

# BRICS and the Global South Cooperation

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### Introduction

*Since the collapse of the Soviet Union in 1992 'the tectonic plates of geopolitics have been shifting' and with current geopolitical tensions, including the Russian-Ukrainian conflict, the Israeli-Hamas war, new alliances and potential rivalry among world powers seeking for influence in Africa and other regions of the world, 'we may see the world becoming more multipolar'. **Despite the plethora of multilateral institutions, multipolarity has become a cliché as member states forge new alliances to address perceived injustices in the existing system.***

BRICS emerged from the Russia-India-China strategic triangle called RIC. The group that was promoted by Russia ostensibly to challenge the perceived monopoly or hegemony of the United States of America (USA), thus renewing old ties with India and fostering the newly discovered friendship with China. BRICS is the acronym denoting the emerging national economies of Brazil, Russia, India, China and South Africa. The term was originally coined in 2001 as BRIC by the Goldman Sachs economist Jim O Neil in his report, Building Better Global Economic BRICs. (Global Economic paper No:66) then South Africa joined in 2010, leading to the transformation from BRIC to BRICS.

This paper examines the emergence and evolution of BRICS in the context of the current geopolitical situation and economic alliances for sustainable development.

It reviews the objectives of BRICS and discusses the relevance and attraction of the bloc in the 21<sup>st</sup> century, especially within the framework of Global South cooperation. The prospects, opportunities and challenges for meaningful and constructive partnership within the framework of BRICS are also examined. Our conclusion is that "the organization has struggled to have the kind of geopolitical influence that matches its collective economic

reach.

It also embodies a synergy of cultures and explores a model of genuine multilateral diplomacy. Its structure is formed in compliance with the 21st century realities. Efforts within its framework are based on the principles of equality, mutual respect and justice". Furthermore, "while the BRICS bloc can have significant influence, it will not be sufficient to make a revolution in the existing international relations".

## **The Relevance of BRICS in the 21<sup>st</sup> Century Multilateralism**

BRICS member countries share the desire for the world to accord them a larger role through their common platform for global reform. Although the framework of BRICS is more or less informal, that is, without a Secretariat as in the case of most multilateral organizations, the organization seems to be assuming greater significance due to its philosophy and principles of equality. The major roles of BRICS are derived largely from statements issued at Summits. Over the years, BRICS has focused on highlighting the need for emerging powers to have a greater voice in global governance. In the wake of the global financial crisis, the joint statement by BRICS leaders in 2009 contained strong declarations on the importance of coordinating financial policy through the G20 and the need to reform international financial institutions to create "greater voice and representation" for emerging economies, including a more transparent process for leadership selection.

In the joint statement at the end of the third Summit in 2011, China and Russia reiterated the importance they attached to the status of India, Brazil, and South Africa in international affairs, and underscored the importance of their aspiration to play a greater role in the UN. By the fourth Summit held in New Delhi in 2012, BRICS stressed that its member countries represent 43 percent of the world's population, signaling clearly their concern for more representation in global institutions. This position has been echoed in many subsequent communications.

While in 2010, the group was at the infant stage of its formation and could be easily dismissed as yet another inconsequential global institution, today, it is harder to say that the BRICS does not matter. The five countries have rapidly used the BRICS platform to signal to the world that the old twentieth-century institutions have to change. This signal transformed into action from 2012 as its diplomatic calendar continues to expand yearly, with a host of interactions to both coordinate policy positions, as well as expand official and people-to-people dialogue, generally on non-contentious global issues - climate change, transnational organized crime, etc.

Additionally, it is interesting to note that what began with Summit-level gatherings and, separate meetings of Foreign Ministers, now include meetings of Sectoral Ministers, Central Bank Governors, National Security Advisors, a Business Council, a Think Tanks Council, a Parliamentary Forum, a Cultural Festival, as well as a Friendship Cities and Local Governments Cooperation Forum. Among all the structural frameworks of BRICS, the creation of the New Development Bank (NDB), along with a Contingent Reserves Arrangement (CRA) has been adjudged the most significant after long-pending reforms of IMF and the World Bank failed to materialize. The NDB has since become fully operational, and recently, Egypt has joined the bank as a new member, while other countries, including Turkey are warming to do the same.

In accordance with the Charter, each member having equal voice have also contributed

equal share of the \$50 billion initial subscription capital. Similarly, while the governance structure emphasizes equal and rotational representation, the NDB operates from its Headquarters in Shanghai under the leadership of K.V. Kamath, a former CEO of India's ICICI Bank as its first President. In April 2017, just under five years after the idea of the NDB came out of the Delhi Summit, the bank signed its first development loan agreement with Brazil.

The BRICS countries indeed have deepened their partnership over the past years, developing a real organization out of a mere idea, to prove its capacity to create new financial institutions with equal opportunities. Resulting from the removal of Russia from the global SWIFT payment system, the BRICS are working towards a new financial infrastructure, an alternative payment and internet networks to assert the multipolarity of the world economy.

From all indications, the emergence of BRICS and the level of commitment it demonstrates in the pursuit of its goals of economic development among its members, has indeed, shown that BRICS has come to stay. Being founded on the principles of equality of member states, right of access to development funds, developing countries and emerging economies consider the relevance of BRICS as a global institution. Many countries will soon come to terms with BRICS due to the significant influence it commands on global socio-economic affairs in the build up to the emerging world order. One major characteristic identical to BRICS member countries revolves around their population, natural resource endowment and economic potentials.

Indeed, the outcome of the XV BRICS Summit, held in South Africa from 22 to 24 August 2023, with the theme: "**BRICS and Africa: Partnership for Mutually Accelerated Growth, Sustainable Development and Inclusive Multilateralism**", may have added impetus to the traction of the bloc based on its motivating 'commitment to inclusive multilateralism, support for comprehensive reform of the UN, including its Security Council; support for open, transparent, fair, predictable, inclusive, equitable and non-discriminatory rules-based multilateral trading system'

## **BRICS XVI Summit in Kazan, Russia**

Russia currently assumes the leadership of BRICS (Brazil, Russia, India, China and South Africa plus five (5) new members (Ethiopia, Egypt, Iran, the United Arab Emirates and Saudi Arabia) that ascended unto the association in January 2024.

Until the forthcoming XVI summit next October, Russia has already lined up a comprehensive pack of activities aimed at building an appreciable image and direction, and creating a better future based on its historical developments and contemporary geopolitical realities for the association.

In an exclusive address to ...Russian President, Vladimir Putin outlined the main priorities for the Summit, with the theme: "**Strengthening Multilateralism for Equitable Global Development and Security**". During the year, Russia plans to hold over 200 events in three key areas of BRICS cooperation: politics and security, economy and finance, as well as cultural and humanitarian contacts. The BRICS summit scheduled to take place in Kazan, the Russian Federation in October 2024, will be the culmination of Russia's chairmanship.

One of the crucial tasks is to ensure the integration of new participants in the BRICS mechanisms without compromising their efficiency. To implement Johannesburg II

Declaration, Russia will devise the modality of establishing the category of BRICS partner states and create a list of potential candidates to present the report at the Kazan summit. In addition, Russia will contribute to the comprehensive implementation of the Strategy for BRICS Economic Partnership until 2025 and the Action Plan for BRICS Innovation Cooperation for 2021–2024.

As the first step, Russia plans to ensure that the decision adopted during the XV summit, held on August 22-24, 2023, in South Africa to expand BRICS membership becomes a reality, as a particularly important step to strengthen the position of BRICS which epitomizes the diversity of the multipolar world. Both Kremlin and the Foreign Affairs Ministry have indicated that more than 30 countries, have expressed interest in establishing close ties with BRICS.

The second step will see Russia hosting a number of major international cultural events, including the World Youth Festival, the Games of the Future which is a mix of physical sports and cybersports, and the sports games of the BRICS countries. Both games will be held in Kazan, capital of the Republic of Tatarstan (the Games of the Future in February, and the BRICS Games in the summer of 2024).

Already, during a cabinet meeting on 26 January 2024, Putin had directed relevant government ministries and departments to draft proposals on expansion of cooperation with BRICS colleagues in the ‘climate area, joint developments in the area of monitoring climatically-active gases and measuring the carbon balance of ecosystems, including the development of systems for collection and processing of data for estimation of human-caused and natural flows of greenhouse gases and other climatically-active elements’.

The cabinet is also to develop mutual recognition of tools and technologies in this field by BRICS nations. Another area of work is laying the groundwork for development of joint technical scientific solutions aimed at easing the human impact on the environment, climate and adjustment of economies and the population of member states to climate changes. The order should be executed by June 3.

Certainly, in order for the forum to expand its geography even further, with the need to use the most advanced technologies for possible remote participation from anywhere in the world. And approach for consolidating BRICS scope of activities and as an explicit indication of collective team work under Russia’s presidency, Federation Council (the upper house of the Russian Parliament) Speaker Valentina Matviyenko has added her voice to BRICS 2024. For the first time within the Fourth Eurasian Women’s Forum from September 18 to 20 in St. Petersburg, Matviyenko proposed a special session on women – the BRICS Women’s Forum. She stated inter alia that “As part of the fourth forum, we plan to hold the BRICS Women’s Forum for the first time. This BRICS Women’s Forum will present both the results of existing projects and new initiatives, which will strengthen partnerships between the BRICS member countries, including on the women’s agenda,”

## **Prospects and Opportunities for BRICS Expansion**

In the latest BRICS summit, some of the observations and objectives were spelled out in the declaration:

“With the addition of six new members, BRICS now has 30 percent of the world economy within its collaboration, with a combined GDP of US\$30.76 trillion. It also

constitutes 40 percent of the world's population. The necessity of expanding trade and investment among the BRICS member states and strengthening their relations was emphasized by the summit leaders. By 2050, leaders at the summit hope to account for 50 percent of the world's GDP, which will fundamentally change the economic landscape."

'It is estimated that by 2040, the BRICS group will account for more than 50% of the global GDP, because enlargement within the BRICS plus framework through integration of a number of large countries will facilitate the achievement of about 50% of global production of goods and services'.

And,

'in March 2022 experts from the IMF had warned that the heavy financial sanctions imposed on could threaten to gradually weaken the dominance of the US dollar, lead to a more multilateral international systems and encourage the emergence of small currency blocks based on trade among a certain group of countries. Already, it is noted that the BRICS countries have established a contingency reserve arrangement (CRA), a mechanism aimed at ensuring liquidity for member-states when they are confronted by short term balance of payment crises'.

In this regard, BRICS offers a model that motivates countries to join. Scholars have argued that the use of a single currency that is being contemplated or local currencies in trade exchange among members could be an effective counter balance to the monopoly or dominance of the US dollar. It is assumed that the dollar system, with its great deal of volatility, systematically undervalues the currencies of Third World countries'. In addition, 'elevated interest rates and stronger dollar make it more expensive for for African countries to service dollar denominated debt, something that has pushed many countries into debt distress'. The fact that Egypt, Ethiopia and other countries of the Global South are joining BRICS could mean that they are gradually moving away from the dollar-based system of global trade, experts told the Jeune Afrique news magazine. For Africa the use of the dollar in trade means that countries have no chance to trade with each other in local currencies, Elizabeth Rossiello, Chief Executive Officer of the Kenyan financial company AZA Finance, said. African nations are looking for new ways to raise money as global financial entities, such as the World Bank, fail to give sufficient attention to the continent, she stressed.

Characterized as a supra-global structure, BRICS "encapsulates the richness of multipolar world" and particularly embraces the developing Global South. BRICS is also attractive to developing countries because it can act as a buffer from US sanctions, Steve Hanke, a professor of applied economics at Johns Hopkins University, said. The countries of the global South see the association as a counterweight to the US-dominated global financial system, the analyst added.

That said, a number of experts note that the expansion of BRICS will not lead to the fragmentation of the global economy.

Adam Slater, lead economist for the Oxford Economics company, believes that the integration's total share in global trade stands at a mere 3%. Meanwhile, former employee at the White House and the World Bank Harry Broadman thinks that joining BRICS has more of a political and symbolic meaning, not economic.

Nevertheless, Yaroslav Lissovolik, a former Chief Economist and Head of Research in Deutsche Bank Russia and former Advisor to Russia's Executive Director in the International Monetary Fund and now the founder of BRICS+ Analytics – a think-tank that explores the potential of the BRICS+ format in the global economy, also argues that there is the strong expectation that BRICS will consolidate its role within the emerging geopolitical processes and global competition for Africa. China and Russia are currently making efforts to assert influence more aggressively, despite the challenges and obstacles, in cooperating with Africa.

According to Lissovolik, there are not too many economic mechanisms created thus far by the BRICS – the main economic contribution of the BRICS has been the creation of the New Development Bank (NDB) and the BRICS Contingent Reserve Arrangement (CRA). The BRICS NDB is set to expand its membership to include more developing economies. There are also plans within BRICS to widen the mandate of the BRICS CRA to make it more effective in supporting member countries. What is lacking at this stage is a financial mechanism that would facilitate the payments in national currencies among the BRICS economies – discussions on the creation of such a mechanism (widely referred to as BRICS Pay) have been ongoing since 2017, but progress in this area has been moderate at best. Furthermore, the issue of the creation of a common currency or an accounting unit for all BRICS countries has also progressed slowly. (See BRICS+ Analytics website, October 2023)

Within BRICS, China and Russia will likely cooperate towards creating those financial and economic mechanisms that are lacking in the global economy. The purpose of BRICS is not to undermine any economy, as the leaders have made it clear that 'they are not friends against someone but work in each other's interests, to create alternative cooperative platforms for economic cooperation among countries.

In the longer term, the African Union (AU) could also participate in the reconstruction and the reform of the main global institutions and fora such as the WTO, the G20 and the UN Security Council. In 2023, the AU became a member of the G20, and since January 2021 has been successful in advancing the project of Africa's regional integration via the African Continental Free Trade Area (AfCFTA). Again, the best way in which the BRICS could contribute towards the success of this regional integration project is via greater trade openness to African economies. The success of the AfCFTA would go a long way towards overcoming the limitations faced by Africa's economy in terms of low intra-continental regional connectivity and trade.

Considered as the largest single continental market, the AfCFTA spanning 54 states over the next years has the huge potential to unite more than 1.4 billion people in a \$2.5 trillion economic bloc. It is expected to boost intra-African trade by 52.3 per cent by 2025, increase Africa's income by up to \$450 billion by 2035, according to the assessment report by the International Monetary Fund (IMF). The IMF supports expansion of BRICS to make use of the advantage of global integration, IMF Spokesperson Julie Kozack noted at a regular briefing for reporters. "We do welcome countries working together, finding ways to trade, to become integrated, so that more people can benefit from the gains of global integration.," Kozack said. (See IMF briefings – Jan. 11, 2024)

Therefore, to a great extent, individual BRICS members and/or collectively would have direct focus on more integration and more global cooperation. It has the potential to generate a range of benefits through supporting trade creation, structural transformation, productive employment and poverty reduction. Further to that, the AfCFTA, without much doubts,

opens up more various opportunities for both local African and foreign investors from around the world.

In the context of this article discussion, it is important to state that BRICS African members (Ethiopia, Egypt and South Africa) could be used as the gateway into the vast markets. BRICS has to necessarily leverage unto this and to deepen Africa's trade integration and effectively implement the agreement through policy advocacy and strategy development. It could possibly utilize trade integration processes in close collaboration with the Regional Economic Communities and specialized African trade chambers across Africa.

Despite profound challenges, the AU member states are continuing to stride towards continental unity. Understanding this necessity, the 15th Summit in South Africa noted in its proceedings,

“The BRICS summit members agreed to extend their support for an African Continental Free Trade Agreement (AfCFTA). The summit stressed the value of the political stability of the African continent in building market certainty. Leaders at the summit also explored potential ways and methods to strengthen communication and cooperation to expand AfCFTA. If successful, and if implementation moves ahead, such a move by the BRICS countries will help foster new dynamics of engagement, and on several other contemporary issues such as drug trafficking and terrorism.... The summit also discussed increasing population in BRICS countries and their increasing food security concerns. In order to improve food security, lower costs, and to achieve a carbon neutral economy, BRICS leaders favored the role of modern technology in advancing agriculture. They also hoped to make Africa a global food basket.”

Dr. Srinivas Junuguru, an Associate Professor, and Abhinaya Rayee, Woxsen School of Liberal Arts and Humanities, Woxsen University, Hyderabad, Telangana co-authored an article in which they stated that the enlarged association now constitutes 46% of the world's population and 29.6% of the world's GDP. And that BRICS aims to defend the interests of developing nations amid attempts by developed nations to impose their standards. With the potential for a new reserve currency, discussions within BRICS on settling international trade in local currencies are ongoing, challenging the dollar's monopoly. The growth of BRICS is fostering a multi-polar world, creating opportunities for closer ties and collaboration between developing nations. However, concerns persist about the association's cohesion, given the diverse allegiances of its members, particularly amid tense relations between India and China.

## **Challenges**

The potentials and success story of BRICS notwithstanding, there are significant challenges towards actualizing its goals in a globalized economy. First, is the fact that the prosperity of the world is dependent on energy and market, and whereas BRICS has this comparative advantage to some extent because of Russia's energy and India's and Chinese markets, the growing rivalry between the United States and China, the two largest world economies poses significant challenge for the growth and prosperity of BRICS.

Secondly, the dominance of the US dollar in the global financial system constitutes a significant challenge to the BRICS group, especially when it comes to introducing its own currency in financial institutions worldwide. Besides, the US dollar is also the dominant currency in the global stock markets, as well as markets of goods, bank deposits, funding of

development projects and loans.

Thirdly, apart from Russia, all the other BRICS members have a strong connection with the West including China, through trade. It would therefore be difficult for countries to sever their financial ties with the US and West in general. China is the biggest exporter in the group and has enormous surplus, however, its currency, the Yuan, cannot favourably compete with the US dollar because it is not on the global markets. Despite China's significant power in global trade, the Yuan accounts for less 2.5% of global transactions, less than the dollar share of about 40% and the Euro, which is at the level of 36%.

With respect to the group's goal of creating a single/common currency, they may connect with the country which has a low inflation rate, which is China. The challenge, however, is that they would need also a common monetary policy and perhaps a common regulator, which may not be in tandem with Brazil and India's overall policies. China and India have been historical rivals, as India is antagonistic to China's expansion in the South-East Asia and Pacific and; while India is close to the US or the West, so to say, China is a real or potential rival of the US in the global economy. At some point, it was thought that India was opposed to the expansion of the BRICS group contrary to the positions of Russia and China, the two big partners.

## Conclusion

The BRICS, which academic experts referred to as a grouping of developing nations, initially focused on economic cooperation, has evolved into a significant player in global politics. The organization's disposition as a competitor to the Western influence in the global economy and its pursuit of reforms align with the national interests of its members have gained traction and offered greater attraction and motivation for countries to join. With substantial contributions to global GDP, strategic placement, and influence in international trade and security, BRICS plays a crucial role. However, challenges include the lack of a formal charter for admitting new members and existing conflicts, such as those between China and India, which may hinder the association's development. A collaborative approach between major members is crucial for BRICS to overcome internal conflicts and achieve its objectives.

There are prospects, opportunities and challenges for such partnership within the framework of BRICS. However, "the organization has struggled to have the kind of geopolitical influence that matches its collective economic reach. It also embodies a synergy of cultures and explores a model of genuine multilateral diplomacy. Its structure is formed in compliance with the 21st century realities. Efforts within its framework are based on the principles of equality, mutual respect and justice". Furthermore, "while the BRICS block can have significant influence, it will not be sufficient to make a revolution in the existing international relations". Russian Federation has taken over the BRICS presidency for 2024 from South Africa and that will be a game changing incident in contemporary international relations.

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