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We do not attempt to break the global system, it will collapse on its own

VEB.RF is a state-run development corporation designed to participate in the implementation of major national projects. Sergey Storchak, Senior Banker, State Development Corporation VEB.RF, shared his vision of the current state of Russia's development in the context of international cooperation.

Having found itself in dire circumstances due to severed ties with many trading partners, Russia is making efforts to develop its own industrial and technological base. Who are our allies in this respect? What role does Russia play in harmonizing relations within BRICS?

One could, of course, speculate on how much the current conditions fall under the criteria of surprise. For example, American sanctions against Russian enterprises and certain sectors of the economy were introduced even earlier – in 2014. Since 1974, the American discriminatory Jackson-Venik amendment has been in force, although legally abolished in 2012. For a long period of time, the United States and the EU have been applying anti-dumping and countervailing duties to Russian companies, first assigning to Russia the status of a “market economy”, then revoking it, and further using the practice of "zeroing out" the difference in import and domestic prices for identical goods. All these measures, including sanctions, are part of the American and European protectionist policies, and they are nothing new to us.

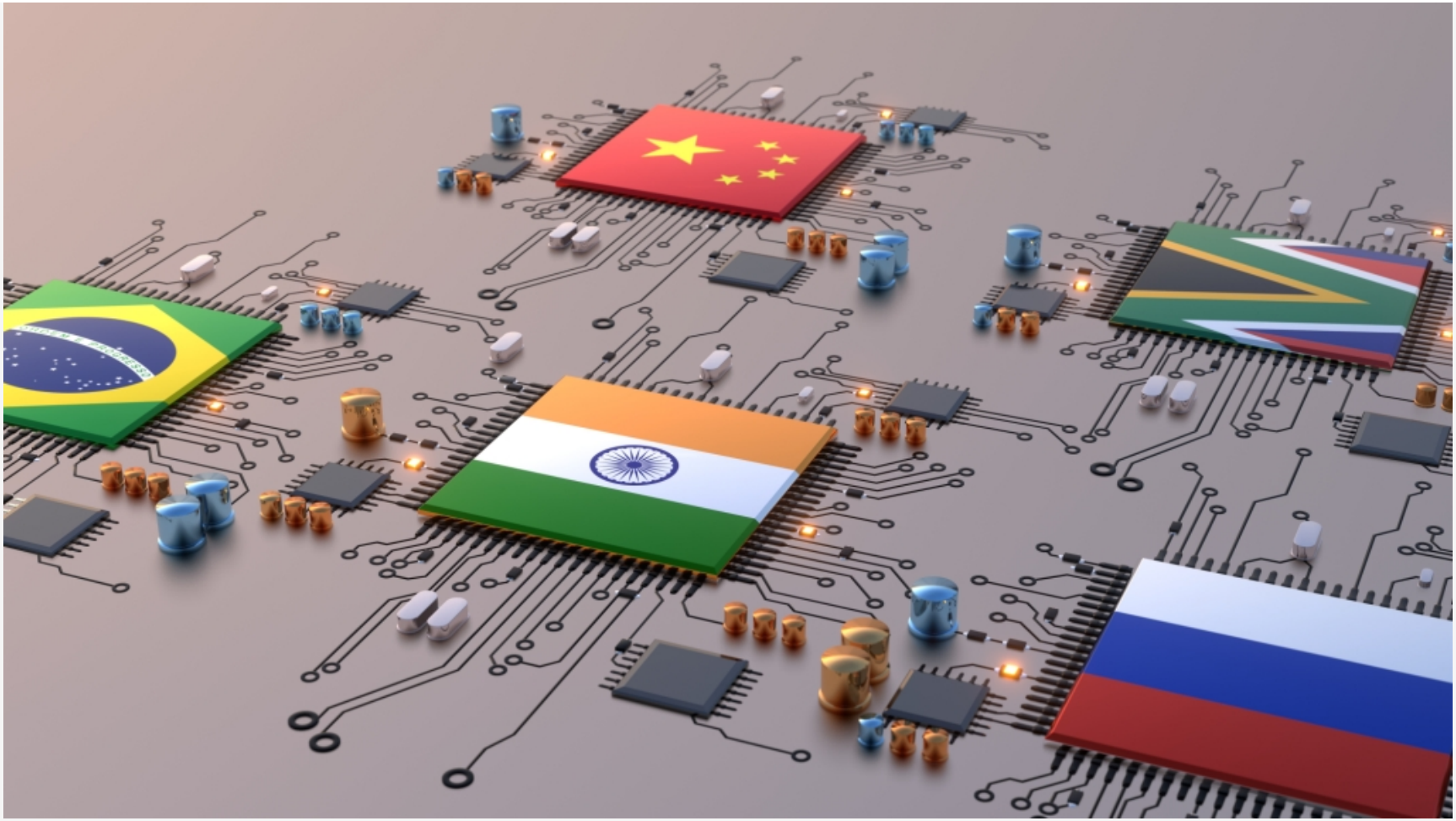
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In general, even pro-Western economists estimate that Russia has coped much better with the new wave of sanctions pressure than expected. But it is not only Russia that is facing restrictive measures. There is a real "trade war" going on between the United States and China. This is one of the reasons for the global transformations taking place in the world. The rule of law based on Anglo-Saxon concepts has discredited itself. There is a demand for fair trade between the economies. It should be noted that the countries that stand behind this demand are Russia, India, China, South Africa, Brazil and many other sovereign states. Many of them are members of the BRICS association.

This association is rapidly expanding: Iran, Egypt, Ethiopia, and the United Arab Emirates are among the new members. About 25 states are considering joining the BRICS. Back in 2011, Foreign Minister Sergey Lavrov noted that the BRICS association includes states playing key political and economic roles in vast regions of the world. BRICS is not an alliance forged "against" anyone. This is an important element of "network diplomacy"; this is a unity "for" but not “against”– aimed at promoting concurring interests of the member states, including the formation of a more just and democratic world order.

Initially, the BRICS was set up as a political project. But after a few years, economic issues began to enter the top list of the association's agenda, as it happened, for example, with the establishment of the New Development Bank or with setting up the Contingent Reserve Arragement.

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As a representative of VEB.RF – a state corporation and a national economic development institute, do you see a direct link between what the Russian Federation is attempting to achieve and the declared mission of the BRICS association?

VEB.RF was one of the initiators of the establishment of the BRICS Interbank Cooperation Mechanism (BRICS ICM). It was

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established in 2010 with the aim to advance participation of national development banks in the process of strengthening trade and economiccooperation between the BRICS member states.

The main activities of the BRICS ICM are as follows: development of comprehensive long-term interbank cooperation in the interests of strengthening trade and economic relations of the BRICS member countries; financial and other support for the implementation of socially significant, including regional, projects; modernization of financial and banking services for investment projects contributing to the economic development of the BRICS countries. This year, Russia is chairing BRICS, and VEB.RF is the "driver" of the BRICS ICM agenda.

We see our task in creating conditions for the expansion of the BRICS ICM, including bringing development financial institutions of the new BRICS members onto the Interbank Cooperation Mechanism.

The Russian delegation, which included representatives of VEB.RF, has recently visited China and Vietnam. What are the prospects for intensifying collaboration with the economic entities of these countries?

The prospects are immense, I would say. Mutual trade between Russia and China has reached the level of $240 billion, which is more than was planned 5 years ago. Together with VEB.RF, Chinese partners participate in projects in our country of over 10 trillion roubles. It is no coincidence that Igor Shuvalov accompanied the President of Russia on his visits to China and Vietnam.

During the plenary session of the Russian-Chinese Business Forum in Shanghai in May 2023 VEB's Chairmen stated: "we invite Chinese investors to develop airport and port infrastructure. Chinese investors are our most desirable partners in these projects."

Later on, in December 2023, at a meeting of the Russian-Chinese intergovernmental commission, VEB.RF Deputy Chairman Artem Dovlatov described in detail the implementation of logistics infrastructure projects, the development of the Bolshoy Ussuriysky Island, and of the strategic master urban planning for Far Eastern cities. Chinese investors are showing interest in participating in the implementation of these projects. We also intend to increase the number of public–private partnership (PPP) projects so that Russia leaves the bottom lines in the ranking of BRICS countries in terms of the scale of PPP use. There is a lot to work on and also learn from our Chinese colleagues in this domain.

Traditionally, VEB.RF has considered Vietnam a top priority partner in South-East Asia. Over 800 Russian exporters have

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already received support from the VEB Group to the amount of over $300 million. According to some estimates, the potential of non-resourse non-energy exports from Russia to Vietnam could reach an average of $480 million per year.

VEB.RF is one of the oldest and key banks providing seamless cooperation ties with businesses in Vietnam in the credit and financial sector. Currently, the efforts of the governments of the two countries are aimed at expanding the practice of cross-border settlements in national currencies.

During his recent visit to Vietnam, Igor Shuvalov proposed to use the Financial Messaging System (FMS) of the Bank of Russia (Russian interbank system for transmitting financial information and making payments) more broadly to process settlements with Vietnam. In fact, the practice of making cross-border payments in national currencies or using bank accounts in special currencies was widely applied in the Soviet times. We are now rethinking this experience but, of course, taking into account the current realities. I believe that over time, the best practices in organizing settlements will enable us not to rely on the use the US dollar as a mean of payments. I think we can become the intellectual, financial and institutional center that can implement this vital strategic mission.

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One of the significant problems that hinders the development of foreign trade relations is logistics: the Trans-Siberian Railway and The Baikal–Amur Mainline railroad networks are overloaded; there are not enough merchant ships; traffic in the southern direction (towards Iran, Pakistan and India) exists mainly on paper… How are these problems being solved and what international infrastructure projects are already being developed?

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I would probably not agree that some of the routes exist only "on paper". Recently, a new Rail Jet logistics service was launched – the so-called baggage train between Russia and China, just a few days ago two trains with Kuzbass coal were sent to India for the first time along the North-South international transport corridor.

Igor Shuvalov noted that over the past 10 years VEB has attracted over 80 billion yuan to finance projects in Russia, including infrastructure projects for the development of the Northern Sea Route. With VEB.RF's participation, new airport terminals are being built in a number of cities, namely Khabarovsk, Petropavlovsk-Kamchatsky, Ulan-Ude, Magadan, Blagoveshchensk, not counting out the already reconstructed airports in Novosibirsk, Novy Urengoy and other Russian cities. Orenburg and Pevek are next in line.

In 2022-2023, VEB.RF’s total commitment for projects aimed at constructing, reconstructing and modernizing physical infrastructure facilities amounted to 357 billion roubles. As VEB.RF Deputy Chairman Yury Korsun rightly noted, VEB.RF is a key player in the market focused on financing regional airport infrastructure. Its construction is often carried out within the framework of VEB.RF's flagship project, known as the Project Financing Factory program. Some 6 years ago together with the Ministry of Economic Development of Russia we initiated the creation of such a mechanism, which widely uses the principles of blended finance. Already, 40 projects worth 3.9 trillion roubles have been approved within this framework, with 9 of them being transport infrastructure projects.

Western sanctions pressure disrupts settlement processes with foreign partners. What can assist to overcome these obstacles?

Historically, the US dollar has become the dominant reserve currency. Nothing can be done about it, yet. But in the field of international monetary and credit relations, tectonic shifts are already taking place. Igor Shuvalov noted that the world is gradually moving away from the dollar.The yuan has already become the global reserve currency, in India the government programme aimed to internationalize the Rupee well on track. The ideas of confiscation of Russian financial assets abroad, in my opinion, only accelerated these trends, since they forced the governments and central banks of many states to think about where and how to store foreign exchange reserves, whose role in maintaining global financial stability remains significant.

In 2023, at the BRICS Summit in South Africa, the leaders of the BRICS member states made the first statements about the need to consider the possibility of creating a common BRICS currency.

Igor Shuvalov promotes the creation of a new settlement system based on the use of the national currencies of the Shanghai

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Cooperation Organisation and the BRICS association, and in the future introduce a common currency. The rationale is not only the current consequences of the chaotic introduction of restrictive measures (sanctions) by the United States or the EU, which are unjustified from the point of view of international law, but also it is rooted in the fact that the common currency significantly reduces transaction costs, facilitates and accelerates settlements in international trade. The BRICS countries, as noted by VEB.RF Chief Economist Andrei Klepach, amount to over a third of the world's GDP, if we count in purchasing power parity, and represent over 60% of the world's population, so the introduction of a common currency will truly reflect the phrase "world community", so beloved in the West.

However, the transition to a common currency is a complex, multidimensional process. Some economists even consider this to be a utopia, if we talk about the current moment, and believe that it is necessary to focus on establishing multilateral settlements in national currencies. At the same time, however, it is not being denied that in the long term, the desire for a common currency can be a real strategic goal for economies of a number of coutries.

In my opinion, the transition to the use of a common currency is primarily a political issue, but at the same time it depends on the availability of stable demand “from below”, that is, from economic business entities. Until this issue is resolved, participants in cross-border trade and investment relations face the problem of integrating national payment systems. But members of the BRICS association do not set themselves the task of breaking the current system. We are building a parallel (alternative) to the one in the West financial system.

Our country has already been in a situation of limited access to global financial services. This problem has been solved. In the Soviet times, Vnesheconombank administered around one hundred of special, transit, clearing and other bank accounts through which settlements were made in clearing, closed or “special” currencies. We are not calling for copying the Soviet experience, but we are now forced to reconsider it.

Can Russia and China "break" the existing global financial system based on the US dollar by switching to the digital rouble and digital yuan in international settlements?

I do not think that Russia or China have set for themselves a goal to "break" the existing global financial system. It is imploding all by itself from within and without our interventions. Trade in national currencies is already well underway. According to some estimates, 90% of the settlements in trade between China and Russia are already carried out in national currencies.

Perhaps we will eventually even come to a common currency or use national settlement systems, but with greater stability. The

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question is not in the form of the rouble, whether it is digital or not, but in essence: it should be accepted by banks in various jurisdictions.

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