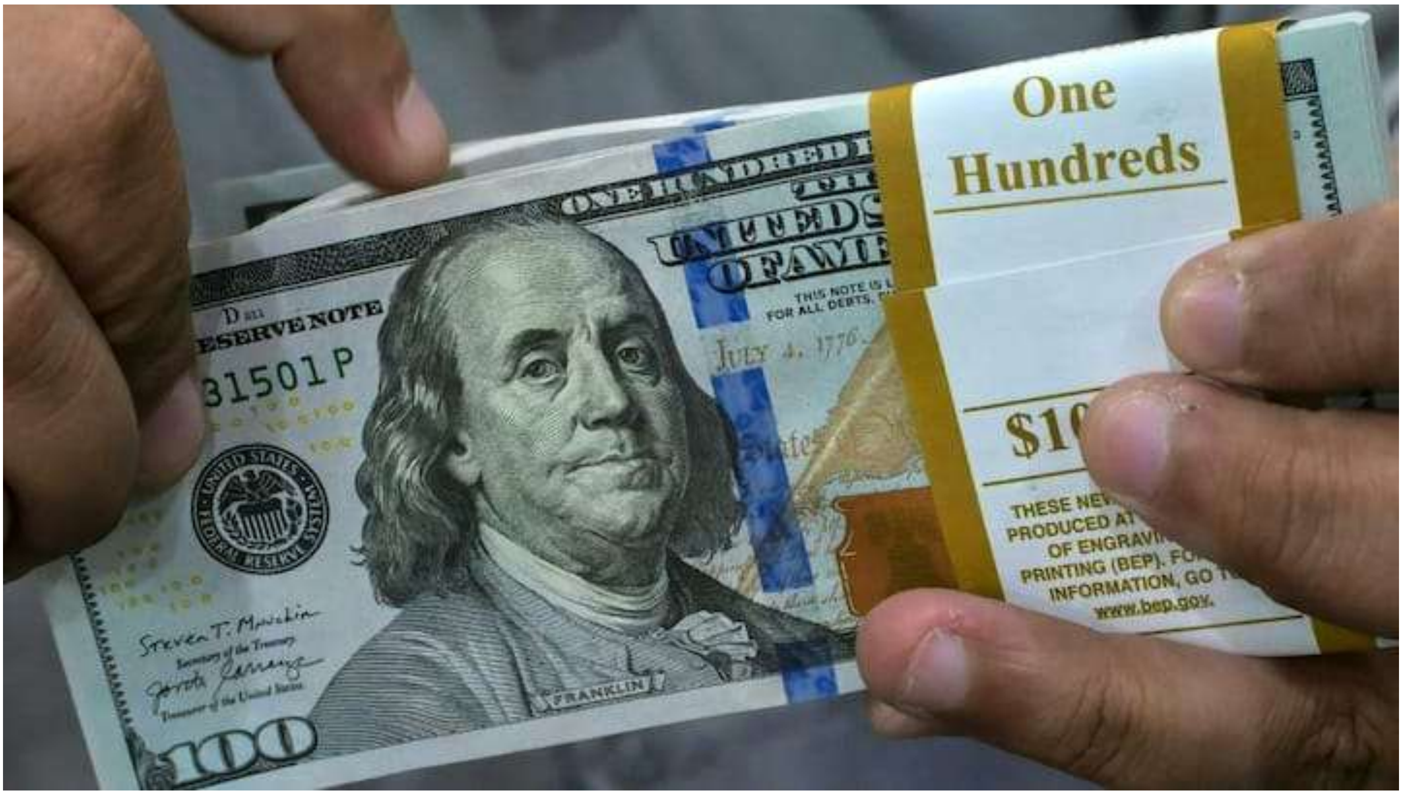
Can Brics ditch the dollar? What international law actually says

As Brics pushes de-dollarisation, what does international law allow — and where does India stand?



The rise of the dollar was a consequence of American economic power, deep and liquid financial markets, institutional credibility, and widespread confidence in dollar-denominated assets. AFP

Abhinav Mehrotra, Biswanath Gupta | Aug 12, 2026

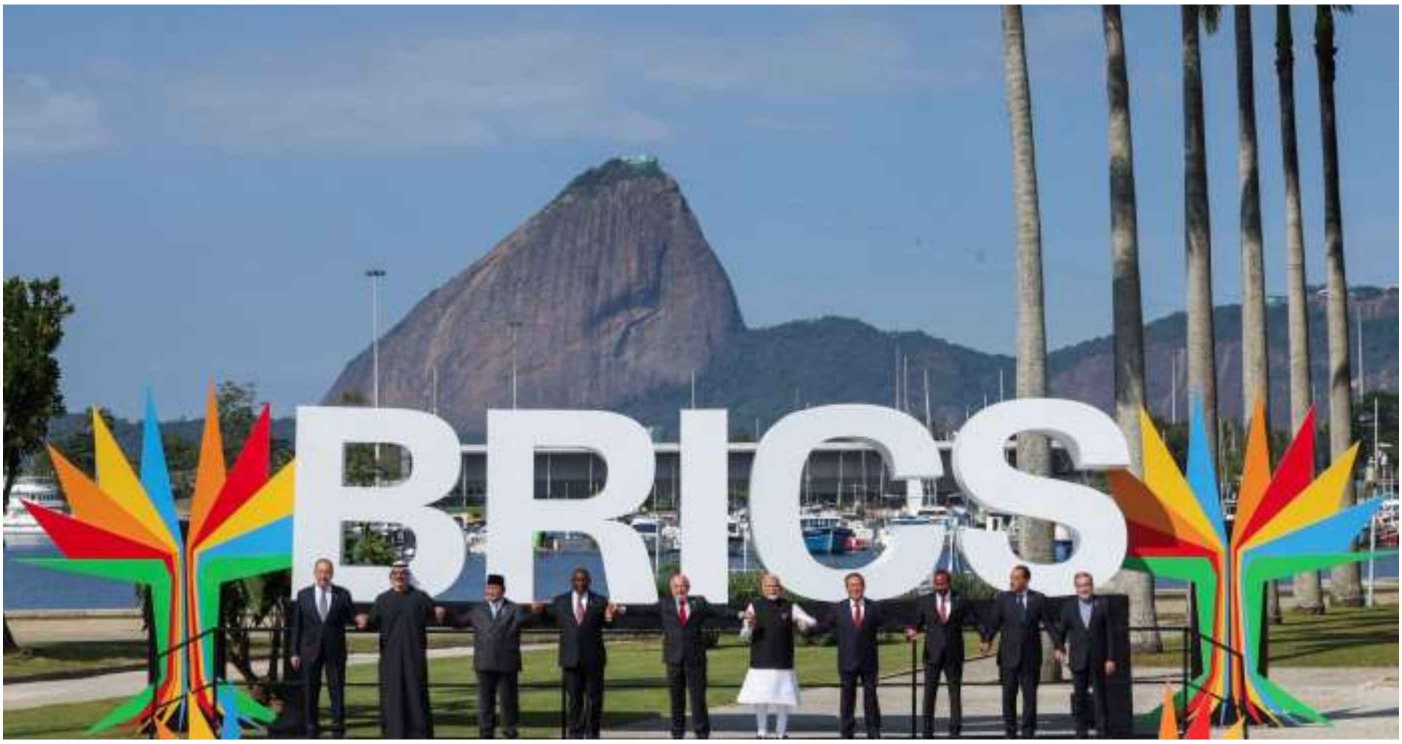
The debate over de-dollarisation has returned to the forefront of global politics, particularly amid growing efforts to settle international trade in local currencies. At the 2024 and 2025 Brics Summits, member states reiterated their commitment to expanding local-currency settlements, strengthening alternative payment mechanisms, and reducing excessive dependence on the United States dollar in international trade.

The debate has increasingly been portrayed as a geopolitical contest between the established Western financial order and an emerging multipolar system. Yet beneath this narrative lies a fundamental legal question: Does international law regulate which currencies states may use in international trade?

Does international law require countries to use the US dollar?

The international legal framework governing monetary relations primarily regulates how states conduct their currency and exchange-rate policies, rather than prescribing which currency the world must use. This distinction is particularly significant for India, which has carefully positioned itself as both a participant in Brics-led financial reforms and a responsible stakeholder in the existing international monetary order.

The legal architecture governing international monetary cooperation was established principally through the Articles of Agreement of the International Monetary Fund (IMF), negotiated at Bretton Woods in 1944. Although the IMF Articles remain the principal multilateral treaty governing international monetary relations, their scope is more limited than is sometimes assumed.



At the 2024 and 2025 Brics Summits, member states reiterated their commitment to expanding local-currency settlements. File photo/Reuters

The IMF framework was designed to promote international monetary cooperation, facilitate international payments, encourage exchange stability, and prevent destabilising monetary practices following the economic turmoil of the inter-war period. It does not confer upon the US dollar a permanent legal status as the world's dominant reserve or settlement currency.

The rise of the dollar was therefore primarily a consequence of American economic power, deep and liquid financial markets, institutional credibility, and widespread confidence in dollar-denominated assets — not a legal entitlement granted by international treaty law.

What does the IMF actually regulate?

The distinction becomes particularly clear upon examining Article IV of the IMF Articles of Agreement. IMF members undertake to collaborate with the Fund and other members to promote a stable system of exchange rates and are required to avoid manipulating exchange rates or the international monetary system in order to prevent effective balance-of-payments adjustment or secure unfair competitive advantages.

These are treaty obligations binding upon IMF members. However, the IMF's surveillance process and many of the policy recommendations arising from it are not equivalent to legally enforceable commands requiring states to adopt particular currencies or monetary policies.

Through periodic Article IV consultations, the IMF evaluates members' macroeconomic, financial, and exchange-rate policies and provides assessments and recommendations. Article IV therefore establishes important rules concerning exchange-rate conduct and international monetary stability, but it does not require countries to hold, trade in, or settle transactions in the US dollar. International law consequently leaves considerable room for states to determine which currencies they use in bilateral trade and financial arrangements.

Can India promote the rupee without challenging the existing monetary order?

For India, this legal distinction is more than an academic observation. It provides significant policy space within which an independent monetary strategy can evolve.

Over the past several years, India has sought to encourage greater international use of the Indian rupee, including through mechanisms facilitating local-currency trade settlements. At the same time, India has invested substantially in expanding its digital public infrastructure, particularly the Unified Payments Interface (UPI), whose international linkages demonstrate how payment infrastructure can facilitate cross-border transactions without necessarily challenging the foundations of the existing monetary system.

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Such initiatives are not inherently inconsistent with India's obligations under the IMF Articles. International monetary law does not generally dictate the currency in which two sovereign states must choose to settle their bilateral trade. This allows India to pursue a strategy based on diversification rather than disruption: reducing excessive dependence on any single currency while continuing to support the stability and predictability of the wider international monetary system.

Are Brics alternative payment systems a legal challenge to Bretton Woods?

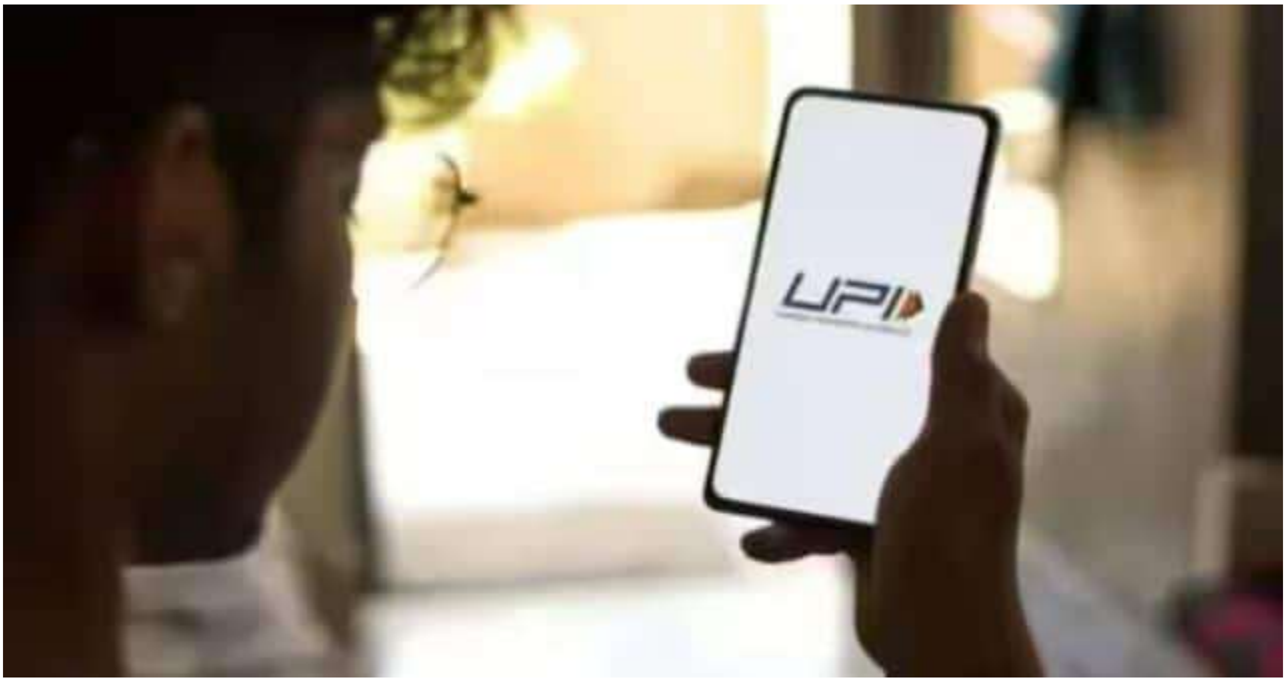
Countries across the Global South have increasingly explored ways to diversify payment channels, strengthen regional financial institutions, and develop alternative settlement mechanisms. Brics initiatives form part of this broader transformation.

These developments should not automatically be understood as legal challenges to the Bretton Woods system. Creating alternative payment infrastructure or settling trade in national currencies does not, by itself, violate the IMF Articles. Rather, such arrangements can represent lawful exercises of monetary and economic sovereignty, provided participating states continue to comply with their applicable international obligations.

The distinction between challenging dollar dominance and violating international monetary law is therefore crucial. The former concerns the distribution of economic and financial power; the latter concerns compliance with treaty obligations. Any significant future challenge to the dollar's predominance is consequently more likely to emerge through changes in trade patterns, financial markets, payment technologies and institutional confidence than through reinterpretation of international treaty law.

What role can India play in a more multipolar financial system?

For India, this changing landscape presents both opportunities and responsibilities. As one of the world's largest major economies and an influential participant in both the G20 and Brics, India occupies an important position between established international financial institutions and emerging monetary arrangements. Its expanding digital-payments ecosystem, growing international trade relationships, and participation in both traditional and emerging institutions allow India to serve as a bridge between competing visions of global financial governance.



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Rather than seeking the abrupt displacement of the dollar, India is better positioned to encourage a more diversified, resilient and inclusive international monetary system — one capable of accommodating multiple settlement currencies and payment networks while preserving the stability and predictability necessary for international commerce.

Ultimately, the future of the dollar will depend less on international law than on economic confidence, institutional credibility, technological innovation, financial-market depth and the choices of sovereign states responding to an increasingly fragmented geopolitical environment. International law neither guarantees the dollar's supremacy nor prohibits credible alternatives from emerging. Recognising this legal reality allows India to pursue greater monetary autonomy without abandoning its international obligations.

In an era increasingly defined by multipolarity and digital transformation, India's most consequential contribution may therefore be to demonstrate that financial diversification and the international legal order can evolve together, rather than in conflict.

(Abhinav Mehrotra and Biswanath Gupta are associate professors at OP Jindal Global University. The views expressed in the above piece are personal and solely those of the authors. They do not necessarily reflect Firstpost's views.)