Vierteljahreshefte zur Arbeits- und Wirtschaftsforschung 2 (2025) 1: 89 – 103
https://doi.org/10.3790/vaw.2025.1457607

BRICS: Overpowered or Overrated?

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Summary

In sheer quantity, the five original BRICS countries appear impressive. They account for a substantial share of the world's population, economy, trade and muster large militaries. In January 2024, BRICS gained even more steam, by admitting four new member states that participated in the most recent BRICS summit in Russia. Some Western media and politicians reacted alarmed. In September 2024, Turkey applied for membership as well. But can BRICS fully throw its weight on the world stage and form the intended counterweight to Western organizations? This paper systematically identifies commonalities, contradictions and conflicts of the BRICS states in different policy areas to ultimately determine whether they have sufficient common interests to act in unison. In essence, the various conflicting interests and in particular the intense rivalry between India and China make it unlikely that BRICS becomes more than a dialog platform for its members anytime soon.

Zusammenfassung

Rein quantitativ wirken die fünf ursprünglichen BRICS-Staaten beeindruckend. Sie machen einen substanziellen Teil der Weltbevölkerung, Weltwirtschaft und des Welthandels aus und verfügen über große Militärs. Im Januar 2024 gewann BRICS durch die Aufnahme von vier neuen Mitgliedsstaaten, die auch am jüngsten BRICS-Gipfel in Russland teilnahmen, nochmals an Gewicht. Einige westliche Medien und Politiker reagierten alarmiert. Im September 2024 beantragte auch die Türkei die Mitgliedschaft. Aber können die BRICS-Staaten ihr volles Potential auf der Weltbühne entfalten und das angestrebte Gegengewicht zu westlichen Organisationen bilden? Dieses Papier untersucht systematisch Gemeinsamkeiten, Widersprüche und Konflikte der BRICS-Staaten in verschiedenen Politikbereichen, um letztendlich festzustellen, ob sie über ausreichend gemeinsame Interessen verfügen, um geschlossen zu handeln. Im Ergebnis erscheint es aufgrund der verschiedenen Interessenkonflikte und insbesondere der intensiven Rivalität zwischen Indien und China unwahrscheinlich, dass BRICS in absehbarer Zeit mehr als eine Dialogplattform für seine Mitglieder wird.

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I would like to thank the anonymous reviewer for taking the time and effort to review the manuscript. I sincerely appreciate all valuable comments and suggestions, which helped me to improve the quality of the manuscript.

Duncker & Humblot · Berlin

JEL classification: F02, F15, F36, F40, F53, F55

Keywords: BRICS, geopolitics, geoeconomics, international trade, energy, international conflicts

1. Introduction

"Countries have no permanent friends, only permanent interests."

(Lord Palmerston)[1]

In sheer quantity, the original **BRICS** countries **B**razil, **R**ussia, **I**ndia, **C**hina (Peoples Republic) and **S**outh Africa[2] appear impressive. They combine over 40 percent of the world's population (Muschter 2024a) and their economies account for about a third of the world's GDP (purchasing power parity) (Muschter 2024b) and around a quarter of global exports (Afota et al. 2024). Militarily, they include three of the top-5 countries of the Global Firepower Index (Global Firepower 2024): China, India and Russia, which also belong to the exclusive club of nuclear-armed nations. Furthermore, China and Russia are permanent members of the UN Security Council. With the invitation of six additional members in 2023, Argentina, Egypt, Ethiopia, Iran, Saudi-Arabia and the United Arab Emirates (UAE) BRICS (since then they are sometimes referred to as BRICS+) seems to gain even more steam. Even though Argentina declined and Saudi Arabia so far still ponders its accession, the other four joined in 2024 (Statistisches Bundesamt 2024a) and participated in the most recent BRICS summit in Kazan, Russia. Some Western media and politicians raised the alarm (see for example Losse 2024). To add insult to injury, in September 2024 Turkey, a NATO member state even applied for BRICS membership itself (Tagesschau 2024). But can the 9 member states throw their full weight on the world stage and form the intended counterweight to Western organizations such as the G7, EU and NATO? This appears questionable in light of conflicting interests, rivalries and even armed conflicts between its members. Moreover, the recent expansion most likely made it even harder to find common ground as it added more national interests into the mix. The aim of this paper is to systematically identify the commonalities, contradictions and conflicts of the BRICS states in different policy areas and to ultimately determine whether they have sufficient common interests to act in unison. The paper contributes to the existing litera-

[1] North Atlantic Treaty Organization (2003).

[2] Historically, the acronym BRIC was coined in the early 2000s by Goldman Sachs' chief economist to group promising emerging market economies under a catchy name and did not include South Africa. The acronym was then adopted by these countries to name their organization in 2009, South Africa joined in 2010 (Jütten and Falkenberg 2024).

ture by taking the most recent events, the BRICS enlargement, the October 2024 BRICS summit in Kazan and Donald J. Trump's re-election into account.

2. Policy Areas

In this section, four key policy areas are analyzed: trade, energy, finance as well as conflicts, spheres of influence and arms trade. These are chosen based on their general importance in international relations as well as the fact, that the first three of them are main topics of and take up the most space in the final declaration of the most recent BRICS summit held in October 2024 in Kazan (BRICS 2024).

2.1 Trade

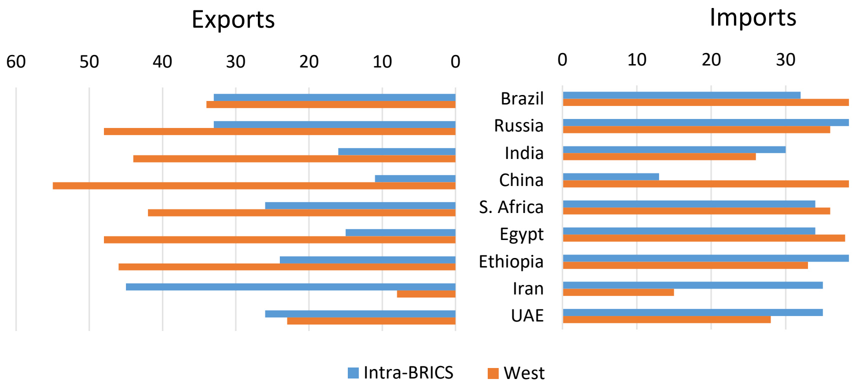

Figure 1: Internal and external trade of BRICS countries in percent of respective ex-/imports in 2022

Source: Own figure and calculations; Observatory of Economic Complexity (OEC). Notes: Data on Russian-Iranian trade from 2021; excluding trade with special administrative regions of China.

By comparing the relative importance of trade flows of individual BRICS countries with each other as well as with Western and Western-aligned countries[3], it is possible to derive the power balance within BRICS, as their mutual

[3] There is no universal definition of the Western world in the literature. For the purpose of this paper, the Western and closely aligned countries (henceforth simply referred to as "the West") are defined as the United States of America, Canada, the United Kingdom, all 27 EU member states, Norway, Ukraine, Australia, New Zealand, Japan, South Korea and the Republic of China (Taiwan) despite the fact that some are geographically and/or culturally non-Western and Taiwan is not recognized as an independent country by most nations and therefore sometimes referred to as Chinese Taipei.

dependencies on intra-BRICS trade and trade with the West vary and therefore the importance of good political relations with Western countries and institutions in order to avoid punitive trade measures. Figure 1 shows the percentage of imports and exports of each country with its fellow BRICS member states as well as with the West. Table 1 breaks down the overall BRICS-internal trade of each member state.

Analyzing the data provides a heterogeneous picture. For the big BRICS countries, Western economies are an equally or more important trading partner. Most notably China conducts more than half of its total trade with the West, while its trade with its fellow BRICS members merely accounts for just over 10 percent. India and Brazil are also more connected to the West than to BRICS, however to a much lesser degree than China. Russia also traded more with the West, however that has shifted significantly owing to the sanctions and redirection of its hydrocarbon exports to China and India since Russia's full-scale invasion of Ukraine (see also section 2.2) in February 2022 that is not fully visible in 2022 trade data used in this study (Verma 2024).

Concerning intra-BRICS trade, the data presented in Table 1 shows that this is primarily comprised of trade with China with the notable exception of India despite their great economic size and rather close geographic proximity. This is the result of their bitter geopolitical rivalry and open territorial conflicts (see sections 2.2 and 2.4) which is a major obstacle to further development of BRICS. Trade between the other member states is very limited, in particular that of the new members.

A major contributor to why intra-BRICS trade does not exploit its full potential is the lack of a BRICS free trade agreement. On the contrary, the BRICS member states are part of a patchwork of different free trade areas (FTA) instead. Russia is leading the Eurasian Economic Union (EEU), that even amounts to a single market, in the post-Soviet sphere encompassing Armenia, Belarus, Kazakhstan and Kyrgyzstan. In 2019, a FTA between the EEU and Iran went into force. Moreover, the EEU and Vietnam, with which China has fierce territorial conflicts (Walker 2024), have a free trade agreement as well (World Trade Organization 2024). China is a member state of the Regional Comprehensive Economic Partnership (RCEP) founded in 2020, one of the world's largest FTAs between 15 Asian and Pacific nations[4], including Western-aligned Australia, Japan, New Zealand and South Korea. India, that was part of the RCEP negotiations until 2019, ultimately decided not to join (European Parliament 2021). Besides protectionism, geopolitical tensions with China also played a role in India's decision (Foreign Policy 2020). With the ongoing border disputes and growing strategic rivalry (see section 2.4), joining an agreement that would in-

[4] Australia, Brunei, Cambodia, China, Indonesia, Japan, South Korea, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, Thailand and Vietnam.

Table 1

BRICS trade matrix: bilateral exports/imports in percent of overall exports/imports in 2022

	China	India	Russia	S. Afr.	Brazil	Iran	Ethiopia	Egypt	UAE
China		3/1	2/5	1/1	2/4	< 0.5	< 0.5	1/< 0.5	2/2
India	3/15		1/6	2/1	2/1	< 0.5	< 0.5	1/< 0.5	7/7
Russia	21/39	8/1		< 0.5	2/1	< 0.5	< 0.5	1/< 0.5	2/1
S. Afr.	16/21	6/7	< 0.5		1/2	< 0.5	< 0.5	< 0.5	3/4
Brazil	26/24	2/4	1/3	1/< 0.5		1/< 0.5	< 0.5	1/< 0.5	1/1
Iran	36/28	4/6	1/3	< 0.5	1/13		< 0.5	< 0.5	3/19
Ethiopia	4/24	2/8	< 0.5	1/< 0.5	< 0.5	< 0.5		< 0.5/4	17/6
Egypt	2/17	5/4	1/3	< 0.5	1/3	< 0.5	1/< 0.5		4/6
UAE	8/18	13/10	1/3	1/1	1/1	2/< 0.5	< 0.5	1/1	

Source: Own table and calculations; Observatory of Economic Complexity (OEC). Notes: Exports: Rows: Country of origin, Columns: Country of destination; Imports: Rows: Country of destination, Columns: Country of origin; Data on Russian-Iranian trade from 2021; excluding trade with special administrative regions of China.

crease economic dependence on China was seen as potentially detrimental to India's national interests (Priya and Ghosh 2020). Brazil is part of the Southern Common Market (MERCOSUR), a customs union and economic integration agreement with Argentina, Paraguay and Uruguay. India has a preferential treatment agreement on certain products with MERCOSUR and Egypt a full FTA. Egypt is also a member of the African Continental Free Trade Area, that Ethiopia has signed but not ratified yet, as well as the Pan Arab Free Trade Area in which the UAE are also participating. India and the UAE also signed a FTA and economic integration agreement in 2022 that is scheduled to be fully implemented in 2031 (World Trade Organization 2024).

That paints an overall picture of great economic and bargaining power imbalances within BRICS. Mutual dependence and interests are not universally aligned. While China's dominance in intra-BRICS trade and the fact that its GDP surpasses that of all other BRICS combined (Statistisches Bundesamt 2024b), would make it the natural leader, India tries to contain Chinese influence. Moreover, many countries, including China itself, have a vested interest not to antagonize their important Western trading partners. This potentially has a moderating influence on BRICS policies, not only concerning trade. However, the Western sanctions against Russia and Iran and the protectionist measures of many Western countries toward China might bring at least these three nations closer together. If the hyper-protectionist policy measures such as high universal tariffs against all trade partners including US allies, albeit lower ones, as promised by the re-elected Trump administration are established, the dependence of BRICS members on Western goodwill will diminish together with the cohesion of the West itself.

2.2 Energy

While the previous section focused on overall trade, this brief section is dedicated to energy and the trade of this critical resource and to which extent the interests of BRICS member states align in this regard. While Ethiopia generates over 90 and Brazil almost 50 percent of their final energy consumption from renewable sources, other BRICS countries are primarily dependent on fossil fuels (Statistisches Bundesamt 2024b). While Russia, Iran and the UAE are self-sufficient producers and exporters of oil and natural gas, the remaining countries rely on imports to meet their domestic demand. For instance, crude oil, natural gas and coal accounted for 18 percent of China's (Organization of Economic Complexity 2024a) and even 36 percent of India's (Organization of Economic Complexity 2024b) 2022 total import value.

On first glance, this combination of hydrocarbon importer and exporter countries sounds like a perfect match. However, this also leads to potential differences regarding the price. Iran and the UAE are members of the OPEC cartel (Russia of OPEC+) that regularly tries to steer the world market price in its favor. Since fossil fuels are internationally traded commodities, selling below the world market price to fellow BRICS members is economically unattractive as it would incur lower revenues. However, in the cases of the heavily-sanctioned Iran and Russia this argument holds not fully true as their access to the world markets is restricted and Russia lost many, pipeline-connected, European customers as a consequence of its war against Ukraine. China and India happily stepped in but only because Russia agreed on considerable discounts (Institute for Energy Research 2023). China further tries to take advantage of Russia's situation as it demands such favorable conditions for natural gas transmitted via the planned "Power of Sibiria II" pipeline, that it might not even be built after 20 years of planning and negotiations (Eyssel 2024).

2.3 Finance

Already at its founding summit in 2009 the BRIC countries (South Africa joined in 2010) and in light of the then raging global financial crisis that originated in the US, declared their intent to establish an alternative to the US-Dollar (USD) dominated financial system (de-dollarization). Since then, they established the New Development Bank (NDB) and the BRICS Contingent Reserve Arrangement (CRA) as alternatives to the Western-lead World Bank and International Monetary Fund (IMF) as well as various other financial coordination mechanisms fostering the use of local currencies and capital markets. Furthermore, they are working on a common system for retail payments and transactions among member states. Even before Russia's full scale invasion of Ukraine China and Russia successfully reduced their reliance on the USD, cutting USD use in bilateral trade from over 90% in 2015 to merely 46% in 2020 (Liu and Papa 2022). As Russia is largely cut off from the Western-led international financial system since 2022, this trend has even become more pronounced, using the Yuan and gold to pay for bilateral trade (Nikoladze and Bhusari 2023). In June 2024, the Yuan accounted for 99.6 percent of foreign exchange transactions in Russia, granting the Chinese currency a de-facto monopoly and making Moscow reliant on Beijing's goodwill (Liutova 2024).

However, other BRICS member states, with the exception of the also heavily sanctioned Iran, might not be so keen on ditching the greenback. As China is dominating BRICS-internal trade (see section 2.1), the Yuan is the obvious choice. However, the Yuan lacks many of the unique features of the USD. The USD is a free-floating and widely accepted currency around the world, it has a comparatively stable value as well as large and liquid asset markets, fulfilling all three functions of money, i.e. medium of exchange, store of value and unit of account (Siripurapu and Berman 2023). The Yuan on the other hand is barely accepted outside of China, is subject to capital controls (Liu and Papa 2022) and the Chinese central bank has a history of intervening in the forex market to alter the exchange rate in China's favor (Setser 2024). Hence, replacing the USD on a large scale with the Yuan seems not to be in the best interest of most member states, which explains why South Africa and Brazil are not the most vocal supporters of de-dollarization but tag along with increased "Yuanization". While Russia has no choice, India is unwilling to further increase the already strong Chinese influence and become more dependent on the Yuan and therefore Chinese policy decisions. India rather promotes the use of its Rupee in bilateral trade and transactions as that is free of currency and political risks and increases India's own clout (Liu and Papa 2022). Likewise, a "Rupeeization" seems equally unacceptable to China and less attractive than "Yuanization" to the remaining member states.

Creating a super-national (digital) common reserve currency instead would avoid the issue of favoring one national currency and tipping the current power balance towards the issuing country. In fact, Russia and China proposed a common currency on the initial BRIC summit in 2009. For Russia, it would nowadays mean loosening the reliance on Beijing, so it would likely continue to support it. But on the flip side, that would entail that China would be willing to give up the power it gained by "Yuanization" since 2009. A common currency would also restrict the ability on member states to unilaterally manipulate exchange rates if they deem that necessary. Moreover, India was opposed to a common currency from the beginning as it does not want to sour its good relations with the United States by challenging the Dollar's supremacy (Liu and Papa 2022).

That leaves only to continue to follow the unanimously agreeable path of increasing the use of national currencies in intra-BRICS trade and investment, which has been successful so far and was agreed upon by the new member states in the most recent BRICS summit in Russian Kazan (BRICS 2024). This falls short of a full de-dollarization but it is limiting BRICS reliance on and vulnerability to the USD nonetheless (Liu and Papa 2022). However, this strategy can only go so far, as for many BRICS countries, most notably China itself, Western countries remain very important if not the most important trading partners (see section 2.1) who have little interest in accepting inferior currencies to the USD (Siripurapu and Berman 2023). Moreover, China holds large USD currency reserves (Setser 2023). Successfully dethroning the USD would risk that these lose in value (Greene 2024).

However, if the Trump administration makes good on its isolationist and inflationary election promises of dollar-devaluation (Lubin 2024), undermining central bank independence, high tariffs, massive tax cuts and mass deportations of migrants (McKibbin et al. 2024) while simultaneously aiming to revitalize manufacturing[5], the USD's status as the international reserve currency is threatened from within as two of USD's key features stability and a large open market are diminished. Moreover, Donald Trump also campaigned for the use of cryptocurrencies as an alternative to the Dollar (Obstfeld 2024). On the other hand, if Trumps' plans for massively increasing US oil and gas production come to fruition, falling energy prices might alleviate some of the inflationary pressure created by other policies (Daly 2024).

2.4 Conflicts, Spheres of Influence and Arms Trade

Even though BRICS largely focuses on economic policy issues, conflicts between BRICS members as well as with or among third parties greatly affect economic policy decisions and BRICS' capacity to act in unison, as mentioned in previous sections. The most important of these conflicts is that between India and China. One of the primary sources of tension lies in disputed border regions along the Himalayas. After India gained independence in 1947 and China established the People's Republic of China in 1949, which annexed Tibet in 1951, both countries tried to define their borders. However, differing interpretations of historical boundaries and a lack of clear demarcation led to disputes. This culminated in the 1962 Sino-Indian War that resulted in a Chinese victory.

[5] Deporting millions of irregular migrants means shrinking labor supply while successfully increasing manufacturing leads to increased labor demand. Both measures lead to increasing wages that will eventually be passed on to consumers creating inflation.

The war left a lasting scar on India-China relations, with both sides remaining suspicious of each other's intentions. In recent years, tensions have flared up periodically, with both armies in tense confrontations and battles fought with fists and melee weapons instead of firearms, resulting in casualties on both sides (Sharma 2024). These violent encounters highlight how these unresolved border issues can quickly escalate into dangerous conflicts. In response, both nations increased their military presence and fortifications along the line of actual control, intensifying the rivalry and sparking international concerns over a potential escalation into full-scale conflict (Ruser and Grewal 2022). Beyond territorial disputes, India and China are also engaged in a broader strategic competition. As two of the world's largest countries, both countries vie for influence in Asia and beyond. China's Belt and Road Initiative and its close ties and significant arms sales to India's arch enemy Pakistan (Wezeman et al. 2024) are viewed with great concern in India, which sees these moves as efforts to encircle it strategically. In turn, India has sought closer ties with the United States and other Indo-Pacific nations, for instance via the "Quadrilateral Security Dialogue" between Australia, India, Japan and the United States (Heiduk and Wirth 2023).

Besides India and China, other BRICS members have territorial disputes and compete for influence in their regional vicinity which tarnish their bilateral relations as well as their willingness to cooperate with one another within BRICS. The UAE claim several islands in the Persian Gulf, that are controlled by Iran (Labott 2012). Historically, China and Russia also had territorial disputes. The so called "Unequal Treaties" between Russia and China were a series of agreements signed in the 19th century, largely favoring Russian interests and ceding significant Chinese territory. These treaties were part of a broader pattern of unequal treaties imposed by Western powers on Qing Dynasty China during a period of internal decline and external pressure. Key treaties with Russia included the Treaty of Aigun (1858) and the Treaty of Beijing (1860), which followed China's defeat in the Second Opium War. Under these agreements, China ceded territory north of the Amur River and east of the Ussuri River, resulting in the loss of what are now parts of Russia's far east, including the area around Vladivostok. In addition to territorial losses, these treaties granted Russia expanded trade rights and influence in the region, weakening China's sovereignty. These agreements fostered a legacy of mistrust between Russia and China, further deepened by the Soviet-Sino split and border clashes of both militaries in 1969, which brought the conflict to the brink of all-out war. In the early 2000s, Russia and China formally resolved these disputes with a series of treaties (Maxwell 2007). Nonetheless, the memory is still fresh on both sides as shown by Russian discontent over Chinese maps showing parts of the shared border incorrectly (Lemaître 2023) and using the historical Chinese names instead of the Russian ones (Pao 2023). Moreover, China seems to further take advantage of Russia's current military and economic weakness and dependence on China by working towards a greater influence and replacing Russia as security provider in Central Asia, a region comprised of former Soviet republics that Russia sees as its sphere of influence (Umarov 2024). While Chinese dual-use exports to Russia are vital for its armament industry, China also takes over large shares of the global defense market from Russia as the latter is largely unable to sell weapons due to its own needs to maintain its war efforts in Ukraine and thereby creating long-term dependencies of the customers on China (i. a. to supply spare parts) instead of Russia (Kong 2023). India allegedly also made business at Russia's expense by selling weapons and ammunition indirectly to Ukraine, which India denies (British Broadcasting Corporation 2024).

Apart from conflicts and disputes between individual BRICS members, they are also often divided in their involvement in third-party conflicts. While Iran supports Russia in its Ukraine war by selling weapons and ammunition and China supports Russia with the sale of dual-use components, none of the BRICS members voted in favor of Russia in UN resolution votes on the Ukraine war. Brazil, Egypt and the UAE voted against Russia, China, India, Iran and South Africa abstained, Ethiopia was absent (European Union External Action Service 2022). Likewise, the final declaration of the BRICS summit in the Russian city of Kazan called for peaceful resolution on the basis of the UN Charta (BRICS 2024). Furthermore, the BRICS nations politically and militarily support opposing factions in various armed conflicts, like in Sudan and the Middle East. For example Russia and Iran support the Houthi militia in Yemen, that regularly attacks commercial ships in the Red Sea, one of the world's most important shipping lanes (Barnes 2024), which gravely hurts Egypt's vital transit fee revenue from the Suez canal (Amin 2024) and China's international trade (Hafezi and Hayley 2024). To give another example, Iran supports the Sudanese Armed Forces with weapon deliveries in its devastating civil war with the rival paramilitary Rapid Support Forces, which themselves receive significant arms deliveries from the UAE (Lynch 2024).

3. Summary and Conclusion

This paper analyzed the BRICS countries' common and diverging interests in four key policy areas taking the most recent events of BRICS enlargement and Kazan summit as well as Donald J. Trump's re-election into account. To summarize, the various conflicting interests and in particular the bitter rivalry between India and China make it unlikely that BRICS becomes more than a dialog platform for its members anytime soon. Hence, there is no reason for alarmism about BRICS in the West. That BRICS member states sacrifice their national interests for the greater good of the alliance seems highly unlikely, as BRICS lacks a unifying force apart from varying degrees of rejecting Western and in particular US dominance. Instead, the West should rather be more concerned about close cooperation of individual members, as some have common interests in certain policy areas, that might lead to shifting alliances and quid-pro-quos outside of BRICS. Nonetheless, BRICS provides a public relations and soft power boost for large BRICS nations and an international stage for, in the eyes of the West, the pariah states Russia and Iran.

The findings of this paper are broadly in line with the existing literature on BRICS and its enlargement. Afota et al. (2024) conclude that the heterogeneity of its members and low trade integration between them limit the group's ability to influence world trade and the international monetary system. Likewise, Katz (2024) identifies serious frictions and even conflicts between China and India as well as between various other members as the main reason for the West not to be overly concerned. Carmody (2024) adds that while on the one hand the admission of new major producers into the bloc might advance the members' energy security and de-dollarization agendas, the BRICS enlargement on the other hand further diluted the cohesion making consensus even more difficult. Furthermore, Kamin and Langhammer (2023) identify BRICS' monetary and financial weakness as its Achilles' heel. Moreover, they see the BRICS expansion as a wake-up call for the West that might rejuvenate its own efforts in building international relations which could ultimately render the BRICS enlargement as a backfiring event. Maihold and Müller (2023) also make out China's supremacy and the unwillingness of other member states to accept Chinese hegemony as a major obstacle to BRICS living up to its full potential. Nonetheless, they see the West challenged and forced to proactively deal with the world views of the BRICS countries. Tran (2024) points out that the power of symbolism and narratives in the geopolitical competition for global influence created by BRICS with its recent enlargement and summit should not be underestimated.

Whether Western countries, that also have their own interests at heart, remain unified in the face of growing support for EU- and NATO-sceptic parties as well as democratic backsliding, remains to be seen either. If the re-elected Trump administration makes good on its election promises of hyper-protectionist trade policies even against US allies it would drive a wedge in the Western block while bringing the BRICS countries closer together. Future research that monitors and re-evaluates the currently very dynamic international relations is therefore highly necessary. The European Union and Germany as its largest member state are well advised to step up their efforts to strengthen their institutions, resilience and strategic autonomy as well as reducing their reliance on the United States.

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