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The BRICS currency agenda: Towards de-dollarization and a new global financial order

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Abstract
The global economic landscape undergoes significant shifts, the BRICS alliance comprising Brazil, Russia, India, China, and South Africa has emerged as a key driver of efforts to challenge the long-standing dominance of the U.S. dollar in international finance. This article critically examines the BRICS currency agenda, focusing on its strategic push towards de-dollarization and the creation of a more balanced, multipolar financial order. It also explores the geopolitical factors, technological enablers, and institutional mechanisms being deployed by BRICS nations to reduce their dependence on Western-led financial structures. By analyzing recent proposals for a common currency, the increasing use of local currencies in intra-BRICS trade, and the development of alternative payment systems, the study highlights both the aspirations and obstacles facing this initiative. The article offers an in-depth perspective on how BRICS is reshaping global economic governance and what this transformation means for the Global South and the future of monetary sovereignty. However there is no final step taken in this way but the BRICS agenda towards the De-dollarization will be very crucial in the new global financial world order.

Keywords: BRICS, De-dollarization, global south, reserve currency, multipolarity, swift, global trade, financial sovereignty, new development bank, global financial order

Introduction

In an era marked by shifting power dynamics and a growing mistrust of Western-dominated institutions, the BRICS has emerged as a significant geopolitical and economic force.The BRIC was first introduced by economist Jim O'Neill in 2001 to describe the growing economic influence of four emerging economies: Brazil, Russia, India, and China (O'Neill, 2001). In recent years, emerging powers have grown increasingly dissatisfied with the Western-led global order, especially with the dominance of the U.S. dollar in international trade, finance, and reserves. Against this backdrop, the BRICS has emerged as a symbol of resistance to global financial imbalances and as a platform for promoting a more inclusive and balanced world economy (Chin, 2015; O'Neill, 2001) [17, 18]. The concept quickly took political shape, leading to the formal establishment of BRIC as a multilateral group in 2006. Over time, BRICS has grown into a major political and economic bloc, accounting for approximately 42% of the world population, over 30% of global GDP, and nearly 18% of global trade as of 2024 (IMF, 2024; World Bank, 2023) [9]. The formation of BRICS in 2023-2024, with the inclusion of new members such as Egypt, Iran, Ethiopia, and the United Arab Emirates, further expands the group's influence and reinforces its vision of a more diversified and multipolar world order (Reuters, 2023; Al Jazeera, 2024). While BRICS was initially focused on economic cooperation and developmental issues, its agenda has expanded to include broader political and financial reforms. The member countries often emphasize sovereignty, non-interference, and multipolarity principles that stand in contrast to the U.S.-led liberal international order (Stuenkel, 2016) [19]. This article aims to critically analyze the BRICS currency agenda as a strategic response to dollar hegemony. It explores the political, economic, and technological drivers behind the BRICS push for de-dollarization, examines the feasibility of a common BRICS currency, and investigates the broader implications for the global financial system. By understanding the motivations, mechanisms, and challenges involved, the article seeks to provide a nuanced perspective on how BRICS may contribute to reshaping the global monetary order in the years ahead.

Review of Literature

Building on this, Kirshner (2008) [20] examined the political implications of reserve currency status, arguing that challenges to dollar dominance are less about immediate replacement. According to Ocampo (2017) [21], regional financial cooperation particularly in Asia and Latin America can facilitate currency diversification if backed by robust macroeconomic frameworks. Studies by the Bank for International Settlements (BIS, 2021) show that Cross-Border Interbank Payment Systems and domestic alternatives to SWIFT are gaining traction, especially in China and Russia, where geopolitical pressures have incentivized technological innovation in finance. Krickovic and Brutsch (2022) [11] argue that de-dollarization is not solely an economic phenomenon but a strategic reaction to perceived Western financial coercion, especially following U.S. sanctions on Iran and Russia. Armijo and Roberts (2014) [1] examined the institutional development of the New Development Bank and the Contingent Reserve Arrangement as tangible moves toward South-South financial solidarity. These critiques are crucial to contextualizing the ongoing debates around BRICS currency proposals and underscore the need for incrementalism and realistic policy design.

Historical Background: **The Rise of Dollar Hegemony**

The dominance of the United States dollar in the global financial system can be traced back to the Bretton Woods Conference of 1944, where 44 Allied nations convened to design a stable post-war economic order. By the end of World War II, the United States held nearly two-thirds of the world's gold reserves and had emerged as the largest creditor nation (Helleiner, 2009) [30]. This made the dollar the most stable and liquid currency available for anchoring international trade and finance. However, the Bretton Woods system began to collapse in the late 1960s due to rising U.S. inflation, persistent balance of payments deficits, and the growing inability of the United States to maintain the gold-dollar convertibility. In 1971, President Richard Nixon suspended the gold standard, effectively ending the Bretton Woods system, a move widely known as the "Nixon Shock" (Eichengreen, 2011) [25]. Despite this, the dollar continued to dominate the international monetary system, transitioning into a fiat currency that retained global trust due to America's economic and geopolitical influence. As of early 2024, over 58% of global foreign exchange reserves are held in U.S. dollars, according to the IMF's Currency Composition of Official Foreign Exchange Reserves database (IMF, 2024) [9]. This privilege allows the U.S. to run large deficits without the typical consequences experienced by other countries, as global demand for dollars ensures consistent inflows into American financial markets. This dynamic often leaves them vulnerable to external shocks originating from U.S. monetary policy decisions, such as interest rate hikes by the Federal Reserve. The dominance of the U.S. dollar in the global financial system has not been without criticism particularly from developing nations across Asia, Africa, and Latin America. While the dollar provides global liquidity, trade convenience, and financial stability for advanced economies, its central role also generates a series of systemic disadvantages for the Global South. These inequities have increasingly led to calls for a restructured financial order that is more inclusive, representative, and multipolar.

Theoretical Framework: De-Dollarization and Global Monetary Power

De-dollarization means the process of reducing reliance on the U.S. dollar in international trade, finance, and reserves. While the term initially emerged in the context of domestic currency stabilization. It has evolved into a broader geopolitical and economic strategy aimed at rebalancing global monetary power (Maziad & Schadler, 2012). Academics define de-dollarization in both narrow and broad terms. Narrowly, it involves the use of local currencies for bilateral trade settlements and reserve diversification. Broadly, it entails the creation of new financial institutions, alternative payment systems, and even regional currencies to counter dollar dominance (Cohen, 2015) [22]. The BRICS initiative falls within this broader definition, combining institutional innovation such as the New Development Bank and proposed BRICS payment systems with the political will to challenge the dollar-based global financial world order. De-dollarization is often driven by both economic pragmatism and political resistance, particularly by countries that have experienced the adverse effects of financial sanctions to Federal Reserve interest rate shifts (Ghosh, 2022) [23].

According to Kindleberger's hegemonic stability theory, a stable international financial system requires a leading state to provide liquidity, act as lender of last resort, and ensure rule-based governance (Kindleberger, 1981) [24]. The U.S. assumed this role post-1945, with the dollar serving as the anchor currency under both the Bretton Woods system and its fiat successor. However, scholars like Barry Eichengreen (2011) [25] and Benjamin Cohen (2009) [26] argue that while monetary hegemony provides stability, it also creates structural imbalances. The hegemon enjoys "exorbitant privilege" by issuing the world's reserve currency, allowing it to run perceptual deficits and externalize inflationary pressures, while other countries bear the costs of adjustment. From this perspective, BRICS de-dollarization is a counter-hegemonic strategy, seeking to challenge U.S. dominance over the global monetary order and redistribute power in a more equitable way (Subacchi, 2020) [27]. The increasing use of local currencies in BRICS trade, proposals for a common currency, and calls for a new financial infrastructure are tangible expressions of this theoretical contestation. South-South cooperation refers to collaboration among developing countries in political, economic, and technical domains to reduce dependence on the Global North. SSC has gained new momentum in the post-Cold War era as emerging powers seek greater strategic autonomy in shaping global governance (Gray & Gills, 2016) [28]. The grouping promotes the use of local currencies, supports regional banks and advocates for greater voice and representation of developing countries in global institutions like the IMF and World Bank (BRICS Joint Statement, 2023). Recent studies suggest that the world is entering an era of contested unipolarity in finance, where the dollar remains dominant but increasingly challenged by regional initiatives (Prasad, 2021) [29].

The Vision of BRICS Currency

The BRICS coalition has taken a lot of significant steps toward reimagining the global financial system, with a strong emphasis on De-dollarization and the establishment of a multipolar monetary framework. Let's try to understand the evolution of the BRICS currency agenda and focus on key initiatives such as the New Development Bank, the Contingent Reserve Arrangement, Digital payment systems like BRICS Pay, and ongoing proposals for a common BRICS currency.

a) **The New Development Bank:** The NDB emphasizes equal voting rights among member states and promotes local currency lending, a crucial step toward reducing dependence on the dollar (NDB, 2023) [16]. Established in 2015 with an initial capital of
$100 billion, the New Development Bank (NDB) was created to mobilize resources for infrastructure and sustainable development projects in BRICS and other emerging economies. As of 2024, the NDB has funded over 90 projects worth more than $30 billion across various sectors such as energy, transport, and urban development.
b) **Contingent Reserve Arrangement (CRA):** CRA was launched alongside the NDB, It is the $100 billion financial safety net designed to offer short-term liquidity support to BRICS members in times of balance-of-payments pressure or currency volatility. The CRA does not impose austerity-linked conditionalities, reflecting BRICS' emphasis on solidarity and policy autonomy (BRICS CRA Agreement, 2014). The CRA has symbolic importance in the broader BRICS currency agenda as it represents a collective financial shield, one that could potentially evolve into a regional monetary fund offering settlement in national or common BRICS currencies in the future.

BRICS Pay and Digital Currency Platforms: A newer initiative under discussion is BRICS Pay, a distributed payment system intended to facilitate transactions among BRICS members in local currencies using blockchain and digital ledger technologies. This platform aims to reduce transaction costs, avoid currency conversion into U.S. dollars, and foster financial inclusion by integrating small and medium-sized enterprises into cross-border trade (RT News, 2023). The central bank digital currencies are being developed or piloted in BRICS countries, especially China, India, and Russia. These digital currencies could form the technical infrastructure for a future BRICS settlement mechanism. (BIS, 2023) [2].

Mechanisms of DE-Dollarization

While the concept of de-dollarization has long been discussed in theoretical and policy circles, recent geopolitical shifts particularly sanctions against Russia, U.S.-China economic tensions, and the weaponization of the global financial system have catalyzed its implementation through practical mechanisms. BRICS nations and other emerging economies are increasingly using localized, strategic instruments to reduce their dependence on the U.S. Dollar in cross-border transactions, trade financing, and payment systems. Here are some of the key de-dollarization mechanisms currently in practice. One of the most direct and widely adopted de-dollarization strategies is the use of national currencies in bilateral trade agreements. Countries like India and Russia have operationalized such arrangements to settle trade without converting through the dollar. After Western sanctions limited Russia's access to SWIFT and dollar transactions, India and Russia agreed to settle part of their oil and arms trade in rupees and rubles, bypassing U.S. financial channels (Business Standard, 2023; Reuters, 2023) [17]. As of 2024, CIPS connects more than 1,400 financial institutions across 100 countries, allowing smoother trade settlements in yuan and supporting Beijing's broader ambitions to internationalize the renminbi (PBC, 2024). SPFS is now being expanded for use with partner countries such as China, India, and Iran, and talks are underway for its integration with BRICS digital platforms (TASS, 2023). While SWIFT remains the backbone of global financial messaging, its control by Western-dominated financial regimes has exposed countries to political risks. To reduce SWIFT dependency, BRICS nations are exploring interoperability among their national systems and have discussed creating a BRICS-owned financial messaging platform at recent summits (BRICS Summit Declaration, 2023) [3]. In Asia, the Asian Clearing Union which includes India, Iran, and Bangladesh has revived efforts to expand local currency settlements. India, for example, is promoting the Indian rupee as a trade invoicing and settlement currency, especially for its energy imports from Russia and agricultural exports to the Global South (RBI, 2023).

Challenges to BRICS Currency

The idea of a common BRICS currency envisioned as a means to accelerate de-dollarization and establish a more balanced global financial system has garnered increasing interest in geopolitical and economic discourse. However, translating this vision into a functional reality is fraught with significant structural, political, and institutional challenges. Here are some of the key barriers to BRICS CURRENCY are discussed below. One of the most fundamental obstacles is the economic heterogeneity among BRICS members. The bloc consists of vastly different economies in terms of GDP size, inflation rates, export structures, debt profiles, and financial systems. For example, China accounts for over 70% of the group's total GDP (World Bank, 2023), another major challenge lies in the incomplete convertibility of several BRICS currencies. While the Russian Ruble and Brazilian Real are mostly convertible, India's Rupee and China's Yuan are still subject to partial capital controls, which limit the free flow of capital across borders (IMF, 2022). Although BRICS positions itself as a cooperative bloc, geopolitical frictions among its members especially the India-China border disputes present serious hurdles to deeper financial integration. Bilateral tensions over border skirmishes have weakened strategic trust and slowed down momentum on joint economic mechanisms (Mohan, 2021) [14]. Finally, the absence of a common monetary policy is a key structural limitation. The BRICS economies follow independent central banking models, often guided by domestic growth priorities, inflation control, and currency stabilization. A common currency would require unified targets for interest rates, inflation, money supply, and budget deficits objectives that are difficult to synchronize given the political and economic divergence among BRICS countries.

Global Impact: Prospects for a new Financial Order

The BRICS currency agenda and broader De-dollarization efforts represent not only a regional shift but a potential turning point in the evolution of the international monetary system. If implemented successfully, these initiatives could usher in a new financial order characterized by greater pluralism, reduced dependency on the U.S. dollar, and increased representation of developing economies in global finance.. The U.S. dollar has long held an exorbitant privilege as the world's primary reserve and settlement currency, a position cemented after the Bretton Woods collapse in 1971. However, BRICS-led De-dollarization could gradually erode this dominance by encouraging diversified currency use in global reserves and trade. While the dollar still accounts for roughly 58% of global reserves as of 2023 (IMF, 2024) [9], its share has been declining slowly due to shifts in central bank strategies and growing bilateral trade in local currencies (Eichengreen, 2022) [6]. The rise of BRICS financial initiatives has triggered mixed reactions from the West. On the one hand, Western institutions have acknowledged the legitimacy of calls for reform in global governance. On the other, the idea of a common BRICS currency or dollar-alternative settlement system is seen as a strategic challenge to U.S. and European economic dominance (Chatham House, 2023) [4].

India's Role in the BRICS Currency Agenda

India has been a strong advocate of institutional innovation within BRICS. It played a key role in the establishment of the New Development Bank and has benefited from NDB-funded infrastructure and energy projects. India plays a pivotal yet cautious role in the evolving BRICS currency discourse. As the world's fifth-largest economy and a founding member of BRICS, India's participation is crucial to the legitimacy of any alternative monetary framework proposed by the bloc. India's foreign policy and economic strategy have historically been driven by the doctrine of strategic autonomy. In the BRICS framework, India supports the principle of multipolarity and the reform of global financial governance, yet maintains a non-confrontational stance towards the U.S.-led economic order (Mohan, 2021) [14]. India's unique geopolitical posture allows it to act as a bridge between the Global South and the West. Within BRICS, India aligns with calls for decentralized economic governance and equity in global finance, while also serving as a trusted partner of liberal democracies. Moreover, India has consistently called for reforms in global financial institutions, especially the IMF and World Bank, to reflect the economic weight of emerging economies (MEA India, 2023) [23]. While India may not lead the push for a BRICS common currency, its engagement in alternative trade settlement systems and support for institutional innovation highlight its commitment to pluralism and South-South solidarity.

Conclusion

The BRICS currency agenda represents a strategic challenge to the long-standing hegemony of the U.S. dollar and the institutions that underpin the existing global financial order. The bloc's initiatives ranging from promoting bilateral trade in local currencies to establishing regional financial institutions and exploring common currency proposals signal a collective desire to restructure the norms of global trade, investment, and development finance. As emerging economies seek greater voice, flexibility, and autonomy in international finance, BRICS emerges as a potential catalyst for a multipolar monetary system. However, the road toward a new financial order is far from smooth. Internal challenges such as economic asymmetry, political tensions, and divergent monetary policies, as well as external pushback from entrenched Western institutions, present serious hurdles to implementation. The absence of a unified monetary framework, institutional convergence, and capital market integration continues to slow momentum. The success or stagnation of the BRICS currency agenda will hinge not merely on symbolic declarations, but on concrete action, internal coordination.

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