

Q. Write a note on the expansion of BRICS and its attempt towards De-dollarization of the international economy, highlighting its global and regional implications.

Ans:

### Outline:

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## Introduction:

After the World War - II, many financial institutions were formed like World Bank, International Monetary Funds, Asian Development Bank etc; all had one thing in common, their tilt towards the West. The BRICS is a response based multilateral financial institution focused towards the development of Global South. Now, the initially five founding members institute, has adapted an expansion policy. Recently, it had added six new members, all of them have joined the BRICS, with the exception of Argentina. The BRICS has a New Development



Bank to provide assistance to the member countries. Under the ambit of the institution, the member states are planning to trade in their respective local currencies, throwing a blow at Petro-dollar trading. BRICS is considered to be a nail in the coffin of 'unipolarity'. It is highly focused on decreasing the Western dependency and containing the G7. Albeit, India's playing from both sides, and its stance still has a question mark on it. Despite the slightly confusing membership of BRICS+; it is considered to have a significant potential to change global and regional dynamics.



## 2. Origin to Evolution.

The Goldman economist predicted that the economies of four countries; Russia, China, Brazil and India, have the power to contain the G7 economies.

In 2009, the four countries met to initiate the alliance. In 2010 South Africa requested to join, forming the BRICS. In the last year, the eye-catching evolution has been witnessed; as the institution planned to expand itself. Noteworthy was the France's request to join as the first Western country. In Johannesburg in Aug 2023, 70 countries were invited, surprisingly almost all of them were from the Global South and none from the West, not even the France. Now the institution



has been expanded into BRICS+ with the addition of the new member.

### 3. National Development Bank:

National Development Bank (NDB) is formed under the name of BRICS. All the members have contributed \$1Bn. to get deposits in it. The shares are divided into 1 million in total, with each having the value of \$100,000. The purpose is to provide the financial assistance; and till now it has provided assistance to the members in more than 95 projects.



#### 4. Introducing new currency and trading in local currencies:

BRICS is said to form a new currency, that would be used by the members in terms of trading. Other than that, the members have agreed to trade with each other in their respective local currencies by ditching the dollar.

#### 5. Addition of the new members:

Many countries have requested to join the institution; but, only six were asked to officially join. The countries



that were asked to join were all backed by the founding members; Brazil backed the membership of Argentina; Russia, of Iran; India, of UAE; China of KSA; and South Africa, of Egypt and Ethiopia. There have been a few questions raised, given the shared history of newly added members. Nonetheless, the popularity is noteworthy. With the beginning of new year all of them have officially joined the BRICS+, with the exception of Argentina. As, newly formed government is ultra-nationalist and they care least about global alliances.

## 6. Selectively Inclusive Expansion:

As mentioned earlier, the



addition of new members was backed by the founding members. Moreover, in Johannesburg Summit 70 countries were invited and all more were from the West, not even France, who openly requested to join. Keeping the founding members in mind, and the vision that was behind the formation of BRICS; there is no doubt that it is exclusively focused on the neo-lateral, Global South agenda.

## 7. Global Implications:

A. Shift in the World Order:  
It is not a news that the world order is under transition. But, BRICS is said to be the nail in the



coffin of unipolarity. BRICS holds about 40% of the world's population, 26% of the global GDP, and 16% of the trade (World Economic Forum); it shows how crucial the role of the institution is in global GDP. Other than that, according to the report of World Economics, By 2028, China would become the largest economy in the world, and India would be the third largest; this would further solidify the role of BRICS in global GDP.

B. Decrease in the Western Dependency:  
The International financial institutions are all tilted towards the West and the USA. This gives them the power to control the external and internal



affair of the state in many ways; if not the power, then they do have say in almost all the matters. BRICS holds the power to contain the west, and to decrease the dependency of the states on west.

C. Dent in the 'Dollar Hegemony'

It would be too soon to say that the dollar is losing all its value. There is no doubt that it has lost a bit of its power; as many countries have agreed to trade in local currencies. Despite that, almost 80 percent of the world's trade is done in dollars, and 60 percent reserves are in the dollar.



There is still a lot of time for dollar to lose its hegemony; but, in the eyes of many economists the trade in local currency, and the development of BRICS currency would surely put a dent in it.

## B. Regional Implications:

### A. Development in the Global South:

As discussed earlier, BRICS in many ways, despite being inclusive, is exclusively focused on the Global South and its development. None of the invited countries were from the west, request of France was declined, and all the new members are from the Global South as well.



### B. Multi-lateralism to Minimalist

If one see the newly added members; almost all of them share the rough history with one another; KSA and Iran have a severed history; India and China have different strategic approach etc. Albeit, there are concerns regarding the membership; but, the fact that they have all agreed to come under the ambit of BRICS clears the air in a way. This shows the tilt of their diplomacy towards common interest, rather than common ideological alignment.



## C. Fight for the leadership:

Albeit, the BRICS is an inclusive neo-lateral institution; but, there would be a fight for its leadership in near future. ~~At~~ The three founding members Russia, India, and China, all see themselves as the leaders, and this might cause a rift.

## 9. Point of Critique:

There is no doubt that BRICS is a silver lining for ~~at~~ the global south; but, there are also many questions attached. Especially, when it comes to its members. The



members do share the rough history with one another. And the even bigger question is over the membership of India, that is playing from the both sides of the field. It is the member of QUAD alongside BRICS. It is a friend of US and has strategic differences with ~~the~~ China. It has different policies adapted for both sides; a win-win policy with the ~~South~~ West; and a zero-sum narrative in terms of Global South. Egypt and Ethiopia have differences with each other. Iran-KSA are known rivals; although, their rapprochement mediated by China, decreases the concerns. Other than these few queries, the BRICS is



considered a success, especially since the expansion policy, and the number of states that are keen to join.

## 20. Conclusion:

To sum up everything, BRICS is a multi-lateral financial institution; accounting about 40% of the global population, 26% GDP, and 16% trade. It is exclusively focused on the development of global south. Many states of the world are interested to join the institute; ~~but~~ 5 have officially gained the status of members, and it is further believed to be expanded in near future. Although the expansion is believed to be



selectively inclusive. BRICS members have also agreed to trade in local currencies, and to develop a new currency; this would effect the Petro-dollar agreement significantly. New Development Bank has also been established to provide financial assistance to member states; and has already helped the members in 96 projects. It is believed to solidify the transition of the world order towards multipolarity. It is also focused to decrease the Western dependency and sanctions exploitation. With the exception of a few concerns related to its members; it is believed to be a capable ~~successful~~ institution.