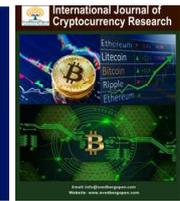




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## The BRICS-Arab States Nexus: Pathways to De-dollarization and the Promise of Digital Currencies in Bilateral Trade

Karim Mohamed Aboul-Dahab<sup>1\*</sup> 

<sup>1</sup>National Telecom Regulatory Authority (NTRA), Egypt. E-mail: [kmohamed@tra.gov.eg](mailto:kmohamed@tra.gov.eg)

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### Abstract

The world is experiencing a growing trend toward moving away from the US dollar as the primary currency because of economic shocks and pandemic effects and escalating international conflicts. Multiple nations have started to use their own currencies for trade while diversifying their foreign reserves as a result of these developments. The document studies how the rising de-dollarization trend affects economic and trade connections between BRICS nations and Arab states. Several Arab states show interest in joining BRICS along with their existing trade connections which creates new opportunities to decrease their dependence on US dollar transactions. The BRICS New Development Bank (NDB) together with digital currencies and electronic payment systems play essential roles in this transition process. The study analyses de-dollarization drivers and the development of BRICS-Arab trade relations and CBDCs and BRICS PAY platforms for establishing a versatile global trade system.

**Keywords:** De-dollarization, BRICS, Arab States, Bilateral trade, Digital currency, CBDC, Multipolarity

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## 1. Introduction

The BRICS nations maintain strong collaborative ties with the Arab world because of their established historical relations which span multiple centuries. During the period of two millennia ago the Ancient Silk Road established trade routes between China and the Middle Eastern region while India maintained extensive maritime connections with Arab territories throughout the Indian Ocean. Through northern trade routes and the Caspian Sea Russia developed its connections with other nations. Brazil together with South Africa entered global trade at a later stage but developed their Arab world connections through changing commercial and migratory relationships. The intertwined historical connections create a deep cultural and economic base which supports modern enhanced collaboration. The League of Arab States (LAS) which began in 1945 created its mission to enhance Arab nation unity through political cultural economic and social collaboration

\* Corresponding author: Karim Mohamed Aboul-Dahab, National Telecom Regulatory Authority (NTRA), Egypt. E-mail: [kmohamed@tra.gov.eg](mailto:kmohamed@tra.gov.eg)

and conflict resolution. The Arab Monetary Fund (AMF) emerged in 1976 as a continuation of the League of Arab States' objectives to drive economic expansion and secure financial stability. The Greater Arab Free Trade Area (GAFTA) entered into effect in 2005 to remove customs fees between Arab countries that participated in the agreement. The proposal to implement a unified Arab Dinar in 2012 failed because member states could not reach political agreement and Western currencies particularly the US dollar maintained their global trade dominance.

## **2. Enduring Partnerships: BRICS Nations and the Arab World's Historical Bonds**

China has had a link with the Arab world for over sixty years now. A key moment was the Asian-African Conference ([Bandung, 1955](#); [Alsabah, 2017](#)), which set the stage for diplomatic relations between Arab countries and China in 1956, starting with Egypt, Syria, and Yemen. Before establishing diplomatic relations, China's attitude and policy were already developing toward the Arab countries—they provided humanitarian aid and moral support to Arab states fighting for their independence. This is reflective of China's view of internationalism and that the Arab countries represent a kind of mutual development; hence, their doctrine of non-interference and peaceful cooperation with other countries.

## **3. All Different BRICS-Arab Relationships**

Each BRICS country has its own unique historical connection to the Arab world:

- India has had centuries of flourishing maritime trade across the Indian Ocean.
- Russia has long had strategic and cultural ties with the Middle East through overland and riverine trade routes and further, of late, in energy and geopolitics.
- While Brazil and South Africa remain geographically distant, they have developed ties via global trade networks, diasporic ties, and shared aspirations for a fairer international order.

Such historical interactions engender an unshakable foundation of trust and shared values that provide an enriching backdrop for further cooperation in trade, investment, infrastructure, and perhaps currency diversification as the world begins to rethink its financial architecture.

## **4. Present Cooperation and the Shared Future**

In this context, Arab countries have welcomed China's proposals for the "Silk Road Economic Belt" and "21<sup>st</sup> Century Maritime Silk Road," especially the "1+2+3" cooperation model in energy, infrastructure, trade, and hi-tech sectors. This executive interest in strategic relations with all BRICS partners is widespread within the Arab world.

Another striking example is the founding in 2018 of the China-Arab States BDS/GNSS Center in Tunisia, an installation related to the BeiDou Navigation Satellite System of China, emphasizing the technological dimension. In addition, during the first China-Arab States Summit held in Saudi Arabia in December 2022, the leaders outlined their shared vision in building a China-Arab community with a shared future of its own, which is in line with the broader BRICS agenda of working towards a multipolar cooperation and a more balanced global order.

## **5. BRICS Expansion and Arab World Integration: A New Global Economic Order**

The BRICS bloc (Brazil, Russia, India, China, South Africa), has greatly accelerated its share in world economic proceedings since inception. The term was created in 2001 by Goldman Sachs to emphasize the great potential these emerging economies showed. This group then came into being in 2009 and grew to incorporate South Africa in 2010. Their contribution to world growth soared from 16% in the 1990s to around 30% at the beginning of the Twentieth century, making a departure from the declining share of the G7.

## **6. BRICS Plus and Engagements of Arab States**

Developed in 2023, the "BRICS Plus" nomenclature, signaling inclusivity to Argentina, Egypt, Iran, Saudi Arabia, and Turkey, is in favor of enhanced multilateralism and regional inclusion. Thus, Arab countries, both

Gulf nations and non-oil producers such as Egypt, are deepening the relationship with the whole BRICS bloc, seeking alternatives to the western-dominated financial structure and more resilient models for development.

A key symbol bearing witness to the transformation is the New Development Bank (NDB), founded by BRICS in 2014 for infrastructure and sustainable development. With the joining of Egypt, UAE, and Bangladesh in 2021, and the impending joining of Saudi Arabia and Uruguay, the Arab countries have also engaged in the broader BRICS set-up for their development.

BRICS countries are investigating diversified currency arrangements as trust in the US dollar's hegemony declines. 2019 saw the start of bilateral trade settlements between China and Russia in yuan and rubles; this trend has since spread to Turkey, which now pays for Russian grain in rubles and has talks with Egypt. Pegging the ruble to currencies such as the Egyptian pound and Emirati dirham, the Bank of Russia is actively investigating currency settlement arrangements with central banks in Arab and Asian countries. In an effort to lessen their reliance on the dollar, Latin American countries like Brazil and Argentina are also investigating joint currencies like the "sur." This is part of a larger global trend toward more diverse financial systems, which many Arab nations, particularly those like Egypt that are struggling financially, find appealing.

## **7. Statement of the Problem: Overcoming Dollar Dependence in BRICS-Arab Trade**

The US dollar continues to play a major role in trade and financial exchanges between Arab states and the BRICS nations, despite the expansion of their economic and geopolitical cooperation. As a result, both blocs are vulnerable to changes in US monetary policy, currency volatility, and financial risks associated with dollar hegemony.

The ways in which Arab and BRICS countries can collaborate to create and embrace digital currencies in order to promote monetary sovereignty and ease bilateral trade are not well understood. The lack of uniform frameworks, fragmented digital infrastructure, disparities in regulations, and geopolitical unpredictability's are among the difficulties.

In order to create a more resilient and balanced global trade ecosystem, it is imperative that BRICS and Arab states look into the strategic, economic, and technological avenues for reducing their reliance on the dollar and utilizing digital currencies.

## **8. The BRICS Framework's Expanding Role for the Arab World**

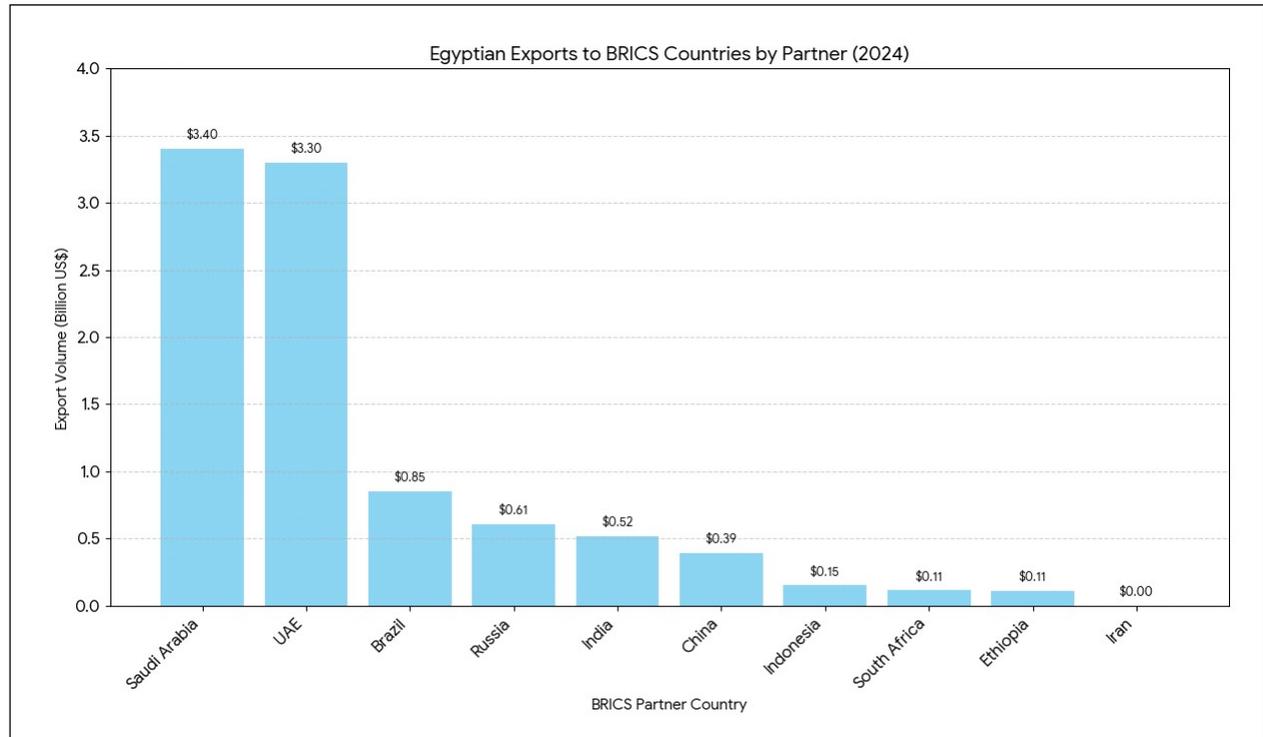
Economic relations between the Arab world and China have a long history, and they are further strengthened by contemporary initiatives like the Belt and Road Initiative. By 2020, more than 80% of China's investment in the region will come from important partners like Saudi Arabia, the United Arab Emirates, Iraq, Egypt, and Algeria. With 265 million tonnes of crude oil imported in 2021 alone – more than half of its total oil import volume – China's imports from Arab nations are mostly energy-related.

Arab nations are extending their economic ties with the larger BRICS bloc in addition to China:

- Russia is one of Egypt's main suppliers of grain, and local currencies are being used more and more in trade.
- India and the Gulf nations continue to have close energy, technological, and labor relations.
- Brazil helps ensure food security by exporting a variety of agricultural goods to Arab markets.
- South Africa participates in the MENA region through trade missions and investments.

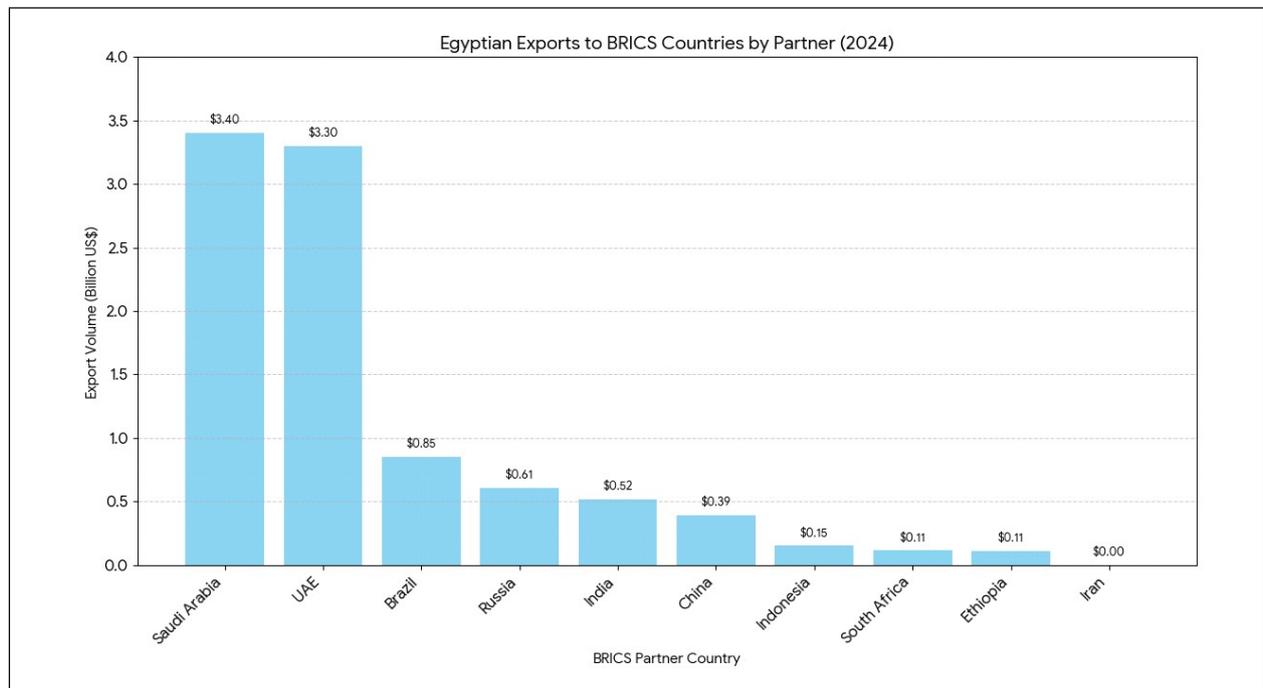
In keeping with the multilateral goals of BRICS, many Arab nations engaged in this trade are also participants in regional organizations such as OPEC and the GCC. Because of their strategic locations and diverse economies, even non-oil producers like Egypt and Jordan maintain solid trade ties.

It is a fact that the majority of the Arab countries which are involved in this trade are also part of regional organizations like OPEC and the GCC, which is a clear reflection of the multilateral objectives of BRICS. The strategic positions and the varied economies of these countries make it possible for even non-oil-producing countries like Egypt and Jordan to have good trade connections.



**Figure 1: Shows the Volume of Goods Egypt Exported to Each BRICS Member. Saudi Arabia and the UAE were the Largest Importers of Egyptian Goods within the Bloc**

Data Source: Central Agency for Public Mobilization and Statistics (CAPMAS) (2024)



**Figure 2: Chart Displays the Volume of Goods Egypt Imported from Each BRICS Member. China was by Far the Largest Exporter to Egypt within the BRICS Group, Followed by Saudi Arabia and Russia**

Source: Central Agency for Public Mobilization and Statistics (CAPMAS) (2024)

To be precise, Figure 1 (displaying the Volume of Goods Egypt Exported to Each BRICS Member) and Figure 2 confirm this assertion by showing the import volume between Egypt and BRICS partners who are also major members of the Arab regional bloc. For example, Saudi Arabia and the UAE, both part of the GCC

and OPEC+, are depicted as the leading importers of Egyptian goods within the BRICS+ connection in 2024, with export values of \$3.40 billion and \$3.30 billion, respectively.

## **9. The Emergence of Digital Currency: Arab States, BRICS, and the Global Transition**

Beyond conventional cash and card payments, the financial industry is rapidly digitizing. Cost and centralized control over monetary value are two problems with traditional banking that are addressed by this change.

## **10. The CBDC Craze: Central Banks Go Digital**

Central Bank Digital Currencies (CBDCs), which are digital representations of national currency issued by central banks, are being investigated by numerous nations. More than 60 central banks are looking into CBDCs; some, like the US and UK, are in the research stages, while others, like China and Sweden, are conducting live tests. Economic control, financial inclusion, transaction traceability (supporting tax collection and anti-money laundering), and cross-border payments are the goals of CBDCs. But there are issues with data security, privacy, and potential impacts on commercial bank deposits and lending.

## **11. With the Digital Yuan, China Takes the Lead**

Since 2014, China has led the world in digital currency, with the People's Bank of China aggressively pushing its digital yuan, also known as the Digital Currency Electronic Payment (DCEP), as an alternative to cash. The digital yuan is legal tender that is directly controlled by the central bank, in contrast to other electronic payment methods. It gives the government strong new tools for monitoring the economy and citizens, but it lacks the anonymity of cryptocurrencies like Bitcoin.

The digital yuan can be spent offline as well as on special cards or mobile devices. Using a central bank app for small government handouts at different merchants, more than 100,000 people have already tested it. The digital yuan could greatly further China's objective of internationalizing its currency (RMB), even though it is unlikely to overtake the US dollar's hegemony in the world economy. Given the presence of Chinese tech giants in emerging markets, it might be a compelling alternative for nations with volatile currencies and see significant international traction. A staggering 1.8 trillion yuan (roughly \$249.33 billion) had been transacted using China's digital currency by June 2023.

## **12. Other BRICS Nations Join the Digital Wave**

There is a noticeable movement toward digital financial systems among the BRICS countries:

- Since 2016, India has made a major effort to encourage the widespread adoption of digital technology by promoting electronic payment systems.
- In an effort to modernize its financial system and combat decentralized cryptocurrencies, Russia intends to start consumer testing of its digital ruble in August.
- In December 2022, Brazil passed the "Crypto Assets Act," which established a legal framework for virtual assets, regulated service providers, and stiffened penalties for money laundering and fraud in this industry.
- In 2020, South Africa suggested that cryptocurrency assets be regarded as "financial products," necessitating licensing and stringent guidelines for conduct for financial advisors and service providers involved in the cryptocurrency space.

## **13. The Arab Nations Take Different Stances on Blockchain Technology and Digital Currencies**

In an effort to incorporate blockchain technology into government transactions, the United Arab Emirates (UAE) introduced the Emirates Blockchain Strategy 2021. With programs like the DMCC Crypto Centre assisting cryptocurrency enterprises, Dubai actively promotes a crypto ecosystem.

Egypt, on the other hand, has taken a cautious approach. Arrests for illicit mining have resulted from the Central Bank of Egypt's (CBE) repeated warnings against and prohibitions on the issuance or trading of cryptocurrencies like Bitcoin.

With the exception of services pertaining to “token securities,” the majority of virtual asset services offered within the Qatar Financial Center have been outlawed by the Financial Center Regulatory Authority (QFCRA).

#### **14. BRICS: Moving Towards an Electronic Currency for Trade**

To lessen their reliance on the world’s leading currencies and promote economic integration, the BRICS countries are aggressively seeking financial cooperation, especially in the areas of digital currencies and payment systems.

During the 2017 BRICS Summit in Xiamen, members suggested creating a BRICS Local Currency Bond Fund and decided to advance local currency bond markets in order to improve financial cooperation. The objectives of this initiative are to promote sustainable capital flows, strengthen regional and domestic bond markets, draw in foreign capital, and improve financial resilience. In recognition of its potential to modernize financial systems and increase trust in digital transactions, major BRICS banks signed a Memorandum of Understanding (MoU) to develop Distributed Ledger Technology (DLT) in 2018.

International trade is greatly impacted by exchange rate volatility, which makes pricing and profit margins more difficult for importers and exporters. The BRICS nations are investigating a common digital currency as a solution to this problem and to increase trade efficiency. A common digital unit, according to experts like Zharikov (2023), could provide more stability and security, particularly for foreign partners looking to protect themselves from currency risks. This would be a major step toward further BRICS economic integration.

BRICS established BRICS PAY in 2018 in accordance with this goal. The BRICS Business Council created this digital payment platform, which allows users in BRICS and BRICS+ nations to make cross-border payments in local currencies. It aims to move away from reliance by lowering transaction costs, streamlining global trade, and improving the security and accessibility of payments for both consumers and businesses.

#### **15. Conclusion**

Global trade dynamics could be drastically changed by the possible inclusion of Saudi Arabia, the United Arab Emirates, Egypt, Bahrain, and Algeria in an expanded BRICS (BRICS+). With the current BRICS members – China, India, Russia, Brazil, and South Africa – these countries already have close economic and trade relations.

An accelerated de-dollarization trend, which would encourage a slow shift away from the US dollar in trade, would be a major result of this expansion. In order to facilitate trade and increase financial independence among member states, this change may entail a larger use of national currencies or even a single digital currency.

Although some academics suggest that blocs without a common central bank could use decentralized cryptocurrencies as a shared medium, their high volatility, speculative nature, and lack of regulation make them largely unsuitable for institutional or governmental use.

China’s digital yuan emerges as a promising, more stable digital alternative. For developing nations, it offers a new option for cross-border transactions and potential insulation from US sanctions. Its increasing use could pave the way for broader adoption of state-backed digital currencies within the BRICS+ framework.

Looking ahead, a major step for BRICS financial integration could be establishing a BRICS-wide cross-border payment system built on blockchain technology. Such a system could enhance interbank payment efficiency, reshape global financial infrastructure, and reduce dependence on Western-dominated systems.

One promising and more reliable digital substitute is China’s digital yuan. It provides a fresh avenue for international trade and possible protection from U.S. sanctions for developing countries. The BRICS+ framework’s wider adoption of state-backed digital currencies may be facilitated by its growing usage.

The creation of a blockchain-based cross-border payment system for the entire BRICS could be a significant step toward financial integration in the future. Such a system could lessen reliance on Western-dominated systems, improve interbank payment efficiency, and transform the global financial infrastructure.

A number of crucial steps and areas for additional research are suggested in order to support this changing financial landscape:

## 16. Recommendations and Future Research Directions

Encourage Cooperation on Digital Currencies: Arab and BRICS nations should collaborate to create and execute digital currencies that are compatible and adhere to common security and stability standards.

**Promote Local Currency Trade:** To strengthen economic sovereignty and lessen dependency on foreign exchange systems, policymakers should increase the use of national currencies in trade agreements.

**Harmonize Regulatory Frameworks:** To increase trust in digital currencies and assets and make transactions safer, clear and uniform regulations are essential.

**Invest in Digital Infrastructure:** To enable quick, safe, and easy cross-border payments, digital systems must be upgraded.

Arab nations should keep expanding their economies beyond the oil sector in order to create new opportunities for investment and trade with their BRICS neighbors.

More study is required to completely comprehend the geopolitical and economic effects of de-dollarization, especially how digital currencies may influence the form of a new international financial system.

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