

Behind BRICS Expansion*

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At the Johannesburg summit of the BRICS countries, it was decided to expand the group beyond its original five, namely, Brazil, Russia, India, China and South Africa, to include six more countries. These are: Argentina, Egypt, Iran, Ethiopia, Saudi Arabia and the United Arab Emirates. These six it appears were chosen out of a list of twenty-two countries which had been keen to join the BRICS grouping. What is more, government sources in South Africa which currently chairs BRICS have revealed that as many as 40 countries have been interested in joining the group. The question naturally arises: why has BRICS suddenly become so popular?

Many have seen BRICS as an attempt on the part of some large countries, excluded from “the high table” of imperialist countries, to assert themselves and play a more significant role in world affairs, a role in keeping with what they think they deserve. But BRICS is a highly disparate body: Russia and China are permanent members of the UN Security Council with veto powers anyway, with one of them being currently engaged in a war with countries of the “high table” and the other being vilified as their “main enemy”; so the question of their feeling “excluded” simply does not arise. And as for the remaining members, BRICS, as a body, has not played any key role in any world situation since its formation; so, these remaining members too can scarcely be seen as mere aspirants for a bigger role in world affairs (for, had they been, they would have been more pro-active). Likewise, just acquiring greater importance cannot be the motive behind so many countries wanting to join the BRICS.

The problem with this explanation moreover is that it is quite oblivious of the political economy underlying the current world situation which is marked by an economic crisis of world capitalism, a crisis that even conservative and establishment economists are calling a “secular stagnation”.

In this situation of crisis, the old international institutions appear singularly inadequate, and the imperialist countries seem quite incapable of modifying them, or altering them, or making new institutional innovations, to cope with the situation. The BRICS appears in this context as an innovation of promise. The popularity of BRICS in other words is a manifestation of the crisis, an expression of lack of confidence in the imperial arrangement that has existed till now, to cope with the crisis. This does not make BRICS an “anti-imperialist” grouping: some countries within it are no doubt anti-imperialist but countries like Egypt, Ethiopia, Saudi Arabia and the UAE, can by no stretch of imagination be said to be revolting against imperialism by joining BRICS. While not anti-imperialist, they are looking at an alternative arrangement of promise which they think can provide them with crucial support in the days to come.

In the expanded BRICS that exists now there are three distinct kinds of countries (these are not mutually exclusive): countries against which imperialism has imposed unilateral “sanctions” or punitive protectionist measures; oil and natural gas producing countries; and countries that are already experiencing hardships in the midst of the current world crisis or are likely to do so in the coming days. China, Russia and Iran exemplify the first category; Russia, Iran, Saudi Arabia and the UAE

exemplify the second; and Egypt, Ethiopia, Argentina the third (with Brazil and India being worried about the unfolding crisis and keen on alternative arrangements).

For countries that are subject to unilateral imperialist sanctions that are imposed even without any Security Council clearance, BRICS provides a potential arrangement for by-passing these sanctions. In that sense the inclusion of Iran in BRICS is perhaps more significant than any other measure adopted at the Johannesburg summit. Iran has not only been subjected to severe sanctions, but was the first country that was excluded from having access to its own foreign exchange reserves held in metropolitan banks, which was in clear contravention of the capitalist rules of the game devised by the imperialist countries themselves. Since then such acts of international “brigandage” have become quite common, with Russia being the latest victim in the wake of the Ukraine war: it too was not allowed to access its own foreign exchange reserves held in foreign banks. Joining BRICS enables these “sanctioned” countries to break out of the vice in which imperialism wishes to trap them.

The oil and natural gas producers find the prices of their products falling because of the world recession and have been trying to shore up these prices by curtailing output in response to reduced demand. This is against the explicit wishes of the United States. Indeed, on one occasion, it had sent several emissaries, including even Biden himself, to Saudi Arabia to request that country to oppose an output cut at the then forthcoming OPEC+ meeting; but this US pressure had not worked. Since then there have been more occasions when OPEC+ has announced output cuts. If the oil producers are to have sufficient autonomy in future to decide on oil output in defiance of US wishes, then a diversification of their relations away from exclusive dependence on the US, without necessarily becoming antagonistic towards that country, seems essential. For them, joining BRICS is a means of such diversification.

For the third group of countries, that is, Egypt, Argentina and Ethiopia which have severely ailing economies and Brazil, India and South Africa whose economies, though also ailing, are less severely afflicted, the attraction of BRICS lies elsewhere, namely in the possibility of local-currency trade that by-passes the dollar. Brazil and China have recently entered into such a local-currency trade arrangement, as have India and the UAE; and more such arrangements are likely among BRICS members in the coming days which constitutes a major attraction for joining BRICS.

The relative currency values among countries entering into such arrangements are fixed, and the dollar is not needed either as the unit of account or as the medium of circulation in trade between them. Such arrangements, by effectively enlarging the availability of the circulating medium among these countries, and making such enlargement the outcome of decisions taken by the countries themselves (which can increase their money supplies at will), facilitate trade for them, which is no longer constrained by any dollar shortage.

This however answers only half the problem; what is required in addition is that the balance of trade between such countries should be settled by the surplus country buying goods and services from the deficit country, if not immediately then at least over a period of time. In other words, local-currency trade enlarges the stock of liquidity in the world economy but does not overcome the problem of external debt arising from trade between countries entering into such an arrangement.

When BRICS encourages such bilateral trade arrangements, where balances are also settled not by a build-up of debt of the deficit country but by buying more goods from it, it would have made a significant contribution towards improving the functioning of the world economy; it would then be a real alternative to the imperialist-dominated world economic order.

The new director of the BRICS Bank, Dilma Rousseff, the former president of Brazil, has made it clear that the bank has no intention of giving loans for debt settlement or debt servicing, either to the third world in general or to member countries; it would not reduce the third world's need therefore for going to the IMF for this purpose and suffering from the "austerity" imposed by it. But she is keen on expanding local-currency trade and also on providing infrastructure lending to third world countries, which would go some way in loosening the hold of imperialist-dominated institutions.

There has been much discussion among Left circles in member countries about what exactly BRICS means for imperialism. Some argue that while it is anti-imperialist, it is not anti-capitalist; but even to call it anti-imperialist is a gross over-statement. A grouping with leaders like Modi, MBS (of Saudi Arabia) and Sisi (of Egypt) cannot possibly be called anti-imperialist. What it does however is to weaken, at least to some extent, the monopoly stranglehold of imperialist institutions on the world economy; and that certainly is a positive development. It does not itself constitute a blow against imperialism, but it creates a setting that is more favourable for the working people of the world to strike a blow against imperialism.

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