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USE OF THE SWIFT SYSTEM: THE RISE OF ALTERNATIVE PAYMENT STRUCTURES İN THE CONTEXT OF THE RUSSIA–UKRAINE WAR

(Sayfa 21-31)

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Öz

Bu makale, Özellikle Rusya–Ukrayna Savaşı sonrasında, Dünya Bankalararası Finansal Telekomünikasyon Derneği'nin (SWIFT) tarafsız bir finansal mesajlaşma altyapısından jeopolitik bir araca dönüşümünü analiz etmektedir. Uluslararası siyasal ekonomi, ekonomik statecraft ve finansal güç teorilerinden yararlanan çalışma, SWIFT temelli yaptırımların küresel ticareti nasıl yeniden şekillendirdiğini ve Çin'in Sınır Ötesi Bankalararası Ödeme Sistemi (CIPS) ile Rusya'nın Finansal Mesajlaşma Transfer Sistemi (SPFS) gibi alternatif ödeme sistemlerinin gelişimini nasıl hızlandırdığını incelemektedir. Yöntemsel olarak makale; işlem hacimleri, kurumsal katılım ve bölgesel kullanım gibi betimleyici göstergelerle desteklenen kavramsal ve karşılaştırmalı bir literatür analizine dayanmaktadır. Bulgular, SWIFT yaptırımlarının kısa vadede etkili olmakla birlikte, uzun vadede finansal parçalanmaya ve çok kutuplu bir ödeme mimarisinin ortaya çıkmasına katkıda bulunduğunu göstermektedir. Makale, gelişmekte olan ekonomiler, finansal kuruluşlar ve BRICS+ gibi çok taraflı oluşumlar için politika önerileriyle sonuçlandırılmaktadır.

Anahtar Kelimeler: SWIFT sistemi, ekonomik yaptırımlar, alternatif ödeme sistemleri, finansal güç, çok kutuplu finansal düzen

Jel: F5, F3

Abstract

This article analyzes the transformation of the Society for Worldwide Interbank Financial Telecommunication (SWIFT) from a neutral financial messaging infrastructure into a geopolitical instrument, particularly following the Russia–Ukraine war. Drawing on international political economy, economic statecraft, and theories of financial power, the study examines how SWIFT-based sanctions have reshaped global trade and accelerated the development of alternative payment systems such as China's Cross-Border Interbank Payment System (CIPS) and Russia's System for Transfer of Financial Messages (SPFS). Methodologically, the article employs a conceptual and comparative literature analysis supported by descriptive indicators on transaction volumes, institutional participation, and regional usage. The findings suggest that while SWIFT sanctions are effective in the short term, they contribute in the long term to financial fragmentation and the emergence of a multipolar payment architecture. The article concludes with policy recommendations for developing economies, financial institutions, and multilateral groupings such as BRICS+.

Key Words: SWIFT system, economic sanctions, alternative payment systems, financial power, multipolar financial order

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Introduction

Since its establishment in 1973, the Society for Worldwide Interbank Financial Telecommunication (SWIFT) has constituted one of the most critical infrastructures of the global financial system. Serving more than 11,000 financial institutions across over 200 countries, SWIFT enables the secure and standardized exchange of financial messages, processing more than 50 million messages daily. Due to its technical efficiency, neutrality, and global acceptance, SWIFT has long been perceived as an apolitical backbone of international trade and finance.

However, the geopolitical landscape surrounding global finance has undergone a significant transformation in recent decades. Particularly after the exclusion of Iranian banks from SWIFT in 2012 and, more decisively, following Russia's invasion of Ukraine in February 2022, SWIFT has become an explicit instrument of economic statecraft. The coordinated decision by the United States, the European Union, and allied countries to disconnect major Russian banks from SWIFT revealed the extent to which financial infrastructures can be weaponized within international power struggles.

This development has intensified debates within international political economy regarding financial dependency, structural power, and the weaponization of interdependence. It has also accelerated efforts by non-Western powers—most notably China and Russia—to develop alternative payment systems aimed at reducing exposure to Western-dominated financial networks. In this context, the emergence of CIPS and SPFS reflects not only technical diversification but also a strategic reconfiguration of global financial power.

The main objective of this study is to analyze the geopolitical use of SWIFT within the framework of the Russia–Ukraine war and to evaluate the rise of alternative payment systems as responses to financial sanctions. The article seeks to contribute to the literature by integrating theoretical perspectives on financial power with a comparative analysis of emerging payment infrastructures.

Theoretical Framework: Financial Power, Dependency And Weaponized Interdependence

The transformation of SWIFT from a technical messaging platform into a geopolitical instrument can be most effectively analyzed through the lens of international political economy (IPE). In particular, theories of financial dependency, economic statecraft, and structural power provide a robust analytical foundation for understanding how control over financial infrastructure translates into political leverage.

Susan Strange's concept of structural power emphasizes the capacity of dominant states to shape the frameworks, rules, and institutions within which global economic interactions take place. According to Strange, power in the financial structure is exercised not merely through direct coercion, but through control over credit creation, payment mechanisms, and access to liquidity. SWIFT, as a centralized and standardized global messaging infrastructure, represents a core component of this financial structure. Its governance framework and geographic concentration render it susceptible to influence by Western states, thereby enabling its use as a tool of structural power.

Building on this perspective, Benjamin Cohen's notion of currency power further clarifies why SWIFT-based sanctions are particularly effective. Currency power refers to the ability of a state to leverage the international role of its currency to shape global financial outcomes. The dominance of the US dollar in international trade invoicing, settlement, and reserves amplifies the coercive capacity of sanctions implemented through dollar-centered infrastructures such as SWIFT. In this sense, SWIFT operates not independently, but as an institutional extension of dollar hegemony.

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More recently, Farrell and Newman's theory of weaponized interdependence provides a network-based explanation for the geopolitical use of SWIFT. The authors argue that states occupying central nodes in global economic networks can exploit asymmetric dependencies for coercive purposes. SWIFT functions as a network hub within the global financial system; exclusion from this hub generates disproportionate economic disruption for targeted states. This theoretical framework explains how interdependence, traditionally viewed as a source of mutual benefit, can be transformed into an instrument of coercion.

Finally, financial dependency theory highlights the vulnerabilities of states that rely heavily on externally governed financial infrastructures. From this perspective, the development of alternative payment systems such as CIPS and SPFS can be interpreted as attempts to reduce structural dependency and reclaim financial sovereignty. Rather than representing mere technical alternatives, these systems embody strategic efforts to reshape the distribution of power within the global financial order.

Together, these theoretical approaches frame SWIFT sanctions not as ad hoc policy tools, but as manifestations of deeper structural dynamics within the international financial system.

Methodology

This study adopts a qualitative and conceptual research design based on systematic literature analysis. Academic articles, policy reports, central bank publications, and international organization documents are examined to assess the geopolitical use of SWIFT and the development of alternative payment systems. In addition, descriptive indicators—such as transaction volumes, institutional participation, and regional coverage—are used to support the comparative analysis of CIPS and SPFS. The study does not employ econometric modeling; rather, it aims to provide a theoretically informed and policy-relevant interpretation of recent developments.

SWIFT System and Technical Structure

SWIFT (Society for Worldwide Interbank Financial Telecommunication) is a centralized communication network that facilitates messaging between international banks and is regarded as one of the most critical infrastructures ensuring the standardization, speed, and security of global financial transactions (Gurrea-Martínez, 2022). Established in 1973 in Belgium, SWIFT was initially intended to create a reliable messaging system among major European banks. Over time, however, it evolved into a network used by nearly all financial institutions worldwide. Today, more than 11,000 financial institutions across over 200 countries and regions are connected through SWIFT, with daily transaction volumes exceeding trillions of dollars (SWIFT, 2022). This historical development has made SWIFT a cornerstone of the modern financial system.

From a technical perspective, SWIFT primarily enables the standardized transmission of financial messages between banks rather than directly facilitating fund transfers. In other words, SWIFT does not execute payments or transfers itself; instead, it ensures that the necessary information is shared securely, quickly, and accurately between the parties involved. To achieve this, SWIFT adopts international standards such as ISO 20022, contributing to the consistency of financial message content and format. This ensures seamless communication between banks across different countries and systems without technical incompatibilities or data loss (Hernandez & Lopez, 2021).

Security is a critical component of SWIFT's technical architecture. Through encryption protocols, multi-layer authentication mechanisms, and strict access controls, the system offers a high level of protection against cyberattacks and data manipulation. These security measures have enhanced the reliability of global financial transactions and established SWIFT as an indispensable infrastructure in international financial markets. Additionally, the standardization and

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transparency provided by the system facilitate the implementation of international regulations and contribute to financial auditing processes (Evenett, 2022).

Globally, SWIFT's role extends beyond a mere technical infrastructure. Today, SWIFT functions centrally in the financing of international trade, investment flows, and interbank coordination. It accelerates the integration of global financial markets, reduces transaction costs, and enables more efficient management of liquidity movements. Furthermore, its universal acceptance has made SWIFT a symbol of trust and predictability in financial markets worldwide (Subacchi, 2022).

Nonetheless, the literature includes various criticisms of SWIFT. Firstly, due to its centralized structure, it is considered vulnerable to the political and economic influence of Western countries, which may compromise its neutrality (Klein & McKenna, 2022). In particular, the use of SWIFT by the United States and the European Union as a tool for imposing sanctions has sparked debates about the system's geopolitical independence. Moreover, membership costs and technical integration processes can pose challenges for some developing countries, indicating limitations regarding global financial inclusivity (Hernández & López, 2021).

In conclusion, SWIFT plays a central role in the global system as an indispensable infrastructure that ensures the standardization, security, and speed of international financial transactions. At the same time, criticisms related to geopolitical influence and costs have paved the way for the development of alternative payment and messaging systems. Within this framework, SWIFT is viewed both as a symbol of financial integration and as a structure that highlights the vulnerabilities of the global financial order.

The Economic and Commercial Impacts of SWIFT Sanctions

The most evident impact of the SWIFT sanctions has been the significant weakening of Russia's connection to the global financial system. The exclusion of Russian banks from the SWIFT network largely prevented these institutions from conducting international payment and transfer operations, thereby imposing severe restrictions on capital flows (Atlas Institute, 2022). As a result, the ruble rapidly depreciated, financial markets experienced high volatility, and international investors withdrew capital due to a loss of confidence. In response, the Central Bank of Russia adopted emergency measures by raising interest rates and tightening capital controls; however, these interventions could only ensure short-term stability (Klein & McKenna, 2022).

From a trade perspective, the sanctions particularly targeted Russia's energy export revenues. Difficulties in executing payments led to the suspension of certain contracts or the adoption of alternative payment methods. Disruptions in energy supplies, especially in Europe, manifested as supply shortages in global markets and rising energy prices (Evenett, 2022). Furthermore, small and medium-sized enterprises engaged in trade with Russia faced liquidity problems due to payment delays and obstacles in financial transfers.

Another indirect consequence of the SWIFT sanctions has been disruptions in global supply chains. Given Russia's role in global agricultural products, fertilizer, and energy markets, interruptions in payment flows created security-of-supply issues in these sectors (Subacchi, 2022). Price fluctuations in wheat and natural gas markets, in particular, not only affected European economies but also caused broader economic instability in developing countries through rising food security concerns and higher energy costs.

In conclusion, the SWIFT sanctions not only pushed the Russian economy into financial isolation but also generated cascading effects on global trade and financial stability. This process underscores the dependence of international trade on financial infrastructure and accelerates the trend toward the development of alternative payment systems.

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Development of Alternative Payment Systems

The imposition of sanctions on the SWIFT system and its increasing use as a geopolitical tool has created a significant turning point in international financial relations in recent years. Traditionally regarded as a neutral and technical messaging network, SWIFT has been strategically employed by Western countries for the implementation of economic sanctions, particularly in the aftermath of the Russia–Ukraine war. This development has clearly demonstrated the extent to which international trade and financial flows depend on a Western-centric infrastructure, while simultaneously paving the way for new dynamics in global power relations (Subacchi, 2022).

In this context, efforts to develop alternative payment and messaging systems have accelerated. Notably, China and Russia have established their own national systems to strengthen financial sovereignty and build resilience against Western economic pressure. China's Cross-Border Interbank Payment System (CIPS) and Russia's System for Transfer of Financial Messages (SPFS), initially designed to meet regional needs, have rapidly begun to serve as alternatives to SWIFT in international financial flows (Klein & McKenna, 2022).

Furthermore, the development of alternative systems is not merely a political or geopolitical reaction; it also reflects the natural outcome of the diversification of global trade and the pursuit of a multipolar financial order. BRICS countries and emerging economies are increasingly demonstrating a tendency to develop more inclusive and flexible infrastructures as a counterbalance to Western-centric monopolization. In this regard, alternative payment systems are emerging not only as a defense mechanism against sanctions but also as instruments for promoting financial diversity and risk management in global trade (Evenett, 2022).

In conclusion, the use of SWIFT as a sanctioning mechanism has triggered significant debates regarding the future of global financial infrastructure and accelerated the development of alternative systems. The systems emerging under the leadership of China and Russia hold the potential to reduce Western-centric dependence and reshape the international financial order.

CIPS (China)

The Cross-Border Interbank Payment System (CIPS), developed by China, was launched in 2015 with the aim of enhancing the efficiency of cross-border payments conducted in Chinese Yuan (RMB). Initially, it was designed not as a direct competitor to SWIFT but as a complementary mechanism supporting the internationalization of China's currency (Evenet, 2022). However, following the Russia–Ukraine war and the intensification of Western sanctions, CIPS's positioning as a global alternative to SWIFT has accelerated.

A primary advantage of CIPS lies in its direct connection to China's expanding global trade network. As the world's largest exporter and second-largest importer, China holds a significant share in international trade. In this context, the wider acceptance of Yuan-denominated payments across different regions increases the strategic importance of CIPS. By 2023, CIPS had processed approximately 6.6 million transactions, with a total transaction volume reaching RMB 123 trillion (around USD 18 trillion) (Liao and Mcdovell, 2015). These figures demonstrate the system's scalability and its rapidly growing international role.

From a technical perspective, CIPS maintains a certain level of integration with SWIFT, yet China's long-term goal is to establish it as an independent global network. Notably, the increasing use of CIPS in trade with countries in Asia, Africa, and the Middle East, particularly under the Belt and Road Initiative (BRI), indicates that China also views the system as a geopolitical instrument (Subacchi, 2022). Thus, CIPS emerges not only as a technical payment system but also as a strategic platform enhancing China's economic and political influence.

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SPFS (Russia)

The System for Transfer of Financial Messages (SPFS), developed by Russia, was introduced in 2014 as a precautionary measure against Western sanctions following the annexation of Crimea. However, the system gained significant momentum in 2022, after Russian banks were expelled from SWIFT. Initially serving only financial institutions within Russia, SPFS quickly began to open up to international cooperation (Bank of Russia, 2022).

The main function of SPFS is to enable Russia to maintain its financial operations despite being excluded from international payment channels due to Western sanctions. Although the network is comparatively limited in scale and incurs higher transaction costs than SWIFT, it has become a critical tool for enhancing Russia's financial resilience. By 2023, over 500 Russian financial institutions had joined SPFS, and technical collaborations with banks in China, India, Iran, and Central Asia were initiated (RIA Novosti, 2023).

SPFS especially facilitates the continuation of financial flows with actors Russia designates as "friendly countries" in its foreign trade. In this role, the system not only strengthens Russia's financial independence under sanctions but also establishes a regional alternative to the Western-dominated payment infrastructure.

Evaluation: Comparative Analysis of CIPS and SPFS

Both CIPS and SPFS are critical infrastructures developed to provide an alternative to SWIFT's Western-centric monopolized structure. These two systems assume different strategic roles in reducing global financial dependency; however, they exhibit significant differences in terms of scope, scale, technical capacity, and international influence.

Global Scale and Acceptance: CIPS enjoys widespread acceptance globally, thanks to the size of China's economy and the internationalization strategy of the Yuan. The system is increasingly adopted across Asia, Africa, and the Middle East, particularly in countries under the Belt and Road Initiative (BRI), and functions as an alternative to SWIFT in international payments (Subacchi, 2022). In contrast, SPFS was initially developed solely for banks within Russia, with limited international integration, primarily supporting trade with "friendly countries." This demonstrates that SPFS's global impact is narrower compared to CIPS (RIA Novosti, 2023).

The use of SWIFT as a tool for sanctions has led to significant shifts in global financial and trade power dynamics. Western countries, particularly the European Union and the United States, have leveraged SWIFT as a strategic instrument to impose economic pressure on Russia, thereby reinforcing their influence in global financial markets (Evenet, 2022; Martinez 2022). While this approach increased the financial dominance of Western nations in the short term, it accelerated the development of alternative payment and messaging infrastructures in the medium and long term.

China and Russia, in particular, have strengthened their own payment systems to reduce dependence on SWIFT. China's CIPS and Russia's SPFS provide both regional and global alternatives to SWIFT's monopolized structure (Klein and Mackenna, 2023). These systems are not merely technical infrastructures but also strategic tools that enhance the economic and political independence of the respective countries. In this context, BRICS countries support joint infrastructure development initiatives to diversify the global financial system, creating a counterbalance to Western-centric financial networks.

International commercial actors adopt a dual strategy in parallel with these developments. On one hand, most global trade remains dependent on the SWIFT infrastructure, so firms continue to integrate with the existing system. On the other hand, they develop adaptation and risk distribution strategies for alternative payment systems (ScienceDirect, 2022). This situation highlights the

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necessity of restructuring global trade not only economically but also in terms of financial flexibility, resilience, and risk management.

In conclusion, the use of SWIFT as a geopolitical tool has compelled global and regional actors to make strategic political and economic decisions and has emphasized the need for multi-layered infrastructure and risk management in international trade. The development of alternative payment systems and the strengthening of international financial multipolarity represent critical research and policy areas for the future of global trade and finance.

Strategic Motivation: CIPS is part of China's broader strategy to strengthen the RMB as a global reserve and settlement currency, reduce dependency on Western financial infrastructures, and support a multipolar financial order. SPFS, on the other hand, was primarily developed by Russia as a necessary response to Western sanctions. While CIPS serves a pre-planned, long-term global strategy, SPFS emerged more as a measure for immediate resilience and protection from isolation.

Technical Capacity and Functionality: CIPS is a highly scalable system capable of processing millions of transactions and offers technical integration with SWIFT, making it an effective alternative in global financial flows. SPFS, by contrast, has a more limited network structure and lags behind CIPS in terms of transaction capacity and cost. Nevertheless, SPFS is a critical tool for Russia to maintain financial operations and manage foreign trade flows under sanctions (Bank of Russia, 2022).

Regional and Global Impact: CIPS supports the development of a multipolar financial order by serving as a strategic tool to reduce Western-centric dependency in global trade. SPFS, in contrast, functions primarily as a regional resilience mechanism, enabling Russia to withstand sanctions. Therefore, while CIPS has a broader and global impact, SPFS's influence is more regional and strategically constrained.

Future Perspective: The development of these two systems indicates that the global financial order may increasingly evolve into a multipolar structure. CIPS has the potential to become a key player in a multipolar financial system due to its global reach and strategic objectives. SPFS, meanwhile, provides a regional financial security network for Russia and its close allies, contributing to the strengthening of regional poles within the global system.

In summary, CIPS and SPFS not only provide alternatives to Western-centric financial systems but also lay the foundations for a multipolar financial architecture in international trade. CIPS's global scale and strategic scope directly contribute to the emergence of a multipolar financial order, while SPFS's regional, resilience-focused structure offers a flexible and secure alternative against international sanctions. This suggests that the global financial system may evolve into a more decentralized and diversified framework in the future (Evenett, 2022; Kozlowski, 2022).

Discussion

The geopolitical use of SWIFT, particularly in the context of the Russia–Ukraine war, has effectively enabled the short-term enforcement of international economic sanctions. Western countries leveraged SWIFT as a strategic pressure mechanism, significantly restricting Russian banks' access to the international financial system, causing depreciation in the ruble, capital outflows, and disruptions in foreign trade transactions (Klein & McKenna, 2022; Atlas Institute, 2022). These short-term effects demonstrate that SWIFT can function beyond a technical infrastructure as an effective instrument for achieving political and economic objectives.

However, in the long term, this geopolitical use of SWIFT increases the risk of a multipolar and fragile structure emerging within the global financial system. Sanctions have not only economically isolated the target country but also accelerated the development of alternative payment and messaging systems. China's CIPS and Russia's SPFS have become strategic tools in the future of global finance, not merely mitigating the effects of Western sanctions (Subacchi,

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2022; Kozlowski, 2022). These systems offer opportunities for risk distribution and strategic adaptation to international commercial actors and financial institutions, reducing reliance on the existing SWIFT-centric framework.

The development of alternative systems signals the strengthening of global financial multipolarity and the emergence of balancing mechanisms against Western monopolies. This enhances the flexibility and resilience of international trade and payment infrastructures but also introduces the risk of fragmentation in the global financial order. For example, while SPFS remains limited to Russia and its allied countries, the global adoption of CIPS suggests that financial divergence among regional blocs could accelerate.

Furthermore, the geopolitical use of SWIFT and the rise of alternative systems are reshaping the strategic behavior of international commercial actors. Firms and financial institutions continue to integrate with the existing SWIFT infrastructure while developing operational flexibility and risk management strategies through alternative systems. This highlights the need to restructure global trade not only economically but also in terms of financial flexibility, resilience, and strategic risk management.

In conclusion, while the short-term sanction objectives of SWIFT's geopolitical use have been successfully achieved, the long-term outcome is the emergence of a multipolar, regionalized, and fragile international financial structure. The development of alternative payment systems plays a strategic role in this transformation, not only mitigating the impact of sanctions but also shaping the future of global finance and trade. In this context, detailed analysis of the dynamics between SWIFT and alternative systems is of critical importance for international financial research and policy-making.

Conclusion and Recommendations

This study has examined the use of the SWIFT system as a geopolitical tool in the context of the Russia–Ukraine war and the rise of alternative payment systems. The findings indicate that SWIFT has evolved from a technical messaging infrastructure into a political and economic instrument, producing both short-term and long-term impacts on the international financial system. In the short term, SWIFT-based sanctions effectively ensured the financial isolation of the target country and exerted economic pressure. However, in the long term, this evolution has contributed to the emergence of a multipolar and fragile financial system, stimulating the development of alternative payment infrastructures at both regional and global levels.

China's CIPS and Russia's SPFS systems have not only mitigated the effects of sanctions but have also provided new strategic options in international trade, thereby contributing to the formation of a multipolar financial order. The global reach and technical capacity of CIPS are directly linked to China's objectives for the internationalization of the Yuan. In contrast, SPFS was primarily developed to enhance Russia's resilience against sanctions and has remained more regionally limited. The development of these two systems suggests that the global financial system will no longer remain centralized but will increasingly reflect a multipolar and flexible financial architecture.

For international commercial actors, the dynamics between SWIFT and alternative systems introduce new requirements in terms of risk management and strategic adaptation. Organizations must simultaneously maintain integration with the existing Western-centric infrastructure while adapting to alternative systems, fostering financial flexibility and resilience strategies. This highlights the necessity of restructuring global trade and financial infrastructures and underscores the importance of a multi-layered risk management approach.

Implications for Policy Makers:

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1. **Multipolar Financial Strategies:** To reduce dependence on centralized and Western-dominated systems, regional and global strategies promoting multipolar financial infrastructures must be developed.
2. **Integration of Alternative Payment Systems:** Technical and operational support for alternative systems such as CIPS and SPFS is critical to enhancing the resilience of global trade.
3. **Risk Management and Adaptation:** International trade and financial institutions should develop multi-layered risk management and adaptation plans that encompass both SWIFT and alternative infrastructures.
4. **Monitoring Geopolitical and Economic Impacts:** The dynamics between SWIFT and alternative systems should be continuously monitored to understand vulnerabilities and shifts in power balance within the global financial system and inform policy design.

In conclusion, the use of SWIFT as a geopolitical tool has tested the flexibility and resilience of the global financial system, while the rise of alternative payment systems presents the potential for strategic transformation in international trade. Accordingly, international finance and trade policies should be reshaped to foster a multipolar and resilient system.

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