

Scenario three: "Fragmented rails"

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The third scenario assumes that geopolitical rivalry intensifies and that payment systems divide along the lines of political blocs. One group of states, possibly including China, Saudi Arabia, the United Arab Emirates and other participants in mBridge or BRICS initiatives, builds and operates cross-border payment systems based on their central bank digital currencies, bypassing the dollar system. The United States and its allies respond with their own systems based on dollar stablecoins and tokenised deposits. Interoperability between the blocs is limited by sanctions, technical incompatibility and mutual distrust. By 2035, a company that trades with both blocs must maintain separate payment arrangements for each.¹

The drivers would be the escalation of sanctions regimes, the weaponisation of payment systems and the desire of major emerging economies to protect themselves against exclusion from the dollar system. The signposts include the extension of mBridge to further central banks and to high volumes of trade, the integration of the Chinese cross-border interbank payment system CIPS with central bank digital currencies, the expansion of sanctions to payment infrastructure and the appearance of secondary sanctions against institutions that use the alternative systems. The scenario would materialise even if the dollar kept its dominance, as long as a significant parallel system developed.²

For Basel, this scenario would be the most demanding. The BIS, whose membership includes central banks from both blocs, would find its role as a forum for cooperation under strain, as the mBridge episode foreshadowed. Swiss banks and companies would face a choice between serving clients in both blocs at the risk of sanctions violations and confining themselves to one bloc. The pharmaceutical groups of Basel, whose supply chains and markets extend into China and the Gulf states, would need payment arrangements compatible with both systems, a

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question that Chapter II of this part takes up. Advisers with expertise in sanctions, export control and cross-border payments, as Part H described, would be in high demand. Switzerland's neutrality would again be tested in the field of finance, as it was during the Second World War, when the BIS and the Swiss banks found themselves at the centre of controversies that Part D, Chapter V described.³

1 Notes

1. This scenario is the author's analytical construct. On the geopolitical dimension of mBridge and BRICS payment initiatives, see the discussion above and the press coverage of the BRICS summits since 2023. On the role of the dollar in the international monetary system, see the publications of the Federal Reserve and the ECB on the international role of currencies. Speculative. ↩
2. Signposts identified by the author. On CIPS and the internationalisation of the renminbi, see the publications of the People's Bank of China and analyses of the BIS and the IMF. To be verified. ↩
3. On sanctions and export control at the border, see Part H, Chapter III. On the controversies concerning the BIS and Swiss banks in the Second World War, see Part D, Chapter V, and Part F, Chapter I. To be verified. ↩

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