

# **BRICS & DE-DOLLARIZATION: RESHAPING GLOBAL FINANCIAL LANDSCAPE**

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THE concept of economic integration at a regional level after World War-II was to ensure common good and cooperation. Therefore, European countries introduced a single platform European Union. Later, EU introduced a common currency Euro on January 1, 1999 for ease of doing business amongst EU partners as well as providing alternate option to use US\$. After this, idea of a common currency at the regional level proliferated, ASEAN countries also took steps to form a monetary union. In addition, they also showed interest in having a common currency. However, due to the geopolitical environment, ASEAN countries' economic initiatives could not materialize as desired; rather faced challenges during 1997-1999, resulting in the famous "ASEAN economic meltdown".

BRICS is a grouping of the world economies of Brazil, Russia, India, China and South Africa. The term "BRICS" was initially developed for economic purposes. Lately, BRICS countries have opened their membership and 19 more countries have expressed their desire to join the BRICS group. In addition, BRICS countries are also working to launch its own currency to reduce the dependency of world economic system on the US dollar as sole global currency. Brazil's President Mr. Luiz Inácio Lula da Silva was the first person who supported new currency and advocated for de-dollarization.

China, on the other hand, considers the dominance of the dollar as the major source of instability and uncertainty in the global economic system. China also criticized the use of sanctions as a geopolitical tool against rival states. At present, Russia and Iran are facing dollar crunch due to sanctions by the US. De-dollarization initiative by BRICS has been supported by Russia and Iran to lessen the impact of sanctions on their economies. These sanctions have prevented Russian and Iranian banks from using SWIFT which has severely impacted their trade and economy.

The BRICS countries have been working on a number of initiatives to reduce their dependency on the US currency. BRICS group's resolve for de-dollarization measures cannot be dismissed as storm in the cup of tea. World leading economies are lining up to adapt to any new initiative in this regard to safeguard their economic interests at global level. Although, India is not fully

supporting the idea of new currency under BRICS arrangements, primarily because of its geo-strategic alignment with US interest.

For many years, the US dollar has been the world's premier currency. Even, oil trade is linked to dollar at global level. It is thus correct to state that take-off of a new BRICS currency may weaken the dollar's sway over international commerce and finance. Collectively, if BRICS nations, that account for approximately 50% of global trade, were to stop using the US dollar for trade, it may lead to reduction in the dollar's demand. This might result in the depreciation of the dollar's value in comparison with other currencies and may result in the emergence of a more multipolar global monetary system. BRICS countries, on the other hand, would have to cope with difficulties like regulating currency rates, coordinating capital flow and synchronizing macroeconomic policies. The BRICS currency may also have geopolitical repercussions. It might be interpreted as an attempt to overturn the current financial system which is led and controlled by the US. This will lead to problems with other big economies and create diplomatic challenges.

The launch of any new currency initially causes volatility and instability in the international market. It may create difficult decision making scenarios for investors and traders. Moreover, the value of the new currency might threaten the already set market standards. Some of the most affected sectors and industries which may have a direct impact include oil & gas, banking & finance, technology and tourism. Furthermore, use of new currency will require all countries to modify/evaluate their portfolios and diversify foreign exchange holdings as well as trading patterns. In addition, new currency will also have an impact on other significant currencies like the Euro, Yen and British Pound.

BRICS has been successful in the past to develop cooperative strategies and weather critical crises like the Ukrainian crisis and border clashes between China and India in 2020–21. However, it would be a big challenge for BRICS to get new currency penetrated into global economic system as an alternative to dollar. At the same time, experts are unable to predict correctly about the impact of new currency on the US dollar. However, a new BRICS currency is likely to lessen the impact of US sanctions on Russia and Iran.

In conclusion, the credibility and stability of the new currency depend on the readiness of other countries to adopt it. Pakistan is late in joining the BRICS drive for new membership, but it is still good to be late than never. BRICS is here to stay and will dictate future economic global relations and thus Pakistan must guard its interests accordingly.