



BRICS - Part 3

What will happen now at the big BRICS summit on August 22-24?

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Introduction

After looking at the facts and figures in [Part 1](#) and the history of the Western monetary system since World War II in [Part 2](#), the purpose of this Part 3 is to briefly describe the existing infrastructure of BRICS, highlight the obstacles due to its heterogeneous members, and show the opportunities BRICS has to move away from the U.S. dollar.

I'm writing this post before the summit and don't want to start any wild speculations - there are enough other authors who indulge in that.

Infrastructure

Members meeting

The annual BRICS summits, which began with the first formal meeting in Yekatarinenburg in 2009, are only the tip of the iceberg.

About 190 meetings a year take place among the members in working groups, on the occasion of which practically all topics that can affect a society are discussed. In addition to economic issues, topics such as sports, the environment and women's issues are also discussed. BRICS is therefore not a chatting club where heads of state meet once a year.

New Development Bank (NDB)

The NDB was founded in July 2015 by the members of the BRICS and endowed with a capital of USD 100 billion ([Official website](#)).

With this capital, the NDB is very well funded and has a very large borrowing power to finance projects, which it does - here we refer to the [project website](#) of the NDB.

Thus, the NDB is an actual copy of the Western-controlled World Bank, which was founded in the wake of the Bretton Woods Conference. The [World Bank](#) is controlled by the West, i.e. by the Americans.

Contingent Reserve Arrangement

The [Contingent Reserve Arrangement \(CRA\)](#) is an institution that has been given a very bad name, because it is not catchy and to give an organization the name "Arrangement" is strange. Indeed, the Americans are better at marketing.

This institution, which has been endowed with about USD 200 billion by the BRICS countries - first and foremost China - also has great creditworthiness.

The CRA's purpose is to assist its members and allied countries in the event of trade deficits and runs on their currencies. The CRA is thus nothing other than a copy of the Western [International Monetary Fund \(IMF\)](#), an organization that was founded in the wake of Bretton Woods and is ultimately controlled by the Americans.

Interim result

BRICS is thus very well equipped in terms of infrastructure and not just some schmoozing club. One can thus see that BRICS is a serious organization with big goals.

BRICS - a heterogeneous group

Introduction

In the first part of this series we have been able to see the numerically huge potential of this union. A potential that exceeds the power and strength of the entire collective West many times over. Potential is one thing - but it has to be exploited and this is only possible if the big members are pulling together and BRICS is able to act as one. This brings us to the biggest challenge of this community.

The heterogeneity of the members

China, India and Russia are - already due to their sheer size - the leaders of this community.

All three have one thing in common: they are all a miracle in their own right: China, as the number one, is number one in terms of population with India, and in terms of gross national product it is the clear number one. China's political system may be described as authoritarian.

India as a country is for me the greatest miracle: hundreds of ethnic groups, a multitude of religions and languages and actually a constant unstable entity that has managed to exist as a democracy despite all difficulties. India is a phenomenon.

Russia, which I know best personally, is also made up of more than a hundred peoples and thus mentalities, and its sheer size is not only an advantage, but administratively and cost-wise a challenge of which most Europeans - especially the Swiss - are not aware.

Imagine for a moment that the railroad executives of the entire country are holding a conference call: If it's 7 a.m. at the western end of the country, the colleague in the east is getting ready for dinner, because it's already 6 p.m. from where he's speaking.

Russia is also a democracy, albeit a closely managed one. To call President Putin a dictator is pure propaganda and simply wrong. Mr. Putin has to face regular elections. He would be long out of the picture if Russia were doing badly. His approval rating is 80% - measured and felt.

All the big players in BRICS thus have great challenges to overcome for themselves - due to the size and heterogeneity of their societies.

Thus, it is only logical that BRICS as a unity is actually an illusion. It is and will be extremely difficult to find a common denominator in the future.

In addition to the big three, we also have Brazil in South America. Brazil is also huge, has a more than colorful mix of ethnicities and mentalities, and is almost impossible to lead.

Finally, there is South Africa, a country that has been maltreated and plundered by Western colonial powers for centuries and, until recently, had a racial segregation that everyone should be ashamed of.

The current BRICS is shared by all countries, which have to overcome challenges for themselves and with themselves, so that they do not disintegrate as individual parts.

The most important new members on the long list of candidates are Saudi Arabia and Iran. Until recently mortal enemies and highly religious. Bringing these two additional members to a common denominator are further challenges.

"Now, however, comes the big question of how to make that happen."

Let's agree that BRICS is a very heterogeneous community and will remain so as its membership grows.

All against Western hegemony

The declared common primary goal is to free themselves from Western abuse. An abuse which - as we have seen in the [second part of this series](#) - is based on the Petrodollar.

Now, however, comes the big question of how to make that happen.

The geopolitical situation is not the same for all members of BRICS. China and Russia - due to the policy of the USA - became real enemies of America.

It can be stated in a non-judgmental way that the USA is actually forced to defeat China and Russia, otherwise it will lose world domination and with it its economy standing on it. That is a fact.

The big problem for BRICS is that India, for example, sees itself neither as an ally of China or Russia, nor as an enemy of the USA.

The subcontinent thinks quite differently. India's goal is good relations with all - the West and the East. This attitude is a direct reflection of Indian mentality. Statements by the Indian leadership give a good indication of this and facts speak for themselves. A very good example of Indian openness is, for example, the fact that India buys weapons from America, Russia and China, showing that it has a completely non-ideological attitude.

"The dollar corset is out of fashion in the Global South!"

Eine hart Linie, wie diese von Russland und China gefahren wird, ist mit der indischen Mentalität und somit deren Aussenpolitik nicht vereinbar.

Gemeinsam streben jedoch alle bisherigen Mitglieder an, vom Westen unabhängig zu werden. Diese Unabhängigkeit beginnt - und endet wohl auch - mit einem multipolaren Währungssystem - raus aus dem Korsett des US-Dollars!

Getting out of the dollar corset

Speculations



The dollar corset is out of fashion in the Global South!

If you read a lot about BRICS, you cannot avoid the discussion of a common currency. Dozens of forecasts and theories make the rounds, and many exponents seem absolutely certain about what will happen.

Facts, however, are hard to come by. India, for example, let it be known a few weeks ago that a BRICS common currency was not an issue at the moment, after Russian sources announced on Twitter that a BRICS gold standard was a fact on August 22.

"We, too, can quickly become a pawn in American foreign policy."

Combine that with the fact that the term "gold standard" is not an accurate term at all, since you can tie a currency to gold in many ways - as history shows.

Non-use of the US dollar

What is already a fact has been evident since the beginning of the blocking of the Russian Central Bank's foreign currency reserves in March 2022. Many countries - not only BRICS - conduct their trade transactions without the U.S. dollar because the freezing of Russian foreign currency reserves scared them. We, too, can quickly become a pawn in American foreign policy.

Countries such as India, China, Russia, Brazil, South Africa, Iran, Saudi Arabia, and even France are transacting international contracts that have been denominated in U.S. dollars for decades in their respective currencies. This trend is increasing and is in itself absolutely disastrous for the Petrodollar and therefore for the United States.

We have examined the Petrodollar system in detail in the [second part of our BRICS series](#) and therefore it is clear to every reader that this represents an existential threat to the Petrodollar system and thus also to the USA and its economy.

Common currency

Introducing a common currency and making it successful will be extremely difficult between countries that are as heterogeneous as BRICS & Co. One look at the Eurozone is enough to realize that it can be disastrous for those who really perform. Whoever calls the Euro a success today is very much either a politician or an economist who has never had to compete in the economy in his life. So much for the Euro. A common currency along the lines of the Euro is probably not even being considered by BRICS.

Of the many speculations about a BRICS currency, about which one can read a lot, in my opinion the statements of Jim Rickards are the most interesting. Jim Rickards is one of the brightest minds out there on economics. I have read - better devoured - all of his books. His statements are consistent and regularly confirmed by the future. Like all really smart people, timing regularly gets in his way, but then again, who hasn't timing problems.

He assumes that a currency will be created - let's call it BRICS. In his view, a BRICS will be equivalent to a unit of weight in gold, for example, 1 BRICS = 1 gram of gold.

Thus, BRICS would not be pegged to any currency - such as the U.S. dollar. This settlement currency would then also not be exchangeable for gold, but merely a unit of account.

Taking the idea further, it would be possible for the respective countries to obtain BRICS if they deposited physical gold at BRICS depositories to use for settlement in trade transactions.

I assume it is heading in that direction and that gold will play some role in providing real value as a settlement asset. Unfortunately, I do not have a crystal ball.

How BRICS will solve these problems we will eventually learn. The mere fact that a growing number of countries in the Global South no longer use the U.S. dollar in trade with each other will be seen by the U.S. as a declaration of war; this will not make the world safer.

No major announcement

We know it from the Western communities like G7 or EU: Western politicians love to make grandiose announcements, sign minutes with golden fountain pens on leather pads and hold press conferences to announce results that are none.

I don't think the BRICS summit will culminate in a grand announcement. It is quite possible that - if far-reaching decisions are made - this will be done behind closed doors and the ball will be kept low at the press conferences.

We do not have to be patient much longer.

ARTICLE TAGS:

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