



The Egyptian Cabinet
Information and Decision Support Center

IDSC
Policy Perspective



**Egypt's Relations with BRICS:
One year after joining
the group - future perspectives**



DR. DYAA HELMY

January 2025



**The Egyptian Cabinet
Information and Decision Support Center**

Chairman

Dr. Osama El-Gohary

Assistant to the Prime Minister & IDSC Chairman

Editor-in-Chief

Dr. Nahla El-Sebai

Head of the Central Department of Decision Support

Supervision

Dr. Khadiga Arafa

Head of the Central Department of Community Outreach

Managing Editor

Dr. Esraa Ahmed Ismail

Director of Strategic Issues Department

Graphic Designers

Ayman Elsherif

Nesma Ayman

Editor

Azza Afify



IDSC Policy Perspective

A non-periodic publication issued by the Cabinet's Information and Decision Support Center (IDSC). It covers the most prominent topics in the scene from all aspects to present a comprehensive vision regarding such topics relying on experts' perspectives.

The opinions expressed in this publication are those of the authors and do not necessarily reflect the official policy or perspective of IDSC

IDSC's Commentary

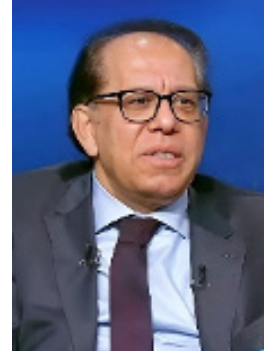
The BRICS bloc comprises some of the world's major economies: Brazil, Russia, India, China, and South Africa. It has been perceived by some analysts as a foundation for balancing the global economic landscape and reshaping dominant power structures in the international system. BRICS is now working to expand its membership by adding six new countries—Egypt, Saudi Arabia, the UAE, Iran, Ethiopia, and Argentina—in January 2024. This expansion is expected to strengthen its influence globally.

For Egypt, joining BRICS presents promising opportunities, especially given its strong ties with current member states. This membership could help Egypt benefit from preferential agreements within the bloc, attract more foreign investments, secure vital commodities like grains, and increase its exports to BRICS countries by leveraging trade agreements like Mercosur.

This issue of the **IDSC Policy Perspective** highlights the global importance of BRICS by examining the bloc's current state and the economies of its member states. It also explores the potential benefits of Egypt's membership, such as boosting exports, increasing investments, joining the New Development Bank, stabilizing the Egyptian pound, reducing pressure on foreign reserves, and strengthening Egypt's role in Africa. Furthermore, it outlines Egypt's achievements during its first year as a BRICS member.

Egypt's Relations with BRICS:

One year after joining the group - future perspectives



DR. DYAA HELMY

Founder - Secretary General
Egyptian Chinese Chamber of Commerce
Member of the Egyptian Council for Foreign Affairs

Introduction

Egypt's accession to the BRICS+ group, starting on January 1, 2024, is undoubtedly a significant and important event by all standards, reflecting positively on the Egyptian economy. This move marks the first expansion of the BRICS+, with 10 countries now part of this bloc.

It is worth noting that these countries represent 45% of the world's population and account for nearly half of the global markets. Additionally, the ports, maritime routes, and shipping lines between the BRICS+ countries provide an opportunity for cooperation among the group.

In light of an imbalanced and sometimes unjust global financial system, it is essential for emerging economies and developing countries to establish a practical mechanism for economic cooperation, which help the people of the group achieve development and establish a suitable economic status amid global economic challenges and crises that frequently emerge. This was evident during the COVID-19 pandemic, followed by various conflicts in different parts of the world, which put global supply chains at serious risk.

Therefore, cooperation among a group of countries in economy, trade, and industry is a highly positive development. The BRICS+ group can also collaborate in sectors such as tourism, clean energy, and other diverse areas, similar to other large global economic groups like the G20 and the G7.

Egypt accepted the BRICS invitation to join the group on August 23, 2023, following an invitation extended by the member countries during their annual meeting in South Africa.

With this membership, there is a great opportunity for financial cooperation between the member states, especially with the presence of the New Development Bank, which funds infrastructure projects in the member countries and plays a central role in financial cooperation within the group.

Moreover, Egypt believes in shared interests and sees an opportunity for the BRICS countries to collaborate in strengthening economic relations and supporting trade ties between BRICS+ and the African continent, of which Egypt is a key gateway.

The BRICS group comprises important countries from Asia and Latin America, positioning the group for vast growth and progress. Considering the gross domestic product (GDP) of BRICS+ countries, we find that the group is promising and holds great potential in the coming years. The group also includes countries with advanced and modern technologies, while Egypt, for its part, boasts a diverse workforce of young engineers, technicians, and skilled laborers.

What Are the Implications of Joining the BRICS on the Egyptian Economy?

- In January 2024, Egypt officially joined the BRICS bloc after being invited along with five other countries in August of the previous year to join the group at its 15th summit in Johannesburg, South Africa, under the theme “BRICS and Africa: Partnership for Mutually Accelerated Growth, Sustainable Development, and Inclusive Multilateralism.” Egypt’s accession to this major economic bloc is expected to bring multiple economic benefits in the short term.
- It is also worth noting that the Egyptian government established a dedicated unit within the Cabinet for BRICS engagement, reflecting Egypt’s commitment to enhancing cooperation with its member states and translating potential opportunities into real projects. This unit is responsible for studying the necessary laws to implement the required agreements and obligations and coordinating efforts to prepare important plans and strategies.
- Based on the above, this analysis explores the current status of BRICS after new members have joined and its positive implications for Egypt’s economy.



Current Status of the BRICS Bloc

The current status of BRICS can be understood through several indicators, as follows:

- **Economy of BRICS Member States in 2023**

The BRICS bloc comprises countries with a significant economic influence on the international system. As shown in Figure 1, China ranked second globally in terms of GDP in 2023, with USD 17.70 trillion, which prompted the International Monetary Fund to raise its growth forecast for the Chinese economy in 2024 to 4.6% from 4.2%. This indicated a strong economic recovery in China in 2023. India ranked fifth globally, with a Gross Domestic Product of USD 3.73 trillion, and the Indian economy saw high growth rates at the end of 2023, leading the World Bank to forecast a growth rate of 6.3% for India in the current fiscal year, ending in March 2024.

Brazil's GDP was about USD1.86 trillion, ranking ninth in the world, and despite significant European sanctions, Russia saw strong growth in 2023, ranking 11th globally with a GDP of USD 1.86 trillion. According to Russia's Federal State Statistics Service, Russia's GDP grew by 5.5% in Q3 2023, compared to a contraction of 3.5% during the same period the previous year. South Africa's GDP is ranked 41st globally, with a value of USD 380.91 billion. These figures highlight the resilience of the economies of BRICS member countries despite global economic challenges.

- **BRICS in 2024**

In 2024, the BRICS bloc is set to achieve even greater growth than in previous years, with the bloc's contribution to the global economy rising from 25% to 40%. Expanding membership with countries that have substantial economic advantages will enable the bloc to efficiently and quickly achieve its goals. The following points outline some key features:

Egypt's Gains from Joining the BRICS

- Egypt has strong economic relations with BRICS countries, particularly China, India, Russia, South Africa, and Brazil. Therefore, Egypt's membership in this group will strengthen its economic ties with these nations.
- Through its BRICS membership, Egypt aims to enhance regional and international partnerships, promote cooperation and harmony among BRICS states, support mechanisms for reforming the global economic system, and increase the representation of economically developing states and emergent nations in international financial and monetary frameworks to reflect their growing economic weight. Additionally, Egypt seeks to maximize the benefits of cooperation agreements and trade exchanges among BRICS member states, especially in attracting investments and opening new markets for Egyptian exports.

Egypt and BRICS Group

- President of South Africa, Cyril Ramaphosa, declared on the sidelines of the BRICS summit in Johannesburg that Egypt, along with the Kingdom of Saudi Arabia, Argentina, the United Arab Emirates, Iran, and Ethiopia, is set to join the group starting in 2024. The BRICS group includes some of the largest economies in the world, constituting about 30% of the global economy and about 43% of the world population. Thus, by establishing such an economic bloc, many economic, political, and security goals are on their way to crystallization, especially with a focus on the fruits of economic cooperation, which means that the major goal of the BRICS group is how to establish an economic system parallel to the Western economic system, and then work to break the dollar hegemony led by the United States of America by 2050.

- Egypt's accession to the BRICS group is a significant step towards gradually decoupling from the US dollar, which will positively affect the Egyptian pound in several ways, including potentially increasing its value against the dollar, especially if a system of trade in local currencies or barter agreements is established with BRICS. This is particularly relevant since BRICS now includes 11 of the largest economic and commercial countries worldwide. The entry of new members with large sovereign wealth funds and major energy producers, such as Saudi Arabia and the UAE, will give BRICS substantial global influence in the field of energy security and will expand its presence in the Middle East, North Africa, and Southeast Asia, raising the group's GDP to a level comparable with the G7.
- Egypt hopes to boost economic growth, diversify its economy, reduce costs, develop e-commerce, integrate markets, and collaborate with other BRICS countries. The BRICS efforts to establish alternative payment systems and non-dollar financial systems, move away from dependence on the US dollar, increase trade using local currencies, and possibly create a shared currency in the long term could be beneficial for Egypt. In fact, Egypt faces a shortage of foreign currency reserves in US dollars and euros, but Cairo could diversify its foreign currency portfolio by using BRICS currencies. Egypt also hopes that correlation with BRICS will attract new investments, although analysts believe it may take time for the benefits to become apparent.



- The decision of BRICS members to approve Egypt's membership at this time is a testament to the confidence in Egypt's economy to overcome current global challenges. It affirms Egypt's importance internationally and regionally. This is part of strengthening cooperation with international development partners amid the unprecedented developmental momentum Egypt is experiencing, which lays the point of departure for a strong partnership with the New Development Bank (NDB). The NDB offers financial abilities and advanced international expertise that can assist Cairo in meeting its needs and enhancing efforts to develop infrastructure and achieve sustainable development.

Benefits of Egypt's Accession to BRICS:

1. Boosting Egyptian Exports and Investments

Egypt's membership in BRICS represents a strong move to boost and enhance Egyptian exports. This decision also has the potential to attract diverse investments from member countries of this large commercial bloc.

Egypt is also looking to increase foreign investments, particularly in future projects such as digitization, agricultural development, green environmental investments, infrastructure, renewable energy, and green hydrogen. Official BRICS membership will push further investments in these key developmental areas and facilitate direct exchange of expertise and competencies, particularly in industry and technology. BRICS investment statistics for Egypt show a significant increase, with growth rates of 45.9%, from USD 610.9 million in 2020-2021 to USD 891.2 million in 2021-2022. This trend is expected to continue.

2. Membership in the New Development Bank

Egypt's membership in BRICS enhances its ability to support sustainable development and address liquidity issues through its membership in the New Development Bank (NDB). BRICS countries collectively hold USD 4 trillion in

foreign currency reserves. Egypt can diversify its financing sources with easier terms from the NDB as an alternative to stringent conditions from other lending organizations like the International Monetary Fund (IMF) and the World Bank. The NDB will support member countries through emergency reserves, offering liquidity and other benefits during economic crises. Egypt has participated in the NDB with the highest share, granting it 2.1% of the bank's voting power, which will allow Egypt to support the sustainable development agenda, address liquidity issues, and foster deeper cooperation with other members. Strengthening the role of the NDB for BRICS is also a step toward reducing the predominance of the US dollar and the IMF and World Bank in Egyptian economic decisions.

3. Strategic Opportunity for Economic Growth

Egypt's membership in the BRICS is viewed as a vital opportunity to enhance its economic growth. It is expected to reduce reliance on the dollar and facilitate stronger trade relations with BRICS countries. Joining BRICS provides a strategic opportunity for developing Egypt's domestic industry, as BRICS member states are expected to expand their imports from Egypt. These countries are increasingly important in the international economy, shaping a new multipolar economic strategy that will support Egypt's economy.

4. Increased Trade Volume

Egypt enjoys significant trade volume with BRICS members, especially China, Russia, and India. BRICS represents a massive production market, including around 42% of the global population, whether in member countries or those with which they trade. It offers Egypt opportunities to access and promote its goods and services. In 2022, Egypt's exports to BRICS countries rose by 5.3%, reaching USD 4.9 billion compared to USD 4.6 billion the previous year. According to the Central Agency for Public Mobilization and Statistics, total trade between Egypt and BRICS amounted to USD 31.2 billion in 2022, a 10.5% annual increase. Egyptian imports from Brazil, China, India, Russia,

and South Africa amounted to USD 26.4 billion last year, rising by 11.5%. India was the largest recipient of Egyptian goods within BRICS in 2022, at USD 1.9 billion, followed by China (USD 1.8 billion) and Russia (USD 595.1 million). Egypt's membership in BRICS will further enhance trade between the two sides.

5. Reducing Demand for Dollar

BRICS states are working on substitutional payment systems and creating a shared digital currency and a reserve currency for global trade, possibly backed by gold. They are gradually developing a financial system independent of the US dollar and expanding the use of local currencies for trade, which will be mutually beneficial. This will help Egypt reduce the dollar shortage caused by the gap between demand for foreign currency and its supply. Consequently, reducing the demand for the dollar will alleviate Egypt's foreign currency crisis and narrow its financing gap.

6. Supporting the Value of the Egyptian Pound and Alleviating Pressure on Foreign Reserves

BRICS countries are promoting the use of local currencies among member states as a preliminary step towards creating a unified currency for the bloc. Egypt could benefit from using the Egyptian pound in trade relations, alleviating the pressure on the dollar. This will reduce the need for further devaluation of the pound or increase the dollar price for imports. As Egypt conducts trade with BRICS members in local currencies, it will reduce negative pressure on the Egyptian currency and strengthen its exchange value in the long run, particularly in relation to the dollar. BRICS countries also aim to create an alternative global currency for trade, potentially backed by gold, to reduce dependence on the US dollar for pricing commodities in global markets.

7. Securing Egypt's Strategic Goods Needs

BRICS countries control a significant portion of the global grain trade, producing a third of the world's grain. Egypt has previously discussed with Russia and India the possibility of trading rice, wheat, and other essential goods in Egyptian pounds, rubles, and rupees. Egypt's membership in BRICS could bring these talks to fruition. According to a report published by the Food and Agriculture Organization (FAO), it is predicted that Egypt will import 12 million tons of wheat during the fiscal year 2023/2024.

8. Enhancing Egypt's Role in Africa

Egypt's accession to BRICS will bolster its important and influential role in Africa through trade agreements with BRICS members and enable Egypt to benefit from regional agreements such as the Southern Common Market (Mercosur), positioning it as a bridge linking Africa, Asia, and South America.

9. Access to Significant Financing Opportunities

Egypt could receive grants and concessional loans from the BRICS New Development Bank, which will help reduce dependence on international institutions such as the IMF and World Bank. BRICS countries plan to develop the NDB as an alternative to the World Bank and IMF, supporting member countries with emergency reserves to provide additional liquidity and other advantages during economic crises.

10. Global Marketing Support

By joining BRICS, Egypt will gain marketing endorsement at global forums, whether in political decisions or nominations for international positions. The agreements signed between Egypt and BRICS countries will positively impact the global economy.

After One Year of Joining BRICS Group

BRICS and the Dollar Crisis

- Some have considered that the talk about the end of the dollar crisis becoming history is a form of optimism to reassure citizens about the future of commodity prices, which have been heavily affected by the rise of the US dollar against the Egyptian pound. However, the announcement at the BRICS summit about Egypt joining the group and acquiring full membership confirms that President Sisi is not speaking without basis. Some many moves and actions are not revealed until they are completed in a way that benefits Egypt and its people.
- The question arises: What is the relationship between the BRICS group and solving the dollar crisis, and what benefit will the Egyptian people gain from joining this group? To answer these questions and more, we need to stop and consider a few indicators with significant economic and financial implications.

Alternative Payment Systems to the US Dollar

- The trade volume between Egypt and the five founding members of BRICS is estimated at about USD 28 billion. With the addition of the other six countries, this number will rise to nearly USD 50 billion. Given the BRICS countries' desire to eliminate dollar-based transactions in trade between them, replacing it with local currencies of the member states, Egypt will be relieved from paying for imports from BRICS countries in dollars, which amounts to USD 26.4 billion annually, in addition to imports from new members, which are estimated at around USD 12 billion. By rough calculation, Egypt will save around USD 30 billion, which was annually used to pay for imports from BRICS countries.

Goodbye to Black Market Traders

- In the context of these indicators, if things go according to plan, the dollar's price in the Egyptian market will decrease to its true value, which the World Bank estimates at EGP 5. Black market traders will be a thing of the past, as reduced demand for the US dollar and its availability in official banks will lead to a decrease in its value, and things will return to normal.
- While the founding BRICS countries control 25% of global GDP, their economic power will only increase with the addition of new members. Saudi Arabia, the UAE, and Iran represent global oil power, ensuring that India and China will meet their energy needs. Meanwhile, the newly joined countries will secure food and industrial products at preferential prices without needing the dollar, which has been a burden for all.

More Financing Opportunities at Lower Costs

- Egypt's membership in the BRICS group will help deepen economic cooperation and increase trade with member countries. The diversification of Egypt's export structure will complement the supply chains between BRICS countries. Egypt's membership also opens up promising prospects for the localization of advanced technology in various sectors and increasing local production through expanded cooperation with BRICS members.
- In 2014, BRICS established the New Development Bank (NDB) during the 6th annual summit in Fortaleza, Brazil, aiming to support infrastructure projects and sustainable development in member states.

A Strong Alternative to the IMF and World Bank

- Egypt can now diversify its external financing sources under easier terms as the NDB becomes an important economic alternative to the stringent conditions imposed by other lending institutions like the World Bank and the IMF. The NDB will support member countries through emergency reserve arrangements, providing additional liquidity and other advantages to BRICS countries during economic crises.
- It is undeniable that Egypt's full membership in BRICS will have multiple benefits. However, the question remains: Can this group continue to achieve its goals, and will the United States, backed by Europe and Britain, allow the dollar's dominance to wane? What will the BRICS countries do if the US takes countermeasures?

American Calm and Sharp Statements

- The US administration commented on Egypt's and the five other countries' accession to BRICS with a statement that included much speculation about what Washington might do in the coming days. The US State Department reaffirmed its belief that countries can choose their partners and groupings.
- The State Department spokesperson said the US would continue to work with its partners and friends in bilateral, regional, and multilateral forums to promote mutual prosperity and support global peace and security.
- This brief comment from the US State Department came after sharp remarks from BRICS founding leaders, who criticized the current global economic system. South African President Cyril Ramaphosa said the BRICS partnership aims to establish sustainable development

and support emerging economies, symbolizing equal economic opportunities for all. He added that the more economically developed countries have not fulfilled their climate commitments, and global financial institutions have become tools in geopolitical conflicts. "We will cooperate with all nations interested in building an inclusive and just global system," he said, and the BRICS summit would continue to discuss the use of local currencies in trade.

- Chinese President Xi Jinping stated that "economic growth is not exclusive to certain countries and that the Cold War mentality still affects the world".
- Russian President Vladimir Putin said, "We aim to exclude the dollar from intra-BRICS trade". He added: that "BRICS will launch a special commission for transport between its countries and work toward transitioning to national currencies".
- Indian Prime Minister Narendra Modi said "the BRICS digital currency will form the basis of cooperation and partnership among the group's members". He emphasized that "the BRICS Development Bank is an important resource for the global south".

The BRICS Digital Asset Platform

- BRICS countries plan to launch a digital asset platform for cross-border settlements, a move that seems to have angered US President Donald Trump.
- Trump warned BRICS nations, including India, that they should expect a 100% increase in tariffs if they continue efforts to minimize the role of the US dollar in the global economy.
- BRICS, which originally consisted of Brazil, Russia, India, China, and South Africa, now includes Iran, Egypt, Ethiopia, and the UAE.

- Trump stated that if BRICS countries proceed with their plans to reduce reliance on the US dollar, they will lose the ability to sell any of their products to the US.
- In a tweet on December 1st, 2024, Trump said that the idea that BRICS countries are trying to move away from the dollar while we stand by and watch is over. We demand that these countries commit to not creating a new BRICS currency or supporting any currency to replace the strong US dollar, or they will face 100% tariffs and should expect to say goodbye to selling into the great American economy.
- This warning comes just days after the Russian Senate approved a draft law setting out the tax framework for cryptocurrencies, a step towards legalizing them in the country.
- Russia also plans to exempt cryptocurrency miners from paying VAT on mined cryptocurrencies, though President Vladimir Putin has yet to sign the bill into law.
- As of now, Putin, Indian Prime Minister Narendra Modi, or Chinese President Xi Jinping have not reacted to Trump's warning.

BRICS Digital Currency and the Potential Economic Impact

- After the COVID-19 pandemic, the US Federal Reserve implemented consecutive interest rate hikes to stabilize the US economy, negatively impacting smaller economies dependent on the US dollar.
- Countries like China and Russia have increasingly focused on reducing reliance on the dollar following US sanctions.

- BRICS has been planning a digital payment system since March 2024. The system is expected to facilitate cross-border settlements through digital assets such as cryptocurrencies and central bank digital currencies (CBDCs).
- The group is also developing a secure messaging platform similar to the SWIFT system currently used by international banks. The timeline for launching this platform is still uncertain.

BRICS' New Currency: A Potential Economic Game-Changer

- Russian President Vladimir Putin surprised the world during the 16th BRICS summit by unveiling a new currency, the BRICS currency. This sparked significant media attention, especially in the West.
- While the announcement is premature, as BRICS is still negotiating the use of local currencies for trade, the idea of a unified BRICS currency is being discussed. Implementing such a currency would require establishing a central bank for the group, which has not yet occurred.
- Putin confirmed that the BRICS states are working on a unified currency but emphasized that it would not be implemented soon, as negotiations are ongoing to establish a unified legal framework.

Conclusion:

Egypt's accession to BRICS will bring many economic and political benefits that will become more apparent in the long term. Egypt is not the only beneficiary, as BRICS countries will also benefit from Egypt's membership. Egypt's geographic location and resources make it a vital gateway to Africa for BRICS countries, further strengthening its position as a key partner in the alliance.



The Egyptian Cabinet
Information and Decision Support Center

Government District, New Administrative Capital, Egypt


Postal Code: 4829902

PO BOX: 191- R3 District

Telephone: (+202) 20546600-1-2-3-4

Fax: (+202) 20532115

 www.idsc.gov.eg

 info@idsc.gov.eg



SHARJAH GOVT
COMMUNICATION AWARD



ISSN: 3192-2805