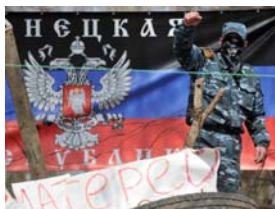


What can stop Putin?

Oren Dorell, USA TODAY [\(staff/1090/oren-dorell\)](#) 7:06 p.m. EDT April 15, 2014



(Photo: GENYA SAVILOV, AFP/Getty Images)

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The West has several things it can do short of military intervention to deter Russian President Vladimir Putin from taking unwanted action in Ukraine, analysts said.

Anders Aslund of the Peterson Institute of International Economics in Washington said the international community can severely and quickly damage Russia's entire economic system if it has the will to do so.

"There must be such economic pain on Russia that Putin finds it difficult to manage," he said.

Among the measures? The United States and Europe could talk about cutting Russian financial institutions off from the Brussels-based Society for Worldwide Interbank Telecommunication (SWIFT) system.

Nations and international corporations use the system to transfer money, make and receive payments. Restricting it would cripple Russia's ability to do business, forcing it to make transactions with piles of cash or bartering, said Campbell Harvey, who teaches global finance at Duke University's Fuqua School of Business.

Cutting Russia off from SWIFT would require convincing the Europeans to go along. The SWIFT cooperative cut off Iran, which hampered its ability to sell its main export, oil, contributing to severe economic hardship.

The cooperative agreed to stop doing business with Iran only under threat of sanctions from the U.S. Senate. Harvey said cutting off Russia would so devastate its people and European economies tied to Russia that it should be considered a "nuclear option."

"But you also want to start talking about it because it's a huge deterrent," he said.

•The United States and Europe can prohibit companies from doing business with individual Russian businesses or entire sectors of the Russian economy, but like other financial sanctions, that knife cuts both ways, Harvey said.

Only about 1% of U.S. exports go to Russia, but that number is much larger for some European countries, which do much more business with Russia. Countries such as Germany, whose exports comprise 52% of GDP, would suffer in a trade war, "however they're much closer to Russia also and they must be very nervous about what the next steps are," Harvey said.

•Europe, which imports 40% of its natural gas for electricity and heat from Russia, could reduce its Russian imports by restarting mothballed nuclear reactors (eight out of 17 in Germany alone) and increasing its imports of liquid natural gas from Africa, the Persian Gulf and the USA, said Ariel Cohen, an analyst at the Heritage Foundation.

Though that cannot be done quickly, Cohen said, talking about it could cause Russia to see "it would be devastating to the relationship between Russia and the West."

•The United States can greatly expand the sanctions and travel bans against violators of human rights and the architects of the invasion of Ukraine, Cohen said.

"These measures are on the books. The question is how enthusiastically we need to implement these measures," he said.

Cohen said the United States "is in a conundrum because we still expect Russian cooperation on Iran and Syria, and that's why we don't want to tick them off."

Trade and financial interdependence between Western Europe and Russia has increased greatly since the fall of the Soviet Union, to the point that most measures that would hurt Russia would also hurt Europe, Harvey said.

Less than a month after Russia annexed Ukraine's Crimea province, pro-Russia forces backed by gunmen in uniforms but no insignias took control of numerous government buildings last weekend in eastern Ukraine in much the same fashion as they did before the Crimea annexation.

The United States and European Union have imposed sanctions on a few dozen Russian and Ukrainian individuals because of the Crimea annexation. That caused \$64 billion to leave the Russian economy in the first quarter of 2014, equal to 3% of Russia's gross domestic product, setting a pace that could reach a total of \$150 billion this year, Aslund said.

"If the West tightens more, the outflow would be much worse," he said. The impact would be "less consumption, less investment and less GDP and less living standard. You get less of everything."



A worker grinds the edges of a rolled steel pipe for use in the South Stream gas pipeline at the Vyksa Steel Works, operated by United Metallurgical, in Vyksa, Russia, on Tuesday. Russian equities trading in New York fell for a third day, the longest slide in a month. (Photo: Andrey Rudakov, Bloomberg)

Russia's economy is highly vulnerable to Western pressure, Aslund said.

Its GDP is slightly less than 3% of global output, 6% of NATO's output. Its military expenditures are less than one-tenth of NATO's.

The ruble has fallen, and inflation has gone up, causing the Central Bank of Russia to raise interest rates by 150 points. Aggression in Ukraine and stricter Western sanctions "will hurt Russia's standard of living, which has been vital for Putin's popularity," Aslund said. "Perhaps there is a limit to how much economic damage Putin can tolerate."

Aslund called for near Iran-level sanctions but said Russia's oil sector, which provides 13% of the world's oil, should be left alone so as not to cause a global energy crisis. He dismissed worries that an economic war with Russia would send Europe into its third recession since the global financial crisis began in 2007.

"If there is a real war in Europe, there will be a far worse recession," Aslund said.

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