

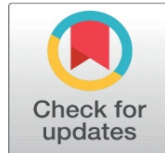
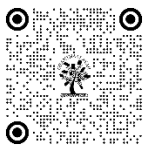
BRICS EXPANSION: RESHAPING GLOBAL ECONOMIC GOVERNANCE

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ABSTRACT

The expansion of BRICS, with the inclusion of Argentina, Egypt, Ethiopia, Iran, Saudi Arabia, and the United Arab Emirates, marks a pivotal moment in the evolution of the bloc and the global landscape. This research paper examines the potential implications of this expansion, analyzing the opportunities and challenges it presents for BRICS and the global economy. It explores BRICS' role as a potential counterweight to Western dominance, the importance of fostering internal cohesion and a unified vision, the need to prioritize economic cooperation and trade liberalization, and the bloc's efforts to reform the global financial architecture. The paper also considers the potential for BRICS to contribute to a more multipolar world order, the challenges posed by potential fragmentation and competition, and the crucial role of Africa in shaping the bloc's future. The 2023 BRICS summit witnessed a historic expansion of the bloc, adding six new members and significantly increasing its global footprint. This expansion has generated considerable debate surrounding its potential impact on the existing world order and the future of global governance. While the geopolitical implications are evident, with BRICS now representing a larger portion of the global population and GDP, the economic agenda remains somewhat vague. This research paper provides a comprehensive analysis of BRICS expansion, exploring its implications for the bloc itself, its member states, and the broader global economy.

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1. OBJECTIVES

- To analyze the opportunities and challenges presented by the BRICS expansion for both the bloc and the global economy.
- To examine BRICS's potential as a counterweight to Western dominance in areas like global governance and financial architecture.
- To investigate the importance of internal cohesion and a unified vision within BRICS for achieving its goals.
- To explore the need for prioritizing economic cooperation and trade liberalization within the BRICS framework.
- To assess BRICS's efforts to reform the global financial architecture and promote dedollarization.
- To consider the potential for BRICS to contribute to a more multipolar world order, as well as the challenges posed by potential fragmentation and competition.
- To highlight the crucial role of Africa in shaping the future of BRICS.

2. LITERATURE REVIEW

The literature on BRICS highlights its role as a challenge to Western hegemony, positioning the bloc as a counterweight to Western-dominated institutions like the IMF and World Bank. BRICS aims to address the underrepresentation of the Global South and provide a platform for developing countries to assert their interests, fostering a multipolar world with inclusive and equitable global decision-making. However, internal cohesion remains a significant challenge due to the diverse political systems, economic structures, and historical rivalries among its members, such as the India-China border disputes. The lack of a cohesive economic strategy further limits the bloc's ability to present a unified vision and achieve effective collaboration. Economic cooperation and trade liberalization are seen as crucial for BRICS's success. Scholars emphasize the need to reduce trade barriers, particularly in agriculture and manufacturing, to boost intra-BRICS trade and stimulate economic growth. Closer integration with regional blocs like the African Continental Free Trade Area (AfCFTA) is viewed as a key mechanism for promoting South-South cooperation and maximizing the benefits of BRICS 2019 expansion. In the financial realm, BRICS seeks to reform the global financial architecture and reduce reliance on the US dollar. Initiatives such as the New Development Bank (NDB) and the Contingent Reserve Arrangement (CRA) aim to provide alternatives to Western-dominated financial systems. Efforts toward dedollarization include increasing the use of national currencies in bilateral trade, developing alternative payment systems like Russia's SPFS and China's CIPS, and exploring digital currencies such as China's CBDC. The inclusion of major oil producers like Saudi Arabia and the UAE further strengthens BRICS 2019 bargaining power and accelerates its dedollarization agenda. While BRICS expansion signals a significant shift in the global landscape, its success depends on overcoming internal disparities, deepening economic cooperation, and implementing meaningful financial reforms. The bloc's potential to create a more inclusive and equitable global order remains promising but is contingent on addressing these critical challenges.

3. FINDINGS AND ANALYSIS

BRICS AS A COUNTERWEIGHT TO WESTERN DOMINANCE

The rise of BRICS and its recent expansion are frequently analyzed through the lens of a shifting global power dynamic. The sources position BRICS as a potential challenger to the established Western-led order, particularly in areas such as global governance and financial architecture.

- **CHALLENGING THE EXISTING ORDER:** BRICS' call for a more inclusive and representative global governance structure directly challenges the dominance of Western institutions like the IMF and World Bank. The group's emphasis on reforming these institutions to give greater voice to developing countries reflects a desire to shift the balance of power and create a more equitable global order.
- **PROVIDING ALTERNATIVES:** The establishment of the New Development Bank (NDB) and the BRICS Contingent Reserve Arrangement (BRICS CRA) signal a move toward creating alternative financial mechanisms that can serve the needs of developing nations without relying on Western-controlled institutions.
- **PROMOTING DEDOLLARIZATION:** The sources highlight the potential for BRICS to contribute to dedollarization efforts, reducing the global reliance on the US dollar. This is particularly relevant in the context of increasing sanctions on Russia and the potential for similar actions against other BRICS members. The use of national currencies in bilateral trade, the development of alternative payment systems like China's Cross-Border Interbank Payment System (CIPS), and discussions surrounding a potential common BRICS currency are all seen as steps toward achieving greater financial autonomy.

4. INTERNAL CHALLENGES AND THE QUEST FOR COHESION

While the expansion of BRICS presents opportunities for greater global influence, it also raises concerns about the bloc's internal coherence. The sources acknowledge the challenges posed by the group's inherent diversity.

- **LACK OF A UNIFIED VISION:** A common criticism leveled at BRICS is the absence of a clear, shared vision that guides its actions. This is attributed to the wide range of political systems, economic structures, and development levels among its members. The inclusion of new members with varying priorities and interests further complicates the task of forging a unified agenda.
- **INTRA-BRICS TENSIONS:** The sources point to existing tensions within the bloc, particularly the ongoing border dispute between India and China, as a potential obstacle to achieving its goals. These internal

disagreements could limit BRICS' ability to present a united front and effectively challenge the existing global order.

- **CHINA'S GROWING INFLUENCE:** The expansion of BRICS has been largely driven by China, raising concerns about the bloc becoming increasingly China-centric. This dominance could alienate other members and hinder the development of a truly collaborative and equitable partnership.

5. THE IMPORTANCE OF ECONOMIC COOPERATION

The sources consistently underscore the need for BRICS to prioritize concrete economic cooperation alongside its geopolitical ambitions.

- **TRADE LIBERALIZATION AS A KEY PRIORITY:** A bold and comprehensive trade liberalization agenda is seen as essential for unlocking the full economic potential of BRICS expansion. Reducing trade barriers among members, particularly in the agricultural sector, could significantly boost intra-BRICS trade and stimulate economic growth, particularly benefiting regions like Africa.
- **LEVERAGING REGIONAL INTEGRATION BLOCS:** Closer cooperation among regional integration blocs led by BRICS economies, such as the African Continental Free Trade Area (AfCFTA), is presented as a crucial mechanism for achieving meaningful trade liberalization and promoting South-South economic integration. This "integration of integrations" approach could amplify the economic benefits of BRICS expansion and create a more dynamic and interconnected Global South.
- **FINANCIAL SUPPORT FOR DEVELOPMENT:** The sources emphasize the need to strengthen and reform existing BRICS financial institutions, such as the NDB and BRICS CRA, to effectively address the development needs of member states. Expanding the mandate and capabilities of these institutions, particularly in areas like infrastructure development and crisis management, is seen as crucial for supporting economic growth and stability within the bloc.

6. THE POTENTIAL FOR A MORE MULTIPOLAR WORLD

The expansion of BRICS has undoubtedly shifted the global balance of power, signaling the growing influence of developing nations and their desire to reshape the international order.

- **THE RISE OF THE GLOBAL SOUTH:** BRICS' expansion, alongside the growing economic and political clout of other developing countries, points toward a more multipolar world, one in which power is less concentrated in the hands of traditional Western powers. This shift presents both opportunities and challenges for the global community.
- **A MORE REPRESENTATIVE GLOBAL ORDER:** A multipolar world could lead to a more representative and inclusive global order, where the voices and interests of developing nations are given greater weight in international decision-making processes. This could result in more equitable outcomes on issues such as trade, finance, development, and climate change.

7. CHALLENGES AND RISKS

While BRICS expansion holds potential for positive change, it is important to acknowledge the challenges and risks associated with this development.

- **INCREASED COMPETITION AND FRAGMENTATION:** The pursuit of alternative institutions and the push for dedollarization could lead to greater competition and fragmentation in the global economy. This could undermine global cooperation and exacerbate existing geopolitical tensions, potentially hindering efforts to address shared challenges such as climate change and global economic instability.
- **MANAGING INTERNAL DIVISIONS:** BRICS' success in navigating a multipolar world and achieving its goals hinges on its ability to manage internal divisions and foster a sense of shared purpose among its diverse members. Overcoming existing tensions, particularly between India and China, and ensuring that all members feel their interests are represented will be crucial for maintaining cohesion within the bloc.

8. THE ROLE OF AFRICA

The inclusion of three African nations in the BRICS expansion highlights the continent's growing importance in the bloc's future. Africa's vast natural resources, rapidly growing population, and burgeoning markets make it a strategically significant region for BRICS.

- **LEVERAGING BRICS FOR AFRICAN DEVELOPMENT:** BRICS has the potential to play a transformative role in supporting Africa's development, particularly in areas such as infrastructure, industrialization, and trade. The NDB, for instance, has already committed significant resources to African projects, and further expansion of its lending activities could provide a much-needed boost to the continent's economic growth.
- **AFRICA AS A BRIDGE BETWEEN BRICS AND THE WEST:** Africa's position as a key partner for both BRICS and Western nations gives it a unique role to play in bridging the divide between these two blocs. Africa's ability to leverage its relationships with both sides could help foster dialogue and cooperation, mitigating the risks of fragmentation and promoting a more stable and inclusive global order.

9. ARGENTINA'S ELECTION AND BRICS EXPANSION

Argentina's recent election has had a notable impact on the BRICS expansion, raising questions about the bloc's appeal and future trajectory. Javier Milei's victory, with his subsequent decision to decline the invitation to join BRICS, highlights several critical issues within the bloc, particularly concerning its focus on economic cooperation and support for developing economies.

Here are some key ways in which Argentina's election has affected BRICS expansion:

- **SETBACK TO BRICS' EXPANSION:** Milei's decision not to join the bloc represents a setback to BRICS' expansion efforts, especially in Latin America, where Argentina, alongside Brazil, plays a pivotal role in the MERCOSUR regional integration bloc. This development casts doubt on BRICS' ability to attract key players in the Global South and raises concerns about its ability to present a united front in challenging the existing Western-led order.
- **EXPOSED BRICS' ECONOMIC SHORTCOMINGS:** Argentina's decision to decline BRICS membership underscores the bloc's shortcomings in terms of economic integration and its capacity to offer tangible financial support to developing economies. The sources highlight that Argentina, grappling with high inflation and debt burdens, opted for economic stabilization measures supported by the United States and Bretton Woods institutions like the IMF and World Bank, rather than seeking assistance from BRICS economies. This suggests that BRICS has yet to establish itself as a viable economic alternative capable of addressing the pressing needs of developing nations.
- **SHIFTING FOCUS TO ECONOMIC COOPERATION:** Argentina's rejection of BRICS membership serves as a wake-up call for the bloc to refocus its efforts on **economic cooperation**. The sources argue that BRICS needs to move beyond geopolitical expansion and prioritize the development of concrete economic initiatives that provide tangible benefits to its members, such as:
 - Developing a roadmap for **trade liberalization** within BRICS+, particularly among regional integration blocks.
 - Enhancing the capacity of the **BRICS CRA** to provide crisis prevention and resolution assistance to BRICS+ economies.
 - Establishing a framework for regional financing arrangements involving BRICS+ economies.
 - Strengthening coordination of economic policies within BRICS+.
- **HIGHLIGHTING INTERNAL DIVISIONS:** Argentina's election has brought to light the internal divisions and lack of cohesion within BRICS. While some members, like China and Russia, are eager to expand the bloc's membership and challenge Western dominance, others, like India, have expressed reservations about the pace and direction of expansion. These differing priorities and perspectives within BRICS could hinder the bloc's ability to present a united front and effectively implement its agenda.
- **LOSS OF SYMBOLIC WEIGHT:** Argentina's decision to forgo the BRICS invitation has dealt a symbolic blow to the bloc, particularly in Latin America. The sources argue that Argentina's withdrawal adversely affects regional integration efforts and weakens BRICS' ambitions to advance dedollarization in South America. This loss of momentum in a key region undermines BRICS' claims of representing a viable alternative to the existing Western-led economic order.

While Argentina's decision to decline BRICS membership has presented challenges to the bloc's expansion efforts, it also presents an opportunity for reflection and recalibration. If BRICS aims to solidify its position as a leading force in global

economic governance, it must prioritize the development of concrete economic initiatives that benefit its members and demonstrate its commitment to supporting the needs of developing countries. Addressing the bloc's internal divisions and fostering greater economic cooperation will be crucial for BRICS to regain its momentum and realize its ambitions.

10. ECONOMIC CHALLENGES HINDERING BRICS' PROGRESS

Despite the potential of BRICS, several economic challenges hinder its progress and ability to act as a counterweight to the G7:

- **MONETARY AND FINANCIAL WEAKNESS:** One of the most significant challenges for BRICS is its **monetary and financial weakness**, particularly regarding China's limitations as a potential financial hegemon within the bloc. While China is the dominant economic player in BRICS, its currency (the Yuan) falls short of being a true international currency, particularly as a store of value and a medium of exchange. Additionally, China's financial market is still relatively underdeveloped compared to the US, and the country's exchange rate manipulation and capital controls raise concerns. The Yuan's instability against the US dollar further complicates its potential as a leading currency within the bloc. This financial weakness restricts China's ability to provide global liquidity as a debtor country and act as a lender of last resort for other BRICS nations.
- **INTERNAL ECONOMIC CHALLENGES:** Most BRICS members face internal economic challenges, with the potential exception of India. High inflation rates and substantial debt burdens, as seen in Argentina, exemplify these macroeconomic imbalances. These internal challenges hinder the bloc's ability to coordinate anti-crisis measures and present obstacles to achieving economic stability and modernization within the group.
- **VAGUE ECONOMIC AGENDA:** While the BRICS bloc has expanded significantly, its economic agenda remains vague and lacks ambition, particularly in terms of trade liberalization and the move towards a common currency. This lack of concrete economic initiatives limits the bloc's impact on its member countries and the global economy. For BRICS to emerge as a viable economic alternative to the existing order, it must prioritize a more focused and pragmatic economic collaboration framework.
- **LACK OF INTRA-BRICS TRADE:** Despite the rhetoric of economic cooperation, trade within BRICS is primarily **China-centric**, with limited interaction and trade among other members. Bilateral trade between BRICS members, excluding China, remains low, highlighting the lack of economic integration within the bloc. For example, Table 1 in source shows that the share of merchandise trade among BRICS members (excluding China) is extremely low. This lack of intra-BRICS trade weakens the bloc's economic cohesion and limits its potential for collective economic growth.
- **DIVERSE ECONOMIC POLICIES:** The BRICS countries differ significantly in their economic policies, particularly regarding subsidies, barriers to market access, and export restrictions. They extensively use subsidies, which may not be replicable by other developing countries. Additionally, they prefer opaque export restrictions over outright bans and utilize tax-based export incentives, posing challenges for potential free trade agreement partners. These diverse economic policies and approaches can create friction and complicate negotiations for deeper economic integration within the bloc.
- **HETEROGENEITY OF THE GROUP:** The expansion has further increased the **heterogeneity** of the BRICS group, adding members with diverse economic structures, political systems, and levels of development. This heterogeneity, while potentially offering diverse resources, markets, and geopolitical influence, can create obstacles in reaching consensus and implementing unified economic strategies. For example, source highlights that the expansion adds new regional dynamics, political governance structures, development stages, and economic specializations to the mix, potentially hindering the group's efficacy and governance.

These economic challenges impede the progress of BRICS and limit its potential as a major force in global economic governance. Addressing these challenges will be crucial for the bloc to realize its ambitions and provide a genuine alternative to the existing Western-led economic order.

11. IMPACTS OF BRICS EXPANSION ON GLOBAL ECONOMIC GOVERNANCE

The expansion of BRICS has significant implications for global economic governance. Here are some key impacts:

- **CHALLENGE TO WESTERN-DOMINATED INSTITUTIONS:** The BRICS expansion is widely seen as a challenge to the existing Western-dominated institutions like the IMF and World Bank. These institutions have long been criticized for underrepresenting developing nations. The BRICS expansion aims to provide a platform for these

countries to have a greater say in global economic decision-making. For instance, the BRICS+ has been advocating for reforms to give developing countries more voting power within the IMF and the World Bank.

- **RISE OF ALTERNATIVE INSTITUTIONS:** BRICS has established its own institutions, such as the New Development Bank (NDB) and the BRICS Contingent Reserve Arrangement (CRA), as alternatives to the existing Bretton Woods institutions. These institutions aim to provide financial assistance and support to developing countries, potentially reducing their reliance on Western-led institutions. For example, the NDB aims to increase local currency lending to reduce reliance on Western capital markets.
- **PROMOTION OF DEDOLLARIZATION:** BRICS, particularly China and Russia, are actively promoting dedollarization efforts to reduce reliance on the US dollar in international transactions. They are increasing the use of national currencies in bilateral trade settlements and developing alternative payment systems. The inclusion of major oil producers like Saudi Arabia and the UAE in BRICS could further bolster these efforts. However, it is worth noting that the currencies of Saudi Arabia and the UAE are pegged to the US dollar, which may complicate dedollarization efforts.
- **SHIFT TOWARDS MULTIPOLARITY:** The expansion signifies a shift towards a more multipolar world order in global economic governance. The increasing economic and political influence of BRICS countries, coupled with their efforts to create alternative institutions and promote dedollarization, suggest a move away from a Western-centric system. This could lead to a more balanced and representative global economic order.

12. ADDITIONAL CONSIDERATIONS

- **INTERNAL COHESION:** The effectiveness of BRICS in influencing global economic governance will depend on its ability to overcome internal divisions and maintain cohesion. The bloc's diverse membership, with varying political systems, economic structures, and interests, could pose challenges to consensus-building and coordinated action. For example, the recent hesitation of Argentina to join the bloc raises concerns about the bloc's future trajectory.
- **TRADE LIBERALIZATION:** The sources emphasize the need for BRICS to prioritize economic cooperation and trade liberalization to maximize the benefits of expansion. Reducing trade barriers within the bloc, particularly in agriculture, could significantly enhance economic growth and integration. The AfCFTA, with its representation within the expanded BRICS core, could play a leading role in this process.
- **FOCUS ON AFRICA:** Africa's role in the expanded BRICS is significant. The continent's vast resources, growing population, and increasing integration through AfCFTA make it a key player in the bloc's future. BRICS has the potential to support Africa's development through investments, trade, and knowledge sharing.
- **ROLE OF THE CRA:** The reform of the BRICS CRA is crucial for strengthening the bloc's financial cooperation. The CRA could provide support to BRICS economies during macroeconomic instability, potentially serving as an alternative to the IMF. However, it needs to develop a robust framework and address issues like conditionality and voting power to ensure effectiveness.

13. CONCLUSION

The expansion of BRICS represents a significant development with far-reaching implications for the global landscape. The bloc's growing influence, its ambition to challenge the existing order, and its potential to reshape global governance make it a force to be reckoned with. However, BRICS' success in achieving its goals and contributing to a more equitable and multipolar world will depend on its ability to overcome internal challenges, foster genuine economic cooperation, and effectively navigate the complex geopolitical dynamics of a changing world. The BRICS expansion marks a potential turning point in global economic governance. It presents both opportunities and challenges, and its ultimate impact will depend on the bloc's ability to address internal differences, prioritize economic cooperation, and effectively engage with the existing global institutions.

CONFLICT OF INTERESTS

None.

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The expansion of BRICS presents both opportunities and challenges.

OPPORTUNITIES

- **COUNTERWEIGHT TO WESTERN DOMINANCE:** BRICS expansion strengthens its position as a representative voice for the Global South, challenging the existing Western-dominated global order. The bloc's initiatives challenge the dominance of Western institutions and signal a move toward creating alternative financial mechanisms. This is particularly relevant in the context of increasing sanctions on Russia and the potential for similar actions against other BRICS members.
- **MULTIPOLAR WORLD:** BRICS expansion is seen as a step toward a more multipolar world order, one in which power is more evenly distributed among various actors, including rising powers from the Global South. A multipolar world could lead to a more representative and inclusive global order.
- **ECONOMIC COOPERATION:** A bold and comprehensive trade liberalization agenda is seen as essential for unlocking the full economic potential of BRICS expansion. Closer cooperation among regional integration blocs led by BRICS economies, such as the African Continental Free Trade Area (AfCFTA), is presented as a crucial mechanism for achieving meaningful trade liberalization and promoting South-South economic integration.
- **ROLE OF AFRICA:** With several African nations joining the bloc, Africa is poised to play a key role in shaping its agenda and benefiting from its economic initiatives. BRICS has the potential to play a transformative role in supporting Africa's development, particularly in areas such as infrastructure, industrialization, and trade. Africa's position as a key partner for both BRICS and Western nations gives it a unique role to play in bridging the divide between these two blocs.

CHALLENGES

- **INTERNAL COHESION:** The addition of new members with diverse economic structures, political systems, and resource endowments raises questions about the group's cohesion and ability to implement a unified strategy.¹⁵ A common criticism leveled at BRICS is the absence of a clear, shared vision that guides its actions.²⁵ The sources point to existing tensions within the bloc, particularly the ongoing border dispute between India and China, as a potential obstacle to achieving its goals. The expansion of BRICS has been largely driven by China, raising concerns about the bloc becoming increasingly China-centric.
- **COMPETITION AND FRAGMENTATION:** The sources also acknowledge the possibility of increased competition and fragmentation in the global economy as a result of BRICS' efforts to establish alternative institutions and promote dedollarization.
- **ECONOMIC CHALLENGES:** The sources highlight several economic challenges hindering BRICS' progress and ability to act as a counterweight to the G7, including monetary and financial weakness, internal economic challenges of member states, a vague economic agenda, a lack of intra-BRICS trade, diverse economic policies among members, and the heterogeneity of the group.
- **ARGENTINA'S ELECTION:** Argentina's recent election has had a notable impact on the BRICS expansion, raising questions about the bloc's appeal and future trajectory. Argentina's decision to decline BRICS membership underscores the bloc's shortcomings in terms of economic integration and its capacity to offer tangible financial support to developing economies. This development casts doubt on BRICS' ability to attract key players in the Global South and raises concerns about its ability to present a united front in challenging the existing Western-led order.