

US SANCTIONS ON TURKEY ILLUSTRATE COMPLIANCE NEEDS

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ON OCTOBER 14, 2019, PRESIDENT TRUMP ISSUED AN EXECUTIVE ORDER IMPOSING SANCTIONS ON CERTAIN TURKISH GOVERNMENTAL OFFICIALS AND MINISTRIES IN RESPONSE TO TURKEY'S MILITARY OFFENSIVE IN SYRIA.

The sanctions were accompanied by an announcement of increased US tariffs on Turkish steel, and the criminal indictment of Turkish state-owned bank Halkbank on the charge of violating US sanctions on Iran. In addition, US Congressmen and Senators have proposed bipartisan legislation that would amplify and codify the sanctions.

The current and proposed sanctions are limited, in that they target the Turkish government, military and supporting financial institutions. They do not impose an embargo on Turkey, nor do they currently target significant sectors of the Turkish economy or members of the Turkish private sector. Nevertheless, the sanctions are in flux, and there is at least the potential for dramatic escalation. Parties with significant business ties to Turkey should continue to monitor the situation closely.

EXECUTIVE ORDER

The Executive Order imposes “blocking sanctions” on any Turkish governmental officials and ministries designated as “Specially Designated Nationals” (SDNs) by the Office of Foreign Assets Control (“OFAC”), as well as any other parties determined to be involved in the Syrian military action or human rights abuses, and financial institutions that knowingly facilitate significant financial transactions on behalf of the aforementioned designated parties. Any such sanctioned parties generally cannot deal with US parties or in US dollars, and their US assets are frozen.

In conjunction with the Executive Order, OFAC designated three Turkish government ministers and two ministries as SDNs. OFAC also issued a general license permitting parties to wind down their transactions with the designated ministries until November 13, and licenses permitting the US government and certain international organizations to continue interacting with the Turkish government.

POTENTIAL FOR FURTHER SANCTIONS

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The Executive Order also calls for sanctions to be imposed on other Turkish governmental officials and ministries, as well as on private sector parties that operate in sectors of the Turkish economy to be determined by OFAC and the US Department of State, and any other parties that have provided material services to any of the parties blocked under the Executive Order. The proposed Congressional legislation would codify and expand the sanctions, although the specific terms of the legislation remain in flux.

It is also possible that the sanctions will be relaxed or eliminated in conjunction with further negotiations regarding Turkey's role in Syria.

HOW SHOULD PARTIES REACT?

The current sanctions should not require dramatic changes in most parties' dealings with Turkey or Turkish companies or individuals. Turkey is not under a broad trade embargo. Trade with the Turkish private sector is not generally sanctioned. It is certainly *possible* that the sanctions will be expanded to cover significant portions of the Turkish economy. But this risk is ever-present in global trade.

Ultimately, the latest sanctions highlight the importance of having in place sanctions compliance policies and procedures. There are scores of US sanctions programs and directives, and the SDN list is ever-changing. Parties who deal with Turkey should continue to monitor developments and ensure that their compliance is up to date.

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