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# The Atlantic Basin, Realism and Geostrategy (II): The Strategic Significance of Pan-Atlanticism for the Rest.

Paul Isbell

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Catalyzed by the initial partial segmentation of the global economy provoked by the Trump Administration's trade wars and then the pandemic, and reinforced by the progressive fragmentation of the UN-led global governance system, which has deepened as a result of the ongoing Ukraine war, a new "multilayered multipolarity"[1] is now being shaped, beyond the Northern Atlantic, into a broad coalition of "the Rest". Sparked by these shocks to the international system, over the last few years the SCO has advanced methodically across the Eurasian map, and now the BRICS is considering the same prospect of enlargement across both Eurasia and the Southern Atlantic.

1. The term "multilayered, multipolarity" was introduced in Policy Brief Two. It was first coined by Len Ishmael to describe the many overlapping regional, global, and other multilateral associations or groupings that lend complexity to the actual structure and shape of the emerging multipolar structure of international power. See Len Ishmael, "A World Divided: A Multilayered, Multipolar World," in Len Ishmael, ed., *Aftermath of War in Europe: The West vs. The Global South*? Policy Center for the New South, December 2022, p. 17.

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# THE DEVELOPING BRICS-SPHERE OF THE REST[1]

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The objective of this loose coalition of the Rest is to bring about change in the global governance system and the rules by which it operates, above all, in the economic, financial, and monetary domains. The coalition wants to claim more ownership and influence over these domains through the steady application of its collective diplomatic strength, backed by its growing geoeconomic weight. This geostrategic coalition of the Rest is dedicated (at least in principle) to international law (as opposed to what is often referred to as the 'rules-based order'), and cooperation between sovereign states in an attitude of mutual respect between civilizations. Generally speaking, this coalition views realist principles of national sovereignty, non-interference in domestic affairs, and territorial integrity as the more appropriate foundational principles of international law, rather than the liberal principles of individual freedom, open markets and universal human rights[3]. This does not necessarily mean that the Rest, as a cohesive bloc, uniformly ignores or scorns such 'Western' values; only that they often view them as secondary, and not always the highest priority values.

Most of the BRICS-sphere recognizes that the Russian invasion of Ukraine was a breach of international law that cannot be justified as an isolated act. Yet it also appears that most of the Rest implicitly understand that the Russian "special military operation" did not occur in a vacuum; many perhaps even saw it as a necessary evil in order to catalyze, through a shock, much needed change in the global order. Still, the BRICS, as a group, is not anti-Western. *"It*

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1. For uses and definitions of the "Rest" over the last three decades, see Stuart A. Hall, "The West and the Rest: Discourse and Power," 1992 https://analepsis.files.wordpress.com/2013/08/hall-west-the-rest.pdf, and Charles A. Kupchan, *No One's World: The West, the Rising Rest, and the Coming Global Turn* (Oxford University Press, March 2012). As we have defined and employed these terms in this series (see Policy Brief Two), the Rest means all countries that do not form part of "West". We also use the term, the "BRICS-sphere", as synonymous with the Rest (most of Eurasia, Africa and Latin America). The West we have defined narrowly as the "Northern Atlantic" (Europe and North America), and more broadly as the "Northern Atlantic Plus" (which also includes Northern Atlantic partners and allies in East Asia and Australasia). Finally, the "Southern Atlantic" is used to refer to Africa and Latin America, while the "Atlantic Basin" includes the Northern Atlantic (the narrow West) and the Southern Atlantic together--a specific, unique geostrategic space.

2. The term "multilayered, multipolarity" was introduced in Policy Brief Two. It was first coined by Len Ishmael to describe the many overlapping regional, global, and other multilateral associations or groupings that lend complexity to the actual structure and shape of the emerging multipolar structure of international power. See Len Ishmael, "A World Divided: A Multilayered, Multipolar World," in Len Ishmael, ed., *Aftermath of War in Europe: The West vs. The Global South*? Policy Center for the New South, December 2022, p. 17.

3. Stewart Patrick, "Rules of Order: Assessing the State of Global Governance," Carnegie Endowment for International Peace, Working Paper, September 2023
https://carnegieendowment.org/files/202309-Patrick_Global%20Order_final.pdf?mc_cid=d5c36066dd&mc_eid=f69f067f4a

*is also well understood by all member states,"* writes the Indian career diplomat and international analyst, M.K. Bhadrakumar, *"including Russia and Saudi Arabia, that while BRICS is 'non-western,' a transformation of the BRICS into an anti-Western alliance is impossible. Quintessentially, what we are seeing in the BRICS' expansion, therefore, is its transformation into the most representative community in the world, whose members interact with each other bypassing Western pressure"*[4]. As made clear in the Johannesburg II Declaration issued at the end of the August 2023 BRICS summit, the change explicitly sought by this coalition of the Rest is reform of the current Western-dominated global governance institutions and practices[5]. However, given the behavior of the BRICS, and of individual BRICS countries (which have participated in the development of parallel Chinese and then alternative BRICS trade and financial institutions, as well as in regional arrangements in Eurasia), if the collective West does not allow for the reform of current global governance structures sufficiently or quickly enough, the change sought by the BRICS could also eventually manifest itself in the development of an alternative international governance framework.

## THE MONETARY GEOECONOMICS OF THE BRICS PLUS

The August 2023 BRICS summit clarified many aspects of the institutional functioning of the BRICS and focused on further incremental definition of BRICS goals and actions, including, crucially, the criteria for expansion. This was one of the successes of the summit. Russian Foreign Minister Sergey Lavrov told the media that despite divergent opinions behind closed doors, the Johannesburg summit reached a consensus on the *"criteria and procedures"* of BRICS expansion. *"The weight, prominence and importance of the candidates and their international standing were the primary factors for us* [BRICS members]. *It is our shared view that we must recruit like-minded countries into our ranks that believe in a multipolar world order and the need for more democracy and justice in international relations. We need those who champion a bigger role for the Global South in global governance. The six countries whose accession was announced today fully meet these criteria."*[6]

Even before the Ukraine war and the last BRICS summit, the coalition of the Rest was already well along in the process of creating collective institutions within the BRICS, which parallel the major institutions within the UN-Bretton Woods systems. Along with similar parallel Chinese institutions, including the Asian Infrastructure Investment Bank, these include the BRICS Bank (the New Development Bank), the BRICS Contingent Reserve Arrangement, the BRICS Payment System, and the proposed BRICS currency. Already there are many new bilateral deals in the BRICS-sphere to accept each other's local currencies for trade (e.g. renminbi-rubles, rupee-rubles, rupee-renminbi, and real-renminbi).[7]

When announcing the outcome of the recent summit, the BRICS Chair, South African President Cyril Ramaphosa, declared: *"We have noted that there is global momentum for the use of local*

4. M.K. Bhadrakumar, "India, the reluctant BRICS traveller," The Indian Punchline, August 28, 2023 (https://www.indianpunchline.com/india-the-reluctant-brics-traveller/)

5. See the XV BRICS Summit, "The Johannesburg II Declaration" (https://www.thepresidency.gov.za/content/xv-brics-summit-johannesburg-ii-declaration-24-august-2023)

6. The Ministry of Foreign Affairs of the Russian Federation, "Foreign Minister Sergey Lavrov's remarks and answers to questions at the news conference following the BRICS Summit, Johannesburg", August 24, 2023 (https://mid.ru/en/foreign_policy/news/1901537/)

7. See Otaviano Canuto, "Rising Use of Local Currencies in Cross-Border Payments," Policy Center for the New South, August 29, 2023 (https://www.policycenter.ma/publications/rising-use-local-currencies-cross-border-payments)

*currencies, alternative financial arrangements and alternative payment systems"*[8]. There has also been discussion about the possibility of creating a BRICS currency or an equivalent monetary instrument, and the group commissioned a working group to report back at the XVI BRICS Summit in 2024 on the possibilities of alternative monetary, currency, and payments arrangements, which would facilitate progressively less dependence on the dollar[9].

Although the BRICS financial and monetary architecture remains rudimentary, its incremental development could, ultimately, enable individual states within the Rest to avoid the dollar and sidestep the most damaging implications of dollar-based sanctions. At first any new BRICS currency arrangement would likely be used for 'intra-BRICS-sphere' trade. However, the successful establishment of a trading currency mechanism would open the way to deeper forms of a BRICS currency architecture.

U.S. economic unipolarity has been under pressure for nearly 20 years. The overall *relative* economic weight and centrality of the U.S. (and the West in general), in terms of global trade, investment, finance, and technology, has been declining since the clear emergence of the Rest, with the BRICS at its core. Today the BRICS has a larger collective GDP than the G7 when measured in PPP terms (31.59% versus 30.39% of the global total in 2022)[10]. The collective GDP (in PPP) of the Global South (if considered to be constituted of the emerging markets and developing economies) is 58.88% in 2023, compared to that Global North (if considered to be the IMF's group of advanced economies) which is 41.12%—and the gap has been widening gradually for 15 years[11]. Furthermore, with the current expansion included, the collective GDP of the BRICS-11 approaches 50%[12]. A maximal expression of BRICS Plus (all of Eurasia together with the entire Southern Atlantic) could surpass two-thirds of global area, population, trade, and economic output. The Southern Atlantic alone (viewed broadly as Africa and Latin America and the Caribbean) makes up nearly 15% of global GDP, and its share is likely to continue to rise[13].

To the Eurasian powers of the SCO and the BRICS, then, the Southern Atlantic represents the other key geopolitical component of a geostrategic coalition that could form the larger economic and demographic side of a newly emerging 'lopsided bipolarity'—the West (or Northern Atlantic Plus) on one side and the Rest (or the BRICS-sphere) on the other[14]. Nevertheless, the growing geostrategic influence of the multipoles of the coalition of the Rest is still balanced off by the continuing military superiority in the Northern Atlantic on the plane of geopolitical power, and by a resilient U.S. incumbency power (which military superiority reinforces) on one key layer of the plane of geoeconomic power: continued global hegemony of the dollar. Consequently, perhaps the most

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8. Cyril Ramaphosa, "BRICS Chair President Cyril Ramaphosa's Media Briefing Remarks announcing the outcomes of the XV BRICS Summit," August 24, 2023 (https://www.dirco.gov.za/brics-chair-president-cyril-ramaphosas-media-briefing-remarks-announcing-the-outcomes-of-the-xv-brics-summit-24-august-2023/)

9. Ibid.

10. "What is crucial to note is while the share of GDP of G7 nations based on PPP, reduced from 50.42% of the World's GDP in 1982 to 30.39% in 2022, the share of GDP of BRICS nations increased from 10.66% in 1982 to 31.59% in 2022. The share of India's GDP in World's GDP increased from 2.98% in 1982 to 7.21% in 2022." MG Chandrakanth, The Times of India, April 9, 2023 https://timesofindia.indiatimes.com/blogs/economic-policy/how-brics-countries-have-overtaken-the-g7-in-gdp-based-on-ppps/

11. See the IMF Datamapper https://www.imf.org/external/datamapper/PPPSH@WEO/OEMDC/ADVEC/WEOWORLD

12. Peter C. Earle, "The Rise of BRICS-11", American Institute for Economic Research, August 28, 2023 (https://www.aier.org/article/the-rise-of-brics-11/)

13. In purchasing power parity (PPP) terms, according to World Bank statistics in 2021. Latin American and Caribbeans accounts for 7.8% of global GDP; Africa contributes 6.5%.

14. The term "lopsided bipolarity" was first coined by the author and employed in Policy Brief Two. It refers to one potential shape of a bipolar structure of international power that could emerge out of the evolving multilayered multipolarity. One bloc would be constituted of the Northern Atlantic Plus; the other would be composed of the BRICS-sphere. The latter would be much larger in terms of population, land area, resources, international trade and economic output: hence this particular possible bipolarity would be 'lopsided'. See Policy Brief Two in this series.

significant geostrategic threat—or stimulus to embrace opportunity, depending on one's point of view—that might come from an expanding BRICS would be the creation of a BRICS currency.

To be clear, what has been referred to in media discussions over the past year as a potential BRICS currency *would not be a common currency* across the BRICS Plus membership that would replace national currencies (like the euro has in the EU). Therefore, at this stage, any new mechanism designed to 'de-dollarize' intra-BRICS-Plus trade would not challenge the hegemony of the dollar—at least not yet—*as a global unit of account* or as the *dominant store of value for international investment, debt, and cross-border credit*. However, in the short-run, a proto BRICS currency arrangement, in the form of a new BRICS payments system, could significantly de-dollarize a growing part of the world's trade, partially immunizing trading partners against unilateral Western sanctions, and starting to erode dollar hegemony *as a means of exchange*.

A subsequent stage in BRICS financial and monetary policy might include the creation of *a collective unit of account*, similar to the Special Trading Rights mechanism of the International Monetary Fund, or a notional currency, like the ECU of the European Community. National currencies will continue to exist in parallel, but a trading bloc payment and clearing system with a virtual collective unit of account could begin to articulate the early architecture of a 'BRICS currency,' at least during an initial phase. One plan is already being articulated and proposed by the Russians: a BRICS currency for international settlements based on a basket of BRICS currencies that would be backed by a basket of key BRICS commodities[15].

## A CHALLENGE TO UNIPOLAR DOLLAR HEGEMONY?

The end of dollar hegemony has been prematurely reported as often as the end of oil. The resilience and staying power of the currency hegemon has tended to be underestimated (and this is clear from many discussions in the public realm ever since the outbreak of the Ukraine war). It took two decades of outmoded and counterproductive economic policy in the 1920s and 1930s by the British, and their near-death experience during the Second World War, together with the significant structural geostrategic boost that the U.S. experienced as a result of the war (with its economy and military projection becoming globally dominant), to finally break the incumbency power of sterling, the currency hegemon for nearly a century.

Monetary power and currency hegemony have many sources and supports. These include:

- The hegemon's share of global output, international trade, investment, capital flows, currency exchanges, international debt, and cross-border credit;
- The breadth, depth, and liquidity of the hegemon's financial markets;
- The convertibility of the hegemonic currency;
- The credibility of the hegemon's central bank and its monetary policy; and
- The strength and credibility of its rule of law.

Furthermore, the resilience (or staying power) of the incumbent (or reigning) currency hegemon is also strengthened or supported by:

- The credibility, stability and effectiveness of macroeconomic policy (fiscal and monetary);
- The backing of military power;

15. TvBRICS, "Sergey Glazyev speaks about the potential of a single currency of the BRICS countries for international settlements" October 20, 2023 (https://tvbrics.com/en/news/sergey-glazyev-speaks-about-the-potential-of-a-single-currency-of-the-brics-countries-for-internatio/)

- The absence of any currently existing currency that could potentially challenge the hegemon across all or most of the above parameters; and
- The dynamics of *asymmetric currency networks* themselves (the 'network economics' of which work to stabilize currency unipolarity and structurally favor the incumbent hegemon, allowing it enormous flexibility and resilience, even as its shares of the key market, financial, and monetary metrics erode).

Table 1

Currency Internationalization, International Comparison (%), 2022

| Currency | Share of FX trading (a) | Share of Official Reserves | Share of Global Payments (b) |
|---|---|---|---|
| U.S. dollar | 88.5 | 58.4 | 41.9 |
| Euro | 30.5 | 20.5 | 36.3 |
| Japanese yen | 16.7 | 5.5 | 2.9 |
| Sterling | 12.9 | 4.9 | 6.1 |
| Chinese renminbi | 7.0 | 2.7 | 2.2 |

Notes: (a) Because two currencies are involved in each transaction, the sum of shares in individual currencies will equal 200%; (b) including intra-eurozone payments. Source: Miguel Otero Iglesias and Augustin Gonzalez-Agote, "Is US dollar hegemony under threat?" Elcano Royal Institute, May 30, 2023 (see footnote 19), using data from the Bank for International Settlements (2022), the IMF (no date) and SWIFT (no date).

## NETWORK POWER, THE PETRODOLLAR PACT, AND DOLLAR RESILIENCE

Because a global currency network is characteristically asymmetric, and due to the specific form of the network economics of asymmetric networks[16], the incumbent currency hegemon can exert relative influence over other state and non-state agents, and maneuver them into participating in and cooperating with the hegemon's network (particularly if backed up by military power and hard security agreements[17]). This network dynamic either facilitates deeper currency hegemony, or helps to maintain an eroding currency unipolarity.

One example is the U.S.-Saudi 'Petrodollar Pact'. One of the most central and longest enduring pillars of dollar hegemony—and an important additional source of its incumbency resilience—was the original deal brokered by President Franklin Delano Roosevelt and King Ibn Saud in 1945. Their foundational agreement involved stable U.S. access to Saudi oil in exchange for U.S. security and technical assistance to Saudi Arabia. This initial alignment produced the strategic logic behind the more formal 1970s agreement to price oil in dollars.
This dollar-oil price agreement was solidified in the years following the Yom Kippur War and the

16. Henry Farrell and Abraham L. Newman, "Weaponized Interdependence: How Global Economic Networks Shape State Coercion," International Security, 2019m Vol. 44, No. 1 (Summer 2019), pp. 42–79, https://doi.org/10.1162/ISEC_a_00351

17. Carla Norrlöf, "Dollar dominance: Preserving the US dollar's status as the global reserve currency", Atlantic Council, June 8, 2023 (https://www.atlanticcouncil.org/commentary/testimony/dollar-dominance-preserving-the-us-dollars-status-as-the-global-reserve-currency/)

Nixon Administration's 1971 decision to end the dollar's link to gold (until then freely convertible at $35 per ounce), and the U.S.'s subsequent withdrawal in 1973 from the IMF's Bretton Woods exchange rate regime (BW ERR). This system of 'adjustable pegged' exchange rates fixed the value of the European and Japanese currencies to the dollar (and that of the dollar to gold). This gave the U.S. *both* the institutional role *and* the structural advantage of currency hegemon. On the one hand, this granted to the U.S. the relative freedom to 'benignly neglect' its balance of payments disequilibria. On the other, however, it also tasked the U.S. with the corollary role of manager of the system and lent it the responsibility of being the custodian of its stability and longevity. But this international responsibility eventually began to clash with U.S. macroeconomic policy sovereignty and strategic autonomy, at least as U.S. strategic leaders perceived.

Far from damaging the dollar's credibility or centrality, however, the U.S. withdrawal from the system, especially when coupled with the petrodollar agreement, reinvigorated dollar hegemony by:

- Freeing the U.S. from the monetary policy obligations of Bretton Woods currency cooperation with the Europeans, which was beginning to constrain U.S. Cold War ambitions in Asia, holding its domestic economic management (along with its capacities to wage the Vietnam War) hostage to its multilateral monetary commitments in the IMF and the Bretton Woods exchange rate regime;
- Providing for a long-term anchor for growing international demand for dollars as petroleum trade expanded significantly in the years that followed; and
- Cementing the centrality of U.S. financial markets across the non-communist world through the recycling of the 'petrodollars' from oil producers export surpluses back into the Northern Atlantic economy, particularly the U.S.

The combined effect, therefore, of these two U.S. geoeconomic policies –the withdrawal from BW ERR and the petrodollar pact--was to firmly root dollar hegemony not only within the monetary geography of the defunct BW ERR, but also throughout the non-communist world, and later across the global economy.

In this evolving bilateral relationship, the hub of the asymmetric monetary network (the U.S. dollar and its monetary authorities) heavily influenced a crucial node (Saudi Arabia, itself a major influential hub of the asymmetric oil market) by offering the backing of military power (for Saudi defense) in return for dollarizing the oil economy.

This immediately expanded dollar influence across the asymmetric oil market network. This allowed the U.S. to influence all the other nodes (state and private) of the Western (and later the global) monetary and currency network by exploiting the 'panopticon' and 'chokepoint effects' of asymmetric networks.[18] Panopticon power is the network hegemon's capacity to 'see' more than the other nodes and wield the influence generated by asymmetric information (facilitating, among other objectives, the monitoring and surveillance of money-laundering and other activities of 'dark networks'). Chokepoint power refers to the ability of the hegemon to block or manipulate flows between other nodes with relative impunity—and by backing it with military power (allowing the hegemon to freeze the central bank reserve assets of targeted adversaries or block their access to the global dollar economy by cutting off access to the SWIFT network). The petrodollar agreement also allowed the U.S. to gain at least indirect influence within the asymmetric oil market.

18. Henry Farrell and Abraham L. Newman, op. cit.

In the wake of the Petrodollar agreement and the end of the BW ERR, oil's dominate role within the global economy and Saudi Arabia's dominant position in both the global oil market and the OPEC cartel, combined to economically 'nudge' most other oil producers to take up the practice of pricing oil in dollars. This was because they sought to avoid unnecessary transaction costs (imposed by network economics) or strategic risks (emanating from the hegemon's potential geoeconomic retaliation) that might be implied by trading oil in some other currency. The result was the creation of a major source of international demand for dollars to finance growing oil imports around the world, along with the rest of merchandise trade in commodities and, increasingly, industrial goods within the Western bloc.

Through the same asymmetric network economics, this dollar dominance in international trade spilled over to international investment, international debt and cross border credit, capital movements, and currency exchange, through the recycling of surplus OPEC petrodollars in U.S. financial markets. This petrodollar financial circuit made dollar markets deeper and more liquid than any other, making them also 'safe havens' during financial and geopolitical crises and providing another secondary source of the currency hegemon's incumbency resilience. In this regard, while the Saudi Arabian core of OPEC represents a hegemonic hub on the map of the asymmetric energy network, it has also served as a subservient, if crucial, node in the asymmetric monetary network of dollar hegemony. As a result, the dual incumbency of oil and the dollar has now endured for longer than the Soviet Union did. And one of the lynchpins of both has been the U.S.-Saudi strategic alliance.

Any challenge to dollar hegemony—even one that only established *relative currency multipolarity*—would depend on achieving sufficient scale and critical mass. The challenger would have to be embraced widely and sufficiently motivated in realist terms because it would come with an array of initial transitions costs, trade and financial challenges, and strategic risks for individual states. Such risks, and the many technical obstacles to any such monetary challenge (see below), are highlighted further by the likelihood that it would probably take many years to coalesce, perhaps decades. This is one reason why the Southern Atlantic is so strategically important to both Eurasia and to the West: Africa and Latin America and the Caribbean are the key potential participants at the margin for any future BRICS Plus currency arrangement to achieve sufficient monetary scale and critical mass to challenge dollar hegemony. Of course, even a cohesive Southern Atlantic within a cohesive BRICS Plus coalition might not be enough.

## OTHER SUPPORTS OF DOLLAR RESILIENCE

There is an apparent and widespread (if not universal) consensus of opinion among economists and analysts in the Northern Atlantic (an opinion held also by many in Eurasia and the Pacific, and even in the Global South) that it is highly unlikely that dollar hegemony can be successfully challenged any time soon.[19] Most attention has been focused on the prospects of the only national currency with the theoretical potential to challenge dollar hegemony – the Chinese renminbi (or yuan)[20]. But the idea of a challenge from the renminbi is discarded immediately by most Western commentators

19. This consensus of opinion would include the likes of Barry Eichengreen (and colleagues), Otaviano Canuto, and Wolf Richter (all cited elsewhere in this section), but their various scepticisms are echoed by many others. For a non-exhaustive selection of this consensus, see: Andreas Kluth, "Dollar Hegemony Is Here to Stay, for Worse and (Mostly) Better" Bloomberg, October 9, 2023 (https://www.bloomberg.com/opinion/articles/2023-10-09/dollar-hegemony-is-here-to-stay-for-worse-and-mostly-better?embedded-checkout=true); Tyler Cowen, "What De-Dollarization? The Dollar Rules the World", Bloomberg, April 13, 2023 (https://www.bloomberg.com/opinion/articles/2023-04-13/the-dollar-rules-the-world-now-and-for-the-foreseeable-future?embedded-checkout=true#xj4y7vzkg); Robert Farley, "Does It Matter If Dollar Dominance Ends?" The Diplomat, June 21, 2021 (https://thediplomat.com/2021/06/does-it-matter-if-dollar-dominance-ends/); Yanis Varoufakis, "Yanis Varoufakis on the hidden power of the US dollar: how America's debt shapes the global economy", interview with DiEM25, September 25, 2023 (https://www.youtube.com/watch?v=ec-tKTF0C0E&t=33s); and Miguel Otero Iglesias and Augustin Gonzalez-Agote, "Is US dollar hegemony under threat?" Elcano Royal Institute, May 30, 2023 (https://www.realinstitutoelcano.org/en/analyses/is-us-dollar-hegemony-under-threat/).

20. Many analysts refer to the Chinese currency, the 'yuan'; we have followed the alternative tradition of referring to it as the 'renminbi'.

on technical grounds. The Chinese currency is not yet freely convertible and the country's capital markets are still controlled and not fully open. It is argued, therefore, that the renminbi is incapable of functioning as a *reliable store of value* (one of the most important functions of money, along with its role as a *'medium of exchange'*) for most international economic and financial agents. Crucially, this is a key parameter in both private sector and central bank foreign currency reserve portfolio decisions.

In an analysis of the widening discussions around the world about a coming challenge to dollar hegemony, Senior Fellow at the PCNS, and World Bank economist, Otaviano Canuto, put it this way in a PCNS Policy Brief published after the August 2023 BRICS Summit: *"If a local currency is not fully convertible, remaining subject to regulations restricting liquidity and asset availability, as it is the case for the RMB, it will not fulfill the function of an external store of value for the bulk of agents in the global economy."* Therefore, most if not all the metrics of monetary power (other than the share of a currency's use in international trade) cannot be credibly challenged by the renminbi, and the central pillar of currency hegemony – the currency's share in national central bank foreign currency reserves – will continue to be dominated by the dollar, at least to a large degree.

As it is, the share of the renminbi in global reserves is still below 3% (notably less than the yen and sterling, and far below the euro's 20%). The renminbi share dropped to 2.58% at the end of 2022. It is mainly the other Western ('non-traditional') currencies that have enjoyed the impacts of the recent Ukraine war-accelerated diversification, but until 2023 at least, they have been only marginal[21]. The renminbi could rise more easily, however, if or when China begins to liberalize its capital account and allow for currency convertibility. So far, this is a step the Chinese state has not taken in order to maintain leverage over certain key aspects of its economy. Nevertheless, this eventuality should not be discounted completely[22]. Incidentally, at the end of 2021, nearly a third of the 336 billion of renminbi reserves globally were held by Russia[23]. Renminbi only accounts for 5.37% of Brazil's foreign currency reserves (nothing next to the dollar's 80%)[24]. Conversely, Brazil holds a similar share of total renminbi reserves globally.

It is also argued that even the slippage of the dollar in global reserves--from 73% in 2001 to 58% in early 2023[25]--reveals far less than many analysts and commentators have assumed. Such a decline (see Figure 1) has occurred before without ending dollar hegemony: (1) from the end of the BW ERR to the early 1990s (as the dollar's share of global output and trade fell in line with the emergence of newly industrializing economies and as the U.S. began to generate larger current account deficits and higher inflation rates); and (2) during the first decade of the 2000s, following the creation of the euro[26] (which with different EU policies under different international conditions could have been a stronger challenger to the dollar than it turned out to be). Rather than reflecting a long-term secular

21. Ibid. These other 'non-traditional' Western currencies include the Swiss franc, the Canadian dollar, the Australian dollar, etc.

22. Otaviano Canuto, op. cit.

23. Serkan Arslanalp, Barry Eichengreen and Chima Simpson-Bell, "Dollar Dominance and the Rise of Nontraditional Reserve Currencies," IMF Blog, June 1, 2022 (https://www.imf.org/en/Blogs/Articles/2022/06/01/blog-dollar-dominance-and-the-rise-of-nontraditional-reserve-currencies)

24. Reuters, "Yuan tops euro as Brazil's second currency in foreign reserves," March 31, 2023 (https://www.reuters.com/article/brazil-economy-fx-idUSL1N3632DU)

25. See IMF Data, "Currency Composition of Official Foreign Exchange Reserves (COFER)" (https://data.imf.org/?sk=e6a5f467-c14b-4aa8-9f6d-5a09ec4e62a4)

26. Wolf Richter, "US Dollar's Status as Global Reserve Currency on Slow Long-Term Decline, but Not Going Down in a Straight Line," Wolf Street, July 15, 2023 (https://wolfstreet.com/2023/07/15/us-dollars-status-as-global-reserve-currency-on-slow-long-term-decline-but-not-going-down-in-a-straight-line/

decline of the dollar, the economic consensus in the West would hold that recent declines in the dollar's global reserve shares reflect rational central bank currency reserve diversification to hedge currency reserve values in the face of current and anticipated exchange rate movements.

Figure 1

Evolution of U.S. Dollar Share of Global Currency Reserves, 1965-2023


Source: Data from the IMF (see footnote 21); graphic elaboration from WOLFSTREET.COM.

Some voices within this consensus have directly addressed the heightened interest among many in in the potential of *a new BRICS currency* (as opposed to the renminbi) to pose a strategic challenge to the dollar. But this possibility is dismissed even more perfunctorily. First, we are reminded that the monetary movements of the BRICS to date have been limited to facilitating internal trade in one or another BRICS-sphere currency, a process that has been called *"slow and bounded de-dollarization"*[27]. Second, they point out that even in the case that the BRICS actually do build out and implement the financial and monetary architecture needed for the creation of any fully-fledged international currency, the process would take at least a decade and probably more. Some argue that the fact that no BRICS currency was even tabled during the recent Johannesburg BRICS summit suggests that the members are divided on the issue or that they recognize that it is easier said than done[28].

Moreover, the consensus sees the prospect of a true BRICS currency as ill-fated from the start, given that such a currency (and especially if BRICS Plus continues to grow) would incorporate such a wide range of highly disparate and far-flung economies, in which interest rate and exchange rate movements might have very different and even opposite macroeconomic and financial, and therefore local political, effects. Dealing with the structural disparities between most African economies, for example, and those of China, Eurasia, and Latin America, will be far more challenging in monetary policy terms than dealing with the disparities between Spain and Germany within the euro zone.[29] In any event, the authorities overseeing any future BRICS Plus currency would have to be at least as skillful in macroeconomic policy coordination and monetary cooperation as the Europeans have

27. Otaviano Canuto, op. cit.

28. Peter C. Earle, op. cit.

29. Ibid.

been. Simply put, the creation and successful macroeconomic and financial management of a new currency that also intends to be international is not easy, even among a highly interdependent and relatively balanced and cohesive set of national economies, as the experience of the euro illustrates.

Finally, the argument could also be made that a BRICS Plus currency (or any other) will not challenge dollar hegemony for the same reasons that the Chinese did not dump the dollar during a previous period of attempted de-dollarization. During the years before the global financial crisis when the U.S. was running increasingly large 'twin deficits' (in both the fiscal and current accounts) while also prosecuting the wars in Afghanistan and Iraq, and the euro was finally gaining ground against the dollar in a number of monetary metrics, China considered selling off its large dollar reserves, held in the form of U.S. government debt, as a way to wield a restraining strategic influence with respect to the U.S.

Among the many reasons why China did not rapidly sell its dollar-denominated assets was the clear reality of negative feedback effects. Driving up U.S. borrowing costs in this way would have destabilized the U.S. economy, which might have destabilized the global economy, both of which would also hurt China. Even if the global economy has experienced some 'de-globalization' over the last decade, and even considering a new partial segmentation of the global economy as the Northern Atlantic attempts to 're-shore,' 'near-shore', and 'friend-shore', in the face of the reemerging strategic competition with Russia and China, *any abrupt shift away from the dollar* would likely have widespread destabilizing impacts. Therefore, any challenge that contemplates a rapid large-scale sell-off of dollar-denominated assets would confront similar short-term barriers to those faced by China 15 years ago.

# GLOBAL REALIGNMENT AND DOLLAR VULNERABILITY

But the world is changing. Assumptions should be re-scrutinized and the most reliable of arguments, going back decades, will not necessarily continue to apply. The geostrategic map has undergone significant change during the post-Cold War years, but particularly since the global economic and financial crises of 2008-2010, and through the Trump presidency and the pandemic. The war in Ukraine, however, has finally turned the map upside down. Global gravities and tendencies have shifted, and trends have begun to move in new, uncertain, and unexpected directions.

Turkey and the key states of the Persian Gulf are poised to join both the enlarging SCO and BRICS and have begun to leverage their ties with these new strategic groupings in their relationships with the Northern Atlantic and wider West. The August 2023 BRICS summit announced the entry of six new members (Saudi Arabia, Iran, UAE, Egypt, Ethiopia, and Argentina[30]), four from the Middle East, all of which now have a deeper basis for alignment within the BRICS. The enlargement brought the share of global petroleum production within the BRICS to 43%, with numerous uncertain implications for the future of the Petrodollar Agreement, and for oil prices, fossil-fuel longevity, decarbonization, and climate change. Saudi Arabia, sensing the emergence of its geostrategic 'hinge power,' has already begun to sound out the idea of ending the petrodollar policy, making limited agreements to accept other currencies, including the renminbi[31].

30. After his election victory on November 1, 2023, the new Argentine president-elect, Javier Milei announced through his foreign ministry that Argentina will not enter the BRICS Plus in 2024. See Natalia Liu, "Argentina Not Joining BRICS Despite Xi's Personal Letter to Milei", VOA News, December 1, 2023 (https://www.voanews.com/a/argentina-not-joining-brics-despite-xi-s-personal-letter-to-milei/7380722.html)

31. Kaleemullah, "The De-Dollarization of World Economy: Xi-Putin Agreement, Saudi Arabia's Shift to Yuan," *Modern Diplomacy*, April 4, 2023 (https://moderndiplomacy.eu/2023/04/04/the-de-dollarization-of-world-economy-xi-putin-agreement-saudi-arabias-shift-to-yuan/)

India has also become bolder when it comes to strategic hedging: India is a member of the Quad, the U.S., Australia, India and Japan security group in the Indo-Pacific; but it is also a key member of the SCO and the BRICS Plus. India is likewise now participating in competing connectivity initiatives: the International North South Transport Corridor (INSTC)[32], which links India, Iran, Azerbaijan and Russia, and the India-Middle East-Europe Corridor (IMEEC) – created at the latest G20 meeting in New Delhi -- which proposes an infrastructure investment partnership to bind India to Europe through the United Arab Emirates, Saudi Arabia, Jordan, Israel and Greece. Meanwhile, Russia carries on with the execution of the Ukraine War, seemingly unphased. What ever happens, the Russians—the state and the people--have demonstrated to the Global South and the rest of the world that Western financial and monetary power can be defied, resisted, and survived even while waging a war—*at least for a while* and *assuming there is sufficient (even if only tacit) collaboration forthcoming from the Rest of Eurasia and the Southern Atlantic.*

Furthermore, Russia and China have never supported each other more. They have a "friendship 'without limits'"[33]. Each partner issued new foreign policy and strategic doctrines in 2023 that largely overlap and support each other.[34] This has caught U.S. foreign policymakers and many strategic analysts off guard and behind the curve. Many of these disciples of Zbigniew Brzezinski (the late former National Security Advisor under President Carter) closely followed his strategic roadmap for isolating and defeating Russia (including the projected calendar for expanding NATO up to the borders of Russia and Ukraine)[35]. However, they missed or ignored his explicitly stated warning not to act in any way that would drive Russia and China together. Many assumed—as did Brzezinski—that Russia-China alignment was extremely unlikely and that the Cold War 'Sino-Soviet split' had not yet actually been overcome.

A similar rapprochement, long believed impossible, has begun in the Middle East, where China has recently brokered an initial diplomatic agreement laying the basis for a new détente between Iran and Saudi Arabia. Incidentally (but no less importantly), both Egypt and Ethiopia are also locked in conflict over management of the Nile and the role of the Great Renaissance Dam and have supported opposite sides in the internal conflict in Sudan. Providing early membership for these two countries also opens up the possibility that the BRICS can help broker agreements to resolve long-standing and growing conflicts in northeast Africa and the Red Sea region in general.

Given the change in the structure of international power that these and many other dynamics reveal, *the recent drop in the dollar's position as a reserve currency should be analyzed in geostrategic terms*, not just in terms of the traditional economic, financial, and monetary metrics, with the expectation or assumption that past patterns will be repeated. The two previous episodes when the dollar's share of global reserves slid significantly occurred during periods (late 1970s-early 1990s and the 2000s) in which the U.S. was the undisputed hegemon in both geopolitical and geoeconomic terms (within the West during the Cold War and globally after 1990). Today, however,

32. See Nima Khorrami, "INSTC: Pipeline Dream or a Counterweight to Western Sanctions and China's BRI?" The Diplomat, June 21, 2023 (https://thediplomat.com/2023/06/instc-pipeline-dream-or-a-counterweight-to-western-sanctions-and-chinas-bri/) and Insights on India, "India-Middle East-East Europe Economic Corridor (IMEE-EC)" September 12, 2023 (https://www.insightsonindia.com/2023/09/12/india-middle-east-europe-economic-corridor-imee-ec/)

33. Victor Sanjinez, Han Huang and Andrew London, "China and Russia: a friendship with 'no limits'", South China Morning Post, March 28, 2023 (https://multimedia.scmp.com/infographics/news/china/article/3214426/china-russia/index.html)

34. See the Ministry of Foreign Affairs of the Russian Federation, "The Concept of the Foreign Policy of the Russian Federation", March 31, 2023 (https://mid.ru/en/foreign_policy/fundamental_documents/1860586/); and the Ministry of Foreign Affairs of the People's Republic of China, "Proposal of the People's Republic of China on the Reform and Development of Global Governance", Xinhua, 13, 2023 (https://english.news.cn/20230913/edf2514b79a34bf6812a1c372dcdfc1b/c.html)

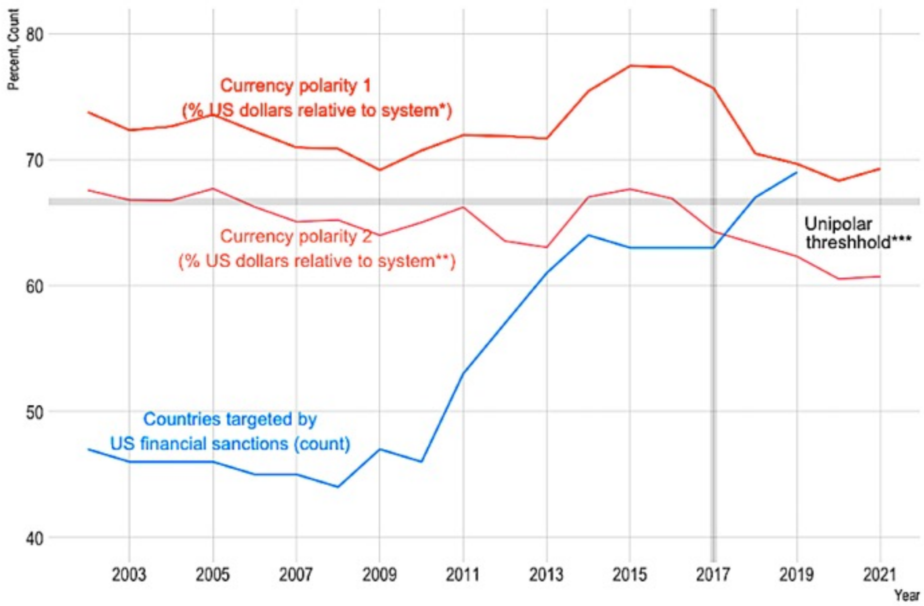
35. See Zbigniew Brzezinski, *The Grand Chessboard: American Primacy and Its Geostrategic Imperatives,* Basic Books, 1997 (ISBN 0-465-02725-3).

the U.S. has lost its unipolar hegemony in many aspects of the geoeconomic plane of power, and intensifying geoeconomic competition has become the norm. The tri-continental coalition of the rest, led by the BRICS Plus has far more momentum, diplomatic influence and geoeconomic weight than any previous potential challenge to any aspect of U.S. unipolar hegemony. If the dollar's reserve position continues to fall further below 60% (generally considered the unipolar currency order threshold)[36], it could mean something far more significant than it did during the 1970s-1990s or the 2000s.

Those that analytical defend the staying power of dollar hegemony seem to assume that the current structure of the asymmetric global monetary network is something of a permanent feature, immune to change, even in the face of the emergence of economic multipolarity and the new strategic realignment underway. But the increasing use of economic and financial sanctions by the U.S. and the E.U. has now motivated scores of countries in Eurasia and the Southern Atlantic to seek alternative currency arrangements to the dollar—a strategic motive that can help compensate for the initial and expected structural weakness of a new currency challenger (either the renminbi or a BRICS currency).

Figure 2

Currency Polarity[37] and Financial Sanctions, 2003-21




Source: Carla Norrlöf, based on IMF data (see footnote 17)

In the end, the consensus tends to downplay the ultimate impacts of a *geostrategically-induced change* in the networked structure of the monetary map that could come if a progressively larger amounts of global trade and finance is settled using a potentially multi-continental currency like that of the BRICS Plus. Moreover, nor does the consensus acknowledge the potential impacts of Saudi

36. "Unipolar threshold represents the minimum US dollar share of the system in order for the US dollar to be considered a unipolar currency, accounting for two-thirds of the system's reserves." See Carla Norrlöf, "Under the Radar: Alternative Payment Systems and the National Security Impacts of Their Growth", Testimony before the U.S. House of Representatives Committee on Financial Services Subcommittee on National Security, International Development and Monetary Policy, September 17, 2022 (https://docs.house.gov/meetings/BA/BA10/20220920/115144/HHRG-117-BA10-Wstate-NorrlfC-20220920.pdf)

37. The first measure of polarity is the share of reserves held in US dollars relative to the reserves held in the currencies of the core major issuers (the USA, Euro-zone and Japan) and in US dollars. The second measure of polarity is the share of reserves held in US dollars relative to the reserves held in all reserve majors including US dollars.

Arabia engaging in strategic hedging through at least partial strategic and policy realignment[38].

It has been argued that the global oil market represents only a small share of global GDP and therefore the end of the petrodollar pact would not threaten dollar hegemony. However, given that the BRICS dominate global commodities markets, an end to the petrodollar pact would be complemented by the de-dollarization of much of commodity trade. In this sense, the position of the dollar would become more vulnerable if Saudi Arabia joins the BRICS and the SCO (for economic and security reasons) and ends its long-standing policy of pricing the oil business only in U.S. dollars. Finally, there is also the potential impact of a parallel restructuring of the map of monetary power that could occur as a result of national currencies becoming digital, and the synergistic effects that national digital currencies might have with the creation of a BRICS Plus currency over time.

For the moment, the BRICS currency remains an idea. Initial conceptions probably limit the 'currency' (or de-dollarized payments mechanism) to the facilitation of trade among the BRICS-sphere in a currency other than the dollar. With time, however, use of the currency could deepen into cross-border investment, finance, and credit (in both the private and public spheres). One of the first secondary developments that could push the BRICS currency further in its challenge to the dollar would be the creation of any kind of BRICS bond. Moving forward with other supporting aspects of the currency's architecture, including the Contingency Reserves Agreement, central bank swap mechanisms, and the Payments and Settlements systems, would provide any currency project with further stimulus.

Moreover, some analysts already see a new currency regime emerging out of the current geostrategic alignment that is being provoked by evolving multilayered multipolarity, one that would be compatible with complementary efforts by the BRICS: a nascent 'multicurrency-energy pricing-net gold settlement system'.[39] China has begun to offer Saudi Arabia and other Middle East oil and gas exporters a replacement for the old US-Saudi Petrodollar agreement. Paradoxically, the embryonic arrangement also harkens back to the dollar-gold standard of the Bretton Woods exchange rate regime before Nixon and Kissinger ended dollar-gold convertibility and then withdrew from the system altogether.

First, China has offered to pay for their oil and gas imports in renminbi instead of dollars (as an alternative to the very similar petrodollar system). Second, in return for accepting renminbi and accumulating renminbi reserves, China is providing such oil and gas producers with useful development, infrastructure and technology goods in order to absorb and recycle much of their accumulated renminbi surpluses generated from their energy exports to China (as with the U.S. Marshall Plan in Europe at the dawn of the original Bretton Woods regime). Third, for any excess surpluses of renminbi that such exporters would rather not retain and hold as reserves, China has begun a budding petro-renminbi recycling circuit that facilitates the settlement of renminbi in physical gold in the markets of Shanghai, Hong Kong and London (reminiscent of the original Bretton Woods dollar-gold standard).

In a parallel development, China has been reducing its dollar reserves to diversify into gold over the past decade, during which globally held dollar reserves fell by U.S.$600 billion (approximately 5%), and total gold reserves rose by U.S.$300 billion[40]. But the trend has accelerated since the

38. Nader Habibi, "Saudis flirt with 'de-dollarization' to get Washington's attention," Stimson, September 6, 2023 (https://www.stimson.org/2023/saudis-flirt-with-de-dollarization-to-get-washingtons-attention/)

39. Luke Gromen, "Peak Cheap Oil and the Global Reserve Currency," The Great Simplification 91, October 4, 2023 (https://www.youtube.com/watch?v=bIq0o40Jo80)

40. Ibid.

beginning of the sanctions war against Russia, which has also extended to China. Over the course of 2023, China's holding of dollar reserves in the form of U.S. treasury bonds have significantly declined (falling by U.S.$ 117.4 billion), while those of other BRICS partners, including Russia, India and UAE, fell by an additional U.S.$5.5 billion[41]. At the same time, Japan has overtaken China (with approximately $800 billion) as the world's top holder of dollar reserves (now with over $1.1 trillion) and the UK is on track to overtake China if it continues on its downward path.

Such a renminbi-gold standard could also form a pillar of a future BRICS Plus currency; or a hybrid alternative economic, trade and monetary system that does not actually culminate in a common BRICS currency, but rather revolves around the renminbi, in a way compatible with the development of BRICS trade, development, financial and monetary cooperation structures that currently exist or that could be developed in the future. A new renminbi-gold standard, along with a new set of petro-renminbi agreements and increasing trade in local currencies could provide for a proxy to a neutral global reserve currency. Countries with net current account surpluses can use renminbi for importing manufactured, infrastructure and technology goods from China for their own development, or for exchanging into gold to hold as their reserves.

Should the global unipolar supremacy of the dollar ever be seriously challenged by any new currency or alternative currency regime, the largely invisible monetary and economic advantages conferred to the U.S. will begin to dissipate. The 'exorbitant privilege' manifests itself as a significant, elastic macroeconomic flexibility that allows the U.S. to avoid painful policies that are typically required for countries to redress external and internal imbalances (such as very large and growing trade and budget deficits). This allows Americans to continue to spend increasingly beyond their national income through growing international indebtedness in their own currency, and to displace the burden of adjustment for such imbalances onto other countries.

Such flexibility also allows U.S. monetary authorities to exercise 'benign neglect' over the dollar's exchange rate, as its movements in both directions can support dollar hegemony by destabilizing other economies more than the U.S. economy, generating the 'safe have' effect of wealth and reserves seeking the safety of US financial markets (the epitome of a geoeconomic policy tool employed to exploit the asymmetric interdependencies that define the potential geostrategic power of a network hegemon). This capacity to spend and borrow—without being held in check (let alone severely punished) by international capital markets with higher interest rates—has also been channeled relatively efficiently and effectively into U.S. military strength, which continues to aspire to global 'full spectrum dominance' at a total cost of around one trillion dollars a year[42]. Military strength enables the enduring geostrategic resilience of the hard power hegemon, even as its relative predominance begins to erode.

The United States has enjoyed these hidden but real benefits[43] of monetary power since the Second World War, in good times and bad. They have cushioned the country's domestic reality from the external shocks that its own periodic economic and political unilateralism increasingly provoked over the long decades since the creation of the UN. Should the 'exorbitant privilege' begin to slip

41. "BRICS Countries Dump $123 Billion in U.S. Treasuries in 2023", Fisher Capital, July 2023 (https://www.fishercapitalgroup.com/brics-countries-dump-123-billion-in-u-s-treasuries-in-2023)

42. If, in addition to the U.S. military budget, those of the intelligence agencies are also counted.

43. "The dollar is the only truly global currency in the world, and is widely used for transactions, pricing, settlement, and investment by governments and private actors outside the United States. These roles offer the United States economic, political, and social privileges. Economically, Americans benefit from the ease and convenience of transacting in dollars, from seigniorage, monetary flexibility, and safe-haven benefits in times crisis. Politically, the dollar offers the United States a non-military instrument of coercion with which to police international order. Socially, the United States gains status and prestige. Preserving the dollar's status as the global currency is therefore in the United States' interest, and potentially in other countries' interest." Carla Norrlöf, "Dollar dominance: Preserving the US dollar's status as the global reserve currency", Atlantic Council, June 8, 2023 (https://www.atlanticcouncil.org/commentary/testimony/dollar-dominance-preserving-the-us-dollars-status-as-the-global-reserve-currency/)

away to the 'multipolar alliance' of the Rest, economic pressures will increase on a U.S. population already suffering from deteriorating working and social conditions, and an increasingly unequal distribution of wealth and income, in a context of mounting domestic political polarization, social strife, constitutional instability, and technological vertigo.

Similar, if more limited, amplifying effects might also be felt in the euro zone, where nationalism and right-wing political forces are on the rise in the wake of the direct and indirect impacts of the trade wars of the Trump era, the pandemic, the war in Ukraine, and the multiple packages of sanctions against Russia and their economic consequences in Europe. These factors have made many European societies increasingly turbulent and fragile[44]. Moreover, the current tight strategic unity of the 'transatlantic relationship' could begin to fray, depending on how the Ukraine war develops and how internally damaging and divisive the impacts of the war and sanctions turn out to be in both Europe and North America. U.S. foreign policy, especially with respect to Europe and NATO, might also shift after the coming presidential election in November 2024 in a way that once again plants a rift across the Northern Atlantic. Diverging attitudes towards the October 2023 conflict in Israel and Gaza could also contribute to a new 'transatlantic drift'. An intensification of monetary competition over the coming years will only increase the risks for the cohesion of the Western coalition.

For now, presumption lies with the *status quo* of unipolar dollar hegemony. But it is increasingly vulnerable in strategic terms, as the BRICS at least begin a strategic quest to de-dollarize their economies and trade interactions. Still, even acknowledging that the material circumstances might not yet be ripe for such a world-historic change, for the first time a potential medium-term threat to dollar hegemony has now appeared on the strategic horizon. However low the probabilities of a BRICS currency ever challenging the dollar might be, the scenario exhibits the 'high impact' characteristic of a 'black swan' event.

"For the first time since the collapse of the Bretton Woods gold standard, we are seeing a systemic limit on the dollar centered economic order and US foreign policy", warned Carla Norrlöf of the Atlantic Council in her recent testimony to the U.S. congress on preserving the US dollar's status as a global reserve currency. "To preserve the existing currency hierarchy and limit the long-term trend towards currency multipolarity, the United States must adopt sound economic policies and use economic statecraft to promote the public good of international order from which most countries stand to benefit. The United States cannot afford to alienate key allies, or a large portion of the international community, and simultaneously preserve the unipolar dollar era over the long term"[45]. Of course, monetary competition is not the only geostrategic vehicle for developing a 'multilayered lopsided bipolarity' capable of placing constraints on the West, even if only for pressuring the Northern Atlantic into allowing for the reform of the UN Security Council and the Bretton Woods institutions. There are other fields of geoeconomic power, including renewable energy, critical minerals, infrastructure, migration, diasporan policy, and technological power, in which the coalition of the Rest and the broad BRICS Plus could more directly, quickly, and feasibly rival and challenge Northern Atlantic dominance.

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44. Jeremy Warner, "Sanctions are damaging Europe as much as Putin," The Telegraph, September 6, 2023 (https://www.telegraph.co.uk/business/2023/09/06/european-sanctions-on-putin-damage-europe/)

45. Carla Norrlöf, op. cit.

# THE STRATEGIC SIGNIFICANCE OF PAN-ATLANTIC COOPERATION FOR THE REST

In conclusion, the strategic significance of the Atlantic Basin will continue to rise from the perspective of the coalition of the Rest, and especially of Eurasia. Pan-Atlantic cooperation is of strategic importance for the BRICS because it could either help or hinder their strategic objectives, such as the reform of the global governance system, including its monetary regime. Even if it does not formally address regional security or governance issues, pan-Atlantic cooperation (as proposed by the Partnership for Atlantic Cooperation) could hinder BRICS objectives by potentially exerting a strategic gravity that gradually pulls many Southern Atlantic countries closer to the West. Such a development could lead to the 'neoclassical' bipolar scenario outlined in Policy Paper Two in this series. This specific form of a potential bipolar character to the international structure of power would be comprised of an Atlantic Basin geopolitical region (linked to the Pacific partners in the Western coalition) facing off against a Eurasian bloc (linked to certain countries in the Southern Atlantic which attempt to employ geostrategic hedging by embracing both pan-Atlantic cooperative relations and the BRICS-sphere).

Widely embraced pan-Atlantic cooperation could potentially undermine the possibility for a scenario of 'lopsided bipolarity' to develop, in which the maximal expression of the BRICS-sphere faces off with the Northern Atlantic Plus in its current form. In the balance between these two potential bipolar structures is the relative diplomatic and geostrategic influence of Eurasia in promoting a reform of the current global order – or a new order. On the other hand, the Partnership for Atlantic Cooperation could actually serve BRICS Plus strategic objectives, if Southern Atlantic countries can wield influence over the Northern Atlantic as a result of their pan-Atlantic engagement and nudge the Western coalition toward a compromise over the reform of the current global governance system. This potential for this outcome (to be explored more in our next Policy Paper) depends on whether leading countries of the Southern Atlantic (Brazil? Argentina? South Africa? Nigeria? Senegal? Morocco? CARICOM? OECS?) are willing and able, ultimately, to engage in strategic hedging in pursuit of the objective of reforming the global order.

Whether the future between the Northern Atlantic, on the one hand, and Eurasia and the rest of the BRICS-sphere, on the other, is to be cooperative or conflictive, the strategic significance of the Atlantic Basin will continue to rise for both blocs. However, it is not just that the Southern Atlantic represents the key; in the end, the Southern Atlantic countries collectively hold the key.

## About the Author, Paul Isbell

Paul Isbell is an Affiliate Professor at Mohammed VI Polytechnic University.

He is a non-resident Senior Fellow at the Transatlantic Leadership Network in Washington, D.C. He was an adjunct professor at the School of Global and Public Affairs of IE University in Madrid (2019-2022) where he teached energy, environmental governance and policy, the political economy of climate change, and global political economy.

Previously he was the Calouste Gulbenkian Foundation Fellow and the CAF Energy Fellow at the Center for Transatlantic Relations, Johns Hopkins University SAIS. Prior to that he was a Senior Research Analyst at the Elcano Royal Institute in Madrid where, over the years, he was Senior Fellow for International Economy, the founder and director of the Energy and Climate Change Program, and a Senior Research Associate dedicated to US-Spain bilateral relations. He was an economic analyst for emerging market economies and currencies at Banco Santander and has taught at the undergraduate and graduate level at 14 universities on all Atlantic Basin continents. More recently he has been a climate change consultant for the World Resource Institute on land restoration in Latin America (WRI) and an energy and climate change consultant for the Inter-American Development Bank on low carbon transition.

Pr. Isbell is the author of Energy and the Atlantic: The Shifting Energy Landscapes of the Atlantic Basin (2012); co-author and editor of The Future of Energy in the Atlantic Basin (2015), and of Energy and Transportation in the Atlantic Basin (2017). He received a bachelor's degree in international economics from Georgetown University's School of Foreign Service and a master's degree from the University of Dar es Salaam.

## About the Policy Center for the New South

The Policy Center for the New South: A public good for strengthening public policy. The Policy Center for the New South (PCNS) is a Moroccan think tank tasked with the mission of contributing to the improvement of international, economic and social public policies that challenge Morocco and Africa as integral parts of the Global South.

The PCNS advocates the concept of an open, responsible and proactive « new South »; a South that defines its own narratives, as well as the mental maps around the Mediterranean and South Atlantic basins, within the framework of an open relationship with the rest of the world. Through its work, the think tank aims to support the development of public policies in Africa and to give experts from the South a voice in the geopolitical developments that concern them. This positioning, based on dialogue and partnerships, consists in cultivating African expertise and excellence, capable of contributing to the diagnosis and solutions to African challenges.



**Policy Center for the New South**

Rabat Campus of Mohammed VI Polytechnic University, Rocade Rabat Salé - 11103
Email : contact@policycenter.ma
Phone : +212 (0) 537 54 04 04 / Fax : +212 (0) 537 71 31 54
Website : www.policycenter.ma

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