BRICS Consider a New Payments System, May Have a New Currency on Their Agenda

by Paul Gallagher and Dennis Small

Oct. 17—The meeting of the finance ministers and central bank governors of the BRICS took place in Moscow on Oct. 10-11, preceding the BRICS summit in Kazan, under the chairmanship, this year, of Russia. Participants received a proposal from Moscow for a new cross-border payments system that focuses on a new platform linking together the central banks of the participating nations. The goal is both straightforward and urgent: to avoid the sanctions as well as the economic and currency warfare coming from the West.

On his return from the meeting, the Governor of Iran's Central Bank, Mohammad Reza Farzin, confirmed that this new system includes developing a network of commercial banks that can conduct banking transactions in local currencies, as well as establishing direct links among central banks. Moreover, Iranian Deputy Finance Minister Ali Fekri announced Oct. 13 that Iran supports the Russian government's proposal to "revise the international financial system." *NourNews* of Iran reported Minister Fekri's statement on Oct. 14.

Russian Ministry of Finance

Russian Finance Minister Anton Siluanov spoke of a new payments system that could provide protection from sanctions and seizures.

The report presented by Russian Finance Minister Anton Siluanov, titled *BRICS Chairmanship Research: Improvement of the International Monetary and Financial System*, states that a new payments system could be protected from sanctions and seizures by "putting central banks in the middle of transactions"; by creating or using BRICS exchanges for trade in key commodities, including gold, oil, wheat, and strategic metals; and by making payments among the BRICS central banks possible in tokens (distributed-ledger digital currencies). Presumably, the central banks would make equivalent national currencies available to the banks of the respective trade partners.

The Central Bank of Russia is offering the other central banks "a common multilateral settlement platform based on modern technologies" [i.e., digital currency], says the report. The point of making a platform of a linked network of BRICS central banks, according to the Executive Summary, is to prevent any "single commercial entity" from being excluded from the system—that is, of course, by U.S. and European sanctions.

This issue has been given the highest priority by the Russian chairmanship; it can reduce significantly the impact of U.S. Treasury and European Commission sanctions on Russia's ability to trade with its BRICS partners. "The IMF and the World Bank are not performing their roles," Siluanov is quoted from the Oct. 10 session. "They are not working in the interests of BRICS countries." He added that it is necessary to form "new conditions or even new institutions, similar to the Bretton Woods institutions, but within the framework of our community, within the framework of BRICS."

After their meeting in Moscow on Oct. 11, the Finance Ministers and Central Bank Governors issued a joint statement, with their proposals to be forwarded to the heads of state who will meet at the summit of the BRICS countries and prospective partners in Kazan, Russia on Oct. 22-24.

But the Finance Ministers Passed the Buck

This statement revealed, however, that there was clearly no consensus on the handful of important topics which this year's Russian chairmanship of the BRICS had proposed at the meeting for action—meaning that these matters of substance have been left to the heads of government at the Kazan summit. For example, on the proposed establishment of the "BRICS Cross-Border Payments Initiative" (BCBPI), the Joint Statement emphasized that the proposal is "voluntary and non-binding, and [we] look forward to further discussion." Translation: no agreement on the Russian proposal for a new trade payment settlement system.

Decisions and action may occur at the heads-of-state summit on these topics, as well as the more fundamental issues of organizing an entirely new international financial architecture, which were not even addressed by the finance ministers and central bank governors.

The former Vice President of the BRICS' New Development Bank, Paulo Nogueira Batista, Jr., issued a statement from Moscow on Oct. 13, in which he called the current international monetary and financial system, controlled by the West, "unreformable." The SWIFT payment system "will basically continue to be a weapon used by the West and the United States and its allies to punish and restrict access to international banking." Therefore, Nogueira wrote, the BRICS need to construct an alternative system, as well as a new unit of account, and a reserve currency to be used as a means of settlement between central banks.

Paolo Nogueira Batista, Jr. Facebook page

Former Vice President of the BRICS' New Development Bank, Paulo Nogueira Batista, Jr., called the current monetary system "unreformable."

Nogueira's more in-depth argument was provided in a presentation delivered to the BRICS Seminar on Governance & Cultural Exchange Forum 2024, in Moscow on Sept. 23, 2024. The seminar was organized by the Publicity Department of the Central Committee of the Communist Party of China (CPC), the Academy of Contemporary China and World Studies, and the China International Communications Group, with the support of Russian institutions.

Nogueira wrote that the need for such a new system is evident:

> [First,] the dollar, the euro, and the Western payment system have been dramatically misused as political and economic weapons. Second, the fiscal and financial fragilities of the U.S. economy raise legitimate doubts about the feasibility of continuing to rely on the dollar as the hegemonic international reserve currency. So, we must act.

But, given pressures from the West, Nogueira thinks it unlikely that unanimous consensus to replace the bankrupt system is currently possible in the BRICS:

> But, in the meantime, could we not move forward on the basis of a coalition of able and willing countries?... The NRC [New Reserve Currency] could be created by a sub-set of the BRICS.... China, Russia and Iran are probably immune to these pressures. The same cannot be said of other countries of the BRICS. Even China may hesitate to pick a fight with the U.S. on such a hot topic.

How To Make a New Reserve Currency

Nogueira noted that settling trade in national currencies among the BRICS nations, though made urgent by sanctions, is limited even as a "de-dollarization" step:

> The BRICS need a new reserve currency, as an alternative to the U.S. dollar and other traditional reserve currencies. The reluctance of some of the BRICS nations, however, is a potential obstacle, so he proposed to call it the NRC—New Reserve Currency.
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> The NRC could have the following characteristics. It would not be a single currency, replacing the existing national currencies of the participating countries. It would therefore not be a euro-like currency issued by a common central bank. The NRC would be a parallel currency designed for international transactions. The national currencies and central banks would continue to exist in their current format, as normal currencies and normal monetary authorities.
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> An issuing bank—let's call it the NRMA, the New Reserve Monetary Authority—could be established jointly by the participating members. The NRMA would be in charge of creating NRCs and also bonds—let's call them the NRBs, new reserve bonds—into which NRCs would be freely convertible.

These characteristics of a *currency*-issuing authority, are the characteristics of a *credit*-issuing authority, taken from the model of U.S. Treasury Secretary Alexander Hamilton and his "American System" successors, channeling resources to productive investment in infrastructure and related projects.