

BRICS' MENA ODYSSEY: A PROMISING EXPANSION

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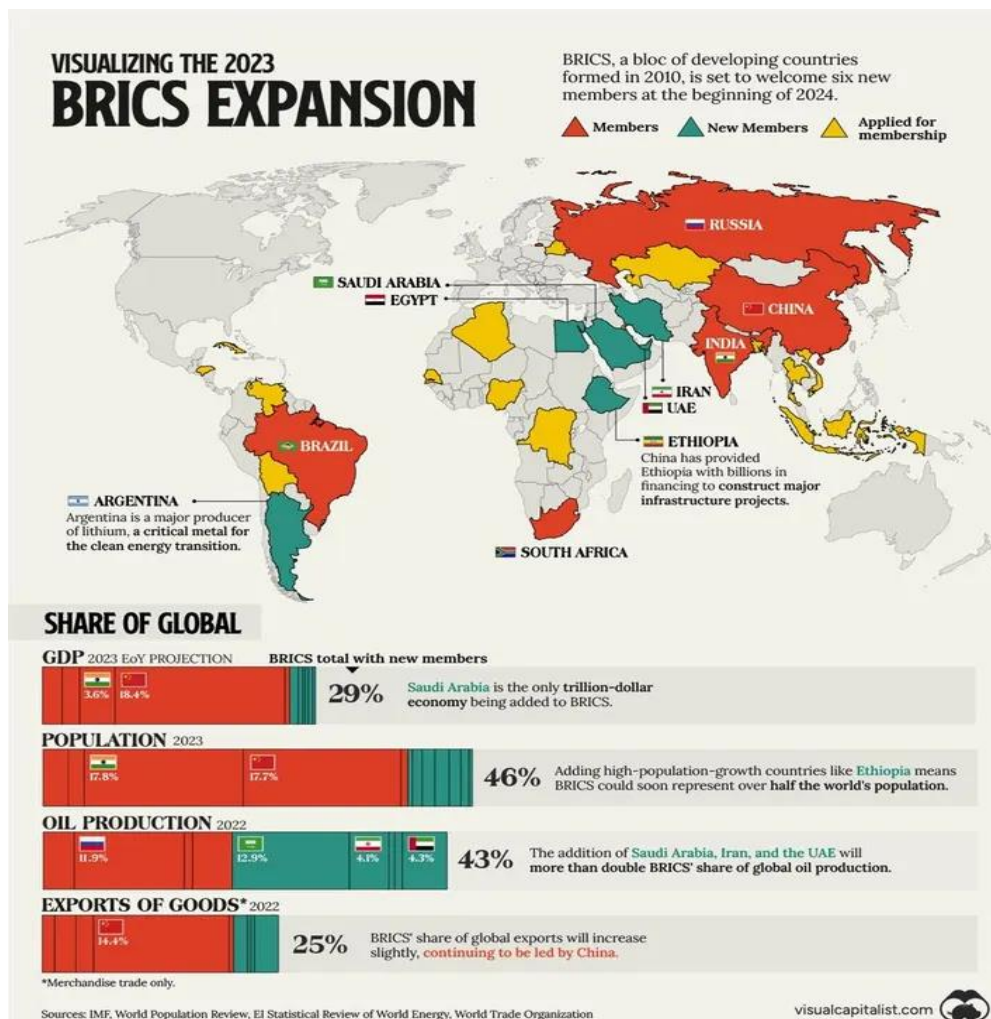
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The 15th meeting of the BRICS (an abbreviation representing Brazil, Russia, India, China, and South Africa) leaders, convened in Johannesburg on 22 August 2023, garnered substantial media attention, particularly due to its timing amidst the escalating conflict in Ukraine and the growing political and economic rivalry between the United States and China. Global news coverage predominantly centered on the inclusion of new members and the potential ramifications for the future direction of the BRICS collective, including its economic and geopolitical aspirations. On August 24, the BRICS grouping reached a consensus to expand its membership by extending invitations to six new countries namely; Saudi Arabia, the United Arab Emirates (UAE), Iran, Egypt, Ethiopia, and Argentina. Should they accept their invitations, Saudi Arabia, the UAE, Iran, and Egypt are poised to become the first nations from the Middle East and North Africa to join the BRICS alliance, with their formal inclusion anticipated as early as January 2024. The genesis of this grouping dates back to 2001 when it was originally conceived as BRIC, a notion put forth by Goldman Sachs economist Jim O'Neill. O'Neill's proposition posited that Brazil, Russia, India, and China would collectively wield significant influence over the global economy by the year 2050. Subsequently, the inaugural BRIC summit convened in 2009, marking the beginning of formal

collaboration and in 2010, South Africa was welcomed into the fold as a new member. Until now, for over a decade, no further invitations have been extended.

The recent inclusion of six additional members underscores the readiness of the BRICS nations to establish a grouping comprising prominent emerging economies, one that can effectively advocate for the interests of the developing world. In the lead-up to the summit, it became evident that the group's objectives resonated with numerous developing nations, as approximately forty countries either expressed their intent to join or formally applied for membership. Iran's President Ebrahim Raisi articulated the sentiment when he emphasized, "The expansion of BRICS signifies a departure from unilateral approaches."¹ Additionally, BRICS has the potential to further facilitate diplomatic reconciliation between Iran and Saudi Arabia, particularly in an economic context. The prospective involvement of BRICS could serve as a significant catalyst in transforming the nature of Iranian-Saudi relations, potentially shifting them from a tactical engagement to a strategic cooperative model.



1 "BRICS welcomes new members in push to reshuffle world order," Reuters, August 25, 2023. <https://www.reuters.com/world/brics-poised-invite-new-members-join-bloc-sources-2023-08-24/>

The expansion is also widely perceived as a notable triumph for the two leading members of the BRICS alliance, with China's political influence expanding and Russia's isolation diminishing as a result. The extension of BRICS into a BRICS+ format, along with the establishment of guiding principles, standards, and procedures for this expansion, has the potential to enhance the appeal of BRICS as an institution for fostering consensus and dialogue within the developing world. Notably, the composition of the new member states suggests a departure from the traditional partners deemed acceptable by Western powers. President Xi Jinping of China described the membership expansion as a historic development, demonstrating the collective determination of BRICS countries to promote unity and cooperation on a broader scale within the developing world.²

Another crucial consideration lies in how these new BRICS partners will leverage the emerging systems of cooperation that the alliance has been actively working to establish. While the notion of a unified BRICS currency may presently appear impractical and premature, the adoption of national currencies for trade is becoming increasingly viable. The recent instance of India and the UAE conducting oil transactions designated in rupees signifies more than a challenge to the longstanding petrodollar arrangement that has held sway since 1973.³ It also serves as a clear indication that major global commodity exporters and importers are exploring ways to diminish their reliance on the US dollar. While not heralding a complete overhaul of the existing global order, the expansion of BRICS undeniably represents an endeavor to forge an alternative world order, one that is more attuned to the interests of the developing many as opposed to the developed few. Anil Sooklal, South Africa's representative in the BRICS negotiations, emphasized the need for a transformation in the global order dominated by Western-centric institutions.⁴ He underscored BRICS' message of inclusivity, clarifying that the group does not hold an anti-Western stance.

BRICS has persistently pursued the goal of reducing dollarization for the past decade, but even their efforts to introduce a unified BRICS currency encountered substantial obstacles. Presently, approximately 88% of international transactions continue to be denominated in dollars, and 58% of the world's foreign exchange reserves are held in US dollars.⁵ However, should Saudi Arabia and the

² "Xi says BRICS expansion historic, new starting point for cooperation," Xinhua, August 24, 2023. <https://english.news.cn/20230824/3ef5ba9ff40b48de9917707a7f938394/c.html>

³ "India makes first crude oil payment to UAE in Indian rupees," Reuters, August 14, 2023. <https://www.reuters.com/business/energy/india-makes-first-crude-oil-payment-uae-indian-rupees-2023-08-14/>

⁴ "Can BRICS end 'apartheid' against the Global South?" AlJazeera, August 22, 2023. <https://www.aljazeera.com/economy/2023/8/22/can-brics-end-apartheid-against-the-global-south>

⁵ "Calls to move away from the U.S. dollar are growing — but the greenback is still king," CNBC, April 24, 2023. <https://www.cnbc.com/2023/04/24/economic-and-political-factors-behind-acceleration-of-de-dollarization.html>

UAE, as the principal energy producers in the Middle East, decide to join BRICS, the bloc's enhanced economic influence may bolster its prospects for promoting the use of alternative currencies.

For members grappling with financial challenges, such as Egypt, the prospect of enhancing economic ties with BRICS members, particularly Russia, China, and India, holds significant promise. Egypt's trade volume with BRICS nations is substantial, and the country can use this to further expand exports to these partners. In 2022, the trade exchange between Egypt and BRICS countries saw a notable increase, reaching \$31.2 billion, a 10.5 percent growth compared to the \$28.3 billion recorded in 2021.⁶ Leveraging trade agreements like the Common Market of the South (Mercosur), Egypt has the potential to position itself as a pivotal hub connecting the continents of Africa, Asia, and South America. Earlier in March 2023, Egypt's accession to the BRICS New Development Bank (NDB) in March marked a significant development.

Established in 2015 by BRICS member nations, the NDB functions as a multilateral development bank with the objective of mobilizing resources for infrastructure and sustainable development projects within the BRICS bloc as well as in other emerging markets and developing countries (EMDCs). Here it is important to note that the BRICS countries have strategic plans to evolve the NDB into an alternative to established global financial institutions like the World Bank and the International Monetary Fund (IMF). This evolution includes providing support to member states through mechanisms like the Contingent Reserve Arrangement, which offers a framework for supplying additional liquidity and various benefits to BRICS nations during periods of economic crises.

The expansion of BRICS carries the potential for enhanced logistical coordination among its member countries, with implications for various sectors. Anticipated are increased air travel routes connecting existing BRICS members with the new entrants, a development that is poised to play a pivotal role in the transportation of goods and logistics. The growth of routes presents fresh opportunities for the global aviation industry, particularly in the realm of cargo operations. Moreover, BRICS nations have demonstrated a longstanding interest in diversifying their supply chains, a strategic move aimed at reducing their reliance on Western markets. With the inclusion of Saudi Arabia and the UAE, the prospect of reconfiguring aviation-related supply chains gains

⁶ "Trade exchange between Egypt, BRICS countries increases to \$31.2bln in 2022: CAPMAS," ZAWYA, August 22, 2023.
<https://www.zawya.com/en/economy/north-africa/trade-exchange-between-egypt-brics-countries-increases-to-312bln-in-2022-capmas-q0cy5u5y#>

prominence.⁷ This could result in greater localization of component manufacturing and materials sourcing in these countries, fostering resilience against supply chain disruptions similar to those experienced during the recent pandemic.

Furthermore, the expanded alliance would usher in significant shifts in the dynamics surrounding global oil production and export. This enlarged consortium would encompass the world's leading oil-exporting nations, collectively representing approximately 42% of global oil production.⁸ From an economic standpoint, Saudi Arabia's inclusion in the BRICS bloc carries profound significance. As the largest Arab economy boasting an annual GDP exceeding \$1 trillion, it wields substantial economic clout. Furthermore, Saudi Arabia ranks among the foremost players in the global oil market, a market predominantly denominated in US dollars, and it is responsible for approximately 15% of the world's proven oil reserves. Recent efforts to diversify its economy, coupled with increased oil revenues resulting from the Russian-Ukrainian conflict, indicate to the BRICS bloc that Saudi Arabia's accession could potentially bolster its financial capabilities. Saudi Foreign Minister Prince Faisal bin Farhan expressed eagerness for enhanced cooperation, stating, "We look forward to developing this cooperation to create new developmental and economic opportunities and elevate our relationship to the aspired level."⁹

Similarly, the UAE, as a significant oil producer, stands to discover common ground with BRICS nations in the realms of energy collaboration, renewable energy, energy security, and sustainable development. The UAE's adept diplomacy, robust economic partnerships, and unwavering commitment to multilateralism serve as beacons of hope amid turbulent times. As the UAE prepares to host COP28 and the 13th Ministerial Conference of the World Trade Organization, its contributions to BRICS discussions on climate action, counterterrorism, and sustainable development could prove invaluable.

For Iran, this invitation represents a pivotal step in advancing its "Look to the East" foreign policy, championed by Supreme Leader Ayatollah Seyyed Ali Khamenei and President Ebrahim Raisi's administration. Amid domestic unrest, support for Russia in the Ukraine conflict, and stalled nuclear negotiations with the United States, Iran views this as an opportunity to engage with influential

⁷ "UAE, Saudi Arabia aviation sectors too will be immediate beneficiaries of BRICS expansion," Gulf News, September 2, 2023.

<https://gulfnews.com/business/analysis/uae-saudi-arabia-aviation-sectors-too-will-be-immediate-beneficiaries-of-brics-expansion-1.97872051>

⁸ "BRICS Nations Open Door to Middle East in Historic Expansion," The Media Line, August 28, 2023.

<https://themedialine.org/top-stories/brics-nations-open-door-to-middle-east-in-historic-expansion/>

⁹ "Saudi foreign minister: looking forward to more cooperation with BRICS nations," Reuters, August 24, 2023.

<https://www.reuters.com/article/brics-summit-saudi-idINS8N39I02L>

global economic powers like China, Russia, and India. The potential for closer trade between Iran and BRICS countries is substantial, with non-oil trade between Iran and the original five BRICS members surging by 14% to \$38.43 billion in 2022-23, according to data from the Islamic Republic of Iran's Customs Administration.¹⁰

While apprehensions exist, admitting new members into the BRICS framework at a rapid pace may potentially jeopardize the cohesiveness of the group, thereby diminishing its overall potency rather than enhancing it. The BRICS' ability to uphold its credibility as a driving force in reshaping global governance hinges on its capacity to foster consensus among its diverse member nations. Despite the intricacies and challenges associated with the adoption of a single currency, the BRICS collective can serve as a platform for strengthening bilateral relations among its member countries. Local currencies and the Yuan are already being employed for settling payments in bilateral trade within the BRICS framework, and this trend is likely to become more prevalent. While it may not culminate in a unified currency system comparable to the Dollar or the Euro, it signifies a tangible stride toward reducing reliance on Western-dominated monetary and economic arrangements. Likewise, with the NDB gaining momentum through the inclusion of new BRICS members, it has the potential to extend support to BRICS economies facing difficulties, without the often prejudicial conditions imposed by Western-dominated international financial institutions. Nonetheless, there is still a considerable journey ahead before BRICS can establish itself as a prominent economic and political force on the global stage.

¹⁰ "Iran's entry into BRICS: The end of economic and political isolation?," The Cradle, August 31, 2023. <https://new.thecradle.co/articles/irans-entry-into-brics-the-end-of-economic-and-political-isolation>