The Trump shock and the financial initiatives of the BRICS

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August 2025

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The Trump shock and the financial initiatives of the BRICS[1]

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1. Introduction

This paper discusses the evolution of BRICS monetary and financial initiatives, including progress made in their existing financial mechanisms, the New Development Bank (NDB) and the Contingent Reserve Arrangement (CRA), as well as more recent plans to de-dollarize their cross-border transactions and to construct alternative messaging and payment infrastructures. Like all other countries, the BRICS have been impacted by the Trump's administration repeated threats and drastic measures, many of which were specifically directed at members of the group and justified in part by allegations that the BRICS are bent on undermining the dollar as the international reserve currency. Inevitably, the new international scenario created by the disruptive behavior of the US government has affected and will continue to affect BRICS discussions and initiatives.

The starting point of the discussion is a brief description of the behavior of the United States, with a focus on the implications for the BRICS. An attempt is made to explain the rationale of the Trump administration's international economic initiatives that are being presented as an attempt to rectify a supposedly unfair sharing of burdens between the US and the rest of the world. Other countries benefit, so the argument goes, from the role the US plays in supplying "global public goods" for the entire world, including the dollar as the international monetary standard. The US is now determined to force to other nations to share the burdens derived from the provision of military security and international reserve assets.

The discussion then moves on to describe the ways in which some of the major BRICS countries have been hit by US threats and measures, highlighting the several various substantial import tariff increases, or threats thereof, that specifically targeted BRICS, not excepting India, a country that firmly believed that it enjoyed a special relation with the US. Paradoxically, Trump may be increasing the cohesion of the BRICS, a group of countries that he seems to fear.

Whether there are reasons for the US to fear the BRICS is a matter that the paper will address. The size of the group, in demographic, economic and territorial terms, as well as the presence therein of countries like China, Russia, and more recently Iran, understandably provoke concern in the US and the rest of the West, at a juncture in history in which these developed countries are losing ground demographically, economically and in political influence. However, the paper also draws attention to sources of vulnerability and the hurdles to practical effectiveness of the BRICS, notably the expansion of the number of member countries of the group and

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1 The views expressed in this paper are of exclusive responsibility of its author. Patrick Bond made pertinent criticism of a preliminary version. The author thanks Jonnas Vasconcelos for assistance in preparing the statistical tables. Based on data available until August 2025.

2 Economist, former executive director at the IMF for Brazil and 10 other countries in Washington, D.C., from 2007 to 2015. He was also, from 2015 to 2017, vice-president and one of the founders of the New Development Bank established by the BRICS in Shanghai.

its engrained tradition of deciding by consensus. To make the BRICS more effective, it is recommended that the group slowdown or even halt completely the admission of new members and also accept the principle that not all initiatives need to include all BRICS nations in their initial phase, a point that is especially relevant for financial matters, such as the establishment of international messaging and payment infrastructures. There are some preliminary indications, discussed in the paper, that the BRICS begin to understand that these vulnerabilities need to be overcome or mitigated.

The vulnerabilities of the BRICS and their difficulty in achieving concrete and practical results was visible in their Summit in Rio de Janeiro in early July. An examination of the official documents approved at this Summit shows that the outcomes were meager in the monetary and financial areas. In many respects, there was simply a repetition of agreed language, couched in very general terms and strikingly weak on a few topics.

This is unfortunate, of course, but especially so because this seems to indicate that the BRICS have yet to fully recognize the impossibility of reforming the Western-dominated international monetary and financial system in any fundamental sense as far as the eye can see. The challenge for the BRICS, the paper concludes, is to face up to this reality and start constructing their own solutions, either as a group or individually. China is the country that has advanced more in offering alternatives to the existing international monetary and financial system. From the point of view of other BRICS countries, and perhaps of China itself, it would be preferable to build a new plurilateral structure, not Anti-Western but Non- or Post-Western.

2. Trump unilateralism and its effects on the BRICS

In 2025, the Trump administration undertook major unilateral initiatives, mainly by imposing large import tariffs against a large number of countries in all parts of the world, including all BRICS founding members – even India, a country that believed it enjoyed a special relationship with the United States. What Donald Trump essentially did was to weaponize tariffs and trade, adding this to the previous large scale weaponization of finance that includes freezing or confiscation of countries' official international reserves and exclusion from Western-dominated international messaging and payment services.

Massive damage to the international economy is now being done by Washington. This entails first of all inflicting direct losses in terms of trade with the US on foreign countries, including, surprisingly, traditional allies, such as Canada, Mexico, the UK, the European Union, Japan and South Korea. An unprecedented amount of uncertainty and loss of confidence in the US inevitably arise from these actions. In effect, what we are now witnessing is the destruction of a large part of the remains of the international system set up under US leadership after World War II. The system does not suit US interests anymore, so time to jettison it.

This process did not start in 2025, of course. There are numerous recent and remote precedents of aggressive use of imperial power in trade and finance by

Washington.[3] Since the late 19th/early 20th centuries the US has been prone to achieve its national aims by the use of threats, sanctions, regime change, and armed interventions. In the last 10 to 15 years, successive US governments have responded to the country's relative decline and loss of power by aggressively targeting nations considered unruly or hostile, confirming the perception that superpowers are more dangerous when they are in the throes of decline.

Thus, the Trump government can be seen as continuation of the traditional behavior of the US. This is true, but only partly so. What we now actually see is an indiscriminate arbitrariness and aggressiveness, an exercise of brute power that is no longer disguised and protected by the veil of hypocrisy. The US president rarely makes serious attempts to defend his actions or to argue his case relying on facts and logic. Intimidation has become the norm. Gone are attempts to persuade, gone is the appeal to soft power, and gone is the so-called rules-based international order. Treaties are being blatantly violated by unilateral tariffs, even free trade agreements that used to be a fixture of the United States' international strategy. Given all this, it is hard to believe that trust in the US and its institutions can be reestablished any time soon. This has game-changing implications for all relevant global issues, including those that pertain to attempts to reform international monetary and financial practices, as contemplated by the BRICS.

Compared to Washington's previous behavior, even if the overall direction is more or less the same – i.e., the affirmation of the country's imperial hegemony – there is a change of intensity or degree so large as to amount to a qualitative transformation in international relations. Therefore, countries from every region of the world now face an unprecedented challenge.

Remarkable is the fact that this violence to rules, treaties and traditional principles is directed not only at rivals, say Russia, Iran, and China, but also at countries that maintained peaceful and cooperative relations with the US, almost without exception. This certainly came as a shock to countries like Canada, the UK, and members of the European Union.

More relevant to this paper, is the fact that BRICS countries, to varying extents and in different manners, have been targeted in major ways. Lack of trust in the US is at its lowest point ever, making it all the more urgent for the BRICS to protect national interests against arbitrary measures taken in Washington.

Interestingly, beyond the obvious economic damage, Trump's actions may have led to an increase in the cohesion of the BRICS, making it perhaps easier for the group to advance in joint actions in the monetary and financial fields, including notably in the discussions of alternative cross-border messaging and payment networks, such as the BRICS Cross-border Payment Initiative, a point we will come back to in subsequent sections of this paper. Inadvertently, Trump has perhaps given a boost to these initiatives.

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[3] On the history of the monetary and financial aspects of US imperialism see, for instance, Mulder, Nicholas (2025) and Metri, Mauricio (2023).

3. Logic in this madness?

Before we move on to discuss the effects on the BRICS of this unprecedented challenge, let us briefly examine the arguments that have been put forward to justify the extreme measures taken by the Trump administration and, especially, their relation to the role of the US dollar as the world´s main reserve currency.

Stephen Miran, chairman of the Council of Economic Advisers, an agency within the Executive Office of the President, seems to be the one that has presented the most cogent arguments to justify the Administration's approach to international matters.[4] In a nutshell, Miran argues that the United States is being taken advantage of by other nations that not adequately share the burdens that arise from the provision by the US of two "global public goods". First, a security umbrella and, second, the dollar and Treasury securities that underpin the international trading and financial system.

The first point is straightforward. The United States is now determined to force its main allies, the Europeans and the Japanese, to take on a much larger share of Western defense spending, menacing them repeatedly with a scenario in which they might be left to their own devices in standing up to Russia and China. If successful, this would bring relief to the US budget, burdened by military expenditures, and plagued by massive deficits. If, moreover, these expanded European and Japanese defense outlays take the form of importing military equipment from the US, this will strengthen the military-industrial complex and help reverse the deindustrialization of the American economy.

This brings us to the second point highlighted by Miran: the connection between the dollar's international dominance and the woes of its economy, marked by a shrinking industrial sector and large current account deficits. Not as straightforward as the first point, the argument here is that the dollar's international function leads to an insatiable demand for reserve assets in US dollars thus generating persistent large capital inflows from the official and private sectors. Under floating exchange rates, these inflows lead to a chronic overvaluation of the dollar that has, in his words, "decimated our manufacturing sector and many working-class families and their communities to facilitate non-Americans trading with each other".[5] Although it is often stated, that trade or current account deficits lead to deindustrialization of the US economy, it is more precise to present the shrinking industrial base and the external deficits as effects of the same basic cause: overvaluation of the currency provoked by massive external demand for the US dollar and Treasury bonds. The external inflows arising from this demand lead, under floating exchange rates, to a rise in the dollar's external value undercutting the competitiveness of the tradeable sector, including industrial firms.

According to this view, the dollar's hegemony is therefore not only a privilege, as highlighted in most analyses, but also a burden for the American economy. While recognizing that demand for dollars has helped keep interest rates low in the United States, Miran's argument strongly emphasizes the collateral adverse effects that

[4] Miren (2024) and (2025).
[5] Miren (2025, p. 1).

international financial dominance entails. Note that the two dimensions, the security umbrella and the provision of global reserve assets, are intertwined. The side effects of the demand for dollars undermine via overvaluation the industrial base that is essential to the preservation of the United States' defense capabilities.

The point being made by Miran is not that the down-sides of global finance hegemony outweigh its up-sides, although the latter are not prominent in the way the new US strategy is presented. A more balanced view of the issue would need to highlight the advantages that the US reaps from dollar dominance and that explain the traditional fierce American resistance to any proposal that would weaken this dominance.

These upsides are not only economic but also geopolitical. On the one hand, as is well-known, the dollar's global role allows the Federal Reserve to expand high-powered money on a larger scale, thus issuing more monetary obligations at zero cost. More importantly, foreign demand for government debt, by public or private entities, is inelastic to the interest rates they carry, opening the way for the US to cover its domestic and external imbalances at a low cost.

On the other hand, it is only because of dollar dominance that the US can impose painful sanctions and reprisals on countries that are, or are seen to be, excessively independent or hostile. The extra-territorial reach of US legislation, for instance, is anchored on the widespread use of the dollar.

The fact that benefits outweigh costs is implicit in the way the case for burden-sharing is argued by the Trump administration. Although dollar dominance has problematic side effects, Miran believes they can be mitigated "so that dollar dominance can continue for decades, in perpetuity".[6] President Trump himself has proclaimed repeatedly and in no uncertain terms his absolute determination to preserve the dollar's dominant international position, something he would not do if he believed that costs arising from the dollar's preeminence exceed the advantages it brings to the US.

Incidentally, this dashes any hopes of persuading the US to work jointly with other countries to create an international currency, a prototype of which already exists within the IMF, the Special Drawing Rights (SDRs). This would be conceivable only if Washington were to assess that the adverse side effects of the dollar's hegemony would overwhelm any advantages. But this is not the case, or not yet the case, as one can surmise from the statements coming from the US Administration. Agreement on a fundamental reform of the IMFS, with the replacement of the dollar by a transnational standard, is still a long way off. Symptomatic of this is Washington's long-standing refusal to allow the SDR to have a greater role in the international monetary system.

The approach the Trump administration is putting in place is of a completely different nature. No sharing of power or responsibilities but a brazen reaffirmation of imperial power, using tariffs (or threats of tariffs) to force countries to share the above-mentioned burdens of providing the "defense umbrella" and the international reserve currency. How this would be achieved is becoming increasingly clear as time passes. Import tariffs are being used systematically as leverage to force countries to: a) accept

[6] Quoted in Norton, Ben (2025).

tariffs on their exports to the United States without retaliation, providing revenue to the US Treasury to finance the provision of public goods; b) open their markets to US exports; c) boost defense spending and procurement from the US; d) invest and install factories in the US bypassing import tariffs; and, lastly, e) write checks to the Treasury to further help finance global goods.[7] These five points were listed in an April 7 speech, given by Miran and published by the White House. The fifth point has been interpreted as meaning that foreign governments would be expected to buy very long-term Treasury bonds with low yields, effectively subsidizing Washington[8] – a highly problematic move that could shatter the United States' credibility as a borrower and do more harm than good to its interests. The other four points make more sense and are indeed being pursued and partly achieved in bilateral negotiations with some major trade partners.[9]

4. The Trump administration targets the BRICS directly

Amid the hostile reactions, threats and the imposition of unilateral tariffs on the part of the Trump Administration, the BRICS continue to gradually move forward with the construction of financial mechanisms, cross-border payment infrastructures, and parallel institutions. Although non-confrontational and slow (perhaps too slow), this movement is undoubtedly based on the perception that a healthy international monetary and financial system can no longer depend on an unstable and unreliable hegemon. This was already quite clear even before Donald Trump returned to office but became indisputable since then.

The BRICS Summit in Rio de Janeiro in early July 2025 attracted world-wide attention, as these events normally do. It was probably no coincidence that Donald Trump intensified his anti-BRICS statements, threats and hostile actions during and after the Summit, since the gathering in Rio seemed to confirm that the group can be the main global counterpoint to the hegemony of the United States and its allies.

One noteworthy point was president Lula's brash statement, just before the Rio Summit, of the need to create a new currency for international transactions as an alternative to the dollar.[10] This probably contributed to another round of outbursts from president Trump. Although not new – the Brazilian president had made the same point publicly in the Johannesburg Summit in 2023[11] and in the Kazan Summit in 2024[12] – it was indeed a fearless statement, as it ignored, and rightly so, Trump's repeated threats since 2024 against the BRICS or any country that acts to dethrone the dollar as the main international reserve currency.

During the Rio Summit, Donald Trump threatened again: "Any Country aligning itself with the Anti-American policies of the BRICS will be charged an ADDITIONAL 10%

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[7] Miran, Stephen (2025, p. 3).
[8] Norton, Ben (2025).
[9] See, for example, the joint statement on outcome of the negotiations between the United States and the European Union. European Union (2025).
[10] Carta Capital (2025).
[11] Silva, Luiz Inácio Lula da (2023).
[12] Silva, Luiz Inácio Lula da (2024).

Tariff," he wrote in capital letters, adding that "there will be no exceptions to this policy."[13]

Shortly after the Summit, in a Cabinet Meeting, Donald Trump made even more aggressive statements, claiming that the BRICS countries intend to "destroy the dollar" and that the group "was created to devalue our currency." He was emphatic: "The dollar is king. We're going to keep it that way. If people want to challenge it, they can. But they'll have to pay a high price."[14]

The next day, he delivered an even bigger blow: he sent an open letter to president Lula in which he announced an extra 50% tariff on imported products from Brazil starting August 1st.[15] He justified this tariff increase in a highly unusual manner, pointing mainly to internal political issues in Brazil, in particular an alleged witch hunt against former president Jair Bolsonaro, which "must end IMMEDIATELY", and "hundreds of censorship orders from the Brazilian Supreme Federal Court, SECRET AND ILLEGAL, directed at the social media platforms based in the United States", again resorting to upper case letters. He added insult to injury by threatening to impose additional tariff increases if Brazil should apply higher tariffs or other trade restrictions in response to the 50% extra tariff on Brazilian exports to the United States.

Trump also complained about Brazil's tariff and non-tariff barriers. Interestingly, however, the United States has had significant trade surpluses with Brazil for many years, another thing that makes his letter to Lula highly unusual, to say the least.

On July 14, he gave Russia a 50 day ultimatum to reach a peace deal with Ukraine, threatening not only Russia with a direct additional sanction of a 100% tariff, but also secondary tariffs on nations trading with Russia, a measure that would harm countries like China, India and Brazil, among several others.[16]

To complete the picture (for now), president Trump then slapped an additional 25% tariff on India, blaming the country for sustaining Russia's economy and war effort by large-scale imports of oil.[17] This was on top of a previous 25% "secondary tariff", imposed in early July as a penalty for continued trade with Russia, bringing the cumulative tariff to as high as 50% on some of India's exports.[18]

These punitive tariffs are bound to have caused a major shock in New Delhi, given the ingrained belief in government circles that India had successfully worked out a solid relation with both sides of the aisle in Washington. This belief was grounded on the role that India has been playing in the US-led effort to contain China, as a part of the so-called Quad (Quadrilateral Security Dialogue) in cooperation with the US, Japan, and Australia. From India's perspective, this sudden imposition of high tariffs must have been seen as a stab in the back.

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[13] Trump, Donald (2025a).
[14] Associated Press (2025).
[15] Trump, Donald (2025b).
[16] Reuters (2025a).
[17] The White House (2025b).
[18] Reuters (2025b).

What can we make of all this? Well, Donald Trump had previously spoken of as much as 200% tariffs on the BRICS because of their alleged threat to the dollar. Progress, then!

The Trump administration plans, explained above, to impose “burden-sharing” on other countries in order to forestall deindustrialization, dollar overvaluation and external and fiscal deficits, make some sense from the viewpoint of US national interests. However, the aggressive and seemingly erratic behavior of the President, especially the ferocious attacks on US allies, seem difficult to square with the country’s strategic interests and the proclaimed attempt to make it stronger again. One can ask, for instance, whether it is wise for the United States to humiliate and impose large-scale losses on historical allies. Does Washington no longer need their support to contain China, seen as the main rival and challenge to America’s hegemony? Time will tell if this behavior is not based on an overestimation of the United States’ power and will not ultimately backfire, hastening the country’s economic and political decline.

Nobody really knows whether and when all these unprecedented tariff increases will be implemented as announced. Some of them have been partly revoked or suspended. In the case of Brazil, for example, it was later clarified that the 50% tariff would not be applied to nearly 700 items, sparing about 40 to 45% of the country´s exports to the US market.[19] The 50 day ultimatum to Russia was subsequently abandoned in favor of a bilateral meeting between presidents Trump and Putin in Alaska, followed by renewed attempts to reach some sort of agreement with Moscow on Ukraine.

Even so, there is no question that unilateral measures impose substantial losses on the targeted countries or specific sectors of their economies. Repeated threats of restricting or even denying access to the US market, even if not fully carried out, automatically undermine the confidence needed to sustain trade flows. And the fact of the matter is that import tariffs have gone up very substantially, returning to levels not seen since the 1930s[20], and entailing irreparable damage to US credibility and trustworthiness all over the world. The BRICS, as well all other countries, are being forced to reassess their strategies and coordination efforts in light of this new stark reality.

5. The BRICS and the Western-controlled monetary and financial system

Contrary to what Donald Trump stated during and after the Rio BRICS Summit, echoing several of his previous statements of the same ilk, the BRICS are not acting to dethrone or weaken, much less "destroy" the dollar, but rather to create alternatives to international institutions and financial mechanisms dominated by the West[21] and centered on the US currency.

[19] The White House (2025a).
[20] Krugman, Paul (2025).
[21] The “West” is be defined for the purposes of this paper, as including the US, the European Union, the UK, a few other European nations, Canada, Israel, Japan, South Korea, Australia, New Zealand, and Singapore. The expression will be used here in a political, not a geographical sense.

There is no question that the existing Western-controlled international monetary and financial system (IMFS)—that is to say, the International Monetary Fund, the World Bank and traditional regional development banks, the centrality of the dollar as an international currency, the SWIFT[22] cross-border messaging infrastructure, among other elements—clearly presents several serious deficiencies. It is inefficient, insecure and fails to meet the needs of the BRICS countries and the rest of the Global South. It is, essentially, an instrument of power and coercion for the North Atlantic countries and their allies elsewhere. This is the reason why the BRICS, individually and as a group, have been taking defensive measures and discussing the establishment of financial mechanisms and institutions independent of the West, while still participating, to the extent possible and convenient, in the current system. Specially prominent have been the rise of transactions in national currencies as a way of bypassing the US dollar, the reduction in holdings of dollars and US Treasuries by central banks, the shift to gold, as well as the actions taken to put together alternatives to SWIFT and other cross-border networks run by the West.

Whether the US likes or not, the BRICS, or a part of the group, are likely to continue to develop, with patience and professionalism, elements of what could in time become a new international monetary and financial system – not anti-Western, but post-Western or non-Western, to resort to expressions used by Chinese scholars.[23] Pragmatism, not confrontation with the US, will continue to characterize the group's behavior, and this is likely to hold even for countries such as Russia and China that have suffered from persistent Western hostility.

6. The formidable size of the BRICS

Does United States have reasons to fear the BRICS? Probably yes, if only because of a question of size. The group includes all the largest countries of the Global South. Since its inception in 2009, with four founding members, the BRICS have had enormous economic, demographic, and territorial weight. It now has 10 full members (Brazil, Russia, India, China, South Africa, Indonesia, Iran, Egypt, Ethiopia, and the United Arab Emirates), plus 10 partner countries.

Considering only the 10 full members, the BRICS or BRICS+ countries account for almost 50% of the planet's population (thanks mainly to India and China), around 40% of global GDP (thanks mainly to China), and about 30% of global territory (thanks mainly to Russia, China, and Brazil). No wonder the group attracts so much attention worldwide. No wonder it has figured so prominently in president Trump's statements and punitive unilateral measures.

Another relevant comparison can be highlighted. When considering the world's top 10 countries in terms of population, GDP (measured by purchasing power

Similarly, the expression "Global South" will designate all other countries, most of which are in the Northern Hemisphere.

[22] SWIFT – the Society for Worldwide Interbank Financial Telecommunication – was founded in 1973 as a network for financial institutions to exchange financial messages, enabling international transactions.

[23] Long, Zhao et al. (2025, p. 4, 5).

parity), and territory, the following emerges. Six of the BRICS (India, China, Indonesia, Brazil, Russia, and Ethiopia) are among the top 10 countries by population size (see Table 1). Five BRICS countries (all of the above except Ethiopia) are among the 10 largest in terms of economic size (Table 2). And four of them are among the 10 largest in geographic area – all of those previously mentioned except Indonesia and Ethiopia (Table 3).

Table 1 - Top 10 Largest Countries by Population

Rank	*Country*	*Absolute Value*	*% World Total*
1	**India**	1.463 billion	17.8
2	**China**	1.416 billion	17.2
3	United States	347 million	4.2
4	**Indonesia**	286 million	3.5
5	Pakistan	255 million	3.1
6	Nigeria	237 million	2.9
7	**Brazil**	213 million	2.6
8	Bangladesh	175 million	2.1
9	**Russia**	144 million	1.7
10	**Ethiopia**	135 million	1.6

Obs.: 2025 estimates. Total world population is approximately 8.232 billion people

Source: United Nations Population Fund

Table 2 - Top 10 Largest Countries by GDP (Purchasing Power Parity - PPP)

Rank	*Country*	*Absolute Value (Triliion USD)*	*% World Total*
1	**China**	33.6	19.4
2	United States	25.6	14.8
3	**India**	14.2	8.2
4	**Russia**	6.0	3.5
5	Japan	5.7	3.3
6	Germany	5.2	3.0
7	**Brazil**	4.2	2.4
8	**Indonesia**	4.1	2.4
9	France	3.7	2.1
10	United Kingdom	3.6	2.1

Obs.: Data for 2024. Total world GDP (PPP) is approximately $173 trillion.

Source: World Bank

Table 3 - Top 10 Largest Countries by Land Area

Rank	*Country*	*Area (km²)*	*% World's Land*
1	**Russia**	17 098 242	11
2	Canada	9 984 670	6
3	**China**	9 706 961	6
4	United States	9 372 610	6
5	**Brazil**	8 515 767	5,7
6	Australia	7 692 024	5
7	**India**	3 287 590	2
8	Argentina	2 780 400	1,9
9	**Kazakhstan**	2 724 900	1,8
10	Algeria	2 381 741	1,6

Obs.: The world's total land area is approximately 148.9 million km².

Source: World Atlas

Thus, due merely to their size, BRICS nations have the means to play a decisive role in improving international financial arrangements. They have the potential to modify the status quo and even to disrupt it, if push comes to shove.

7. Vulnerabilities of the BRICS

Having said that, we should recognize that the group has its limitations and is actually not as effective and relevant as the above percentages and rankings seem to suggest. These shares in world GDP, population and territory may even be misleading.

Why? There are a number of reasons. Without attempting to exhaust the topic, two major ones will be addressed here.

First, the heterogeneity of the group – economic, political, historical and cultural. The G7, smaller than BRICS, is more homogenous. This heterogeneity has in turn several dimensions. One crucial dimension is geopolitical. Three of the 10 members are in open confrontation with the West. Russia and Iran are effectively at war with the US and its allies. China has been for some time under severe pressure from the US – economic, technological, and political. All of this started well before Donald Trump's second term and will probably continue beyond it.

By contrast, Brazil, India, Indonesia and South Africa, as well as the other three members, are (or were until recently) in a very different international position. None of them, and this is perfectly understandable, wishes to buy into the conflicts that China, Iran, and Russia have with the United States and Europe. They will support and show an understanding of the three countries' positions but will also seek to avoid antagonizing the West, if possible – even if they know, or should know, that the West has relatively little to offer and can do a lot of damage to any country in the world. This was pretty clear before Trump returned to power but has become glaringly visible since then.

However, the obstacles to the effectiveness of the group are not only geopolitical. A second major hurdle, partly related to the first, lies in the way the BRICS operate, taking decisions on the basis of consensus, rather rigidly understood as unanimity.[24] This was always a problem, even when we were only four or five countries in the group. With the expansion of the group, the challenge increases. Under consensus, every single country ultimately holds veto power, especially the large ones. India, for example, had been repeatedly blocking monetary and financial initiatives that touch on the West's raw nerves.

This mode of decision-making is a recipe for paralysis – especially if one considers the fact that most or all BRICS members are vulnerable, in varying degrees, to Western pressure and to the actions inside their countries of fifth-columns, identified with Europe and especially with the US.

Some countries are particularly interested in pursuing special relations with the West. India is (or was) a case in point. Rightly or wrongly, it fears China and felt the need to maintain proximity to the US.

Two other BRICS members, Egypt and Ethiopia are under high conditionality programs with the IMF and know full well that the good will of the institution with respect to borrowing countries depends essentially on US and European support in Management and the Executive Board. Another new member of the group, the United Arab Emirates, traditionally maintains close ties with the West.[25]

These geopolitical factors as well as the way BRICS traditionally work has made progress in practical matters such as monetary and financial initiatives remarkably slow, in sharp contrast to numerous sympathetic media reports that are prone to exaggerate the speed and extent of the group's results in areas such as plurilateral messaging and payment systems, not to speak of a common reserve currency.

8. What can be done to make the BRICS more effective?

To overcome or at least mitigate these hurdles, at least two paths can be taken, as argued in a previous paper.[26]

First, it would be advisable to slow down or even halt the expansion of the BRICS. The group is probably already too large. It is true that many countries are interested in joining and this slowdown or interruption would cause frustration. In some cases, however, the desire to join BRICS can be met by allowing countries to become partners instead of full members. Indeed, the new category of partner countries was created during Russia's chairmanship to accommodate the wish of Global South countries to participate in BRICS without unduly expanding the number of full members.

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[24] Nogueira Batista Jr., Paulo (2025, p. 9-11).
[25] Curtius, John (2024, p. 34-36, 39, 40).
[26] Nogueira Batista Jr., Paulo (2025, p. 14, 15).

With the exception of Indonesia that joined in January 2025, no new invitations for full membership have been extended since 2023. At the Summit in Rio de Janeiro, 10 countries were welcomed as partners (Belarus, Bolivia, Cuba, Kazakhstan, Nigeria, Malaysia, Thailand, Vietnam, Uganda, and Uzbekistan).[27] It is perhaps reasonable to presume that BRICS expansion has been put on hold.

A second way of making BRICS more effective is to depart in certain matters from the rule of consensus and its paralyzing effect. Why not move forward, as appropriate, with a subset of the group, a coalition of the willing, so to speak? Other countries, more reluctant or outright opposed to certain undertakings, could join later if they change their mind. In fact, the Leaders of the BRICS, when they gathered in Kazan, Russia, in October 2024, introduced the notion of a "voluntary and non-binding" approach to allow a subset of countries to negotiate the details and participate in the establishment of a BRICS Cross-Border Payment Initiative (BCPI)[28], a well formulated proposal for a financial infrastructure that would be an alternative to the Western-dominated SWIFT system and intended to constitute a faster and more reliable system than the latter. As is well known, SWIFT has been misused by Western powers as a means of imposing primary and secondary sanctions on several countries and firms.[29]

Indeed, why assume that all members would necessarily have to join any initiative right away? Provided that a significant number of countries are willing to participate, unanimous participation is not needed to launch effective initiatives. Given China's relative size, it would probably have to be there from the beginning. But starting from an expanded BRICS, it would not be difficult to put together a meaningful group of countries. These could be BRICS members, partner countries or even non-BRICS nations of the Global South. We could even allow countries of the West to take part under certain conditions, although they would be unlikely to show interest.

Note in passing that what we have here is actually an upside of BRICS expansion. With a larger group of full members and partner countries, a total of 20 as of now, it becomes easier to bring together a meaningful subset of participants in any new initiative. Incidentally, if the principle of consensus is applied to membership expansion, increasing the size of the group will automatically become more difficult, another upside of BRICS expansion.[30]

Nevertheless, the basic vulnerabilities of the BRICS remain, even if there are signs that the group is taking some initial steps to solve or mitigate them.

9. Outcomes of the Rio de Janeiro Summit in the financial area

Not having overcome its basic vulnerabilities, it is not surprising that the BRICS could made little progress during the Brazilian presidency of the group in the first half of 2025. No new breakthroughs and hardly any significant advancements were made in

[27] BRICS Brasil 2025 (2025, paragraph 3).
[28] BRICS Russia 2024 (2024, paragraph 65).
[29] The BCPI proposal was presented in a report prepared by the Russian government in 2024. BRICS Chairmanship Research (2024).
[30] Curtius, John (2024, p. 9).

the financial field. The Leaders’ declaration of the Rio Summit basically repeated agreed language and indicated some limited further steps in matters pertaining, on the one hand, to the financial institutions created by the BRICS in 2015 and, on the other, to new or more recent initiatives related to de-dollarization, including the ones that imply innovations in international messaging and payments.

The Leaders' Declaration in Rio de Janeiro provided, first of all, useful guidance to the two main BRICS financial initiatives – the New Development Bank (NDB), commonly known as the BRICS Bank, and the Contingent Reserve Arrangement (CRA). However, this guidance was couched in very general terms and did not fully address the shortcomings of these financial initiatives.

The NDB is by far the more important of the two. It was created to be a bank of the Global South for the Global South, serving as an alternative to the World Bank and regional development banks. In Rio, the Leaders’ Declaration correctly emphasized the need for further expansion of the number of NDB member countries, which is essential for it to become a truly global bank.[31] After 10 years of existence, the NDB has only 11 members. Former president of Brazil, Dilma Rousseff, who currently presides over the bank, is committed to expand membership and has already had some success, bringing in Algeria as a new member, as well as obtaining the NDB’s Board of Governors’ approval for the accession of Colombia and Uzbekistan.[32] There is, however, still a long way to go for the NDB to live up to its initial plans, in this as well on other matters.[33]

No other issues related to the NDB were addressed in Rio, either at the Leaders’ or ministerial levels.[34] No mention was made, to give an example, of the goal of expanding operations in member countries' national currencies. Here, too, the bank made insufficient progress in its first 10 years and remains predominantly dollarized on both the asset and liability sides. The share of outstanding loans in national currencies of members is only slightly more than 20%.[35] Dilma Rousseff is working to increase the share of member countries’ currencies in its operations to 30%.

Guidance given on the CRA was somewhat more substantive. The CRA is in fact in dire need of political guidance, having progressed much less than expected and less than the NDB since 2015. It has been indeed almost completely frozen by the conservatism of our central banks.[36] The CRA was conceived, it should be remembered, to serve as an alternative to the IMF, a goal that is still very distant.

The BRICS Leaders' Declaration correctly emphasized the desirability of de-dollarizing an arrangement that is 100% dependent on the dollar. It was also to the

[31] BRICS Brasil (2025b, paragraph 50).

[32] Uruguay was also approved as a new member in 2021 but has yet to complete its parliamentary procedures.

[33] On other shortcomings of the NDB see, for instance, Vasconcelos (2024) and Nogueira Batista Jr., Paulo (2022).

[34] With respect to BRICS financial initiatives, the Leaders’ declaration simply repeats the Joint Statement of the Finance Ministers and Central Bank Governors. BRICS Brasil (2025a).

[35] Conti, Bruno de (2025, p. 15).

[36] On the lack of meaningful progress with the CRA, see Fernandes, Marco (2024); Vasconcelos, Jonnas & Acioly, Luciana (2024) and Nogueira Batista Jr., Paulo (2022).

point when calling for the inclusion of new BRICS countries as members of the CRA.[37] It would be no surprise, however, if the central banks of the five founding countries of the CRA (Brazil, Russia, India, China, and South Africa), or some of them, should continue to drag their feet on these two issues. It is up to political authorities, especially the countries' Leaders and their finance ministers, to ensure that goals that have been set by the BRICS at the highest possible political level be achieved without unnecessary delay.

No mention was made in Rio de Janeiro of other missing steps needed for the CRA to live up to its initial plans. For example, absent from the official statements was the issue of creating a dedicated surveillance unit, foreseen in the CRA Treaty.[38] This surveillance unit would be the basis for gradually de-linking the CRA from the IMF, allowing it to function as a truly independent institution.

The BRICS did not limit themselves to the existing financial mechanisms, the NDB and the CRA. They also discussed some new and recent initiatives, including the following: (a) the increasing use of national currencies in transactions between countries (bypassing the dollar); (b) the construction of an international payments platform alternative to SWIFT; (c) the creation of a multilateral guarantee scheme within the NDB; (d) the creation of a commodity exchange alternative to the Chicago Board of Trade; and (e) mechanisms to improve our countries' ability to offer insurance and reinsurance. In almost all of these areas, the US and other Western countries manipulate, distort and misuse existing instruments for political purposes.

However, only one of this initiatives is new for the BRICS – the multilateral guarantee scheme analogous to the one that exists in the World Bank.[39] Furthermore, almost all of these new or recent financial initiatives are far from completion, being for now at the stage of outlines of what can be achieved. This makes it all the more important to overcome or mitigate the above-mentioned obstacles to the effectiveness of BRICS.

Take, for instance, the issue of alternative payment platforms, arguably the most important of the recent initiatives. Little progress was made so far in this regard during the Brazilian chairmanship. The expectation that the group could build on the work done in 2024 on the BCPI and BRICS pay was barely fulfilled at all. All that happened were a few meetings at the technical level. The only tangible result of these meetings seems to have been a survey conducted among the participants of the BRICS Payment Task force to gather views on strategic and operational recommendations on a BRICS Cross-Border Payment System that could be relevant “should members decide to move forward with a multilateral payment system in the future”.[40] The Leaders’ Declaration bureaucratically welcomed the results of this technical work and tasked their ministers of finance and central bank governors to continue the discussion of the BCPI, exploring ways of integrating national payment systems and of facilitating fast, low-cost, and safe cross-border payments among BRICS countries and other nations.[41]

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[37] BRICS Brasil 2025 (2025b, paragraph 53).
[38] BRICS Contingent Reserve Arrangement (2014, Article 3).
[39] BRICS Brasil 2025 (2025e).
[40] BRICS Brasil 2025 (2025c, p. 1).
[41] BRICS Brasil 2025 (2025b, paragraph 50).

10. The Western-dominated IMFS is fundamentally unreformable

The BRICS continued to repeat in Rio de Janeiro their traditional call for reform of the IMFS. For example, a document was made public spelling out a BRICS "vision" for IMF Quota and Governance Reform in which the group's commitment to reforming the institution was reiterated in familiar and rather weak language. The lack of ambition of the BRICS in this respect is striking. The call for reform is justified by referring to the need to "maintain (sic) the IMF's legitimacy and credibility", while recognizing an unreformed IMF as the "center" of the Global Safety Net, "complemented by regional financing arrangements (RFAs), such as the BRICS Contingent Reserve Arrangement".[42]

Anyway, the insistence on the traditional call for reform of the existing international system is totally unrealistic. In this respect, the BRICS are only going through the motions and one struggles to see what purpose this serves. As argued on previous occasions, it is indispensable to recognize the fact that the Western-dominated system (or non-system) will not be reformed in any major way anytime soon.[43] The US and its allies are not willing to relax their hold on the financial institutions and mechanisms that guarantee their preponderance and that they unabashedly use as geopolitical instruments.

Let us briefly mention again some aspects of this unreformable IMFS.

1) The IMF can certainly be improved by partial adjustments but one should not expect anything to happen that might put at risk the tight control that Americans and Europeans exert over the institution.

2) The same holds for the World Bank and regional multilateral development banks, such as the Interamerican Development Bank and the Asian Development Bank.

3) The already mentioned SWIFT may improve its technical functioning but will continue to be used to punish and exclude institutions and nationals of countries considered unruly or hostile, as well as to impose secondary sanctions on countries that trade with these hostile countries.

4) The triopoly of credit rating agencies – Moody's, Standard & Poor, and Fitch – will continue unchallenged in Western capital markets – no matter how many mistakes and false assessments they may make (witness their absolute failure in the runup to the North Atlantic financial crisis of 2008 and 2009 and the amazing fact that their dominance and reputation remained untouched).

5) Dollar or euro denominated international reserves of countries that are in conflict with the West are no longer safe from seizure.

6) The US will not agree with any attempt to unseat the dollar as the hegemonic international reserve currency – not even, as mentioned, with increasing the role of the Special Drawing Rights (SDR), the quasi-currency of the IMF, an institution that they control. This resistance has become more evident since Donald

[42] BRICS Brasil 2025 (2025d, p.1).
[43] See, for instance, Nogueira Batista Jr., Paulo (2024b, p. 1, 2).

Trump took office, as discussed above, but has been a fixture of the American approach to international monetary issues since World War II.

The sharp deterioration of the geopolitical context since the turmoil in Ukraine in 2014 and, especially since the outbreak of the war between Russia and Ukraine in 2022, had made the West's traditional resistance to change all the more intense. What stands out is that these once-dominant countries, addicted to exploiting most of the planet for centuries, are very uncomfortable with their continuous relative decline in economic, demographic, and political terms, and hang on for dear life to their privileges in the IMFS and everywhere else. Arrogance, not dialogue prevails in their relation to countries of the Global South. Americans and Europeans simply cannot get over the fact that they are no longer in a position to dictate to and plunder other nations. As president Putin once said, Westerners are unwilling to come to terms with the multipolar world and do not realize that "the vampire's ball is coming to an end".[44] They are ready to preach and take advantage of weaker and less developed countries but not to cooperate with them. An apt summary of the world we live in, attributed to a Kenyan official, has become popular all over the world: "Every time China visits, we get a hospital, a bridge or a road; every time Americans or Europeans visit, we get a lecture".

In so far as the IMFS is concerned, we can envisage three basic scenarios: a) the Global South more or less passively agrees to stick to the existing dysfunctional system or non-system; b) the BRICS or a subset of the group manages to gradually establish independent institutions and mechanisms; and c) China creates its own international system which other Global South countries would adhere to.

To use an expression coined by the Greek economist, Yanis Varoufakis, is a Chinese New Bretton Woods feasible or likely to happen?[45] Maybe not, maybe China is as yet reluctant to accept the full burden of leading a "New Bretton Woods". It is true, however, that China has taken some significant practical steps in this direction, including: the creation of the China-led Asian Infrastructure Investment Bank (AIIB); the widespread negotiation by the People's Bank of China (PBOC) of bilateral currency swap agreements with dozens of other central banks; the establishment of the Cross-Border Interbank Payment System (CIPS), still small but growing; the gradual development of Chinese credit rating agencies; the gradual internationalization of the renminbi, and so forth.[46]

These Chinese initiatives are beneficial to the rest of the Global South, as they offer alternatives to the Western-dominated IMFS. Ultimately, however, in this scenario US hegemony would be substituted for Chinese hegemony. While China can certainly be a more benign hegemon than the US (not a very high standard, it should be noted), the other Global South countries could in a sense be exchanging six for half a dozen, to resort to a Brazilian saying. A national currency, national institutions, and multilateral institutions dominated by one single country would still be the central features of the international landscape with China gradually replacing the US.

[44] Putin, Vladimir (2024).
[45] Varoufakis, Yanis (2025).
[46] Zucker-Marques, Marina (2025) and Nogueira da Costa, Fernando (2025).

A more balanced and promising approach would be the establishment by the BRICS, or a part of the group, of their own plurilateral mechanisms. India is (or was) the major blocking factor here, as mentioned. But does India realize that the main alternative to this is Chinese leadership? Has the treatment it has been receiving from the Trump administration altered its geopolitical outlook? It is too early to tell but India may well become more amenable to coordination within BRICS of monetary and financial initiatives.

Be as it may, BRICS would be advised to move forward and get their act together without waiting for consensus on everything. Moving forward means, first of all, developing or unfreezing the two mechanisms that the BRICS already created – the New Development Bank (NDB) and the Contingent Reserve Arrangement (CRA). As indicated previously, a lot needs to be done to turn them into vital parts of the new international monetary and financial system that we need.

The BRICS need to not only revamp their old initiatives but also to embark on new ones, along the lines indicated in general terms in the Rio de Janeiro Leaders' Declaration. An alternative to the SWIFT is already in the making – the above-mentioned BCPI formulated by Russia in 2024, endorsed by BRICS Leaders in the Kazan Summit and endorsed once again in the Rio de Janeiro Summit. The Russian proposal is a good blueprint for what needs to be done.

11. A new reserve currency

Ultimately, the BRICS would need to work towards a new international reserve currency, perhaps prefaced by a new international unit of account in the form of a basket of currencies of participating countries, – a central point missing from the Rio de Janeiro Declaration. Cross-border transactions in national currencies by-passing the US dollar – a welcome development that is advancing steadily – have severe limitations, given that they do not permit countries to register surpluses and deficits over time. Here is not the place to go over the many aspects of this complex matter.[47] One point, however, needs to be emphasized again. A new reserve currency or a BRICS reserve currency would not be a unified euro-like single currency with a common central bank, but a parallel digital currency for international payments and reserve holdings in the Global South. It would not replace the national currencies of the participating countries; their central banks and currencies could continue to function as they now do.

Because of intellectual confusion or bad faith on the part of those that oppose de-dollarization, we hear again and again that a common BRICS currency is not feasible

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[47] Yves Smith summarized the problem aptly when writing that those that believe that bilateral currency deals work well enough leave unsolved a basic point: "Absent mechanisms to encourage balanced trade such as ones that were part of Keynes' Bancor, many countries are likely to wind up with sustained trade deficits relative to particular trade partners. What happens when those countries wind up with a lot more of that currency than they want? They can use it to buy assets in the chronic deficit country, but a lot of nations do or would place restrictions". Smith, Yves (2025, p. 2).

anytime soon, that our countries do not fulfill the criteria for a viable monetary area, that no country would be interested in giving up monetary and fiscal autonomy, and so forth. All this is perfectly true but also completely beside the point.

President Lula's statement on this matter was accurate. What he said, note carefully, was that the new currency would be used for international transactions. Several Russian, Chinese, and Brazilian economists are working on alternatives for the creation of a new currency. I myself have outlined a possible path on previous occasions.[48] None of the economists participating in this discussion have a unified currency in mind.

The convenience and feasibility of a new reserve currency, its design and major features, as well as the process that would lead to its creation, need to be discussed carefully and professionally. The rest of the Global South expects progress from the BRICS in this crucial area. The international monetary and financial system or non-system, dominated by the US and its allies, will not be fundamentally reformed and is perhaps even at risk of collapse, given weak fiscal and monetary policies in the US, its rising public debt and the acute uncertainty created by president Trump's aggressive statements and wide-ranging unilateral measures.

Trump can rant and rave all he wants and wreak havoc, but he is unlikely to be able to avoid and will perhaps even hasten, through unrestrained arrogance and lack of strategic direction, the decline of the American Empire. As in Greek tragedies, the protagonists' attempts to escape their fate only ensure its fulfillment.

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[48] Nogueira Batista Jr., Paulo (2023, p. 3-7) and (2024a, p. 3-6).

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Acronyms

AIIB – Asian Infrastructure Investment Bank

BCPI – BRICS Cross-Border Payment Initiative

BRICS – Brazil, Russia, India, China, and South Africa

BRICS+ – BRICS plus Egypt, Ethiopia, Indonesia, Iran, and United Arab Emirates

CIPS – China´s Cross-Border Interbank Payment System

CRA – BRICS Contingent Reserve Arrangement

IMF – International Monetary Fund

NDB – New Development Bank

PBOC – People's Bank of China

PPP – Purchasing Power Parity

RFAs – Regional financing arrangements

SDRs – IMF Special Drawing Rights

SWIFT – Society for Worldwide Interbank Financial Telecommunication