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Tactics of Sanctions Evasion in Syria

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Background of the Project

Despite ten years of western sanctions on Syria, the Syrian regime has managed to survive and adapt to pressure. Sanctions were imposed on the Syrian regime as a response to its human rights violations since the beginning of the popular Syrian uprising in 2011. Economic sanctions sought to hinder the regime's ability to commit further violations, by depriving it of the resources it needs, as is the case with sanctioning oil imports to Syria, used to fuel the regime's air force and army. It also aimed to pressure the Syrian regime to change its behavior and engage in a political process based on UNSCR 2254.⁽¹⁾

Targeted sanctions against individuals, including businesspersons, sought to tighten the grip on the regime's finances and further cripple its war machine. However, over the course of the past ten years, leaked documents and investigative reports documented various methods of sanctions evasion adopted by the Syrian regime and sanctioned businesspersons. Such practices often intersect with money laundering strategies, and include the extensive use of shell companies, obscuring the origins of payments through complex money transfers, relying on the services of banks of dubious reputations, among others.⁽²⁾

While the full scale of the sanctions evasion's effect is not fully measured, it has helped shoring up the regime's resources during the past decade. The strengthening of the sanctions' programs with secondary tools, such as the US Caesar Act 2019, has managed to tighten the grip further on sanctions evasion. However, the Syrian regime and its cronies increasingly tend to adapt to the new sanctions by developing their evasion tactics. This research paper aims to explore the methods through which the businesspersons supporting the Syrian regime evade sanctions, and to highlight practical recommendations to concerned states on how to close these loopholes. This, in turn, aims to strengthen the limited accountability measures available for Syria, in light of the absence of an international agreement. Increasing the effectiveness of sanctions also strengthens its chances of achieving its second declared goal, namely changing the behavior of human rights abusers.

(1) https://eeas.europa.eu/delegations/syria/80009/factsheet-eu-sanctions-situation-syria_en

(2) <https://www.acamstoday.org/preventing-and-detecting-sanctions-evasion-schemes/>

The research was conducted by the Human Rights and Business Unit (HRBU) of the Syrian Legal Development Programme (SLDP). The HRBU was launched in April 2018 as a stand-alone unit to address business-related human rights concerns that arise in Syria. Since its establishment, SLDP has received support from the Swiss FDFA, the Dutch MFA, and the European Union. Since its founding, the HRBU has engaged in a number of activities aimed at building Syrian civil society's capacity in business and human rights law, including workshops, trainings, and developing a Business and Human Rights toolkit for Syria. SLDP has also monitored and documented business-related human rights violations in Syria and developed several reports.⁽³⁾ HRBU has further engaged with various stakeholders in business activity in Syria, including international organizations, state actors, UN bodies, and humanitarian aid organizations. The Unit also aims to ensure the increased ability of stakeholders - including Syrian NGOs, state actors, and INGOs - to influence and use alternative forms of accountability against businesses involved in conflict-related human rights abuses in Syria.

(3) <https://sldp.ngo/resources>; See also "Caesar's funds," a documentary broadcast by al-Jazeera news channel in December 2020, in which SLDP took part, further exposed the regime's financial network and its reliance on shell companies and business front to evade sanctions, available at: <https://www.youtube.com/watch?v=4xZfeWtoOik>

Executive Summary

One of the ineffective aspects of sanctions is that they target individuals who already have the resources to evade them. Evasion skills are accumulative, and Syria has been under one form of sanctions or another since 1979. Regime sympathizers further facilitate the process through a network of lawyers and bankers whose specialty is sanctions evasion. Because of the high reward a business front gains for services provided on behalf of sanctioned individuals, and the lack of any repercussions, sanctions are not achieving their full potential. If strengthening the sanctions programs along the suggested lines is the stick, the carrot should be creating or strengthening the space for businesses who find themselves with no other choice but to rely on the regime and work for its benefit. Both the carrot and the stick require a strong and sincere effort from the concerned countries. The successful end of the sanctions can be achieved by a political solution to the Syrian crisis that ends human rights abuses. Based on the interviews, research and experience, this paper analyses some of these practices, and provides the following recommendations as focus areas for action:

1. Broadening the scope of application of secondary sanctions.
2. Applying stricter but more intelligent control over companies and banks.
3. Applying stricter controls on cash-based transactions and money exchange offices, or “hawala.”
4. Countries of the Middle East should prohibit sanctions evasions activities taking place in their territories.
5. Pressuring EU countries that are facilitating sanctions evasion activities.
6. Applying stricter controls over investment visa and citizenship programs.
7. Implementing existing legislation criminalizing and/or providing for the listing of sanctions evasion facilitators.
8. Requiring UN agencies operating in Syria to conduct human rights due diligence.
9. Finding a political solution to the Syrian crisis.

Methodology

The research sought to identify the methods of sanctions evasion followed by designated individuals, including businesspersons. Therefore, the research focused on individual targeted sanctions, and not sectorial sanctions. The research did not study the effects of sanctions on the Syrian economy, or on the individuals targeted. The sanction programs referred to in this research paper are only those of the US, UK, and EU in relation to Syria.

HRBU used the following methodology for this paper:

- Identifying the methods of sanctions evasion through desk research and interviews; this was carried out through an extensive literature review on precedents and theoretical frameworks on the issue. This research took into account the sensitivities related to the different natures of the Syria sanction programs, primarily the US and EU's. Given the topicality and secrecy of the nature of the sanctions' evasion, there is limited credible information online.
- The bulk of the research was carried out through direct engagement with frontline stakeholders involved in the issue. HRBU conducted interviews with 12 key individuals to identify the methods of sanctions evasion that may be less easily accessible through desk research or the general public.
- The research focuses on the methods of sanctions evasion that are most commonly used in the last three years in Syria, i.e., since the great reduction in military operations in 2018.
- The interviews and conversations were held with 12 individuals during the months of June and July 2021. The data was collected verbally, and an anonymised transcription of those interviews is safely held by SLDP. The interviewees are:
 - 3 investigative journalists specializing in Syria-related investigations.
 - 5 Syria experts working for different prestigious institutions with reputable expertise on Syria.
 - 2 sanctions and due diligence experts with vast experience in sanctions controls in the Middle East and Syria.
 - 2 Syrian businessmen with extensive knowledge and expertise in the Syrian business scene.

- The interviews were semi-structured questionnaires held online and in person. Given the sensitivity of the topic and the delicate position of many of those interviewed, it was decided that all interviewees' names will be anonymised, and that the information gathered will be used in an aggregate manner.

Disclaimer: This document holds no legal status, and instead offers an analysis that is developed based on desk research, interviews, and in-depth off-the-record conversations with key stakeholders regarding the effectiveness of sanctions as an accountability tool in the Syrian context, and whether sanctions were having a positive effect in changing sanctioned behavior of listed businessmen.

Introduction

Since the beginning of the Syrian uprising in 2011, western states have responded to the human rights violations of the Syrian regime by imposing sanctions. In addition to sectoral sanctions, targeted measures were increasingly expanded to include the regime's leadership, military officers, government officials and affiliated business elite. The European Union,⁽⁴⁾ The US Treasury's Office of Foreign Assets Control (OFAC),⁽⁵⁾ and the British Treasury,⁽⁶⁾ among others, have imposed such targeted sanctions on figures connected to the Syrian regime. The United States' 2019 Caesar Civilian Protection Act is the broadest set of sanctions imposed thus far.⁽⁷⁾ The Caesar Act obliges the US administration to designate any person who knowingly provides support to the Syrian regime or affiliated contractors, mercenaries, and paramilitary actors, including forces affiliated with Russia and Iran, or to any other person subject to US sanctions with respect to Syria.⁽⁸⁾

The OFAC, EU and UK sanctions consist of travel bans, asset freezes on foreign accounts, and restrictions on participation in import/export trade or infrastructural projects. Violence against civilians through state repression was the defining factor of early OFAC⁽⁹⁾ and EU⁽¹⁰⁾ sanctions regimes, but sanctions have become more sweeping in recent years, broadening as they began targeting those who provide financial or material assistance to the regime, or entities and businesses who profit through association with the regime.⁽¹¹⁾ Human rights violations linked to chemical weapons are another defining feature of the evolution of sanctions regimes.⁽¹²⁾

The regime and its businesspersons had sought to circumnavigate Western sanctions since they were imposed against Syria in 1979, when the US designated the country on its list of State Sponsors of Terrorism.⁽¹³⁾ Business fronts, shell companies, and fake identities were used by the regime to evade the sanctions imposed after the assassination of the former Lebanese Prime Minister Rafic Hariri (2005), and to retrieve the fortune of Bassel al-Assad, the older brother of the current Syrian president, following his death in a car accident (1994).⁽¹⁴⁾ Twelve years later, the Panama Papers leaks (2016) revealed that three Syrian companies close to the Syrian regime were using the infamous Panama based law firm Mossack Fonseca, to create shell companies in the Seychelles to

(4) <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3AA02013D20210508-0255>

(5) <https://home.treasury.gov/policy-issues/financial-sanctions/sanctions-programs-and-country-information/syria-sanctions>

(6) <https://www.gov.uk/government/publications/financial-sanctions-syria>

(7) https://home.treasury.gov/system/files/126/caesar_act.pdf

(8) <https://www.brookings.edu/blog/order-from-chaos/2020/06/19/the-caesar-act-and-a-pathway-out-of-conflict-in-syria/>

(9) <https://www.treasury.gov/press-center/press-releases/Pages/tg1181.aspx>

(10) <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:136:0045:0047:EN:PDF>

(11) <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:087:0045:0048:EN:PDF>

(12) https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2017.185.01.0020.01.ENG&toc=O-J:L:2017:185:TOC

(13) <https://www.state.gov/state-sponsors-of-terrorism/>

(14) <https://www.alarabiya.net/arab-and-world/syria/12/08/2020-شمية-جو-ايقر-جال-الاسد-للتهر-ب-من-العقوبات>
<https://www.alarabiya.net/arab-and-world/syria/12/08/2020-شمية-جو-ايقر-جال-الاسد-للتهر-ب-من-العقوبات>

avoid the pressure of sanctions. The papers suggest that those companies paid for fuel that kept the regime's air force operational.⁽¹⁵⁾ Prominent among the names revealed in the Panama Papers leaks is that of Rami Makhoul, the maternal cousin of Bashar al-Assad, who also was estimated to control 60% of the Syrian economy before 2011. Motivated by the leaks, the Lebanese news website Daraj revealed the extent of the regime's businesspersons' reliance on offshore companies registered in Lebanon. In addition to Rami Makhoul, other sanctioned individuals are reported, including Mohammad Hamsho and Samer Foz.⁽¹⁶⁾

Later investigations revealed other methods used by individuals sanctioned because of their connection to the regime to evade sanctions. In 2019, Anisa Shawkat, Bashar Al-Assad's niece, was investigated and had her bank account frozen for 56 cash deposits in her accounts in the UK, although she has no identifiable source of income.⁽¹⁷⁾ Global Witness published a report revealing the extent of the al-Assad related money network in Russia. The report exposed banks and companies - in Cyprus, the British Virgin Islands, and Russia - that worked as intermediaries for the benefit of sanctioned individuals and entities, including the Syrian Scientific Research Centre (SSRC) responsible for Syria's chemical weapons program.⁽¹⁸⁾ The FinCEN files, leaked in September 2020, exposed another company based in Malta providing a regime-linked company with oil.⁽¹⁹⁾ In the context of the recent conflict between Bashar al-Assad and his cousin Rami Makhoul, the latter revealed in a Facebook post in July 2020 that some of the companies which were confiscated by the government were used to "circumvent sanctions imposed on Damascus".⁽²⁰⁾ A documentary broadcast by Aljazeera news channel in December 2020, in which SLDP took part, further exposed the regime's financial network and its reliance on shell companies and business fronts to evade sanctions.⁽²¹⁾

Interviews conducted with experts in sanctions evasion in general, and in the Syrian context in particular, supported by existing literature, were made to shed needed light on the different methods being used to evade sanctions imposed against Syria. Findings are accompanied by recommendations to policy and decision makers on possible methods to counter these sanctions evasion methods.

(15) <https://www.aljazeera.com/opinions/12/4/2016/panama-papers-how-the-seyelles-saved-syria>

(16) <https://daraj.com/2214/>

(17) <https://nationalcrimeagency.gov.uk/news/al-assad-family-cash-forfeited-in-london-court?highlight=WyJhc3NhZCJd>

(18) <https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/assads-money-men-in-moscow/>

(19) <https://timesofmalta.com/articles/view/fincen-files-how-a-sanctions-trail-led-from-syria-to-malta.819532>

(20) <https://www.occrp.org/en/daily/-12865assad-s-cousin-says-offshore-companies-helped-regime-evade-sanctions>

(21) <https://www.youtube.com/watch?v=4xZfeWtoOik>

Legal Frameworks Governing Syrian Sanctions

In the last decade, several different countries and supranational organizations have adopted Syria-specific sanctions programs. The paper addresses the most common ways in which listed individuals and entities have attempted to circumvent the restrictive measures deriving from the US, EU and UK Syria sanctions programs, in addition to other laws and regulations that govern sanctions evasion.

Syria sanctions can be divided into two main categories: “sectoral sanctions and targeted sanctions.

- Sectoral sanctions restrict the ability of EU, US and UK persons, and of persons in the EU, US and UK, to import or export certain goods or services to or from Syria, or to operate in or trade with certain industries in Syria.⁽²²⁾
- Targeted sanctions, on the other hand, impose restrictive measures against specific individuals or entities named in lists maintained by the relevant sanctioning authority.⁽²³⁾

The restrictive measures to which listed individuals and entities are typically subjected consist of:

- The freezing of funds or of economic resources belonging to, owned, or controlled by those that are in the territory or under the jurisdiction of the EU, US and UK, or that are held by an EU, US and UK person;⁽²⁴⁾
- The prohibition to enter or transit through the territory of the EU, US and UK;⁽²⁵⁾
- The prohibition to EU, US and UK persons, and to anyone who is in the territory or under the jurisdiction of the EU, US and UK, of making funds or economic resources available to, or for the benefit of, listed persons.⁽²⁶⁾

The EU, UK and US Syria sanctions programs include provisions aimed at contrasting the circumvention of the aforementioned restrictive measures against listed persons.

- The EU sanctions program prohibits EU persons and any person within EU territory from participating, “knowingly and intentionally, in activities the object or effect of which is, directly or indirectly, to circumvent the [restrictive] measures”.⁽²⁷⁾ In addition, it provides for the listing of persons “associated” with listed persons.⁽²⁸⁾

(22) See [Council Decision 255/2013/CFSP](#), as amended, Articles 26-1.

(23) See [Council Decision 255/2013/CFSP](#), as amended, Articles 28-27.

(24) See [Council Decision 2013/255/CFSP](#), as amended, Article 28; [Syria \(Sanctions\) Regulations 2019](#), 11; [Executive Order 13572/2011](#), Sec. 1.

(25) See [Council Decision 2013/255/CFSP](#), as amended, Article 27; [Syria \(Sanctions\) Regulations 2019](#), 24; [Caesar Syria Civilian Protection Act of 2019](#), Sec. 7412(b)(1)(B).

(26) See [Council Decision 2013/255/CFSP](#), as amended, Article 28; [Syria \(Sanctions\) Regulations 2019](#), 12-15; [Executive Order 13572/2011](#), Sec. 3.

(27) [EU Regulation 36/2012, as amended, article 14\(3\)](#).

(28) [Council Decision 2013/255/CFSP](#), as amended, Article 28.

- The UK sanctions program prohibits UK persons or any person within the UK territory to “intentionally participate in activities knowing that the object or effect of them is, whether directly or indirectly, to circumvent any of the [restrictive measures], or to enable or facilitate the contravention of any [restrictive measure]”.⁽²⁹⁾ Further, it provides for the listing of persons who “provid[e] financial services, or mak[e] available funds or economic resources, that could contribute to” a sanctionable activity and who “assist the circumvention or contravention of any relevant provision”.⁽³⁰⁾
- Finally, virtually all US legislative instruments providing for targeted Syria sanctions prohibit any transaction by a US person or within US territory US “that evades or avoids, has the purpose of evading or avoiding, causes a violation of, or attempts to violate any [restrictive measure]”.⁽³¹⁾ In addition, they provide for the listing of any person that is 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 listed under Syria sanctions.⁽³²⁾ The US authorities relied on a similar provision to apply restrictive measures to entities enabling a listed Russian individual to evade sanctions.⁽³³⁾ Furthermore, Executive Order 13608/2012 provides for the listing of any foreign person that is determined to have “violated, attempted to violate, conspired to violate, or caused a violation of any license, order, regulation, or prohibition contained in, or issued pursuant to [Syria sanctions]”,⁽³⁴⁾ as well as for the listing of any foreign person who has “facilitated deceptive transactions for or on behalf of any person subject to United States sanctions concerning [...] Syria”.⁽³⁵⁾ Deceptive transactions are defined as “any transaction where the identity of any person subject to United States sanctions concerning [...] Syria is withheld or obscured from other participants in the transaction or any relevant regulatory authorities”.⁽³⁶⁾

It is worth noting that the EU, UK and US legislation on money laundering and terrorism financing,⁽³⁷⁾ corruption, bribery, and fraud,⁽³⁸⁾ are relevant to addressing sanctions evasion, but will not be covered by this paper.

(29) [Syria \(Sanctions\) Regulations 2019](#), 22.

(30) [Syria \(Sanctions\) Regulations 2019](#), 6(3)(e)(h).

(31) See [Executive Order 13572/2011](#), Sec. 5; [Executive Order 13894/2019](#), Sec. 7.

(32) See [Executive Order 13572/2011](#), Sec. 1(b)(iii); [Executive Order 13894/2019](#), Sec. 1(a)(i)(E); [Caesar Syria Civilian Protection Act of 2019](#), Sec. 7412 (a)(2)(A)(iii).

(33) <https://home.treasury.gov/news/press-releases/sm1058>

(34) [Executive Order 13608/2012](#), Sec. 1.

(35) *Ibid.*

(36) *Ibid.*, Sec. 7.

(37) For the EU see: [Directive \(EU\) 2015/849](#), as amended; [Regulation \(EU\) 2015/847](#), as amended; [Directive \(EU\) 2018/1673](#); [Directive \(EU\) 2019/1153](#). For the UK see: [Terrorism Act 2000](#); [Proceeds of Crime Act 2002](#), as amended; [Sanctions and Anti-Money Laundering Act 2018](#) and the regulations adopted under these acts. For the US see: [18 United States Code, Sections 1956, 1957](#); [Bank Secrecy Act](#), as amended (especially the Anti-Money Laundering Act 2020) and the relevant implementing regulations.

(38) For the EU see: [Council Framework Decision 2003/568/JHA](#). For the UK see: [Bribery Act 2010](#), [Fraud Act 2006](#). For the US see: [18 United States Code, Chapter 47](#); [Foreign Corrupt Practices Act](#), as amended.

Recommendations

Based on the interviews and research conducted over the period of the study, the following recommendations are presented, followed by the related findings:

1. Broadening the scope of application of secondary sanctions

The term “secondary sanctions” refers to all measures that aim to dissuade third parties from maintaining economic relations with the individuals and entities targeted by the Syria sanctions programs.⁽³⁹⁾ The use of secondary sanctions can be very efficient in countering sanctions’ evasion activities, as front businesses and individuals have been identified as the main method of sanctions evasion employed in the Syrian context. The practice is common and widespread, because it simply carries more benefits than disadvantages to the involved parties. In this context, “fronts” is used to refer to any individual or entity working temporarily or permanently on behalf of a sanctioned individual or entity. These may include businessperson, shell companies, intermediaries, etc.

The use of business fronts is not new nor unique to the Syrian scene. The most obvious example is that of the late Mohammad Makhlof, Bashar al-Assad’s maternal uncle, and his son Rami, who managed the al-Assad family’s fortunes since the 1970s.⁽⁴⁰⁾ Similarly, Yevgeny Prigozhin, also known as Putin’s Chef, is a prime example of such a relationship in Russia. However, following the uprising in Syria, and the sanctions imposed against human rights violators, including businesspersons, the regime’s need for front businesses increased. Examples given by the interviewed businesspersons and experts include Khodr Ali Taher, who is believed to be a front for Asmaa al-Assad, and Khaled Qaddour, who is a front for Maher al-Assad. Both fronts have been sanctioned.

On the other hand, there are fronts who are not sanctioned, including Samer al-Debes, whose wife is said to be a friend of Bashar al-Assad, according to an interviewed businessperson. Al-Debes is also a member of the Syrian parliament and the president of Damascus Country-side Chamber of Industry.⁽⁴¹⁾

(39) T. Ruys, C. Ryngaert, «Secondary Sanctions: a Weapon out of Control? The International Legality of, and European Responses to, US Secondary Sanctions», *The British Yearbook of International Law* (2020), 7-8.

(40) <https://english.enabbaladi.net/archives/2021/06/the-dynasty-of-makhlof-privilege-power-and-wealth/>

(41) <https://manhom.com/شخصيات/سامر-الديبس/>

The fronts in which the regime is interested are “established and rich. They have their own networks. And there’s plenty of those. They are always reminded that their money is the regime’s. The regime controls them by having oversight on their wealth inside Syria.”

*Excerpt from interview with Syrian
businessperson*

Sanctioning business fronts, especially if these fronts are established businesspersons, does not end sanctions evasion: fronts use other fronts to evade sanctions. The application of secondary sanctions, however, can end the cycle of fronting by making it more expensive and more difficult to run a business through fronts. The interviews revealed

some of these examples. Samer Foz, who is sanctioned by the US and the EU, provides an interesting example. Foz’s listing under the EU sanctions is supported on the following basis:

“Leading businessperson operating in Syria, with interests and activities in multiple sectors of Syria’s economy, including a regime - backed joint venture involved in the development of Marota City, a luxury residential and commercial development. Samer Foz provides financial and other support to the Syrian regime, including funding the Military Security Shield Forces in Syria, and brokering grain deals. He also benefits financially from access to commercial opportunities through the wheat trade and reconstruction projects as a result of his links to the regime.”⁽⁴²⁾

Foz’s network also includes his brother Amer and sister Husen, both sanctioned by the EU and the US for their role as fronts to their brother and his support for the regime. Yet, Foz’s siblings are still active in their businesses and their lifestyles are merely slightly altered, according to an interviewed Syria expert. Samer uses the credit card of his own driver to cover his lifestyle expenses. His sister Husen is also said to have transferred businesses in her name to her husband’s, Mohammad al-Jibbawi, who is off the sanctions’ radar. Similarly, Amer relies on his in-laws, whose surname is different from his. Samer, who is also a Turkish citizen, is reported, according to the interviews, to live in Istanbul, running his businesses as usual.

By increasing the risk to the fronts, and making the disadvantage larger than the benefit, fronts will reconsider any possible assistance they offer to human rights violators under sanctions. The US Caesar Act 2019 sent this strong message to the countries interested in normalizing their relationships with the regime, although it has been applied rarely. Moreover, the cautious position of the Biden administration towards sanctions has made the risk very low for anyone seeking to benefit from the activities related to sanctions evasion. Yassar Ibrahim, for example, is reported in one of the interviews to be frequenting the UAE, seeking procurement contracts on behalf of the Syrian regime.

(42) <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02013D0255-20210115>

“To fully implement the sanctions regimes, the sanctioned individuals have to be fully pressured and not given any space to escape the pressure.”

Excerpt from interview with Syrian businessperson

The absence of this deterrence encourages individuals to seek favors with the Syrian regime, as they believe the wind is blowing their way. An interviewed businessperson reported the case of a Syrian businessperson in Egypt named Bassel Summaqiyyeh, who made his fortune in Egypt.⁽⁴³⁾ Because of the prestigious perks he was promised from Damascus, such as being received in the exclusive lounge at Damascus Airport, he started defending the Syrian regime in Egypt and contacted the Syrian embassy in Cairo to see if he could help with the recent (presidential) elections. His is just one example of this trend seeking favors with the regime.

The sanctions of the European Union, which do not have a secondary component to them, are also very easily evaded using fronts. These fronts could be intermediary individuals who perform a transaction on behalf of a sanctioned individual for a commission, or a well-established businessperson.

If the political will to impose secondary sanctions by the EU is lacking, an alternative could be found by flagging the names of suspicious fronts in the financial system, without necessarily sanctioning them. Being flagged will increase the risk and may deter the individual, while simultaneously sending a message to other potential collaborators that they will face the same situation.

2. Stricter but smarter control over companies and banks

The control over companies' registrations, documentations, and beneficiary ownership, in addition to banking operations, should be stricter when dealing with evaders, but it should be smarter at the same time.

With regards to companies, sanctioned individuals have recourse to business fronts, offshore companies, and complex company structures to disguise the original ownership of a business. These methods are not specific to Syria, and are also used by other evaders, sanctioned or otherwise, around the world.

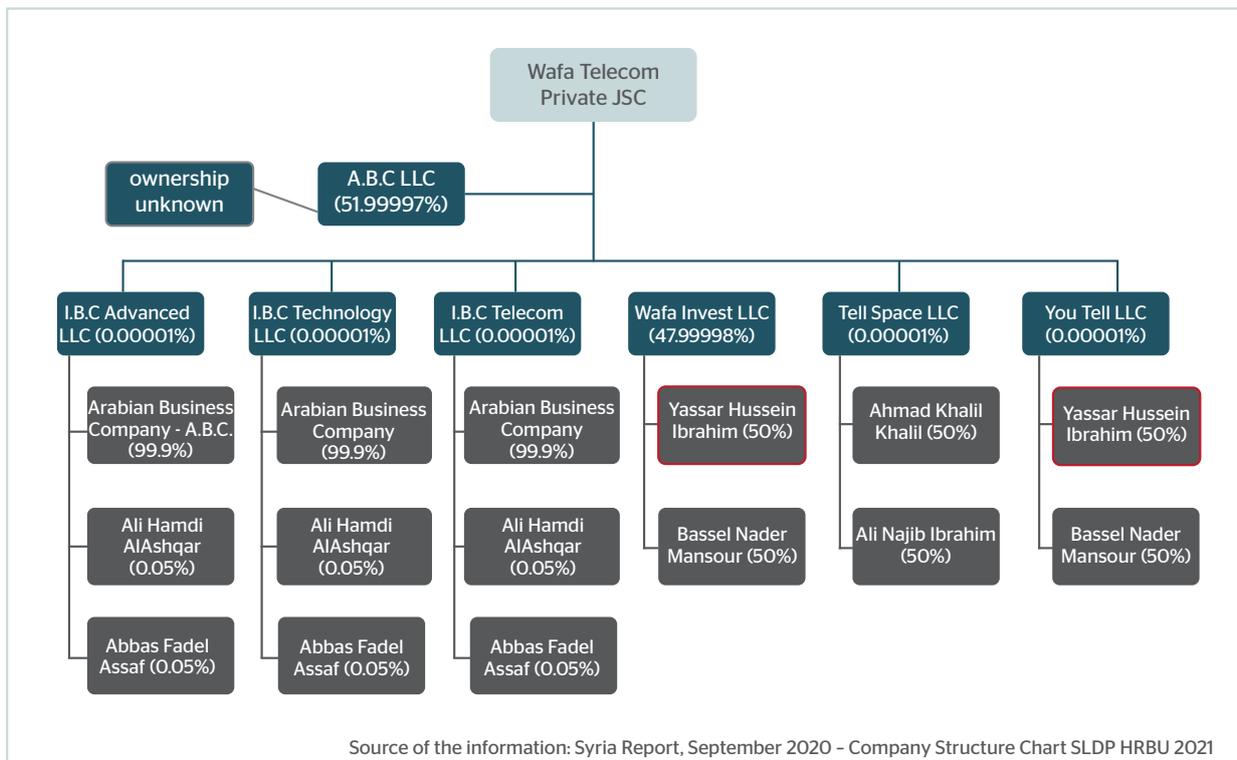
The Panama Papers leak in 2016, for example, revealed how Rami Makhlouf uses offshore companies to evade sanctions.⁽⁴⁴⁾ Makhlouf admitted using offshore companies to evade sanctions in one of his recorded messages on Facebook in 2020, posted in the context of his

(43) <https://manhom.com/شخصيات/ياسل-سماقية/>

(44) <https://panamapapers.sueddeutsche.de/articles/570fc0c6a1bb8d3c3495bb47/>

conflict with his cousin Bashar al-Assad.⁽⁴⁵⁾ The interviews with businesspersons and Syria experts conducted for this report confirm the use of offshore companies. Syrian sanctioned individuals are introduced to the world of offshore companies through experts from other countries, especially lawyers and bankers from Lebanon. As legislation around the world evolved to counter evaders in general, it became necessary to reveal beneficiaries and partners, according to an interviewed sanctions controls expert.

Front companies are another well-known way to evade sanctions. They can be registered in Syria or overseas. They may also have a complex structure to disguise the ultimate beneficiaries, according to an interviewed Syria expert. The structure of Wafa Tel, the third mobile network operator in Syria, provides an example. The company is said to either be Iranian or to belong to Asma al-Assad, but the company's ownership does not reflect that. According to the Syria Report's companies' directory, Wafa Telecom Private JSC, formed in September 2020, is owned by seven other companies.⁽⁴⁶⁾ Exploring the ownerships of these seven companies merely revealed more companies and formerly unknown individuals, namely Ali al-Ashqar and Abbas Assaf.⁽⁴⁷⁾ However, a major shareholder, Wafa Invest LLC, is owned jointly by Bassel Mansour and Yassar Ibrahim.⁽⁴⁸⁾ The latter is known to be a front for the Presidential Palace.



(45) <https://www.reuters.com/article/us-syria-security-tycoon-idUSKCN24S06Z>

(46) <https://www.syria-report.com/library/newly-established-companies/wafa-telecom-private-jsc>

(47) <https://www.syria-report.com/library/newly-established-companies/ibc-technology-llc>

(48) <https://www.syria-report.com/library/newly-established-companies/wafa-invest-llc>

With regards to banks and financial institutions, sanctioned individuals also rely on various methods to avoid being flagged by the compliance departments of financial institutions. One of those methods is to rely on a group of people who are not necessarily flagged by compliance desks. Given that Syrian individuals, in general, are frequently flagged, they have recourse to individuals who hold other nationalities including citizens of Egypt, Lebanon, Iraq, Jordan, and others. As a businessperson put it, “one will never find a bank transfer from Yassar Ibrahim to the Fourth Brigade.”

Moreover, according to the interviewed Syria experts, some individuals may resort to changing the spelling of their names or that of their companies to avoid detection for as long as possible. Changing the spelling may delay the sanctioning authorities as they may take a few months to detect and confirm that the new spelling is the same as the sanctioned individual, but these few months provide a sufficient window for the perpetrator to run different transactions that go undetected. The sanctioned individual can then run through the process again.

It is important to note that these operations are often enabled by the complicity of the bank itself, which raises the point of corrupt practices. Faced by international financial regulations, banks generally steer away from fraudulent practices and attempt to denounce them, according to the sanctions’ controls expert interviewed for this paper. Corrupt institutions, on the other hands, will actively cover and support such practices.

An interviewed Syria expert gave the example of Cypriot bank AstroBank, owned by several Lebanese individuals, including the son of Jamil al-Sayyid, who has strong ties with the Syrian regime as a member of the Lebanese parliament and the former head of the Lebanese General Security Directorate. According to the source, AstroBank is highly likely to dissimulate suspicious funds in Cyprus, especially since the bank’s general director is Lebanese economist Shadi Karam, who is also close to the Syrian regime.

Such banks are not limited to the region, according to the experts interviewed, and some Arab banks in the UK are also complicit. The UK’s laws in this regard are less strict, however, as the UK is a financial services centre with thousands of banks registered there.⁽⁴⁹⁾ Another interviewee, who is a Syria expert, suggested that Syrian Islamic International Bank SIIB, a private and sanctioned bank whose major shareholders are based in the Gulf, is involved in working with sanctioned individuals, including Samer Foz. Another example given is Baraka Bank, with branches in Tunisia, Turkey, and the Gulf, which is reported to be used by organizations to transfer money to Syria from France through the bank’s branches in Tunisia or Turkey.

(49) <https://www.ft.com/content/94b50dfa-a70c11-e8-4a00144-71feab7de>

It is certainly difficult to impose strict policing measures over financial transactions, the registration of companies, or the flow of business; it could be bad for business in general, and it requires large resources. However, the following recommendations to remedy the situation are based on the known tactics of sanctions' evasion noted above:

- a. **Changing the legislation in as many countries as possible could help tightening control over corporations.** This could include strengthening beneficial ownership laws and could also include broadening the jurisdictions to extraterritorial activities. For example, the United States' OFAC, according to our sanctions expert interview, has jurisdiction over transactions that involve parties or activities within the US. This also includes transactions that occur entirely outside the US, but that involve the movement of funds through a financial institution in the US. This practically includes all USD transactions anywhere. For example, if a bank in Lebanon, affiliated with the Syrian regime, has a correspondent account in the US because it deals in USD, the Treasury Department will have jurisdiction over that account. Other countries are encouraged to follow suit.
- b. **Requesting the financial history of an individual or a company whose activities might be related to human rights violations in Syria, especially business actors.** Financial institutions should demand the financial history of a company or an individual for the previous five years (for example), to help uncover any suspicious activities or patterns of financial transactions. This may include changes of ownership, shares transfer to relatives, or other such transactions.
- c. **States should widen and intensify their business intelligence.** This could be achieved by hiring private firms for this purpose, or by employing a larger number of staff dedicated to such investigations. Investigative work needs to be more prominent in the countries where the sanctioned and their fronts operate, and this cannot be adequately performed from western capitals.
- d. **Make use of the information volunteered by Syrian organizations.** Pro-democracy and human rights Syrian organizations consider targeted sanctions to be a form of interim justice and can help authorities save time and resources to uncover sanctions evasion tactics. The US Justice Rewards Legislation, also known as the "Bas-sam Barabandi Rewards for Justice Act," should be supported, and replicated in other countries, as it authorizes financial rewards for information regarding individuals or entities engaged in activities that would violate U.S. and international sanctions.

3. Stricter controls on cash-based transactions and money exchange offices or “hawala”

The interviews and research have revealed the reliance of the sanctioned individuals on cash transactions to avoid being tracked through the financial system. The experts reported that in some countries in the Middle East, it is easy to deal with large amounts of cash; walking into any bank in Dubai or Istanbul and depositing large amounts of cash are not a problem.

A businessperson interviewed gave the following example: “You can take 10 million USD from Damascus, directly or through the Lebanese borders to Beirut. You can take that cash to Dubai on a private jet and deposit it in a bank there. You can then transfer that money to London for investment, to buy real estate, for purchases, or anything else. Of course, you need approval and help from people in Lebanon and UAE, which can be bought for a price. The financial authorities in the UK do not have a problem with such transactions.”

Excerpt from an interview with a Syrian businessperson

Another way to use cash and thus avoid entering the financial system altogether is to get a third party to do the transactions on behalf of the sanctioned individual in exchange for a commission. According to the experts, “sanction evaders are known to have sought Lebanese third parties in particular, known to have a large diaspora spread around the world.”

Alternatively, cryptocurrency is becoming increasingly popular. In the UAE, as an example reported by the experts interviewed, it is possible to buy a certain amount of cryptocurrency such as Bitcoin through a third party. This is even more facilitated by the lack of regulation of the cryptocurrency markets.

Money exchange and transfer offices also play a problematic role, in that they provide another venue to evade sanctions for individuals and the regime at large. Such companies have offices in the major western capitals, and in countries neighboring Syria. The largest of these is al-Haram Exchange, also known as Lite Exchange Private JSC, which is also reported to run most cash transfers to and from Syria. Experts interviewed have linked al-Haram to the regime. Like many others, the company has accounts outside Syria. The exchange offices in London, for instance, transfer the money to the company's accounts; the recipient in Syria receives the money in SYP, and the hard currency balance in a bank in a third country is then used by the regime for international financial transactions, be they payment for weapons from Russia, or for oil from Iran, or others. Capitals like London are full of exchange offices that are well connected to such networks, including the Syrian regime, its ally Hezbollah, or others, according to Syria experts and businesspersons.

4. Countries of the Middle East should prohibit sanctions evasions activities taking place in their territories

Most countries in the Middle East are allies of the West, and they are encouraged to improve the position of human rights within their borders. This also includes limiting the activities of human rights violators and facilitators of human rights abuses, who are also sanctioned by their allies in Europe and across the Atlantic. The interviews for this paper revealed activities for sanctioned Syrian businesspeople in different countries in the region.

Lebanon provides the main venue to escape sanctions, with Beirut just a two-hour drive away from Damascus. The Syrian-Lebanese border is controlled by allies of the al-Assad regime, as are the Lebanese airport and seaports. Experts reported the ease of importing anything to Lebanon, and then to be moved to Syria without any issues. An investigative journalist reported that the owner of printing company in Syria was approached by Baath party officials with an offer to get his paper straight from Beirut port, relying on their networks through the borders; this illustrates the pervasiveness of these practices, through a mixture of corruption and alliances between the Syrian regime and certain Lebanese parties, like Hezbollah, to facilitate smuggling between the two countries.

The UAE, a major point on the trade routes linking the Syrian regime to the outside world, also plays an important role in enabling the evasion of sanctions. Investigative journalists and businesspersons interviewed for this research reported that goods, such as Iranian and Chinese goods, easily go through Dubai before they arrive by cargo to Syria. Another example provided by the experts is that of Khaled Qaddour, a front for Maher al-Assad and sanctioned by the EU, who owns a tobacco factory in the UAE, which ships the products to Syria through the port of Tartous. The Syrian regime and its cronies rely on the good relations they have with such countries. Such movement of goods and services, part of which is sanctioned, cannot happen without the approval or complicity of these countries.

According to our sources, other countries like Iraq, Turkey, Jordan, or Egypt, witness a lower volume of sanctions evasion activities. Turkey, despite its official hostility to the Syrian regime, allows the businesses of Samer Foz, who is a Turkish citizen, to flourish. In Turkey, Foz and his siblings' own companies dealing in shipping, real estate, construction, and import and export, among others. Oil tankers belonging to the Qaterji brothers, under sanctions and known to provide oil products to the Syrian regime, make regular stops in Turkish ports.

5. Pressuring EU countries that facilitate the evasion of sanctions

Some members of the European Union were mentioned repeatedly in the interviews as facilitating sanctions evasion, most notably Romania. The Syrian regime has a functioning embassy in Bucharest and enjoys strong relationships with some of the Romanian political circles. The Syrian ambassador to Bucharest, Walid Othman, is the father-in-law of Rami Makhlouf. The ambassador's sons are active businessmen in Romania, and the Othman family enjoys diplomatic immunity which reportedly allows them freedom of movement, including moving large amounts of cash in their diplomatic cars anywhere in the EU. One expert reported that Rami Makhlouf, through the ambassador's influence, has acquired a Romanian passport under a different name. Other EU members enabling sanctions evasion include Greece, which has purchased Syrian phosphates from a Russian company operating Syrian phosphate mines.⁽⁵⁰⁾ Similarly, Austrian companies participated in the Buildex Damascus 2021 fair.⁽⁵¹⁾ The late Nader Kalei, a businessperson who is sanctioned because of his close ties to the regime, owned two companies in Austria, Castle Holding GmbH, and Art House GmbH, which were sanctioned by the US in June 2020.

6. Stricter controls over investment visas and citizenship programs

“Golden visa schemes” and “investment passports” are another reported venue of sanctions evasion used in the Syrian context. Passports of Saint Kitts and Nevis, and Vanuatu, were reported to have been bought by Syrian individuals close to the Syrian regime. Examples include Alaa Ibrahim, former governor of Damascus Countryside governorate, who has acquired a Vanuatu passport. Samer Foz has acquired a Saint Kitts and Nevis passport⁽⁵²⁾. These passports allow their holders free travel to western countries which they cannot enter with their Syrian passport.⁽⁵³⁾ Holders of such passports and of golden visas who have been in Syria in the last 5 years should be required to apply for a visa, allowing authorities enough time to run background checks and ensure that they are not facilitating the evasion of sanctions.

(50) <https://www.politico.eu/article/syria-europe-greece-throws-lifeline-bashar-al-assad-by-buying-phosphates/>

(51) <https://www.wko.at/service/Veranstaltung.html?id=08D-34146B4-009A9-94B5-77FCAEC38E44D>

(52) <https://www.theguardian.com/world/2021/jul/15/whos-buying-vanuatus-passports-crypto-moguls-wanted-men-and-even-a-prime-minister>

(53) <https://public-inspection.federalregister.gov/13211-2019.pdf>

7. Implementing existing legislation criminalizing and/or providing for the listing of sanctions evasion facilitators

The existing EU, UK and US Syria sanctions legislation already criminalizes activities whose purpose is to circumvent or aid or facilitate the circumvention of the restrictive measures imposed on sanctioned persons. Under UK sanctions legislation, intentionally participating in activities with the object of circumventing or enabling the circumvention of restrictive measures imposed on listed persons constitutes a punishable offence,⁽⁵⁴⁾ on summary conviction to up to 12 months in prison or a fine, and on conviction on indictment to up to 10 years in prison or a fine.⁽⁵⁵⁾ Under US sanctions legislation, any violation of sanctions related orders and prohibitions, including the prohibition to carry out transactions that evade or avoid, cause a violation of, or attempt to violate any restrictive measure imposed on listed persons, is punishable by a fine of up to 1 million USD or by up to 20 years in prison.⁽⁵⁶⁾

In addition, the UK Syria sanctions programme already provides for the listing of persons who “provid[e] financial services, or mak[e] available funds or economic resources, that could contribute to” a sanctionable activity and who “assist the circumvention or contravention of any relevant provision”.⁽⁵⁷⁾ The US Syria sanctions program provides for the listing of: any person who materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of any person listed under Syria sanctions;⁽⁵⁸⁾ any person that is determined to have violated, attempted to violate, conspired to violate, or caused a violation of any license, order, regulation, or prohibition contained in, or issued pursuant to Syria sanctions;⁽⁵⁹⁾ any person who has facilitated deceptive transactions for or on behalf of any person subject to United States sanctions concerning Syria.⁽⁶⁰⁾ Finally, the existing EU Syria sanctions program does not expressly provide for the listing of sanctions evasions facilitators. However, the provision allowing the listing of persons and entities associated with listed persons is arguably broad enough to encompass persons facilitating sanctions evasion by listed persons.⁽⁶¹⁾

The sanctioning states should increase the resources of law enforcement agencies and/or authorities to increase investigations relating to sanctions evasions and ensure compliance with existing laws and regulations, including sanctions legislation, money laundering, terrorism financing, corruption, bribery, and fraud. This must be followed by a publicity campaign to explain the potential consequences of aiding individuals to evade sanctions.

(54) [Syria Sanctions Regulations 2019](#), Regulation 19

(55) [Syria Sanctions Regulations 2019](#), Regulation 79

(56) [International Emergency Economic Powers Act](#), Section 206.

(57) [Syria Sanctions Regulations 2019](#), 6(3)(e)(h).

(58) [Executive Order 13572/2011](#), Sec. 5 and [Caesar Syria Civilian Protection Act of 2019](#), Sec. 7412(a)(2)(A)(iii)

(59) [Executive Order 2012/13608](#), Sec. 1

(60) *Ibid.*

(61) [Syria Sanctions Regulations 2019](#), Article 2(28)(g)

Here again, it is worth referring to the above-mentioned case of Anisa Shawkat, niece of Bashar al-Assad, whereby NCA, the UK's National Crime Agency,⁽⁶²⁾ found that the deposit of thousands of Pounds Sterling in her account was an activity that is “consistent with the use of an informal value transfer system which may result in the laundering of criminal cash and, in this particular case, had the effect of circumventing EU financial sanctions designed to restrict the use and availability of Syrian regime funds.”⁽⁶³⁾

According to an investigative journalist interviewed for this paper, the sanctioned Cham Wings airlines is operating in Europe through unofficial offices. Travel agencies in Europe, where there are large Syrian communities, enter in an unofficial agreement with Cham Wings to sell its flights. The tickets they sell are for indirect flights through countries that have direct flights to Damascus, including Russia and Lebanon, Armenia, or the UAE. Furthermore, Cham Wings pays a fee for every ticket it sells to the Syrian government. Although Cham Wings' majority shareholder is known to be Rami Makhoul, the licence in the UAE is in the name of Issam Shammout, chairman of the board of directors who owns the company with his siblings, Alaa and Mohammad Nour.⁽⁶⁴⁾ They are all believed to be fronts for Rami Makhoul.

8. Require UN agencies operating in Syria to conduct human rights due diligence

Through the humanitarian exemptions that enable their work in Syria, the operations of UN agencies benefit the sanctioned individuals and the regime in general, directly, or indirectly. UN agencies should therefore take the necessary steps and exercise due diligence to ensure that their funds and operations are not serving and benefitting the perpetrators and facilitators of human rights violations in Syria.

The experts pointed to the known fact that different UN agencies spend millions of USD at the Four Seasons Hotel in Damascus, majority owned by Samer Foz. Indeed, UN procurement data from the year 2020 alone reveal that the hotel and its parent company, Syrian Saudi Touristic Investments, were paid 15 million USD⁽⁶⁵⁾ by the different UN agencies.⁽⁶⁶⁾ Moreover, according to one of the interviewed experts, there is a certain threshold of contracts value, if it is reached in the regime-controlled areas, then the regime is certainly involved in it directly or indirectly. Our experts also reported that out of the 5.6 billion USD spent by the UN in Syria in 2020, a good amount is spent in regime-held areas, implying there is either a huge disparity in aid distribution, or that there is certain parties, most likely for the benefit of the regime, are embezzling the difference.

(62) <https://www.nationalcrimeagency.gov.uk/what-we-do>

(63) <https://www.nationalcrimeagency.gov.uk/news/al-assad-family-cash-forfeited-in-london-court>

(64) <https://www.syria-report.com/directory/transport/airlines/cham-wings-airlines>

(65) <https://www.syria-report.com/news/economy/value-un-contracts-awarded-syrian-businesses-slightly-last-year>

(66) <https://fts.unocha.org/appeals/924/summary>

9. Finding a political solution to the Syrian crisis

The best solution to end sanctions' evasion in Syria is achieving a political solution to the current crisis that ends human rights violations and secures justice for Syrians. Syria experts interviewed for this paper stressed the idea that sanctions are only a temporary measure whose objectives should be to end the current injustice and human rights violations in the country. By achieving this end, sanctions would not be needed any longer.