by their black leather jackets, shabbiha (translated (continued...))

One major factor that could be decisive in determining how long the domestic crisis in Syria lasts is the role of the regular army. In late May, opposition groups using social media appealed to the armed forces to launch a coup against the Asad regime, saying that they would dedicate protests to honor the “Guardians of the Nation,” a reference to the army. Some unconfirmed reports suggest that regular army officers have been killed for refusing to fire on protestors and that the regime has relied exclusively on Alawite-dominated units, including the Fourth Division led by Maher al Asad. In July, defecting soldiers retreated to the far eastern, mostly tribal town of Abu Kamal. In response, the military then deployed soldiers to invade the town, though tribal negotiators brokered a cease-fire. According to one expert, “If a major general decides to defect he needs to know how many soldiers will obey his orders.... The army chiefs have too much to lose.... But once there is a very clear sign that the regime is getting close to the edge they will jump. They will want to salvage the situation.”<sup>13</sup> The sectarian divisions within the Syrian military create the potential for overlap between changes in military loyalty and the likelihood of sectarian conflict.

A long term concern to U.S. policymakers is the prospect of Syria becoming the locus of a new regional proxy war between Syria’s ally Iran and Sunni Arab states such as Saudi Arabia and Jordan, with other neighbors, such as Turkey, Iraq, and Israel, intervening to secure their own national interests. The rise of a Sunni-led government in Damascus could upset regional perceptions of the sectarian balance of power and may have significant effects on sectarian dynamics in neighboring Lebanon. Some observers fear that even non-state actors (such as Lebanon’s Hezbollah or Salafist Lebanese Sunni militia) could intervene in the Syrian unrest. Already, there have been unconfirmed reports of Iranian support to Syria, as referenced above (anti-riot gear, Internet jamming equipment, \$5.8 billion in emergency aid, and oil shipments), raising fears that Syria might become like Lebanon during its fifteen year civil war (1975 to 1990). After Syrian forces attacked several smaller, mostly Sunni Arab towns in the north-northwest, thousands of residents fled to Turkey, though many have since returned. Perhaps of greatest concern to Israel is the safety and oversight of Syria’s stockpile of chemical weapons. Syria is not a party to the Chemical Weapons Convention and is widely believed to have stockpiles of nerve agents such as sarin and VX. On August 30, State Department spokesperson said, “we do believe that Syria’s chemical stockpile remains under government control and that there is no change in the lockdown status of those weapons.”

## **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. These arguments have been met by wariness among Administration officials, some regional experts, and elements of the Syrian population about what the implications of confrontation would be, and what the

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(...continued)

literally as “ghosts”). According to one report, the Shabbihah (alt. sp. Shabeehah) “pit communities against each other to create a fear that prompts citizens to turn to the government for stability. Although Shabeeha members are found across sectarian lines, most are from the Alawite community.” See, “Syrian ‘Shabeeha’ Thugs Are Assad’s Tool in Protest Crackdown, Groups Say,” *Bloomberg*, June 1, 2011.

<sup>13</sup> “Assad’s Enemies Pin their Hopes on the Regular Syrian Army,” *Guardian*, June 15, 2011.

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 more cautious approach while advocating gradual steps to increase international pressure against the Asad 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.

## **Possible Policy Options**

Should the Syrian regime continue to use violence against its own people, the Administration or Congress may come under pressure to take additional punitive measures against the Asad regime. Some possible policy options include

- **New U.S. or International Sanctions Against Syria’s Energy Sector:** Some experts have asserted that targeting Syria’s energy sector is the primary way to

deprive the regime of revenue. The European Union has already agreed to restrict the sale of Syrian oil in Europe.<sup>14</sup> Another tactic would be to pressure foreign oil companies doing business in Syria, namely Royal Dutch Shell, Total, Croatia's INA Nafta, Petro-Canada, India's Oil and Natural Gas Corp., the China National Petroleum Corp., and Russia's Tatneft.<sup>15</sup> However, some European countries could be sensitive to the humanitarian implications of harsher sanctions, and it is doubtful that Russia<sup>16</sup> and China, given their resistance to United Nations Security Council action against Syria, would allow sanctions that would require their energy companies to divest from Syrian investments.

- **Recall the U.S. Ambassador from Damascus and Restrict Movement of Syrian Diplomats in Washington, DC:** Despite Ambassador Ford's efforts to demonstrate U.S. solidarity with Syrian protestors, some lawmakers wish to see the U.S. Ambassador to Syria recalled, as the George W. Bush Administration did in 2005. Critics of this approach believe that at this crucial time in U.S.-Syrian relations, recalling the Ambassador would limit the U.S. ability to understand the rapidly evolving situation on the ground. Given the regime's hostility to recent U.S. policy, the Syrian government may attempt to restrict the movement of U.S. officials there, perhaps creating an opportunity to recall the U.S. Ambassador in protest.<sup>17</sup> Others have suggested that given the accusations by some Syrian American activists that the Syrian Embassy in Washington, DC, has attempted to silence them by threatening their families in Syria, the United States should restrict the movements of Syrian diplomats.<sup>18</sup> The Syria Accountability and Lebanese Sovereignty Restoration Act, P.L. 108-175, does permit the President to enact an option to "Restrict Syrian diplomats in Washington, D.C., and at the United Nations in New York City, to travel only within a 25-mile radius of Washington, D.C., or the United Nations headquarters building, respectively."<sup>19</sup> In August 2011, Italy recalled its ambassador from Damascus.
- **Charge Syrian Officials with War Crimes or Crimes Against Humanity:** Some reports suggest that the Administration believes that Syrian officials should be charged with war crimes. According to Stephen Rapp, the U.S. Ambassador-at-Large for War Crimes Issues, the killing of Syrian civilians demanding democracy is a "crime against humanity." Ambassador Rapp stated that "We are watching the situation in Syria very closely.... We see crimes against humanity. As a former prosecutor [in the special court for Sierra Leone] I can't tell whether it's ... systematic attacks against civilians based on a plan."<sup>20</sup>

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<sup>14</sup> France, Germany, Italy and the Netherlands are the primary consumers of Syrian oil.

<sup>15</sup> See, Andrew Tabler, "Lights Out," *ForeignPolicy.com*, July 19, 2011.

<sup>16</sup> One recent Russian state news report indicated that the Russian Embassy in Damascus had held meetings with the Syrian opposition. The Spokesman of the Russian Foreign Ministry Alexander Lukashevich said that "We are having such contacts. Russia's position on the situation in Syria is being laid down in detail at the meetings. In most cases the Syrians take it with understanding." See, "Russia maintains contacts with Syrian opposition," *Itar Tass World Service*, July 27, 2011.

<sup>17</sup> According to one report, Syria warned the U.S. and French ambassadors not to travel outside Damascus without permission and, if they disobey the order, Syria will ban all diplomats from leaving Damascus. See, "Syria Warns Diplomats Not to Leave Damascus," *Wall Street Journal*, July 21, 2011.

<sup>18</sup> "FBI Agents meet with Syrian Activists," *Washington Post*, July 20, 2011.

<sup>19</sup> P.L. 108-175

<sup>20</sup> "Killing of Syrian Civilians 'Crime against Humanity', says US Ambassador," *Guardian*, July 21, 2011.

- **Implement Additional Provisions of the Syria Accountability and Lebanese Sovereignty Restoration Act, P.L. 108-175:** This law requires the President to impose two or more sanctions from a menu of six. In 2004, President Bush chose to ban U.S. exports to Syria other than food and medicine and ban Syrian aircraft landing in or overflying the United States.<sup>21</sup> The Administration could implement other menu items, such as a ban on U.S. businesses operating or investing in Syria, a reduction of diplomatic contacts with Syria, restrictions on travel by Syrian diplomats in the United States, and blocking of transactions in Syrian property.
- **Require New Reporting on U.S. Policy and Strategy toward Syria:** Congress could require the Administration to report to it concerning the regional security implications of the ongoing unrest in Syria and the potential implications of regime change there. A report might also focus on sources of remaining external support for the Asad government and assess the likely success of various options for eliminating those sources of support. Such a report could include requirements to describe the potential need for U.S. financial contributions to support possible international humanitarian, stabilization, peacekeeping, or advisory efforts in Syria, including under the auspices of the United Nations. Critics may suggest that such a reporting requirement would be unduly burdensome to the executive branch or premature given the fluidity of the current situation.

## U.S. Sanctions

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>22</sup> Principal examples follow.

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<sup>21</sup> 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: 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. 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.

<sup>22</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 (continued...)

## 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 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).

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(...continued)

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.

*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>23</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.

### **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>24</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;

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<sup>23</sup> See, State Department Press Releases And Documents “Near East: Iran, North Korea, and Syria Nonproliferation Act: Imposed Sanctions,” July 20, 2010.

<sup>24</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).

- 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:

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>25</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.

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<sup>25</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).

## 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>26</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>27</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>28</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.
- 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>29</sup>

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<sup>26</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>27</sup> The President last extended the State of Emergency on April 29, 2011.

<sup>28</sup> See <http://www.treas.gov/press/releases/js2617.htm>.

<sup>29</sup> See <http://www.treas.gov/press/releases/hp60.htm>.

- 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>30</sup>
- On August 1, 2007, the President issued E.O. 13441<sup>31</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 Makhlef (under the authority of E.O.13441) and Muhammad Nasif Khayrbik (under the authority of E.O.13338).<sup>32</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>33</sup> One week later, under the authority of E.O.13460, the U.S. Treasury Department froze the U.S. assets and restricted the financial transactions of Rami Makhlef, the 38-year-old cousin of President Bashar al Asad. Makhlef 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 Makhlefs have been big business players. The tradition continues in the next generation, with Bashar al-Assad (sic) as president and Rami Makhlef as a leading force in business."<sup>34</sup> Makhlef 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>35</sup> Then, in August 2008, Turkcell said it had frozen its plans for a

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<sup>30</sup> See, <http://www.treas.gov/press/releases/hp216.htm>.

<sup>31</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>32</sup> See, <http://www.treas.gov/press/releases/hp666.htm>.

<sup>33</sup> A previous executive order, E.O. 13315, blocks property of former Iraqi President Saddam Hussein and members of 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>34</sup> "Sanctions on Businessman Target Syria's Inner Sanctum," *Washington Post*, February 22, 2008.

<sup>35</sup> "Turkcell Continues Talks on Syriatel Stake," *Reuters*, April 14, 2008.

venture in Syria amid U.S. opposition to the project. Makhluof'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. Makhluof also is a minority shareholder in Gulfsands Petroleum,<sup>36</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 Makhluof would have no impact on the company pursuing its partnership with Cham.<sup>37</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>38</sup>

## **Effect of U.S. Sanctions on Syria's Economy**

Prior to the recent unrest, U.S. sanctions against Syria had clearly dissuaded some U.S. and some foreign businesses from investing in Syria. With the exception of certain specified goods, most U.S. exports to Syria are prohibited, a policy that has prevented the country's national air carrier, Syrian Air, both from repairing the few Boeing planes in its fleet and from procuring new planes from Europe, since Airbus uses certain American content in its planes. In a possible early goodwill gesture, on February 9, 2009, the U.S. Department of Commerce approved an export license for Boeing 747 spare parts<sup>39</sup> to Syrian Air.<sup>40</sup> In July 2009, the Obama Administration pledged to grant more waivers under the Syria Accountability Act to allow for increased U.S. export to Syria of goods related to information technology, telecommunication equipment, and civil aviation

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<sup>36</sup> Gulfsands' chief executive and largest shareholder, John Dorrier, is an American citizen, and the company has offices in Houston.

<sup>37</sup> "Syrian Tycoon Bristles At US Sanctions Against Him," the *Wall Street Journal*, March 26, 2008.

<sup>38</sup> See, "U.S. Trade and Financial Sanctions Against Syria." Available at <http://damascus.usembassy.gov/sanctions-syr.html>

<sup>39</sup> In 2008, Syrian Air and European aerospace manufacturer Airbus tentatively agreed to a sale of up to 54 commercial aircraft; however, the sale was never completed because Airbus planes contain more than 10% U.S. components.

<sup>40</sup> Executive Order 13338, which implements the Syria Accountability Act, states that the Secretary of Commerce shall not permit the exportation or re-exportation to Syria of U.S. products "except to the extent provided in regulations, orders, directives, or licenses issued pursuant to the provisions" of the order. U.S. Department of Commerce Bureau of Industry and Security regulations [Code of Federal Regulations, Title 15, Chapter VII, Part 742.9(b)] state U.S. export licensing policy with regard to Syria. According to the BIS regulations, "applications for export and reexport to all end-users in Syria ... will generally be denied," including licenses for aircraft, helicopters, engines, and related spare parts and components, "except that parts and components intended to ensure the safety of civil aviation and the safe operation of commercial passenger aircraft will be reviewed on a case-by-case basis, with a presumption of approval."

components. However, in December 2009, the United States rejected an Airbus request to sell new planes to Syria because the average Airbus plane contains an estimated 40% component parts of U.S. origin—thus making it illegal to export to Syria without an export license under the Department of Commerce’s Export Administration Regulations (EAR) implementing provisions in the Syria Accountability and Lebanese Sovereignty Restoration Act (P.L. 108-175).<sup>41</sup> In October 2010, Syria’s transport minister suggested that due to U.S. sanctions, Syria would consider buying six Russian Tupolev Tu-204 planes for Syrian Air.

In 2007, General Electric, the French power company Alstom, and Japanese-owned Mitsubishi all reportedly declined to bid on a Syrian government contract for the construction of power plants.<sup>42</sup> As mentioned above, Turkcell withdrew its bid to purchase Syriatel in August 2008 after the United States sanctioned Syriatel’s primary stakeholder, Rami Makluf. U.S. sanctions under the Patriot Act against the Commercial Bank of Syria have deterred private Western banks from opening branches inside Syria. As Syria’s energy production levels decline, sanctions have prevented major Western energy companies from making new investments there, though other foreign companies have supplanted U.S. firms. One company, Gulfsands Petroleum, moved its principle office to London in order to circumvent U.S. sanctions against its local partner, Rami Makluf.

Although U.S. sanctions have deterred American and some foreign investment in Syria, other countries have sought entry into the Syrian market.<sup>43</sup> Foreign investment from the Arab Gulf States and Iran has been substantial in recent years. In 2010, Syria’s largest trading partners within the Middle East were Iraq (\$2.9 billion), Saudi Arabia (\$1.7 billion), Lebanon (\$300 million), and Jordan and Egypt (\$100 million each). Syria’s primary non-Arab trading partners were Russia (\$2.3 billion), Germany (\$2 billion), China (\$1.9 billion), and Italy (\$1.2 billion).<sup>44</sup>

**Table 2. 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.

<sup>41</sup> “US prohibited Airbus selling planes to Syria: Damascus,” *Agence France Presse*, December 29, 2009.

<sup>42</sup> “Tired of Energy Ills, Syrians Doubt the West Is to Blame,” *New York Times*, August 15, 2007.

<sup>43</sup> According to one study by the German Marshall Fund, “From 2000 to 2009, the stock of FDI [foreign direct investment] in Syria witnessed a sharp increase from \$1.244 billion to \$7.334 billion. Specifically, in the 2007-2009 period alone, the stock has increased by more than \$4 billion.” See, Franco Zallio, “The Future of Syria’s Economic Reforms between Regional Integration and Relations with the West,” Mediterranean Policy Program—*Series on the Region and the Economic Crisis*, German Marshall Fund, November 2010.

<sup>44</sup> U.S. Department of Commerce, *Doing Business in Syria: 2010 Country Commercial Guide for U.S. Companies*.

### *Syria's Need for Economic Growth*

Syria is seeking aid, trade, and foreign investment from the international community, particularly the West, to boost its lackluster, mostly state-controlled economy, which is highly dependent on dwindling oil production<sup>45</sup> and foreign remittances.<sup>46</sup> To date, the government has enacted some reforms, such as liberalizing the financial sector, reducing fuel subsidies, opening a stock exchange, and cutting some import tariffs. Nevertheless, President Asad has yet to tackle the most difficult reforms, such as reducing the government payroll, combating elite corruption such as fuel smuggling, liberalizing other sectors of the economy and breaking up family-run business monopolies, halting tax evasion, modernizing the bureaucracy, and increasing overall economic transparency. Some observers believe that the regime cannot act boldly in the economic sphere due to the political backlash and possible unrest it would face from many different parts of Syrian society. Economic reforms may clash with the vested, status quo interests of Syrian business and political elites with ties to the Asad family. Others suggest that the opaque nature of Syria's authoritarian government inhibits the natural development of a transparent market economy that is attractive to foreign capital.

Although Syria has attracted more foreign investment from China, Gulf Arab countries, Iran, and Turkey, Syria also is responsible for the lack of strong economic ties to the West. After years of stalled negotiations, the European Union finally ratified its Association Agreement with Syria in 2009, only to see Syria refuse to sign the accord at the last minute. In the wake of the recent crackdown, the European Union has suspended all further steps with regard to the deal, which would have loosened bilateral trade restrictions and increased the flow of European aid to Syria. Even prior to the unrest, the proposal had raised concern among Syrian business elites who expected increased European competition in the agricultural and manufacturing sectors.

In sum, existing economic relationships and long-term Syrian economic needs may provide points of leverage to parties seeking to influence current developments. However, the effects of the uprising have added deeper complexity to the foreign and domestic competition that was ongoing in Syria prior to 2011.

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<sup>45</sup> According to the Department of Energy's Energy Information Administration, "Since peaking at 583,000 barrels per day (bbl/d) in 1996, Syrian crude oil production declined." Syria produced an estimated 387,000 bbl/d in January 2011, down from 390,000 bbl/d in 2008." U.S. Energy Information Administration, *International Energy Statistics*, April 28, 2011.

<sup>46</sup> Syria needs electric power generation, as its demand is projected to nearly triple by 2025. Already, during the summer months, some Syrians experience lengthy power outages. Companies from Russia, China, India, Qatar, and Iran, among others, have invested in Syria's electricity sector. Syria also receives natural gas from Egypt and Turkey. See, "Damascus Turns to Private Sector," *Middle East Economic Digest*, May 14, 2010.

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