



# *Rodney's Take*

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## **More BRICS in the Wall**

Two decades ago, Brazil, Russia, India, and China (the BRIC countries) were far behind western nations. Now, pundits are fond of pointing out that the BRICS (since joined by South Africa), generate about 25% of world GDP, more than that of a group of leading western nations. They conveniently leave out the part where China grew like crazy while the other members stagnated, making the BRICS somewhat like China and the band. For more than a decade, the hangers-on weren't that important, but that will change in January.

At the end of their recent summit, the BRICS did not unveil a new currency backed by commodities, as promised. Instead, they increased the number of members, which could be a much more substantial development than creation of another experimental currency. If the larger group develops stronger economic ties, it will diminish U.S. standing in the world and derail our energy transition plans, which is exactly what some of the BRICS members want.

The BRICS newcomers include Argentina, Egypt, Ethiopia, Iran, the U.A.E., and Saudi Arabia. A couple of the additions don't make much sense. Argentina might be a beautiful country, but it is not good at much beyond writing grants that compel the International Monetary Fund to give them more cash. It seems like Egypt has been an economic backwater since the time of the pharaohs, but its inclusion could be more about politicking, Israel, and the Suez Canal than economic might. The best thing to happen to Egypt in 1,000 years was for the French and English to make it relevant by digging

the canal. Otherwise, it's just a really big museum. Ethiopia also is a head-scratcher. It's landlocked, surrounded by restive nations, and not on a discernible path to a modernized economy. But, like with Argentina and Egypt, I'm sure the other members of the BRICS had their reasons.

On the other hand, it's easy to see why the BRICS would welcome the U.A.E. and Saudi Arabia: they will give the economic bloc considerably more heft when it comes to energy and trade. As they found out with Russia, Western nations can't sanction Saudi Arabia and the U.A.E. without hobbling their own economies, driving inflation higher and standards of living lower. It's not likely that the U.S., U.K., and European Union would take a hard line on a group that includes several of the biggest energy-producing countries on the planet.

Which brings us to Iran.

By including this theocracy, the BRICS are inviting countries that have something to offer who either want or need to avoid Western scrutiny. By bringing Iran into the fold, the other nations are, at least implicitly, telling the world that they're open to economic ties with such countries. The most obvious commodity on the market is oil, and the most likely clients are India and China. While India and China can buy all the oil they want today, there's something to be said for securing supply lines in places that don't care about Western sensibilities and goals.

It could be that this is all for show. After all, the BRICS haven't done, well, anything as a cooperative group, much less anything substantive. But perhaps adding a few heavyweights to the roster is a step in that direction, particularly when Western nations are actively telling energy producers that they'd like to see them out of business soon. This line of reasoning doesn't go over well in West Virginia, and it won't go over well in the Middle East, either.

We should know by next summer if anything will come of this. By that time, the new members will be installed and we can expect to see broad strokes of how the nations can increase trade among themselves. If they pull it off, then

the global energy complex will have moved that much further toward bifurcation.

We can tilt at windmills all we want, but if large, populous countries around the globe prioritize the securing of dependable, low-cost energy for their constituents over dithering about the types of energy, we're not going to carry much weight in those conversations. And if nations already at odds with the U.S. and others can increase their trade and wealth in the process, then so much the better for them.

While it might be counterintuitive, we can play defense by purchasing domestic energy companies. That way, we will hold a hedge position if foreign energy producers push prices higher, as OPEC+ recently did. We can put on the "to-do" list a trade agreement with the U.K. and streamlined immigration at the U.S. southern border to ensure a steady flow of documented workers... but now I'm veering off into our own version of fantasyland. Whomever wins the U.S. presidential election in 2024 likely won't solve the issue. No administration has taken it on for 30 years. I guess it counts as our own version of big goals with no plans.

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*Got a question or comment? You can contact us at [info@hsdent.com](mailto:info@hsdent.com).*