The Us Dollar Vs BRICS

Is the World Moving Towards a Multipolar Currency System?

Introduction

A debate about power, payments and choice



The international monetary system is undergoing gradual change. The US dollar remains the world's most influential currency, supporting global trade, financial markets, foreign-exchange reserves and cross-border lending. Yet governments and businesses are increasingly exploring ways to diversify payment channels, settle selected transactions in national currencies and reduce unnecessary dependence on a single financial route.

This debate has gained visibility through BRICS, the grouping of major emerging economies that includes Brazil, Russia, India, China, South Africa and its expanded membership. Its members have different economic structures and policy priorities, but many share an interest in making cross-border payments faster, less expensive and more resilient.

The discussion is often described as a contest between the US dollar and BRICS. That framing can be misleading. BRICS is not a currency union, and its members have not agreed to introduce a common currency. The practical agenda is more incremental: improve the interoperability of payment systems, strengthen correspondent banking links and make it easier for businesses to settle trade in national currencies where commercially useful.

The International Monetary Fund's Currency Composition of Official Foreign Exchange Reserves (COFER) data show that the US dollar accounted for 56.70% of global foreign-exchange reserves in the second quarter of 2026, compared with 57.18% in the previous quarter. The share has declined over the longer term, but the dollar remains clearly dominant. The central question is therefore not whether the dollar will disappear, but whether the international system will gradually become more diversified.

Why the US dollar became the world's leading currency

The dollar's international role developed over several decades. The Bretton Woods system, established after the Second World War, placed the dollar at the centre of the international monetary order, with other currencies linked to it and the dollar convertible into gold for official holders. Although the gold-convertibility arrangement ended in 1971, the dollar's central position continued.

Several factors explain its durability. The United States has a large economy, deep and liquid financial markets, a broad range of government securities and a legal and institutional framework trusted by many international investors. US Treasury securities are widely used as reserve assets, collateral and benchmarks for pricing financial instruments.

The dollar also benefits from network effects. Businesses often invoice trade in dollars because suppliers, customers, banks and commodity markets already use it. Banks maintain dollar accounts and correspondent relationships, while companies issue dollar-denominated debt to reach a broad investor base. The more widely a currency is used, the more convenient it becomes for others to use it.

The dollar's role is not limited to official reserves. It is important in foreign-exchange trading, international banking, trade finance, commodity pricing and global debt markets. These connected functions reinforce one another and make rapid replacement difficult.

However, dominance does not mean exclusivity. Other currencies play important regional and international roles, and market participants may diversify without abandoning the dollar.

What the reserve data tell us—and what they do not



Reserve-currency discussions often focus on the share of official foreign-exchange reserves held in each currency. IMF COFER data provide a useful measure of how central banks allocate their disclosed foreign-currency reserves.

In the second quarter of 2026, the dollar's share stood at 56.70%, down from 57.18% in the first quarter. The euro's share rose to 20.60%, while the Chinese renminbi accounted for 2.11%. These figures show that reserve portfolios are diversified, but the dollar remains far ahead of other individual currencies.

A falling share should be interpreted carefully. It can reflect active decisions by central banks to change their portfolios, but it can also result from exchange-rate movements, valuation changes or faster reserve accumulation in currencies other than the dollar. A change in the aggregate share does not necessarily mean that most countries are selling dollar assets.

The Federal Reserve's research on the international role of the dollar has similarly emphasised that the dollar continues to hold a leading position across several dimensions of international finance. Reserve shares are important, but they do not capture every use of a currency in trade invoicing, banking, debt issuance or foreign-exchange markets.

The right conclusion is measured: the reserve system has become somewhat more diversified, but the dollar's international role remains substantial.

Why BRICS members are promoting local-currency settlement

For BRICS members, local-currency settlement is primarily a practical economic issue. When two countries trade, businesses may have to convert their currencies through a third currency, often the dollar. This can add transaction costs, create additional foreign-exchange exposure and require access to correspondent banks.

Where trade flows are regular and both sides have suitable banking arrangements, settling directly in national currencies may reduce conversion steps and improve payment convenience. It can also support trade between countries whose businesses want to diversify their invoicing and financing options.

The benefits are not automatic. A company receiving a foreign currency needs a use for it, a liquid market in which to convert it, or a reliable way to hedge the exchange-rate risk. If trade between two countries is unbalanced, one side may accumulate a currency that it cannot easily spend or invest. Convertibility, market depth, capital controls and confidence in monetary institutions all matter.

Local-currency settlement is therefore most likely to expand where it is commercially justified, supported by liquid markets and backed by clear rules. It is not a universal solution for every trade transaction.

The 2026 BRICS agenda: Payments before a common currency

The BRICS New Delhi Declaration of September 2026 provides a clear indication of the group's current direction. Leaders acknowledged the work of the BRICS Payment Task Force on practical cross-border payment mechanisms. They referred to studies on interoperability between payment and messaging channels and discussions on trade settlement and investment using local currencies.

The declaration emphasised that there is “no one-size-fits-all” approach and encouraged continued work on payment solutions that are fast, low-cost, accessible, efficient, transparent and safe. It also recognised national priorities and the different circumstances of member countries.

This language is significant. It points to technical cooperation and the linking of existing systems rather than a single monetary arrangement. India's official briefing at the 2026 summit also stated that there was no proposal for a BRICS common currency at that time. Local-currency settlement was described as a practical way to reduce transaction costs in bilateral trade.

A cross-border payment network can improve how money moves without changing the currency in which the transaction is priced. A business could, for example, use a more direct payment channel while still invoicing in dollars, rupees, yuan or another agreed currency. Payment infrastructure and currency choice are related, but they are not the same thing.

The near-term BRICS agenda is therefore best understood as an effort to improve payment connectivity and increase options—not as an imminent launch of a new global currency.

Can BRICS create a common currency?



A common BRICS currency is an idea that attracts attention, but it would face major economic and institutional obstacles. A shared currency requires more than an agreement to use a new name or a digital token. It generally needs a common monetary authority or a clearly defined framework for monetary coordination, compatible fiscal rules, trusted institutions, deep financial markets and mechanisms to manage economic shocks.

BRICS members have different inflation rates, business cycles, exchange-rate regimes, capital-account rules and monetary-policy priorities. Their economies also differ in structure: some are major commodity exporters, others are large importers, manufacturers or services economies. A single interest rate and exchange-rate policy could affect members very differently.

A common currency would also raise difficult questions. Who would issue it? How would its value be determined? Which central bank would provide liquidity in a crisis? How would members share governance? What assets would back confidence in the system? How would countries manage trade imbalances and capital flows?

These questions do not make cooperation impossible, but they show why a common currency is a long-term and complex proposition. For the foreseeable future, practical improvements in payment systems and voluntary use of national currencies are more achievable than a monetary union.

China's yuan and the internationalisation challenge

China has taken steps to increase the international use of the renminbi, also known as the yuan. Its importance is supported by China's role in global manufacturing and trade, the size of its economy and the development of offshore renminbi markets and payment infrastructure.

The yuan is used in some trade settlements, investment transactions and official reserves. IMF COFER data put its share of global foreign-exchange reserves at 2.11% in the second quarter of 2026. That is a meaningful presence, but still far below the dollar and euro.

Wider international use depends on more than trade volume. Investors and central banks look for liquid financial markets, predictable regulation, transparent institutions, reliable access to assets and the ability to move funds across borders. China's capital-account management and policy framework shape the pace and extent of renminbi internationalisation.

The yuan may become more important in selected regional and bilateral transactions, particularly where China is a major trading partner. However, a broader reserve-currency role requires sustained confidence and deep, accessible markets. The currency's progress should be assessed on these fundamentals rather than on political declarations alone.

India's rupee: A practical path to wider use

India has an interest in expanding the rupee's role in international trade where it benefits Indian businesses and supports financial stability. The Reserve Bank of India has introduced arrangements that allow eligible international trade to be invoiced and settled in rupees through special rupee vostro accounts, subject to applicable rules.

Rupee settlement can be useful for exporters and importers when counterparties are willing to hold and use the currency. It may reduce the need for an intermediate currency conversion and can support trade with partners seeking alternative settlement arrangements.

But wider use requires a broader ecosystem. Foreign businesses need confidence that rupee balances can be used for imports from India, invested in permitted assets or converted through transparent and liquid markets. The availability of hedging instruments, predictable regulation and balanced trade flows also matters.

India's digital payment infrastructure, including the Unified Payments Interface (UPI), offers useful experience in fast and low-cost domestic payments. Linking payment systems across countries could improve retail and business transfers, but it does not by itself make the rupee a global reserve currency. Payment connectivity, trade invoicing and reserve-asset status are distinct stages of internationalisation.

A gradual, market-led approach—supported by sound macroeconomic policy and trusted financial infrastructure—is more sustainable than setting an arbitrary target for international currency use.

Gold, diversification and central-bank strategy



Gold has regained attention as a reserve asset amid geopolitical uncertainty, inflation concerns and changes in the international financial environment. Unlike a foreign currency, gold is not the liability of another government or central bank. It can therefore provide diversification, although its market price can be volatile and it does not generate interest in the same way as many bonds.

Central banks may hold gold for several reasons: diversification, confidence, liquidity in international markets and long-term reserve management. However, rising gold holdings should not automatically be interpreted as a direct move away from the dollar. The value of gold reserves can rise because the market price of gold increases, even if the quantity held changes little.

A sound reserve strategy usually balances liquidity, safety, return and diversification. The appropriate mix depends on a country's trade patterns, external liabilities, exchange-rate regime and access to international markets.

For the global system, the growing role of gold and a wider range of currencies suggests that reserve managers are considering multiple options. It does not mean that a single alternative has emerged with the same combination of scale, liquidity and network effects as the dollar.

What a multipolar currency system could mean for trade and business



A more diversified monetary system could offer businesses additional choices in how they invoice, receive and make payments. Firms trading regularly with BRICS markets may benefit from local-currency arrangements if they reduce costs and are supported by reliable conversion and hedging services.

Banks may need to develop stronger capabilities in multiple currencies, improve cross-border compliance and connect to new payment channels. Exporters and importers will need to consider currency clauses in contracts, settlement timing, exchange-rate exposure and the availability of working capital in the currency received.

For commodity markets, any gradual change in invoicing practices could affect demand for particular currencies, but the transition would be uneven. Oil, metals and agricultural commodities are traded through complex global markets, with established pricing benchmarks, financing arrangements and risk-management tools. Changing the invoicing currency requires broad participation by producers, buyers, banks and market infrastructure.

Investors should avoid assuming that a decline in one currency's reserve share automatically predicts a fall in its exchange rate or a collapse in its financial influence. Currency values are affected by interest rates, growth, inflation, fiscal credibility, capital flows and market expectations.

For businesses, the priority is not to take a political position on currencies. It is to choose payment and financing arrangements that are reliable, cost-effective and suited to their commercial risks.

Risks and obstacles to a faster transition



The move towards greater currency diversity faces several obstacles. First, liquidity matters. A currency may be widely used in bilateral trade but still lack deep markets for large-scale investment, hedging and emergency funding.

Second, trade imbalances can create persistent currency surpluses in one country and shortages in another. Without convertibility and investment options, businesses may be reluctant to accept a currency that they cannot readily use.

Third, financial infrastructure must be secure. Cross-border systems need common technical standards, robust cyber protection, effective anti-money-laundering controls and clear dispute-resolution procedures. Payment networks must also comply with national laws and international obligations.

comply with national laws and international obligations.

Fourth, trust is essential. Reserve managers and investors need confidence in monetary institutions, property rights, data quality and the ability to access assets when needed. Political alignment alone cannot substitute for these fundamentals.

Finally, the BRICS grouping itself contains diverse interests. Members may agree on making payments cheaper while disagreeing on the pace, design or governance of a new system. The New Delhi Declaration's emphasis on voluntary, practical cooperation and the absence of a one-size-fits-all model reflects these realities.

A multipolar system, if it develops, is likely to emerge gradually through multiple payment channels and currency arrangements rather than through one dramatic replacement.

Conclusion: Competition may grow, but the dollar is not disappearing

The debate over the US dollar and BRICS reflects a wider change in global economic power. Emerging economies want greater influence in international institutions and more options for trade and finance. Advances in digital payments create opportunities to make cross-border transactions faster and less expensive. Central banks are also reviewing reserve strategies in a world shaped by geopolitical and financial uncertainty.

Yet the dollar retains important advantages: deep capital markets, extensive use in international banking and trade, a large supply of liquid assets and powerful network effects. Its reserve share has declined over time, but the IMF's latest COFER data show that it still represents more than half of disclosed global foreign-exchange reserves.

BRICS is not currently introducing a common currency. Its official 2026 agenda focuses on payment interoperability, practical cross-border mechanisms and greater use of local currencies where appropriate. These steps could make the international monetary system more diverse without displacing the dollar's central role.

The future is therefore more likely to involve coexistence than a sudden currency confrontation. The dollar may remain dominant while the euro, yuan, rupee and other currencies gain selected roles in regional trade, investment and reserves. Gold may continue to serve as a diversification asset, and new payment systems may improve the movement of money across borders.



CMA Khaja Jalal Uddin

Telangana State Head,
International Navodaya
Chamber of Commerce