



## Insight

# Did Sanctions Transform Burma?

DECEMBER 11, 2012

Proponents of economic sanctions as a tool of foreign policy cite Burma, also known as Myanmar, as evidence that sanctions work. The full story is more complicated, but shows the power of sanctions even in cases where the direct economic effects of a trade embargo may be small. U.S. sanctions can help to spur changes when sanctions develop an oversized psychological importance, when China's influence comes to be viewed negatively, when lending by international financial institutions is used as leverage, and when U.S. policy is consistent with the positions of leading dissidents.

Comprehensive economic sanctions have been the centerpiece of U.S. policy toward Burma for more than two decades. The sanctions were imposed after Burma's repressive military junta killed thousands of peaceful demonstrators in 1988 and refused to respect the outcome of elections won by the opposition in 1990. Instead, the junta imprisoned its political opponents, including Daw Aung San Suu Kyi, the opposition leader who spent much of the past twenty years under house arrest.

Recently, the Burmese government began an about-face on human rights. A nominally civilian government took over. Hundreds of political prisoners were released. Freedom of expression was increasingly tolerated. Ceasefires were concluded with several rebel groups. Suu Kyi and her party were allowed to participate in parliamentary elections and won 43 out of 44 contested seats.

The Burmese government simultaneously petitioned for the lifting of U.S. sanctions, and the Obama Administration was able to waive many of them in July. Symbolic of how far U.S.-

Burma relations have come, last month President Obama became the first sitting U.S. president to visit Burma.

To be sure, U.S. sanctions were just one of many factors leading the government of Burma to embark on its strategic change. Popular protests in 2007, dubbed the “Saffron Revolution,” may have convinced the regime it needed to evolve in order to survive. A devastating 2008 cyclone and the government’s poor response ravaged the country economically and undercut the government’s standing. At such a tumultuous time, effective leadership was tremendously important. Reform-minded President Thein Sein took office in March 2011 (albeit through fraudulent means) and forged a strategic partnership with Suu Kyi, who for her part, seeks compromise rather than retaliation.

It also must be said that Burma’s transition is far from complete. The country is not yet a democracy. Hundreds of political prisoners remain. The military plays an outsized role and is accused of atrocities in its on-going fight against ethnic Kachin rebels. The government has failed to quell recent violence between the Muslim Rohingya and Buddhist Rakhine.

Despite these caveats, sanctions certainly played a role in Burma’s decision to initiate reform. As Suu Kyi points out, [“The very fact that there’s a strong desire to have sanctions limited shows they were effective.”](#) But it wasn’t just a matter of pressure due to economic deprivation.

- **Psychological Effect.** Most analysts attribute Burma’s poverty not to U.S. sanctions, but rather government mismanagement and corruption. Nevertheless, the Burmese government blamed the U.S. for its problems, and ultimately believed its own rhetoric, as Suu Kyi observes. This gave the sanctions an outsized importance and made lifting them a high priority.
- **China.** As often happens, efforts to economically isolate Burma were undermined by China, which eagerly took advantage of any openings. China became Burma’s top trading partner and principle source of financing. This ultimately made the Burmese government uncomfortable, especially as China flexes its muscles in the region. To reduce its dependence on China, Burma needed American sanctions lifted.

- **International Financial Institutions.** American sanctions required U.S. representatives to vote against all IMF, World Bank, and Asian Development Bank support for Burma. Our vote alone cannot block such assistance, but as a practical matter, these organizations did stop lending to Burma and only restarted once the Obama Administration lifted sanctions. Because these organizations are a primary source of funding for large-scale infrastructure projects like dams - especially if Chinese investment is set aside - it was in Burma's interest to regain American support.
- **Solidarity.** Around the world, political dissidents are divided over the value of Western sanctions. Some appreciate the show of solidarity and the pressure generated by isolating the regime, while others worry that sanctions are counterproductive. Suu Kyi was a strong supporter of U.S. sanctions, which had a clear human rights focus. For decades U.S. policy tracked her views, though the Obama Administration has not always been [in synch](#) with her.

According to the [Treasury Department](#), the U.S. has sanctions programs that cover more than a dozen countries. Lessons from Burma could be instructive elsewhere. For example, the Cuban government blames its economic woes on the U.S. rather than acknowledging its own errors - if Havana is ever serious about improving its economic state, the psychological importance of our sanctions could give us substantial leverage. China does considerable business with blacklisted countries around the world, but China's aggressiveness may create an opening for countries to rethink their dependence. American influence within international financial institutions may be more important to many countries than direct trade relations. Finally, coordinating our sanctions policies with leading dissidents will help ensure that the right message is conveyed.