BRICS plus Six

25 SEPTEMBER 2023

Xaver Spoerl



For decades, we have been hearing the swan song for the unprecedented dominance of the United States of America and the West on World affairs. With time, it has grown ever louder. Many observers have come to regard the recent BRICS summit in South Africa as a symptom of this alleged decline of Western dominance. Apart from the enlargement of the alliance, however, the summit was lacking the formulation of concrete plans on how to challenge the West.

At least, said enlargement itself is quite something: with its six new member states BRICS is now representing 46 per cent of the World population and 37 per cent of the World economy. The Gulf states of Iran, Saudi Arabia and the UAE come with huge oil deposits, whereas Argentina

and Ethiopia bring vast agricultural lands only adding to the abundance of natural resources of the previous five member states.

Apart from that, it will be rather difficult for the BRICS to tackle the American power. First of all, it is a very diverse group of countries, much more diverse even than the European Union, for instance: it comprises democracies like India and Brazil and totalitarianish dictatorships like China and Russia, the highly developed UAE and the civil war-torn Ethiopia and even the former arch enemies of Iran and Saudi Arabia. The only thing in common is the will to break Western dominance.

One often-mentioned goal of the BRICS is the breaking of the dominance of the US Dollar which is a key pillar of US power. Russia's exclusion from the SWIFT payment system in the wake of Russia's full-scale invasion of Ukraine has shown how the US can use their currency as an economic weapon and made many wish to reduce their dependence on it.

Regardless, it is yet unclear how this is to happen. Due to the aforementioned significant differences of the member states, it is unlikely that they are willing to give up sovereignty to each other which makes the creation of a mutual central bank highly difficult. An alternative might be a gold-backed trading currency. This would come with huge problems though, in a growing world economy, as gold-backed currencies are naturally deflationary.

In spite of all this, the West should not take these developments lightly. The war in Ukraine has created international turmoil in which many emerging economies have gained new confidence to challenge the West. Many of them feel they have been treated as junior partners by more powerful countries and have now gained significant bargaining power. Brazil for example, officially condemned the Russian aggression, but refuses to deliver arms to Ukraine.

The European Union should seek to reduce dependencies on emerging economies in areas like key technologies and arms production while strengthening their relations with them, especially the more liberal-democratic ones, in others. For this, it will also need to bite the bullet in certain regards. In the negotiations with Mercosur for example, the EU must overcome its excessive insistence on environmental and labour standards that is seen by the South Americans as belittling and often only conceals more selfish protectionist intentions. If it will not be able to do that, it might have to learn it the hard way.