

Russia Says West Acting Like 'Bandits' for Wanting to Use Its Frozen Assets to Fund Ukraine War

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**Ayse Suberker:** Hello and welcome to *Strait Talk*. I'm Ayse Suberker.

For more than a year, an estimated 300 billion dollars that belongs to Russia's central bank has been sitting in accounts frozen by the US and its allies. Immediately after Russia launched its attack on Ukraine, the US and several Western governments blocked Moscow from accessing those funds. Now debate is growing both in Washington and Brussels on what to do with that money.

Some US lawmakers are calling for it to be sent to Ukraine to fund its war against Russia. Since February last year, the US and its allies have allocated nearly 200 billion dollars in support for Ukraine, but more than 13 months into the war, concerns are growing about sustaining that level of support.

Taxpayers in the West already burdened by rising inflation have been pressuring lawmakers for relief. One US senator is working on a new bill that would allow President Joe Biden to seize Russian central bank assets and make them available to Ukraine. But, would that open up more legal and political problems, and what precedent would it set?

And to further discuss if the frozen Russian assets could be used to assist Ukraine, joining me now from Williamsburg, Virginia is Evan Criddle. He is a professor at William & Mary Law School.

And from Uppsala, Sweden, Gregory Simons. He is a researcher at The Institute for Russian and Eurasian Studies at Uppsala University.

Gentlemen welcome to *Strait Talk*. It's good to have you on the program.

So, Greg, is sending Russian central bank funds frozen by the West to Ukraine a real and a viable option?

**Gregory Simons:** Yeah, it's a very hazardous option. It's not a legal one, which is what the advisory arm has just said. And by doing so, I mean it undercuts the EU which continues to have this, uh, slogan that it is a rules -- that this not only rules-based but this law-based existence, which this is not lawful and there will be repercussions not only from breaking the precedent but also there will be reactions from Russia as well.

**Suberker:** So, I haven't, uh, would you agree? I mean what are some of the legal and political hurdles of sending 300 billion dollars of Russian government assets to Ukraine? Is that unlawful?

**Evan Criddle:** Well, I agree that it's unlawful currently. Under international law, states can freeze assets when a country like Russia engages in internationally unlawful activities such as military aggression, but seizing the assets and using them, uh, for purposes like the reconstruction of Ukraine is not permissible under international [law] currently. And I agree that it could have negative repercussions for international investment around the world.

**Suberker:** So Evan, what has led to this plan? Are Western governments worried about their domestic audiences when it comes to the billions of taxpayer dollars sent to Ukraine?

**Criddle:** Well, I think that there's, there are two things. First, it's going to take hundreds of billions of dollars to repair Ukraine after the war and so some estimates suggest it may be, uh, twice or three times the amount of the Russian, um, foreign Russian frozen assets. And so it's, it's natural to want to draw on Russian assets to provide for the reconstruction of Ukraine.

And second, there's just a desire to do something. I think, um, in the United States and in other countries, when we see the images on television of the destruction [in] Ukraine, and the suffering, there's a desire to provide some kind of assistance. And it's, it's natural to want to look to Russian assets to provide that assistance.

**Suberker:** So Greg, the European Union is, uh, looking at the possibility of investing the frozen Russian assets and sending the profits to Ukraine. Could that be a viable option, instead of sending the frozen money?

**Simons:** I think this is a dangerous precedent because it erodes the principle, and if you start eroding the principle then what do you have in terms of international law? It can be politically bent to the will [of] whoever holds the power. I mean if we're talking about, uh, doing this on this occasion, will the United States have its assets frozen because of what's been happening in Syria, Libya, Iraq, and so forth?

So, I mean, it opens so many cans of worms, which no one would really know... [unintelligible] I'll put it this way, would really want to open at this stage.

**Suberker:** So Evan, Ukraine has repeatedly asked to be given this frozen money saying it shouldn't have borrowed our money to fight a war that

protects democracy. So, should Ukraine be given the funds from a political and a moral standpoint?

**Criddle:** Well, I, I think that it's true that from a moral standpoint, Ukraine is entitled to reparations for the damage that Russia has caused. And so, governments that [have] frozen Russian assets should think carefully about how to prepare for the time when those assets might be used for Ukraine.

But, they have to do it in the right way, and under international law that would require negotiations with Russia, some kind of negotiated settlement, or the establishment of an international claims tribunal of some kind that could help to make those assets available.

Um so, I do think that it's appropriate for countries to continue to maintain the asset freezes until some kind of negotiated solution could be achieved. But the, the pressure that Ukraine is putting on countries to release the assets immediately, I do think that should be resisted, as Greg said, to maintain the international rule of law.

Ultimately, it will be the interests of the international community to do that, and I think it will be helpful for countries to make, maintain the moral high ground by continuing to adhere to international law and to send the message to Russia that the violations of international law won't be tolerated.

**Suberker:** So Greg, Moscow has reacted strongly to those plans, with Kremlin spokesman saying that the Western countries were acting like bandits for wanting to use frozen Russian assets in Ukraine. What could Russia do in retaliation if the West went ahead with this plan?

**Simons:** Well, it would be uncertain but I would almost be sure because, that they will take -- as the Russians put it -- a "symmetrical" response to that. So, I mean, that would place, or, uh, different kinds of assets and you don't know who's got different assets which can be subjected to equally dubious, uh, legal proceedings to seize them.

So, I mean, it's all going down a rather slippery slope once you start. And where it ends up, it's not going to be good for anyone at the end of the day. Because, I mean, the basis of what you determine to be "civilization" which is law will be compromised.

**Suberker:** So Evan, I mean, how concerned should central banks around the world be when it comes to using the US banking and financial system if Washington could freeze, uh, assets and use them however it wants?

**Criddle:** Well, I do think that there are a couple of serious concerns about a proposal like that from the central bank perspective. One is that you if you were to seize the assets, this is basically your one opportunity to do this because other countries will get the message that is no longer safe to plant their assets and U.S. denominated accounts or in Euro-denominated accounts.

And so, you'll find countries looking for other places to put their assets, and that means in the future when there are other conflicts, there won't be the opportunity to take a measure like freezing assets as a way of putting pressure on countries. And that will also hurt the, um, the position of the dollar and the Euro relative to other countries' currencies around the world. So that's something that I would think central bankers would be very hesitant to do so.

**Suberker:** Greg, I mean how would that add to the already rising trend of de-dollarization across the world? I mean, can't US lawmakers see the potential risks?

**Simons:** Well, politically they should, but I mean this is the problem. You're getting symbolic politics which is overriding common sense. They want to be seen to be doing something for the cameras, uh, and in doing so what they actually do is destroy their own security and potential foreign policy in the future. I mean as Evan has said, I mean, you set the precedent but the cost in doing so is going to be massively... This is not only financially, but this is reputational, uh, and so forth. So, it's going to be a cascading crisis which you initiate by doing something as short-sighted as this.

**Suberker:** So Evan, if the West went ahead, let's say, with this plan could trade arrangements with China and other countries in their local currencies offset, uh, Russia's losses?

**Criddle:** Oh, that's a good question. I, I don't see really opportunities for, for offset. Well, I could, I could imagine Russia looking to move assets into Chinese banks. We already see China attempting to set up an alternative to the, um, international financial banking system to provide kind of a rival power base relative to Western financial supremacy. And it's not hard to imagine that this facilitating that, or kind of furthering and advancing that trend toward, um, China trying to establish an alternative to the current global order.

**Suberker:** So Greg, um, what's the general mood in Europe? I mean, will European states be supportive of this US plan, and will they, uh, toe the US line?

**Simons:** I think there is a growing discrepancy between the public and mainstream politics. Uh, the public have had enough. I mean this is why, I mean, even though it's not shown in the news, you're getting massive protests, uh, in France, Germany, and so forth that's spreading. And people are sick of this war.

They are sick, also, perceiving that the US is using this situation to its advantage and throwing Europe under the bus. I mean, if we remember not so long ago, even the usually not-so-astute [von der Leyen?] said the US was de-industrializing Europe, uh, during this Ukraine crisis.

So I mean, there are a lot of costs and no benefits and so yeah, you get.. I think if anything, it is putting a lot of strain, uh, on the relationship with the US because although the political level they would prefer to go with what the US determines, the public are less and less inclined to do so. I mean, they feel as though costs have been enough. We've seen, uh, what Obama has said recently, that the Ukraine war does not affect the US at the moment, it does affect Europe.

**Suberker:** Yes, so um, Evan, given the rising inflation rates and since the war in Ukraine started, the US and its allies are allocated 200 billion dollars to Ukraine. So, for how long you think, uh, not the US maybe but some European countries continue to assist Ukraine and its war with Russia? I mean, is this an open-ended support?

**Criddle:** Well, the Biden administration is very committed to assisting Ukraine. There's a recognition that if there's not support for Ukraine in this instance, Russia's ambitions in the region, uh, were not going to be limited to Ukraine. And from the American perspective that is, is something that's just not tolerable. So as long as the Biden administration is in power, I think there will be a staunch commitment to Ukraine. And I think there's support on the other side of the aisle from Republicans.

But the question is, uh, as this war continues to drag on, uh, there may be a growing opposition from the more conservative end of our political spectrum and, um, we'll see. Especially with another presidential election approaching.

**Suberker:** I mean, it's at least, I mean, Russia seems ready for a prolonged war.

So, gentlemen, we'll have to leave it here. Thank you very much for joining me on Strait Talk.

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