

Putin's Crimean Trap

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The Kremlin's military intervention in Ukraine has created an entirely new reality for Russia at home and abroad.

In response to the revolutionary events in Kiev, President Vladimir Putin has suddenly embarked on an aggressive and risky geopolitical venture to prevent "the loss of Ukraine." From now on, Russia's entire policy can be summed up in a single word: unpredictable.

Even in a best-case scenario ending with a peaceful resolution, the recent events in the Ukrainian crisis will have long-term negative consequences for Russia, Europe and the world.

By invading Crimea and threatening to annex it, Moscow has violated the basic principle of the inviolability of borders. This has both CIS states and NATO allies

concerned about future Russian aggression.

It appears that the Kremlin has already decided to annex Crimea. All that remains is to wait for the predictable outcome of the Crimean referendum on Sunday. Once this is done, Russia will have violated all of its existing international legal obligations regarding Ukraine. Throughout the past two decades, Russia has always recognized Ukraine as a sovereign independent state within its current borders. This recognition is codified within the framework of the United Nations, the Organization for Security and Cooperation in Europe, the Commonwealth of Independent States, the 1994 Budapest Memorandum as well as the Treaty on Friendship, Cooperation and Partnership between Ukraine and the Russian Federation signed in 1997. Now, Russia has trampled on all of those treaties, agreements and guarantees under the false pretext of protecting Russian-speakers in Crimea from "persecution."

After this treaty violation, Moscow's signature on any agreement will be worthless.

Belarussian President Alexander Lukashenko is probably recalling the offer Putin made to him six years ago that Belarus become part of Russia. He doubtless remembers how Putin reminded him that 70 percent of Belarussians speak Russian in addition to their native language, and that Belarus is critically dependent on annual financial assistance from Moscow.

Kazakh President Nursultan Nazarbayev also remembers that 4 million of his country's 17 million citizens are ethnic Russians and that Moscow might express a sudden desire to "protect" them as well. This especially applies to northern Kazakhstan, a region that Russian nationalists consider "native Russian soil" and that they contend was artificially annexed to Kazakhstan much in the same way as former Soviet leader Nikita Khrushchev handed Crimea over to Ukraine in 1954.

Now, nobody can guarantee that Moscow will not seek to annex South Ossetia and Abkhazia or the self-proclaimed Transdnestr republic.

By invading Crimea and threatening to annex it, Moscow has violated the principle of the inviolability of its neighbor's borders. This will prompt other former Soviet republics to revise their own military and strategic policies and to seek additional security guarantees from countries other than Russia. With this act of aggression, Moscow has destroyed all faith in Russia as a guarantor of any other state's sovereignty or territorial integrity. What's more, the NATO countries that neighbor Ukraine and Russia will seek additional security measures from the alliance.

Once Russia officially annexes Crimea, the West will inevitably apply more serious sanctions against Moscow. Even if the mildest form of sanctions are applied against specific individuals and cause little damage to the economy, they will seriously compromise Russia's international status and prestige. Western sanctions will place Russia on par with rogue states such as Iran, North Korea, Belarus and Syria. The last time something like this happened was when the U.S. imposed sanctions against the Soviet Union after its invasion of Afghanistan in 1979.

Following a year that saw only 1.4 percent growth in gross domestic product, the Russian economy might contract this year. Russian public companies are quickly losing value on the stock market, capital flight is growing, investment is expected to decline and the government will face additional expenses in military outlays and for annexing and supporting Crimea.

The crisis in Ukraine will also spur the European Union to diversify its sources of oil and gas and will expedite decisions in Europe to develop shale gas, build new terminals for receiving liquefied natural gas, improve the system for transporting gas and to step up the use of coal. The U.S. will also speed up a decision to export gas and perhaps oil to Europe. In the coming years, all these measures could lead to a further loss of markets for Gazprom and other Russian oil companies, reducing their revenues and lowering global oil prices. Russia's federal budget, which depends on oil and gas exports for more than 50 percent of its funding, will inevitably go into a deficit. As a result, the country will have to find other ways to finance government spending, particularly when defense spending is growing. Financing a budget deficit will be difficult if Russia's credit rating falls because of its global isolation and political instability.

Meanwhile, the Russian authorities seem bent on buttressing their position by fanning the flames of chauvinism, patriotism and nationalist fervor with such slogans as "Russia will not surrender its own!" They have also intensified pressure on all dissenters, whether in the media, the political opposition or nongovernmental organizations, already branding them as "traitors to the Motherland." This wave of hatred and aggression will inevitably prompt even greater numbers of Russia's most active and progressive individuals to leave the country.

Plans to spur economic growth through greatly expanded military spending and state investment are now doomed to failure. The same is true of any hopes for "nationalizing" the elite — that is, of convincing Russia's oligarchs and corrupt officials to bring their money back into the country and begin investing it in the economy. Now, just the opposite will happen: The far greater risks and uncertainty caused by Moscow's actions will only accelerate capital flight and business owners' efforts to seek more reliable financial safe havens in the West — if the West is willing to accept their assets.

For now, Russians have welcomed Putin's expansionism in former Soviet territory. But Russians will continue to support the seizure of neighboring territory and saber rattling only as long as it does not cost the lives of loved ones or results in a decline in their standards of living. Notably, Russians are already feeling economic pain as the ruble continues to decline in value.

By recklessly intervening in Crimea and Ukraine, Putin will ultimately destroy the very foundation that boosted his own power and longstanding popularity — the seeming stability and predictability of his vertical power structure. Previously a guarantor of stability, Putin has suddenly become the main source of political, economic and social risk not only for Russia, but for the world.

Putin risks following the example of Napoleon who, as soon as he had occupied the Kremlin in the winter of 1812, realized that he had actually lost power and the war. Crimea might once again prove to be the fatal banana peel on which a seemingly unshakeable authoritarian Russian regime slips and falls.

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