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SHORT COMMENTS

*Another BRIC in the Wall (Street): The Expansion of BRICS, the New
'Anti-Western' Currency and the Economic Battle for Power*

By Georgios Koukakis, Research Associate of “HERMES” I.I.A.S.G.E.

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By Georgios Koukakis, Research Associate of “HERMES” I.I.A.S.GE.

Introduction

Despite the fact that BRICS held its first meeting in ministerial level in 2006, the group has recently been under the spotlight due to several reasons related to its 16th Summit that took place on October 22-24, 2024, the most important of which are the following:

- ✓ The Summit was conducted in Kazan (Russia) under the Chairmanship of Russia.
- ✓ The group was officially expanded by the accession of four new members.
- ✓ The Russian President, Vladimir Putin called for a new currency to be used in the economic transactions between the group’s members.

BRICS is an informal group of states – namely Brazil, Russia, India, China and South Africa– that held its first meeting in 2006 in New York, between the Ministers of Foreign Affairs of the first four states (South Africa was not a member at the time) in the sidelines of the respective UN General Assembly, while the first BRIC Summit took place in 2009 in Yekaterinburg (Russia). After the Summit, the group issued a Joint Statement defining that its purpose was to:

- ✓ Promote dialogue and cooperation among its members in an incremental, proactive, pragmatic, open and transparent way.
- ✓ Serve the common interests of emerging market economies and developing countries.
- ✓ Build a harmonious world of lasting peace and common prosperity.

South Africa officially became the group’s fifth member in 2011 – changing its name to BRICS – and in 2014 the members signed an Agreement on the New Development Bank (NDB) and a Treaty for the Establishment of a BRICS Contingent Reserve Arrangement (CRA), enabling the group to assist its members when in need and promote several projects of common interest. Moreover, in 2023 the group’s members were increased to nine after the

accession of Ethiopia, Egypt, the United Arab Emirates (UAE) and Iran – while Argentina and Saudi Arabia received an invitation by BRICS to join the group, but either withdrew its candidacy (Argentina) or still is considering the matter (Saudi Arabia), transforming the group's name once again, this time into BRICS+.

Is BRICS+ that big of a deal?

One of the first things that must be clarified as far as BRICS+ nature is concerned is that the group has nothing to do with the military as it is not a defense alliance. On the contrary, cooperation between its members is related – through a large number of declarations, action plans, memoranda of understanding, and several other strategic documents – to the following policy fields:

- ✓ Economy & Trade.
- ✓ Migration,
- ✓ Industry,
- ✓ Energy,
- ✓ Peacekeeping,
- ✓ Environment,
- ✓ Public health, and
- ✓ Culture.

The importance of BRICS+ – taking into consideration that there are many more similar cooperative schemes – lies in the fact that its current nine members are some of the most populated states in the world, having a significant share in several aspects of the global economy, trade and population. To be more precise, China's GDP represents 18.4% of the global GDP and its exports 14.4% of the global exports, India's population represents 17.8% of the global population, while Russia's oil production (in terms of barrels per day) represents 18.4% of the global oil production. To sum up, the total share of the BRICS+ members regarding these sectors is:

- ✓ 22% of the world's merchandise exports,
- ✓ 30% of the world's oil production,

- ✓ 35% of the world's GDP, and
- ✓ 45% of the world's population.

The main reason of concern for the West regarding BRICS+ is that it considers it as a group of states that they are gradually forming – or at least aspire to – a new world order in the expense of the existing “*United States rules-based*” world order. This ambition – especially on behalf of the Russian Federation – was evident in the opening speech of the President of Russia during the 16th BRICS+ Summit, in which he noted inter alia that:

“It is essential to build alternative multilateral financial mechanisms and supply chains that are reliable and free from any dictate, to establish channels for exchanging advanced technology and expertise, to develop new international transport corridors and increase their capacity. Russia is working together with its partners to enhance globally significant routes such as the North-South corridor and the Northern Sea Route, and we invite all interested countries to participate”.

How will the US and global economy be affected?

Even though there are several concerns regarding the future of the dominance of the US dollar in regard to a new BRICS currency, the US dollar will most probably not be affected as much as most people fear it will, as according to the financial professional Melissa Pistilli – despite the fact that there has been a decrease in the dollar's reserve currency share over the years – the US dollar:

- ✓ Is still the most widely used currency for conversion.
- ✓ Remains a benchmark in the forex market.
- ✓ Is still used for the vast majority of oil trades.
- ✓ Currently represents 59% of all foreign currency reserves held by central banks.

Nevertheless, she also stresses that in case that a new BRICS+ currency was to stabilize against the dollar, it could ultimately affect a significant number of markets, the banking and

finance system, international trade, technology, tourism and travel, leading to some of the following negative results in both the US and global economy:

- ✓ Decrease the economic pressure of sanctions.
- ✓ Cause an economic crisis.
- ✓ Initiate and speed up the de-dollarization process.
- ✓ Alter currency correlations.
- ✓ Increase global market volatility.

It must also be stressed that the overall impact of the BRICS+ policies to the West will greatly depend on the future accession of more members, as more than 30 states have already expressed their will to join the group. As understood, the more share of the world's exports, oil production, GDP and population is represented by its members, the greater the influence of BRICS+ is in the international arena. Nevertheless, it needs to be noted that the increase of the members of an organization usually increases the internal rifts among them, meaning that the establishment of a coherent policy will be more difficult for BRICS+ than it already is. Besides, it must not be overlooked that India is a strategic partner of the United States and a state that is traditionally neutral, seeking cooperation rather than rivalry in its bilateral relations.

Concluding remarks

To sum up, BRICS+ seems that does not pose a direct threat to the US and global economic security for the time being, and the Russian attempted de-dollarization has a long way to go. In fact, according to Agathe Demarais:

“In the long run, there is no doubt that mechanisms like BRICS Bridge could be useful for China, Russia or others to hide sensitive transactions from western authorities - for instance, relating to Chinese shipments of dual-use goods to Russia. [...] At this stage it is hard to imagine a widespread development and adoption of BRICS financial tools globally.”



Georgios Koukakis, Research Associate of “HERMES”
I.I.A.S.GE

Lieutenant Colonel (Ret.) Georgios KOUKAKIS has graduated from the *Hellenic Military Academy* (2002), the *Hellenic Army War College* (2020) and the *Hellenic Supreme Joint War College* (2023). He retired in 2024 on his own initiative, after serving for 22 years as a Leader and Staff Officer in several Special Forces and Infantry Units, and as an Instructor in the Hellenic Airborne School and the Hellenic Infantry School.

He holds a Master of Arts in ‘*Governance, Development and Security in the Mediterranean*’ from the Department of Mediterranean Studies of the University of the Aegean (Rhodes, Greece) – having graduated 1st among his Class with his dissertation focusing on the prospects of establishing a *National Security Council* (NSC) in the Hellenic Republic (Greece) – and an Adult Instructor of the Continuing Education and Lifelong Learning Center (CE-LLC) of the University of the Aegean (Rhodes, Greece).

He is also a Senior Analyst in the *Center for International Strategic Analyses* (KEDISA), a Research Associate of *HERMES Institute of International Affairs, Security & Geoeconomy* (I.I.A.S.GE.) and a member of the *Hellenic Institute of Strategic Studies* (HEL.I.S.S.), *ALLILONnet* the Global Network of Greeks and Friends of Greece for Solidarity in the Professional Field and the *Mercury Negotiation Academy* (MNA). He has participated as a speaker in several seminars and conferences regarding international relations in the fields of foreign policy, security and defense.

Many of his articles and research papers have been published in the ‘*Global Security and Intelligence Notes*’ (GSIN) and the ‘*South and South East Asia Security Research Centre*’ (SSEASRC) Research Notes of the Buckingham Centre of Security & Intelligence Studies (BUCSIS), the ‘*HAPSc Policy Briefs*’ Journal of the Hellenic Association of Political Scientists, the ‘*NRDC-GR Herald*’ Journal of NRDC-GR, the ‘*Military Review*’ Journal of the Hellenic Army General Staff (HAGS), the ‘*Cultural Diplomacy Journal*’ of the Hellenic Institute of Cultural Diplomacy (HICD).

In addition to his involvement in academic research regarding international relations, Georgios is a columnist in a number of foreign affairs, geopolitics and international affairs websites such as *'Foreign Affairs - The Hellenic Edition'*, *'Policy Journal'*, *'Geopolitics & Daily News'*, *'HuffPost Greece'*, *'Liberal'*, *'Geopolitico'*, *'LEP'* and *'Active News'*.

He is the co-author of the book (In Greek) **'National Security: Myths and Reality'** that was published in April 2023, and the Academic Head of the Educational Programme (in Greek) **"Security Studies in the Mediterranean (BASIC)"** of the CE-LLC of the University of the Aegean.

Email: g_k_koukakis@yahoo.gr

LinkedIn: [Georgios Koukakis](#)