

Discuss the emergence of SCO and BRICS as a challenge to American politic-economic dominance in the world politics. What measures can be taken by the US to encounter them?

CA-LSI-25

1. Introduction

After the Bretton Woods Conference in 1944, it was decided how would be the monetary and financial regime after the World War II. At that time, politico-economic dimensions were changed and there were less number of countries. But with passage of time, it seemed like all the financial institutions were dominated by western countries and that have sidelined global south. Therefore, to reduce dependency of the USA financial infrastructure. SCO and BRICS can not be a regional organizations.

2. Emergence of Regional Organizations

A. Rise of SCO

In the 1990s, SCO was Shanghai Five, as there were only 5 members in the organisation. With passage and success of organization, more countries showed their willingness to join the SCO, and in 2001 it became Shanghai Cooperation Organization.

Currently SCO has 10 members, from South Asia, Central Asia and Euro-Asia. Making it one of the largest regional organisations in the world politics.

SCO PROFILE 2024	
GDP	42% of world
Population	42% of world
Land Area	60% of Eurasia

SOURCE: SCO Annual Report 2023

B. Arise of BRICS

BRICS is another emerging economic. Its main purpose is to alleviate the Global South from the backwash and promote multipolar world order to counter western institutions like IMF and WB.

BRICS PROFILE 2024	
GDP	28% of world
Population	40% of world
Land area	26% of world

SOURCE: BRICS Joint Statement 2023

3. Emergence of SCO and BRICS as a challenge to American politics - economic dominance in world politics

A. Common objectives of de-dollarization

SCO and BRICS are planning to launch an alternative currency in comparison to dollar, to reduce dependency as it has become difficult to trade for developing nations to trade in dollar due to its unavailability.

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New development Bank (NDB) 2015-2024 has increased lending in local currencies reaching around 30% of all NDB loans.

NDB Annual Report 2023

B. Parallel Banking System

SCO has declared of announcing a new parallel Banking system to shift to that dependence and reliance on western-led financial institutions can be decreased. This has been discussed in a conference multiple times, and its work is in under progress.

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SCO will enhance cooperation on payment system not rely on SWIFT.

SCO Finance Minister 2023

C. Availability of loans on need based

Unlike IMF and WB, SCO and BRICS provide loans based on the need of

countries, and there is no factor that higher country would have higher authority of say. Just like USA, US contribute more in IMF therefore USA has more power.

D. Investments in development Projects

IMF provide loans to the countries that can be mirrored by the host or borrow countries. However, SCO and BRICS provide loan on the ~~large~~ infrastructure development of projects. So that ~~country~~ loan can be utilized in most effective way and earning from the project can later on paid to the SCO and BRICS.

“75% of NDB financing in Africa is project-based such as renewable supply.”

NDB Report 2023

E. No Austerity measures

IMF provide loans ~~to~~ ^{one} the condition that are signed for the countries to implement especially for underdeveloped countries. However, SCO and BRICS banks do not provide such conditions and are easy to require. Austerity measures include increase taxes, privatization and cutting subsidies.

"The Bank shall not mandate structural adjustment conditions."

SCO Finance Minister

F. Reducing Dependency

Global South has option to take financial assistance from BRICS and also then apply for IMF. Which is rigid and with higher taxes.

Russia, China, Pakistan and Central Asia conduct joint military drills like "Peace Mission".

4. What measures can be taken by the US to Counter SCO and BRICS

A. Strengthening its power with allies

USA need to strengthen its power with allies and focus on ~~reverse~~ the regional efforts to counter increasing influence of BRICS and SCO. USA need to increase its dominance in Pacific region via AUKUS and NATO can be used in the European region to increase its dominance.

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"NATO budget increased upto 7% of member countries GDP."

Trump, PM, USA

DATE / /

B. Time to redesign its financial institution

USA need to redesign its IMF and WB structure to meet the current need of the world. It is still being operated in the 1945 model, IMF need to reduce its authority measure and loan are provided to help the country not create burden of debt on the country

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Dollar share in global reserves has fallen to 58%, lowest in 25 years.
U.S Treasury Report 2023

C. Adopt inclusive policy

Instead of sidelining global South, USA need to ^{bring} include developing nation ~~to~~ on the table, to create a win win situation. S. that neither USA nor global South suffer from this strategy.

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African 54 countries collectively holds 5% of voting power
IMF Report 2024

D. Use power of diplomacy

USA need to use diplomatic action instead of authority measure like

imposing huge taxes, and sanctions. by this way it will able to create its power in the world politics.

"USA imposed 125% taxes on Chinese 800 products."

New York Times

E. Trade liberalization with developing countries

By this way, global south will be ~~engaged~~ engaged USA, and global south would not further go to the BRICS and SCO. This way they will ~~be able~~ create gap between south developing countries and USA institutions.

"15% of USA imports comes from Argentina."

USA Treasury Report 2022

F. USA's dominance in internet connections

Networks used mostly ~~are~~ come from the USA. No country has its own internet connection. USA can be internet connection and sign up to control the set members of SCO and BRICS.

"Over 60% of global cable infrastructure

DATE _ / _ / _

is owned by American companies."

Telegeography 2024

4. Increase Investment in Technology

Just like China has spent \$400 billion per year on Research and Technology, USA also need to invest heavily to encounter SCO and BRICS.

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If the U.S. does not out-invent China, we will lose the AI race."

U.S. AI Commission 2023

5. Conclusion

Russia being a torchbearer of BRICS and China being found of SCO. Both countries have given tough competition to the US present in the politics and economic of the world. However, if the USA still has potential power to curb the influence of BRICS and SCO is by including, seek cooperation and helping global south. As global south still heavily rely on the USA. If timely action, are not taken then, rivalry between the western led institution and BRICS and SCO increases and developing nations will suffer the consequence.