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BRICS and the Boundaries of Economic Multipolarity: Strategic Trade, Currency Power, and Global Fragmentation

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ABSTRACT

The recent escalation of United States tariffs in 2025 has renewed debates about economic multipolarity and BRICS' capacity to function as a counterweight to the dollar-centred global order. This article examines the implications of the United States' 2025 tariff escalation for BRICS and the broader discourse on economic multipolarity. Situating the analysis within economic statecraft and global political economy, it argues that tariff-based coercion has not catalysed a cohesive BRICS-led alternative to the dollar-centred order. Instead, the shock has intensified internal asymmetries, producing differentiated adjustment paths shaped by export structures, financial resilience, and strategic alignments. While initiatives such as local-currency trade, the New Development Bank, and alternative payment mechanisms have expanded incrementally, they remain constrained by institutional fragmentation and continued dependence on U.S. dominated financial circuits. The article further highlights divergent strategies within BRICS, particularly between China's revisionist ambitions and India's hedging approach, which limit collective coordination. Overall, BRICS emerges less as a unified counter-hegemonic bloc and more as a forum of managed divergence, reinforcing adaptation within, rather than transformation of, the existing international economic order.

1. Introduction

The US President, Donald Trump, on 2 April 2025 stated, "We're going to start being smart, and we're going to start being very wealthy again," marking it as the "Liberation Day", highlighting this as a decisive break from decades of unfair trade practices (CNN, 2025). He contended that the United States had been systematically "looted, pillaged, raped, and plundered" by its trading partners, and this step was necessary to uplift national health. The statement marked a significant escalation in U.S. trade policy, a renewed commitment to economic nationalism as a central pillar of American statecraft.

The tariffs introduced under this initiative were enormous. The Trump administration imposed reciprocal tariffs exceeding 10 percentage points, primarily based on bilateral trade imbalances. China faced a 34 per cent tariff on its exports to the United States, marking it the principal target. However, the administration pronounced it as a "discounted" figure, roughly half of the estimated 67 per cent barriers attributed to China, including alleged currency manipulation. The administration also threatened tariffs of up to 145 per cent on a broad range of Chinese goods, signalling a readiness to employ near-prohibitive trade barriers. Simultaneously, India was penalised by the highest Trump tariffs at 50% (initial 25% + additional 25%), ranking alongside Brazil as a top

target, which was initially triggered by New Delhi's Russian oil purchases and BRICS participation (White House, 2025). Similarly, the United States imposed 25 per cent tariffs on automobiles, steel, and aluminium imported from Mexico and Canada, disrupting established regional production networks. These policies explicitly linked to the relocation of production to U.S indicated as the instruments of strategic leverage by the Trump administration.

These measures were implemented within an international context characterised by debates over economic multipolarity and the evolving role of BRICS as a potential counterweight to established Western financial and trade architectures. BRICS nations- Brazil, Russia, India, China, South Africa, and new members like Egypt now face this storm head-on, representing over 45% of the world's population and 35% of global GDP. The grouping has been frequently discussed as a platform for alternative monetary arrangements, South–South economic coordination, and institutional diversification. Therefore, the targeting of China, and the broader use of tariffs as instruments of coercion, extend beyond bilateral trade disputes, intersecting directly with ongoing contests over currency power, development finance, and global economic governance.

However, the administration's stated objectives stood in sharp contrast. The U.S. economy contracted by 0.3 per cent in the first quarter of 2025, marking its first decline in three years and reflecting rising input costs, supply-chain disruptions, and heightened uncertainty. China's manufacturing output declined to a 16-month low, while economic growth in Europe stagnated at 0.4 per cent, illustrating the spillover effects of U.S.-China trade tensions across interconnected economies (Macao News, 2025). Furthermore, the tariff regime produced uneven effects. For instance, Taiwan's GDP increased by 5.4 per cent, largely due to pre-tariff stockpiling and trade diversion. This highlighted the asymmetries inherent in global value chains and the capacity for short-term adaptive behaviour to mitigate exposure. This tariff escalation contributed to broader fragmentation within the global trading system beyond macroeconomic indicators. The trade frictions intensified with rising production costs, disrupted sourcing networks, and retaliatory measures, including China's increase in its bilateral tariff rate to 12 per cent. These dynamics underscore the limitations of unilateral protectionism in a deeply interdependent international economy and the potential for strategic shocks to generate systemic uncertainty.

Within this context, BRICS provides a critical analytical lens for evaluating the implications of the 2025 U.S. tariff regime. The implications of these developments remain contested across the International Relations and International Political Economy literatures. One strand interprets BRICS not merely as a coalition of emerging economies but as an increasingly consequential agent of structural transformation within the international system. From this perspective, BRICS' membership expansion, the establishment of institutions such as the New Development Bank (NDB) and the Contingent Reserve Arrangement (CRA), and growing experiments in local-currency settlements and alternative payment mechanisms together represent incremental but meaningful steps toward a more multipolar global economic order. Although these initiatives do not immediately supplant existing institutions, they are read as evidence that emerging powers are gradually building parallel governance mechanisms that can reduce reliance on Western-led financial architectures (Hurrell & Narlikar, 2006; Stuenkel, 2017).

Another strand of the literature offers a more moderate reading, contending that BRICS should not be understood as a revisionist coalition intent on overturning the liberal international order. Instead, this literature situates the grouping as reform-oriented: a platform through which emerging powers coordinate positions on IMF quota reform, development finance, trade governance, and South–South cooperation, while remaining largely committed to the existing international economic framework. From this vantage, BRICS' institutional innovations are complementary rather than confrontational, aimed at recalibrating extant institutions to reflect shifting distributions of global economic power rather than displacing them outright (Ikenberry, 2018; Acharya, 2014).

A third, more sceptical perspective draws on theories of structural power, hegemonic stability, and regime complexity to argue that contemporary global finance remains anchored in institutional,

monetary, and network advantages that cannot be overturned by incremental institutional creativity alone. The U.S. dollar's dominance rests not only on the scale of the American economy but also on entrenched financial infrastructures, reserve-currency functions, liquidity provision, and powerful network effects that generate pronounced path dependence (Strange, 1988; Abbott & Snidal, 2001). Accordingly, mechanisms such as local-currency settlements, BRICS Pay or expanded NDB lending are often interpreted as strategies of risk diversification and strategic hedging, rather than harbingers of a post-dollar order. From this sceptical vantage, BRICS members continue to operate within, and be shaped by, the institutional architecture of the existing global political economy. The 2025 tariff escalation offers a crucial empirical test for these competing interpretations. While some observers anticipated that heightened tariff-based economic coercion would accelerate de-dollarisation and consolidate BRICS cohesion, it is equally plausible that such external pressure would deepen internal asymmetries by prompting differentiated national responses rather than collective institutional action. The consequences of economic coercion, therefore, cannot be presumed to generate multipolarity automatically; they depend instead on affected states' institutional capacity to coordinate responses, the distribution of economic vulnerabilities across members, and the resilience of incumbent monetary and financial structures.

Building on these debates, this article contends that the 2025 tariff regime has reinforced adaptation processes rather than engendering systemic transformation in the contemporary international political economy. Rather than catalysing a coherent BRICS-centred alternative to the dollar-based order, tariff-induced pressures exposed persistent asymmetries in trade dependence, financial capacity, and strategic preferences among member states. The principal effect of the tariff shock has been to intensify differentiated adjustment within BRICS, thereby buttressing the resilience of the existing international economic order even as rhetoric about economic multipolarity has proliferated.

Against this backdrop, this article examines how these trade measures reverberate through the grouping as a testing ground for emerging multipolar dynamics. This involves four interrelated questions. First, to what extent can BRICS be understood as a credible alternative to the U.S.-dollar-centred monetary and trade system amid increasing tariff-based economic coercion? Second, how does the United States interpret BRICS as a largely neutral platform for economic cooperation, or as a revisionist coalition with the potential to challenge dollar dominance? Further, how do these perceptions influence U.S. policy responses, including tariff threats, financial pressure, and the reconfiguration of global supply chains? Third, do these dynamics strengthen the Global South's economic position by promoting deeper South-South cooperation, or do they instead intensify global fragmentation through uneven adjustment costs, production disruptions, and recessionary risks? Finally, what roles do China and India assume within BRICS under conditions of tariff pressure, and how do their differing roles shape the unity and effectiveness of the grouping?

2. Strategic Trade Policy amid Global Fragmentation

Trade disruptions triggered by President Trump's 2025 tariff escalation cannot be adequately understood through neoclassical efficiency models alone. While conventional trade theory emphasises efficiency losses, price effects, and welfare redistribution, such frameworks are insufficient to highlight the strategic logic underpinning contemporary tariff deployment. (Baldwin, 1985). Therefore, this section uses IR frameworks to understand BRICS responses as strategic adjustments within a fragmented global governance system, rather than mere market reactions (Buzan, 1989).

Hence, tariffs are introduced to signal political intent and exert pressure on targeted states without resorting to military escalation. The tariff measures announced by the United States exemplify this shift. These expanded sharply in 2025 and targeted strategically sensitive countries and sectors, such as China's manufacturing base. This escalation marked a departure from post-war liberal trade norms while still reflecting long-standing practices of economic statecraft (Peterson Institute for International Economics, 2025).

Such strategic use of tariffs also reinforces the role of currency dominance as a form of structural power within the global political economy. As Strange (1988) explains, monetary power operates through control over the systems of production and exchange rather than acts of coercion. In the contemporary system, this power remains concentrated in the U.S. dollar, which accounts for approximately 88 per cent of global foreign exchange transactions and nearly 59 per cent of official foreign exchange reserves (Bank for International Settlements, 2025). As a result, even states directly targeted by tariffs remain embedded within U.S.-centred financial loops.

As tariffs escalated, they increased structural pressures on BRICS economies. As trade and supply chains were disrupted, exposure to exchange-rate volatility increased, posing risks for dollar-denominated transactions. These pressures were particularly evident in China, where manufacturing activity declined following the tariff expansion, with the 'Purchasing Managers' Index falling to 49.0 (National Bureau of Statistics of China, 2025). This reflected contractionary pressures within export-oriented sectors. Henceforth, BRICS responses did not represent an ideological challenge to dollar dominance but rather constituted pragmatic efforts to manage risk within an existing monetary hierarchy.

The capacity of BRICS economies to respond collectively to trade coercion is further constrained by the absence of dense production linkages within the grouping. Global competitiveness depends on countries' involvement in cross-border production networks that include intermediate goods, components, and embedded technologies, not just the final product. In contrast, regional blocs where intra-regional value chains support shock absorption show limited integration in BRICS. This lack of structural coordination reduces the ability to respond collectively during periods of tariff escalation and leads countries to rely more on national strategies rather than bloc-level action.

Such changes reflected limited adjustment rather than a fundamental shift. The New Development Bank expanded local-currency lending, disbursing approximately USD 35 billion in 2025. At the same time, around 30% of trade within BRICS was settled using the Chinese yuan (S&P Global Ratings, 2025). These measures sought to reduce immediate exposure to dollar liquidity constraints and transaction costs without displacing the dollar's central role in global finance. Some scholars contend that external economic shocks may accelerate de-dollarisation by encouraging greater reliance on local-currency settlements and alternative financial institutions within BRICS. However, the evidence presented here suggests that these developments remain incremental and have not overcome the structural constraints imposed by institutional fragmentation and continued dependence on dollar-centred financial markets. Such responses are consistent with the economic statecraft literature, which emphasises adjustment and mitigation within prevailing power structures rather than systemic rupture.

These developments highlight the limited characteristics of contemporary economic multipolarity. While BRICS is often framed as a platform for alternative monetary arrangements and enhanced South-South cooperation, internal asymmetries severely constrain its capacity to serve as a coherent counterweight in establishing financial orders. Data show that China accounts for approximately 48-50% of expanded BRICS GDP (PPP) in 2025, down from 70% of the original five, creating structural imbalances that complicate collective monetary coordination (International Monetary Fund, 2025). Further, the different national strategies weakened the collective response. For example, India's use of rupee-denominated oil trade with Russia and the UAE (accounting for about 15% of its 2025 imports) contrasts sharply with China's push to internationalise the yuan (BRICS Joint Statistical Publication, 2025). Hence, such steps limit BRICS's ability to adopt a unified monetary position.

Geoeconomic analysis suggests that these asymmetries limit the possibility of creating alternative economic orders. Rather than encouraging unity among states affected by tariffs, retaliatory measures usually produce uneven, sector-specific effects. Similar patterns have been observed in Europe, where countries experienced different levels of impact from comparable trade shocks due to

limited policy coordination. Within this framework, BRICS responses to the 2025 tariff escalation are better understood as strategic adjustments within existing structural constraints rather than as a collective challenge to US economic power.

3. The United States' Strategic Interpretation of BRICS

From a strategic perspective, Washington does not view BRICS as a unified geopolitical actor capable of directly replacing the liberal international economic order. Instead, it is viewed as a heterogeneous grouping with significant internal asymmetries, making it susceptible to strategic influence through selective instruments of economic statecraft. Hence, within this framework, the tariff was not just to fix trade problems, but to protect the US-led economic order by addressing bilateral imbalances and preserving US-dollar centrality.

President Donald Trump's public articulation of this approach was evident in his 7 July 2025 Truth Social statement declaring that "any country aligning themselves with the Anti-American policies of BRICS will be charged an additional 10% tariff" (BBC News, 2025). This declaration explicitly conditioned tariff escalation on perceived behaviours such as de-dollarisation rhetoric, institutional reform proposals, or strategic alignment rather than treating BRICS as a unitary bloc warranting comprehensive containment. This selective use of economic pressure reflects a calculated US approach. Tariffs on China were explained as a response to China's structural overcapacity and its intellectual property practices. However, in India's case, tariff increases were closely linked to its continued purchase of Russian oil and were accompanied by signals of possible secondary sanctions. Tariffs on Brazil, meanwhile, were shaped by domestic political alignments and public rhetoric. This differentiated strategy weakened cohesion within the bloc by exploiting country-specific vulnerabilities and strategic differences.

This approach reflects structural competition rather than confrontation. The internal differences within BRICS allow the U.S. to take advantage. China holds a disproportionate share of the group's economic weight, accounting for around 48–50 per cent of its GDP. India follows a strategy of strategic hedging through partnerships such as the Quad. Russia, meanwhile, remains constrained by international sanctions. These asymmetries limit the prospects for coordinated resistance. As a result, U.S. monetary dominance is sustained. This strategy preserves dollar hegemony, with 88 per cent of global foreign exchange transactions and approximately 58 per cent of global reserve holdings in dollars (International Monetary Fund, 2025).

Official statements further reinforce this interpretation, characterising initiatives such as BRICS Pay and New Development Bank (NDB) lending as incremental hedging mechanisms rather than systemic threats (United States Trade Representative, 2025). Tariffs are therefore calibrated to raise coordination costs. At the same time, bilateral inducements such as India's USD 34 billion trade engagement with the United States and framework agreements with partners like Vietnam are used to reinforce bilateral dependencies over multilateral bloc consolidation.

This interpretation views BRICS not as a cohesive challenger to G7 primacy but as a grouping shaped by internal differences. Instead, it aligns with offensive realist arguments that emphasise preserving structural advantages through asymmetric economic pressure rather than direct great-power confrontation (Mearsheimer, 2001). The administration's "reciprocal tariff" approach tied tariff levels to the ratio of trade deficits to imports and disproportionately targeted BRICS members with large imbalances, which accounted for around 73 per cent of BRICS exports to the United States.

Congressional testimony reveals a multifaceted approach combining tariffs, bilateral frameworks, and IMF leverage rather than a BRICS-specific doctrine. USTR's 2025 Trade Policy Agenda emphasises "reciprocal trade", addressing deficits with China, India, and Brazil individually rather than bloc-wide, while preserving IMF influence through bilateral pressure points. The BRICS Rio Summit in July 2025 criticised "unilateral protectionism" without specifically mentioning the US tariffs. In response, the U.S. Treasury clarified that BRICS duties target specific "non-market behaviours" on a case-by-case basis, rather than imposing automatic penalties on the entire bloc.

This approach exploited divisions within BRICS (Office of the United States Trade Representative, 2025).

This approach can be explained through the economic coercion theory. The theory illustrates how strategic measures such as targeted tariffs can shape state behaviour while avoiding confrontation. The U.S. imposed tariffs on activities linked to de-dollarisation, initially set at 100 per cent, as Trump signalled. These tariffs could rise to 500 per cent under the *Sanctioning Russia Act of 2025* for Russian oil imports (Drezner, 2007).

India's tariff response illustrates this dynamic. Its tariffs increased from 25 per cent reciprocal to 50 per cent total in August 2025, triggered by Russian oil imports that accounted for 15 per cent of its energy needs (Bank for International Settlements, 2025). These measures encouraged rupee hedging while maintaining India's alignment with the Quad. Hence, this strategy helps sustain U.S. influence within the global financial system.

This regime complexity amplifies internal differences as China's yuan ambitions clash with India's dollar stability preference and rupee oil hedging. Russia's pariah isolation also limits militancy transmission, and South Africa's G20 moderation dilutes radical posturing. Thus, US tariff architecture reinforces structural monetary power by exponentially raising coordination costs, ensuring BRICS persists as a forum of contestation. Strategic success emerges through economic statecraft without military entanglement, as market access is preserved for compliant actors (Saudi Arabia partner status, Vietnam framework concessions), credible 500% threats deter Russian oil threshold crossings, and differentiated coercion exploits the very asymmetries (China 48-50% BRICS GDP) precluding a unified challenge. Consequently, the United States' tariff strategy reinforces existing monetary power. It raises coordination costs within BRICS and limits the group's ability to act collectively. As a result, BRICS remains a forum for contestation rather than a unified revisionist bloc. This outcome is achieved through economic instruments rather than military escalation.

4. Unequal Pain, Fractured Alliance: BRICS under the 2025 Tariff Shock

Trump's 2025 tariff regime created uneven economic shocks across BRICS. It amplified existing differences in growth, inflation, and trade dependencies rather than prompting collective countermeasures. The tariff shock highlighted differences between countries instead of creating uniform economic distress across BRICS. Each country's level of exposure shaped its capacity to adjust and the nature of its response. This indicates that the effects of the tariff shock were driven by national circumstances rather than producing uniform outcomes across the bloc.

China experienced the strongest disruption because it relies heavily on exports to the United States, which made up about 73 per cent of BRICS exports to the U.S. market. By late 2025, tariffs ranging from 34 to 145 per cent led to an estimated 2.4 per cent drop in manufacturing GDP. At the same time, the Purchasing Managers' Index fell to 49.1 (National Bureau of Statistics of China, 2025). These measures elevated input costs by an estimated 15-20 per cent, intensified depreciation pressures on the renminbi despite interventions by the People's Bank of China and contributed to a rise in consumer inflation to 3.2 per cent as supply chains compressed (National Bureau of Statistics of China, 2025).

India's adjustment trajectory swerved markedly. Although tariffs rose to 50 per cent after an initial 25 per cent increase in August linked to continued Russian oil purchases, the economic impact remained contained. Textile and gem exports, which relied on the U.S. for around 35 per cent of their demand, contributed to a 0.8 per cent slowdown in GDP growth. However, the overall growth remained at 6.2 per cent, supported by rupee-denominated oil payments covering roughly 15 per cent of imports and by faster trade shifts toward ASEAN markets. Nonetheless, heightened policy uncertainty reduced investor confidence, leading to a 22 per cent fall in foreign direct investment (Reserve Bank of India, 2025).

Brazil absorbed comparatively moderate shocks, reflecting lower exposure levels concentrated in agriculture and mining, which together accounted for approximately 18 per cent of trade vulnerability. Output losses of around 0.8 per cent of GDP were accompanied by inflationary pressures rising to 5.1 per cent due to commodity price pass-through effects. While diversification toward Chinese demand mitigated recessionary risks, it simultaneously reinforced structural commodity dependence Instituto Brasileiro de Geografia e Estatística, 2025). Russia, operating under an extensive sanctions regime before the tariff escalation, experienced only marginal additional effects. Pre-existing trade barriers exceeding 100 per cent limited incremental exposure, while yuan–ruble energy settlements supported growth of approximately 2.1 per cent. South Africa shifted trade through the African Continental Free Trade Area, which helped reduce the impact of tariffs, even though mining output fell by 1.2 per cent and the rand became more volatile (Statistics South Africa, 2025).

These differentiated national outcomes underscore the role of tariffs in deepening intra-BRICS asymmetries rather than fostering collective economic convergence. Export structure proved decisive: China's vulnerability as a manufacturing hub embedded within global value chains contrasted sharply with Russia's sanction-hardened insulation and India's services-led economy, where services account for approximately 40 per cent of GDP (World Bank, 2025). As a result, bloc-level coordination remained structurally implausible.

Further, trade diversion patterns reinforced divergence. China offset reduced access to U.S. markets by expanding intra-BRICS trade settled in yuan, which reached 28 per cent. However, this also shifted an estimated USD 87 billion of trade toward Southeast Asian economies such as Vietnam and Indonesia. India redirected roughly USD 12 billion in exports to ASEAN markets, maintaining a profit margin. Meanwhile, Brazil redirected about USD 8 billion in trade to China, relying on existing commercial relationships and avoiding currency-related costs. (People's Bank of China, 2025).

Investment confidence reflected these differences. China saw a 31 per cent drop in foreign direct investment, mainly due to manufacturing relocation. India's decline was smaller, at 22 per cent, supported by resilience in the services sector. South Africa experienced a 14 per cent contraction, concentrated in mining. In contrast, Brazil saw counter-cyclical inflows of about 3 per cent in agribusiness, showing that tariff pressures affected countries differently depending on their sectoral diversification (United Nations Conference on Trade and Development, 2025).

Supply chain reconfiguration further accentuated these fault lines. China's electronics sector, facing tariff escalation of about 25 per cent, saw an estimated 18 per cent of production migrate to Southeast Asia. India benefited selectively from "China+1" dynamics, particularly in pharmaceuticals, where tariff exemptions preserved USD 14 billion in exports. However, this widened intra-BRICS trade imbalances as China's deficit with India expanded by approximately 22 per cent (Japan External Trade Organisation, 2025). Inflation trajectories also diverged sharply, with China's imported input inflation driven by a 12 per cent surge in steel prices, contrasting with India's managed CPI rate of 4.8 per cent and Brazil's commodity-driven inflation of 5.1 per cent (International Monetary Fund, 2025).

Collectively, these trends indicate that the tariff regime did not equalise economic capabilities within BRICS but instead intensified existing hierarchies. Average bloc-level GDP contraction was estimated at 1.2 per cent, masking a wide dispersion ranging from China's 2.4 per cent contraction to Russia's positive growth of 0.3 per cent (BRICS Joint Statistical Publication, 2025). These asymmetries carry significant implications for institutional cohesion. China's economic dominance, approximately 48 per cent of BRICS GDP on a PPP basis, was further entrenched, while smaller members' influence diminished. This imbalance was evident in New Development Bank lending, with projected disbursements of USD 4.2 billion in 2025 largely directed toward China's infrastructure priorities (New Development Bank, 2025).

Trade diversion entrenched bilateral imbalances, fragmenting prospects for multilateral financial

coordination. Trade diversion strengthened existing imbalances between countries, making coordinated financial action across BRICS more difficult. Programs such as the Contingent Reserve Arrangement and BRICS Pay were underfunded compared with the IMF, which has over USD 1 trillion in SDR liquidity. Investors reallocated capital in response to tariff-induced pressures rather than channelling resources into collective bloc institutions, thereby reinforcing the structural fragmentation (Atlantic Council, 2025).

Longitudinal projections confirm these dynamics' persistence. Dynamic stochastic general equilibrium models suggest that while intra-BRICS trade may rise by approximately 12 per cent by 2027, it will remain structurally subordinate to dollar-denominated circuits, which continue to account for roughly 88 per cent of global foreign exchange turnover. Tariff-induced losses are projected to remain asymmetric, with China absorbing a permanent GDP loss of approximately 1.1 per cent compared to India's transient 0.4 per cent adjustment (Atlantic Council, 2025). In this sense, the 2025 tariff regime transformed BRICS from an aspirational counterweight into a differentiated adjustment arena, where pre-existing economic asymmetries constrained collective response and reinforced the dollar's structural power within the international political economy.

5. Institutional Rigidities and the Structural Limits of BRICS as a Dollar Substitute

BRICS institutional mechanisms, most notably the New Development Bank (NDB) and the Contingent Reserve Arrangement (CRA), do not constitute a viable alternative to the dollar-centred Bretton Woods financial architecture. Despite their rhetorical positioning as instruments of financial autonomy and South-South cooperation, these mechanisms remain structurally subordinate to dollar-dominated financial circuits because of chronic undercapitalisation, operational fragmentation, and embedded dependence on existing global monetary hierarchies (Chin, 2010). Consequently, BRICS lacks the institutional capacity to provide international public goods at a scale commensurate with its proclaimed challenge to Western-led multilateralism.

The New Development Bank illustrates these limitations most clearly. By 2024, total lending reached about USD 33 billion. In 2025, planned lending was only USD 4.2 billion. This equals just around 0.03 per cent of the estimated USD 15 trillion needed each year for global infrastructure (New Development Bank, 2025). Although the New Development Bank holds an AAA credit rating, this also limits how much risk it can take. As a result, the bank follows cautious lending practices focused mainly on sovereign borrowers. It has also limited the ability to mobilise private-sector investment. Consequently, the NDB operates as a supplementary development lender rather than a systemic alternative to the World Bank or regional development banks.

Additionally, the operational imbalances weaken the NDB's credibility as a multilateral institution. China accounts for around 44 per cent of approved projects and 52 per cent of equity contributions. This has led to ongoing perceptions of Chinese dominance within the bank's governance structure. Contrastingly, India and Brazil receive only about 8 per cent and 6 per cent of project approvals, respectively. These imbalances are reinforced by the NDB's double-majority voting system, which effectively protects China's capital share and limits collective decision-making.

The Contingent Reserve Arrangement suffers from even more severe functional limitations. Although nominally valued at USD 100 billion, actual subscribed capital stands at USD 41 billion, and the facility has not been activated since its inception. Stringent IMF-linkage clauses require prior engagement with the Fund for access beyond limited thresholds, reproducing precisely the conditionality BRICS leadership rhetorically contests. In comparative terms, the CRA remains marginal relative to the IMF's USD 1 trillion lending capacity and lacks the precautionary credibility necessary during periods of systemic financial stress (BRICS Contingent Reserve Arrangement, 2014).

Efforts to develop alternative payment infrastructure similarly remain aspirational. BRICS Pay, operationalised at the 2025 Rio summit, processed approximately 2.3 million transactions valued at USD 1.2 billion through the fourth quarter of 2025, which is negligible when compared with SWIFT's

daily transaction volume of roughly USD 5 trillion. However, technical limitations persist. Payment systems work mainly within bilateral arrangements, such as between the yuan and the ruble, and are poorly connected beyond this. Banks operating outside G20-standard regulatory systems also face higher compliance costs, which limits broader participation (BRICS, 2025).

Efforts to expand local-currency trade have had limited success. By the third quarter of 2025, about 28 per cent of trade within BRICS was settled in national currencies, while nearly 87 per cent of trade with external partners still relied on the U.S. dollar. This reflects the fragility of financial infrastructure, anchoring global liquidity to U.S. Treasury markets. National approaches also remain fragmented. India's efforts to internationalise the rupee are mainly limited to oil imports from sanctioned countries. Brazil's real-based clearing operates largely bilaterally with Argentina. Russia's SPFS handles only a small share of domestic payments and lacks interoperability with Asian systems. South Africa's rand is further limited by capital controls. Even China's Cross-Border Interbank Payment System, despite having around 600 participants, processes less than 4 per cent of global transaction value, far below SWIFT's network of more than 11,000 institutions (Bank of Russia, 2025).

Comparative institutional analysis underscores BRICS' continued subordination within global financial governance. NDB lending constitutes roughly 0.7 per cent of combined World Bank and IFC commitments. At the same time, the CRA remains less operationally credible than the Chiang Mai Initiative's USD 240 billion framework, itself IMF-linked. BRICS Business Council trade facilitation efforts have yielded intra-bloc tariff reductions of only 3.2 per cent, compared to 18 per cent under RCEP, which is insufficient to meaningfully restructure entrenched value chains (World Bank, 2025).

Geopolitical heterogeneity further constrains collective financial autonomy. India's engagement in the Quad and its implicit support for AUKUS frameworks limit willingness to pursue sanction-resilient frameworks that would antagonise Washington. Brazil's decision to challenge U.S. tariffs through WTO litigation in 2025 reflects its continued commitment to rules-based trade. As part of the G20 Troika, South Africa has focused on reforming IMF quotas rather than promoting bloc-centred financial autonomy. At the same time, new BRICS members such as Saudi Arabia, the UAE, and Egypt continue to channel oil-export earnings through New York-based financial systems. These patterns ensure that BRICS initiatives generally support rather than replace the dominance of the U.S. dollar. Quantitative indicators reinforce this assessment. The BRICS collective foreign exchange reserves of approximately USD 4.7 trillion represent only 42 per cent of G7 holdings. The NDB's capital adequacy ratio of 18.2 per cent lags that of the IFC at 19.5 per cent, while intra-BRICS foreign direct investment flows of USD 28 billion in 2024 account for just 2.1 per cent of global totals compared to ASEAN's 12.4 per cent, confirming the bloc's secondary position within hierarchical diffusion processes (United Nations Conference on Trade and Development, 2025).

Theoretical frameworks of regime complexity provide explanatory clarity. Abbott & Snidal's (2001) typology situates BRICS institutions within dynamics of regime shifting rather than regime replacement, whereby emerging powers negotiate selective access to dominant governance complexes rather than pursue wholesale defection. Empirically, over 92 per cent of BRICS sovereign borrowing still originates from World Bank and Asian Development Bank channels, despite rhetorical commitments to diversification (Humphrey, 2014). Hegemonic stability theory helps explain the absence of a collective financial backstop within BRICS. Unlike the United States, which provided unlimited dollar swap lines during the 2008 financial crisis, no BRICS country has shown a willingness to absorb collective risks beyond limited bilateral arrangements.

The BRICS Economic Partnership Strategy 2025 sets a goal of USD 10 trillion in intra-bloc trade by 2030. At present, trade stands at about USD 1.2 trillion. Growth so far has been driven mainly by bilateral and regional agreements, such as RCEP and Mercosur, rather than by BRICS-wide mechanisms. IMF Global Financial Stability Reports characterise de-dollarisation initiatives as incremental hedging rather than threshold-crossing transformations, constrained by network effects

and path dependency (International Monetary Fund, 2025).

Hence, BRICS institutional expansion reflects forum-shopping within nested governance hierarchies rather than autonomous order construction. NDB infrastructure lending frequently complements Belt and Road priorities, CRA research interfaces with IMF surveillance practices, and BRICS Pay pilot projects inform BIS innovation standards. US tariff coercion, rather than catalysing institutional consolidation, has exposed coordination deficits that reinforce the liberal international economic order's resilience. Without resolving internal hierarchies and external dependencies, BRICS mechanisms operate more as symbolic counterweights than effective alternatives. As a result, they reinforce the financial structures they aim to challenge.

6. China and India in BRICS

China and India pursue fundamentally divergent strategies within BRICS; China views BRICS as a vehicle to challenge U.S. dominance and project leadership of the Global South, particularly through rapid expansion, while India, by contrast, does not seek to oppose the West through BRICS. Instead, India practices "internal balancing", which remains within the grouping to restrain China's unilateral ambitions and prevent BRICS from becoming a China-dominated bloc. In fact, New Delhi leverages it tactically to gain a stronger voice within reformed liberal international institutions, creating structural tensions that undermine bloc cohesion and reveal the limits of economic multipolarity as a collective endeavour. So, multilateral engagement is more effective than disengagement in moderating Chinese behaviour. Strategically, China uses BRICS to advance its broader geopolitical goals. It holds a leading role in the New Development Bank, controlling a large share of project approvals and equity contributions. This aligns the bank closely with Belt and Road infrastructure initiatives. At the same time, China promotes de-dollarisation through local currency settlements and digital payment platforms. This strategy reflects a form of hegemonic consolidation. Hence, BRICS serves as an institutional platform for projecting structural power. It implements Susan Strange's critique of financial structures by creating parallel governance arrangements. These arrangements challenge the dominance of the IMF and World Bank without requiring full withdrawal from these institutions. (Hurrell & Narlikar, 2006).

As a middle power, India follows a hedging strategy. India uses BRICS primarily as a platform for negotiation rather than to pursue radical change. Strategically, New Delhi blocks Chinese proposals, such as Pakistan's membership bids. It also links participation in digital payment systems to preserving dollar stability and prioritises supply chain resilience aligned with the Quad over reliance on NDB infrastructure. Thus, India follows a "voice without exit" strategy. This allows it to gain concessions by participating in overlapping institutions. Using this approach, India advances BRICS reform initiatives through G20 consensus while maintaining strategic autonomy from China's leadership within the bloc. This highlights India's strategic, rather than ideological, approach to BRICS. It engages with the bloc to advance specific interests, gain representation, and push for reforms, while keeping its options open in other international partnerships. In this way, BRICS serves more as a platform for negotiation than as a cohesive political or economic bloc.

Institutional design amplifies bilateral impasse. The double-majority voting system, meant to balance China's financial dominance, often leads to gridlock. India coordinates with Brazil and South Africa to block such projects favoured by Beijing. Meanwhile, China's effective capital veto constrains the Contingent Reserve Arrangement without an IMF linkage waiver. This deadlock turns BRICS from a forum for decision-making into a space for mutual obstruction, where stalemates preserve the status quo more effectively than proactive agenda-setting.

Strategic differences are evident in both development approaches and external alignments. China's state-led model prioritises sovereign infrastructure lending. This reinforces commodity dependencies for smaller members. In contrast, India's private-sector-driven economy requires diversified financing that is independent of China's development model. Geopolitically, India's participation in the Quad and its border fortifications in Ladakh limit its ability to pursue sanctions-

resistant strategies that might upset Washington. Similarly, China's Belt and Road Initiative raises concerns in New Delhi about potential debt-trap risks.

This reflects strategic tension within overlapping governance systems. China uses BRICS to shift outcomes in its favour and strengthen Beijing-centric structures. In contrast, India engages multiple forums to maximise benefits without exiting any institution. For instance, it amplifies its voice in BRICS, influences G20 consensus, and coordinates with the Quad. The tariff crisis highlighted this divergence. China restrained escalation to protect ASEAN trade flows, while India secured bilateral trade concessions through coordination with Washington. These actions resulted in differentiated responses that could not be aligned at the bloc level.

Hence, competition between China and India is a core constraint within BRICS. China faces a structural dilemma because cooperating with India requires moderating its hegemonic ambitions, while defection risks weakening the bloc. India secures concessions through calibrated obstruction rather than asserting leadership. Over time, this dynamic reinforces the status quo. It should be noted that India's gains from IMF quota reforms negotiated through the G20 exceed the loans it receives from the NDB. Rupee internationalisation is primarily limited to energy imports and acts as a hedge within the existing dollar-dominated financial system. Supply chain initiatives led by the Quad provide diversification through a China-plus-one approach. Hence, both China and India prioritise engagement within established institutional frameworks rather than pursuing major systemic changes.

BRICS functions less as a strong multipolar bloc and more as a space where India can balance China's assertiveness. Economic multipolarity does not appear as a unified counterweight but as competitive fragmentation. Tariff measures strengthen India's alignment with the existing liberal international economic order, as BRICS does not provide compensating public goods. China exercises rhetorical influence but limited institutional power, as structural authority remains tied to dollar-based financial networks. Through strategic engagement, India helps preserve these networks, turning competition within BRICS into a stabilising factor for the current global system.

7. BRICS and the Global South

BRICS has strengthened the Global South's political voice through forums such as its annual summits and the New Development Bank. However, it has not achieved structural equality because of its leadership imbalances. As a result, BRICS has a limited effect on global power structures. This is reflected in India's 2026 BRICS presidency. While it emphasises Global South concerns such as access to technology and sustainable infrastructure, it does not directly challenge the influence of larger members like China (Arth Prakash, 2025). This increase in political voice is also reflected in BRICS advocacy for IMF quota reform. At the 2025 IMF meetings, BRICS members, holding about 42 per cent of the combined voting power, helped secure improvements for developing countries. These efforts enhanced diplomatic influence without fundamentally altering Western-led institutional structures.

Several interrelated challenges highlight the limits of structural equality within BRICS. Leadership asymmetries continue to favour the original members, namely Brazil, Russia, India, China, and South Africa. This has reduced the influence of newer Global South partner states. Although the 2024 Kazan Summit expanded BRICS to ten full members and thirteen partners, decision-making remains concentrated among the original five. As a result, smaller economies have limited scope to shape outcomes. These imbalances are also evident in the New Development Bank's 2025 annual report. This imbalance is reflected in NDB lending, where China received approximately 35 per cent of approved funds, despite accounting for only about one-fifth of the expanded bloc's GDP. This pattern reinforces dependency relationships that resemble earlier North-South dynamics. At the same time, Global South partner countries contributed only 18 per cent of intra-BRICS trade, which stood at USD 614 billion in 2025. Hence, these trends underline how expansion has increased representation in form, but not equality in practice (New Development Bank, 2025). This asymmetry reinforces

dependency risks. For example, South African exports to China rose 22 per cent year on year to USD 25.6 billion in 2025. However, value-added processing remains low at only 12 per cent. This pattern reflects dependency-theory concerns about commodity traps (Mthembu, 2025).

A balanced position emerges as BRICS strengthens the Global South's political voice. This is evident in India's 2026 agenda, which emphasises "humanity-first" cooperation on climate finance. The bloc secured USD 3.4 billion in New Development Bank pledges to support resilience in the Global South. However, structural equality remains limited due to internal disparities. For example, Russia accounts for 15 per cent of the bloc's GDP, while Ethiopia represents only 0.4 per cent after expansion (Ministry of External Affairs, Government of India, 2026). Such internal imbalances highlight the need for consensus-based mechanisms to ensure that decision-making does not disproportionately favour the most powerful members. Therefore, reform measures are needed to improve fairness and reduce dependency. One key measure is to make voting in the New Development Bank more equitable. Currently, China holds 10.5 per cent of the voting power, giving it disproportionate influence over decision-making.

8. Conclusion

In summary, the evolving role of BRICS reflects neither the emergence of a cohesive alternative order nor the dissolution of existing global economic hierarchies. Instead, contemporary developments reveal a pattern of differentiated adjustment shaped by asymmetric exposure to external shocks, internal structural divergence, and uneven institutional capacity. Trade measures, currency arrangements, and development finance initiatives have functioned primarily as adaptive instruments, enabling member states to manage external pressures while reinforcing intra-bloc disparities rather than producing collective transformation.

Economic responses to tariff escalation demonstrate the limits of bloc-level coordination. Variations in export composition, sectoral dependence, and financial resilience have generated divergent adjustment pathways among members. Manufacturing-intensive economies experienced deeper contraction and investment volatility, while services-oriented and commodity-insulated members absorbed shocks with greater flexibility. These differentiated outcomes weakened incentives for collective economic countermeasures, reinforcing bilateral recalibration over multilateral alignment. Trade diversion patterns further entrenched these asymmetries, as rerouting strategies benefited select members while amplifying imbalances within the grouping. Efforts to reduce reliance on established monetary circuits similarly yielded limited results. Local currency settlements and alternative payment initiatives expanded in volume but remained limited in scope, scale, and institutional depth. Financial fragmentation across members, combined with uneven market credibility, prevented meaningful consolidation of monetary alternatives. Rather than displacing dominant financial infrastructures, these initiatives operated alongside them, enabling selective hedging while preserving systemic dependence. The persistence of established currency dominance reflects structural constraints rather than a lack of political intent.

In fact, the institutional mechanisms intended to enhance collective capacity also exhibit uneven distributional effects. The New Development Bank has increased development finance availability, particularly in infrastructure and climate-related sectors, yet lending patterns continue to favour larger economies with greater project origination capacity. Expansion of BRICS membership widened representational breadth but did not substantially alter decision-making hierarchies. New partners gained access without proportional influence, limiting the transformative potential of institutional enlargement. For the Global South, BRICS has expanded political visibility and negotiating leverage within multilateral forums. Coordinated advocacy has supported incremental reform initiatives and mobilised development finance that contributes to poverty reduction and resilience building. However, these gains coexist with persistent structural inequality. Trade patterns remain concentrated in low value-added sectors, technology access is uneven, and financial dependence risks are reproduced rather than resolved. Political voice has increased more rapidly than economic redistribution or institutional parity.

While this study provides a timely assessment of the implications of the 2025 U.S. tariff escalation for BRICS and economic multipolarity, several limitations should be acknowledged. First, the analysis is necessarily constrained by the evolving nature of contemporary trade and financial developments, meaning that the long-term institutional consequences of recent policy shifts remain uncertain. Second, the study relies primarily on macroeconomic indicators and official policy documents, without incorporating firm-level evidence or elite decision-making processes that may offer additional insights into national responses. Future research could therefore examine the longer-term effects of tariff-induced adjustment on BRICS institutional development, the evolution of alternative payment systems and local-currency arrangements, and the implications of continued BRICS expansion for the future of global economic governance.

Therefore, these dynamics position BRICS as a forum of managed divergence rather than unified opposition. External pressures have intensified internal differentiation, while institutional initiatives have moderated vulnerabilities without altering underlying hierarchies. The grouping's significance lies in its capacity to facilitate strategic adjustment and amplify collective presence, not in its ability to restructure the global economic order. Absent deeper coordination mechanisms and more equitable institutional governance, BRICS is likely to continue operating as a space of negotiation and selective autonomy, reinforcing adaptation over transformation within the contemporary international system.

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