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## **“OUR CURRENCY, BUT YOUR PROBLEM”**

A qualitative analysis on BRICS may pose a threat to dollar hegemony

## Abstract

The purpose of this paper is to investigate whether BRICS can pose a threat to the dollar hegemony. Since the collapse of the Bretton Wood system, there have been episodes of persistent weakness in the dollar, raising doubts about the status of the US dollar as an internationally dominant reserve currency. A prominent organization that is gaining a stronger foothold in the international monetary system and which is trying to counteract the dollar hegemony is BRICS. This study answers, through a literature review and a theory-testing analysis of Norrlöf's hegemonic theory, the question of whether BRICS can constitute a threat against the dollar's dominant monetary role.

**Keywords: Dollar - Hegemony - BRICS - Norrlöf**

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# 1. Introduction

## 1.1 Introduction

The US's monetary hegemony has been the subject of study for decades. Since the collapse of the Bretton Woods system, episodes of sustained dollar weakness have cast doubt on the US dollar's status as the internationally dominant reserve currency. While some international monetary authorities accept the dollar hegemony, there are some forces that try to counter it, a prominent one being the BRICS (Brazil, Russia, India, China and South Africa). In 2009, the first BRIC summit was held with the main focus of overcoming the financial crisis and establishing a new and fairer international monetary system (BIS 2016). Could the BRICS pose a threat to the current dollar hegemony? This study intends to answer that through a theory-testing literature review.

There are solid reasons to anticipate a fundamental change in the dollar's hegemonic role. The dollar hegemony gives the US a wide range of privileges, a reversal of which would not only have considerable economic consequences, but also shake the foundations of international power politics. A change could, in addition to leading to much greater international scrutiny of US policy choices, also severely curtail US ability to project military power internationally. The importance of studying exactly how BRICS can pose a threat to the dollar hegemony lies partly in its collective economic power, but also in the fact that BRICS is the first emerging coalition with a strong commitment to reforming the international monetary system. In 2021, BRICS accounted for approximately 24 percent of world GDP and over 16 percent of world trade (BRICS India 2021). A monetary development of the BRICS would therefore not only affect the monetary relations between the BRICS but also affect the international arena.

År 2010 redogjorde Carla Norrlöf, med utgångspunkt i hegemonisk stabilitetsteori, för USA:s hegemoniska plats i det internationella ekonomiska systemet, samt vilken typ av utveckling som skulle behöva äga rum för att utmana dollarhegemonin. Denna studie har som ansats att undersöka huruvida BRICS kan utgöra ett hot mot dollarhegemonin, samt hur Norrlöfs hegemoniska stabilitetsteori kan förhålla sig till detta. Precis som Richard Nixons finansminister John Connally berömt benämnde dollarn år 1971 för en grupp europeiska finansministrar *“our currency, but your problem”*... (U.S Department of State Archive u.å).

## 1.2 Purpose and research question

Because BRICS is the first emerging coalition with a strong commitment to reforming the international monetary system, an examination of its initiatives to reduce dollar hegemony presents an opportunity to advance scholarly research on the subject. Hopefully, the paper will also contribute to the current research on dollar hegemony. Despite the breadth of BRICS member countries' financial cooperation, their relatively high stakes and its interconnectedness, BRICS' activities on the monetary system are seemingly understudied. This paper therefore aims to help cover a seemingly previous lack of research in this area. Since the study is based on a deductive approach, the essay also aims to test whether Norrlöf's hegemonic stability theory can answer whether BRICS can pose a threat to dollar hegemony. The paper studies the development of the dollar hegemony from the year 1999 until the year 2021. The development of BRICS is studied from the creation of BRICS, in the year 2008, until the last quarter of 2021. The time frame of the paper thus extends from 1999 to Q4 2021.

Accordingly, in this essay I intend to answer the questions;

- *Could BRICS pose a threat to dollar hegemony?*
- *How does Norrlöf's hegemonic stability theory relate to the case?*

## 1.3 Previous research and theoretical context

### 1.3.1 Previous research

That BRICS, as a coalition to reduce dollar hegemony, is reasonably understudied is surprising. Given the combined size of the BRICS economies, as well as the risk of sanctions, BRICS member countries should have the collective motivation to implement a change in the international monetary system. Historically, all BRICS member countries have experienced US sanctions, Russia and China today still find themselves under varying levels of these sanctions (DI 2022). The BRICS priority to reduce dependence on the dollar and reform the monetary system was made public when they first met in 2008 (BRICS 2009).

The seemingly previous research conducted has identified a broad global trend towards diminishing dollar hegemony. According to the studies, this started around the 2000s and continued until shortly after the financial crisis in 2008, where this trend generally stopped. Lan Cao argues in his work "Currency Wars and the Erosion of Dollar Hegemony" (2016), that just because a decline in dollar hegemony did not occur after the 2008 financial crisis, does not mean that it will never strike. Furthermore, she

believes that at the time of writing, i.e. in 2016, there was no effective alternative to the dollar, but that does not necessarily mean that one will not appear. Cao points out that the dollar may be strong this year and weak next year, as it is part of the nature of a market-based floating system, but that various indicators show that new alternative systems that do not involve the dollar are slowly but surely being created. Her work is not specified on BRICS but on the dollar hegemony itself, but at times she depicts how emerging markets, such as BRICS or some other combination, could establish competitive currency zones (Cao 2016).

The question of whether BRICS is seen as a threat to dollar hegemony has been addressed in the literature on the BRICS collective financial structure. Bruetsch and Papa (2013) examined the dynamics of BRICS in the international monetary arena and came to the conclusion that all BRICS member countries agreed to reduce the hegemonic role of the dollar, but that the interests and disagreements of the countries made any efforts difficult (Bruetsch & Papa 2013). As a result, several researchers have evaluated how BRICS performed both as a financial coalition, but also as a unit for collective mobilization. An important factor is how BRICS helped markets change the international monetary order by developing alternative sources and developing financing to create a system that better serves its interests and ideas (Gallagher 2015). At the same time, there are those researchers who claim that the dollar hegemony is not under any threat, that the trends favor continued American dominance. One of these is Michael Beckley. In 2011 he wrote "China's century? Why America's Edge Will Endure", despite focusing on China's possible rise relative to the US, he believes that the fact that the US rose relative to China while supporting the world economy and maintaining a hegemonic presence suggests that the dollar's hegemonic position will pass permanently (Beckley 2011). That there are researchers who claim that the dollar hegemony will remain permanent is relevant to mention in this essay because it will depict a possible threat to the dollar's hegemonic position. Knowing in advance that there are scholars who see a decline in the dollar hegemony, and that there are scholars who argue that the dollar hegemony is not under any threat, this essay is hopefully given a good foundation to stand on, while the essay will develop and hopefully cover the apparent previous lack of research on whether BRICS threatens dollar hegemony.

The majority of previous research seems to agree on one thing: that we live in a dollar world, where dollar invoicing is dominant, where dollar financing for global banks is essential, and where dollar anchoring in foreign exchange reserves is widespread.

### 1.3.2 Norrlöf's hegemonic stability theory

Based on hegemonic stability theory, Carla Norrlöf explains the USA's hegemonic place in the international economic system. The United States' hegemonic position not only produces positive externalities as a result of hegemonic supply of public goods, but several benefits also accrue to other states around, even if they do not have to pay for them, a claim known as hegemonic stability theory, a belief in the benevolent hegemon. Furthermore, Norrlöf believes that the United States possesses economic advantages and asks why other states do not try to initiate changes to get some of these advantages for themselves, in addition, she explains what kind of development would need to take place to challenge the dollar hegemony, as well as how it is likely that it could occur. The more distant the US' relationship with allies politically, the less attractive US product and capital markets will appear. She also highlights that if allies have a sufficiently strong reserve position to make it rational to withhold support for American hegemony. She asks herself the question, if countries turn away from the dollar hegemony, where should they turn? (Norrlöf 2010). Briefly, Norrlöf believes that the dollar hegemony is stable and sustainable due to three factors: the dollar's status as the internationally dominant reserve currency, the American trade power, and the military superiority of the United States. But also for the reason that other states do not challenge the dollar hegemony due to the fact that some of them benefit from the dominant order of the United States, and that there are significant coordination problems when it comes to creating an alternative world order (ibid.).

Due to the scope of the essay, the study is limited to only studying Norrlöf's theoretical arguments on whether there is any alternative system for countries turning away from the dollar hegemony, what kind of development would need to take place to challenge the dollar hegemony, as well as how the United States' allied power makes it difficult for countries to reduce their relationship to the dollar hegemony (Norrlöf 2010).

As the essay intends to answer the question Can BRICS pose a threat to the dollar hegemony? I believe that the above theoretical framework is important because it raises implicit assumptions about the dollar hegemony. Through the essay's questioning, the theory of hegemonic stability will be challenged at the same time as it will serve as a helping framework to explain and make implicit events visible, but above all help to answer the essay's questioning.

## 1.4 Empirical material and method

### 1.4.1 Empirical material

In order to answer whether BRICS constitutes a threat to the dollar hegemony, the essay's empirical framework will be based on qualitative materials. The qualitative material consists of several different empirical sources. The selection of these sources is made in such a way that they complement each other and overlap the voids found in the respective materials, thus increasing the essay's credibility. The most prominent qualitative sources are various archival sources. These include the BRICS annual reports from 2009 and 2020, as well as annual reports from the BRICS joint development bank (NDB) in 2014 and 2019. Furthermore, this will be supplemented with material from, among others, the BIS, articles from the IMF, the BRICS Business Council and occasional speeches from BRICS politicians. This will give a more accurate picture of BRICS and contribute to the study as a whole. All empirical material will be analyzed through the essay's theoretical framework, i.e. Norrlöf's hegemonic stability theory.

Before conducting the empirical analysis, I will outline the evolution of dollar hegemony up to today, as well as the successive rise of BRICS. To do this, I will create my own graph with data compiled from COFER, which will provide an indicator of how the dollar hegemony has changed from 1999 (when the share of dollar reserves in the world was at its highest) until Q4 2021 (COFER et al.). To get an overview of how BRICS has changed over time, I will also use data from the latest three-year survey from the Bank for International Settlements (BIS) "Triennial Central Bank Survey of Foreign Exchange and Over-the-Counter (OTC) Derivatives Markets", conducted in 2019. This survey reports the turnover of the BRICS currencies from 2017 to 2019 and is conducted every three years. To create an indicator of its successive development, this is compared to the BIS triennial survey that was conducted in 2014. A disadvantage of this material is that the statistics from 2019 are put in relation to statistics from 2021, which can give misleading figures. In June 2022, a new BIS three-year survey will be released, the use of which would have given a more accurate indicator, which would have increased the thesis's credibility (BIS 2019). However, I would like to emphasize that this belongs to the essay's background chapter.

### 1.4.2 Method

As the study intends to answer the question Can BRICS pose a threat to the dollar hegemony? is a qualitative method to be preferred, in order to gain an increased understanding of the phenomenon in question. Within this method, it is very important



to constantly strive to have an open attitude to what you might encounter in order to get as perfect a picture as possible. But based on hegemonic stability theory, this theory makes itself very suitable for the research area, therefore the research strategy is deductive, i.e. theory testing (Bryman 2018). Norrlöf's hegemonic stability theory will be concretized through the empirical material. The purpose of operationalizing is to create a bridge between the theory and the empirical material. The theory will thus be examined and confirmed in an environment where the phenomenon occurs. A weakness of operationalization is that the method can contribute to the causal link between the empirical evidence and the theory becoming weaker, which means that the results of the study become less credible.

To carry out a deductive analysis, clear questions are used as tools. The questions are described as units of analysis and are based in this study on theoretical statements. These are: If countries turn away from dollar hegemony, where should they turn?, Can BRICS create an infrastructure where the dollar is kept out? Does BRICS member states' relationship with the US defend the process of reducing dollar hegemony?

In carrying out this study, two factors are required, firstly the theory being tested, but also an analysis of the empirical material with the intention of exposing the units of analysis. The qualitative material is analyzed through a literature review to identify the BRICS collective commitment that could possibly threaten the dollar hegemony. The purpose of choosing this method is to give an overview in the field, indicate problems and shortcomings as well as specify concepts and interpret content in texts, in this way being able to cover an apparently previous deficiency in the field (Esaiasson, et al. 2007). In the analysis, that theory has been the basis for my interpretations and served as a helping framework, the analysis has then continuously processed material through data collection where I focused on what is considered relevant to the subject. Furthermore, I have used authentic material, which is important for the interpretation to be as accurate as possible. The reporting of the empirical material has taken place through summary reports and argumentative conclusions (ibid.).

Something that is worth mentioning is that literature review is a method that is criticized because the researcher himself constitutes the instrument and makes the selection with its own interpretations. Within the research field, it is emphasized how one should be neutral and authentic, but it is important to bear in mind that all researchers stand on different experiences and have different prior knowledge, which can affect the interpretation of the material (Backman 2008). Nevertheless, in order to

get a broad framework, I believe that this method is well suited to the essay's question. Throughout the research, I have tried to remain critical of preconceived notions and interpretations, which is also reflected in the selection of empirical material.

## 2. Background

### 2.1 The rise of dollar hegemony and opposing forces

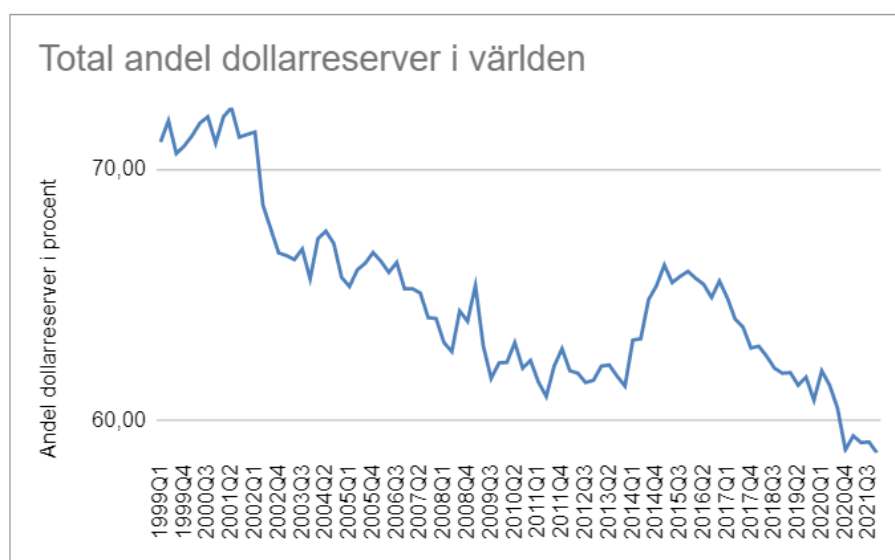
The dollar gained status as the dominant international reserve currency at the same time as Bretton Woods was established in 1944. In the 1960s, the system received the most criticism. The US had developed a new gold exchange standard, but instead of the gold it was designed for the dollar to be used as the underlying reserve asset. Most observers agreed that the US possessed enormous advantages, a situation that former French President Charles de Gaulle's finance minister Valéry Giscard d'Estaing called "exorbitant privilege" (Eichengreen 2011). As a result of the transactions needed to maintain countries' exchange rates against the dollar, dollar hegemony was increasingly challenged. The problem was that countries' holdings of dollars exceeded the value of the US's holdings of gold, so the credibility of its commitment to convert dollars into gold diminished. To preserve the value of the dollar, the United States would have to adopt deflationary policies, which in turn would result in a reduction in international liquidity. This tension has since become known as the "Triffin Dilemma". Former US President Richard Nixon offered an alternative solution, that it would not in fact try to defend the dollar's value against gold, a position encapsulated in the then US Treasury Secretary's comment to his European counterparts that the dollar is "our currency, but your problem". Indifference to the value of the dollar led shortly thereafter to the collapse of the Bretton Woods system and produced the floating exchange rates that exist today (Triffin 1960). Since the financial crisis of 2007-2008, the supremacy of the dollar and US global leadership have been increasingly questioned. That the crisis originated in the United States raised concerns about the reliability and rationality of maintaining the hegemonic position of the dollar in the global financial system. In addition, the crisis created an opportunity for sovereign states to seek higher status in the international arena (Eichengreen 2011).

### 2.2 Today's dollar hegemony

There is no doubt that the US dollar, as the dominant reserve currency, influences various aspects of global affairs (Helleiner and Kirshner 2009:1). In terms of the currency reserves dimension, the dollar has not become more dominant. In fact, the dollar has not even maintained the dominance of previous years. Despite the US being

the world's most dominant reserve currency, its global share of reserves held by central banks has fallen to a 25-year low (IMF 2021). The graph below shows how the dollar's hegemonic role has declined from the first quarter of 1999 to the last quarter of 2021. The reason I chose to retrieve figures from the first quarter of 1999 is because the share of dollar reserves was at its highest then. The data is compiled from COFER, which states that the share of dollar reserves has decreased from 71.19 percent (Q1 1999) to 58.81 percent (Q4 2021) (COFER et al.).

Total share of dollar reserves in the world 1999-2021 (in percent)



Source: Data compiled from COFER, Currency Composition of Foreign Exchange Reserves 1999-2021.

## 2.3 The rise of BRICS

In 2008, the first BRIC meeting was held to explore the possibility of overcoming the crisis and establishing a new and fairer international system. Former members were Brazil, Russia, India and China (BRIC 2009). When South Africa joined BRIC in 2010, BRIC was transformed into BRICS, and since then members have achieved political coordination on over seventy issues (BIS 2016). The abbreviation BRIC was already coined in 2001 by Goldman Sachs chief economist Jim O'Neill to describe the world's four largest developing economies (Brazil, Russia, India and China). O'Neill predicted that they would dominate the world economy in the future and proposed that the BRICS would structure globalization for the next 50 years (Cameron 2011). The BRICS all agreed on one common point, they wanted to reduce US dominance in the world economy (ibid.). During a 2011 summit, members highlighted common interests in reforming the existing reserve currency structure. Two years later, during the 2013

summit, BRICS reiterated its commitment to reform and diversify the global monetary structure (BRICS 2013). Since then, BRICS has made several collective commitments to reduce dollar hegemony, something that is taken into account in the empirical analysis.

## 2.4 BRICS 2.4 BRICS and the successive rise

As the role of the dollar has declined, the BRICS have gradually gained larger shares in the dollar-based global currency system, although they remain at relatively low levels compared to the US dollar. To reduce dependence on the US dollar, the BRICS have increased the use of their own currencies in cross-border transactions. According to the latest triennial survey by the Bank for International Settlements, the Chinese renminbi is the 8th most traded currency in the world, and the most actively traded emerging market currency. In 2019, it reached 4.3 percent of total global turnover (BIS 2019). The second most traded BRICS currency was the Indian rupee, which was in 16th place and accounted for 1.7 percent of global trade. The Russian ruble was in 17th place, the Brazilian real in 20th place and the South African rand in 33rd place. Comparing these changes over time, from 2004 to 2019, the renminbi's increase is the largest. The growth of other BRICS currencies is not as fast but still steady. In contrast, the shares of leading global currencies, especially the euro, the Japanese yen and the British pound, have generally decreased (ibid.). In the BRICS survey, it was found that BRICS, in 2021, accounted for as much as 24 percent of the world's GDP and over 16 percent of world trade (BRICS India 2021).

Regardless, if we correlate the dollar's decline to the BIS triennial survey, it would show that the dollar is still dominant in the foreign exchange market, although a decline in its dominance can be depicted. In contrast, the combined share of the BRICS currencies, especially the renminbi, has slowly increased but is still significantly less than the US dollar. However, the gradual increase that occurs for the BRICS currencies does not necessarily have to be at the expense of the US dollar (BIS 2019).

## 3. Empirical analysis

### 3.1 BRICS collective commitment to reduce dollar hegemony

In the previous section, a gradual increase of the BRICS currencies and a gradual decrease of the dollar hegemony is seen, whether this happens at the expense of the US dollar is a broader question that will not be answered in this investigation. As Cao points out, the dollar may be strong this year and weak next year. That is the nature of a market-based floating system (Cao 2016). Furthermore, and crucial to assessing

whether the BRICS may pose a threat to the dollar hegemony, the following section will highlight the BRICS' collective commitment to reducing the dollar hegemony.

### 3.2 NDB and CRA

As previously mentioned, it was already stated at the first BRICS summit in 2009 that the members were determined to establish a new and fairer international system and reduce US dominance in the world economy (BRICS 2009). Norrlöf believes that a question that deserves attention is: 'If countries have a sufficiently strong reserve position to rationally turn away from dollar hegemony, where should they turn instead?' (Norrlöf 2010). Maybe BRICS can answer that. There are several important milestones that have energized the BRICS to diversify the monetary system, one of them being the establishment of the New Development Bank (NDB) and the BRICS Contingent Reserve Arrangement (CRA) in 2014. The NDB and CRA were created to reflect the World Bank and IMF functions with the difference that they operate under BRICS ownership and control. In addition, this created an opportunity for BRICS to reduce its dependence on dollar financing. For BRICS member countries, however, the NDB brings more advantages than the World Bank, with fewer loan terms, and that loans in local currencies allow borrowers not to increase its external dollar debt (NDB 2014). The CRA is not intended to replace financing arrangements under the IMF but rather acts as a complement to existing international monetary and financial arrangements. CRA is important for BRICS member countries because it creates the opportunity to obtain quick and increased liquidity in the event of a crisis, but so far none of the countries has needed CRA (BIS 2016). The dominant monetary status of the dollar is primarily based on the confidence that the dollar remains a stable substitute for 'world currency', but also, as Norrlöf points out, that many countries see no other alternative than redeeming US government securities. She believes that a rapid withdrawal of foreign investment in the US can make external adjustment painful and deal a serious blow to the US economy (Norrlöf 2010). Many central banks hold their foreign exchange reserves in US government securities due to their 'almost' risk-free nature and credible liquidity (Evanoff et al. 2016). Furthermore, Norrlöf mentions that a reduction in the role of the dollar could occur as a result of other states forming cooperative systems from which the hegemon is excluded (Norrlöf 2010), such as BRICS. BRICS is creating, through the NDB and CRA, an alternative system that countries can turn to.

It would be enough for China to lose confidence in the dollar and to sell its US Treasuries for the dollar to very possibly depreciate, which leads to the conclusion that if countries with high foreign exchange reserves were to lose confidence in dollar hegemony, it is

possible that there would be a monetary power shift (Evanoff et al. 2016). Over the past two decades, the BRICS have demonstrated a consistent commitment to reforming the international monetary system. Following the 2008 financial crisis and the Covid19 pandemic, BRICS has implemented targeted policies and broadened areas of cooperation to help members reduce their dependence on the dollar (BRICS 2020). The NDB reduces countries' dependence on dollar financing by extending loans in local currency and prioritizing local rules and procedures where appropriate. In addition to promoting borrowing in local currency, NDB has also approved loans in other currencies such as the euro to diversify its reserve currencies away from the dollar (NDB 2019).

### 3.3 “Yuan Oil Futures”

Norrlöf also addresses an important aspect to the continued hegemonic role of the dollar, that it is beneficially linked to its role in trade in raw materials, especially oil (Norrlöf 2010). While the NDB represents how BRICS is challenging dollar hegemony through the establishment of a new multilateral institution, there are also important aspects of the global oil market that could reduce dollar hegemony by expanding BRICS energy cooperation. Scholars have argued that the main front where the future of the dollar will be decided is the global commodity market, especially the oil market, as the dollar has been the pricing currency for the global oil trade (Luft 2018). Using currencies other than the dollar in the oil market is a challenge for the international monetary system, but BRICS as a group could be strong enough to meet this challenge. The BRICS form a larger oil-importing bloc than the entire European Union. Russia and China, as the world's largest energy exporter and energy importer respectively, are mobilizing within BRICS to promote so-called "yuan oil futures" and thus challenge the dollar hegemony's position on the oil market. "Yuan Oil Futures" was launched after the BRICS summit in 2018 as an oil futures contract on the Shanghai International Energy Exchange. Today, China's new oil futures are priced in renminbi and can be exchanged for gold, which has resulted in China acquiring a domestic oil trading infrastructure. A change like this can be seen as the beginning of a reduction in the dollar's hegemonic power in the international oil industry (Bloomberg 2018). Norrlöf believes that by reducing the dominant role of the dollar in the oil trade, the dollar hegemony will undergo depreciation (Norrlöf 2010), which BRICS domestic oil trade could do.

### 3.4 New technology, new opportunities

In addition to the creation of the NDB and CRA, the BRICS have also built their own global infrastructures for international transactions as a way to reduce their dependence

on the dollar. The payment infrastructures are independent of the dollar and can act as alternatives to SWIFT, which is the leading network for financial transactions for the entire world (BRICS Business Council 2020). This system allows BRICS member countries to create their own rules for international banking and settlement, and by developing alternative financial infrastructure to other countries and regions, BRICS can create greater influence for its own system in the international monetary arena. A system like this is particularly favorable to Russia and China, which are hit by US sanctions. Russia has been under US sanctions since the Ukraine crisis in 2014 (Hamilton 2019), and due to the military expansion of the conflict in 2022, the sanctions have become all the more (Åkerman 2022). Furthermore, BRICS is developing an ambitious step to reduce the hegemony of the dollar, a BRICS-Pay system. Moreover, with this system, BRICS is willing to extend its reach to non-BRICS countries, creating a way for BRICS to reduce dollar hegemony through the conventional route of promoting local fiat currencies in cross-border transactions (BRICS Business Council 2020). In conjunction with this, they have also explored another path towards this goal, using blockchain technology to build a digital currency. At the BRICS summit in 2017, the possibility of replacing the US dollar with a BRICS cryptocurrency was discussed, and in 2018, an agreement was decided to cooperate on blockchain research as a way to develop the digital economy (IR International 2017). By BRICS developing payment infrastructures, as well as a possible cryptocurrency, additional systems are formed where the hegemon is kept out, which Norrlöf believes is crucial for a depreciation of the dollar hegemony to take place (Norrlöf 2010).

### 3.5 BRIC'S relationship with the US complicates the process

Despite BRICS's emerging monetary infrastructure, it does not allow BRICS member countries to make a complete break from the US-dominant system. Some BRICS member countries have closer relations with the US than other members, such as India, which also touches on the issue of exclusion. States fear the threat of exclusion, and according to Norrlöf they may be prepared to accept agreements that may be less favorable than the agreements in force at the start of negotiations, this means that actors who can design exclusionary arrangements have incentives to threaten exclusion in order to introduce benefit-sharing systems which works to their advantage (Norrlöf 2010). Although this would prevent some BRICS member countries from adopting formal and collective strategy to reduce dollar hegemony in the short term, they may still informally continue their initiatives to reduce dollar hegemony. Furthermore, some of the BRICS member countries are less vulnerable to US sanctions, these are for example Brazil and

South Africa. In addition, they have economies that are more integrated into the dollar system than others. This means that some of the BRICS member countries are made more sensitive to the threat of exclusion and they also do not share the same urgency to prioritize a reduction of the dollar's hegemonic power. All BRICS member countries share an interest in reducing their dependence on the dollar, but not in separating from the dollar-dominated international monetary system. Norrlöf explains that countries must be less dependent on American markets in order to reduce its relationship to the dollar hegemony. In addition, countries must reduce their trust in the American hegemony in order to make the US's power assets decrease (Norrlöf 2010). This also applies to BRICS member countries, which means that a weakening of the dollar would have negative consequences for them. Just as Norrlöf hypothesizes, this leaves a dilemma, because while states worry about authoritarian elements, the transition from the dollar to BRICS may make countries less secure. Furthermore, she believes that the accompanying instability will certainly have negative economic effects (ibid.). Although BRICS member countries would prefer a reduction in dollar hegemony, a dollar depreciation would reduce the value of their large holdings of dollar reserves. They thus need to consider their desire to gain greater international influence in the international monetary arena and to reduce the dollar hegemony and the material costs that a weakening of the dollar hegemony will entail, while the countries' security could be put at risk. Norrlöf emphasizes that this is where economic and political calculations begin to diverge. From an economic perspective, the source of protection is not the important thing, but from a political perspective, protection is ultimately of greatest importance (Norrlöf 2010). Furthermore, she also addresses that just as complementarity between different power dimensions placed the US in a dominant position, a negative power spiral could trigger its downfall if a strong and defiant opposition emerged (ibid.), which could potentially turn out to be the BRICS. However, Norrlöf continues to claim that the system is stable as long as the hegemony is not weighed down by large losses and as long as credible alternatives to the dollar hegemony do not exist (ibid.).

## 4. Conclusion

### 4.1 Summary discussion

Just as Brutesch and Papa (2013) argue, the empirical analysis shows that BRICS member countries do not share the same enthusiasm for a reduction of dollar hegemony, while all countries agree to see some type of monetary change. BRICS' assumption of reducing the dollar hegemony is not fundamentally aimed at the destruction of the dollar hegemony but rather at the reduction of its monetary role in the international



arena. Furthermore, the analysis shows that BRICS illustrates an alternative financial infrastructure that could potentially enable immunity from US sanctions and access to markets via a monetary system beyond the dollar. A reduction in dollar hegemony would have immediate consequences, including a diminished ability for the US to use its strategic sanctions, while this poses long-term challenges as US sanctions power is used as a tool to maintain US dominance without the use of military force. Today, the dollar is still the dominant currency, but contrary to what Beckley (2011) concluded, the dollar's status should not be assumed to last forever. BRICS are good challengers to dollar hegemony, but can they pose a threat to the dollar's hegemonic place? Looking at Norrlöf's (2010) hegemonic stability theory, the answer seems at first glance to be yes. If countries turn away from the dollar hegemony, the BRICS emerging infrastructure has created an alternative system to which countries can turn and from which the hegemon is excluded. BRICS's emerging infrastructure may be one of the reasons for its successive increases, which may intensify over time. As Cao (2016) argues, however, this could be a result of a market-based floating system. This means that the dollar may be strong this year and weak next year. Whether that is true or whether the growth of BRICS is at the expense of the dollar's monetary role, I cannot answer through this survey. While it is possible that the BRICS could marginally displace the dollar, it is unlikely that the BRICS will replace the dollar as the dominant reserve currency. Furthermore, Cao (2016) believes that various indicators show that new alternative systems that do not touch the dollar are slowly but surely being created, if she had done the same research today she might have concluded that BRICS belongs to one of them. Regarding the security dimension and the too strong ties of the BRICS member states to the hegemon, which Norrlöf (2010) also highlights, there are no further prospects for the BRICS to compete with the dollar in the near future, and it is also unclear whether the political aspiration is present in all of BRICS member countries. Changing the international monetary system is not only about a relative reduction of dollar hegemony but about the ability of other states to organize themselves, and currently some of the BRICS member states are too dependent on the United States. BRICS therefore cannot project power, as they do not have the autonomy to define and pursue their interests. That BRICS would pose a threat to the dollar hegemony is therefore, seen from Norrlöf's hegemonic stability theory, unlikely. BRICS attempts to test new technological possibilities could perhaps in the future enable an increased threat to the dollar hegemony.

## 4.2 Proposals for further research

The survey continues to show that the use of new technology, such as blockchains and digital currencies, is becoming increasingly relevant at an international level. This could perhaps lead to the creation of new infrastructures that exclude the incumbent and divert the monetary benefits from the dominant system. As further research, I suggest that one could investigate how blockchain technology can determine a potential threat to the dollar hegemony. Perhaps a future look back at the long-term process of reducing the dollar hegemony may show that the BRICS played a significant role in establishing an alternative monetary system, especially given the BRICS investments in new technologies.

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