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Original Article

The Introduction of a BRICS Currency and Its Impact on the International Financial Architecture

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ABSTRACT

The idea of a joint BRICS currency emerges from a growing tension within the global financial order. The dominance of the US dollar is no longer perceived as neutral but as an instrument of structural power. Within this environment, BRICS member states seek to expand their autonomy. Their monetary initiative is not limited to questions of transaction cost or technical efficiency. It reflects a broader dissatisfaction with existing financial hierarchies and signals a desire to reshape the terms of international exchange. The proposal carries symbolic weight. It challenges existing narratives and introduces an alternative vocabulary of economic sovereignty. This study analyses the structural and political conditions under which such a currency might develop. Methodologically, it is based on a qualitative document analysis of publicly accessible policy papers, declarations, and expert publications. The underlying question is not whether a currency will be implemented, but how its possibility alters the imagination of monetary order. This study analyses the structural and political conditions under which such a currency might develop. It explores institutional asymmetries, conflicting policy priorities, and limitations in trust and governance. Rather than assuming linear progression, the analysis considers friction, inconsistency, and competing expectations among BRICS members. Pilot projects and institutional frameworks are examined, not as functional endpoints, but as provisional experiments. The underlying question is not whether a currency will be implemented, but how its possibility alters the imagination of monetary order. Findings suggest that the initiative, even in its early form, already alters expectations within the international system. Its operational viability remains uncertain. Yet its political resonance extends beyond technical feasibility. What is at stake is not only who controls money, but who defines its meaning and function within a contested multipolar world.

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INTRODUCTION

The global financial order is in a state of flux. For decades, the US dollar has not only characterised international trade but also the political architecture of global dependencies (Eichengreen, 2011). In this field of tension, the desire for alternatives is increasingly being articulated. The BRICS countries in particular, economically powerful and institutionally marginalised to date, appear ready to explore new paths (Wilson, 2022; Ocampo, 2022). For a long time, the proposal of a separate currency was hardly seen as a symbolic counter-project to Western dominance. Today, however, such considerations are gaining substance. They are no longer marginal debates. Rather, they are coordinated initiatives that have both a geopolitical and monetary impact. The question is whether this represents a paradigm shift or whether it is merely a strategic reflex. Perhaps it is both. This is precisely what makes the study relevant.

Objectives and Research Questions

This paper looks at a project that represents more than just a monetary policy option. It is an attempt to shift existing structures of global financial power - not abruptly, but noticeably. The aim is to analyse the political, economic and institutional prerequisites for a common BRICS currency. The study examines the tension between aspiration and feasibility, between geopolitical symbols and functional systems. The focus is on the question of how the international currency structure changes when new players formulate an institutional alternative to the existing order. The focus is less on technical details than on the ideas of order that are bundled in this project. The work reconstructs the different interests of the states involved, identifies systemic obstacles and reveals the points at which the existing framework has become too narrow. It aims at a differentiated understanding of the processes through which new models of order emerge without already asserting themselves as alternatives.

Hypothesis

The assumption of this study is that the introduction of a common BRICS currency, even in a limited form such as bilateral settlement mechanisms, digital pilot platforms or regionally scoped commodity-based payment units, could shift the existing balance in the international financial system. This is not about the immediate displacement of the US dollar. What is crucial is that a new scope is created in which other forms of monetary policy organisation become visible and conceivable. The attempt to establish an independent currency structure is less a technical project than a strategic intervention in a system of institutionalised power. Even partial success could change the perception of a global monetary organisation. This hypothesis is developed analytically and categorised on the basis of the theory in this paper.

Research design

The study follows a qualitative-analytical design that is deliberately open in order to leave room for interpretation and dynamic developments. The object itself, i.e. the possible introduction of a BRICS currency, does not exist as an empirically verifiable phenomenon in the narrower sense.

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Rather, it unfolds in political discourses, programmatic announcements and institutional initiatives. This results in a research approach that is not aimed at statistical recording but at contextual categorisation. The work combines theoretical concepts of global currency hegemony with a political-economic reading of current developments. It focuses on the interactions between macroeconomic interests, institutional dynamics and geopolitical positioning. The aim is not to construct a complete system. Rather, an analytical framework is created that structures the field of investigation without negating its openness.

Research Method

The analysis is based on a qualitative approach that is orientated towards methods of interpretative document analysis. It is based on texts that are part of the political, economic and institutional context of the BRICS currency project. Official declarations, strategy papers, economic publications and specialist articles from international databases such as Scopus and JSTOR were analysed. The selection of sources follows a research-guiding perspective. Only materials that refer to the central topics of the study and whose origin, context of origin and argumentative structure can be verified were taken into account.

Instead of formal coding, a context-orientated analysis is used, which works out argumentative structures, implicit narratives and discursive shifts (Bowen, 2009). This perspective follows the assumption that political projects are not only constructed and legitimised through figures but also through linguistic framings (Fairclough, 2013). In addition, we draw on discourse analytical approaches, as developed by Rapley (2007), in order to capture the socially embedded meaning of documents in the context of institutional communication.

The textual basis is supplemented by comparative references to earlier currency co-operations. Econometric models are deliberately not used. The aim is to reconstruct contexts of meaning and make them interpretatively tangible. The methodological openness does not serve arbitrariness but reflects the processual nature of the object of investigation.

Structure of the Work

The structure of this thesis is based on a step-by-step approach to the topic. The second chapter begins by developing a theoretical framework. This involves the historical development of international monetary orders and concepts that explain the relationship between money, power and order. The third chapter analyses the economic situation and geopolitical orientation of the BRICS countries. The aim is to present the starting conditions for possible monetary co-operation in an understandable way. The fourth chapter deals with existing initiatives in the field of monetary cooperation. These include institutional preparatory work, technical pilot projects and initial approaches to digital infrastructure. The fifth chapter focuses on the possible effects of a common monetary system. Internal tensions, external reactions and structural risks are systematically discussed. The sixth chapter summarises the key findings and discusses open questions and fundamental tensions that cannot be conclusively resolved. Chapter seven identifies the methodological and substantive limitations of the study. Chapter Eight formulates an outlook on possible developments, future lines of conflict and open research questions. The work is not intended as a decision-making aid but as an attempt to provide orientation knowledge - in a field that is in a state of flux.

THEORETICAL FRAMEWORK

International Monetary Order: Institutions, Power Relations and Criticism

The global monetary order is not a neutral system. Rather, it is a historically evolved network of institutions, norms and economic interests. The International Monetary Fund, the World Bank and the dominant position of the US dollar characterise not only economic transactions but also political

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dependencies. Especially after 1945, a set of rules developed that promised stability but also cemented asymmetrical power relations. Critics such as Eichengreen (2011) and Ocampo (2022) point out that this order is characterised by selective access, unequal lending and discursive dominance. Anyone who holds currency reserves in dollars also accepts a system in which a single state is structurally favoured. This order is rarely openly questioned, but it has never been uncontroversial. For this very reason, it is worth taking a closer look at how it works and where it breaks down.

Monetary Integration and Monetary Sovereignty: Basic Concepts and Models

The integration of currencies is not a purely technical endeavour. It has a profound impact on the relationship between national self-determination and supranational coordination. Yet most of these conditions are not fulfilled in the BRICS context. The group is characterised by divergent monetary regimes, weak fiscal coordination, and limited price flexibility, making it structurally incompatible with the core criteria of Mundell's model.

At the same time, for many countries, giving up monetary sovereignty is in tension with the idea of economic stability. In regions with high volatility or weak institutional control, monetary integration is perceived either as a relief or as a surrender of power. Practical implementation is rarely free of conflict. Tensions were also inevitable in the case of the euro. They were concerned not only about economic imbalances but also the question of who would decide on budgetary discipline, interest rate policy or crisis measures in the future (Stiglitz, 2016). This makes it clear that monetary policy is not neutral, but an expression of power relations and political prioritisation. Any monetary integration, therefore, forces a redefinition of collective responsibility and individual control (Helleiner, 2021).

Examples of Supranational Currency Co-operation (e.g. euro, CFA franc)

The European Monetary Union is considered to be the most advanced project of monetary integration. The euro not only introduced a common means of payment. It also created a political commitment to economic integration and institutional ties (De Grauwe, 2016). The design of this system relied on a strong central bank, while fiscal responsibilities largely remained with the member states. This institutional separation led to deep tensions during the euro crisis. In particular, the debates on fiscal solidarity and national budget autonomy revealed how fragile political consensus can remain within a functional framework (Stiglitz, 2016). The example shows that monetary unions are not technical systems. They are based on a political willingness to coordinate and on a shared understanding of responsibility.

The CFA franc also offers an example of monetary integration, albeit under asymmetrical conditions. Anchored in several West and Central African countries, it is institutionally linked to the euro. However, monetary policy control lies outside the region, which leads to ongoing criticism. Post-colonial dependencies, lack of democratic co-determination and a growing unease with external control characterise the debate (Sylla, 2019). In Latin America, an alternative system was trialled between member states of the Bolivarian Alliance with the "Sucre". Even there, the implementation remained symbolic. A resilient institutional structure did not emerge (Ferrero, 2020). These examples make it clear that monetary integration cannot be explained solely in economic terms. It arises from political decisions, institutional trust and historically evolved power relations.

A similar picture emerges from the analysis of African currency areas. Masson (2008) shows that monetary integration alone does not lead to significant trade growth if institutional capacities and macroeconomic coordination are lacking. The economic benefits remain limited if structural

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differences between member states are not equalised by common rules. This observation is also relevant for the BRICS project, which is confronted with similar heterogeneity.

Hegemony Theory Perspectives on Monetary Order

The concept of a BRICS currency cannot be viewed in isolation. It is embedded in processes that challenge existing patterns of order in the global economy. In political economy, there are different approaches to analysing such shifts. Hegemony theories emphasise that stability is not based on economic strength alone. It is created through the interplay of institutional leadership, normative acceptance and structural integration. Antonio Gramsci (1971) emphasises that hegemony does not exist through coercion alone but through the ability to generate consensus. Applied to currency systems, this means that a global reserve currency must not only be functional. It must be recognised, trustworthy and institutionally embedded.

Charles Kindleberger (1973) argues from a different direction, but with similar consequences. A stable financial system requires a regulatory power that is able to intervene in crises and assume systemic responsibility. This role was institutionalised by the USA after the Second World War with the dollar as the carrier of a global economic order. Such a function has not yet been institutionalised within the BRICS framework. There is no coordinating body that is prepared to bear risks and vouch for the stability of the system. It also remains normatively unclear how responsibility is to be distributed or legitimised. The project, therefore, lacks a central element of hegemonic effectiveness. The initiative remains fragmentary as long as it is unable to establish a sustainable link between functionality and recognition.

The concept of a BRICS currency cannot be viewed in isolation. It is embedded in processes that challenge existing patterns of order in the global economy. In political economy, there are different approaches to analysing such shifts. Hegemony theories emphasise that stability is not based on economic strength alone. It is created through the interplay of institutional leadership, normative acceptance and structural integration. Gramsci (1971) argues that hegemony arises not through coercion alone, but through consensus-building. Kindleberger (1973) complements this by emphasising that systemic stability requires leadership willing to assume responsibility in crises. Applied to the BRICS initiative, this dual requirement of functionality and legitimacy remains unmet. The absence of coordinating authority and institutional trust renders the project fragmentary.

THE BRICS COUNTRIES IN THE GLOBAL MONETARY SYSTEM

Initial Economic and Geopolitical Situation

The BRICS countries have considerable economic resources at their disposal. According to the World Bank, their share of global gross domestic product in 2023 was over 30 per cent, measured in purchasing power parity (World Bank, 2023). They also have a demographic impact, with a population share of over 40 per cent. However, the countries differ significantly in terms of their economic structure. China is fully integrated industrially, with a high level of vertical integration and global investment reach. India is experiencing dynamic growth but is held back by institutional fragmentation and social inequalities (Yadav, 2021). Russia is commodity-based and severely constrained by foreign trade (Ocampo, 2022). South Africa suffers from structural unemployment and limited energy availability (OECD, 2023). Brazil's development remains incomplete. Fluctuations between liberalisation and economic interventionism characterise the macroeconomic picture. This initial situation makes any coordinated monetary policy initiative difficult.

The BRICS countries are also not acting in a uniform geopolitical manner but in an increasingly coordinated manner. In bodies such as the United

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Nations or the G20, they are calling for structural reforms to reflect their influence institutionally (Wilson, 2022). Alternative formats are emerging in parallel. These include development banks, multilateral investment frameworks and strategic infrastructure networks, particularly with countries of the Global South. Their self-image is fuelled by the experience of limited participation in existing institutions. This position gives rise to a form of strategic autonomy. It is not about confrontation, but about self-imposed priorities. The idea of a common currency can be understood in this context. It stands for the claim to be not just participants, but shaping actors in the international system.

Heterogeneity of the Member States: Macroeconomic and Political Differences

There are considerable differences between the BRICS countries in terms of economic structure, institutional stability and political culture. China pursues a centrally controlled model with an expansive industrial and trade policy (Schubert & Ahlers, 2020; OECD, 2023). Russia is resource-dependent, isolated in terms of foreign policy and institutionally highly concentrated (World Bank, 2023; Ocampo, 2022). India operates as a federal democracy, but institutional imbalances, social inequality and regional disparities limit its ability to govern (Yadav, 2021). South Africa is under the influence of post-colonial path dependencies and suffers from structural unemployment and limited energy availability (OECD, 2023; World Bank, 2023). The social burden, the weakness of central infrastructures and political instability characterise the domestic political climate. Political constellations change frequently in Brazil. The economic orientation remains susceptible to commodity cycles and shifts in power politics.

These structural differences become particularly visible when comparing key macroeconomic indicators. The following table illustrates the economic diversity among BRICS countries based on nominal GDP, inflation rates, and public debt levels in 2024:

Country	GDP (USD bn, 2024)	Inflation Rate (%)	Public Debt (% of GDP)
Brazil	2,174	4.6	80.3
Russia	2,244	5.0	54.5
India	3,390	5.0	83.6
China	18,268	2.1	82.9
South Africa	405	5.0	71.7

Sources: BRICS Joint Statistical Publication (2024), European Parliamentary Research Service (2024)

The heterogeneity of economic fundamentals complicates any attempt at monetary integration. Large differences in public debt, inflation dynamics and fiscal resilience reveal the systemic challenges of coordination.

This heterogeneity limits the possibilities for joint economic policy coordination. Different fiscal philosophies, regulatory frameworks and institutional capacities make a currency-related integration process more difficult. The countries also do not pursue a harmonised approach when reacting to external shocks or internal crises. The conditions for monetary policy co-operation are therefore only partially in place. However, a common currency requires binding mechanisms, shared goals and reliable procedures. In the current constellation, this remains an ambitious but structurally fragile endeavour.

This fragility also affects institutional trust. A functioning currency union relies not only on macroeconomic convergence but also on mutual confidence that all members will uphold shared rules and act predictably in times of stress. The BRICS countries, however, differ significantly in political governance, regulatory transparency and fiscal credibility. These differences make it difficult to build trust in a joint monetary framework. Without mechanisms that mitigate asymmetries and institutional uncertainties, any attempt at currency integration remains vulnerable to strategic hesitation and fragmented commitments.

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There is also a lack of coherence in the area of monetary and fiscal policy management. While China has a comparatively strong central bank with active intervention in the capital market, other member states are subject to strong external fluctuations and institutional restrictions. Inflation rates, currency stability and debt levels vary greatly in some cases. International comparisons show that successful currency areas require a certain degree of fiscal harmonisation or at least institutional convergence (De Grauwe, 2016). This requirement is not currently met in the BRICS context. The introduction of a common currency would require considerable adjustment processes and political will. It remains to be seen whether a common currency regime can be developed consensually at all under the current conditions or whether the heterogeneity would rather represent a permanent source of weakness.

Motives and Interests: De-dollarisation, Power Shift, Alternative Education

The discussion about a common BRICS currency is not fuelled solely by economic expediency. Rather, it is a political project with symbolic and strategic content. The demand for de-dollarisation is at the heart of this debate. It is an expression of growing discontent over the dependence on the US dollar in trade, financial markets and international reserves. This dependence is perceived by many BRICS countries as a geopolitical risk, particularly against the backdrop of Western sanctions against Russia or the monetary dominance of the USA in multilateral organisations (Ocampo, 2022). A separate currency should not only enable economic autonomy but also emphasise political self-assertion. In this perspective, monetary policy becomes a means of producing sovereignty.

In addition to the pursuit of independence, economic interests also play a role. A common currency could facilitate intra-British trade, lower transaction costs and reduce exchange rate risks (Arner, Auer, & Frost, 2020). China, in particular, would have an interest in exporting its financial architecture and creating alternatives to the US-dominated payment system (People's Bank of China, 2022). India, on the other hand, is pursuing more cautious goals. It sees regional cooperation as a complement to its own growth strategy rather than a monetary priority (Yadav, 2021). Russia, on the other hand, is in favour of any measure that could compensate for its own isolation in the international financial system (Ocampo, 2022). These different starting positions indicate a strategic disagreement. Although there is a common impetus for institutional demarcation, the concrete design of a currency project remains controversial.

THE PROPOSAL FOR A COMMON BRICS CURRENCY

Overview of Previous Initiatives

The discussion about a common currency within the BRICS framework is not a new phenomenon. Nevertheless, it has gained institutional depth and political focus in recent years. A key point of reference is the establishment of the New Development Bank in 2014, which differs from traditional development finance institutions in its explicit focus on equal membership and financing in local currency. This is intended to expand the scope of the participating countries and, at the same time, reduce their dependence on Western financial institutions (Humphrey, 2015). This approach is flanked by bilateral swap agreements that enable the direct convertibility of national currencies. Such agreements create operational freedom but remain institutionally limited. A multilateral payment system with a standardised settlement framework has not yet been realised.

One of the more recent initiatives is the BRICS Pay project. It aims to create a digital payment system that facilitates cross-border transactions between the member states. The platform is still in the testing phase and mainly relies on technical components from China (BRICS Information Portal, 2023). In their current form, such systems will not replace the existing dominance of the US dollar, not even in

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intra-BRIC payments. Nevertheless, they have a political signalling effect. The initiatives indicate an attempt to create their own infrastructures, which could lead to greater monetary independence in the long term. This is still preliminary work. Their significance lies not in their scope, but in the institutional impetus they provide for future integration processes.

Possible Currency Models: Digital, Commodity-backed or Nationally Pegged

The discussion about a BRICS currency is open with regard to its institutional structure. Various models are being considered. One possibility would be the introduction of a pure unit of account, similar to the European ECU before the euro (De Grauwe, 2016). Gold-backed or digital variants are also being discussed, with varying degrees of political integration and technical feasibility (Shirov, Yantovskiy & Potapenko, 2023). Russia and China are particularly in favour of models with commodity backing, as they believe they function independently of Western monetary policy. Technically, a digital currency based on blockchain systems and allowing decentralised settlement would also be conceivable.

Such digital models appear particularly attractive in view of current technological developments. A central platform could connect national payment systems and still be based on decentralised processing mechanisms. China is already testing the digital yuan in numerous fields of application and has the corresponding infrastructure in place (People's Bank of China, 2022). India and Russia are also showing interest in digital central bank currencies. However, a common digital BRICS currency would be a political project with enormous coordination requirements. Not only technical but also legal and security-related standards would have to be agreed. Such a system would be susceptible to cyber risks, regulatory differences and differing ideas of data protection. It remains unclear whether digital solutions are being considered as a transitional model or as the final form. Nevertheless, the discussion shows that the BRICS countries are not limiting themselves to past currency logics, but are considering experimental approaches.

Technological, Institutional and Legal Requirements

The development of a common BRICS currency raises fundamental technical questions. At the centre of this is the challenge of connecting very different digital payment systems. While China has already created far-reaching structures with the digital yuan and private sector applications such as Alipay, Brazil, South Africa and Russia have rather fragmented systems. There is a lack of uniform standards. The technical logic of these systems also differs. The idea of a common framework, therefore requires more than just technical interfaces. It is about the question of how national interests, security standards and regulatory requirements can be translated into a functioning architecture. The exchange of payment data, the verification of identities and the question of institutional supervision all require a form of coordination that has not yet been established. Different data protection laws and technical standards increase complexity. Interoperability should therefore be conceived as an integrative guiding principle, not as a subsequent adaptation (Arner et al., 2020).

Institutionally, the question of control, monitoring and crisis response arises. A supranational monetary authority would not only have to guarantee technical stability but also have political legitimacy. A multilateral central bank would be a conceivable solution, but it would have to be established in a context in which trust does not grow historically but has to be generated politically. The New Development Bank offers an institutional model for this, even if its mandates have so far been limited to project financing (Humphrey, 2015). However, the introduction of a currency would require much deeper integration, for example in monetary policy coordination, in the definition of exchange rate mechanisms or in the question of which countries

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are authorised to intervene in which situations and with which weighting of votes.

International law also imposes clear conditions. A common BRICS currency would have to be legally anchored without violating existing obligations from multilateral treaties. Capital controls, tax agreements, freedom of contract and the role of international arbitration tribunals would have to be taken into account. Individual countries have close ties to WTO and IMF regulations, which could collide with a closed BRICS financial architecture. Legal harmonisation within the member states would also be required. National constitutions regulate monetary sovereignty to very different extents. A common currency without far-reaching legal harmonisation would be unstable. Legal stability is not a sideshow, but a basic condition for economic functionality (Bassiouni, 2019).

Last but not least, such a project requires political commitment. The past multilateral agreements show that many projects fail due to the difference between political will and institutional perseverance (Ocampo, 2022). Historically, the BRICS countries have only had limited experience with binding supranational treaties. However, a common currency would have to do just that. It would have to be understood not just as a symbol, but as a legally enforceable regulatory structure embedded in multilateral bodies with clear sanctions and response mechanisms. Creating this would not be a technical problem, but a question of political architecture. To generate such political commitment despite institutional and geopolitical asymmetries, several mechanisms could be considered. These include a rotating leadership model to balance influence, the creation of a joint monetary council with veto safeguards, and binding implementation milestones monitored by a neutral supervisory body. Additionally, linking the currency project to already existing structures such as the New Development Bank could provide continuity and institutional memory. These elements would not remove the strategic divergence, but they could reduce the perceived risks of domination and increase the collective stake in long-term integration.

OPPORTUNITIES AND RISKS OF A BRICS CURRENCY SYSTEM

Potential Impact on the Existing International Financial System

The introduction of a common BRICS currency could change the existing global financial architecture. The structure of the current monetary system is based on the dominant role of the US dollar. It not only serves as a reserve currency but also forms the basis for international lending, commodity pricing and trade settlement (Eichengreen, 2011). A new currency from the BRICS region could shift existing relationships of trust, especially among countries that are already looking for alternatives to the dollar. This change would not take place in one step. A gradual development is more likely, starting with bilateral settlement mechanisms and expanding towards an independent payment infrastructure (Wilson, 2022).

Individual developments are already pointing in this direction. China and Russia have begun to increasingly settle their trade flows in national currencies. In certain areas, the linking of trade agreements to commodities is also being used as a hedging instrument (Shirov et al., 2023). These trends will not lead to an abrupt system change, but they will change expectations of future systems. The introduction of a BRICS currency would be less of a technical innovation than a symbolic step. It would question existing patterns of dependency and create new political room for manoeuvre. In this sense, it would be less of a replacement than an acceleration of already ongoing shifts in global monetary relations.

At the same time, the question arises as to whether such a currency would actually be able to compete with the dollar on an equal economic footing. The stability of the dollar is based not only on economic performance but also on political credibility,

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military security and institutional depth. These structural conditions have so far been lacking in the BRICS context. There is neither a jointly regulated capital market nor multilateral mechanisms for crisis intervention. The transparency and acceptance of monetary policy decisions also vary in the BRICS countries. A new currency would first have to earn the trust of investors, central banks and companies. The status of a reserve currency is not achieved through political ambition alone, but through long-term reliability and system integration (Eichengreen, 2011).

Nevertheless, even a partially successful currency project could trigger disruptive effects. A decline in demand for the dollar would increase the financing costs of the USA and relativise the importance of Western financial centres such as New York or London (Eichengreen, 2011). At the same time, new currency areas could emerge that act independently not only economically but also normatively. According to IMF data, around 80 percent of global trade is currently invoiced in US dollars, while the BRICS countries account for more than 20 percent of global exports. If even 10 to 15 percent of BRICS trade were redirected through alternative currency arrangements, the impact on global demand for the dollar would be substantial. Such a shift could reduce US seigniorage revenues by several billion USD annually and accelerate the diversification of currency reserves among emerging economies.BRICS institutions could develop their own standards in matters of lending, investment protection or combating money laundering. This would be associated with fragmentation processes that would challenge existing regimes of global financial regulation. The IMF and the World Bank would be forced to reposition themselves (Ocampo, 2022). The introduction of a BRICS currency would therefore have far-reaching systemic consequences, even if it were initially only used to a limited extent.

Internal Challenges: Stability Issues, Governance, Trust

The introduction of a common BRICS currency is closely linked to questions of macroeconomic stability. The participating countries differ significantly in their financial and monetary policy practices. Inflation rates, debt ratios and budget rules diverge. India and South Africa have flexible exchange rate systems that react strongly to global influences. China pursues a controlled approach, while Russia actively regulates capital movements. These differences make it difficult to develop common monetary policy rules. A currency can only function if the economic framework conditions do not destabilise each other. Without coordinated fiscal guidelines and an equalisation mechanism, false incentives arise. Experience from the eurozone shows that a lack of coordination can lead to structural imbalances (Stiglitz, 2016). A BRICS currency area would therefore have to rely on procedures that ensure stability and share risks from the outset.

There are also fundamental differences in the area of political governance. The BRICS countries differ not only in terms of economic indicators but also in their institutional self-image. India is considered a federal democracy with regional participation and a functioning party system (Yadav, 2021). In Russia and China, political decision-making processes are centralised. Oppositional structures are deliberately limited there (Schubert & Ahlers, 2020; Freedom House, 2023). A common monetary institution would have to be able to deal with these tensions. The question arises as to how decision-making processes can be designed that are efficient, transparent and acceptable to all. The political situation makes it difficult to establish trustworthy governance structures. Without mutual recognition and procedures to contain power asymmetries, the capacity for integration remains limited.

Decision-making within a common monetary institution would have to reflect these contrasts institutionally. It remains questionable whether a

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fair weighting of votes could be realised or whether dominant players such as China would shape the system. Trust between the member states is also limited. Mutual security concerns, geopolitical rivalries and historical tensions continue to have an impact. A functioning governance structure would therefore not only have to be technically efficient but also politically legitimised and resilient in the long term (Wilson, 2022).

Trust forms the basis of every currency system. It is not created solely through legal protection or technical functionality. It is based on the expectation that all participants will adhere to common rules and act in solidarity in times of crisis. In the eurozone, for example, this has been institutionalised through stability mechanisms, crisis funds and a common central bank (Stiglitz, 2016). In the BRICS context, comparable structures have so far been completely absent (Wilson, 2022). Without mutual guarantee promises, transparent supervision and credible liability rules, mistrust of the new currency could spread quickly. Investors would hesitate and companies would be reluctant to accept alternative means of payment. There would be a risk that such a system could be politically organised but remain economically unstable.

External Resistance: Geopolitical Reactions, Market Behaviour, Currency Competition

The attempt to establish a common currency within the BRICS framework is not without consequences. Such a project is a geopolitical signal that can irritate existing power structures. The United States, in particular, is unlikely to leave a systemic challenge to the dollar unanswered. Political and economic reactions are conceivable, for example in the form of diplomatic pressure, sanctions or stricter requirements for banks that work with alternative currency instruments. Exclusion from existing payment systems such as SWIFT or the restriction of dollar liquidity are also part of the strategic repertoire. The European Union would also be forced to take a stance if a parallel payment system were to emerge that operates outside established norms. In multilateral institutions such as the IMF or the OECD, such advances could lead to new lines of conflict, particularly on issues relating to capital mobility or the valuation of exchange rate mechanisms (Ocampo, 2022).

The reaction of the financial markets follows a different logic. Trust, stability and institutional credibility are the most important factors here. A new currency would have to be accepted by key players in the financial system. Stock exchanges, central banks, institutional investors and rating agencies form the field in which recognition is created or denied. It is not just the existence of a currency that is decisive, but the expectation of its permanence. Without a transparent monetary policy, sound public finances and legal reliability, access to global capital remains difficult. Countries with limited capital freedom or a weak rule of law are met with reservations (Eichengreen, 2011). Market confidence cannot be forced. It is created through continuous stability, clear rules and credible governance. Political agreement is only a first step. Without market-based safeguards, it remains institutionally incomplete.

A third aspect concerns international currency competition. China is already attempting to establish the yuan as an international reserve currency. This strategy does not necessarily run parallel to the BRICS project, but could also overlap with it. China could try to peg the BRICS currency to the yuan or set technical standards that correspond to its own infrastructure. Such an asymmetry would deter other member states and make external observers even more sceptical. In addition, other currency areas, such as the eurozone or regional cooperation projects in Asia, are in direct competition. The creation of a BRICS currency would therefore not only be a political act, but part of a complex global competition for money, trust and standardisation.

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DISCUSSION

Monetary Autonomy Versus Integration: An Insoluble Contradiction

Monetary policy is one of the innermost areas of state decision-making sovereignty. Anyone who gives up this area or shares it with others is not only interfering with a functional instrument. The political self-image is also at stake. A common currency not only changes technical processes. It shifts competencies, changes responsibility structures and requires new forms of interdependence. The BRICS countries are currently pursuing different economic policy objectives. Their monetary policy models differ considerably in some cases. Institutional interdependence is, therefore, encountering structural resistance.

Successful currency areas are based on political trust, a common definition of goals and normative harmonisation. These prerequisites cannot be created in the short term. They are the result of long-term coordination and institutional stabilisation. In the BRICS context, such a foundation is not yet recognisable. The political will to co-operate collides with the need for autonomy. This is not just friction, but a tension that affects the substance of the project. Integration in monetary policy does not just mean technical co-operation. It requires common rules, renunciation of individual control and shared responsibility for crises. This step is demanding. For states that position themselves with institutional independence against external dominance, it represents a paradoxical movement.

Financial Hegemony as an Instrument of Political Power

The current global financial order privileges certain players. The US dollar functions not only as a medium of exchange but also as a geopolitical tool. Sanctions, Swift exclusions or the control of capital flows serve political purposes and illustrate how closely economic infrastructure is linked to foreign policy control (Ocampo, 2022). The BRICS initiative can also be seen as a reaction to this dynamic. However, counter-hegemony is not a purely monetary process. It requires political coherence, normative credibility and institutional substance. So far, the BRICS project has lacked clear guiding principles that go beyond technological or tactical reactions. The attempt to evade the influence of Western monetary regimes remains fragmentary without a convincing substantive alternative (see explanation of terms in Appendix C). The question is therefore not only whether a BRICS currency would be economically viable, but also whether it could provide normative orientation.

Symbolic Politics or Real System Alternative? A Cautious Categorisation

The symbolism of the project is undoubtedly powerful. A common currency suggests the ability to act, co-operation and strategic self-determination. However, there is often a gap between semantics and substance. The measures taken so far - development bank, swap agreements, digital pilot projects - mark steps towards functional independence without any recognisable consistent institutional structure. The project is politically charged, but not yet anchored economically. The discussion shows that the initiative is currently caught between performative politics and structural immaturity. A real alternative system requires lasting processes: institutional stabilisation, fiscal coordination, and multilateral control. Whether the BRICS states are ready for this remains to be seen. A hybrid model that moves situationally between symbolic politics and selective functionality seems more likely.

Between Functionality and Legitimacy: The Dual Logic of Monetary Order

Currency areas are not created solely out of economic rationality. They are based on a dual logic: the ability to stabilise and the claim to recognition. This tension can be summarised analytically as the difference between functional

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and legitimising order. A functional currency fulfils technical tasks; it facilitates transactions, stabilises purchasing power and enables macroeconomic control. But it is only its political embedding that gives it acceptance. Trust is not created through calculation alone but through reliability, regularity and institutional coherence. In the Euro-Atlantic monetary architecture, both dimensions have grown over the decades. In the BRICS context, however, they are not synchronised. Technically, pilot projects are being realised, but politically, the project remains vague.

This structural imbalance harbours risks. A functionally designed currency without a legitimising foundation remains vulnerable. The trust of markets, institutions and the population cannot be replaced by technology. Conversely, symbolic self-assertion is not enough if the operational instruments are lacking. In the case of the BRICS initiative, an asymmetrical development path is evident. The political impulse towards de-dollarisation is strong, but it is not accompanied by institutional routines or normative self-commitment mechanisms. The study reveals that such a shift in the monetary order would only be sustainable if it integrated both logics. Functional efficiency alone is not enough. Only legitimacy turns money into order. The findings of this study support the initial hypothesis: Even in a limited form, the BRICS currency project has the potential to alter the perception and structure of global monetary governance. While full implementation remains uncertain, the initiative already influences discourses, institutional strategies, and expectations among states. Its symbolic strength and strategic intent substantiate the assumption that monetary alternatives do not need to be fully realised to generate systemic resonance.

LIMITATIONS OF THE STUDY

Limitation Due to Data Availability and Current Dynamics

This analysis is based on publicly available sources and political and economic documents up to spring 2025. Many processes within the BRICS countries, such as bilateral negotiations or technical development stages of payment systems, are not transparently documented. In this respect, the work can only operate with what is available via official platforms or secondary academic sources. The assessment of institutional readiness is based on indirect indicators, such as published policy statements or macroeconomic indicators. In authoritarian member states in particular, however, an accurate assessment of institutional processes is hardly methodologically possible. This gap particularly affects governance issues that are based on formal mechanisms and invisible political dynamics. The results should therefore be seen as a heuristic approximation and not as a definitive assessment. Future research could complement document-based analysis with expert interviews, particularly with central bank officials, regional policy-makers or institutional advisors involved in multilateral negotiations. Such interviews could offer insights into informal coordination practices, internal risk assessments, and the political feasibility of implementation steps that are not documented in public sources. Uncertainty due to political volatility within the BRICS

A central problem in forecasting common currency architectures lies in the political instability of individual member states. In Brazil, economic policy guidelines frequently alternate with changes in government. In Russia, geopolitical isolation has a direct impact on financial and monetary policy decisions. In South Africa, institutional capacity to act is limited by social inequality and political fragmentation. India is also increasingly pursuing a national growth agenda that is not always compatible with multilateral approaches. This heterogeneity makes it difficult to make long-term

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statements about willingness to negotiate or commitment to implementation. Even in the case of open political agreement, doubts remain about the real power of implementation. The study cannot conclusively map this volatility. It identifies it as a risk without quantifying it.

Differentiation from other Forms of Economic Cooperation

The study focuses on the scenario of a common BRICS currency and largely ignores other forms of multilateral economic integration. However, there are numerous parallel processes ranging from bilateral commodity agreements to regional trade agreements and joint infrastructure projects. Some of these initiatives are more institutionalised than the currency plans under discussion. There is also cooperation within the BRICS, which does not necessarily have to lead to a monetary union. The deliberate focus on the currency issue, therefore, means an analytical narrowing that only partially reflects the overall picture of multilateral BRICS strategies. This is necessary for the argumentative stringency but limits the generalisability of the results. A comprehensive assessment of collective economic sovereignty strategies would also have to include sectoral agreements and informal forms of coordination.

CONCLUSION AND OUTLOOK

Summarised Results

The study has shown that although the idea of a common BRICS currency is politically ambitious, it has so far been insufficiently underpinned in institutional and economic terms. The economic heterogeneity of the member states makes a coherent monetary policy difficult (see Appendix A). Different inflation rates, divergent fiscal cultures and differing legal frameworks make a harmonised monetary order unlikely at present. The technical infrastructure and institutional architecture are also only partially developed. Digital payment systems such as BRICS Pay mark important milestones but remain functionally limited (institutional overview in Appendix D). The geopolitical motivation behind the project is understandable, but the operational implementation requires far-reaching compromises that do not appear realistic at present. The project is, therefore, less an expression of a concrete economic policy strategy than a symbolic positioning vis-à-vis a Western-dominated order.

Outlook for Further Research Perspectives

Further studies could investigate the extent to which regional sub-projects within the BRICS countries are suitable as a preliminary stage to a common currency. For example, bilateral currency zones between China and Russia or pilot projects with commodity-backed settlement units in the energy sector would be conceivable. The influence of external players such as the IMF, the European Union or the ASEAN states on the perception and legitimacy of a BRICS currency also merits in-depth analysis. Empirically, a comparative analysis of earlier currency areas such as the CFA franc, the Sucre or the ECU would be informative. Equally important is the question of whether central bank digital currencies (CBDCs) could lead to a modular architecture in which traditional currency unions are replaced by flexible platform solutions. These developments are still in the early stages and require continuous monitoring. From a policy-oriented perspective, three lines of action appear particularly relevant. First, bilateral pilot projects using commodity-linked payment instruments could provide a low-risk environment to test interoperability and acceptance. Second, institutional links between the BRICS currency initiative and existing frameworks such as the New Development Bank should be strengthened to ensure procedural continuity. Third, any long-term integration effort would benefit from the creation of a multilateral dispute resolution mechanism to foster trust and ensure credible enforcement in case of asymmetry-induced tensions.

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Reflection on the Strategic Significance for Global Governance Issues

The debate about a BRICS currency is more than just a detailed economic project. It points to structural tensions in the global order and the endeavours of many states to regain their own room for manoeuvre. These ambitions are reflected in monetary symbols, institutional counter-models and technological trials. The attempt to establish a new monetary order is exemplary of the shift from a unipolar to a multipolar global economy. The outcome is not predetermined. The decisive factor will be whether the BRICS states succeed in productively managing their differences and transforming their economic power into sustainable institutional forms. This task is complex but by no means without historical points of reference.

An interdisciplinary view shows how far-reaching the implications of the currency project are. From the perspective of international law, the question arises as to the compatibility of new institutions with existing treaty architectures. A multilateral reserve currency would have to be legally anchored without undermining fundamental norms of capital mobility and payment obligations. In development economics, the focus is on distributional effects. It is important to analyse the extent to which the project contributes to reducing global imbalances or merely creates new forms of asymmetrical dependency. The BRICS states present themselves as advocates of the Global South. This promise must be measured in terms of functional effects, not just symbolic self-positioning.

The project is also highly relevant from a security policy perspective. Currency infrastructure is an instrument of strategic control. Whoever controls payment channels influences political alliances, economic dependencies and geopolitical movements. An independent BRICS currency would have the potential to create new axes of power in sensitive areas such as sanctions, commodity trading and capital flows. It remains to be seen to what extent this infrastructure will have a stabilising or destabilising effect. One thing is certain: the dispute over monetary order not only affects financial systems. It affects the foundations of political power in a fragmented world.

Ethical Approval Statement

This study did not involve human participants, personal data, or interventions requiring ethical clearance. All simulation models and scenario analyses were based on theoretical constructs and publicly available conceptual frameworks. As such, ethical approval was not required. The research adheres to academic integrity standards and ensures that all sources, including theoretical references and prior studies, are appropriately cited. No confidential or sensitive data was used. The development and reporting of this work comply with the ethical guidelines for research involving simulation, modelling, and theoretical frameworks.

Data Availability:

The data that support the findings of this study are available from the corresponding author upon reasonable request.

Conflict of Interest

There is no conflict of interest with me or any of my co-authors about this article.

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APPENDIX

A. Overview of the Economic Performance of the BRICS Countries (2024)

The following table shows the nominal gross domestic product, the inflation rate and the national debt of the BRICS countries in 2024. The values are based on official statistical publications of the BRICS countries and current analyses by the European Parliament.

Country	GDP (nominal) in USD billion	Inflation rate (%)	Public debt (% of GDP)
Brazil	2.174	4,6	80,3
Russia	2.244	5,0	54,5
India	3.390	5,0	83,6
China	18.268	2,1	82,9
South Africa	405	5,0	71,7

Sources:

- BRICS Joint Statistical Publication 2024
- European Parliamentary Research Service (2024)

B. Methodological Addition

This study is based on a structured analysis of publicly available documents, supplemented by secondary statistical indicators and discourse-analytical evaluation of official announcements by the BRICS states. The evaluation does not follow a coded categorisation system, but rather a context-sensitive interpretation according to criteria of political economy, institutional consistency and narrative self-positioning.

C. List of Terms (Selection)

Term	Brief explanation
De-dollarisation	Strategy to reduce dependence on USD in trade, finance and currency reserves
CBDC	Digital central bank currency, state-issued digital means of payment
Swap Agreement	Mutual agreement to exchange national currencies to safeguard trade and liquidity
Monetary hegemony	Structural supremacy of a currency in the international system