



America-Eurasia Center's Middle East & Uplifting Africa Programs

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Egypt and Ethiopia to Join BRICS Economic Bloc



From left to right: Brazil President Luis Inácio Lula da Silva, China President Xi Jin Ping, South African President Cyril Ramaphosa, India PM Narendra Modi, and Russia Minister of Foreign Affairs Sergey Lavrov. Source: cfc

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Leaders of the BRICS-countries during its summit in 2018. Photo Cred: Flickr/GovernmentZA

In late August, South Africa hosted the fifteenth BRICS Summit in Johannesburg, Gauteng.¹ Along with the group’s other members—Brazil, Russia, India, and China—it announced its intentions to grant membership to six other states: Ethiopia, Egypt, Iran, Argentina, Saudi Arabia, and the United Arab Emirates—from an alleged group of 40 nations seeking membership.² At its core, the BRICS grouping is an economic one. The acronym “BRIC” was coined by the former chief economist of Goldman Sachs, Jim O’Neill, in 2001. At that time, the initial grouping of countries (excluding South Africa) had seen tremendous economic growth relative to the rest of the world.³ Much like the G7, this casual grouping of nations had formed a more formal forum of cooperation and open dialogue between leaders.

What Does This Decision Mean?

Most analysts agree that the decision to grant Egypt and Ethiopia BRICS membership is significant. How precisely, though, is uncertain due to stark differences in member countries’ governmental and economic structures. Additionally, none of the BRICS members mentioned *why* Egypt and Ethiopia were granted membership, nor any list of qualifications they might have

¹ <https://brics2023.gov.za/about-the-summit/#:~:text=BRICS%20Leaders%20are%20expected%20to%20attend%20the%20XV,the%20Sandton%20Convention%20Centre%20%28SCC%29%20in%20Johannesburg%2C%20Gauteng.>

² <https://www.aol.com/weather/nagy-brics-threaten-america-role-175313328.html>

³ <https://www.dw.com/en/a-new-world-order-brics-nations-offer-alternative-to-west/a-65124269>

met.⁴ Regardless, these circumstances have not prevented experts and analysts from speculating on the future implications of this development.

Fear for the U.S. Dollar

Naturally, the additions of Egypt and Ethiopia to the BRICS bloc add to the collective GDP of the group. “Starting, the BRICS represented a mere 8% of the world’s economy vs 65% for the G7. Now it’s BRICS at 36% and the G7 at 43%.”⁵ At the 2023 BRICS Summit, one of the topics discussed was the possible loss of purchasing power influenced by American debt, along with possible drops in reserve currency for the United States. Due to the perceived global economic instability this would cause, BRICS nations have expressed interest in developing a collective “gold-backed” currency, or even implementing a type of “central bank digital currency.”⁶ Finance ministers and central banks of the BRICS members have consequently been instructed to explore a common currency that would become a priority for next year’s summit, which Russia is expected to host in Kazan in October 2024.⁷

Despite this announcement, skeptics of a common BRICS currency have mentioned several reasons for its unlikely fruition. As aforementioned, the economic differences between member countries remain significant, and thus, many financial experts believe a common currency is unrealistic. The Dutch paper *NRC* stresses, "In a multipolar world, many countries in the global South are understandably wary of putting all their eggs in one basket."⁸ Additionally, it is unlikely either China or Russia would be willing to forgo their own national currencies alongside a group of issuers who have had previous difficulties in controlling their monetary imbalances. In the past ten years, the Egyptian pound dropped in value by 78%, and the Ethiopian birr by 68%.⁹ Along with the continual weakening of Brazil, Argentina, and India’s currencies, it isn't easy to imagine the possibility of a stable common currency forming.

What Have Egypt and Ethiopia Said?

At the 21st annual forum of the Confederation of Real Estate Developers' Associations of India (CREDAI), which took place in Sharm El-Sheikh, Egypt’s Minister of Trade and Industry Ahmed Samir highlighted the opportunities BRICS will bring in developing economic investment and cooperation between Egypt and India, particularly in real estate. Since he also stated that real estate represented over 20% of Egypt’s GDP, the incentive for foreign investment in this sector of

⁴ <https://thediplomat.com/2023/10/no-one-knows-what-brics-expansion-means/>

⁵ <https://www.aol.com/weather/nagy-brics-threaten-america-role-175313328.html>

⁶ <https://www.washingtontimes.com/news/2023/sep/12/small-nations-joining-brics-threaten-american-secu/>

⁷ <https://www.kitco.com/news/2023-08-28/How-gold-price-gets-to-10k-BRICS-expansion-gold-backed-currency-monetary-reset-Willem-Middelkoop.html>

⁸ <https://www.dw.com/en/brics-expansion-united-states-germany-reactions/a-66636169>

⁹ <https://mises.org/wire/will-brics-dethrone-us-dollar>

the nation's economy appears strong.¹⁰

While Egypt is focused on boosting its real estate development and tourism economy, Ethiopia has voiced its own reasons for joining the bloc. Balew Demissie, an associate professor at Addis Ababa University, told Xinhua in a recent interview, "Working with these countries advances our economic development by attracting foreign direct investment for industrialization and infrastructure projects."¹¹ According to Demissie, such projects would involve the modernization of its agricultural sector by increasing food productivity and distribution through advanced agricultural technologies and techniques adopted from BRICS countries.



Ethiopian Prime Minister Abiy Ahmed, Photo Cred: Massimo Percossi/Ansa/ZUMA Press/Imago

The China Factor

Although the benefits of foreign investment are well acknowledged, so are the potential harms. Since adopting China's Belt and Road Initiative (BRI) in 2013, the Communist Party of China (CPC) government has received its fair share of criticism. A study released by Boston University's Global Development Policy Center said the BRI had delivered more than \$330 billion in loans to developing country governments through 2021, lending more than the World Bank in some years. However, the same study noted that many recipients of Chinese loans are now struggling with their overall debts.¹² Dr. Daniel Lacalle, professor of global economy at IE Business School in Madrid, reiterates this crucial point, stating, "It [China] is the strongest lender of all the BRICS, but it is unlikely to take on the role of the euro's Germany, willing to absorb the excesses of others in exchange for a common project."¹³

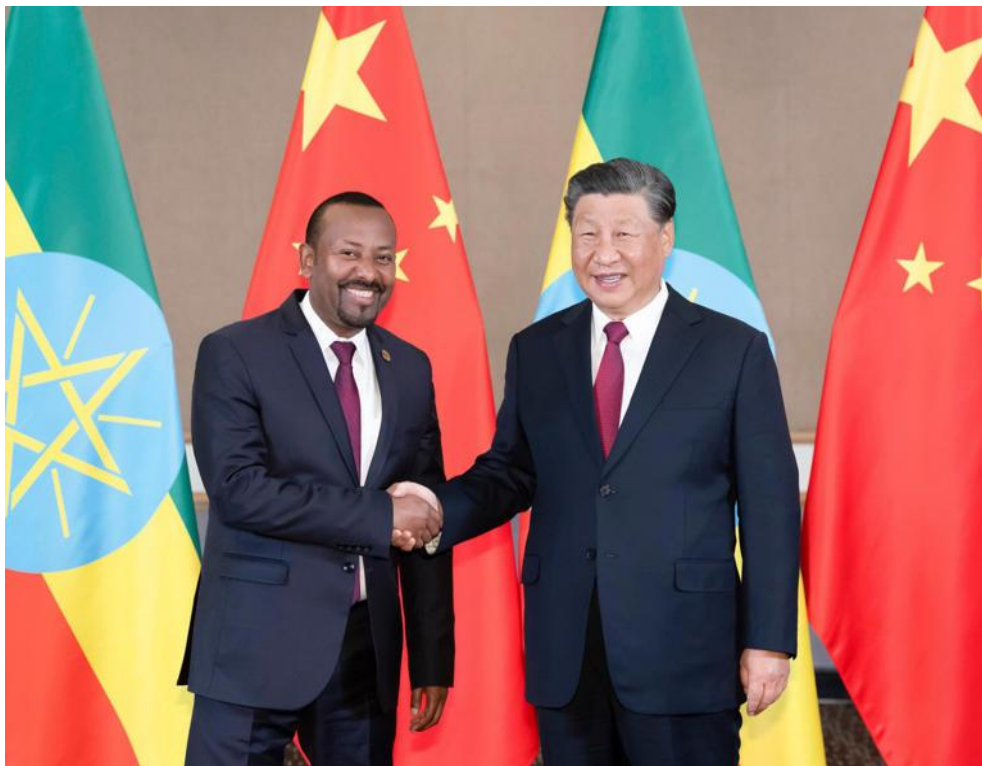
¹⁰ <https://menafn.com/1107207577/Egypt-India-Strengthen-Strategic-Ties-In-Real-Estate-Other-Sectors>

¹¹ <https://www.theinteldrop.org/2023/09/12/ethiopia-entry-into-brics-mechanism-to-boost-economic-growth-political-cooperation-experts/>

¹² <https://abcnews.go.com/International/wireStory/china-touts-belt-road-infrastructure-lending-alternative-international-103852785>

¹³ <https://mises.org/wire/will-brics-dethrone-us-dollar>

Ethiopia owes China an estimated \$13.7 billion in U.S. dollars. On the sidelines of the 2023 BRICS Summit, Chinese President Xi Jinping promised to suspend Ethiopia's payments on debt maturing in 2023 and 2024 as part of the common framework for debt restructuring.¹⁴ Chinese and Ethiopian government officials echo these promises of goodwill financial practices on the part of the CPC. “China will work together with Egypt to implement the important consensus reached by the two countries' heads of state and consolidate mutual political trust,” said Li Xi, secretary of the CPC Central Commission for Discipline Inspection.¹⁵ Ethiopia’s openness to China’s investment is made clear by its record of BRI projects. Most of these have been in infrastructure, such as the Addis Djibouti railway or the African Union building.¹⁶



Chinese President Xi Jinping meets with Ethiopian Prime Minister Abiy Ahmed on the sidelines of the BRIC’s summit in Johannesburg. Photo Cred: Xinhua

Similar sentiments have been expressed regarding Egypt-China relations as well. Secretary Li cites the cooperation between the two governments on their respective projects, China’s BRI and Egypt Vision 2030—Egypt’s push for a diversified and competitive economic system coupled with social equity and environmental sustainability goals.¹⁷ The current President of Egypt, Abdel Fattah

¹⁴ <https://www.msn.com/en-xl/news/other/how-egypt-and-ethiopia-joining-brics-could-help-boost-china-s-influence-in-africa/ar-AA1gvmA4#image=1>

¹⁵ <https://www.msn.com/en-za/news/other/senior-cpc-official-says-china-to-consolidate-cooperation-mutual-trust-with-egypt/ar-AA1hk3g0>

¹⁶ <https://www.silkroadbriefing.com/news/2023/09/06/ethiopias-membership-of-brics-consequences-and-prospects/#:~:text=Together%20with%20an%20increase%20in%20production%20and%20exports,deal%20with%20severe%20food%20insecurity%20in%20the%20country.>

¹⁷ <https://www.msn.com/en-za/news/other/senior-cpc-official-says-china-to-consolidate-cooperation-mutual-trust-with-egypt/ar-AA1hk3g0>

el-Sisi, supports this view and said Egypt is willing to strengthen cooperation with China in infrastructure, agriculture, tourism, and finance.¹⁸ In other words, it is an open invitation to continued Chinese investment.

A Win for Renewable Energy?

As evidenced by the annual UN Climate Week held in New York City, as well as U.S. President Biden’s climate-focused appropriations in the Infrastructure Investment and Jobs Act (IIJA) of 2021, the global energy economy appears to be on the precipice of a major transition in the coming decades. Proponents of renewables and carbon emission cuts are eager to identify similar efforts and trends in the global east and south. The expansion of BRICS may yet be a move in this direction. Rystad Energy, an independent energy research and business intelligence company, released its findings that adding new members Saudi Arabia, Iran, United Arab Emirates (UAE), Egypt, Ethiopia and Argentina will transform the bloc into a leader in renewable energy due to its declining costs. “This appeal is reinforced by the abundant natural resources and affordable labor in most member countries.”¹⁹ Despite this rather promising outlook, complexities in international tensions may arise due to an ongoing dispute between Ethiopia and Egypt in hydropower and river politics.



Grand Ethiopian Renaissance Dam. Photo Cred: World Politics Review

¹⁸ <https://www.msn.com/en-za/news/other/senior-cpc-official-says-china-to-consolidate-cooperation-mutual-trust-with-egypt/ar-AA1hk3g0>

¹⁹ <https://www.constructionweekonline.in/business/brics-expansion-to-widen-the-renewable-energy-gap-with-the-g7>

Ethiopia's Dam Project

After beginning construction in 2011, the Grand Ethiopian Renaissance Dam (GERD), a \$4.2 billion project, was completed by the Ethiopian government only this year. Since the dam was completed along the Nile River—which also flows through neighboring Sudan and ultimately into Egypt's river delta—there are ever-increasing fears that Egypt will lose access to much of its water supply. Some hoped that Egypt and Ethiopia's membership in the BRICS bloc would resolve this longstanding dispute. And since China has been involved in many direct investments in the GERD project, its potential role as a mediator in the conflict has been repeatedly mentioned.²⁰ However, should the dispute intensify into battle, it may threaten the cohesiveness of the BRICS bloc. Comparable questions have been raised concerning the India-China border disputes. And given economic rivalries in other partnerships, such as between the United Arab Emirates (UAE) and Saudi Arabia in the Gulf Cooperation Council, the existence of BRICS in no way guarantees successful management of all its members' interregional tensions.



