

Divergent Approaches, Shared Goals? Comparing US and EU Sanctions Strategies Against Russia Across Energy, Finance, and Frozen Assets (2022-2025).

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Abstract

This paper asks whether the United States and the European Union, despite divergent economic exposure and institutional design, can sustain a coherent sanctions strategy toward Russia, and how that divergence shapes the regime's effectiveness. It proceeds through a structured comparison across three policy domains—energy, finance, and immobilized sovereign assets—drawing on the literatures on economic statecraft, energy security, and financial-network theory, and on transaction-level, macroeconomic, and legal evidence from 2022 to early 2026. The analysis finds, first, that the United States' position as a net energy exporter enabled rapid embargoes, whereas the EU's import dependence produced a slower, phased decoupling. Second, US financial measures operated extraterritorially through dollar centrality and centralized OFAC enforcement, while the EU relied on regulatory jurisdiction over SWIFT but enforced through fragmented national authorities; a Gazprombank carve-out preserved the energy-export inflows that offset the intended balance-of-payments shock. Third, in the dispute over frozen assets, EU custodial institutions bear the legal and retaliatory exposure that the United States advocates from a position of relative insulation. The findings indicate that the regime's effectiveness is constrained less by the design of individual measures than by uneven enforcement and an asymmetric distribution of risk; absent institutionalized burden-sharing, its durability and credibility are likely to weaken.

Keywords: economic statecraft; financial sanctions; transatlantic coordination (US–EU); energy dependence and security; SWIFT and financial-infrastructure fragmentation; immobilized sovereign assets; sanctions enforcement and burden-sharin

Introduction

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Chronological and Historical Context

The regime did not begin in 2022, when Russia first invaded Ukraine on February 24 of that year. The first US and EU sanctions on Russia date to the 2014 Crimea annexation, Russia's military invasion and illegal seizure of the Crimean Peninsula from Ukraine. The move was immediately condemned by the UN General Assembly and led to travel bans and the freezing of assets on Russian officials. February 2022 triggered an unprecedented level of G7 coordination, where 11 EU packages were issued in 18 months, SWIFT bans were issued, and the Russian Central Bank's foreign reserves and energy embargoes were frozen. 2024 continued this pace, as the shadow fleet problem was introduced to center stage; the first use of frozen asset windfall profits were used toward reconstruction of Ukraine and over 600 vessels were identified as circumventing sanctions. In 2025, the EU issued four more packages independently, and in a shocking move, the US diverged sharply on the oil price cap in July. In October, after a failed Budapest summit, the Trump administration issued its first major escalation of energy sanctions, severely tightening the blockade on entities like Rosneft and Lukoil. Ultimately, the bottom line remains that Russia is the most sanctioned country in world history, with \$450 billion in Russian assets denied, 19 EU packages, 16,000+ entity designations.

Energy Divergence

Both the EU and US agree on a ban on imports of Russian oil and petroleum, with the US extending that to liquified natural gas (LNG) and coal as well. Both also support the G7 oil price cap as a way to limit revenue available for Russia's military efforts. However, the divergence stems from the approach towards specific policy sanctions.

The EU responded to Russia by applying economic pressure while avoiding a total energy collapse at home. As Europe is structurally dependent on Russian imports, the sanctions unfolded in deliberate stages. The EU's sanctions campaign against Russian energy exports proceeded in stages calibrated to market substitutability. The prohibition on Russian coal imports, enacted in August 2022, represented the initial and comparatively tractable measure: given the global liquidity of coal markets, European utilities were able to pivot to alternative suppliers in Australia and South Africa without severe supply disruption. This sequencing was deliberate. Having established the

precedent of energy-sector sanctions, the EU subsequently advanced to more consequential interventions—an embargo on seaborne Russian crude oil, followed by restrictions on refined petroleum products, most notably diesel.

On the other hand, the United States had the resources and geographical separation to act much swifter, as the country is less constrained by domestic energy vulnerability. The United States, as the world's largest producer of oil and gas, occupied a structurally distinct position within the sanctions coalition. Its relatively limited dependence on Russian energy imports rendered an early and comprehensive import ban—encompassing crude oil, liquefied natural gas, and coal, enacted in March 2022—politically and economically viable in a way that proved far more difficult for European partners. The domestic adjustment costs were, by comparison, modest.

Beyond its own import regime, the United States assumed a coordinating role within the G7 price cap mechanism, functioning as a stabilizing force in the broader architecture of multilateral sanctions. The animating logic of this intervention was to depress Russian export revenues without triggering a contraction in global supply severe enough to produce an international economic shock; a balance between coercive pressure on Moscow and the preservation of market stability that required sustained diplomatic management across coalition partners.

Financial and Economic Divergence

For the United States, sanctions against Russia represent a continuation of a long-standing foreign policy approach that relies heavily on economic pressure to advance strategic interests abroad. Since the end of the Cold War, Washington has increasingly used financial sanctions as a primary tool of coercive diplomacy. The dominance of the U.S. dollar in global trade and finance gives the United States unique leverage to restrict access to international capital markets, payment systems, and financial institutions. As a result, U.S. sanctions policy often focuses on isolating adversaries from the global financial system in order to constrain their economic capacity and political influence. In the case of Russia, the United States framed sanctions not only as punishment for the invasion of Ukraine but also as a broader effort to signal that violations of territorial sovereignty would carry severe economic consequences.

The European Union shares the goal of pressuring Russia to end its aggression, but its approach is shaped by a distinct set of constraints and priorities. Unlike the United States, the EU has historically maintained extensive economic ties with Russia, particularly in the energy sector.

Prior to the invasion, Russia supplied roughly 40 percent of the European Union's natural gas imports, creating a level of economic interdependence that complicated the

immediate adoption of sweeping sanctions. Furthermore, the EU must coordinate policy among twenty-seven member states with varying levels of reliance on Russian energy and differing domestic political considerations. As a result, European sanctions policy often reflects a balance between maintaining political unity within the bloc and gradually reducing economic dependence on Russia.

Shared Objectives

Despite these structural differences, the United States and the European Union ultimately converged around several shared strategic objectives. Both actors sought to weaken Russia's ability to finance the war effort, restrict access to advanced technologies, and demonstrate collective support for Ukraine's sovereignty. Coordination between Washington and Brussels also served an important signaling function, illustrating that democratic economies were willing to act collectively in response to violations of international law. The alignment of sanctions policies across the transatlantic alliance helped amplify their economic impact, particularly in restricting Russian access to global capital markets and limiting the country's ability to import critical industrial components.

However, the similarities between U.S. and EU objectives should not obscure the underlying differences in how each actor conceptualizes sanctions as a policy instrument. For the United States, sanctions are frequently deployed as a rapid and unilateral mechanism of coercion that leverages the centrality of the dollar and the reach of U.S. financial institutions. The European Union, by contrast, tends to adopt sanctions through negotiated consensus, which can slow implementation but also reflects the bloc's institutional commitment to collective decision-making. These contrasting approaches influence not only the pace at which sanctions are introduced, but also the sectors that are prioritized and the legal frameworks used to enforce them. These differences become particularly visible when examining the evolving balance of power between the United States and the European Union within the global economy. Although both actors possess significant economic influence, the United States maintains structural advantages through the dominance of the dollar, the scale of its financial markets, and its ability to impose secondary sanctions on entities that conduct business with sanctioned actors. The European Union, while representing one of the world's largest economic blocs, often relies more heavily on regulatory coordination and trade policy rather than the extraterritorial reach that characterizes U.S. sanctions enforcement. Consequently, the transatlantic sanctions regime reflects not only shared strategic goals but also an asymmetry in financial power that shapes how sanctions are negotiated, implemented, and enforced.

The asymmetry in financial power matters here, too. The United States can project sanctions force through global banking networks and dollar-clearing systems in ways the EU simply cannot replicate. The EU's leverage is more narrowly tied to its regulatory authority and its weight as a trading partner. Together, these complementary but unequal forms of economic power form the architecture of the transatlantic sanctions regime, and understanding that architecture is essential before turning to how each actor has applied it in practice.

Energy

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Scope and framing

This section examines how different levels of dependence on imported fossil fuels shaped European Union (EU) and United States (US) sanctions strategies against Russia from 2022 to 2025. Within the broader paper's focus on transatlantic coordination across energy, finance, and frozen assets, this part centers specifically on energy sanctions. Russia's invasion of Ukraine triggered unprecedented measures, including the EU's coal ban in August 2022, embargoes on seaborne crude oil and refined products, and participation in the G7 oil price cap. The US supported these policies but was far less constrained by domestic energy security. Having become a net exporter of primary energy in 2019, the US exported 27.5 quadrillion BTU in 2022 and maintained positive net exports thereafter. By contrast, the EU remained highly import-dependent: in 2023 it imported 94.9 percent of the oil it consumed and 90 percent of its natural gas, while its overall energy import dependency ratio stood at 58.4 percent. This asymmetry meant that EU sanctions had to balance geopolitical goals with supply security, whereas the US could act more aggressively with fewer domestic risks.

The core questions in this section are how energy dependence should be defined and measured, how it varies across countries, and how it influenced the design, timing, and effectiveness of sanctions. The discussion moves from conceptual frameworks of dependence, vulnerability, and interdependence to competing measurement strategies and then to empirical findings on sanctions, market adjustment, and diversification. Throughout, "dependence levels" are treated as more than simple import volumes. They also include supplier concentration, infrastructure lock-in, storage capacity, elasticity of demand, and the availability of substitutes. Together, these factors shape bargaining power, sanction compliance, and long-term energy strategy.

Conceptual foundations: dependence, vulnerability, and interdependence

Energy dependence is usually defined as the share of domestic energy consumption supplied by imports. Eurostat measures this through the energy import dependency rate, calculated as net imports divided by gross available energy. For the EU, this figure has generally remained between 56 and 60 percent since 2000, peaking at 62.5 percent in 2022 before falling to 58.4 percent in 2023. Fuel-specific dependence is even starker: in 2023, imported oil and gas accounted for more than 90 percent of EU consumption. These figures reveal exposure, but dependence alone does not capture vulnerability.

Vulnerability refers to the risk of disruption and the capacity to absorb or adapt to it. The International Energy Agency's MOSES framework, for example, combines risk and resilience indicators such as import concentration, fuel diversity, stockholding, and

demand elasticity.

Guarascio and colleagues similarly emphasize multiple dimensions, including energy availability, supplier diversification, technological efficiency, reliability, energy intensity, and investment. Sovacool and Mukherjee's influential framework broadens the concept further by identifying five pillars of energy security: availability, affordability, technological development, sustainability, and regulation. Their point is clear: no single indicator can adequately describe energy security.

Dependence also has to be understood as part of interdependence. Importers depend on exporters for supply, but exporters depend on buyers for revenue. Before 2022, the EU's dependence on Russian gas and oil created a relationship of mutual dependence that Russia sought to weaponize. Yet the political significance of dependence depends on market structure. High dependence on a diversified set of suppliers is less dangerous than moderate dependence on a dominant one. Domestic politics matter as well, because industries and households benefiting from cheap imports often resist abrupt supply cuts. Batzella shows that EU member states with stronger commercial ties to Russian energy often pushed to weaken or delay sanctions. Broader frameworks such as the Energy Sovereignty Index make a similar point by incorporating independence, cleanness, efficiency, and policy narrative. These approaches show that energy dependence is not just about imports, but about resilience, institutions, and political choices.

Measurement and operationalisation

The most basic measure of dependence is the import dependency ratio, but this alone misses supplier concentration and substitutability. To account for concentration, many scholars use the Herfindahl–Hirschman Index (HHI). Guarascio and colleagues combine import dependence and supplier concentration into an Energy Import Vulnerability (EIV) index, which identifies states that are both highly reliant on outside energy and exposed to a narrow supplier base. Countries such as Lithuania, Slovakia, and Hungary score highly because of their strong reliance on Russian supplies and limited alternatives.

Other indices aim to capture energy security more broadly. Streimikiene and co-authors develop an energy diversification and security index for EU regions, while Kanchana and Unesaki use 42 indicators to compare ASEAN states across energy balance, domestic resources, overseas demand, and diversification. Shen and colleagues create an Energy Transition Vulnerability Index for 135 countries, measuring exposure, sensitivity, and adaptive capacity in the move away from fossil fuels. At the policy level, the European Council on Foreign Relations' Energy Sovereignty Index scores EU countries on independence, cleanness, efficiency, and narrative, finding that the EU's average independence score remains weak despite strong performance on

renewables.

Operationalising dependence also requires attention to physical and institutional constraints. Pipeline and LNG infrastructure, interconnector capacity, storage levels, and the possibility of fuel switching shape how states respond to shocks. Demand elasticity matters because countries that can reduce or substitute consumption more easily are less vulnerable. Mikulska argues that Europe's energy security rests not just on availability, but also on accessibility, affordability, and acceptability. This means that quantitative measures work best when paired with qualitative analysis of infrastructure and political capacity.

Empirical findings and debates

The literature broadly agrees that EU dependence on Russian fossil fuels constrained sanctions. Before the invasion, Russia supplied roughly one-quarter of EU crude oil imports and around 40 percent of diesel. After 2022, the EU moved quickly on coal, then phased in embargoes on seaborne crude oil and refined products. Russian crude's share of EU imports fell sharply, and Russian gas imports declined substantially, though not fully or permanently. Norway became the EU's largest gas supplier, while the US emerged as the leading LNG provider. REPowerEU set the goal of eliminating Russian fossil fuel imports entirely by 2027 or 2028, reflecting both progress and the persistence of vulnerability.

Because of this dependence, EU sanctions were slower, more negotiated, and more limited than those of the US. Batzella shows that countries such as Germany, Hungary, and Slovakia sought exemptions, transition periods, and softer measures to reduce domestic disruption.

Lower-dependence states such as Poland and the Baltic countries favored harsher sanctions. The EU's unanimity rule amplified these divisions, producing gradual and compromise-based policies. The US, by contrast, was able to ban Russian oil, LNG, and coal imports quickly in March 2022 because its own energy position was secure.

There is also debate over which measures hurt Russia most. Spiro, Wachtmeister, and Gars argue that the EU embargo likely had a stronger effect than the G7 oil price cap, which often functioned more as a transport and compliance constraint than a truly binding ceiling. Ribakova, Hilgenstock, and Wolff similarly contend that the cap worked only imperfectly because it was set too high and enforcement remained weak. Still, the combined effect of embargoes and the cap reduced Russian revenues and forced expensive trade rerouting. Russia adapted through a "shadow fleet," third-country intermediaries, and non-Western shipping networks, which shows both the effectiveness and the limits of sanctions when enforcement is uneven.

Cross-country evidence reinforces the broader pattern: the more dependent a state is, especially on a concentrated supplier, the more cautious it tends to be about sanctions.

Finland, with more diversified supply and stronger renewable investment, could support tougher measures more easily than highly vulnerable states. These patterns show that dependence affects not only exposure to disruption but also political willingness to bear the costs of coercive policy.

Theoretical Framework

1. Economic Statecraft and Financial Coercion

The analytical foundation for understanding financial sanctions as a policy instrument is the literature on economic statecraft – the use of economic instruments to achieve foreign policy objectives. Within that literature, financial sanctions occupy a specific position: unlike trade restrictions, which operate through the flow of goods, financial sanctions target the infrastructure through which economic actors access capital, conduct transactions, and store value. Cipriani, Goldberg, and La Spada (2023) provide the most rigorous theoretical framework for understanding why this distinction matters: financial infrastructure – and SWIFT in particular – exhibits strong network properties, meaning that its value as a coordination mechanism derives from near-universal participation. SWIFT connected over 11,000 financial institutions across more than 200 jurisdictions as of 2022, processing an average of 42 million messages per day (SWIFT Annual Report, 2022). Weaponising it therefore carries systemic risks that no bilateral trade restriction does, because exclusion from a near-universal network node is qualitatively different from the loss of any individual trading relationship.

Itskhoki and Ribakova (2024) provide the macroeconomic theoretical framework most directly applicable to the Russia case: the "sudden stop" model, in which the simultaneous denial of external financing, reserve access, and capital market participation is designed to trigger a balance-of-payments crisis sufficient to make continued war-financing fiscally untenable. Their contribution is to show that the effectiveness of this strategy is conditional on the target's current account position – a finding with direct empirical implications for the Russia case, where a commodity-export surplus proved capable of offsetting the capital account shock that the sudden stop strategy was designed to deliver. Russia's current account surplus reached approximately \$233 billion in 2022 – the highest on record – driven by elevated energy prices and compressed imports rather than economic dynamism (IMF World Economic Outlook, 2023).

2. Institutional Divergence: Centralisation versus Fragmentation

The theoretical lens most directly applicable to the comparative EU–US question is institutional divergence. The US sanctions system is built around OFAC, operating under statutory authority delegated by Congress through IEEPA the International Emergency Economic Powers Act (IEEPA). This architecture produces a specific institutional profile: rapid decision-making, uniform enforcement, and the credibility that

comes from a well-established precedent of large-scale penalties. In FY2023 alone, OFAC collected over \$1.5 billion in civil monetary penalties, sustaining deterrence through consistent enforcement (OFAC Annual Report, 2023). The EU, by contrast, operates through a multi-level governance structure in which Common Foreign and Security Policy (CFSP) decisions requiring unanimity among 27 member states set the political framework, with over 160 designated competent authorities across member states carrying out enforcement. Immenkamp (2024) documents the consequences: a "mosaic of practices" generating regulatory arbitrage within the single market itself. The European Commission's own assessment of the sanctions framework acknowledged that inconsistent implementation across member states had created "practical confusion and contradictory legal interpretations" that undermined the uniform application of key provisions.

Legal and Institutional Design: EU versus US

1. The United States: Centralised Enforcement and Executive Flexibility

The US financial sanctions architecture rests on three institutional pillars producing its characteristic profile of speed, uniformity, and extraterritorial reach. OFAC functions as a single federal enforcement authority with the power to designate entities, issue licences, and impose civil and criminal penalties. The IEEPA framework enables the President to impose sanctions by executive order without congressional approval, which allowed the Biden administration to deploy sweeping financial restrictions within hours of the invasion. By March 2022, US sanctions covered approximately 80% of Russian banking sector assets (Nelson, CRS IF12062, 2023). The enforcement credibility of this system is sustained by a track record of massive penalties: BNP Paribas paid \$9 billion in 2015 for sanctions violations, and OFAC's total enforcement actions against financial institutions between 2009 and 2023 exceeded \$6 billion – a deterrent infrastructure with no European equivalent.

2. The European Union: Consensus-Driven Legitimacy at the Cost of Speed

The EU's sanctions architecture reflects the constitutional reality of a supranational organisation built on member state consent. CFSP decisions require unanimity among all 27 member states under Article 31 TEU – a requirement that introduces a structural veto, as Hungary's repeated delays to successive sanctions packages demonstrated. By February 2024, the EU had adopted thirteen packages of sanctions against Russia, each requiring new unanimous political agreement (European Council, 2024). The Commission's own evaluation showed that the time elapsed between identifying a sanctions gap and its legislative closure averaged several months – a structural delay

with no equivalent in the OFAC designation process, which can be completed within days.

The EU controls one instrument unavailable to the US: legal jurisdiction over SWIFT as a Belgian-registered entity under EU corporate law, which made the EU the formal initiator of the disconnection that the US had no direct authority to mandate. The EU responded to its institutional weaknesses through a series of legislative adaptations: the November 2022 Council decision classifying sanctions violations as EU crimes under Article 83(1) TFEU; the directive on harmonised criminal penalties reaching provisional agreement in February 2024; and the appointment of a dedicated sanctions envoy. The EU's 13th sanctions package (February 2024) for the first time included direct listings of Chinese companies supplying dual-use components for Russian military systems – a significant escalation of the anti-circumvention architecture that had previously targeted only Russian and non-G7 entities (European Commission, 2024).

SWIFT and Financial Infrastructure Measures

1. Coordination Without Identity

The SWIFT disconnection of February 2022 stands out within the financial sanctions architecture less for its absolute novelty than for its scale and the unusual conditions under which it was agreed. SWIFT had previously been used as an instrument of state pressure - most notably against Iranian banks in 2012 and 2018 under EU regulatory action coordinated with US designation pressure - and partial measures had also been applied to North Korea. What distinguished the 2022 case was the speed of decision, the size of the targeted economy, and the explicitly joint character of the political agreement underpinning it. The decision did not originate as a unilateral EU regulatory action subsequently endorsed by Washington. As reporting on the coordination process conducted by then-Canadian Foreign Minister Chrystia Freeland documented, the SWIFT disconnection was the product of intensive multilateral negotiation among the US, EU, UK, and Canada in the days immediately following the invasion - a process that overcame initial European reservations, particularly from Germany and Italy, regarding the speed and scope of disconnection. The measure was therefore jointly agreed at the political level even though its legal implementation depended on EU jurisdiction over SWIFT as a Belgian-registered entity.

This division of authority reflected a deeper structural reality about how each actor exercises financial leverage. The two approaches diverged significantly in both design and execution, and understanding that divergence is essential to understanding why the coordinated measure was as effective as it was. The US leverage operates through the

dollar's global role: since the BIS Triennial Survey (2022) documents dollar involvement in 88% of all foreign exchange transactions, restricting US correspondent banks from processing payments involving sanctioned Russian entities effectively cuts off dollar access for any institution in any jurisdiction. The EU's leverage operates differently - through legal jurisdiction over SWIFT itself as a Belgian-registered entity under European corporate law, an instrument of regulatory authority rather than monetary power. As Cipriani et al. (2023) theorise, SWIFT controls the messaging layer through which payment instructions are authenticated and transmitted, while dollar-clearing controls the settlement layer through which transactions are actually completed. These are complementary infrastructures, not interchangeable ones: messaging without settlement and settlement without messaging are both operationally insufficient for international finance. Disrupting both simultaneously, on the basis of jointly negotiated political commitment rather than unilateral action by either side, produced a more complete severance than either measure alone could have achieved.

Drott's (2024) TARGET2 analysis provides the empirical confirmation of what this severance produced in practice. His transaction-level data show that the volume of cross-border payments processed by sanctioned Russian banks through European payment infrastructure fell by over 90% within weeks of the disconnection. The number of active counterparty relationships maintained by sanctioned Russian banks in TARGET2 declined from an average of approximately 340 per institution in January 2022 to fewer than 30 by April 2022. The significance of this collapse becomes clear only when the function of correspondent banking is understood: international payments do not move directly from a payer's bank to a payee's bank, but rather through a chain of correspondent relationships in which intermediary banks hold accounts for one another and settle transactions on behalf of clients without their own direct presence in the relevant jurisdiction. Without a network of correspondent banks willing to receive, route, and settle payments, an institution cannot meaningfully participate in cross-border finance regardless of its formal legal status. The contraction from 340 to fewer than 30 active relationships per sanctioned Russian institution therefore represents not a reduction in activity but a near-total severing of the institutional infrastructure through which international payment activity is operationally possible.

The ECB's own analysis of payment flows after February 2022 corroborates this picture from the European side: Russian banks' access to euro-denominated clearing declined by approximately 95% in the first quarter of 2022, driven partly by the SWIFT disconnection and partly by voluntary de-risking by European correspondent banks anticipating further regulatory action (ECB Financial Stability Review, May 2022). Complementary evidence from the foreign exchange market reinforces the magnitude of the immediate shock: the ruble lost approximately 40% of its value against the dollar

within two weeks of the disconnection, the Moscow Exchange suspended trading for the longest period in its history, and the Bank of Russia raised its policy rate from 9.5% to 20% on 28 February 2022 in an emergency move designed to prevent a full collapse of the domestic financial system.

2. Divergent Mechanisms, Shared Structural Gap

For all the operational severity of the coordinated disconnection, both systems shared the same critical structural gap: Gazprombank. Deliberately excluded from SWIFT restrictions until late 2024 to preserve European energy payment channels, Gazprombank processed energy payments throughout the entire period during which every other major Russian bank had been cut off. The European Commission's own data show that EU gas imports from Russia, while declining from over 40% of total EU gas imports in 2021 to approximately 15% by late 2023, continued to flow through payment channels that the sanctions architecture had deliberately preserved (European Commission, Energy Statistics, 2024).

Understanding why this carve-out mattered so much requires distinguishing between two components of Russia's balance of payments. The current account records flows from trade and services - most importantly for Russia, revenues from energy exports - and represents the inflow of foreign currency earned through ongoing economic activity. The capital account records cross-border flows of financial assets, including foreign investment, lending, and reserve management. The 2022 sanctions architecture was designed to administer simultaneous shocks to both: the freeze on central bank reserves, the prohibition on sovereign debt payments, the exclusion from international capital markets, and the disconnection of most Russian banks from SWIFT all targeted the capital account. The intended logic, as Itskhoki and Ribakova (2024) make explicit in their "sudden stop" framework, was that simultaneous denial of external financing across both accounts would generate a balance-of-payments crisis acute enough to make continued war-financing fiscally untenable.

Preserving the Gazprombank channel broke that logic. Energy export revenues - by far the largest component of Russia's current account - continued to flow into the country through a sanctioned-adjacent payment institution, generating the largest current account surplus on record at approximately \$233 billion in 2022 (IMF World Economic Outlook, 2023). That surplus did not merely soften the impact of capital account restrictions; it provided Russia with the hard currency inflows necessary to finance imports, defend the ruble, and accumulate reserves in non-sanctioning jurisdictions even as the capital account was being shut down. Hasib (2022) identifies the Gazprombank carve-out as the single most consequential limitation on the measures' immediate impact, and the Economics Observatory (2025) confirms the structural

consequence: the channel preserved precisely the source of foreign exchange most critical to Russia's war-financing capacity, neutralising on the current-account side the pressure that the rest of the sanctions architecture was simultaneously generating on the capital-account side. The Gazprombank exemption was not, in this sense, a marginal carve-out - it was the structural feature that explains why the financial sanctions failed to produce the balance-of-payments crisis they were designed to trigger.

Economic Effects: A Comparative Perspective

1. US Effects: Systemic Reach Through Dollar Infrastructure

The economic effects of US financial sanctions operated primarily through the dollar's structural centrality to global finance. By restricting US correspondent banks from processing transactions involving sanctioned Russian entities, Washington effectively denied those institutions access to the global dollar-clearing infrastructure regardless of where their counterparties were located.

The sovereign debt prohibition precipitated Russia's first sovereign default since 1918 in June 2022 (Nelson, CRS IF12062, 2023), cutting Russia off from international capital markets. The IMF estimated that Russia's gross external financing needs for 2022–2023, previously met partly through capital market access, had to be met entirely through current account surpluses and drawdowns of accessible reserves – a structural reorientation whose fiscal costs the IMF Article IV Consultation for Russia (2023) estimated at approximately 3-4% of GDP annually relative to pre-war baseline projections.

The US additionally restricted Russia's access to IMF Special Drawing Rights through legislation (P.L. 117-185), leveraging Washington's structural position within the Bretton Woods system to deny Russia access to emergency multilateral liquidity facilities. The IMF confirmed in its 2022 Annual Report that Russia's drawing rights had been effectively suspended – an instrument structurally unavailable to the EU, which holds no quota and exercises no vote at the Fund. The broader policy question regarding the use of this institutional leverage in the context of reconstruction financing is addressed in the frozen assets section of this work.

2. EU Effects: Regional Depth Through Trade and Banking Exposure

The EU's financial sanctions effects were channelled primarily through its role as Russia's largest pre-war trading partner. EU–Russia bilateral trade reached approximately €257 billion in 2021 (Eurostat, 2022). Export and import restrictions introduced between February 2022 and February 2024 covered more than 54% of this

pre-war trade volume, with the European Commission estimating the total value of export restrictions at €48 billion and import bans at an additional €91 billion (Immenkamp, EPRS, 2024). European banks' direct exposure to Russia was also substantially larger than that of US institutions: ECB supervisory data show that significant European institutions held approximately €84 billion in Russian exposures at the start of 2022, compared to roughly \$14 billion for US bank holding companies (ECB Supervisory Banking Statistics, Q1 2022; Federal Reserve Financial Accounts, 2022). This differential exposure meant that the EU's financial sanctions carried a form of economic depth that US measures lacked - they disrupted relationships genuinely material to European financial institutions, at costs that European economies bore directly. European countries spent between 1% and 7% of GDP shielding consumers and firms from rising energy costs caused in part by building new energy security infrastructure (Nelson, CRS IF12092, 2025).

Huynh, Hoang, and Ongena (2025) document the firm-level transmission: sanctioned Russian firms experienced sharp declines in investment and R&D spending, with non-energy firms suffering disproportionately. Capital expenditure among non-energy sanctioned firms fell by an estimated 30–40% in the two years following the initial measures. Lee (2026) extends this temporally, documenting continued long-term deterioration in financial performance among sanctioned firms even as short-term adaptation occurred – a pattern consistent with the IMF's finding that Russia's potential GDP growth rate had been permanently reduced by approximately 2–3 percentage points relative to pre-war trends due to capital stock deterioration, technology denial, and human capital outflows (IMF Article IV, 2024).

Comparative Assessment: Systemic versus Regional, Convergent on Accumulation

The comparative picture is one of complementary rather than identical effects. US financial sanctions produced systemic effects through dollar infrastructure – global compliance pressure, capital market exclusion, sovereign default. EU financial sanctions produced regional but economically deep effects through banking exposure and trade relationships more directly material to European financial actors. The Economics Observatory (2025) draws the methodological implication: evaluating effectiveness requires distinguishing between the coercive objective – changing Russian strategic behaviour – and the denial objective – degrading Russian military-industrial capacity. Both have performed better on denial than coercion. The Russian central bank's decision to raise interest rates to 21% in October 2024 – the highest level since the post-Soviet transition period of the 1990s – reflected inflation running at approximately 8.9% in late 2024 and overheating driven by wartime fiscal expansion,

with military expenditure reaching a projected 6.2% of GDP in 2025 (Nelson, CRS IF12092, 2025) against 3.7% in 2021 (IMF, 2022). Factories reportedly ran at approximately 80% capacity in 2023 due to labour and input shortages. These are real and accumulating costs that have not yet generated the political leverage the measures were designed to create.

Adaptation and Circumvention

1. Shared Mechanisms, Structural Differences in Enforcement

The adaptation and circumvention response to Western financial sanctions has exposed the single most important practical divergence between the US and EU approaches: enforcement capacity. Both systems face the same fundamental circumvention challenge – the rerouting of financial flows through non-sanctioning third-country jurisdictions – but are equipped to address it through structurally different mechanisms with different effectiveness profiles.

Drott's (2024) TARGET2 data document the rerouting of financial flows through Turkey, the UAE, Armenia, Kazakhstan, and other intermediary jurisdictions in patterns statistically consistent with deliberate circumvention. Turkish bank transfers to Russia increased by approximately 80% in the six months following the SWIFT disconnection (Turkish Central Bank data, cited in European Commission Circumvention Report, 2023). UAE-registered entities accounted for a disproportionate share of exports of sanctioned dual-use goods categories to Russia in 2022–2023, according to the EU's own anti-circumvention analysis published alongside the 11th sanctions package. The SWIFT alternatives case study (2025) documents the infrastructure dimension: Russia's SPFS system processed approximately 30% more domestic financial messages in 2023 than in 2021, while China's CIPS processed approximately \$12 trillion in transactions in 2023 – roughly 25% annual growth since 2022 – increasingly denominated in renminbi and routed outside Western correspondent banking.

2. The Enforcement Gap: OFAC versus the Mosaic

The contrast in enforcement capacity between the two systems is the starkest structural divergence in the entire comparative analysis. OFAC functions as a single federal enforcement authority with total enforcement actions against financial institutions exceeding \$6 billion between 2009 and 2023, with the five largest individual cases averaging over \$500 million each (OFAC Annual Report, 2023). This track record creates genuine deterrence for financial institutions anywhere in the world that depend on dollar access. The EU has no equivalent deterrent. Its over 160 national competent

authorities produce a "mosaic of practices" (Immenkamp, 2024) whose inconsistency creates exploitable gaps. The European Commission's own assessment in the context of the 11th package identified situations where the same transaction was treated as permissible in one jurisdiction and prohibited in another.

The anti-circumvention tool introduced in the 11th package (June 2023), tightened in the 12th and 13th packages, represents genuine institutional adaptation – but one relying on export restrictions applied to intermediary jurisdictions rather than direct financial enforcement. The 13th package (February 2024) for the first time included Chinese entities supplying components for Russian military systems – a significant escalation (European Commission, 2024). The US response consisted primarily of secondary sanctions threats – more coercive but carrying significant diplomatic costs with Turkey, India, and Gulf states. Neither approach has demonstrably reversed the circumvention trends in Drott's data, confirming the Economics Observatory's (2025) assessment that enforcement – not the design of individual measures – is the binding constraint on effectiveness.

Global Implications

1. The Fragmentation of Financial Infrastructure

The systemic consequences of simultaneously weaponising SWIFT and the dollar are the subject of Cipriani et al.'s (2023) most important theoretical contribution. SWIFT's value derives from near-universal participation – the network properties that make it the default coordination mechanism for global payment instructions. Excluding a major economy signals to every other participant that access is politically contingent rather than institutionally guaranteed. The rational response for any state that perceives itself as potentially subject to future sanctions is to invest in alternative infrastructure. The SWIFT alternatives case study (2025) and Xu (2022) both document that this is precisely what is happening: CIPS expansion, SPFS internationalisation, bilateral currency swap arrangements, and accelerated renminbi internationalisation are all, at least in part, responses to the demonstration effect of the 2022 measures. "Weaponised Finance" (2025) frames the structural consequence explicitly: financial infrastructure previously understood as serving a global public-good function is now understood as a potential instrument of coercion, and that shift itself alters the strategic calculus of every major non-Western economy.

2. The Transformation of Financial Power: US Dominance and EU Normative Influence

The US retains structural dominance through dollar hegemony. The BIS Triennial

Survey (2022) documents dollar involvement in 88% of all foreign exchange transactions. The IMF COFER database records the dollar's share of global central bank reserves at approximately 58% as of Q3 2024 – down from 71% in 2000, but still more than double the euro's share of approximately 20%. However, Xu (2022) identifies a self-undermining dynamic: using the dollar as a sanctions instrument damages its credibility as a neutral global medium of exchange. The IMF's own analysis in its 2024 External Sector Report notes a statistically significant acceleration in reserve diversification away from the dollar among emerging market central banks since 2022 – though the report cautions that the dollar's reserve share has stabilised in more recent quarters and no "tipping point" in de-dollarisation is yet observable.

The EU occupies a different position: substantial normative influence through regulatory authority over financial infrastructure – as the SWIFT jurisdiction case demonstrates – but weaker coercive reach due to institutional fragmentation and the absence of a globally dominant currency. The euro's share of global payment transactions through SWIFT was approximately 37% in 2023 against the dollar's 47% (SWIFT RMB Tracker, 2024) – significant, but insufficient to replicate the dollar's extraterritorial enforcement reach. Immenkamp (2024) characterises the EU's sanctions contribution as norm-setting and coalition-building rather than unilateral enforcement – a characterisation that the comparative enforcement intensity data support.

3. Long-Run Risks: Parallel Systems and Declining Coercive Leverage

The Economics Observatory (2025) draws the policy implication directly: the effectiveness of financial sanctions as a coercive instrument is a diminishing function of the target's ability to build alternative infrastructure, and that ability is now substantially greater than in 2014 – partly because Russia invested in it after the first round of post-Crimea sanctions, and partly because China's CIPS provides a ready-made alternative routing channel that previously did not exist at scale. The financial sanctions against Russia in 2022 were the most powerful such instrument ever deployed. The structural consequence of deploying them may be that the next coalition attempting comparable measures will face a target – whatever state that may be – that has already built the infrastructure to absorb the shock more effectively.

Frozen Assets

Michael Sozon

I. The Geography of the Money

When the G7 and EU froze roughly €260 billion of Russian Central Bank reserves in February 2022, it was genuinely unprecedented; no coalition had ever immobilized the sovereign wealth of a major economy at this scale before. But the freeze itself is not what makes this story interesting for the purpose of this memo. What makes it interesting is where the money actually ended up sitting. About 74% of it, around €193 billion, landed at one Belgian clearinghouse called Euroclear. Smaller chunks are scattered across France, Luxembourg, Japan, Switzerland, and the UK. The prevailing consensus initially placed US-held assets at roughly \$5 billion, representing just 2% of the total immobilized funds (Setser, 2025; CRS, 2025); CRS, 2025). This might seem like a technical detail, but it actually became the single most important structural fact driving the entire transatlantic debate.

Both the US and the EU say they want the same thing: to make Russia pay for Ukraine's reconstruction, which KSE the Kyiv School of Economics (KSE) has estimated at over \$486 billion (KSE, 2025). The problem is that because the vast majority of the principal functionally resides on European balance sheets, it is European institutions that carry the legal exposure, the political risk, and the financial vulnerability.

However, new academic research by Philip Zelikow at the Hoover Institution profoundly challenges this isolation. His 2025 analysis demonstrates that because more than 90% of Euroclear's portfolio matured into cash, the US actually holds jurisdictional leverage over \$47 billion to \$52 billion through complex USD-denominated clearing mechanisms (Zelikow, 2025). While Zelikow's argument relies on the debated assumption that these assets matured specifically into USD-denominated cash, even accepting this higher estimate does not alter the fundamental dynamic. The core asymmetry remains valid in praxis: the foundational liability rests with the primary European custodial nodes.

II. Measures Taken

Initially, the transatlantic policy response was highly coordinated. The US froze reserves through executive orders under IEEPA, and the EU did the same through CFSP sanctions (which require unanimity among all 27 member states). Transatlantic alignment held. But the moment the discussion shifted from "freezing" to "confiscating," cracks appeared almost immediately. Philip Zelikow argued publicly in May 2022 that IEEPA gives the President enough authority and that international law permits countermeasures against Russia (Zelikow, 2022). Europe was not convinced. Nicolas Véron at Bruegel pushed back within weeks, warning that confiscation could undermine

confidence in international monetary arrangements and fracture the coalition supporting Ukraine (Véron, 2022).

Over the next two years, this gap only widened. In the US, Congress passed the REPO Act as part of P.L. 118-50, signed in April 2024. On paper, it gives the President full legal authority to seize Russian sovereign assets in American jurisdiction and funnel the proceeds into a Ukrainian Support Fund. In practice, though, neither Biden nor Trump has actually used it (CRS, 2025; Brunk, 2024). Instead, the REPO Act has served mainly as a bargaining chip, a way of signaling to European allies that Washington possesses the domestic legal architecture to act.

Europe went in a completely different direction. The Council adopted Regulation 2024/576 in February 2024, which required central securities depositories like Euroclear to segregate extraordinary cash balances generated by Russian Central Bank assets. Then came Regulation 2024/1469, channeling 99.7% of the net profits from reinvesting those balances to Ukraine (Library of Congress, 2024). The legal logic here is clever: Euroclear's contracts specify that frozen cash balances are non-remunerated, so the interest income technically belongs to Euroclear, not Russia. The EU is therefore not confiscating Russian property, it is taxing the windfall profits of a Belgian financial institution (Véron, PIIE, 2024). In 2024 alone, Euroclear generated over €6 billion in interest income on frozen Russian assets (Gloy, 2025; Setser, 2025).

The real breakthrough came with the G7 Extraordinary Revenue Acceleration (ERA) loan, formalized in October 2024. The idea was to front-load \$50 billion in loans to Ukraine, repaid not from the frozen assets but from future interest income at Euroclear. The US put up \$20 billion, rushing to get the money out before the January presidential transition (Treasury Press Release jy2744, 2024; European Commission, 2025; UK Hansard, 2025). On one hand, the ERA loan was a genuinely smart piece of financial engineering. On the other hand, it created a deeply complex burden-sharing architecture. Rather than a simple dynamic of Washington claiming credit while Brussels assumes the risk, both actors provided massive, comparable funding streams with the US channeling \$20 billion through the World Bank's FORTIS fund and the EU providing €18.1 billion via the Ukraine Loan Cooperation Mechanism (ULCM). Furthermore, the liability is highly nuanced; the repayment "waterfall" relies first on windfall profits and potential Russian reparations, technically leaving Ukraine liable if those fail. However, because the EU's macro-financial assistance loan is guaranteed by EU budget headroom, Brussels practically serves as the ultimate financial "line of defense".

What happened next has received surprisingly little scholarly attention. On December 12, 2025, the EU triggered Article 122 of the Treaty on the Functioning of the European Union (TFEU) to indefinitely immobilize Russian assets through qualified majority

voting, meaning it no longer needed unanimity. This matters enormously. Until that point, CFSP sanctions had to be renewed unanimously every six months, giving Hungary a recurring veto opportunity. Article 122 TFEU closed that loophole, rendering the freeze permanent for all practical purposes (Euronews, 2025; van Elsuwege, 2025).

III. Legal and Philosophical Divergence

What is often presented in media as simply "the US wants to seize, Europe doesn't" is actually a much more complicated scholarly debate about what international law permits, which has now escalated into multi-jurisdictional judicial warfare.

Scholars who support confiscation build their case around the countermeasures doctrine in the International Law Commission's Articles on State Responsibility (ARSIWA). Harold Koh argues that sovereign immunity under the UN Convention only applies to judicial proceedings, not executive action, so executive confiscation does not technically violate immunity rules (Koh, 2024). Laurence Tribe argues that confiscation is "reversible" because what gets reversed is the suspension of immunity, not the physical assets (Tribe et al., 2023). KSE Institute adds that the precedent of not confiscating could alter international deterrence frameworks (KSE, 2025).

On the other side, Ingrid Brunk points out that countermeasures under ARSIWA must aim to induce compliance, not extract compensation, failing the test for outright confiscation (Brunk, 2023). Oona Hathaway explicitly states that countermeasures justify freezing, but they do not justify seizing (Hathaway et al., 2024). Then there is the systemic fear motivating Europe's caution: the ECB has made clear it worries confiscation would trigger capital flight from the euro (ICG, 2025; EPRS Briefing, 2025). KSE Institute found no evidence of reserve shifts away from G7 currencies since 2022, suggesting the political fear of capital flight may be greater than the actual financial risk (KSE, 2025; EPRS, 2025).

What this means in practice is that every mechanism adopted so far is essentially a legal workaround to avoid formally crossing the confiscation line. However, this theoretical debate materialized into active judicial conflict in 2026. In mid-January 2026, the Russian Central Bank officially began hearings for a \$232 billion lawsuit against Euroclear in the Moscow Arbitration Court (Associated Press, 2026). Then, on March 3, 2026, Russia escalated directly into the European judicial system, filing an action for annulment in the EU General Court in Luxembourg to challenge the December 2025 Article 122 regulation that indefinitely froze the assets (Burdeau, 2026; The Moscow Times, 2026). The Russian Central Bank has successfully weaponized the EU's own legal architecture against it, forcing Euroclear into an existential defensive posture.

IV. Power Dynamics and Burden-Sharing

Of all three dimensions covered in this memo, the frozen assets issue shows the starkest power imbalance between the US and EU. Setser (2025) lays this out clearly: advocating for aggressive action is structurally easy when you carry almost none of the localized risk. Europe holds the vast majority of the matured cash, concentrated at one institution, and it is Euroclear that faces the \$232 billion arbitration claims, BIT lawsuits, and market fallout.

This dynamic can be characterized as a structural division of roles: the US acts as the "moral accelerator," pushing for maximum pressure on Russia and reaping the political benefits of looking tough. Europe functions as the "financial guarantor," quietly absorbing the legal consequences. The Trump administration added another layer of complexity. Vice President Vance argued against seizure, citing dollar reserve concerns, but the leaked late-2025 28-point peace plan reportedly proposed using \$100 billion of frozen Russian assets for "US-led" reconstruction, with the US extracting 50% of the profits (Foreign Policy, 2025). If this materializes, it fundamentally breaches the transatlantic legal stance, transforming confiscation from a punitive countermeasure into a transactional tool in bilateral peace negotiations.

Furthermore, the structural risks of the current sanctions regime extend beyond macro-financial stability; they carry severe socio-political costs. According to a comprehensive 2025 study by Nemtsova and Kuleshova ("Collateral Freeze"), the blanket infrastructural freeze trapped approximately \$14 billion belonging to over 3.5 million unsanctioned, middle-class Russian retail investors. According to broker data, 81.6% of affected investors lost access to small sums under \$1,350. These victims are overwhelmingly highly educated (89%) and concentrated in sectors like IT, with 40% of surveyed victims having already emigrated (Kuleshova & Nemtsova, 2025). By stripping property rights from highly educated, globally integrated demographic, the current collateralization strategy actively alienates a significant segment of the population and fuels domestic narratives regarding Western hostility.

V. Assessment and Path Forward

The late-2025 European pivot from direct collateralization to macro-financial budget borrowing demonstrates conclusively that institutional self-preservation has superseded the geopolitical imperative of full asset deployment.

The initial architectural design of the European Commission's "Reparations Loan" sought to utilize the €193 billion frozen principal directly as collateral to fund Ukraine's reconstruction (Tordoir & Paduano, CER, 2025). However, on December 18-19, 2025, the European Council officially backed away from directly collateralizing the frozen principal due to Belgium's veto, instead agreeing to a diluted €90 billion loan financed

through EU capital market borrowing backed by the EU budget headroom (Giumelli, 2026). The reason was clear: Euroclear faced devastating retaliatory litigation from Moscow without adequate sovereign indemnification from the rest of the bloc.

The financial markets immediately quantified this political retreat. Fitch Ratings had placed Euroclear on Rating Watch Negative (RWN) due to the severe liquidity and legal risks associated with the aggressive reparations loan. Following the Council's decision to abandon direct collateralization, Fitch abruptly removed Euroclear from the RWN, stating the liquidity risks had receded (Fitch Ratings, 2025). The binding constraint on frozen asset policy is no longer the legal debate between scholars, it is political will, and specifically the question of how to distribute risk fairly across a coalition that claims to be united but has so far asked Belgium to carry the burden alone.

VI. Proposed Policy Change

If the transatlantic coalition intends to fully leverage immobilized Russian sovereign assets, the strategy would require a binding, syndicated sovereign guarantee framework, codified through a specific risk-mutualization directive to resolve the structural asymmetry between United States political positioning and localized European financial risk. The previously proposed reparations loan relied on Article 122 TFEU to successfully bypass CFSP unanimity requirements, yet it severely concentrated institutional liability.

To operationalize such massive loans safely and sustainably, policymakers would need to adopt and implement a statutory article such as: "The participating G7 and European Union member states hereby establish a joint sovereign guarantee framework to proportionally underwrite all legal, financial, and retaliatory liabilities incurred by central securities depositories (CSDs) and their host nations holding immobilized Russian sovereign assets, with guarantee obligations distributed according to respective Gross National Income (GNI)." Providing this explicit backstop ensures that Euroclear and the Belgian state possess the legally binding financial security required to execute collateralization without jeopardizing their operational solvency.

Empirical macroeconomic data demonstrates no corresponding shift in global reserve shares away from G7 currencies since the initial 2022 freeze, confirming that a syndicated indemnification policy is economically safe.

Furthermore, if the coalition seeks to mitigate the severe socio-economic collateral damage identified by recent sociological data, the sanctions framework could incorporate a targeted, systemic unfreezing mechanism for verified retail investors. In this scenario, the Council of the European Union would issue an amendment mandating central securities depositories to process the immediate release of private infrastructural assets for Russian citizens holding portfolios valued under a \$40,000

threshold. Because over 81% of victims hold less than \$1,350, this targeted exemption would instantly liberate the life savings of nearly 99% of affected retail investors while releasing less than \$14 billion in total capital. This micro-targeted exemption would require rigorous KYC/AML verification, realigning the sanctions regime with its macroeconomic objectives while restoring the property rights of this educated, globally integrated demographic.

Conclusion

The transatlantic sanctions regime implemented against the Russian Federation since 2022 represents the most extensive coercive economic campaign directed at a major economy in modern history. However, as this analysis demonstrates, the sustainability of this coalition is structurally challenged by a profound asymmetry in economic exposure, institutional architecture, and localized risk. While the United States and the European Union share the overarching strategic objective of constraining Russian military and financial capacity, their distinct structural realities force them to conceptualize and execute economic statecraft through fundamentally different paradigms.

In the energy sector, this divergence manifested primarily in coercive velocity. Insulated by its status as a net exporter of primary energy, the United States possessed the macroeconomic distance to impose rapid, comprehensive embargoes on Russian fossil fuels. Conversely, the European Union's deep structural reliance on Russian supply dictated a phased, highly negotiated decoupling. For Brussels, energy sanctions required a delicate calibration between exerting geopolitical pressure and preventing domestic economic destabilization, proving that acute import dependence inherently constrains the speed and severity of economic retaliation.

A parallel dynamic defines the financial sanctions architecture. The United States successfully projected extraterritorial power by leveraging the systemic centrality of the dollar and the centralized enforcement capacity of OFAC. The European Union exercised significant normative and regulatory influence, most notably through its corporate jurisdiction over the SWIFT messaging network and its deep regional banking exposure, but operated within a framework of fragmented enforcement across national competent authorities. This "mosaic of practices" created exploitable regulatory gaps. Consequently, while the combined transatlantic financial blockade inflicted severe economic friction, the absence of unified enforcement accelerated the fragmentation of global financial infrastructure, incentivizing targeted states to accelerate the adoption of parallel clearing mechanisms such as CIPS and SPFS.

Ultimately, the transatlantic approach to immobilized Russian sovereign assets illustrates the limits of declarative policy when divorced from structural risk. While Washington utilizes its macroeconomic distance and USD-clearing leverage to advocate for maximalist financial interventions, the European Union, and specifically its primary custodial nodes, absorbs the overwhelming majority of the legal, political, and retaliatory exposure. As the 2026 judicial escalations in the Moscow Arbitration Court and the EU General Court demonstrate, relying on ad-hoc legal workarounds and

macro-financial budget borrowing highlights a profound institutional vulnerability. To successfully leverage these assets for macroeconomic assistance without fracturing European financial stability, the coalition would need to transition from disparate policy positioning to institutionalized risk-sharing. This would require implementing a syndicated sovereign guarantee framework, alongside targeted retail unfreezing mechanisms to mitigate unintended socio-economic collateral damage affecting highly educated, globally integrated demographics.

The overarching implication for the future of international economic statecraft is clear: a transatlantic alliance cannot sustain comprehensive economic coercion if the distribution of systemic risk remains fundamentally unequal. The United States acts as the principal political driver, utilizing its systemic dominance to project power, while the European Union repeatedly assumes the role of financial guarantor, absorbing the localized fallout. If Washington and Brussels fail to harmonize their burden-sharing frameworks, the long-term credibility and operational effectiveness of Western sanctions will steadily decline, providing future targets with both the strategic blueprint and the alternative infrastructure required to absorb similar geopolitical shocks.

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