

Putin Blinks in Ukraine Standoff with the US. The Role of Oligarchs?

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Global Research, May 17, 2014

Region: [Russia and FSU](#)
Theme: [Global Economy](#), [US NATO War Agenda](#)

In the face off with the United States and its allies over the Ukraine crisis, President Vladimir Putin of Russia seems to have blinked. On May 7th, he asked the pro-Russian protesters who were calling for the May 11 referendum on “federalization” to postpone the autonomy vote. At the same time he also endorsed the junta’s hastily scheduled May 25 presidential election, which is designed to give legitimacy to the illegitimate regime in Kiev. Mr. Putin further announced that Russian troops along the Ukraine-Russian border had returned to their usual (pre-crisis) positions.

The question is why? Why has he adopted a posture of accommodation with the US? Why couldn’t he insist that, to make the projected elections meaningful, the interim power in Ukraine must be a government of national unity, which means that the acting regime in Kiev must first relinquish the usurped state power? Russia had earlier challenged the legitimacy of the rule of the Junta and its bogus May 25 election, urging the unhindered participation of pro-Russian autonomy-seeking forces in the eastern part of the country. But then in the May 7th announcement Mr. Putin changed course: characterizing Kiev’s planned presidential election as a step “in the right direction,” thereby giving legitimacy to the illegitimate elections and the coup regime that is conducting it. Did he have to do so, and why?

Follow the Money: The Role of Oligarchs

While there may be more than one reason for Mr. Putin’s conciliatory gestures, the main factor seems to be economics, especially the financial interests of the powerful oligarchs that are deeply integrated into the financial networks and institutions of the West, and which are therefore threatened by economic sanctions and geopolitical turbulence. According to Forbes Magazine’s list of world billionaires for 2014, Russia has the third highest number of billionaires (111) after the United States (492) and (China 152) [1].

Russia’s financial moguls are mostly former bureaucrats (or their children and cronies) of the Soviet era who quickly became billionaires by virtue of fire-sale privatizations of state industries and other public properties when the Soviet Union collapsed. Contrary to the generally industrious and innovative entrepreneurs of the early stages of capitalism in the West, who were sometimes called revolutionary bourgeoisie, Russia’s oligarchic nouveau-riche have had largely a parasitic economic/financial role. By having scandalously ascended to the commanding heights of Russia’s economy, they have thus made the entire national economy dependent upon and, therefore, vulnerable to the fate or performance of their own fortunes in the marketplace, especially international markets. And since their financial fortunes are significantly vulnerable to economic sanction and other threats by Western

powers, so is the entire Russian economy.

In addition to the financial elites in Russia proper, there are also Russian and Russian-speaking oligarchs in Ukraine who once made up the Party of Regions of the deposed President Viktor Yanukovich, and were largely his cronies and loyalists but have since his ouster switched loyalty to the new regime in Kiev. The winning or losing of one side or the other in the ongoing crisis in Ukraine is secondary to these financial tycoons; their primary concern is how to preserve their fortunes.

Indeed, they too, like President Putin himself, are weary of the likelihood that the grassroots' movement of federalists in eastern Ukraine may achieve autonomy and wrest political control from Kiev, thereby threatening their financial fortunes in radical ways. "The dissatisfaction with the oligarchs in the Donbass and Luhansk is great... Social anger is growing, and this will lead to a conflict between the population and the owners of factories and mines," points out Boris Shmelyov of the Moscow Institute of Economics. Aleksandr Shatilov at Moscow's Finance University likewise predicts the likelihood of "a war not only against Kyiv but also against the Ukrainian oligarchs" [2].

Unsurprisingly, Mr. Putin's and the Russian-Ukrainian oligarch's concern over the spread and radicalization of the autonomy-seeking movement in eastern Ukraine is also shared by the US and its European allies. This was clearly reflected in a May 12 (2014) editorial by the New York Times (whose editorials usually reflect the long-term, "non-partisan" geopolitical positions of the US establishment):

"But the gathering rumble of violence accompanying the [autonomy] votes is serious and is driving the Ukrainian crisis in a direction that before long no one — not President Vladimir Putin of Russia, not authorities in Kiev, not the West — will be able to control. . . . The fact that the referendums were held despite Mr. Putin's urging last week that they be postponed suggests that events are already developing a momentum of their own."

Despite his nationalist/populist tendencies and affirmations, the fact remains that President Putin has a strong social base among Russia's financial elites. One of his major concerns in dealing with the crisis in Ukraine and the threat of economic sanctions by Western powers is, therefore, how to preserve the loyalty of the oligarchs "who provide his regime with its social base, in the face of efforts by the US to drive a wedge between the oligarchs and the Kremlin." This seems to be a decisive factor in Mr. Putin's moves to seek accommodation with Western powers, which have been escalating economic sanctions and military threats against Russia [3].

President Putin's inability or unwillingness to stand up more vigorously to the geopolitical aggressions of the United States and its allies stems, therefore, not so much from military weakness, or lack of economic resources per se, as it is from the way its economy has become dependent on oligarch's economic role and, therefore, on the skittish global markets, or the imperialistic whims of Western powers. Sadly, Russia is not alone in grappling with this dilemma of economic dependency and/or vulnerability to globalization of markets—in essence, to the whims of international financial markets, or the aspirations of the global plutocracy.

Where Are the BRICS Countries?

The group of the so-called BRICS countries (Brazil, Russia, India, China and South Africa) has been viewed in recent years as both an economic and geopolitical force that could jointly temper the imperialistic tendencies of the older capitalist countries of the West. The US-manufactured crisis in Ukraine and the subsequent aggressive policies against Russia could serve as a test for the validity of this view.

Alas, in grappling with this crisis Russia has not received any help from other BRICS countries. Even China, Russia's putatively close ally, "has been strangely muted about Ukraine and the Crimea referendum, urging for 'restraint on all sides' and pushing for a political solution." During the emergency meeting of the United Nations Security Council on March 15, 2014, on a resolution to declare Crimea's referendum illegal, China did not side with Russia by using its veto power but instead abstained from voting. As Gilbert Mercier, the Editor in Chief of News Junkie Post, points out, "China, by its abstention from the UN vote, and India, Brazil and South Africa, by their subdued responses, have already played into the hands of the US and its European allies" [4].

Even the new administration in Iran, which has for years been subjected to brutal economic sanctions by the US and its allies, and which experienced a (failed) color-coded coup d'état similar to what led to regime change in Ukraine, has taken a mysteriously subdued stance over the crisis in Ukraine. (It is worth noting that if foreign-policy makers in countries such as China and Iran think that their shying away from clearly stating what or who caused the crisis in Ukraine would endear them to the world godfather, the US, and therefore change its imperialistic policies toward them, they are tragically mistaken.)

The question is why? Why do countries such as China, Brazil and Iran, which have been subjected to economic and geopolitical bullying by the US, refrain from unambiguously stating that the acting regime in Ukraine was brought to power by the United States and its European allies, and has therefore no legitimacy to rule, or hold elections?

It is all a Matter of Class

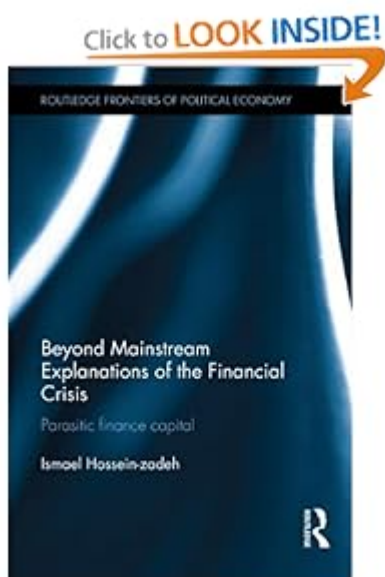
The answer, in a nutshell, is class: in dealing with the imperial policies of Western powers, these countries (like Russia itself) are hamstrung by their own oligarchs. Like Russian oligarchs, the financial elites in these countries have closer affinity with their class counterparts in the West than with their fellow citizens at home. To these folks, issues such as national sovereignty and social justice are secondary to "peaceful" co-existence in a neoliberal world order led by the US. Consciously or instinctively, they perceive cross-border alliances (or hostilities) more as inter-class than international.

A look back at the US-USSR relationship prior to the collapse of the Soviet Union can be instructive here. Despite its much smaller economy and the notoriously inefficient bureaucratic rule of those earlier days, the Soviet Union was able to resist or react to US aggressions more robustly than Russia can today. Why? Because in spite of their bureaucratic and corrupt character, the ruling circles of the timespoke with one voice in dealing with imperialistic Western powers. To deal with the challenges posed by the United States and its allies, they tried (and to a large extent succeeded) to become as economically self-sufficient as possible and, therefore, as independent or immune to global market fluctuations as possible. This stood in sharp contrast to today's situation where Russia's economy has become (largely through the economic power and behavior of oligarchs) intertwined with Western economies and, therefore, vulnerable to global market vacillations and threats of economic sanctions. The unified and cohesive foreign policy decisions of the

Soviet era also stood in sharp contrast to today's divided economic policies and geopolitical positions in Russia—where the financial aristocracy gladly accommodates the geopolitical and economic designs of Western powers, and is eagerly willing to implement policies of neoliberal economics in Russia.

In the same fashion that the emergence of financial elites in Russia has weakened its defenses against economic, geopolitical and military adventures of the US and its allies, so has the emergence of financial oligarchies in countries such as China and Iran undermined their ability to resist such imperialistic adventures, or to more vigorously defend their sovereignty.

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Notes

[1] Forbes Magazine, “List of countries with 10 or more billionaires in 2014,” <http://en.wikipedia.org/wiki/List_of_countries_by_the_number_of_US_dollar_billionaires>.

[2] Chris Marsden, “Russia seeks fresh accommodation with US over Ukraine,” <<https://www.wsws.org/en/articles/2014/05/08/ukra-m08.html>>.

[3] Ibid.

[4] Gilbert Mercier, “Ukraine’s Crisis,” <<http://www.counterpunch.org/2014/03/28/ukraines-crisis/>>.

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