

Funding the Future

Article URL

Published: January 12, 2026, 5:32 pm

There is well over \$200 billion of Russian money in Europe and the UK that could be used to help the Ukraine, but our politicians are reluctant to do that in case countries like China and Saudi Arabia then cease to use European banks. Are they right, or wrong?

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This is the transcript:

Can we use seized Russian assets to help Ukraine? This is a really important question at present, because the value of Russian assets that have been seized by Western governments now stand at approximately \$300 billion.

Let's explain what those assets are. When Putin invaded Ukraine, the Central Bank of Russia held considerable assets in the central banks of Europe, the UK, and to a very limited degree, the USA.

In Europe, the value of those assets is something like \$200 billion.

In the UK it's less. It's thought to be around \$20 billion.

And it's only around \$5 billion in the USA.

The balance of the funds come from Russian oligarchs who've also had their assets in Western Europe or the USA frozen as a consequence of their association with Putin and the war in Ukraine.

Add all that up and there's therefore \$300 billion largely sitting in bank accounts, although on occasions representing some other types of asset, like gold or ownership of some properties, but largely cash sitting in bank accounts that is doing nothing right now.

Now, since the time that Putin did invade Ukraine, which is only three years ago, around \$50 billion has been earned in various ways on those assets in Europe and other parts of the world. Now Europe, in particular, has decided that that income from those seized assets can be used to help Ukraine. So, loans are now being made to Ukraine to help it fund its war effort with both the interest on those loans plus the repayment of them being effectively made out of the income generated on the seized Russian assets held largely in European central banks in Belgium.

It so happens, I think that's perfectly fine, but the big question is the much bigger one. Are we able to seize the \$225 billion or so of assets that belong to the Russian government that are held in Western banks at present, but which could be absolutely fundamental to the cost of rebuilding Ukraine when and if the war in that country ceases, as eventually it must, because that cost of reconstruction is already estimated to be around \$400 billion, and these assets could make a substantial contribution towards the cost of that redevelopment when the time comes for them to be used.

Now, the arguments are really quite straightforward with regard to this, except for the ethics that are involved.

The legal argument is that we have decided we can freeze these assets.

We have decided that because of a state of war they have been frozen. They are now under the control of Western governments, and we could decide to maintain that situation, henceforth, and keep these assets and use them for relief in Ukraine that is required because of Russian action and nothing else.

It is legally possible to do that, so let's not beat around the bush. That option does exist, but there are counter arguments, and the counter arguments are much more subtle. They're also much more dangerous. Let's look at what they are.

The argument is that if we've seized the assets that belong to Russia, other states with dubious human rights records, or frankly a record of aggression on occasions, might not wish to bank in Europe or London, or in the USA, but let's leave the USA out of this at present because it's now frankly a state beyond the rule of law. Let's just think about

Europe and the UK as a consequence.

Would we wish to prejudice the right of banks in the UK to hold Chinese, Saudi, and other governments assets when we know the governments in question do very clearly have dubious human rights records. That is the question that is being asked.

And, at present, the bankers, and frankly, a great many politicians are saying, we mustn't prejudice the right of the City of London or the European banks to take deposits from anyone just because their money might be tainted by dubious human rights. We should respect the sovereign right of those countries to hold assets wherever they wish.

Is that the right argument? Are we putting, in effect, the right to hold property over the human rights of people who are abused, quite often to create the property that is being protected? That is the real question that is being posed by what we do with these funds.

After all, when it comes to their eventual use with regard to Russia and Ukraine, the question is, do we give them back to Russia who then uses them to oppress whatever part of Ukraine it might by then have kept, because it does seem likely that some territory will become Russia at the end of this conflict, or do we give all the funds to Ukraine so that it might rebuild those parts of its state that have been damaged by Russia and to try to rehabilitate those who have obviously suffered as a consequence of war? Do we prioritize, therefore, property rights over human rights?

I have no doubt which we should do. Of course, I am certain that human rights come first.

I'm certain that human rights also come first with regard to countries like China and Saudi and others as well.

Surely that has to be true. But our politicians aren't sure about that. They're okay about spending the interest earned on this money, but the actual sums that were seized - they seem to be decidedly reticent to use those monies for the benefit of the people of Ukraine or anywhere else, even though if they don't, the cost of that reconstruction might well fall in part upon the British taxpayer in the sense that we will have to forego something to ensure that that reconstruction is possible.

So, I question the judgment of politicians on this issue.

It's time we put people first and property second.

If we were to do that, Russia's money would be available to Ukraine, and in my opinion, that would be the right thing to do.