



Written by [Angeline Tan](#) on August 28, 2023

BRICS Expansion Expected to Challenge U.S. Dollar

The five BRICS countries — Brazil, Russia, India, China, and South Africa — have officially invited six other countries, such as geopolitical competitors Iran and Saudi Arabia, to join the bloc in the first phase of the alliance's expansion, according to an [announcement](#) by South African President Cyril Ramaphosa on August 24, the final day of the group's Johannesburg Summit.

"As the five BRICS countries, we have reached agreement on the guiding principles, standards, criteria, and procedures of the BRICS expansion process," Ramaphosa declared. "We have consensus on the first phase of this expansion process, and further phases will follow."

"Through this Summit, BRICS has embarked on a new chapter in its effort to build a world that is fair, a world that is just, a world that is also inclusive and prosperous," Ramaphosa said in his closing statements.

Argentina, Egypt, Ethiopia, Iran, Saudi Arabia, and the United Arab Emirates (UAE) were named as the six new members to join BRICS. According to Ramaphosa, their membership will materialize on January 1 next year, signifying the first time the bloc is expanding since 2011, when South Africa became the fifth member after joining Brazil, Russia, India, and China.

Before this year's summit, there were 23 official applicants, with 16 additional countries mulling over potential membership bids in the near future. The issue of how many of the applicants could be admitted into the bloc in the first phase formed a key discussion topic during the summit. On one hand, China was clamoring for as many members as possible. On the other hand, India and Brazil attempted to keep the process of admittance a bit more gradual so as not to upset the internal power dynamics too much.

However, Ramaphosa reassured unsuccessful applicants that they would have opportunities in further expansion phases. To facilitate the process, Ramaphosa said the leaders have asked their foreign ministers to work on the "BRICS partner country model" even further, gather a list of prospective members, and write a report by 2024's summit.

Moreover, South Africa lauded the [Second Johannesburg Declaration](#), which highlighted the BRICS commitment to sustained efforts to "amplify the voice of the global south," as well as calling for "a comprehensive reform of the UN, including the Security Council, with a view of making it more democratic, representative, effective, and efficient."

BRICS has explicitly proclaimed that one of its aims is to revamp global governance for the developing world. Hopes are high for the alliance's supporters that with more members in 2024, the group might



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Current BRICS leaders at Johannesburg summit



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be closer to attaining that goal.

The BRICS group of nations is on the way to alter the power dynamics in the global energy market, according to the InfoTech news outlet, citing calculations premised on 2022 OPEC oil exports and production data. The calculations revealed that once the group enlarges after the six new nations become members, it will dominate almost half of the world's oil production and reserves.

Additionally, the same report indicated that BRICS would significantly increase its clout in the oil market with prospective members Saudi Arabia, the UAE, and Iran. Together with incumbent BRICS members Russia and Brazil, these nations dominate 39 percent of the world's total oil exports, or 17.1 million barrels per day (bpd). The 11 nations of the expanded BRICS will contribute to around 47.6 percent of the world's total oil production, data pointed out.

Furthermore, the newly expanded BRICS is poised to control almost half of the world's total oil reserves, at a proportion of 719.5 billion barrels out of 1.6 trillion. Should Venezuela, which has also recently sought membership, be included in the bloc in the near future, the alliance's influence would rise to around 65.4 percent. In contrast, the Group of Seven (G7) group of leading economies (the United States, the U.K., Germany, Italy, Canada, France, and Japan) controls merely 3.9 percent of known crude reserves.

"Saudi Arabia and the UAE joining is ... extremely significant. The United States used to rely on the Gulf monarchies, especially Saudi Arabia, to exert control over the oil price. With their accession to BRICS, it seems likely that America has lost any control it had over oil prices for the foreseeable future," Irish economist Philip Pilkington posited in the British site UnHerd.

Pilkington also asserted that the conclusion of the BRICS summit marked the end of Iran's economic alienation. "Given that the country is the world's eighth largest oil producer and possesses the third largest proven oil reserves, this is a substantial economic and geopolitical development," he wrote.

That being said, BRICS' expansion does not imply that the bloc would dominate the world immediately, as more members could mean more areas of dispute.

For example, Iran and Saudi Arabia have been rival regional powers for decades. Although Tehran and Riyadh joining the BRICS together certainly depicts the start of a new chapter in bilateral ties, time will tell if they can effectively cooperate within the alliance.

Western countries would not be able to join BRICS as long as they adopt hostile policies against any of its members, Russian Deputy Foreign Minister Sergey Ryabkov said on August 25.

Addressing his audience at a press conference after the BRICS summit in Johannesburg, Ryabkov stated that one of the key criteria for membership in the group is "non-application of illegal sanctions against any of the members of the association."

He pointed out that all six countries that were invited to join BRICS fully adhered to this criterion.

On the contrary, Western states "are following exactly the opposite course, so there is no question of inviting anyone from this group not only to join BRICS, but even to participate in its events," Ryabkov insisted.

Nonetheless, he would not completely exclude BRICS membership for Western states in the future. If any country that had backed the U.S.-led sanctions were "to break ranks despite the tough discipline within the Western camp" and ditch this policy, its membership application could be considered, he said.



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Western countries have enforced stringent economic sanctions on BRICS member Russia over the Russo-Ukrainian conflict. Moscow has frequently slammed these punitive moves, labeling them as “illegal.”

Ryabkov also cautioned that the United States was mounting pressure on other countries to prevent shifts in the global landscape after the BRICS meeting and the group’s historic expansion. Nevertheless, “the process of diluting the role of the collective West in world affairs is irreversible,” he stated, elaborating that he was certain that Russia’s partners were sagacious enough to resist Western pressure.

At the moment, South African Finance Minister Enoch Godongwana stated on August 24 that the BRICS group of nations is not thinking of setting up a common currency, Bloomberg reported.

However, the minister stated that the group would be exploring other ways to reduce its dependence on the U.S. dollar.

“No one has tabled the issue of a BRICS currency, not even in informal meetings,” Godongwana disclosed on the fringes of the group’s summit in Johannesburg.

He added that establishing a common currency “presupposes setting up a central bank, and that presupposes losing independence on monetary policies, and I don’t think any country is ready for that.”

However, the process of de-dollarization has already started. One possible alternative to reduce reliance on the dollar, the official posited, is having trade directly in national currencies.

For instance, South Africa already conducts settlements in local legal tender with neighboring Botswana, which is not a BRICS member.

“We know the rate of exchange between the two currencies,” Godongwana explained. “There is no reason why we can’t pay them in pula and they pay us in rands.”

The minister emphasized that the central banks of BRICS nations were exploring means to facilitate payments between countries, provided they use local currencies. He stressed that the alternative payment mechanisms that the group is considering are not “anti-West” or “anti-SWIFT,” alluding to the global financial messaging system.



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