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Course of **International Relations**

**Expansion of the BRICS: the Global South's
Desire for a New Economic World Order**

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Abstract

The announcement of the expansion of the BRICS in August of 2023, adding Argentina, Egypt, the United Arab Emirates, Saudi Arabia, Ethiopia, and Iran, set off a flurry of speculation about the consequences for the West and the US-led liberal world order. Now, the BRICS+ represents a coalition of some of the most important emerging economies from the Global South that rival the G7. The BRICS is a crucial area of investigation to understand the shifting geopolitical tectonic plates currently shaping international relations. Over 34 additional countries have publicly expressed interest or applied to join the BRICS. This study analyzes the reasons behind some Global South country's attraction to the BRICS. Three similar case studies with different outcomes connected to the most recent BRICS expansion are utilized: Ethiopia as a new member, Saudi Arabia, which is hesitating to become a member, and Argentina, which has reversed course and rejected its membership. Three hypothesized explanations for interest in joining the BRICS are tested in each case study. A cross-case comparative analysis is applied to test the hypotheses. The findings demonstrate a positive association between a Global South country's (1) desire to utilize an alternative currency to the dollar, (2) employment of an alternative economic model to neoliberalism, and (3) dissatisfaction with the IMF or World Bank and its interest in joining the BRICS. High levels of all three were found in each case study except for (3) dissatisfaction with the Bretton Woods institutions in Saudi Arabia, providing insight into its hesitation to join the BRICS+. Argentina, under the leadership of Alberto Fernández, was consistent with the hypotheses, and the Javier Milei administration, which rejected BRICS membership, has pursued the opposite policies in antithesis to the hypotheses, further strengthening the findings of this study.

Chapter One: Introduction to the BRICS+ Study

1.1.1 Contextualization

With the conclusion of the 15th BRICS summit in Johannesburg, South Africa, in August 2023, six new states were officially invited to join the bloc. Their membership took effect on January 1st, 2024. The four new countries that formally joined the bloc include Egypt, Iran, the United Arab Emirates, and Ethiopia, while the fifth, Saudi Arabia, is still making considerations before joining, and the sixth, Argentina, announced it would not be joining after the newly elected far-right president and self-described ‘anarco-capitalist,’ Javier Milei reversed the decision.¹ With these new members, BRICS+ represents more than 45% of the world's population and nearly 36% of the global gross domestic product (GDP) adjusted to purchasing power parity (PPP).² Additionally, South African Foreign Minister Naledi Pandor has stated that 34 other states have officially applied or indicated an interest in joining the BRICS+ bloc.³

It all started in 2006 when some large developing countries first began meeting informally on the sidelines of the 61st United Nations General Assembly that year. Three years thereafter, an informal intergovernmental organization was formed. What is now recognized as BRICS+ was initially founded as BRIC (Brazil, Russia, India, and China) at their first summit in 2009 in Yekaterinburg, Russia. The ‘BRIC’ acronym was coined in 2001 by the Goldman Sachs

¹ Soltys, Martin. “Diana Mondino Says Argentina Will Not Join BRICS under Milei Government.” Buenos Aires Times, November 30, 2023.

<https://www.batimes.com.ar/news/argentina/diana-mondino-confirms-argentina-will-not-join-brics.phtml>.

² Henley & Partners. “The BRICS Wealth Report: Challenging the Global Economic Order.” Henley & Partners, January 30, 2024. <https://www.henleyglobal.com/newsroom/press-releases/brics-wealth-report-2024>

³ McCarthy, Simone. “BRICS: South Africa Says Countries Are Clamoring to Join the China and Russia-Backed Group.” CNN, February 1, 2024.

<https://edition.cnn.com/2024/02/01/china/brics-membership-applications-china-russia-intl-hnk/index.html>.

economist Jim O'Neill when he made predictions about the growth of these four economies, stating that they would dominate the global economy by 2050.⁴

In 2011, the BRIC underwent its first expansion and added South Africa as a new member, thus changing the acronym to the version largely known today: BRICS.

The expansion of the BRICS has not been perceived the same around the world. On August 28, 2023, the President of France, Emmanuel Macron, made an alarming remark to French ambassadors regarding BRICS expansion: “This shows a wish to establish an alternative order to replace what we call the world order, which today is seen as too Western”⁵

From its inception, the BRICS outlined a commitment to promoting trade and economic cooperation among emerging market economies and developing countries while reshaping the world order into a multipolar one and seeking a new global reserve currency as an alternative to the dominance of the United States (US) dollar.

Steps in this direction, financially speaking, were taken at the 2012 BRICS summit in New Delhi, India, when the five member countries proposed the creation of a new international development bank. The creation of the BRICS New Development Bank (NDB) was rooted in a criticism of financial institutions such as the International Monetary Fund (IMF) and the World Bank.

NDB operations began in 2014 with 100 billion dollars of pooled capital amongst each member state of the BRICS, with each holding an equal stake in the bank's assets and

⁴ Kenny, Miles. “BRICS Intergovernmental Organization.” Encyclopædia Britannica, April 11, 2024. <https://www.britannica.com/topic/BRICS>.

⁵ Macron, Emmanuel. “Conférence Des Ambassadrices et Des Ambassadeurs : Le Discours Du Président Emmanuel Macron.” elysee.fr, August 28, 2023. <https://www.elysee.fr/emmanuel-macron/2023/08/28/conference-des-ambassadrices-et-des-ambassadeurs-le-discours-du-president-emmanuel-macron>.

contributing the same share of money. Although one of the stated goals of the NDB, currently chaired by former Brazilian President Dilma Rousseff, was to create a common BRICS currency, no concrete actions have been taken to achieve this.

No doubt, the expanding BRICS+ bloc is becoming a powerful force within the global economy and international relations, highlighting Emmanuel Macron's concern.

Amid the expansion of BRICS, there is a notable crisis of the Liberal World Order (LWO)- the 'rules-based system' that originates from the Bretton Woods conference in 1944 that set up the post-World War Two (WW2) global institutional architecture championed by the United States. Emerging from Bretton Woods came the International Monetary Fund (IMF), the World Bank (WB), the foundational origins of the General Agreement on Tariffs and Trade (GATT), which later became the World Trade Organization in 1995, and the pegging of the US dollar to the gold standard to become the world reserve currency.

However, the LWO is not strictly economical; rather, it is a sprawling world system with deeply rooted social, legal, security, financial, and economic structures and norms. Some other institutions that make up the LWO include the United Nations, the International Court of Justice (ICJ), the North Atlantic Treaty Organization (NATO), and the Security Council.

Although the Bretton Woods system collapsed in 1971 when US President Richard Nixon announced that the dollar would no longer be pegged to the gold standard, institutions such as the IMF, WB, WTO, and, more generally, the US-led LWO live on.

Across Western media outlets, numerous articles with bleak predictions about the LWO have been published. Stark titles such as '*The Collapse of the Liberal World Order*'⁶ in Foreign

⁶ Walt, Stephen M. "The Collapse of the Liberal World Order." *Foreign Policy*, June 26, 2016. <https://foreignpolicy.com/2016/06/26/the-collapse-of-the-liberal-world-order-european-union-brexit-donald-trump/>.

Policy magazine or ‘*The demise of the global liberal order*’⁷ by the International Institute for Strategic Studies paint a dismal picture of the US-led LWO.

Since the fall of the Soviet Union and the subsequent shift from a bipolar world system to a unipolar world system, the LWO has largely dominated every corner of the globe, sparking authors like Francis Fukuyama to write about the end of history due to the triumphant victory of liberalism, particularly liberal democracy.⁸

The US unipolar moment also increased the spread of neoliberalism around the world. The spread started in the 1970s and accelerated in the 1980s and 1990s. Neoliberalism is primarily an economic philosophy that advocates for free market policies and a laissez-faire, hands-off, government approach to the economy, mainly coming out of the Chicago School of Economics and from its pioneer Milton Friedman.⁹ US President Ronald Reagan and United Kingdom Prime Minister Margeret Thatcher were some of the biggest advocates of neoliberal policies through Reaganomics and Thatcherism.¹⁰ The rise of neoliberalism globally marked a departure from Keynesian economic policy that advocated for an active state regulating fiscal policy, particularly during recessions.¹¹

The first major legitimacy crisis of the LWO followed the financial crash of 2007 to 2009 due to the collapse of the US housing market, resulting in the most significant economic

⁷ Guillén, Mauro. “The Demise of the Global Liberal Order.” International Institute for Strategic Studies, January 17, 2019. <https://www.iiss.org/online-analysis/survival-online//2019/01/demise-of-the-global-liberal-order>.

⁸ Fukuyama, Francis. *The End of History and the Last Man*. Free Press, 1992.

⁹ Metcalf, Stephen. “Neoliberalism: The Idea That Swallowed the World.” *The Guardian*, August 18, 2017. <https://www.theguardian.com/news/2017/aug/18/neoliberalism-the-idea-that-changed-the-world>.

¹⁰ Steger, Manfred B., and Ravi K. Roy. “First-wave Neoliberalism in the 1980s: Reaganomics and Thatcherism.” In *Neoliberalism: A Very Short Introduction*, 1st ed. Very Short Introductions. Oxford, 2010; online ed., Oxford Academic, September 24, 2013. <https://doi.org/10.1093/actrade/9780199560516.003.0002>.

¹¹ Palley, Thomas I. *From Keynesianism to Neoliberalism: Shifting Paradigms in Economics*, April 2005. https://www.researchgate.net/publication/241645271_From_Keynesianism_to_Neoliberalism_Shifting_Paradigms_in_Economics.

consequences felt around the world since the Great Depression.¹² Deregulation of the US financial markets and banking system in the 1980s during the presidency of Ronald Reagan, a policy feature generally associated with neoliberal economics, is pointed to as a significant contributor to the economic crisis that unfolded.¹³

Other events and factors also signal that the LWO is in crisis. The backlash from losers of neoliberal globalization has fueled right-wing populism in the global north and left-wing populism, mainly in Latin America. Additionally, the rise of multipolarity in interstate power relations is weakening the hegemonic status of the United States and the LWO it leads. Some of those rising powers are the very same BRICS+ member countries, including China, Russia, and India.

Although the LWO is in Crisis, it is still debated whether the BRICS+ could become a cohesive bloc that could impact the US-led LWO. The bloc remains an amorphous and noninstitutionalized group, and significant differences between the BRICS+ countries could prevent a cohesive economic or political agenda.

India's membership along with Japan, Australia, and the US in the QUAD, an informal security alliance designed to counter China,¹⁴ highlights one such divergence of interests. Additionally, tensions between Saudi Arabia and Iran or between Egypt and Ethiopia could cause difficulty in building consensus and common aims.

¹² Duignan, Brian. "Financial Crisis of 2007–08." *Encyclopædia Britannica*. Accessed April 7, 2024. <https://www.britannica.com/money/financial-crisis-of-2007-2008>.

¹³ Crotty, James. "Structural Causes of the Global Financial Crisis: A Critical Assessment of the 'New Financial Architecture.'" *Cambridge Journal of Economics* 33, no. 4 (2009): 563–80. <http://www.jstor.org/stable/23601988>.

¹⁴ Rossiter, Ash, and Brendon J. Cannon. *Quad in the Indo-Pacific: Role of Informality in Countering China*, February 7, 2023. <https://isdpa.eu/content/uploads/2023/02/Brief-Feb-7-2023-Quad-final-Ash-Rossiter-Brendon-J.-Cannon.pdf>.

Political Science professor Mohammed Nuruzzaman indicates in his article ‘*Why BRICS Is No Threat to the Post-war Liberal World Order*’ that this ideological heterogeneity and lack of cohesion among the BRICS members is the reason why there is no real threat posed by the BRICS to the LWO, rebutting Western policymakers and analysts.¹⁵

That is probably why author and Professor Siphamandla Zondi argues in ‘*The Political Economy of Intra-BRICS Cooperation*’ that the next phase of BRICS development will require strengthening internal cohesion and cooperation to facilitate coordinated policy. In the absence of central institutions, intra-BRICS cooperation is crucial for the success of any impactful agenda the bloc may pursue.¹⁶

BRICS+ countries have shown a consistent shared non-alignment with the U.S. on major geopolitical conflicts such as the Russian war in Ukraine. In two similar United Nations General Assembly resolutions condemning Russia’s invasion of Ukraine and calling for a withdrawal of troops, India, South Africa, China, and Iran abstained from the vote.¹⁷ While other BRICS+ countries voted in favor of condemning Russia, they have refused to follow the West and their allies, South Korea and Japan, in applying sanctions on Russia or supplying military aid to Ukraine.¹⁸

Zondi, however, cautions that the BRICS should not be understood as an anti-western bloc led by a supposed China-Russia axis. An antagonistic Cold War framework for understanding the BRICS+ is reductionist. More telling are the parallels between the BRICS and

¹⁵ Nuruzzaman, Mohammed. “Why Brics Is No Threat to the Post-War Liberal World Order.” *International Studies*, December 2019. <https://journals.sagepub.com/doi/pdf/10.1177/0020881719884449>.

¹⁶ Zondi, Siphamandla. *The Political Economy of intra-brics cooperation: Challenges and prospects*. Palgrave Macmillan Cham, 2022.

¹⁷ Masih, Niha. U.N. resolution to end Ukraine War: How countries voted and who abstained, February 24, 2023. <https://www.washingtonpost.com/world/2023/02/24/un-ukraine-resolution-vote-countries/>.

¹⁸ “Ukraine Support Tracker - A Database of Military, Financial and Humanitarian Aid to Ukraine.” *Ukraine Support Tracker*, October 31, 2023. <https://www.ifw-kiel.de/topics/war-against-ukraine/ukraine-support-tracker/>.

the Group of 77 (G77) or the New International Economic Order (NIEO) proposal. The G77, founded in 1964 by developing countries that were non-aligned during the Cold War between the USA and the Soviet Union, aimed to create a united coalition to promote their economic interests and collective bargaining power,¹⁹ similar to what the BRICS+ is doing today. On the other hand, the NEIO, often promoted by the G77, was a proposal for a new global economic system that would decrease inequities and inequalities while ending dependency for developing countries on former colonial powers.²⁰ The United Nations General Assembly (UNGA) adopted the declaration for the establishment of a NEIO in 1974. BRICS+ echoes these same desires from the 20th century to promote the economic interests of countries of the Global South- referring not just to the hemispheric South but to those decolonized developing countries in distinction to the old colonial powers in the Global North.²¹

The scope of analyzing the impact of the expanding BRICS+ on the entire world system that the LWO represents is too large. Therefore, this study will limit the scope of its research to understand why some countries from the Global South are interested in joining the BRICS and then explore the possible implications of the findings for the LWO. The aim is to establish the drivers and conditions under which some Global South countries decide to want to join the BRICS. To do so, this paper will focus on three cases related to the most recent expansion of the BRICS. The three cases include the following: Ethiopia as a new member state of the BRICS, Saudi Arabia as an officially invited member but hesitating to join officially, and lastly,

¹⁹ “What Is the G77 and Why Does It Matter?” World Economic Forum, September 29, 2023. <https://www.weforum.org/agenda/2023/09/g77-intergovernmental-developing-countries/>.

²⁰ Singer, H. W. “The New International Economic Order: An Overview.” *The Journal of Modern African Studies* 16, no. 4 (1978): 539–48. <http://www.jstor.org/stable/159630>.

²¹ Haug, Sebastian. “What or Where Is the ‘Global South’? A Social Science Perspective.” *London School of Economics Blog*, September 28, 2021. <https://blogs.lse.ac.uk/impactofsocialsciences/2021/09/28/what-or-where-is-the-global-south-a-social-science-perspective/>.

Argentina, as a divergent case, which was going to join the BRICS but under new government leadership decided to change course and refuse its membership.

Understanding the reasons behind the attraction or, in the case of Argentina, rejection of these three developing countries towards the BRICS will help shed light on the shifting geopolitical tectonic plates unfolding, particularly in the Global South.

1.2.1 Introduction to the Theoretical Framework

In order to understand why some Global South countries are interested in joining the BRICS, this study will use a qualitative research methodology of comparative most similar cross-case analysis.

As mentioned previously, over 34 developing countries have expressed interest in joining the BRICS, including Algeria, Bolivia, Indonesia, Cuba, Thailand, the Democratic Republic of the Congo, Venezuela, Morocco, Bangladesh, Comoros, Vietnam, Gabon, Nigeria, Türkiye, Belarus, Kazakhstan, and others. On the other hand, six countries were invited to join in 2023: the United Arab Emirates, Iran, Egypt, Saudi Arabia, Argentina, and Ethiopia. Of those six, four have become full members of the BRICS+, while Saudi Arabia hesitates before officially joining, and Argentina has outright reversed course and withdrawn its accession to membership.

Three countries that were invited to join in 2023 will be analyzed as case studies to understand why they were attracted to the BRICS. The three selected countries are from different regions of the world with different cultural contexts to control for the impact of a heterogeneous culture on this study's results.

The first case study that this study will look at is Ethiopia from Africa, an example of a country that was part of the new wave of admission to BRICS+ membership in 2024. The second case study will examine Saudi Arabia's interest in BRICS+ membership and attempt to understand why it hesitates to join as a partially deviant case from the Middle East. Lastly, the South American country of Argentina will be analyzed as a deviant case study to unpack why Argentina no longer wants to join the BRICS+. Thereafter, these three case studies will be compared to discover if the findings of this analysis prove an association between the independent variables that explain the dependent variable: a Global South country's attraction to the BRICS.

The rest of the Theoretical Framework section aims to identify the independent variables of this equation, which may have explanatory power for the significant attraction to the BRICS. This will be done by carefully analyzing the literature in this field and formulating hypotheses about why some countries in the Global South are interested in joining the BRICS.

1.2.2 Hypotheses on Why Some Global South Countries are Attracted to the BRICS

On August 31st, 2023, an article was published in the Council on Foreign Relations (CFR) titled: *'The BRICS Summit 2023: Seeking an Alternate World Order?'* The article explored the possible impacts of the expansion of the BRICS at the 2023 Johannesburg summit. Attraction to the BRICS was indicated to be because of "the West's proclivity to deploy unilateral financial sanctions, abuse international payments mechanisms, renege on climate

finance commitments, and accord scant respect to food security and health imperatives of the Global South during the pandemic...’’²²

The authors of the aforementioned article clearly state that there is a connection between Western actions and the attraction to the BRICS. Dissatisfaction among Global South countries with the West, particularly its dominance in the global financial system, is widespread. However, this does not necessarily explain why developing countries are attracted to the BRICS.

The possible alternative that the BRICS represent is more enchanting than the typical Western-dominated financial state of affairs. The BRICS+ have clearly demonstrated that they are interested in changing the global financial and trading systems and, more generally, altering international economic governance. For example, there has been a lot of discussion about creating a common BRICS currency that would challenge the primacy of the US dollar. Establishing the New Development Bank, sometimes called the BRICS bank, was the first step in that direction. However, the hype surrounding this common currency may be impractical and premature.

Trading in national currencies, on the other hand, is becoming a reality. In August of 2023, India and the United Arab Emirates completed a rupee-designated oil transaction for the first time.²³ Although a seemingly small act, it represents a break in the normal petrodollar arrangement that has prevailed since 1973 and signals to other major commodity exporters and importers that they can attempt to reduce their dependence on the dollar as well. For countries, particularly those that have been affected by sanctions or embargoes, such as Russia, a founding

²²Global Memo. "The BRICS Summit 2023: Seeking an Alternate World Order?" Council on Foreign Relations. Council on Foreign Relations, August 31, 2023.

www.cfr.org/councilofcouncils/global-memos/brics-summit-2023-seeking-alternate-world-order.

²³Babu, Juby, and Nidhi Verma. "India Makes First Crude Oil Payment to UAE in Indian Rupees | Reuters." Reuters, August 14, 2023.

<https://www.reuters.com/business/energy/india-makes-first-crude-oil-payment-uae-indian-rupees-2023-08-14/>.

member of the BRIC, Cuba, and Venezuela, two countries interested in joining the BRICS+, this is an attractive trend. Thus, the authors of the CFR article are pointing in the right direction.

This leads to the first hypothesis of this study: Global South countries interested in trading in their own currencies or, more generally, currencies alternative to the dollar are more attracted to joining the BRICS.

The economic benefits of joining the BRICS are also factors that are taken into consideration by developing countries that want to join.

Logan Cochrane and Esmat Zaidan from the College of Public Policy recently released an article in March of 2024 in which they look at the expansion of the BRICS+ and compare it to the G7, called '*Shifting Global Dynamics: an Empirical Analysis of BRICS + Expansion and its Economic, Trade, and Military Implications in the Context of the G7.*' Particularly interesting for this study is Cochrane and Zaidan's analysis of the impact of the BRICS+ expansion on economics and trade compared to the G7. The Macroeconomic data they analyze indicate that there is a relative rise in the BRICS+ and a relative decline in the G7 when measured by purchasing power parity adjusted for gross domestic product and other economic and trade indicators.²⁴

The G7 share of global GDP has steadily declined over the decades from a disproportionate share of over 50% in 1980 to a projected decline reaching 27.8% by 2028. On the other hand, the BRICS + share of global GDP is projected to rise to 37.9% by 2028.²⁵ Cochrane and Zaidan point out that the lion's share of this economic growth comes from China.

²⁴ Cochrane, Logan, and Esmat Zaidan. "Shifting Global Dynamics: An Empirical Analysis of BRICS + Expansion and Its Economic, Trade, and Military Implications in the Context of the G7." *Cogent Social Sciences* 10, no. 1 (2024). doi:10.1080/23311886.2024.2333422.

²⁵ International Monetary Fund. (2023). GDP based on PPP. Percent Share of World <https://www.imf.org/external/datamapper/PPPSH@WEO/OEMDC/ADVEC/WEOWORLD>

To highlight this unprecedented growth, they mention that in 1980, China only had 2.3% of the global share of GDP, and in 2028, it is projected to hold 19.6% alone and account for about half of the projected BRICS + global GDP share in 2028. Below is a graph that visually illustrates the GDP growth of the BRICS+ compared to the G7 and the rest of the world from

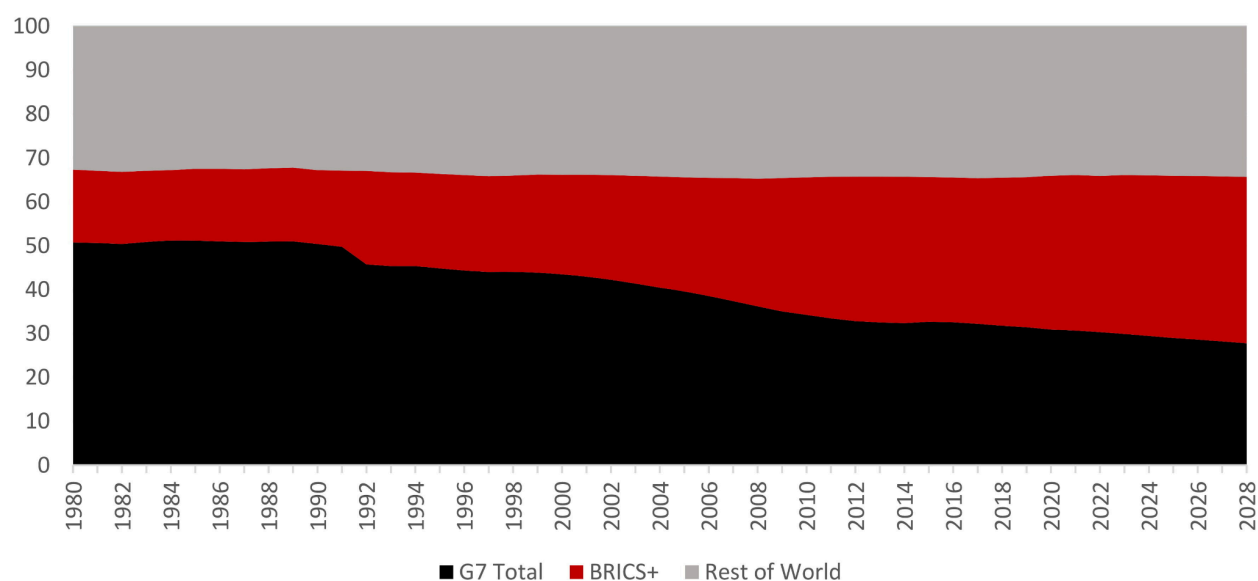


Figure 1: Share of GDP Growth of BRICS+, G7, and Rest of the World *Note: Data for Russia begins after 1992.²⁶

1980 to the projected year of 2028.

The rising economic might of the BRICS+ bloc, particularly China, is a success story that other developing countries would like to mirror. The economic model of growth of the BRICS countries has also diverged from the economic development norms characteristic of the Washington Consensus- a set of economic policies encouraged by the US and the Bretton Woods institutions aimed at neoliberal economic reforms.²⁷ The BRICS countries seem to adhere to a different economic development model.

²⁶ From Cochrane, Logan, and Esmat Zaidan. "Shifting Global Dynamics: An Empirical Analysis of BRICS + Expansion and Its Economic, Trade, and Military Implications in the Context of the G7." *Cogent Social Sciences* 10, no. 1 (2024). doi:10.1080/23311886.2024.2333422. And based on IMF. (2023). GDP based on PPP. Percent Share of World <https://www.imf.org/external/datamapper/PPPSH@WEO/OEMDC/ADVEC/WEOWORLD>

²⁷ Hurt, Stephen R. "Washington Consensus." *Encyclopædia Britannica*. <https://www.britannica.com/money/Washington-consensus>.

In an article titled ‘*The Economic Potential of the BRICS Countries as a Challenge to Modern World Realities*,’ a group of academics position that the BRICS countries have followed a development model closer to import substitution industrialization (ISI) rather than neoliberal development.²⁸ ISI is a form of industrial policy popularized after WW2 that attempts to promote domestic industries through investment and protectionist policies. All BRICS countries at different stages of their industrialization have used ISI in some form or another, which contradicts the Washington Consensus of development through economic liberalization and promoting privatization.

This leads to the second hypothesis of this study: Global South countries that employ or would like to employ an alternative economic model to the Washington Consensus of neoliberal economics are more likely to be attracted to the BRICS.

The BRICS have not just been sidestepping the norms of economic development of the Washington Consensus but also providing new attractive realities for developing countries in the framework of norms of international economic law. Professor of Law Sonia E. Rolland wrote an article titled ‘*The BRICS’ Contributions to the Architecture and Norms of International Economic Law*’ in 2013, exploring the impact of BRICS. Rolland explains that the BRICS have become an alternative voice to the dominant Western voices in international economic law and institutions such as the World Bank, the IMF, and the WTO. BRICS countries have been increasing their shares and votes at these institutions and demanding more flexible investment and trade agreement terms. When it comes to giving aid, China, the biggest economy in the

²⁸ Streltsov, Evgeny Sergeevich, Aleksandr Aleksandrovich Rozhin, Sh. S. Vosiev, and Sergey Nikolaevich Kosnikov. 2021. “The Economic Potential of the Bric Countries As a Challenge to Modern World Realities”. *Propósitos Y Representaciones. Journal of Educational Psychology* 9 (SPE3):e1143. <https://doi.org/10.20511/pyr2021.v9nSPE3.1143>

BRICS, has employed a different approach to traditional neoliberal conditionalities of economic liberalization typically associated with the economic norms of the LWO.²⁹

IMF and World Bank loans, often given to developing countries around the world to help them economically with balance of payments issues, in the case of the IMF, and development projects, in the case of the World Bank, are tied to economic conditionalities known as structural adjustment programs (SPAs). SPAs are a package of policies that include limiting the budget deficit and cutting public spending, reducing government market intervention, deregulation, and privatizing the public sector. These austerity measures have had adverse effects. Countries that have undergone SAPs, which already in 1992, shortly after they were initiated in the early 1980s, totaled almost 50 countries,³⁰ a figure which today is far higher, have experienced negative distributive effects in the short run, such as high prices and increased unemployment. Additionally, one study titled ‘*Structural adjustment, alienation, and mass protest*’ found a positive relationship between the amount of fiscal austerity associated with SAPs and the number of protests occurring in that country.³¹ Another study titled ‘*Economic Liberalization via IMF Structural Adjustment: Sowing the Seeds of Civil War?*’ went a step further and claimed that there is an association between the adoption of IMF programs and the onset of civil war within that country.³²

There is no doubt that developing countries are weary of the mixed results of IMF and World Bank loans in their countries. The vacuum of discontent from these foundational LWO

²⁹ Rolland, Sonia E. “The BRICS’ Contributions to the Architecture and Norms of International Economic Law.” Proceedings of the ASIL Annual Meeting 107 (2013): 164–70. <https://doi.org/10.5305/procanmeetasil.107.0164>.

³⁰ Jafarey, V. A. “5 Structural Adjustment and the Role of the IMF.” IMF eLibrary, June 15, 1992. <https://www.elibrary.imf.org/display/book/9781557753021/ch05.xml>.

³¹ Reinsberg, Bernhard, Thomas Stubbs, and Louis Bujnoch. “Structural Adjustment, Alienation, and Mass Protest.” Social Science Research, August 12, 2022. <https://www.sciencedirect.com/science/article/pii/S0049089X22000837>.

³² Hartzell, Caroline A., Matthew Hoddie, and Molly Bauer. “Economic Liberalization via IMF Structural Adjustment: Sowing the Seeds of Civil War?” International Organization 64, no. 2 (2010): 339–56. <http://www.jstor.org/stable/40608018>.

institutions has created an opportunity for the NDB of the BRICS to become an attractive alternative. One attractive feature of the NDB is the Contingent Reserve Arrangement (CRA), which provides liquidity to BRICS countries to support them financially during the balance of payment pressures or exchange rate volatilities.

Also particularly interesting to countries from the Global South is the BRICS Interbank Cooperation Mechanism (BICM). Founded on April 15th, 2010, the BICM includes various national development banks from the BRICS countries to facilitate financial cooperation and payments in local currencies within the bloc, diminishing the need for ‘vehicle currencies’ such as the dollar or euro for transactions among BRICS+ countries.

China has become a source of credit and investment for developing countries. For example, since 2013, through the One Belt One Road Initiative, China has concluded 200 cooperation agreements signed with more than 150 countries and 30 international organizations to build land and maritime infrastructure to facilitate commerce and transport.³³

In Africa alone, China has become the biggest bilateral lender, leading many Western analysts to sound the alarm over a debt-trap takeover of Africa. However, a report from the IMF in 2023 has turned this argument on its head, showing that Chinese loans are not the biggest cause of debt burden in Sub-Saharan Africa and that China’s overall share of sovereign debt is around 6%.³⁴ Moreover, from 2000 to 2019, China wrote off at least 3.4 billion dollars of debt, almost all interest-free loans to African countries, and as of 2022, has forgiven 23 interest-free loans in 23 countries.³⁵

³³ Feingold, Spencer. “China’s Belt and Road Initiative Turns 10. Here’s What to Know.” World Economic Forum, November 20, 2023. <https://www.weforum.org/agenda/2023/11/china-belt-road-initiative-trade-bri-silk-road/>.

³⁴ Abdel-Latif, Hany, Michele Fornino, and Henry Rawlings. Rep. At a Crossroads: Sub-Saharan Africa’s Economic Relations with China. International Monetary Fund, October 2023.

³⁵ “China’s Role in Restructuring Debt in Africa.” China Africa Research Initiative at Johns Hopkins University’s School of Advanced International Studies, November 23, 2023. <https://www.sais-cari.org/debt-relief>.

Russia, another founding BRIC country, has followed a similar path of debt cancellation in Africa, with President Vladimir Putin claiming at the Russia-Africa summit in St. Petersburg that Russia has written off 23 billion dollars worth of debt.³⁶

Although interest-free loans only make up a fraction of Chinese loans on the continent, it represents a far different approach than the IMF and World Bank's attempts at debt relief through the Highly Indebted Poor Countries (HIPC) Initiative. According to Sarajuddin Isar in an article titled '*Was the Highly Indebted Poor Country Initiative (HIPC) a Success?*' the HIPC had serious pitfalls due to strict debt sustainability criteria tied to conditionalities that left countries ineligible and the completion of SAPs to get any debt relief leaving countries under the pressure of debt payments while struggling to institute structural reforms.³⁷

All in all, the BRICS countries and the BRICS bank represent an emerging alternative for developing countries that want to avoid conditionalities from the IMF and World Bank. This leads to the final hypothesis of this study: Global South countries seeking surrogate avenues of financial support to institutions such as the IMF and the World Bank are attracted to joining the BRICS.

1.2.3 Conclusion of Theoretical Framework

The second chapter of this study will analyze the reasons behind wanting to join or not to join the BRICS of three case studies: Egypt, Saudi Arabia, and Argentina, all three Global South countries officially invited to join at the Johannesburg Summit in August of 2023. The three

³⁶ "Russia Writes off \$23bn Debt for Africa – Putin ." Vanguard, July 28, 2023. <https://www.vanguardngr.com/2023/07/russia-writes-off-23bn-debt-for-africa-putin/>.

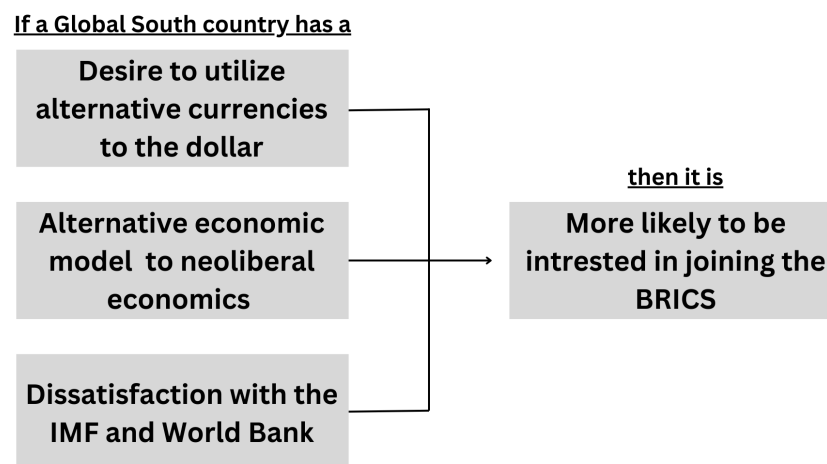
³⁷ Isar, Sarajuddin. 2013. "Was the Highly Indebted Poor Country Initiative (HIPC) a Success?". *Consilience*, no. 9 (February). <https://doi.org/10.7916/consilience.v0i9.4625>.

hypotheses explaining why developing countries' attraction to the BRICS will be tested for each of the aforementioned countries.

Thereafter, the third chapter of this study will discuss the findings of a most similar cross-case comparison of the case studies. The aim of the comparative approach across different cases is to establish if the independent variables identified in the Theoretical Review are associated with the dependent variable. The selected case studies are most similar cases because they are similar cases that vary in outcome.

Using a cross-case analysis strengthens the possibility of building a broader theory applicable to different contexts. Comparisons will be used to describe differences and similarities across the three cases.

This study predicts that Global South countries that desire to utilize alternative currencies to the dollar, employ a different economic model to neoliberal economics, and have dissatisfaction with the IMF and World Bank are more likely to be interested in becoming members of the BRICS. In other words, this study predicts a positive relationship between the independent variables outlined in the graphic below and the dependent variable, Global South



countries' attraction to the BRICS.

The fourth and final chapter will conclude this study and comment on the implications emerging from the findings of this study for the LWO.

Chapter Two: Ethiopia, Saudi Arabia, and Argentina Case Studies

2.1.1 Ethiopia Introduction

Ethiopia officially became one of the new members of the BRICS+ on January 1st, 2024. When the country was invited to join the bloc in August of 2023, Ethiopian Prime Minister Abiy Ahmed responded to the news, declaring that it was a “victory achieved through many struggles” and thanked the BRICS countries for their support.³⁸ The Ethiopian Prime Minister also highlighted his belief that the BRICS+ would empower South-South cooperation and reform multilateralism.

As the second most populous country in Africa after Nigeria, with over 120 million people and one of the fastest growing economies on the continent, with about 7.2% growth from 2022 to 2023,³⁹ the East African country’s addition to the BRICS is significant. The country also enjoys diplomatic prestige as a founding member of the United Nations and the African Union, which holds its headquarters in Addis Ababa, the capital city of Ethiopia.

The country seeks to expand its economy and establish new trade partners as an up-and-coming Global South nation. Through its BRICS+ membership, it hopes to be able to do just that. Being part of the BRICS+ gives Ethiopia intra-BRICS+ trade and finance benefits. Exemplary such intra-BRICS trade increased by 56 percent between 2017 and 2022, reaching a total of 614.8 billion dollars in 2022.⁴⁰

³⁸ Haile, Henok Tadele. “Ethiopia’s Pragmatic Path in BRICS.” *New Business Ethiopia*, September 7, 2023. <https://newbusinessethiopia.com/nbe-blog/ethiopias-pragmatic-path-in-brics/>.

³⁹ “The World Bank in Ethiopia.” World Bank, April 9, 2024. <https://www.worldbank.org/en/country/ethiopia/overview#:~:text=With%20about%20126.5%20million%20people,gross%20national%20income%20of%20%241%2C020>.

⁴⁰ Liang, Yan. “BRICS Expansion: Economic Cooperation and Implications.” Taihe Institute, February 2, 2024. <http://www.taiheglobal.org/Content/2024/02-02/1954124404.html>.

Ethiopia seeks cooperation with the BRICS+ on hydroelectric projects, transportation modernization, and agricultural technology.

Technology transfers within BRICS+, a feature of BRICS cooperation, are another opportunity for Ethiopia. In 2021, the BRICS proposed a plan of action through the Working Group on Science, Technology, Innovation and Entrepreneurship Partnership. In the proposed plan of action, the BRICS countries committed to sharing business best practices, networking with an innovation ecosystem, tech summits, joint consultation, and the creation of an Enabling Framework for ‘BRICS Techtransfer,’ which will stimulate the transfer of technology aiming at increasing the competitiveness and innovation output of BRICS countries.⁴¹

2.1.2 Ethiopia’s Motives for Joining the BRICS

Joining BRICS+ is also linked to Ethiopia's desire to conduct international trade in currencies other than the US dollar. This is in large part because Ethiopia suffered economic consequences due to sanctions, particularly from the US, during its war in the northern Tigray Region, on the border of Eritrea, from 2020 to 2022. On September 17th, US President Biden declared the civil war in Ethiopia a national security threat and decried serious human rights violations by signing an executive order authorizing sanctions on Ethiopia along with Eritrea and the Tigray People’s Liberation Front (TPLF).⁴² One report from the Ethiopian Economics

⁴¹ “BRICS Working Group on Science, Technology, Innovation and Entrepreneurship Partnership PROPOSED ACTION PLAN 2021-24.” In BRICS Working Group on Science, Technology, Innovation and Entrepreneurship Partnership. BRICS STIEP WG, 2021.

⁴² Melesse, Kassahun. “Economic Sanctions Will Not Resolve Ethiopia’s Conflict.” Al Jazeera, November 4, 2021. <https://www.aljazeera.com/opinions/2021/11/4/economic-sanctions-will-not-resolve-ethiopia-s-conflict>.

Association that analyzed why Ethiopia had decided to join the BRICS+ indicated that the top reason for joining was economic and political sanctions.⁴³

Joining the BRICS+ may give Ethiopia more opportunities to avoid sanctions by conducting international trade in alternative currencies to the dollar. Other BRICS+ countries have been doing the same, particularly Russia, since its invasion of Ukraine on the 24th of February 2022 and the subsequent widespread sanctions on Russia.

Therefore, Ethiopia's interest in alternatives to the dollar, especially as a means to circumvent sanctions, is consistent with the first hypothesis of this study, which explains why Ethiopia was interested in joining the BRICS+.

The second hypothesis of this study, that countries that employ an alternative economic model to neoliberalism are more likely to be attracted to the BRICS+, also holds true for Ethiopia. Economic management in Ethiopia has largely been state-led. The country's revolution that overthrew Emperor Haile Selassie I in 1974 and the Provisional Military Advisory Council (PMAC), also known as the Derg, which implemented a socialist policy platform, has left remnants even today.

Neoliberal economic reform has largely been resisted in Ethiopia despite its shift towards a more market-based economy in the 1990s. The development strategies of Ethiopia have employed state ownership over key manufacturing and strong public investment. This state-led model has aimed for rapid growth, poverty reduction, and ambitious development plans.⁴⁴

⁴³ Goshu, Degye, Amdissa Teshome, and Dawit Teshale. Rep. Does Ethiopia Benefit From Joining the BRICS? Global Trends and Local Perceptions. Ethiopian Economics Association, January 2024. <https://eea-et.org/wp-content/uploads/2024/01/Working-Paper-23-2024-BRICS.pdf>.

⁴⁴ Tomkinson, Joanne Kathryn. Thesis. Late Development in the Age of Neoliberalism: The Political Economy of State-Led Development in Ethiopia and Vietnam. Thesis, PhD Thesis, 2019. https://eprints.soas.ac.uk/32250/1/4754_Tomkinson.pdf.

Although Ethiopia has consistently resisted neoliberal reform, it has nonetheless received numerous concessional loans from the World Bank and the IMF and undergone SAPs. Already in 1992, the government of Ethiopia underwent an SAP backed by the World Bank and the IMF. A report coming from the African Development Bank evaluating the SAP detailed that the promotion of growth as the basis of poverty reduction would only be possible through deregulating the economy, reducing government intervention, and liberalizing the economy more generally.⁴⁵ Ethiopia, like many other African and Global South countries, has undergone structural adjustment, albeit partially. More drastic implementation of the Washington Consensus economic policies have been pursued since Prime Minister Abiy Ahmed took office in 2018.

Currently, the Ethiopian economy is suffering greatly. The country is on the edge of insolvency, crushed under heavy foreign debt, raging inflation, and lacking foreign currency. According to the Ethiopian Finance Ministry, the total public external debt reached 27.8 billion dollars. The economic situation was concerning enough to get marked down to “restricted default” by US-based credit rating agency Fitch after the government of Ethiopia failed to pay a Eurobond redemption installment.⁴⁶ Additionally, Birr, the Ethiopian currency, lost 40% of its value compared to the US dollar from 2020 to 2023. The latter, coupled with the COVID-19 pandemic-induced global recession and the costs of reconstruction after the two-year war with the TPLF, estimated to be about 20 billion dollars, makes a bad situation worse.

In an interview, Ousmane Dione, the country director of Ethiopia at the World Bank, claimed that the multi-billion dollar package to Ethiopia would be available if certain reforms

⁴⁵ Rep. ETHIOPIA STRUCTURAL ADJUSTMENT PROGRAMME Project Performance Evaluation Report (PPER) . AFRICAN DEVELOPMENT BANK GROUP, OPERATIONS EVALUATION DEPARTMENT, May 26, 2000.

https://www.afdb.org/fileadmin/uploads/afdb/Documents/Evaluation-Reports-_Shared-With-OPEV_/05092255-EN-ETHIOPIA-STRUCTURAL-ADJUSTMENT-PROGRAMME.PDF.

⁴⁶ Sandner, Philipp. “Ethiopia Becomes BRICS Member amid Economic Crisis .” dw.com, January 16, 2024. <https://www.dw.com/en/ethiopia-becomes-brics-member-amid-economic-crisis/a-68000253>.

were agreed upon. Lo and behold, in April of 2024, the Ethiopian Ministry of Finance announced that it had signed six Financing Agreements with the World Bank amounting to 1.72 billion dollars in credits and grants for development projects in the country.⁴⁷

Moreover, the IMF recently sent a delegation to Addis Ababa to discuss the 11.5 billion dollar financing gap that Ethiopia expects to face over the next four years and the kind of economic program required.⁴⁸ One thing is likely: any potential IMF package would involve additional birr devaluation.⁴⁹

Some Ethiopian analysts suggest that SAPs from the IMF and World Bank cause more harm than anything else, especially to the poor.

Although there is not enough significant evidence to point directly to SAPs for the economic woe currently being experienced in Ethiopia, it is clear that the country is dissatisfied and seeking new solutions.

Joining the BRICS is likely to increase Ethiopia's development finance sources. That may be a crucial factor explaining why Ethiopia was interested in joining the BRICS+, which is in line with the third hypothesis of this study that Global South countries dissatisfied with the IMF or World Bank are more likely to join the BRICS. The New Development Bank of the BRICS may be the alternative source of financial support Ethiopia is seeking to boost loans to leverage its growing but unstable economy, and thus, its newly found membership in BRICS+ is crucial.

⁴⁷ “Ethiopia Signs 1.72 Billion USD Financing Agreements with the World Bank.” MINISTRY OF FINANCE ETHIOPIA, April 5, 2024.

<https://www.mofed.gov.et/blog/ethiopia-signs-172-billion-usd-financing-agreements-with-the-world-bank/>.

⁴⁸ Marks, Simon. “US Raises Alarm Over Ethiopian Rights Abuses Before IMF Visit.” Bloomberg.com, March 4, 2024.

<https://www.bloomberg.com/news/articles/2024-03-04/us-raises-alarm-over-ethiopian-rights-abuses-before-imf-visit?embedded-checkout=true>.

⁴⁹ Clynch, Harry. “Ethiopia Ponders Benefits and Costs of Birr Devaluation.” African Business, January 13, 2023. <https://african.business/2023/01/politics/ethiopia-ponders-benefits-and-costs-of-birr-devaluation>.

2.2.1 Saudi Arabia Introduction

The Kingdom of Saudi Arabia's (KSA) interest in joining the BRICS was first indicated on July 14th, 2022, by the President of the BRICS international forum, Purnima Anand.⁵⁰ The possibility of adding the KSA to the BRICS was discussed at the 14th BRICS summit in June of 2022, which was held virtually.

For the BRICS, the admission of the KSA as a new official member represents a promising opportunity. The KSA is the largest economy in the Middle East and North Africa (MENA) region, and it enjoyed a GDP of over 1.1 trillion USD in 2022. It was even considered the fastest-growing economy in the G20 in 2022.⁵¹ In addition, Saudi Arabia wields significant influence as a founding and permanent member of the Organization of the Petroleum Exporting Countries (OPEC), an organization founded in 1960 in order to facilitate cooperation of leading oil-producing countries to influence the global oil market. The latter is unsurprising when considering that the KSA has the second-largest proven oil Reserves in the world after Venezuela and the second-largest oil producer in the world after the United States.

For the BRICS, the admission of the KSA would give a boost to its economic prowess and influence in the global oil market.

Following the official invitation to join the BRICS in 2023, the KSA's membership was supposed to begin on January 1st, 2024; however, the planned membership has not taken effect, and the KSA is hesitating to join. On January 17th, 2024, Faisal Al Ibrahim, the KSA's Minister

⁵⁰ "Saudi Arabia Interest in BRICS: Overview and Implications." Tactical Report, August 8, 2022.

<https://www.tacticalreport.com/daily/60059-saudi-arabia-interest-in-brics-overview-and-implications>.

⁵¹ "IMF Executive Board Concludes 2023 Article IV Consultation with Saudi Arabia." IMF, September 6, 2023.

<https://www.imf.org/en/News/Articles/2023/09/05/pr23302-saudi-arabia-imf-exec-board-concludes-2023-art-iv-consult#:~:text=Saudi%20Arabia%20was%20the%20fastest,private%20investment%2C%20including%20giga%20projects>.

of Economy and Planning, stated in an interview with Bloomberg from the World Economic Forum in Davos, Switzerland, that the Kingdom was ‘still evaluating’ the invitation to join.⁵² The reasons behind this hesitation are a point of inquiry for this study. First, this study seeks to understand the reasons behind the KSA's interest in joining the BRICS and then explain why the KSA may be second-guessing officially joining.

Saudi Crown Prince and Prime Minister Mohammed bin Salman announced an ambitious plan seeking to diversify the country's economy and shrink its economic dependency on oil in 2016 called Saudi Vision 2030. This desire to diversify the economy makes sense, given that oil production represents roughly 40% of the KSA's GDP. As part of this strategy, the KSA has been attempting to increase foreign direct investment (FDI) inflows with the goal of reaching 100 billion dollars of FDI per year by 2030. In 2022, FDI was calculated to be 33 billion dollars, indicating an uphill road to reach the 2030 target.⁵³

2.2.2 Explaining Saudi Arabia's Attraction to the BRICS

China is the KSA's largest trade partner, and India is the second largest. A more advantageous trade partnership with its biggest trade partners- two founding members of the BRICS- is possible through membership. More generally, joining the BRICS provides an opportunity to increase market and resource access to the leading developing economies of the world, contributing to the growth of the KSA's economy in the future.

⁵² Omar, Abeer Abu, and Francine Lacqua. Bloomberg.com, January 17, 2024.

https://bloomberg.com/news/articles/2024-01-17/saudi-arabia-still-evaluating-brics-membership-minister-says?lead_source=uverify+wall&embedded-checkout=true.

⁵³ Magid, Pasha. “Saudi FDI Data Overhaul to Use Financial Statements Not Estimates | Reuters.” Reuters, February 1, 2024.

<https://www.reuters.com/world/middle-east/saudi-fdi-data-overhaul-use-financial-statements-not-estimates-2024-02-01/>.

The KSA has been exploring alternative currencies to the dollar in hopes that it will benefit the country and improve its trade. Publicly, this was announced at the World Economic Forum in Davos, Switzerland, in 2023 by Saudi Finance Minister Mohammed Al-Jadaan, who expressed that Saudi Arabia was open to trade in currencies alternative to the US dollar.⁵⁴ Additionally, it has been reported that the KSA has been in active talks with China to settle oil sales in Chinese yuan.⁵⁵ Moreover, Aleksei Mozhin, IMF executive director for Russia, claimed in a report that Saudi Arabia, Brazil, and Iran had already started using Chinese yuan in international transactions.⁵⁶ However, some have been skeptical about the report's validity, given that Mozhin is Russian and may have a conflict of interest.

The statements by the Saudi Finance Minister and other reports demonstrate that, generally, the KSA is interested in using alternative currencies to the dollar, as the first hypothesis of this study expected countries interested in joining the BRICS would be. This is a big deal because Saudi Arabia is the biggest US ally in the Middle East after Israel.

If Saudi Arabia switched to alternative currencies to the dollar, it could cause a significant dent in US dollar hegemony, particularly because of the history of the petrodollar arrangement. Shortly after US President Richard Nixon decoupled the dollar from the gold standard in 1971, the price of oil skyrocketed in 1973 when oil-producing Arab countries banned

⁵⁴ Lucente, Adam. "Davos 2023: Saudi Arabia 'open' to Discuss Trading in Non-Dollar Currencies." *Al-Monitor*, January 17, 2023. https://www.al-monitor.com/originals/2023/01/davos-2023-saudi-arabia-open-discuss-trading-non-dollar-currencies?token=eyJlbWFpbCI6IjU1NWdleEBnbWFpbC5jb20iLCJuaWQiOiI1NDY1OCJ9&utm_medium=email&utm_campaign=Ungrouped+transactional+email&utm_content=Ungrouped+transactional+email%20BID_5883ac6d-1424-11ef-9167-bf7e316bf5dd&utm_source=campmgr&utm_term=Access+Article.

⁵⁵ Said, Sumner, and Stephen Kalin. "Saudi Arabia Considers Accepting Yuan Instead of Dollars for Chinese Oil Sales." *The Wall Street Journal*, March 15, 2022. <https://www.wsj.com/articles/saudi-arabia-considers-accepting-yuan-instead-of-dollars-for-chinese-oil-sales-11647351541>.

⁵⁶ Habibi, Nader. "Saudis Flirt with 'de-Dollarization' to Get Washington's Attention." *Stimson Center*, September 6, 2023. <https://www.stimson.org/2023/saudis-flirt-with-de-dollarization-to-get-washingtons-attention/>.

together in an oil embargo of countries supporting Israel during the Yom Kippur War. In reaction, the US Nixon Administration sent Treasury Secretary William Simon to Riyadh to speak with Saudi oil minister Ahmed Zaki Yamani to secure a deal.⁵⁷ The deal was that the US would buy oil from the KSA in dollars, provide them with military aid and protection, and would not require the kingdom to undergo democratic reform. In return, the KSA would use those dollars to buy US Treasury bonds and recycle vast Saudi oil profits. Thus, the embargo was lifted on the USA in 1974, and the petrodollar was born, anchoring a new dollar-dominated world trade and investment system that remains to this day.

If Saudi Arabia and other OPEC countries start trading in yuan or any other currency alternative to the dollar, it would be a big blow to the petrodollar arrangement.

Beyond Saudi Arabia's openness to breaking with the US petrodollar arrangement, if they determine that it serves their interest, the management of Saudi Arabia's economy is strikingly different from the neoliberal economic management promoted by the LWO. The KSA has a largely state-led economic development model under an absolute monarchy. The most profitable company in Saudi Arabia and the most profitable in the world is the national oil company, Aramco, which in 2022 raked in over 161.1 billion dollars in profit.⁵⁸ Additionally, the KSA has a sovereign wealth fund, or a state-owned investment fund, called the Public Investment Fund (PIF), which was created in 1971 to invest in government funds. It is currently chaired by the Crown Prince Mohammed bin Salman. The portfolio of the Saudi PIF stands at 925 billion dollars in 2024. In addition, recently, the PIF raised its stake in the state-owned company

⁵⁷ Wong, Andrea. "The Untold Story Behind Saudi Arabia's 41-Year U.S. Debt Secret." Bloomberg.com, May 31, 2016.
<https://www.bloomberg.com/news/features/2016-05-30/the-untold-story-behind-saudi-arabia-s-41-year-u-s-debt-secret?embedded-checkout=true>.

⁵⁸ "Saudi Oil Giant Aramco Reports \$121.3B Net Income in 2023." Middle East Monitor, March 10, 2024.
<https://www.middleeastmonitor.com/20240310-saudi-oil-giant-aramco-reports-121-3b-net-income-in-2023/>.

Aramco by 8 percent, amounting to 328 billion dollars and 37 percent of the sovereign wealth funds portfolio.⁵⁹

Some analysts correctly place Saudi Arabia's economic system as part of a larger archipelago of Gulf countries that practice state capitalism, including the United Arab Emirates, another new member of the BRICS+ - using some free market practices while pursuing widespread state intervention in the market. State-owned entities (SOE) are frequent in the KSA despite the misguided view that Saudi Arabia is a bulwark of neoliberal economic policy. Instead, state intervention is common, particularly since the global recession of 2008.⁶⁰

Therefore, the implementation of an alternative model to neoliberal economics provides an explanation that drives the KSA's interest in joining the BRICS, which is consistent with the second hypothesis of this study.

One important development regarding the KSA and the BRICS has been its engagement in negotiations to join the NDB as the 9th member. Two other nations from the MENA region have already joined: the United Arab Emirates and Egypt.

However, just because the KSA is exploring the possibility of joining the BRICS bank does not mean that it is dissatisfied with the IMF and World Bank, as the third hypothesis of this study predicts would be the case for countries interested in joining the BRICS. On the contrary, the KSA has a good relationship with these two Bretton Woods institutions. For example, the IMF recently inaugurated its regional office in Riyadh to advance the international financial institution's presence in the KSA and collaborate with other Arab institutions. This new office

⁵⁹ "Saudi PIF Ranked 2nd among GCC's Sovereign Wealth Funds with \$925bn in Assets." Arab News, March 19, 2024. <https://www.arabnews.com/node/2479201/business-economy>.

⁶⁰ Al-Sulayman, Faris. Rep. Rethinking State Capitalism in the Gulf States: Insights from the China-Focused Literature. Riyadh, Kingdom of Saudi Arabia: King Faisal Center for Research and Islamic Studies, 2021.

will enhance communication, collaboration, and policy alignment between the IMF and Saudi Arabia.⁶¹ This is part of a decades-old pursuit of the KSA to have a greater role and share in the IMF.

Moreover, the KSA has also recently worked with the IMF to improve its FDI statistics to be in line with best practices.⁶²

The KSA has additionally maintained a strong relationship with the World Bank. In 2021, the KSA, in partnership with the World Bank, pledged to give \$100 million for the establishment of an International Fund for Comprehensive Tourism after the industry was battered during the pandemic, a move that was praised by the World Bank.⁶³

Therefore, there is no strong signal that the KSA is dissatisfied with the IMF except for its interest in the BRICS NDB, thus demonstrating that the third hypothesis of this study does not apply fully to this case study. Its interest in the NDB could be motivated by an interest in participating in as many institutions as possible for the KSA's benefit rather than disinterest in the IMF. Another possibility is that negotiations to join the NDB could be part of a broader strategy to be used as leverage to gain a favorable position with the IMF or the US. Both of the latter explanations would decrease the applicability of the third hypothesis of this study to this case study.

⁶¹ "Saudi Arabia Greenlights IMF Regional Office in Riyadh." Middle East Monitor, March 21, 2024. <https://www.middleeastmonitor.com/20240321-saudi-arabia-greenlights-imf-regional-office-in-riyadh/>.

⁶² "Saudi Arabia Working with IMF to Improve FDI Statistics Reporting." Arab News, October 21, 2023. <https://www.arabnews.com/node/2395301/business-economy>.

⁶³ "Saudi Arabia, World Bank Pledge \$100m for Global Tourism Fund." Arab News., 2021.

2.2.3 Is Saudi Arabia Hesitating to Join the BRICS+ for Leverage?

At the time that this study is being conducted, Saudi Arabia has not yet indicated whether it will officially join the BRICS+. The question is why the KSA, which seems like a good candidate for the BRICS+, is hesitating to join and the reasoning behind this hesitation.

According to Sami Hamdi, a seasoned journalist and managing director at the International Interest, a political risk firm, “Riyadh will first gauge the reaction of Washington and consider any offers from the delegations that [US President Joe] Biden will send to Riyadh, before moving ahead with accepting the invitation.”⁶⁴

It is possible that the KSA is attempting to use its potential BRICS membership, flirting with de-dollarization and joining the NDB, as leverage to secure a more favorable relationship with the USA, which has been under strain recently. For years, the KSA has felt neglected by the US regarding their commitment to Saudi defense, containment of Iran, promotion of a two-state solution for Palestine, and dialing down criticism of Saudi human rights violations. In fact, during Joe Biden’s bid for the US presidential election in 2020, he promised that if elected, he would make Saudi Arabia a ‘pariah’ state and openly criticized Saudi Arabia for the murder and dismemberment of the Washington Post columnist Jamal Khashoggi.⁶⁵ Although this campaign promise did not manifest once Biden was elected, it certainly infuriated the Saudi leadership nonetheless.

Frustration with the US concerning the latter likely pushed the KSA closer to China. Moreover, in 2023, under the mediation of China, Saudi Arabia reached a historic peace deal

⁶⁴ Jamal, Urooba. “Analysis: What Do BRICS Invitations Mean for the Middle East?” Al Jazeera, August 25, 2023. <https://www.aljazeera.com/news/2023/8/25/analysis-what-do-brics-invitations-mean-for-the-middle-east>.

⁶⁵ Baker, Peter, and Ben Hubbard. “Biden to Travel to Saudi Arabia, Ending Its ‘pariah’ Status.” The New York Times, June 2, 2022. <https://www.nytimes.com/2022/06/02/us/politics/biden-saudi-arabia.html>.

with Iran, leading to the reopening of embassies and resumption of normal diplomatic relations between bitter rivals in the region.⁶⁶ However, the war in Gaza and the subsequent blockade by Ansar Allah, sometimes referred to by the blanket term the Houthis, of commercial vessels headed for Israeli ports in the Red Sea to put pressure on Israel to agree to a lasting ceasefire the entrance of unhindered aid in Gaza has changed the mood for the KSA. Since the Yemenis Houthi Shia insurgents linked to Iran overthrew the government of Saudi-backed Abu Rabbu Mansour Hadi in 2015, Saudi Arabia has led a military intervention against Yemen.⁶⁷ The war has had economic consequences on Saudi Arabia. For example, in 2019, two of Saudi Arabia's Aramco's large oil processing facilities were attacked, causing significant damage and disrupting its production capacity. A definitive end to this war has not been reached despite low hostility levels since 2022 and ongoing peace settlement negotiations, particularly since the renormalization of relations with Iran.

As a result of the current Ansar Allah naval blockade, major shipping companies have stopped using the Red Sea, where nearly 15 percent of global maritime trade passes, forcing them to choose longer and more expensive routes, such as around Southern Africa, resulting in higher insurance costs and possibly an increase in the cost-of-living around the world. Ansar Allah's imposed control of the Red Sea is a concerning feature to Saudi Arabia, given its strategic geographic placement on the Red Sea.

In addition, Saudi Arabia is concerned that Iran will be able to assert greater influence in Iraq, which borders the KSA, during the conflict in Gaza through its supported militias. Their concerns coming from the blockade in the Red Sea and Iran's growing influence in Iraq have not

⁶⁶ Yeranian, Edward. "Saudi Arabia, Iran Agree to Normalize Diplomatic Ties." Voice of America, March 11, 2023. <https://www.voanews.com/a/saudi-arabia-iran-agree-to-normalize-diplomatic-ties-/7000681.html>.

⁶⁷ "War in Yemen | Global Conflict Tracker." by the Center for Preventive Action from the Council on Foreign Relations, March 5, 2024. <https://www.cfr.org/global-conflict-tracker/conflict/war-yemen>.

been met with reassurance or deterrence by its allies in the BRICS, particularly Russia, and China. The KSA seems to be taking note that only the US, with its power of deterrence, has been taking action in the region against Ansar Allah and other Iran-backed groups. Under Operation Prosperity Guardian, the USA and some Western allies have intercepted missiles from Ansar Allah and launched strikes in Yemen in an attempt to resume normal passage in the Red Sea.

In December of 2023, the US approved an arms sale worth 582 million dollars to the KSA, coinciding with the tension in the Red Sea.⁶⁸ This arms sale is part of a long history of large arms sales to the KSA from the US. From 2010 to 2017 alone, it is estimated that the value of US arms agreements with Saudi Arabia totaled about 76.3 billion US dollars.⁶⁹

The benefit of having the US as a military trade partner and ally in the region may explain why Saudi Arabia hesitates to risk damaging its relations by joining the BRICS+.

However, the presence of Iran alone in the BRICS+ may be sufficient to explain the Saudi hesitation to join despite the recent efforts to resume diplomatic relations.

Economic factors could also be shaping Saudi hesitancy. As mentioned previously, the Saudi Vision 2030 places particular weight on FDI. The Saudi Arabia Foreign Direct Investment Report, released in January of 2024 by the Ministry of Investment, details where most FDI inflows come from. As we can see from the chart below detailing FDI inflows to Saudi Arabia from G20 countries, the United States tops the list with 7 percent of the inflow

⁶⁸ “What Weapons Is US Selling to Saudi Arabia in Latest \$582 Million Deal?” Al Monitor , December 4, 2023. <https://www.al-monitor.com/originals/2023/12/what-weapons-us-selling-saudi-arabia-latest-582-million-deal>.

⁶⁹ “Value of Total United States Arms Agreements in Saudi Arabia from 1950 to 2017.” Statista, January 3, 2023. <https://www.statista.com/statistics/1211508/saudi-arabia-value-of-usa-arms-agreements/>.

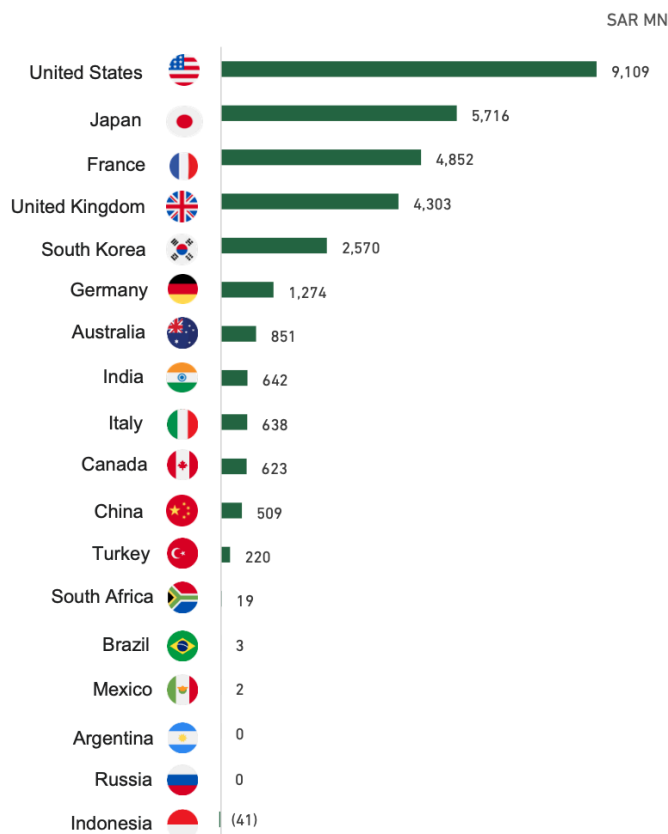


Figure 2: Saudi Arabia's FDI Inflow Distribution by G20 Countries in 2022⁷⁰

of FDI to Saudi Arabia, followed by other G7 countries. EU countries, in general, represent 59% of the total FDI inflow into Saudi Arabia in 2022.⁷¹ The BRICS countries of India, China, South Africa, and Brazil represent far lower contributors of FDI to the KSA.

Where FDI inflows are coming from is certainly a factor in the calculus behind Saudi Arabia's hesitancy to join the BRICS+.

It is not yet clear if Saudi hesitation to join the BRICS was preplanned to get Washington's attention or if it has more to do with the swiftly shifting geopolitical landscape. No matter what, January 1st was not the deadline for admission to the BRICS. Therefore, the KSA

⁷⁰ Rep. Economic and Investment Monitor, Saudi Arabia Q2 2022. Ministry of Investment, January 2023. <https://misa.gov.sa/app/uploads/2024/03/saudi-arabia-foreign-direct-investment-report-january-2024.pdf>.

⁷¹ Same as 70

could still decide to join the informal intergovernmental organization if it calculates that the benefits of joining the BRICS outweigh the costs.

2.3.1 Argentina Introduction

In August of 2023, Argentina was among five other countries invited to join the expanding BRICS. However, unlike Ethiopia, which joined in 2024, and Saudi Arabia, which is still considering the possibility of joining, Argentina has reversed course and rejected its new BRICS+ membership. The previous President of Argentina, Alberto Fernández, who governed from 2019 to 2023, hailed "a new opportunity" for Argentina when the country was invited to join the BRICS and revealed that negotiations had begun a year previously under his administration.⁷² However, the incoming President of Argentina, Javier Milei, who took office in December of 2023, rejected the BRICS invitation, thus blocking the possibility of Argentina being the second South American country to become a member of the BRICS+.

Understanding why Argentina was originally interested in joining the BRICS and why there was a sudden change of mind with the new administration is the heart of this case study. The following sub-section of this case study will examine the original reasons behind interest in joining the BRICS under Alberto Fernández. The last subsection of this case study will analyze the reasons behind the Javier Milei administration's blocking of Argentina's BRICS+ membership.

⁷² Grainger, James. "President Confirms Argentina's 'historic' Admission to BRICS." Buenos Aires Times, August 24, 2023. <https://www.batimes.com.ar/news/argentina/president-alberto-fernandez-confirms-argentinas-historic-admission-to-brics.phtml>.

2.3.2 Argentina's Attraction to the BRICS Under Alberto Fernández

As written in the title of this subsection, Argentina's planned BRICS+ membership was an obvious choice. Brazil, followed by China, both of which are founding BRIC members, were Argentina's biggest trade partners in 2023.

In early 2023, Argentina and Brazil made headlines with their plan to launch a Currency Union called the 'sur.' This push did not include the dropping of the Argentine peso and the Brazilian real, but rather, it intended to be used to execute trade payments between the two countries. The aim behind the proposed monetary integration announced by Alberto Fernández and Lula da Silva, the current President of Brazil, is to create a unit of account for financial and commercial trade attempting to reduce operational costs and isolate their economies from shocks coming from the US monetary policy. Moreover, the overarching ambition is to create an alternative to the dominance of the US dollar on the road to de-dollarization.⁷³ Lula has highlighted this by outlining that the focus on developing a shared currency for bilateral trade is to reduce dollar dependency.⁷⁴ In this way, Argentina falls neatly in line with the first hypothesis of this study, which is that Global South countries interested in using alternative currencies to the dollar are more likely to be attracted to the BRICS.

Understanding whether Argentina's management of the economy represents an alternative model to neoliberalism or not to measure its fit with the second hypothesis of this study, on the other hand, proves itself to be more complex.

⁷³ Steinberg, Federico, and Miguel Otero-Iglesias. "South America's 'common Currency' Is Actually about De-Dollarization." CSIS, February 14, 2023.
<https://www.csis.org/analysis/south-americas-common-currency-actually-about-de-dollarization>.

⁷⁴ Ayres, Marcela. "Explainer: What Brazil and Argentina's 'currency Union' Really Means." reuters.com, January 23, 2023.
<https://www.reuters.com/world/americas/what-brazil-argentinas-currency-union-really-means-2023-01-23/>.

In 1946, Juan Perón became the President of Argentina. He pursued an economic model based on import-substitution-led industrialization, marking a shift in policy after the economic woes of the Great Depression from 1929 to 1939, which impacted Argentina and most of the world. Through Perón's ISI model, he expanded the state's role in the management of the economy by protecting industry from foreign competition, tariffs, exchange rate controls, high taxes, and the nationalization of various public services. However, the ISI economic model was largely thrown out under Carlos Menem's Argentinian administration from 1989 to 1999 and replaced with neoliberal economic reform. President Menem appointed the technocrat Domingo Cavallo as Minister of the Economy, who became the lead architect of the Convertibility Plan in 1991, largely pointed to as the policy body behind Argentine neoliberalism.

The Convertibility Plan included privatization and deregulation. Foreign firms were also allowed to invest in strategic areas of the country that were previously exclusively in the state's hands. More than 30 state firms were privatized.

The mood changed again after the devastating financial crisis of 2001 and 2002, sometimes referred to as the Argentine great depression. After 2002, Argentina shifted from neoliberalism to new developmentalism, which is an economic model where developing economies use the state to promote development. This shift was largely due to the recognition that free market fundamentalism largely contributed to the economic fallout in Argentina from 2001 to 2002. Nonetheless, the shift to new developmentalism was not a complete break with neoliberalism; rather, it reactivated some old forms of regulation while maintaining many core elements of economic liberalism.⁷⁵

⁷⁵ Gezmis, Hilal. 2018. "From Neoliberalism to Neo-Developmentalism? the Political Economy of Post-Crisis Argentina (2002-2015)." *New Political Economy* 23 (1): 66-87.

The predecessor to Alberto Fernández, conservative President Mauricio Macri, who governed Argentina from 2015 to 2019, chose to re-adopt economic liberalization and austerity. When Alberto Fernández was elected, he vowed to ‘turn the page’ on the policies of Mauricio Macri, linking them to IMF-backed policies.⁷⁶

Fernández and Vice President Cristina Fernandez de Kirchner, who was also President from 2007 to 2015, were ideologically aligned with Peronism,⁷⁷ referring to the Argentinian leader who governed after World War Two.

This goes to show that although Argentina has gone through different phases of neoliberalism and more state intervention in the economy, the period when Argentina showed the most interest in joining the BRICS and when it was officially invited to join was when the government in power openly rejected neoliberal economics and austerity measures. Therefore, Argentina is also consistent with the second hypothesis of this study.

Argentina’s neoliberal economic reforms over the years have been facilitated by the IMF. Since the 1990s, Argentina has implemented the recommendation of the Washington Consensus with adverse effects that culminated in the financial crisis of 2001 to 2002. The most significant recent example of the IMF's role in Argentina was in 2018 when the IMF provided a 44 billion dollar assistance package, which included its typical policy recommendations. This loan, which was received under the Macri administration, was the largest in IMF history.⁷⁸ In addition, Argentina happens to be the most indebted country in the world to the IMF.

⁷⁶ Jourdan, Adam. “Argentina’s Fernandez Pledges to ‘turn the Page’ as Left Wins Power.” reuters.com, October 29, 2019. <https://www.reuters.com/article/idUSKBN1X71EA/>.

⁷⁷ Misculin, Nicolás, and Cassandra Garrison. “Argentina’s Peronist Left Returns as Fernandez Is Sworn In.” reuters.com, December 10, 2019. <https://www.reuters.com/article/idUSKBN1YE125/>.

⁷⁸ “IMF and Argentine Authorities Reach Staff-Level Agreement on an Extended Fund Facility.” IMF, March 3, 2022. <https://www.imf.org/en/News/Articles/2022/03/03/pr2256-argentina-imf-and-argentine-authorities-reach-staff-level-agreement-on-an-eff>.

Some Presidents have been vocally critical of the role of the IMF in Argentina. In 2005, then-President Kirchner and later Vice President under Fernández spoke about the impact of IMF debt in Argentina, stating: “This debt has been a constant vehicle for interference because it is subject to periodic reviews and has been a source of demands and more demands, which are contradictory and opposed to the objective of sustainable growth. Moreover, denatured as it is in its purposes, the International Monetary Fund has acted, regarding our country, as a promoter and vehicle of policies that caused poverty and pain for the Argentine people, hand in hand with governments that were proclaimed exemplary students of permanent adjustment.”⁷⁹

The dissatisfaction of Argentina with the IMF under the Fernández administration demonstrates that this case study is consistent with the third hypothesis of this study, explaining why some Global South countries are interested in joining the BRICS.

2.3.3 Why Javier Milei Rejected Argentina’s BRICS+ Membership

After taking office in December of 2023, the self-described ‘anarco-capitalist’ President Javier Milei pulled out of joining the BRICS by sending a formal letter in January 2024. This was an expected outcome because, during the election campaign, Javier Milei stated that “our geopolitical alignment is with the United States and Israel. We are not going to ally with communists.”⁸⁰ In his statement, he was referring to the BRICS.

⁷⁹ Néstor Kirchner, “Palabras del presidente de la nación, Néstor Kirchner, en el acto de anuncio del plan de desendeudamiento con el fondo monetario internacional,” Casa Rosada, Argentina, December 15, 2005, casarosada.gob.ar.

⁸⁰ “Argentina Formally Rejects Invitation to Join BRICS.” *Le Monde.fr*, December 29, 2023. https://www.lemonde.fr/en/international/article/2023/12/29/argentina-formally-rejects-invitation-to-join-brics_6386345_4.html#.

When unpacking the motives behind Milei's staunch rejection of the BRICS, there is a clear antithesis of each of the three hypotheses positioned in this study. Therefore, the rest of this subsection on the Argentina case study will analyze how Milei and his government have been pursuing or plan to pursue policies that go directly against the three characteristics of Global South Countries that are more likely to join the BRICS, as hypothesized in this study.

Firstly, one of the policy proposals that Milei campaigned on was dropping Argentina's peso for the US dollar. He wants to go even further. His plan is to abolish the country's central bank and fully dollarize, therefore leaving monetary policy up to Washington rather than Buenos Aires.⁸¹

The plan is unlikely to be carried out given that Argentina's central bank holds almost no US dollar reserves. Additionally, dollarization would require first the devaluation of the peso, thus increasing inflation, which, as of May 14th, was at a global high of nearly 300 percent.⁸² Nonetheless, Milei's rhetoric is important, and it shows a clear alignment with the US and support for dollar hegemony.

Moreover, the planned creation of the sur to facilitate bilateral trade between Brazil and Argentina is likely to be dropped as well because of the pro-dollar stance of Milei and his open hostility towards the President of Brazil, Lula de Silva.

All in all, the decision of Milei to block the entrance of Argentina into the BRICS makes sense considering the first hypothesis of this study, which positions that Global South countries seeking an alternative to the dollar are more likely to be attracted to the BRICS.

⁸¹ Elliott, Larry. "Does Javier Milei's Dollarisation Plan for Argentina Make Any Economic Sense?" *The Guardian*, November 20, 2023. <https://www.theguardian.com/world/2023/nov/20/javier-milei-dollar-plan-argentina-economy>.

⁸² Otaola, Jorge, and Walter Bianchi. "Argentina Cuts Rates Again as Inflation Crests near 300%." *Reuters*, May 15, 2024. <https://www.reuters.com/world/americas/argentina-inflation-nears-300-climb-prices-slows-bit-2024-05-14/>.

Secondly, When it comes to economic management, Javier Milei has taken a radically neoliberal position. Since he took office, Milei has been pursuing a number of austerity positions in an attempt to eliminate the country's deficit, such as deregulating the economy, selling off public assets, cutting government spending, laying off 15,000 state workers, and raising taxes on low-income earners. Javier Milei has made several presidential decrees that stripped away workers' rights, such as maternity leave, and removed price controls for food and rent.

It comes as no surprise because, during the campaign trail, Milei made his 'libertarian' agenda very clear. Milei proclaimed that he would completely reform the Argentinian State, cut spending by 15 percent of GDP, privatize state-run companies, slash taxes on the rich, and the elimination of government ministries, Cabinet positions, and any public official hired in 2023.⁸³ He also outlined his plans to privatize healthcare and education services.

However, turning Argentina into a neoliberal utopia has proven more complicated than anticipated for Milei. Beyond the massive protests around Argentina resisting the newly elected president's reforms, the Senate and the Chamber of Deputies have also proven to be obstacles to Milei's reforms. Milei's economic package filled with neoliberal policies and laws granting him vast legislative powers over energy, tax, pensions, security, and more, known as the omnibus bill, has been approved by the Chamber of Deputies, albeit a dramatically watered-down 232 articles instead of the original 664 article proposal.⁸⁴ The Senate still needs to approve the legislation.

⁸³ "A Complete Reform of the State': Javier Milei Presents Plan for Government." Buenos Aires Times, August 3, 2023.

<https://www.batimes.com.ar/news/argentina/a-complete-reform-of-the-state-javier-milei-presented-his-government-plan-for-the-presidency.phtml>.

⁸⁴ Debre, Isabel. "This Fiery Economist Became Argentina's President Railing against Politicians. Now He's Wooing Them." AP News, May 1, 2024.

<https://apnews.com/article/argentina-milei-libertarian-congress-legislative-protest-unions-economy-c50129872e4987b7a1e936ba83f5e7a1>.

It is clear that under Milei's leadership, Argentina is pursuing a neoliberal economic model. This is the characteristic of a Global South country that is not attracted to the BRICS, as hypothesized in the second hypothesis of this study.

Milei is also a big fan of the IMF. He has repeatedly met with top IMF officials to help oversee his neoliberal reforms, which are directly in line with SAPs and the Washington Consensus.

It's not just Milei who is a big fan of the IMF; they are also big fans of him. Below is a picture of the moment when the managing director of IMF, Kristalina Georgieva, asked Javier



Figure 3: IMF Director Kristalina Georgieva Asks Javier Milei for a Selfie After Meeting in Davos⁸⁵

⁸⁵ “Es Viral: El Momento En Que Kristalina Georgieva Le Pide Una Selfie a Javier Milei Tras Reunirse En Davos.” El Intransigente, January 17, 2024. <https://elintransigente.com/2024/01/es-viral-el-momento-en-que-kristalina-georgieva-le-pide-una-selfie-a-javier-mil-ei-tras-reunirse-en-davos/>.

Milei for a selfie after meeting in Davos. The deputy managing director, Gita Gopinath, also joined in on the gleeful selfie. During their Davos meeting, Georgieva praised Milei's policies since taking office, saying, "You were fast, that was important."⁸⁶

It comes as no surprise that the IMF made a decision in May 2024 to give Argentina an 800 million dollar disbursement.⁸⁷

The close relations between Milei and the IMF signal that the third hypothesis of this study is right: Global South countries that are dissatisfied with the IMF are more likely to join the BRICS, and in this case, those that are not are more likely to be against joining the BRICS.

⁸⁶ "Milei Vows to 'keep Promises' after Meeting with IMF Chief." Buenos Aires Times, January 18, 2024. <https://www.batimes.com.ar/news/economy/arjetas-javier-milei-vows-to-keep-promises-after-meeting-with-imf-chief-kristalina-georgieva.phtml>.

⁸⁷ "IMF Staff, Argentina Agree Loan Review to Help Unlock \$800 Million ." Reuters, May 13, 2024. <https://www.reuters.com/world/americas/imf-staff-argentina-reach-agreement-latest-review-44-bln-program-2024-05-13/>.

Chapter Three: The Findings

3.1 Introduction to the Findings

In the theoretical overview of this study, the existing literature on BRICS was analyzed in an attempt to explain why some Global South countries are interested in joining the bloc. From this analysis, three hypotheses emerged describing the characteristics of countries interested in joining the BRICS. These three hypotheses indicated that Global South countries interested in using an alternative currency to the dollar, employing a different economic model to neoliberalism, and countries dissatisfied with the IMF or World Bank are more likely to be attracted to the BRICS. This study attempted to control for cultural variation as a variable that could give alternative explanations for the interest of some Global South countries to the three hypotheses of this study by selecting each case study from a different region of the world. The three case studies from three different regions of the world connected to the most recent expansion of the BRICS bloc in August of 2023 included Ethiopia from Africa, Saudi Arabia from the Middle East, and Argentina from South America. This chapter looks at the overarching results of testing the hypotheses in these case studies and compares the case studies. More specifically, this study will use a most similar case analysis.

Overall, the case studies tend to confirm the independent variables and hypotheses' ability to explain the dependent variable- interest in joining the expanding BRICS bloc of some Global South countries. The results demonstrate a causal interaction between the variables. The hypotheses positioned have a causal influence on whether or not a Global South country is attracted to the BRICS. The table below gives an overview of whether or not each hypothesis of

Why are Global South Countries Interested in Joining the BRICS?

<u>Case Study</u>	Hypothesis 1: Interested in using an alternative currency to the dollar	Hypothesis 2: Employ a different economic model to neoliberalism	Hypothesis 3: Dissatisfied with the IMF or World Bank
Ethiopia: joined	Yes	Yes	Yes
Saudi Arabia: hesitating to join	Yes	Yes	No
Argentina: rejected to join	Yes	Yes	Yes
Results:	Confirmed	Confirmed	Partially Confirmed

this study was confirmed or not in the three case studies.

The first hypothesis, which predicted that Global South countries that were interested in joining the BRICS would also be interested in utilizing an alternative currency to the dollar, was confirmed in Ethiopia, the KSA, and Argentina. The second hypothesis that Global South countries interested in joining the BRICS employed a different economic model to neoliberalism was also confirmed in Ethiopia, the KSA, and Argentina. Conversely, the third hypothesis, which positions that Global South countries interested in joining the BRICS are dissatisfied with the IMF and World Bank, was only partially confirmed. The third hypothesis was confirmed in Ethiopia and Argentina, but in the KSA, it was not.

Although the KSA does not conform perfectly to the third hypothesis, it does not necessarily take validity away from dissatisfaction with the IMF or World Bank being an indicator of whether or not a country from the Global South is more likely to be interested in joining the BRICS. This is because Saudi Arabia is on the fence and hesitates to become a member of the BRICS along with Ethiopia, Egypt, the United Arab Emirates, and Iran in the

most recent expansion. If the KSA ends up officially deciding to join the BRICS, the explanatory value of the third hypothesis of this study will be weakened. However, if Saudi Arabia decides officially not to join the BRICS, it could be partially explained using the third hypothesis because there is a lack of dissatisfaction with the IMF and World Bank.

3.2 Comparing Similar Cases With Different Outcomes

The case studies that were analyzed in this study were similar because they were all countries interested in joining the BRICS that were officially invited to become members in August of 2023 at the 15th BRICS Summit in Johannesburg, South Africa. However, the outcomes of the cases were not similar. Ethiopia became an official member of the BRICS+ on January 1st, 2024, while Saudi Arabia is still deciding whether or not to join, and Argentina completely changed course and rejected its membership. One of this study's key points of inquiry was to discover why these seemingly similar cases had such different outcomes.

In the case of Ethiopia, there was no deviation, and it was consistent with all three hypotheses of this study, explaining why it may have been interested in joining the BRICS. However, it is also possible that circumventing accountability for human rights abuses in the northern Tigray region could be an important factor in deciding to join the BRICS. Future research should explore the possibility of some countries engaged in human rights abuses wanting to join the BRICS as a form of diplomatic cover, especially because the BRICS practices a policy of non-intervention in domestic affairs.

Argentina was also consistent with all three hypotheses of this study under the Alberto Fernández administration, but nonetheless, it reversed course and rejected joining the BRICS.

The clear turning point was the election of the self-described ‘anarco-capitalist’ Javier Milei in Argentina in December of 2023, the month before BRICS+ membership was supposed to take effect. The findings from this turning point demonstrate that politics matters regarding the attraction of Global South countries to the BRICS. Political ideology and geopolitical alignment, which, as has been clearly stated by Milei, lies with the United States, hold sway, sometimes trumping economic interests.

When taking a closer look at some of the motives behind Argentina’s rejection to join the BRICS, it became clear that the policies of Argentina under the leadership of Milei were the exact antithesis of those hypothesized in this study to indicate a Global South country’s likely interest in joining the BRICS. Under Milei, Argentina is interested in utilizing the dollar, pursuing a neoliberal economic agenda, and gleefully encouraging its relationship with the IMF. Regarding the relationship with the IMF, it is possible that Milei is pursuing such a friendly relationship less because of his favorable opinion of the IMF and more because Argentina has more than 40 billion dollars in debt to the IMF. However, Milei’s affinity for the IMF is likely connected to his liberal economic ideology, which is shared in common with the IMF.

In this study, Argentina resulted in a crucial case because of its total deviation in outcome and its compelling results, strengthening this study's findings. Because of the deviant nature of this crucial case study, it was a critical test for the hypotheses explaining why some Global South countries are attracted to joining the BRICS. The finding that Milei’s policies are the direct opposite of what this study expected for countries interested in joining the BRICS strengthens the validity of the explanatory value of independent variables positioned. Had Milei pursued similar economic policies and relations to the IMF as the previous Fernández administration but

nonetheless still decided to reject BRICS membership, the validity of the independent variables would have completely fallen apart.

Moreover, comparing the Argentina case and the Ethiopia case, the reasons behind their interest in joining the BRICS are virtually matched prior to the election of Milei.

Saudi Arabia, on the other hand, paints a more ambiguous and complicated picture. Only two out of three hypotheses hold true for explaining the KSA's interest in joining the BRICS. However, even in the case of the third hypothesis, which was not fully applicable in explaining Saudi Arabia's interest in joining the BRICS, the country has nonetheless been pursuing negotiations to become the ninth member of the NDB, as mentioned in Chapter Two.

One thing is clear in the case of the KSA: it has not yet decided to join the BRICS, and there is no public information as of May 20th indicating its inclination one way or the other.

It is possible that the KSA is using the potential BRICS and NDB membership to seek leverage in its relationship with the USA. Concern that Saudi Arabia could form even stronger ties with China and Russia and join an organization openly advocating de-dollarization and multipolarity could force the US to make real concessions to the KSA. Or perhaps the hesitation could have more to do with caution. The KSA could be waiting to make a decision to join the BRICS after gauging the US reaction to the possibility and measuring the potential consequences.

Iran's presence in the BRICS+ is also an important factor in Saudi Arabia's hesitation to join. Although unprecedented steps have been taken to establish diplomatic and peaceful relations between the two countries, mediated by China, Iran is a historical geopolitical adversary. That tension does not just disappear overnight. In fact, part of Saudi Arabia's

hesitation to join the BRICS certainly has to do with how it could potentially jeopardize its crucial security partnership with the US, as discussed in Chapter Two.

Like politics, security matters too when it comes to interest in joining the BRICS. Both factors should be explored further in future research.

In contrast to the case study of Argentina, Saudi Arabia's possible reasoning behind potentially deciding not to join the BRICS does not represent the antithesis of the three hypotheses of this study. This is encouraging for the strength of the findings as long as Saudi Arabia joins the BRICS. If Saudi Arabia decides not to join the BRICS in the end, it could call for a reevaluation of the validity of the hypotheses if there is no change in policy regarding interest in using alternative currencies to the dollar and non-neoliberal economic management. This is because the overarching theory of this study establishes that a Global South country's interest in joining the BRICS is correlated to the degree of the presence of the independent variables in the country. Therefore, Saudi Arabia's possible rejection of joining the BRICS should result from a decrease in interest in using alternative currencies to the dollar and a decrease in using alternative economic models in favor of neoliberalism, which is unlikely to change in Saudi Arabia. As mentioned earlier, the lack of confirmation of the third hypothesis alone in the Saudi case study may be sufficient to explain the rejection of the BRICS if the country makes such a decision.

Nonetheless, this study does not claim to be deterministic or to have discovered an exact correlation between variables. Rather, this study positions that Global South countries that have high levels of the identified independent variables are more *likely* to be interested in joining the BRICS.

3.3 Why Some Global South Countries are Interested in Joining the BRICS

The economic attraction of joining an informal intergovernmental organization that brings together major emerging economies from the Global South under an umbrella dedicated to south-south cooperation on trade, finance, and even technology transfers like the BRICS is well understood. This study looked at perhaps the more nuanced reasons behind some Global South countries' interest in joining the BRICS.

Characteristics identified of Global South countries that are more likely to be attracted to the BRICS are three.

First, Global South countries that want to find an alternative to conducting trade or financial transactions in US dollars are more likely to be interested in joining the BRICS. Low-income and developing countries have long suffered the weight of having to borrow foreign currency, resulting in 70 to 85 percent of their debt being foreign currency debt.⁸⁸ If these countries had been able to borrow money in their local currencies and it wasn't deemed to be a liability by investors, they would not be in such a situation where they have difficulty taking on service debt and being exposed to liquidity and credit risks.

Second, Global South countries that are disillusioned by neoliberalism are more likely to join the BRICS. Over the past four decades, neoliberalism has failed to deliver on its promises of increased economic growth, prosperity, equality, and economic mobility. The Washington Consensus that has been promoted across the world, particularly in the Global South, in support of neoliberal economic reform has caused significant pushback.

⁸⁸ Ruurd Brouwer, "It's the Currency, Stupid," Financial Times, January 18, 2023, <https://www.ft.com/content/ef56e83b-4e6c-41b9-b404-ab84da34776f>

Lastly, countries that are not content with the Western-led Bretton Woods institutions are attracted to the BRICS and the potential that its NDB promises. For a long time, the World Bank has neglected essential infrastructure funding. On the other hand, the IMF provided market lending but with conditionalities of one-size-fits-all structural adjustments for recipient countries. The NDB bank, on the other hand, positions itself as a bank of projects, not of imposed policies.

Additionally, the alternative governance structure of the NDB is also attractive for Global South countries, which are frustrated with their lack of sufficient voice in the Bretton Woods institutions. In the NDB, initial subscribed capital and voting power are shared equally. Ordinary decisions in the NDB are made through majority rule. However, other key decisions require “an affirmative vote by four of the founding members concurrent with two-thirds of the total voting power.”⁸⁹ Therefore, no country has veto power over decisions, which is in sharp contrast to the IMF, where the US alone has a 16.5 percent share of the voting power with the ability to veto decisions.⁹⁰

Some Global South countries are clearly fed up with the Western-dominated status quo of the current international economic and financial architecture governing the world and are looking for new and more inclusive opportunities, such as the BRICS. These opportunities echo the aspirations of the NEIO during the 20th century, which were never heeded.

The findings demonstrate a strong association between the independent and dependent variables. However, in order to see if these hypotheses have general explanatory value outside of

⁸⁹ Liang, Yan . “Taihe Institute.” www.taiheglobal.org, February 2, 2024.
<http://www.taiheglobal.org/Content/2024/02-02/1954124404.html>.

⁹⁰ Lawder, David. "U.S. Faces Pushback on Plan to Bolster IMF Funding without Shareholding Changes." Reuters, October 6, 2023.
<https://www.reuters.com/world/us/us-faces-pushback-plan-bolster-imf-funding-without-shareholding-changes-2023-10-06/>.

the three case studies analyzed in this study, more research would be required to test the hypotheses with a larger number of case studies.

Chapter Four: Conclusion and Implications for the Liberal World Order

4.1 Conclusion: the Expanding BRICS

In conclusion, the expansion of the BRICS into what is now the BRICS+ on the 1st of January, 2024, was a monumental moment for the informal intergovernmental organization and the world more generally. Egypt, Ethiopia, the United Arab Emirates, and Iran are now official members of the BRICS+, and Saudi Arabia may decide to officially join as well, in addition to the already present members of Brazil, Russia, India, China, and South Africa.

Given that over 34 countries from the Global South have expressed interest in joining, it is likely that the BRICS+ will continue to expand in the future.

This study attempted to understand the causal mechanism behind why some Global South countries are interested in joining the BRICS. Three hypotheses were identified to explain the mechanisms behind this attraction: desire to utilize an alternative currency to the dollar, use of a different economic model to neoliberalism, and dissatisfaction with the IMF and World Bank. These three independent variables were tested in three case studies connected to the most recent BRICS expansion to discover if there was any association between them and the dependent variable, a country's interest in the BRICS. The case studies included most similar cases that had different outcomes: Ethiopia, which was invited and joined the BRICS; Saudi Arabia, which was invited but is still on the fence about joining; and Argentina, which was going to join but then reversed course and rejected its membership. All three cases were from different regions of the world.

The findings resulting from the case studies demonstrate that the hypotheses of this study have explanatory value. Across all of the case studies, the presence of high levels of all three independent variables was measured except for the third, which predicted that a country with higher dissatisfaction with the IMF and World Bank would be attracted to the BRICS in Saudi Arabia. However, the exception of the third hypothesis in Saudi Arabia sheds light on why it is still on the fence about joining the BRICS.

Argentina was a crucial case in this study that strengthened the findings. Under the Alberto Fernández administration, all three of the independent variables had high levels, which explained the country's interest in the BRICS. Under the Javier Milei administration, on the other hand, Argentina reversed its decision to join the BRICS, and all the high levels of the independent variables were reversed completely, thus giving an explanation for the decision.

Now that this study has provided insight into the BRICS and why some Global South countries are attracted to joining the expanding bloc, the new point of inquiry is what are some of the implications of all this on the LWO, which will be addressed in the following section.

4.2 Implications for the Liberal World Order

The LWO is in crisis with or without the BRICS+. Nonetheless, the expanding bloc represents the emergence of a configuration of Global South countries that are dissatisfied with the current world system and desire change.

As shown in this study, some Global South countries are disenchanted by the hegemony of the US dollar, neoliberal economic orthodoxy, and the Bretton Woods institutions that

promote the Washington Consensus. Those same countries are more likely to be interested in joining the BRICS. Therefore, an interest in joining the BRICS indicates a rejection of the LWO.

While BRICS+ and its expanding membership is undoubtedly a formidable force, it is unclear whether it has the capacity or even the interest in overhauling the LWO and replacing it with an alternative world system.

Firstly, it is not evident that the BRICS+ has the ability to overthrow the entire LWO. The BRICS+ does not have a common political strategy or grand vision. This lack of ideological homogeneity among the BRICS+ members is pointed out across the literature on the BRICS as what will stifle the bloc from becoming a serious threat to overhauling the LWO.

However, this does not necessarily mean that they can't find common ground and make critical decisions regardless. The overarching commonalities between the BRICS+ countries are seen in the importance they place on national sovereignty against foreign intervention, promoting economic growth and development, and perceiving the LWO as underrepresenting them and unjust.

The weak organizational substructure of the BRICS also hinders its ability to coordinate an overhaul of the LWO. Currently, the bloc does not have a permanent seat nor a secretariat; rather, it operates based on rotating presidencies of the member states.

It is also unlikely that the NDB can dethrone the Bretton Woods financial institutions. For example, the CRA of the NDB is much smaller than similar IMF and World Bank operations. The CRA has 100 billion dollars, while the IMF has about eight times more resources. Moreover, the borrowing limit for each member state is a multiple of how much they committed to the CRA.

The same goes for the US dollar. 80 percent of international payments and 60 percent of international reserves are in US dollars, making the task of dethroning the dollar difficult.⁹¹

Nonetheless, the US unipolar moment and the dominance of the West and G7 have shifted, and the BRICS+ is a flashing signal of this shift into a multipolar world.

António Guterres, Secretary-General of the United Nations, highlighted this shift in a speech at the recent BRICS summit, proclaiming that we are entering a multipolar world and that international institutions, particularly the United Nations Security Council and the Bretton Woods institutions, need to be updated for the realities of the 21st century. He stated: “The Security Council, the Bretton Woods system, and other International Organizations, reflect the world of 1945, when many African countries were still part of European empires. (...) The world has changed – and so, global governance must change with it. It must represent today’s power and economic relations and not the power and economic relations of 1945.”⁹² This sentiment is echoed in India and Brazil’s desire to be permanent members of the Security Council.

Secondly, as it stands currently, the BRICS+ wants to reform the LWO rather than replace it with an alternative world system. Sonia E. Rolland agrees with this point. She argues that BRICS will not create a new system that will replace the Bretton Woods institutions, and she indicates that they are more interested in sidestepping neoliberal orthodoxy.

⁹¹ Francesco Guerrera, "Why the Dollar Keeps Winning in the Global Economy," Reuters, March 1, 2023, <https://www.reuters.com/breakingviews/global-markets-breakingviews-2023-02-28/>.

⁹² Pavia, José. “BRICS Enlargement: How an Acronym Invented by a Western Financial Institution Can Become a Challenge.” BLOG Sciences Po, August 28, 2023. <https://blog.sciencespo-grenoble.fr/index.php/2023/08/28/brics-enlargement-how-an-acronym-invented-by-a-western-financial-institution-can-become-a-challenge/?lang=en>.

The BRICS+ are interested in reforming the LWO, making it more inclusive and democratic. The expanding BRICS+ bloc wants to reform the global financial system of the LWO to make it less reliant on the dollar and the Bretton Woods institutions.

The bloc is also emerging as pivotal for advocating for the Global South and giving a voice to formally colonized regions of the world.

It is important to note, however, that the BRICS+ are new, and the identity of this bloc is in the initial stages of development. If a cohesive political agenda is established and member countries are able to cooperate effectively despite their differences, they can do more than reform the LWO. It would be a mistake to underestimate the potential for the BRICS+ to develop into a real challenge to US hegemonic power and the LWO it leads.

More research is required to understand the trajectory of the BRICS+ in reforming or even replacing the world system, particularly since the new expansion of the bloc in 2024.

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