

# In Major Threat To Dollar's Reserve Status, Russia Offers To Join European SWIFT-Bypass

Three weeks after a meeting between the countries who signed the Iran nuclear deal, also known as the Joint Comprehensive Plan of Action (JCPOA), which was ditched by US, French, British and German officials said the trade mechanism which was proposed last summer – designed to circumvent both SWIFT as well as US sanctions banning trade with Iran – called Instex, is now operational.

And while we wait for the White House to threaten Europe with even greater tariffs unless it ends this special purpose vehicle – it already did once back in May when it warned that anyone associated with the SPV could be barred from the U.S. financial system if it goes into effect – a response from the US is now assured, because in the biggest attack on the dollar as a reserve currency to date, on Thursday, Russia signaled its willingness to join the controversial payments channel, and has called on Brussels to expand the new mechanism to cover oil exports, the FT reported.



Moscow's involvement in the Instex channel would mark a significant step forward in attempts by the EU and Russia to rescue a 2015 Iran nuclear deal that has been unraveling since the Trump administration abandoned it last year.

---

*“Russia is interested in close co-ordination with the European Union on Instex,” the Russian foreign ministry told the Financial Times. “The more countries and continents involved, the more effective will the mechanism be as a whole.”*

... and the more isolated the US will be as a currency union meant to evade SWIFT and bypass the dollar's reserve currency status will soon include virtually all relevant and important countries. Only China would be left outstanding; after the rest of the world's would promptly join.

On Thursday, the Kremlin confirmed the foreign ministry's take:

**“We are tracking the information regarding this. If I'm not mistaken, there have already been statements from our side that, taking into account the first experience of using this system, when it is activated, we cannot rule out interaction in this regard,”** Dmitry Peskov, Vladimir Putin's spokesman, told reporters.

The man who called the DotCom crash, the housing boom & bust and the market's surge since 2009 warn of a new panic ahead. [Click to find out more.](#)

**“This is an important project. It is aimed at protecting the interests of European economic operators against the background of illegal attempts to restrict their activities by third countries,”** he added.

Earlier, the Russian foreign ministry hinted at precisely what will take place next, when it said that **“The full potential of Instex will only be able to be deployed if it will be open to the participation of countries which are not members of the European Union.”** Such as Russia and China.

Ironically, Mohammad Javad Zarif, Iran's foreign minister, has previously described Instex as “not sufficient” even though Russia was far more promise, and said Instex was “a good tool in the implementation of projects . . . that the United States has strongly torpedoed” but called for it to be expanded to include crude oil.

*“If the encouraging statements by the EU . . . will be backed up by concrete steps and practical advances, including in relation to the use of Instex for*

*servicing trading in Iranian oil, it will help stabilise the difficult situation created around the JCPOA,” it said.*

Russia has strengthened its ties with Iran in recent years as part of Moscow's increased geopolitical importance in the Middle East, including its role of propping up the Assad regime in the war in Syria.

At a meeting with Iran's President Hassan Rouhani last month, Russian President Vladimir Putin vowed to continue developing trade ties with Tehran and said Moscow was committed to a project to expand the Bushehr nuclear plant in Iran. As the FT correctly notes, efforts to rescue the nuclear deal have been a rare area of co-operation between Brussels and Moscow, whose relations have soured in recent years.

\* \* \*

Since US President Donald Trump pulled out of the deal last May, its other signatories — Germany, France, UK, China, and Russia — have scrambled to find ways to maintain trade with Iran. But they have been stymied by companies' reluctance to risk Washington's wrath.

As a reminder, Instex was launched in January but subsequently delayed by bureaucratic hurdles and the complications caused by the US sanctions. It only became operational last month and has been criticized by both Tehran – for having big limitations – and the US – for existing.

Iran has a more valid point: just 10 EU states are members and the mechanism's initial credit line of several million euros is a fraction of EU-Iran trade, which stood at more than €20bn annually before the US sanctions.

Meanwhile, it appears that Moscow will get an invite because as the FT adds, Brussels is interested in bringing Russia into Instex, but it would first seek to get the channel up and running with humanitarian aid trades before potentially expanding its scope or membership.

*Federica Mogherini, the EU's foreign policy head, said this week that the trade mechanism “has always been conceived to be open to third countries . . . and we are already seeing interest by some of them to participate in that”, although she did not identify them. “The issue of whether or not Instex will deal with oil*

*is a discussion that is ongoing among the shareholders,” she added.*

And while Iran wants Europe to buy its oil so that it can use the hard currency earnings to import basic commodities and medicines through Instex, Russia is seeking to find ever more creative ways to chip away at US global dominance, with a focus on the dollar’s reserve currency status.

Additionally, Moscow previously said that it would look into ways to facilitate or finance Iranian oil exports if Instex was not launched or proved to be ineffective.

As we discussed extensively last summer, the idea behind Instex was to set up a mirror image transaction system that replaces potentially sanctionable international payments between Europe and Iran with payments that do not cross Iran’s borders, nor are they denominated in dollars to avoid giving the US veto rights.

As a final point, the FT quotes analyst who said that China, which has repeatedly defied US sanctions on Iran, has greater potential to hand Tehran an economic lifeline by continuing to purchase Iranian crude exports; it has yet to be seen if China will also join Instex.

---

Source:

<https://www.zerohedge.com/news/2019-07-18/major-threat-dollars-reserve-status-russia-offers-join-european-swift-bypass>

[Disclaimer]