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Why Putin Is the Big Winner in Greece's Elections

Чому Путін крупно виграв від результату виборів в Греції

Прихід до влади в Греції ліворадикальної коаліції СІРІЗА може принести неочікувану перемогу президенту Росії Путіну, посиливши внутрішньоєвропейські розбіжності з приводу того, як слід реагувати на недавні агресивні кроки Москви на Україні.

http://foreignpolicy.com/2015/01/27/russia-sanctions-greece-europe-obama/?wp_login_redirect=0

Greece's election of a self-proclaimed radical leftist could hand an unexpected win to Russian President Vladimir Putin by exacerbating divisions within Europe over how to respond to Moscow's latest aggressive moves in Ukraine.

European foreign ministers are set to huddle Thursday, Jan. 29, to try to reach consensus on how to dial up the pressure on Russia — which escalated its proxy war in Ukraine over the weekend — without harming their own economic interests. An already tricky diplomatic game has gotten more complicated thanks to the outright defiance of Greece's new government, which on its second day in office rejected a European proposal to study new reprisals on Moscow.

The United States is trying to wrestle reluctant European partners into supporting a fresh round of economic and financial sanctions on Russia; President Barack Obama and Treasury Secretary Jack Lew said this week that the administration is poring through its sanctions tool kit to try to change Russian behavior.

If European leaders, with the White House's urging, can agree Thursday on fresh sanctions, there would likely be an incremental increase in the pressure that has so far closed global capital markets to big energy firms, blocked Russia from accessing key technologies needed to develop new oil and gas fields, and hamstrung big banks.

But the latest effort to put the squeeze on Moscow comes at a tricky time politically for Europe and financially for Russia. The surprising victory Sunday by the left-wing Syriza party in Greece widens the existing fissures in Europe regarding Russia. The first official visitor to new Greek Prime Minister Alexis Tsipras was the Russian ambassador, and on Tuesday Greece rejected the European Council's decision to consider "further restrictive measures" against Russia. Greece, already pushing back against European-mandated fiscal rules, appears to be trying to chart a more independent foreign policy as well.

That's complicating an already delicate dance in Brussels. Before the Russian-supported Mariupol offensive on Jan. 24, European leaders were torn between easing pressure on Moscow, as advocated by EU foreign-policy chief Federica Mogherini, and ratcheting up financial sanctions, as European Council President Donald Tusk has argued. "Once again, appeasement encourages the aggressor to greater acts of violence," Tusk tweeted over the weekend.

"Sanctions are consensus-based, and if Putin can pick off a few weak countries from the pack," it makes it much tougher to present a united, effective front, said Fiona Hill, a Russia expert at the Brookings Institution and co-author of *Mr. Putin: Operative in the Kremlin*.

Talk of fresh financial sanctions comes as Russia's economy continues to deteriorate, both from Western pressure and from the plunge in oil prices over the last six months. On Monday, ratings agency Standard & Poor's joined its peers and downgraded Russia's sovereign debt to junk status, pushing the ruble to a six-week low. The combination of sanctions and lower oil prices could cost the Russian economy about $140 billion this year, yet the double whammy hasn't dissuaded Russia from further aggressive action.

Last week at the annual meeting of the World Economic Forum, Ukrainian President Petro Poroshenko campaigned against what he called "Ukraine fatigue." At this annual meeting of world leaders and business elite in Davos, Switzerland, Poroshenko said that 9,000 Russian troops with heavy artillery were making themselves at home in the eastern part of his country.

The separatists' new offensive opens the door to yet another round of Western pressure, said Robert Kahn, an economist at the Council on Foreign Relations.

"The way they've gone about doing these sanctions, there's inevitable pressure to do more, whether it's because of evasion or from events on the ground," he said.

The tricky part is increasing the pressure on Russia without poleaxing slow-growing European economies that do business with Moscow. Policymakers in the United States are privately weighing concerns about the collateral effects on the Russian economy and the spillover into Europe.

Sanctions architects also have to try to get into Putin's head. Zachary Goldman, a former Treasury Department sanctions official and head of New York University's Center on Law and Security, said the Obama administration is looking to understand Putin's political calculus so that it can exert pressure on his choices.

"What will or can additional sanctions do to incentivize Russia to clamp down on the separatist militia groups?" he asked. "The best you can do is use the intelligence at your disposal to understand how Putin perceives his strategic interests."

Putin seems to be banking on internal European divisions and economic woes to shield him from concerted action; Russian media, for example, is cheering Greece's newly defiant foreign-policy stance. Mujtaba Rahman, the head of European risk analysis for Eurasia Group, said Putin is calculating that the European Union "is highly resistant to increasing sanctions while the eurozone economy flounders."

Elizabeth Rosenberg, a former Treasury Department official now at the Center for a New American Security, said there "were a tremendous number of options to tighten capital-market restrictions." Big Russian energy firms are now blocked from issuing stocks and bonds to Western investors, which all but closes their financial spigot. Those sanctions have hurt the wider Russian economy in addition to taming the corporate giants that carry out much of Russia's energy-heavy foreign policy; the sanctions-induced debt woes of oil titan Rosneft, for example, have helped crater investor confidence in the broader Russian economy.

Rosenberg said the easiest increase in sanctions pressure would be to take current restrictions on big energy firms like Gazprom, Rosneft, and Novatek and expand them to other firms in the sector.

At the same time, she said, the full impact of earlier rounds of sanctions, such as the limits on energy-sector technology trade, has yet to be felt, which means that Western financial pressure on Russia will steadily escalate over time even without a fresh slate of sanctions.

What's not likely at this point are the kind of very aggressive sanctions that Russian leaders seem to fear most, especially moves to kick Russia out of the global financial system.

Andrey Kostin, a top Russian banker with ties to the Kremlin, warned at the World Economic Forum's annual meeting that efforts to bar Russia from the international financial clearinghouse known as SWIFT would amount to an act of war. Russian Deputy Prime Minister Igor Shuvalov, who handles economic policy, echoed those concerns and said that Russia and China are working to develop their own financial clearing mechanism to avoid dependence on Western-dominated institutions.

Blocking Russia from SWIFT would make it virtually impossible for Russian banks to access the global financial system and would be "a tremendous escalation," Rosenberg said. However, if Russian aggression in Ukraine continues, she said, even such a move "could be in the cards."

Ultimately, though, the West has to confront the reality that sanctions alone have not changed Putin's behavior, but policymakers in Washington and Brussels have yet to craft a broader approach.

"The West does not have a strategy beyond sanctions, and that's the real problem we're facing here," Hill of Brookings said.