Geopolitical Shocks, BRICS Expansion, and Systemic Risk: A Network-Based Perspective on Strategic Disruptions

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Abstract

Recent geopolitical interventions in Latin America reveal how strategic political actions, particularly when timed around international diplomatic agreements, can act as exogenous shocks capable of amplifying systemic risk. This short paper connects contemporary events to historical patterns of intervention and containment, highlighting their relevance within network-based models of contagion, default cascades, and institutional fragility. Special attention is given to the role of the BRICS bloc and the growing multipolar structure of the global economy.

1 Introduction

Systemic risk analysis has traditionally focused on financial institutions, balance sheets, and market microstructure. However, in an increasingly interconnected global economy, *geopolitical events* must be understood as critical exogenous shocks capable of triggering contagion across economic, financial, and institutional networks [1, 2, 3].

Recent events in Latin America illustrate how abrupt political interventions—especially when strategically timed around major international negotiations—can disrupt institutional continuity, weaken contractual credibility, and increase uncertainty across global markets. From a network perspective, such interventions resemble externally imposed defaults that propagate through trade relations, investment channels, and expectations, generating cascading effects far beyond national borders [4, 5].

These dynamics gain particular relevance in the context of the BRICS initiative, which represents a structural shift toward multipolarity through alternative financial arrangements, trade mechanisms, and long-term cooperative frameworks. Understanding how geopolitical shocks interact with these evolving structures is essential for a comprehensive assessment of modern systemic risk.

2 Historical Background: Intervention and Containment

2.1 The Origins of Hemispheric Control

The strategic view of Latin America as a zone of influence can be traced back to the **Monroe Doctrine (1823)**, which established the principle of external exclusion while implicitly legitimizing internal intervention. Although initially declarative, this doctrine laid the groundwork for future actions aimed at maintaining regional alignment.

2.2 Cold War Interventions (1947–1991)

During the Cold War, containment policies translated into direct and indirect interventions across the region, including:

- Guatemala (1954),
- Brazil (1964),
- Chile (1973),
- Central America throughout the 1980s.

These actions were justified under the logic of security and ideological stability, establishing a precedent in which sovereignty was subordinated to strategic considerations.

2.3 Post–Cold War Adaptation

Following the dissolution of the Soviet Union in 1991, the discourse surrounding intervention shifted toward democracy promotion, anti-narcotics operations, and counterterrorism. Despite the rhetorical change, the underlying logic of strategic containment remained structurally intact.

3 BRICS and the Emergence of Multipolar Risk

The concept of BRICS emerged in 2001, initially as an economic classification [6]. Its transformation into a political and financial coordination mechanism—marked by the first summit in 2009 and the creation of the **New Development Bank in 2014**—introduced alternative pathways for development financing and international cooperation [7].

From a systemic perspective, BRICS initiatives reduce dependency on traditional financial hubs, introduce redundancy into global financial networks, and alter the topology of risk transmission. As such, they represent a structural challenge to hegemonic stability rather than a temporary geopolitical alignment [8, 9].

4 Strategic Timing and Geopolitical Shocks

Recent interventions occurring immediately prior to high-level diplomatic engagements with China and other BRICS-related partners suggest a deliberate strategy aimed at disrupting institutional continuity. In network terms, such actions function as shocks applied to critical nodes, increasing volatility, elevating risk premia, and weakening the resilience of interconnected systems.

This timing is not incidental: instability introduced at key moments undermines long-term agreements before they can consolidate, producing systemic effects that extend across regions and markets.

5 Conclusion

Geopolitical interventions should not be analyzed as isolated political events but as integral components of systemic risk in a multipolar world. As financial and institutional networks become increasingly intertwined, the interaction between geopolitical shocks and economic structures will play a central role in shaping global stability.

Incorporating these dynamics into network-based models of contagion and default cascades is essential for accurately capturing the nature of modern systemic risk.

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