

BRICS XV SUMMIT, MORE ABOUT PRESSURISING MULTILATERAL INSTITUTIONS THAN OPPOSING THE G7.

It is worth reading the 26 page [BRICS XV Summit Johannesburg II Declaration](#) as much for what it does not say as for what it says. The Declaration begins by proposing to reform and open up all the post-War International Institutions including the United Nations to greater and more balanced representation. It decries the unilateral coercive measures which are impacting the developing world. In short, it amounts to re-ordering the world order established by the victorious United States nearly 80 years ago. It seems empires struggle to reach their centenary these days as history speeds up.

It goes on to call for equity in trade. *“(8) We reaffirm our support for the open, transparent, fair, predictable, inclusive, equitable, non-discriminatory and rules-based multilateral trading system with the World Trade Organisation (WTO) at its core, with special and differential treatment (S&DT) for developing countries, including Least Developed Countries.”* This amounts to a reversal in roles where the dominant countries and their financial centres monopolise trade. It also speaks to the embargoes on China though this is not mentioned by name.

Contrary to public expectations it does not call for an alternative to the global financial system but for its reform, particularly the IMF and a new Bretton Woods. *“(10) We support a robust Global Financial Safety Net with a quota-based and adequately resourced International Monetary Fund (IMF) at its centre.”*

The section on *Fostering and Environment of Peace and Development* has little to say about the Ukraine war but more on the other conflicts around the world. In particular it applauds the rapprochement between Iran and Saudi Arabia both of whom have been elected to become members. This historical event should not be minimised. Strategically the Middle East is no longer a province of the United States, and it is likely that as a result of this shift the Palestinian question will be given more prominence by the BRICS. Once again the commitment to work for peace via a reformed United Nations is expressed.

The Section headed *Partnership for Mutually Accelerated Growth* is particularly important. It begins by analysing the malaise in the global economy attributing it to the policies implemented by the US and its allies. *“(26) We note that an unbalanced recovery from the shock and hardship of the pandemic is aggravating inequality across the world. The global growth momentum has weakened, and the economic prospects have declined owing to trade fragmentation, prolonged high inflation, tighter global financial conditions, in particular the increase in interest rates in advanced economies.”*

It reiterates its commitment to multilateral solutions: *“(28) We believe that multilateral cooperation is essential to limit the risks stemming from geopolitical and geoeconomic fragmentation and intensify efforts on areas of mutual interest, including but not limited to, trade, poverty and hunger reduction, sustainable development, including access to energy, water and food, fuel, fertilizers, as well as mitigating and adapting to the impact of climate change, education, health as well as pandemic prevention, preparedness and response.* And to using existing cross border bodies: *“(30) We reaffirm the importance of the G20 to continue playing the role of the premier multilateral forum in the field of international economic and financial cooperation that comprises both developed and emerging markets and developing countries where major economies jointly seek solutions to global challenges.* But it also intends to strengthen the BRICS internally alongside this multi-lateral approach. *“(36) We commit to strengthening intra-BRICS*

cooperation to intensify the BRICS Partnership on New Industrial Revolution (PartNIR) and create new opportunities for accelerating industrial development. (my emphasis)

The big disappointment to many was the failure to make progress towards a new international digital currency. Evidently this was discussed on the first day without any resolution with the result that the can has been kicked down the road towards the next summit in Russia in 2024. (44) *We recognise the widespread benefits of fast, inexpensive, transparent, safe, and inclusive payment systems. We look forward to the report by the BRICS Payment Task Force (BPTF) on the mapping of the various elements of the G20 Roadmap on Crossborder Payments in BRICS countries. We welcome the sharing of experience by BRICS members on payment infrastructures, including the interlinking of cross-border payment systems. (45) We task our Finance Ministers and/or Central Bank Governors, as appropriate, to consider the issue of local currencies, payment instruments and platforms and report back to us by the next Summit. (50) The BRICS Contingent Reserve Arrangement (CRA) continues to be an important mechanism for mitigating the effects of a crisis situation, complementing existing international financial and monetary arrangements, and contributing to the strengthening of the global financial safety net. We reiterate our commitment to the continued strengthening of the CRA and look forward to the successful completion of the sixth Test-Run later in 2023.*

Finally, there is the same dual approach, firstly, to increase financial resources within the BRICS organisation to support member states, and secondly, using the organisation to pressure the West to provide more resources to the South. “(52) *We reaffirm the call for the implementation of the 2030 Agenda for Sustainable Development in its three dimensions: economic, social and environmental...*” *We urge donor countries to honour their Official Development Assistance (ODA) commitments and to facilitate capacity building and the transfer of technology along with additional development resources to developing countries, in line with the national policy objectives of recipients.”*

“We have noted that there is global momentum for the use of local currencies, alternative financial arrangements and alternative payment systems. As BRICS, we are ready to explore opportunities for improving the stability, reliability and fairness of the global financial architecture.” “The Summit agreed to task the BRICS Finance Ministers and/or Central Bank Governors, as appropriate, to consider the issue of local currencies, payment instruments and platforms and report back to the BRICS leaders by the next Summit.”

This dual approach of replacement and pressure is not fully understood by Michael Roberts in his post [BRICS: Getting Bigger, But Is It Getting Any Stronger?](#) *“And the ruling elites in these countries are often at loggerheads (China v India; Brazil v Russia). 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.* This was my comment: *“The G7 are united yes, against China. They are petrified that China will gain the economic and technical power to restructure the world economy disadvantaging them. One just has to read surveys of the heads of German companies doing business in China to smell their fear. The BRICS+ are also united, this time against imperialism led by the USA. They have been bullied for decades and for the first time they can exploit the antagonism between the USA and China and navigate between the two ‘super-powers’ for their own benefit. Their raft of choice is of course the BRICS+ So let us not overestimate on the one side and underestimate on the other.”* I believe this to be the balanced conclusion. The organised BRICS are not a paper tiger, and the fact that China has not got its own way in the organisation given the emphasis on pressuring international institutions, shows this to be the case.

The biggest development was,

Expansion of the BRICS to include the following countries: Argentina, Egypt, Ethiopia, Iran, Saudi Arabia and the United Arab Emirates who will join the organisation on the 1st January 2024. [Formal applications](#) include the following countries announced by the South African government: Algeria, Bahrain, Bangladesh, Belarus, Bolivia, Cuba, Honduras, Kazakhstan, Kuwait, Morocco, Nigeria, the State of Palestine, Senegal, Thailand, Venezuela and Vietnam. Turkey, Mexico and Nigeria have also expressed an interest. Indonesia has withdrawn its application throwing its lot instead in with the USA by providing the hegemon with military bases in its country.

It is important to note that the expansion should be measured not simply in GDP but in global trade. The rise and rise of Chinese exports can be seen in this [excellent graphic](#) which shows the speed with which China has come to dominate global trade. Moreover, if we undertake a qualitative analysis, the enlarged BRICS now dominate 5 out of the 10 of the biggest exporting industries: Oil, Car (China is now the leading exporter) Apparel, Consumer electronics & parts including smartphones. If Vietnam joins, this will enhance the dominant position of the BRICS in some of these areas as well.

Table 1.

Based on the expert analysis and our database of 70+ Global Industries, IBISWorld presents a list of the Biggest Exporting Industries Global in 2023		
The 10 Global Biggest Exporting Industries		
Industry	Exports for 2023	
1. Global Oil & Gas Exploration & Production	\$1,275,2B	
2. Global Pharmaceuticals & Medicine Manufacturing	\$650,6B	
3. Global Car & Automobile Manufacturing	\$571,2B	
4. Global Apparel Manufacturing	\$444,6B	
5. Global Plastic Product & Packaging Manufacturing	\$401,0B	
6. Global Auto Parts & Accessories Manufacturing	\$364,2B	
7. Global Consumer Electronics Manufacturing	\$339,2B	
8. Global Iron Ore Mining	\$265,4B	
9. Global Semiconductor & Electronic Parts Manufacturing	\$225,9B	
10. Global Paper & Pulp Mills	\$169,9B	

(Source: [ibisworld](#))

And with the exception of microchips, China leads the field in new industrial technologies such as electric vehicles, batteries, communications, solar, and wind. In the end the strength of a currency depends not

on financial factors but technical ones. As long as China remains dependent on western technology its currency will be compromised. So soon as the US loses its technical supremacy and therefore its monopolisation of the commanding heights of the value chain, it will lose the dollar. When that happens the BRICS will become the dominant grouping and China will co-opt more countries as the US has done.

Huawei vs Apple is the best barometer. Apple which began to fall behind Huawei became the world's most valuable company only because the Trump Administration and then the Biden Administration crushed Huawei through political means depriving it of cutting-edge components. Now Huawei is making a comeback. It recently launched [HarmonyOS 4](#) its new operating system which for the first time has shed any residual Android code. Talking Android, it is a little-known fact that Huawei provided most of the upgrades for that system until it was banned from using it, hence Android now falling behind Apples in terms of usability. And it is likely that Huawei and its Chinese partners can now produce a 5G chip domestically enabling Huawei to at last enter the 5G mobile sector, a technology it invented in the first place. Finally, flip phones are the future premium category. Apple has no flip phone while Huawei's flip phones have won 50% of the Chinese market. It seems the easy ride apple enjoyed for 4 years is now over.

The failure to announce a new currency or even a unit of account at this summit should not detract from the view that the Yuan or Renminbi is gradually, though not spectacularly, ascending the league table for currency usage. *"[The Chinese renminbi](#) exhibited the biggest increase in market share since the 2019 survey, being on one side of 7% of all trades in 2022 (up from 4% in 2019). As a result, the renminbi became the fifth most traded currency, up from eighth place three years ago. The US dollar remained the world's dominant vehicle currency. It was on one side of 88% of all trades in April 2022, unchanged from the previous survey."*

OTC foreign exchange turnover by currency

"Net-net" basis,¹ daily averages in April in billions of US dollars and percentage share

Currency	OTC turnover									
	2010		2013		2016		2019*		2022	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
USD	3,371	84.9	4,662	87.0	4,437	87.6	5,811	88.3	6,641	88.5
EUR	1,551	39.0	1,790	33.4	1,590	31.4	2,126	32.3	2,293	30.5
JPY	754	19.0	1,235	23.0	1,096	21.6	1,108	16.8	1,253	16.7
GBP	512	12.9	633	11.8	649	12.8	843	12.8	969	12.9
CNY	34	0.9	120	2.2	202	4.0	285	4.3	526	7.0

One of the reasons for the accelerating adoption of the Yuan is that Chinese foreign (cross-border) trade is now predominantly being financed and paid for in Yuan and in Dollars. *"[The yuan overtook the dollar](#) as the most used currency for Chinese cross-border transactions. Its use in cross-border payments and receipts increased to 48% versus 47% for the dollar."* Clearly the expansion of the BRICS will further accelerate this development particularly as the expanded BRICS now account for a greater proportion of the worlds commodity trade which lends itself to being sold in Yuan. Further the increase in both the volume and commodity trades covered by Chinese derivatives centred in Shanghai and Hong Kong is growing and this will further enhance the role of the Yuan. Thus when the BRICS finally announce a new currency or unit of account the organisation will be playing catch up to what is happening on the ground or over the counter.

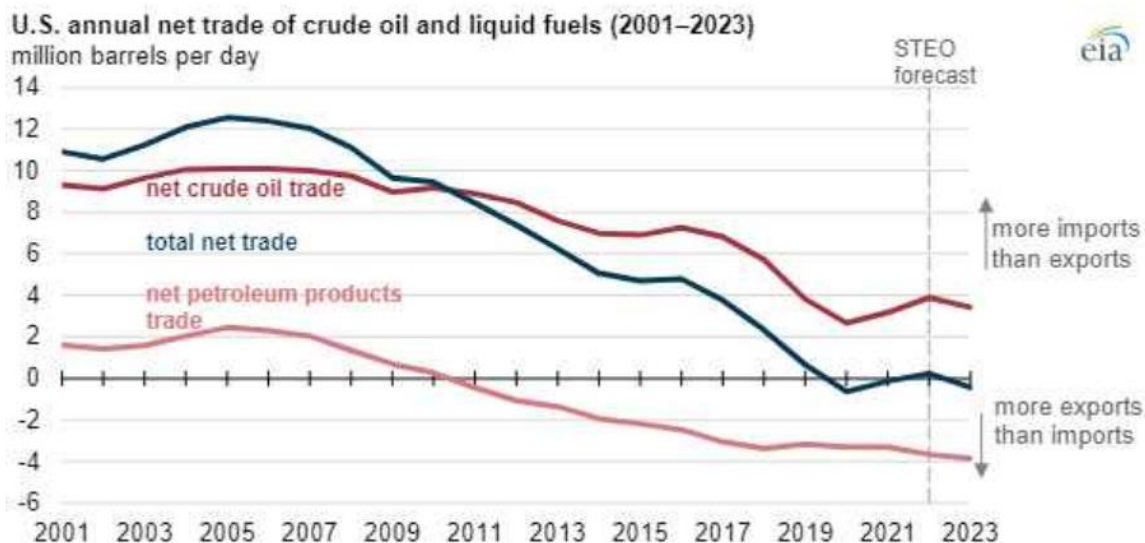
Oil.

Unfortunately oil and gas will be with us long after shale oil and gas has petered out unless we overthrow capitalism, this junkie system hooked on hydrocarbons. [World liquid energy production](#) in 2023 should be valued at around \$3 trillion. This compares to [global microchip production](#) currently running at just under \$500 billion annually. Saudi Arabia, Russia, the United Arab Emirates and Iran exported 15.761 million barrels of a day equal to 15.8%% of global oil production amounting to 99 million barrels (IEA data). (Canada and the USA exported a net 4 million barrels or roughly a quarter the BRICS amount)

While the US has become the world's largest oil and gas producer its days are numbered. Shale oil and gas compared to other drill sites has a limited production horizon. *"(Bloomberg) – [The steep drop in output from US shale wells is turning out to be worse than expected, forcing oil drillers to work even harder to keep production from slipping, research firm Enverus said in its latest report.](#)" "In the Permian Basin of west Texas and southeast New Mexico, North America's most productive oil field, the rate of well production in the Midland area has declined by 0.5% each year since 2014. Well production at the nearby Delaware region has fallen by even more since that time."* Already the US imports more oil than it exports, and it will get worse. Every 1 million increase in oil imports will cost the US \$29 billion p.a. currently.

Graph 1.

The U.S. will import more oil than it exports in 2022, the U.S. Energy Information Administration (EIA) [said](#) on Friday.

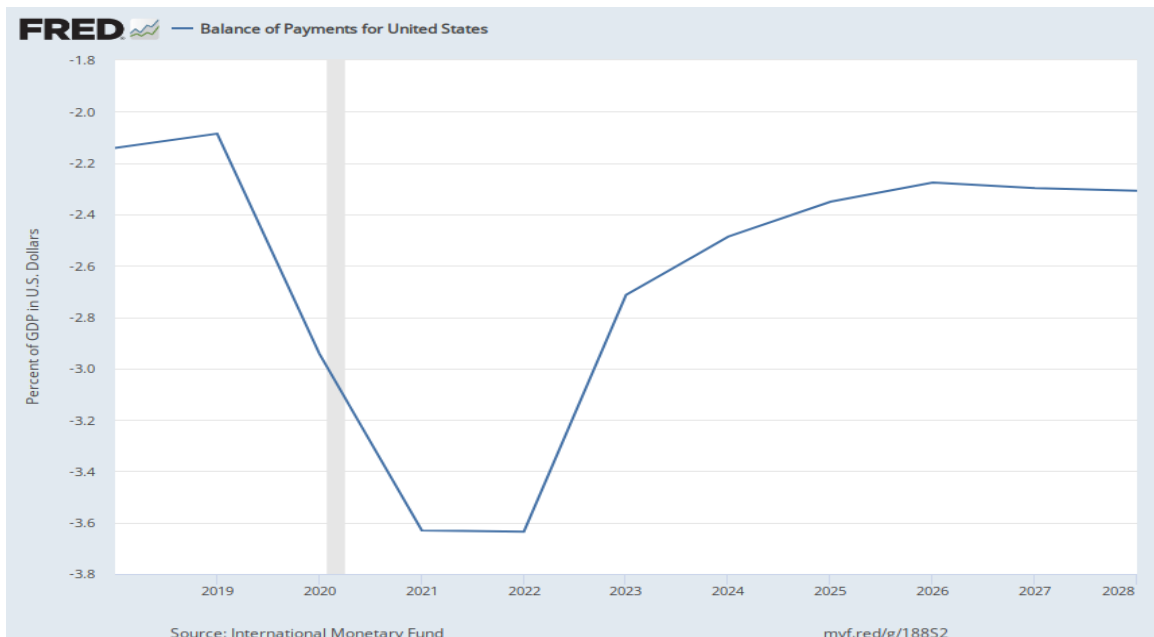


Some financial commentators have concluded that it was inevitable that Gulf States would align with India and China, as their oil exports flowed in this direction and away from the US. Further, that self-sufficiency has distanced the US from the Gulf. But these views do not take into account that in 5 years time output in the USA could be down by at least a quarter. (Not to mention these derelict drilling areas will have become a toxic wasteland.) Within that time period we may also conclude that Chinese microchip prowess will most likely have caught up with the West as well. Thus we may consider the following: not only has peak oil been reached in the US, but so has peak economic domination by the USA.

Conclusion.

The US began its ascendancy to the top spot in the capitalist world between the first and second world wars. This was the period when the US overtook an increasingly indebted UK. However, it took the second world war and victory by the USA over its competitors to secure the Bretton Woods Crown. In many ways the same is true today. The USA is increasingly a debtor country. Its balance of payments is consistently in the red to the tune of two and a quarter percent of GDP (see below). And its budget deficit for this year is around 6.5%. Together the two deficits amount to 9% of GDP, a critical level. At the end of 2022 foreign governments, funds and investors owned \$7.3 trillion US government debt. That is [30% of all privately held government debt](#). The distribution of foreign holders of debt can be seen in this interesting [graphic](#).

Graph 2.



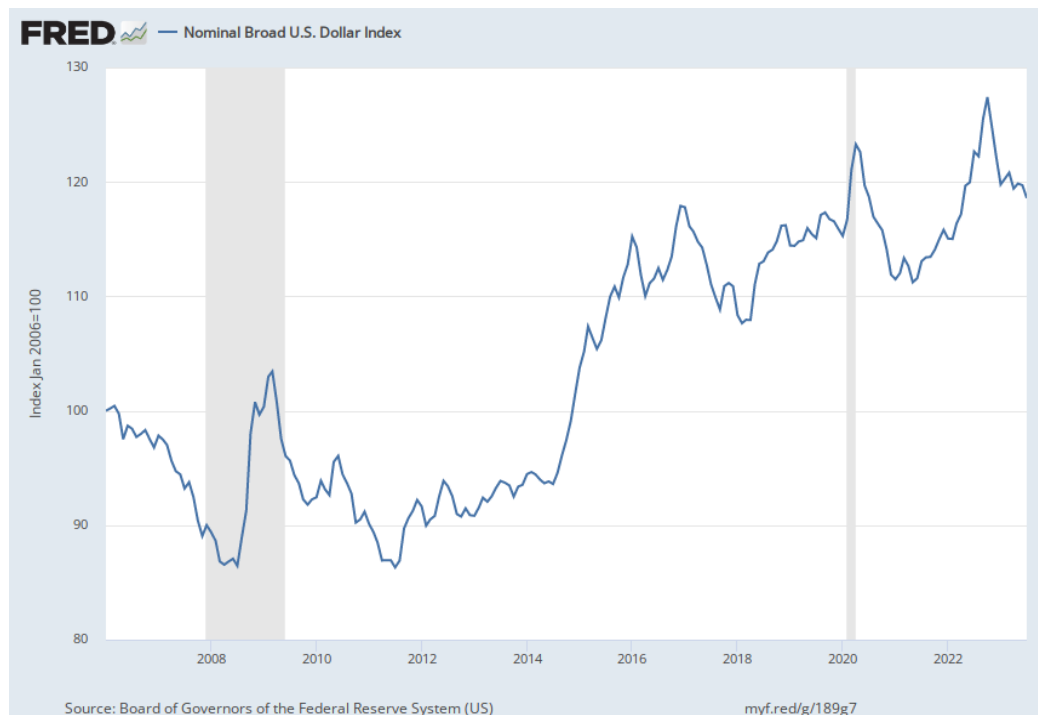
In the broader context the table below shows total foreign assets and liabilities of US residents. Of course in the era of tax havens and multinationals this data is a mere approximation, but it does highlight the overall indebtedness of the USA. All data is taken from the BEA [International Data Table 1.3](#) and all estimates are net of derivatives. It is worth exploring Table 1.3 which shows that foreign investment into the USA in the form of direct and portfolio investment far exceeds US investments abroad, a strange situation for the dominant economy to be in, and one which has the potential for a dollar crisis in the future once confidence in the dollar falls. Thus we are dealing not only with bond holdings but with remittances abroad from these foreign investments held in the USA.

Table 2. (All figures in Trillions of \$s)

2021 Assets	2021 Liabilities	difference	2022 Assets	2022 Liabilities	difference
33.04	-51.84	18.81	29.09	-45.33	16.24
Line 5	Line 37	Line 2	Line 5	Line 37	Line 2
Difference in assets & liabilities 21 vs 22			-3.95	+6.51	+2.56

However, there is currently nothing in the international demand for dollars which indicates any run on the dollar as evidenced by its exchange rate which is still standing above its 20-year average. That said with Wall Street now ending its bull run, coupled to a growing trade and budget deficit, the pressure on the dollar can only increase. The expansion of the BRICS will not help either.

Graph 3.



It is ironic of course that the split in the global economy forced through by the USA has not impacted the BRIC members as much as it has two of the US's closest allies, Germany and Taiwan. The latest German PMI came in at 39.1 for manufacturing and overall it came in at 44.7. Under 50 heralds' contraction while under 40 heralds' a slump. In the case of Taiwan, its industrial production fell 15.2% yoy in July following a fall 17.1% in June. July appears to be better but only because July 2022 was very weak. This was primarily due to weak exports which have been falling by double figures yoy. It seems both Germany and Taiwan need to face up to the fact that when you have a friend like the USA, who needs enemies.

The expansion of the BRICS continues the process towards a multi-lateral world. The BRICS are now a powerful force and will in the interim focus mainly on reforming multi-lateral international organisations such as the IMF, the WTO, and the UN so as to wrest them away from being controlled solely by Western Imperialism. In the longer term it will build up its own institutions and probably its own currency to reduce dependency on the Dollar. In time, as the Chinese economy comes to dominate the global economy reaching technical parity, it will create increased dependency within the BRICS block on it.

Despite some progressive policies the BRICS are another capitalist block and supporting it against the G7 would be to dive into the deep end of capitalist rivalries. Neither block can solve the crisis enveloping society and our planet. Only workers can, by building a new workers international.

Brian Green, 26th August 2023