



By: The Editorial Board

Russia's assets open a new chapter in the fight for EU unity



When news emerged in Brussels in mid-November that the so-called '**Witkoff-Dmitriev plan**' was being considered in Washington, it immediately raised the question of whether this was a trial balloon or the first step towards a new approach to the war in Ukraine.

It was neither an official White House proposal nor a formal plan of the US administration, but it was serious enough for the EU to realise that the moment was approaching when Washington would try to take the initiative on an issue that European leaders had not considered politically urgent until recently: the fate of frozen Russian state assets.

The document envisages the creation of an American fund in which about 100 billion dollars of **frozen Russian assets** would be invested.

The fund would finance the reconstruction of Ukraine, but on the condition that part of the profit would go to the US, while the remaining funds would be gradually "restituted" to Russia through joint projects.

In other words, Washington would manage Russian money on behalf of Ukraine, and Moscow would, in the long term, retain partial control over its capital.

For the EU, this document was an alarm. Not because it was an official American proposal, but because it raised an issue that Brussels controls.

Almost 85 per cent of Russian central banking assets frozen in the West are located on EU territory, primarily in Belgium, in the Euroclear system.

If the US were to take the leading role, Europe would remain a statistical partner in a process in which it holds the largest stake.

A politically and legally complex idea

That moment changed the European position.

For months, key member states had delayed a decision on the use of Russian capital, limiting themselves exclusively to the use of income from frozen assets – interest, reinvested profits, and technical returns generated by Russian foreign exchange reserves.

But after the "Witkoff-Dmitriev plan" began to circulate, it became clear that stalling was no longer an option. If the EU does not define its own model, someone else will do it for them.

That is why there was an acceleration in Brussels. Until then, there had only been a decision to redirect about 90 per cent of the income from frozen assets to the **European Peace Facility** (EPF, the EU instrument for financing military support to Ukraine), with the remainder going to the Ukrainian budget.

Ukraine would repay the debt only when Russia pays war reparations

That mechanism became operational in 2024 and generated billions of euros. However, it was a limited and temporary approach. It did not match the scale of Ukraine's needs, nor could it serve as a foundation for more than one or two years.

Therefore, at the end of September, the European Commission presented the concept of a **reparation loan** of around 140 billion euros.

The idea was simple in form but politically and legally complex: the EU would issue bonds equivalent to the amount of frozen Russian assets, pay the money to Ukraine as an interest-free loan, and keep the Russian funds locked as collateral.

Ukraine would repay the debt only when Russia pays war reparations. If this does not occur, the debt would remain inactive, with no repayment obligation.

This does not affect the formal ownership of the Russian Federation over the frozen assets, but their economic value is used to finance the

victim of aggression.

Geopolitical interests above legal perfectionism

Brussels recognised that this model was risky. Belgium immediately contested it. As the country hosting the most sensitive segment of Russian assets, Belgium warned that such a move could lead to lawsuits before European courts, international arbitrations, and potential countermeasures by Moscow.

Belgian Prime Minister Bart De Wever sent Ursula von der Leyen a letter expressing his open opposition. He warned that the EU risks undermining confidence in the European financial market if it appears that the property of sovereign states can be used without a peace agreement or ruling.

He also underscored the unequal distribution of risks, with Belgium bearing the majority due to its jurisdiction over Russian assets. If lawsuits begin, they will affect Belgium first.

Although Belgium and several other countries warned of the legal fragility of the model, the political dynamic shifted precisely because of American pressure, even when it was informal.

European leaders have concluded that it is better for the EU to define the mechanism itself than to allow a scenario in which the US becomes the key arbiter of the use of funds physically located in Europe.

Friedrich Merz's government declared that the EU must take the financial initiative regarding Ukraine, without waiting for Washington

Especially since the alternative would not only mean a loss of political control but also a serious risk that the American administration, under strong domestic pressure, might offer Moscow financial concessions that would weaken the European position.

At that point, Germany made an unexpected political turn. Friedrich Merz's government declared that the EU must take the financial initiative regarding Ukraine, without waiting for Washington.

Merz has publicly supported a model that uses frozen Russian assets as collateral for European bonds, emphasising that this does not deprive Russia of formal ownership but at the same time relieves European taxpayers.

Unlike earlier German policy, which focused on strict adherence to legal constraints, the new approach placed geopolitical interests above legal perfectionism.

France has followed a similar logic, not because it is fully convinced that the "reparation loan" is legally unquestionable, but because it believes the EU cannot remain passive while the US establishes its own framework.

Paris believes that such a development would mean the political marginalisation of Europe in a matter that concerns its immediate security environment.

In Eastern Europe, the dilemma does not exist: the Baltic states, Poland, and Finland openly welcome any model that financially punishes Russia. For them, the legal risk is an acceptable price.

In Brussels, this is often described as the "moral weight" behind the political pressures of these states – they insist that the aggressor must bear the consequences now, not at a hypothetical post-war moment that is politically uncertain.

No other realistic alternative

The EU therefore finds itself between several conflicting demands. Belgium and the Nordic countries seek legal guarantees. Eastern Europe wants speed. France and Germany want political control of the process.

Ukraine needs money and weapons now, as it

will require budgetary and defence stability for the next two years.

The US shows a clear intention not to leave Europe an exclusive role in the reconstruction of Ukraine and the management of Russian assets.

Amid this combination of internal and external pressures, a new European framework is emerging. The Commission will complete a draft legal document outlining the reparation loan plan in November.

The text has safety measures to calm those who are doubtful: a fund for legal expenses, shared guarantees from member countries if the EU loses a case, and a way to automatically pause the programme if international courts decide that the property can't be used at all.

Ukraine welcomes this development as crucial for its financial stability

Also under consideration is a move to qualified majority voting when extending sanctions against Russia – a step that would prevent Hungary from blocking the process every six months.

Ukraine welcomes this development as crucial for its financial stability. Kyiv has long argued that it is morally unacceptable for the West to allocate tens of billions each year while Russian reserves remain unused.

The **IMF** also considers this model viable – not because it sees it as perfect, but because there is currently no other realistic alternative to cover Ukraine's budget gap.

A model that is not perfect but sustainable

Russia, as expected, threatens countermeasures. Moscow calls the EU document a "robbery", provides scope for legal proceedings, and warns that Western assets

will not be protected in Russia.

However, this argument has limited reach, as Russian aggression has already set a precedent that has changed the boundaries of international law.



The "Witkoff-Dmitriev plan", although not an official US document, accelerated European decisions – Steve Witkoff

In response, the EU emphasises that Russia can recover funds only by paying war reparations to Ukraine.

In practice, the key factor is no longer just what is legally possible but what is politically acceptable. The EU is operating in a space where it must combine geopolitical necessity, minimum legal standards, and internal unity.

The "Witkoff-Dmitriev plan", although not an official US document, accelerated European decisions because it demonstrated what Brussels knew but did not want to admit: if the EU did not lead the process, others would take over.

This moment is therefore a turning point for Europe. The EU did not decide on confiscation because it knows that is legally difficult to defend. Instead, it chose a model that combines political initiative, financial urgency, and legal flexibility.

It is not perfect, but it is sustainable. More importantly, it represents the first serious attempt to make the aggressor face the financial consequences of its actions.

How this model develops will depend on two factors: the EU's ability to maintain unity and

the US's ability to respect European political initiative.

From the moment the "leak" of the American proposal reached European capitals, the EU ceased its passive role in matters involving Russian assets.

It became an actor – not because it wanted to, but because it realised that this was the only way to control the process shaping the financial and political landscape after the war in Ukraine.