

A new financial impetus for peace in Ukraine

We need the mobilisation of financial resources on a scale that will secure Kyiv's military resilience

The writer is Chancellor of Germany

Vladimir Putin continues his brutal war of conquest against Ukraine with unrelenting ferocity. Every residential block destroyed in Odesa, every night-time strike on a hospital in Kharkiv or on a government building in Kyiv disproves the myth that Russia is willing to make peace. Europe must draw the necessary conclusions from this, ideally together with its partners on both sides of the Atlantic. We must systematically and massively raise the costs of Russia's aggression.

We do this not to prolong the war, but to end it. Moscow will only come to the table to discuss a ceasefire when it realises that Ukraine has greater staying power. We have that staying power. Europe is more tested now than perhaps at any time in our lifetimes. Germany must — and will — assume a particular share of responsibility.

We need a new impetus to change Russia's calculations. Now is the moment to apply an effective lever that will disrupt the Russian president's cynical game of buying time and bring him to the negotiating table. That requires the courage and confidence to set our own agenda, rather than merely react to his.

In doing so we would give the brave people of Ukraine fresh hope. We would also send precisely the right message to Washington: the path to a just and lasting peace must be walked together.

We will support Ukraine in its defence for as long as it takes. That is the decision Europeans have made. The time has now come to back that political promise with an instrument that sends an unmistakable signal of resilience to Moscow. In recent years, we have often played it by ear. Now I am advocating the mobilisation of financial resources on a scale that will secure Ukraine's military resilience for several years.

Germany has been, and remains, cautious on the issue of confiscating the Russian central bank's assets that are frozen in Europe, and with good reason. There are not only questions of international law to consider, but also fundamental issues concerning the euro's role as a global reserve currency. But this must not hold us back: we must consider how, by circumventing these problems, we can make these funds available for the defence of Ukraine.

In my view a viable solution should now be developed whereby — without intervening in property rights — we can make available to Ukraine an interest-free loan of almost €140 billion in total. That loan would only be repaid once Russia has compensated Ukraine for the damage it has caused during this war. Until then, the Russian assets will remain frozen, as decided by the European Council.

Such extensive assistance will require budgetary guarantees from member states. Those bilateral guarantees should, as soon as the next Multiannual Financial Framework is in place in 2028, be replaced by collateralisation under the EU's long-term budget.

The funds thus mobilised would secure Ukraine's defence capabilities for several years. I will discuss this proposal with the European heads of state and government at our meeting in Copenhagen next Wednesday. I propose that, at the European Council at the end of October, we give the mandate to prepare this instrument in a legally secure manner.

That decision should, ideally, be unanimous — failing that, it should be adopted by the large majority of member states who are firmly committed to Ukraine. We should also invite partners around the world that have frozen Russian assets to join the instrument. To this end, we will co-ordinate closely with our partners in the G7.

For Germany, it will be important that these additional funds are solely used to finance Ukraine's military equipment, not for general budgetary purposes. Payments should be disbursed in tranches. Member states and Ukraine would jointly determine which materiel is procured. In my view, such a comprehensive programme must also help to strengthen and expand the European defence industry. That would serve both our collective security and European sovereignty.

In recent days we have been reminded of how comprehensively and systematically peace and freedom in Europe are under threat. As Europeans we hold powerful means to resist that threat. The time has come to use them, so that we may defend our secure, free and united Europe.