

Can the BRICS Challenge the Dollar Hegemony?

The Rise and Fall of the Dollar

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The current global financial system is heavily dollar-dependent and relies on Western capital, institutions, and payment networks. Various countries are now combining to decrease dependence on this financial order, particularly in the United States. America's use of its financial hegemony to impose sanctions is being questioned day-by-day, and with rising tension between the US and China the global financial system seems to split into independent yet strong networks, such as the BRICS alliance. Banks and financial institutions are trying to balance between interest or ideology-based geopolitical blocs, still hoping to stay interconnected in some ways.

While the financial system of today is more globalized than ever, this heightens the risk of fragmentation that could have serious effects on stability of the system as a whole. Given recent shifts in the world's economic landscape, the once monolithic system of cross-border investments, asset prices, and international payment systems, long dominated by the US, has diversified to the extent that some parts of it could potentially operate freely from the rest. Financial hubs in Asian powerhouses such as Singapore, Hong Kong, and Mumbai, Shanghai, and Shenzhen are catching up with the traditional leaders like New York and London. Capital markets are growing and whereas strong stock markets were once the domain of advanced economies, forcing businesses all over the globe to seek equity capital abroad, many emerging markets now possess flourishing exchanges.

Taking advantage of this less centralized set-up, countries that previously had to issue government debt in American dollars can now do much of it in their own currencies, making themselves more resilient to the system's recurrent volatility and crises. Can these emerging markets and financial systems replace – or at least challenge - the dominance of the dollar and American financial supremacy? Despite the extensive financial cooperation and increasing

interconnectedness among BRICS countries, their activities in the world financial system have been underestimated. Yet, the stakes of BRICS' de-dollarization initiatives are particularly high.

The Success Story of the American Dollar

After the Second World War and twenty years of floating interest rates, the leaders of the New World agreed to return to a system of fixed exchange rates and capital controls. Inspired by the relative success of the European Monetary System (EMS), under Bretton Woods in New Hampshire in 1944, a new financial order was born at the request of the United States Treasury. Nevertheless, the operationalization of the fully convertible current account system was delayed, leading to its official implementation later in 1959.

Even though the system was designed as an adjustable peg that can readjust based on changing market conditions, it evolved into a *de facto* fixed exchange rate regime. Although, the initial objective, it was driven by the goodwill of a stable financial world order, but the system was short-lived. To promote economic growth in the post-war era, measures were taken to stabilize currencies and avoid competitive devaluation by combining the advantages of the pre-World War I gold standards with the flexibility to handle large real shocks.

Under Bretton Woods, the US dollar was fixed to gold at a rate of 35 dollars per ounce and the other currencies pegged to the dollar at fixed interest rates. The Bretton Wood regime surprisingly demonstrated the most stable inflation rate of all regimes in history, permanently empowering the dollar. This showcased that fixed exchange rates based on commodities tend to have much lower inflation rates and greater alignment across countries. However, as the system developed, it encountered familiar challenges, akin to the interwar gold exchange standard such as adjustment or confidence difficulties. Deficit countries faced currency crises and recessions due to nominal rigidities, the resistance of nominal price to market change, while surplus nations had to sterilize dollar inflows to prevent inflation. Increasing global trade led signatories to the system to accumulate dollars rather than gold reserves, primarily due to a growing US balance of payments deficit.

From the 1960s onwards, the record US spending at home and on the Vietnam War – largely driven by the Federal Reserve policies - pushed up the value of the dollar and the predominant global economic challenge shifted from deflation to inflation. The United States reserves did not have enough gold to back up all the dollars in circulation, resulting in the currency's quick inflation. This inflation escalated through the balance of payments to surplus countries in Europe and Asia, like Japan, leaving them no other option but to start converting their accumulated dollars into gold. President Nixon decided to act, and closed the US gold window to defend the value of the dollar. He suspended the convertibility of the dollar into gold and other reserve assets, resulting in the end of the Bratton Woods era of fixed exchange rates.

The collapse of the Bretton Woods system in the early 70s resulted in the widespread adoption of a managed floating exchange rate system among advanced countries that persists to this day. As a result, the US became the number one supplier of financial intermediation services to the rest of the world and although the par value system collapsed in 1973, the dollar standard is still with us and is here to stay.

American Hegemony in International Finance

In the 1990s the world's top ten emerging markets contributed not more than 12% of the global output. Today, they contribute about a third. The unipolar financial set-up, dominated by the US has diversified and the states organized themselves into blocs all over the globe. The interconnectedness of financial systems and America's monetary policy have brought crises to the global financial system in the past, however, now it appears to be stable and reliant. It is fair to state, that countries of the world economy have become resilient to the system's recurrent volatility and crashes, settling to a more distributed financial system, at all times. A good example is that even despite the Federal Reserve raising interest rates more rapidly than at any point since the 1980s, there have been no major emerging-market collapses in the system.ⁱ Developing countries are starting to create their own financial infrastructures with new national payment systems that are available online to all.

For example, India's fast-growing payment network Unified Payments Interface (UPI), handles more transactions a day than any other country and allows free account-to-account payments similarly to Google Pay. Inspired by India, other BRICS like Brazil are also using such open instant-payment systems that serve as an alternative to traditional banking. Brazil's Pix accounts for about 30% of the total digital payments. In response to the competitive threats these emerging financial developments pose, established players are upgrading their outdated digital infrastructure to reduce cost and increase efficiency. Digital payment systems furthermore generate real-time data on businesses and purchasing habits, making it possible for insurers and lenders to reach consumers without traditional financial history or enough assets to participate in traditional finance. In developing countries accessibility is a key factor, especially for those with low-intensity financial participation.

Emerging markets all around the globe serve as a laboratory for the efficacy of digital money. In 2007, Safaricom launched M-Pesa in Kenya, allowing users to send money via SMS. It's now used by over 90% of Kenyan households and has reduced extreme poverty in Kenya by at least 2%. In China, Ant Group and WeChat Pay have digitized payments, offering loans and other financial services. Over 90% of digital payments in China occur on these two apps. Despite recent government crackdowns on fintech, the worst seems to be over, with Ant winning approval to raise \$1.5 billion in capital in December 2022ⁱⁱ. The Alipay model is being widely copied, for example, Paytm - an Indian fintech giant valued at nearly \$20 billion in 2021 - has replicated Alipay's closed fintech ecosystem in India, with Ant as one of its biggest investors. Southeast Asian super apps Grab and Gojek have pursued similar digitization efforts as well.

Despite the notable separation, the emerging BRICS infrastructure does not allow the members to completely break away from the dollar yet. Most of the de-dollarization efforts are happening on an individual nation level rather than as a unified group and haven't reached the scale needed to change the rules in the global financial system. Two main issues are holding back the BRICS countries. First, some members, like India, have much closer ties to the United States than others therefore making a joint comprehensive strategy difficult. Second, some other members, such as South Africa or Brazil, are more

integrated into the dollar system and less vulnerable to US sanctions, so the de-dollarization in their case is not urgent. Besides having most of their assets in dollars, changing the current financial system so quickly is costly and unrealistic. Moving away from the dollar-based system would isolate BRICS from the global market, resulting in higher costs for international transactions, more expensive capital raising, and reduced competitiveness. It is questionable whether the BRICS governments could credibly enforce de-dollarization efforts at company levels, especially on companies operating in foreign territory, where the dollar remains the preferred currency. The dollar as the “safe haven” was proven by many crises and investors expect it to hold its value in the future as well. Without access to dollars during crises, BRICS countries would face great difficulties, deterring most of them from opposing the dollar’s dominance.

The American dollar’s supremacy has been increasingly challenged since the 2008 global financial crisis and the fact that the crisis originated in the US raised concerns about the reliability of the US leadership and the rationality of preserving the dollar’s supremacy over all other currencies. This crisis was, what made it possible for other powers to rise and seek a greater status in the financial order. Since South Africa joined the BRIC in 2010, transforming the organization into BRICS, the members established coordination over several policy areas, including financial cooperation. The New Development Bank (NDB) – also known as the Bank of the BRICS – perfectly showcases the efforts to build separate financial coordination mechanisms, designed to provide services to BRICS countries only. The US dollar remains the most dominant currency in the global financial and monetary system and its development affects international affairs and commerce.

The dollar’s prestige has been an essential part of US power politics and the NDB’s efforts to use local currency instead of the US dollar is a serious loss. It is not entirely clear whether the de-dollarization efforts of the BRICS are part of a fast-spreading trend of intentional fragmentation in the global financial order or is triggered by the increasing tension between the United States and China. One could argue that the US-led dollar-dominant financial system is permanent, however, it did happen in the past that a hegemonic currency, namely the British pound, lost its supremacy. The BRICS accounts for 24% of the global GDP and over 16% of the world trade, therefore its importance as a

potential challenger of the dollar hegemony lies in its economic power. BRICS' de-dollarization efforts would not only change the dynamics of relations among BRICS members but also create global repercussions. Seeing the consequences of a new BRICS financial bloc, is going to provide insights into the widely debated question of whether emerging powers can indicate a change in global financial trends and patterns.

The Safe Haven of All Currencies

Historically, the rise and fall of dominant currencies did not result from the unilateral or collective actions of nation states. For example, the Dutch guilder did not lose its supremacy status as Europe's most dominant currency because of the Bank of England's activism, but due to a permanent loss of market confidence in the Bank of Amsterdam, whose net worth was way under its policy objectives. Similarly, the US dollar was formally recognized as the global reserve currency at the Bretton Woods conference without America imposing this status on other nations. Japan's attempts to internationalize the yen (1984-2003), through creating an offshore market and using yen as foreign aidⁱⁱⁱ, failed due to heavy economic stagnation after 1990. This dominance can also be seen in relation to other emerging international currencies such as the Euro. Despite being the second most important global currency, the Euro's international role has also stagnated over the past decades and the euro-dominated assets could hardly be measured next to the dollar-dominated ones. The Mainstream^{iv} generally agrees that the US dollar remains the world's dominant currency, with no credible challengers on the horizon.

Contemporary international relations literature on rising power coalitions often contrasts rising power alliances with the already existing ones. Rising power alliances aim to gain power and influence as norm-makers in global governance and commerce, while in the case of traditional alliances the focus is more on the establishment of hard security alliances based on military power. Recent literature suggests, however, that rising coalitions arise under way more flexible circumstances and are unlikely to challenge US leadership through military alliances, due to their financial and economic embeddedness in the current system. To operate outside the US-dominated already existing systems,

rising powers have to establish new and competing networks among themselves. By establishing separate systems, their intention of participating in the already existing market is not going to fade away, just the means going to be different. This way, countries of rising coalitions have to perform at two venues, excluding the United States from some parts of their financial operations with the hope of limiting its ability to impose policy through the dollar. The question here is, whether these rising alliances are going to try to challenge the dollar's hegemony from the inside or the outside of the system.

The BRICS provided its members something that the Americans could not, which was the opportunity for them to enter the global financial order as determining players by receiving resources and development from alternative sources, from a community whose interests and norms are more fitting to their own. While we can conclude that BRICS' financial cooperation is deepening, the credibility of their initiatives to transform the existing financial system is uncertain. It is clear that the international financial system has been intensively fragmenting in the last couple of years, which makes it much simpler for the BRICS to challenge the existing liberal international order – see BRICS financial institutions such as the NDB. The BRICS is an inspiring coalition for developing countries because its leverage is growing in the international power structure. However, this is not enough to undermine the economic and political heterogeneity of our times, primarily because of the increasing power asymmetry within the BRICS and its unmatching idea of an ideal world order.

The De-Dollarization Dilemma of the BRICS

Countries under constant American financial and economic sanctions, are seeming to be the greatest advocates of the de-dollarization efforts and promote nondollar institutions the most. In case of Russia, instead of diffusing the dollar's dominance as a driving currency, there is a rationale in creating an alternative nondollar financial instruments in response to the perceived threat of currency risk and sanctions. In the long run, the creation of parallel financial systems and institutions costs a lot of resources. To defend themselves from sanction-related risks, they can reduce their US dollar holdings and reserves and promote the use of local currency in trade to weaken the dollar

dominance. With the rise of alternative assets like digital currencies, coalitions like the BRICS have some control over the further diversification of the financial landscape, weakening the dollar in some respects, but not challenging its supremacy completely. Besides the great advocates of de-dollarization due to the imposed sanctions, for most developing countries, the dollar is the safe haven when it comes to investability and global corporate borrowing as it dominates global equity markets. In the context of the BRICS countries, to gain more geopolitical and financial leverage on a global scale, they must deploy their efforts in critical sectors of the system.

Deeper financial cooperation has been on the table since 2008 at the BRICS annual summits, and members have been taking steps intending to diversify the international monetary system. The establishment of the NDB (New Development bank) and CRA (BRICS Contingent Reserve Arrangement) between 2012 and 2017, pushed for the use of local currencies in development finance. Reflecting the BRICS countries' frustration with the Bretton Woods system, these institutions were created to reduce dependence on the US dollar and the IMF by financing projects in local currencies in mutual payments. For this exact function, the NDB is also referred to as the mini-World Bank of the BRICS, as it yields even greater benefits to its members than the World Bank. It loans with much fewer strings attached, and the local currency loans feature allows borrowers to avoid the increasing of their external US dollar debts. It provides pooled dollar reserves of 100 billion USD to ensure liquidity support for members in times of modest-sized balance of payment (BoP) crisis, which occur if any of the countries fail to finance its external debts due to shortfalls in foreign exchange earnings or capital inflows.

The greatest and recent milestone in the BRICS de-dollarization efforts was born at the 2020 BRICS summit, where members agreed to advance the already existing de-dollarization processes by promoting the use of local currencies in mutual payments, collaborating on the development of the new financial infrastructure, and continuing the facilitation of the NDB. In 2020, under Russian chairmanship, the BRICS collectively issued the Strategy for BRICS Economic Partnership 2025^v, reaffirming their commitment to distant themselves from the Bretton Woods system. The coalition is bonded upon the common dissatisfaction with the international status quo, the incumbent American global

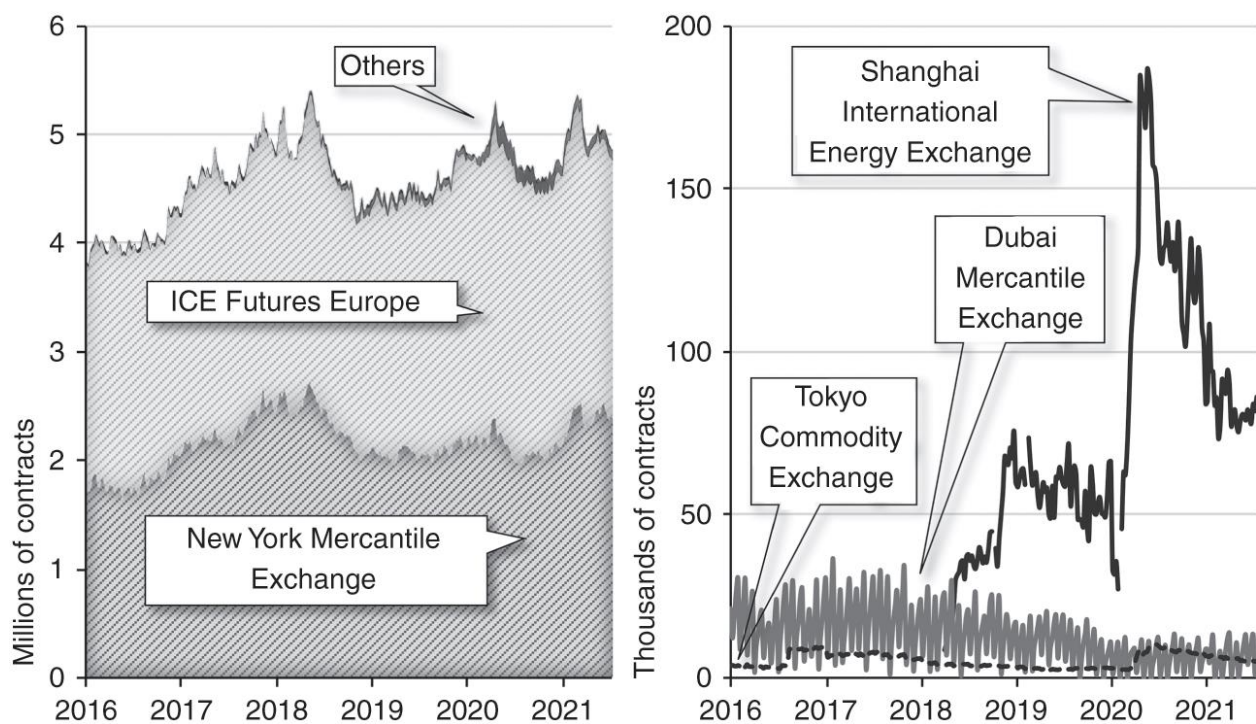
leadership, and the excessive privilege of the dollar. Perceived as a geopolitical threat to their autonomy, the BRICS counter-hegemonic coalition seeks to increase influence and status, wanting to become rule-makers in global finance. The success of the de-dollarization coalition depends on the members' ability to wield political and economic influence over the dollar system. Are the BRICS strong enough to impose such influence? Not quite yet.

The Future Battleground for the Dollar: The Oil

At the sub-BRICS level, members have been already using the national payments system that aims to replace the dollar-dominated SWIFT. China has already experimented with central bank digital currencies, by having launched the digital renminbi. The main development, however, is the Chinese motive to create a powerful non-dollar market instrument to de-dollarize the global oil trade. The US dollar's hegemonic position is undoubtedly rooted in its exclusive position as the pricing currency of the global oil trade. The West Texas Intermediate (WTI) and Brent, the world's number one crude oil pricing benchmarks, are priced in dollars. The global commodity market, which is a 1.7 trillion USD sector, could be the battleground for the future of the dollar. For the United States, the increasing use of nondollar currencies in global oil trade is a serious threat to the petrodollar system and the BRICS, as a collective, certainly are strong enough to mount that challenge. In terms of consumption power, BRICS is a much bigger oil-importing bloc than the entire European Union. China, the world's largest energy importer, and Russia, the leading energy exporter, are mobilizing within BRICS to advance "yuan oil futures", thereby challenging the hegemony of the US dollar in the global oil market.

The yuan-denominated oil futures were announced after the 2018 BRICS Summit at the Shanghai International Energy Exchange^{vi}. The futures are priced in renminbi and are convertible into gold on the Shanghai Gold Exchange and Hong Kong Gold Exchange. This allows China, the world's largest oil importer, to have an entirely domestic infrastructure for trading oil with the option for suppliers to receive their payments in renminbi and immediately convert it into gold. This shift exemplifies an anti-dollar financial instrument in practice and a nondollar price-setting mechanism for a major

global commodity, the oil. While Shanghai's yuan oil futures are still behind its rivals like London's Brent and New York's WTI oil futures in terms of trading volume, they have already surpassed similar offerings in Tokyo and Dubai by a significant margin (see figure below). The renminbi oil futures' rapid growth received great attention from central bankers in advanced economies, for example, Bank of England Governor Mark Carney noted in 2019, that "the renminbi is now more common than sterling in oil futures benchmarks, despite having no share in the market before 2018"^{vii}.



Source: Bloomberg Financial

Due to the recent developments in the US-China trade war, China has been expanding its promotion of a possible *petroyuan*, aiming to trade more oil in renminbi. In 2012, Chinese Foreign Minister Wang Yi went on a week-long tour of Saudi Arabia, Turkey, Iran, the UAE, Bahrain, and Oman, intending to secure energy agreements with major Gulf energy producers. Through having such agreements, China gained access to influence and dictate oil pricing dynamics and fuel the rise of the petroyuan. As China advocates for a

renminbi-based oil pricing and trading, it can gradually displace US dollar transactions in various markets – especially with partners with the same demand for alternative currencies. The prospect of the petroyuan would make it possible for nations targeted by US sanctions, such as the massive oil exporters of Iran and Russia, to access global markets through alternative currencies and non-dollar payment systems, thereby weakening the effectiveness of US sanction power.

Alongside China, it is Russian interest as well to de-dollarize the oil and gas trade. Oil and gas accounts for over 60 percent of Russian export revenues, making up roughly 40 percent of governmental revenues. Russia's economic security revolves around the demand for oil and gas and since its 2014 invasion of Ukraine, most of the oil and gas companies in the country have been under American sanctions. The Chinese yuan oil futures offer Russian oil and gas trade an alternative platform, making it possible for the Russian energy market to grow and keep the sales going.

The fact that yuan futures are linked to gold is making its leverage in the global oil trade de-dollarization even more impactful. With the renminbi serving as an intermediary funding step, China has built up a supporting infrastructure for the yuan oil futures to facilitate the swapping of oil into gold. If the BRICS would establish their own benchmark for gold, instead of using the London or New York pricing, this infrastructure could potentially achieve the goal of de-dollarization by making gold the primary oil trade currency with a minimum exposure to exchange risk. In 2017, the BRICS were having discussions on establishing a gold-based trading system, both in bilateral and multilateral trade. Russian visits were made to China to push the idea of a gold trading system, with more or less success. Even if the Russian efforts of a common gold system were unsuccessful for the first time, it is key to note, that the BRICS are not just the largest gold producers but also consumers globally. The alliance's potential in the global physical gold market lies in its major stakes: South Africa, China, Russia, and Brazil being the leading gold producers worldwide and China and India having massive gold consumer power, incomparable to any other country or alliance in the world. A BRICS single gold trade system could rewrite the rules of global trade, by creating a new pricing benchmark based on the current global physical gold trading rather than gold derivatives. With the gold-

backed trading of yuan oil future, oil producer giants would be able to swap oil for gold instead of US Treasury securities, slowly but surely de-dollarizing the trade of oil and gas. This single gold system would further free the BRICS from being subject to foreign pricing allowing them to stabilize their domestic currencies and strengthen their value over time.

Financial Infrastructure Building

Both Russia and China have started developing their cross-border payment mechanisms, to provide an alternative to the American SWIFT global banking network. The original idea was the internationalization of the renminbi, however, the added benefit of promoting broader use of the renminbi was to reduce foreign exchange risk and US transaction risk. This was crucial for both China and its trading partners, as many of them were and are affected by US sanctions – see Iran and Russia. In the case of Russia, the establishment of an international ruble payment system made it possible for the government to directly respond to the heightened threat of Western sanctions, since the first annexation of Crimea in 2014. These two countries within the BRICS have recently established a direct payment system with each other, intending to extend it to the BRICS as a whole and some in Eurasia. There have been recent talks from the Russian side, that BRICS countries are interested in the development of a common payment system and this idea is indeed widely supported among members.^{viii}

With the only exception of South Africa, the BRICS has been working on the development of separate national payment systems. These wholesale payment networks paired with a retail bank card networks are organizing the global financial order into blocks. Different protocols and procedures apply for the execution of retail payments and the exchange of information among banks for financial settlement over wholesale payment networks. This way, BRICS do not have to rely on American card networks allowing them to avoid fees charged by these service providers, such as Visa or Mastercard. Beyond this obvious benefit of independent retail bank card networks, this liberates the BRICS from the risk of the unilateral withdrawal of such a system as part of sanctions imposed by the United States (pre-2014 Russia and pre-2002 China). The potential risk of withdrawal leaves domestic consumers without the ability to conduct

basic retail transactions using their bank cards. Creating an alternative reality of cross-border payments allows the BRICS to completely bypass the US dollar-denominated global system, ensuring confidence in market and trust in local currencies.

Launched in 2015, China has expanded the international reach of its renminbi-based financial infrastructure with the establishment of the Cross-Border Interbank Payment System (CIPS) and the UnionPay bank card network, which facilitates onshore renminbi clearance and settlement. By 2020, CIPS had 43 direct and 1159 indirect participants across 85 countries, processing 135.7 billion RMB (19.4 billion US dollars) daily. Since the launch of UnionPay, the network has issued 7.5 billion cards worldwide, surpassing its American competitors, Mastercard and Visa. By 2021, UnionPay was accepted in over 180 countries, with a significant penetration in BRICS nations. In Brazil, the acceptance rate reached 70% by 2021, and in Russia and India over 90% by 2024. The rapid growth of the CIPS and UnionPay allows China to use renminbi in international transactions, without needing the US dollar. The integration of UnionPay's day-to-day transactions in the CIPS infrastructure gives China and other BRICS members an option to slowly de-dollarize bilateral payments.

Russia's de-dollarization was triggered by the first package of US sanctions imposed by President Barack Obama after the annexation of Crimea in 2014. Obama's sanctions targeted cards issued by seven Russian banks, leading to Visa and Mastercard to freeze over 500,000 cards. This pressured the Russian economy, prompting Putin's regime develop two key financial infrastructures: an independent national payment system and a proprietary financial messaging system. The additional threat coming from the UK of cutting off Russia from the SWIFT made this issue even more pressing. The National Payment Card System (NSPK) Act of 2014 formally established the NSPK, operated by the Russian Central Bank. A year later, the MIR card was introduced. By 2019, the MIR card was widely accepted in Russia, including Crimea, showcasing how easy it is to transmission from the US-based payment giants. As an alternative to SWIFT, Russia has also designed a messaging system, called the System for Transfer of Financial Messages (SPFS), which by 2019, was commonly used by foreign banks and entities, accounting for 15% of Russia's internal financial traffic. The international expansion of the SPFS is

ongoing, connecting with Iran's SEPAM and seeking links within the Eurasian Economic Union, in Turkiye and other regions.

Russia has been trying to expand its MIR network and achieve greater international coverage of its SPFS infrastructure, particularly in China and other BRICS countries. Shortly after the first Western sanctions hit Russian banks, Russia showed its desire to create a mutually compatible payment system with China, so it is going to be easier for both to deal with the risk of being cut off from SWIFT. In 2019, the two countries agreed to set an agenda on the deepening of cooperation in cross-border payments in their currencies, strengthening the attempt to move away from the dollar and bypass Western sanctions. The People's Bank of China (PBoC) has improved transaction efficiency and exchange rates between the two national currencies, by approving policies to institute a payment versus payment system that can significantly reduce transaction times and foreign exchange rates. While India does not have its own financial messaging system yet, it did report its interest in the usage of the Russian and Chinese infrastructures^{ix}. Once India starts using BRICS financial messaging systems, the SPFS and CIPS are going to cover most parts of the world.

Having its financial infrastructure would equip the BRICS with the opportunity to create its own rules and increase its financial and political influence through this alternative system. Most countries affected by American sanctions have been building their global payment infrastructures for international transactions. By creating alternatives for SWIFT, BRICS can gain a greater buy-in for their system increasing their currencies' leverage globally.

The Utopia of a Common BRICS Digital Currency

At the moment, the BRICS are still nowhere close to taking over the well-functioning and coordinated system of the American dominant financial institutions. Despite the "BRICS currency" being under development, it is unrealistic that it could replace the national payment systems already in place in countries like China or Russia. The BRICS countries have recognized this lack of potential in such currency and have been aiming to support the members' national payment systems instead.

The idea is to create a single contactless payment system that can connect BRICS countries, providing a platform for payments and messaging within the alliance. BRICS pay would link all the credit and debit cards of BRICS citizens to online wallets, making payments accessible 24/7 via a mobile application. BRICS Pay was launched in 2019 in South Africa by the Russian presidency. Using blockchain technologies to build a BRICS currency is on the table, and further talks were held on the possibility of replacing the dollar with a BRICS cryptocurrency in settlements. Joint research groups are being constantly established to explore the opportunities of de-dollarization and financial fragmentation. The efforts are there.

The key advantage of BRICS Pay is the use of the national currencies of the BRICS members as direct bases of exchange for external payments. Currently, such payments still require the US dollar as a conversational currency, making interaction with US banks necessary. For instance, a yuan-ruble settlement via UnionPay cannot be conducted directly because it must be converted into US dollars first. In the global financial services market, BRICS members could gain a competitive edge with the help of BRICS Pay by integrating the national payment systems and opening them to non-BRICS countries. The BRICS could gain a shared competitive advantage to compete with traditional banks in the global financial service market, currently ruled by American rules and norms. After the recently imposed US sanctions, Moscow adopted the yuan-to-ruble exchange as the benchmark currency pair with the hope of restricting global financial institutions processing transactions with Russia and investments in Russian stock exchanges. As a result, Moscow stopped trading in dollars and euros, causing a bit of confusion in the dollar-ruble rate at many national banks. As the yuan is now the primary currency on the Moscow Exchange, accounting for 54% of trades in May of 2024, Russia's move away from the dollar is real.^x

Apart from discussing the shared BRICS cryptocurrency and the move away from the dollar-based order, members have been developing their own central bank digital currencies. China started its CBDC project back in 2014, officially revealing its strategic agenda later in 2016. Since 2020, China has been developing such systems in several parts of the country like Shenzhen ("Digital Currency Electronic Payment"). Since then, tests of

the digital renminbi have been conducted with the Hong Kong Monetary Union with success. The rollout of the digital renminbi payment infrastructure could reduce the costs and speed of cross-border transactions, allowing China to make payments without having to worry about the impact of US sanctions.

As for now, none of the alternative payment systems discussed has achieved global status, apart from China's UnionPay network. Despite the proliferation of such substitutes, the BRICS are eager to take protective measures and build their own infrastructures mainly to avoid the effects of sanctions on their international transactions.

Conclusion

The BRICS have been using institutional and market mechanisms to gain greater autonomy and influence in the global financial order. The members, especially Russia and China, are committed to developing a BRICS alternative to SWIFT. This analysis perfectly shows the coalitional strength of the BRICS, that could potentially be mobilized beyond the high-effectiveness de-dollarization initiatives. The BRICS members share an interest in these developments and see the idea of a non-dollar financial system viable to defend themselves against US sanctions risk. The sub-coalitional dynamics within the alliance demonstrate complex systems of international geopolitics, with Russia and China in the lead. This within-alliance coalition is emerging and driven by financial sovereignty and leads to de-dollarization in the future. Failing the US-China relationship will very likely increase the urge for China to move closer to Russia and away from the dollar-dominated world. Through the BRICS Plus engagement, members have been expanding their networks, trying to find allies across the non-Western world. Such mobilization of diplomatic efforts has not yet yielded results, but the BRICS coalition has certainly been able to demonstrate its leadership position in the non-Western hemisphere. It showed that the BRICS is a capable alliance for agenda setting both in terms of geopolitics and geoeconomics and working towards the de-dollarization of its own public goods.

Despite all the efforts of Russia and China regarding a fragmented financial order, their initiatives are far from liberating the BRICS nations from the dollar-based financial system any time soon. While their initiatives are working in some limited ways, they are not quite enough

yet to de-dollarize the international borrowing for development finance. The capacity of BRICS institutions, such as the NDB, is limited in contrast to traditional development financiers, like the World Bank or the Asian Development Bank. Even if the NDB would expand its networks and capacity, its size would still constrain BRICS de-dollarization potential. Furthermore, there are unequal resources between BRICS members to finance the development of their own infrastructures or financial instruments. As for now, only China and Russia have resources and potential incentives for the development of SWIFT alternatives. This is not even to mention oil, which is only applicable in the case of China, as no other BRICS nation has the influence to launch alternative oil futures contract (yuan oil future).

In addition, the internal geopolitical dynamics within BRICS and its members' relationships with the United States may stop the BRICS from formally forming the group into a de-dollarization advocacy coalition. The BRICS members are aiming to diversify their reserve assets at the individual state level and build an internal support system to gain independence. BRICS' stock exchanges are seeming to form alliances, reshaping global equity markets. Independent payment and financial messaging systems are getting interconnected, taking steps towards a more de-dollarized world. Bilateral currency swaps are making it possible to trade in local currencies, diffusing the US dollar's hegemony as a convertible currency.

Even if these sub-BRICS and BRICS Plus initiatives do not support the global influence of the members on an individual level, they make it possible for the BRICS as a whole to achieve greater autonomy, reduce exchange risk in bilateral trade, and reduce the risk of US sanctions.

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