



By BRAHMA CHELLANEY

HOW THE WEST IS LOSING UKRAINE

Sanctions are hurting its own economies without stopping Russia's war machine

IN RESPONSE TO the Russian invasion of Ukraine, the West's sanctions-centred strategy to bring about economic collapse and regime change in Russia has gone nowhere. The punitive strategy has failed even to force a retreat of Russian forces from Ukraine, despite the Ukrainian military getting sophisticated Western weapons and US battlefield intelligence, including targeting data.

Russia now occupies at least one-fifth of Ukraine, the largest country located entirely within Europe. After its initial missteps that resulted in heavy Russian casualties, Russia is militarily focused on consolidating its control in the resource-rich east and south of Ukraine.

The Western strategy, however, has stoked a global energy crisis, which is likely to only deepen as supply shortages drive prices higher. As Sri Lanka's recent economic meltdown illustrates, poorer countries are bearing the brunt of the energy crisis, which has triggered a dizzying spiral in international fuel and food prices.

Russia, now the world's most sanctioned country, is the richest nation when it comes to natural resources. Russia plays an outsized role in the global resources supply chain as a leading exporter of commodities ranging from palladium and titanium to scandium, fertilisers and wheat.

Russia—the world's largest exporter of oil and gas before the war—has been critical to stability in international energy markets. Its fertiliser exports are also vital for global food production, in which energy accounts for up to 30 per cent of the cost.

By ramping up their sanctions campaign, the US and its allies have exacerbated global disruptions in energy, fertiliser and food supplies. The West's strategy has restricted Russian oil exports, besides disrupting the flow of other commodities from Russia.

By taking out a crucial chunk of the global energy supply, the sanctions have fostered an energy and food crisis. Sanctions indeed have made it so difficult to send payments into Russia that even supplies of sanctions-exempt commodities, such as fertilisers and wheat—of which Russia is also the world's biggest exporter—have been disrupted, too.

The Russian invasion, for its part, has disrupted shipments of Ukraine's leading exports: sunflower oil, corn and wheat. The recent easing of Russia's Black Sea blockade to allow shipments of Ukrainian grains has been hailed as "a victory against global hunger". In reality, the international food crisis can be defused only by ending the disruptions in supplies of Russian fertilisers and agricultural produce.

The Western sanctions campaign, meanwhile, is helping to boost Russian President Vladimir Putin's popularity at home, according to polls conducted by the Levada Center, an independent, Moscow-based pollster that has been designated a "foreign agent" in Russia. By contrast, US President Joe Biden's approval ratings at home have been sinking. And Biden's apparent cognitive decline signals weak American leadership at a critical juncture in international relations.

Biden's primary strategic focus ought to be on preserving America's global pre-eminence. For years, the US waged self-debilitating wars in the Islamic world, allowing China to emerge as its primary challenger. Now, as the US pours military resources into Europe, America's renewed focus on European security threatens to distract it from its long-term strategic objectives.

Instead of seeking to help end the Ukraine war, the West led by Biden has sought to prolong the war by dispatching a flood of sophisticated weapons to Ukraine, with the goal of bogging down Russian forces in an interminable military quagmire.

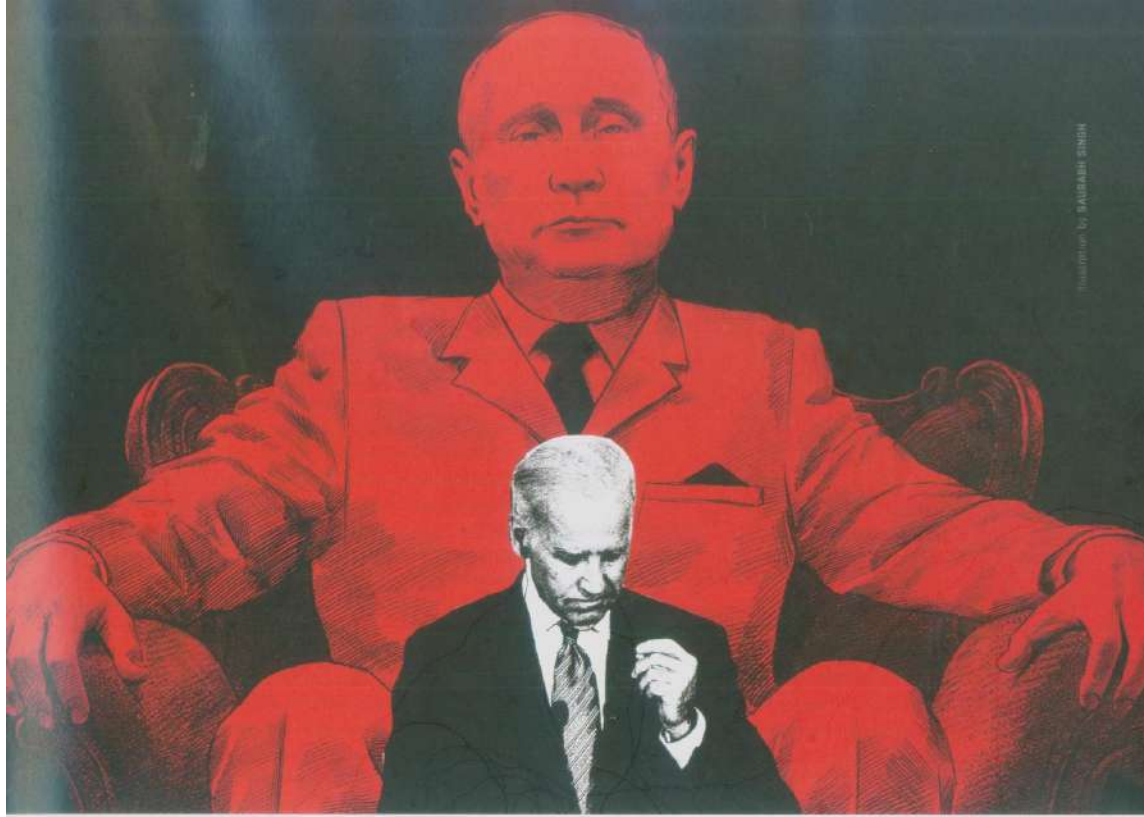


Illustration by SAURABH SHIN

THE WESTERN SANCTIONS CAMPAIGN IS HELPING TO BOOST RUSSIAN PRESIDENT VLADIMIR PUTIN'S POPULARITY AT HOME. BY CONTRAST, US PRESIDENT JOE BIDEN'S APPROVAL RATINGS AT HOME HAVE BEEN SINKING. AND BIDEN'S APPARENT COGNITIVE DECLINE SIGNALS WEAK AMERICAN LEADERSHIP AT A CRITICAL JUNCTURE IN INTERNATIONAL RELATIONS

Biden, putting his faith in US firepower, has been supplying Ukraine increasingly sophisticated and longer-range weapons to slow Russian advances and lengthen the war. But under Biden, America's superior firepower failed to avert its defeat a year ago at the hands of an Afghan terrorist militia.

More fundamentally, the US should seek to drive a wedge in the China-Russia axis, instead of becoming a bridge that unites them. The deepening China-Russia entente is perhaps the biggest US foreign-policy failure of the post-Cold War era.

The impulse for revenge against Moscow, alas, has clouded Biden's foreign-policy vision. By imposing sanctions on Putin, his two daughters and his rumoured girlfriend, Biden has targeted the Russian president personally in a way that never happened even during the Cold War. Discarding some key tenets of diplomacy, including avoiding insulting another country's head of state, Biden has increasingly personalised the conflict, including by hurling a steady stream of insults at Putin.

Punishing Russia for invading Ukraine, meanwhile, has ceased to be a means to an end and has become an end in itself

in US policy. There has been little American debate on whether the generous military assistance to Ukraine can really bog down the Russian military in a protracted conflict. What if, instead of a weakened Russia, a nationalistic backlash to the Western punitive campaign spawns a more militarily assertive, neo-imperial Russia?

RUSSIA SANCTIONS HAVE BOOMERANGED

Sanctions historically have produced unintended and undesirable consequences, yet they have become the policy tool of choice for America.

US-led sanctions on relatively small and economically vulnerable nations like Cuba, Iran, North Korea, Syria and Venezuela have essentially failed to change their behaviour. But that reality did little to temper Western leaders' strategic expectations when they launched a comprehensive, sanctions-centred hybrid war against Russia, which boasts the world's largest nuclear-weapons arsenal.

The global fallout from the US-led sanctions against Russia

has not spared Western countries. The blowback indeed is exacting an increasing toll on the West.

But in poorer countries, the sanctions are compounding national debt woes and threatening livelihoods and social stability. Violent demonstrations from Latin America to Africa over the soaring fuel and food prices are a forewarning that more vulnerable countries could go bust like Sri Lanka.

Against this background, much of the world detests both Russia's invasion of Ukraine and the West's unilateralism in weaponising finance and imposing sweeping sanctions against Russia. The vast majority of countries have refused to rally behind the US and NATO in their proxy war against Russia, choosing an independent line instead.

Neutral countries include all the major non-Western democracies, the Gulf Arab states and a close US ally, Israel. Some non-Western leaders have been outspoken in their criticism of the Western approach, with President Cyril Ramaphosa of South Africa accusing NATO of provoking Russia into war and saying the crisis can end only through diplomatic talks.

More importantly, the impulse to punish Russia blinded Western leaders to the longer-term consequences of their actions, which are likely to contribute to weakening international institutions and rules. The sanctions, by signalling the advent of a new era of US-led unilateralism, could even undermine the Western-controlled global financial architecture that they are meant to defend.

In employing the full range of its economic weaponry, the West sought to unleash "shock and awe" on Russia, as if to underscore that sanctions are a form of war. But like armed conflict, as Russia's invasion of Ukraine illustrates, sanctions are unpredictable in shaping outcomes.

Biden, going beyond the traditional tools of deterrence and diplomacy, is relying entirely on his unprecedented sanctions to shape the behaviour of a rival nuclear power, which has a

long record of enduring economic hardship. In the post-World War II period, the US has generally relied on sanctions to help bring weak states to heel. Regime change, likewise, has been imposed only on weak, vulnerable nations.

Squeezing a major power with a raft of harsh sanctions is fraught with danger. But just as Biden's threat to impose wide-ranging sanctions failed to deter Russia from invading Ukraine, their actual imposition, far from chastening Moscow, is slowly resurrecting the Iron Curtain and making Russia more determined. Meanwhile, the weaponisation of finance (and its implications for any country that dared to cross a US red line) is creating a new incentive for non-Western states to explore establishing parallel arrangements.

The West today is caught in a trap: The sanctions and the deepening conflict, by helping to raise global commodity and energy prices, translate into higher revenues for Moscow in spite of a significant decrease in its exports. And the higher international prices, by fuelling hyper-inflation and a cost-of-living crisis in the West, mean political trouble at home for those behind the sanctions.

By weaponising finance and imposing comprehensive sanctions, the West sought to inflict economic pain on Russia. But Russia has fought back by weaponising gas supplies, causing immediate pain in Europe, where gas prices currently are about six times what they were a year ago. A recession now looms in Europe and North America.

Look at another paradox: Despite Russia being cut off from the world's financial arteries, the Russian rouble has dramatically recovered through state intervention. Meanwhile, the runaway inflation and supply-chain disruptions (on top of coronavirus-induced bottlenecks) are threatening Western corporate profits while the interest-rate hikes to rein in inflation make a bad situation worse for consumers.

Cargo ship *Razoni* passes through the Bosphorus Strait after leaving Odessa with the first grain shipment since the start of the Ukraine war, August 3, 2022.



PHOTOS GETTY IMAGES

THE RECENT EASING OF RUSSIA'S BLACK SEA BLOCKADE TO ALLOW SHIPMENTS OF UKRAINIAN GRAINS HAS BEEN HAILED AS 'A VICTORY AGAINST GLOBAL HUNGER'. IN REALITY, THE GLOBAL FOOD CRISIS CAN BE DEFUSED ONLY BY ENDING THE DISRUPTIONS IN SUPPLIES OF RUSSIAN FERTILISERS AND AGRICULTURAL PRODUCE

The West today confronts its worst energy crisis in five decades. This, in turn, is fuelling a growing cost-of-living crisis. Sanctions-linked trade disruptions, combined with investor fears of a shortage of energy, are keeping prices volatile for energy and other commodities. As *The Wall Street Journal* recently reported, Russia may be suffering but “the US and Europe are also incurring severe costs,” adding that, “[j]oblessness is expected to mount, too, as central banks respond to those inflation pressures by raising interest rates.”

To be sure, some of the West’s economic pain is self-inflicted. For example, at a time when global supplies are already tight, Europe’s decision to switch from cheap Russian energy to alternative supplies has led to stratospheric international prices and a scramble to find new sources of supply, besides stoking a costly competition with the thriving economies of Asia, the world’s largest energy consumer. Some liquefied natural gas (LNG) supplies for India under long-term contracts have been diverted by energy intermediaries to Europe so as to profit from much higher prices there.

The eurozone’s financial markets, meanwhile, have been destabilised, creating a debt burden in vulnerable economies.

Having played all his major economic cards, Biden’s sanctions drive has run into a dead-end, even as US and European economic woes worsen. This is redolent of how America’s 1930 Smoot-Hawley Tariff Act, by substantially raising import duties and prompting other countries to retaliate, deepened the Great Depression and contributed to the rise of political extremism, which then enabled Adolf Hitler to gain power.

INDIA’S SMART CHOICE

When the war in Ukraine began, India came under intense US pressure to toe the American line. It politely but firmly refused, choosing instead to pursue a middle path to help maximise its geopolitical leverage and avail all energy-import opportunities to help cushion the impact from the spiralling international prices. By not taking sides in the new Russia-NATO conflict and maintaining its traditional position of strategic autonomy, India made a very smart choice.

Staying out of the messy NATO Russia conflict has allowed India to have greater strategic leeway, including positioning itself as a voice of the developing world and raising concerns about the increasingly adverse impacts of the Western sanctions on poorer countries.

If Israel and NATO member Turkey can stay neutral in the present conflict, India has a greater reason to adhere to an independent line. India, after all, is a founding leader of the non-aligned movement and not a member of NATO or an ally of America but only a strategic partner of the US.

India, a top oil importer, consumes more than five million barrels per day. Its seaborne crude oil imports have surpassed 4.8 million barrels per day. With such huge imports, every \$1 change in the international price makes a big difference to India’s whopping oil import bill of more than \$100 billion.

India has been meekly complying with America’s Iran sanctions, even as China has lapped up heavily discounted Iranian

A fuel station in New Delhi, July 10, 2022



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oil without facing American reprisals. But with the US-led sanctions on Moscow driving up the Indian energy-import bill, India has stepped up its imports of the cheaper Russian crude.

Initially, the Biden White House tried hard to co-opt New Delhi in America’s new Cold War with Moscow, besides warning India against increasing its Russian-oil imports. Indeed, Biden’s top economic adviser, Brian Deese, touched a raw nerve in India when he threatened that “the costs and consequences” for it, for refusing to pick a side in the new Cold War, would be “significant and long-term”.

The Biden administration also sought to employ human-rights issues as leverage against India. After the “two-plus-two” discussions in Washington in April, for example, US Secretary of State Antony Blinken took a swipe at India, alleging “a rise in human rights abuses.” But barely nine months earlier, Blinken had sung a different tune, saying during an India visit that “both of our democracies are works in progress”.

The Biden administration’s pressure, however, failed to sway New Delhi, which was concerned that Washington’s overriding focus on punishing Moscow could exacerbate India’s regional-security challenges, especially by aiding the further rise of an expansionist China. India’s troubled neighbourhood has been made worse by Biden’s surrender of Afghanistan to the Taliban terrorists, which has strengthened Pakistan at India’s expense. Biden has also been pushing India’s important



JUST AS PUTIN WAS CLEAR ABOUT HIS PLANS FOR INVADING UKRAINE, SO HAS CHINESE PRESIDENT XI JINPING BEEN CLEAR ABOUT ANNEXING TAIWAN. US HOUSE SPEAKER NANCY PELOSI DID WELL TO STAND UP TO CHINA'S BULLYING THREATS BY GOING TO TAIWAN, BUT HER VISIT WAS LARGELY SYMBOLIC

neighbour, the military-ruled Myanmar, into China's arms with his sanctions policy.

The main brunt of the rise of a more powerful and aggressive China will be borne by its neighbours, especially India. Unlike Japan and Australia, which are under the US security (and nuclear) umbrella, India must deal with China on its own, as the ongoing Himalayan military crisis since 2020 shows.

The Biden administration remains intent on employing its Russia sanctions to downgrade Indian defence ties with Moscow. Kurt Campbell, the White House's coordinator for the Indo-Pacific, in a speech to the Washington-based Center for Strategic and International Studies (CSIS) in May, said, "India in many respects is a swing state" and it is "in all of our best interests to try to work over time to bend its trajectory more to the West".

IS THE WEST'S DOMINANCE ENDING?

The discourse in the West is finally, even if reluctantly, beginning to face up to the unpalatable realities. Claims that "Russia is losing" and that "Putin is running out of options to avoid defeat" have given way to open concern that, despite the unparalleled sanctions on Moscow and the frenzied arming of Ukraine, Russia will end up gaining permanent control of sizeable Ukrainian territories, thereby unambiguously demonstrating that aggression works.

This, in turn, is likely to encourage China to move on

Taiwan, whose occupation would drive the final nail in the coffin of America's global pre-eminence. Just as Putin was clear about his plans for invading Ukraine, so has Chinese President Xi Jinping been clear about annexing Taiwan. US House Speaker Nancy Pelosi did well to stand up to China's bullying threats by going to Taiwan, but her visit was largely symbolic.

Xi, given his cost-free expansionism from the South China Sea and Hong Kong to the Himalayas, doesn't need to learn from Putin that aggression works. But the West's largely ineffective sanctions campaign against Russia will likely embolden Xi's designs on Taiwan.

When sanctions have proved ineffectual in changing Russia's behaviour, any similar sanctions would fare even worse against China, whose economy is about 10 times larger than Russia's. Indeed, the damage to Western economies from Russia-type sanctions against China would likely dwarf the current economic pain that the West is bearing from its sanctions on Moscow. So, the threat of sanctions will not deter Xi from moving on Taiwan.

The West today is exposing the limits of its power, with its sanctions against Moscow hurting Western economies without significantly crimping the Kremlin's war machine. Given that economic power is moving east, the West needs a broad range of international partners more than ever to make a difference. But much of the non-Western world has not joined the West's sanctions campaign against Russia.

The Ukraine war, which is raging at a time when the world is at one of the most significant inflection points in centuries, indeed shows that the West's global dominance is coming to an end, with China set to rise to superpower status in partnership with Russia, according to former British Prime Minister Tony Blair. The West was clearly in the ascendant at previous turning points in history like the end of World War II and the disintegration of the Soviet Union. But today, the West is in relative decline.

In fact, the US now has been left with two bad options vis-à-vis Russia—persist with the new Cold War with Moscow by continuing with sanctions that are not working, or start easing the sanctions and admit defeat.

In this light, the Biden administration's prisoner-swap offer and diplomatic discussions with Moscow suggest that, having failed to isolate Russia or trigger its economic collapse, the US may be seeking to recalibrate its strategy that has rested wholly on escalating sanctions.

Make no mistake: As the conflict drags on and the boomerang effects of the sanctions deepen the West's cost-of-living crisis, the divides in the Western camp will widen and "Ukraine fatigue" will set in. Eventually, as predicted by Javier Solana, a former NATO chief who also served as Spain's foreign minister, the West will be left with little choice but to negotiate with Putin to end the conflict. ■

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