

## BRICS Threat to USD Exaggerated

“I find that ... vague and unconvincing.” - Star Wars

### In a Nutshell:

- Despite diplomatic couching around economic synergies, the **BRICS Summit** is **at least in part an initiative** (arguably Beijing-led) **to de-couple from US**, and **diminish USD hegemony**.
- *But* the reality is, **BRICS may merely check, not meaningfully challenge US and USD dominance**.
- For one the BRICS lack end-demand to be insulated from US/Western influence, if not reliance.
- Second and crucially, **BRICS currencies do not offer the requisite stability to function as a store of wealth**, and hence *cannot fulfil the key function of offering an alternative to USD reserves*.
- Finally, with **divergent, if not diametrically opposed, economic, monetary and fiscal conditions** as well as *(geo-)political objectives*, an **effective BRICS bloc to assert influence is compromised**.
- All said, **BRICS may at best enhance cooperative advantages**, and attendant backstops, **but not challenge the US-led and USD-based order**. *Economic heft is one thing, clout quite another!*

### Of Diplomacy & (Tit-for-Tat) De-coupling

For all the nuanced BRICS diplomacy couching challenges to US dominance as shared economic objectives and gains, there is no distracting from Beijing's desire to imply that **two can play the "de-coupling" game**; that is *premised on achieving a multi-polar global order*. In particular, as Beijing along with the rest of the BRICS continue to impresses;

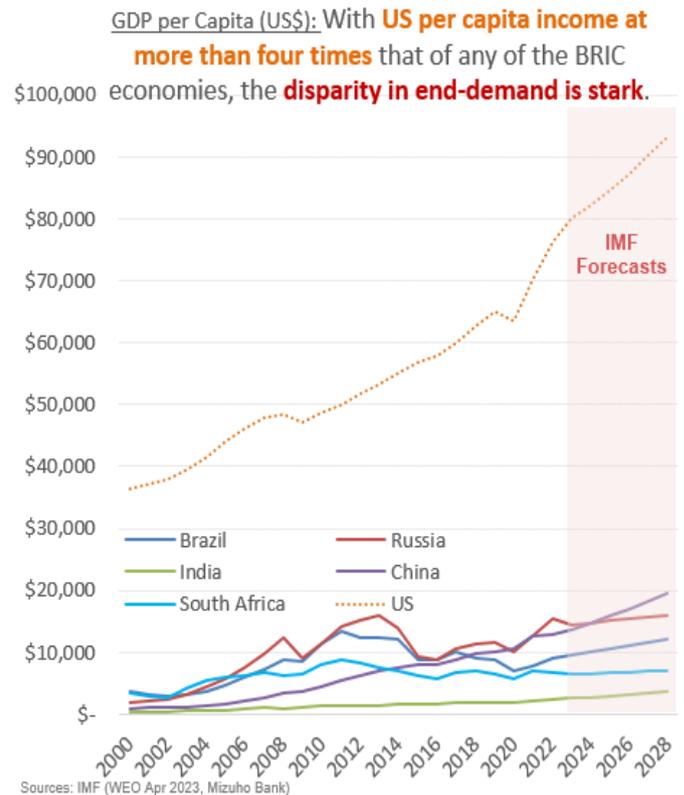
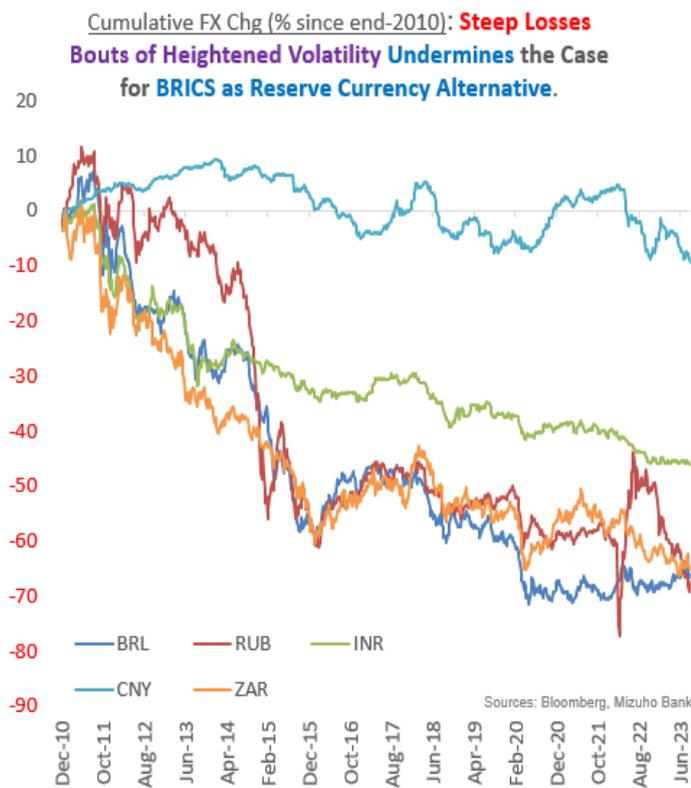
- i) the need for **greater G20 economic and diplomatic representation** so as to counter-balance, if not **de-couple from, US-led global agenda** and;
- ii) and leads the way in attempts to **diminish USD hegemony**.

### Check, Not Existential Challenge

But the **BRICS** in the current shape and form is *at best an economic backstop built on mutual trade and investment interests, not a viable, competing financial bloc challenging USD dominance*. In other words, **BRICS may be an incremental counter-balance, but nowhere near an existential challenge** to US influence and USD dominance. Here's why.

#### 1. Demand Not De-coupled

First, insofar that **end-demand remains tilted to the West**, there is a certain incompleteness to presuppositions economic decoupling. Pointedly, **despite** the fanfare about **rapid rise in BRICS share of the global economy to over 30% from 20% two decades ago**. **selling to each other will not suffice for BRICS to de-couple from Western (and US) demand**. Especially given the stark (and disproportional) disparities in purchasing power and propensity to consume. And this is even without considering technological and network advantages retained by the US and West, which further augment disparities in factors of production.



## 2. No 'R' Fit to Replace USD

Second, despite incremental incentives to hold (increased) "working capital pools" of BRICS currencies for bi-lateral, non-USD trade settlements, **none of the BRICS currencies** - not the *Real, Ruble, Rupee, Reminbi, Rand* - offer stable wealth preservation. Fact is, with an abysmal track record of steep losses over the years amid bouts of sharp volatility, **none of the 'R' currencies of the BRICS offer a compelling alternative to 'R'emplace the USD.**

Not beyond the low-hanging fruits of having some of the "working capital" FX in each other's currencies, which is unlikely to grow exponentially. Whereas, with wealth preservation highly unlikely to be denominated in BRICS (or Global South) currencies, **any serious challenge to USD dominance is critically undermined.** Upshot being, an effective *BRICS threat to the USD is exaggerated.*

## 3. Divisions Compromise Decisive Influence

Finally, economic, fiscal, monetary and (geo-)political differences (if not outright mis-alignment) across the BRICS will hamper more meaningful bloc-type integration. Consequently, this compromises the *ability of BRICS to effectively function as a collective economic/diplomatic body so as to decisively influence global economics.*

## Mistaking Economic Heft for Clout

All said, **BRICS**, while on the right track in terms of identifying synergies/common goals to enhance advantages from cooperation, appear to be **misguided in attempting to undermine the USD.** And at the end of the day, **any challenge of US and USD by BRICS is "vague and unconvincing"** primarily because *collective economic heft is not the same as effective economic/financial clout.*

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