



CONFISCATION OF RUSSIAN ASSETS: MISSION POSSIBLE AND OVERDUE

There's no alternative to the Western
financial system

COMPOSITION OF WORLD'S FX RESERVES

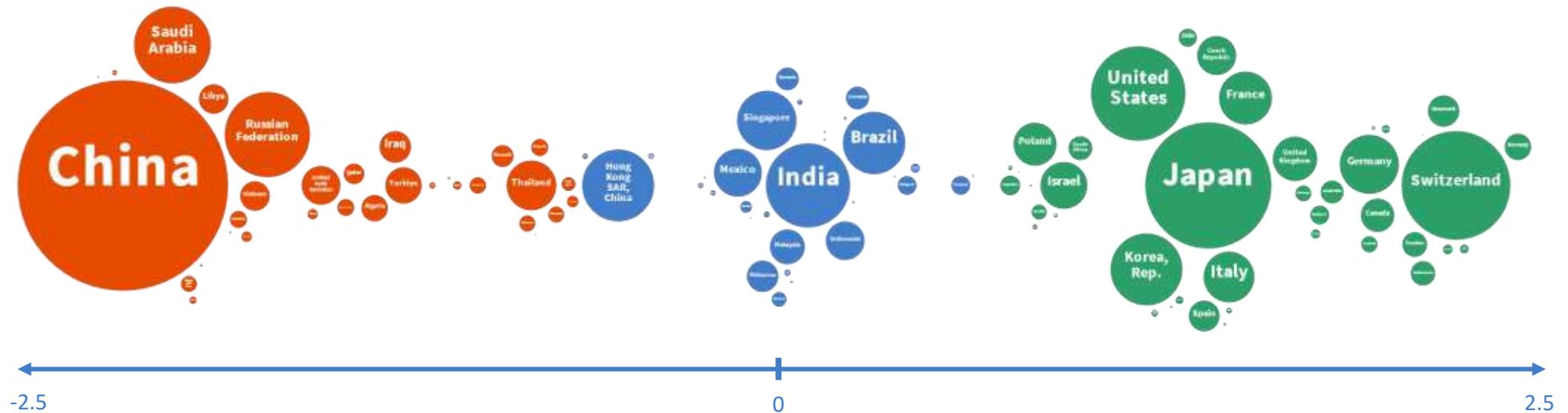
Full democracies only own a minority of reserves

- Authoritarian countries, as defined by The Economist's Democracy Index, hold almost 40% of the world's foreign exchange reserves

FX reserves by level of freedoms

Countries' FX reserves plotted by World Bank's Voice and Accountability estimate

● <-0.5 ● >0.5 ● -0.5 to 0.5 500 ● 1000 → Estimate

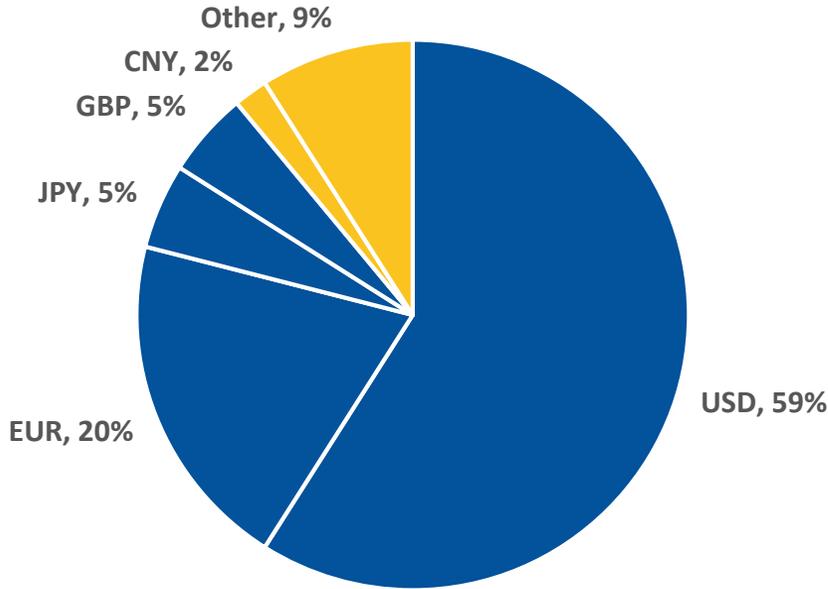


COMPOSITION OF WORLD'S FX RESERVES

Western markets remain irreplaceable

- 89.2% of world's foreign exchange reserves are held in four Western currencies: US dollar, euro, British pound, and Japanese yen

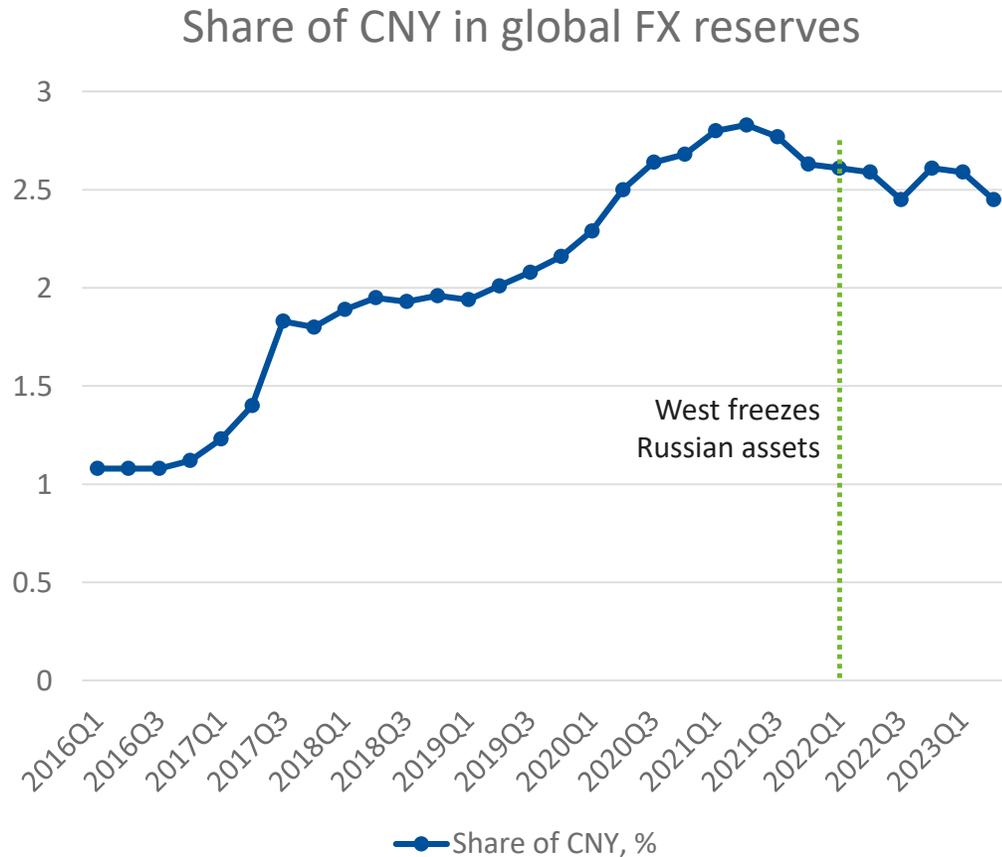
Shares of currencies in global reserves



Source: Currency Composition of Official Foreign Exchange Reserves, IMF, Q2 2023

FAILED ASPIRATIONS OF CHINA

Renminbi shows inability to attract attention



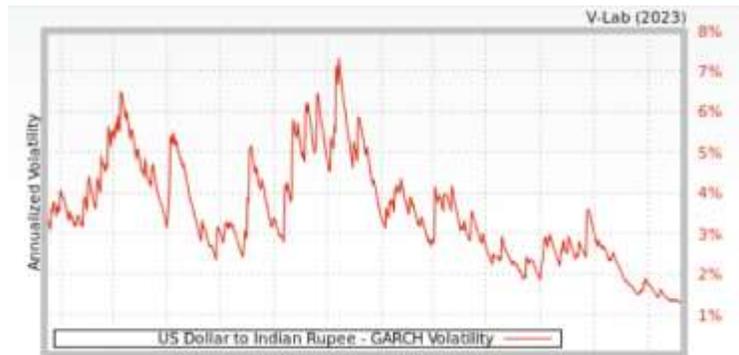
Source: Currency Composition of Official Foreign Exchange Reserves, IMF

- Renminbi failed to ever cross the 3% mark, and the growth trend is now reversed
- China is unable to compete with Western currencies due to weaponization of yuan, currency manipulations, lack of full convertibility, seizures of foreign assets
- Seizing of Russian sovereign assets did not have a positive effect on renminbi's position despite predictions
- In 2010-2021, investors bought net of \$558 bn in bonds, then from February 2022 through March 2023 sold \$115 bn

ATTEMPTS BY OTHER COUNTRIES

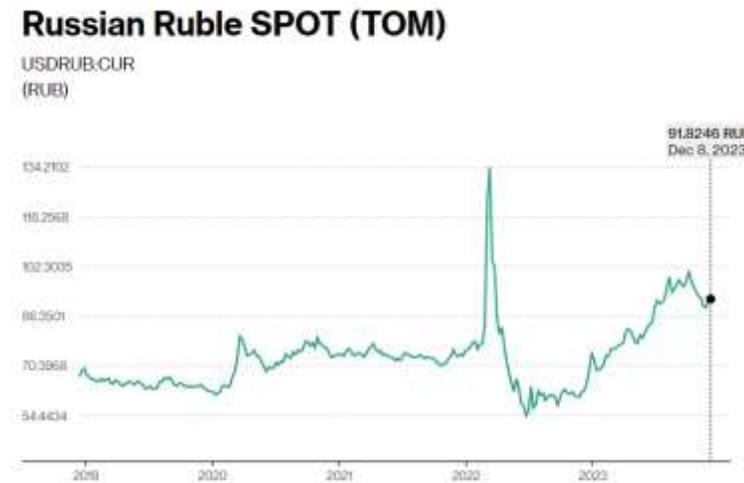
Non-Western states struggle to fulfill ambitions

- Indian rupee remains volatile, and a low global export share of 2% does not compel other countries to hold rupees



Source: V-Lab, NYU Stern

- Russian ruble plummeted over 40% since the start of full-scale invasion, and this does not seem to be the limit as further sanctions impact is expected



Source: Bloomberg

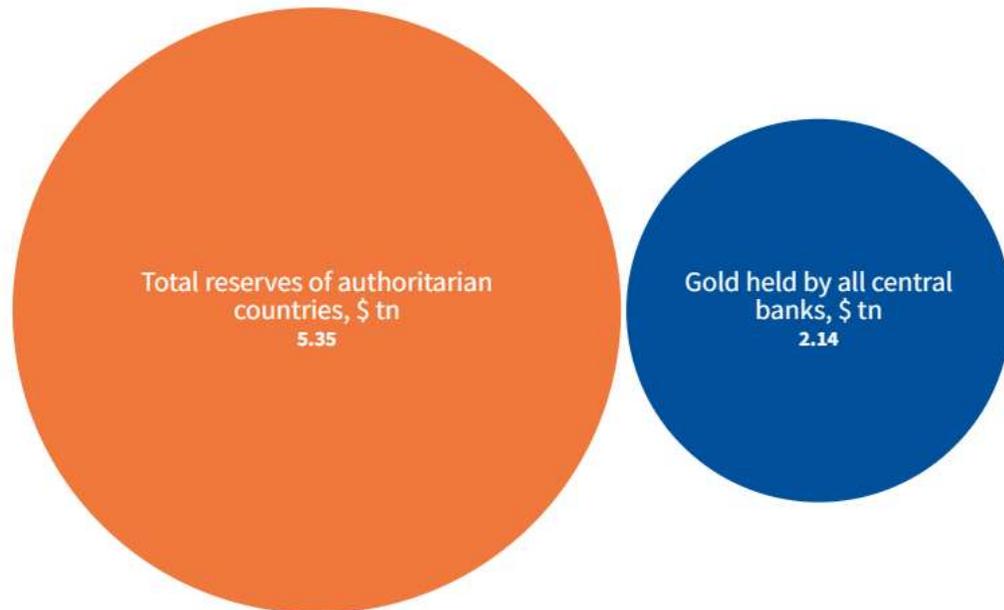
- “BRICS currency” is highly unlikely to get traction due to conflicting geopolitical interests of members, especially after expansion



CONVERTIBILITY OF RESERVES INTO GOLD

Conversion comes with consequences and isn't possible at scale

Comparison of authoritarian countries' reserves vs.
gold available



Source: IMF, World Gold Council

- Gold is highly volatile, with short-term volatility reaching 15-20%
- Has high transaction costs and lack of quick and free convertibility into other currencies
- Logistics of trading gold are extremely costly, as seen in examples of Russia and Venezuela, trapping countries in “golden cages”
- Central banks only hold 36,000 tons of gold, so physical availability becomes an issue

CHALLENGES AHEAD

Joint action is key to restoring justice

- Despite legal challenges, confiscation of Russian RCB assets is legitimate under international law and compelled by political necessity, as argued by experts
- The only real economic risk lies in unilateral actions, which can lead to flow of money between Western states, leading to “de-dollarization” or “de-eurozation”

G7 and EU should jointly confiscate RCB assets acting as a coalition



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THANK YOU!

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