

Geopolitics: BRICS De-dollarizing Emerging New World

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For the five BRICS (Brazil, Russia, India, China and South Africa) members, de-dollarization has become the latest common buzzword among the English vocabulary. Long before the highly-praised Johannesburg's 15th BRICS summit, considered as very important step forward on the way to deepening interaction in the sphere of trade and investment with the nations of Global South, all the five BRICS leaders have made it their priority task to find their own common currency so as not to depend on the United States dollar in the emerging new world.

Understandably, the primary reason is to delineate farther away from United States hegemony and global dominance. In fact the BRICS desire to facilitate global de-escalation, provide assistance to each other in solving issues concerning mutual interests and, in future to transact businesses in what they now popularly referred to as BRICS common currency. This question is already enshrined in the final comprehensive document that sets forth the general guidelines and principles of the association after the historic August 22-24 meeting held in South Africa.

South Africa was the summit host. Chinese and Brazilian presidents, the Indian Prime Minister, the Russian Foreign Minister as well as leaders and representatives from some 50 other countries are in attendance. On August 22, Russian President Vladimir Putin addressed the BRICS business forum, among several significant issues highlighted the accelerating momentum of de-dollarization.

In a virtual address, Putin also criticized the sanctions policy of western states, saying such practice is seriously affecting the international economic situation. He said the unlawful freezing of assets of sovereign states constitutes a violation of free trade and economic cooperation rules.

Putin said that efforts were in progress on creating an international reserve currency based on a basket of currencies of the association's member-countries. Some experts believe that

such a currency may protect the BRICS countries from sanction risks associated with settlements in dollars and euros.

The objective and irreversible process of the de-dollarization of the economic ties is gaining pace. Russia has been working hard to fine-tune effective mechanisms for mutual settlements and monetary and financial control. As a result, the share of US dollar in export and import operations within BRICS is declining: last year it stood at only 28.7 percent, according to the Russian leader.

Russia has always advocated for switching trade between member countries away from the U.S. dollar and into national currencies, a process in which the BRICS' New Development Bank would play a big role.

“The objective, irreversible process of de-dollarization of our economic ties is gaining momentum,” he said.

He also urged BRICS to increase its role in the international monetary system, and expand the use of national currencies. Noticeably Russia, being one of the founding patrons of BRICS, acts as a unifying force behind and in the organization, and largely determine that its role is strengthened for the future.

President of the People's Republic of China, Xi Jinping attended the BRICS Summit, for the third time, held in South Africa. The distinctive difference is that, this 2023 summit, the world has entered a new period of turbulence and rapid transformation.

“We gather at a crucial time to build on our past achievements and open up a new future for BRICS cooperation. We should deepen business and financial cooperation to boost economic growth,” he emphasized. “We need to fully leverage the role of the New Development Bank, push forward reform of the international financial and monetary systems, and increase the representation and voice of developing countries.”

In an English version of the article by Chinese President Xi Jinping titled “Sailing the Giant Ship of China-South Africa Friendship and Cooperation Toward Greater Success” widely published ahead of the 15th BRICS Summit in South Africa media including The Star, Cape Times, The Mercury as well as Independent Online, also underlined the practical concept of multilateralism and push for the building of a more just and equitable international order.

South African companies are also racing to invest in the Chinese market to seize the abundant business opportunities, and they have made important contribution to China's economic growth. The China-South Africa relationship is standing at a new historical starting point. It has gone beyond the bilateral scope and carries increasingly important global influence.

China and South Africa should be fellow companions sharing the same ideals. As an ancient Chinese saying goes, “A partnership forged with the right approach defies distance; it is thicker than glue and stronger than metal and rock.” Therefore, there is the need to increase experience sharing on governance, and firmly support each other in exploring a path to modernization that suits both respective national conditions.

“We should fear no hegemony, and work with each other as real partners to push forward relations amid the changing international landscape. In face of the profound

changes unseen in a century, a strong China-Africa relationship will provide more fresh impetus to global development and ensure greater stability of the world. Looking ahead into the next 25 years,” he wrote in the article.

Indian Prime Minister Narendra Modi also underlined the current significance of BRICS in dealing with tensions and disputes the world is facing, but most importantly de-dollarization amid economic challenges.

“In 2009, when the first BRICS summit was held, the world was just coming out of a massive financial crisis. At that time BRICS emerged as a ray of hope for the global economy. In the present times, to shape strategies for economic cooperation, in particular ways of increasing trade settlements in local currencies and BRICS expansion.”

Brazilian President Luiz Inacio Lula da Silva believes the world will see massive changes in the coming years.

“When we talk about Brazil and BRICS, we are showing that it is possible to create a new world. We don’t want to argue with anyone. We want integration between continents and equal conditions for all,” Lula da Silva said.

According to him, establishing partnerships between private sectors is a very relevant dimension of BRICS that gives life and continuity to the relations between the countries, participation in the global economy has been expanding since the first Summit of Heads of State and Government.

“We have already surpassed the G7, and we now account for 32% of the world GDP in purchasing power parity. Projections indicate that emerging and developing markets will present the highest growth rates in the coming years,” he explained in his speech.

According to the IMF, while growth in industrialized countries is expected to drop from 2.7% in 2022 to 1.4% in 2024, the expected growth for developing countries is 4% this year and the next. This shows that the economy’s dynamism is in the Global South – and BRICS is its driving force. Brazil’s total trade with BRICS increased from US\$48 billion in 2009 to US\$178 billion in 2022 – a 370% growth since the group was created.

BRICS Direct Foreign Investment stock in Brazil increased 167% between 2012 and 2021, reaching 34.2 billion dollars. Today, almost 400 companies from the bloc operate in Brazil. The decision to establish the New Development Bank was a milestone in effective collaboration among emerging economies. The joint bank must be a global leader in financing projects that address the most pressing challenges.

In arguing, the president pointed to the BRICS New Development Bank (NDB) as a way to offer its own financing alternatives, suited to the needs of developing countries. “The creation of a currency for trade and investment transactions between BRICS members increases our payment options and reduces our vulnerabilities”, he said, reinforcing that developing countries need an international financial system that helps implement structural changes, instead of feeding inequalities.

By diversifying sources of payment in local currencies and expanding its network of partners and members, the NDB is a strategic platform to promote cooperation among developing countries. In this strategy, engagement with the African Development Bank will be central.

At the multilateral level, BRICS stands out as a force working in favor of a fairer, more predictable, and equitable global trade. As of December, Brazil will occupy the presidency of the G20. The presence of three BRICS members in the G20 Troika will be a great opportunity for us to advance issues that are of interest to the Global South.

Reading through various reports, Peter Koenig, Research Associate of the Centre for Research on Globalization (CRG) former Senior Economist at the World Bank, [convincingly argues that many see the BRICS as the salvation from the West](#), from sanctions, from the dollar impositions, from debt enslavement – from trading restrictions... from outright theft of their currency reserves in foreign countries.

As a byline to the all too frequent western theft of reserve funds and gold...! But is this the purpose of the BRICS – providing shelter from the last onslaught of the west, led by the United States and her vassals – the Europeans? And is it right – that some of the BRICS leaders are constantly vacillating between the US and the BRICS solid core – China and Russia. Modi, for example, seems to be leaning towards whatever camp – West or East – he feels gives him more advantages.

[Koenig further explained that many BRICS countries still depend on the US-dollar as the bulk of their reserve currency](#), the main trade currency. De-dollarization for many is not happening overnight. Therefore, a common strategy is needed. To begin with and to avoid the dollar – trading among BRICS members (and even outside BRICS) with local currencies, instead of dollars. This is relatively easy, for example China and Argentina have done it for a long time. In the short-to-medium term – what might help and may become a necessity, is having a common BRICS Trading Currency.

There has been a gradual shift away from trading in US dollars, and instead countries adopted trading in their local currencies, or in a currency of common use by the trading partners, for example the Chinese Yuan. Latin America – especially Argentina, Brazil, Mexico, Venezuela – are consistently using local currencies or the Chinese Yuan to avoid the dollar. Avoiding the dollar is foremost for own protection from US sanctions. Increasingly more country will use this new mode of trading – equitable and peaceful.

The Turkish edition *Dunya* notes that since the United States imposed financial sanctions on Russia last year, de-dollarization has gained momentum. The BRICS countries forced transactions using non-dollar currencies. After the start of the Ukrainian conflict, Russia, Iran, Brazil, Argentina and Bangladesh went for broke against the United States, using the Chinese yuan instead of the dollar in trade.

Four Reasons for De-dollarization:

- Over-reliance on a single currency, changes in US monetary policy, and possible US sanctions or restrictions carry risks. In addition, the US government has run a large budget deficit for many years. And this raises concerns about inflation and the value of the dollar.
- The United States has been involved in many geopolitical conflicts in recent years, primarily the wars in Iraq and Afghanistan. These conflicts have resulted in heightened tensions between the US and other countries, making some states less willing to use the dollar.
- China, the world's second largest economy and an increasingly influential player in world trade, is encouraging the use of its currency as an alternative to the

dollar.

- Cryptocurrencies such as bitcoin, which are not subject to government control, have become attractive to those who are looking for an alternative to the dollar.

There are so many arguments and discussions about the question of global currency. But one more interesting analytical conclusion is here. Michael G. Plummer, Director at SAIS Europe and Eni Professor of International Economics at Johns Hopkins University, believes that the global system gains from having an internationally accepted currency like the US dollar as a medium of exchange, unit of account and store of value. But its role will diminish at the margin at a rate that will be the function of exogenous factors, such as changes in the international marketplace, and endogenous factors, such as how the United States faces its financial and trade challenges.

As widely seen across the world, the BRICS bloc is rapidly gathering a stronger momentum for a more democratic and multipolar world order that respects the sovereignty, equality, and diversity of all nations. The United States and Western allies often deeply underestimate its future growth and role in the global stage, but has heightened interests, shaping its instruments, such as the BRICS Bank which is likened to IMF and the World Bank, becoming the alternative organization especially for the Global South.

Notwithstanding all the arguments, views and observations Russia, isolated by the United States and Europe over its invasion of Ukraine, is keen to show Western powers it still has friends. Brazil and India, in contrast, have both forged closer ties with the West. There are still justifiable arguments though, that the group's members have long been thwarted by some internal divisions and, to some extent, a lack of coherent vision.

In Johannesburg, BRICS under the 2023 chairship of South Africa, Cyril Ramaphosa, has achieved an appreciable milestone. As stipulated in the 10-point joint declaration, BRICS will continue, through its collective efforts, working steadily towards shaping an alternative new system across the ASEAN, Africa and Trans-Atlantic. BRICS, with additional six members, now home to more than 40% of the world's population and more than a quarter of global GDP, the bloc's ambitions of becoming a global political and economic player. As the new Chair, Russia will hold the next BRICS summit in Kazan in October 2024.

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