New American Sanctions on Russia; How Does Putin Respond?

Author: Marvin Zonis · July 21st, 2014 · Comments (0)

By imposing new sanctions on Russia, the U.S. has declared “financial warfare” on Russia’s already fragile economy. The U.S. has denied access to the U.S. economy and the U.S. financial system to two major Russian banks and energy companies.

(For an explanation of the new and very complex sanctions, click here)

It is by no means clear why these sanctions were imposed (before the downing of the Malaysian jet) nor is it at all clear what Russia needs to do to get the U.S. to rescind the sanctions. But one thing is very clear. Russia has limited retaliatory capabilities.

His chief goal will be to make life miserable for the United States.

He has already begun to do so before the new sanctions on a recent visit to Cuba by forging an agreement to reopen the Lourdes electronic listening post to spy on the U.S. Putin had shut the base in 2001 on the grounds that its cost was prohibitive.

Russia has also begun to create an alternative to the European Union. One month ago, it signed an agreement with Belarus and Kazakhstan to create the Eurasian Economic Union. Now its goal is to expand its membership to the other Central Asian states. But as the Soviet Union found to its dismay – Comecon, a communist alternative to the OECD – hindered its economic growth. Russia will suffer accordingly by limiting its participation in the international economic system.

(The goal of expanding EEU membership helps explain why Kyrgyzstan shut down U.S. access to its Manas Air Base. The U.S. vacated the base last month after more than 90 percent of all U.S. and other personnel serving in Afghanistan passed through Manas. But with the U.S. winding down its Afghan adventure, the base has lost much of its importance.)

There are really only three options available to Putin to significantly torment the U.S. But these options would also inflict more pain on Russia and ultimately prove self-defeating.
The obvious next step for Putin is to intervene in other countries with pockets of Russians. Timothy Garton Ash, perhaps the foremost historian of post-World War II Europe, recently wrote:

In 1994, I was half asleep at a round table in St. Petersburg, Russia, when a short, thickset man with a rather ratlike face — apparently a sidekick of the city’s mayor — suddenly piped up. Russia, he said, had voluntarily given up “huge territories” to the former republics of the Soviet Union, including areas “which historically have always belonged to Russia.” He was thinking “not only about Crimea and northern Kazakhstan, but also for example about the Kaliningrad area.” Russia could not simply abandon to their fate those “25 million Russians” who now lived abroad. The world had to respect the interests of the Russian state “and of the Russian people as a great nation.”

Putin made clear, then, his sense of responsibility for Russians, no matter where they lived. His actions now suggest he still operates by the same principle. Crimea is being absorbed. Ukrainian “separatists” are being helped to carve an enclave out of Ukraine. He could now move on to “protect” the significant pockets of Russians in the three Baltic states, Moldova, Transnistria, Azerbaijan and Central Asia. (Actually, more than 3 million people of Russian origin live in the U.S. He might be thinking of that as well.)

Meddling in Syria and Iran offer other possibilities. His problem is that by strengthening the hold of Assad, Putin would provoke ISIS, now the Islamic State, the Sunni extremist fanatics who have made such headway in conquering wide swaths of Syria and Iraq. Their response would be to turn their attention to Russia’s Muslim minority. More than 17 million Russians are Muslims. Those who live in the Caucasus regions have shown the most militancy and would be the logical targets for ISIS.

Cutting deals with Iran over its nuclear program would be plausible, but for Iran, only as a fallback were the current negotiations with the West to fail. President Rouhani understands that his country’s economic interests will be best served with ties to Europe and, in an ideal world, with the United States. Certainly not with Russia.

Putin’s last gambit would be to alter current gas export arrangements with Europe. But nothing would be more self-defeating in the long term. Europe would find alternative energy sources. New pipelines would be built from North Africa and from the Middle East passing south of Russia. The U.S. would commit to major LNG exports to Europe.
Russia then has limited options. “Protecting” the interests of Russians everywhere is his most likely next move. Still higher defense spending will follow. (From $29 billion in 2000, Russia’s defense spending has climbed to $87.8 billion in 2014.) Also certain is greater control over the Russian state and economy driven by reinforcing an ideology that has Russia and the Orthodox church subject to constant Western hatred and harassment.

This period of international turmoil is likely to be extended and to deepen, especially with China on its own expansionist bent in Asia. (The Chinese defense budget increased from $14.6 billion in 2000 to $131.6 billion in 2014. The Stockholm International Peace Research Institute estimates China’s actual defense expenditures at $188 billion.)

Marvin Zonis is Professor Emeritus at the Booth School of Business, The University of Chicago

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