The voice of the World majority: BRICS in the first year after expansion

XII Annual Conference on the Global Economy
“Challenges of catch-up: Emerging countries in the global economy”

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Institute for Energy and Finance Foundation

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BRICS Agenda under Russia’s Chairmanship (2024)

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Expansion of BRICS Membership

Adoption of the Kazan Declaration

Initiation of BRICS Pay

Strengthening Multilateralism

Enhanced Economic Cooperation

There is no future for BRICS common currency yet

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The Common Currency Area (CCA) theory, also known as the Optimal Currency Area (OCA) theory, examines conditions for a group of countries to adopt a single currency. Developed by Robert Mundell (1961).

Key Criteria for a Common Currency Area:
1. **Labor and Capital Mobility**: Free movement across regions to adjust to shocks.
2. **Trade Integration**: High trade flows to justify currency unification.

The rumors of the death of the US dollar are greatly exaggerated (1)

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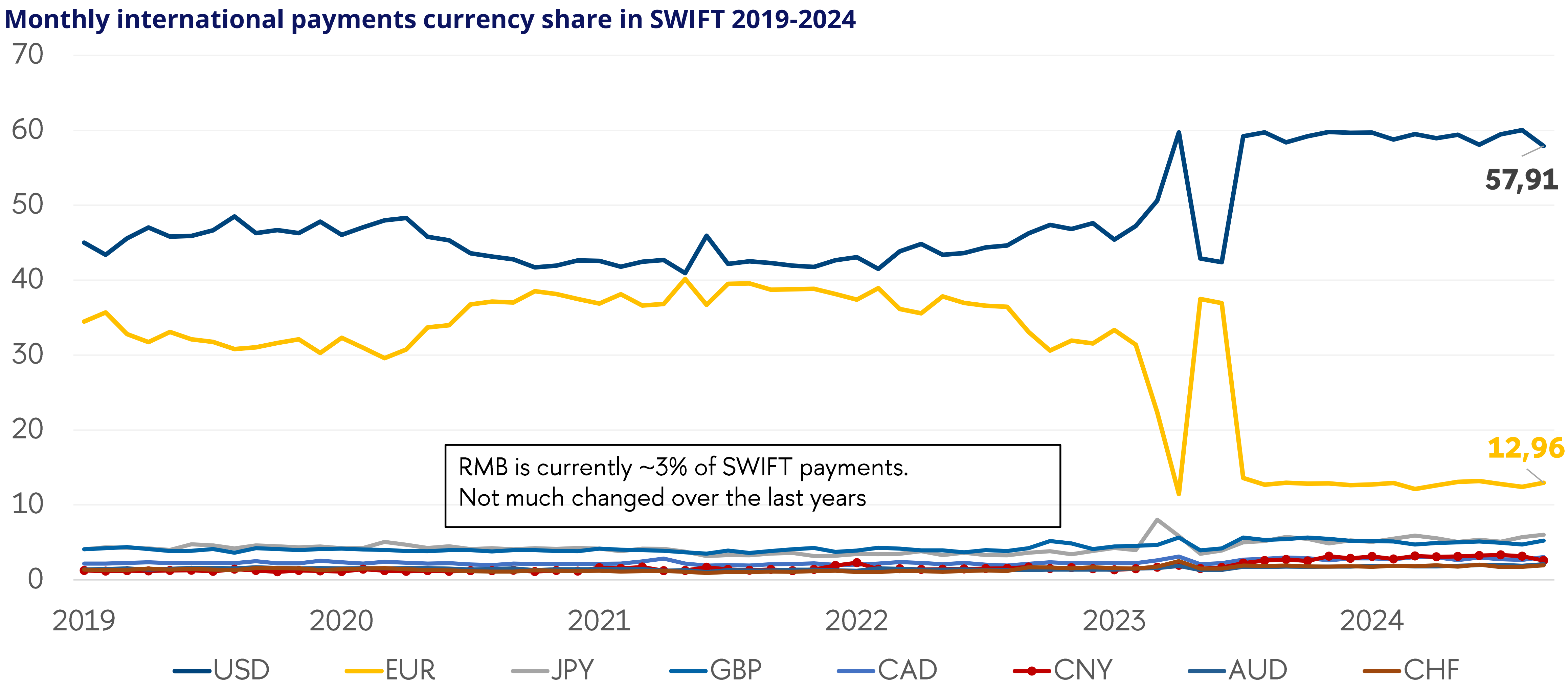

Source: SWIFT

The rumors of the death of the US dollar are greatly exaggerated (2)

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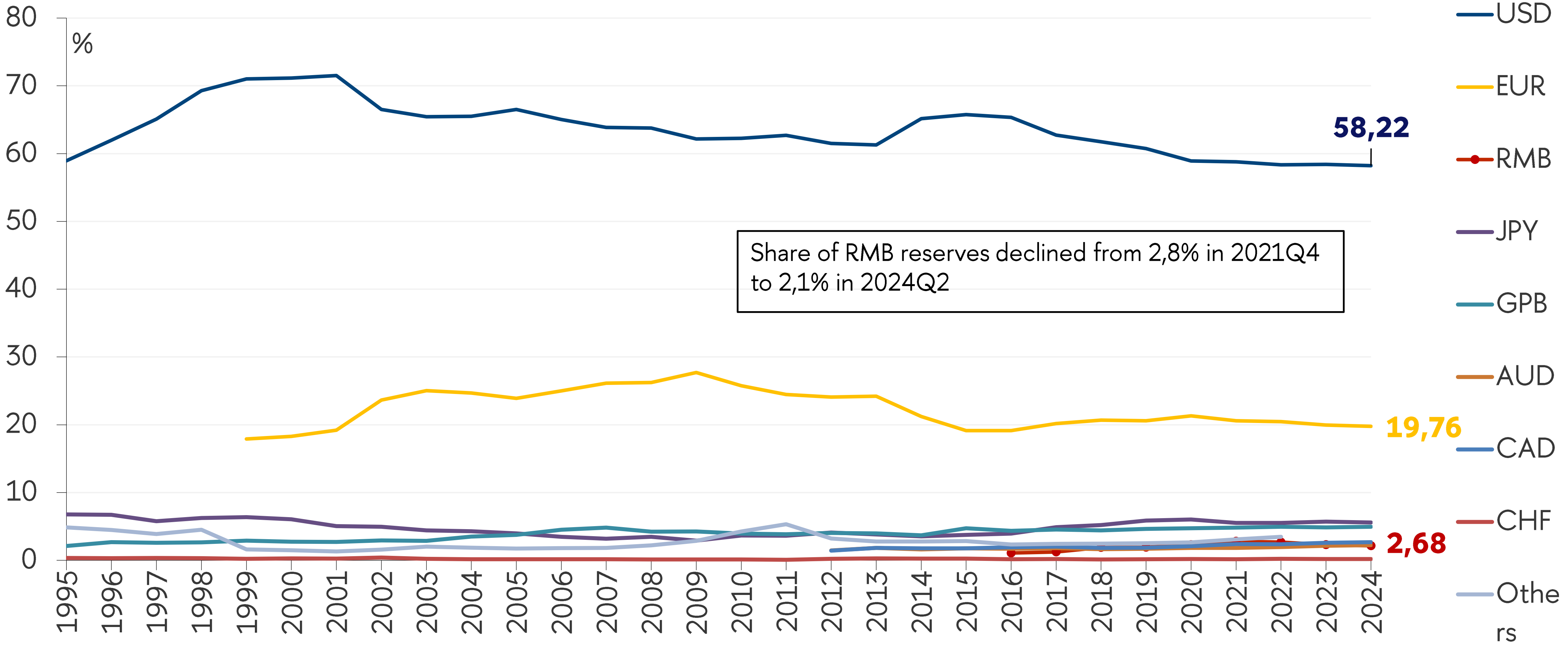
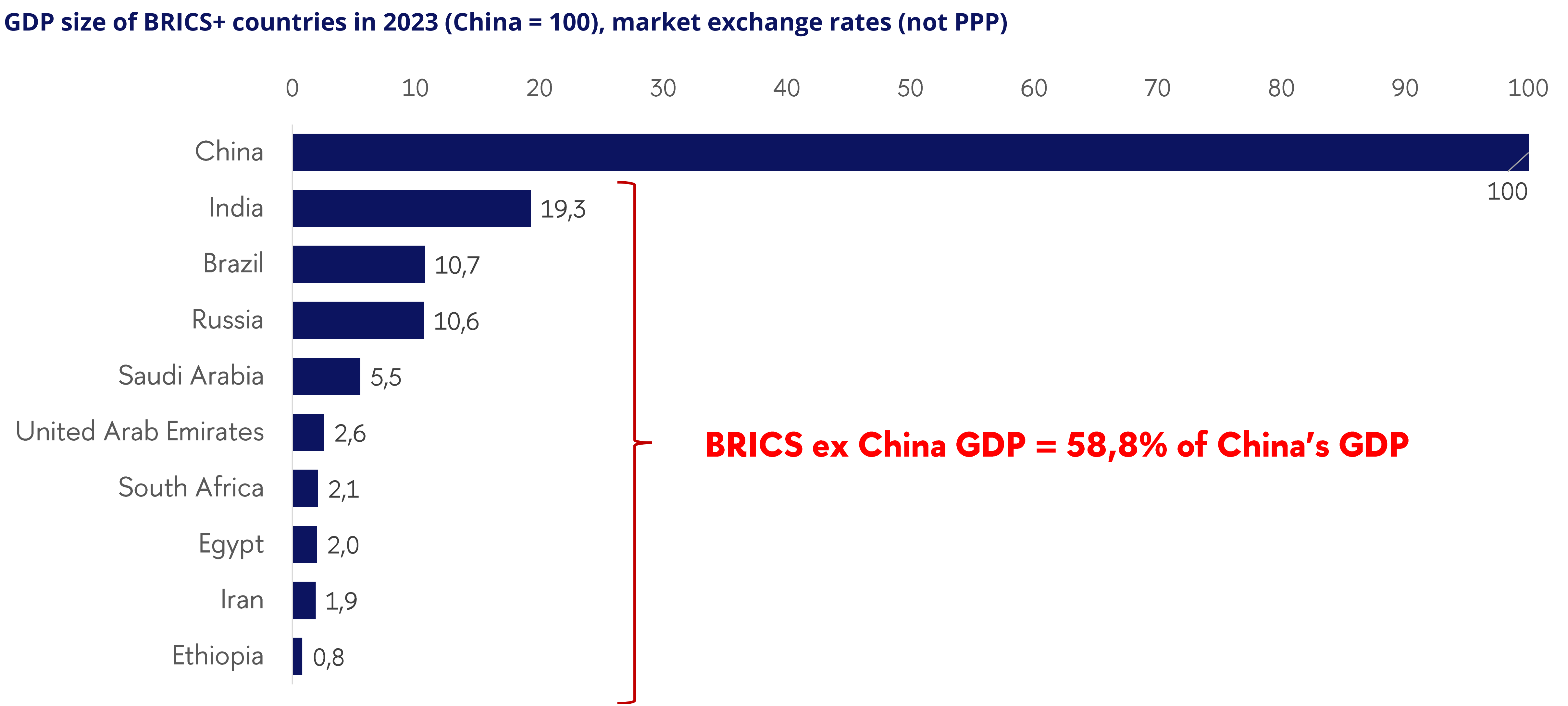
Share of currencies in official FX reserves allocated by currencies



Source: COFER

China is the dominant power in BRICS …



Source: IMF WEO

… and China promotes the use of RMB

Bilateral Currency Swap Agreements

Trade Settlement in RMB (BRI, trade financing)

Strategic Energy and Commodity Transactions

Offshore RMB Markets

RMB-Backed Investment Products

Central Bank Digital Currency (e-CNY)

Inclusion of RMB in Global Reserves

Financial Reforms to Build Trust

Source: national statistics & central banks

Less hype and more clear results in BRICS

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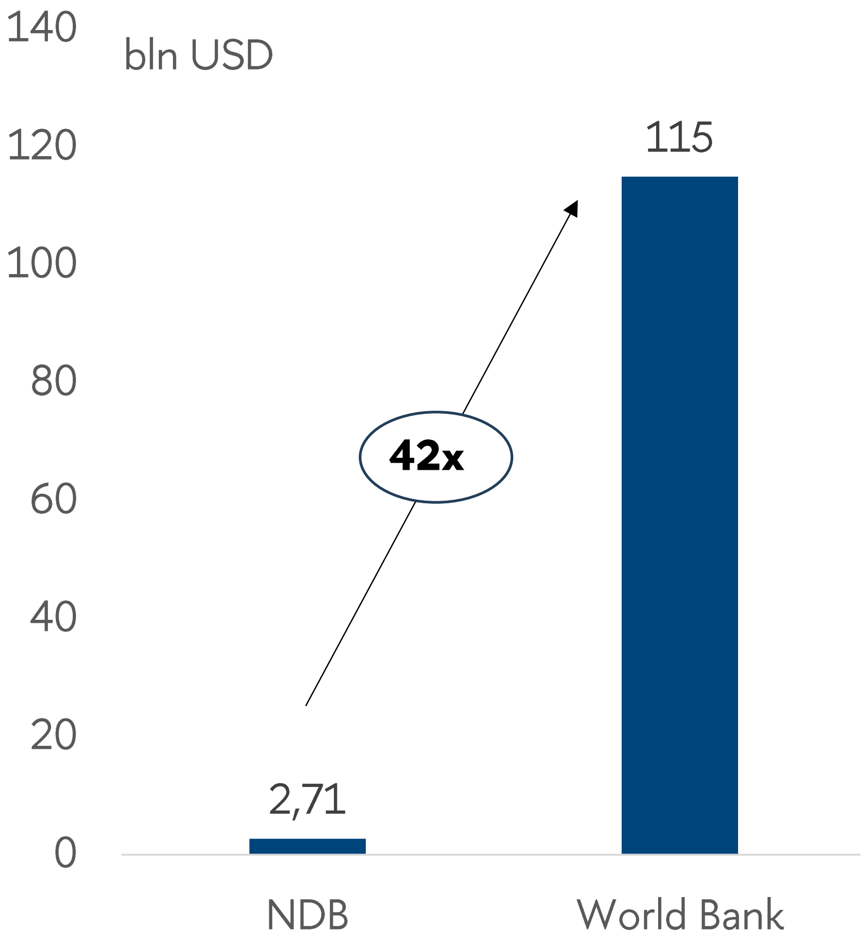
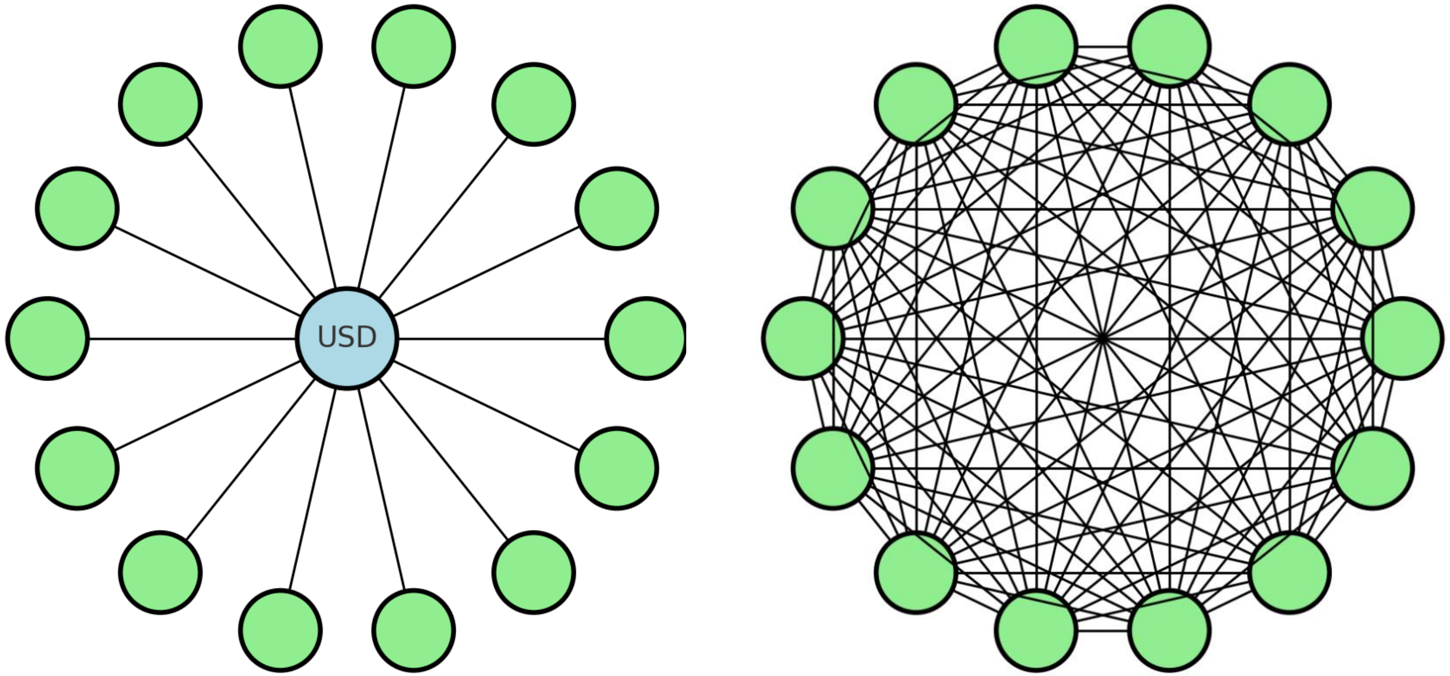
Loans provided by NDB and World Bank in 2022



There is economic rationale for the 'dominant currency' model
Less cost of each transaction, less need to such model



Source: NDB, World Bank, author