Europe at the 'Hot Gates'! $300 Billion of Seized Russian Financial Assets.

Like the 300 Spartans before them at Thermopylae, the West's distribution to Ukraine of Russia's $300 billion of assets will not be able to prevent eventual defeat.

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2500 years ago, the myth goes, 300 Spartans faced a much larger military force from the East at Thermopylae, a small mountain pass in ancient central Greece. Thermopylae is the Latin word for 'Hot Gates', as the area featured hot springs. In European history the 'hot gates' battle ended with the 300 Spartans annihilated.

The Persians had opened a second front to the rear of the Spartan line which then collapsed, wiping them out to the man. The 'hot gates' was thus a defeat, although in later mythology it was spun as a strategic victory that bought time for the Greeks to mobilize to fight another day.

Having bought time at Thermopylae is debatable, however, given that the battle of the 'hot gates' lasted only three days! That's not much of a delay. The Greeks then took another year to mobilize. Three days didn't matter that much. So the loss of 300 Spartans at Thermopylae was really a waste of a valuable elite battalion of troops—and Thermopylae was by no means a 'strategic victory' that it is spun in western mythology to have been.

Two and a half millennia later Europe is again at the 'hot gates'! And 300 is once more the magic number!

300 today refers to the $300 billion of Russian financial assets that were seized by NATO countries in 2022 as part of US and EU sanctions imposed on Russia in February that year.

According to European Central Bank director, Christine LaGarde, no less than $260 of the $300 billion is held in Europe, most of which is in Belgium near Brussels which is NATO's home base. Another $5 billion was frozen in the USA. The rest distributed among banks of other G7 countries and friends.

Recently, NATO countries began the process of transferring the seized and previously frozen $300 billion Russian assets to Ukraine.

The $300 billion, it is argued, will 'buy time' for Ukraine to continue the war in 2025—much like the lives of the 300 Spartans in mythology supposedly bought time to mobilize a larger force.

Ukraine's $200 Billion Per Year Price Tag

In the roughly two years since the Ukraine War began in February 2022, it's estimated the USA has provided Ukraine with $200 to $220 billion in military and economic aid. European NATO countries provided at least another $100 billion or more depending on how one estimates the market value of former Soviet Union weapons that were given to Ukraine. Then there's the IMF's at least $18 billion to prop up Ukraine's currency, along with the billions more in private loans and investments from private sources.

This past spring 2024, the US Congress passed a package of another $61 billion for Ukraine and Europe scrapped up another $5 billion. That combined amount is estimated to fund Ukraine's war through the end of 2024.

US House approves $61bn in military aid for Ukraine after months of stalling

Ukrainian president thanks America after Speaker Mike Johnson secures bipartisan support for funding Ukraine, Israel and Taiwan

Mike Johnson in the US Capitol in Washington DC, on 20 April 2024. Photograph: Jim Lo Scalzo/EPA

Screenshot from [The Guardian]

Add all the foregoing items up and that's roughly $200 billion a year cost to NATO countries to have funded the war in Ukraine. About half is in the form of weapons and another half to keep the Ukrainian economy afloat since Zelensky himself has estimated Ukraine's economy and institutions need about $8B/mo. to keep going.

But that still leaves the question how NATO and the West can fund Ukraine's war costs and keep its economy afloat into 2025 and beyond, since it is clear the US and NATO countries have no intention of agreeing to end the conflict anytime soon. On the contrary, the events of the past year in particular indicate a NATO strategy of continuing incremental escalation by providing Ukraine ever more lethal NATO weaponry, more NATO technical assistance on the ground, and NATO approval of increasingly provocative tactics by Ukraine—like missile strikes deep into Russia, attacks on Russian ballistic missile defense radars, use of cluster bombs on Russian civilian populations, and soon to be announced 'no fly' zones along Ukraine's western border.

As a further indicator of US and NATO plans to continue the war longer term, the major NATO governments also recently signed long-term, minimum 10 year bilateral defense agreements with Ukraine. That's designed to lock in whatever governments replace the current pro-war elites currently running the USA, UK, France and Germany.

Sullivan with Ukrainian President Volodymyr Zelenskyy in Kyiv, November 4, 2022 (Licensed under CC0)

According to the *Wall Street Journal*, the US-Ukraine bilateral security agreement would "establish a long term U.S. commitment to military aid" for Ukraine requiring "future U.S. administration to work with Congress to provide funding and military support for Kyiv." Or as chief neocon in the Biden administration, Jake Sullivan, put it: the US-Ukraine bilateral security agreement was "not just for this month, this year, but for many years".

In yet another indication of a likely continuing war beyond 2024, both NATO and Russia are now lining up allies in preparation for what looks like a protracted, and possibly wider, conflict. Russia's answer to NATO signing bilateral defense agreements with Ukraine has been to conclude agreements with China, North Korea, Vietnam, Iran and various countries in Central Asia, including even Afghanistan, to provide contract troops in exchange for Russian military aid.

In this regard, recent events are eerily similar in that regard to what took place in the summer of 1914 in Europe as both sides lined up allies in anticipation of the coming conflict called World War I.

Short of a Russian complete military victory brought on by the collapse of the Ukrainian forces and a NATO decision not to directly enter the conflict despite it—the latter a very unlikely proposition in the event of an imminent Russian military victory—the Ukraine war will drag on well into 2025.

All of which again raises the question how to pay for it after current funding from NATO runs out after December 2024.

Recently, the process how to fund and continue the war was begun—a process that involves the transfer, in whole or part, of Russia's $300 billion assets in the West that were frozen in 2022.

The $300 Billion for Ukraine

In April the US Congress passed a law that allows President Biden to seize the $5 billion of Russian assets in US banks, or in real property form, convert it to dollars and put it in a Ukraine Defense Fund also created by the law. Biden then pressed the European NATO countries to do the same with their $260 billion share.

The Biden proposal was for the US to raise $50 billion immediately (from various US investors) for Ukraine. Private bonds would be issued per the Biden plan, bought by (US?) investors, and the $50 billion put in the Ukraine defense fund created by Congress and distributed to Ukraine. The World Bank would act as distributor of the funds. Ukraine would pay the interest on the bonds every year. The catch per the Biden plan was if Ukraine defaulted in the payments, then the Europeans would be liable to reimburse the investors. What a deal! American investors would make the money and Europeans potentially get stuck with the bill. Even they choked on it. So the Europeans came up with their own plan.

While details reportedly are still to be worked out in coming weeks, the Europeans' plan would raise $54 billion in funds "from existing EU programs for Ukraine". It's not clear if that's from private investors if the EU would issue new bonds specifically for Ukraine aid and EU governments and banks then buy them. If so, the EU issuing its own bond represents a further trend toward creating a fiscal union alongside the Euro currency/European Central Bank monetary union. The EU plan also reportedly required the US to assume a share of the risk and pay lenders if Ukraine defaulted and didn't make payments. Lenders, in the meantime, would be paid interest on the $260 billion annually. That was estimated around $4 billion a year. The Europeans also wanted language that assured European military contractors got their share of Ukraine spending of the funding, not just the US.

Both the Biden and EU plans remain highly opaque in terms of details. Europeans admitted the details will take weeks to resolve. But there remain interesting gaps in the deal, presumably to be worked out before year end. Questions like:

- Is the $54 billion raised from private investors as well as governments?
- Will Ukraine get all the $54 billion up front or in tranches; if latter, how many tranches for how many years?
- Will Governments (EU and/or US) assume liability to lenders if payments aren't made.
- Are there subsequent $54 billion disbursements to follow? Some US media have suggested the deal includes further $54 billion distributions to Ukraine's economy over three years. Is the $54 billion to prop up Ukraine's economy, paying government salaries, purchases and pensions through 2027? Or does it include for weapons as well? If latter are separate, how much will that cost?
- What's the lenders' guaranteed annual interest rate of return on the bond and loan if private funding—not just government—is part of the European deal?
- If the interest profits on the $260 billion seized assets is only $4B/yr, who pays lenders the difference? Current interest on the $260B in EU banks was virtually risk free. But repayment of the interest on the loan by Ukraine carries a major element of risk. Won't the lenders demand a much higher interest rate than before? Private lenders involved certainly won't buy the Bond at normal market interest rates.
- When the bond matures in ten years, how will Ukraine return the principal if it only covers interest payments each year. Where will Ukraine get the cash to pay

off principal, whether annually or at maturity? Especially if it loses the war.

Bottom line, it appears somehow Ukraine will get at least $50 billion. To spend on what is unclear. Unclear also is whether the government will issue the bond that private investors will buy or will it be a private bond back by government if not paid. However, the $50 billion is structured, Ukraine will still have to pay back the principal ($300B presumably). Where's it to get the money? It's economy is a basket case and in a debt death spiral. Which means, in the end, the $260 billion in Europe will likely also have to be seized to pay the bondholders and investors at maturity of the bond.

Biden and the Americans wanted to just seize the full amount and give it to Ukraine (as Biden did with the US share of $5 billion Russian assets in US banks). Europeans balked at that and propose a financial sleight of hand solution: create the fiction that the interest on the $260 billion will cover annual interest payments to the lenders and somehow Ukraine can pay back the $260 billion principal in the end.

So why are the Europeans so reluctant to jump in with both feet and do what the Biden administration has done and wants them to do as well—grab the $260 billion outright instead of using the $260 billion as collateral with which to raise a Euro bond to provide Ukraine with funding? The explanation is the Europeans are worried about the legality of just distributing the seized funds. (As if skimming the interest and profits were somehow not illegal but seizing and distributing the principal $260 billion was!)

Blowback from Diverting the $300 Billion

What the Europeans are really worried about is if they steal the assets too quickly, Russia will no doubt respond in kind. There are still a lot of EU bank assets—cash, securities and real property—in Russia. What's to stop Russia from seizing that in turn? America has little at risk in Russia in that sense. Europe has a great deal.

Russia reportedly is already freezing and seizing assets of Deutschebank and Commerzbank for sanctions related reasons. There are many European companies still operating in Russia. What's to stop Russia from taking over their assets—financial and real property?

Russian court seizes Deutsche Bank, Commerzbank assets as part of lawsuit

By **Reuters**

May 18, 2024 10:44 PM GMT+8 · Updated 2 months ago

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The logo of Deutsche Bank is seen on the roof of a building outside a Deutsche Bank branch office in Malaga, Spain, April 24, 2024. REUTERS/Jon Nazca/File photo *Purchase Licensing Rights*

Screenshot from Reuters

Then there's the potential impact on the European currency, the Euro, and deposits in EU banks by many countries of the global South. Outright seizing of assets raises the question: whose assets in EU banks are next to be seized? Other countries will take their currency and other liquid assets out of EU banks. That outflow will depress the value of the Euro. The European Central Bank will then have to raise interest rates in Europe to keep the Euro from falling in value. That will slow and already sluggish and stagnant European economy. The consequences of just grabbing and distributing sovereign assets of a country thus carries significant risk of economic contagion, in other words. The Europeans know this. Hence their current plan to work around the outright seizure and distribution of the $260 billion principal, skim the profits from it, and use it all as collateral to fund a loan—i.e. their $54 billion government bond plan.

US neocons are too dumb to foresee (or perhaps even care) of such an impact on the US dollar from their outright seizure of Russian assets. As the arrogant global economic hegemon, the US and Biden administration think they are largely immune to such potential economic blowback from seizing assets of another country. They, of course, are wrong. The Europeans are perhaps more aware of the consequences. American neoliberal elites just don't seem to care. By the time they do it will be too late. The coming BRICS expansion and alternative global financial structure will have done mortal harm to the USA global dollar and hegemony. There is even talk now of the now expanding BRICS creating an alternative political structure, a kind of BRICS global parliament. Institutional 'dual power' is always a sign of revolution and it's becoming increasingly clear almost the entire global South is now in a state of revolt from the American/G7 empire!

Thermopylae 2.0: Will the $300 Billion 'Buy Time'

Public opinion within the US and the European members of the G7 is shifting. The recent elections for the European Parliament, followed by the stunning defeat of Macron's party in France in that country's National Assembly elections, and the subsequent Conservative Party's debacle in Britain soon after, are all harbingers of shifting political winds in Europe. Germany's weak SPD-Greens coalition government is also apparently in trouble as the right wing AfD party continues to gain seats in the legislature and support in public opinion.

Then there's the dramatic events in the USA in the wake of Biden's disastrous presidential debate as well as the surge in public voter support for Trump following the recent failed assassination attempt. In USA national elections popular voter support is irrelevant. One person, one vote democracy in America simply does not exist. What matters is the electoral college vote cast by state electors. At least 40 of the 50 states' electors are already virtually predetermined, locked in for either Biden or Trump. The strategic exception is the seven (maybe ten now) swing states up for grabs by either party. And Trump leads in all; in some cases by double digit numbers.

The recent outcome of elections in Europe and pending in the USA are by no means a guarantee that the NATO funding schemes for seizing the Russia's $300 billion assets will collapse. the momentum politically is clearly shifting. Zelensky clearly thinks the NATO financing of the war is secured for at least another year as result of both the US and EU latest arrangements to tap the $300 billion. He's recently bragged publicly that he now has $90 billion 'in the bag' which includes the EU's $54 billion.

But the political momentum on the war is clearly shifting. Public support in the West for NATO elites' war financing policies is beginning to look like liquefaction of the soil that occurs in earthquakes. What was once solid ground may quickly turn to liquid mud. No building, however tall or solid, can resist when the earth itself moves! The recent election developments in Europe and USA may be the initial seismic shock in the collapse in public and political support in the West for a continuation of the war.

Wars on the scale of Ukraine today are determined by which side can out produce the other in weapons and material; which population is larger; which has the greater number and better trained troops; whose economy is strongest; and whose populace are united behind the effort and most committed to the outcome. And Ukraine is in a disadvantage in all the above categories.

Like the 300 Spartans before them at Thermopylae, the West's distribution to Ukraine of Russia's $300 billion of assets will not be able to prevent eventual defeat. The Ukraine war will almost certainly be resolved within the next twelve months—on the ground, not with bank accounts. Like the Spartans at Thermopylae in 480 BCE, time may run out for Ukraine before Europe can even buy some of it with its share of the $300B.

Moreover, the price paid by Europe for its $54 billion war loan to Ukraine may result in a net loss to Europe from the investment. Europe may open itself to all the negative consequences of such a bad investment. As Mohammed bin Salman (MBS), leader of Saudi Arabia, has recently publicly warned: should Europe go ahead and distribute its share of the

$300B to Ukraine, Saudi Arabia will withdraw its assets and Euros from European banks. MBS especially warned withdrawal from French banks.

With 'Project Ukraine', Europe stands at the 'Hot Gates' again. By committing another '300' again, it may realize very little gain militarily at the cost of an historic loss economically.

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