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BRICS@20: India's Push for Local-Currency Trade, Payment Integration and a More Resilient Global South

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Recent Developments:

- India's **2026 BRICS Chairship** has placed greater emphasis on economic integration, resilient supply chains, payment connectivity, local-currency trade and practical cooperation among members and partner countries. India's chairship theme is **"Building for Resilience, Innovation, Cooperation and Sustainability."**
- The **18th BRICS Summit** is being hosted in **New Delhi in September 2026**, marking 20 years of BRICS-level cooperation and providing India an opportunity to strengthen the grouping's economic and developmental agenda. Recent discussions have also highlighted secure maritime routes and the safety of seafarers as important conditions for uninterrupted global trade.
- India has advocated **opening markets, reducing non-tariff barriers, linking payment systems and expanding trade in local currencies**, particularly for critical minerals, raw materials, manufactured goods and services. This approach seeks to convert BRICS' economic complementarities into greater intra-group trade.
- India's approach does not imply an immediate replacement of the US dollar. Instead, it seeks **greater currency diversification, payment-system autonomy and resilience** against external financial disruptions while retaining the WTO at the core of the multilateral trading system.
- BRICS has become substantially larger since its expansion. **Indonesia joined as a full member in 2025**, taking total membership to 11 countries. The grouping now has a broader representation of the **Global South**, strengthening its economic and geopolitical significance.

Trade in Local Currencies and De-dollarisation:

Meaning and Concept:

- **Trade in local currencies** refers to settling cross-border transactions directly in the currencies of the trading countries rather than converting them into an intermediary or vehicle currency such as the US dollar. It can reduce dependence on third-country currencies and associated conversion costs.
- **De-dollarisation** refers to reducing excessive dependence on the US dollar in **trade invoicing, cross-border payments, foreign-exchange reserves and international finance**. It does not necessarily mean eliminating the dollar from international transactions.
- For BRICS, the broader objective is **currency diversification and payment-system autonomy**, allowing members to increase the use of national currencies while developing mechanisms for efficient settlement.

Why Local-Currency Trade Matters for BRICS:

- **Lower transaction costs:** Direct settlement can reduce repeated currency conversions, intermediary charges and dependence on correspondent banking channels.

- **Greater financial resilience:** Alternative payment channels can reduce exposure to disruptions in international payment networks and excessive dependence on a single dominant currency.
- **Higher intra-BRICS trade:** Easier settlement mechanisms can help countries convert complementary economic structures into stronger commercial partnerships in energy, agriculture, minerals, manufacturing and services.
- **Greater strategic autonomy:** Wider use of national currencies can provide emerging economies with additional policy space during periods of geopolitical tension, financial sanctions or external monetary tightening.
- **Digital integration:** Interoperable payment systems can enable faster and cheaper cross-border transactions and can expand financial inclusion among smaller firms and consumers.
- **Supply-chain diversification:** Efficient settlement can support trade in **critical minerals, energy resources, agricultural commodities, intermediate goods and manufactured products**, thereby strengthening resilient supply chains.

Significance for India:

Economic and Strategic Benefits:

- India can benefit from greater use of local currencies by reducing some **foreign-exchange conversion costs and settlement risks**, particularly in trade with major BRICS partners.
- Greater payment connectivity can complement India's **digital public infrastructure**, particularly the experience gained through the **Unified Payments Interface**, and create opportunities for cross-border digital payments.
- Local-currency settlement can support Indian exporters and importers when conventional dollar-based settlement becomes expensive or difficult, while also strengthening India's position as a provider of **digital payment and financial-technology solutions**.
- BRICS cooperation can facilitate Indian exports of **pharmaceuticals, engineering goods, electronics, automobiles, agricultural products and services**, while improving access to energy, raw materials and critical minerals.
- The Department of Commerce identifies BRICS as an important economic platform for India. Its recent data indicate that BRICS countries accounted for around **40% of global GDP, nearly 49.5% of the world population and more than 18% of global merchandise trade in 2024**.

Challenges and Limitations:

Financial and Macroeconomic Constraints:

- **Exchange-rate volatility** can create risks for exporters and importers because fluctuations between local currencies can affect the value of contracts and settlement receipts.
- Many emerging-market currencies have **limited convertibility, liquidity and international acceptability**, which can restrict their use for large-scale trade settlement.
- Persistent **trade imbalances** can create difficulty in maintaining balanced holdings of partner currencies, particularly when one country consistently exports more than it imports from another.
- Local-currency arrangements may require deeper foreign-exchange markets, hedging instruments and reliable settlement mechanisms to manage currency risk effectively.

Institutional and Technological Constraints:

- Differences in **financial regulations, payment standards, data governance and banking infrastructure** can make interoperability difficult.
- Greater digital connectivity also creates risks relating to **cybersecurity, data protection, fraud, operational resilience and financial stability**.

- Excessive fragmentation of payment systems could increase transaction complexity if countries develop multiple incompatible platforms rather than interoperable standards.
- The US dollar continues to enjoy major advantages in **market depth, liquidity, convertibility and global acceptability**, meaning that local currencies are unlikely to displace it rapidly.
- De-dollarisation therefore faces a structural constraint: successful diversification requires not only political agreement but also **deep financial markets, credible institutions, stable currencies and efficient payment infrastructure**.

India’s BRICS Economic Agenda:

Linking Payment Systems and Expanding Market Access:

- India has advocated **interoperable payment systems, local-currency trade and easier market access** as practical instruments for strengthening economic cooperation among BRICS members and partner countries.
- India’s **UPI experience** provides an important model for digital payment interoperability, although cross-border expansion requires compatible regulatory frameworks, settlement arrangements, cybersecurity safeguards and data-protection mechanisms.
- Market integration should extend beyond financial connectivity to **trade facilitation, logistics, customs cooperation, standards recognition and affordable finance for micro, small and medium enterprises**.

Critical Minerals and Resilient Supply Chains:

- BRICS can become an important platform for cooperation in **critical minerals, energy resources, agricultural commodities and strategic industrial inputs**, particularly as global supply chains become more vulnerable to geopolitical disruptions.
- India has stressed the need for markets to remain open to each other’s products, particularly **raw materials and critical minerals**, while developing supply chains that are diversified and resilient.
- Cooperation in this area can support India’s requirements for **renewable energy technologies, electric vehicles, semiconductors, batteries and advanced manufacturing**, where secure access to minerals is strategically important.

Reducing Non-Tariff Barriers:

- **Non-tariff measures** such as technical regulations, sanitary and phytosanitary requirements, certification procedures and conformity assessments can significantly affect the cost and speed of international trade.
- BRICS cooperation should therefore focus not only on reducing tariffs but also on **simplifying customs procedures, improving transparency, promoting mutual recognition of standards and reducing unnecessary regulatory barriers**.
- This would be particularly valuable for MSMEs, which generally have fewer resources to manage complex export compliance requirements.

BRICS Economic Cooperation Architecture:

Institutional Mechanisms:

- The **BRICS Economic Partnership Strategy 2030** provides a framework for strengthening cooperation in trade and investment, while initiatives involving business networks, innovation and entrepreneurship can deepen private-sector participation.
- The **BRICS Business Council, BRICS Women’s Business Alliance, startup and innovation networks and sectoral cooperation mechanisms** can connect enterprises across member economies and promote investment, technology transfer and market access.
- India’s emphasis on women-led enterprises is significant because greater participation of women entrepreneurs can broaden the productive base of BRICS economies and strengthen inclusive growth.

WTO and Multilateral Trading System:

- India's approach to BRICS economic cooperation should remain consistent with a **rules-based, open and inclusive multilateral trading system** centred on the WTO.
- BRICS can advocate reform of global economic governance while avoiding excessive fragmentation of international trade rules.
- Cooperation should therefore seek **greater representation for developing economies in global institutions**, reform of international financial institutions and a stronger voice for the Global South in rule-making.

About BRICS:

Composition and Objectives:

- **BRICS** is a major platform of emerging economies and the Global South that promotes cooperation in **economy, finance, trade, technology, development and global governance**.
- The grouping originated with **Brazil, Russia, India and China**, while **South Africa joined in 2011**, leading to the adoption of the BRICS name.
- The 2024 expansion added **Egypt, Ethiopia, Iran, Saudi Arabia and the United Arab Emirates**, while **Indonesia became a full member in 2025**, taking the membership to 11 countries.
- BRICS has evolved from a primarily economic grouping into a broader platform for **strategic autonomy, development cooperation, institutional reform and a more representative multipolar international order**.

Historical Evolution:

- **2001:** Economist **Jim O'Neill** coined the term **BRIC** to describe Brazil, Russia, India and China as major emerging economies.
- **2009:** The first BRIC Summit was held at **Yekaterinburg, Russia**, establishing the grouping as a formal leaders-level platform.
- **2010–2011:** South Africa was invited to join, and its participation transformed BRIC into **BRICS**.
- **2014:** BRICS established the **New Development Bank** and the **Contingent Reserve Arrangement**, strengthening financial cooperation and providing additional institutional mechanisms for emerging economies.
- **2024:** Egypt, Ethiopia, Iran, Saudi Arabia and the United Arab Emirates became part of the expanded BRICS framework.
- **2025: Indonesia joined as a full member**, further increasing BRICS' representation of the Global South.
- **2026:** India assumed the BRICS Chairship and hosted the **18th BRICS Summit in New Delhi**, placing resilience, innovation, cooperation and sustainability at the centre of its agenda.

Key Proposals and Priorities Under India's 2026 Chairship:

Economic and Trade Priorities:

- India has promoted **market opening, lower non-tariff barriers, payment-system connectivity and local-currency trade**, particularly in sectors involving critical minerals, agriculture, pharmaceuticals, engineering goods, electronics, automobiles, auto components and services.
- The objective is to move BRICS from broad declarations towards **practical economic integration**, including easier business-to-business transactions, stronger supply chains and greater participation by MSMEs.
- India has also emphasised that resilient global trade requires **secure maritime routes, open supply chains and protection of seafarers**, linking economic cooperation with wider geopolitical and maritime security concerns.

Digital and Innovation Cooperation:

- BRICS can use digital technologies to reduce transaction costs through **interoperable payment systems, digital trade facilitation and common technical standards**.
- Cooperation in **artificial intelligence, fintech, cybersecurity, digital public infrastructure and emerging technologies** can help developing countries avoid technological dependence and strengthen domestic innovation capabilities.
- Digital cooperation must be accompanied by safeguards for **data protection, consumer rights, cybersecurity and financial stability**.

Way Forward:

From De-dollarisation to Diversified Financial Architecture:

- BRICS should pursue **currency diversification rather than an abrupt attempt to replace the US dollar**, because the dollar's global role is supported by deep financial markets, liquidity and international confidence.
- The immediate priority should be building **interoperable payment systems, currency-swap arrangements, transparent settlement mechanisms, efficient foreign-exchange markets and common digital standards**.
- Local-currency trade will become more viable when supported by **stable macroeconomic policies, credible central banks, adequate liquidity and effective risk-management instruments**.

From Declarations to Implementation:

- BRICS must convert political consensus into **measurable economic outcomes** through improved logistics, trade facilitation, standards harmonisation, affordable MSME finance and stronger business-to-business linkages.
- India should use its chairship to promote a balanced agenda that combines **strategic autonomy with open trade**, digital innovation with cybersecurity, and de-dollarisation with financial stability.
- The long-term objective should be a **more diversified, resilient and inclusive global economic architecture** in which developing countries possess greater agency without creating excessive fragmentation.

Conclusion:

- India's 2026 BRICS Chairship provides an opportunity to strengthen the grouping's economic relevance through **local-currency trade, interoperable payment systems, resilient supply chains, critical-mineral cooperation and easier market access**.
- The success of this agenda will depend less on reducing the role of one currency and more on creating **credible alternatives, efficient institutions and interoperable financial infrastructure**.
- For India, BRICS can serve as a platform for combining **digital public infrastructure, strategic economic autonomy, Global South leadership and rules-based multilateralism**, thereby contributing to a more resilient and multipolar global economy.

Value Addition for UPSC:

Key Concepts:

- **De-dollarisation:** Reduction in excessive dependence on the US dollar for trade, payments, reserves and international finance.
- **Local-Currency Settlement:** Direct settlement of bilateral trade using the currencies of the participating countries.
- **Currency Diversification:** Greater use of multiple currencies to reduce concentration risk in international transactions and reserves.
- **Payment-System Interoperability:** Ability of different national payment systems to communicate and settle transactions efficiently across borders.

- **Non-Tariff Measures:** Regulatory or procedural measures other than tariffs that can influence the cost, quantity or conditions of international trade.
- **Strategic Autonomy:** Capacity of a country to pursue independent foreign and economic policies while maintaining diversified international partnerships.
- **Global South:** Broad grouping of developing and emerging countries seeking greater representation, development space and influence in global governance.

UPSC Relevance:

- **Essay:** *"A multipolar world requires not only political representation but also diversified economic and financial institutions."*
- **Key Argument:** India's BRICS strategy should aim not for **de-dollarisation at any cost**, but for **diversification, interoperability, resilience and greater strategic autonomy** within an open and rules-based global economic system.

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