Advanced International Capital Movements

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II. Current Global Economic Issues

1. Trade-Policy Uncertainty & Protectionism

A surge in trade-policy uncertainty is undermining global trade flows and investment. Tensions such as sweeping tariffs enacted by the U.S.—and legal debates surrounding the president's authority to impose them—are fueling instability.

UN Trade and Development (UNCTAD) +1 | The Washington Post | 위키백과

These shifts challenge the very premise of international trade frameworks and have significant implications for policy, forecasting, and strategic trade planning.

2. Rising Tariffs & Global Trade Wars

Tariffs have escalated to historic levels—for example, U.S. average effective tariffs reaching around 18.6 % by August 2025, with sector-specific rates as high as 50 % on items like steel, aluminum, cars, pharmaceuticals, and semiconductors. 위키백과

U.S. trade wars have intensified with key partners:

- **India:** Facing retaliatory "reciprocal" tariffs totaling up to 50 %, tapping into broader U.S.–India diplomatic tension. 위키백과
- **Brazil:** U.S. imposed significant tariffs led Brazil to retaliate via WTO channels, marking a full diplomatic and economic tussle. 위키백과
- **Canada & Mexico:** Tariffs fueled sharp economic anxieties, with forecasts of recession-like impacts if sustained. 위

3. Fragmentation of Global Supply Chains

Escalating geopolitical conflicts, trade wars, and shocks such as pandemics and conflict have driven a reshaping of supply chains.

- Countries are shifting to "China+1" strategies, diversifying into ASEAN partners while still depending on Chinese upstream components. arXiv
- Simultaneously, evolving financial infrastructure fragmentation—such as alternatives to SWIFT (e.g., China's CIPS or emerging CBDCs)—is altering cross-border transaction systems. arXiv

4. Slowing Global Growth & Structural Headwinds

Growth projections are decreasing:

- The World Bank estimates global growth at just **2.3 %** in 2025, citing rising trade restrictions and policy uncertainty as key roadblocks. 세계은행
- Meanwhile, the IMF and OECD warn that navigating escalating downside risks—including dwindling cooperation, market volatility, and inflation pressure—will remain challenging. IMF +1 OECD

5. Regional Crises & Vulnerabilities

Some economies face heightened strain:

- **Africa:** Mounting debt, trade disruptions, and unstable aid are reversing post-pandemic gains and threatening systemic risks. Financial Times
- **Angola:** IMF downgraded growth forecasts and raised alarms over debt sustainability due to oil price exposure and financial fragility. Reuters

6. Energy Insecurity & Infrastructure Divide

Europe continues to grapple with residual energy vulnerabilities—ranging from affordability and reliance on Russian supplies to uneven infrastructure across member states. These disparities are jeopardizing industrial stability and resilience. Reuters

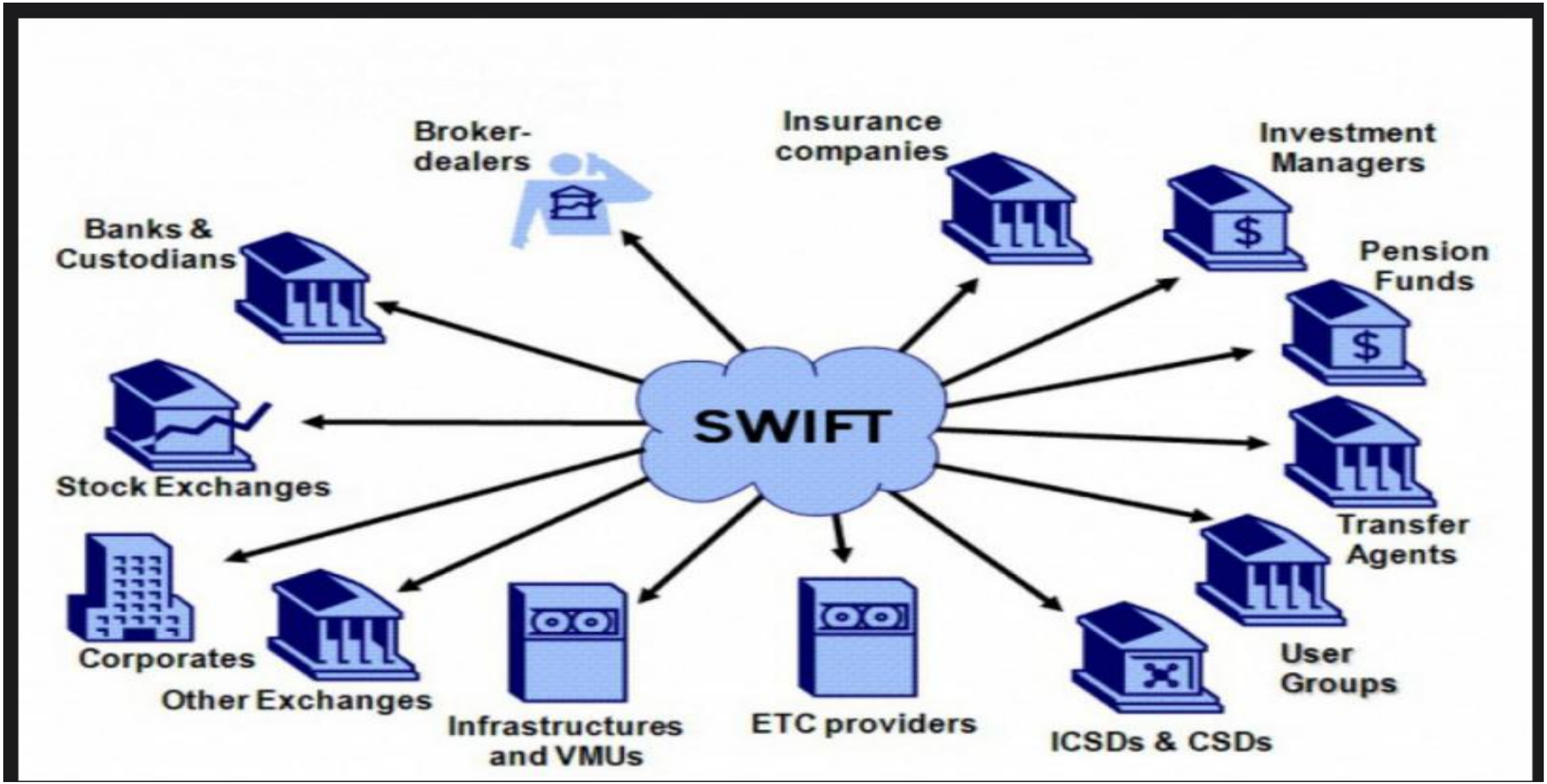
<SWIFT>

1. Meaning of SWIFT

- **SWIFT** stands for **Society for Worldwide Interbank Financial Telecommunication**.
- It is a **Belgium-based cooperative organization** founded in **1973**.
- SWIFT itself **does not transfer money**; instead, it provides a secure and standardized **messaging system** that allows banks and financial institutions to exchange payment instructions.

2. Main Function

- SWIFT is essentially the **“language” of international finance**.
- It provides **BIC (Bank Identifier Codes)**, often referred to as **SWIFT codes**, that uniquely identify financial institutions worldwide.
- Through its secure network, banks send:
  - **Payment orders** (e.g., wire transfers, remittances)
  - **Trade finance documents** (e.g., letters of credit, bills of exchange)
  - **Securities transactions**
  - **Foreign exchange settlements**


Broker-dealers
Insurance companies
Investment Managers
Banks & Custodians
Pension Funds
SWIFT
Stock Exchanges
Transfer Agents
Corporates
Other Exchanges
Infrastructures and VMUs
ETC providers
User Groups
ICSDs & CSDs

3. Role in the International Context

1. **Facilitating Global Trade**
   - When an exporter in Korea ships goods to the U.S., the U.S. importer's bank sends payment instructions via SWIFT to the Korean bank.
   - This ensures funds move securely and messages are standardized to avoid errors.
2. **Trust & Security**
   - Over **11,000 institutions** across more than **200 countries** use SWIFT.
   - Its secure, encrypted system minimizes fraud and communication errors, which is vital in global markets.
3. **Geopolitical Tool**
   - SWIFT access can be restricted as part of **sanctions** (e.g., against Iran or Russia).
   - This effectively cuts a country off from the global financial system, because its banks cannot communicate payment instructions internationally.
4. **Financial Integration & Dependence**
   - SWIFT illustrates the **interdependence** of the global financial system.
   - Alternatives like **China's CIPS (Cross-Border Interbank Payment System)** or digital currency-based networks are emerging, but SWIFT remains dominant.

✅ In summary:

SWIFT is not a money-transfer system itself, but a **global secure messaging network** that enables banks and institutions to communicate payment instructions. It is **crucial for global trade, cross-border investment, and financial stability**, making it both a technical infrastructure and a geopolitical instrument.

♦ 1. SWIFT (Society for Worldwide Interbank Financial Telecommunication)

- **Nature**: A **secure messaging system**, not a payment settlement system.
- **Coverage**: Over **11,000 institutions in 200+ countries**.
- **Function**: Provides standardized **financial messages** (MT/MX formats) that enable banks to process cross-border payments, trade finance, and securities transactions.
- **Role in geopolitics**: Because it is **Western-centric** (headquartered in Belgium, aligned with U.S./EU sanctions), it is often used as a **sanction tool** (e.g., Iran 2012, Russia 2022).

🔹 2. CIPS (Cross-Border Interbank Payment System) – China

- **Nature**: A **payment settlement system** + messaging platform, designed to support cross-border use of the **Chinese yuan (RMB)**.
- **Launch**: 2015 by the **People's Bank of China (PBoC)**.
- **Coverage**: About **1,600 participants in ~100 countries** (as of 2025, still far smaller than SWIFT).
- **Function**: Facilitates **direct RMB clearing and settlement**, bypassing Western correspondent banks.
- **Geopolitical aim**:
  - Reduce dependency on the U.S. dollar system.
  - Promote the **internationalization of RMB**.
  - Provide an alternative for countries facing U.S./EU sanctions.

Difference from SWIFT:

- SWIFT = *messaging only*;
- CIPS = *messaging + actual RMB payment settlement*.
- However, CIPS still relies on SWIFT for many cross-border transactions (hybrid model).

🔹 3. CBDCs (Central Bank Digital Currencies)

- **Nature**: Digital versions of sovereign currencies issued by central banks.
- **Examples**:
  - **China's e-CNY (Digital Yuan)** → already in pilot phase domestically and in some cross-border projects.
  - **Project mBridge** (BIS + China, Hong Kong, Thailand, UAE) → CBDC platform for cross-border payments.
  - **Digital Euro** and **Digital Dollar** projects are still under discussion.
- **Function**: CBDCs can enable **instant settlement** across borders without relying on correspondent banks or intermediaries like SWIFT.
- **Geopolitical aim**: To **bypass traditional payment systems** and reduce exposure to sanctions and dollar dominance.

🔹 Comparative Table

Feature	SWIFT	CIPS	CBDCs
Type	Messaging system	Messaging + payment settlement (RMB-focused)	Digital currency infrastructure
Currency Scope	All currencies	Mainly RMB	Depends on each central bank
Coverage	200+ countries, 11,000+ institutions	~100 countries, 1,600 institutions	Limited pilots (China, BIS projects, EU/US under study)
Control	Belgium-based, Western-influenced	China's PBoC	Each sovereign central bank
Speed	Relatively slow (uses correspondent banks)	Faster than SWIFT for RMB	Instant, 24/7 settlement possible
Sanctions	U.S./EU can restrict access	Alternative for sanctioned countries	Could bypass sanctions in future
Strategic Goal	Global financial backbone	Internationalize RMB, reduce dollar eliance	Reinvent global payments, reduce intermediaries

1. Stablecoins in Cross-Border Payments

- **Definition**: Cryptocurrencies pegged to a stable asset (usually the U.S. dollar, e.g., USDT, USDC).
- **Nature**: Issued by private companies (Tether, Circle, etc.), not central banks.
- **Function**: Enables near-instant, low-cost cross-border transfers without intermediaries.
- **Key Uses**:
  - **Remittances**: Cheaper and faster than bank wires (especially in emerging markets).
  - **Trade settlement**: Some exporters/importers in high-inflation or sanctioned economies accept USDT/USDC.
  - **Crypto ecosystem**: Stablecoins are the backbone of crypto trading and DeFi.

🔹 3. Stablecoin in Practice – International Context

- **Example 1: Remittances**

  A Filipino worker in Korea buys **USDT** on an exchange, sends it to family in the Philippines in minutes, who then convert it to pesos — cheaper and faster than SWIFT wire transfer.

- **Example 2: Sanction Evasion**

  In countries like Venezuela or Turkey, businesses use **stablecoins (USDT)** to bypass capital controls or avoid volatile local currencies.

- **Example 3: Trade Finance**

  Some SME exporters in Africa and Asia settle small-value international transactions in **USDC/USDT**, avoiding high FX costs and long settlement lags.

🔹 4. Strategic Implications

1. **For International Trade Students**
   - Stablecoins show how **private innovation** can outpace traditional institutions.
   - They raise questions about **trust** (issuer reserves), **regulation** (U.S., EU, IMF oversight), and **currency sovereignty**.
2. **Compared to SWIFT & CIPS**
   - Stablecoins are **faster and cheaper**, but lack the **institutional trust** and **scale** of SWIFT.
   - They **challenge CIPS and CBDCs** by offering dollar liquidity even where U.S. banking access is restricted.
3. **Compared to CBDCs**
   - CBDCs are **state-controlled**, while stablecoins are **market-driven**.
   - Stablecoins fill the gap **now**, but CBDCs may eventually replace or absorb them once interoperability and regulation mature.