

# TEST #02

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## QUESTION #02

### 1- INTRODUCTION:

Vladimir Putin said on the sidelines of BRICS Summit 2023 that BRICS, not West will drive global economic growth. He referred to the emergence of Global South in international economy. Since establishment of Bretton-Woods institutions, United States Dollar (USD) has been the more popular currency for international trade and transaction. The dollar has been weaponized multiple times to serve the self-centric interests of US. A new emerging trend of 'dedollarization' can be seen since 2023. BRICS+, a <sup>intra-</sup>regional and economic organization, is trying to break the monopoly of dollar over international political economy. Barter trades and local currency swaps are being appreciated more. But, it is not an easy endeavor and is synonymous to uphill climbing. However, BRICS+ has sown the seed of change by trying to decouple dollar from international economy.

### 2- WEAPONIZATION OF USD AND SWIFT:

USD stands for United States Dollar and SWIFT is an abbreviation for Society for Worldwide Interbank Financial Telecommunication. The United States has maintained its hegemony for long over international market by internationalizing its local currency (\$) and using a message system that causes each international transaction to pass through its clearing house, thus making them subject to US law.



Both USD and SWIFT are used as a weapon by US to 'punish' his opponents. It does so by stopping financial sanctions or freezing the access of a country to its own forex reserves. This case was seen in Ukrain war, when Russia was not only sanctioned but its access to of its Forex was also frozen. Moreover, it also limits the use of local currencies in bilateral trade. Also, by kicking out a country of SWIFT, it can cause a major blow to its economy like US did to Iran (2012) and Russia (2022).

DUE to these unilateral decisions of US because of its hegemonic position, Global South and regional organizations like BRICS+, SCO etc are finding ways to not be dependent on single currency. In this way, they will buffer the influence of sanctions, freezing of assets et on their economies. Moreover, politically they will not feel 'pressured' to follow interest and viewpoint of United States.

### 3- BRICS+ = A COUNTERING FORCE:

BRICS+ is an intra-regional economic organization of Brazil, Russia, India, China, South Africa, Egypt, Ethiopia, UAE and Iran. It constitutes of 45% of global population, 35% of global economy and holds 42% of global central bank forex. The US imposing sanctions on Russia because of Ukrain war (2022) and frustration with dollar and its hegemony, 'how to dedollarize international



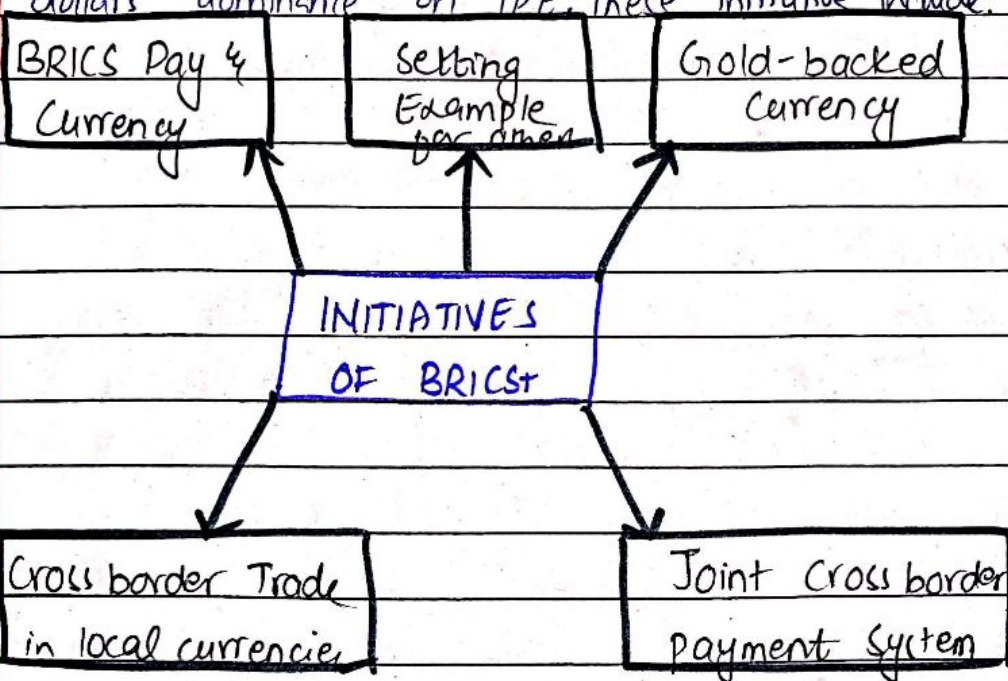
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economy' was the important part of <sup>conversation</sup> ~~center~~ in the BRICS Summit of 2023. Dedollarization aims at reducing the dependence on dollar. The initiative has picked momentum in Kazan Summit (2024) where the idea of establishing an alternative payment system to dollar has flourished.

#### 4- INITIATIVE OF BRICS+ TO DEDOLLARIZATION:

BRICS+ is working to find an alternative to counter dollar's dominance on IPE. These initiative include:



#### A- BRICS+ PAY and Currency:

BRICS+ common pay will include a common payment system for member countries. The idea of a single currency was led by Russia. According to this, all the trade and transaction between member countries be carried out in a single approved currency. It will reduce dependence on dollar for inter-member transaction and a new currency will take its place for intra-regional trade.



B- GOLD-Backed Currency:

Gold and US dollar are two important methods of forex reserves. A trend is being noticed in which central banks of emerging markets are increasing their gold holdings. For example, according to international statistics, in 2023 1037 tonnes were the total gold reserve of central banks and it is increasing. This step will reduce reliance of an economy on dollar in its foreign exchange reserve and the shock of dollar weaponization.

C- CROSS-BORDER Trade in Local Currencies:

BRICS+ states are inherently motivated to conduct cross-border trade in local currency. Such incidents are seen in the trade deal of Iran-Russia, Russia-China, etc. Moreover, in 2023, the Russia-India trade for Russian oil was done in Emirati Dirham, thus supporting use of other currencies in local trade. This threatens the once held position by US dollar where it was considered as the only mean for cross-border transaction. Trade in multiple currencies will liquidate those currency and can hamper the dollar dominance.

D- JOINT CROSS-BORDER PAYMENT SYSTEM:

This initiative was presented and agreed upon Kazan Summit (2024). BRICS+ agreed to have an alternative payment system to SWIFT which uses local currencies for transaction other than dollar.



This new system will facilitate cross-border transaction without involving US banks, thus, further eroding its dominance and presence in international and intraregional trade.

## E Setting Footprints for Others:

The attempt of BRICS+ to de-dollarize have a snowball effect. It is further normalizing alternative transaction system. For example, Indonesia uses LCT (Local Currency Transaction) for international transaction. Moreover, Project mBridge serves the same purpose for China, Hongkong, Thailand, UAE and Saudi Arabia. Moreover, it is also supporting and advocating use of local currency for trade and transaction. It is due to this that Germany is advocating for new European based payment system that is independent of US. These steps are setting a precedent for a bigger change.

## 5- CHALLENGES TO DE-DOLLARIZATION:

However, it is not a smooth run and there are many hurdles before causing permanent riddence of US monopoly and dollar hegemony. These challenges are.

### CHALLENGES

- Dollar more stable & widely used.
- External debt in dollars
- Currency conversion and volatility issues
- Relatively high cost & inefficiency of multiple currencies
- Geopolitical concerns



Firstly, dollar is a stable currency and is widely used internationally for trade and transaction. It's a widely-accepted mode of payment also. So, it would be a challenging task to lessen its importance in market place.

Moreover, the countries which are part of BRICS+ has debt commitments to Brettonwood institutes. Those commitments are in US dollar. They will need dollar to pay off their debt. So, it will be hard to totally eradicate dollar from international monetary system.

Also, in 2022, ninety per cent of foreign transactions were carried in dollar. It is the single currency that is widely used as a standard in international transaction. The currency conversion and stability is another impending challenge and most currencies fluctuate depends on their comparison with dollar. With dollar out, a new standard (agreed-upon) will be needed and there are no set mechanism for that to be introduced until now.

Using multiple currencies will bring instability to international financial and monetary system. A complete overhaul of international financial system will be required. Given by its current challenges and constraints, the creation of substitution of international system is not possible which can further slow down de-dollarization process.

Lastly, US manipulation does not solely



rely on dollar or swift. It has enormous soft and hard power which help in its influence in world in future, Moreover, BRICS+ nations have own geopolitical concerns which can hamper the process like India's closeness to US etc.

## 6- CRITICAL ANALYSIS:

Given by these facts, it can be concluded that <sup>complete</sup> de-dollarization of international economy cannot be seen in near future. It will take time and commitment from other countries besides BRICS. It may take four or five decades to achieve complete and full decoupling of dollar from economy. Furthermore, there are certain challenges that needs to be addressed. Also, no tangible alternative system is present or proposed. However, this diversification of international trade can prove pre-requisite of permanent change in international ~~etc~~ political economy and chances of permanent ~~de-dollarization~~ de-dollarization cannot be ruled out.

## 7- CONCLUSION:

The de-dollarization scheme of BRICS+ is emerging as a threat to manipulation and hegemony of United States. The USA has enjoyed its power status for long and this has led it to manipulate global economy in its favor. US dollar, swift, and IAA~~B~~ IMF and WB are some of its



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weapons used for manipulation. But frustration of Global South has led to strong commitment to ~~de-dollar~~ lessen the influence of dollar on trade and transaction. The use of local currencies, barter trade, use of an alternative transaction system and a single currency other than dollar can impact the dominance of dollar which it once enjoyed. However, if ~~the~~ results will take longer to manifest and it will not be easy but these policies will alter the landscape of international political economy which ~~is~~ will not be reversed.

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## QUESTION # 03

### 1- INTRODUCTORY NOTE:

The Climate Summit or COP29 was held at Baku, Azerbaijan in 2024. The Secretary General of United Nations General Assembly, Antonio Guterres, said on its sidelines that it is either a climate solidarity pact or a collective suicide pact. This entails the dilemmas posed during COP-29 meetings. Climate change has been <sup>an</sup> posing existential threat to humanity but despite multiple crises, world just don't listen to them. Same was seen at Baku Summit. It succeeded in achieving financial commitments, revision of Nationally Determined Contributions (NDC), curbing carbon-based



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and coal projects and reduction of methane emissions. However, it failed to reach an agreement regarding energy ~~and~~ transition, phasing out of fossil fuels, insufficient financing and missed opportunities. Most striking was that Developing nations were left out and to struggle to pay for damages inculcated by everyone. COP-29 has also given the same result like COP-28 and left some space for improvement in COP-30 summit.

## 2- END NOTES OF COP-29:

COP-29 ended in Baku but failed to make any significant headway in climate financing. A clear divide between Developing and Developed world was seen. ~~Further~~ The closing session of Baku summit further intensified the division regarding climate financing. The agenda of COP-29 was climate financing, review of progress, inclusion of gender in climate discussion and setting new collective quantified goals. The venue of the summit was also controversial as <sup>90%</sup> Azerbaijan's exports constitute of fossil fuel. In the end notes, G-77 demanded demystifying of climate financing while rich nations hardly coughed up to ~~one~~ <sup>hundred</sup> three billion dollars. ~~Against~~ the demand of ~~one~~ 1.3 billion dollars. In response, developing nations declared not to commit to new targets prior agreement on financing. So, COP-29 had its own gains and losses.



## 3- COMMITMENTS OF COP-29:

Commitments of COP-29

and include:

Climate  
FinancingAgreements on  
Carbon Markets

COMMITMENTS

Reduction of  
MethaneNO New unabated  
Carbon projectsRevised  
NDCsA- Climate Financing:

In COP-29, the developing nations demanded for a total amount of \$1.3 trillion dollars annually as a reparation from rich countries to the damage they their industrialization has caused to environment. Moreover, they demanded this amount to be in form of grant not loans, as already their economies are burdened with debt servicing. However, the rich nations only agreed to cough up three hundred billion dollars annually to developing nations to make up for the help them recover from climate catastrophe and build resilience.

B- AGREEMENTS ON CARBON MARKETS:

COP-29 found



an agreement to carbon market for carbon trading as enunciated in article 6 of Paris Agreement. It will help to reduce concentration of carbon in atmosphere and will provide the developing economies to cash their carbon credits.

### C- No New Unabated Carbon Coal Project:

Though phasing out of fossil fuel was not in agenda but a reduction in installation of new unabated carbon coal projects was agreed. Unabated means to burn coal without any measure to reduce its emission. This steps will further lower the concentration of Greenhouse gases in stratosphere, thus, slowing the momentum of climate change and temperature global warming.

### D- Declaration to reduce Methane Emission:

31 Thirty states signed a declaration in which they agreed to reduce the emission of methane from organic matter. Methane is also a Green House gas like carbon dioxide and contributes to global warming. Thus, its reduction in atmosphere will slow down the process.

### 4- FAILURES OF COP-29:

There are many important points which were left untouched by COP-29. The controversial venue of COP-29 is a marked



any hopes of phasing out of fossil fuels. Moreover, if further deepened the divide between developing and developed states in terms of climate financing. Few of its failures are discussed below.

### FAILURES OF COP-29

- No Agreement on Energy transition
- No mention of Deforestation.
- Deepened the divide between develop poor and rich nations
- Lack of ambition.
- Missed targets & Vague new targets
- Venue's controversial status.
- NO phasing out of fossil fuel

COP-29 failed to provide any agreement on decarbonization and energy transition. No new projects of clean and green energy were discussed or announced. This was against the spirit of The Climate Summit to miss the agenda of energy transition because fossil fuel combustion is the prime reason of global warming and climate change.

Secondly, no scheme for plantation or reforestation was committed. Instead, the



topic of deforestation was to completely ignore. Although, deforestation cause 20 per cent of the ~~to~~ carbon dioxide emission caused by human activity. Reforestation and plantation drives not only provide for a carbon sink but also buffer adverse impacts of climate change. This was another failure of COP-29.

Moreover, climate financing commitment and the mode of financing (loan) further created the distance between rich nations and poor nations. The developing world demanded around 1.3 trillion dollars in the form of grants to tackle the challenge of climate. The rich state committed to provide for only 300 billion dollars annually. Climate change is an existential threat for all. It should unite the mankind and collective efforts can ensure mitigating the impacts of climate change. But it is another failure of COP-29 that is deepened the divide.

A lack of ambition was seen in COP-29. The summit was not attended by Germany, the United States of America, China, India, Brazil and France. The absence of high emitters and world leaders casted a shadow on momentum of COP-29. That is why the Canadian Environment and Climate Change Minister called out the state of ambition as 'deplorable'. Such low motivation will further result in missing out of targets of curbing carbon



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emission.

According to Annual Emission Gap Report presented by United Nations Environmental Programme (2024) at Baku Summit, world is on track of catastrophic warming as targets of reducing carbon emissions were being missed out constantly. According to report.

G20 <sup>constituted</sup> → 77% of total 2023 emission.

China → 30%

India → 8%

USA → 11%

Europe → 6 percent

China and India were heading in opposite direction with increased emissions. Such deplorable state will bring irreparable damage to global environment.

No clear commitments of phasing out of fossil fuels were made. It was a huge failure that states still stuck to reduction of carbon and methane emission. Moreover, ~~controversial~~ hot venue also was controversial to phasing out target as 90% of its exports are of fossil fuels.

## 5- CRITICAL ANALYSIS:

COP-29 is considered as a failure as it failed to achieve its basic aim. Moreover, neglecting the topics and debates on phasing out of fossil fuels, deforestation and energy transition made it a mere ceremony. Also, the disappointment



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of the developing with climate financing has left them on their own to deal with catastrophic events of climate change. However, role of developed world is very important in mitigating the climate change and this was a positive realization from COP-29.

Moreover, for future, immediate and substantial emission reduction must be non-negotiable for next summit-agenda. Also, efforts must accelerate to transfer technology and capacity building. Climate threat sees no boundaries and everyone is in it regardless of developing and developed world. A collective approach can prove effective for future summits -

## 6- CONCLUSION:

COP-29 ended at Baku with some pros and some cons. Where it committed to reduce carbon and methane emission, it failed to take concrete steps for phasing out of high-carbon fuels. Nationally Determined Contributions were revised but a clear divide was made between developed and rich-poor countries. Climate Financing and venue were the two most controversial aspects of it. But it set a positive precedent for future that only through collective responsibility, the challenge of climate change be dealt with.

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