



The BRICS' move away from US Dollar: The implications for international politics

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Abstract

This essay explores the potential implications of the BRICS countries' move away from the US dollar on international politics and foreign policy. The BRICS countries, comprising Brazil, Russia, India, China, and South Africa, have been working towards reducing their dependence on the US dollar in international trade and finance, and the creation of a new currency could represent the next step in this process. The move could lead to greater economic independence and sovereignty for the BRICS countries, potentially shifting the balance of power in the international system. However, it also carries potential risks and challenges, including increased competition and conflict with the US, and potential internal conflicts within the BRICS countries over the management of the new currency. The move could potentially lead to greater political cooperation among the BRICS countries and the formation of a political bloc that challenges the dominance of Western powers in international affairs. Nevertheless, the success of this move will depend on the ability of the BRICS countries to coordinate effectively and manage the risks and challenges associated with the creation of a new currency while navigating its potential political implications on the international stage.

Keywords: BRICS, currencies, international politics, global economy, US Dollar

Introduction

In recent years, the BRICS countries - Brazil, Russia, India, China, and South Africa - have been progressively deviating from the utilization of the US dollar in their foreign policy transactions, signaling profound repercussions for the global economy and the international political milieu in the domain of international relations (Kodabux, 2023) ^[14]. This transition has the potential to disrupt the US dollar's preeminent position as the world's reserve currency, which constitutes a significant facet of international politics (Abdenur, *et al.*, 2014) ^[1]. The accumulation of substantial amounts of US dollars as foreign exchange reserves by numerous countries has conferred upon the US considerable sway over global financial systems and international commerce, hence rendering the move away from the US dollar a political quandary (Das & Roy, 2022) ^[9]. Consequently, this essay aims to examine the potential impacts of BRICS' shift away from the US dollar, encompassing the geopolitical and economic determinants that impel this transformation (Jermy, 2016) ^[11]. By scrutinizing these factors, the study endeavors to glean an enhanced comprehension of the emergent dynamics between the BRICS countries and the United States in the domain of international politics, and how this may influence their foreign policies in the future.

The potential for a transition away from the US dollar by the BRICS countries has the capacity to weaken the US dollar's primacy and confer greater eminence to the BRICS currencies in the realm of international trade. The BRICS nations have been taking concerted measures to mitigate their dependence on the US dollar and diversify their foreign exchange reserves, which carries far-reaching ramifications for the global political landscape (Kuehnlenz, *et al.*, 2023) ^[15]. A significant exemplar of this shift is the issuance of the BRICS New Development Bank's first bond denominated in the Chinese Yuan in 2019, indicating a

discernible departure from utilizing the US dollar as the de facto currency for international transactions. This movement is likely to have substantial implications for global trade and economic relations, engendering a realignment of power among nations. Moreover, it could undermine the United States' ability to impose economic sanctions on other countries, as it would be arduous to curtail access to the US financial system. These factors are pertinent to the study of international politics and may foster a more multipolar world order, where the US is no longer the dominant financial superpower.

The discourse regarding the BRICS nations' efforts to curtail their dependence on the US dollar holds far-reaching economic, political, and geopolitical ramifications (Awosusi, *et al.*, 2022) ^[5]. The attenuation of the US dollar's predominance in international trade could jeopardize the US's ability to leverage economic power to attain foreign policy objectives, a salient facet of international politics. Additionally, the BRICS countries' augmented bargaining power in international affairs could precipitate a realignment of power among nations, potentially altering the international political landscape towards a more multipolar world order. A meticulous examination of the drivers of this shift could furnish perspicacious insights into the emerging dynamics between the BRICS countries and the United States in the domain of international politics and how this may inform their foreign policy trajectories in the future.

The main question of this essay is: What are the potential impacts of BRICS countries shifting away from the US dollar in their foreign policy transactions, and how could this influence their foreign policies in the future? This essay aims to explore the potential economic, political, and geopolitical impacts of BRICS countries' transition away from the US dollar in their foreign policy transactions. By analyzing the drivers behind this shift, the study endeavors to provide insights into the emerging dynamics between the

BRICS countries and the United States in the domain of international politics, and how this may inform their foreign policy trajectories in the future. The shift could weaken the US dollar's primacy and confer greater eminence to the BRICS currencies in the realm of international trade, potentially altering the international political landscape towards a more multipolar world order.

The study on the BRICS' move away from the US dollar and its implications for international politics would use a qualitative research method. This method would involve collecting and analyzing descriptive data to explain the research focus and problem at hand. The data sources for this study could include secondary data collected through literature studies, books, journals, and electronic publications, such as websites and news articles. This data would be used by the author to carry out data collection activities that are related to the topic of the study.

Signs of Change

Bilateral trade agreements

The heightened employment of bilateral trade agreements denominated in local currencies rather than the US dollar by the BRICS nations has consequential implications for the realm of international politics (Arapova, 2019) ^[3]. These agreements serve to diminish the BRICS countries' reliance on the US dollar, thereby decreasing the US's sway over global financial systems and international trade. Furthermore, conducting trade in local currencies has the potential to augment the BRICS countries' bargaining power in international affairs, challenging the US's hegemony in global governance and decision-making mechanisms (Masood, *et al.*, 2023) ^[21]. This shift away from the US dollar -De-dollarization- could have momentous implications for the global economy and international relations, thereby rendering it an indispensable issue in the domain of international politics.

Diversification of Foreign Exchange Reserves

The diversification of foreign exchange reserves and the creation of new financial institutions by the BRICS countries is a complex phenomenon with far-reaching implications for international politics and global governance (Liu & Papa, 2022) ^[20]. The shift away from the US dollar in their foreign policy transactions could potentially undermine the US's global financial dominance, paving the way for a more decentralized and multipolar global financial system. Such a transformation could result in a shift in the balance of power among nations, impacting the ability of the US to influence global affairs through its economic leverage. Additionally, the establishment of new financial institutions by the BRICS countries could have important implications for the development of new alliances and partnerships, enabling the BRICS countries to coordinate their foreign policy positions and pursue their common interests on the global stage (Aggarwal, 2020) ^[2]. This shift in the global financial architecture requires careful examination, as it has the potential to alter the dynamics of international politics and foreign policy in significant ways.

Establishment of New Financial Institutions

The establishment of new financial institutions by the BRICS countries represents a significant geopolitical shift in the international financial landscape (Kanyane, 2022) ^[12]. These institutions reflect the BRICS countries'

determination to challenge the existing neoliberal economic order, which has been dominated by Western powers and their institutions (BRICS Development Bank. 2018). The BRICS countries' move towards creating alternatives to Western-dominated institutions is driven by their desire to assert their economic and political interests in global affairs. Yet, the establishment of new institutions is likely to engender opposition from traditional global institutions, as well as from Western powers who are invested in maintaining their hegemonic status. The creation of new institutions by the BRICS countries is, therefore, likely to fuel geopolitical tensions and conflicts in the future (Bryndin, 2023) ^[7]. The emerging dynamics between the BRICS countries and traditional Western powers are a crucial issue in international politics and require further analysis. It is important to understand the underlying factors driving the rise of the BRICS countries and the implications of this trend for the future of the global financial system and international relations.

Use of Cryptocurrencies

The BRICS countries' exploration of cryptocurrencies marks a significant development in international politics and foreign policy, as it highlights their efforts to reshape the global financial architecture (Zharikov, 2023) ^[26]. By considering the use of cryptocurrencies, these countries are pursuing a strategy of diversification and reducing their dependence on traditional currencies, particularly the US dollar, which could potentially disrupt the current global economic order. Moreover, the use of cryptocurrencies presents both opportunities and challenges in terms of international security and cooperation, as the decentralized nature of cryptocurrencies raises concerns about their potential misuse for illicit activities or economic sanctions evasion (Ladasic, 2017) ^[16]. As such, the BRICS countries' adoption of cryptocurrencies represents a complex and dynamic development in international relations, reflecting their willingness to challenge established norms and institutions in pursuit of their economic and political interests (Goodell, *et al.*, 2023) ^[10].

The BRICS countries' recent shift towards exploring alternative currencies and establishing their own financial institutions has significant implications for the global economic and financial order, traditionally dominated by Western countries and institutions. The emergence of new economic actors such as the BRICS countries challenges the existing global power structures and poses a potential threat to the established norms and institutions in the international arena. The BRICS countries' efforts to assert their economic and political influence through the creation of new financial institutions and the exploration of alternative currencies could lead to increased geopolitical tensions and conflicts with the US and other Western countries. Furthermore, the BRICS countries' foreign policies and economic strategies are likely to continue to evolve as they seek to shape the future of the global financial system in line with their own economic interests and aspirations.

The BRICS' New Currency

The potential development of a new currency by the BRICS countries challenges the existing global financial architecture, which has been dominated by Western countries and institutions. This shift in the balance of power could lead to a more multipolar world, where emerging

economies have greater influence over global economic and political affairs (Larionova & Shelepov, 2022) ^[17]. The BRICS countries' exploration of a new currency also reflects their growing dissatisfaction with the existing international monetary system, which they view as being dominated by the US and Western countries (Aslam, *et al.*, 2020) ^[4]. Moreover, the creation of a new currency by the BRICS countries could challenge the US's ability to use economic sanctions as a tool of foreign policy, thereby altering the traditional balance of power in international relations (Phiri, 2022) ^[22]. This could lead to increased geopolitical tensions and conflicts, as countries may seek to resist the rise of the BRICS countries and their attempts to assert greater influence on the global stage. Generally, the BRICS countries' potential creation of a new currency is a significant development in international politics and foreign policy, and its implications are likely to continue to shape global economic and political affairs in the years to come.

The BRICS countries' quest to create a new currency can be seen as part of their larger effort to challenge the existing global financial architecture and assert their influence on the global stage ((Aggarwal, 2020) ^[2]. The proposal for a new currency underscores the BRICS countries' desire to reduce their reliance on the US-dominated financial system and promote a more multipolar world. This would involve a shift away from the current state of affairs, in which the US dollar is the dominant currency for international transactions, towards a more diverse and balanced international monetary system (Aslam, *et al.*, 2020) ^[4].

Moreover, the creation of a new currency by the BRICS countries has significant implications for the international monetary system, as it could potentially challenge the existing power structures and hierarchies. It could result in a new world order where multiple currencies, including the new currency of the BRICS, are used for international trade and finance (Zharikov, 2023) ^[26]. This could lead to a more decentralized and democratic global financial system, where the BRICS countries have greater voice and representation. The establishment of a new currency also raises a number of challenges and risks, including issues related to coordination and governance. The success of the new currency will depend on the ability of the BRICS countries to coordinate their economic policies and manage potential conflicts. Furthermore, the establishment of a new currency could potentially destabilize the existing financial system and trigger retaliation from the US and other Western countries. As such, careful consideration and strategic planning are necessary to ensure the success and sustainability of the proposed new currency.

The creation of a new currency by the BRICS countries could have far-reaching and multifaceted implications for the international political and economic order. On the one hand, it could challenge the hegemony of the US dollar and the Western-dominated international monetary system (Bryndin, 2023) ^[7]. On the other hand, it could provoke competition and political tensions between the US and the BRICS countries, potentially leading to conflict. Furthermore, the emergence of a new currency could cause a shift in the balance of power within international organizations, such as the IMF and the World Bank, and lead to changes in their policies and priorities.

The complex nature of these implications underscores the need for careful analysis and strategic planning by the BRICS countries and the international community. While a

new currency could potentially provide greater financial stability and representation for emerging economies, it could also have unintended consequences that require thoughtful consideration (Xu, Lien, 2021) ^[25]. The effects of such a development on the global financial system and international relations are yet to be fully understood, highlighting the need for ongoing research and collaboration among scholars and policymakers alike.

Discussion

The BRICS countries' endeavor to lessen their reliance on the US dollar in international trade and finance has been a recurrent theme in the discourse on global economic affairs, with far-reaching implications for international politics and foreign policy (Kirton & Larionova, 2022) ^[13,17]. The de-dollarization action which means moving towards currency diversification could significantly enhance the economic independence and sovereignty of the BRICS countries, given that the US dollar has been the dominant currency in the global financial system since the end of World War II, enabling the US to exert substantial influence over global economic and political affairs (Chatin & Gallarotti, 2019) ^[8]. The BRICS nations have long harbored concerns regarding this state of affairs, and by reducing their dependence on the US dollar, they could mitigate their exposure to economic sanctions imposed by the US (Lieber, 2014) ^[19]. This could culminate in a more autonomous economic and political stance for the BRICS countries, catalyzing a shift in the equilibrium of power in the international system (Xing, 2016, p. 139) ^[24].

Additionally, the BRICS countries' shift away from the US dollar could foster greater regional integration and cooperation by promoting interdependence, mutual benefits, and shared interests (Zharikov, 2023) ^[26]. This could potentially result in a closer alignment of economic policies, trade agreements, and investment flows, thereby promoting greater economic cooperation and integration. Furthermore, this shift could stimulate political collaboration among the BRICS countries and foster a shared sense of identity and purpose, ultimately leading to the formation of a political bloc that challenges the prevailing global power dynamics. The emergence of such a political bloc could shift the balance of power in the international system, potentially resulting in a multipolar world order (Phiri, 2022) ^[22].

It is essential to underscore that the potential geopolitical implications of the BRICS countries' move away from the US dollar are not without significant challenges and risks. In particular, the US's entrenched position as a global economic and political powerhouse renders any attempt to displace the US dollar as the dominant currency in the international system a potential source of conflict and competition. Given the geopolitical reality, the BRICS countries' move away from the US dollar could prompt a hostile response from the US, leading to a further deterioration of international relations and the possibility of open conflict (Das & Roy, 2022) ^[9]. The development of a new currency to replace the US dollar, as previously discussed, requires extensive coordination and cooperation among the BRICS countries. Such an undertaking may expose underlying differences and tensions among the member states and result in conflicts over the management and distribution of the new currency. This would hinder the effectiveness of the proposed currency and impede the development of further economic cooperation and integration among the BRICS countries (Li, 2019) ^[18].

To summarize, the BRICS countries' shift away from the US dollar has important implications for international politics and foreign policy. The move could bring about greater economic independence and sovereignty for the BRICS countries, potentially leading to a reconfiguration of the balance of power in the international system. Moreover, it could foster greater economic and political cooperation among the BRICS countries and result in the formation of a political bloc that challenges the dominance of Western powers in global affairs. However, the move also presents potential risks and challenges. One of the most significant risks is the possibility of heightened competition and conflict with the US, which may respond to the BRICS' move with hostility. Furthermore, the creation of a new currency could pose challenges related to coordination and management among the BRICS countries, which could result in internal conflicts and undermine the success of the new currency. The success of the BRICS countries' shift away from the US dollar will hinge on their ability to manage the risks and challenges involved and coordinate effectively. Nonetheless, if successful, this move could have significant implications for the international system and bring about greater economic and political autonomy for the BRICS countries.

Conclusion

In conclusion, the BRICS countries' departure from the US dollar -De-dollarization- could engender substantial global implications, which bear relevance to the field of international relations and foreign policy. Specifically, the move might grant greater economic autonomy and sovereignty to the BRICS countries, thereby diminishing their susceptibility to US-imposed economic sanctions and causing a potential reconfiguration of power within the international system. Concurrently, the establishment of a novel currency could also foster economic cooperation and integration among the BRICS nations, potentially fostering a novel political bloc that challenges the predominance of Western powers within global politics (Stuenkel, 2020, p. 171) ^[23]. Nevertheless, the move entails potential risks and challenges, comprising augmented competition and conflict with the US and potential internal discord within the BRICS states concerning the administration of the newly introduced currency. Ultimately, the accomplishment of the transition will hinge on the BRICS countries' ability to coordinate optimally and manage the challenges associated with the creation of the currency.

It is important to note that the BRICS countries' pivot from the US dollar is not a recent phenomenon, but rather a long-standing trend that has been in progress for several years. The BRICS countries have been striving to mitigate their reliance on the US dollar in international trade and finance, and this move may be construed as a subsequent stage in this progression. Nonetheless, the establishment of a new currency would signify a momentous deviation from the extant international monetary system, and the triumph of this endeavor will hinge on the BRICS countries' capacity to adeptly navigate the potential hazards and hurdles.

The BRICS countries' move away from the US dollar represents a significant challenge to the current international monetary system and has the potential to transform the global economic landscape (Kuehnlenz, *et al.*, 2023) ^[15]. In light of the US's historical dominance, the emergence of a new currency could be construed as a challenge to the US's

economic and political supremacy. The US's potential response to this challenge could involve increased hostility towards the BRICS countries, thereby contributing to a deterioration of international relations and escalating into violent conflict. Thus, this move has serious implications for international politics and foreign policy.

On the other hand, the BRICS countries' move away from the US dollar may potentially enhance cooperation and integration among these nations. The creation of a novel currency could serve as a catalyst for expanded trade and investment activities among these nations, thereby inducing a greater degree of economic collaboration and integration. This may foster deeper political cooperation among these nations and create a platform for the establishment of a new political bloc that competes with the hegemony of Western powers in global affairs.

In summary, the BRICS countries' shift away from the US dollar bears considerable ramifications for international politics and foreign policy. While this transition could bring about greater economic independence and integration among the BRICS countries, it could also entail increased competition and conflict with the US, given the latter's dominant position in the international system. The success of this move hinges on the BRICS countries' capacity to synchronize their efforts, address the attendant risks and challenges, and navigate the potential political implications of the creation of a new currency on the international stage.

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