



JOURNAL OF PHILOSOPHY, POLICY AND STRATEGIC STUDIES

Volume 1, Number 7 (October, 2025)

ISSN: 1595-9457 (online); 3043-4211 (print)

Website: <https://jppssuniuyo.com/> Email: jppssuniuyo@gmail.com

Received: October 07, 2025 Accepted: October 24, 2025 Published: October 31, 2025

Citation: Chukwuka, Chuka J. (2025). "BRICS and the De-Dollarization Agenda: Historical Trajectory, Strategic Challenges, and Future Prospects." *Journal of Philosophy, Policy and Strategic Studies*, 1 (7): 131-138.

Article

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BRICS AND THE DE-DOLLARIZATION AGENDA: HISTORICAL TRAJECTORY, STRATEGIC CHALLENGES, AND FUTURE PROSPECTS

Chuka Johnny Chukwuka

Department of Public Administration, DLI of University of Lagos

Email: chuka77dan@gmail.com

Abstract

This article analyzes the historical evolution of the BRICS bloc an acronym formed from inter governmental Organization consisting of Brazil Russia India China South Africa with emphasis on de-dollarization policies, Using recent empirical evidence particularly from India, China, and Russia. The paper presents data on trade settlement in local currencies, shifts in global reserves composition, and institutional developments. The study examines benefits and risks of dedollarization for BRICS members, and proposes a roadmap. Findings show substantial momentum in bilateral trade settlement in national currencies, growing pressure to reduce exposure to the US dollar, but with significant challenges remain due to institutional inertia, currency risk, and geopolitical constraints.

Keywords: BRICS; De-dollarization; Trade Settlement; Reserve Currency.

Introduction

In recent years, the global financial architecture has witnessed increasing momentum toward diversification away from the U.S. dollar as the dominant medium of international trade and reserve currency. Central to this development is the role of the BRICS nations - Brazil, Russia, India, China, and South Africa - that have amplified their calls for a more multipolar financial order (Ocampo, 2022). The process, commonly referred to as de-dollarization, encompasses efforts to conduct trade settlements in local currencies, establish alternative reserve mechanisms, and reduce dependency on Western-led financial institutions such as the International Monetary Fund (IMF) and the U.S. Federal Reserve system (Subacchi, 2020). India, China, and Russia, in particular, have taken concrete steps toward implementing bilateral and multilateral trade settlements using local currencies,

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including the Chinese yuan and Russian ruble. These efforts have gained further traction in the wake of geopolitical tensions economic sanctions, and shifts in global trade patterns (Korhonen & Lahtinen, 2023). The potential benefits of de-dollarization for BRICS countries include enhanced monetary sovereignty, reduced exposure to external financial shocks, and improved regional trade integration. However, the path toward this transformation is fraught with significant challenges, including currency volatility, lack of trust in alternative monetary instruments, limited financial infrastructure, and geopolitical resistance (Zhang, 2021). This paper explores the growing trend of de-dollarization within the BRICS framework, with a specific focus on trade settlement mechanisms and the prospects for an alternative reserve currency. It examines the roles of India, China, and Russia as leading actors in this transition, evaluates the strategic benefits and systemic risks, and offers policy recommendations for navigating this evolving financial landscape.

Origins and Milestones of BRICS

The concept of BRICS emerged from a term coined in 2001 by Chief Economist Goldman Sachs economist Jim O'Neill, who identified Brazil, Russia, India, and China (BRIC) as rapidly growing economies with the potential to reshape global economic power dynamics (O'Neill, 2001). Initially, the BRICS nations engaged informally through a series of diplomatic and economic discussions during the mid-2000s, focusing on common interests such as trade facilitation, investment cooperation, and development strategies. These early dialogues laid the groundwork for more structured collaboration. In 2009, the first formal BRIC Summit was held, marking a significant milestone in the bloc's institutionalization. By the mid-2020s, BRICS had embarked on a more ambitious trajectory, marked by efforts to expand its membership and redefine its role in the global financial architecture. Several countries have expressed interest in joining the bloc, attracted by its growing political influence and its strategic pivot toward de-dollarization. This includes increasing the use of national currencies in trade settlements, exploring alternatives to Western-dominated payment systems such as SWIFT, and promoting the issuance of bonds in non-USD denominations (Tshikovhi et al., 2025). These developments reflect BRICS' intention to reduce dependency on the U.S. dollar and create a more multipolar economic order that reflects the interests and aspirations of emerging economies.

Conceptualizing De-Dollarization

De-dollarization refers to the strategic process of reducing reliance on the United States dollar in international trade, finance, and monetary systems. For BRICS nations, this involves a multidimensional shift encompassing several key components. First, it includes moving away from using the U.S. dollar in trade invoicing and settlement, opting instead for national or regional currencies such as the Chinese yuan, Indian rupee, or Russian ruble. Second, it entails diversifying foreign exchange reserves by reducing the proportion of dollar-denominated assets and increasing holdings in alternative currencies and gold. Third, de-dollarization encompasses the use of non-Western financial infrastructure - such as payment and messaging systems outside of SWIFT - including China's Cross-Border Interbank Payment System (CIPS) and Russia's System for Transfer of Financial Messages (SPFS) (Dey, 2023). Lastly, it involves the issuance of sovereign and multilateral debt instruments in local or non-dollar currencies to deepen financial autonomy and build alternative capital markets (Tshikovhi et al., 2025).

The motivations behind de-dollarization among BRICS countries are both economic and geopolitical. One major driver is the growing vulnerability to U.S.-centric sanctions and

financial restrictions, particularly evident in the aftermath of Russia's exclusion from SWIFT and other Western financial channels during the Ukraine conflict. This has intensified efforts to create more sovereign and resilient monetary systems (Fabbrini & Pianta, 2023). Moreover, BRICS nations seek to reclaim monetary sovereignty and reduce the macroeconomic risks associated with dollar-denominated trade, such as exchange rate volatility and the cost of currency conversion. The initiative also aims to deepen intra-BRICS economic integration by encouraging local currency trade and coordinated financial development. Additionally, broader global disruptions - including inflation surges, energy crises, and supply chain realignments - have exposed the fragility of a dollar-dominated global system, further motivating emerging powers to explore alternative frameworks (Armijo & Roberts, 2014). Together, these factors frame de-dollarization not merely as a financial adjustment, but as a systemic reorientation aimed at fostering a more multipolar and resilient global economic order.

Empirical Evidence: Case Studies on India, China, and Russia

The pursuit of de-dollarization across BRICS countries has taken on different forms depending on national economic priorities, exposure to external pressures, and institutional capacity. Among the BRICS bloc, India, China, and Russia have emerged as leading actors advancing local currency use in trade, reshaping their foreign exchange reserve structures, and experimenting with alternative financial infrastructure.

Russia: Accelerated De-Dollarization under Sanctions

Russia's de-dollarization strategy has intensified since 2014, following Western sanctions imposed after its annexation of Crimea, and was drastically accelerated after its 2022 invasion of Ukraine. The country has made significant progress in shifting bilateral trade settlements with key partners, particularly India and China, away from the U.S. dollar. By 2023, over 95% of Russia trade with India and China was conducted in local currencies - primarily in rubles, yuan, and rupees (Sputnik India, 2024). Moreover, Russia has expanded the use of its domestic financial messaging system (SPFS), which is increasingly interoperable with China's CIPS, thereby reducing reliance on SWIFT (Global Times, 2024). Moscow has also significantly reduced its holdings of U.S. Treasury securities and diversified its reserves into gold and Chinese yuan (Fabbrini & Pianta, 2023). In parallel, Russian exporters are increasingly pricing commodities in non-dollar currencies, particularly energy exports to China and India, which collectively account for a growing share of its trade. These developments highlight how geopolitical isolation and sanctions can serve as a catalyst for rapid institutional and financial reconfiguration.

China: Strategic Currency Internationalization

China's approach to de-dollarization is closely aligned with its broader goal of internationalizing the renminbi (RMB) while simultaneously insulating its financial system from Western pressure. Although still cautious in fully liberalizing capital flows, Beijing has made steady progress in promoting the use of the RMB in trade, finance, and global reserves. By 2024, over 95% of China's trade with Russia was settled in local currencies, driven largely by energy imports and large-scale commodity deals (Reuters, 2025). The People's Bank of China has established bilateral currency swap agreements with more than 40 countries, and the use of the CIPS network has steadily grown, processing over RMB 90 trillion worth of cross-border payments in 2023 (CGTN, 2024). The Belt and Road Initiative (BRI) has further encouraged RMB-denominated lending, particularly in infrastructure projects across Asia

and Africa. Moreover, China has been issuing sovereign bonds and green bonds in RMB through offshore hubs like Hong Kong and London, expanding RMB's profile as a global funding currency. These efforts are complemented by Beijing's push for BRICS financial mechanisms to adopt local currency-based operations, including calls for a common BRICS payment system (Tshikovhi et al., 2025). However, full de-dollarization remains constrained by China's capital account restrictions and limited global liquidity of the RMB compared to the U.S. dollar.

India: Pragmatic and Cautious Engagement

India's engagement with de-dollarization has been more cautious and pragmatic, reflecting its concerns over currency volatility, capital flight, and the need to preserve investor confidence. Nonetheless, India has made notable progress in bilateral trade settlements in rupees, particularly with Russia. By mid-2024, around 90% of India–Russia trade was conducted in local currencies (Financial Express, 2024), driven largely by India's imports of Russian oil and fertilizers. However, this has created imbalances, as India exports far less to Russia, leading to rupee accumulation on the Russian side. To address this, India has been exploring settlement mechanisms involving third currencies like the UAE dirham or Chinese yuan, as well as promoting the use of its domestic payment infrastructure (Reserve Bank of India [RBI], 2024). India has also initiated pilot programs for international trade settlement in rupees with smaller trading partners in Asia and Africa, and has allowed export-import invoicing in rupees under a special Vostro account mechanism (RBI, 2023). Meanwhile, the Reserve Bank of India has advocated for gradual reserve diversification, although the U.S. dollar still constitutes the bulk of India's reserves. India's measured approach reflects the tension between its desire to reduce external vulnerabilities and its commitment to maintaining financial stability and global market access.

Economic Benefits of De-Dollarization

Economically, de-dollarization allows BRICS nations to assert greater control over their domestic monetary policies by reducing the influence of external factors tied to the fluctuations of the U.S. dollar. For countries with significant trade dependencies, conducting transactions in national currencies helps stabilize import and export pricing, minimize currency conversion costs, and shield domestic markets from volatility in dollar exchange rates (Rey, 2021). For instance, India's shift to rupee-ruble settlements with Russia following the imposition of sanctions on Moscow reduced its exposure to dollar-related transaction barriers and protected key imports such as crude oil and fertilizers from price shocks (Financial Express, 2024). In Russia's case, using yuan and rubles in trade with China and India ensured the continuity of export revenues and avoided disruptions caused by exclusion from Western financial systems. Economies borrow in foreign currencies—by promoting the issuance of sovereign and corporate bonds in local or partner-country currencies. This limits debt-servicing risks and enhances fiscal autonomy. It also contributes to the development of domestic capital markets, as the demand for non-dollar financial instruments such as yuan-denominated bonds or rupee settlement accounts expands. By reducing over-reliance on dollar liquidity, central banks in BRICS countries can better manage inflation and interest rate policy without being overly responsive to U.S. Federal Reserve decisions (Tshikovhi et al., 2025). Furthermore, the use of national currencies enhances intra-BRICS trade and regional economic integration, paving the way for more balanced and equitable growth among emerging economies.

Geopolitical and Strategic Benefits

Geopolitically, de-dollarization serves as a counterbalance to the structural dominance of the United States in global finance. Since the dollar's centrality enables Washington to impose sanctions and exert control over international payment systems like SWIFT, reducing dependence on it empowers BRICS countries to protect their national sovereignty and strategic autonomy. Russia's experience after its exclusion from key Western financial systems has shown the vulnerability of dollar-based interdependence, leading to accelerated moves toward alternatives such as SPFS (Russia) and CIPS (China) (Fabbrini & Pianta, 2023). These systems are increasingly interoperable and form the nucleus of a parallel global financial infrastructure—one that can accommodate other Global South countries aligned with BRICS ambitions. In addition, de-dollarization supports BRICS's broader objective of fostering a multipolar world order, where financial power is more evenly distributed. The collective issuance of non-dollar financial instruments and use of local currency in multilateral institutions like the New Development Bank (NDB) signals a shift away from Western-dominated frameworks such as the IMF and World Bank (Cooper, 2016). The long-term strategic benefit lies in shaping global governance norms to reflect emerging economies' interests. Furthermore, this transformation allows BRICS to attract new partners—like Iran, Argentina, and Egypt—who are drawn to the bloc's alternative economic vision, particularly as geopolitical polarization continues to affect trade flows and capital markets (Tshikovi et al., 2025). Overall, de-dollarization is not merely a financial adjustment, but a strategic instrument of global influence.

Challenges of De-Dollarization

While the movement toward de-dollarization offers strategic and economic benefits, it also presents a series of structural, political, and institutional challenges for BRICS nations. One of the foremost issues is the lack of full convertibility and liquidity in several BRICS currencies, particularly the Chinese yuan and Indian rupee, which hampers their usability in global trade and investment. Despite growing bilateral agreements, these currencies still do not match the U.S. dollar in terms of depth, global acceptance, or transactional efficiency (Rey, 2021). For example, while China has expanded its use of the RMB in cross-border settlements, capital controls and tight regulatory oversight still limit its widespread adoption. Similarly, India's rupees-based trade agreements have resulted in trade imbalances, especially with Russia, where rupees accumulated in Indian banks remain underutilized due to limited convertibility and a lack of reciprocal Indian imports (RBI, 2024). A second major challenge lies in technical and infrastructure dependencies. While initiatives like CIPS and SPFS provide alternatives to SWIFT, they remain in nascent stages relative to the scale, speed, and interoperability of Western systems. As of 2025, CIPS processes a fraction of SWIFT's global transactions, and it remains largely centered on Chinese financial institutions (Tanaakk, 2025).

The absence of a unified, BRICS-wide payment and settlement framework impedes the bloc's ambition to function as a coherent financial alternative. Moreover, the lack of harmonized standards, regulatory coordination, and digital infrastructure across BRICS members limits scalability. Geopolitical divergence within BRICS further complicates the bloc's de-dollarization agenda. Although united by their desire to rebalance global power structures, BRICS members maintain divergent foreign policy interests, macroeconomic priorities, and institutional capacities. India's close economic ties with Western economies and ongoing border disputes with China create friction in multilateral financial coordination.

Similarly, Brazil and South Africa have shown limited interest in challenging dollar hegemony compared to Russia and China (Armijo & Roberts, 2014). This heterogeneity undermines efforts to develop a shared reserve asset or a unified currency framework. Trust and credibility issues also limit the acceptance of BRICS currencies on a global scale. Unlike the U.S. dollar - which is backed by deep capital markets, a long-standing track record of stability, and a perceived “safe haven” status - many BRICS currencies face skepticism due to inflation volatility, policy unpredictability, or governance concerns. The yuan’s potential as a reserve currency, for instance, is constrained by political opacity and concerns about Chinese state influence over monetary policy (Fabbrini & Pianta, 2023).

Finally, entrenched global dollar networks make de-dollarization inherently slow and politically sensitive. Most global trade commodities, especially oil and gas, are still priced and settled in dollars. Financial institutions, multinational corporations, and even central banks remain heavily invested in dollar-denominated assets. Efforts to move away from this system are met with resistance from global market participants, and the network effects of dollar usage are difficult to replicate. In sum, while BRICS-led de-dollarization offers long-term promise, it faces a range of internal and external barriers that slow progress and demand careful, coordinated policy responses.

The Way Forward: Policy Recommendations for Strategic De-Dollarization

To make de-dollarization a viable and sustainable strategy, BRICS nations must transition from reactive, bilateral workarounds to proactive, multilateral, and coordinated policy design. The current fragmentation in approaches - driven by differing macroeconomic structures and political priorities - undermines the credibility and scalability of alternatives to dollar dominance. The following policy recommendations offer a strategic roadmap for BRICS to consolidate their de-dollarization efforts and enhance global monetary sovereignty. First, BRICS should formalize a multilateral settlement framework to mitigate trade imbalances arising from asymmetric currency usage. A BRICS Clearing House Mechanism - inspired by the eurozone’s TARGET2 system - could facilitate smoother multilateral netting of payments in local currencies, reducing the need for full bilateral convertibility. This system would be especially useful in resolving issues such as India’s rupee surplus with Russia (RBI, 2024). The creation of a synthetic reference unit or a basket currency akin to the IMF’s SDR (Special Drawing Rights) may also serve as a temporary intermediary unit for intra-BRICS trade and bond issuance (Armijo & Roberts, 2014).

Conclusion

The evolution of BRICS from a Goldman Sachs acronym into a geopolitical and economic coalition reflects the growing assertiveness of emerging powers to reshape global financial governance. One of the clearest manifestations of this ambition is the bloc’s drive toward de-dollarization - a complex, multifaceted process aimed at reducing reliance on the U.S. dollar in trade, finance, and reserve management. As this paper has demonstrated, BRICS nations have made notable strides in developing alternative institutions, including the New Development Bank, local currency bond markets, and payment systems like CIPS and SPFS. Moreover, empirical trends - such as the increasing use of the renminbi in trade settlements and the issuance of rand- and rupee-denominated bonds - illustrate a tangible shift away from dollar hegemony. However, the road to de-dollarization is neither linear nor uniformly smooth. Significant structural challenges persist, including limited currency convertibility, underdeveloped financial infrastructure, geopolitical divergence among BRICS members, and the entrenched dominance of the dollar-based global financial system. These constraints

highlight the need for a more coordinated and strategic approach. Policy responses should prioritize clearing mechanisms, capital account reforms, interoperability of payment systems, and the development of credible financial institutions. Equally important is the need to frame de-dollarization not as a confrontational move against the West, but as part of a broader rebalancing effort toward a more inclusive and multipolar financial order. In sum, while full de-dollarization may remain a long-term goal, incremental advances by BRICS are already shaping the contours of an alternative global financial architecture. If pursued with pragmatism and institutional depth, BRICS' de-dollarization agenda could redefine not just currency usage, but the very principles that govern global economic interdependence in the 21st century.

Second, central banks within BRICS should coordinate regulatory frameworks and capital account policies to gradually increase the usability and convertibility of their currencies. While full liberalization may not be feasible in the short term, controlled capital account openness, especially for trade and investment-related flows, would boost the credibility of BRICS currencies. China, for instance, could expand its Qualified Foreign Institutional Investor (QFII) program and simplify offshore RMB investment rules to build investor trust (Fabbrini & Pianta, 2023). Third, BRICS should scale up and integrate their alternative payment systems such as CIPS (China), SPFS (Russia), and India's domestic RTGS infrastructure. A BRICS Interoperability Protocol would allow cross-connection of domestic systems, reducing dependence on SWIFT. Additionally, the development of blockchain-based settlement systems could offer a trust-minimized alternative that enhances transparency and speeds up cross-border transfers, particularly for underbanked regions in Africa and South Asia (Dey, 2023). Fourth, BRICS multilateral institutions such as the New Development Bank (NDB) should issue more local-currency bonds and denominated instruments across members. This not only supports local capital markets but also reduces currency mismatch risk for borrowers. Building secondary markets and incentivizing central banks and sovereign wealth funds to hold these instruments would enhance their liquidity and attractiveness. As shown in Table 3, recent NDB bond issuances in rand and yuan demonstrate the feasibility of this approach. Fifth, BRICS must invest in financial market deepening, including credit rating agencies, clearing platforms, and standardized financial instruments. Many Global South countries face constraints in issuing non-dollar debt due to reliance on Western rating systems that may not fully reflect regional contexts. A BRICS-backed alternative credit rating agency could support fairer evaluation and unlock access to non-dollar capital. Finally, the success of de-dollarization depends not only on technical design but also on strategic diplomacy and institutional trust-building. BRICS must present a coherent narrative around monetary multipolarity - not as an anti-Western posture, but as an effort to democratize global finance. Partnering with other Global South economies (e.g., ASEAN, African Union, Latin America) and encouraging their participation in BRICS-led systems could expand the user base and legitimacy of alternative financial architectures.

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