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## Winds of change: The BRICS Club of Nations chipping away at Western dominance the dawn of the New South

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**Winds of Change:**

**The BRICS Club of Nations  
Chipping Away at Western Dominance**

*The Dawn of the New South*

Len Ishmael



**SOUTH  
CENTRE**





# RESEARCH PAPER

218

## WINDS OF CHANGE:

### THE BRICS CLUB OF NATIONS CHIPPING AWAY AT WESTERN DOMINANCE

#### *THE DAWN OF THE NEW SOUTH* \*

Len Ishmael, PhD<sup>†</sup>

SOUTH CENTRE

12 JUNE 2025

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## ABSTRACT

This era of polycrises, a global health pandemic coupled with wars in Europe and the Middle East, against the backdrop of Great Power rivalry and climate related emergencies, has profoundly affected all countries, rich and poor alike. Disproportionately affected have been those of the Global South for whom the World Bank has cautioned a 'decade of lost development.' As rising geopolitical tensions fuel security concerns, the nature of economic ties between countries is changing. Several countries - spearheaded by BRICS members – have started to consider alternatives to the Western financial institutional architecture in a bid to safeguard their own interests. These measures risk fragmenting the existing global financial infrastructure and derailing benefits derived from decades of economic integration in the face of new barriers to cross border investment, commerce, and trade. Recent research shows that trade restrictions have more than tripled since 2019, financial sanctions have expanded and the geopolitical risk index has also spiked, following Russia's invasion of Ukraine. After decades of accepting the West's rules, there is a sense that the era of the Global South is dawning, and that Western interests are no longer *de facto* those of the rest of the world. It is in this milieu that the BRICS and their initiatives take on heightened economic and political significance.

*Les polycrises, la pandémie mondiale et les guerres qui sévissent en Europe et au Moyen-Orient, sur fond de rivalité entre grandes puissances et d'urgences liées au climat, ont eu de profondes répercussions sur l'ensemble des pays, qu'ils soient riches ou pauvres, et en particulier sur les pays du Sud, pour lesquels la Banque mondiale a jugé qu'ils avaient connu une « décennie de développement perdu ». Alors que les tensions géopolitiques croissantes alimentent les inquiétudes en matière de sécurité, la nature des liens économiques entre les pays, qui deviennent de plus en plus complexes, est en train d'évoluer. Plusieurs pays, sous l'impulsion des membres des BRICS, ont commencé à envisager une alternative à l'architecture institutionnelle financière occidentale dans le but de préserver leurs propres intérêts. Ces mesures risquent de mettre à mal l'infrastructure existante et de remettre en cause, en raison de nouvelles barrières à l'investissement, au commerce et aux échanges transfrontaliers, les avantages tirés de décennies d'intégration économique. Des recherches récentes montrent que les restrictions commerciales ont plus que triplé depuis 2019, que les sanctions financières se sont étendues et que l'indice de risque géopolitique a également explosé à la suite de l'invasion de l'Ukraine par la Russie. Après des décennies d'acceptation des règles de l'Occident, le sentiment se dégage que nous entrons dans l'ère du Sud global et que les intérêts occidentaux ne sont plus, de facto, ceux du reste du monde. Dans ce contexte les BRICS et leurs initiatives prennent une importance économique et politique accrue.*

*Esta era de policrisis, una pandemia sanitaria mundial sumada a las guerras en Europa y Medio Oriente, en el contexto de la rivalidad de las grandes potencias y emergencias relacionadas con el clima, ha afectado profundamente a todos los países, tanto ricos como pobres. De manera desproporcionada, los más afectados han sido los del Sur Global, para quienes el Banco Mundial ha advertido una "década de desarrollo perdido". A medida que las crecientes tensiones geopolíticas alimentan las preocupaciones por la seguridad, la naturaleza de los vínculos económicos entre los países está cambiando. Varios países – liderados por los miembros de los BRICS – han empezado a considerar alternativas a la arquitectura institucional financiera occidental, con el fin de proteger sus propios intereses. Estas medidas corren el riesgo de fragmentar la infraestructura financiera mundial existente y hacer descarrilar los beneficios derivados de décadas de integración económica ante las nuevas barreras a la inversión, el comercio y los intercambios transfronterizos.*



*Investigaciones recientes muestran que las restricciones comerciales se han más que triplicado desde 2019, las sanciones financieras se han expandido y el índice de riesgo geopolítico también se ha disparado tras la invasión rusa de Ucrania. Después de décadas de aceptar las reglas impuestas por Occidente, surge la percepción de que ha llegado la era del Sur Global y de que los intereses occidentales ya no representan, de facto, los del resto del mundo. Es en este contexto que los BRICS y sus iniciativas adquieren una relevancia económica y política cada vez mayor.*

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## I. SOLIDARITY DESPITE DIVERGENT INTERESTS

On June 16, 2009, the grouping which would be named the BRIC (Brazil, Russia, India, China), convened its first summit in the Russian city of Yekaterinburg. In attendance were President Luiz Inacio Lula da Silva of Brazil, President Dmitry Medvedev of Russia, President Hu Jintao of China, and Prime Minister Manmohan Singh of India. With acceptance of South Africa as a full member at the BRIC Foreign Minister's meeting in New York, in September 2010, the grouping known as the BRICS came into being. By 2014, the bloc had established the triple A rated New Development Bank (NDB) currently capitalized at US\$100 billion, and the BRICS Contingency Reserve Arrangement (CRA), to provide support to members facing short term currency volatility or balance of payments tightening.

The NDB was a realization of President Lula's long-standing call to establish a 'Bank of the South' to fund much needed capital infrastructure in Latin America, the Caribbean and other parts of the Global South.<sup>1</sup> Indeed, President Lula made repeated calls during the first terms of his presidency (2003 – 2011) to establish such a bank, proposing that it be seeded with capital representing 1 percent of central bank reserves of the Rio Group<sup>2</sup> comprising countries in Latin America and the Caribbean. These conversations were also part of the wider advocacy led by Brazil, China, South Africa and others at the World Bank, International Monetary Fund (IMF), and the United Nations (UN), pushing for multilateral institutional reform more representative of the growing economic clout of countries of the Global South and China.

At the time of its founding, President Lula spoke of the BRICS as a force for fairness, inclusion and greater equity in international relations, and the promotion of peace, security, development, cooperation and mutual benefit, objectives which continue to guide the group today. Then, and now, frustration with years of unheeded calls for multilateral institutional reform and inclusion, has galvanized these and other countries of the Global South into taking steps to create their own platforms to secure their interests. Neither an alliance nor an exclusive club, the BRICS nonetheless find common ground in pushing against, influencing, and ultimately creating changes to the Western led liberal world order whose rules they consider as being unjust and inconsistently applied, and whose systems and institutions of global governance are disconnected from modern day political and economic realities. While the grouping comprises members with a number of different interests and at times, rival agendas, they nonetheless coalesce around common causes which include multilateral institutional reform, the diffusion of world power, poverty reduction, energy and food security, financing for development, equity in managing the effects of climate change, and enhanced prosperity through better terms of trade and industrial policy.

This emphasis on *development* reflects the reality of these countries, namely the profoundly destabilizing social, economic and political consequences which result if the basic needs of their citizens and prospects for their development remain unmet. Recent images of rioting on the streets of Nairobi as the government sought to introduce austerity measures in a bid to secure IMF budgetary support underscore the risks involved. The focus on development and the pushing of a common agenda has also been the aim of the collective statecraft exercised by BRICS members in advocating the interests of the Global South. South Africa, for example, has consistently voted against the United States embargo on Cuba at the UN General Assembly (UNGA), not only out of solidarity with a country which provided outsized support to the African National Congress (ANC) in the days of apartheid, but also out of concern that

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<sup>1</sup> The author was privy to several meetings in the early 2000's in Brazil during which President Lula made repeated calls to establish a Bank of the South with seed capital of 1 percent of Central Bank reserves of the Rio and CELAC groups comprising countries in Latin America and the Caribbean.

<sup>2</sup> The Rio Group was founded in 1986 in Rio de Janeiro as a permanent association of political consultation comprising 24 Latin American and Caribbean countries.

unilateral sanctions which are not approved by the UN are a breach of the UN Charter, reflect power asymmetries which favor those with might and power, and ultimately are most damaging to the rights and well-being of the citizens in countries against whom such actions are deployed.

In similar vein, Brazil, on assuming the recent Presidency of the Group of Twenty (G20), focused on the priorities of the Global South in setting the working agendas for the Ministerials and that of the Summit of Leaders which convened in Rio de Janeiro, in November, under the motto: *Building a Just World and a Sustainable Planet*. India's hosting of the 'Voices of the South' Summit in January 2023 in advance of assuming the G20 Presidency illustrated similar commitments as did Indonesia's G20 Presidency in 2022. Despite concerted Western pressure to devote more of the agenda in denouncing Russia's war in Ukraine, Indonesia focused instead on the effects of the war on the developing world, the unsustainable debt levels and food and energy insecurity which resulted, and the urgent need to end the war so that economies could resume paths towards growth after years of crisis which had disproportionately affected poorer countries.

While there is some discussion regarding historical links between the BRICS membership and that of the Non-Aligned Movement (NAM), the former were not all members of NAM. At the time of the establishment of NAM in 1955, the Soviet Union was one of two superpowers (the other being the U.S.A.) in the international structure. And while the Russian State was not yet formed, there is nonetheless an aspect of legacy in the relations between Russia and many countries of the Global South, including BRICS members India (a founding member of NAM) and the modern South African State for whom the USSR was an ally. While Brazil showed solidarity with NAM<sup>3</sup> concerns, the country was never formally part of the movement, and China, though not a NAM member, had nonetheless strong links with many NAM countries and others of the Global South with whom it shares certain ambitions and goals.

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<sup>3</sup> Founding NAM members included Josip Broz Tito of Yugoslavia, Gamal Abdel Nasser of Egypt, Jawaharlal Nehru of India, Kwame Nkrumah of Ghana and Sukarno of Indonesia who led the group in its first summit in April 18-24, 1955 in Bandung, Indonesia. The conference was attended by delegates from twenty-nine governments given the fact that many present-day countries in Africa, for example, were under colonial rule. Today the group of 121 countries includes 54 from Africa, 39 from Asia, 26 from Latin America and the Caribbean and 2 from Europe.

## II. BRICS AN IMPETUS FOR THE *NEW SOUTH*

Over the last two decades the world economic order has undergone rapid reorganization and the BRICS have been part of that evolution. No longer the relatively poor countries of the past, BRICS members have grown in stature on the global stage and the importance of the group has increased. China is a Superpower. India is the world's fifth largest economy and is poised to be the third largest by 2030.<sup>4</sup> While the Group of Seven (G7) are still at the helm of economic power, their shares of global output have declined from roughly two thirds in 1960 to less than one third today. The U.S. shares of 40 percent in 1960 declined to 25 percent by 2021. European Union shares at 25 percent in the 1990's will decline to 11 percent by 2040. At this point, the EU's share of global output will be less than half that of China's and equal to that of India.<sup>5</sup>

With its gross domestic product (GDP) which has moved from \$1.2 trillion in 2001 to \$18 trillion by 2022,<sup>6</sup> China will be the world's largest economy by 2030. Indeed, while the BRICS as a bloc and its members individually are growing in stature, China is in a class of its own. As Robin Niblett puts it, "China's rise presents the sternest test yet to U.S. supremacy. And the competition between the two countries, as they jostle for position at the top of the economic and technological ladder, now provides one of the foundational elements of the New Cold War. China is forging itself into the first true geoeconomic rival to the U.S. since the first half of the twentieth century when the U.S. displaced the declining British Empire."<sup>7</sup>

The sheer scale of the country's economy and effects on the global economy are unmatched, and its rise through the international structure has been unprecedented. During the financial crisis of 2008, China was the engine whose insatiable appetite for raw materials pulled the global economy out of recession. The country is the main trading partner for 120 countries in the world (compared with 80 for the EU and around 20 for the U.S.),<sup>8</sup> the largest exporter in the world, and the largest market for Brazilian agricultural products. By 2030, the country is projected to have the world's largest air travel market by value, projected to reach 1.5 billion by 2026, 1 billion more than 2016 and 50 percent more than the United States, overtaking the U.S. in passenger flights by 2022.<sup>9</sup> The country is a significant actor in high-tech green energy solutions processing 90 percent of lithium and cobalt for use in electric vehicles (EVs), and producing EVs at 50 percent less than competitors in the U.S. and EU.<sup>10</sup> Chinese technology is also supporting the growth of future cities in the Gulf states, and the country's increasing prosperity has also made it a vital market for many countries including those of the West, even

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<sup>4</sup> PTI, "India to become third largest economy with GDP of \$5 trillion in three years", *The Hindu*, 29 January 2024. Available from <https://www.thehindu.com/business/Economy/india-to-become-third-largest-economy-with-gdp-of-5-trillion-in-three-years-finance-ministry/article67788662.ece#:~:text=India%20is%20expected%20to%20become,Ministry%20said%20on%20January%202029>.

<sup>5</sup> Len Ishmael, "A World Divided: A Multilayered, Multipolar World", in *Aftermath of War in Europe: The West vs The Global South?*, Len Ishmael, ed. (Rabat, Policy Center for the New South, 2022). Available from <https://www.policycenter.ma/sites/default/files/2023-01/Review%20-%20Aftermath%20of%20Europe%E2%80%99s%20War%20%2805-01-2023%29.pdf>.

<sup>6</sup> Robin Niblett, *The New Cold War. How the contest between the US and China will shape our century* (London, Atlantic Books, 2024).

<sup>7</sup> *Ibid.*

<sup>8</sup> European Commission, "EU Position in world trade", 2022. Available from [https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/eu-position-world-trade\\_en#:~:text=Together%2C%20the%20European%20Union's%20members,and%20exports%20\(2022%20data](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/eu-position-world-trade_en#:~:text=Together%2C%20the%20European%20Union's%20members,and%20exports%20(2022%20data).

<sup>9</sup> Niblett, *The New Cold War*.

<sup>10</sup> Koen Verhelst, Camille Gijs, and Antonia Zimmermann, "US tariff smackdown on Chinese EVs leave EU playing catch-up", *Politico*, 14 May 2024. Available from <https://www.politico.eu/article/us-tariff-smackdown-china-electric-vehicle-leave-eu-play-catch-up/>.

as it competes with these countries in an array of sectors, several of which have attracted significant tariffs.

China's rise and the increasing prosperity of other economies in Asia is moving economic power from West to East ushering in a new reality, that of greater political heft by new actors on the world stage. Central to the emergence of new poles is not only the unprecedented rise of China, but also that of middle powers such as Indonesia and Türkiye, and BRICS members South Africa, Brazil, India and the United Arab Emirates (UAE), all of whom have seized this period of crises as an opportunity to expand the range and scope of their power and influence beyond regional spheres. In so doing, they are seeding a mid-layer of multipolarity and offering countries of the Global South a wider menu of choice while also strategically deepening relations between themselves. Brazil, for example, joined the Organization of the Petroleum Exporting Countries Plus (OPEC+) and China's Belt and Road Initiative (BRI) in 2024. Brazil, Chile and Argentina are pursuing the development of a lithium OPEC-styled cartel to expand South America's production of EV batteries and the EV manufacturing sector. Indonesia has placed export controls on nickel, choosing to add value at home through processing aided by significant investments from Chinese firms.

While Western efforts to isolate Russia are currently in force, and relations with China are at an all-time low, the importance of the BRICS is demonstrated by the flurry of Western diplomatic efforts to engage them and other countries of the Global South, not only to urge alignment on the matter of sanctions against Russia, but also in an attempt to cleave them away from China. In recounting events which took place in Kenya during the summer of 2023,<sup>11</sup> a Financial Times article underscores the complexities of the delicate diplomatic dance in play as Kenya received China's Foreign Minister Wang Li and Russia's Sergey Lavrov, Iran's President Ebrahim Raisi and high-ranking U.S. and EU officials all in the space of a few months, while the British trained a Kenyan commando unit and India and Kenya engaged in joint naval exercises. The wooing of Kenya continues. President Ruto's visit to Washington on May 23, 2024 to mark sixty years of official U.S.-Kenya partnership, cooperation and "*common vision for the future*" was accorded official state visit status – the highest form of American diplomacy.<sup>12</sup> Indian President Modi's visit in June 2023 was similarly accorded this high status, even while that country's trade with sanctioned Russia rose to an all-time high moving from US\$10.1 billion in 2019 to US\$45 billion by March 2023.<sup>13</sup>

This period of crises has provided conditions optimal for developing a new sense of agency across the Global South. While growing prosperity within their ranks offers solidarity, partnerships and new sources of investments and alternatives to Western arrangements in which to secure their interests, great power rivalry provides opportunities to be exploited in seeking new 'best offers' from traditional partners. This *New South* is adept at navigating a complex geopolitical period of turbulence to its advantage and using its economic and political power to influence and shape the contours of global governance. Early indications with respect of the exercise of this new-found agency came in the form of the cool response by countries across the Global South to Western expectations regarding endorsement of the sanction regimes on Russia. For the first time in recent history, Western interests are no longer automatically those of the rest of the world in which eighty-five percent of the global population resides.

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<sup>11</sup> *Ibid.*

<sup>12</sup> United States White House, "Fact Sheet: Kenya State Visit to the United States", Briefing Room Statements and Releases, 23 May 2024. Available from <https://bidenwhitehouse.archives.gov/briefing-room/statements-releases/2024/05/23/fact-sheet-kenya-state-visit-to-the-united-states/>.

<sup>13</sup> Len Ishmael, "The New South in a Multipolar World Multi- Alignment or Fence Sitting?" Policy Center for the New South Policy Paper (October 2023).

### III. MOMENTUM IN CRISES

On January 1, 2024, an expanded BRICS+ configuration welcomed new members: Egypt, UAE, Iran, and Ethiopia. With the potential inclusion of Saudi Arabia joining later, the group's original membership will have doubled to ten countries with an additional twenty, including North Atlantic Treaty Organization (NATO) member Türkiye having declared interest in membership.<sup>14</sup> Thailand has also recently announced its intention to join the group which would make the country the bloc's first member from Southeast Asia, if approved.<sup>15</sup> Iran has also moved to full membership in the ten-member Russia and China-led Shanghai Cooperation Organization (SCO)<sup>16</sup> in which India is also a full member. The UAE, Saudi Arabia, and Türkiye are also Dialogue Partners in SCO. Overlapping memberships in these and other groupings (including for example, the Group of Seventy-seven (G77) + China) provide for increasing synergies between multiple non-western groupings.

The expanded BRICS represent 45 percent of global population, almost 37 percent of global output (GDP at Purchasing Power Parity – PPP), and 45 percent of global oil production (with Saudi Arabia). This compares with the G7 which accounts for 9.8 percent of population and 29.8 percent of global GDP.<sup>17</sup> The addition of new members expands trade routes and provides the potential for economic diversification which is all the more important given the threat of further supply chain disruptions in this era of systemic de-risking and decoupling. The expanded BRICS offers “a set of dynamic markets with relatively stable political systems that could influence the global economy... allowing for a complementarity within the bloc in a manner which ensures both their capacity to create wealth and sustainability.”<sup>18</sup> In many ways, the expanding BRICS configuration reflects the broader trend of shifts in global political and economic capacity eastwards.

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<sup>14</sup> Vinod Dsouza, “BRICS: Here’s a Full List of Countries That Wants To Join the Alliance”, Watcher.Guru, 11 May 2023. Indonesia is now a member. Countries on the list seeking future membership include Algeria, Afghanistan, Bahrain, Bangladesh, Belarus, Kazakhstan, Mexico, Nicaragua, Nigeria, Pakistan, Senegal, Sudan, Syria, Thailand, Tunisia, Turkey, Uruguay, Venezuela and Zimbabwe. Anthony Miller and Khosbayar Nyamsuren, “Brics Ascendancy: Challenging Western Hegemony in a Globalized World”, *International Journal of Scientific Research and Management* (IJSRM) (May 2024). Available from [https://www.researchgate.net/publication/380528818\\_Brics\\_Ascendancy\\_Challenging\\_Western\\_Hegemony\\_in\\_a\\_Globalized\\_World](https://www.researchgate.net/publication/380528818_Brics_Ascendancy_Challenging_Western_Hegemony_in_a_Globalized_World).

<sup>15</sup> Kosuke Inoue, “Thailand aims to become first Southeast Asian BRICS member”, *Nikkei Asia*, 29 May 2024. Available from <https://asia.nikkei.com/Politics/International-relations/Thailand-aims-to-become-first-Southeast-Asian-BRICS-member>.

<sup>16</sup> SCO is the successor to the Shanghai Five formed in 1996 between the People’s Republic of China, Russia, Kazakhstan, Kyrgyzstan and Tajikistan. The group expanded to eight states with the inclusion of Uzbekistan in 2001, and India and Pakistan in 2017, expanding further in July 2023 with the inclusion of Iran, and Belarus in July 2024.

<sup>17</sup> Darren Dodd, “BRICS revamp presents challenge to leading role of G7”, *Financial Times*, 25 August 2023. Available from <https://www.ft.com/content/b70170db-d314-43dc-b521-70d08d3fe2ed>. Figures for the G7 exclude the EU.

<sup>18</sup> *Ibid*.



## IV. GULF STATES HEIGHTEN THE STAKES

Membership of the UAE, and potentially Saudi Arabia, enhances the capacity of the BRICS to attract investments, extend linkages to the rest of the world while deepening the reach and scope of the group's influence. The UAE and Saudi Arabia are among the world's richest countries and home to the world's most valuable sovereign wealth funds. As sources of capital and investments world-wide, they bring the potential to significantly enhance opportunities for growth through "investments, trade and commerce."<sup>19</sup> In 2022, Saudi Arabia posted the highest annual growth rate among the G20 countries of 8.7 percent. In the meantime, the UAE has significantly increased investments and commercial links with Africa pledging US\$97 billion between 2022-2023 in new endeavors ranging from clean energy to ports and logistic hubs in a manner which competes with investments made not only by the EU and the United States, but also China.<sup>20</sup>

The UAE is set to displace China as the biggest source of investments in the last decade and has signed free trade agreements (FTAs) with India, Indonesia, and Egypt, among others. Included in the FTA concluded with India in July 2023 is a local currency settlement system to promote the use of the Indian rupee and UAE Dirham (AED) for cross border transactions.<sup>21</sup> In deepening ties, the Abu Dhabi Investment Fund (ADIA) established its only overseas office in India in September 2023, and concluded a trade agreement with Egypt which also includes lines of swaps.<sup>22</sup>

Longtime allies of the West, the UAE and Saudi Arabia had previously secured security arrangements with the U.S. in exchange for stability in oil flows in the 1970's. Nonetheless, they are both alert to changes in the international structure and are aligning with new poles of power in the East, building 'bridges with everyone,' including China, India, and the broader grouping of countries represented by the BRICS, SCO, and the Global South. As an article from the Financial Times puts it, "While others view shifting global currents through the lens of risk, Riyadh and Abu Dhabi see opportunities as they leverage their financial muscle and abundant oil resources to strategically hedge against their traditional relations with the West."<sup>23</sup>

The decision to chart a more independent course was hinted in the period preceding the U.S. mid-term elections in November 2022, when Riyadh declined President Biden's request to pump more oil in an effort to ease prices at the pump amidst American voter anxieties over increasing prices. The Saudis also participated in China's behind-the-scenes diplomatic efforts in brokering a normalization of relations with Iran, receiving Chinese President Xi Jinping with full honors on December 7, 2022 on the occasion of a state visit to the Kingdom marking the start of a "new historical era" in relations with Beijing during the first China-Arab States and China-Gulf Cooperation Council (GCC) Summits.<sup>24</sup> The visit stood in stark contrast to the cool

<sup>19</sup> Fareed Rahman, "Saudi Arabia and UAE officially join BRICS: What will it mean for the bloc?", *The National*, 1 January 2024. Available from <https://www.thenationalnews.com/business/economy/2024/01/01/saudi-arabia-and-uae-officially-join-brics-what-will-it-mean-for-the-bloc/>.

<sup>20</sup> David Pilling, Chloe Cornish, and Andres Schipani, "The UAE's Rising Influence in Africa", *Financial Times*, 30 May 2024. Available from <https://www.ft.com/content/388e1690-223f-41a8-a5f2-0c971dbfe6f0>.

<sup>21</sup> Press Trust of India, "India-UAE trade agreement cementing long-standing economic ties: UAE envoy", *Business Standard*, 1 May 2024. Available from [https://www.business-standard.com/industry/news/india-uae-trade-agreement-cementing-long-standing-economic-ties-uae-envoy-124050100882\\_1.html](https://www.business-standard.com/industry/news/india-uae-trade-agreement-cementing-long-standing-economic-ties-uae-envoy-124050100882_1.html).

<sup>22</sup> "Egyptian-Emirati Currency Swap", Middle East Policy Council, 28 September 2023. Available from <https://mepc.org/commentaries/egyptian-emirati-currency-swap/#:~:text=The%20Deal%3A,EGP%2C%20or%20roughly%20%241.36%20billion>. The deal includes swapping EGP 42 billion for AED 5 billion.

<sup>23</sup> Andrew England, "The Rise of Middle Powers", *The Financial Times*, 23 August 2023. Available from <https://www.ft.com/middlepowers>.

<sup>24</sup> *Ibid*.

tone surrounding the visit of President Biden to Riyadh in July 2022. Both Gulf states have negotiated “comprehensive strategic partnerships” with China, and Saudi Arabia’s trade with China now rivals that of the United States, EU and United Kingdom combined, briefly surpassing the latter in 2021 with flows of US\$81.7 billion.<sup>25</sup>

Similar to the strategic maneuvering of other middle powers such as Türkiye, Brazil, Indonesia, India and others, the UAE and Saudi Arabia are embarked on a course to secure the status of the Gulf as a new pole in an evolving multipolar world around finance and high tech, as diversification of their economies away from dependence on fossil fuels continues.

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<sup>25</sup> *Ibid.*

## V. BRIDGES TO EVERYWHERE

Consistent with the approach taken by the other BRICS and the wider grouping of the New South, the UAE and Saudi Arabia have both refused to pick a side in the contest between Russia and Ukraine, and the great power rivalry between China and the United States. Indeed, recent reports suggest that the Saudis may have played an important role in discouraging the EU from seizing Russian reserves held in European banks to provide budgetary and other support to Ukraine, by threatening to divest some of their own holdings of European securities, should such an initiative move ahead.<sup>26</sup>

Russia is both a fellow-BRICS member as well as an important member of the OPEC+ grouping, and energy security remains a vital element in the relationship between them. Similarly, China is not only a BRICS partner, but a great power and an important partner on multiple fronts. While the U.S. security and defense umbrella makes for a relationship of vital importance to the interests of the two Gulf states, the relationship with China is deepening across several sectors. The Saudis, for example, purchased US\$4 billion worth of weapons from China in November 2023 while the UAE has invested in China's 5G technology and also hosted the first joint air exercises with China in August 2023 (with the second taking place in July 2024).<sup>27</sup> These initiatives build on the significant trade between China and the Gulf states which stood at US\$286.9 billion in 2023 with Saudi Arabia accounting for nearly 40 percent.<sup>28</sup>

In addition, the UAE and Saudi Arabia join Brazil, Iran and Russia – all members of OPEC+ – in consolidating the BRICS' command over a significant share of global energy resources sufficient to affect price in oil markets and includes not only members who are major oil exporters, but also the world's second and third largest oil consumers: China and India respectively. Both countries have concluded deals to purchase oil supplies in their local currencies, effectively undermining the long-standing status of dollar-denominated oil sales.<sup>29</sup> India's agreement with the UAE in July 2023, to promote cooperation in the interoperability of financial payments and messaging systems, and use of local currencies in cross border transactions, resulted in the first trade between UAE's oil company ADNOC, and the Indian Oil Cooperation, using rupees and dirhams.<sup>30</sup> This precedent-setting initiative is expected to be followed by others with Egypt and India said to already be negotiating trade deals in local currencies.

In many ways the war in Ukraine has unveiled, in no uncertain terms, the full extent of non-Western countries' vulnerabilities to effects of the 'weaponization' of the U.S. dollar and other aspects of Western institutional architecture such as trade, commerce, and other policies. Initiatives undertaken by the BRICS are consistent with long-standing calls from them, and others, for more equitable global power sharing and reform of multilateral institutions including the global financial architecture. With more than one third of the world's population, the IMF, for example, has consistently deferred appointment of additional African representatives to the Board. Similarly, the UN Security Council does not include representatives from Latin America, Africa, or the Gulf in its permanent membership. This lack of inclusion has long been contentious, and while lip service is being given to the idea of reform, meaningful action

<sup>26</sup> Alexandria Arnold and Sophie Arundel, "NATO Negotiations: The Bloomberg Close, Europe Edition," *Bloomberg*, 10 July 2024. Available from <https://www.bloomberg.com/news/newsletters/2024-07-10/nato-negotiations-the-bloomberg-close-europe-edition>.

<sup>27</sup> England, "The Rise of Middle Powers".

<sup>28</sup> Alexander Cornwell, "China-Gulf trade talks stall on Saudi industrial agenda," *Reuters*, 14 May 2024. Available from <https://www.reuters.com/world/china-gulf-free-trade-talks-stall-saudi-industrial-agenda-sources-say-2024-05-14/>.

<sup>29</sup> Michael Stott and James Kynge, "China capitalizes on US sanctions in fight to dethrone dollar", *Financial Times*, 24 August 2023. Available from <https://www.ft.com/content/3888bdba-d0d6-49a1-9e78-4d07ce458f42>.

<sup>30</sup> *Ibid*.

remains lacking. Today these countries are putting in place counter measures to mitigate the risks which they face and are securing their interests through home-grown alternatives.

## VI. CHIPPING AWAY AT DOLLAR DOMINANCE

This period of precedent-setting sanctions is pushing countries from the Global South, particularly the BRICS, led by China, to devise alternatives to the current financial institutional architecture to provide economic and financial safety nets to blunt the effects of Western sanctions to which they might be exposed. In 2023, members of the Association of Southeast Asian Nations (ASEAN) community took the decision to reduce stockpiles of their reserves of Western currencies including the yen, the British pound sterling, the U.S. dollar, and the euro. In what might have been an unintended consequence, in the same manner by which Russia's invasion of Ukraine precipitated a closing of ranks among NATO allies, the cascading effects of the unprecedented suite of sanctions on Russia has also been a clarion call for the rest of the world to put measures in place to attenuate some of the worse effects of exposure to Western financial and other instruments.

BRICS and other countries feel that development of alternatives to the Western-led institutional financial architecture is critical for their economic security, given U.S. proclivity to weaponize its financial power through curtailing access to the dollar as a relatively easy response to certain foreign policy issues; "the extraterritoriality implied is frightening other governments."<sup>31</sup> Alternatives include Chinese initiatives such as the creation of larger pools of renminbi (RMB) in offshore capital markets, the Cross Border Interbank Payment System as a rival to SWIFT (Society for Worldwide Interbank Financial Telecommunication), the digital renminbi and currency swaps, and more. While the process of seeking alternatives to dollar-denominated systems of payments has gathered apace in recent times particularly following Russia's war in Ukraine, the removal of Iran's access to SWIFT in 2012, economic sanctions on Russia in 2014, and the U.S. trade war with China starting in 2018, are all viewed as precipitating factors in driving non-Western countries to explore and establish alternative global payment systems.<sup>32</sup> It is interesting to note however, that, in 1953 during the Cold War, the Soviet Union and India had already constructed a rupee-ruble trade modality as an element of the Indo-Soviet trade agreement, as an alternative payment mechanism to settle dues in rupees instead of the dollar.<sup>33</sup>

Though shares are declining, an IMF research shows however, that the U.S. dollar dominance remains, accounting for as much as 80 percent of trade finance, and 60 percent of foreign exchange reserves due to the overall strength of the U.S. economy and the depth of its capital markets.<sup>34</sup> However, since 2022, countries with close ties to China are reporting declining shares of trade financing denominated in the U.S. dollar (US\$), while shares of the RMB have doubled to 8 percent from 4 percent.<sup>35</sup> And while the share of RMB for Chinese cross border transactions with foreign counterparts was negligible 15 years ago, these have grown significantly to 50 percent by the end of 2023. Conversely, the U.S. share of American non-bank entities with foreign counterparts has declined from 80 percent to 50 percent during the same period. In 2023, US\$6.1 trillion worth of China's cross border payments and receipts were settled in yuan, an increase of 15 percent over 2022 values, marking five consecutive

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<sup>31</sup> *Ibid.*

<sup>32</sup> *Ibid.*

<sup>33</sup> IAS Gyan, "Rupee Rouble Mechanism", *APT Plus*, 9 February 2023. Available from <https://www.iasgyan.in/daily-current-affairs/rupee-rouble-mechanism>.

<sup>34</sup> Gita Gopinath, "Geopolitics and its Impact on Global Trade and the Dollar", Stanford Institute for Economic Policy Research (SIEPR), IMF, 7 May 2024. Available from <https://siepr.stanford.edu/news/imfs-gita-gopinath-geopolitics-and-its-impact-global-trade-and-dollar>.

<sup>35</sup> *Ibid.*

years of growth.<sup>36</sup> And, in 2023, for the first time, China settled more of its external trade transactions in RMB rather than the US\$.<sup>37</sup>

By March 2023, BRICS members China and Brazil had also signed an agreement to settle trade in their own currencies with completion of their first deal in October. Similar arrangements are in place between China and Pakistan, Russia and India, as well as between India and Egypt. China has also signed currency swap deals with several countries including as early as 2013, a US\$30 billion deal with Brazil to bolster the BRICS.<sup>38</sup> China's attempts to institutionalize the yuan have also gained traction in the Gulf states. Both the UAE and Saudi Arabia are strengthening financial cooperation with China in a series of initiatives including cross border trade settlement modalities, digital currency development, and currency swap arrangements.

Despite rounds of Western sanctions starting in 2014, Russia has not experienced the economic collapse predicted, largely due to the value of trade which has continued and, in some cases, grown, with much of the non-Western world, financed with currencies other than the U.S. dollar. Trade with China for example, is settled in ruble and yuan based on a bilateral local currency settlement agreement signed on June 23, 2011. By 2023 the use of the ruble and yuan covered 95 percent of trade payments between the two countries breaking the US\$200 billion record anticipated for 2024. Russia has used the yuan in trade transactions with Mongolia, the Philippines, Malaysia, the UAE, Thailand, Japan, Tajikistan and Singapore.<sup>39</sup> Bangladesh used yuan to settle payments to Russia for a nuclear project in April 2023. And, having renewed a currency swap agreement with China for 130 billion yuan, Argentina partially settled payments of US\$2.7 billion to the IMF in yuan, in June 2023.<sup>40</sup>

China also has bilateral agreements with India, Thailand, and the UAE among others, to settle trade in RMB. Issuance of RMB-denominated bonds in Hong Kong hit new records in 2023, so have cross border RMB-denominated debt. Digital payment systems are also rapidly evolving in the BRICS with China's WeChat Pay, Brazil's Pix, and India's Unified payments Interface (UPI).<sup>41</sup> Elsewhere in the Global South, mobile money payment systems such as Kenya's M-Pesa, are also part of the new wave of financial architecture. Together these actions mark shifts in the global financial system. Though fledgling, these will continue to chip away at the dollar's dominance over time.

In keeping with national goals regarding the financial connectivity associated with its Belt and Road Initiative (BRI) China launched a series of initiatives including actions aimed at internationalization of the yuan through its incorporation in the IMF's Special Drawing Rights (SDR) grouping, and development of cross-border payment platforms including the Yuan Cross Border Interbank Payment System in 2015. By 2023 the latter included 1366 participants from 109 countries and currency swap agreements have been delivered with Central Banks of 29 countries.<sup>42</sup> These modalities all seek to mitigate risks associated with

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<sup>36</sup> Sarmad Khan, "BRICS Summit: Why the US dollar will remain dominant despite bloc's push to de-throne it", *The National*, 22 August 2023. Available from <https://www.thenationalnews.com/business/2023/08/23/brics-summit-dollar/>.

<sup>37</sup> Niblett, *The New Cold War*.

<sup>38</sup> David Biller and Arnaldo Galvao, "China, Brazil Sign \$30 billion Swap Accord to Bolster BRICS", *Bloomberg*, 26 March 2013. Available from <https://www.bloomberg.com/news/articles/2013-03-26/china-brazil-sign-currency-swap-agreement-for-30-billion>.

<sup>39</sup> Mauro Ramos, "De-dollarization: 95% of the trade between Russia and China didn't use the US dollar", *BdF Política*, 21 December 2023. Available from <https://www.brasildefato.com.br/2023/12/21/de-dollarization-95-of-the-trade-between-china-and-russia-didn-t-use-the-us-dollar>.

<sup>40</sup> MercoPress, "Argentina to pay IMF with Chinese money", 30 June 2023. Available from <https://en.mercopress.com/2023/06/30/argentina-to-pay-the-imf-with-chinese-money>.

<sup>41</sup> Michael Stott and James Kynge, "China capitalizes on US sanctions in fight to dethrone dollar".

<sup>42</sup> *Ibid*.

the current system over time, while also expanding markets, building ties among countries of the Middle East and Global South, and fostering greater integration.

Agreements such as these and associated trade deals ultimately serve as a template for other countries to emulate in a manner which gradually erodes the U.S. dollar's dominance in oil trade, a status enjoyed by greenback since the early 1970's during which the U.S. provided economic aid to Saudi Arabia in exchange for the Kingdom's agreement not only to guarantee the stability of oil supplies, but also to price its crude exports exclusively in the U.S. dollar (although there were instances where the Kingdom sold its oil in pound sterling or euros). This arrangement was followed in 1975 by other members of the Organization of Petroleum Exporting Countries (OPEC), giving birth to the 'petrodollar' which precipitated the need for countries across the world to use the U.S. currency to facilitate the purchase of oil and other assets, including gold, which is also priced in dollars.<sup>43</sup> In the process, the U.S. dollar was transformed into the world's reserve currency, resulting in both the strengthening of its value and its 'exorbitant privilege.'

The first non-U.S. dollar, RMB-settled gas transaction, took place in March 2023 between French company Total and China's National Offshore Oil Cooperation (CNOOC). The UAE and China also executed their first liquefied natural gas (LNG) trade in RMB that month, followed in August by India making its first rupee payment for oil purchased from the UAE. The Saudis are in discussions with the Chinese to price a percentage of oil sales in RMB in a move which could further decrease the U.S. dollar's standing in the global oil market and the historic 50+ year reign of the petrodollar agreement.<sup>44</sup> This move, together with the Kingdom's closer cooperation with China over the recent past, signals another shift in Saudi Arabia's growing ties with Asia. China has also signed similar agreements with all six members of the Gulf Cooperation Council (GCC) and has established RMB clearing centers in cities in several Gulf states. In a sign of deepening relations, by 2018, Chinese assets in Dubai's International Financial Center (DIFC) amounted to 25 percent of total assets.<sup>45</sup>

In 2023, the New Development Bank (NDB) "a Bank made by developing countries for themselves,"<sup>46</sup> announced plans to commence lending in South African and Brazilian currencies to reduce both dependence on the U.S. dollar and introduce greater diversity into the international finance system. The goal is to reach 30 percent of all lending in local currency. The NDB already lends in renminbi and rand, and aims to do the same with rupees and the real – it has also incorporated non-BRICS countries including Bangladesh and Uruguay in these arrangements. The aim is not to replace the U.S. dollar, but to present an alternative to a financial system dominated by a single currency.

While this is admittedly a political ambition, it is also couched in pragmatism given the downsides associated in holding foreign reserves in dollar-denominated assets which include currency fluctuations which cause substantial damage to the real economy, capital flows volatility, the higher costs associated in servicing debt, and more. The IMF estimates that a 10 percent increase in the value of the dollar reduces emerging economy output by 1.9 percent after one year.<sup>47</sup> In 2023, the NDB issued a US\$1.25 billion green bond and is working toward a common currency to strengthen the economic sovereignty of its membership. There are,

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<sup>43</sup> Frank Holmes, "Petrodollar Dusk, Petroyuan Dawn: What Investors Need to Know", *Forbes*, 27 March 2023. Available from <https://www.forbes.com/sites/greatspeculations/2023/03/27/petrodollar-dusk-petroyuan-dawn-what-investors-need-to-know/>.

<sup>44</sup> Ghulam Ali, "Chinese yuan gains currency in the Gulf States", East Asia Forum, 17 January 2024. Available from <https://eastasiaforum.org/2024/01/17/chinese-yuan-gains-currency-in-the-gulf-states/>.

<sup>45</sup> *Ibid*.

<sup>46</sup> "Brics bank strives to reduce reliance on the dollar", *Financial Times*, 22 August 2023. Available from <https://www.ft.com/stream/18614cba-c0cb-4a0e-a4a0-3befcdeb2bba1>.

<sup>47</sup> "Brics: The Mighty dollar is secure for now", *Financial Times*, 22 August 2023. Available from <https://www.ft.com/content/5ff9cb01-e4c0-4cc6-b6c6-9ccb3c3b11b9>.



however, several hurdles to be overcome, including that of gaining investor trust and proving the sustainability of such a currency over the long term.<sup>48</sup>

While some are quick to view the relative decline in the U.S. dollar's dominance and increase in use of the RMB as "dusk for the petrodollar...and dawn for the petroyuan," there are practical issues which must be managed, including the yuan's capital controls and low issuance, both of which are seen as obstacles to increasing greater market share over the short term.<sup>49</sup> But the chipping away of the U.S. dollars' dominance is underway, and the initiatives of the BRICS through the NDB, combined with those of particularly China, Saudi Arabia and the UAE are particularly prescient.

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<sup>48</sup> *Ibid.*

<sup>49</sup> *Ibid.*



## VII. CARVING AN A LA CARTE WORLD

The image of the BRICS as a group vulnerable to the vagaries of power wielded by Western countries is being eroded as these countries take steps to diversify partnerships and establish alternative platforms and mechanisms to conduct intra-BRICS business, as well as that with others. In so doing they are adding disruptive elements to the status quo while also boosting their ability to influence the global policy agenda around their interests. As a more fluid world order emerges, the old era of a fixed menu of alliances is shifting, presenting opportunities for countries of the Global South to seek 'best offers' from any group: "it's not a question of picking sides. It's a question of picking everyone."<sup>50</sup> In eschewing the norms of traditional alliances countries are replacing these with a flexible, opportunistic, transactional strategy of multi-alignment around interests – only that today they prioritize primarily one set of interests, *theirs*.

India exudes the spirit of multi-alignment in practice. The world's fifth biggest economy and largest democracy is a member of the BRICS, the SCO (led by China and Russia), and the Quadrilateral Security Dialogue (QUAD) led by the United States. It is a member of both the North-South Corridor with Russia and Iran to move goods through Central Asia to North Africa, bypassing the Suez and European sanctions, and also the India - Middle East - Europe Economic Corridor (IMEC) with the United States, UAE, Saudi Arabia, France, Germany, Italy, Jordan and the EU, to counter China's BRI.<sup>51</sup> While imports from Russia increased from US\$10.1 billion in 2019 and are valued at US\$65.6 billion in the fiscal year 2024, increasing by 33 percent year-on-year, relations with the U.S. have not been impacted.<sup>52</sup> Conversely, trade with the U.S. grew to US\$80 billion and the U.S. replaced China as India's primary trade partner.<sup>53</sup>

As a sign of India's increasing assertiveness as a global actor, on July 9<sup>th</sup>, precisely as NATO members gathered in Washington to celebrate the Alliance's 75<sup>th</sup> anniversary, President Modi proceeded to Moscow, undertaking his first foreign trip since assuming his third term as India's President. Photos of the two leaders in warm embrace were carried around the world as were the Russian President's greetings to his "dearest friend" and the latter's receipt of the Order of St Andrew the Apostle, Russia's highest state decoration, for boosting bi-lateral relations.<sup>54</sup>

While the visit caused some chagrin in Washington, India's interests involve a high-stakes delicate balancing of multiple relationships. The country has steadfastly rebuffed attempts to pick a side in the war in Ukraine stating only that it is on 'the side of peace,' while also conveying messages to Moscow about the need for peaceful solutions to the current conflict. The reality, though, is that the war in Ukraine has precipitated a deepening of the relationship between Russia and China with whom India shares a long border with several flashpoints. It is in India's strategic long-term interest to ensure that the relationship with Russia, a long-time ally in a volatile neighborhood, and a key partner for the country's military and defense sectors – is kept warm. For the West, discomfort with the Russia-India relationship is one which needs to be carefully calibrated. After all, as a counterweight to China, India is simply too important to ignore.

<sup>50</sup> Alec Russell, "The a la carte world: our new geopolitical order", *Financial Times*, 21 August 2023. Available from <https://www.ft.com/content/7997f72d-f772-4b70-9613-9823f233d18a>.

<sup>51</sup> IMEC is the result of a Memorandum of Understanding (MoU) signed on September 10, 2023 during the Delhi G20 Summit.

<sup>52</sup> Value of trade as of July 9, 2024

<sup>53</sup> Len Ishmael, "The New South in a Fragmenting World".

<sup>54</sup> Subhayan Chakraborty and Shreya Nandi, "India, Russia target \$100 billion Eurasian Economic Union – India Free Trade Area by 2030", *Business Standard*, 9 July 2024. Available from [https://www.business-standard.com/economy/news/india-russia-aim-for-100-billion-bilateral-trade-target-by-2030-124070901077\\_1.html](https://www.business-standard.com/economy/news/india-russia-aim-for-100-billion-bilateral-trade-target-by-2030-124070901077_1.html).

For the BRICS, formed in the aftermath of the sub-prime financial crisis of 2008, the current period of multifaceted crises has provoked the impulse to once again seek opportunities in dynamic and highly fluid times. Not only is their recent decision to expand membership a direct response to this period of turbulence, so too is the decision to refine the institutional framework within which the business of BRICS is being managed. Under the management of Lula protégé and former Brazilian President Dilma Rousseff, the NDB today hosts not only the BRICS Contingent Reserve Arrangement, but also, the BRICS Payment System and the BRICS Basket Reserve Currency, the latter capitalized at more than US\$100 billion. The bank recently took the decision to finance projects in local currency, to use the RMB to fund projects outside of China and to use currency swaps internally. Reportedly, BRICS is exploring the adoption of cryptocurrencies within its payment system framework.<sup>55</sup>

Building new institutions is also a policy feature of the BRICS membership individually. The Chinese-led Asian Infrastructure Investment Bank (AIIB) established in 2016 is already the world's second largest multilateral lending institution with 110 members and 12 prospective members. Apart from the BRICS, New South countries are settling trade debts in local currencies and using cross-border platforms other than SWIFT. Together, these countries are chipping away at collective dependencies on Western institutional architecture which can be used to unleash economic isolation, hardship, and political instability which they consider as being among the biggest threats to their domestic interests. In doing so they are securing their interests regardless of whether these are inimical to those of the West's.

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<sup>55</sup> "BRICS Considering Cryptocurrency for Payment System", *The Washington Times*, 27 July 2024. Available from <https://www.washingtontimes.com/sponsored/brics-considering-cryptocurrency-payment-system/>.

## VIII. A RALLYING CALL FOR THE NEW SOUTH

The BRICS are increasingly taking steps not only in defense of their own interests, but also those of the Global South, providing an increasingly attractive nucleus around which countries rally against a system of global governance perceived as one in which the 'might of a few dictates the terms for the rest.' Today the influence of the BRICS extends across Africa, Asia, Latin America, the Middle East and parts of Europe. Their combined geopolitical and geoeconomic weight is sufficiently significant not to be lightly dismissed.

While the longevity of the group is questioned given the wide-ranging composition of the countries involved, the solidarity forged by shared grievances in marshalling resistance to the Western led world order, should not be underestimated. To be sure, BRICS have their historical differences and tension points which flare up from time to time. This was the case in September 2023 when China's President Xi Jing Ping declined the invitation to attend the G20 Leaders' Summit hosted by India as a result of a spat over a border issue. And while it is reasonable to assume that domestic concerns will inevitably constrain how far the countries can cooperate on foreign policy for example, there is nonetheless convergence against concentration of power held by the West, and together they are an important voice against the status quo while cooperating on a wide range of initiatives, including that of a satellite and space program.

Similarly, as they continue to build new arrangements to secure the future which they want, the ability to converge around a vision for the future should not be discounted. Their collective power and influence undermine support for Western positions in fora such as, for example, the UN General Assembly. Despite Western pressure, the BRICS stand at the core of the largest economies who have elected not to implement sanctions on Russia. Moreover, both India and China's share of trade with Russia have increased significantly since the implementation of sanctions. In 2023, Russia became China's largest source of crude oil with trade between the two valued at more than US\$240 billion, an all-time high.<sup>56</sup> Russia's share of imports transacted in renminbi has also increased from 3 percent in 2021 to 20 percent by 2022 as bloc members continue to push the strategic agenda aimed at reducing their vulnerabilities and exposure to Western financial infrastructure.

China and Russia's ties have also deepened significantly and visibly, in other areas. Against the backdrop of a friendship "with no limits," Russia provided almost 83 percent of China's arms imports between 2018-2022 and has supplied advanced technology in support of China's growing military capabilities in several sectors.<sup>57</sup> The two countries have also conducted several naval training sessions in recent times, for example on July 11<sup>th</sup> 2024, holding joint naval drills which were scheduled to take place until mid-July in the waters and airspace around Zhanjiang City. These are said to demonstrate the capabilities and resolve of both parties in jointly addressing a number of threats and "preserving global and regional peace and prosperity."<sup>58</sup> In addition, on July 9<sup>th</sup>, on the eve of the NATO Summit in Washington, Chinese troops engaged in an 11-day joint military exercises aptly named *Eagle Assault* with Belarus, for the first time.<sup>59</sup> Held on NATO's eastern flank, five miles from the Polish border, these drills were timed to convey Chinese displeasure to NATO's membership gathered in Washington regarding the alliance's allegations of China's multidimensional support for

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<sup>56</sup> Andrea Kendall-Taylor and Richard Fontaine, "The Axis of Upheaval: How America's Adversaries are Uniting to Overturn the Global Order", *Foreign Affairs*, May/June 2024. Available from <https://www.foreignaffairs.com/china/axis-upheaval-russia-iran-north-korea-taylor-fontaine>.

<sup>57</sup> *Ibid.*

<sup>58</sup> "China Russia launch joint naval drills", *News AZ*, 12 July 2024. Available from <https://news.az/news/china-russia-launch-joint-naval-drills>.

<sup>59</sup> Belarus has recently become a member of SCO.

Russia's war effort – which it denies.<sup>60</sup> And on July 25<sup>th</sup>, The North American Aerospace Defense Command (NORAD) announced interception of two Russian and two Chinese bombers flying near Alaska (in international airspace) in the first such incident of the two countries been intercepted while operating together.<sup>61</sup>

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<sup>60</sup> Reid Standish, "Beijing sends message to NATO with Chinese Belarusian military drills on alliance's eastern flank", Radio Free Europe, 11 July 2024. Available from <https://www.rferl.org/a/china-belarus-military-exercises-nato-ukraine-/33031032.html>.

<sup>61</sup> Oren Liebermann and Natasha Bertrand, "NORAD intercepts Russian and Chinese bombers operating together near Alaska in first such flight", *CNN*, 25 July 2024. Available from <https://edition.cnn.com/2024/07/24/politics/norad-russian-chinese-bombers-alaska/index.html>.

## IX. CHIPPING AWAY AT VULNERABILITIES

As they continue to advocate and push for more inclusive, equitable and just arrangements in global governance, the BRICS have faced a litany of criticisms. The list is expansive. It includes perceptions of the BRICS as an “isolated entity, a paper tiger,”<sup>62</sup> intent on “deepening regional links at the expense of developing as a serious competitor to the G7 or G20” and criticized for “having failed to be a major player on the global diplomatic or economic scene.”<sup>63</sup> The group is accused of contesting the status quo by unravelling the liberal order and normalizing authoritarian forms of state capitalism and for having failed to develop institutional architecture including “a permanent bureaucracy, a steering structure and a clear agenda.”<sup>64</sup> As a policy making body, the BRICS are portrayed as being weak, lacking in purpose and incapable of enforcing decisions.<sup>65</sup> Against this background the section below highlights some of the BRICS’s main achievements.

- First, both as a bloc and as individual members, the BRICS have been leading the Global South in pushing against a status quo whose rules seem inherently pitted against their concerns and in building alternative frameworks in which to secure their interests. While Western power remains, it is being contested and it is no longer the dominant force it once was. The BRICS are chipping away at Western institutions, influence, and global power in a manner which might well be irreversible even in the short term.
- Second, despite having been formed around fifteen years ago, the BRICS are being assessed against standards which are difficult to achieve even in more mature, treaty-based groupings such as the EU. The excited and voluble discussions provoked by Hungarian Prime Minister Viktor Orbán’s visits to Moscow and Beijing immediately upon assuming the reins of the EU Council Presidency, are illustrative of the difficulties involved in deriving cohesion within a bloc – even those like the EU. Rival agendas and disagreements within groups are not uncommon. Even so, the BRICS have nonetheless succeeded in galvanizing solidarity across the Global South around a number of issues – not least that of their collective distinctly *cool* response to the issue of Western sanctions on Russia, their support for Cuba at the UN General Assembly on the matter of the U.S. embargo, their universal support of South Africa’s application before the International Court of Justice (ICJ) on the matters of the war in Gaza and the people of Palestine, and in their decisions to support the new mechanisms and alternative systems being designed both by the BRICS and their individual members. Though fledgling, BRICS-designed mechanisms and systems are being institutionalized with potential for growth, and their influence continues to expand.
- Third, the BRICS are reshaping the contours of global power, aiding the rise of other middle powers and facilitating emergence of the New South and its growing agency. Increasing prosperity within the group has facilitated the projection of political power on the world stage and the creation of new poles of power buttressed by China, a BRICS member, a superpower, and longtime ally of the South. Together with other middle powers such as Türkiye, Indonesia and groupings such as SCO (with whom

<sup>62</sup> Abdre Gattolin and Emmanuel Veron, “The BRICS, a Geopolitical Challenge overlooked by the European Union”, Fondation Robert Schuman, 13 February 2024. Available from <https://www.robert-schuman.eu/en/european-issues/736-the-brics-a-geopolitical-challenge-overlooked-by-the-european-union>.

<sup>63</sup> Jamie Shea, “The Brics are back, but for what purpose?” Friends of Europe, 4 September 2024. Available from <https://www.friendsofeurope.org/insights/critical-thinking-the-brics-are-back-but-for-what-purpose/>.

<sup>64</sup> *Ibid.*

<sup>65</sup> Alan Beattie, “The BRICS don’t stack up as a committee to run the world”, *Financial Times*, 24 August 2023. Available from <https://www.ft.com/content/dc227378-6e08-46bd-abc0-77344b1cac28>.

the BRICS share overlapping membership),<sup>66</sup> the BRICS are seeding a mid-layer of multipolarity providing greater choice of partnerships for the Global South and changing the nature of engagement between the West and countries of the South. Expanded membership and increasing shares of global resources and wealth enhances prospects for intra-BRICS economic growth and development, new avenues for trade, investments and commerce, and greater South-South cooperation of the type demonstrated, for example, in new initiatives between Morocco and Brazil in fertilizers to enhance food security systems and others described previously. The full effects of these initiatives and the overall weight of the BRICS and their effects in contributing to a new world order will be appreciated over time.

- Fourth, BRICS members are increasingly settling components of trade between themselves and others, in yuan. While the U.S. dollar continues to maintain its status as the world's reserve currency, its dominance is slipping and the yuan will continue to strengthen as a reserve currency, reflecting the wider global shift in economic power. And while the IMF warns that new payment systems could increase fragmentation along geopolitical lines in a manner which would "raise cost, increase inefficiencies, decrease potential for economies of scale, and reduce the efficacy of global systems of regulations and standards, ultimately projected to result in long term losses of 2 percent of global GDP,"<sup>67</sup> it is nonetheless reasonable to conclude that the BRICS and other countries, faced with a palette of new choices, will reject those elements of the status quo which have generated inequities based on power asymmetries between the West and the Global South and opt instead for alternatives better aligned to their interests and priorities. While the debate to de-dollarize Global South economies is not new, "2023 will go down in history as the year in which this process accelerated."<sup>68</sup>

As the world continues to fracture into blocs each around its own interests, a new world order is evolving and global affairs are being rewired; countries of the West no longer dominate the global landscape. The BRICS are adding muscle to a number of institutions including the G20, they are providing alternatives to the global financial architecture, advancing the agenda of the New South and contesting power relations in place since World War II. Neither an isolated entity nor a paper tiger, linking Asia, Latin America, Africa, Europe and the Middle East,<sup>69</sup> they encompass a space of increasing geopolitical and geoeconomic significance, and wealth. Their story is one which continues to unfold in parallel with that of a changing world in which demographics and economic trajectories provide the Global South with increasing influence and greater agency. How far can the BRICS go in shaping the contours of a future world order is not yet apparent. But their efforts at chipping away at the status quo speak to consequences whose overall weight will be measured over time.

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<sup>66</sup> Indonesia is a member country and the others are BRICS candidate member countries.

<sup>67</sup> Gopinath, "Geopolitics and its Impact on Global Trade and the Dollar".

<sup>68</sup> Ramos, "De-dollarization: 95% of the trade between Russia and China didn't use the US dollar".

<sup>69</sup> While the bulk of Russia lies in Asia, some 25% of its land mass is considered to form part of Europe.

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