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### The BRICS Expansion, Currency & Implications for the US Dollar

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## LIST OF ACRONYMS

AU	-	African Union
BRICS	-	Brazil, Russia, India, China, and South Africa
BRICS+	-	BRICS Plus
G7	-	The Group of Seven
GDP	-	Gross Domestic Product
UAE	-	United Arab Emirates
UN	-	United Nations
US	-	United States of America
WTO	-	World Trade Organisation



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# The BRICS Expansion, Currency and Implications for the US Dollar

Goitseone Maswabi and Lebo Mosebua

## Overview

The evolution of the BRICS grouping into BRICS+ on January 1, 2024, signals a significant milestone in global economic and political dynamics. Originally established in 2009 and later joined by South Africa in 2010, BRICS has steadily evolved into a formidable alliance, convening annual summits to address a wide array of issues, including economic cooperation, geopolitical strategies, and developmental priorities. The expansion to BRICS+ represents a strategic shift towards a more inclusive model of globalization, fostering collaboration among key emerging economies beyond the original membership.

This paper seeks to comprehensively analyze the multifaceted implications of BRICS+ expansion. It explores the feasibility of a new BRICS currency and its potential ramifications for the US dollar, along with delving into Russia's chairmanship of BRICS in 2024 and the strategic priorities it aims to pursue. By examining these dynamics, this paper aims to provide valuable insights into the evolving global economic landscape and its broader implications for international relations.

The inclusion of Saudi Arabia, the UAE, Egypt, Iran, and Ethiopia in BRICS+ represents a diverse array of interests and aspirations. Each new member brings unique strengths and challenges to the bloc, from economic diversification efforts to geopolitical ambitions. Additionally, the paper examines the potential implications of BRICS+ expansion for global economic governance, highlighting the growing influence of emerging economies in shaping the international order.

Furthermore, the paper delves into the prospects of a new BRICS currency, assessing its feasibility and potential impact on the US dollar-dominated financial system. By exploring alternative reserve currencies and de-dollarisation efforts within the BRICS framework, the paper sheds light on the evolving dynamics of global finance and the potential implications for economic stability and geopolitical power dynamics.

Lastly, the paper examines Russia's chairmanship of BRICS in 2024 and the strategic priorities it sets forth. By fostering economic cooperation, driving technological innovation, and promoting geopolitical stability, Russia aims to strengthen BRICS' collective influence on the global stage. Through strategic partnerships and dialogue, Russia seeks to shape the trajectory of international relations and address

pressing global challenges, including climate change and cybersecurity threats.

In conclusion, the evolution of BRICS into BRICS+ and the potential introduction of a new currency represent significant developments in global economic governance. By providing a comprehensive analysis of these dynamics, this paper aims to offer valuable insights into the evolving global economic landscape and its broader implications for international relations.

## From BRICS to BRICS+

At the 15th Summit in Johannesburg, South Africa, the BRICS bloc invited six new emerging and developing countries to join the group. Five of the six countries accepted the invitation to join BRICS, however, Argentina declined due to Javier Milei's victory in the December 2023 presidential elections and the subsequent changes to the country's foreign policy. During the 2017 BRICS Summit, China announced the plan to promote the 'BRICS Plus' cooperation approach, to broaden the interaction between the group of emerging markets and developing countries. The expansion of BRICS to BRICS+ has increased its global economic and political weight. The Johannesburg Declaration states that the BRICS+ bloc will promote solidarity, collaboration, and strategic partnerships in the Global South, while remaining committed to inclusive multilateralism.

With the new members, the BRICS+ bloc now covers around 30% of the world's land surface, 45% of the global population, and more than \$30 trillion in GDP, or roughly 37.3% of global GDP. These estimates are anticipated to rise as BRICS countries like China and India expand and the group adds more members. Each member of the BRICS+ bloc contributes value to the grouping in terms of population size, economic growth, and geostrategic location. As a whole, the BRICS+ bloc is regarded as the G7 bloc's main geopolitical rival; individually, each new member country has its own vested interests with joining the bloc.

The UAE is actively pursuing accelerated economic growth, aiming to double its GDP to more than \$800 billion by 2030. To accomplish this, the UAE's Minister of Economy, Abdullah Bin Touq Al Marri, intends to strengthen existing relationships with China and India while expanding access to other markets through the BRICS+ bloc and other bilateral agreements. The UAE is also a major oil producer and would benefit from stronger economic ties with China and India, both major oil consumers. At the same time, the UAE is looking to diversify its economy away from oil; joining BRICS+ will give them access to new markets and investment opportunities.

Saudi Arabia, the world's largest oil exporter, sees joining the BRICS+ bloc as an opportunity to broaden its economy. Saudi Arabia, like the UAE, hopes that its membership in the bloc will open up new trade opportunities while also strengthening its regional ambitions to play a larger role in the international arena. As part of Saudi Arabia's Saudi Vision 2030 agenda, Crown Prince and Prime Minister Mohammed bin Salman is working to significantly modernize and diversify the country's economy. This is also reflected in the country's increasingly aggressive domestic and foreign policies.

Egypt's trade with some BRICS member states, particularly Russia, India, and China, increased to \$31.2 billion in 2022, up from \$28.3 billion the previous year. The BRICS+ bloc will allow Egypt to increase its exports to these countries while also expanding into other markets. Egypt, an import-driven economy, is experiencing a recurring dollar shortage, owing to the government providing services to citizens in Egyptian pounds while purchasing them in dollars. Egypt has been experiencing an economic crisis for several years, with inflation reaching 33.8% in March 2024.

The Egyptian government spends \$3 billion per month on basic commodities for its citizens, including food

and fuel, which it buys in dollars. However, due to a lack of dollar inflows caused by a drop in tourism revenues and revenues from the Suez Canal, Egypt is unable to meet its monthly obligations. This crisis has been exacerbated by geopolitical issues such as Russia's invasion of Ukraine and the COVID-19 pandemic. The Egyptian government hopes that joining the BRICS+ bloc will allow it to gain access to new markets and, ultimately, attract much-needed new investment.

Iran has been gripped by an economic crisis for years, following sanctions imposed against it, primarily by the United States. These sanctions have had a devastating effect on both Iran's economy and its people. Iran's participation in the BRICS+ bloc would benefit the country on two fronts. First, from a political standpoint, the BRICS+ bloc would lend legitimacy to Iran's government, which has been viewed as a pariah by Western powers. Second, Iran will benefit economically from its membership in the BRICS+ bloc. Iran's oil exports form the foundation of its economy. The United States imposed sanctions on Iran in 2018, focused on the country's energy sector, cutting off the majority of Iran's traditional customers.

Iran is hopeful that its entry into the BRICS+ bloc will challenge US dominance and alleviate the financial crisis brought about by the sanctions. China has already contributed to an increase in Iranian oil sales, and its membership in the BRICS+ bloc will allow it to further benefit from trade relations with the bloc's member states.

Ethiopia is a rapidly growing economy that has piqued the interest of global economic powers due to its high growth potential and strategic location in the Horn of Africa. Ethiopia also hosts the headquarters of the AU, the organisation that is the front-runner of African integration and cooperation. Joining the BRICS+ bloc will enable Ethiopia to deepen its economic cooperation with emerging powers, accelerating its economic growth through the diversification of emerging industries such as agriculture, manufacturing, and the service sector.

## BRICS+ and De-dollarisation efforts: the new BRICS currency

Brazil's President Luiz da Silva has advocated for the creation of a shared BRICS currency to expand payment choices and shield member states from dollar exchange rate volatility. De-dollarisation was proposed at the 2023 BRICS Summit, but no consensus on a replacement currency was announced. However, at

that stage the view was that the move would be a complex initiative because all member states would have to agree unanimously on a uniform exchange rate and central bank while also implementing a full set of financial regulations.

Russia took over the BRICS+ chairmanship on January 1, 2024. The 10 member states, which include Brazil, Russia, India, China, and South Africa, will meet for their annual summit in October in Kazan, the largest city and capital of Tatarstan, Russia. The Russian chairmanship raises the prospect of a BRICS currency. While some speculate that the new BRICS currency will be gold-backed, others predict it will be based on blockchain technology. There appears to be widespread agreement that the BRICS+ alliance intends to shift away from the US dollar by exploring other currencies that will compete with the US dollar. At present, the US dollar is the global reserve currency, but rising US debt, rising inflation, and interest rate hikes have increased the demand for alternatives.

## Implications of the new BRICS currency for the dollar

The introduction of a new currency within the BRICS+ framework poses significant challenges to the hegemony of the US dollar in global finance. With BRICS+ economies now accounting for approximately 37.3% of the world's GDP, their concerted efforts towards currency diversification could substantially weaken the dollar's dominance in international trade and finance. BRICS+, comprising the original BRICS members along with four new additions (Egypt, Ethiopia, Iran, Saudi Arabia, and the UAE), accounts for approximately 37.3% of world GDP. This figure indicates a substantial economic presence on the global stage, rivalling even that of the European Union, which holds 14.5% of global GDP. This diversification effort represents a paradigm shift with implications extending beyond the realm of economics.

With a combined population of 3.27 billion people, BRICS constitutes 41.13% of the world's population. Notably, China and India contribute the largest share to this population, representing 87% of the total BRICS population. While the new members may contribute only around 4% to the cumulative GDP of BRICS, the significance of the expansion extends beyond economic factors. It is anticipated to enhance the collective influence of the group and of developing countries in general within international organizations such as the UN, the WTO, and the

Bretton Woods institutions. However, the expansion poses challenges in terms of consensus-building within BRICS+. With diverse interests and potential conflicts among members (e.g. disputes over water resources between Egypt and Ethiopia, and geopolitical rivalries between Saudi Arabia and Iran), reaching agreement on common political positions may become more difficult.

The expansion reflects a broader trend towards creating a more balanced global order, with greater representation from the Global South. This expansion is crucial within the context of various multilateral frameworks, highlighting the increasing importance of BRICS+ perspectives in global discussions and initiatives. BRICS countries' endeavours towards de-dollarization carry immense significance, as they challenge the entrenched dominance of the US dollar in global financial transactions. Despite these efforts largely escaping the attention of contemporary scholarship, they signal a growing discontent with the current dollar-centric financial system and represent a potential reshaping of global financial dynamics. Initiatives such as the BRICS Pay system and cross-border payment mechanisms by major BRICS members like Russia and China underscore this shifting landscape.

The potential implications of this shift are profound and could compel the United States to reassess its monetary policies and diplomatic strategies, especially in regions where BRICS+ influence is burgeoning. Furthermore, the emergence of alternative reserve currencies could gradually erode the dollar's status as the primary medium of exchange, necessitating adjustments in global capital flows and financial infrastructures. This evolving scenario underscores the need for careful consideration and strategic planning to navigate the changing dynamics of the international financial landscape.

## Analysis of Currency Implications

The introduction of a new BRICS currency within the global financial system holds profound implications, necessitating a comprehensive analysis of its potential impact and associated challenges. Currency diversification efforts within the BRICS framework present both opportunities and risks, which merit careful consideration.

One of the primary motivations behind advocating for a new BRICS currency is to reduce reliance on the US dollar and mitigate exposure to dollar exchange rate volatility. However, the path towards establishing a new currency is fraught with challenges. Achieving

consensus among BRICS member states on key issues, such as exchange rate mechanisms, central bank governance, and regulatory frameworks, presents a formidable obstacle. Additionally, coordinating monetary policies among diverse economies with varying economic priorities and levels of development poses inherent complexities.

Moreover, the transition to a new currency entails risks, including potential disruptions to global financial markets and trade flows. The process of establishing credibility and market acceptance for the new currency requires meticulous planning and execution. Furthermore, the potential for currency speculation and manipulation could undermine the stability and effectiveness of the new currency, leading to unintended consequences for BRICS economies and the broader global financial system.

In assessing possible scenarios associated with currency diversification efforts within the BRICS framework, it is essential to consider the interplay of geopolitical dynamics, economic interests, and regulatory frameworks. A scenario where the new BRICS currency gains widespread acceptance and challenges the dominance of the US dollar would reshape global financial power dynamics, potentially diminishing the dollar's status as the primary reserve currency. Conversely, a scenario where the new currency struggles to gain traction could result in continued reliance on the dollar, limiting the effectiveness of BRICS' currency diversification efforts.

Furthermore, currency diversification efforts within the BRICS framework could have broader implications for international trade and investment flows. A more diversified currency basket could enhance economic resilience and reduce vulnerability to external shocks, fostering greater stability in global financial markets. However, achieving a balanced and sustainable currency composition requires careful calibration and ongoing coordination among BRICS member states.

In conclusion, a thorough analysis of the currency implications of BRICS+ expansion underscores the complexities and challenges inherent in currency diversification efforts within the global financial system. While the potential benefits of reducing reliance on the US dollar are significant, the path towards establishing a new BRICS currency requires careful navigation of economic, political, and regulatory obstacles. By fostering dialogue, cooperation, and strategic planning, BRICS member states can chart a course towards a more resilient and inclusive global financial order.

## Counterarguments

While advocating for the introduction of a new BRICS currency and exploring its implications for the US dollar, it is essential to acknowledge and address potential counterarguments and challenges. One potential counterargument revolves around the feasibility and practicality of establishing a new currency within the BRICS framework. Critics have argued that achieving consensus among BRICS member states on key issues such as exchange rate mechanisms, central bank governance, and regulatory frameworks is highly challenging, if not unattainable. Additionally, concerns have been raised regarding the potential risks and disruptions associated with transitioning to a new currency, including market volatility and economic uncertainty.

Moreover, sceptics have questioned the necessity of introducing a new BRICS currency, arguing that the existing global financial system, albeit dominated by the US dollar, has thus far functioned adequately. They have postulated that efforts to diversify currencies within the BRICS framework could introduce additional complexity and uncertainty into the global financial system, potentially undermining stability, and efficiency.

## Russia's 2024 BRICS Chairship and Priorities

Russia's assumption of the BRICS+ Chairmanship in 2024 marks a significant milestone in the bloc's evolution, presenting an opportunity to advance its agenda on multiple fronts. As a key player within both the BRICS and BRICS+ frameworks, Russia is strategically positioned to prioritize initiatives that foster economic cooperation, drive technological innovation, and promote geopolitical stability.

Central to Russia's chairmanship will be the concerted effort to address pressing global challenges, including climate change, cybersecurity threats, and regional conflicts. These issues have become increasingly complex and interconnected, demanding collaborative solutions from the international community. By placing them at the forefront of its agenda, Russia aims to demonstrate BRICS' commitment to effective multilateralism and its capacity to tackle 21st-century challenges.

Moreover, Russia recognizes the importance of leveraging its diplomatic and economic resources to strengthen BRICS' solidarity and promote multipolar cooperation. This entails not only deepening collaboration among member countries but also engaging with like-minded nations beyond the bloc. Through

strategic partnerships and dialogue, Russia seeks to expand BRICS' influence on the global stage and shape the future trajectory of international relations.

In practical terms, Russia's priorities during its chairmanship will span a wide range of areas, including but not limited to:

1. **Economic Cooperation:** Russia will work towards implementing the Strategy for BRICS Economic Partnership 2025, fostering trade and investment among member countries, and exploring avenues for enhancing economic resilience and sustainable development within the bloc.
2. **Technological Innovation:** Recognizing the pivotal role of innovation in driving growth and competitiveness, Russia will prioritize initiatives aimed at promoting technology transfer, research collaboration, and digitalization across BRICS nations.
3. **Geopolitical Stability:** Given the volatile geopolitical landscape, Russia will seek to facilitate dialogue and cooperation among BRICS members to mitigate conflicts, promote conflict resolution mechanisms, and uphold principles of international law and sovereignty.
4. **Climate Change:** As a signatory to international climate agreements, Russia will advocate for collective action within BRICS to address climate change, promote renewable energy sources, and enhance environmental sustainability.
5. **Cybersecurity:** With the proliferation of cyber threats, Russia will prioritize cybersecurity cooperation among BRICS nations, including information sharing, capacity building, and the development of common frameworks for cyber defence.
6. **Multilateralism and Global Governance:** Russia emphasizes the importance of multilateralism and reforming global governance institutions to better reflect the interests of emerging economies. Strengthening the collective voice of BRICS+ in international forums is a strategic objective.
7. **Energy Security and Sustainability:** Ensuring energy security and promoting sustainable development are critical priorities. Russia seeks to enhance cooperation in the energy sector, including renewable energy and energy efficiency initiatives.
8. **Countering Unilateral Sanctions:** Addressing the impact of unilateral sanctions on BRICS+ economies is a key focus. Russia advocates for collective strategies to mitigate the adverse effects of sanctions and promote economic resilience within the bloc.

Overall, Russia's chairmanship of BRICS represents a pivotal moment in the bloc's trajectory, offering an

opportunity to reaffirm its relevance and effectiveness in a rapidly changing world. By advancing a comprehensive agenda that addresses key global challenges and fosters cooperation among member states, Russia aims to strengthen BRICS' role as a driver of inclusive and sustainable development on the international stage.

## Recommendations

Based on the analysis presented in the paper, several concrete recommendations and implications emerge. Firstly, BRICS member states should continue to engage in dialogue and cooperation to explore the feasibility of establishing a new currency within the BRICS framework. This entails addressing key challenges such as achieving consensus on exchange rate mechanisms, central bank governance, and regulatory frameworks.

Secondly, policymakers should prioritize efforts to enhance economic resilience and stability within the BRICS framework, including diversifying currency holdings and promoting financial cooperation among member states. This could involve exploring alternative reserve currencies and strengthening regional financial infrastructure to reduce dependence on the US dollar.

In conclusion, the evolution of BRICS into BRICS+ and the potential introduction of a new currency represent significant developments in global economic governance. By offering concrete recommendations and implications based on the analysis presented in the paper, policymakers can navigate the complexities of currency diversification efforts within the BRICS framework more effectively. Ultimately, the implications of these developments extend beyond economic considerations, shaping the broader trajectory of international relations and global financial dynamics. As such, continued research and policymaking efforts are warranted to address the challenges and opportunities presented by these evolving trends.

## Concluding Remarks

The expansion of BRICS to BRICS+ and the introduction of a new currency underscore the bloc's growing influence in shaping the contours of the global economy. As member countries deepen their cooperation and pursue shared objectives, the implications for the US dollar and the broader international monetary system are significant. While challenges and uncertainties abound, the BRICS+ initiative represents a paradigm shift towards a more equitable and inclusive global order. By embracing multilateralism and diversifying financial arrangements, BRICS+ countries are charting a course towards greater economic resilience and sovereignty in an increasingly interconnected world.



## USEFUL LINKS

Russian 2024 BRICS Chairmanship (brics-russia2024.ru)

<https://www.reuters.com/world/more-than-40-nations-interested-joining-brics-south-africa-2023-07-20/>

[https://www.europarl.europa.eu/RegData/etudes/BRIE/2024/760368/EPRS\\_BRI\(2024\)760368\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2024/760368/EPRS_BRI(2024)760368_EN.pdf)

[https://www.researchgate.net/publication/358832846\\_Can\\_BRICS\\_Dedollarize\\_the\\_Global\\_Financial\\_System](https://www.researchgate.net/publication/358832846_Can_BRICS_Dedollarize_the_Global_Financial_System)

<https://brics-russia2024.ru/en/>

<https://brics-russia2024.ru/en/news/yuriy-ushakov-briks-na-dele-vyrazhaet-interesy-mirovogo-bolshinstva/>

What is a BRICS currency and is the U.S. dollar in trouble? | Reuters

How Would a New BRICS Currency Affect the US Dollar? (investingnews.com)

EXPLAINER-What is a BRICS currency, and could one be adopted? | Nasdaq

Brics: What is the group and which countries have joined? (bbc.com)

Expansion of BRICS (europa.eu)

[www.uj.ac.za](http://www.uj.ac.za)

