

Russia and China: decoupling from the Western-dominated global payments system

In response to the threat of tougher sanctions, Moscow and Beijing are moving closer together. They want more independence from the financial system. An economic sensation is brewing: a Russian-Chinese payment agreement.

Western pressure on China and Russia is increasing. Now Beijing and Moscow are preparing to decouple from the Western-dominated global payments system. Russian Foreign Minister *Sergei Lavrov* announced on Monday during a state visit to Guilin in China that both states could reduce the risk of sanctions if they strengthened their financial independence. What was explicitly meant was also a decoupling from Western payment systems. In a meeting with his Chinese counterpart *Wang Yi*, the two also exchanged views on the recent Chinese visit to the new US Secretary of State *Antony Blinken*. *Lavrov* said:

"China and Russia now want to strengthen their technological independence and move to trade settlements in national currencies and in world currencies, which are a viable alternative to the dollar."

Systems controlled by the West should no longer be used. *Lavrov* believes the US sees its role as limiting the ability of both the Russian Federation and the People's Republic of China to develop technologically. Russian President *Vladimir Putin's* spokesman, *Dmitry Peskov*, stressed: "The Kremlin is on alert."

He also said it could no longer be ruled out that Russia would be excluded from Brussels-based global payments service provider *Swift* in the wake of new US sanctions. *Peskov* said:

"We cannot rule out any of the potential threats. We see that the sanctions agenda of our adversaries, especially the US, continues to grow."

Washington, he said, is unpredictable. Moscow Security Council Deputy Chairman *Dmitry Medvedev* said Russia had already drawn up an action plan in the event of a shutdown of *Swift* for Russian financial institutions.

Shutting down *Swift* for banks of another country was called the "financial nuclear bomb" by the head of the Russian state bank *VTB*, *Andrey Kostin*, in an interview with *Handelsblatt* some time ago.

Ex-US President *Donald Trump* had also put pressure on *Swift* banks after the unilateral withdrawal from the international nuclear agreement with *Tehran* in 2018. These were meant to exclude Iranian banks from the payment system. Since then, Western financial transactions with *Iran* have hardly been possible.

Russia and China have already founded their own credit card companies. Since then, they have been independent of US market leaders like *Visa* and *Mastercard*.

A spokeswoman for the Chinese Foreign Ministry emphasised: "China and Russia are already very close partners. The development of Russian-Chinese relations is not directed against any particular country."

Relations, she said, are open and honest, unlike relations with individual countries that join forces and pursue their own ulterior motives or hidden agendas or even conspiracies.

The Kremlin even deems relations with China and joint military cooperation under the "Shanghai Agreement" "strategic".

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