

Replacing hegemonic order with multilateral consensus (Step Two)

By Elisa Barwick

This article follows on from “[Rewriting the rules of international finance, Step One](#)”, AAS, 12 October 2022.

Now the world’s largest official creditor, China has demonstrated an alternative development pathway outside of international lenders the IMF and World Bank. This is a crucial first step to defining a new world financial architecture. It must be followed by consolidation of emerging arrangements for settlement of trade among nations independent of the collapsing US dollar order. Reconciliation with the existing financial infrastructure is then required, in something akin to the format of the 1944 Bretton Woods conference held in New Hampshire, USA, which established an agreed international monetary framework.

Russia is showing the pathway to the second element in that prescription. Teamed with numerous other indications of an emerging new economic order, some of which are described here, this provides optimism that a new financial order can be achieved.

At the 24-27 October Valdai Discussion Club’s 19th annual meeting, convened under the banner “Post-Hegemonic World: Justice and Security for Everyone”, Russian President Vladimir Putin provided the conceptual basis for correcting the current order already undergoing “tectonic changes”.

Addressing the club named after Lake Valdai in Russia’s

Novgorod Oblast region and comprising scholars of 85 countries, Putin declared: “Humankind is at a fork in the road: [we] either keep accumulating problems and eventually get crushed under their weight, or work together to find solutions—even imperfect ones, as long as they work—that can make our world a more stable and safer place.

“You know, I have always believed in the power of common sense. Therefore, I am convinced that sooner or later both the new centres of the multipolar international order and the West will have to start a dialogue on an equal footing about a common future for us all, and the sooner the better, of course.”

Putin developed the alternative to setting arbitrary rules changed at whim (“the substitution of ‘rules’ for international law”), designed to exclude groups with different “values” than those of Western nations. Rather, said Putin, building common foundations through dialogue with civilisations that have different spiritual and moral values *propels* development. “The world is diverse by nature and Western attempts to squeeze everyone into the same pattern are clearly doomed.” Interaction between nations pursuing their sovereignty and unique paths of development, said Putin, opens up “large spaces” that “form the economic basis of a multipolar world order”. Only with such cooperation “shall we create a symphony of human civilisation”. Ironically, in its pursuit of its so-called values, including freedom, the West has devolved into despotism.

Putin stressed, however, that Russia is not proposing to replace the existing hegemon, not even “with a bipolar, tripolar or other dominating order, or ... with domination from the East, North or South. This would inevitably lead to another impasse.” With the dollar now being “used as a weapon”, Putin called for secure and depoliticised financial platforms outside of “any single control centre” as the basis of a “new global financial infrastructure”.

In the Question and Answer session, Putin responded to a query about the current financial architecture which effectively renders “monetary sovereignty meaningless” by saying, “You have just hit the bull’s eye.” Referencing the Bretton Woods architecture established after WWII, Putin called for the resulting international institutions (IMF/World Bank) to be reformed or recreated, which although a difficult process, “is possible”. Such a new system should facilitate education and technology transfer to developing nations, to “meet the interests of the majority”.

Putin updated the progress towards international settlements in local currencies, noting that it is merely “a forerunner of this [new] system”. “For example, with India, we are now making 53 per cent of mutual payments for exports in national currencies, and about 27 per cent for imports. Similar arrangements with other countries are being increasingly used. For example, with China, payments in yuan and roubles are expanding fast, and with other countries, too.”

Putin’s sentiments are reflected in the words of other Russian leaders. At the Verona Eurasian Economic Forum on 27 October in Baku, Azerbaijan, the CEO of Russian energy company Rosneft, Igor Sechin, opened his keynote by quoting Putin saying that “a multipolar world and true multilateralism are the only true path for humanity”—a theme he has repeated in numerous forums. The crisis was caused not by the pandemic, the Ukraine crisis, or energy and economic problems, Sechin continued, but rather by the collapsing “hegemon who arbitrarily appointed himself as such, making up his own rules for the rest of the world and arbitrarily changing them as soon as they become disadvantageous to him”.

“The world has changed”, said the Rosneft chief, and the ability of the West to throw its weight around “is ending”. He emphasised China and India, with Russia, as new “centres of influence” and drivers of global growth. The forum, organised by non-profits the Conoscere Eurasia Association and the Roscongress Foundation, was held under the banner, “Eurasia on its Path to a New Geopolitical, Social and Economic Order: Transition to a New, Human-Centred Economy”.

In his presentation, Professor Antonio Fallico, President of the Conoscere Eurasia Association, described the “expanding spaces of regional cooperation” with the “increased role of the Eurasian Economic Union” and “the consolidation of various international organisations, including BRICS and [Eurasian grouping] the Shanghai Cooperation Organisation in recent months”. The BRICS in particular (Brazil, Russia, India, China, South Africa), he said, has transformed into “a new type of platform with great ambition”.

Regional drivers

After the 2008 global financial crisis, China and Russia began promoting a new financial architecture through vehicles such as the BRICS; its New Development Bank, announced in 2014; and the Asian Infrastructure Investment Bank, which commenced operations in 2015. But only this year did the potential really take off. US sanctions provided the boost to put new arrangements into rapid motion. Having its central bank reserves frozen and being cut out of international financial arrangements, Russia was forced to rapidly escalate its



President Putin answers questions during a Valdai Club discussion. Photo: kremlin.ru

de-dollarisation. Many other nations perceived the same risk and moved in parallel. Events over the past couple of months dramatise this shift.

On 25-26 October, the National Committee for BRICS Research of Russia held a forum in Moscow, and online, headlined, “International Scientific and Practical Conference: Scientific-Technological and Innovative Cooperation of BRICS Countries”. Among the dozens of speakers and participants was Schiller Institute founder Helga Zepp-LaRouche, who spoke on “preparations for a new credit system” for scientific advance and economic growth; and Schiller Institute UN representative Richard Black, who provided an update on the prospects for fusion power. The conference included experts from the Institute of Scientific Information on Social Sciences, a venue of the Russian Academy of Sciences in Moscow, and was co-sponsored by several scientific and economic bodies, universities and the Moscow State Institute of International Relations of the Ministry of Foreign Affairs of Russia.

Russian Deputy Foreign Minister Sergey Ryabkov opened proceedings by emphasising the role of the BRICS in new, inclusive cooperative arrangements, with a special focus on science. He noted that in Russia the decade 2021-31 is officially focused on technological and scientific advance. (Note that Chinese President Xi Jinping’s address to the 20th party congress of the Communist Party of China, on 16 October, had a similar scientific focus. See “China will not be swayed in its development path: Xi”, AAS, 26 Oct.) First Deputy Chairman of the Committee on International Affairs of the State Duma, Dr Vyacheslav Nikonov, outlined how BRICS is playing a major role in “determining ... a new vision of the world”.

In a 21 October article for RT, the host of the above reported Valdai Club discussion, Fyodor Lukyanov, the association’s research director and chairman of the Presidium of the Council on Foreign and Defence Policy, noted that in addition to Argentina and Iran, Saudi Arabia and Algeria have announced their intention to join the BRICS. Western actions to isolate Russia, he affirmed, have caused BRICS to take on a whole new significance: “this is not a matter of supporting Russia’s actions, but rather of rejecting forms of external pressure.” The reorientation of Saudi Arabia towards Russia and China and away from the USA, including plans to denominate oil sales in the Chinese currency, was already threatening US dollar dominance; its interest in joining BRICS, said Lukyanov, is a further sign “the world is moving on from Western dominance”.

Some 15 nations are interested in joining BRICS. The 14th BRICS summit, which took place 23-24 June (hosted virtually by China), also convened a “BRICS+” meeting including leaders of 13 interested nations. At an expert session on

BRICS and SCO expansion at the end of September, hosted by the Valdai Club, Pavel Knyazev, ambassador at large of the Russian Foreign Ministry and a BRICS sherpa, reported discussion of a new “BRICS-based accounting currency” for trade among member nations. He revealed that member states are “actively studying mechanisms” to exchange financial information to develop a reliable alternative for international payments. The Bank of Russia also held a late September conference on coordinating trade in local currencies, with other major players including the Moscow Exchange and aluminium company Rusal.

In remarks at a September ceremony accepting new foreign ambassadors, Putin noted that “the development of a multipolar and more democratic and fair world order has entered its active phase”. He also commented that the SCO, which held its summit in Samarkand on 15-16 September, represents a growing combination of nations which “firmly believe that the modern world must be polycentric”. The SCO adopted a roadmap for increasing trade in local currencies.

At the last BRICS forum, Putin had announced that BRICS was “exploring the possibility of creating an international reserve currency based on the basket of BRICS currencies.” He noted the development of “reliable alternative mechanisms for international settlements. The Russian Financial Messaging System”, he said, “is open for connection with the banks of the BRICS countries. The Russian Mir payment system is expanding its presence.” As previously reported, more nations are keen to recognise Russian payment systems, and vice versa. By the end of the year Egypt will join those nations which have made the move, despite the US Treasury threatening secondary sanctions on nations that utilise the Mir network. Furthermore, in conjunction with other nations, Russia is exploring how to fix stable commodity prices for trade,



The Schiller Institute's Helga Zepp-LaRouche and Richard Black speak to a prestigious audience at an event hosted by Russia's National Committee for BRICS Research. Photo: Screenshot

including by the exclusion of speculation. (“Days are numbered for US dollar order”, AAS, 7 Sept.)

Regular updates show that locally transacted trade arrangements are ever-increasing, but this is just one step. Additionally, proposals have been made for Russia, China and India to work together on debt relief, or issuance of new credit, internationally. This will be extremely important given most debt is denominated in US dollars and as the dollar rises it becomes harder for developing nations to pay without borrowing more (in USD) from the IMF/World Bank, requiring compliance with economic conditions that crush the economy.

The next step is rapprochement between this growing group and the West. It was evident from the calls of numerous developing nations at the UN General Assembly in September (including Indonesia, Brazil, South Africa, Kenya, Congo, Argentina, Barbados and Belize) for a new global financial architecture, that the time for such an initiative is ripe. (“Stop the escalation of war and financial catastrophe”, AAS, 12 Oct.)