

# BRICS to Develop Blockchain-Based Payment System to Bypass the Dollar

Mike Maharrey : 6-8 minutes : 3/7/2024

In an interview on the [Russian news agency TASS](#), Kremlin aide Yury Ushakov announced that the BRICS nations plan to develop a new payment system based on the blockchain.

This sets the stage for further de-dollarization and could further undermine the status of the dollar as the global reserve currency.

"We believe that creating an independent BRICS payment system is an important goal for the future, which would be based on state-of-the-art tools such as digital technologies and blockchain."

Ushakov said the system should be convenient for governments, businesses, and common people to use, "as well as cost-effective and free of politics." And significantly, without dollars.

"Work will continue to develop the Contingent Reserve Arrangement, primarily regarding the use of currencies different from the U.S. dollar."

Ushakov didn't provide any details about the plan, but he said the BRICS bloc remains committed to increasing its role in the international monetary and financial system.

BRICS is an economic cooperation bloc originally made up of Brazil, Russia, India, China, and South Africa. As of Jan. 1, 2024, the bloc expanded to include Saudi Arabia, Egypt, the UAE, Iran, and Ethiopia.

More than 40 other nations have expressed interest in BRICS membership.

The expanded BRICS has a combined population of about 3.5 billion people. The economies of the BRICS nations are worth over \$28.5 trillion and make up roughly 28 percent of the global economy. BRICS nations also account for about 42 percent of global crude oil output.

The BRICS countries have expressed a desire to move away from dependence on the dollar. During last year's BRICS summit, Brazil President Luiz Inacio Lula da Silva [called on the bloc to create a common currency](#) for mutual trade and

investment. He said a BRICS currency would "increase our payment options and reduce our vulnerabilities."

BRICS nations have already made moves to move away from the dollar. Last April, [China and Brazil announced a trade deal](#) in their own currencies, completely bypassing the dollar. Under the deal, Brazil and China will carry out trade directly exchanging yuan for reais and vice versa instead of first converting to dollars.

Last summer, India and the United Arab Emirates also settled an oil trade without converting local currencies to dollars for the first time, as India's top refiner made a payment for oil in rupees.

A BRICS payment system could speed the move away from the dollar.

Currently, most global trade moves through the Society for Worldwide Interbank Financial Telecommunication (SWIFT) system.

SWIFT serves as the global economy's superhighway. In effect, it operates as a global financial messaging service, facilitating cross-border payments. As [the SWIFT website puts it](#), "SWIFT is the way the world moves value."

Since the dollar serves as the world reserve currency, SWIFT effectively facilitates an international dollar system.

But a lot of countries aren't comfortable with the U.S. maintaining that kind of economic clout and a more diversified system. Before last year's BRICS summit, the bloc's South African ambassador Anil Sooklal said, "The days of a dollar-centric world is (sic) over. That's a reality. We have a multipolar global trading system today."

## The Ramifications of De-Dollarization

BRICS's growing economic power poses a direct threat to dollar dominance. In fact, during last year's summit, BRICS leaders emphasized conducting increased trade within the bloc using local currencies as part of a move towards de-dollarization, with a stated goal of reducing the U.S. dollar's dominance in global trade and finance.

This isn't just about a geopolitical power play. Any erosion of the dollar's status could have significant economic ramifications for the average American.

Because the global financial system runs on dollars, the world needs a lot of them, and the United States depends on this global demand to underpin its profligate borrowing and spending. The only reason the U.S. can borrow, spend, and run massive budget deficits to the extent that it does is the dollar's role as

the world reserve currency. It creates a built-in global demand for dollars and dollar-denominated assets. This absorbs the Federal Reserve's money creation and helps maintain dollar strength despite the Federal Reserve's inflationary policies.

But what happens if that demand drops? What happens if BRICS nations and other countries decide they don't want to hold dollars?

A de-dollarization of the world economy would cause the value of the U.S. currency to crash and likely spark a currency crisis. You and I would feel the impact with more price inflation eating away at the purchasing power of the dollar. It could even lead to hyperinflation.

## The Weaponization of the Dollar

The [weaponization of the dollar](#) as a foreign policy tool could speed up de-dollarization.

The U.S. and other Western countries aggressively sanctioned Russia in the wake of its invasion of Ukraine, locking Russia out of the SWIFT financial system and freezing around \$300 billion in Russian central bank assets.

Now, the U.S. and its allies are considering upping the ante with a proposal to seize frozen Russian assets and use the proceeds to rebuild Ukraine. Treasury Secretary [Janet Yellen recently voiced support for the idea](#).

But even if you consider this justifiable and effective policy, it's important to understand the risk involved. Yes, the U.S. may further its foreign policy aims, but make no mistake, the rest of the world is watching.

It's clear the United States is more than willing to [use the dollar as a hammer](#) against other countries. If you hold something that could be used against you, what would you do?

You'd get rid of it to minimize the risk. After all, something you don't have can't be used against you.

In other words, if you are concerned that the U.S. could pull the "dollar rug" out from under you, why not pull out from the dollar system first?

This is exactly what the BRICS nations are trying to do.

The demise of the dollar won't happen overnight. The BRICS nations face significant political and economic hurdles in their quest to exert more control over global finance. But they are clearly working hard to move in that direction. The U.S. and its allies had better pay attention.

Nothing guarantees the dollar will maintain its dominance forever. In fact, history says it won't.

In the meantime, it might not be a bad idea to do what many [central banks around the world are doing](#) – [buy gold](#).