

SCOTLAND: A NEXUS FOR TROUBLE?

This post is a bit clunky, composed of bits and pieces accumulated for nearly 18 months. But whatever is going on in Scotland is just as clunky and badly in need of sorting.

THREE THINGS: FLYING MOOCHIN' MNUCHIN AIR

This time these three things are related and I can't write an individual post on each one because my blood pressure won't handle it, thanks to Moochin' Mnuchin. This is an open thread.

10 YEARS OUT: WHAT'S WITH THE BEAR IN THE MIDDLE?

Ten years ago this week Bear Stearns crashed. It was a surprise to see Bear Stearns' name pop up in the middle of recent HPSCI testimony. Ditto seeing Trump linked to Bear Stearns' bond financing before the 2008 crash. Have we learned nothing?

NEOLIBERALISM HELPED SYRIAN BANKS EVADE SANCTIONS

I've written a lot about how neoliberalism has been counterproductive for any soft war we're waging against ISIS, Russia, or China. We keep forcing allies and client states – including post Arab Spring Egypt and, especially, Ukraine – to adopt neoliberal policies. That creates more instability at precisely the time the new regime (like it or not) is trying to consolidate.

Neoliberalism doesn't offer much benefit for many of the hearts and minds we'd like to win over.

But it has helped someone.

According to this fascinating WaPo analysis (and underlying study), the reason Syrian elites and their banks have been able to withstand sanctions is because Bashar al-Assad adopted (mixed) neoliberal policies when he assumed control. It created an interconnected elite whose ties with were Assad more inextricably linked than they had previously been, such that people doing business with sanction targets have too much invested in the regime itself to stop doing business with the sanctioned entities.

Bashar aimed to revamp the three decades of populist structure in an 'authoritarian upgrading' to pursue neoliberal economic policies, eventually shifting public assets to a network of crony capitalists close to the regime. The abandonment of socialist policies in a post-populist era culminated with the establishment of the Damascus Securities Exchange (DSE) in 2009. The number of firms listed on the exchange has since grown, even after 2011, and currently comprises 23 companies spanning sectors such as

transport, media, industry, agriculture, banking and insurance.

[snip]

The newly established Syrian private banking system redistributed the monopolistic market share of public banks with private lenders, while maintaining a degree of protectionism so the state-owned banks preserved their banking services monopoly. This arrangement was part of what Raymond Hinnebusch termed a 'middle way' of allowing the expansion of the private sector while ostensibly reforming state owned enterprises.

The booming private banks attracted politically connected businessmen, including many former politicians and senior security officials, natural partners for foreign institutional investors for whom a 49 percent Syrian ownership was required for an operating license until 2010.

[snip]

Thorough review of disclosures made by publicly listed private banks on the DSE indicate a similar trend, in which prominent Syrian businessmen— some of whom have been sanctioned for their support to the regime— own a substantial number of shares and even sit on the board of directors in multiple banks. As my research shows, there are at least 23 individual investors whose shareholdings exceed 1 million shares. With more than 36 million shares in aggregate, these individuals make up at least 4.5 percent of overall shares of private banks and 11 percent of total retail investors' stock ownership.

This is symptomatic of the emergence of a new generation of 'regime businessmen,' whose relationship with

the state transformed from a de facto alliance since Bashar al-Assad came to power to the central backbone of the regime now. Through joint business ventures and inter-family marriages, this alliance translated into the regime businessmen's dominance of profitable sectors, including energy, banking and finance, construction, and tourism, and has in turn ensured the regime's economic survival.

[snip]

Most of these businessmen have substantial investments in the country that outweighed their overseas assets and commercial interests. Their inextricable connections with the ruling political elite have made them highly invested in the survival of the regime.

I suspect the same is true of Russia.

That's not all that surprising. With the exception of the largest banks, our business elite is pretty committed to the US regime, largely as a result of the cronyist benefits that those ties afford.

Indeed, the analysis raises more general questions about whether neoliberalism makes dangerous regimes more resilient.

But I also note the irony.

THE GOVERNMENT'S DATABASE ARBITRAGE

I have long believed that the government put Iran on its list of approved target countries under the Section 215 dragnet not to use for counterterrorism purposes (the terror Iran seems

to have sponsored of late is largely US generated), but instead to support sanctions.

Yesterday, the government claimed it has been using a drug trafficking database (one described differently than Hemisphere) to support sanctions on Iran.

At least that's the implication of the declaration unsealed in the Shantia Hassanshahi case submitted in response to the judge's order for more information on how it had identified the defendant.

This database [redacted] consisted of telecommunications metadata obtained from United States telecommunications service providers pursuant to administrative subpoenas served upon the service providers under the provisions of 21 U.S.C. § 876. This metadata related to international telephone calls originating in the United States and calling [redacted] designated foreign countries, one of which was Iran, that were determined to have a demonstrated nexus to international drug trafficking and related criminal activities. This metadata consisted exclusively of the initiating telephone number; the receiving telephone number; the date, time, and duration of the call; and the method by which the call was billed. No subscriber information or other personal identifying information was included in this database. No communication content was included in this database.

In other words it's just like the Section 215 phone dragnet (and different in a few ways from Hemisphere, the drug-related database collecting US calls), but collected under 21 USC 876, the drug war's version of Section 215 tangible things provision, rather than Section 215. And they used it to go after sanctions violators, not drug traffickers.

The declaration goes on to say that this database got shut down – at least, shut down under this authority – in September 2013.

Use of the [redacted] database [redacted] that returned the 818 number was suspended in September 2013.¹ This database [redacted] is no longer being queried for investigatory purposes, and information is no longer being collected in bulk pursuant to 21 U.S.C. § 876.

1 [5+ lines redacted]

The NYT broke the story of Hemisphere on September 1, 2013, so the month this thing was shut down. September 2013 is also, conveniently enough, the month Hassanshahi was arrested.

But of course, the declaration doesn't even say it was shut down. There's the redacted footnote, saying who knows what about the suspension. And the declaration only says this stuff isn't collected in bulk under 21 USC 876, not that it's not being conducted in bulk.

Maybe the government has finally moved its Iran sanction phone dragnet under Treasury sanctions authorities, where it should be?