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New Gold-Backed Currency Potentially Introduced by BRICS

F-2023-07-20a

Classification: TLP:CLEAR

Criticality: Medium

Intelligence Requirements: Economics, Negotiations, Currency, Trade

July 20, 2023

Scope Note

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> Key Findings

Starting in early July 2023, the ZeroFox Geopolitical Working Group began identifying multiple reports indicating that the BRICS countries are planning to introduce a new trading currency, which will be backed by gold.¹ BRICS currently consists of Brazil, Russia, India, China, and South Africa and is an alliance of fast-growing economies established in 2009. There has been speculation that the currency might be introduced during the upcoming BRICS summit, which is scheduled to take place in South Africa from August 22-24, 2023.²

Analyst Commentary

The idea of the BRICS bloc creating its own means of payment outside of the U.S. dollar is familiar. The initial proposal to create a new reserve currency based on a basket of BRICS countries' currencies was formulated in 2018. BRICS national currencies were chosen because they were among the most liquid currencies across emerging markets. The names R5 or R5+ were considered for the new reserve currency, which was based on the first letter of the names of BRICS countries' currencies (real, ruble, rupee, renminbi, and

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[hXXps://www.kitco.com/news/2023-07-07/Russia-confirms-BRICS-will-create-a-gold-backed-currency.html](https://www.kitco.com/news/2023-07-07/Russia-confirms-BRICS-will-create-a-gold-backed-currency.html)

² [hXXps://twitter.com/RT_com/status/1676720110353137664?](https://twitter.com/RT_com/status/1676720110353137664?)

rand); however, the idea was deemed improbable at that time. At that stage, it was suggested that the BRICS reserve currency would complement—rather than replace—the national reserve currencies of the BRICS economies.³

However, the geopolitical landscape changed in 2022 with the Russian invasion of Ukraine. The consequential Western sanctions imposed on Russia and the freezing of Russian dollar assets in Western banks, in particular, led to resurfaced talks regarding potentially creating a competitive currency among BRICS countries as a way of challenging the traditional dominance of the West. At the same time, rising interest rates, inflation, internal political instability across the Western world, and an almost-yearly debt-ceiling crisis in the United States have raised concerns among other countries about their dollar-denominated debt and the demise of the dollar should the United States ever default.⁴⁵⁶

At the same time, the BRICS countries have pursued various initiatives to decrease their dependence on the U.S. dollar. Over the past year, Russia, China, India, and Brazil have turned to the use of non-dollar currencies in their cross-border transactions instead of trading in national currencies. Iraq, Saudi Arabia, and the United Arab Emirates (UAE) are also actively exploring dollar alternatives. For example, just five days ago, India signed an agreement with the UAE that will allow it to settle trade in rupees instead of dollars.⁷ The two countries also agreed to set up a real-time payment link to facilitate easier cross-border money transfers.

³ <https://valdaiclub.com/a/highlights/a-brics-reserve-currency-exploring-the-pathways/>

⁴ <https://www.bbc.com/news/business-65474456>

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<https://theconversation.com/a-brief-history-of-debt-ceiling-crises-and-the-political-chaos-theyve-unleashed-205178>

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<https://fortune.com/2023/06/25/dollar-reserve-currency-brics-brazil-russia-india-china-south-africa/>

⁷ <https://www.reuters.com/world/india-ties-up-with-uae-settle-trade-rupees-2023-07-15/>

Forward Look

With 88 percent of international transactions conducted in U.S. dollars, the dollar's global dominance at this time is indisputable.⁸ However, so-called de-dollarization, which is reducing an economy's reliance on the U.S. dollar for international trade and finance, has been accelerating somewhat dramatically following the Russian invasion of Ukraine. For example, while the dollar accounts for 58 percent of global foreign exchange reserves, that is a record-low percentage.⁹ According to the International Monetary Fund, in the last 20 years, the dollar's overall dominance in countries' reserves has decreased from 70 percent to under 60 percent. In addition, central banks have sought to shift more of their currency reserves away from the dollar and into gold, with multiple countries expressing increased interest in purchasing gold as a reserve.¹⁰¹¹

There has yet to be a consensus among financial experts on the feasibility of creating the new currency. Some claim that most countries simply do not have an alternative at this point and will have to use the dollar.¹² Others argue that the BRICS currency may gain momentum and potentially end the dollar's dominance.¹³

Negotiating a single currency among BRICS countries would be difficult considering the complex economic and political framework within the bloc, and that each country would need to agree on a common mechanism that would provide a stable and regulated system. Moreover, with more countries expressing interest in joining BRICS, the bloc will likely have to scale down its de-dollarization agenda. A BRICS version of the euro is

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<https://www.cnn.com/2023/04/24/economic-and-political-factors-behind-acceleration-of-de-dollarization.html>

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<https://www.reuters.com/markets/signs-de-dollarisation-emerge-dollar-top-currency-jpmorgan-2023-06-05/>

¹⁰ <https://www.ft.com/content/ef6ed550-422a-4540-a8af-41ff2ac30e67>

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<https://www.reuters.com/markets/signs-de-dollarisation-emerge-dollar-top-currency-jpmorgan-2023-06-05/>

¹² <https://finance.yahoo.com/news/treasury-secretary-janet-yellen-says-041422267.html>

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<https://foreignpolicy.com/2023/04/24/brics-currency-end-dollar-dominance-united-states-russia-china/>

unlikely for now; none of the countries involved show any desire to discontinue their local currencies. Rather, the goal appears to be creating an efficient, integrated payment system for cross-border transactions as the first step and possibly introducing a new currency.¹⁴ Such a scenario is further confirmed by the recent statements from The New Development Bank, a financial institution created by the BRICS, indicating the bloc does not have any immediate plans to create a common currency and that the development of an alternative currency is more a medium to long-term ambition.¹⁵

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<https://fortune.com/2023/06/25/dollar-reserve-currency-brics-brazil-russia-india-china-south-africa/>

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<https://fortune.com/2023/07/05/will-dollar-get-replaced-brics-brazil-russia-india-china-africa-ambition/>

Appendix A: Traffic Light Protocol for Information Dissemination

	Red	Amber
WHEN SHOULD IT BE USED?	Sources may use TLP:RED when information cannot be effectively acted upon by additional parties and could lead to impacts on a party's privacy, reputation, or operations if misused.	Sources may use TLP:AMBER when information requires support to be effectively acted upon but carries risks to privacy, reputation, or operations if shared outside of the organizations involved.
HOW MAY IT BE SHARED?	Recipients may NOT share TLP:RED with any parties outside of the specific exchange, meeting, or conversation in which it is originally disclosed.	Recipients may ONLY share TLP:AMBER information with members of their own organization and its clients, but only on a need-to-know basis to protect their organization and its clients and prevent further harm. Note that TLP:AMBER+STRICT restricts sharing to the organization only.
	Green	Clear
WHEN SHOULD IT BE USED?	Sources may use TLP:GREEN when information is useful for the awareness of all participating organizations, as well as with peers within the broader community or sector.	Sources may use TLP:CLEAR when information carries minimal or no risk of misuse in accordance with applicable rules and procedures for public release.
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Appendix B: ZeroFox Intelligence Probability Scale

All ZeroFox intelligence products leverage probabilistic assessment language in analytic judgments. Qualitative statements used in these judgments refer to associated probability ranges, which state the likelihood of occurrence of an event or development. Ranges are used to avoid a false impression of accuracy. This scale is a standard that aligns with how readers should interpret such terms.

Almost No Chance	Very Unlikely	Unlikely	Roughly Even Chance	Likely	Very Likely	Almost Certain
1-5%	5-20%	20-45%	45-55%	55-80%	80-95%	95-99%