5. BRICS Pay - International Relations

BRICS nations are operationalising "BRICS Pay," a cross-border payment initiative to reduce dependence on the US-dollar-dominated SWIFT network by interlinking their national systems (like India's UPI and China's CIPS) for settlements in local currencies. This move seeks to enhance financial sovereignty and bypass potential sanctions, building on earlier initiatives like the New Development Bank (NDB) and Contingent Reserve Arrangement (CRA) established in 2014.

BRICS Pay Initiative

BRICS nations are advancing plans to operationalise BRICS Pay.

Purpose - BRICS Pay is a cross-border payment system.

Strategic Aim - It is aimed at reducing dependence on the U.S.-controlled SWIFT network.

Evolution of BRICS Financial Cooperation

Early Vision (2014 Fortaleza Summit) - Marked the start of BRICS' efforts to reduce dependence on Western-dominated financial systems. Established the New Development Bank (NDB) to fund infrastructure and development projects. Created the Contingent Reserve Arrangement (CRA) to provide liquidity support to members.

Post-2014 Shift - Western sanctions on Russia (Crimea crisis) accelerated the desire for financial autonomy.

2017 Onwards - Initiatives toward local currency settlements, currency swaps, and direct investments began.

2020s - Formation of the BRICS Payments Task Force (BPTF). The BPTF's role was to explore cross-border payment systems, laying the foundation for BRICS Pay.

16th BRICS Summit in Kazan (2024) - Leaders underscored the importance of "strengthening of correspondent banking networks within BRICS" and enabling "settlements in local currencies." This was linked to the BRICS Cross-Border Payments Initiative (or "BRICS Pay").

Strategic Signal - This signals an intent to reduce dependence on the U.S.-controlled SWIFT system. It underscores a collective drive toward monetary multipolarity, digital sovereignty, and reduced dollar dependence.

About BRICS

Origin - The term 'BRICs' was coined by British economist Jim O'Neill in 2001. It represented Brazil, Russia, India, and China—fast-growing emerging economies.

Timeline -

2006 - BRIC started functioning formally on the sidelines of the G8 Outreach Summit.

2009 - The first BRIC Summit was held in Russia.

2010 - The inclusion of South Africa transformed it into BRICS.

Expansion (2024 onwards)

New Members - Egypt, United Arab Emirates, Ethiopia, Indonesia, Iran, and Saudi Arabia.

BRICS Partner Countries (10) - Belarus, Bolivia, Kazakhstan, Nigeria, Malaysia, Thailand, Cuba, Vietnam, Uganda, and Uzbekistan.

Key Initiatives

New Development Bank (NDB) - Founded at the 6th BRICS Summit (Fortaleza, 2014). Established with an initial capital of $100 billion. Aims to finance infrastructure and sustainable development projects in BRICS and other emerging economies.

Contingent Reserve Arrangement (CRA) - Founded at the 6th BRICS Summit (Fortaleza, 2014). A $100 billion emergency reserve fund. Aims to provide financial support to member countries facing balance of payment crises.

About the BRICS Pay Initiative

Objective - To develop a cross-border payment system to reduce reliance on the SWIFT network (which is dominated by G-10 central banks).

Nature - Part of the BRICS Cross-Border Payments Initiative. Aimed at settling transactions in local

currencies.
Mechanism - It connects national platforms, ensuring cross-compatibility and scalability.
Examples of linked systems -
1. Russia's System for Transfer of Financial Messages (SPFS)
2. China's Cross-Border Interbank Payment System (CIPS)
3. India's Unified Payments Interface (UPI)
4. Brazil's Pix system

Decentralised Messaging System (DCMS) - Offers a secure alternative to SWIFT's centralised messaging. Minimizes vulnerabilities and single-point failures.

Society For Worldwide Interbank Financial Telecommunication (SWIFT)

Nature - It is a messaging network used by banks and financial institutions globally. It allows for the quick and faultless exchange of information pertaining to financial transactions. It is not a financial institution; it does not hold or transfer money, but facilitates secure financial communication between banks.
Establishment - Founded in 1973 by 239 banks from 15 countries to standardize and secure cross-border financial communications.
Headquarters - Belgium.
Mechanism - Each participant is assigned a unique 8 to 11-character SWIFT code (or Bank Identification Code - BIC). This code is essential for any inter-bank transfer.
Governance - Supervised by G10 central banks, the European Central Bank (ECB), and the National Bank of Belgium.
G10 (Group of Ten) - It is made up of eleven industrial countries.
Members - Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom, and the United States.

Comparative Analysis - SWIFT vs. BRICS Pay

Aspect	SWIFT	BRICS Cross-border Payments Cooperation
Control	Dominated by G-10 central banks (Western-controlled).	By BRICS countries (developing nations).
Currency Basis	USD-dominated transactions.	Focus on local currencies of member nations.
Architecture	Centralised	Decentralised
Reach	11,000+ financial institutions globally.	Emerging; aims for inter-BRICS and Global South coverage.
Purpose	Secure global messaging for bank transfers.	Integrated payment system ensuring financial sovereignty and sanction-resilience.

Opportunities Created by BRICS Pay

Financial Sovereignty - Offers member nations the opportunity to conduct transactions independent of the U.S. dollar. By settling trade in local currencies, countries gain greater monetary autonomy and are less vulnerable to dollar fluctuations or U.S. monetary policy. This could also reduce the foreign exchange reserve burden, as fewer dollars are needed for settlements.
Sanction Immunity - A core motivation is to bypass Western-controlled financial systems like SWIFT, which have been used as instruments of sanctions. Provides a secure and alternative payment route for countries facing U.S.-led financial restrictions, insulating them from exclusionary practices.
South–South Cooperation - Encourages developing and emerging economies to trade in their own or regional currencies. This strengthens trade and investment flows within the Global South, reducing dependence on Western markets.
Innovation & Financial Inclusion - Can leverage the technological infrastructure of existing systems (India's UPI, China's CIPS, Russia's SPFS, Brazil's Pix). Interlinking these systems could enable instant, low-cost, and secure transactions, promoting financial inclusion.

Strengthened Multilateralism - Represents a collective assertion of financial independence from the Western-dominated monetary order. Reinforces multilateralism and financial multipolarity, reflecting a shift toward a balanced global economic system.

Key Reasons for Reducing Dollar Dependence

Vulnerability to Sanctions - Nations like Russia (2014, 2022) and Iran have been cut off from the SWIFT network, freezing their dollar-based assets. This highlights how the dollar system can be weaponized, motivating countries to seek alternative systems.

Exchange Rate Volatility - The appreciation or depreciation of the dollar directly impacts import costs, debt servicing, and inflation for developing nations. Trading in local currencies can stabilize exchange rate risks.

Cost of Transactions - Dollar-based settlements require multiple currency conversions and intermediary banks, raising transaction costs. Local currency settlements reduce dependency on U.S. banking networks and make transactions more efficient.

Strategic Autonomy - Reducing dollar use enhances a nation's ability to pursue independent monetary and foreign policies. It reduces exposure to U.S. interest-rate changes and helps preserve economic sovereignty.

Rise of Multipolarity - The shift from a unipolar to a multipolar global order includes financial realignment. Emerging economies aim to construct a balanced international financial architecture (e.g., BRICS Pay, NDB).

Challenges in Realising BRICS Pay

Diverse National Interests - Each member has its own ambitions for its national payment system -

1. India - Aims to promote UPI globally.
2. China - Pushes for the CIPS (linked to the Renminbi).
3. Brazil - Deepening its Pix network in Latin America.
4. Russia - Promoting its SPFS.

These overlapping ambitions could slow collective progress on a unified BRICS Pay.

Interoperability Issues - Each nation's payment system is built on different technologies, regulations, and currencies. Achieving technical compatibility and regulatory alignment is a major challenge.

Geopolitical Pressures - The U.S. views BRICS' efforts as an attempt to undermine the dollar's dominance. Threats of trade retaliation or sanctions (like Trump's 100% tariff warning) could discourage some members.

Trust Deficit - Despite cooperation, BRICS members differ politically and economically (e.g., China–India border tensions). Lack of political cohesion could hinder a truly unified payment network.

Limited Geographic Scope - Initially, BRICS Pay would be confined to member and partner economies. This limits its global scale compared to SWIFT's 11,000-member reach.

The Way Forward

Phased Integration - Adopt a gradual approach, starting with bilateral/regional currency settlements (e.g., India–Russia) before building a fully interoperable multilateral framework.

Institutional Reinforcement - Linking BRICS Pay with the New Development Bank (NDB) can provide liquidity buffers, guarantee mechanisms, and risk-mitigation instruments.

Regulatory and Digital Harmonisation - Draft a common "BRICS Fintech Charter" to standardize compliance, cybersecurity, and data governance protocols.

Technological Modernisation - Adopt a diversified technology stack (e.g., blockchain for auditing, AI-based fraud detection, advanced encryption). Interlinking national systems (UPI, CIPS, Pix) can serve as the foundation.

Strategic Expansion through BRICS+ - Extend participation to new members (Saudi Arabia, UAE, Egypt) to connect BRICS Pay with critical energy and trade corridors. This can transform it into a key pillar of South–South economic integration.

Constructive Engagement with the Global System - Aim for complementarity rather than outright replacement of SWIFT. Ensuring interoperability with existing Western systems while promoting financial sovereignty can prevent fragmentation.

Conclusion

BRICS Pay embodies the collective ambition of emerging economies to democratize global finance. It is not a rejection of the existing order, but an attempt to rebalance it. If pursued with institutional discipline, technological foresight, and diplomatic prudence, BRICS Pay can evolve into a cornerstone of a multipolar, secure, and inclusive financial system—one where autonomy and cooperation coexist.

Source - [https - //www.thehindu.com/news/international/how-brics-is-challenging-swift-explained/article70241519.ece](https://www.thehindu.com/news/international/how-brics-is-challenging-swift-explained/article70241519.ece)

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