



Four Things Putin Won In Ukraine

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Analysis

President Putin has been the central figure of the crisis in Ukraine, and the most watched figure in international politics for the last 6 months. Given his status, it would be prudent to consider exactly what he has achieved in Ukraine.

Destabilized Ukraine:

President Putin had one major goal for the rebels he started supporting in eastern Ukraine: destabilize the country by creating an insurgency, thus weakening Kiev's relative strength and negotiating position.

Clearly, Putin has achieved a significant destabilization and weakening of Ukraine, primarily by swaying public opinion in Eastern Ukraine from a tentative support of federalization, to a strong hostility towards Kiev and Western Ukrainians. As the course of the civil war turned in favor of the Kiev government forces, the eastern rebels began to operate more as an insurgency than as the conventional force it was earlier in the war. As a result, the rebels operated in more urban environments, forcing the Kiev forces to bomb and shell cities and towns. The mounting civilian casualties have turned public opinion in the east strongly against Kiev and towards Moscow.



Secured naval supremacy in the Black Sea:

Putin's seizure of Crimea ensured continued Russian naval domination of the Black Sea. This is a factor that has largely been overlooked by the mainstream media, but is extremely important for Russia's power projection capabilities. Crimea returning to its historical status as sovereign Russian territory allows Russia to continue to project naval power into the Black Sea and the Mediterranean for the foreseeable future, thus maintaining Russia's status as a major naval power.

Stopped the eastward march of NATO:

As is now well-known, Putin's original motivation for intervening in Ukraine in 2014 and Georgia in 2008 was to stop both former-Soviet states from joining NATO. The Western powers were clearly planning on admitting Ukraine and Georgia into NATO as of 2008, but Putin's clear willingness to sacrifice economic growth to protect core Russian security interests has motivated NATO leaders to dial back their enthusiasm. Ukraine and Georgia will not be joining NATO anytime soon.



Exposed Europe's divisions:

The European sanctions of July 29th had a somewhat disappointing impact on the Russian national economy, and perhaps more importantly, exposed how deeply divided the European Union is on the "Russian question." It took months of deliberations for the EU to agree on any sanctions that did more than ban certain individuals from entering the Union. Italy, Spain, and France were transparently opposed to "sector sanctions" against Russia, and only agreed to them after loopholes were agreed on. In the weeks after the sanctions, the German government stated its support for a federalization of Ukraine. Additionally, the front-runner to be the European Union's next foreign policy chief is the Italian foreign minister, who is seen as being very soft on Russia.

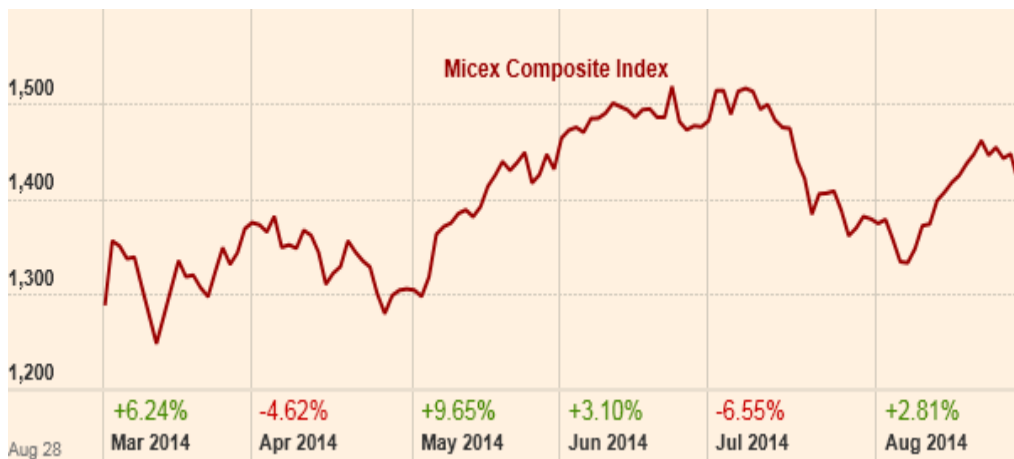
Strengthened his domestic position:

According to the latest opinion polls, President Putin has an all-time high approval rating of nearly 90% - for comparison, Putin was polling at barely above 50% before the Winter Olympics in February. In the eyes of the Russian people, Putin has finally stood up to what they see as the bullying Americans and their European underlings, restored Russia's national pride, and returned Crimea to its historical status as Russian territory.



The sanctions enacted by the European Union and the United States have had a disappointing effect. Despite several rounds of sanctions since March, including the much-hyped “sector sanctions” of July 29th, Russia's primary stock exchange, the Micex, is trading higher than it was at the start of the crisis in March. It is up 4% since August of last year.

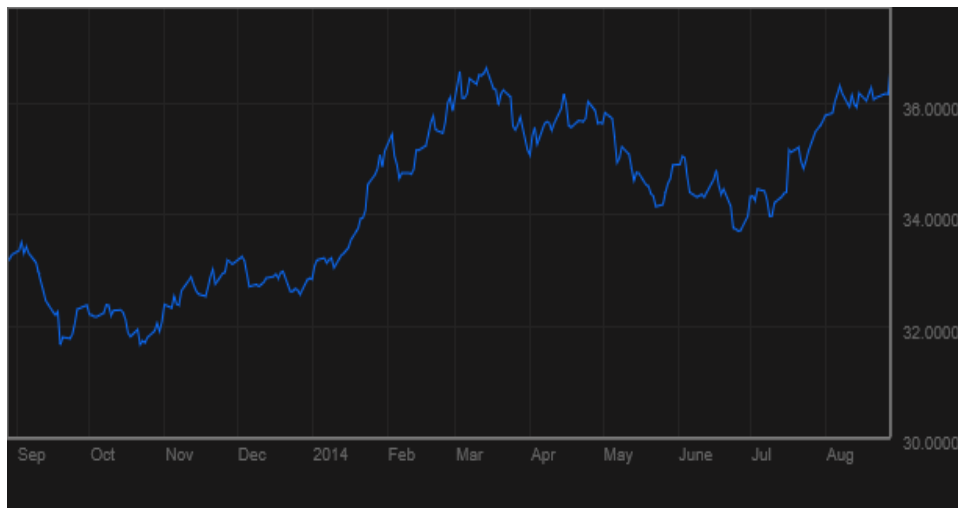
6 month Micex performance:





Even with Thursdays sell-off, the Ruble has only lost roughly 5% of its value against the dollar since the start of the crisis in March.

1 year USD to Ruble:





Conclusion

At the time of writing, there are reports of Russian incursions into Ukraine. While these may or may not be true, they are seemingly small-scale. If Putin is truly invading, he is invading with a small force designed to support the existing rebel insurgency, rather than a large force designed to replace the rebels.

In short, Putin has achieved his four initial goals: destabilizing Ukraine, guaranteeing Russia's status as the major naval power in the Black Sea and Mediterranean, restraining NATO, strengthening his domestic position. Additionally, he exposed the self-interested nature of the EU member states. When you also consider the underwhelming nature of the EU and US sanctions, the conclusion that Putin has "won" in Ukraine is almost inescapable.