

Box A: The First World War: what it helps us to understand about Russia's invasion of Ukraine

By Norma Cohen

Russia's invasion of Ukraine beginning in February 2022 has launched the largest military conflagration in Europe since the end of the Second World War in 1945. Its outcome cannot be predicted. But in imagining its conclusion, it is tempting to turn to history. And while the Second World War might offer many clues as to how this invasion plays out, the First World War may be a better parameter for comparison.

There are important similarities in the cause and engagement of both wars. In August 1914 and February 2022, each aggressor launched what it expected to be a short war against a weaker neighbour. In both cases, they were unprepared for the defence. Both spiralled into a 'war of attrition'. Neither was prepared for a long war.

In both cases, that 'war of attrition' was not just military; each became an economic and financial war, in which access to capital becomes one of the key weapons. The ability not only to acquire military goods for the war front, but also consumer supplies to maintain home front support for war, requires access to capital to pay for them. That emerged as a key factor in the Allied victory in 1918 and is already emerging as a key factor in determining the outcome of Russia's Ukraine invasion.

Even some of the rhetoric used by Germany in 1914 is like that used by Russia to justify its Ukraine invasion. Both states, then and now, describe themselves as 'encircled' by threatening enemies who forced war upon them. Indeed, in 1914, Karl Helfferich, Germany's Finance Minister, vowed to recoup the costs of war from the Entente, saying 'The instigators of this war have brought upon themselves the leaden weight of billions'.

In 1914, Germany's attack on France was ultimately aimed at becoming Europe's dominant power by destabilising the rising threat from an industrialising Russia. France was Russia's ally and had to be neutralised first. Germany launched its long-planned 'Schlieffen' plan which envisioned driving into Paris after wiping out the French armies within 40 days of mobilisation.¹ Instead, the Germans reached a stalemate in France at the Battle of the Marne in the autumn. By then, the Front consisted of a maze of trenches and barbed wire covering the area from the English Channel to Switzerland. The military stalemate would last more than three years.

Moreover, Germany failed to take account of its need to accumulate the capital needed to wage war; its Spandau Citadel in Berlin was stuffed with gold, 205 million Goldmarks which were the last of French reparations from 1871. But this was woefully inadequate. The sum was only enough to run an industrial-scale war for about two days.²

Similarly, the failure of Russia to topple Ukraine's government after its advance in February 2022 has left it facing a quagmire. According to research from the Royal United Services Institute, a UK-based think tank, Russia's plan was to invade Ukraine over a 10-day period, enabling annexation by August 2022. But its forces were turned back at Kyiv by Ukrainian troops armed and trained by the United States and other European countries. These troops were far better organised, motivated and trained than they had been during Russia's first military incursion into Ukraine in 2014 and have routed Russia from parts of southern and eastern regions. Since then, Russian troops have repeatedly lost territory in key areas and made few gains. Indeed, increasingly, commentary on photographs of winding trenches on the war front in Ukraine evoke comparisons to the western front in the First World War.

On the capital front, Russia had prepared itself; it had been stockpiling foreign exchange reserves for years. But within weeks of its Ukraine invasion, in an unexpected show of unity, some \$630 billion in Russian reserves were frozen in central banks based in the United States and Europe, opening the door to what is becoming a scramble for the resources needed to wage war.

¹ Herwig, page 58

² Herwig, page 78

Another reason to draw parallels between the First World War and Russia's Ukraine invasion is that both wars were rooted in each State's determination to shore up a fraying Empire. In 1914, it was the crumbling empire of Austria-Hungary, Germany's most staunch ally, that touched off war. Keeping its Balkan provinces within its empire had been a challenge for Austria for decades. Germany encouraged Austria to go to war over those provinces, expecting that the ensuing conflict would allow it to justify invasion of the state it regarded as its true foe, Russia.

In fact, historian Dominic Lieven argues that Germany's real motivation in 1914 was very similar to that of Russia in Ukraine in 2022. The objective was to cement its place as a European and global power. 'Without Ukraine's population, industry, and agriculture, early-twentieth century Russia would have ceased to be a great power,' Lieven argues. Indeed, when Russia surrendered to Germany in 1918, the Treaty of Brest-Litovsk forced Russia to recognise Ukraine as an independent country under German influence. Only the Allied victors at Versailles brought Ukraine back to the Soviet Union. Ultimately, Lieven concludes, the First World War was a conflict between eastern Europe's two great Empires: Russia and Austria. Russia's status as a Great Power today is also under threat from Ukraine's efforts to align itself more closely with the liberal democracies of Western Europe, explaining its current military gamble.

Lieven defines 'empires' as states that are great powers, but which are also ruling over 'huge territories and many peoples without the latter's consent'. That is not just a fair description of Russia in 1914; it is equally the case today.

Russia's status as a global – or even as a European power today is questionable, especially after the poor performance of its military in Ukraine. Its Ukraine invasion, if nothing else, appears to have united even non-aligned European states against it. By 1914, Ukraine was Russia's richest region. In 1914, Ukrainian provinces – a sub-set of Ukraine today – produced a third of Russia's wheat, most of its exported grains and was also the centre for heavy industry and mining. Thus, Ukraine was an attractive asset for a 1914 Germany intent on becoming the dominant European empire and one worth fighting for. For the same reasons, Russia has every incentive to keep Ukraine in its orbit today.

Since the breakup of the Soviet Union in 1991, Russia has formulated itself into a version of empire, that of the Russian Federation, held together by formal and informal institutions. Because its 'colonies' are geographically contiguous, Russia is not generally seen as a coloniser, unlike the French and British Empires of the 19th century. However, a close look at relations between Russia and its 'Federation' suggests a colonial relationship.

It is also worth noting the parallels in the conduct of economic and financial warfare during the First World War and that of Russia's Ukraine invasion.

Britain effectively bankrolled the Entente almost alone until the US entered the war in April 1917. It did this by engaging in a 'Battle for Capital' that was conducted on three 'fronts'. The first was to ensure that as little capital as possible was available to the Central Powers. Second, it sought to shore up the value of Sterling against other currencies, particularly that of the US dollar, home to much of Allied purchases. And third, it sought to borrow as much as possible from its own citizens, barring any foreign efforts to raise capital in London markets. Of the £7.3 billion that Britain borrowed for war, 80 per cent was raised at home.

At the outbreak of war, the economies of Britain and Germany were closely intertwined and had to be unravelled. Each was the other's second largest trading partner and Germany used financial services such as insurance that were based in Britain. In November 1914, Parliament passed a 'Trading with the Enemy Act' to cut this off.

But almost immediately, German businesses and banks sought ways around the finance freeze. For example, by February 1915, the Bank of England was notified that the German owners of Peru's largest sugar business were raising finance in London under an assumed name. Efforts to block new and clever schemes to raise capital in London dogged British ministers throughout the war, with varying degrees of success.

But Britain also put in place a naval blockade, aimed at stopping the shipment of war supplies into Germany, a definition which included food. At the outbreak of war, it was assumed that food would be a strategic

weapon, weakening Britain, highly dependent on imports. But labour-intensive agriculture in Germany and Austria, which grew most of their own food, was derailed as men and horses were called up for military purposes. Food supply plummeted.

The lessons of 1914-18 from the Allied capital and goods blockade of the Central Powers offer an insight into how US and EU sanctions might work in the case of Russia/Ukraine today. First, embargoes of goods and capital, as demonstrated by the owners of the Peruvian sugar business, create opportunities for great profits for those who find a way around them. Scarce goods and capital in wartime raise prices, through supply chain disruption, and creation of formal barriers raise these further. Britain had to create a Ministry of the Blockade among government departments, relying not just on official oversight but on informal links with businesses and banks. Second, sanctions – whether on goods or capital – take a long time to work. The neutral Netherlands is a case in point. The Dutch port of Rotterdam was a significant route through which goods – especially food – entered Germany. It did not join Britain's blockade and, even into 1916, acted as a transit point into Germany. Britain had to agree to buy half of all exports, at high prices, to persuade the Netherlands not to supply Germany. Sweden, for example, was dependent on German coal exports and its coal purchases helped underpin Germany's currency.

But the high costs and Germany's lack of access to home-grown capital took a toll. In 1916-17, Germans struggled through the 'Turnip Winter' in which the most available food was a vegetable only fed to cattle. By late 1918, German labourers were rationed food of under 1,000 calories daily, less than half their estimated needed. More than 250,000 Germans died of malnutrition in 1918 alone. Austria's Sixth Army reported that its soldiers, on average, weighed 120 pounds. Only one in three soldiers had an overcoat. Germans ultimately tired of war. Kaiser Wilhelm II fled to the Netherlands in disguise.

Russia's President Vladimir Putin has warned his citizens that this will be a protracted war. Like Germany in 1914, Russia is facing a long, drawn-out war that threatens to drain it of population and wealth. Thus, access to capital is likely to be a factor in the outcome of its Ukraine invasion. One question is why, faced with such domestic suffering in the First World War, the Central Powers continued to fight. Herwig argues that the magnitude of the suffering required States to expand their war aims, not narrow them. 'The calculus behind war aims was simple: the more the war cost in blood and treasure and the longer it went on, the greater the clamour for post-war gains. The Conservative regimes of the Central Powers feared that failure to bring home vast indemnities and annexations would endanger their near-exclusive rights to rule.'³ Sadly, this suggests that there will be no early end to the dreadful suffering the Ukrainians are currently experiencing.

³ Herwig, page 299