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With Myanmar, it seems that some are raising questions about the efficacy of sanctions and concerns about unintended consequences. It's time for a "Myth and Realities" guide. THREAD. #WhatsHappeningInMyanmar

Myth: Human rights groups are calling for blanket sanctions on Myanmar.

Reality: This is false. Most human rights groups are calling for targeted measures directed solely at the military of Myanmar and companies it owns and which give revenue directly to it.

We are talking about the conglomerates and corporations that control the country's natural resources, including the concessions for extractive sectors (oil and gas, timber, and mining of gemstones, jade, and valuable metals).

We're calling on governments to focus on revenues and block transactions or seize government or state assets only where there is credible information that the military or its leaders are looting or acquiring state revenues or redirecting it to them.

Myth: Even if tailored narrowly, targeted sanctions will have major negative impacts on the people of Myanmar.

Reality: There are all kinds of ways to prevent unintended consequences on the broader Myanmar economy.

Suppose, for instance, a military-owned bank is placed on a sanctions list, potentially impacting the capacity for other non-sanctioned banks to undertake legitimate transactions, thereby stymieing their legitimate business activities and leading ordinary businesses to suffer.

There are numerous ways for sanctioning authorities to prevent this, by providing "licenses" to legitimate entities and reassuring outside banks and companies that they will be not penalize or fine banks except for clear and direct cases in which they are violating sanctions.

In fact, if implemented wisely, sanctions could even lead to greater diversification of the Myanmar economy away from military owned companies, steering outside investment into non-military companies, companies specifically seeking to do business with non-sanctioned entities.

Myth: There are no assets to sanction in EU and US jurisdictions.

Reality: Sanctions are not just about assets. Sanctions imposed by the US Treasury, UK, the EU, and other jurisdictions, have extremely broad international consequences.

The majority of the world's banks are based in these jurisdictions, have shares that are traded on their securities exchanges, or otherwise have connections that make them subject to relevant sanctions or regulations enforcing them. You don't want:

Even banks with no direct ties to sanctioning jurisdictions may prohibit sanctioned persons from accessing accounts or using services, including the international SWIFT system. As a practical matter, sanctioned companies soon face major hurdles in holding or moving money.

In addition, countries with corruption or money laundering laws can and often do subject sanctioned persons or entities to heightened scrutiny under those laws and can seize assets and allow forfeiture of those assets where financial crimes are proven.

Such laws may be applied where a sanctioned person or a financial institution working with them conducts what amounts to an illegal transaction while attempted to avoid other countries' sanctions laws.

Myth: Sanctions have been tried before and don't work.

Reality: Myanmar economy is fundamentally different than it was under previous junta rule. Myanmar's economic situation is not the same as it was during previous periods of junta rule.

The economic context for military-owned companies is different than during previous junta-led eras: most of the military's economic relationships are now more integrated into the global economy (where sanctions bite more effectively). The economy in general is less insular/local.

The proposed sanctions are new and different—more targeted at the military leadership itself, and should be more effectively enforced. Previous sanctions regimes imposed on Myanmar were broader, less focused, and were not always accompanied by effective enforcement.

(Side note: Previous sanctions regimes appear to have been a significant factor in the military's decision to embark on the reform process that led to national elections in 2015. Conditions are different in 2021, however, and a new approach is necessary.)

If sanctions are robustly enforced, targets will feel it. Besides asset freezes, targets will be blocked from most of the international banking sector and be unable to obtain financing from many of the world's banks, or will only be able to secure crappy expensive terms.

If coupled with effective communication about how sanctions can be eased, these measures could serve as an important catalyst for the military leaders to begin reconsidering their actions and taking steps to reverse them.

The junta has arrested civilian leaders, civil society, journalists, protesters... yet hundreds of thousands are still flooding the streets, marching with banners, chanting, and painting slogans onto highways—“WE WANT DEMOCRACY”—in letters so large they can be seen from space.

The military already can see it miscalculated. It underestimated the domestic response. It’s time for them to be shown that they miscalculated the international response too.

For more information: see this handy Q and A on sanctions we prepared.

https://t.co/CaTPrasbsu

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