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Anders Olofsgård, SITE
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The Case for Seizing Russian State Assets

This brief examines the legal and economic arguments in the ongoing debate over whether to confiscate Russian state assets frozen in Western democracies and redirect them toward supporting Ukraine's resilience and reconstruction. It also outlines concrete proposals for how such a measure could be undertaken in compliance with international law and with manageable economic consequences.

At the outset of Russia's full-scale invasion of Ukraine, substantial Russian state assets held in Western countries were frozen. While not all countries have disclosed precise figures, estimates place the total between $290–330 billion, most of it held within European jurisdictions. These numbers can be put in perspective to the total global support to Ukraine so far, €267 billion according to the Kiel Institute's Ukraine Support Tracker. A lively discussion has emerged around the legal, economic, and political feasibility of seizing these assets to support Ukraine. As evident, this would constitute a very substantial addition to the support for the country. Thus far, agreement has only been reached on utilizing the returns on the assets to service a $50 billion loan to Ukraine under the Extraordinary Revenue Acceleration (ERA) mechanism. It has been argued that $50 billion should be enough, but Western contributions to the defence of Ukraine have been around €80 billion per year. The ERA is thus only a partial and very short-term financial solution for Ukraine, while a €300 billion fund based on the seizure of the assets would last perhaps 3-5 years. In short, the size of the fund matter and the principal amount is significantly larger than the fund that has been set up based solely on taxing the returns of the frozen assets.

This brief survey's the main areas of contention and proposes viable pathways forward. It focuses on the legal and economic dimensions, setting aside moral arguments—which are broadly accepted given Russia's unprovoked aggression and the destruction it has caused. Ultimately, the question is a political one: whether the legal justification and economic trade-offs favour asset seizure over other financing methods.

The Legal Arguments

Opposition to seizure often cites the principle of sovereign immunity. Yet, international law permits exceptions through countermeasures—acts that would otherwise be unlawful but are allowed in response to grave violations by another state. Additionally, asset confiscation may be lawful when enforcing international judgments (other possible legal avenues are for instance explored in Webb (2024), though in the end deemed as less likely to gain traction and legal approval). In both cases, the goal is to induce compliance with international obligations and secure reparations. A further legal basis lies in the doctrine of collective self-defense, which permits states not directly attacked to aid those that are, in response to unlawful aggression (Vlasyuk, 2024).

Critics often note that countermeasures should be temporary and reversible. However, as Vlasyuk (2024) points out, international law qualifies reversibility as being required only "as far as possible." This implies that in cases of severe violations—where reversible countermeasures have failed—non-reversible actions may be justified. One proposed mechanism ties the frozen assets to future war reparations, allowing permanent transfers only if Russia refuses to comply with a future reparations ruling. Since reparation should go to the victim of Russia's aggression, it also means that it is Ukraine that has the ultimate claim on the frozen Russian assets. This implies that any decision of confiscation and governance structure for transferring funds to Ukraine should be made with the consent of Ukraine. Put differently; even if the money is in Western financial institutions, there are good reasons to make sure the resources are used according to Ukrainian preferences.

The Economic Arguments

The principal economic concerns surrounding asset seizure are its potential impact on confidence in European capital markets, including risks of capital flight, increased interest rates, and diminished credibility of the euro. There are also fears of reciprocal actions by Russia against remaining Western investments.

These concerns, however, are increasingly overstated. The major shock to financial markets occurred when the assets were first frozen; any anticipated impact should now be fully priced in.

Moreover, a viable reserve currency must be supported by convertibility, sound economic governance, and rule of law—features absent in countries like China, Gulf states, or most other emerging economies. The yen and Swiss franc lack either scale or stability. Despite previous sanctions and the 2022 asset freeze, the dollar and euro still account for around 80 percent of global foreign exchange reserves (The International Working Group on Russian Sanctions, 2023). Given the current crisis of confidence in U.S. fiscal governance, the euro remains especially robust.

The extraordinary nature of the situation also diminishes fears of setting a destabilizing precedent. Investors alarmed by this measure may not be long-term assets to Western markets but rather criminal states or individuals that should not be protected by the West's financial and legal systems. More broadly, it signals to authoritarian regimes that aggressive actions will carry financial consequences. Western firms still operating in Russia have had ample time to disinvest, and those that remain should not constrain public policy.

Importantly, the costs of inaction must be considered. Financing Ukraine through increased public borrowing could raise interest rates across the eurozone and widen yield spreads between fiscally stronger and weaker member states. Seizing Russian assets, by contrast, may be economically safer, more equitable, and legally sound (International Working Group on Russian Sanctions, 2023).

Suggested Approaches

Several proposals aim to facilitate asset transfer in ways consistent with international law and economic stability.

Zelikow (2025) proposes the establishment of a trust fund to lawfully assume custody of frozen assets. This fund—grounded in the legal doctrine of countermeasures—would not represent outright confiscation but a conditional hold. Assets would remain Russia's property until disbursed to victims of its aggression. A board of trustees would oversee disbursements—for example, servicing ERA loans or financing reconstruction. In this proposal, the fund would broadly define "victims" to include Ukraine and neighbouring states that have borne costs, such as accommodating refugees. This can perhaps help build political support among Western countries for the trust fund, but it has the obvious drawback that it may imply less support to Ukraine. Zelikow (2025) argues that institutions like the Bank of England or World Bank could manage the fund, given past experience with similar arrangements, potentially issuing bonds backed by the assets to accelerate support.

Vlasyuk (2024) proposes a multilateral treaty among coalition states recognizing Russia's grave breaches of international law. This would provide a unified legal basis for transferring central bank assets to Ukraine via a compensation fund. National legislation would follow—similar to the U.S. REPO Act—tailored narrowly to address such violations. These laws should include safeguards, such as provisions to suspend asset seizure if hostilities end and reparations are paid.

Dixon et al. (2024) propose a "reparation loan" backed by Ukraine's reparations claims. The EU or G7 would lend to Ukraine, using these claims as collateral. If Russia fails to pay after a ruling by a UN-backed claims commission, the frozen assets could be seized. This approach aligns well with the requirement for reversibility in countermeasures and may also reassure financial markets.

Conclusions

In summary, compelling legal arguments support the transfer or confiscation of Russian state assets under international law. Meanwhile, fears of damaging economic consequences appear increasingly unfounded. Any meaningful support for Ukraine—whether through asset seizure or public borrowing—will carry financial implications. However, using Russian rather than

Western taxpayer resources is both morally and politically compelling.

What is now needed is coordinated political will and a practical, legally sound mechanism to operationalize asset transfers. With sound governance, such a step would not only finance Ukraine's recovery but reinforce the international legal order and deter future aggression. An arrangement that makes sure all resources go to Ukraine—and not toward covering losses incurred by supporting Western countries—should be prioritized.

References

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Anders Olofsgård

Stockholm Institute of transition Economics
anders.olofsgard@hhs.se
https://www.hhs.se/en/persons/o/olofsgard-anders/

Anders Olofsgård is currently Deputy Director at the Stockholm Institute of Transition Economics (SITE) and Associate Professor at the Stockholm School of Economics. Before that, he was Associate Professor at the Edmund A. Walsh School of Foreign Service, Georgetown University. He earned his Ph.D. in Economics from the Institute for International Economic Studies (IIES), at Stockholm University, in 2001. Olofgård's primary research areas are political economy, development and applied microeconomics, and he has published widely in both economics and political science journals. He has also been a visiting scholar at the research department of the IMF and done work for among others the World Bank, USAID and the Swedish Parliament.