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Geopolitics

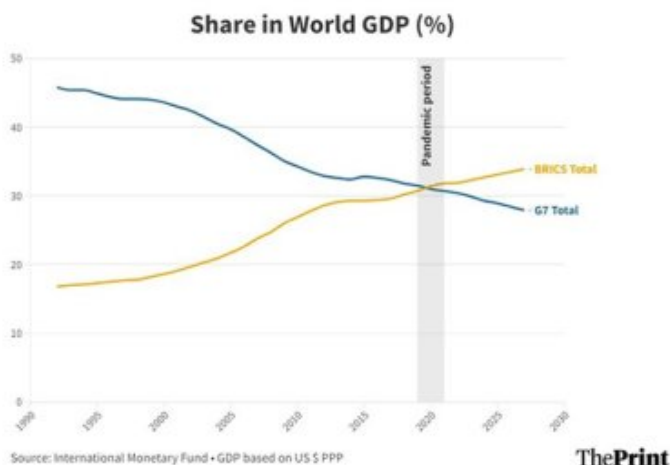
BRICS: getting bigger, but is it any stronger?

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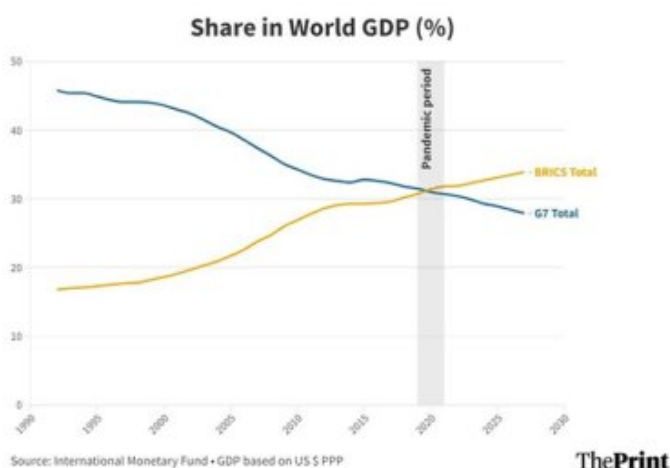
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The five BRICS nations now have a [combined](#) GDP larger than that of the G7 in purchasing power parity terms (a measure of what GDP can buy domestically in goods and services).



This sounds like a turning point in the world economic order. But that would be an illusion. First, within the BRICS, China (accounting for 17.6 per cent of global GDP) is dominant, followed by India at a distant second (7 per cent); while Russia (3.1 per cent), Brazil (2.4 per cent), and South Africa (0.6 per cent) together made up just 6.1 per cent of world GDP. So this is no equally shared economic power.

Moreover, in nominal dollar terms, which in my opinion is what matters, the BRICS countries are still well behind the G7. Combined, the BRICS bloc had a GDP of USD26trn in 2022, which is about the same as the US alone. And when we measure GDP per person, the BRICS are nowhere. Even using PPP-adjusted international dollars, the United States' per-capita GDP amounts to \$80,035, more than three times that of China, which amounts to \$23,382.



From this summit, more countries have been invited to join as full members: Argentina, [Egypt](#), [Ethiopia](#), Iran, Saudi Arabia and the United Arab Emirates. But even if that happens, the BRICS group will remain a much smaller and weaker economic force than the G7 imperialist bloc. Moreover, the BRICS are very diverse in population, GDP per head, geographically and in trade composition. And the ruling elites in these countries are often at loggerheads (China v India; Brazil v Russia).

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So, unlike the G7, which has increasingly homogenous economic objectives under the hegemonic control of the US, the BRICS group is disparate in wealth and income and without any unified economic objectives – except maybe to try and move away from the economic dominance of the US and in particular, the US dollar.

And even that objective is going to be difficult to achieve. [As I have pointed out in previous posts](#), even though there has been a relative decline in US economic dominance globally and in the dollar, the latter remains the most important currency by far for trade, investment and national reserves.

Approximately half of all global trade is invoiced in dollars and this share has hardly changed. The USD was involved in nearly 90% of global FX transactions, making it the single most traded currency in the FX market. Approximately half of all cross-border loans, international debt securities, and trade invoices are denominated in US dollars, while roughly 40 percent of SWIFT messages and 60 percent of global foreign exchange reserves are in dollars. The Chinese yuan continues to make gradual gains and the renminbi's share in global FX turnover has increased from less than 1% 20 years ago to more than 7% now. But the Chinese currency still only represents 3 percent of global FX reserves, up from 1 percent in 2017.



[And it's even the case that 'anti-US' China remains heavily committed in its FX reserves to the US dollar.](#) China publicly reported that it reduced the dollar share of its reserves from 79% to 58% between 2005 and 2014. But China doesn't appear to have changed the dollar share of its reserves in the last ten years.

Moreover, multilateral institutions that could be an alternative to the existing IMF and World Bank (controlled by the imperialist economies) are still tiny and weak. For example, there is the New Development Bank set up in 2015. The NDB has now appointed Brazil's former leftist President Dilma Rousseff as head, based in Shanghai.

There is much noise that the NDB can provide an opposite pole of credit to the imperialist institutions of the IMF and World Bank. But there is a long way to go in doing that. One ex-official of South African Reserve bank (SARB) commented: "the idea that Brics initiatives, of which the most prominent thus far has been the NDB, will supplant Western-dominated multilateral financial institutions is a pipe dream."

Even so, international rivalry, politically, economically and militarily, is going to hot up in this decade. The days of complete domination by the imperialist bloc under the US are over – [because globalization ie unimpeded trade and financial flows of the last two decades of the 20th century, is over](#)

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As the profitability of capital fell back in the major economies in the first two decades of this century, the struggle for surplus value by the major capitalist economies has intensified. And this is leading to a fragmentation of economic power. The US-led imperialist bloc is still dominant, but its dominance is being questioned as never before.

[The next recession](#)

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[1] This was published yesterday, on August 24 2023