

# **“Self-Finlandized” Europe Afraid Of Getting Tough On Russia**

**WASHINGTON**– Way back, during the tense years of the Cold War, some analysts, having noted with concern Europe’s policy to be extra accommodating towards the Soviet Union, coined the expression “self-Finlandization” to describe this self-imposed virtual neutrality.

**“Self-Finlandization”, then...**

Just like Finland after WWII had deliberately adopted a soft approach towards the Soviet Union in order to keep relations friendly with its mighty neighbor, Western Europe, notwithstanding the NATO shield and American protection, also adopted –without being forced to do so– a soft approach vis-a-vis Moscow.

The goal of a policy of “self-Finlandization” was to assuage the powerful and irascible Soviets, this way reducing the risk of unpleasant confrontations.

**...and now**

Well, what do you know, now there is no longer a Soviet Union; but we still have Europe adhering to its old “self-Finlandization” policy. Indeed, the Red Army, with its 30 plus armored divisions based in what used to be East Germany, is gone. The Warsaw Pact disappeared. The former “Satellites Countries” of Eastern Europe are now free. They are members of NATO and of the EU. In a word, today’s Russian Federation is a mere shadow of the former Soviet Empire.

***But Europe, confronted with the reality of Russian aggression, (Georgia, Crimea, Eastern Ukraine), still behaves like a***

## ***“self-Finlandized” Continent.***

### **Timid German statements**

For example, take this extra mild statement about the Russian engineered crisis in Ukraine, coming from Germany, arguably Europe’s most important power.

*“Russia has not done enough to contribute to a de-escalation of the conflict [in Eastern Ukraine]”,* said Frank-Walter Steinmeier, Germany’s Foreign Minister, according to an Associated Press report.

*“Not done enough”, “contribute to a de-escalation”?* Is this really the best way to describe Russia’s essential role in a civil war in Ukraine completely manufactured, funded and actively supported by President Vladimir Putin?

Is this the most accurate way to describe convoys of Russian supplies, armored vehicles, tanks, and surface to air missiles, plus Russian military advisers dispatched to Eastern Ukraine in order to assist the rebels?

### **Forget about serious sanctions**

Well, talk about gentle euphemisms. If there is not even an attempt by mighty Germany to describe the crisis in Ukraine for what it is, you can quickly realize that there is very little enthusiasm for inflicting serious, (as opposed to cosmetic), economic sanctions against Russia, as punishment for such an open violation of the sovereignty of Ukraine.

### **Too much Russian money**

The sad truth is that, even now, after the Malaysia Airlines tragedy, there is no stomach in “self-Finlandized” Europe for getting really tough on Russia.

There is too much Russian money at stake. The wealthy Russians spend lavishly in Western Europe. They buy properties in

France, the UK, Spain and Italy. They keep cash in London. Russia buys a lot of German technology. The French have a big contract to supply vessels to the Russian Navy. Not to mention the fear of losing deliveries of precious Russian natural gas, should things get really ugly with Moscow.

Indeed, the EU Foreign Ministers met again in Brussels to discuss sanctions; and they decided to do...well, almost nothing. Another few symbolic gestures against Russia, with the vague promise of doing more, if things do not get better in Ukraine. But nothing serious.

The message to Putin is: *“Do not worry about us. Just for show, we shall take a few, harmless, steps. But what we all hope is for this dark cloud to go away as soon as possible, so that we can start doing business as usual with you”*.

### **Baltic states leaders know what's going on**

Only leaders of (previously Soviet) Baltic countries, Latvia, Estonia and Lithuania, have the courage to tell the truth. President Dalia Grybauskaite of Lithuania said plainly that *“[Putin] uses nationality as a pretext to conquer territory with military means. That's exactly what Stalin and Hitler did. Such comparisons are spot on”*.

Putin just like Stalin or Hitler? This is strong language.

In an interview on France 24 she also pointed out that EU timidity in its reactions to Russian aggression emboldens Putin. He sees that he has nothing to fear; and therefore he will simply continue with the war in Ukraine.

Unfortunately, the EU has 28 members. And most of them want peace and quiet, whatever the price.

### **Nothing will come out of the investigation**

As for getting to the truth about who did what in relation to the destruction of the Malaysia Airlines Boeing 777 that was

shot down with a surface to air missile by the rebels (with or without Russian direct assistance), and crashed on territory held by the rebels in Eastern Ukraine, I would not count on it.

By now, the Russia-supplied missile launchers have disappeared. And so (I imagine) have the crews that actually shot the plane down. And, as we know, the rebels and their Russian friends control the crash site.

Therefore, anybody expecting to have a proper investigation so that we shall find the “smoking gun” that directly links any specific individuals, let alone Russia itself, with this tragedy, is a fool.

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## Can Israel Win Against Hamas?

**WASHINGTON** – I do believe that Israel’s invasion of Gaza in order to destroy the tunnels that Hamas built as conduits for getting into Israel itself is fully justified.

### **End game?**

That said, I fail to see a successful end game. First of all, Israel will pay a horrendous public relations price for this necessarily messy and bloody military operation.

As we know, Gaza is densely populated. Even with the best of intentions, there is no way to have a major military assault against Hamas positions, while avoiding or minimizing civilian casualties.

And how do you explain to the world that the death of hundreds

of Palestinian women and children is really Hamas' fault, as they purposely hide their facilities and command centers in the midst of the local civilian population?

### **How do you define victory?**

That said, beyond this huge PR liability, how do you define "victory" here? The only real victory would be a defeated and discredited Hamas that will be finally rejected by the Palestinian people.

A real victory would be the end of the double talk and double standards whereby it is OK for Palestinians political leaders to negotiate with Israel, while Palestinian militants keep using terror tactics against the Jewish people. (And the world, mind you, is supposed to accept this *modus operandi* of negotiations plus terror as "normal", because –you must understand– people under perennial military occupation will resort to desperate tactics).

### **Hamas likely to survive**

This being the case, I wish Prime Minister Benjamin Netanyahu good luck, but I doubt that this major assault against Hamas will change much.

Destroying all or most of the tunnels built to get into Israel, while degrading Hamas' missile launching capabilities, may amount to a major tactical victory for Israel.

But, as long as Hamas survives this onslaught, this is still only a tactical victory. Indeed, for the time being, Hamas is supported by other Arab states. This means money, weapons, and more.

### **Support for Hamas**

To the extent that other players in the region continue to believe that it is a smart idea to keep funding and supplying Hamas militants in Gaza, there will never be an end to this

mess.

And funding Hamas is cynically viewed as a cheap way to keep Israel in a constant defensive mode, always worried about what may come next.

### **Real peace requires a change of heart**

Real peace will not come because the Israeli army destroyed the tunnels. It will come after all the Arab players will finally decide that this endless fighting is fruitless, and that there is a lot more to be gained by establishing genuine peaceful relations with Israel.

But I am not sure that we will see this change of heart any time soon.

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## **Is Ukraine Really Winning Against the Ethnic Russian Insurgents?**

**WASHINGTON** – The only good way to really end the troubles in Eastern Ukraine would be for Russia's President Vladimir Putin to genuinely recognize that the ethnic Russians in Eastern Ukraine can and should live peacefully within a democratic Ukraine, now run by a legitimate President, Petro Poroshenko. Having acknowledged this, Russia would stop to support the insurgents in the East, while establishing good relations with the new rulers in Kiev.

**Putin not helping the insurgents anymore?**

Short of this, expect more problems. True, it looks as if Putin stopped providing material support to the Russian insurgents fighting against the Ukrainian army in the East.

It was and it is obvious that their chances of holding on to their newly declared “independent” provinces rested entirely on getting overt and covert support from Moscow.

Right now, without help from Mother Russia, the ethnic Russians in the East are losing. The Ukrainian army reconquered cities and territories previously controlled by the insurgents.

### **Ukraine will remain poor and weak**

So, can we claim that Kiev is winning, while Putin is losing? I do not think that it is so easy. If Putin’s end game is to prevent a strong pro-Western Ukraine to exercise any “bad influence” on Russia, he has nothing to worry about.

Ukraine is an economic basket case. Most certainly, the expenditure of borrowed resources to fight a nasty insurgency in the East—remember that the country can stay afloat only on the basis of a lifeline extended by the IMF, plus aid pledges from the EU—has not helped economic growth. Not to mention the high cost of the destruction of property and infrastructure due to the fighting, and the damage caused by the cessation of meaningful economic activities in the regions caught up in the conflict.

On top of that, for its very survival, Ukraine still needs to buy Russia’s natural gas. There are no alternatives.

### **Ukraine now is Europe’s problem**

All in all, while Putin may have “lost” Ukraine, (by “lost” I mean the inability to exercise direct control over this former Soviet Republic), now this sorry, impoverished and most corrupt country has become Europe’s problem. And it will take

decades, billions of dollars, a lot of good will and luck to engineer a real economic turnaround.

Which is to say that it is very unlikely that a revived, vibrant, democratic, pro-Western Ukraine bordering Russia will be in a position to provide a credible alternative model to Putin's semi-autocratic style.

### **Eastern Ukraine will continue to be restless**

In the meantime, even assuming peace in Eastern Ukraine –and we are not there yet– I very much doubt that today's insurgents will turn into tomorrow's loyal pro-Kiev citizens. Eastern Ukraine, with its millions of restless ethnic Russians, will continue to be a problem and a net cost for Kiev's struggling government.

### **Putin wins**

Bottom line: even without a formal secession of the Eastern Provinces of Ukraine, Putin still wins. His strategy is not to destroy Ukraine; but to keep it weak, while forcing Europe and the West to keep it alive through very expensive subsidies.

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# **Ukrainian Prime Minister Yatsenyuk Both Defiant And Conciliatory In A Speech At The Atlantic Council**

**By Paolo von Schirach**

March 12, 2014



**WASHINGTON** – The Western world seems to be united in its support for the embattled (and truly broke) Ukraine. Regarding the unprovoked Russian invasion of the Crimean peninsula, The G 7 issued a statement indicating that territorial changes in the Ukraine arrived at without following the proper constitutional process will not be recognized: *“Any such referendum [on the secession of the Crimea] will have no legal effect”*. The EU, on its part, also condemned the Russian military occupation and Moscow’s moves aimed at the annexation of the Crimea.

### **Obama’s support**

President Obama added his open support when he received at the White House Arseniy Yatsenyuk, the Ukrainian Prime Minister, on March 12, just days prior to the planned referendum on joining Russia to be held on March 16 in the Crimea now under Russian military occupation (in violation of the Ukrainian constitution). So, the message to Putin is clear: *“We, Europe and America, stand firmly with the new government in Kiev. What Russia has done is unacceptable. Moscow has to order its troops to go back to their barracks”*.

### **Prime Minister Yatsenyuk at the Atlantic Council**

The young (39 years old) and affable Prime Minister Yatsenyuk, speaking at a packed event hosted by the Atlantic Council, a prestigious, non partizan Washington foreign policy think tank, talked confidently about all the support his country has received.

And yet, the general tone in the West, and even in the words articulated by the Prime Minister, is not bellicose. Yatsenyuk opened his remarks at the Atlantic Council referring to the Russians as past and future “partners”. He repeatedly indicated that this unprecedented crisis created by the invasion should be resolved through dialogue and diplomacy. He pointed out that the Ukrainian government is eager to work on

new laws and regulations that will further enhance the autonomy of the (mostly Russian speaking) Crimea. He pledged that there is and there will be no discrimination in the Ukraine against the large Russian minority.

### **Autonomy to the Crimea**

In other words, he *almost* said (anyway this is what I read between the lines) that the Ukraine is willing to give the Crimea *virtual* (even though not legal) independence. (Any formal secession could be arrived at only by following a prescribed constitutional process).

Yatsenyuk did everything he could in his remarks at the Atlantic Council to reassure the Russian government in Moscow, the Russians in the Crimea and in the rest of the Ukraine that they have nothing to fear. The government in Kiev does not and will not discriminate against anybody.

Which is to say that if indeed the Russians have intervened militarily because of a genuine concern about the welfare of the Russians in the Crimea, *there is really no issue*. The Ukrainians are committed to protecting all citizens equally, regardless of ethnicity.

### **The Russians can get reassurances**

If the Russians have indeed acted in good faith, out of fear about the fate of their brethren in the Ukraine, then they should seize this opportunity and start a dialogue with Kiev aimed at spelling out how the Russians in the Crimea and elsewhere in the Ukraine will be protected by the new government.

If this were indeed the real issue, then it could be addressed and solved, since the Ukrainians, according to the Prime Minister, are willing to concede (almost) *everything* when it comes to additional autonomy to the Crimea. Yatsenyuk pointed out that this would not require a major effort, as there was

no violence or discrimination against ethnic Russians in the Crimea prior to the Russian military occupation.

### **The alleged persecution of Russians is just an excuse**

The problem is that Putin used the alleged persecution of ethnic Russians in the Ukraine as a convenient excuse. I doubt that he believes any of what he said publicly to justify Russia's military intervention. The fact is that for his purposes of power consolidation and reaffirmation at home, seizing the Crimea after having lost (politically) the Ukraine seemed the clever thing to do. This notion of "saving" oppressed Russians unjustly separated from the Motherland has a certain ring among Russian nationalists, and so this was a politically astute move. In Russia and among most Russians, Putin now looks very good.

But Putin is now in a bind abroad. The West is against all this. There is no way that an open land grab that violates key principles of international law, along with a multilateral treaty that guarantees Ukrainian sovereignty co-signed by Russia, can be ignored. Berlin, London and Washington simply cannot continue business as usual with Moscow.

### **What will the West do?**

That said, it is unclear to me, despite the declared support for the Ukraine, what exactly does the West plan to do. Are we ready to go to the next level: ***namely serious economic sanctions against Russia?*** We certainly could, starting with the seizure of bank accounts and properties owned by the Russian oligarchs (most of them friends of Putin) who have stashed their loot in London and Geneva and who bought luxury homes in Paris or the Riviera.

### **Sanctions, anybody?**

We could really hit Russia where it hurts. And let's remember that Russia does not have a lot of staying power. It has a

relatively weak economy that is almost totally dependent on the revenue provided by selling oil and gas abroad.

Of course, there are also clear European vulnerabilities. The Russians know that Europe depends on Russia's gas. Therefore, if Europe freezes economic relations with Russia, and gas stops flowing west, what will happen in Germany or Poland? How will they keep the lights on without Russian gas? No easy answer for this, as there is no immediate alternative to Russian gas. This energy dependence makes it very unlikely that Germany, Sweden or Bulgaria are prepared to enforce really tough economic sanctions against Russia.

In the US the picture is only marginally better. (By the way, we have all the gas we need here at home). President Obama, notwithstanding his recent show of support, has no special interest in prolonging a foreign crisis that most Americans do not even begin to understand, just a few months before the November congressional elections in which his party already stands to lose a lot of seats.

### **Putin's calculations**

All in all, my sense is that the Russian "Crimea Gamble" included the calculation that there would be no Western united front against Russia. If this is so, Putin may really believe that he will get away with this unprecedented land grab.

I would love to be wrong on this, but I suspect that Putin's assessment is correct. There will be a split within the West. If Putin is right, in the end he will prevail. He is a bully willing to take risks. The "peace-loving" Europeans are not in the same league.

### **Western verbal support**

For the moment, everybody is saying the right things. But when it comes to "**action**" I suspect the music will change –a lot. The poor Ukrainians will realize that they are pretty much on

their own on the Crimea.

They will get (some) money from the EU, the US and the IMF to stabilize the economy, and more help down the line for structural fiscal and institutional reforms. But nobody is going to engage in serious, prolonged actions –let alone military actions– against Russia, in order to restore law and order in the Crimea.

Without real (as opposed to verbal) support, the Kiev government will have to settle. It is obvious that the Ukraine cannot afford to be in a state of permanent crisis with Russia. There are just too many intertwined interests, too many relationships. Eventually some face-saving formula regarding the final status of the Crimea will be devised.

The world will nod and we shall all move on.

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## **With Or Without A Major Crisis In The Ukraine, Putin Determines The Agenda**

**By Paolo von Schirach**

*Related piece:*

<http://schirachreport.com/index.php/2014/03/03/ukraine-crisis-end-game-putin-gets-keep-crimea/>

March 4, 2014

**WASHINGTON** – What is truly worrisome about the ongoing Ukrainian crisis is that Putin sets the stage and the tempo. A

startled and frankly frightened world is on edge after Putin invaded the Crimea because he got mad after his strategy to get the Ukraine back into Russian orbit failed. Instead of saying: *"You get out, Mr. Putin, or else"*, the West muttered: *"Oh Brother, what is he going to do next?"* Well, calm down. After a few days of ominous silence, Putin finally talked, saying mildly reassuring things. Relax, Russia is not going to invade the Ukraine. And the West is relieved. *"Thank God, he is going to be nice, after all. Oh Boy, this was a close call"*.

### **Putin determines the agenda**

The upshot here is that, one way or the other, Putin is in command. The timid and disorganized West at best is in a reactive mode. Where is America's leadership? Where is the European Union? Where is NATO? No united front. Oblique and generally innocuous statements in Europe. Big words with no chance of an organized follow on in Washington. This is the sad spectacle.

And look who is winning: Russia. A rather sorry-looking "has been", a country masquerading as great power only thanks to the considerable cash flow provided by oil and gas exports. This otherwise semi-developed petro-state gets to determine the mood in Europe and in America. (Consider this: even with all its oil and gas revenue, Russia per capita GDP is only \$ 18,000 a year. This places it at number 77 in a descending world scale, below semi-bankrupt Argentina and just a few notches ahead of Botswana. Not exactly economic giants. In contrast, the US per capita GDP is \$ 52,000 a year. The US is number 13 in the same world ranking. And do keep in mind that the spots at the very top are occupied by special cases like Qatar, Singapore and Luxembourg).

### **The West has a lot more wealth**

This is crazy. A semi impoverished state with a third-rate

economy determines world events. It should be quite different. The West, with its power founded on real wealth creation made possible by free institutions, should dominate. And we certainly have the resources. The combined GDP of the US and the European Union is more than US \$ 35 trillion, compared with Russia's mere US \$ 2 trillion! However, instead of using intelligently our considerable wealth, we allow the neighborhood bully to determine whether we can feel at peace or under threat.

This is a bad situation. Sane people would call it intolerable.

### **Bringing Russia into the West**

And remember that the whole point of bringing Russia into the G 7 Club (thus creating the G 8) was to make post-Soviet Russia feel welcome and at ease in the West. Ditto for its belated entry into the World Trade Organization, WTO. The idea was that a democratic Russia, willing to play by the rules, had only to gain from a closer association with the West. And what did we get as a result? The invasion of Georgia in 2008, and now the invasion of the Crimea.

### **An authoritarian regime**

Instead of learning from the Western experience, Putin created his own semi-authoritarian state. For all practical purposes, he re-nationalized Russia's vast energy sector, while he created a climate of open intimidation against any domestic opposition. And now he proved that he is capable of truly crazy things (Crimea) when he gets mad, as in this case caused by the blistering political defeat he just suffered in the Ukraine. With no apparent fear of any consequences, Putin invaded the Crimea, and then he threatened all out war against Kiev. And he did all this, in open breach of many established international law principles, essentially with impunity. Who is going to resist him? Nobody.

## **A post Cold War order?**

In fact, stock markets sink when he makes threats, and they rally when he says a few conciliatory things. Therefore Putin is the modern tyrant who holds sway and whose mood changes we all must fear. In fact, as he is moody, all the more reasons to be extra nice to him, in order to avoid provoking another temper tantrum.

Is this our idea of the post Cold War international political order? Is this the end result of the carefully crafted “reset” with Russia smartly engineered during Obama’s first term, (and executed, I might add, by then Secretary of State Hillary Clinton)?

## **Putin will keep the Crimea**

That said, even though we may have a welcome de-escalation regarding the Ukraine, as I predicted, (*see link above to a related piece*), there is no sign that Putin is about to relinquish his grip on the Crimean peninsula. The region is now under total Russian control. I believe that, as soon as things calm down a bit, Russia will force a referendum whose outcome will clearly indicate that the Russians in the Crimea want a higher degree of “autonomy” in the context of a loose federation with the Ukraine. This will be *de facto* independence and *de facto* Russian control over the Crimea.

## **Is this the way to make constitutional changes?**

In this case, the facts on the ground favor Russia. Most Crimeans are ethnic Russians. And probably they do not mind Russian domination. Therefore, my sense is that, as long as there will be no formal breaches of basic international law principles (such as an outright annexation) the world will acquiesce. That said, even though the Russians in the Crimea may indeed prefer greater autonomy, and do not mind a closer association with Russia, this is certainly not the way to put forward a constitutional change agenda.



This way of doing things, with a clear military threat in the background, sets a bad precedent. And this is not good. Not good at all.

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# Ukraine Crisis End Game: Putin Gets To Keep The Crimea

By Paolo von Schirach

March 3, 2014

**WASHINGTON** – The official Russian description of what is happening in the Ukraine is both interesting and frightening. It shows how, even in this hyper-connected world of instant communication and real-time, eye-witness news from the field, old-fashioned manipulation and propaganda still work quite well, at least for a while.

## **Russian media accounts**

According to Russian media, the Ukraine has been illegally taken over by violent ultra-nationalists and neo-fascists. After staging a bloody coup, they have forced President Viktor Yanukovich, the constitutionally elected leader, to flee the country. The same rabid nationalists and neo-fascists now pose a real threat against the sizable Russian and Russian speaking community within the Ukraine.

It is therefore Moscow's supreme duty to prevent violent actions against its brethren by intervening militarily in order to avoid violence (and possibly genocide?) against fellow Russians. Hence the decision to support local forces in the take over of the Crimea, leaving open the possibility

of Russian actions in Eastern Ukraine, the region where most ethnic Russians live.

### **The premise is untrue**

All this would make some sense if the premise –Russian minority about to be crushed, Bosnia style– were even remotely true. The fact is that the Russian sizable minority in the Ukraine was not and is not under any real threat.

True enough, among those who fought against Yanukovych in Kiev and elsewhere there are Ukrainian ultra-nationalists, and these groups are now in some fashion part of the provisional government in Kiev. But to say that neo-fascist and assorted anti-Russian nationalists *are now in control* in Kiev is a complete fabrication. And yet it is on the basis of this incredible fabrication that Putin has justified Moscow's (humanitarian?) intervention.

### **Spontaneous anti-Kiev resistance?**

The Russian media would also like you to believe that the Kiev coup and the accompanying threat to the welfare of the Russians in Eastern and Southern Ukraine triggered a popular anti-Kiev resistance movement that sees Moscow as its natural ally. Russian media show massive pro-Russia demonstrations in Eastern Ukraine and Ukrainian military commanders in the Crimea pronouncing oaths of allegiance to the newly created autonomous regional government. The truth is that the Russians transported by bus the “demonstrators” from Russia into Eastern Ukraine, while the swearing-in ceremonies in the Crimea are taking place after Russian troops, (without insignia on their uniforms), have taken over the peninsula.

What the Russian media would like you to believe is that Moscow is simply supporting a spontaneous, popular anti-Kiev movement, all the more justified by the fact that the provisional Kiev government is illegal, as it came into power via a coup.

## **Why did Putin did all this?**

This being the after the fact justification offered for public consumption, why on earth did Putin do all this? In a reasonable world, this military action that creates a major crisis in Europe is incomprehensible because it is totally unnecessary. Does Putin really believe that the new (weak and poor) government in Kiev is about to launch violent anti-Russian, ethnic cleansing actions? This is preposterous.

Of course there can be cases of clashes between Ukrainians and ethnic Russians. But the notion that this is already happening in a systematic fashion, on a massive scale, and that this repression is part of a major plot ordered by the new Kiev government to crush the Russian minority is ridiculous. There is nothing to support this contention.

## **Lost prestige**

*And so why did Putin get himself into this mess?*

*I believe that the main reason is a rather frivolous one: hurt pride. Putin has been taken by surprise by the anti-Yanukovych insurrection in Kiev. He really thought that he had brilliantly re-established Russian hegemony over the Ukraine with promises of cheap loans to Viktor Yanukovych, so that he would abandon any plans for a closer association with the European Union.*

*But the strategy backfired –completely. The Ukrainians correctly saw what was behind Moscow's offer of financial help, and they staged riots that morphed into a real insurrection against a pro-Moscow regime run by a gangster.*

As a result, Putin lost the whole thing.

*Worse yet, he has been publicly humiliated.*

And for a bully this is intolerable. Therefore he had to do "something". And so he went for the easy, soft target: the

Crimea; at the same time declaring the intention to take action against the entire Ukraine.

### **Putin counted on Western passivity**

And what about international reactions? As any seasoned bully, Putin made his calculations. NATO is now essentially unarmed. The Europeans cannot even think of any military actions against Russia, let alone stage one. The US under Obama is in full retreat. America has only few troops left in Europe and no military assets close to the region.

Given all this, is America going to go to war with Russia over the Ukraine, even though the Ukraine is a much bigger deal than the pieces of Georgia Putin took back in 2008, (by the way paying no price whatsoever for that small yet flagrant aggression)? No way. And so Putin figured that he could get away with his "soft-aggression".

### **End game: Putin gets to keep the Crimea**

I suspect that Putin's end game is to take *de facto* control over the Crimean peninsula. This will be his consolation prize. As things calm down, he will give up any claims against Eastern Ukraine in exchange for total "autonomy" of the Crimea, with an official Russian role as the guarantor of the new arrangement. The Crimea will formally remain part of the Ukraine; but the whole world will know that Russia is in control.

With this prize in hand Putin will get back at least some of his lost prestige.

The West is of course willing to agree on any face-saving solution that will bring this unpleasant crisis to a quick end. And any agreement that does not *formally* create a partition of the Ukraine is probably fine. I suspect that this is what is going to happen.

## **Tough on Russia?**

Of course, there is another possible scenario. A tough and united West will impose really painful sanctions against Russia, causing real and lasting economic pain, especially to the Russian oligarchs with their super expensive mansions in Mayfair, villas in Italy and Spain and all their cash parked in London. They are Putin's allies, and an easy target .

This course of action would be most desirable; but it is predicated on a degree of unity and toughness that does not exist in Europe. As for America, even assuming the will, (and this is a stretch), it is impossible to achieve anything really meaningful by acting alone against Russia. In any event, leaving aside a few hawks in the Republican Party, I do not read any popular sentiment in favor of a protracted, tough anti-Russian stand.

## **Putin wins**

Sadly, Putin, the neighborhood bully, will get much of what he wants, even though his actions are motivated only by the desire to shore up his battered prestige at home. US Secretary of State John Kerry correctly stated that Putin's actions and preposterous justifications belong to old-fashioned 19th Century politics. It is absurd –added Kerry– that he tries to get away with this. I agree.

Well, it is indeed strange that the head of state of a supposedly modern country would be willing to burn relationships and ties with his international partners simply because his pride has been hurt. But it is so. Putin lives in his own, rather primitive, world.

That said, it should be up to the more civilized, law-abiding states to punish his behavior and reaffirm the rules of good conduct.

But if the civilized, law-abiding countries do not have the stomach to fight the bully, the bully wins.

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# **“Ich Bin Ein Berliner”, (JFK, 1963). “F\*\*\*k The EU”, Victoria Nuland, US Assistant Secretary Of State For European Affairs, 2014**

By Paolo von Schirach

February 9, 2014

**WASHINGTON** – There was a time in which Europe was –with cause– at the very top of Washington’s priorities. Now the NSA taps the phones of supposedly friendly European leaders (Germany’s Angela Merkel), while Victoria Nuland, the US Assistant Secretary of State for European Affairs, in a telephone conversation with Geoff Pyatt, the US Ambassador to the Ukraine, dismissed the European Union, ostensibly a large group of friendly countries, with a disparaging comment, most likely intercepted by Russian intelligence, (“f...k the EU”). She said this in the context of the simmering crisis in the Ukraine. Ms. Nuland clearly believes that the EU is pretty close to useless in any effort aimed at preventing Moscow’s objectives to entice the Ukraine into a much closer association with Russia.

## **European-American relations: not what they used to be**

Much has changed in European-American relations, and not for the better. During the lengthy Cold War Europe was the potential battleground of an East-West military confrontation. NATO was the tangible instrument of America's strong commitment to European security. Whatever happened in Europe was of great concern among key policy-makers in Washington.

After the Soviets and the East Germans erected the Berlin Wall, (June 15, 1961), president John Kennedy went to West Berlin where he gave his famous "*Ich bin ein Berliner*" speech", (June 26, 1963), right outside of the Rathaus Schöneberg. "*I am a Berliner*" Kennedy said to his German hosts. Of course, he meant to say that the Americans stand together with the embattled Germans. America and Germany are united in this great fight for the defense of freedom against Soviet tyranny. Indeed.

## **Marriage of convenience**

But this unity between the two sides of the Atlantic was not real. Deep down, the marriage between America and Europe was a marriage of convenience, and not of real conviction. It all boiled down to this: Europe needed American military protection; Washington did not want to see Soviet domination extended to Western Europe. Hence the creation of NATO in 1949, lots of US troops in West Germany and elsewhere, later on the deployment of US nuclear weapons in Europe, and so forth.

Of course, at the time many hoped that the Atlantic Alliance would develop into a more meaningful "Atlantic Community", that is a group of Western countries united by shared values and a common purpose: the promotion of political and economic freedom.

## **No "Atlantic Community"**

But this evolution into a real “Community” never took place. And this is because the degree of commitment to the values that supposedly constitute the glue that unites Europe and America was and is unequal. America acts on their behalf. Europe is usually satisfied with talking about them.

In the end, the vanishing of the Soviet Union took away the rationale for close European-American ties. Sure enough, the NATO Alliance is still there. In fact it has been enlarged. It now includes most of Eastern Europe and the Baltic States. But it is clear to all that this Alliance is an almost meaningless shadow, as it has fewer and fewer military means and an ill-defined mission.

### **Declining Europe...**

At the same time, it is clear that there is no deeply shared common purpose uniting America and Europe. Europe is slowly declining. Its economy does not grow. Its societies are concerned mostly with social safety nets: pensions and care for the larger numbers of senior citizens. America, is also getting older and slower. But it has a bit more energy. While Europe talks, America is more prone to act.

### **...Dismissive America**

Hence the dismissive comments made by Ms. Nuland about the EU and its slow-moving diplomacy on an urgent matter like the crisis in the Ukraine. America wants to act to prevent the Ukraine from falling back into Russia’s orbit, while Europe is hesitant.

Be that as it may, sadly Ms. Nuland’s (private but now public) disparaging comment most likely captures what the Washington elites really think about Europe: a slow-moving, indecisive blob that can be assertive only when defending its core economic and trade interests.

Forget about the “Atlantic Community”. Forget about shared



values and ideals. And –most of all– forget about shared policy agendas.

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# **Just By Engaging In Negotiations About Its Nuclear Program Iran Has Won The Public Relations Battle**

**By Paolo von Schirach**

February 6, 2014

**WASHINGTON** – Whatever the final outcome of the Iran nuclear negotiations, Iran has already won. Just by hinting about a desire to reach a deal, it has received a huge prize: moral rehabilitation. All of a sudden, a more friendly looking president Hassan Rouhani is described as the embodiment of a gigantic –and certainly benign–policy shift. Iran, it is now clear, wants peace with the West –really. You want proof? Well, he says he wants a deal. What more do you want?

## **Negotiations are good, give diplomacy a chance**

Well, sensible people would want more, a lot more than just generic declarations. And so far it is clear that Iran, at best, is prepared to freeze its advanced nuclear program in place, a totally meaningless gesture because the country would retain all it needs to resume creating weapons grade material at a moment's notice. But the world is mostly happy. *“Look, there are negotiations. The Americans and the Iranians are*

*sitting at the same table, and they are talking. There is clearly a thaw in relations. This must be good."*

### **No real concessions**

I doubt it. The Iranians are prepared to make symbolic gestures in exchange for fewer or no sanctions. I believe that they have made a shrewd calculation about how tough the West really is. And they have concluded that through a charm offensive it is possible to break the sanctions front without giving anything up.

They will keep saying that they have no intention to make nuclear weapons. But they want to keep in place a program that is inconsistent with their declared purpose of pursuing only a civilian use of nuclear technology. And so they are adamant about their will to keep in place all their capabilities to easily build nuclear weapons at any point in the future, this way retaining their prestige and influence in the region. In the meantime, all those in the West who are salivating at the prospect of business opportunities with Iran will lobby their governments so that they will accept any deal, including a bad deal.

### **Cracking the sanctions front**

The current Washington official policy stance whereby *"if Iran misbehaves we are ready to put in place even tougher sanctions"*, may deter the Iranians for a while. But watch out. When we all get used to doing business with a "normal" Iran, it will be very difficult to recreate a strong, pro-sanctions united front. And, without a united front, sanctions are meaningless.

The Iranians know all this and most likely are counting on this outcome. A charm offensive is the best tool to create cracks in what has been until yesterday a strong pro-sanctions front that really damaged the country's economy. And consider how easy this is. Just by *looking* a bit more reasonable, they

have already won the public relations battle.

### **Pariah state no more**

Think about it. Beyond its nuclear program clearly in contravention with the non proliferation regime, Iran is a state that sponsors terrorism against Israel. It is the principal ally of Assad in Syria, and the main threat to the security of the region. And yet now they get away with all this simply via the election of a new president who smiles and says he wants peace.

Not a bad comeback for a pariah state.

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# **No Deal Between Washington And Tehran On Nuclear Issues**

**By Paolo von Schirach**

November 10, 2013

**WASHINGTON** – The Geneva negotiations between the West and Tehran on Iran's nuclear program produced zero results. While there will be more talks at a future date, many analysts fear that Iranian president Hassan Rouhani's 's objective here is not to come to a real deal, but to improve the atmosphere a bit, so that Iran can get concessions (the lessening of the crippling economic sanctions) without giving up its nuclear program.

### **America in a tough spot**

Indeed, politically America right now is in a tough spot. Absent any substantive changes to Iran's nuclear program,

other countries are supposed to curtail even further their purchases of Iran's oil. Should they fail to do so, then America could punish them by imposing trade sanctions on them. However, if the Iranians manage to create the impression that they are now flexible while America is unreasonable, then it would be politically difficult, in fact impossible, for Washington to punish the countries that do not cut down their oil imports from Iran. All of a sudden America would gain a lot of political enemies without advancing its goal of stopping Tehran's nuclear programs via diplomatic means.

And this seems to be Rouhani's end game. He wants to create the impression that a reasonable deal is possible in order to soften Iran's image and gain points with world opinion. Tehran needs to end its political isolation. By appearing more reasonable, it will provide political cover to the sanction breakers who could argue that, since Iran is willing to negotiate, this is an appropriate time to show equal good will by ratcheting down the sanctions regime.

So, this is about public relations; and not about coming to a real, solid agreement.

### **Iran should simply comply with the Non Proliferation Treaty**

***Look, if Iran had turned a real corner, it would take its government just a few days to assuage the world's concerns. Rouhani would simply need to comply with all the mandates and obligations imposed by the Non Proliferation Treaty and enforced via the International Atomic Energy Agency, (IAEA), the nuclear watchdog, on all countries that want to pursue peaceful nuclear energy programs, but have no intention to develop nuclear weapons.***

Iran would need to do what Japan, Germany, South Korea and many others do. The Iranians would open up all their facilities, guarantee total access to the IAEA inspectors and cease any type of activities that are inconsistent with a

peaceful nuclear energy program. This is not complicated. Doing so however is premised on the unequivocal intent to fully comply with all the mandates of the Non Proliferation regime.

### **No intention to stop enrichment**

Iran of course keeps saying that it simply wants to pursue a peaceful nuclear energy program, just as other countries have done and do today. All very well, except that Iran is engaged in activities, when it comes to uranium enrichment, that can be explained only in the context of a nuclear weapons program. And so far the Iranian regime has shown no intention of stopping these activities. Hence the strong suspicions of the IAEA and of the broader international community, first and foremost in Washington. As Iran is unwilling to give up these enrichment programs, we can conclude that it is not negotiating in good faith.

### **This is a public relations campaign**

However, if Iran's new urbane and smiling President Rouhani gains points in his clever public relations campaign, then it would be hard for Washington and the other Western countries to keep the pressure on Tehran via the sanctions. China, Japan, India and others who depend on Iranian oil will have an excuse to keep buying it saying that now Iran is more flexible and therefore the international community should respond by being more accommodating.

And this would be a bad turn of events. If Tehran sees a way out of the tough sanctions regime without giving up its uranium enrichment program, then there will be zero chance of resolving this long crisis by peaceful means. In that case, America's only option to stop this emerging nuclear threat would be to bomb Iran's nuclear facilities.

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# Major US Corporations Are Buying Trucks Powered By Liquefied Natural Gas – Much Cheaper Than Diesel

By Paolo von Schirach

October 30, 2013

**WASHINGTON** – A recent lead story in the MARKETPLACE section of The Wall Street Journal, (*Truckers Tap Into Gas Boom*, October 30, 2013), points out that major US retailers, shipping companies and others (including FedEx, Procter & Gamble, and UPS), are ramping up their purchases of new heavy trucks powered by Liquefied Natural Gas, (LNG). Well, it has been a slow process; but finally it is happening.

## **The LNG revolution**

Yes, the trucking companies and other US corporations that rely on large fleets of trucks to deliver their supplies are waking up to the fact that America, thanks to the hydraulic fracturing revolution, is now producing plenty of cheap natural gas. And natural gas, beyond its traditional use as feed stock for electric power generation, can be used quite effectively as transportation fuel. The obvious reason for switching over to LNG is lower cost. At today's prices, filling up a truck with LNG would cost today almost half than filling up with diesel. Trucks are on the road all the time. Significant fuel cost savings, multiplied by hundreds or even thousands of heavy trucks, are the incentive to make the switch.

## **Technological problems**

There are a number of technological hurdles. But the big ones have been resolved or have been at least addressed. In July Cummings Westport Inc. started selling its new 12 liter natural gas engine, ideally suited for trucks up to 80,000 pounds. Oil man T. Boone Pickens, the prophet of natural gas, has invested in Clean Energy Fuels, a Texas company that is already building the necessary infrastructure of natural gas refueling stations. These are basic preconditions, now in place, that are creating a real market for heavy trucks powered by LNG.

Cost of course is also an issue, as these new trucks cost more than traditional ones powered by diesel engines. But the price of LNG is so much lower that big companies realize that it is in their interest to make the investments, knowing that in a couple of years they will recover the additional expense for LNG powered trucks. After that there will be only savings.

Hesitation would be normal if fuel costs were subject to significant fluctuations. But this is not the case. Oil prices, and consequently diesel prices, will stay high on account of sustained world demand (especially from Asia), while domestic LNG prices will stay low on account of vast, and if anything expanding, US natural gas supplies.

## **A revolution**

That said, beyond the advantages in terms of reduced operating costs for major US companies, there are additional gains that amount to an economic, environmental and –down the line– geopolitical revolution. The combined impact of lower electricity prices and the creation of a new, totally domestic and inexpensive transportation fuel will lift the otherwise anemic US economy.

Consider this. The US has a fleet of about 3.2 million

big rigs and an additional 7 million single-unit trucks. While trucks represent only 1% of vehicles on the road, they consume about 20% of the fuel. Just one big truck, according to the WSJ story, burns the fuel of 40 sedans. Assuming that all heavy trucks will be soon powered by LNG, a fuel produced in America by Americans, this means cutting our oil imports by at least 2 million barrels a day. That's a lot of oil that we shall not need to import from OPEC. That's billions of dollars that will stay at home, instead of being transferred to Saudi Arabia, Kuwait or Angola. Besides, LNG, while not perfectly clean, is a lot cleaner than diesel. Therefore this switch over will have a positive environmental impact in terms of air quality.

### **Energy security**

Finally, by relying more on domestic energy sources, US energy security will be greatly enhanced. For decades America had to be overly preoccupied with anything that happened or might have happened in the Middle East because that's where most of the world's oil is found. We absolutely needed that oil, and so did most of our key allies.

But now that picture has been transformed, beyond recognition. After many years of decline, now America produces more of its own oil. So, we need to import less. In the future oil imports will come mostly from vast Canadian reserves. This means far less oil from OPEC. And now, as a consequence of the natural gas revolution, the US will be able to do away with the oil imports currently necessary to fuel millions of heavy trucks. (For cars it is a different story; but with similar outcomes. It may be more cost-effective to develop electric vehicles than having cars powered by natural gas. Either way, LNG engines or EVs, technological changes will translate into lower oil imports).

### **Geopolitical changes**



All this means no more oil from OPEC. In fact it means no more oil from outside the Western Hemisphere. This is a major change that will have huge geopolitical consequences. It is hard to believe that 10 or 15 years from now the US 5th Fleet will still be anchored in Bahrain, in the Persian Gulf, at a cost of billions of dollars a year for US tax payers. The US Navy is there for the sole purpose of keeping the oil flowing. If we no longer need that oil we can let the Chinese Navy patrol the Strait of Hormuz. China will need OPEC oil.

With the end of our oil worries, we shall also see a decline in the interest for anything that happens in the Middle East, just as the end of the Soviet Union caused a loss of interest in NATO affairs and German politics.