

U.S. Authorizes New Sanctions on Ethiopia and Updates ITAR Licensing Policy

September 20, 2021

Last week, the Biden administration issued a [new Executive Order](#) (“E.O.”) that authorizes “menu-based” sanctions on persons determined to be responsible for or complicit in the ongoing crisis in northern Ethiopia, and announced a policy of denial for export licenses of military equipment to Ethiopia. The two actions are aimed to stop the escalating conflict and humanitarian crisis in northern Ethiopia.

In particular, under the new sanctions E.O., the Office of Foreign Assets Control (“OFAC”) may select among a “menu” of options to sanction parties associated with the conflict in Ethiopia. The “menu” options include both blocking and non-blocking sanctions:

- Blocking sanctions on all property and interests of that sanctioned person (and [inclusion on OFAC’s SDN list](#));
- A prohibition on U.S. persons from investing in or purchasing significant amounts of equity or debt from the sanctioned person;
- A prohibition on U.S. financial institutions from making loans or extending credit to the sanctioned person;
- A prohibition on foreign exchange transactions that are subject to U.S. jurisdiction in which the sanctioned person has any interest; and
- Imposition of sanctions on the leaders, officials, officers, and directors of the parties above.

Notably, [blocking](#) and [non-blocking](#) sanctions do not apply to entities owned in whole or in part by persons sanctioned pursuant to the new E.O., unless that entity is separately designated. This is an important exception to OFAC’s 50 percent rule.

OFAC also issued three general licenses that authorize U.S. persons to engage in otherwise prohibited transactions and activities that are (1) related to the [official business of certain international organizations](#), (2) ordinarily incident and necessary in support of [nongovernmental organizations’ humanitarian activities](#), and (3) [related to the exportation or reexportation of agriculture, medicine, and medical devices](#). [Non-U.S. persons](#) do not risk sanctions exposure for engaging in transactions and activities that would be exempt or authorized for U.S. persons under the general licenses.

Separately, the Directorate of Defense Trade Controls (“DDTC”) will publish [an amendment to the International Traffic in Arms Regulations](#) (“ITAR”) that adds Ethiopia to the list of countries for which the agency imposes a presumption of denial for export licenses of defense articles and services. This policy will effectively cut off the flow of U.S.-origin defense items and services to Ethiopia.

Companies that operate or do business in Ethiopia should carefully review the new E.O. and potential exposure to any forthcoming sanctions, as well as the forthcoming Federal Register notice updating the ITAR.