

(BRICS)

Question: How has the recent expansion of BRICS in 2024 influenced global geopolitics and the bloc's dedollarization efforts, and what strategies can it adopt to address challenges such as internal policy alignment, trade imbalances, and strengthening its global economic influence?

Introduction

The 2024 expansion of BRICS to include six new members marks a pivotal moment in global geopolitics and economics. With its growing influence, the bloc has intensified its efforts to reduce reliance on the US dollar (dedollarization), aiming to reshape the financial architecture of global trade. This transformation brings both opportunities and challenges, including the need for internal policy alignment, addressing trade imbalances, and enhancing its economic and geopolitical standing. South African President Cyril Ramaphosa during the 2024 summit remarked;

BRICS nations are creating a new narrative for global cooperation that is inclusive and representative.

Background History

BRICS — comprising Brazil, Russia, India, China, and South Africa — was established in 2009 as an informal group of emerging economies. Its foundation aimed to provide an alternative to Western-dominated institutions like the International Monetary Fund (IMF) and the World Bank. Over the years, BRICS has evolved into a platform for promoting economic cooperation, multilateralism, and development among its members. The 2024 inclusion of Argentina, Egypt, Iran, Saudi Arabia, the UAE, and Ethiopia reflects the bloc's ambition to expand its reach and influence, representing over 40% of the global population and a substantial share of the world's GDP.

Significance of BRICS

BRICS holds significant geopolitical and economic weight, serving as a counter-balance to Western powers. It acts as a platform for addressing global inequities and amplifying the voices of the Global South. By prioritizing dedollarization, the bloc challenges the dominance of the US dollar, potentially mitigating vulnerabilities tied to sanctions and currency fluctuations. As it represents approximately 3.7 billion people, nearly 46% of the global population. Together, they hold a combined GDP of \$27.6 trillion as of 2023, accounting for 26.3% of the world's economic output. In global trade, the BRICS countries contributed 20.2% of merchandise exports in 2022, ~~with China~~. Thus, BRICS serve as a pivotal platform for fostering a multipolar world, promoting equitable global governance, and advancing the interests of emerging economies.

Objectives

BRICS core objectives include:

1. Economic Cooperation :-

Fostering trade and investment among member states.

2. Financial Sovereignty :-

Reducing dependence on western financial systems and promoting dedollarization. In 2012, BRICS countries signed agreements to promote trade in local currencies, aiming to replace the US dollar as the primary unit of trade among them.

3. Multilateral Governance :-

Advocating for a more balanced representation in global institutions.

4. Sustainable Development :-

Addressing challenges like climate change, energy security, and poverty.

Major strategies Discussed
in the 2024 Summit

During the 2024 Summit in Kazan, Russia, BRICS outlined key strategies:

1: Dedollarization :-

Promoting trade in local currencies and exploring a BRICS common currency to reduce reliance on the US dollar.

Institutional mechanisms like the BRICS Interbank Cooperation Mechanism and BRICS Pay have been developed to facilitate these transactions.

2: Expanded membership :-

Enhancing global representation and leveraging the economic strengths of new members; Argentina, Egypt, Iran, Saudi Arabia, the UAE, and Ethiopia.

3: Infrastructure Development :-

Boosting investments through the (NDB) New Development Bank, established to support infrastructure and sustainable development projects.

4: Technology Collaboration :-

Establishing partnerships in AI, renewable energy, and cybersecurity.

5: Policy Harmonization :-

Aligning trade and economic policies across diverse economies.

Minimum description under headings should be 5 lines

Root Causes Behind BRICS' Strategic Shift

1. Western Hegemony :-

The dominance of Western financial institutions and the dollar-centric trade system.

2. Geopolitical Shifts :-

The rise of China and India as global powers, along with increased South-South cooperation.

3. Sanctions :-

US-led sanctions against Russia and Iran catalyzed the need for alternative financial systems.

4. Global Inequality :-

The influence of developed nations in global decision-making has reinforced BRICS' commitment to fostering equity and amplifying the voice of the Global South.

Add and highlight references/examples against these arguments

Global and Regional Impact of BRICS Expansion

The 2024 expansion of BRICS has brought profound changes:

Global Impacts

- Economic multipolarity
- De-dollarization
- Geopolitical Realignment
- Energy Security
- New Financial Systems

1. Economic Multipolarity :-

The inclusion of new members like Saudi Arabia, Iran, and the UAE strengthens BRICS' ability to challenge Western-dominated financial systems, fostering a shift towards a multipolar global economy.

2. Dedollarization :-

By promoting trade in local currencies and reducing reliance on the US dollar, BRICS reduces vulnerabilities associated with sanctions and currency dominance, reshaping the global financial architecture.

Economist Jeffrey Sachs noted,

“Dedollarization could mark the beginning of a more balanced international financial system.”

3. Geopolitical Realignment :-

The bloc's expansion challenges Western hegemony, creating a counterbalance to the G7 and enhancing the voice of the Global South.

in global governance.

4. Energy security :-

With the addition of energy-rich nations like Saudi Arabia and Iran, BRICS gains greater influence in global energy markets, potentially stabilizing oil prices and ensuring energy security for member nations.

Regional Impacts

- Strengthened Regional Institution
- Increased Trade and Cooperation
- Enhanced Political Influence
- Infrastructure Development
- Reduction in Dependence on Western Economies

1. Increased Trade and Cooperation :-

Expanded membership fosters intra-regional trade, particularly in Africa, Asia, and the Middle East, boosting economic growth and strengthening regional ties.

The trade among BRICS nations rose to 85% up from 26% two years prior.

2. Enhanced Political Influence :-

Countries

Like South Africa and Brazil gain a stronger platform to advocate for their regions' interests, increasing their geopolitical relevance.

3. Infrastructure Development :-

The New

Development Bank's (NDB) expanded scope provides increased funding for infrastructure projects, particularly in underdeveloped regions, fostering long-term growth and connectivity.

4. Reduction in Dependence on Western

Economies :-

Regional economies benefit from reduced reliance on western markets

and financial systems, enhancing resilience against external shocks.

▶ US Reaction to BRICS Expansion and Dedollarization

The US has expressed mixed reactions to BRICS' recent developments. While some policymakers dismiss the feasibility of dedollarization, citing the dollar's entrenched ~~global~~ global position, others recognize the long-term risks of losing financial dominance. Concerns have also been raised over the strategic implications of adding countries like Iran, and Saudi Arabia, which could reduce US leverage in the Middle East. Analysts in Washington highlight the importance of strengthening alliances with G7 nations to counterbalance BRICS' growing influence.

→ Trump's Threat to BRICS and its Ripple Effects

Donald J. Trump warned that if any or all members of BRICS pursued business in any currency other than the dollar, he would impose a 25% tariff on imports from these countries. This action will be a clear lose-lose situation for both the US and BRICS with ripple effects such as :

- o Exacerbate Inflation
- o Disrupt global supply chain
- o Reduce Industrial Output
- o Industries reliant on imports would face higher production costs
- o Worsening living standards across the board

So imposing tariff would be a regressive and self defeating strategy with lack of proactive and forward thinking measures.

Conclusion

The 2024 BRICS expansion and its focus on dedollarization signal a transformative phase in global geopolitics and economics. While challenges persist, including internal diversity and geopolitical tensions, BRICS' collective strategies aim to create a multipolar world order. If successful, the bloc can redefine international finance and trade systems, fostering a more equitable and sustainable global framework.

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