Estonia’s Initiative: Utilizing Frozen Russian Assets for Ukrainian Relief

Alar Karis, current President of Estonia  Photo Credit: Wiki Commons

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An Overview of the New Estonian Law

Estonia's support for Ukraine extends beyond political and military spheres. Estonia has emerged as a leader in the international response to Russia's aggression by pioneering a law that utilizes frozen Russian assets to fund Ukraine's reconstruction directly. This bill prioritizes transparency, due process, and commitment to international law. By targeting assets belonging to sanctioned individuals and companies implicated in Russia's hostility, Estonia offers a legislative model for other nations to follow. This approach has the potential to provide significant financial support for Ukraine, deter future aggression, and redefine the role of frozen assets in holding aggressors accountable.
Historic Ties between Estonia and Ukraine

Estonia and Ukraine’s relationship stretches back to before the Russo-Ukrainian War and its effects. Both nations share a complex history, having become members of the Soviet Union in the mid-1900s. Estonia and Ukraine both re-established independence following the collapse of the Soviet Union in 1991. These shared experiences cultivate a sense of solidarity between the two countries. As such, Estonia has consistently demonstrated its support for Ukraine's sovereignty. They actively advocate alongside Poland for Ukraine's expedited membership in NATO, urging concrete steps towards accession beyond initial agreements.1 Additionally, Estonia champions Ukraine's integration into the European Union, believing they deserve to receive the negotiating framework as soon as possible.2 This political backing underscores the bond between Estonia and Ukraine, built on a foundation of shared history and a commitment to democratic values.


2 Ibid.
Estonia’s Past Agreement with the United States

In February 2024, a milestone agreement between the United States and Estonia marked a turning point in using seized Russian assets to aid Ukraine's war efforts. The US Department of Justice's KleptoCapture Task Force, dedicated to recovering illegally obtained assets, successfully dismantled a Russian smuggling ring attempting to import a machine with potential applications in defense and nuclear programs. Funds obtained from these assets, totaling nearly $500,000, were then transferred to Estonia during a security conference in Munich. This transfer held immense significance for several reasons.

Firstly, it represented the first instance of the US channeling seized Russian funds to an ally specifically designated to support Ukraine. This move signaled a potential shift in how the US could utilize frozen assets to counter Russia's aggression. Previously, sanctions primarily focused on freezing assets to restrict Russia's access to financial resources. This agreement, however, demonstrated the possibility of using these frozen funds for a more proactive purpose – directly aiding Ukraine in its fight against Russia.

Secondly, the transfer marked an innovative approach to utilizing sanction-derived funds. Traditionally, sanctions focused on freezing assets to restrict a nation's financial capabilities. This agreement, however, opened doors for discussions on repurposing these frozen assets for specific


5 Ibid.

6 Ibid.

goals aligned with broader international interests. In this case, the goal was to alleviate the suffering caused by Russia's aggression in Ukraine and prevent Russian access to Western technology.⁸

The Estonian government, a supporter of Ukraine, dedicated the transferred funds to repairing Ukraine's electrical grid, which had suffered considerable damage from Russian attacks.⁹ This financial aid served a dual purpose. It provided immediate and tangible relief to Ukraine in its struggle to rebuild critical infrastructure. Additionally, it demonstrated a new front in the international response to Russia's aggression—leveraging frozen or seized Russian assets to directly counter the effects of the war. The US-Estonia agreement established a precedent for future collaborations aimed at holding Russia accountable for its actions and bolstering Ukraine's reconstruction efforts. Furthermore, the success of this initial collaboration paved the way for further exploration of how the international community could utilize frozen assets to address hostility across the globe.

*The Riigikogu Parliament of Estonia, where the new law was passed. Photo Credit: Wiki Common*

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An In-depth Examination of the New Estonian Law

On May 15th, 2024, a notable bill was passed by the Estonian Parliament, marking a significant step towards utilizing frozen assets for the benefit of another state. This legislation, crafted after over six months of discussions with international legal experts, garnered overwhelming support with a vote of 65 to 3. The announcement, made by Estonian Foreign Minister Margus Tsahkna, sent ripples across the international community, offering a potential solution for holding Russia responsible for the financial devastation caused by the war in Ukraine.

The core of the Estonian law lies in its mechanism for confiscating sanctioned Russian assets and utilizing them for Ukrainian aid. The law specifically targets frozen assets belonging to individuals and companies demonstrably linked to Russia's illegal actions in Ukraine. This link must be established through an investigation to ensure only assets directly tied to Russia's aggression are confiscated. The bill also stipulates that the affected state must have filed a formal

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claim with Russia that remains unresolved. This ensures that Estonia is not unilaterally intervening in disputes but is responding to a legitimate request for assistance.

Estonia takes a cautious approach to ensure transparency and due process. Before confiscating assets, they require a submission from the requesting state outlining the specific damages incurred. Additionally, the law mandates a thorough investigation to establish a demonstrable connection between the asset owner and their involvement in Russia's illegal activities in Ukraine. This investigation protects innocent parties from having their assets wrongly seized.

The law further outlines specific conditions for utilizing the confiscated assets. These conditions center around providing reparations under international law. Essentially, the law requires that the requesting state, Ukraine, provide concrete evidence of damages caused by a wrongful act committed by Russia. This evidence, along with legal justification for compensation under international law, will be reviewed by the Estonian Foreign Ministry. Only after a thorough examination will the assets be released for use in Ukraine's restoration efforts.

The Estonian law prioritizes transparency and safeguards the rights of individuals and entities potentially impacted by asset confiscation. It mandates formal agreements between Estonia and the requesting state, clearly outlining the intended use of the assets and the transfer of ownership

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This ensures that the confiscated funds are used for their designated purpose—aiding Ukraine's reconstruction—and that ownership is transferred legally. Furthermore, the law acknowledges the possibility of legal challenges and allows for contesting the court's decision. This provision upholds due process and ensures that the law is applied fairly.

This Estonian law hopes to establish a framework for utilizing frozen assets in an impactful way. While the initial estimates suggest that the targeted assets in Estonia amount to approximately €38 million, the precedent set by this legislation holds further significance. It offers a potential roadmap for other nations to follow, paving the way for a more unified international response in utilizing frozen Russian assets to provide aid to Ukraine. The intricate details of the law, focusing on demonstrably linked assets, formal requests, and adherence to international law, create a replicable model for holding Russia accountable and aiding Ukraine's recovery.

The Estonian law targets a specific pool of funds to aid Ukraine's reconstruction: assets frozen from sanctioned individuals and companies with demonstrable links to Russia's aggression in Ukraine. Estimates suggest the G7 countries hold a significant portion of these frozen assets, with a combined total of around $300 billion. While Estonia's holdings are comparatively modest, at approximately €38 million, the law paves the way for utilizing these frozen funds more broadly. This approach could unlock a significant source of financial support for Ukraine. By targeting funds

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demonstrably linked to Russia's aggression, the Estonian law offers a framework for recouping some of the financial losses inflicted upon Ukraine without seizing assets from unrelated Russian citizens.

The confiscated assets won't cover the full cost of Ukraine's restoration but will serve as a crucial contribution. The law views them as an "advance payment" on the much larger sum owed by Russia for the damages inflicted during the war. These funds can be used to address immediate needs and jumpstart reconstruction efforts.

Global Reactions to the New Law

Estonia's approach to utilizing frozen Russian assets for Ukraine's aid has placed them at the forefront of international efforts. While the EU agreed to utilize interest generated from frozen Russian central bank funds in May 2024, Estonia advocates for a bolder approach—directly using the assets themselves. This aligns with discussions held between Ukraine and Western nations concerning the potential use of a much larger sum, estimated at around $300 billion.

Estonia is the first country to establish a comprehensive legal framework specifically designed to utilize frozen assets for reconstruction efforts. This legal framework has garnered praise from both Estonian and Ukrainian officials. Estonian Foreign Minister Margus Tsahkna expressed hope that this will become a precedent for Europe, paving the way for a more unified approach to using

The United States also appears to be following precedent, with Secretary of State Antony Blinken announcing plans to leverage seized Russian assets for Ukraine's aid. However, challenges remain. The legal complexities of utilizing frozen assets in this way are significant. Other countries are still grappling with developing frameworks that adhere to international legal principles. Additionally, the large volume of frozen assets, particularly those held by the G7, requires international cooperation to ensure transparency and efficient distribution of funds.

Despite these challenges, Estonia's approach establishes a practical roadmap for utilizing frozen assets effectively. If other nations follow suit, frozen assets could become a crucial source of financial support for states that have been attacked. This, subsequently, could serve as a powerful deterrent against future aggression by holding attackers accountable for the financial devastation they cause.

Traditionally, frozen assets have been used as a bargaining chip or a means to pressure nations to take certain actions, however, this often yields slow and uncertain results. Estonia's model, on the other hand, presents a more proactive and results-oriented method. By utilizing frozen assets to address the consequences of aggression, the international community can deliver tangible support to victims and expedite the recovery process.

The success of Estonia's method hinges on international cooperation and compatibility with existing legal frameworks. The Estonian law itself is built upon the principle of adhering to international law concerning reparations for damages caused by wrongful violence. This focus on legal legitimacy

32 Ibid.
strengthens the precedent set by Estonia and encourages other nations to explore similar avenues within their legal systems.

The devastation Ukraine has experienced, which this new law hopes to aid. Photo Credit: StartNews Global.

The Bigger Picture

Beyond the immediate goal of aiding Ukraine's reconstruction, the Estonian law encourages a more proactive dialogue about the long-term importance of frozen assets in cases of aggression. The ultimate goal, as envisioned by Estonian lawmakers like Hendrik Johannes Terras, is to hold Russia fully responsible for the financial devastation it caused. This extends beyond the assets currently

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held in Estonia and encompasses the vast pool of frozen sovereign assets, estimated at €300 billion, currently located throughout Europe. Using these frozen assets to fund reparations would be a significant shift in how the international community handles the financial burdens borne by victims of aggression. The message would be clear: the international community will not only impose sanctions but also employ those sanctions to directly counter the financial consequences of aggression, forcing the aggressor to bear a significant financial burden for its actions.

Traditionally, frozen assets yield slow and uncertain results. Estonia's proactive approach directly utilizes these assets to address the consequences of aggression and expedite recovery. The ultimate goal, as envisioned by Estonian lawmakers, is to hold Russia fully accountable for the financial devastation it caused. This extends beyond Estonia's holdings to the vast pool of frozen sovereign assets throughout Europe. If adopted internationally, utilizing frozen assets for reparations would represent a significant shift, ensuring victims of aggression receive the financial resources needed to rebuild. The success of Estonia's pioneering approach hinges on international cooperation and compatibility with existing legal frameworks. However, the potential benefits are vast. By strategically leveraging frozen assets, the global community can not only bolster Ukraine's reconstruction but also deter future aggression and redefine the role of frozen assets as a powerful tool for holding aggressors responsible.

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