



India and the World

Perspectives from Northern Europe on India in world affairs. Issued on a regular basis by the Project for Nordic-India Relations at the Swedish Institute of International Affairs (UI).



India and BRICS+

With signs of an ongoing redistribution of power in the global system has followed a heightened interest in Europe in the BRICS grouping of countries. The commentary in Europe around the 15th BRICS Summit, held in Johannesburg August 22-24, focused on whether the decision by the core countries of Brazil, Russia, India, China and South Africa to admit new members would create a cohesive block of non-Western powers.

Out of several countries that had applied for membership in the current phase of expansion, Argentina, Egypt, Ethiopia, Iran, Saudi Arabia, and the United Arab Emirates (UAE) were eventually selected.

With the expansion the enlarged BRICS's (BRICS+) share of the world's population jumped to 46%, and the share of GDP per capita (PPP adjusted) increased to 38%. In addition, the expanded group is [forecasted](#) to produce 43% of the world's oil in 2024.

While such material indicators are treated as signs of dispersion of power globally by some analytical models, applying other methods may nuance the picture. Historically, for example, BRICS has failed to show cohesion, and with the exception of the establishment of the New Development Bank, real successes for the group are few and far between.

Internal differences within the group have hampered progress, and cooperation within BRICS+ will most likely continue to be influenced by internal tensions. The low point of India-China relations has impacted the outcomes and agenda of the BRICS in the past, and with the membership expansion new tensions are imported into the format. Despite China-led efforts to bridge differences, incoming member Iran still has troubled relationships with fellow newcomers Saudi Arabia and UAE, and Egypt and Ethiopia are involved in a tense dispute over water along the Blue Nile. At the time of writing, it is not even clear whether [Argentina](#) – a country with a troubled economic outlook – will accept the membership as per 1 January 2024, given the opposition's two front-runners negative signalling on the issue.

Given the above, what is India's current position on BRICS+, and where does New Delhi see opportunities and limitations of the grouping?

The low point at which India-China relations have stabilised since the clashes in Galwan in 2020 will continue to inform India's positions in BRICS+. New Delhi does not want to see the BRICS+ format dominated by Beijing, and will use this platform to balance Chinese influence. Up until now, decision-making in BRICS has been done through consensus. It is unclear whether BRICS+ will rely on similar decision-making rules, or whether some version of majority decision-making will be implemented. Any changes to the current consensus rule will demand increased diplomatic activity from New Delhi in BRICS+ to balance Chinese coalition building on issues where interests diverge.

In connection to this, it was clearly a disappointment to New Delhi that neither applicants Nigeria nor Bangladesh made it into the enlarged group; but the inclusion of the UAE, a country with which India has a close strategic partnership and has signed a comprehensive trade and investment agreement, is seen as a positive by New Delhi. Together with Saudi Arabia, India and the UAE are

also key partners in the India-Middle East-Europe-Economic Corridor, and the UAE's investment authorities are reportedly putting in place a 50 billion USD investment package for India.

The most visible example for how poor relations between India and China will slow the development of BRICS+ into a coherent anti-Western bloc is provided by its failure to evolve a common approach to currency policy. A key hope for Beijing is that the new BRICS+ grouping will actively work at least on dethroning the dollar. Both Russia and China have placed the de-dollarisation of global trade high on their geo-economic agenda. This is also a priority for Iran, which has been the subject of Western financial sanctions. The UAE has also repeatedly sought to ensure its financial centres like Dubai are independent of decisions made in the West. But New Delhi has pushed back against the more extreme versions of such hopes – such as a common BRICS currency – and in general has been less supportive of concrete measures for de-dollarisation.

This is not because New Delhi is satisfied with Western dominance over the financial system. There is great resentment in Indian policymaking circles of decisions such as the sanctions against Iran and the use of the SWIFT messaging system against Russian banks, as well as the seizure of some Russian central bank funds held abroad. The Indian view is that this is the weaponisation of global public goods, and should therefore be resisted.

But any move to reduce Western dominance of the financial system and of interconnectivity might in practice cause an increase in settlements in yuan, and it is also an Indian priority to ensure that the Chinese renminbi does not become a reserve currency. It has insisted that payments for Russian oil, for example, be made in rupees, although the Russians have made it clear that they would prefer payments in yuan.

The upshot is that the Russians are holding a large amount – at least \$8 billion, and growing – in rupee accounts that they are failing to spend given India's low exports to Russia. Several cargoes of oil have been delivered that have not been paid for given that Russia now insists that payments be made in yuan, and India's refusal to do so. Even Indian companies, which are not prohibited from trading in the Chinese currency, nevertheless prefer settlement in the UAE dirham, which is viewed as more reliable and convertible than the renminbi. The sheer size of the BRICS+ bloc, and even some members' increasing economic dependence on each other, is clearly meaningless when political and security issues prevent it from evolving a consensus even on shared priorities.



Dr Henrik Chetan Aspengren
Senior Analyst and Project Lead, UI
henrik.aspengren@ui.se
+46(0)708986797



Mihir Swarup Sharma
Director, ORF
Mihir.swarup.sharma@orfonline.org