Alona Lebedieva: How to Help Ukraine Without Undermining Confidence in the Euro


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KYIV, UKRAINE, September 9, 2025 /EINPresswire.com/ -- European policymakers are increasingly discussing the creation of a special “bad bank” — an institution that would manage the frozen assets of the Russian Central Bank, primarily those held in Euroclear. Under ECB supervision, these funds could be transferred into a separate entity (for example, in a jurisdiction with more flexible procedures, such as Estonia). The new institution would issue Ukraine “reparation loans” — loans that would only be repaid if Russia actually pays reparations. Such a mechanism makes it possible to quickly provide financial resources without directly confiscating assets, while preserving the legal logic: the aggressor pays, the debt is extinguished.

“However, there is another side. Belgium is already warning that overly bold constructs with other countries’ reserves may undermine confidence in the euro as a ‘safe haven’ and reduce the EU’s attractiveness as a place to hold official assets of foreign states. The risk of a reputational blow exists — and it cannot be ignored. At the same time, the very emergence of the idea demonstrates the EU’s ability to seek solutions within international law without destroying its own institutions. The political and moral question here is this: will a precedent be created in which even an aggressor state retains space for legal challenges, and investors gain grounds for panic?” reflects Alona Lebedieva, owner of the Ukrainian multi-profile industrial-investment group Aurum Group.

To properly weigh the risks, it is worth stepping back from emotions and considering the basic economics of demand for reserve currencies. Demand for the euro (like the dollar) is, above all, demand for a safe and liquid asset. For Russia, “safe” today means “one that will not be frozen,” but for the rest of the world this is a rather marginal criterion. The main point is that the asset does not “burn out” and that the currency’s exchange rate is not manipulated at the discretion of the political authorities (as, for example, can happen with the yuan). The euro is such an asset.

This currency provides a “service”: preserving assets in a stable, deep, and transparent financial ecosystem. And there is global demand for this service: the euro is the world’s second-largest reserve currency.

“Can non-Western countries massively ‘flee’ from the euro (and the dollar)? Only to a very limited extent. The world lacks truly reliable and deep instruments suitable for international reserves, while the gold market has limited capacity and logistical constraints. For those betting on the yuan, the fact is simple: the yuan’s share in global reserves is about 3%, while the euro’s share is about 20% (the dollar — roughly 60%). The liquidity of the euro is supported by a developed financial system and the EU’s openness to trade and investment,” emphasizes Lebedieva.

China’s financial system, on the contrary, is less open; the yuan is not fully convertible, and capital flows and the exchange rate remain under tight state control. Realistic “safe” alternatives to the established Western financial architecture are very few.

Even assuming that some countries “hedge” and reduce exposure to the U.S., EU, or Japan, a practical question arises: where exactly would they place their reserves? And would they truly feel safer in systems with heavy political interference and capital controls? The answer is obvious. Therefore, the dramatization of consequences for the euro and the dollar from lawful actions regarding frozen Russian assets is largely exaggerated.

“There is also the argument of incentives. The confiscation or use of immobilized reserves of the Russian Central Bank within a legal framework tied to reparations does not change the behavioral incentives of countries that do not plan aggressive wars. On the contrary, refusing such a step sends a dangerous signal: that even waging a brutal war of aggression and violating international law, a state can avoid material consequences and preserve protection of its assets in global financial centers,” adds Lebedieva.

To minimize risks to confidence in the euro, the “bad bank” must operate within a transparent and predictable framework: under ECB supervision, with clear delineation of legal responsibilities, with international guarantees from leading democracies, and with understandable procedural safeguards for the use of assets and servicing of debt. It is important to immediately communicate to reserve managers of central banks that this is not arbitrary expropriation, but a unique, narrowly focused mechanism of aggressor state accountability under extraordinary circumstances — and that the principle of general inviolability of sovereign assets for bona fide countries remains unchanged.

Thus, the proposed approach can be effective — but only as part of a broader strategy: with clear rules, international safeguards, and strong, honest communication with the market. Under such conditions, supporting Ukraine while preserving confidence in the euro is a completely realistic task. Conversely, if the balance of law, institutions, and communication is broken, the risk of reputational damage to the European financial system will indeed become too high.

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