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The Folly of Playing High-Stakes Poker with Putin: More to Lose than Gain over Ukraine

Executive Summary

In the weeks following the Russian annexation of the Crimean Peninsula, both the United States and European Union have issued a range of sanctions to punish the Putin administration. But a belligerent response aimed at “punishing Putin,” even if confined to economic measures, will probably just escalate the crisis. Such actions increase ill will, freeze vital channels of communication, and damage the U.S. and EU economies.

Military measures, such as deploying NATO, especially U.S., ground troops on Russia’s borders, staging military exercises, and sending military aid to the unelected interim government in Kiev are even more counterproductive and dangerous. The Crimean annexation should be a wake-up call on another level. If the United States and NATO violate international law as they have in the Balkans, Iraq, and other locales, other states will feel entitled to do so as well.

The most important goal should be to prevent current East-West tensions from getting any worse. An especially crucial step is to help preserve Ukraine’s unity and prevent the outbreak of a civil war. That requires a decent working relationship with Moscow. There is an even worse scenario than growing disorder in Ukraine, however. The prospect of a full blown new cold war, and perhaps even an armed clash, with Russia is all too real, if the United States and the European Union powers do not adopt more sober, realistic policies soon.

Ominous Parallel: The Soviet Invasion of Afghanistan and Its Aftermath

When 80,000 Soviet soldiers invaded Afghanistan on December 27, 1979, U.S. policy analysts and officials like National Security Advisor Zbigniew Brzezinski raised the alarm that the Kremlin had a “grand design” to push further into the Persian Gulf to seize oil and acquire more warm water ports. The Carter administration imposed punitive sanctions on the U.S.S.R., including a grain embargo that hurt U.S. farmers and a boycott of the 1980 Summer Olympics in Moscow. The policy of détente brokered in 1969 by Henry Kissinger came to an end. Almost twenty years later, after a new cold war had developed, Brzezinski told a French newspaper that, unbeknownst to the world, the Carter administration had been funding the Afghan “freedom fighters” (*mujahedeen*) covertly as early as July 1979, a full six months before the Soviet invasion. “I wrote a note to the president in which I explained to him that in my opinion this aid was going to induce a Soviet military intervention,” Brzezinski said. As he explained to Carter, “We now have the opportunity of giving to the U.S.S.R. its own Vietnam war.”¹

Thanks to declassified top-secret documents and oral histories published by the National Security Archive, we now know that members of the Brezhnev leadership believed they were acting defensively, fearing that the United States intended to move into Afghanistan, having lost neighboring Iran as an ally in the wake of the revolution and hostage crisis there.² In contrast to the situations in Hungary (1956) and Czechoslovakia (1968) when the Soviets intervened militarily, the Kremlin had sought to dissuade its client communist regime in Afghanistan from moving so rapidly to impose dogmatic communist reforms on an unwilling Islamic population.³ Popular resistance against the Afghan communists had been spreading quickly since 1978. As early as 1982, the Soviet leaders realized their military intervention was a mistake and actively sought international mediation to pave the way for withdrawal. Hardliners in Washington

("bleeders"), however, wanted to keep funding the mujahedeen via Pakistan's Inter-Services Intelligence (ISI) to make the Russians suffer in a quagmire, pauperizing themselves in the process.⁴ Steady funding of the mujahedeen by the United States, Great Britain, Saudi Arabia, and China helped transform the Soviet incursion into a bloody nine-year war.

Although Moscow's actions in Afghanistan were largely defensive (albeit brutal), that is not how U.S. officials portrayed the situation to the American people and the world. Instead, Washington treated the Soviet intervention as an unprovoked act of aggression against a small, weak neighbor. The American public accepted that narrative without much criticism and supported aid to Afghan "freedom fighters," even though the mujahedeen included more than a few Islamic extremists and other unsavory elements. Washington is still paying a heavy price for the consequences of that policy. This observation should not be construed as whitewashing the Soviet military invasion to prop up what was a communist puppet state.

Russia's Annexation of Crimea and the West's Confrontational Response

Thirty-five years later, policy analysts focus on another Russian incursion, emphasizing (if not exaggerating) the extent of Moscow's aggressive intentions, and exhort President Obama to take "strong" action in response. After the overthrow of pro-Russian Ukrainian President Victor Yanukovich in late February, Vladimir Putin's government moved quickly to implement ambitious policy goals regarding the Crimean peninsula. On March 1, 2014, following an appeal by Crimean Prime Minister Sergey Aksyonov, Putin asked Russia's Federation Council for permission to "use the armed forces of the Russian Federation on the territory of Ukraine until the normalization of the socio-political situation in that country."⁵ The following day, hundreds of Russian troops advanced towards Simferopol, the capital of the Crimean Autonomous

Republic. Arseny Yatsenyuk, Ukraine's interim prime minister, accused Russia of declaring war on his country. Although most UN Security Council members voted to declare any local referendum on Crimea's secession to Russia to be illegal, Russian authorities went ahead with the balloting in mid-March. There is little doubt that the secession and change of sovereignty was widely popular among the reported 83.1% of Crimeans who voted. However, the referendum only presented them with two similar choices: either join the Russian Federation or restore the 1992 Crimean constitution, each of which amounted to de facto separation from Ukraine. The presence of Russian troops likely discouraged opponents of secession from voting.⁶ The formal annexation was completed the following day. Encouraged by that annexation, "Anti-Maidan" demonstrations directed against the pro-Western interim Ukrainian government have taken place throughout eastern Ukraine, especially in cities such as Odessa, Donetsk, Kharkov, and Lugansk.

The West Imposes Economic Sanctions

In response to the Crimean referendum and annexation, the Obama administration issued three executive orders (13660, 13661, and 13662) targeting Russian Federation policymakers, the inner circle that supports them, Bank Rossiya, and potentially certain sectors of the Russian economy. These "Ukrainian Orders" have thus far frozen the U.S.-based assets of at least twenty Russian and Ukrainian (Crimean) officials deemed responsible for the crisis and banned them from entering the United States. Targets include the exiled Ukrainian president Viktor Yanukovich, Crimean Prime Minister Sergey Aksyonov, Putin's aide and chief ideologist Vladislav Surkov, co-founder of the left-wing nationalist party *Rodina* ("Motherland") Sergei Glazyev, Federation Council chair Valentina Matviyenko, deputy prime minister Dmitri Rogozin, and four billionaires close to Putin (Yuri Kovalchuk, Gennady Timchenko, Arkady and Boris Rotenberg).⁷ The U.S.-based Visa and MasterCard companies also stopped servicing the

credit cards of customers at Russian banks like Bank Rossiya, Sobinbank, InvestKapitalBank, and SMP Bank.⁸ The National Aeronautics and Space Administration (NASA) suspended all engagements with Russia's Roscosmos with the exception of joint work on the International Space Station.⁹ President Obama and other leaders of the G7 nations (Germany, France, Britain, Italy, Japan and Canada) canceled plans to meet in Sochi. They met instead without Russia in Brussels on March 24, where they condemned the annexation and threatened further sectoral sanctions on the Russian economy if Russia "escalates the situation," presumably by intervening elsewhere in Ukraine.¹⁰

European Union (EU) leaders, meanwhile, have frozen assets and banned visas for as many as 51 Russian policymakers and military personnel and senior political officials in the Crimean peninsula.¹¹ As for loans to Ukraine, the EU has promised to provide \$15 billion, the International Monetary Fund \$18 billion in loans, Japan about \$1.5 billion, and the United States has offered \$1 billion in loan guarantees.¹²

The Campaign for Military Measures

Hawkish critics in the United States have derided the preliminary sanctions as mere "wrist-slapping" measures. But Washington has also undertaken a number of military measures. On April 18, the Obama administration announced the deployment of U.S. ground troops to Poland and Estonia for exercises. Anders Rasmussen, Secretary General of NATO, stated that alliance aircraft would fly more sorties over the Baltic region, and NATO ships would be deployed in the Baltic Sea and the Eastern Mediterranean. The Pentagon earlier had dispatched F-15 planes to Lithuania and about three hundred U.S. airmen and a dozen F16 fighters to Poland for joint exercises. A U.S. Navy destroyer entered the Black Sea for training exercises with Bulgarian

and Romanian navies. Airborne Warning and Control System (AWACS) flights are taking place over the Polish and Romanian borders.¹³ At the Brussels meeting on April 1-2, NATO officials announced the suspension of "all practical civilian and military cooperation" between NATO and Russia. NATO officials canceled an exercise that was scheduled to take place in July in the Russian city of Cheliabinsk, deciding instead to hold a twelve-nation exercise ("Rapid Trident") in the Ukrainian city of Lviv.¹⁴ Rear Admiral John Kirby, the Pentagon press secretary, announced plans to send more aid to the Ukrainian army in the form of water purification devices, uniforms, and medical supplies.

Despite these measures, Republican leaders fault the Obama administration for its allegedly weak response to the Russian annexation of Crimea and call for still harsher economic sanctions and more robust displays of military resolve. Many claim that, having annexed Crimea, Putin will now attempt to seize other parts of eastern Ukraine, and they accuse Russia of fomenting unrest in Ukraine's eastern cities. Expressions of alarm are bipartisan in nature. Hillary Clinton even stated that Putin is trying to "rewrite the boundaries of post-World War II Europe." Senator John McCain (R-AZ) opined that "President Obama thinks the Cold War is over, but Vladimir Putin doesn't, and that's what this is all about."¹⁵

This pugnacious stance is foolish and risky for a number of reasons. Deploying Western--especially U.S.--ground troops on Russia's borders, staging military exercises, sending military aid to the vehemently anti-Russian government in Kiev, imposing sanctions, and adopting other punitive measures exacerbate an already tense situation. That course merely increases ill will, freezes vital channels of communication, and risks damaging the U.S. and EU economies. Worse, such measures create the specter of a full-blown diplomatic and military cold war with Moscow.

Facing Reality: The Crimean Annexation is a *Fait Accompli*

What is the ultimate goal of sanctions and displays of military force? If it is to induce Putin to return Crimea to Ukraine, that is highly unlikely to happen. The annexation is a *fait accompli*, and, as mentioned, apparently a majority of the local population is happy to be part of the Russian Federation once again. Prospects of compelling Moscow to relinquish territory that it already has formally incorporated into the Russian Federation are not good. If the goal of military exercises and economic sanctions is to dissuade Putin from annexing other regions of Ukraine, that is at least a more plausible objective. But how will Washington know when the goal has been achieved? How long will the sanctions have to remain in place before the Obama administration is convinced that Putin has no “grand design” for the rest of Ukraine—much less for the rest of Eastern and Central Europe? Moreover, Washington’s actions thus far fail to address the real grievances of the anti-Maidan, pro-Russian protesters, which include the dubious legality of the Kiev interim regime, the presence of ultranationalist Ukrainians in it, and the government’s unilateral decisions regarding highly controversial items, such as accepting IMF austerity measures. U.S. officials openly cheered on pro-Western demonstrators and the overthrow of the Yanukovich government, much to Moscow’s displeasure. Now, instead of considering a diplomatic retreat, the Obama administration flirts with making an already bad situation even worse.

Crimea has a unique importance to Russia that cannot be measured merely in financial terms. The peninsula contains some of Russia’s most important strategic assets crucial to the Federation’s self-defense, including the Black Sea naval base in Sevastopol, the shipyard at Mykolaiv, the air base at Kacha, another large naval air base at Gvardeyskoye, an anti-aircraft

missile regiment in Sevastopol, and other installations. The Black Sea is Russia's sole means of projecting power into the Mediterranean.

One should bear in mind that the annexation of Crimea, with its insolvent economy, will involve substantial costs to the Russian economy, an estimated \$3 billion a year. Moscow now needs to pay the pensions of roughly 620,000 senior Crimean citizens, costing about 70 billion rubles (\$1.9 billion) per year, according to former Russian tax minister Alexander Pochinok.¹⁶ The World Bank estimates that Russia's GDP growth may slow to 1.1 percent for the year 2014.¹⁷ If Putin was willing to accept such an extra economic burden because of strategic and geopolitical considerations, Western sanctions and military displays will probably not influence his decisions to a great degree.

The Putin government plans to construct a new submarine power cable, local power generators, and a new gas pipeline from Krasnodar to Sevastopol, all of which could cost at least another billion dollars. Prime Minister Dmitri Medvedev has also pledged to build a 4.5 kilometer bridge across the Kerch Strait to connect Crimea with Russia, which could cost another half billion dollars.¹⁸ Russian leaders surely had to recognize and accept such burdens when they made the annexation decision. Foreign economic sanctions are only an additional cost. There is no credible evidence that they will weaken the Russian leadership's collective will to persist with the current policy.

Pursuing a Risky Policy toward Moscow

Analysts often point out the Russian Federation's weaknesses: a consistently declining birth rate, widespread corruption, an export economy dependent on high energy prices, military

technology inferior to the West's, and growing competition from China and South Korea.¹⁹ Nevertheless, the U.S. and NATO's military escalation is provocative and unwise, given Russia's status as a nuclear power with first strike capability. The Russian military has extensive countermeasures planned in the event of a decapitation strike by the United States or another nuclear power. Both the United States and Russia have abandoned policies of strict no first use, thereby making any escalation of a confrontation even more dangerous.²⁰ Both countries have "launch on warning" systems that send off rockets before it is confirmed a nuclear attack is underway.²¹ In the midst of tensions over Ukraine, Russian commanders' early warning systems could falsely detect evidence of an attack and retaliate reflexively. NATO's options are constrained by Russia's concept of "de-escalation," articulated in 2000 and influenced by the conflict in Kosovo. It stipulates that if Russia were faced with a large-scale conventional attack that exceeded its capacity for defense, it might respond with a limited nuclear strike.²² Such factors should be a major incentive for the United States to exercise great caution and not casually provoke Moscow.

U.S. Aid to the Kiev Interim Regime Antagonizes the Kremlin

U.S. military aid to the Kiev government enmeshes the United States in the Ukrainian conflict even more deeply than do economic sanctions. Indeed, those military measures risk creating a future proxy war in Ukraine between the U.S.-backed regime and Russian-backed protesters in eastern Ukraine. Ukraine is not a NATO member and Washington will tarnish its reputation further by assisting a regime that lacks legitimacy with sizable portions of the country's population. Following CIA chief John Brennan's visit to Kiev in April, acting Ukrainian President Aleksandr Turchinov ordered an "anti-terrorist operation" in the eastern city of Sloviansk. It quickly failed when Ukrainian commanders refused to fire on civilians who

were clearly not terrorists.²³ Vice President Joe Biden's subsequent visit may have reassured regime leaders, but it also made the Kiev regime look even weaker and more dependent on the West in the eyes of the anti-Maidan protesters.

U.S. Ground Troops in Poland and the Baltic States: An Especially Provocative Step

Some hardliners in Washington argue that after the transfer of thousands of U.S. troops from Europe as part of the "pivot" to Asia, NATO's Central European members are now vulnerable to Russian aggression. When the Soviet Union fell in late 1991, the total U.S. troop presence was approximately 285,000 personnel. Today, about 67,000 U.S. military members are currently stationed in the European theater, primarily in Germany (40,000), Italy (11,000), and Great Britain (9,500). These and other NATO nations are "jittery" and "looking for reassurance," claims Steven Pifer, a former ambassador to Ukraine.²⁴ That is especially true of Alliance members in Central and Eastern Europe. Some hawkish analysts on both sides of the Atlantic argue that U.S. ground troops should be stationed permanently in those countries, not just as part of temporary military exercises. However, such an escalation is unnecessary and highly antagonistic, given Russia's historic fear of encirclement.

Just because Ukrainian citizens are protesting against the Kiev government in Ukraine's eastern cities does not automatically entail a Russian threat to the territorial integrity of Poland and the Baltic states. There is a big difference between the annexation of Crimea (which many Russians see as a reunification, since the region was part of Russia from 1783 to 1954), and an outright invasion of fully sovereign countries. Moreover, since NATO allies enjoy the Article 5 security guarantee (an attack on one member is considered an attack on all), Moscow would hesitate to take such a grave risk, regardless of how Russian minorities within those NATO

countries might be “mistreated.”²⁵ It is important for U.S. and other Western policymakers not to exaggerate the extent of Moscow’s apparent territorial ambitions.

Broader Destabilizing Consequences of a New Cold War

In response to the series of confrontational U.S., NATO, and EU measures, Russia will retaliate. Indeed, it has already done so to a limited extent. Mirroring Washington’s visa bans, Russia quickly responded with entry bans on nine U.S. government officials. More important, Moscow can also hurt U.S. interests in a host of other arenas. This is no time to alienate Russia, a member of the UN Security Council with veto power, whose cooperation is sorely needed to resolve crises involving such countries like Syria, Iran, and Afghanistan.

In the spring of 2009, President Obama and Dmitry Medvedev (Russian Federation president at the time) pledged to “reset” U.S.-Russian relations. Breakthroughs were reached on the new START treaty (April 2010), UN sanctions against Iran (June 2010), and--after Obama set the 2014 deadline for withdrawal--Russian support of the U.S. and International Security Assistance Force (ISAF) war effort in Afghanistan. Putin’s return as Russia’s president need not undo the “reset.” For example, although the Syrian civil war continues, Putin’s diplomatic initiative in September 2013 gave President Obama a face-saving tactic to avoid the overt use of force against Damascus, something a clear majority of Americans opposed.²⁶ If Washington’s pressure on Moscow continues to mount, though, Putin could renege on his promise to cooperate with the West in getting Assad to fulfill his pledge to destroy the country’s arsenal of chemical weapons. We would then be back in crisis mode regarding Syria.

Iran

Working within the P5 + 1 forum on Iran, Russia helped to broker an interim agreement in November 2013 entailing a six month freeze of Iran's nuclear program in exchange for decreased economic sanctions on Iran. The agreement expires on July 20, and P5+1 representatives hope to convert the interim deal into a comprehensive, permanent agreement. However, new signs have emerged that Russia might link the Ukraine and Iran problems to obtain diplomatic leverage with the United States and EU. According to Reuters, Moscow and Teheran are close to signing a barter deal amounting to about \$20 billion. In exchange for receiving Russian equipment and goods, Iran will sell up to 500,000 barrels of oil per day. Although only food and industrial--not military--goods would be sold to Tehran, such a barter deal would significantly undercut the Western sanctions and oil embargo imposed to isolate Iran.²⁷

Afghanistan

Working through the Russia-NATO Council, Moscow has cooperated in fighting drug production in Afghanistan and has permitted use of Russian air space and new overland supply routes to be established through Russian territory. That is no small consideration, since U.S. and ISAF supply convoys using the Pakistan route have been attacked repeatedly by Taliban forces.²⁸ Considering the Soviets' nine-year bloody quagmire, which some analysts term a catalyst for the Soviet empire's collapse, Moscow could have chosen instead to fund the Taliban since the start of the NATO intervention in 2001, thereby making the U.S.-led mission far more perilous and gaining revenge against Washington for its support of the mujahedeen in the 1980s. If further sanctions against the Russian economy are levied, Putin could close the supply routes or demand higher transit fees, obstructing the planned U.S. withdrawal of its 51,000 soldiers later this year.

A Possible Russia-China Axis

Washington's adversarial approach toward Russia also motivates the Putin leadership to forge stronger military and economic ties with China. The Beijing government, which abstained from voting against the Crimean referendum in the UN Security Council, also worries about the situation in Ukraine. Zhao Jinglun, a correspondent for the official news service of the communist country's State Council, denounced the "U.S.-backed fascist putsch" in Kiev, noting that ultra-nationalist "Svoboda party activists hold at least eight top cabinet positions."²⁹

Moreover, the Chinese government often affirms the principle of noninterference in a sovereign state's internal affairs. Foreign sponsorship of separatist movements within a sovereign state is anathema to the Beijing leaders, who have their own restless regions, especially Tibet and Xinjiang. While they do not condone Russia's Crimean annexation, they understand that Russia is following the precedent set earlier in 1999 by NATO. Citing the need for a "humanitarian intervention," and with no authority from the UN Security Council, NATO intervened in Kosovo, and removed that territory from Belgrade's control. Administered by a UN mission for several years after the war, Kosovo unilaterally declared its independence from Serbia with enthusiastic backing from the United States and leading EU powers. In 2010, the International Court of Justice judged the declaration legal, but nearly half of the countries in the world, including China, still refuse to recognize Kosovo's independence. Interestingly, Russia used to oppose Kosovo's independence, but after the Crimea's declaration of independence from Ukraine, Moscow now states that such unilateral declarations are not inconsistent with international law.³⁰

Some Possible Long-Term Adverse Economic Consequences to the United States

As Dwight Eisenhower warned half a century ago, a robust military depends on a healthy economy. The long-range economic effects of Washington's combative approach to the Ukrainian crisis cannot be ignored. After the G7 leaders snubbed Russia, Moscow signaled plans to strengthen economic ties with the other members of the so-called BRICS (Brazil, Russia, India, China, South Africa) group, which collectively control about a quarter of the world's economy. They have discussed the possibility of buying each other's sovereign bonds and swapping currencies to reduce their vulnerability. Obama administration officials boasted about freezing Bank Rossiya "out of the dollar," but Washington underestimates the potential power other countries have eventually to begin freezing the U.S. dollar out of its privileged status as the world's reserve currency. Politicians and officials from Russia and China have often articulated desires to do just that. Yi Gang, deputy governor of the People's Bank of China announced plans on November 20, 2013 to limit U.S. dollar reserves and to allow the Chinese yuan to appreciate faster. "It's no longer in China's favor to accumulate foreign-exchange reserves," he said.³¹ More recently, Sergey Glazyev--one of the Russian politicians the U.S. has sanctioned-- hinted about the need to drop the dollar as a reserve currency.³²

Beginning in 2010, Russia and China have conducted bilateral trade in their own currencies. In reaction to the possible loss of the European energy market, Russia will probably sell more gas and oil – in rubles - to China, which has already agreed to buy more than \$350 billion of Russian crude oil in coming years.³³ President Putin lobbied the Upper House of the Duma for a new ruble-based payment system on March 27.³⁴ One day later, Andrei Kostin, the president of one of Russia's largest banks (VTB), told Itar-Tass: "Russia should sell domestic products--from weapons to gas and oil--abroad for rubles and buy foreign goods also for rubles."³⁵ Should Putin

start demanding rubles (or yuan) for the gas sold to EU countries, U.S. and EU officials may soon rue the initiation of even symbolic sanctions against Moscow.

There are other warning signs of Washington's growing financial vulnerability. According to the Society for Worldwide Interbank Financial Telecommunication, although the U.S. dollar is still the most heavily traded currency, the Chinese yuan overtook the euro to become the second most-used currency in global trade finance in October 2013.³⁶ Accordingly, even U.S. allies Great Britain and Germany have taken steps to increase use of the Chinese currency, and both London and Frankfurt have become centers for yuan-denominated transactions.³⁷ Total U.S. public debt is now \$17.226 trillion or over 100 percent of annual GDP, and roughly 47 percent of that debt is owned by foreign investors. China is the largest holder of U.S. government debt (\$1.294 trillion), while Russia is the eleventh largest foreign creditor (\$139 billion). In light of this reality, threats and sanctions against Russia are risky and counterproductive in the long run, especially if they serve to cement a Russian-Chinese diplomatic and economic partnership.

Economic Sanctions Are Rarely Successful Foreign Policy Tools

The Obama administration is making plans for a second round of more serious economic sanctions against Russia. However, history shows that economic sanctions rarely influence foreign policy behavior significantly, and even more rarely cause a reversal of a *fait accompli*. Modern nation-states tend to resist external pressure; often such sanctions only increase a nation's discipline to endure hardship rather than surrender.³⁸ While the Russian MICEX index plummeted 20.4 percent after a two and a half month selloff, it partially rebounded in April, and Putin's approval rating rose to 80 percent.³⁹

Even in countries where the incumbent leadership elites are unpopular, they usually invent modes of self-protection and shift the economic burden of sanctions onto disenfranchised segments of the population. Sanctions against Iraq lasted from 1990, after the invasion of Kuwait, until 2003 when the U.S.-led invasion deposed Saddam Hussein. Approximately 567,000 infants died from the sanctions' effects, including malnutrition.⁴⁰ If sanctions were imposed on sections of Russia's economy, new and stronger trade alliances will probably develop between Russian and traditional U.S. competitors and adversaries like China, Iran, Syria, and North Korea, which would cause Washington greater problems in the future. Economic sanctions are a blunt instrument, which, in causing pain and financial hardship to others only harden decades-long animosities, as exemplified by U.S. sanctions regimes against North Korea (since 1950), Cuba (since 1962), Iran (since 1979), and Syria (since 1986).

Sanctions Will Damage U.S. and EU Economies

As the Obama administration ought to realize, such blunt instruments are ineffective, even masochistic, in the hyperconnected global economy of the twenty-first century. Russian corporations like Severstal are the world's largest exporters of crucial industrial metals like palladium, upon which global producers of cars and airplanes depend. Granted, direct U.S. trade ties with Russia are minimal; exports came to \$11 billion in 2013, equivalent to less than 0.1 percent of U.S. GDP, and imports from Russia amounted to \$27 billion, or just under 0.2 percent of GDP.⁴¹ A natural target of sanctions would be the Russian energy sector, since oil and petroleum products comprise over two-thirds of total Russian exports and finance over half of the Russian federal budget. However, sections on Russia's energy sector, as well as the kind of sanctions imposed on Iran and North Korea (i.e. on investments, technology deliveries and financial transactions) would also hurt U.S. companies like Exxon Mobil, General Electric

(including GE Capital Aviation Services), Chevron, and Boeing. Exxon, in joint ventures with Rosneft, drills for oil and gas in the Arctic and on the island of Sakhalin, and has several other long-term drilling and hydraulic fracturing (“fracking”) projects in Iraq’s Kurdistan and elsewhere.⁴²

The EU--as Russia’s number one trading partner accounting for almost 41 percent of all the country’s trade--has more power than does the United States to hurt the Russian economy. According to the European Commission’s Directorate-General for Trade, 75 percent of foreign direct investment in the Russian stock market came from EU member states.⁴³ However, EU countries also depend more heavily on Russian trade than the United States. In 2012 alone, European countries exported as much as \$170 billion in goods to Russia.⁴⁴ If the EU and the United States curtail their exports, they will hurt their own balance sheets.

EU’s Heavy Dependence on Russian Gas

Moreover, the EU member states import 84 percent of Russia’s oil and 76 percent of its natural gas. Bulgaria, Hungary, and Romania are 100 percent dependent on Russian gas.⁴⁵ A network of thirteen distinct pipelines spread from Russia across Ukraine like veins and capillaries, carrying more than half of Russia’s gas exports to Europe. Because of the construction of the Nord Stream underwater pipeline directly linking Russia to Germany, the latter imports around 35 percent of its gas directly from Russia, bypassing Ukraine. Germany has only about four months’ worth of reserves stored.⁴⁶ At least thirty-three percent of EU countries’ petroleum is also imported from Russia.

Tensions Between Washington and European Countries Over Sanctions

Further sanctions directed at the Russian economy, given the disparity in U.S. and EU dependence on Russia, risk increasing anti-American sentiment on the continent. That is especially true at a time when the revelations of NSA spying of European allies still rankle. The EU is struggling to recover after the 2007-2008 mortgage crisis and consequent Great Recession. After a series of bailouts by the European Central Bank (to Greece in May 2010, Ireland in November 2010, Portugal in May 2011, and others), European taxpayers are loath to bear the brunt of the EU's \$15 billion assistance package to Ukraine, which is not even an EU member. Disrupting lucrative trade relations with Russia is the last straw. As Ewald Stadler, the radical right-wing Austrian Member of the European Parliament, said in a television interview, "I think we as the Europeans have to pay the price, and not the power that is behind the sanctions; that's the United States of America."⁴⁷ Former German Chancellor Helmut Schmidt also criticized the idea of further sanctions against Putin's Russia, telling *Die Zeit* newspaper they are "stupid" and will only hurt the West.⁴⁸ Schmidt has strong financial ties with the Russian gas industry. However, other prominent German political leaders and businessmen criticize the sanctions and even express understanding of Putin's actions. These include Philipp Missfelder, foreign affairs spokesman for the parliamentary group of Chancellor Angela Merkel's conservatives, Armin Laschet, who heads Merkel's Christian Democratic Union (CDU) party, and Alice Schwarzer, the German feminist intellectual leader.⁴⁹

According to a German public opinion poll on March 6, only 38 percent of German citizens think economic sanctions against Russia will be useful.⁵⁰ President Putin has pledged not to cut off gas and, other than Russian television flashing pictures of violent fascists in western Ukraine, the evidence is mixed about whether Russia is providing significant logistical or financial support to pro-Russian activists protesting in eastern Ukrainian cities. The murky nature of

Moscow's role in the Ukrainian turmoil makes Germany and other western European countries wary of embracing a more confrontational policy toward Russia. Even if Russia is meddling in eastern Ukraine, the United States can hardly claim innocence either. By its own admission, Washington has spent some \$5 billion to influence Ukraine's political evolution in recent years through some 65 projects run by so-called nongovernmental organizations throughout Ukraine.

Export of U.S. Liquefied Natural Gas: Not A Cheap, Quick Option to Undermine Russia's Influence

Officials in the energy sector at the G7 summit in Brussels plan to strengthen the "collective energy security" of the G7 by developing alternative sources of gas for Europe, including exporting U.S. liquefied natural gas (LNG).⁵¹ To raise U.S. gas prices that had fallen due to the recent boom in "fracking," Fortune 500 energy companies had been lobbying Congress vigorously to fast-track export of liquefied natural gas. But such capabilities cannot be developed until late 2015 and will cost billions of U.S. taxpayer dollars. Even then, it could be years before U.S. gas exports significantly eroded Russia's dominant position in gas exports to the rest of Europe.⁵² Moreover, according to noted geoscientist J. David Hughes, shale gas production has plateaued since December 2011.⁵³ Thanks to the Ukrainian crisis, though, the House Energy and Power Subcommittee passed bills on April 9, 2014 to fast-track LNG exports.

Even if EU countries stop or drastically reduce their gas and oil imports from Russia, it may only make a mutually damaging confrontation with Russia more likely in the long run. The growing economic interdependence of NATO countries with former Soviet bloc countries since the end of the Cold War has been a boon to all parties; interdependent states would rather trade than invade. Economic interdependence is beneficial and should be welcomed, not undermined. For example, both China and Russia have had to make key, market-oriented changes to their

economies in order to be admitted into the World Trade Organization in 2001 and 2012, respectively. Spiraling sanctions and combative tactics between the West and Russia threaten to unravel that progress. Such an unraveling could not come at a worse time, as the world economy struggles to recover from recession.

American Public Opinion: Against U.S. Involvement in Ukraine Crisis

The Obama Administration's decisions, including the dispatch of U.S. troops to Poland, run counter to American public opinion. According to a Pew Research Center poll of March 20-23, 2014, 65 percent of Americans opined that Russia is "not an adversary".⁵⁴ Of the 35 percent who believe it is important for the U.S. to "take a firm stand against" Russian actions, only 6 percent say military options should be considered.⁵⁵ (Americans apparently think better of Russia than Russians think of the United States).⁵⁶ In another poll of March 6-9, 2014, fifty-six percent of American stated that they do not want the United States to "get too involved" in the Ukrainian situation.⁵⁷ Fifty-one percent opposed U.S. economic sanctions against Russia if the European allies do not participate fully. Washington's abovementioned pledge of \$1 billion in loan guarantees to Ukraine means that if Kiev defaults, the United States will be obligated to pay \$1 billion of Ukraine's debts (ironically, mostly to Russia). This comes at a time when fifty million Americans now live below the poverty line, at least eleven million are unemployed, 1.6 million children are homeless, and eight U.S. cities and towns have gone bankrupt since 2010.⁵⁸ They wonder why, given such circumstances, Congress seems ready to send money to a non-NATO country.

Hard-Line Policies Will Inadvertently Harm Ukraine's Economy

Unemployment and prices will soar in Ukraine as well, since Western sanctions against Russia will boomerang most forcefully on its weaker neighbor. Unfortunately, amidst the momentum of the Obama-vs.-Putin drama, fewer people seem to be thinking seriously about the welfare of the Ukrainian people. The Maidan demonstrations resulted from widespread despair over the declining economy and the Yanukovich family's chronic embezzlement. Ironically, the Ukrainian people will be even more impoverished in the coming years as a result of the revolution. Russian banks like Sberbank and VTB have already halted all lending to Ukraine. Should the United States and the EU levy further sanctions against Russia, that will also hurt Ukraine's economy, since Russia has been Ukraine's largest trading partner.

Moreover, President Putin has announced that from now on Ukraine must pay one month in advance for gas, and on April 10, he sent a letter to all European countries that might be affected by a termination of Russian gas because of Ukraine's nonpayment. He explained that Ukraine owes \$1.55 billion for gas that it has already consumed. As part of the aid package Russia had offered the former president Yanukovich on December 17, 2013, the gas price was slashed to \$268.5 per 1000 million cubic meters (mcm) for the first quarter of 2014. "Even at that price, Ukraine did not pay a single dollar," Putin declared.⁵⁹

In any case, Moscow rescinded that discount after the February 21, 2014 power-sharing agreement was broken in Kiev by the opposition leaders, overpowered by ultra-rightist groups like *Pravyi Sektor* (Right Sector). On March 21, Russian press secretary Dmitri Peskov announced that, beginning April 1, the price of gas would rise to \$480 per mcm. He explained that the gas discount had been granted in exchange for Ukraine's extension of the lease to Russia of the Sevastopol Naval Base to 2042. Since Crimea is now arguably part of Russia, the gas

discount becomes void.⁶⁰ Should Ukraine fail to pay in advance, the Russian government can retaliate by cutting off gas to Ukraine completely. That happened briefly in 2006 and 2009, when Moscow suspected Ukrainians of illegally siphoning off gas meant for European countries.⁶¹

As a condition for receiving IMF aid, Ukrainians will have to pay 50 percent more in energy prices beginning May 1 and bear a four percent cut in pensions.⁶² Already one quarter of the population (eleven million) live below the official poverty line (1,176 hryvnia or \$127 per month). Rising prices and less disposable income will decrease consumer spending and drag down GDP for at least the next two years, according to Sergei Kiselyov, an economist from Kiev-Mogilyanskaya Academy.⁶³ It is no coincidence that the most visible opposition leaders during the Maidan protests (Arseniy Yatsenyuk, Oleksandr Turchynov, Vitali Klitschko) do not plan to run for president in the May 25 elections. After having agreed to meet all the IMF's conditions, Acting Prime Minister Arseniy Yatsenyuk famously said, "I'm going to be the most unpopular prime minister in the history of my country."⁶⁴

Ukrainian Ultra-Right Parties Will Grow Stronger

Thus, while Ukrainian citizens--humiliated by the loss of Crimea--may initially cheer the West's punitive measures against Russia, they will likely rue them in the long run. History shows that a failing economy, coupled with loss of territory, tends to breed ultranationalist, revisionist parties with racist, xenophobic attitudes. (The extreme right-wing leaders in the anti-Yanukovich protests, Oleh Tyahnybok of the Svoboda Party and Dmytro Yarosh of Right Sector do indeed plan to run in the May 25 elections.) Adolf Hitler became popular by denouncing the Treaty of Versailles, which blamed Germany for World War I and demanded draconian

reparations. His Nazi Party was the largest party following elections in 1933. Likewise, Hungary's loss of two-thirds of its territory after the Treaty of Trianon in 1920 ushered in the highly conservative regime of Miklós Horthy, whose alliance with Hitler was motivated by the desire to retrieve the lost lands. His successor, the anti-Semitic fascist Gyula Gömbös, would have established a Nazi-like, one-party government in Hungary within two years, had he not died of cancer in 1936.⁶⁵

Chances of an Anti-American Backlash in Ukraine

The effects of the West's anti-Russian sanctions, combined with the IMF's austerity measures, may also give rise to anti-American sentiments throughout Ukraine, especially in eastern cities. It should be recalled that in Greece, a NATO ally, where GDP has plummeted after four years of austerity measures, 57 percent of Greeks expressed an unfavorable view of the United States, according to a Pew Research poll of March 2013.⁶⁶ The neo-fascist Golden Dawn party won seven percent of the popular vote in 2012 elections, initially receiving 21 seats in Parliament.

Similar risks exist in Ukraine. The atmosphere in the country has shifted since November 2013. The main goal uniting the population in their initially peaceful protests was to remove Yanukovich. They were divided about the issue of the EU Association agreement. In a December 5, 2013 poll, 37 percent of Ukrainians supported Ukraine's steps toward joining the EU, while 33 percent preferred joining the Russian-led Customs Union.⁶⁷ (Incidentally, most Ukrainian citizens in conversation refer to the protests as simply "Maidan," the name of the main square in Kiev, not "Euromaidan." The latter came from the Twitter hashtag of a young *Polish* student Ziemowit Józwik, on November 21, 2013, when Yanukovich decided not to sign the EU association agreement because of its austerity measures). Now that roughly over one hundred

citizens have been killed, Yanukovich has been ousted, and the IMF's conditions have been publicized, the jubilation from the November-December period has been replaced with shock, dread, cynicism, and growing xenophobia.

After the loss of Crimea, combined with the YouTube postings of the Nuland-Pyuatt and Ashton-Paet hacked phone calls, indignant comments in everyday conversations like “Ukrainians can take care of themselves,” and “Ukraine is being used as a bargaining chip [*razmennaia monetka*] between Russia and the West” have become more frequent.⁶⁸ A sign appeared at the barricades in Donetsk in mid-April: “Bloodthirsty America. Despicable Europe. Leave Ukraine alone.” Increased U.S. involvement in the Ukrainian crisis via military aid and NATO military exercises threaten to exacerbate such sentiments, especially in the east. Deepening divisions in the country may result in the fragmentation of Ukraine.

Much intellectual energy in the West has been expended about how to punish President Putin--far more, perhaps, than would be required to negotiate a peaceful resolution to the crisis. And few analysts and pundits have considered seriously the long-range effects of an antagonistic economic and military approach and the ways Putin can retaliate. Prudent troubleshooting should be a required step in foreign policy decision making, and optimistic wishful thinking eschewed. Russia could cut off gas supplies to Ukraine and EU countries, sell nuclear-weapons technology to Iran and Syria, protect Iran at the UN Security Council, permit Russian banks to operate in Iran, stop using the U.S. dollar and dump its U.S. treasury bills, seize U.S. assets in Russia (such as its oil-production facilities), forbid all U.S. companies from doing business in Russia, escalate support of pro-Russian separatists in Ukraine, and close all Russian-controlled

supply routes to Afghanistan. Any of those scenarios, much less a combination of several, would create major headaches for Washington.

A Strategy to De-Escalate the Crisis

The path of de-escalation would be to view the Crimean issue in the total context of the Maidan protests and their origins. Efforts to understand Russian perceptions of the situation would facilitate fruitful dialogue. The Russians raise questions about a number of issues. Thus far, few portions of the Western news media have addressed the legality of the opposition leaders' seizure of power on February 21, 2014, the extensive U.S. funding of Ukrainian NGOs leading up to the November protests,⁶⁹ the presence of extreme right-wing elements in the Kiev interim government,⁷⁰ and the identity of the snipers during the Maidan protests. Suspicions will linger, zigzagging accusations continue, until these issues are examined. ("Investigation into recent acts of violence conducted under joint monitoring" was one of the conditions in the February 21 agreement, but now the interim leaders do not want to investigate). It takes a strong leader to face the truth; weak leaders refuse dialogue and rush to a military response.

According to the Budapest Memorandum on Security Assurances, signed on December 5, 1994, Ukraine agreed to relinquish its stockpile of nuclear weapons between 1994 and 1996. In return, the signatories (the United States, Russian Federation, and United Kingdom, and later China and France) pledged to respect Ukrainian independence and sovereignty, refrain from the use of force, and avoid using economic pressure in Ukraine to influence its domestic politics. Putin's annexation of Crimea is a violation of the Budapest Memorandum, as well as other international agreements. But so, too, was the extensive economic pressure by the United States and EU on and within Ukraine—prior to the Crimean annexation—to influence its domestic

politics. While the Maidan revolution was not a “U.S.-backed fascist coup,” as Russian reporters claim, it was hijacked by Right Sector and other radical groups. Moreover, clear evidence indicates that U.S. funds were a force multiplier for several opposition groups on Maidan working to overthrow Yanukovich. Speaking to the U.S.-Ukraine Foundation Conference on December 16, 2013, Assistant Secretary of State Victoria Nuland announced, “We have invested more than five billion dollars ... to promote Ukraine to the future it deserves.”⁷¹ In a *Washington Post* article on September 27, 2013, National Endowment for Democracy president Carl Gershman referred to Ukraine as “the biggest prize.”⁷² It is hardly surprising that Moscow would react badly to such Western meddling in a neighboring country deemed essential to Russia’s security. That is especially true because such actions occurred on the heels of NATO’s seemingly inexorable eastward expansion.

Since the February 21 seizure of power in Kiev has been the catalyst for the later events in Crimea and Ukraine’s eastern cities, a key U.S. policy objective should be to promote free elections on May 25. A number of major decisions have been made by the interim regime in the intervening months without the consent of Ukrainian citizens nationwide. They have not had a chance to vote on a number of crucial matters. These include voting for their representatives, reverting to the 2004 constitution, determining whether to sign the political section of the EU association agreement, and deciding whether the Crimean referendum was legal or not.

Washington should seriously consider ways it might help to preserve Ukraine’s unity, by encouraging Ukrainians to engage in national dialogue about possible solutions, including Russian Foreign Minister Sergei Lavrov’s federalization concept. Washington should also consider endorsing neutrality for Ukraine, somewhat similar to what Austria achieved in 1955 or

Turkmenistan in 1995.⁷³ Such a treaty would enable the country to stay united and guarantee the rights of all minorities in Ukraine (Russians, Hungarians, Romanians, and Roma). As part of such an arrangement, any further foreign annexations would be forbidden. Ukraine would be free to trade with both the West and East to restore its economy, but would not join the EU, NATO, Eurasian Customs Union, or the Russia-led Collective Security Treaty Organization. Ukraine's status as a neutral buffer zone would eliminate the specter of NATO enlargement on Russia's western borders and thus obviate Moscow's rationale to mass troops near Ukraine's border. Likewise, NATO would have no justification to stage military exercises on Ukrainian territory, citing the threat of Russian expansion.

As Albert Einstein famously wrote, "Problems cannot be solved by the same level of thinking that created them." Going forward, serious efforts should be made to stop promoting Russophobia in the Western media, which mainly serves to justify NATO expansion. It may also exacerbate the anti-American bias of the Russian media, which is arguably stronger, given the Russian government's consolidated control of nearly all of the media outlets inside of Russia, and harassment of the few that remain nominally free. Apart from internal political conditions in Russia, the achievements during the "reset" show that U.S. leaders can negotiate successfully with President Putin when they seek compromise outcomes. But they must learn to accept Russia as an equal partner regarding collective security issues.

The annexation of Crimea is the first real "expansion" since the USSR's collapse in 1991. Unlike the Soviet Union, however, Russia has no messianic communist ideology, nor does it directly threaten core U.S. security interests. In contrast, since 1999, NATO has admitted numerous countries in Central and Eastern Europe, and Washington has withdrawn from the

ABM treaty and constructed a missile defense system. The expansion of NATO—originally an anti-Soviet alliance created in 1949—by admitting former Warsaw Pact countries while pointedly excluding Russia, was a grave mistake that helped lead to the current crisis in Ukraine.⁷⁴

In sum, the perils of Russian retaliation and a renewed cold war far outweigh the short-term thrill of punishing Russia. Putin called Washington’s bluff and played the better hand over Crimea. Given the pot odds, the shrewdest move would be to cash out and end the game of deception. The United States remains secure, with its vast arsenal of sophisticated conventional and nuclear weapons, highly trained military personnel, and an annual military budget that far exceeds those of Russia and China combined. It would be even safer if it adopted a more restrained foreign policy instead of pushing forcible regime-change goals and other objectives that generate fear and animosity around the world. Washington should work closely with Moscow on joint problems and eschew attempts to encircle and intimidate Russia. The United States would gain more respect worldwide if it promoted democratic processes as espoused in the U.S. Constitution, and withheld diplomatic recognition of unelected leaders. Only with such a restrained foreign policy can Washington now prevent the kind of cold war impasse that developed in 1979.

¹ “Interview with Zbigniew Brzezinski,” *Le Nouvel Observateur*. Jan. 15, 1998, p. 76.

² See pp. 14-15 of "The Intervention in Afghanistan and the Fall of Détente," Transcript of discussion. Lysebu, Norway, September 17-20, 1995. National Security Archive. http://www2.gwu.edu/~nsarchiv/carterbrezhnev/docs_intervention_in_afghanistan_and_the_fall_of_detente/fall_of_detente_transcript.pdf. Soviet Ambassador to the United States Anatoly Dobrynin flatly denied that the Soviet leadership had a “grand design” to move into Pakistan and Iran, as Brzezinski claimed.

³ For an archive-based study on the decision making process leading to the Soviet invasion of Hungary, see Johanna Granville, *The First Domino: International Decision Making in the 1956 Hungarian Crisis* (College Station: Texas A & M University Press, 2004).

<http://www.scribd.com/doc/144894637/The-First-Domino-Int-l-Decision-Making-During-Hungary-1956-Johanna-Granville>

⁴ Artemy M. Kalinovsky, *A Long Goodbye: The Soviet Withdrawal from Afghanistan* (Cambridge: Harvard University Press, 2011), p. 63.

⁵ “Sovet Federatsii razreshil Putinu vvesti voiska na Ukrainu,” *Lenta.ru* (March 1, 2014).

<http://lenta.ru/news/2014/03/01/sovfed/>

⁶ Another vote was held in the 193-member UN General Assembly on March 28, 2014. After heavy lobbying, 100 members declared the Crimean referendum invalid, 11 members including Russia voted against the resolution, 58 members abstained, and 24 were absent. Sangwon Yoon, “Crimea Resolution Backed by U.S. Barely Gets UN Majority,” March 28, 2014.

http://www.bloomberg.com/news/2014-03-27/crimea-resolution-backed-by-west-barely-gets-un-majority.html#disqus_thread.

⁷ Others on the U.S. black list include head of the parliament committee for CIS affairs Leonid Slutsky, Chairman of the Parliament Committee for Family, Women and Children Yelena Mizulina, Ukrainian State Council Speaker Vladimir Konstantinov, and leader of the Ukrainian Choice public movement Viktor Medvedchuk. See The White House, Office of the Press Secretary, March 17, 2014. <http://www.whitehouse.gov/the-press-office/2014/03/17/fact-sheet-ukraine-related-sanctions>. Also ITAR-TASS News Agency, “Russian Senator Says EU Sanctions 'Comical',” March 18, 2014. <http://en.itar-tass.com/russia/724118>.

⁸ Later, the two credit card companies resumed processing transactions for SMP Bank. See “Visa and Mastercard Resume SMP Bank Transactions After Sanctions,” *The Moscow Times* (March 24, 2014). <http://www.themoscowtimes.com/news/article/visa-and-mastercard-resume-smp-bank-transactions-after-sanctions/496634.html>.

⁹ “NASA suspends cooperation with Russia over Ukraine crisis,” *Russia Today*, April 2, 2014. <http://rt.com/news/nasa-suspends-relations-roscosmos-961/>.

¹⁰ The White House Office of the Press Secretary, Background Briefing on the G7 Meeting, March 24. <http://www.whitehouse.gov/the-press-office/2014/03/24/background-briefing-g7-meeting>.

¹¹ Ewen MacAskill, et al., “EU and U.S. impose sanctions on Russian and Ukrainian officials,” March 17, 2014.

<http://www.theguardian.com/world/2014/mar/17/eu-imposes-sanctions-21-russian-ukrainian-officials-crimea>

¹² Steven Erlanger and David M. Herszenhorn, “I.M.F. Prepares \$18 Billion in Loans for Ukraine,” *New York Times*, March 27, 2014. A loan guarantee is a promise by the guarantor (the United States) to assume the debt obligation of the borrower (Ukraine) if that Ukraine defaults.

http://www.nytimes.com/2014/03/28/world/europe/ukraine-bailout.html?_r=0

¹³ Steven Erlanger, “Russian Aggression Puts NATO in Spotlight,” *New York Times*, March 18, 2014.

http://www.nytimes.com/2014/03/19/world/europe/russias-aggression-in-crimea-brings-nato-into-renewed-focus.html?_r=0

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<http://www.defensenews.com/article/20140326/DEFREG01/303260039/Ukraine-Seeks-Joint-U.S.-War-Games-After-Crimea-Takeover>.

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¹⁶ Nana Chronaya, “Annexation of Crimea: Russian Promises and Reality” (March 21, 2014) UNIAN.

<http://www.unian.info/politics/898909-annexation-of-crimea-russian-promises-and-reality.html>. Also <http://www.aol.com/article/2014/03/19/what-annexing-crimea-will-cost-russias-government/20852911/>

¹⁷ Birgit Hansl, *Confidence Crisis Exposes Economic Weakness*. Russian Economic Report, no. 31. Washington, DC: World Bank Group. March 26, 2014.

<http://documents.worldbank.org/curated/en/2014/03/19357185/confidence-crisis-exposes-economic-weakness>.

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²² Nikolai N. Sokov, “Why Russia Calls a Limited Nuclear Strike ‘De-Escalation’ ” *Bulletin of the Atomic Scientists*, March 13, 2014. <http://thebulletin.org/why-russia-calls-limited-nuclear-strike-de-escalation>.

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³⁶ Angela Cullen and Weixin Zha, “Bundesbank, PBOC in Pact to Turn Frankfurt into Renminbi Hub” *Bloomberg Businessweek*, March 28, 2014.

<http://www.businessweek.com/news/2014-03-27/frankfurt-sets-sights-on-yuan-offshore-trade-as-xi-visits-merkel>

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⁵² Zachary Cikanek, “API Praises Congressional Action on Natural Gas Exports,” April 9, 2014. <http://www.api.org/news-and-media/news/newsitems/2014/apr-2014/api-praises-congressional-action-on-natural-gas-exports>.

⁵³ J. David Hughes, *Drill, Baby, Drill: Can Unconventional Fuels Usher in a New Era of Energy Abundance?* (Santa Rosa, Calif: Post Carbon Institute, 2013), p. 4.

⁵⁴ While 22 percent do not view Russia as a problem, 43 percent view the country as a problem, but not as an adversary. Twenty-six percent of Americans, mostly Republicans, view Russia as an adversary. Ten percent had no opinion. See Pew Research Center, “Concerns about Russia Rise, But Just a Quarter Call Moscow an Adversary” March 25, 2014. <http://www.people-press.org/2014/03/25/concerns-about-russia-rise-but-just-a-quarter-call-moscow-an-adversary/>

⁵⁵ “Concerns about Russia Rise, But Just a Quarter Call Moscow an Adversary,” March 25, 2014. <http://www.people-press.org/2014/03/25/concerns-about-russia-rise-but-just-a-quarter-call-moscow-an-adversary/>

⁵⁶ In a poll of 1,500 citizens in 100 different cities, taken on March 15-16, the Russian polling organization FOM (*Fond Obshchestvennoe Mnenie*), found that 33 percent have a negative opinion of the US, 48 percent believe Russian-US relations are poor, and 31 percent believe Americans have a negative view of Russia. “Otnosheniia mezhdru Rossiei I SShA: Monitoring Mnenii,” *FOM*, March 26, 2014. <http://fom.ru/Mir/11426>

⁵⁷ “Most Say U.S. Should ‘Not Get Too Involved’ in Ukraine Situation,” *Pew Research Center*, March 11, 2014. <http://www.people-press.org/2014/03/11/most-say-u-s-should-not-get-too-involved-in-ukraine-situation/2/>.

⁵⁸ “That’s Rich: Poverty Level Under Obama Breaks 50-year Record,” *Washington Times*, January 7, 2014. <http://www.washingtontimes.com/news/2014/jan/7/obamas-rhetoric-on-fighting-poverty-doesnt-match-h/?page=all>. Also Paul Krugman, “Jobs and Skills and Zombies,” *New York Times*, March 30, 2014. <http://www.nytimes.com/2014/03/31/opinion/krugman-jobs-and-skills-and-zombies.html>; and Andrea Elliott, “Invisible Child. Girl in the Shadows: Dasani’s Homeless Life,” December 9, 2013. <http://www.nytimes.com/projects/2013/invisible-child/#/?chapt=1>. In 2012, the poverty level was defined as an annual income of \$23,492 for a family of four.

⁵⁹ “Message from the President of Russia to the Leaders of Several European Countries,” *Russia Today*, April 10, 2014. <http://rt.com/politics/official-word/putin-message-european-leaders-748/>

⁶⁰ Anders Aslund, “How Ukraine Can Use Sanctions to Counter Russia’s Aggression,” March 24, 2014. <http://blogs.piie.com/realtime/?p=4259&wmp tp=0>

⁶¹ For background on the “gas war” and its effects on Europe, see Kjell Engelbrekt, Bertil Nygren, eds. *Russia and Europe: Building Bridges, Digging Trenches* (New York: Routledge, 2010).

⁶² The salaries of elementary and high school teachers in the town of Berehove in Ukraine’s Transcarpathian oblast’ were at first frozen in March and then substantially reduced indefinitely. Author’s interview with high school teachers Timea Srek and Marianna Margitics, April 13, 2014.

⁶³ Alec Luhn, “Will the IMF Bailout Turn Ukraine Into Another Greece?” *The Nation*, April 7, 2014. <http://www.thenation.com/article/179212/will-imf-bailout-turn-ukraine-another-greece#>

⁶⁴ Kenneth Rapoza, “Washington’s Man Yatsenyuk Setting Ukraine Up For Ruin,” February 27, 2014. <http://www.forbes.com/sites/kenrapoza/2014/02/27/washingtons-man-yatsenyuk-setting-ukraine-up-for-ruin/>.

⁶⁵ Rebecca Haynes and Martyn C. Rady, *In the Shadow of Hitler: Personalities of the Right in Central and Eastern Europe* (New York: I.B. Tauris, 2011).

⁶⁶ “Greeks, Stung by Recession, Lukewarm on U.S. Relations,” *Pew Research Center*, August 8, 2013. http://webcache.googleusercontent.com/search?q=cache:BqE0n_DYBYsJ:www.pewresearch.org/fact-tank/2013/08/08/greeks-stung-by-recession-lukewarm-on-u-s-relations/+&cd=3&hl=uk&ct=clnk&gl=ua&client=firefox-a

⁶⁷ See “Ukraine Public Opinion Poll Shows Dissatisfaction with Socio-Political Conditions,” *International Foundation for Electoral Systems (IFES)*, December 5, 2013. <http://www.ifes.org/Content/Publications/Press-Release/2013/2013-Public-Opinion-Survey-in-Ukraine.aspx>. Many people I spoke with in cities and villages in Transcarpathian Ukraine, although disgusted with Yanukovich and his sons, were largely uninformed, much less concerned, about EU

association. Disinterest in politics, pervasive among both Ukrainian and Russian citizens, is a legacy of the Soviet period when they were bombarded with communist propaganda.

⁶⁸ In a leaked phone call on January 28, 2014, Assistant Secretary of State for European and Eurasian Affairs Victoria Nuland told U.S. Ambassador to Ukraine Geoffrey Pyatt that Yatseniuk (“Yats”) should be prime minister because of his experience, while Klitschko (“Klitsch”) should not go into the government. In a second leaked call, Estonian Minister of Foreign Affairs Urmas Paet discussed with High Representative of the European Union for Foreign Affairs and Security Policy Catherine Ashton some concerns voiced by physician Olha Bohomolets that the wounds she treated in both the protesters and the Berkut policemen were caused by the same bullets. On April 5, 2014 former Ukrainian interior minister Vitaly Zakharchenko told reporters that the police were unarmed, that 86 received bullet wounds, and that 14 died. See

“Berkut Policemen Were Unarmed. They Did Not Shoot,” *ITAR-TASS*, April 5, 2014. <http://en.itar-tass.com/world/726640>.

⁶⁹ Oleh Rybachuk--Viktor Yushchenko’s campaign chair, and later Yulia Tymoshenko’s assistant--played a key role in the 2004 Orange Revolution. He leads the NGO “Center UA,” which received more than \$500,000 in 2012, according to its annual report for that year. Fifty-four percent of the money came from Pact Inc., a project funded by the U.S. Agency for International Development. In March 2012, Rybachuk boasted, “People are not afraid. We now have 150 NGOs in all the major cities in our ‘clean up Parliament campaign’ to elect and find better parliamentarians.... The Orange Revolution was a miracle, a massive peaceful protest that worked. We want to do that again and we think we will.” See Mark Ames, “Pierre Omidyar Co-Funded Ukraine Revolution Groups With U.S. Government, Documents Show,” February 28, 2014.

<http://pando.com/2014/02/28/pierre-omidyar-co-funded-ukraine-revolution-groups-with-us-government-documents-show/>. The Spilna Sprava activist organization, which on January 25 took over the buildings of the ministry of justice, agriculture, and energy

has received grants from the Ukrainian International Renaissance Foundation founded by George Soros. Christopher J. Miller and Katya Gorchinskaya, “Danylyuk’s Group Under Fire for Seizure of Government Buildings” *Kyiv Post*, January 27, 2014.

<http://www.kyivpost.com/content/ukraine/danyluks-group-under-fire-for-seizure-of-government-buildings-335692.html>. The producer of the “I am a Ukrainian” video that went viral was exposed as a production by Larry Diamond, a senior consultant at the National Endowment for Democracy.

⁷⁰ Currently there are seven ministers in the interim government affiliated with the extreme right. They include Andriy Parubiy, secretary of the Ukrainian National Security and Defense Council. He co-founded the Svoboda party with Oleh Tyahnybok in 1991. Dmytro Yarosh, leader of Right Sector, is Parubiy’s deputy secretary. Oleksandr Sych, the new Deputy Prime Minister, is a Svoboda party member, as are Oleh Makhnitsky (acting prosecutor general) and the heads of the ecology and agricultural ministries, Andriy Mokhnyk and Ihor Shvaika, respectively.

⁷¹ Victoria Nuland, “Remarks at the U.S.-Ukraine Foundation Conference,” Washington, DC, December 13, 2013, U.S. Department of State. <http://www.state.gov/p/eur/rls/rm/2013/dec/218804.htm>.

⁷² Carl Gershman, "Former Soviet States Stand Up to Russia. Will the U.S.?" *The Washington Post*, September 27, 2013. http://www.washingtonpost.com/opinions/former-soviet-states-stand-up-to-russia-will-the-us/2013/09/26/b5ad2be4-246a-11e3-b75d-5b7f66349852_story.html.

⁷³ For background on the conditions that made Austrian neutrality possible and the initial difficulties encountered, see Johanna Granville, "Of Spies, Refugees and Hostile Propaganda: How Austria dealt with the Hungarian Crisis of 1956," *History*, 91, no. 301 (2006): 62-90. http://www.academia.edu/3541570/Of_Spies_Refugees_and_Hostile_Propaganda_How_Austria_dealt_with_the_Hungarian_Crisis_of_1956

⁷⁴ Many critics warned of the folly of NATO expansion back in the 1990s. For a review of the arguments, see Ted Galen Carpenter and Barbara Conry, *NATO Enlargement: Illusions and Reality* (Washington, D.C.: Cato Institute, 1998), and Johanna Granville, "The Many Paradoxes of NATO Enlargement," *Current History* (April 1999), vol. 98, no. 627, pp. 165-170. <http://jgm.hostzi.com/pdf/The.Many.Paradoxes.of.NATO.Enlargement.pdf>.