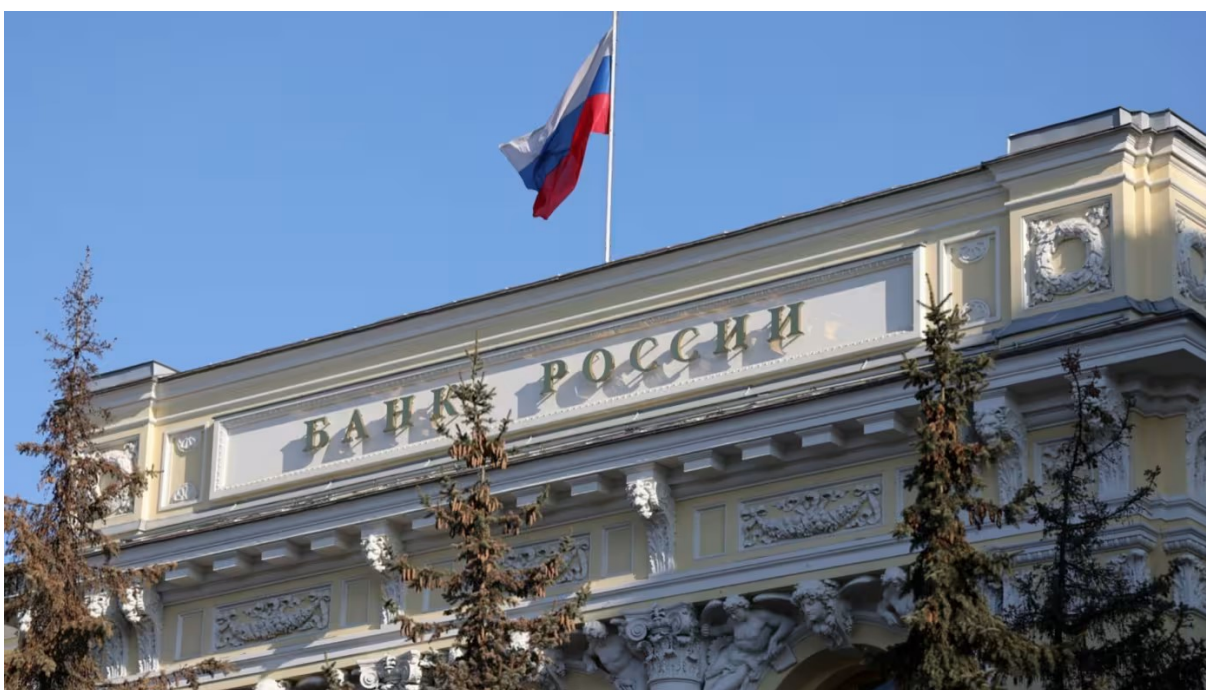


Opinion **The FT View**

The pitfalls of seizing Russian assets to fund Ukraine

Moscow must be made to pay, but without risking harm to global financial stability

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The Russian central bank's headquarters in Moscow. If Russian assets were seized, countries elsewhere might see it as acceptable to settle disputes by grabbing reserves © Andrey Rudakov/Bloomberg

The editorial board 4 HOURS AGO

The case for making Russia pay for its unprovoked assault on Ukraine is morally and legally indisputable. How to achieve this is a trickier question. The US is coming around to the idea of seizing up to €260bn of Russian central bank assets held abroad that were frozen early in the war and using them to fund Kyiv; EU countries including France and Germany are reluctant. Great caution is merited. Confiscating Russian reserves risks setting [harmful precedents](#) and undermining the global financial architecture.

Central bank reserves are generally considered to be protected by sovereign immunity — the doctrine that one country's national courts cannot sit in judgment on the acts of another, or use its assets to execute judgments. International lawyers headed by Philip Zelikow, a former senior US diplomat, have set out a legal basis for transferring Russian sovereign reserves. They argue this would be a justified “countermeasure” against Moscow's gross breach of international law through its assault on Ukraine. They point to how Iraqi reserves were used in internationally imposed compensation after Iraq's 1990 invasion of Kuwait.

Some other legal scholars challenge this reasoning. US officials now seem privately to [back it](#), along with Britain's foreign secretary, Lord David Cameron. Having a potential legal basis, though, is one thing; whether it is economically or politically

potential legal basis, though, is one thing, whether it is economically or politically wise to use it is another. A powerful concern is that doing so could harm international financial stability — and the dollar and euro’s status as reserve currencies — by undermining the essential trust involved in depositing reserves with other nations.

Freezing Russian assets was a sound way to squeeze its ability to fund its war. EU plans to tap windfall profits generated from holding them do not affect their underlying ownership. But going further and confiscating the reserves crosses a line. Countries such as China might come to fear reserves held in euros or dollars were no longer safe.

There is also a risk that even if Russian assets were seized under, say, a special G7 mechanism, countries elsewhere might then think it acceptable to settle disputes by grabbing reserves. Rightly or wrongly, many nations of the “global south” would see it as another example of wealthy democracies adapting the rules to their own interest. The US and its allies have couched Ukraine’s war against Russia as defending a rules-based international order. Even if Moscow has trampled on global norms, the west’s response must be seen to be legally irreproachable.

Russia must of course pay towards the vast costs of rebuilding Ukraine. The G7 has pledged to keep Moscow’s assets frozen until Russia compensates Kyiv for the damage — which could be potent leverage in a future settlement. But it is no coincidence that the idea of Russian asset seizures has gained momentum just as US and EU support for Kyiv’s war effort is hitting [political roadblocks](#). It risks becoming a mechanism for western democracies to shirk their own responsibilities. Having stayed out of direct military engagement, they have a profound duty to keep funding Ukraine’s defence of European security and values.

Proponents of using Russian assets argue that “western taxpayers won’t pay”. But the world’s wealthiest economies, and their financial institutions, ought together to be up to this task — and to making the case to their electorates for why this must happen. With careful preparation, and by building the broadest possible coalition in support, there may be ways to lessen the risks of confiscating Moscow’s reserves. As 2023 moves into 2024, however, it is on unblocking and locking in their own financial support for Kyiv that western leaders should focus their efforts.

