

# Cold War II: Can Economic Sanctions and Diplomacy Avert a Repetition of History?

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NATALIA SHAROVA, JUL 21 2014

Vladimir Putin finds himself at the moment in quite a predicament – he has limited control over the rebels in Eastern Ukraine who demand more support from Moscow every day and he is trapped in an expectation gap at home, where Russians, inundated by anti-western propaganda, will not accept “defeat” in the Ukrainian crisis. Moreover, Putin realizes that the rise of his popularity at home caused by the annexation of Crimea will soon ebb, and Russians will be left with a plummeting economy, skyrocketing nationalism and more severely oppressed freedom of speech, all of which could greatly undermine his credibility. He will, therefore, go as far as necessary to gain desirable outcomes in the Ukrainian crisis while avoiding a full-scale intervention.

On July 16, President Barack Obama finally proceeded to impose another round of stricter sanctions on Russia, targeting the country’s energy sector – the lone pillar supporting Russia’s economy. However, EU leaders were still wary of following in Obama’s steps, fearing for their own economies which are so reliant on Russian gas. It is time for the EU to sort out its priorities and choose between its love for democracy and comfortable living.

With the violence in Eastern Ukraine escalating, Obama chose to demonstrate to Putin that his actions would indeed have unpleasant consequences for Russia. By targeting Russia’s energy and banking sectors, Washington seeks to put pressure on Putin and his cronies who feed on the money coming from Russian oil and gas. The more the Russian elite suffer from imposed sanctions, the more pressure Putin will face to resolve the Ukrainian crisis. Certainly, the third round of sanctions will make Moscow think twice before it sends another batch of weapons and military vehicles to Ukrainian separatists. Putin, however, is unlikely to accept defeat.

Pushing Putin into a corner and humiliating the Kremlin will only cause retaliation, resulting in a higher death toll and fewer opportunities for negotiation. The Russian president may be difficult but he is willing to talk. With one of the goals of the Crimea annexation being to demonstrate to the world that both Russia and her leader should be respected, however, increased American military presence in Poland will hardly persuade Putin to cut off support to the rebels in Eastern Ukraine. The less hostile measure of targeted sanctions, on the other hand, paired with simultaneous negotiations between Moscow, Kiev, Berlin, and Washington, may help to deescalate the crisis and resolve the conflict without further violence.

### **The Battle of Wills between Putin and Poroshenko**

What the Kremlin aims to show the new Ukrainian president, Petro Poroshenko, is what it showed then-Georgian president Mikheil Saakashvili in 2008 – that when Ukraine contemplates joining NATO or, for that matter, signing major economic contracts with the EU, it must first look to Russia. By supplying the separatist rebels with weapons, Moscow seeks to send Kiev the message that the crisis will not end until and unless Poroshenko decides to sit down with Putin and negotiate the terms of resolution. With a stronger military and increased support from the West, Kiev can become significantly less dependent from Moscow, but it would be a mistake for Ukraine to sever all economic and political ties with its largest neighbor – a mistake Putin will neither forgive nor forget.

Poroshenko, meanwhile, as a newly-elected leader, needs quick results and is therefore attempting to make a

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display of strength in front of both Ukrainians and to Moscow. Hence, he should immediately follow up on his recent success in pushing separatists further to the Russian border by extending an offer of negotiation to Moscow. Such an amicable step would help prevent further escalation by the Kremlin.

Poroshenko needs Moscow's help to pacify separatists who will continue fighting even if Russia puts an end to its supplying of weapons to them. On the other hand, if Kiev refuses to cooperate with Moscow on conflict resolution, the Kremlin will find a way to supply the separatists in more covert ways. As the length of the conflict stretches and the death toll climbs higher, the hatred of the Eastern Ukrainians for their own government will only intensify, which works to Putin's advantage. Having only just been elected, it is in Poroshenko's best interests to call a halt to the crisis and avoid the looming specter of civil war by effectively negotiating with Moscow as soon as possible.

## Economic Sanctions and Russian Gas

The messiness of the Ukrainian crisis will kill Putin's appetite for other military actions for a period. With Crimea's need for tremendous investment, the annexation of the peninsula has already proven burdensome for Russia, which now requires Kiev's help to provide Crimea with water, gas and electricity. Tough economic sanctions are already starting to reveal to Putin and his circle of advisors that Russia will be punished more severely if necessary, and that Moscow has no capacity to force its neighbors into alliances. In the case of Ukraine, however, Putin will not accept being cast as the loser; instead, he will push forward his will with various measures until Kiev concedes this battle and decides to negotiate and accept Russia as its most important neighbor.

Washington showed Putin this week that as long as he continues supporting separatists, there will be consequences, but without further sanctions imposed by the EU, Putin might still ignore the international community. The most effective way to take Putin down a peg and to ensure the stability of the region is to diversify Europe's energy supply and to lessen its dependence on Russian gas. Putin understands that Europe's fear of finding itself in a gas shortage which could significantly affect its overall economy feeds its reluctance in imposing strict economic sanctions. Minimizing Europe's reliance on Putin's gas will deprive Russia of her strongest tool of persuasion, making the Kremlin soften its anti-western rhetoric and making it easier to deal with Moscow.

## Cold War II?

Putin is not merely an aggressor. The invasion into Ukraine is not merely an attempt to gain more territory. In Vladimir Putin's eyes, and in those of his supporters, it is a justifiable act of self-defense. Rather than increasing their military presence in Eastern Europe, the US and EU should limit their efforts to the use of diplomacy and economic sanctions, to deescalate the situation and avoid a revival of old animosities in the region. Given the crises in Iraq, Syria and Palestine, it is hard to see Putin as the most difficult problem to deal with, but pushing Russia into isolation will only raise insecurities in Eastern Europe and thereby possibly resurrect the Cold War. Therefore, while it is still possible to do so, the crisis must be resolved via negotiation, with the US, EU and Ukraine giving Moscow a chance to peacefully resolve the conflict. After all, Vladimir Putin is likely to continue as the leader of the world's largest country for at least another decade.

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## About the author:

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