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Putin's Gambit

Earlier this month, President Obama found himself in a very difficult position regarding Syria. An ill-advised comment about making the use of chemical weapons a “red line” forced a response when the weapons were clearly used in Syria. The administration began moving toward a military response. However, support for military operations was lacking both domestically and internationally. The clearest signal of this opposition was the British Parliament's vote to prevent P.M. Cameron from authorizing military action in support of the expected U.S. military strike.

Complicating matters for the president was the ambivalence at home. The president wanted to use force in a manner limited enough to not cause the downfall of the Assad regime, worried that this outcome may trigger a regional war at worst or create a jihadist Sunni state at best. However, the attack needed to be executed with enough intensity to pose a credible threat to the Syrian government in order to prevent another chemical weapons attack. This attempt to “thread the needle” politically ended up failing miserably. The Wilsonians opposed the measure because it wasn't harsh enough; the goal is regime change, not “shots across the bow.” The Jacksonians were of two minds; first, Syria wasn't enough of a national security threat to warrant an attack and no upstanding Jacksonian would support a “pinprick” attack. For the Jeffersonians, Syria did not measure up to a national security threat;

thus, they opposed any military strikes. Although the Hamiltonians fretted about the loss of American prestige from the president not following through on the “red line,” they also worried about the attack triggering a broader war.¹

Due to the lack of domestic and international support, the president made an about-face and decided to take his case to Congress, asking legislators to vote on a resolution authorizing force. Previously, Obama had indicated he would move militarily without Congressional approval. It became apparent that Congress would not support a resolution to use force.

And so, President Obama found himself in a quandary. If he attacked without international support (the U.N. was hopeless because of Russia's veto and the U.K. decision probably meant that NATO would not support it either) and with a Congressional rejection, and disaster ensued, the president would probably suffer irreparable harm. If he passed on an attack, he would be seen as weak.

Into this breach stepped Russian President Vladimir Putin. At the G-20 Summit in St. Petersburg in early September, Putin worked to isolate the U.S. on the Syrian issue. Then, seizing on what appeared to be an offhand comment from U.S. Secretary of State Kerry, where he opined that Syrian President Assad could avoid an attack if he gave up his chemical weapons, the Russians proposed a plan where Syria would submit a

¹ For a discussion of these policy archetypes, see WGR, 1/9/2012, [The Archetypes of American Foreign Policy](#).

plan to catalogue and destroy its chemical weapons and thus avoid an attack.

Never mind that the plan will be nearly impossible to achieve. Chemical weapons tend to be dangerous to move and are usually destroyed on site. This process is difficult and will require technicians to be in Syria for months, if not years. And, this program is supposed to occur without the benefit of a ceasefire. In spite of these obstacles, the Obama administration agreed to the plan. This is because the remaining options were unattractive.

The critical actor in this situation was Russian President Putin. He engineered a peace plan that greatly enhanced his country's status on the world stage without a direct confrontation with the U.S. And, he did so by effectively guiding President Obama to his desired outcome by providing the U.S. with a somewhat face-saving resolution.

In this report, we will discuss Putin's goals and aims for Russia. We will begin with a brief discussion of Russia's geopolitics. With this background, we will examine Putin's goals for Russia and how he has reacted to recent history. An analysis of Russia's goals and America's difficulty in defining its superpower role will be offered. We will conclude with market ramifications.

Russia's Geopolitics

Russian geopolitics starts with the fact that the country is simply huge; from end to end, it crosses 11 time zones. Most of the country is plains, lacking few natural defensive barriers. It is also a northern nation; Moscow is at the same latitude as Newfoundland. The Russian (and Ukrainian) agricultural regions are on the same latitude as Maine, meaning growing seasons are short. In addition, it has only

one river that is navigable, the Volga, and it is impassable during the winter.

Thus, Russia has three significant geopolitical problems. First, being attached to the Eurasian land mass and lacking defensive barriers, it is vulnerable to invasion. Second, because of the lack of navigable rivers, transportation costs are very high. And third, because it is so far north, most of the country suffers through long winters and periodic crop failures.

Throughout its history, Russian governments have been torn between expanding territory to create buffers and reducing territory to lower transportation costs. Over time, security concerns have trumped transportation costs. Therefore, for most of its history, Russia has opted to be a large, poor nation.

Creating buffers by expanding control of the surrounding territory has created two problems. First, as previously mentioned, it becomes more costly to ship goods. Second, conquering territory brings other ethnic groups into Greater Russia. These non-Russians have usually not favored their loss of sovereignty and occasionally rebel. Thus, to maintain control of this large land mass, Russian governments, both Czarist and Communist, have tended to be authoritarian with extensive internal intelligence networks. These internal security forces tended to be the "muscle" of these repressive regimes.

Russia has faced three major invasions that threatened its existence. The first from the Mongols in 1237 who used mounted soldiers to sweep across the plains and conquer large parts of Russia. The second came in 1812 by the French and its allies under Napoleon. The third came from Nazi Germany.

In all three cases, Russian defense tactics were similar. Russian forces retreated deep into their homeland, stretching the invader's supply lines. Once the invading forces were well into Russian territory and dangerously overextended, the Russian military counterattacked. In the last two events, Russian forces were supported by a favorable climate. Bitter cold winters set in and degraded the invading armies' fighting capabilities. Napoleon was forced to make a harrowing retreat, subjecting his soldiers to extraordinary hardships. The cold weather also reduced the effectiveness of the German military. It was unable to capture major Soviet cities and was eventually pushed back by the Red Army.

Russia's ability to recover from these invasions showed that territorial buffers improved security. And, the larger the buffer, the more effective Russian defenses would be. After World War II, Stalin aggressively moved to install communist governments in Eastern Europe. He encouraged ethnic Russian migration to the non-Russian territories (Ukraine, Georgia, Kazakhstan, etc.) to ensure they would remain within the Soviet Union. Eastern Europe and these non-Russian regions were known as the Soviet Union's "near abroad."

However, the Soviet economy was unable to support its large empire. The geopolitics of Russia suggests that economic costs rise with expansion. The static nature of communism led to huge inefficiencies, exacerbating these problems. The Soviets were struggling to maintain an adequate level of defense spending despite putting more of its GDP into military spending compared to the West. The dynamism of capitalism, in effect, allowed the West to have both "guns and butter," whereas the Soviets were only able to make "guns."

Eventually, the costs of maintaining the empire became too great and by the late 1980s, the Soviet Union had collapsed. Russia shrank to its 17th century borders.

Boris Yeltsin took power after the Soviet Union dissolved. The country was essentially adrift for most of the 1990s; its economy suffered a severe growth contraction. In fact, its life expectancy declined, the first time this has happened in peacetime to a developed nation in the modern era. Russia defaulted on its debt in 1998 and the economy was in shambles. On December 31, 1999, an exhausted Yeltsin engineered an election victory for his selected successor, Vladimir Putin.

The Putin Restoration

In Putin's State of the Nation address in April 2005, he called the collapse of the Soviet Union "the greatest geopolitical catastrophe of the century." Europeans, especially in the east, and Americans tended to see this event in a different light, but for Putin, the loss of Soviet power was indeed a tragedy. Since coming to power, Putin has been working to improve Russia's position in the world.

For Putin, the Russian period has been one of humiliation for his nation. In the aftermath of the collapse, the U.S. and Europe did little to support the Russians. American economic experts recommended shock privatizations of Soviet-era businesses, leading them to be sold at deeply discounted prices to "oligarchs" who were able to control the economy. Various non-governmental organizations (NGO) offered advice on establishing democracies which seemed to be designed to keep Russia weak. NATO was expanding into the former Eastern Bloc and the U.S. was establishing diplomatic and economic relations with the

former Soviet republics in the Caucasus region and Central Asia.

As the geopolitical discussion highlights, Russia would view these inroads as a direct threat. The fewer states in Russia's "near abroad" that were aligned with it, the more vulnerable Russia became. There were seminal events that signaled to Putin that the West was, at best, ignoring Russia as inconsequential, or at worst, planning to destroy the country.

The first of these was the Kosovo War in 1998. This humanitarian war was against Slobodan Milosevic, the Serbian leader who was accused of genocide against Bosnian and Albanian Muslims, who was an ally of Russia. The Clinton administration, with NATO backing, launched a 78-day bombing campaign against Serbia. This war infuriated Putin and the Russians. First, the war was declared without U.N. backing. Russia felt that any conflicts without a U.N. imprimatur were illegitimate. Of course, with a veto on the U.N. Security Council, Russia can prevent any U.N. military action. If the U.S. can go around the U.N., Russian power is severely curtailed. Second, the fact that the West engaged militarily in an area that Russia counts as its sphere of influence against one of its historic allies without considering Russia's position is emasculating. Finally, Russia views borders as sacrosanct. If borders can move, then the various ethnic enclaves in Russia could suddenly decide to proclaim independence (as seen in Chechnya). Russia believed it should have been given deference on this issue and when it was not, the West made it abundantly clear Russia was weak and inconsequential. In 2008, when the EU supported Kosovo's independence, the Russians felt further marginalized.

From Putin's perspective, the color revolutions were nothing more than Western intelligence agencies fomenting unrest to create friendly governments. For Russia, the Orange Revolution in Ukraine in 2004 was designed to wrest this nation out of Russia's orbit. Geopolitically, a hostile Ukraine makes Russia indefensible and so the Orange Revolution was seen as a direct threat. Although the U.S. sees the work of NGO and color revolutions as the natural aspirations of people wanting freedom and democracy, this is not how it is viewed in Russia.

In response to the color revolutions, Putin began a crackdown on dissent. Putin viewed dissent and NGO as agents of foreign nations whose only purpose was to weaken Russia. This crackdown has intensified in the past year and has broadened to include anyone not seen as truly "Russian"; targets include agitators for democracy, vote monitors, provocative artists and homosexuals. The social crackdown is an attempt to separate out the urban middle classes, who want democracy, from the rest of the country, who appear to favor stability.

In 2008, Russian troops invaded Georgia, an American ally. With the U.S. bogged down in two wars, the Bush administration was unable to respond militarily. Although Russian troops were eventually withdrawn, the impact on the region has been to undermine Western and American influence. This was Russia's first major response to the perceived slights of the post-Soviet era.

Russia has further acted to expand its global presence by enhancing diplomatic relations with states seen in opposition to the U.S. These include Venezuela, Syria, Ecuador, Cuba and Bolivia. Russian relations are not "game changers" for these governments—Russia's economy doesn't generate much

beyond energy and arms sales—but it does give these governments support in their opposition to the United States.

Recent events have enhanced the perception of Russian power. The Snowden Affair allowed Putin to perform a “humanitarian” gesture by giving a whistleblower refuge from an American government trying to arrest him. Of course, if Russia were pursuing one of its own who had stolen intelligence, we suspect it would have acted to capture him. However, Russia is often portrayed as the nation that doesn’t respect human rights, opposing the Wilsonians’ humanitarian wars. The Snowden Affair, which put the U.S. in a negative light, gave Russia an opportunity to change that perception.

Of course, the Syrian situation, as noted above, has offered Putin an even better opportunity to shine on the world stage. He was able to offer President Obama a face-saving alternative to either backing down from his “red line” or launching an attack without international or domestic support. The plan for Syria to turn over its chemical weapons for destruction in the midst of a civil conflict is fraught with difficulty—in fact, the odds of success are frighteningly low. However, it did offer President Obama an out in an intractable dilemma. However, Putin’s offer came at a price. By preventing a military operation against an ally, Putin was able to enhance Russia’s status. Both allies and foes alike will take notice that Russia, despite a small economy, weak military and poor demographics, was able to prevent the global superpower from acting unilaterally. And, he did it without military threats, making Putin appear much more clever than his American counterpart. Russia is punching well above its weight.

What Does Putin Want?

However, this apparent victory matters little if it doesn’t achieve Russia’s long-term goals. After all, Syria is, at best, a minor ally for Russia. Although Syria is the last remaining Russian ally in the Middle East, Syria’s influence is not all that great. Thus, the ultimate value of Russia’s apparent diplomatic coup must be analyzed from the perspective of the aftermath.

Goal #1: Russia wants to secure its near abroad.

As noted in the geopolitical section above, Russia’s primary defense of the core homeland is distance. It must surround itself with client states to force potential invaders to traverse long distances. The key is that Russia needs to avoid the costs of a large empire. Putin appears to be building an elegant solution to this problem. By outmaneuvering the superpower, nations surrounding Russia are bound to believe that the U.S. will not be able to support them if Russia applies pressure. This factor, coupled with Russia’s ability to manipulate the economies of surrounding countries, has boosted its ability to secure Russia’s border regions. We note that Armenia, who was expected to join an EU-sponsored group, shifted to Russia’s Customs Union; this occurred after Russia boosted natural gas prices to the country. Ukraine found Russian customs controls were recently tightened, hurting Ukraine’s exports and economy. Russia’s ability to sway nations in its near abroad to join it and not the EU or EU-sponsored groups is heightened by appearing to be a global power.

Goal #2: Russia wants to be considered a major power on the global stage.

On its face, this goal looks a bit laughable. Russia has been described as a third world

nation with nuclear weapons. Without energy exports, its economy would be crippled. The best way Russia can exert global influence is through the U.N. Security Council. Because Russia has a permanent seat on the council and has a veto, it can effectively block anything the U.S. wants to perform. The decision in Kosovo to use NATO instead of the U.N. was a serious blow to Russia. George W. Bush's "coalition of the willing" was an even more threatening concept. Outside of the U.N., Russia has almost no ability to restrain the U.S. For Russia to be a major power, it needs global decisions to be made by the U.N. Putin's op-ed in the *New York Times* reflected his desire to create a world where there is a concert of powers. The Syrian situation enhances the U.N. and, by default, Russia. If Russia can parlay its Syrian success into a higher status for the U.N., this goal can be met.

Goal #3: Russia does not want to see border changes.

Russia wants to defend the sanctity of borders. It fears a world where borders change rapidly because it will be difficult to prevent ethnic enclaves within Russia from pressing for independence (the aforementioned Chechnya War reflects this concern). Thus, Russia does not want to see Middle Eastern borders shift for fear that it will inspire unrest within its own borders.

Goal #4: Russia wants the principle of non-interference within a nation to remain in place.

The Wilsonian notion of "duty to protect," an idea that outside powers have a duty to rescue groups within nations that are facing genocide, is an anathema to Russia. Putin believes Russia was manipulated into allowing a U.N.-sponsored attack on Libya,

which was proposed to be designed to protect groups from a genocidal attack which morphed into regime change. For Putin, what occurs within a nation's borders is that country's business and outside powers have no right to interfere. Putin fears that the principle of duty to protect is simply an excuse for the U.S. to execute regime change. This is why goal #2 is so important—in the U.N. Security Council, Russia can prevent such endeavors from occurring.

This is the world Putin wants. His aim since taking power has been to increase Russia's stature on the global stage, contain American power and protect Russia from disintegration. Although this was a tall order, it does appear he has been remarkably successful in achieving his goals.

The U.S. Response

For the U.S., the problem Russia presents is dependent upon what sort of world the U.S. wants to establish. If the U.S. wants to cede its superpower role, Russia can fill a vacuum in Eastern Europe, Central Asia and the Caucasus region. Although Russia aspires to global power status, in reality, it cannot really threaten the U.S. save for deploying nuclear weapons.

If the U.S. envisions itself as a balancing power, creating regional hegemony that oppose each other would allow that to occur. Of course, that would also require the U.S., Europe and the world to become comfortable with a remilitarized Germany. Although Russia would likely try to expand its influence in the Middle East, we doubt it has the power to accomplish this goal.

If the U.S. plans to maintain its superpower role in the fashion it has since 1990, it will need to thwart Russian expansion. A lone superpower cannot tolerate another potential

rival that is not allied with it. At the same time, Russia's poor demographics and weak economy make the country vulnerable to economic pressure and time. The simplest way the U.S. could undermine Russia would be to expand energy exports to depress global oil and natural gas prices. The U.S. energy revolution gives it the power to execute this strategy if it so desires.

Ramifications

Simply put, the U.S. needs to decide what it wants. Until that issue is decided,

America's foreign policy will remain unsettled and vulnerable to the kind of manipulation Putin was able to execute to his advantage. And, until this geopolitical uncertainty is resolved, the secular bear market in equities will continue.

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