

## Politics &amp; Economics

# BRICS UAE, Saudi expansion marks biggest challenge to the US dollar in the 21st century

The now enlarged BRICS+ deepens the pursuit of a post-dollar world as geopolitical fault lines shift, experts say

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China's long-standing efforts to expand the use of its currency have failed to make much of a dent but the expansion of BRICS could challenge that

The long-anticipated expansion of the BRICS bloc to include countries like the UAE and Saudi Arabia will take its economic and political clout to new

heights, but also points to increasing momentum behind potential efforts to challenge the US dollar's dominance in global trade.

The expansion went into effect earlier this month with the UAE, Egypt, Ethiopia, Saudi Arabia and Iran joining the grouping which originally composed of Brazil, Russia, India, China and South Africa.

Dubai-based geopolitical risk analyst and Partner at Confluence Consultants, Nicolas Michelin, told *Arabian Business* the inclusion of Saudi Arabia "represents a significant change in regional and global geopolitics." Saudi Arabia is arguably the most influential and oldest US ally in the Arab world, and its entry into BRICS comes a few months after the Gulf nation reinstated diplomatic ties with Iran under China's patronage.

## Saudi Arabia joins BRICS+: What it means for the kingdom and beyond



Saudi membership in BRICS+ signals the nation's desire to carve an independent course on the global stage in the years ahead

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The now enlarged bloc has the "stated objective to spearhead the de-dollarisation of the world economy," he added.

In the early 20th century, major economic and political events led some nations to rethink their monetary policies and currency arrangements. The start of WWI necessitated the suspension of the gold standard for many currencies and the Bretton Woods agreement of 1944 that shaped the post-WWII economic order encouraged countries to stabilise their exchange rates and currency values. Several governments elected to directly peg their currency to strong foreign currencies like the dollar while other nations forewent issuing their own currency altogether, instead officially "dollarising"

via exclusive use of American cash for domestic transactions and reserves. Since then, the greenback has been king in global trade. But the BRICS+ expansion could challenge that.



For decades, the US dollar has been king in global trade, but the BRICS expansion could challenge that. Image: Shutterstock

According to Abishur Prakash, Founder of the Geopolitical Business Inc., Saudi Arabia's membership offers BRICS a chance to integrate into the Middle East "in a way few other nations can" and can open doors in the region for projects, "whether it has to do with de-dollarized trade or technology-based healthcare."

**The expansion of BRICS** points to greater feasibility of a post-dollar world. As Michelon mentioned, "anything short of full de-dollarisation can already be seen as a victory" by nations like China and Russia seeking more independent monetary policies. With core members including the world's top

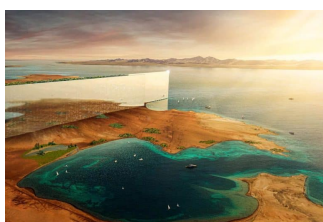
two commodity exporters in China and Russia, along with regional powers like India, BRICS now has greater ability to use alternative currencies for trade and replace the dollar in more spheres of global finance and energy commerce.

“For several years, many have assumed that Saudi Arabia is exiting the US-corner and moving towards the next superpowers – i.e. India, China. However, this is not true. In reality, what Saudi Arabia is doing, is creating its own, sovereign corner in the world, where it does not have to pick sides,” said Michelin.

“A big part of this is to develop the strongest relationship with economies that will play as big of a role as the West in the coming years. This is where BRICS membership becomes so crucial.”

Yet, reducing reliance on the dollar presents several economic challenges. Entire payment and pricing mechanisms would need to be reinvented for new cross-border arrangements. Central banks hold trillions in dollar reserves that would need to be diversified. Fluctuations between currencies could create unintended risks.

## Saudi Arabia's escape from the economic pitfalls of 'Dutch Disease'



Bold economic reforms under Vision 2030 steered Saudi Arabia away from oil dependence, avoiding the pitfalls of 'Dutch Disease' through cross-sector investments

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Managing all this requires a gradual, coordinated effort – hence why full de-dollarisation remains distant, noted Michelin.

“For all the push towards de-dollarisation – and the appetite for it – this will be a slow and painful process,” he said.

“There will be push-back by the US, by some Global South nations even, as exemplified by Argentina.”

The South American nation’s recently elected President Javier Milei chose to opt out of the group which Argentina was set to join along with the five other new members this month and instead pledged to dollarise the economy.



The BRICS expansion went into effect earlier this month with the UAE, Egypt, Ethiopia, Saudi Arabia and Iran joining the grouping which originally composed of Brazil, Russia, India, China and South Africa. Pictured (left to right): Brazilian President Lula da Silva, Chinese President Xi Jinping, South African President Cyril Ramaphosa, Indian Prime Minister Narendra Modi, and Russian Foreign Minister Sergey Lavrov.

Nonetheless, the very notion of a post-dollar order has gained ground owing to concerns about financial decoupling from the United States. US sanctions on countries like Russia, Iran and Venezuela laid bare the dollar’s geopolitical dimensions as a tool of American foreign policy.

The US-China trade war disrupted supply chains reliant on the world's two largest economies cooperating smoothly. Repeated tensions have empowered appeals for more monetary autonomy from the dollar zone through bodies like BRICS.

“The very existence and expansion of BRICS+ is a challenge to the US-led world order. And every year that passes is a testament that an alternative is viable,” said Michelon.

Prakash believes that BRICS+ now has “an opportune moment to begin to shape the world.”

“Whether it is BRICS-based [oil] reserves that its members by from or technology arrangements [like] AI-healthcare supplied to the Global South, there are many possibilities.”

Though challenges endure, continued additions to its ranks make BRICS an ever more credible alternative centre of gravity to the US-dominated order.

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