

Putin Retaliates To Sanctions. Europe Blames Economic Slide On Kremlin

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Either Europe is run by a bunch of unelected idiots, or... well, that's about it.

After blindly doing the US' bidding over all propaganda matters Ukraine-related, and following just as blindly into round after round of US-inspired sanctions, sanctions to whose retaliation Europe would be on the frontline unlike the largely insulated US, Europe appears to be absolutely shocked and is apoplectic that after several rounds of sanction escalations, Russia finally unleashed its own round of sanctions and yesterday announced a 1 year ban on all European food imports, something which will further push Europe into a triple-dip recession as already hinted by Italy yesterday.

In fact, Europe is so stunned by this unexpected "politically-motivated" retaliation by Russia, it [issued a press release](#).

Statement by Commission spokesman on the announcement of measures by the Russian Federation

The European Union regrets the announcement by the Russian Federation of measures which will target imports of food and agricultural products. This announcement is clearly **politically motivated**. The Commission will assess the measures in question as soon as we have more information as to their full content and extent. We underline that the European Union's restrictive measures are directly linked with the illegal annexation of Crimea and destabilisation of Ukraine. The European Union remains committed to de-escalating the situation in Ukraine. All should join in this effort. Following full assessment by the Commission of the Russian Federation's measures, **we reserve the right to take action as appropriate.**

Surely, Putin is waiting for the European Commission to also issue a #hashtag before he starts shaking in his boots.

For an indication of just how clueless Europe is, we also read that it is ready to appeal to the World Trade Organization to have the Russian agriculture import bans lifted, a European diplomatic [source told ITAR-TASS](#).

"Politically motivated large-scale trade restrictions are a direct violation of WTO rules, which Russia pledged to comply with," the diplomat said. "These measures will be thoroughly analyzed, and then relevant claims will be submitted with the WTO."

The source added that the European Commission would start analyzing

Russia's ban on imports from EU states as soon as the official list of banned goods would be published.

The EU Council may convene an urgent meeting in connection with Russia's response to European sanctions.

It is early to say whether the EU will take measures in response to the Russian ban on imports of food products from Europe, source told.

"First, it is necessary to see and analyze the official list of product that Moscow intends to ban. After that, decisions will be made both at the European and the national level," the source stressed.

The punchline: **"The Russian ban on agricultural imports from the European Union is an "irresponsible measure" that can lead to losses of billions of euro for European as well as Russian consumers, the source told ITAR-TASS."**

In other words, Europe actually thought it would keep escalating without Russia retaliation. If confused, see the first sentence of this article again.

In the meantime, Europe counter-retaliating to Russia's retaliation to European sanction aggression is sure to make the already bad trade war, worse. A trade war so bad in fact, **that what snow was to Q1, "evil Putin" will be to Q3.** [From Bloomberg:](#)

The crisis in eastern Europe is showing signs of disrupting Mario Draghi's economic outlook.

Evidence is building that the conflict in Ukraine and European Union sanctions against Vladimir Putin's Russia are undermining a euro-area recovery that the European Central Bank president already describes as weak. With the ECB expected to keep interest rates on hold near zero today and refrain from any new policy measures, Draghi is likely to face questions on how he plans to keep the economy on track.

The ECB may have few tools left to mitigate the impact of political turmoil that European companies from Anheuser-Busch InBev NV (ABI) to Siemens AG (SIE) say is hurting their business. A volley of measures introduced in June will take time to work, and policy makers have so far shied away from wheeling out a full-scale asset-purchase program.

"The euro-zone recovery is very fragile and the macro situation fluid," said Andrew Bosomworth, managing director at Pacific Investment Management Co. in Munich. "Expect Draghi to elaborate on spillover risks from the Russia-Ukraine crisis."

Ironic, because this is **just as we said would happen** when we predicted that Putin will soon become Draghi's best friend and as a result of Putin "aggression" Draghi will have "no choice" but to boost Europe's monetary insanity, which recently crossed into the NIRP twilight zone, even beyond the rabbit hole.



Finally, Bloomberg actually did touch correctly on what the recent trade war escalation is all about in "[Russia Sanctions Accelerate Risk to Dollar Dominance.](#)"

U.S. and European Union sanctions against Russia threaten to hasten a move away from the dollar that's been stirring since the global financial crisis.

One place the shift has become evident is Hong Kong, where dollar selling has led the central bank to buy more than \$9.5 billion since July 1 to prevent its currency from rallying as the sanctions stoked speculation of an influx of Russian cash. OAO MegaFon, Russia's second-largest wireless operator, shifted some cash holdings into the city's dollar. Trading of the Chinese yuan versus the Russian ruble rose to the highest on July 31 since the end of 2010, according to the Moscow Exchange.

While no one's suggesting the dollar will lose its status as the main currency of business any time soon, its dominance is ebbing. The greenback's share of global reserves has already shrunk to under 61 percent from more than 72 percent in 2001. The drumbeat has only gotten louder since the financial crisis in 2008, an event that began in the U.S. when subprime-mortgage loans soured, and the largest emerging-market nations including Russia have vowed to conduct more business in their currencies.

"No one is suggesting"? We are!

As for the propaganda landscape, the scene is already set

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