

# BRICS, de-dollarization and Global South's views on key economic and geopolitical issues

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In the changing geopolitical and economic situation, countries in the Global South can not afford to take foreign policy positions which impact their national interest.



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A joint statement issued by leaders of G7 member states (Canada, France, Germany, Italy, Japan, the United Kingdom, the United States while the EU is a non-enumerated member), at the end of the Summit held at Puglia (Italy) from June 13-15, 2024,

categorically stated that sanctions would be imposed on China and countries which would in any-way lend support Russia's war efforts.

The statement said that "restrictive measures to prevent abuse and restrict access to our financial systems." The joint statement also referred to China's unfair economic practices. G7 leaders also declared their support of USD 50 billion to Ukraine. Italian Prime Minister Georgia Meloni, the host of G7 this year, while commenting on the same said: "I confirm to you that we have reached political agreement to provide additional financial support to Ukraine of approximately USD 50bn by the end of the year."

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A few points need to be borne in mind. Several non-member countries were invited to the G7 Summit. Interestingly, out of the non-G7 members, India, Brazil, and UAE are part of the China-dominated BRICS+ grouping. If Saudi Arabia were to join the BRICS grouping, members would control well over 40% of global oil production and over 1/3rd (35%) of total oil consumption

Days before the G7 Summit, BRICS foreign ministers had met in the Russian city of Nizhny Novgorod. Ways for pushing forward de-dollarization – reduction of dependence on the US dollar for trade - were discussed. Saudi Arabia refused to renew the 50-year US-Saudi petrodollar deal established on June 8, 1974 (the term petrodollar was defined as the US dollar's role as being the currency used for oil transactions on global markets).

One of the important ramifications of Riyadh's decision is that Saudi Arabia has the flexibility to sell oil in non-dollar currencies – including the Chinese RMB, Euros, Yen etc. While Saudi shares robust ties with the US, its economic ties with China have strengthened in recent years and like several other countries it has been seeking to reduce its dependence upon the US dollar. The main reason for Saudi Arabia and other countries moving towards trade in local currencies is the stringent sanctions imposed by the US on Russia and Iran. As a result, there has been a significant rise in non-dollar trade in commodities in recent years (India itself has been pushing for commodity trade in local currencies).

In the changing geopolitical and economic situation, countries in the Global South can not afford to take foreign policy positions which impact their national interest. A clear instance is India's purchase of Russian oil at discounted prices in the aftermath of the Russia-

Ukraine war (while the US Ambassador to India, Eric Garcetti stated that US understood India's decision, initially it is believed that US was not particularly happy with New Delhi's decision).

While speaking at the G20 outreach event, PM Modi said, "India has considered it its responsibility to put priorities and concerns of countries of the Global South on world stage." He also highlighted the fact that the African Union became a permanent member of G20 – during India's presidency.

Even before leaving for the summit, PM Modi had stated that he would flag the issues of the Global South at the G7 Summit. PM Modi arrived on June 14, to attend the outreach session of G7 which was focused on Africa and Artificial Intelligence (AI).

In conclusion, firstly even countries which share close ties with the West – especially the US – are seeking to reorient their foreign policy and while talk of US decline – including its currency – may be far-fetched, we do live in a far more complex world, where countries are seeking to diversify their economic relations and reduce their dependence upon the US due to the changing geopolitical and economic landscape.

Second, the role of India as a possible bridge between the G7 nations and Global South is important as is evident from PM Modi's address at the G7 outreach event and earlier platforms. Third, several of the G7 members will be going in for elections and may see new governments, the organisation could be impacted significantly by these changes.

Fourth, the G7 has been seeking to give the impression that it is sensitive to the concerns of the Global South, but it needs to take concrete steps to address them. Finally, the Global South can no longer be viewed as a monolith, while there may be convergences between countries of the Global South on several issues, there could be major differences in foreign policy orientation which can not be ignored.

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