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DE-DOLLARISATION AND THE RISE OF LOCAL CURRENCY TRADE: A CRITICAL LOOK AT BRICS ECONOMIES

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ABSTRACT

The US dollar has long dominated global trade and finance, but recent economic uncertainties and geopolitical tensions have pushed emerging economies to explore alternatives. Among them, BRICS nations – Brazil, Russia, India, China, and South Africa – are increasingly settling trade in their local currencies. This study explores this shift, examining its impact on global financial stability and the implications for the future of international trade.

Using a descriptive and analytical approach, this research relies on secondary data from international financial institutions, central bank reports, BRICS summit publications, and academic studies. Analyses include trend comparisons, case studies, and evaluation of trade patterns between 2015 and 2025. The findings suggest that local currency trade brings several benefits: it gives countries more control over their economies, reduces transaction costs, lowers exposure to exchange rate risks, encourages regional cooperation, and drives financial innovation.

Despite these advantages, challenges remain. Currency volatility, differences in economic structures, and limited global acceptance of local currencies could slow progress. Moreover, research on BRICS-specific initiatives is limited, and no clear framework yet exists to evaluate a potential common BRICS currency.

Overall, the study concludes that de-dollarisation is a gradual process. While unlikely to replace the dollar entirely in the near term, it supports a more multipolar financial system. Stronger institutional cooperation, stable local currencies, and coordinated policy efforts will be key to making this transition smoother and more effective.

KEYWORDS: *De-dollarisation; BRICS; Local Currency Trade; Global Trade; Currency Diversification; Emerging Economies*

1. INTRODUCTION

For decades, the US dollar has been the main currency for global trade and finance. While this has provided stability, it has also made other countries dependent on US economic policies and exposed them to global shocks. Geopolitical tensions, sanctions, and trade conflicts have highlighted the risks of relying solely on the dollar.

In response, BRICS nations are exploring ways to settle trade in their own currencies. This approach reduces dependence on the dollar, helps control economic risk, and strengthens regional cooperation. These efforts are part of a broader strategy to create a more balanced and resilient global financial system (IMF, 2023; BRICS Declaration, 2024).

2. LITERATURE REVIEW

Research shows that the dollar still dominates global reserves, though its share is gradually declining. BRICS countries are actively developing local currency trade systems and alternative financial infrastructure, such as the New Development Bank (Cambridge University Press, 2022; BRICS Council, 2026).

Most studies focus on global trends, but there is limited research on BRICS-specific experiences and post-2020 developments. Comparative analyses with other economic blocs are also rare. This study fills these gaps by looking specifically at BRICS trade patterns, case studies, and challenges.

3. OBJECTIVES OF THE STUDY

1. Explore the concept and evolution of de-dollarisation.
2. Examine BRICS efforts in promoting local currency trade.
3. Assess the feasibility of a common BRICS currency.
4. Identify key drivers behind reducing dollar dependency.
5. Analyze the impact of local currency trade on trade efficiency.
6. Study effects on global financial stability.
7. Examine the role of central banks in supporting local currencies.
8. Compare BRICS strategies with other economies.
9. Explore long-term prospects of a multipolar currency system.
10. Recommend policies to strengthen local currency trade.

4. RESEARCH GAP

- Few studies focus exclusively on BRICS-specific initiatives.
- Limited data integration for post-2020 developments.
- Lack of comparison with other economic blocs.
- Practical challenges like institutional readiness and governance are underexplored.

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5. RESEARCH METHODOLOGY

5.1 Research Design

Descriptive and analytical, using secondary data and case studies.

5.2 Data Sources

IMF reports, Reserve Bank of India publications, BRICS summit declarations, World Bank reports, and academic journals.

5.3 Data Period

2015–2025, covering major global disruptions including COVID-19.

5.4 Analytical Tools

Trend analysis, comparative analysis, and case studies.

5.5 Theoretical Framework

International Trade Theory, Currency Substitution Theory, Optimum Currency Area Theory.

5.6 Hypotheses

H1: Local currency trade reduces dependency on the US dollar by lowering transaction costs and exchange rate risks (IMF, 2023).

H2: BRICS cooperation enhances financial stability and accelerates de-dollarisation through coordinated trade agreements and alternative payment systems (BRICS Council, 2026).

6. CONCEPT OF DE-DOLLARISATION

- Using local currencies for bilateral trade
- Diversifying foreign exchange reserves
- Developing alternative payment systems

7. ROLE OF BRICS IN PROMOTING LOCAL CURRENCY TRADE

- Bilateral trade agreements (India–Russia, China–India)
- Financial support through the New Development Bank
- Payment system innovations
- Regional economic integration

8. ADVANTAGES OF LOCAL CURRENCY TRADE

- Reduces reliance on the dollar
- Lowers transaction costs
- Minimizes exchange rate risks
- Strengthens monetary sovereignty
- Supports regional trade
- Shields from geopolitical shocks
- Diversifies reserves
- Promotes financial innovation
- Boosts influence of emerging markets
- Improves trade efficiency and stability

9. FEASIBILITY OF A BRICS COMMON CURRENCY

While a common BRICS currency could reduce transaction costs and increase integration, economic differences and policy variations among member nations remain major challenges. A full transition would require institutional alignment, macroeconomic coordination, and long-term political commitment.

10. CASE STUDIES

I. India–Russia Bilateral Trade

From 2018–2023, India and Russia increasingly settled energy imports in Indian rupees and Russian rubles, bypassing the US dollar. This reduced transaction costs, minimized exposure to dollar fluctuations, and strengthened bilateral economic cooperation. Currency swaps between the Reserve Bank of India and Russia's central bank facilitated these settlements.

II. China–Brazil Agricultural Trade

China and Brazil began using yuan–real settlements for soybeans and other commodities around 2017. By 2022, nearly 20% of trade was conducted in local currencies. This reduced Brazil's dependence on the dollar and provided Chinese firms with predictable exchange rates. Both central banks implemented pilot payment mechanisms to support smooth transactions.

III. South Africa–China Trade in Yuan

In 2020, South Africa signed agreements to settle part of its mineral and manufactured goods exports in Chinese yuan. This encouraged yuan-denominated trade in the region, enhanced South Africa's role in regional financial initiatives, and reduced exposure to dollar volatility.

11. DATA ANALYSIS AND INTERPRETATION

Table 1: Share of Global Foreign Exchange Reserves (%)

Year	US Dollar	Euro	Yuan	Others
2015	64%	20%	1%	15%
2020	59%	21%	2%	18%
2025	55%	20%	3%	22%

Table 2: BRICS Trade in Local Currencies (Approx %)

Country	2015	2020	2025
China	15%	22%	30%
India	5%	10%	18%
Russia	10%	25%	40%
Brazil	3%	8%	15%
South Africa	2%	5%	12%

12. DISCUSSION

The data and case studies show a **gradual increase in local currency trade among BRICS countries** and a corresponding decline in reliance on the US dollar. Benefits include better economic control, lower transaction costs, and reduced exchange rate risks. Challenges such as currency volatility, structural differences, and limited global acceptance remain. Case studies demonstrate that practical implementation is already underway, particularly in energy and commodities trade.

13. FINDINGS

1. Local currency trade is steadily increasing.
2. Transaction costs and exchange rate risks are decreasing.

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3. A common BRICS currency is feasible long-term but requires coordination.
4. Institutional and policy hurdles remain significant.

14. CONCLUSION

De-dollarisation is a gradual process supporting a multipolar financial system. BRICS initiatives are paving the way for greater financial autonomy. Long-term success depends on institutional coordination, stable currencies, and policy integration.

15. POLICY RECOMMENDATIONS

- Strengthen BRICS financial collaboration.
- Develop alternative payment systems.
- Promote stable local currencies.
- Encourage research and monitoring.
- Coordinate macroeconomic policies.

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