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Navigating the Syria Sanctions Conundrum

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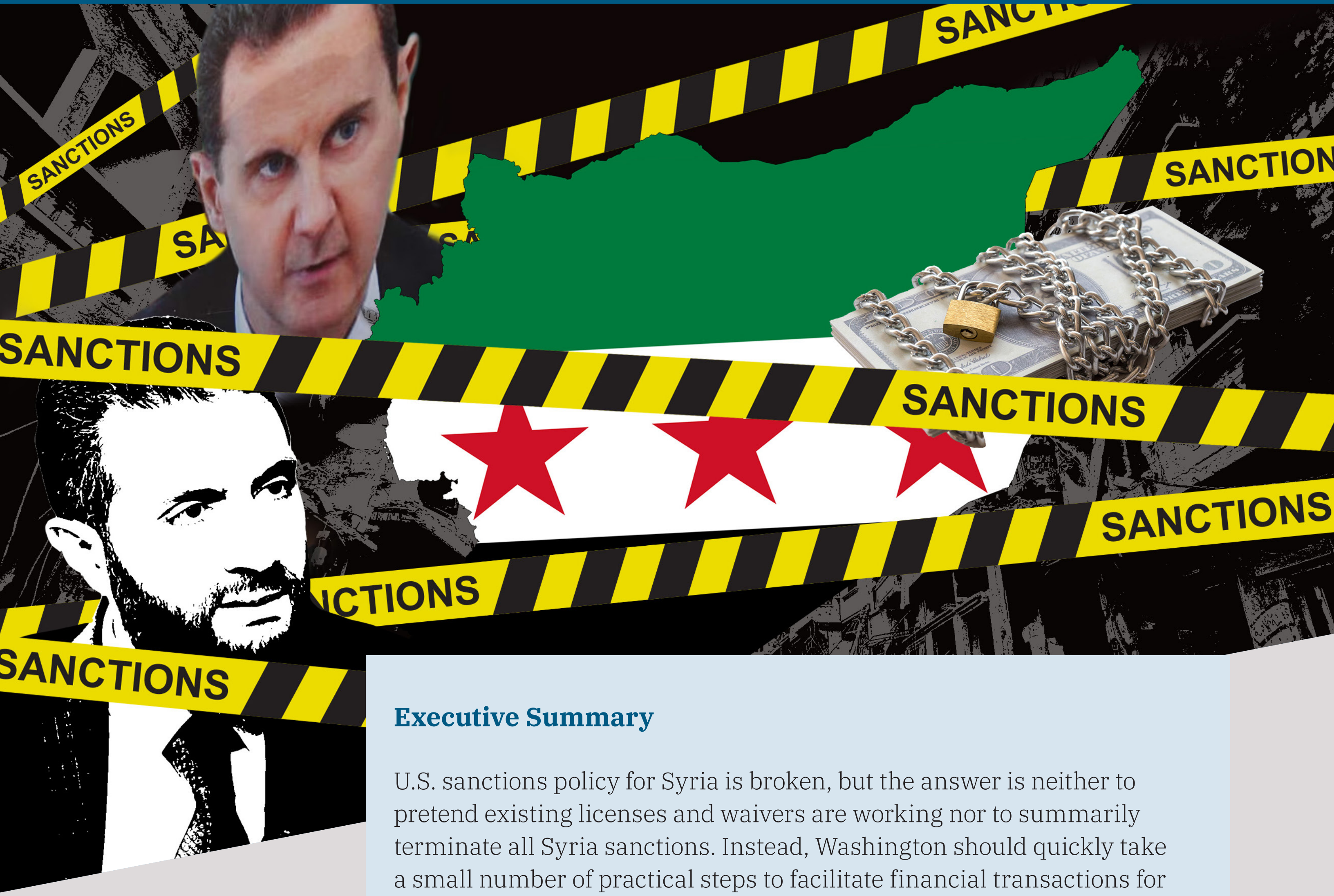

Executive Summary

U.S. sanctions policy for Syria is broken, but the answer is neither to pretend existing licenses and waivers are working nor to summarily terminate all Syria sanctions. Instead, Washington should quickly take a small number of practical steps to facilitate financial transactions for key sectors such as electricity, food, and rubble removal, and begin to assess and articulate the conditions under which sanctions could be rolled back more broadly.

The U.S. sanctions policy for Syria is broken and risks destabilizing the country, and potentially the region, just as Defense Department officials are drafting plans to withdraw American forces at President Donald Trump's direction.[1] The Syrian economy is tanking, the country is racked by shortages of food, shelter, and energy, and in a matter of weeks—probably in early April, right after Ramadan—desperate Syrians are likely to lose all patience and take to the streets protesting the interim government and the dire conditions of their daily existence.

Sanctions present the most critical obstacle to the timely provision of Syrians' urgent needs, and the litany of U.S. Treasury Department licenses, waivers, and so-called comfort letters has failed to give investors and donors the necessary assurances to finance endeavors such as humanitarian aid (food in particular), rebuilding of Syria's electricity grid, and removal of the rubble cluttering much of the country. The irony is that maintaining sanctions was intended as leverage to ensure the new leadership in Syria lives up to international demands on issues ranging from security and counterterrorism to political inclusion and equal distribution of humanitarian aid.[2] Yet in practical terms, the sanctions are making it impossible for the new leaders to provide basic services, let alone build a functioning government able to implement such policies.

Given the many legitimate concerns about the nature and trajectory of the rebel-led interim government in Damascus, the answer is not to summarily terminate all sanctions, which were initially designed to target the Assad regime, but rather to strengthen the licensing regime and develop a road map laying out the conditions and outcomes that would enable Washington to unwind some—and over time possibly all—of the web of overlapping sanctions.

The Syria Sanctions Conundrum

Syrians suffered terribly under the Assad regime, and its sudden collapse put an end not only to over a decade of civil war but also to a half-century of Assad family repression, first from President Hafiz al-Assad (r. 1971–2000), then from his son Bashar (r. 2000–2024). Sanctions played a significant role in the regime's collapse, hollowing out an already rickety system, but they came at a high cost for Syrian civilians, who are suffering and need relief. The broad national euphoria accompanying the fall of the Assad regime should therefore not be a surprise, even as the rebel alliance that toppled it was led by Hayat Tahrir al-Sham (HTS), a U.S.- and UN-designated terrorist group that grew out of al-Qaeda. This presents a uniquely complicated set of competing policy objectives.

On the one hand, Syrians need and deserve international support, which will not be feasible while the country remains so heavily sanctioned. The Syrian economy, including basic infrastructure like shelter and electricity, is in tatters. Westerners who have visited Syria over the past few weeks describe a country living under conditions of extreme poverty. For example, in Damascus people get just an hour of electricity a day, and those outside the capital receive still less. Across the country, some 3 million Syrians face starvation and 12.9 million struggle with dangerous levels of food insecurity.[3] Syrians cannot be expected to scrape by indefinitely under such conditions, and failure to address the roadblocks presented by U.S. sanctions will almost certainly lead to protests and instability at a time when the interim government remains weak and is functioning largely as a result of the public's goodwill following Assad's demise.

Abbreviations

FTO	Foreign Terrorist Organization
GL	General License
HTS	Hayat Tahrir al-Sham
OFAC	Office of Foreign Assets Control
SDGT	Specially Designated Global Terrorist
SDN	Specially Designated National

Nor is this only an issue of humanitarian support. In the absence of sanctions relief, the new government could collapse or at least atrophy to the point that Syria becomes an un- or under-governed space, which would then threaten the stability and security of all Syria's neighboring states—Israel, Jordan, Lebanon, Iraq, and Turkey—and present terrorist groups with the opportunity to create a de facto safe haven in post-Assad Syria.[4]

On the other hand, U.S. officials remain deeply distrustful that interim president Ahmed al-Sharaa, formerly known as Abu Muhammad al-Jolani, and HTS have fully transformed from jihadist rebels to legitimate political actors. Asked about Sharaa, the counterterrorism director at the National Security Council, Sebastian Gorka, reflected Trump administration skepticism when he replied: "Does he control all of Syria? No. He does not. He was a jihadist for a long time. Has he reformed himself? Is he a better man now? Does he believe in representative government?"[5] Reports of Syrian militants who are either designated themselves, leaders of designated militants groups playing roles in the transitional government, or serving as commanders in the new Syrian army give credence to such concerns.[6]

Referring to Syria in a December social media post, then president-elect Trump declared, "Syria is a mess, but is not our friend, & THE UNITED STATES SHOULD HAVE NOTHING TO DO WITH IT. THIS IS NOT OUR FIGHT. LET IT PLAY OUT. DO NOT GET INVOLVED!"[7] Yet it is clearly in the U.S. interest to help Syria transition away from dictatorship, a longstanding alliance with Iran, and its more recent ties to Russia, as Secretary of State Marco Rubio testified in his Senate confirmation hearing. "It is in the national interest," Rubio elaborated, "to have a Syria that's no longer a playground for ISIS [another name for the Islamic State]," that respects minority rights, and that prevents Iran and Hezbollah from operating in and through the country.[8]

Recognizing these interests, in early January 2025 the Treasury Department issued General License (GL) 24, expanding authorizations for activities and transactions across Syria following the collapse of the Assad regime. "The end of Bashar al-Assad's brutal and repressive rule, backed by Russia and Iran, provides a unique opportunity for Syria and its people to rebuild," the deputy secretary of the treasury stated at the time.[9] But GL 24 has fallen short of its intended purpose, despite U.S. interests in helping Syria transition away from terrorism and repression.

Furthering these U.S. interests will require quick adjustments to U.S. sanctions policy vis-à-vis Syria. And while no tangible action has yet occurred in this direction, likely based on the fear of getting ahead of the White House on any major policy area, the State Department's official position is that the United States "is committed to assisting the Syrian people at this extraordinary moment, and the Syria sanctions framework contains a number of licenses and exemptions to facilitate humanitarian aid." The department underscores that "the ultimate goal of sanctions is to bring about a positive change in behavior," and to that end "the United States will continue to monitor the situation and assess the actions of the interim authorities to inform the U.S. position going forward."[10]

Such a (re)assessment must happen now, given the desperate economic conditions in Syria. Failure to do so is guaranteed to doom the sanctions regime's goal of bringing about positive change in Syria.

Focus on U.S. State-Level Sanctions

Syria is subject to a long list of sanctions, but those presenting the sharpest challenges are U.S. sanctions related to the Assad-era state apparatus, not the terrorism designations focused on individuals and organizations.

Syria is sanctioned not only by the United States but by the European Union as well, and HTS is included on the United Nations list of terrorist organizations.

But given the dominant U.S. role in the world economy and dollarization of the oil trade, American sanctions are most critical in curtailing economic activities in Syria. Furthermore, even as the EU moved in late February to suspend some sanctions targeting Syria,[11] companies and humanitarian organizations will remain wary of fully engaging with the Syrian banking sector or investing in long-term projects like the energy grid while U.S. sanctions remain in full force.

Designated Persons and Groups Are Not the Problem

Many Syrians appear on U.S. designation lists—including Ahmed al-Sharaa himself and other members of the interim government—but these sanctions only present obstacles to engaging in financial transactions with those specific persons, not to investment or financial activity in Syria writ large. In a practical sense, donors and investors are primarily looking to conduct transactions with Syrian governing bodies, not with individuals included on the Specially Designated Global Terrorist (SDGT) and broader Specially Designated National (SDN) lists, run by the Treasury and State Departments. In fact, the Treasury Department has already clarified that even if an SDN were to run a governmental institution, that entity would not be subject to sanctions, and payments to that government institution for activities authorized under GL 24 would be allowed.[12]

Even the Foreign Terrorist Organization (FTO) designation of HTS—and the concurrent threat that doing business with the group could incur criminal charges for providing material support to terrorism—is not the most pressing sanctions-related obstacle to financial activity in Syria. While the legal definition of "material support or resources" is extremely broad—including "currency or monetary instruments or financial securities, [and] financial services"—there is no policy or legal forcing-mechanism requiring the application of this tool should authorities determine that such support has been knowingly provided to an FTO.[13]

Most fundamentally, HTS officially disbanded in late January 2025. In its statement declaring the victory of the Syrian revolution, the HTS administration of military operations announced that "all military factions, political and civil revolutionary bodies will be dissolved and integrated into state institutions."[14] Moreover, HTS actually has a yearslong track record of not engaging in terrorism: it has actively targeted Huras al-Din,[15] the al-Qaeda element in Syria, worked with U.S. intelligence to target the Islamic State,[16] and foiled Iranian efforts to smuggle weapons to Hezbollah.[17] According to Turkish foreign minister Hakan Fidan, HTS even provided the counter-IS coalition with intelligence to help target the Islamic State and al-Qaeda.[18] In light of this, and given the U.S. national security interest in preventing Syria from descending into chaos and allowing both the Islamic State and Iran to resume operations there, the State Department should consider removing HTS from the FTO list.

Under the Immigration and Nationality Act, the U.S. secretary of state is authorized to revoke a designation at any time, but "must" revoke a designation if the secretary finds that either "the circumstances that were the basis of the designation have changed in such a manner as to warrant revocation" or that "the national security of the United States warrants a revocation."[19] The risk of doing this is low, given the precedent of removing groups from the FTO list and then later redesignating them as circumstances change.[20] Unlike the removal of state-level sanctions regimes, which are difficult to reinstate, the process of returning a group to the FTO list is easily achieved. For example, in January the Trump administration issued an executive order to redesignate the Yemen-based Houthis (Ansar Allah) as an FTO, and the listing took effect in March.[21] In fact, the SDGT designation could be maintained even as the FTO designation is rescinded to retain the ability to designate HTS operatives should the group or its members engage in terrorist activities.

But State-Level Sanctions Can Be Tricky

Syria today remains ensnared in a web of U.S. sanctions originally implemented to target the Assad-era state apparatus. It is these state-level sanctions, together with accompanying secondary-sanctions authorities, that have chilled donor and investor willingness to fully engage with Syria. Despite strong interest from expatriate Syrian and foreign investors, the head of the Syria Investment Agency said, "Sanctions have stopped everything."[22] Displaced Syrians returning to the country are even delaying small investment projects in light of sanctions concerns.[23]

Since December 1979, Syria has been designated a state sponsor of terrorism—a listing it richly deserved.[24] The state sponsor listing not only bars U.S. foreign assistance and the sale of weapons or dual-use items to targeted countries, but it comes with a litany of financial restrictions. These include required U.S. opposition to loans by the World Bank or other international financial institutions and a Treasury Department license for any U.S. person to engage in financial transactions with the designated government.[25] Persons and countries engaging in trade with state sponsors of terrorism can be targeted with secondary sanctions themselves. Syria General License 24 does not remove any of these restrictions.[26]

A slew of other U.S. sanctions targeting Syria block the property of Syrian officials.[27] These include the Syria Accountability Act and Lebanese Sovereignty Act,[28] the Iran Threat Reduction and Syria Human Rights Act,[29] and at least six executive orders enabling sanctions against Syrian officials.[30] The Caesar Syria Civilian Protection Act of 2019 took matters to another level by barring through mandatory secondary sanctions not only U.S. persons but non-U.S. persons worldwide from engaging in Syria reconstruction under Assad.[31] Taken together, these sanctions cover wide-ranging activities, from bans on U.S. companies providing shipping, insurance, and information technology to Syria, to prohibitions on U.S. banks providing financial services to Syrian banks or companies.[32]

In May 2022, the Treasury Department's Office of Foreign Assets Control (OFAC) issued Syria General License 22 (GL 22) to support stabilization efforts in parts of Syria no longer under Assad-regime control.[33] The later-issued GL 24 built on GL 22—which authorized transactions otherwise prohibited by existing Syria sanctions—by allowing for transactions with post-Assad "governing institutions," transactions related to energy, electricity, oil, and gas, and noncommercial personal remittances, including through the otherwise-sanctioned Central Bank of Syria.

Yet GL 24 has failed to lift the chill from investors and donors, who remain wary of investing in Syrian humanitarian relief and stabilization efforts. For example, Qatar is leery of providing Syria funds to cover and expand government salaries, which is authorized under GL 24, for fear of running afoul of U.S. sanctions.[34] U.S. officials can address this serious shortcoming by taking a few quick steps to change the dynamic and facilitate financial transactions for key sectors such as electricity, food, and rubble removal.

Practical Steps to Facilitate Syria Stabilization

Given policy- and security-related concerns about the trajectory of a transitional leadership formerly affiliated with al-Qaeda, it would be premature to terminate the various American sanctions regimes related to the Assad-era state apparatus. Unlike removing HTS from the FTO list, which can be easily reversed, the unraveling of state-level sanctions is difficult to rewind. That said, a series of practical steps adopted quickly could give donors and investors the confidence they need to address the critical humanitarian and stabilization needs of the Syrian people. Urgent action is critical to avert widespread protests and the potential collapse of central government control in Syria.

1. **Preemptively extend General License 24.** In issuing GL 24 on January 6, 2025, the Treasury Department's Office of Foreign Assets Control sought to underscore "the United States' commitment to ensuring that U.S. sanctions do not impede activities to meet basic human needs, including the provision of public services or humanitarian assistance."[35]

   GL 24 is actually fairly comprehensive, crafted with an eye toward ensuring "that sanctions do not impede essential services," including provision of electricity, energy, water, and sanitation. It builds on authorizations already in place to support humanitarian and stabilization efforts while Syria and terrorism sanctions regimes remain in effect.[36] Yet GL 24 has not functioned as intended primarily because it lasts only six months, with expiration set for July 2025. As soon as practicable, GL 24 should thus be extended indefinitely—as is the case for GL 22, focused on northern Syria—unless the transitional Syrian government fails to respect minority rights, is deemed uncooperative on counterterrorism, or presents a threat to its neighbors. This involves no risk, since general licenses—which are signed by the OFAC director—can be quickly and easily revoked if need be.

   While a more typical bureaucratic process would entail waiting for a waiver to expire before assessing whether it should be terminated or extended, donor states or companies cannot be expected to invest in projects under a sanctions license lasting only six months. Lawyers advising clients underscore that GL 24 is temporary absent an extension. One firm counsels, "While OFAC may ultimately decide to extend GL 24 if it determines the situation is stabilizing, entities should proceed with caution when contemplating continuing or expanding their business in Syria, for example, in the energy or utilities sectors."[37]

   In other words, a six-month license serves as a cautionary warning rather than an encouraging invitation when it comes to any serious investment in the country.

   An open-ended GL 24 would provide investors and donors some over-the-horizon comfort, and encourage economic activity in Syria, but such an approach should be pursued under clear conditions. As early as December 10, 2024—just two days after the fall of the Assad regime—then secretary of state Antony Blinken made clear that "the United States reaffirms its full support for a Syrian-led and Syrian-owned political transition."[38] He laid out firm markers for what this transition process should lead to, including countering terrorism, avoiding threats to neighbors, respecting minority rights, and facilitating the flow of humanitarian assistance—markers that should likewise form the grounds for revocation of the general license. By the same token, so long as these markers are met, the general license would remain in effect.

   More recently, Secretary of State Marco Rubio argued for a U.S. policy that supports stability in Syria because of the positive impact it would have "on Lebanon, on Israel, on Gaza, and the broader Middle East," and because it would keep bad actors such as Iran and Russia out of the country.[39] Addressing the very real impediment to investment created by a short-term license would go a long way toward facilitating what appears to be a bipartisan policy consensus. Indeed, given the setback Iran suffered with the fall of the Assad regime, such action would also support the Trump administration's stated policy objective of countering Iran's malign influence, as articulated in National Security Presidential Memorandum/NSPM-2, issued February 4, 2025.[40]

   Beyond the aid and investment needed to prevent very near-term governmental collapse, Syria will require new investment to rebuild the country. GL 24 authorizes transactions for public utility and other public services, which cover most if not all of Syria's immediate needs—but it does not authorize "new investment."[41] New investment—broadly defined as either "a commitment or contribution of funds or other assets" or "a loan or other extension of credit"[42]—is not authorized unless related to funding salaries or wages of government employees who are not SDN designees. Moving forward, terms and conditions for new investment will have to be established.

2. **Open a legitimate banking channel.** While GL 24 allows authorized transactions to go through the Central Bank of Syria for the energy sector and financial transfers to Syrian authorities, potential investors and donors remain hesitant since the Syrian banking sector—including the central bank—is still heavily sanctioned. Syrian economy minister Basel Abdul Hannan underscored the importance of providing a legitimate banking channel through which investors and donors can send funds for humanitarian aid and critical infrastructure projects such as repairing the energy grid. He thus called for lifting sanctions on the Syrian banking system.[43] Syrian officials have also noted that "everyone has an interest in these transactions going through a banking system with oversight and transparency rather than through information transfer networks."[44]

   Ayman Hamawiye, who heads the Syrian Investment Agency—and previously worked on economic policy for the HTS governing body in Idlib—reports fielding daily calls from Syrian, Turkish, Gulf, and European businesses that seek to invest in Syrian projects but point to banking sector sanctions as the primary impediment. "You can't show up with millions of euros in your suitcase," Hamawiye added.[45] To address this shortcoming, the Treasury Department should quickly act to create a legitimate banking channel through which funds can be sent to Syria for investment in time-sensitive services like electricity, food, and rubble removal. Two steps could facilitate this outcome:

   First, the Treasury Department should publicize its determination—currently hidden deep in its website under "Syria Sanctions Frequently Asked Questions 884"—that "non-U.S. persons, including NGOs and foreign financial institutions, would not risk exposure to sanctions under the Caesar Act for engaging in activity, or facilitating transactions and payments for such activity, that is authorized for U.S. persons under a general license (GL)" issued pursuant to the Syria sanctions regulations.[46] The Treasury Department deems such transactions "non-significant actions," which under the Caesar Act do not risk exposure to sanctions.

   In other words, despite being little understood, a wide range of financial activities are currently allowed under GL 24, which nevertheless only allows them to proceed for six months at a time. Publicizing details like FAQ 884, combined with preemptively extending the timeline of GL 24, would go a very long way toward fixing Syria's banking problem.

   Looking ahead, if the Syrian government adheres to the criteria laid out above for maintaining an open-ended GL 24, then the Treasury Department should revisit and potentially expand the geographic scope of GL 22, which allows more activities than GL 24 but only applies to northeast Syria. These transactions cover economic sectors such as agriculture, information and telecommunications, power grid infrastructure, construction, finance, clean energy, transportation and warehousing, water and waste management, health services, education, manufacturing, and trade.

   Second, all Syrian financial institutions remain cut off from SWIFT,[47] the Belgium-based financial messaging network that facilitates international payments. Addressing this problem will take time and require investment not expressly covered under GL 24. In the interim, the Treasury Department, in cooperation with European and Gulf counterparts, could identify one of the several non-sanctioned foreign (non-Syrian) banks still operating in the country—e.g., Bahrain-based al-Baraka Bank Syria, Jordan-based Arab Bank Syria, or Qatar National Bank—to facilitate transactions for licensed investment and humanitarian support in the country.[48]

This bank would necessarily be subject to careful oversight by a third-party monitor to review every transaction and assure authorities it is not being abused for illicit purposes—especially in cases where a bank establishes a correspondent account with other financial institutions in Syria. As an extra level of sanctions compliance, the bank could adopt a policy of facilitating transactions in currencies other than U.S. dollars. Authorities would have to work closely with bank compliance officers and third-party monitors to mitigate the potential for illicit financial activity by sharing threat and risk information. Indeed, the need for resourced and independent monitoring and oversight units is one of many lessons learned about preventing abuse and corruption from the UN Oil for Food Program in Iraq.[49]

3. **Apply the Treasury's sanctions review to Syria.** The U.S. Treasury Department should immediately apply to Syria principles it established in its 2021 sanctions review—namely, that sanctions "be easily understood, enforceable, and, where possible, reversible."[50] In particular, the U.S. government has not done enough, under either the Biden administration or the second Trump administration, to make Syria sanctions easily understood. In fact, the Treasury's Syria Sanctions Program overview brochure, still on the department's website, was last updated in August 2013, predating even the Caesar sanctions, let alone more recent events.[51]

   Under the current administration, agencies running the various sanctions programs have received no directive guidance, and they are wary about getting out in front of the White House on this or other thorny policy issues. Therefore, in order to prevent the collapse of the nascent post-Assad government in Syria, a senior administration official should give a public speech explaining that U.S. sanctions policy intends to help guide Syria to become an inclusive government that counters terrorism and does not threaten its neighbors. But such a speech must also explain that sanctions need to be carefully crafted so as not to suffocate or undercut efforts by the new Syrian government to provide basic services for the Syrian people and achieve the abovementioned policy goals.

   Furthermore, beyond the extension of GL 24 and creation of legitimate banking channels, U.S. sanctions policy toward Syria could include some or all of the following policy clarifications:

   - The administration may judge that the mandatory secondary-sanctions provisions under the Caesar Act serve as an important check against overzealous financial reintegration by regional states that might otherwise "roll the dice" and pump money into Syria with little or no oversight or regulation. That said, as articulated in the Treasury Department's FAQ 884,[52] U.S. policy regards a wide range of financial activities as "insignificant" and therefore not sanctionable under the Caesar Act. The administration should publicly highlight this distinction.

   - Removal of HTS from UN sanctions lists is unlikely given that it would require Russian agreement after the group toppled the Kremlin-backed Assad regime, and Washington cannot be expected to elevate the issue for inclusion in U.S.-Russia negotiations over Ukraine. But the United States could unilaterally do one of two things.

     - Communicate publicly that the Department of Justice has complete discretion in deciding whether to indict people or entities for providing material support to designated FTOs, and that as a matter of policy it will refrain from indicting anyone who has not knowingly provided material support for the express purpose of financing terrorism. Accordingly, make clear that financial transactions with the transitional government will not in and of themselves warrant an indictment, even though the still-designated former rebel group HTS serves as the backbone of the government.

- It would be more effective, however, if the State Department delisted HTS as an FTO, citing the group's official dissolution in January 2025 and appreciating the chilling effect FTO designations have had on humanitarian organizations in other cases. This could be done with the understanding that the designation could be reinstated at any time should the group resume terrorist activities. While state-level sanctions cannot be simply restarted once terminated, relisting a group as an FTO is a straightforward process that has happened before. There is also the option of maintaining the Treasury Department designation of HTS as an SDGT even if the State Department rescinds the FTO designation. This would allow the Treasury Department to impose new sanctions should HTS (or elements of it) continue to function as a terrorist group, without the material-support statute chilling humanitarian aid.

Conclusion

Already in December 2024, UN envoy to Syria Geir Pedersen identified the need for fast action on sanctions to address the critical humanitarian and economic needs in Syria. But whereas Pedersen called for "a quick end to sanctions,"[53] what is really needed is a very clear and transparent adjustment to sanctions, rather than their wholesale termination. Washington decisionmakers are thus faced with a classic "chicken and egg" problem. Authorities are wary of terminating sanctions until the HTS-led interim government takes certain steps, but the Damascus leadership cannot take most of these steps while the economy is suffocating under sanctions. Indeed, if sanctions are maintained as they are now, the post-Assad regime will likely face severe protests from destitute and desperate Syrian civilians, opening the door for a range of bad actors—from Iran and Russia to the Islamic State and rebel groups more extreme than HTS—to move in and destabilize the country and region alike.

To be sure, political stability in Syria is heavily dependent on an array of domestic issues, and is hindered by a lack of national cohesion and political agreement among Syria's various ethnosectarian groups. But the sanctions system in place today serves as the single greatest stumbling block to creating conditions under which a new system of governance can emerge to address the dire needs of the Syrian people and serve as a stabilizing force in the region. It is indisputably in the U.S. national interest to adjust America's currently failing sanctions policy regarding Syria. Summary termination of these sanctions is by no means the only way to address their shortcomings—but the timeframe for making serious adjustments is very short. The Trump administration should act quickly, in the national interest, to head off catastrophe and put Syria on a path to success. ❖

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