



# Alternatives to SWIFT: Subverting Sanctions

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## Economic Sanctions and SWIFT

### Definition:

- Economic measures which allow the “sender” country to “extract political concessions from the target country” (Hovi, Huseby, and Sprinz 2005, 483)
- “an issue linkage where in which a coercer demands a concession from the target...if the target does not comply with the coercer’s demands, the coercer threatened action on a separate issue (sanctions)” (Lacy and Niou 2004, 26)

### SWIFT:

- Society for Worldwide Interbank Financial Telecommunications, a “network which securely transports messages containing the payment instructions between financial institutions involved in the transaction” (Cipriani and Goldberg 2023, 43)
  - Standards Formulation and Implementation
  - Physical Infrastructure for Financial Communications Processing
  - Dominance in the Global Economy

## Challenges

- Monopoly on Global Financial Transactions
  - Reliability and Credibility
- Jurisdiction under the European Union
  - Subject to Enforce Sanctions Under That Jurisdiction
- Outsized US Influence, G-10 Nations
- Transparency of Transactions
- Slow and Expensive Transactions

## Technology: Alternatives to SWIFT

### **Direct Alternatives:**

#### Alternative Financial Telecommunications Systems

- Russia's System for Transfer of Financial Messages (SPFS)
- The Instrument in Support of Trade Exchanges (INSTEX)
- India's Structured Financial Messaging Systems (SFMS)

#### Alternative Payment Systems

- China's Cross-Border Interbank Payment System (CIPS)
- BRICS Pay

### **Cryptocurrencies:**

- Cryptocurrencies, or Virtual Currencies, are “private sector systems that, in many cases, facilitate peer-to-peer exchange bypassing traditional central clearinghouses” such as banks (He et. al. 2015, 5)
- Pseudo Anonymity through Blockchain Technology and Decentralization (Macfarlane 2020, 201)
- Central Bank Digital Currencies (CBDC)

**Advantages:**

- Ability to continue financial transactions despite SWIFT sanctions
- Ability to promote domestic currencies, subvert the Dollar Privilege
- Ability to avoid Western-backed sanctions
- Maintain Economic Stability Despite Sanctions
- Maintain Economic Relationships Despite Sanctions

## Potential Negative Effects

- Promoting Coalitions of Nations Wary of Western-led Sanctions
  - Collaboration between alternative systems, BRICS Pay
- Loss of Credibility and Transparency in Transactions
- Limiting Interactions with Financial Institutions Around the World
- Lack of Credible Regulation (Cryptocurrencies)

## Recommendations

- Make SWIFT even more integral to the international financial system
  - Continuously update standards to allow SWIFT to manipulate its role as a regulation standards bearer
  - Work to make SWIFT even more efficient and less costly by updating it to compete with cryptocurrencies
  - SWIFT could counter the alternative infrastructures for financial communication by increasing its importance and value by establishing SWIFT as a center for Central Bank Digital Currency transactions
  - Promote a more Varied Governance Structure