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BRICS and the Multipolar Transition: China, Iran, and Saudi Arabia in Trade, Finance, Energy, and the Erosion of Western Commercial Hegemony

بريكس والتحول نحو التعددية القطبية: الصين وإيران والمملكة العربية السعودية في التجارة والتمويل والطاقة وتآكل الهيمنة التجارية الغربية

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Abstract:

The expansion of BRICS to eleven member states—including Iran, Saudi Arabia, the UAE, Egypt, Ethiopia, and Indonesia—marks a structural transformation in global economic governance. This paper examines the group's evolving role in trade, finance, energy, and tourism, with particular attention to China's institutional leadership, Iran's strategic position as a sanctions-experienced energy node, and Saudi Arabia's multi-alignment strategy. It analyses the functional significance of the Strait of Hormuz and Bab el-Mandeb, the trajectory of de-dollarization, and the gradual erosion of US-European commercial hegemony. It also examines the role of the Saudi riyal in BRICS trade and assesses the implications for the US economy of a major American partner joining the group. The central argument is that BRICS does not seek to replace the dollar or dismantle existing institutions, but rather to build "more choices"—additional currencies, payment channels, and development finance sources—that reduce the Global South's structural vulnerability. This "architecture of choice" represents a pragmatic, incremental reconfiguration of the global financial system rather than a revolutionary rupture. Saudi Arabia's role is examined in detail as a pivotal hub: a trading partner, energy stabilizer, sovereign investor, tourism actor, and diplomatic shock absorber whose multi-alignment strategy moderates the pace of systemic change.

Keywords: BRICS expansion; de-dollarization; petrodollar; Strait of Hormuz; Bab el-Mandeb; Saudi Vision 2030; multipolarity; Saudi riyal.

JEL Classification: F02, F15, F33, F51, Q34, Q43, Z32

الملخص:

يمثل توسع مجموعة بريكس إلى إحدى عشرة دولة عضو، بما في ذلك إيران والمملكة العربية السعودية والإمارات العربية المتحدة ومصر وإثيوبيا وإندونيسيا، تحولاً هيكلياً في الحوكمة الاقتصادية العالمية. تبحث هذه الدراسة في الدور المتطور للمجموعة في مجالات التجارة والتمويل والطاقة والسياحة، مع إيلاء اهتمام خاص للقيادة المؤسسية للصين، والموقع الاستراتيجي لإيران بوصفها عقدة طاقة ذات خبرة في التعامل مع العقوبات، واستراتيجية المملكة العربية السعودية القائمة على تعدد التحالفات. كما تحلل الدراسة الأهمية الوظيفية لمضيق هرمز وباب المندب، ومسار تقليص الاعتماد على الدولار، والتآكل التدريجي للهيمنة التجارية الأمريكية-الأوروبية.

وتتناول الدراسة أيضاً دور الريال السعودي في تجارة بريكس، وتقيم التداعيات المحتملة على الاقتصاد الأمريكي لانضمام شريك أمريكي رئيسي إلى المجموعة. وتتمثل الحجة المركزية للدراسة في أن مجموعة بريكس لا تسعى إلى استبدال الدولار أو تفكيك المؤسسات القائمة، وإنما إلى بناء «خيارات أكثر» تشمل عملات إضافية، وقنوات دفع بديلة، ومصادر متنوعة لتمويل التنمية، بما يقلل من مواطن الضعف الهيكلية التي يعاني منها الجنوب العالمي. وتمثل هذه «هندسة الخيارات» إعادة تشكيل عملية وتدرجية للنظام المالي العالمي، وليست قطيعة ثورية معه.

وتتناول الدراسة دور المملكة العربية السعودية بالتفصيل بوصفها محوراً محورياً يجمع بين كونها شريكاً تجارياً، ومستقراً للطاقة، ومستثمراً سيادياً، وفاعلاً في قطاع السياحة، وسيطاً دبلوماسياً لامتناهات الصدمات؛ إذ تسهم استراتيجيتها القائمة على تعدد التحالفات في تنظيم وتيرة التغيير على مستوى النظام الدولي.

الكلمات المفتاحية: توسع بريكس؛ تقليص الاعتماد على الدولار؛ البترودولار؛ مضيق هرمز؛ باب المندب؛ رؤية السعودية 2030؛ التعددية القطبية؛ الريال السعودي.

تصنيف JEL: F02، F15، F33، F51، Q34، Q43، Z32

1. Introduction

The 18th BRICS Summit in New Delhi (September 2026) convened against a backdrop of overlapping crises: the ongoing conflict around the Strait of Hormuz, the near-total halt of shipping through Bab el-Mandeb, and intensifying US pressure on countries trading with sanctioned BRICS members. The summit's agenda—payment system interoperability, local currency settlement, energy security, and supply chain resilience—reflected a broader structural shift: the emergence of a financial and commercial architecture that operates alongside, rather than wholly within, the Western-dominated system [1, 2].

This paper argues that the BRICS project is best understood not as a bid to dethrone the dollar or displace the IMF, but as the construction of what can be called an **architecture of choice**. The objective is not replacement but diversification: more currencies for trade, more payment channels, more sources of development finance, and greater protection from external financial shocks [2]. This framework has profound implications for energy markets, trade routes, and the geopolitical alignments of pivotal states such as Saudi Arabia.

The paper proceeds as follows. Section 2 examines China's role as the structural engine of BRICS cooperation. Section 3 analyses Iran's strategic position. Section 4 focuses in detail on Saudi Arabia's trade, energy, tourism, investment, financial, logistical, and diplomatic roles within BRICS. Section 5 assesses the de-dollarization trajectory. Section 6 analyses the chokepoints at Hormuz and Bab el-Mandeb. Section 7 concludes with the implications for US–European commercial hegemony.

2. China: The Structural Engine

China's role in BRICS can be understood through three functions: **agenda-setting, infrastructure provision, and institutional bridging**.

2.1 Agenda-Setting

At the 2026 summit, China's proposals centered on practical cooperation in artificial intelligence, trade facilitation, digital industry, and technological talent development. The emphasis on “four pioneers”—innovation, peace, civilizational exchange, and global governance reform—placed development ahead of security and governance in the summit's framing, aligning with the priorities of most Global South members [26].

2.2 Payment Infrastructure

China has been the primary builder of alternative cross-border payment infrastructure. The Cross-Border Interbank Payment System (CIPS) had 193 direct participants and 1,573 indirect participants by the end of 2025, processing 180.2 trillion yuan (\$26.9 trillion) in payments that year, up from 175 trillion yuan in 2024 [1]. Revised business rules effective February 2026 allow overseas CIPS direct participants to appoint qualified direct participants, expanding the system's reach. The People's Bank of China has appointed local banks in Brazil, South Africa, and Indonesia as renminbi clearing banks, while bilateral QR code payment connectivity has been launched with Indonesia and Brazil [1].

2.3 Institutional Bridging

China mediates between BRICS's energy producers (Saudi Arabia, Iran, Russia, UAE) and consumers (China, India). The China–Indonesia Cross-Border QR Code Payment Connectivity project, launched in June 2026, illustrates how bilateral arrangements can underpin broader cooperation without requiring a common currency [1]. China's role in mediating the restoration of Saudi–Iran diplomatic relations in 2023 further demonstrates its capacity to bridge intra-BRICS differences [10].

The limits of China's role are also evident. India's strategic suspicions, the impact of China's own economic slowdown on its resource-provision capacity, and the reluctance of some members to become enmeshed in US–China rivalry constrain Beijing's leadership. Nevertheless, without China's capital, technology, and institutional commitment, BRICS's transition from dialogue platform to action platform would be substantially more difficult.

3. Iran: The Sanctions-Experienced Node

Iran's BRICS membership carries significance disproportionate to its formal economic weight. As a state that has operated outside the dollar system for years, Iran provides both a model and a testing ground for de-dollarization practices.

3.1 Energy Position

Iran holds the world's fourth-largest proven oil reserves and second-largest gas reserves. Under sanctions, its oil exports have relied on informal channels, but BRICS membership offers potential for institutionalized export routes. Iranian Economy Minister Madanizadeh has noted that Iran was previously a significant oil supplier to India, and that “changed conditions” could restore and expand this relationship [24].

3.2 Payment Innovation

Iran has become a pioneer in non-dollar settlement. It increasingly uses Chinese yuan in international trade transactions, particularly given US sanctions [6]. Reports indicate Iran is negotiating with multiple countries to allow ships through the Strait of Hormuz in exchange for oil payments in yuan or stablecoins [3]. This represents a direct challenge to the petrodollar system's foundational principle: that oil is priced and settled in dollars.

3.3 Transport Corridor

Iran sits at the center of the International North–South Transport Corridor (INSTC), the route connecting Russia through the Caspian Sea and Iran to the Indian Ocean. This corridor offers an alternative to the Suez Canal–Bab el-Mandeb route, reducing vulnerability to disruption in the Red Sea. Iran's Chabahar and Bandar Abbas ports serve as the southern gateways for this corridor.

3.4 Political Position within BRICS

Iran's presence gives BRICS a direct voice in Middle Eastern security affairs. At the 2026 summit, Iranian President Pezeshkian emphasized that “economic resilience cannot be separated from security” and called for BRICS to “strengthen autonomy to counter external pressure” [21]. The New Delhi Declaration condemned “deliberate attacks on civilian infrastructure and safeguarded

peaceful nuclear facilities” and called for the elimination of “unilateral coercive measures not authorized by the UN Security Council” [20].

Iran’s presence alongside Saudi Arabia within BRICS is itself a demonstration of the group’s capacity to accommodate heterogeneity. The two states remain competitors in Yemen, Syria, and Lebanon, yet both have chosen to use BRICS as a platform for managing differences and expanding economic cooperation rather than as an arena for confrontation.

4. Saudi Arabia: The Pivotal Hub

Saudi Arabia’s engagement with BRICS reflects a deliberate multi-alignment strategy in an increasingly multipolar order [10]. The Kingdom simultaneously maintains deep security ties with the United States and expanding economic partnerships with China, India, and other emerging powers. This dual embedding makes Saudi Arabia a **shock absorber** rather than a catalyst of confrontation. Its role is pivotal because it brings together trade volume, energy weight, sovereign capital, tourism potential, logistics geography, and diplomatic bridging capacity. At the same time, its continued attachment to the dollar system and its security partnership with the United States moderate the more disruptive possibilities of BRICS cooperation. Saudi Arabia is therefore not a revisionist actor seeking to overturn the existing order; it is a pragmatic actor seeking to widen its options within that order.

4.1 Strategic Multi-Alignment and Dual Embedding

Saudi Arabia’s approach to BRICS is best understood as issue-based alignment rather than bloc formation. The Kingdom does not seek to replace its Western security relationships, nor does it wish to become a junior partner in an anti-Western coalition. Instead, it seeks to diversify its economic and diplomatic dependencies. It maintains US security guarantees, intelligence cooperation, and defence procurement while deepening trade, investment, and technological ties with China, India, Russia, and other BRICS members.

This dual embedding gives Saudi Arabia unusual leverage. It can act as a bridge between energy producers and consumers, between the Gulf and Asia, and between the West and the Global South. Its participation in both OPEC+ and BRICS illustrates this bridging role. In OPEC+, it coordinates oil production with Russia and Iran. In BRICS, it pursues trade, payment, and investment cooperation with the same states plus India, Brazil, and others. This dual membership allows Riyadh to avoid exclusive dependence on any single power and to position itself as a connector rather than a follower.

The Kingdom’s multi-alignment strategy is not merely tactical. It reflects a structural assessment that the global economy is becoming more multipolar and that reliance on a single currency, market, or security guarantor carries increasing risk. BRICS offers Saudi Arabia a platform to institutionalize this diversification without formally abandoning its existing partnerships.

4.2 Trade: The 196 Billion Dollar Connection and Its Structure

Saudi Arabia’s bilateral trade with BRICS countries exceeded \$196 billion in 2023, representing 37% of the Kingdom’s total foreign trade [4]. The growth trajectory is striking:

Table 1: Saudi Arabia--BRICS Bilateral Trade Volume

Year	Trade Volume (USD billion)
2017	81
2021	128
2022	160
2023	196

This represents an increase of approximately 53% in just two years (2021–2023) [4]. Saudi Foreign Minister Prince Faisal bin Farhan has noted that “the Kingdom is the largest trading partner of the BRICS group in the Middle East” [4].

The trade structure remains energy-centered-Saudi crude and petrochemicals flow to China and India, while machinery, electronics, and consumer goods flow in the opposite direction. However, non-energy trade is rising, consistent with Vision 2030’s diversification objectives. China and India are the principal Asian markets, and Saudi exports to China are more than four times those to the United States [12]. This asymmetry explains why Saudi Arabia’s economic future is increasingly tied to Asia and why BRICS provides a useful institutional framework for deepening those ties.

The expansion of BRICS to include Iran, the UAE, Egypt, Ethiopia, and Indonesia widens the group’s market and creates new opportunities for Saudi non-oil exports, logistics services, and investment. At the same time, it intensifies competition with the UAE as a regional trade and logistics hub. Saudi Arabia’s trade role within BRICS is therefore both expanding and contested.

Table 2: Analytical Dimensions of Saudi Arabia's Role in BRICS

Dimension	Function within BRICS
Trade	Largest Middle Eastern trading partner; energy and non-energy diversification; bridge to Gulf and Islamic markets
Energy	Stabilizer and swing producer; OPEC+ anchor; reliable supplier; complement to Iran’s incremental supply
Finance	Petrodollar legacy; mBridge participant; gradual local-currency experimentation; moderating force in de-dollarization
Investment	Public Investment Fund as global investor; source of capital and expertise for South–South projects
Tourism	Vision 2030 soft power; people-to-people interdependence with China, India, and Russia
Logistics	East–West pipeline; Red Sea ports; exposed to Bab el-Mandeb disruption
Diplomacy	Multi-alignment; shock absorber between Iran and Western partners; intra-BRICS mediator

4.3 Energy: Stabilizer, OPEC+ Anchor, and the Hormuz Bypass

Saudi Arabia's function in the BRICS energy landscape is that of **stabilizer**. As the world's largest crude oil exporter and a core OPEC+ member, Saudi production decisions directly affect global oil prices and the energy costs of BRICS consumers. The Kingdom has consistently emphasized its commitment to "supporting energy market stability and continuing as a safe and reliable source of supply" [4].

This role complements Iran's position as an "incremental supplier" releasing capacity under sanctions conditions. The coexistence of Saudi Arabia and Iran within BRICS provides consumer nations with different tiers of supply security. Saudi Arabia represents the reliable, institutionalized, and large-scale supplier; Iran represents the flexible, sanctions-experienced, and politically contested supplier. Together, they give BRICS energy consumers a broader range of options, though they also embody the group's internal rivalries.

The Kingdom's East–West Crude Pipeline allows it to transport crude directly to Red Sea ports, bypassing the Strait of Hormuz. However, tankers loading at these ports must still transit Bab el-Mandeb to reach global markets—a vulnerability that became acute in 2026 [8]. Saudi Arabia therefore has a direct interest in BRICS cooperation on maritime security, logistics resilience, and alternative corridors. Its energy role within BRICS is not only about production and pricing; it is also about the physical security of export routes.

Saudi Arabia's OPEC+ coordination with Russia and Iran also complicates its BRICS role. While BRICS provides a platform for economic cooperation, OPEC+ remains the primary institution for oil market management. Saudi Arabia must balance its commitment to OPEC+ production targets with the energy demands of BRICS consumers such as China and India. This balancing act reinforces the Kingdom's preference for incrementalism and pragmatic engagement rather than confrontational bloc politics.

4.4 Vision 2030, Tourism, and Non-Energy Interdependence

Tourism is among the most visible dimensions of Saudi Arabia's Vision 2030 transformation. The target is to attract 100 million foreign visitors annually by 2030, with tourism contributing 10% of GDP. Given that the Kingdom was effectively closed to leisure tourism just seven years ago, this ambition is remarkable.

Saudi Arabia is developing futuristic resort clusters along the Red Sea, including the Shebara development with its "floating" villas, described by industry observers as resembling "an alien fleet landing" [23]. Luxury brands including St Regis and Ritz-Carlton have established properties. Cristiano Ronaldo's promotional role—declaring "I am Saudi" at the Riyadh World Tourism Forum—illustrates the Kingdom's strategy of leveraging global celebrity to reposition its international image [23].

China is a key target market. Tourism Minister Ahmed Al-Khateeb has stated the goal of attracting 5 million Chinese visitors by 2030, requiring coordinated progress on visa facilitation, aviation connectivity, and cultural product adaptation.

The significance of tourism cooperation within BRICS lies in its creation of **non-energy interdependence**. When Saudi Arabia attracts Chinese, Indian, and Russian tourists, people-to-people flows constitute a social layer of connection beyond energy trade. Tourism also supports cultural diplomacy, soft power, and economic diversification. It reduces the Kingdom's dependence

on oil revenues and creates new constituencies for international engagement. Within BRICS, tourism is therefore not peripheral; it is a mechanism for building long-term social and economic ties that complement trade and investment.

4.5 Investment, Sovereign Capital, and Business Environment Reform

Saudi Arabia now permits 100% foreign ownership in company formation, with local partners no longer mandatory. Five special economic zones and over 40 industrial zones have been established. However, requirements have also increased: “thoughtful business models and understanding of local legal and cultural specificities” are prerequisites for project success [23].

The Public Investment Fund’s global acquisitions—Heathrow Airport shares, Rocco Forte hotel equity, and the largest video game deal with Electronic Arts—represent not merely financial investments but the acquisition of expertise and brand assets for domestic transformation projects. This strategy creates potential synergies within the BRICS framework: Saudi capital combined with Chinese technology, Iranian energy corridors, and Indian markets could form the nucleus of multi-node value chains.

Saudi sovereign capital can also co-finance infrastructure in BRICS partner countries, especially in Africa and Asia. The Kingdom’s investment role is therefore dual: it attracts foreign capital and technology for Vision 2030, while deploying its own capital to build South–South economic linkages. This makes Saudi Arabia a potential source of development finance that complements, rather than replaces, existing institutions such as the New Development Bank.

4.6 Finance and Currency: Riyal, Petrodollar, mBridge, and Yuan

Saudi Arabia’s financial role is more cautious than Iran’s or Russia’s, but it is strategically important. The petrodollar system, established through the 1974 US–Saudi arrangement, rested on a simple bargain: US security guarantees in exchange for Saudi oil priced in dollars and surplus revenues invested in US Treasuries. This system is now under strain from multiple directions [12].

The Kingdom remains central to that system. Gulf sovereign wealth funds hold at least \$4 trillion in dollar assets, and reallocating this stock would be a multi-decade process [12]. Consequently, Saudi Arabia cannot and does not seek rapid de-dollarization. Yet it has begun to explore alternatives. Saudi Arabia joined the mBridge project in June 2024, providing a non-SWIFT settlement option for member states [16]. It has reportedly accepted yuan for some oil transactions [6]. These steps are incremental, but they signal that Riyadh wants optionality.

Within BRICS, Saudi Arabia can support payment interoperability and local-currency settlement without abandoning its dollar anchor. Its role is to legitimize gradual diversification, not to lead a rupture. This makes it a stabilizing force in the de-dollarization debate. The Kingdom’s financial weight also means that any move it makes towards non-dollar settlement carries disproportionate symbolic significance. Even limited experimentation with yuan or mBridge can encourage other Gulf states to explore similar options, while its continued commitment to dollar assets reassures markets that the transition will be gradual.

4.7 The Saudi Riyal in BRICS Trade and Settlement

The Saudi riyal (SAR) occupies a paradoxical position in the BRICS trade and financial architecture. On the one hand, Saudi Arabia is the largest Middle Eastern trading partner of the BRICS group, with bilateral trade exceeding \$196 billion in 2023 [4]. On the other hand, the riyal is not a significant

international settlement currency. It is pegged to the US dollar at approximately 3.75 SAR/USD, a regime maintained since 1986 [27, 28]. This peg means that the riyal functions, in practice, as a dollar-linked currency: its external value moves with the dollar, and its use in cross-border transactions remains limited compared with the yuan, rupee, rouble, real, or rand.

The riyal's limited international role reflects several structural factors. First, oil and gas contracts are overwhelmingly denominated in US dollars. Saudi Aramco and other Gulf producers price crude in dollars, and the Kingdom's surplus revenues have historically been recycled into US dollar assets. Second, Saudi Arabia maintains a managed exchange-rate system and has not fully liberalized its capital account. Third, there is no deep offshore riyal market, and riyal-denominated bond issuance remains small relative to the Kingdom's dollar and local-currency debt. Fourth, BRICS local-currency settlement arrangements have so far focused on currencies such as the yuan, rouble, rupee, and real, not the riyal [5, 6].

Nevertheless, the riyal can play several incremental roles within BRICS trade:

1. **Invoicing currency for non-oil trade.** Saudi non-oil exports—petrochemicals, plastics, metals, and processed goods—could be invoiced in riyals with BRICS partners if bilateral swap lines or clearing arrangements are established. This would reduce conversion costs and currency mismatch for Saudi firms, though the volumes would remain modest compared with oil.
2. **Settlement asset through mBridge and BRICS Pay.** Saudi Arabia joined the mBridge project in June 2024, which provides a non-SWIFT settlement channel involving China, Hong Kong, Thailand, and the UAE [16]. If the Saudi Central Bank issues a digital riyal or tokenized claims, the riyal could become a settlement asset within mBridge. However, because the riyal is pegged to the dollar, riyal settlement would still be indirectly linked to the dollar system.
3. **Investment currency.** Riyal-denominated sukuk and possible New Development Bank (NDB) riyal bonds could attract BRICS central banks and sovereign funds. This would deepen Saudi capital markets and provide an additional local-currency asset for Global South investors. The NDB has already issued renminbi panda bonds and South African rand bonds, and it plans Indian rupee bonds [1]. A riyal bond programme would be a logical extension, but it would not by itself displace the dollar.
4. **Payment bridge for Gulf–Asia trade.** The riyal could serve as an intermediate settlement currency for Gulf–Asia transactions, especially if Saudi Arabia and Asian BRICS members establish bilateral currency swaps. This would complement, rather than replace, existing dollar and yuan channels.

The limits of the riyal's role are substantial. Because the riyal is pegged to the dollar, any riyal-based settlement remains a dollar-linked arrangement unless Saudi Arabia abandons the peg or shifts to a basket peg. Oil priced in riyals would still be effectively priced in dollars as long as the peg holds. The Kingdom's large dollar reserves and sovereign wealth fund assets—estimated at least \$4 trillion for the Gulf as a whole—create strong inertia against rapid diversification [12]. Consequently, the riyal is best understood as a **dollar-linked diversifier** rather than a de-dollarization instrument. It can widen the menu of currencies available for BRICS trade, but it cannot, under current conditions, replace the dollar or the yuan in energy settlement.

Table 3: Potential Roles and Limits of the Saudi Riyal in BRICS Trade

Role	Assessment
Invoicing currency	Limited; oil remains USD-priced. Possible for non-oil bilateral trade.
Settlement asset	Possible through mBridge/BRICS Pay if digital riyal or swap lines develop. Peg links value to USD.
Reserve asset	Very limited; no deep offshore riyal market.
Investment currency	Growing via riyal sukuk and possible NDB riyal bonds.
De-dollarization instrument	Weak unless Saudi Arabia abandons the USD peg or prices oil in riyals.

In short, the Saudi riyal's role in BRICS trade is complementary and incremental. It can facilitate Gulf–Asia trade, support local-currency financing, and add another currency to the “architecture of choice.” But it does not challenge the dollar's central role in energy pricing or global reserves. Its significance lies in widening options, not in engineering a rupture.

4.8 Logistics and Chokepoints: Red Sea, Bab el-Mandeb, and the East–West Pipeline

Saudi Arabia's geography gives it a critical logistics role. The East–West Crude Pipeline allows crude to bypass Hormuz and reach Red Sea ports. But tankers loading there must still transit Bab el-Mandeb to reach Asia and Europe [8]. In 2026, Bab el-Mandeb shipping came to a standstill. Average daily transits of 33 ships fell 88%, with only four vessels passing in a 24-hour period. Oil and chemical tanker traffic fell 91%; container ship traffic declined 86% [8]. The Houthi capture of Mokha, the Hanish archipelago, and Mayun Island gave the group fire control over the strait [14]. Insurance costs tripled, and shippers rerouted around the Cape of Good Hope, adding weeks to voyages and surging freight costs [8].

For Saudi Arabia, this exposed the vulnerability of the Hormuz bypass route itself. Blockading Bab el-Mandeb would threaten the viability of the East–West pipeline strategy. Saudi Arabia therefore has a strong interest in BRICS cooperation on maritime security, logistics resilience, and alternative corridors. It can also connect BRICS to Red Sea and Gulf logistics, but its own exports remain exposed to disruption. This dual position—as both a logistics provider and a chokepoint victim—reinforces its preference for stability and incremental reform.

4.9 Geopolitical Balancing: Iran, Yemen, and Intra-BRICS Diplomacy

Saudi Arabia's presence alongside Iran within BRICS is itself a demonstration of the group's capacity to accommodate heterogeneity. The two states remain competitors in Yemen, Syria, and Lebanon, yet both have chosen to use BRICS as a platform for managing differences and expanding economic cooperation rather than as an arena for confrontation. China's role in mediating the restoration of Saudi–Iran diplomatic relations in 2023 further demonstrates its capacity to bridge intra-BRICS differences [10].

Saudi Arabia can use BRICS to manage its Iran relationship, reduce the risk of direct conflict, and pursue economic cooperation where possible. At the same time, Saudi Arabia's ties with the United

States and its role in Yemen remain sensitive. Its BRICS membership does not resolve these conflicts; it provides an additional diplomatic channel. The Kingdom's multi-alignment strategy through BRICS and OPEC+ is explicitly designed to avoid exclusive dependence on any single power [10]. This makes it a potential mediator within BRICS and between BRICS and Western institutions.

4.10 Constraints, Risks, and Limitations

Saudi Arabia's role faces substantial constraints. First, security dependence on the United States remains significant. Rapid de-dollarization or an openly anti-Western posture could jeopardize that relationship. Second, the dollar peg and sovereign wealth dollar assets create structural inertia. Third, Iran–Saudi rivalry and the Yemen conflict limit trust and complicate cooperation. Fourth, Bab el-Mandeb and Hormuz disruptions threaten export routes and raise insurance costs. Fifth, Vision 2030 tourism and FDI targets require legal, social, and cultural reforms that may face domestic resistance. Sixth, competition with the UAE and other Gulf states for tourism, investment, and logistics hub status constrains Saudi room for manoeuvre. Seventh, BRICS heterogeneity means Saudi Arabia cannot dictate the agenda.

These constraints mean that Saudi Arabia will remain a cautious, pragmatic participant rather than a revolutionary one. Its role is to widen options, not to overturn the system.

4.11 Assessment: Shock Absorber, Not Revisionist Catalyst

In sum, Saudi Arabia's role in BRICS is pivotal but stabilizing. It brings trade volume, energy weight, sovereign capital, tourism potential, and diplomatic bridging capacity. It gives BRICS a Gulf and Islamic-world anchor, and it connects the group to OPEC+ and global energy markets. But it also moderates the group's revisionist potential. Its continued commitment to the dollar system, US security ties, and gradual reform means that BRICS under Saudi participation is more likely to produce an architecture of choice than a revolutionary rupture.

Saudi Arabia is therefore best understood as a shock absorber. It absorbs pressure between competing blocs, converts it into incremental cooperation, and helps prevent the multipolar transition from becoming a confrontational one. Its multi-alignment strategy allows it to maintain security ties with the United States while deepening economic partnerships with China, India, and other BRICS members [10]. This dual embedding makes it a stabilizer rather than a disruptor of the existing order.

5. De-dollarization: Logic and Limits

5.1 The Architecture of Choice

The dominant interpretation of BRICS financial cooperation as a campaign to “replace” the dollar misreads both its intentions and its mechanisms. As one analysis puts it, “wanting more choices does not mean wanting to destroy what already exists. It means becoming less vulnerable to any single part of it” [2].

The practical drivers are straightforward. If two countries trade extensively, not every transaction needs to pass through a third currency. Direct settlement can reduce conversion costs, diversify currency exposure, and provide alternative channels when traditional payment systems face

disruption [2]. The significance lies in accumulation: individual local-currency transactions will not change global finance, but millions of them might.

5.2 The Three Pillars

Local currency settlement. Approximately 65% of intra-BRICS trade is now settled in local currencies, with only about 35% still using the US dollar [5]. Russia–China trade is 99% settled in roubles and yuan. Iran increasingly uses Chinese yuan for international transactions [6]. Saudi Arabia has reportedly accepted yuan for some oil transactions [6].

Payment infrastructure. BRICS Pay is being developed as a cross-border payment framework to improve interoperability among national payment systems [15]. The mBridge platform, involving China, Hong Kong, Thailand, and the UAE, processed 4,047 transactions worth \$55.49 billion by November 2025, with digital yuan accounting for over 95% of value [16]. CIPS processed 180.2 trillion yuan in 2025, up from 175 trillion yuan in 2024 [1].

Development finance. The New Development Bank has approved 139 projects totaling \$42.9 billion in financing as of March 2026 [1]. Its growing emphasis on local-currency financing addresses the Global South's persistent vulnerability: earning in one currency while owing in another. The NDB has issued renminbi panda bonds, South African rand bonds, and plans Indian rupee bonds [1].

5.3 The Petrodollar's Structural Erosion

The petrodollar system, established through the 1974 US–Saudi arrangement, rested on a simple bargain: US security guarantees in exchange for Saudi oil priced in dollars and surplus revenues invested in US Treasuries. This system is now under strain from multiple directions [12].

US energy independence. The shale revolution made the US a net oil exporter in 2019. The Middle East's oil centre of gravity has shifted decisively towards Asia: 85% of Middle Eastern crude now goes to Asia, and Saudi exports to China are more than four times those to the US [12].

Sanctions-driven innovation. Russia and Iran, both under extensive US sanctions, have developed alternative payment and settlement practices out of necessity. Their experience provides a template for others.

Saudi strategic autonomy. The Kingdom's Vision 2030 explicitly seeks to reduce dependence on oil and enhance strategic autonomy. Saudi Arabia joined the mBridge project in June 2024, providing a non-SWIFT settlement option for member states [16].

5.4 The Limits of Transformation

De-dollarization faces substantial constraints. The dollar remains dominant in global reserves (approximately 58% as of 2024) and cross-border payments (42.6%) [25]. The Gulf's sovereign wealth funds hold at least \$4 trillion in dollar assets, and reallocating this stock would be a multi-decade process [12].

A common BRICS currency is “impractical under current conditions”, given differences among member economies and currency movements [2]. Replicating SWIFT's messaging functions would be technically achievable but economically difficult given the new network's lower transaction volumes.

The realistic trajectory is incremental: expanding bilateral payment arrangements, broadening CIPS access, and building parallel infrastructure. As one assessment concludes, “such cooperation is more likely to complement and help rebalance the existing global monetary system than to fundamentally reshape it in the near term” [25].

5.5 Effects on the US Economy if an American Partner Joins BRICS

The phrase “an American partner becomes a member of BRICS” can be interpreted in two ways. The first, and more realistic, interpretation is that a country with close security and economic ties to the United States—such as Saudi Arabia, the UAE, Egypt, or another Gulf or Middle Eastern partner—deepens its BRICS membership and participates more actively in BRICS trade, payment, and financial arrangements. The second interpretation is that the United States itself joins BRICS, which is politically implausible under current conditions. The analysis below focuses on the first scenario, with a brief note on the second.

Financial and monetary channels. The most direct effect on the US economy would operate through the petrodollar recycling system. For decades, Gulf oil exporters have priced oil in dollars and invested surplus revenues in US Treasury securities and other dollar assets. This recycling helps finance the US current account deficit and keeps US borrowing costs lower than they would otherwise be. If a major American partner joins BRICS and gradually shifts new surplus revenues into yuan assets, BRICS bonds, gold, or infrastructure investments, the demand for US Treasuries could weaken at the margin. Even a modest reduction in foreign official demand can raise US yields and increase the cost of financing the federal debt. The effect would be gradual, because the existing stock of dollar assets is enormous and reallocating it would take decades [12].

A related channel is dollar invoicing and settlement. If the partner settles more trade in local currencies, riyals, or yuan, the share of global trade invoiced in dollars would decline. This would reduce demand for dollar liquidity, potentially weakening the dollar’s exchange rate and increasing imported inflation in the United States. The seigniorage benefits of issuing the global reserve currency would also erode, though these are small relative to the size of the US economy.

Sanctions and financial leverage.

If an American partner actively uses BRICS payment systems such as CIPS, mBridge, or a future BRICS Pay framework, the effectiveness of US dollar-based sanctions would diminish. The United States has relied on the dollar’s central role in cross-border payments and on SWIFT to enforce secondary sanctions. Alternatives would allow targeted countries and their partners to circumvent these channels. This would reduce US geopolitical leverage, though it would not eliminate the broader appeal of US financial markets.

Trade, energy, and investment.

If the partner is a major oil producer, a shift toward BRICS energy cooperation could affect global oil pricing and settlement. Oil priced in riyals or yuan would weaken the dollar–oil link, though the riyal’s dollar peg would limit the immediate de-dollarization effect. For the US economy, the main risk is not a sudden oil price shock but a gradual increase in the dollar price of oil if the dollar weakens. Since the United States is now a net oil exporter, the direct trade effect is ambiguous, but US consumers and firms remain exposed to global oil price volatility.

On the investment side, US asset managers could lose some access to Gulf sovereign capital if the partner diversifies its portfolio toward BRICS markets. US firms operating in the partner’s market

might also face tougher competition from Chinese, Indian, and other BRICS companies. However, the partner would likely continue to invest in the United States for financial returns, and US firms could still participate in BRICS markets.

Magnitude and timing.

The effects on the US economy would be gradual, not catastrophic. The dollar remains dominant in global reserves (approximately 58% as of 2024) and cross-border payments (42.6%) [25]. US financial markets are deep, liquid, and supported by strong property rights and the rule of law. The dollar's network effects are powerful: the more people use it, the more useful it becomes. A single American partner joining BRICS would not overturn this system. But if several major partners joined and coordinated their settlement and investment policies, the erosion of dollar dominance could accelerate. The US economy would still be large and resilient, but it would face higher borrowing costs, weaker sanctions leverage, and a more multipolar financial environment.

If the United States itself joined BRICS.

If the United States were to join BRICS—a scenario that is politically unrealistic—the effects would be fundamentally different. BRICS would then include the world's largest economy and the issuer of the dominant reserve currency. The group's aggregate economic weight would increase substantially, and the dollar would be inside the bloc rather than outside it. However, the political and strategic incompatibilities are enormous, and such a development would require a radical reordering of US foreign policy. It is not a plausible near-term scenario.

Table 4: Effects on the US Economy of a Major American Partner Joining BRICS

Channel	Potential effect
Treasury demand	Lower petrodollar recycling could raise US yields and borrowing costs.
Dollar invoicing	Reduced dollar share in trade lowers demand for dollars; mild depreciation and imported inflation.
Sanctions	Weaker dollar-based coercive leverage if partner uses CIPS/mBridge/BRICS Pay.
Energy	If oil settlement shifts, the dollar–oil link erodes; US inflation more exposed to oil shocks.
Investment	US asset managers may lose some Gulf sovereign capital; US firms face tougher competition.
Magnitude	Gradual, not immediate; dollar dominance persists due to network effects and deep markets.

In sum, the US economy would not collapse if an American partner joined BRICS. The more likely outcome is a slow erosion of the dollar's "exorbitant privilege," higher US borrowing costs at the margin, and reduced sanctions leverage. The United States would remain the world's largest economy and the issuer of its dominant currency, but it would operate in a more multipolar financial

system. For BRICS, the addition of an American partner would strengthen the group's economic weight and geographic reach, but it would also moderate the group's anti-Western edge. The partner would act as a shock absorber, widening choices without forcing a rupture.

6. The Chokepoints: Hormuz and Bab el-Mandeb

6.1 Strait of Hormuz

The Strait of Hormuz is the world's most consequential oil chokepoint, carrying approximately 20% of global oil and 25% of LNG [3]. For BRICS, its significance is dual: it is the unavoidable route for Chinese and Indian crude imports from the Gulf, and it is Iran's principal geopolitical lever.

The 2026 conflict demonstrated the strait's vulnerability. Brent crude touched \$102.07 per barrel as attacks on maritime shipping raised supply concerns [3]. The waterway previously carried about one-fifth of global oil and gas supplies; prolonged disruption poses a major risk for Asian energy-importing economies [3].

Iran's reported willingness to allow tanker passage in exchange for yuan or stablecoin payments represents a direct challenge to the petrodollar's foundational principle [3]. If implemented at scale, this would create a precedent for non-dollar oil settlement at the world's most critical chokepoint.

6.2 Bab el-Mandeb

Bab el-Mandeb carries approximately 10% of global maritime trade and 12% of crude oil shipments [8]. It serves as the southern gateway for goods and oil travelling from Asia to Europe via the Suez Canal.

In September 2026, shipping traffic through Bab el-Mandeb came to a standstill. Average daily transits of 33 ships fell 88%, with only four vessels passing in a 24-hour period. Oil and chemical tanker traffic fell 91%; container ship traffic declined 86% [8]. The few ships that transited flew the flags of Panama, Singapore, Liberia, and Ethiopia [8].

The Houthi capture of Mokha, the Hanish archipelago, and Mayun Island gave the group fire control over the strait [14]. Insurance costs tripled, and shippers rerouted around the Cape of Good Hope, adding weeks to voyages and surging freight costs [8].

6.3 The Dual Disruption

The simultaneous disruption of Hormuz and Bab el-Mandeb created a compounded crisis. As one energy expert noted, the dual disruption could push Brent above \$108, possibly to \$110 or \$120 per barrel—"levels that would exceed the global economy's ability to withstand the shock" [3].

For Saudi Arabia, the crisis exposed a critical vulnerability: the East-West pipeline allows crude to bypass Hormuz, but tankers loading at Red Sea ports must still transit Bab el-Mandeb to reach Asian markets [8]. Blockading the strait would threaten the viability of the Hormuz bypass route itself.

BRICS's response has emphasized freedom of navigation. Indian NSA Ajit Doval welcomed the US-Iran MoU and the opening of the Strait of Hormuz, noting it would "strengthen energy security around the world" and "remove supply chain bottlenecks" [13].

7. Conclusion: The Decay of Western Commercial Hegemony

The evidence presented in this paper suggests that US–European commercial hegemony is not collapsing but is undergoing structural erosion. The dollar remains dominant, but its dominance is no longer unchallenged. SWIFT remains the primary messaging network, but alternatives are being built. The IMF and World Bank remain central, but the NDB and bilateral arrangements are expanding the menu of development finance options.

The trajectory is towards what can be called **financial multipolarity built through plumbing** [2]. As one analysis puts it, “the new financial architecture may not be declared into existence. It may simply be built, transaction by transaction” [2]. Every transaction settled in an additional currency, every payment network successfully connected, and every development project financed through an alternative institution adds another pathway to the global financial system.

Saudi Arabia’s position in this transition is distinctive. The Kingdom is not “anti-Western”; it is pro-choice. Its multi-alignment strategy allows it to maintain security ties with the United States while deepening economic partnerships with China, India, and other BRICS members [10]. This dual embedding makes it a stabilizer rather than a disruptor of the existing order. It brings trade, energy, investment, tourism, and diplomatic weight to BRICS, but it also moderates the group’s more confrontational impulses. Saudi Arabia is therefore a pivotal hub: essential to the group’s economic credibility, yet cautious about systemic rupture.

Iran’s position is more confrontational, shaped by decades of sanctions. Its experience provides both a warning and a template: when a state is excluded from the dollar system, it will build alternatives. The question for Western policymakers is whether continued exclusion is sustainable when alternatives are becoming viable.

China’s role is structural: it provides the capital, technology, and institutional commitment that make BRICS cooperation operational rather than merely declaratory. But China cannot dictate outcomes; the heterogeneity of BRICS interests—Saudi–Iran rivalry, India–China tensions, divergent relationships with the West—ensures that the group’s evolution will be incremental and contested.

The decay of Western commercial hegemony is thus not a dramatic rupture but a gradual reconfiguration. The dollar will remain central for the foreseeable future, but it will become **central but not exclusive** [12]. The petrodollar system will persist, but with growing exceptions. US and European institutions will remain important, but they will no longer be the only options. The architecture of choice is being built, transaction by transaction, and its implications will unfold over decades rather than years. Saudi Arabia’s role within that architecture will be to widen choices without forcing a break—a stabilizing, pivotal, and ultimately ambiguous contribution to the multipolar transition.

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