The Need for BRICS Expansion and Common Currency

Why in news?

BRICS expansion and common currency are the top of the agenda in 15th BRICS summit held in South Africa.

To know about the 15th BRICS Summit, click here

What is BRICS?

New Development Bank was launched in 2014 through Forteleza declaration.

- Originally conceived as BRIC by ***Jim O'Neill,*** the grouping consisted of Brazil, Russia, India, and China.
- **Representation -** It together represent 30% of the world's territory, and 42% of the world's population, 23% of global GDP, and 18% of Global trade.
- **Launched -** By a meeting of the Foreign Ministers of Brazil, Russia, India and China in 2006.
- **First summit -** It was held in Yekaterinburg in 2009.
- BRIC turned into BRICS in 2010, with the entry of South Africa.
- **Current members -** Brazil, Russia, India, China and South Africa.
- **Chair -** BRICS is chaired by member countries in rotational basis.
- *South Africa* is the chair for 2023.

What is the need for BRICS expansion?

19 countries are seeking for BRICS admission

- **East-West confrontation-** The Russia-Ukraine War and the intensifying China- USA conflict has made it necessary to expand the network of friends and partners, thus consolidating their camps.
- **BRICS Plus-** It is a cooperation mechanism launched in Xiamen summit 2017 to enlarge BRICS beyond 5 members.
- **BRICS NDB-** It has already inducted members such as United Arab Emirates, Uruguay, Bangladesh, and Egypt into its fold and many others are also willing to join.
- **Health diplomacy**- Establishment of vaccine research and development center in

2022 to cope up with the COVID 19 pandemic further led to deepening of "BRICS Plus" cooperation.

- **Demand from "node" countries-** These countries have considerable influence and important strategic positions. Without the active participation of these node countries, BRICS Plus cooperation will lack a vast hinterland, making it difficult to sustain or become bigger and stronger.
- **New world order**- It aims to assert their position particularly in relation to the United States and the European Union.
- **Investment-** As per UN report, the growth rate of intra-BRICS exports and the level of foreign direct investment into BRICS countries is above the global average.

The View of Major Countries on BRICS expansion	
China	Counters USA at functional level
Russia	Wants to overcome international isolation due to Ukraine-Russia war
India and Brazil	They fear of China's dominancy India favours the expansion through a consensus based approach
South Africa	Wants to discuss the criteria for admission of new members
Saudi Arabia	Sees this as an opportunity to expand its market

Why BRICS push for common currency?

'The Cape of Good Hope', the joint statement of BRICS, underscores the use of local currencies in international trade and financial transactions between BRICS and its trade partners.

- **Alternative transfer mechanism-** In 2022, Russia put forward an international reserve currency mechanism to counter crippling sanctions levied by European Union, USA, UK etc.,
- **Buffer for western sanctions-** As it impacts the basic principles of
  - Market economy
  - Free trade and
  - Inviolability of private property
- **Counter western dominance-** The aim is to globally realign the geopolitical situation to suit its member nations' economic, geographic and demographic advantages.
- **Push for local currency-** RBI has allowed 18 countries to trade in rupees with India.
  - ***Rupee Dirham deal*-** It aims to interlink the two nations' payment and messaging systems as well as increase the circulation of the rupee in the Gulf region.
  - ***Rupee Rouble arrangement*** has already done by Russia and India, but later dropped due to expensive currency conversion
  - ***China trades in Yuan*** with over 120 countries.
- **BRICS pay**- It is a decentralised multi-currency digital international payments system that was launched in 2018.
- It aims to enable digital payments between the different countries in BRICS PLUS format, allowing businesses and consumers to securely and seamlessly make and receive payments in their local currency.

References

1. Indian Express- Expansion of BRICS
2. The Hindu - BRICS common currency push
3. BRICS pay- About BRICS pay mechanism

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