

Sanctions Bind Russia Together, For Now

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A woman holding a photo of Vladimir Putin in Simferopol after the signing of the treaty to annex Crimea on Friday.

Far from dividing President Vladimir Putin's inner circle, U.S. sanctions are drawing them ever closer together behind the former KGB spy and his drive to create a Great Russia.

Reveling in the triumph of Russia reclaiming lost lands, many in the political and business elite seem willing to make sacrifices to give full rein to an "imperialist consciousness" and a nationalism that has long lain dormant.

But once the euphoria fades, the hardcore group may find their business allies less willing to help win over a population facing economic decline, and may face a stark decision — resort to repression or embark on another campaign to rally the troops.

As Putin deadpanned at a meeting of his security council that he would have to steer clear of those on a U.S. sanctions blacklist, many of the targeted officials and businessmen said they would wear their punishment as a badge of pride.

"It is clear they strike at those who have some worth," said Russian Railways boss Vladimir Yakunin, one of 20 officials and businessmen hit by visa bans and asset freezes in a second round of sanctions imposed by Washington.

"On the one hand I am in good company. I cannot hide that I felt flattered. All the people on the list are notable people, people who have done a lot for Russia," he wrote in his blog, adding he also could not understand the West's "irrationality."

His words chimed with a chorus of mockery and derision from the dozens of Russians that the U.S. and European Union have penalized over Russia's annexation of Ukraine's Crimea region.

The bravado runs deep, tapping a well of anger over years of perceived slights and hypocrisy by Western nations happy to invade nations to protect human rights and democracy and blind to the strategic interests of others.

Great Russia

Olga Kryshtanovskaya, an expert on the Russian elite, said while the U.S. saw its mission as spreading goodwill, Russia had its own mission — "for the ideology of Great Russia."

"And for that, our politicians, like yours, are ready to sacrifice a lot, our mission means so much to us," said Kryshtanovskaya, who mixes closely with the political elite despite having left Putin's ruling United Russia party in 2012.

After the chaos of the 1990s following the Soviet Union's collapse, taking with it the country's superpower status, Putin has tried to restore some of the country's might, benefiting from high oil prices to give Russia economic clout.

But with slowing growth exposing an overwhelming dependency on energy, Putin has, by design or just driven by the momentum of events, pursued an increasingly conservative take, regularly using a dissolute West as a comparison to a moral Russia.

Kryshtanovskaya said the nationalism had wide support.

"Now there is unity. Ordinary people who really were not that bothered about Crimea before are now supporting it, supporting the feeling of strength, the feeling that Russia is driving things, Russia is governing, that Russia is feared, that Russia is respected, that we are changing the agenda."

Not being on board could be seen as treacherous.

One member of the elite close to the Kremlin said that if he was subjected to a visa ban to the U.S., he would readily sacrifice seeing his son studying there.

"He can always come back," he said.

The business elite has potentially much more to lose.

Gennady Timchenko, a longtime acquaintance of the Russian leader, sold his stake in the

world's No. 4 oil trading company Gunvor a day before his name was added to the sanctions list.

For others with companies registered abroad at arm's length from the Kremlin, the patriotic fervor has also become uncomfortable. Putin told company bosses on Thursday to bring their assets home to help Russia survive any future sanctions and the economic downturn.

Hangover to Come?

Some foreign officials suggested business leaders were not consulted over the hawkish turn of the past month; the result, they said, of pressure on Putin from hardline conservatives not to appear weak.

"Putin is acting together with a very small circle, all of them former KGB agents," said a senior German security source, suggesting they were dissatisfied with Putin's handling of the Ukraine crisis and his gamble on President Viktor Yanukovich, who was deposed last month.

"Within this group, Putin is under pressure — because he was unable to prevent Ukraine drifting west and because he bet on a weak Yanukovich, who should have crushed the Maidan protests immediately."

But no one doubts he is the ultimate arbiter, and at the security council meeting he offered no suggestion that he was regretting going head-to-head with the West over Ukraine.

Instead he wryly told his officials he would open a bank account with St. Petersburg's sanctions-hit Bank Rossia, which is chaired and partly owned by media baron Yuri Kovalchuk, who Putin has known since the early 1990s.

"I will transfer my wages there," he said.

It is the kind of posture that has buoyed his popularity ratings, and cemented support among the elite. But some wonder how long the party can last.

"Such events create 'the champagne effect' — a rapid, but short-lived high. Depending on the dose, either the foam settles or you get a hangover," said Alexander Rubtsov at the Institute of Philosophy at the Russian Academy of Sciences.

"There are two simple ways out of it: either tighten the screws and so be ready to crush mass protests with repression or arrange new conquests."

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