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Chairman Casey, Ranking Member Risch, distinguished members of the Sub-Committee: Thank you for the opportunity to appear before you. I look forward to discussing the Department of the Treasury’s role in supporting the Obama Administration’s efforts to end the Assad regime’s violent repression of the Syrian people. I am pleased to join Assistant Secretary of State Jeffrey Feltman today. Treasury values greatly our very close, collaborative relationship with the State Department and the State Department’s Syria team.

In my testimony today, I would like to review the role of financial sanctions in our Syria strategy; to assess, as far as possible, the current impact of multilateral sanctions; and to outline briefly our continuing priorities and next steps.

Syria Sanctions Regime

Since the Syrian uprising began in March 2011, President Obama has issued three Executive orders, each imposing new sanctions in response to the violence in Syria.

On April 29, President Obama signed E.O. 13572, imposing sanctions on certain persons and providing for the imposition of sanctions on persons determined to be responsible for human rights abuses in Syria, including those related to repression. On May 18, in response to the continued escalation of violence against the Syrian people, the President signed E.O. 13573, sanctioning Syrian President Bashar al-Assad and senior officials of Assad’s government. Most recently, on August 17, the President issued E.O. 13582, which imposed a full blocking program on the Government of Syria, and followed with a call on Assad to step aside. E.O. 13582 prohibits all transactions between U.S. persons and the Government of Syria, bans the export of U.S. services to and new investment in Syria, and takes aim at a crucial revenue stream for the Syrian government by banning the importation into the United States of, and transactions or dealings by U.S. persons in, Syrian-origin petroleum and petroleum products.

These three new Executive orders rapidly and significantly expanded the tools we have available for responding to the crisis in Syria. Each Executive Order delegates to Treasury the authority to

designate additional individuals or entities. Working closely with our colleagues at the State Department, in the intelligence community, and throughout the U.S. government, as well as with our counterparts in Europe, Canada and elsewhere, we have made full use of our authorities to isolate the Assad regime and key regime supporters. To the fullest extent possible, we have worked to deny the regime the resources it needs to fund its continued repression of the Syrian people.

Since the uprising began, we have designated more than three dozen individuals and entities pursuant to these new Executive Orders. Treasury actions have targeted, among others, regime insiders and officials such as Buthaina Shaaban, Presidential and Media Advisor to President Assad; Walid Al-Moallem, the Foreign Minister; the President's brother Maher al-Assad; and Mohammed Hamsho, a prominent businessman and member of the Syrian Parliament who serves as a front man for many of the corrupt and illicit dealings of Syrian officials.

In addition to the individuals targeted by our sanctions, we have also targeted key Syrian entities under these new Executive Orders. To date, we have imposed sanctions on Syriatel, the largest mobile phone operator in Syria, which was designated for being controlled by Rami Makhluf, a powerful Syrian businessman and regime insider designated under E.O. 13460 in February 2008 for improperly benefitting from and aiding the public corruption of Syrian regime officials; Hamsho International Group, for being controlled by Muhammed Hamsho; Syrian Military Intelligence, which has used force against and arrested demonstrators participating in the unrest; Syrian National Security Bureau, which directed Syrian security forces to use extreme force against demonstrators; and Syrian Air Force Intelligence, which in late April 2011 fired tear gas and live ammunition to disperse crowds of demonstrators who took to the streets in Damascus and other cities, killing at least 43 people in one day.

We have also used our authorities to highlight Iranian support for the Syrian regime, designating the Iranian Revolutionary Guards Corps-Qods Force and Iran's Law Enforcement Forces for providing material support to the Syrian regime's violent response to peaceful protests. We also targeted Ismail Ahmadi Moghadam and Ahmad-Reza Radan, the top two officials of Iran's Law Enforcement Forces, and Qasem Soleimani, the head of the IRGC-Qods Force, under E.O. 13572. These actions demonstrate that, despite the Iranian government's public rhetoric claiming solidarity with the popular movements sweeping the Arab world today, Iran's official policy is in fact to export the same brutal and repressive tactics employed by the Iranian government in Tehran in 2009.

In addition to the actions taken under the three most recent Syria Executive orders, Treasury has used pre-existing authorities to target the full spectrum of the Assad regime's illicit activities, including the proliferation of weapons of mass destruction. On August 10, we designated the Commercial Bank of Syria, a Syrian state-owned financial institution based in Damascus, for its provision of financial services to Syrian and North Korean entities previously sanctioned by the U.S. for facilitating WMD proliferation.

Coordination with Allies

As outlined thus far, we have been aggressive in the application of both targeted and broad-based measures against the Assad regime. Our actions have had an impact. The government blocking program, imposed under E.O. 13582, complicates Syrian oil sales globally by prohibiting dollar clearing for the Syrian Central Bank. The designation of the Commercial Bank of Syria has helped constrain the regime's primary facilitator of foreign transactions. Our targeted designations of regime insiders have boosted the morale of those courageously protesting against the regime.

Nonetheless, it is important to acknowledge that, had we been acting alone, our actions would likely have had only a modest impact on the Syrian regime's ability to finance its campaign of violence. Economic relationships between the U.S. and Syria were limited even before the current crisis. The most significant aspect of our efforts to isolate the Assad regime is that we have not acted alone. We have pursued our strategy in the context of especially close coordination with international counterparts. Our steady escalation of pressure against the Assad regime and its supporters has been conceived of and implemented in concert with our allies.

Like the U.S., the EU has designated numerous regime officials and insiders, making it clear to both Syrian government officials and the Syrian business community alike that association with Assad's regime carries a personal cost. On August 18, when President Obama called for Assad to step down, his call was echoed by our British, French and German counterparts. The EU prohibited new investment in the Syrian energy sector and issued a ban on the export of Syrian bank notes and coins produced in the EU. Following the U.S. designation of the Commercial Bank of Syria for proliferation activity, the EU last month froze all Commercial Bank of Syria assets in Europe, citing the bank's critical role in facilitating financial transactions on behalf of the Syrian regime. Most significantly, the EU implemented a ban on the importation of Syrian oil and gas, depriving the Syrian government of its largest and most important energy export market.

Canada, too, has moved arm in arm with the U.S. and Europe. Japan, Switzerland, and Australia have also taken a stand with the international community. Japan announced an asset freeze for Bashar al-Assad and twenty connected individuals and entities, Switzerland has imposed measures similar to those of the EU, while Australia has implemented an arms embargo, a travel ban, and targeted financial measures against the Bashar al-Assad and regime insiders, as well as an arms embargo against Syria. We are engaging additional countries in Europe and Asia, urging them to deny Syria alternative markets for its crude oil exports or alternative ways to access the international financial system. We have and will continue to consult closely with our counterparts in Turkey, where the Turkish government has made strong statements condemning the Syrian regime.

The Impact of Sanctions on Syria

As a result of this robust multilateral effort, the impact on the Assad regime has been profound. Since the implementation of U.S. and EU sanctions on the Syrian petroleum industry, the regime has struggled to find alternative markets for selling its heavy crude. Since the EU previously accounted for more than 90 percent of Syria's crude exports, the EU actions blocking the purchase of Syria-origin petroleum products and banning new investment in the Syrian

petroleum industry have had a massive impact. Prior to the imposition of sanctions, the Assad regime generated one third of its revenue from the oil sector. That source of revenue has been effectively been eliminated.

Though Syrian officials initially indicated their belief that finding alternative markets for Syrian oil would be easy, recent statements from high-ranking government officials paint a different picture. The Syrian oil minister, speaking on state-owned television late last month, noted that the government had initially believed that they would be able to shift their crude oil exports to markets in the East immediately, but that that assumption had been wrong. There appear to be few buyers willing to import Syrian crude oil in the short-term. In late September, the Syrian government was forced to cut domestic oil production because it was unable to find buyers for its oil and lacked domestic storage for the newly extracted crude.

In late September, in an apparent effort to preserve foreign currency reserves, the Syrian government imposed a ban on the importation of a broad range of products, including household appliances and food items. The policy quickly backfired, as inflation spiked and the business elite of the country expressed their anger at the regime. Assad was forced to roll back the ban to maintain support from businessmen, an influential domestic constituency. The episode demonstrated the regime's increasing financial vulnerability and, importantly, focused popular anger on the regime.

We have seen indications that Iran, one of Syria's last remaining supporters, appears to be taking steps to provide financial assistance to Damascus. However, given the pressure that Iran is under from wide-ranging international sanctions, it is unlikely that Iran will be successful in helping mitigate the impact of financial sanctions on the Syrian regime.

The U.S. and EU programs are only a few months old. We have yet to see the full impact of sanctions. However, we have sent to the Syrian government, and to the Syrian businessmen who have chosen to ally themselves with the regime, this clear message: your reprehensible actions have consequences. Continued repression of popular dissent will only deepen your isolation.

The Continuing Challenge and Way Forward

As long as Assad maintains his illegitimate hold on power, Treasury will continue to work with our colleagues across the Administration, including our Embassy in Damascus and our colleagues at the State Department, to identify individuals and entities that are complicit in the Assad regime's repression and deny them access to the U.S. and international financial systems through targeted sanctions. We will expose the sources of regime support. We will encourage our partners in the international community and private commercial institutions to take parallel actions.

As financial pressure on the Assad regime increases, we know that Syria will look for ways to circumvent sanctions. We are cognizant of this reality and we are closely monitoring the situation to close down any such activity. We will continue to engage foreign governments and appropriate private sector counterparts to block Syrian government efforts to develop workarounds. As part of our efforts, the Financial Crimes Enforcement Network (FinCEN) has

already issued two advisories to U.S. financial institutions highlighting the risk of flight of proceeds of public corruption and regime assets, and possible attempts by the Commercial Bank of Syria to use nested accounts to maintain access to U.S. dollars. We are urging other financial sector regulators to issue similar guidance to their financial institutions.

Most important, we will continue to engage our foreign partners, working closely with the State Department, in an effort to broaden and deepen the coalition taking action against Syria. Treasury officials engage regularly in jurisdictions that might serve as possible outlets for Syrian financial activity. We will caution our partners to remain vigilant, ask governments and regulators to issue appropriate guidance to their financial sectors, and encourage them to join us in our aggressive and comprehensive application of measures to increase the pressure on the Assad regime.

As we continue to engage internationally, Treasury will also continue to pursue new and innovative ways to use our financial tools to advance U.S. national security objectives.

I look forward to continuing our work with this sub-committee, and I look forward to your questions.

Thank you.