



"Shifts In Global Currency Dynamics: BRICS, Less Reliance On The Dollar, And The Rise Of Superpowers."

Vinayak Kedia

Student

Amity Institute Of International Studies

Amity University Uttar Pradesh

Abstract

The dynamics of currencies have become a crucial aspect in defining the New World Order's boundaries in the dynamic world of geopolitics and global finance. The emergence of the BRICS countries as strong competitors to the conventional dominance of Western powers is at the core of this revolutionary change, especially in light of the dollar-centric international financial system dominated by the United States. This ongoing de-dollarisation process, and the rise of new superpowers in the international arena, delving into the many facets of Currency Dynamics in the New World Order. The US dollar became the principal reserve currency of the globe in the second part of the 20th century, therefore consolidating American economic and geopolitical dominance. But the 21st century has brought about a paradigm change, with the BRICS countries establishing themselves as important participants questioning the status quo in the economy. A conversation on the need for a more diverse and just global financial system has emerged as a result of the BRICS countries' combined increase in economic power and diplomatic power.

Keywords: New World Order, Geopolitics, Brics , Western Powers, Dollar-centric ,International Financial System, De-dollarisation, Currency Dynamics, Economic Dominance, Diplomatic Power.

I. Chapter 1: Introduction

I.i. The Story of Dollar Dominance in History Rise of Dollar:

The Bretton Woods Agreement, which created a fixed exchange rate framework with the dollar tied to gold in 1944, is credited for making the US dollar the world's principal reserve currency. The United States increased commercial and economic relations with war-torn nations over the first half of the century, running budget surpluses and strengthening its position as the world's store of wealth. Later in the 1960s, as political friends accumulated dollar reserves, the U.S. dollar's proportion of the world's foreign reserves rose quickly. But when this system broke down in the early 1970s, a floating exchange rate system was adopted, and the dollar remained the preferred foreign currency.

I.ii. The Genesis of BRICS:

Global economic dynamics, however, have been changing recently. Emerging economies and economic giants like China and India have been progressively upending the status quo. These nations have made an effort to diversify their reserves, hedge against outside shocks, and lessen their vulnerability to any possible weaknesses brought on by the dollar-centric financial system. Being a part of the BRICS alliance, which accounts for a sizeable share of the global GDP and around 42% of the world's population combined. The BRICS group has set up organisations such as the Contingent Reserve Arrangement (CRA) and the New Development Bank (NDB) to help member nations financially and promote cooperation outside the Western-dominated financial system.

I.iii. The End of The Beginning:

Many nations have looked at currencies other than the US dollar since the US placed economic sanctions on Russia in 2014 and blocked its transactions in dollars. The adoption of the euro also helped countries overcome the dollar's hegemony. Many countries have implemented bilateral agreements during the last eight years in an effort to prevent a situation akin to Russia's. Over 20% is said to have dropped out of the dollar's worldwide trading over the previous four years. According to projections from the IMF, the dollar's percentage of the central bank's foreign exchange reserves fell from 70% in 1999 to 59% in 2022. In

the upcoming year, other nations are anticipated to take a similar stance and advocate for De-dollarisation. In addition, because of its liquidity, the US dollar is used in about 90% of foreign exchange transactions. Nonetheless, nations are increasingly looking for alternatives to the dollar. Western companies are now settling their commerce in renminbi with China. Looking ahead, alternatives to the US dollar may be offered by digital currencies. More importantly, the transition to a multipolar system may advance during this century if the United States' percentage in the world economy keeps declining. Prior to the conflict, nearly all of Russia's export transactions were in yuan; by 2022, that percentage had risen to 16%. Argentina and Brazil have also started using Chinese yuan as a reserve or for trade. Nevertheless, eighty percent of Brazil's reserves are in US dollars. Even if the US dollar's proportion of foreign reserves has declined, it still has a significant impact on the global economy. Over many decades, the majority of trade has been pretty consistently invoiced in U.S. dollars on a worldwide scale. Dollars were invoiced for 74% of commerce in Asia and 96% of total trade in the Americas between 1999 and 2019.

II. Chapter 2: BRICS's Magical Curse To Overthrow the Dollar

II.i. The BRICS Countries' Significance:

Together, the BRICS nations make up a sizeable portion of the world's population and, when adjusted for buying power parity, provide around 25% of the world's GDP. Any possible move by these countries to depart from the dollar's value might have a big impact on the world financial scene because of how rapidly their economies are growing. According to (RT), the Government of Russia has confirmed these rumours by announcing that the BRICS countries want to launch a new trade currency backed by gold. This move is consistent with the global economy's continuous de-dollarisation trend, in which central banks all over the globe are building up their gold reserves as a means of diversifying their holdings away from the United States dollar. In addition, several countries are looking at alternative currencies due to geopolitical uncertainty brought on by the US government's use of the US dollar as a weapon versus Russia during the invasion of Ukraine.

II.ii. The effects of De-Dollarisation:

There will undoubtedly be less demand for the US dollar overall if nations start to move away from it and look for other currencies. The de-dollarisation would have broad financial and political ramifications, especially if the BRICS currencies were to be augmented with gold. It would lessen the US dollar's hegemony as the world's reserve currency, which would change the global financial system's power dynamics and lessen US influence. Furthermore, by giving the BRICS countries more economic independence, they would be able to manage their reserves and engage in cross-border commerce without being unduly dependent on the dollar, which would reduce any possible economic weaknesses. Trade between BRICS countries might be streamlined by introducing a gold-backed currency. This would eliminate the demand for agreements between nations priced in non-dollar currency and allow for higher trade volumes. Furthermore, the de-dollarisation process signifies a wider geopolitical movement away from US hegemony and towards the growing influence of emerging nations like China and Russia. In the end, this change may result in the formation of new economic blocs and alliances, changing the geopolitical environment and lessening the geopolitical influence of the US. The economy would also have severe effects, with individuals and financial institutions shifting their portfolios out of dollar-denominated commodities. Increased market volatility and possible effects on the security and value of various currencies might result from this diversification.

II.iii. Central banks are holding more gold now:

An intriguing development that coincides with the possible move from the US currency is the increase in gold reserves held by central banks. Poland, for example, indicated a fresh interest in strengthening its holdings in May when it upped the amount of gold it held by 19 tonnes. The central bank of China has also been steadily acquiring gold, maybe through covert buys as well as through officially declared purchases. Because of these measures, there is conjecture that China owns greater quantities of gold than it reports on official documents. The gold reserves of other central banks, such as those in the Czech Republic, Singapore, India, and Russia, have also expanded. Gold has long been seen as a store of wealth and a safe-haven investment. Even if the BRICS bank's CFO has said that there are no imminent plans for the proposed currency, it is impossible to ignore the rising global clamour for de-dollarisation. The discussion of a BRICS gold-backed currencies appears like echo chamber noise. The executive director of Bannockburn in Global Forex, Marc Chandler, stated, "They do not have enough gold to support their currency meaningfully." There has been a lot of speculation among analysts regarding a new currency that may challenge the US dollar's position as the global stock money". The dominance of the US dollar is causing global monetary policies to become unstable, according to a report written by former chief economist Jim O'Neill of Goldman Sachs and released in the Global Economic Journal. The dominance of the US dollar is causing global monetary policies to become unstable, according to a report written by former chief economist Jim O'Neill of Goldman Sachs and released in the Global Economic Journal at the end of March. He went on to say that a BRICS money would stabilise the world economy by undermining the US dollar's hegemony. The speaker stated that there have always been significant repercussions on the worth of the currency and cascading effects anytime the board of the Federal Reserve has implemented phases of monetary tightening or the reverse, easing.

II.iv. Will India Gain from This :

India earned the moniker "Golden Sparrow" long ago because it was so keen to hoard the yellow gold rather than use it for its plentiful exports. Additionally, it is the world's second-largest market for bars and coins. Over the past ten years, India has used a median of 187 tonnes of golden every year for this purpose. "Consumers feel richer while the value of gold go up," the WGC MD Somasundaram P.R. notes, citing the high percentage of gold the ownership in Indian households. "Gold seated in the vault is of little use till it gets monetarily mobilised for financial activity," he continues. According to Somasundaram, Indian

households currently own roughly two trillion dollars (₹165 lakh crore) well worth for reserves of gold, while all deposits in banks in India are currently within ₹175 lakh billion.

III. Chapter 3: BRICS Countries Take On The US Dollar's Domination

III.i. A Blockchain-Based Payment System Is In Progress

According to a report by the Russian news agency TASS, the BRICS group of countries—Brazil, Russia, China, India, and South Africa—is working together to develop an autonomous payment system utilising blockchain and digital technologies. The goal is to create a blockchain-based system for payments that is safe, effective, and practical for corporations, governments, and regular people. It should also be devoid of political influence and reasonably priced. The BRICS group is working to become less dependent on the US currency and increase its influence in the global monetary system. One of their initiatives is this one. According to Yury Ushakov, a Kremlin aide, having a self-sustaining payments system has been a key long-term objective (TASS interview). The goal of the BRICS countries' payment system development is to strengthen their monetary independence and lessen the risks involved in depending on the current global payment systems. The report also emphasised the BRICS group's continuous attempts to "de-dollarise," or lessen their dependence on the US dollar. In this regard, the creation of the Contingent Reserves Arrangement will be essential since it will permit the use of currency other than the US dollar. By diversifying their financial operations, the BRICS countries hope to lower their vulnerability to potential economic hazards linked to single dominating currency and increase confidence and adaptability in their financial dealings.

III.ii. BRICS and blockchain:

The intergovernmental BRICS organisation is developing a blockchain-based payment mechanism for settling international trade, according to a Russian advisor to the Kremlin. Even while the project's precise specifications are still unknown, this might be an important move ahead for BRICS as it attempts to de-dollarize and establish itself in global markets. With the goal of becoming a global commercial and economic union akin to the European Union, the recently established BRICS is utilising blockchain technology and digital assets to establish an autonomous payment system.

III.ii.i Assistant to the Kremlin Yury Ushakov stated in an interview with the Russian news outlet TASS:

"We think that establishing a stand-alone BRICS payment system, built on cutting-edge instruments like blockchain and digital technology, is a crucial objective for the future. The most important thing is to ensure that it is economical, devoid of politics, and convenient for governments, regular people, and corporations. According to Ushakov, "work on developing the Conditional Reserve Arrangement will continue, particularly considering the utilisation of currency other than the US dollar." There have been debates about a form of digital currency that can do this since 2019, and it looks like these ideas are now bearing fruit.

III.iii. BRICS Link?

The announcement follows a meeting between BRICS central bank governors and finance ministers on the final day of the second month of 2024 in Brazil's Sao Paulo city to talk about the development of an alternative method of payment and settlement project called "BRICS Bridge" as well as the status of the global financial system. Russian financial minister Anton Siluanov stated that "a BRICS Bridge" had been suggested and that Russia was "ready to start [testing]" with nations like China, the nations that make up the Eurasia Economic Union (EAEU), and other Gulf countries, according to the fluent in English Russian media outlet Sputnik International. It appears that one of the group's main priorities is for the nations that make up BRICS to expand their financial ties and cooperate economically without obstacles. Interestingly, blockchain is at the core of this. Ushakov further explained that the suggested system would need to be "economical, devoid of politics, and easy for authorities, ordinary individuals, and businesses." With these remarks, Ushakov extended the blockchain's alleged use beyond cross-border trade settlements to include consumer sales as well as service payments. When measured up price parity (PPP), the BRICS nations represent 36% of the worldwide GDP and more over 45% of the world's population. With the potential to serve hundreds of millions of people across ten nations, this BRICS system of payments would rank among the biggest blockchain-based rail systems ever built. Since the BRICS summit was held last year, efforts to incentivise the utilisation of local currency for BRICS payments in order to secure international transactions have continued, according to Ushakov. He explained in detail how the team was creating a "Contingent Reserve Arrangement" to achieve this.

III.iii.i. Unpredictability On This Road: Difficulties And The Defence Of The Dollar

But there are certain obstacles in the way of a financial revolution driven by the BRICS. First, the system's exact workings are yet unknown. In what way will it work with current banking institutions? Which security measures will be put in place?

The G20 nations are also feeling the need for a stronger commercial standing in the face of swift technology advancement; they have recently identified tokenization and cryptocurrency as critical areas of concentration for managing risk, financial stability, and other needs by 2024. The second obstacle that has to be addressed is broad acceptance outside of the BRICS region. Persuading other countries to abandon their current arrangements may prove to be challenging. Third, it is unlikely that the US, which currently holds the position of financial hegemony, will give it up easily. The dollar continues to have several benefits, including a large and liquid market, well-established infrastructure, and widespread confidence.

In summary:

The BRICS nations' rumoured plans to introduce a gold-backed money at their summit in August portend a potentially dramatic change in the structure of the world economy. The BRICS member states' departure from the US currency might have far-reaching effects because they account for a sizeable amount of the global population and GDP. The fact that central banks are holding more gold highlights the strategic value of gold as an asset of reserve. The global system is clearly changing quickly, even though specifics and the announcement date of any possible currency are yet unknown. Understanding these advancements is essential to understanding how the world economy is changing and preparing for any future changes. Regarding the creation of a comparable payment structure, Russian Finance Minister Ivan Siluanov noted in February that a plan was afoot to "create an environment which would connect the monetary systems of its participants." By saying that "technological channels for transactions using the electronic currencies of central banks" were "already in operation," Siluanov made a suggestion that CBDCs would be used for this role.

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