



# Ukraine— The Costs of War

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The war in Ukraine has been the most destructive conflict in Europe since the Second World War. It is also having a major political and economic impact across the world, not least in Europe.

All conflicts get enveloped by the fog of war, but rarely has there been a campaign of disinformation so intense as this. Anyone relying on Western media for information on the Ukraine conflict could only conclude that this is a war between pure good and pure evil and that it began with the invasion of Ukraine by Russia on February 28th of this year. The reality is a little more complicated.

Contemporary Ukraine is an amalgam of populations with different histories and speaking different languages. Most of Western Ukraine was part of the Austrian-Hungarian Empire and is Ukrainian-speaking; most of Eastern and Southern Ukraine was part of the Tsarist Empire and is Russian-speaking. These regions were amalgamated into a single Ukrainian state a century ago to form a Soviet Republic.

The current war is a continuation of what has been an ongoing conflict—essentially a civil war—in Eastern Ukraine since 2014. That civil war emerged in response to the actions of a new Ukrainian government that came to power following the Maidan Revolution in February of that year. The revolution was in part a genuine popular revolt and in part a US-supported coup against the elected government of Viktor Yanukovich. One consequence was that right-wing nationalist currents gained far more strength, including overtly neo-Nazi elements like the Azov Battalion.

One of the first actions of the new government was to exclude the Russian language from official use and to marginalise its use in education. Previously, both Ukrainian and Russian were official languages of state. Given that around 40 percent of Ukrainians are Russian speakers, the effect of this was to transform much of the

population into second-class citizens. Not all the Russian-speaking people of Ukraine are ethnically Russian (that is, some don't see themselves as Russian), but a significant percentage are, especially in the Donbass region, in Odessa, and in Crimea.

The Russian government's response was to occupy the strategically important region of Crimea. A few months later, there were uprisings in Eastern Ukraine, in the Donetsk and Lugansk regions. While backed by Moscow, these were genuine popular revolts that enjoyed substantial support across these regions. Elsewhere, popular protests against these discriminatory policies were crushed, most notably in Odessa. The establishment of separate 'Peoples' Republics' in Donetsk and Lugansk was followed by a sustained military assault—including attacks on civilians—by the Ukrainian army and far-right militias like the Azov Battalion (later the Azov Regiment after it was formally made part of the Ukrainian National Guard).

The French and German governments brokered an agreement, known as the Minsk 2 Treaty, between the Ukrainian and Russian governments, and the local separatists ended their fighting. Crucial to the Minsk 2 Treaty was an agreement to demilitarise the region and recognise the autonomy of Donetsk and Lugansk within Ukraine. The agreement was resisted by right-wing nationalist currents in Ukraine, and successive Ukrainian governments have demanded full control over the separate regions before they permit elections there and before the Ukrainian parliament passes a law permanently changing the Ukrainian constitution to accommodate autonomy for the Donbass region. The US government formally adhered to the Minsk 2 Treaty, but in practice it did nothing to encourage Kiev to bring about a peaceful resolution to the conflict in the Donbass.

Volodymyr Zelenskyy was elected in 2019 with a huge mandate to bring about a peaceful resolution to the conflicts in Ukraine, but once in office, he backed down before threats from the far-right and began instead, with US encouragement, to build up the Ukrainian Army for a confrontation with Russia.

Russia's invasion of Ukraine was not driven solely, or perhaps even primarily, by the need to protect the Russian-speaking community there. The tensions between Russia and Ukraine were hugely exacerbated by the US's project of expanding NATO up to the Russian borders to include Ukraine and Georgia.

## The eastward expansion of NATO

The declared purpose of NATO was to protect Western Europe against Communist aggression. In the period leading up to German re-unification, the Americans promised Gorbachev that if the Soviet forces withdrew from Eastern Europe, they would not attempt to move their forces eastwards. Indeed, in the wake of the fall of the USSR, it was widely assumed in Europe that NATO would no longer be needed. Instead, under pressure from Washington, NATO not only persisted but began to expand eastward, up to the borders of Russia.

Serious concerns about NATO expansion are not confined to Putin's inner circle but are much more widely shared across the Russian state and, to a considerable extent, within Russian society more broadly. We are told today that NATO is needed in order to curtail the threat of Russian aggression, but this explanation is unconvincing. Russia had ended the Warsaw Pact and pulled its troops out of Eastern Europe.

During the early period of Putin's presidency, he specifically requested at a meeting with President Clinton that Russia be permitted to join NATO. Clinton is reported to have said that he would personally favour Russia joining, but the US made no attempt to integrate Russia in its military alliance.

In his *Grand Chessboard* (1997), Zbigniew Brzezinski, the former US national security advisor, outlined the logic of US foreign policy: The greatest threat to American global primacy would be the emergence of an alliance of key states across the Eurasian continent. A convergence of interests between Paris, Berlin, Moscow, and Beijing would be the ultimate nightmare for Washington. This notion goes back to Halford Mackinder's argument, published by the Royal Geographical Society in 1904 and which influenced British foreign policy in the early twentieth century, that Britain was the 'offshore' power in relation to Europe in a way that is analogous to the United States' role in relation to Eurasia today. The crucial strategic task of the US in the post-Cold War period has been to prevent the emergence of a Eurasian power bloc.

This would certainly explain much about American foreign policy over the last three decades, but it raises some other questions. Given that China has the largest (or second-largest, depending on what measures are used) economy in the world and the largest population, and that

it is still governed by a Communist party, would it not make more sense to include Russia within the 'Western' camp as a bulwark against China?

It would seem that a debate on this issue did occur within the 'foreign policy establishment' in Washington in the years following the fall of the USSR. Putin himself, and much of the Russian elite, certainly wanted to be accepted as part of the 'Western' club, and their exclusion has certainly rankled. So why was Russia not accepted? Why was it not permitted to join NATO?

The argument that is given today, that Russia is autocratic whereas NATO members are democratic, is hardly plausible. NATO was quite happy to have military dictatorships in Greece and Turkey as members. So why not accept Russia, where the president had actually been elected?

If Russia had been permitted to join NATO, this would have had the effect of evening out the balance of military power between Europe and the USA. The countries of the European Union, taken together, have a larger economy (and a larger market) than the US. If there were to be an 'evening out' of nuclear military power between America and Europe, then the US would become just one more power. It would still remain the largest national economy and the most powerful military state, but it would now become *primus inter pares*—the first among equals. It would no longer possess 'preponderant' power.

Successive US governments are indeed committed to preponderant power or 'full-spectrum dominance,' but it is not obvious why. Across most of the world, communism has suffered a historical defeat, and in China, the Communist government made a significant structural compromise with capitalism. Why can rich Americans not just sit back and rest on their laurels, collecting dividends and rent? Why does the American elite need, or think they need, to be the preponderant power in the world? Why do they think that they have to dominate the world?

In so far as the issue is addressed at all, two culprits tend to be offered: the power of the military-industrial complex and the weight of American supremacist ideology, usually referred to as neo-conservatism. But the truth is that the project of global dominance enjoys broad support across the American elite, far beyond corporations involved in weapons manufacturing.

Over the last four decades, US capital has shifted a huge amount of its productive base outside of the United States

(to benefit from lower wages and easier access to local markets). Alongside this—and closely linked to it—US finance has greatly expanded and the wealth of America's super-rich has become heavily dependent upon US global possessions and upon maintaining the dollar as the world's dominant currency. This is often presented as representing a massive strengthening of US capital, but there is a case for suggesting that it actually represents a weakening of US capitalism and of its state power.

American military expansionism is not driven by America's overwhelming economic power but by its increasing fragility. The US does not have the economic clout it once possessed and is now hugely reliant on the continued role of the dollar as the world's dominant currency. What Washington has not yet grasped is that its desperate effort to shore up its global primacy is already having the opposite effect of undermining the global role of the dollar.

### **War with Russia**

Long before the Russian invasion of the Ukraine, leading American scholars like the historian Stephen Cohen or the international relations theorist John Mearsheimer warned Washington that the strategy of expanding NATO across Eastern Europe would more than likely lead to future wars with Russia, especially if they moved into Ukraine (precisely because of its internal ethnic complexity). Washington chose to ignore these warnings.

To argue that Washington provoked this war is not to endorse Russia's invasion of the Ukraine. Far from it. The invasion has come at a huge human cost and the Russian government is held responsible for this. Some observers argue that the Russian invasion was a pre-emptive move, designed to block a Ukrainian invasion of the Donetsk and Lugansk autonomous regions, but even if this were true, the invasion was still a mistake, because it has made the Ukrainian government and their American backers look like innocent victims. Had Zelenskyy's forces launched a full-scale military assault against the Donetsk and Lugansk regions, Russia would have been in a strong position to resist this, and would have won wide international and domestic support for doing so.

If anything, Putin seems to have marched blindly into Washington's trap. The invasion has hugely strengthened popular support (at least among Ukrainian speakers) for the Zelenskyy government, which prior to the invasion had fallen to a record low. The invasion has also unified

the European states against Russia and has enormously consolidated American political and economic control of Europe.

In 1996, eight years after the Soviet withdrawal from Afghanistan,

former director of the Central Intelligence Agency Robert Gates revealed in his memoirs that the US government actually began funding the Mujahidin (the Islamist guerrillas) in July 1979, six months *before* the Soviets invaded Afghanistan. Three years later, in a 1998 interview with the French newspaper *Le Nouvel Observateur*, Zbigniew Brzezinski admitted that, with this covert aid to the Mujahidin, the US government deliberately increased the chances that the Soviets would invade Afghanistan. Brzezinski defended this decision, saying: 'That secret operation was an excellent idea. It had the effect of drawing the Russians into the Afghan trap... We now [had] the opportunity of giving to the USSR its Vietnam war.'

All the evidence suggests that American neo-conservatives likewise hoped to draw Russia into a war that the US did not have to fight, just as they had successfully drawn the Soviet Union into a war in Afghanistan four decades earlier. What they had not fully calculated, then or now, was what the consequences of all this might be.

Western commentators assure us that Russia had hoped to conquer all of Ukraine. This seems unlikely. The evidence suggests that Putin hoped that the rapid advance of the Russian military would compel Kiev into a serious peace agreement. Indeed, they came close to this in March. But Washington had other plans. Boris Johnson was dispatched to Kiev, presumably with Biden's blessing, to block a peace agreement and to persuade the Zelenskyy government to continue the war. Instead of a short, localised conflict, the end result of Washington and London's intervention has been to ensure a protracted war in which there is a very real possibility that it could escalate into a nuclear conflict.

The frontline between Ukraine and Russia is longer than the Western Front in the First World War. Indeed, the Ukraine conflict has come to resemble the Great War in many respects. Both sides are deeply entrenched and the

conflict is turning into a war of attrition. The Russians control the airspace—the Ukrainian Air Force was eliminated in the first days of the war. They also have an overwhelming artillery advantage, despite the shipment of NATO weapons to Ukraine. But they have a shortage of troops. Successful invading armies are supposed to have a 3:1 advantage, but the Ukrainian forces probably outnumber Russian troops, who have relied heavily on local militias in the Donbass region.

Russia has made significant gains over the last few months, most notably the capture of the city of Mariupol, where the neo-Nazi Azov Regiment was based. They have also taken much of the Donbass region. Ukrainian military resistance has been strong, but they have suffered enormous casualties: tens of thousands of Ukrainian soldiers have been killed. Russian advances have been slow and they have suffered some setbacks, notably in the Kharkov region.

The Moscow government appears to have concluded that no peace agreement is likely and that they need to escalate the war against Ukraine by increasing their troop numbers. They have also held referenda in the parts of the Russian-speaking regions that they control, which has led to these regions being formally incorporated into Russia. The longer the war lasts, the more damaging it will be to Russia. While most Russians appear sympathetic to the plight of the Russian-speaking Ukrainians, a protracted conflict runs the risk of generating widespread domestic discontent.

### **The sanctions war**

For over a century now, military conflict has been accompanied by economic war, in many cases superseding it. The US in particular has launched economic sanctions against a range of countries, many of which, like Venezuela or Cuba, had engaged in no military challenges to the US but had sought greater control over their own economies.

It was widely assumed that the economic sanctions against Russia would have a devastating impact on its economy, causing political unrest and forcing Moscow to capitulate. The plan was, in Joe Biden's words, to reduce the rouble to rubble. Washington certainly succeeded in persuading the European Union to introduce a wide range of sanctions against Russia, but the plan has backfired badly.

Russia is a major supplier of gas, oil, and a variety of precious minerals like lithium. It is also a major exporter of wheat and fertiliser. The effect of these sanctions was to hugely increase the global price of these commodities, compensating Russia for any loss of trade.

Across the Global South, most of the larger states refused to go along with the Western sanctions and have continued to trade with Russia. It was to be expected that China and Iran would ignore Washington's warnings to boycott Russia (especially as they themselves had been subjected to similar sanctions), but what has surprised most observers is the wide range of states which have adopted a position of neutrality in what they see as a proxy conflict between the US and Russia. These have included Turkey, Saudi Arabia, the United Arab Emirates, Egypt, Brazil, Argentina, most of South-East Asia, and most crucial of all (because of its huge population), India. Many of these states had been seen as close allies of the US.

Since the Second World War, most international trade has been conducted using the dollar, which has also been the major reserve currency (other states need to save dollars in order to secure the stability of their own currencies). This has been enormously advantageous to the United States because it enabled them to earn wealth vastly greater than their declining industrial base permitted.

Following the financial crash of 2008, many states across the Global South began to discuss alternatives to the dollar as a currency of trade, but the move away from the dollar has been slow. The West's sanctions against Russia since the beginning of the Ukraine War have rapidly accelerated this shift away from the dollar. A whole range of countries are now working out alternative approaches to trading in dollars. In part they are motivated by a concern that they might be subjected to sanctions by Washington at some future point. They also have a somewhat different perspective on the history of the modern world and are unconvinced by the arguments of the Western governments or the propaganda of their media.

If the Ukraine War has seen a loosening of Washington's grip over the Global South, it has also seen a remarkable consolidation of their power over Europe. For decades, the US has sought to discourage European countries—especially Germany—from receiving oil and gas supplies from Russia. Washington actively campaigned against the Nord Stream 2 pipeline, targeting any companies involved in its construction. Germany and other European countries

resisted American pressure because the price of gas and oil received from Russia was significantly lower than fuel imported from the US or elsewhere.

Two days before the invasion, severe sanctions were imposed against Russia, including closing Nord Stream 2, after the Russian parliament officially recognised the Republics of Donetsk and Lugansk. Once Russia invaded Ukraine, these sanctions were escalated, but European officials seem to have given very little thought to how these sanctions might impact Europe's own economy.

The radical American economist Michael Hudson claims that the NATO-backed war in Ukraine was primarily directed not against Russia but against Europe. This might seem far-fetched, but following the bombing of the Nord Stream pipelines, it appears more plausible. The Russians will most likely be blamed by the Western media for these attacks, but this is not remotely credible. The Russians controlled the flow of gas through these pipelines, and as the Western media never tire of pointing out, it gave them leverage over Germany and the rest of Western Europe.

The attack on the pipelines occurred in shallow waters close to the Swedish and Danish coasts, an area that is heavily policed by both the Swedish and Danish navies. It could scarcely have been carried out without their knowledge. As it happens, a US naval force capable of such an attack was in this region of the Baltic at the time.

It is not just that the US Navy were the only force likely to have carried out the attacks on the gas pipeline; the US government promised they would do so. In January, Victoria Nuland, Washington's leading foreign policy strategist is on record as saying, 'With regard to Nord Stream 2, we continue to have very strong and clear conversations with our German allies...If Russia invades Ukraine, one way or another, Nord Stream 2 will not move forward.' A few weeks later, President Biden echoed this sentiment at a press conference with the German chancellor, Olaf Scholz: 'If Russia invades...there will no longer be a Nord Stream 2, we will bring an end to it.'

What the Western media is reluctant to discuss is that the US government regards Germany as a serious economic rival. Since the end of the Second World War, the US has seen Germany and Japan less as allies and more as satellites. Not only does the US have military bases in Germany, the German Army is directly under NATO command (the only European army under the formal

control of NATO). WikiLeaks revealed that the NSA, the US intelligence agency, spied on German chancellor Angela Merkel and other leading German politicians, using Germany's own intelligence service to do so.

Washington was willing to tolerate Germany and Japan as significant economic rivals precisely because they were political/military satellites. The end of the Cold War threatened to undermine this subordinate relationship. In particular, Germany's deepening economic relationship with Russia and China was seen as a worrying development. Not only does Germany supply China with high-quality engineering goods, it also imports large quantities of manufactured consumer goods from China. And of course it buys a large amount of its oil and gas supplies from Russia.

The war in Ukraine has been a great boost for Washington's project of ensuring the continued subordination of Europe, and in particular its largest economy, Germany. Not only that, the sanctions against Russia have had a very damaging effect on the German economy, and this damage will deepen the longer the war lasts. Many key German industries that rely on Russian gas face closure.

Even if there had been no war in the Ukraine, the global economy would be heading into a recession. The low interest rates that were necessary to prevent a full-scale depression after the last global financial crisis have had the effect of building up huge amounts of debt across much of the world's economy (and weakening important sections of financial capital, like insurance and pension funds). If the US and other governments maintain low interest rates, these debts will increase, making the whole financial order very fragile. If they raise interest rates—as they have—the global economy is heading into a major recession. Seasoned analysts of global markets, like Nouriel Roubini and Yves Smith, are predicting a new global financial crisis which will likely be at least as severe as that of 2008. These economic difficulties have in turn been greatly exacerbated because of the sanctions imposed against Russia. This crisis will most likely be particularly severe in Europe, and may well threaten the survival of the European Union.

As winter approaches, it has begun to dawn on Europe's political leaders that things have not worked out as planned. Russia has not collapsed and the states of the Global South have not submitted to the West's commands to sanction Russia. It has become increasingly clear that

Europe will pay a high price for the sanctions war. The French foreign minister, Bruno Le Maire, and the German economic minister, Robert Habeck—both enthusiastic advocates of sanctions—have criticised the United States for over-charging for gas. The Belgian prime minister, Alexander De Croo, has warned that Europe is facing deindustrialisation and the severe risk of fundamental social unrest: ‘A few weeks like this and the European economy will just go into a full stop.’ Across Europe, there have been widespread protests against the cost-of-living surge, against the sanctions, and against the war.

If Russia miscalculated by invading Ukraine, they were not the only people who miscalculated. Modern wars are not zero-sum games where one side wins all and the other side loses all. Increasingly in war, both sides lose. The combination of a deep recession, a global financial crisis, and a major political backlash flowing from the sanctions war will put serious strains on America’s project of global primacy.