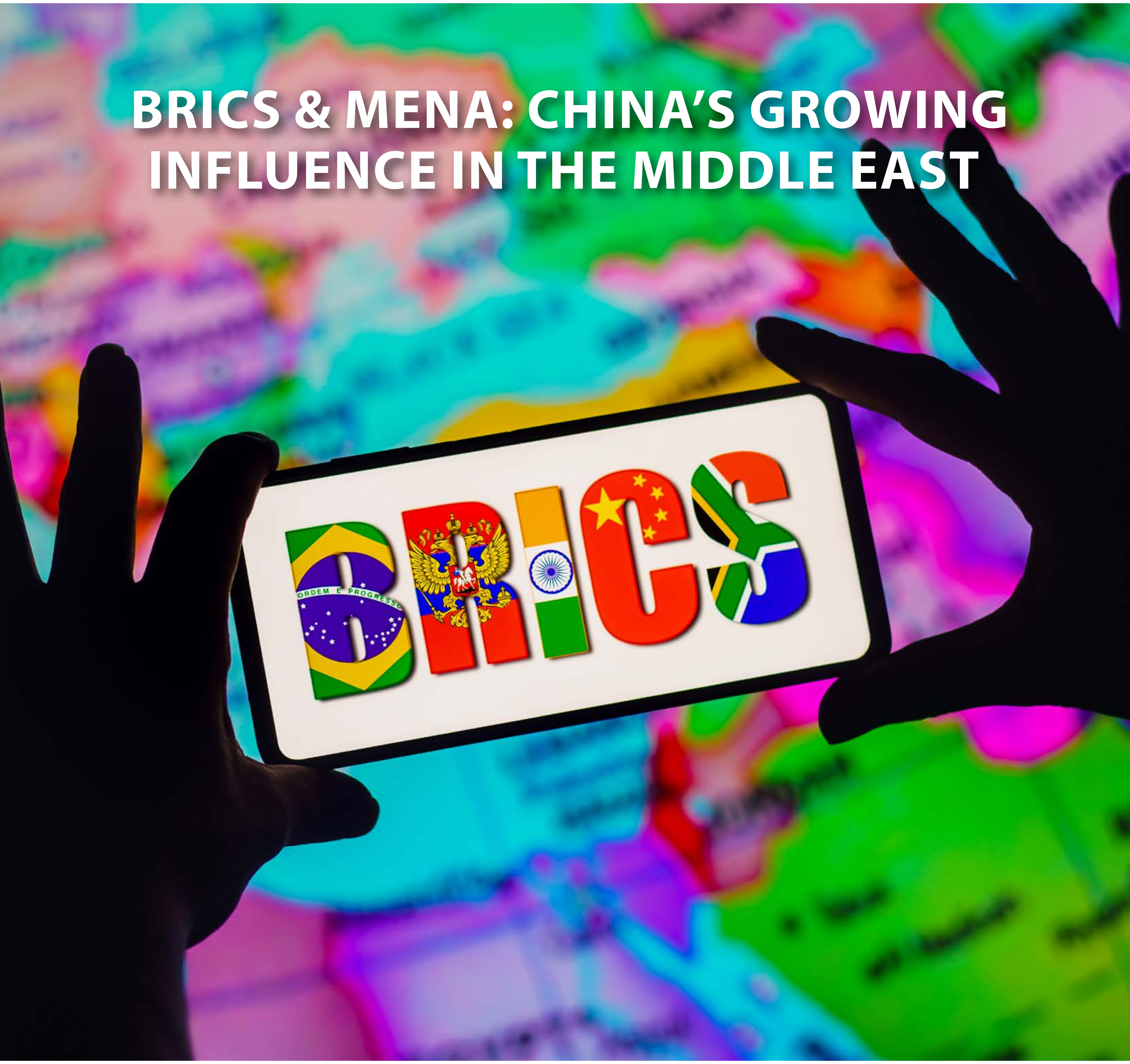
SILK ROAD BRIEFING

Tracking China's Belt & Road Initiative Throughout Eurasia

Special October 2023 Report

BRICS & MENA: CHINA'S GROWING INFLUENCE IN THE MIDDLE EAST



By Silk Road Briefing in association with Dezan Shira & Associates

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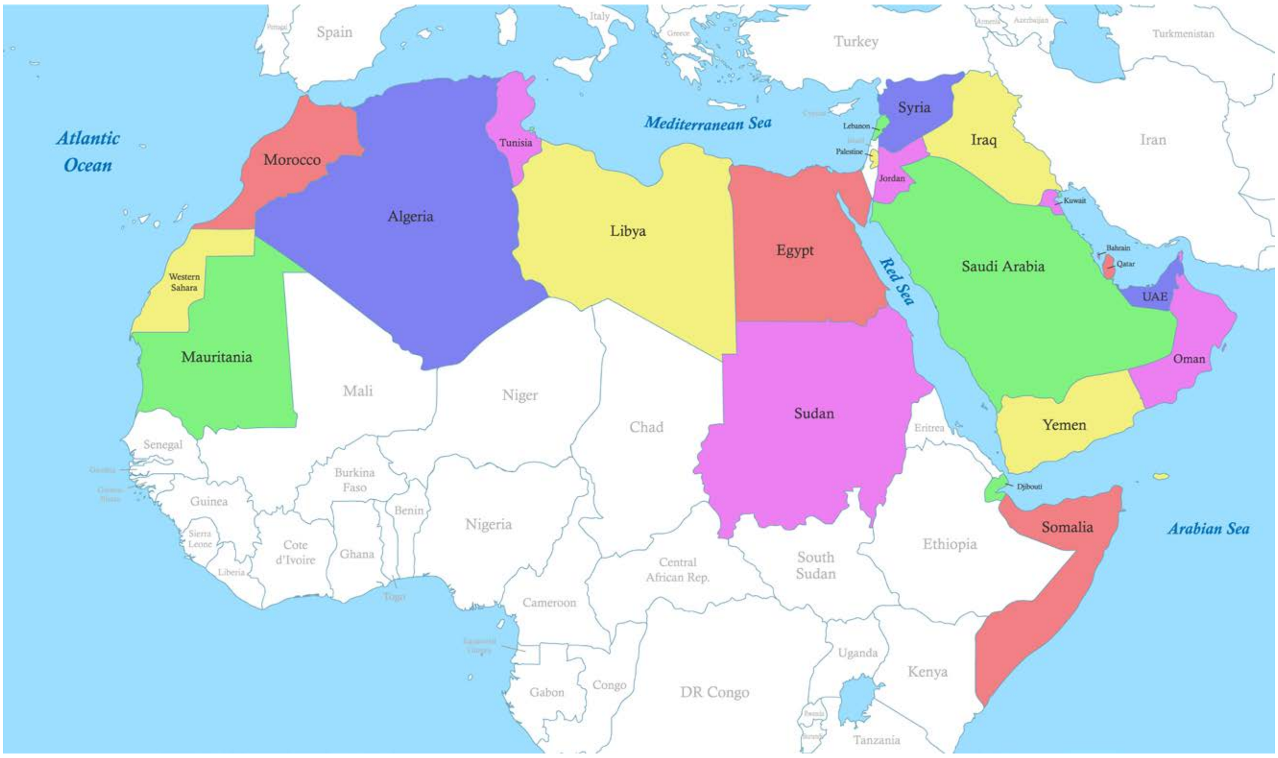


GEOPOLITICAL CHANGES: MENA & THE BRICS

The BRICS (Brazil, Russia, India, China and South Africa) grouping has taken steps to expand its footprint by extending membership to an additional six countries from January 1st, 2024. Four of them are in the MENA region, while Ethiopia is highly influential within the Red Sea region. The other new BRICS member is Argentina.

While Western attention towards the BRICS grouping has been somewhat dismissive due to its loose structural arrangements, we believe that the expanded BRICS network does allow for coordination and cooperation through trade. While none are connected by specific free trade agreements, all members are among the largest members in their respective regional free trade blocs and are not as disparate as has often been claimed. All are regionally influential.

While not having preferential trade agreements in place, which would typically cover thousands of tariff changes, the BRICS appears to take a more flexible approach and deal with tariffs on an 'as-need' basis, doing away with the collective need for difficult and lengthy trade negotiations.

In addition, multilateral cooperation between the BRICS nations is growing, with the development of transport corridors that carry significant regional weight, not least the INSTC, which already connects Russia with Saudi Arabia by freight (the first train to make the journey arrived in August, via Iran) as well as with Europe, Central Asia and South Asia. It would be a logical step to develop this further. Indeed, the recent G20 summit introduced the prospect of the India-Middle-East-Europe Corridor (IMEC) while Saudi Arabia could become part of the INSTC network and assist in further developing the INSTC reach into the Red Sea and East Africa. Nearby Turkiye has also suggested a regional route running through Iraq.

In this special issue of Silk Road Briefing we provide an overview of the five new regional BRICS members - Egypt, Ethiopia, Iran, Saudi Arabia and the UAE and discuss Turkiye's potential in the next wave of new BRICS countries.

EGYPT

EGYPT - THE DEMOGRAPHICS

GDP: **USD404 billion**

GDP Per Capita: **USD3,880**

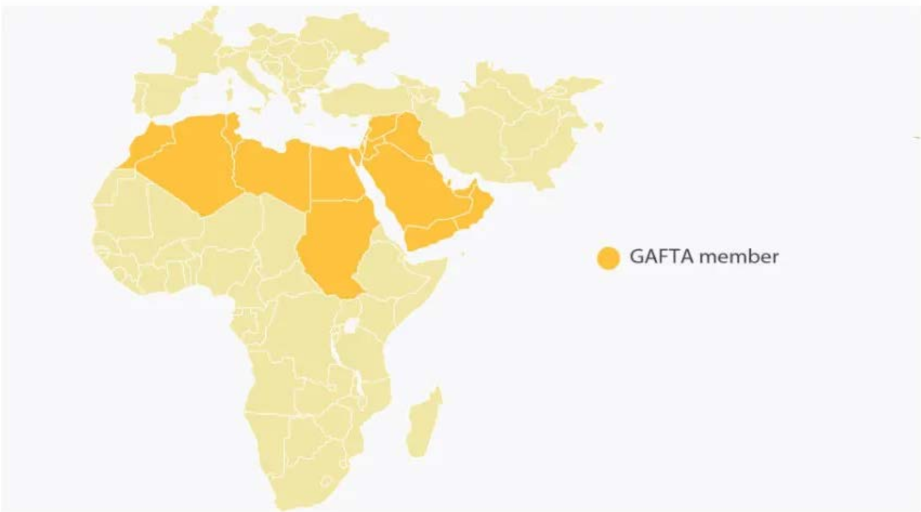
2023 Expected Growth Rate: **4.2%**

Population: **104 million**

Egypt is an energy and agricultural play, with important exports including petroleum and petroleum products, followed by raw cotton, cotton yarn, and textiles. Raw materials, mineral and chemical products, and capital goods are also exported. Among agricultural exports are rice, onions, garlic, and citrus fruit.

Egypt is a member of the Greater Arab Free Trade Zone which also includes Algeria, Bahrain, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, the UAE and Yemen. Egypt is also a member of the African Continental Free Trade Agreement (AfCFTA) which is in the process of reducing tariffs to zero on 95% of all intra-African trade. It is the largest economy in continental Africa.

Greater Arab Free Trade Area



Egypt is also a dialogue partner to the Shanghai Cooperation Organisation which includes China, India, Kazakhstan, Kyrgyzstan, Pakistan, Russia, Tajikistan and Uzbekistan as full members, while Afghanistan, Armenia, Azerbaijan, Bahrain, Belarus, Cambodia, Kuwait, Maldives, Mongolia, Myanmar, Nepal, Saudi Arabia, Sri Lanka, Turkiye, Turkmenistan, Qatar and the United Arab Emirates are all in various status as SCO dialogue partners and observers.

Egypt's most important trading partners include China, the United States, Italy, Germany, and the Gulf Arab countries.

Egypt's Pending Membership Of BRICS – An Overview

Egypt's BRICS Membership Process

Over the past decade, the BRICS has increased its attractiveness by holding dozens of successful meetings and summits. The increasing economic position of BRICS and its leading business capabilities have made Cairo interested in joining the group. Negotiations for Egypt's membership in the BRICS group began in 2009, but after a period of changes in Egypt, Cairo applied for membership again under Abdel Fattah al-Sisi.

The BRICS Plus 1 was created in 2017 and provided an opportunity for Egypt's multi-dimensional presence in BRICS mechanisms. Cairo participated in the meetings and summits of BRICS leaders in 2017, 2022, and 2023.

Egypt subsequently applied to join the BRICS countries in 2023, with Cairo's good relations with BRICS members supporting their efforts to join the bloc. At first, Cairo became a member of the BRICS New Development Bank (NDB). Then the recent 15th BRICS summit saw an invitation to Egypt to become a full BRICS member from January 1, 2024.

The Consequences and Opportunities of BRICS for Egypt

Egypt will be considered an official member of BRICS from January 2024. The President of Egypt, Abdel Fattah El-Sisi, has also publicly expressed his appreciation of the decision of the BRICS leaders to grant full membership to Egypt.

From Cairo's point of view, BRICS, with about 26% of the area and about 42% of the world's population; and in strengthening its economic and financial cooperation has an increasing role in the future of the economy and geopolitics of the world.

BRICS efforts in forming alternative payment systems, and non-dollar financial systems, moving away from a reliance on the US dollar, increasing trade with domestic currencies, and the longer- term possibility of creating a common currency can all benefit Egypt.

Egypt does have a lack of USD and Euro foreign currency reserves; however, Cairo can diversify its portfolio of foreign currencies in use of the BRICS currencies instead.

By possessing membership in BRICS, Egypt wants to develop alternative supply chains, promote economic growth, diversify the economy, minimize costs, develop e-commerce and market integration, and cooperate with the other BRICS countries – which now will also include fellow Islamic members Saudi Arabia and the UAE. Egypt has good relations with these countries, while they are all members of the same Free Trade bloc – the Greater Arab Free Trade Area (GAFTA).

Egypt and the New Development Bank

Meanwhile, efforts of the New Development Bank in granting US$10 billion in loans so far this year (a minimum of 30% of each loan being in BRICS currencies) while focusing on the implementation of projects and supporting BRICS infrastructure means Egypt's participation in the bank and gaining voting power will lead to financial aid, technical, and soft loan support to assist sustainable development and investment in Egypt.

In fact, the BRICS card can be an important option hedging against Western-oriented institutions such as the World Bank and the International Monetary Fund; and can make difficult lending conditions imposed by these easier to circumnavigate for Cairo. The New Development Bank will be more useful and will not impose strict political conditions.

Egypt expects to raise the value of its local currency by becoming a member of BRICS and using an alternative currency to implement several trade initiatives with Russia, China, and India to help reduce dependence on the dollar.

Its membership in BRICS can be steps to develop trade with emerging economies, rapid economic growth, opening new markets, signing new trade agreements (in the currency of Egypt and BRICS countries), and attract investment deals for Cairo.

In fact, BRICS can be a potential source of foreign direct investment (FDI) in Egyptian production. Many in Cairo consider the BRICS card to be effective in reviving the Egyptian currency, increasing the purchase value of the Egyptian Pound against the US Dollar, reducing Egypt's US dollar debt problems within its economy, therefore helping to open new markets for Egyptian exports, while reducing USD-Pound Forex costs while improving access to alternative financing. Both Saudi Arabia, and the UAE, as additional NDB members, will be sympathetic to Egypt's requirements.

Egypt – Economic Problems

Some Egyptian analysts consider Egypt's presence in BRICS to save about US$25 billion dollars due to a strengthening of the Egyptian pound via increased usage of its own currency when importing from BRICS countries.

Egypt has been caught in an economic crisis for the past few years. A 50% drop in the value of the Egyptian Pound against the US dollar, an annual inflation rate of 36.5%, a lack of US dollar reserves, the negative consequences of the Ukraine crisis, an increase in food prices, supply chain fluctuations, a high public debt volume (estimated to reach US$510 billion by 2028, the absorbing of over 9 million immigrants and refugees are very apparent, and difficult problems to resolve.

Egypt's foreign debt reached US$165 billion by Q1 2023. Egypt hopes that by joining BRICS, it can make efforts to reduce its foreign debt burden (through forgiveness, and longer-term repayment schedules), while also establishing a fund to support developing countries.

BRICS – and especially China, Saudi Arabia, the UAE as well as India and to a lesser degree Russia can all take steps to facilitate economic support, the restricting of debt repayments while at the same time participate in large investments into infrastructure and industrial projects with returns on those investments in Egypt.

An Egypt – BRICS Trade & Influence Balance

Quite apart from the energy sector, where Egypt has total proven natural gas reserves reaching 2,209 bcm, producing more than 79 bcm in 2021 and is a major exporter, Egypt has trade balancing needs that align with the BRICS.

It imports 60% of its basic food needs, and it imports almost 50% of its grain from Russia. Egypt, Russia, and India have already discussed trading wheat and rice trade in national currencies, which when agreed, will make it easier to supply Egypt with the basic needs of strategic goods through BRICS. This will make it easier for Cairo to achieve easier delivery of raw materials, grains, reduce supply chain costs, potentially host a North African center for grain supply and storage, and help deal with the global food crisis.

These positive effects of BRICS membership are expected to help economic reforms, increase production volume, increase the competition of Egyptian goods abroad, stimulate Egyptian exports, increase trade exchanges, and attract direct and joint investment.

The BRICS assistance in achieving Egypt's 2030 vision and development goals, reaching US$100 billion in annual exports, and increasing the volume of GDP will other effects of joining the bloc. In addition, Egypt's joining of the BRICS group increases Cairo's regional geopolitical and geo-economical power in Africa and the Middle East.

It is also likely that Egypt's membership in BRICS will accelerate Africa-BRICS cooperation, the implementation of the African Development Agenda 2063, as well as the goals of the African Continental Free Trade Agreement (AfCFTA), which includes 54 African countries and is phasing out intra-African tariffs on 95% of all products. That is important for Egypt as this effectively makes sourcing in Africa easier and less costly. With Egypt facing Europe and having Free Trade Zones around the Suez Canal, (including China and Russian invested SEZ) it can position itself as a manufacturing export hub serving the European – and BRICS markets.

The Egypt - BRICS Future Vision

The BRICS are still not a complete international or regional body and there is some inconsistency between some members. Egypt imports more than the BRICS countries, and their investments in Egypt are still not considerable, meaning no immediate jump in trade and investment can be expected in the short term. However, the potential of most of the BRICS members can be of great help to facilitate economic transactions and reduce the intensity of the Egyptian economic crisis.

Egypt also has significant economic potential with a population of more than 105 million people. In fact, in the short and medium term, Egypt's membership in BRICS can have a very positive effect on foreign direct investment, overcoming Egypt's economic challenges, creating a clear vision for 2030, increasing the growth rate, and reducing Egypt's foreign debt.

ETHIOPIA

ETHIOPIA - THE DEMOGRAPHICS

GDP: **USD111.3 billion**

GDP Per Capita: **USD925**

2023 Expected Growth Rate: **5.8%**

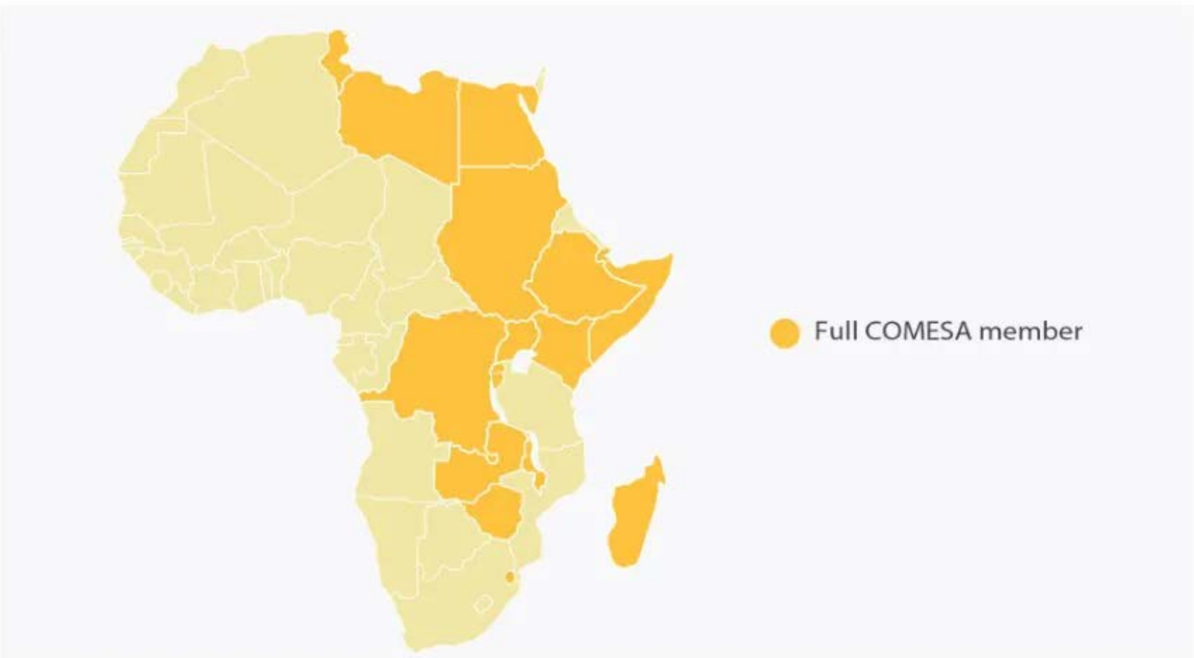
Population: **120 million**

Ethiopia, in the Horn of Africa, is a rugged, landlocked country split by the Great Rift Valley. It is the sixth largest economy in continental Africa, fuelled by a flourishing agricultural and manufacturing sector. Ethiopia's main products are coffee, oil seeds, vegetables, and gold.

However, Ethiopia's northernmost region of Tigray is at the center of a civil conflict involving ethno-regional militias, the federal government, and the Eritrean military that has attracted the concern of humanitarian groups and external actors since November 2020. Russia's Wagner Group are providing military support. The United States is backing the Eritrean militia.

As one of the fastest-growing economies, Ethiopia also has a burgeoning middle class. It is a member of the South-East African COMESA and the pan-African AfCFTA trade agreements, while a renewal of its WTO membership is pending. Ethiopia's membership of COMESA gives it free trade access to Burundi, Comoros, the DR Congo, Djibouti, Egypt, Eswatini, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Somalia, Sudan, Tunisia, Uganda, Zambia and Zimbabwe. COMESA in total includes about 640 million people and has a GDP of about USD918 billion.

COMESA



Ethiopia's Membership Of BRICS: Consequences and Prospects

Ethiopia was one of the surprise additions in the BRICS grouping, which has been derided in the West as a disparate group with limited compatibility. However, a deeper dive into new members attributes reveal a longer term view with Ethiopia a logical extension to the Eurasian INSTC and being in possession of a significant regional free trade agreement. We examine Ethiopia's accession to BRICS – including the challenges and potential.

Ethiopia's BRICS Membership Process

After holding dozens of successful meetings and summits in the last decade, increasing the economic status and leading trade capabilities of BRICS, Ethiopia's interest in accompanying or participating in BRICS Plus has increased. Addis Ababa participated in BRICS meetings and summits in 2022 and 2023, hosted by China and South Africa. According to the Ethiopian Foreign Ministry, the country officially applied to join the BRICS group in early 2023.

Addis Ababa's good relations with major BRICS members, large population, history, high growth rate, overall GDP growth, and favorable development prospects make Ethiopia a challenging, yet future development play within the group and has cemented BRICS position within North-East Africa. This has additional implications for the Middle East and a future expansion of the INSTC network into Africa. Saudi Arabia, itself a new BRICS economy, is just across the Red Sea with the Port of Jeddah readily available. New Saudi rapprochement with Iran will eventually see the development of the INSTC transport network into North and East Africa as it continues to add connecting routes.

The 15th BRICS summit invited Ethiopia to become a full member of BRICS from January 1, 2024.

An Introduction to Ethiopia

Ethiopia is the second-most populous country in Africa and its sixth largest economy. It is also a member of the Common Market For East & South Africa (COMESA), which also includes Burundi, Comoros, the DR Congo, Djibouti, Egypt, Eswatini, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Somalia, Sudan, Tunisia, Uganda, Zambia and Zimbabwe.

Ethiopia is also a member of the African Continental Free Trade Agreement (AfCFTA) which includes all African nations (with the exception of Eritrea). This agreement is phasing in reductions on all intra-African trade on 95% of all products in various stages over the coming 12 years. This eliminates tariffs for pan-African sourcing, and when combined with manufacturing in Ethiopian free trade zones significantly enhances Ethiopia's potential as an export manufacturing driven economy.

COMESA's population is about 640 million, while its total GDP (PPP) is about US$918 billion. The average GDP per capita (PPP) varies amongst members but averages out at US$5,173.

Ethiopia & BRICS: Implications and Opportunities

Ethiopia, with a population of 123 million people, is landlocked in the Horn of Africa. Ethiopia's economy has experienced strong growth over the past 15 years averaging about 10% per annum.

Meanwhile, its economy has been one of the fastest growing in the world, with a 2023 anticipated GDP growth rate of 7.5%, a GDP (PPP) of US$290 billion and a per capita GDP (PPP) of US$2,519.

The government has been able to reduce the inflation rate and the ratio of debt relative to the GDP.

Ethiopia will be considered as an official member of BRICS from January 2024, with the Ethiopian Prime Minister Abiy Ahmed describing this as a "great moment" for the country.

For Addis Ababa, membership in BRICS is a significant geo-economic, geo-political, and diplomatic victory. With about 26% of the area, and about 42% of the world's population, BRICS has an increasing role in global geopolitics and trade.

Together with an increase in production and exports since the end of the COVID pandemic, increases in exports, marred by the Ukraine conflict interrupting Ethiopian barley and wheat imports, combined with a 50% reduction in imported rice in the agricultural sector, BRICS membership empowers Ethiopia to deal with severe food insecurity in the country.

The use of advanced agricultural technologies and knowledge from BRICS countries can also be useful in modernizing the country's agricultural sector, with Russian grain and fertilizers poised to assist.

Ethiopia has seen continued privatization, increased exports, increased remittances, and increased foreign direct investment. However, Ethiopia alone cannot achieve its ambitious goals of building more than 100 dams in different regions, and become Africa's largest electricity power, unless it can benefit from the support of major actors such as BRICS.

Addis Ababa is also trying to attract international and regional investors to energy projects.

According to the approach of the BRICS New Development Bank (NDB), Ethiopia's future participation will lead to the bank's financial and technical assistance and the granting of soft loans without the more stringent conditions typically imposed by the IMF.

Considering Ethiopia's limited foreign reserves and foreign currency inflows, budgeting for sustainable development goals, is supposed to be compensated through obtaining foreign loans. Therefore, the presence in BRICS can be an opportunity for the development of trade with emerging economies, faster economic growth, opening new markets, signing new trade agreements, and foreign direct investment (FDI) for Addis Ababa.

Given Ethiopia's growth model based on infrastructure investment, public investment by BRICS members will stimulate economic growth in 2027-24. By membership in BRICS, Ethiopia wants to increase trade with domestic, on-US Dollar currencies, minimize costs, and develop e-commerce.

BRICS can practically contribute to the government's 10-year development plan for domestic economic reforms and help Ethiopia create a more inclusive and sustainable growth path.

The positive effects of BRICS membership can help Ethiopia benefit from the experience of the BRICS members in economic reforms, increase the volume of production, stimulate Ethiopian exports, create macro-economic changes, and provide access to a completely healthy economy.

It should be noted that China's trade with BRICS is relatively well balanced, unlike the trade deficits it runs elsewhere – and especially with the West. In the 7M 2023, China's exports grew 23.9% year on year to ¥1.23 trillion, (US$168.6 billion) while imports rose 14.3% from a year ago to ¥1.15 trillion (US$157.6 billion). The figures illustrate a remarkable balance between BRICS imports and exports with China.

BRICS assistance in achieving Ethiopia's development goals and prospects, improving and increasing tourists from the main and new BRICS countries will be part of other effects of joining BRICS.

The official joining of Ethiopia to the BRICS group will increase the position of the country's economic power in the Horn of Africa and accelerate the implementation of the 2063 African Development Agenda as well as the goals of the African Continental Free Trade Agreement (AfCFTA).

Given its uneasy relationship with Western powers, joining BRICS makes Ethiopia geo-strategically important, increasing its international bargaining power, South-South cooperation and multilateralism, and its ambition to become a major player. It will also help reshape the economy of Africa.

BRICS membership can assist in overcoming Ethiopia's domestic issues and maintain a beneficial political stability. A market of 120 million people and huge untapped potential, and almost 50% of the population under 18 years of age is an opportunity for the presence of the other BRICS nations with an eye of cost effective Ethiopian labor and export manufacturing potential as their own economies move up the value chain and become more expensive.

This is already occurring. Russia's auto manufacturers are setting up assembly plants in Ethiopia. Cham Ugala Uriat, the Ethiopian Ambassador to Russia stated in late September that Russian Lada cars would be manufactured under license in Ethiopia and that other Russian auto manufacturers are expected to do the same. The cars will be sold in Ethiopia as well as exported to Sudan and South Sudan, Kenya, and Somalia. Lada have a range of tough SUVs suitable for African roads.

The Ethiopia – BRICS Vision

There are barriers to doing business in Ethiopia, and the country needs a strategic vision document to create macroeconomic and political stability for business growth and better absorption of BRICS countries. Also, BRICS is still not a complete international or regional body and there are some inconsistencies among the members.

However, the potential of many BRICS members could be great for Ethiopia's young population and growing economy. In fact, Ethiopia's membership in BRICS in the short and medium term can have a special and positive impact on foreign direct investment, overcoming Ethiopia's economic challenges, access to a clear vision, increasing the growth rate, and reducing Ethiopia's foreign debt while boosting its position as a cost-effective export manufacturing base with access to the INSTC.

SAUDI ARABIA

SAUDI ARABIA - THE DEMOGRAPHICS

GDP: **USD833.5 billion**

GDP Per Capita: **USD23,600**

2023 Expected Growth Rate: **1.9%**

Population: **35 million**

Saudi Arabia possesses around 17% of the world's proven petroleum reserves. Apart from petroleum, the Kingdom's other natural resources include natural gas, iron ore, gold, and copper. It is a member of OPEC, which also includes Algeria, Congo, Ecuador, Equatorial Guinea, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, the UAE and Venezuela, as well as the Arab Trade Zone which also includes Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Sudan, Syria, Tunisia, the UAE and Yemen.

Saudi Arabia is also a member of the Gulf Cooperation Council (GCC) a regional, intergovernmental, political, and economic union comprising Bahrain, Kuwait, Oman, Qatar, and the UAE. The GCC currently has a Free Trade Agreement with Singapore and is negotiating FTA with China and India.

Saudi Arabia is additionally a dialogue partner of the Shanghai Cooperation Organisation and has made in known it wishes to become a full member. The SCO also includes China, India, Kyrgyzstan, Pakistan, Russia, Tajikistan and Uzbekistan as full members, with Iran about to join them, while Afghanistan, Armenia, Azerbaijan, Bahrain, Belarus, Cambodia, Egypt, Kuwait, Maldives, Mongolia, Myanmar, Nepal, Sri Lanka, Turkiye, Turkmenistan, Qatar and the United Arab Emirates are all in various status as SCO dialogue partners and observers. Saudi Arabia's main trade partners are the UAE, China, India, and Singapore. The Kingdom signed off a US$400 billion strategic investment plan with China earlier this year. Current GDP growth rates are somewhat lower than expected due to OPEC cutting oil production quantities.

Saudi Arabia and BRICS: The Consequences of Joining, Multilateral Trade and Prospects

Saudi Arabia's Membership Process in BRICS

"BRICS Plus" was created in 2017 and provided an opportunity for the multi-dimensional presence of Saudi Arabia in BRICS mechanisms. After the beginning of some changes in foreign policy, Riyadh participated in meetings and summits of the bloc. Over the past two years, leaders and officials of BRICS countries have also welcomed Riyadh's presence in BRICS or had meetings with the country regarding Saudi Arabia's attendance and potential membership process.

Riyadh's good relations with BRICS members assisted with the 15th BRICS summit invite Saudi Arabia to become a full BRICS member from January 1, 2024.

Consequences and Opportunities of BRICS Membership for Saudi Arabia

Saudi Arabia will be considered an official member of BRICS from January 2024. With a soft and cautious reaction to BRICS membership, Saudi Arabia, despite welcoming acceptance, is considering further study and consideration in detail for an "appropriate decision" before the proposed date of accession.

Saudi Arabia used to be one of the main allies of the United States in the Middle East region, but in the past few years, it has been following a non-committal path for various reasons. However, with about 26% of the area and about 42% of the world's population, BRICS has an indisputable role in the future of the world's economy and geopolitics.

Riyadh views BRICS and other structures such as the Shanghai Cooperation Organization as key to increasing its geopolitical influence. For some actors such as Saudi Arabia, multilateralism and attention to national interests, creating a more neutral world order, strengthening the multipolar world order, being comprehensive, and working with everyone play a role in paying more attention to BRICS. Also, the BRICS members' close ties with the Gulf Cooperation Council have expanded with both China and India currently negotiating free trade agreements.

Apart from the areas of convergence, the BRICS Plus-GCC partnership to promote geopolitical and geo-economic cooperation, BRICS' attention to anti-terrorism, disarmament, and nuclear non-proliferation have provided more incentives for Saudi Arabia to participate in BRICS. The approach of the BRICS New Development Bank in granting loans and focusing more on infrastructures is happening now, while a full participation of Saudi Arabia in the bank and gaining voting power will probably lead to a greater role of Saudi Arabia in financial and technical assistance, granting soft loans, supporting sustainable development, together with mutual investment in BRICS projects.

Saudi Arabia, with its strong financial support and the possession of huge reserves of gold and foreign currency (at the end of 2022 reaching US$693 billion), can be a significant weight in BRICS. Of course, Riyadh does not want to be just a cash fund for weaker countries, but financial win-win benefits in the form of BRICS can also be an important motivation for Riyadh.

The previous and future efforts of BRICS in forming alternative payment systems, non-dollar financial systems, increasing trade with domestic currencies, and creating a common currency can benefit Saudi Arabia and reduce reliance on the US dollar.

With BRICS, Riyadh can have access to cost minimization, e-commerce development, and market integration. Saudi Arabia is the largest Arab economy with an annual GDP of more than one trillion dollars in 2022, with a population of more than 34 million. Riyadh imports part of its food needs, and with BRICS, it can achieve an easy supply of raw materials, and grains, reducing supply chain costs and meeting strategic and food needs.

Along with the "Saudi Vision 2030" program, an important part of Saudi economic diplomacy is transforming the structure of the economy into a diverse and stable economy, fundamental reforms, improving the position of becoming a global trade and investment hub, and connecting Asia, Europe, and Africa. The contribution of BRICS in achieving Saudi Arabia's 2030 vision and development goals and increasing the volume of GDP will be obvious.

Also, Saudi Arabia's future membership in BRICS may be a step to develop trade with emerging economies, benefit from countries' experiences and assistance, open new markets, and sign new trade agreements (in Saudi Arabia's currency and BRICS countries) for faster economic growth of the country.

This can also stimulate Saudi exports, increase trade exchanges, and attract direct and joint investment. The entry of the power of Saudi Arabia into the BRICS club with reserves of about 267 billion barrels has an impact on the global energy market and stability. Saudi Arabia is also a major player in the global petrochemical industry (with a production capacity of over 70 million tons per year).

By joining BRICS, Riyadh can have better access to benefits such as increasing non-oil exports, significant investments in renewable energy, and access to the latest technologies of BRICS members. By joining of Saudi Arabia to the BRICS, its tourism industry will benefit from BRICS membership, and it can improve tourism and increase tourists from the main and new BRICS countries.

Many in Riyadh do not want BRICS to become a purely political and geopolitical club, but of course, the official joining of Saudi Arabia to the BRICS group will increase the economic power of Saudi Arabia in the Middle East and the world.

The Saudi – BRICS Vision

Although BRICS members differ in political ideology and economic systems, they do not have a secretariat or a collective security pact against external threats. Also, issues such as disagreements, geo-economic competitions, and geopolitics can fuel conflicts.

However Saudi Arabia, despite expressing its desire for BRICS, is considering the issue of full accession. For Saudi Arabia, the opportunities of joining BRICS are more than the challenges. In fact, Saudi Arabia's membership in BRICS in the short and medium term can have a very positive effect on reaching its Saudi 2030 vision, increasing the growth rate, geo-economic power, maneuvering power, and the country's global position.

This can be illustrated by two major infrastructure projects that will, in part, position Saudi Arabia as a Middle East transport hub. While this is not immediately apparent, Saudi Arabia's position just to the south of Iran, coupled with developing bilateral diplomatic and trade ties, Tehran's position also as a fellow new BRICS and Shanghai Cooperation Organisation member, mean that Saudi Arabia is poised to be a logical extension south for the INSTC network, which extends from Russia to the North, West to Turkiye and Europe, and East to Central Asia as well as China connectivity. Via maritime connections, the INSTC is also connected to India and South Asia.

Saudi Arabia's role in financing and developing this further could prove significant should it choose to do so. Via its Jeddah port on the Red Sea, it can open up the Horn of Africa and trade with fellow BRICS members Egypt and Ethiopia. It may also in future extend south down the East African coast and reach out to ports in Tanzania and Kenya, positioning Saudi Arabia as a Eurasian trade hub for East Africa.

The UAE, another new BRICS member is another significant regional player and likely to coordinate its developments alongside Riyadh. Additionally, India, together with Saudi Arabia, Jordan and Israel have been discussing with the EU and United States the financing of the India-Middle East Corridor (IMEC) to reach markets in Europe. This again would position Saudi Arabia as a nexus between East and West, and North and South. The potential of the BRICS members can be significant for the Saudi economy. It appears that Saudi Arabia is more likely than not to officially join the BRICS from January 2024.

UAE

UAE – THE DEMOGRAPHICS

GDP: **USD36 billion**

GDP Per Capita**: USD36,300**

2022 Growth Rate: **3.8%**

Population: **10 million**

The United Arab Emirates (UAE) is among the world's ten largest oil producers. About 96% of the country's roughly 100 billion barrels of proven oil reserves are located in Abu Dhabi, ranking 6th worldwide. The UAE is a member of OPEC, which also includes Algeria, Congo, Ecuador, Equatorial Guinea, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Saudi Arabia, and Venezuela, as well as the Arab Trade Zone which also includes Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, and Yemen.

It is also a member of the Gulf Cooperation Council (GCC) a regional, intergovernmental, political, and economic union comprising Bahrain, Kuwait, Oman, Qatar, and Saudi Arabia. The GCC currently has a Free Trade Agreement with Singapore and is negotiating FTA with China and has recently signed trade agreements with Cambodia, Israel, and India with several others pending.

The UAE is a dialogue partner to the Shanghai Cooperation Organisation which includes China, India, Kazakhstan, Kyrgyzstan, Pakistan, Russia, Tajikistan and Uzbekistan as full members, while Afghanistan, Armenia, Azerbaijan, Bahrain, Belarus, Cambodia, Kuwait, Maldives, Mongolia, Myanmar, Nepal, Saudi Arabia, Sri Lanka, Turkiye, Turkmenistan, and Qatar are all in various status as SCO dialogue partners and observers.

The United Arab Emirates' economy is highly dependent on the exports of oil and natural gas (40% of total exports). Other exports include pearls and other precious metals and stones (28%), machinery, sound recorders and parts (9%) and transport vehicles (6%). The electric vehicle industry is also becoming centred in part around the UAE. The Emirates largest trade partners are Saudi Arabia, Iraq, India, and Switzerland.

The UAE's Trade and Investment Dynamics with the BRICS

Introduction

The 2023 annual BRICS summit has just concluded in Johannesburg, with the BRICS member countries – Brazil, Russia, India, China and South Africa issuing invitations to another six countries to join them. These are Argentina, Egypt, Ethiopia, Iran, Saudi Arabia and the UAE. This means the BRICS have a significant new regional footprint to their portfolio.

The United Arab Emirates' President Mohammed bin Zayed said on Thursday (August 24) he appreciated the inclusion of his country as a member of BRICS and described it as an "important group", adding "We look forward to a continued commitment of cooperation for the prosperity, dignity and benefit of all nations and people around the world."

In the gradual remaking of the world order, the UAE holds a special place as a country which seeks to reduce fixation on any single geo-economic bloc and has instead focussed on building ties as diversified as possible with Asia, Africa and South America. The goal is to increase manoeuvrability on the global stage, and BRICS presents a good opportunity to achieve this. Conceived in mid 2000s BRICS is a loose entity devoid of military or clear economic agenda. But it is a club which unites major global economies and the association with this grouping is not only a matter of prestige and status but also of economic relevance.

The UAE has been especially intent on expanding its political and economic ties with Brazil, Russia, India, China, and South Africa for several years. Trade and investment with all member states has been steadily expanding. This should continue and boost regional trade and commonality along with Iran, and Saudi Arabia. It should be noted that Ethiopia is also within the broader MENA region.

The UAE's push to become a member of BRICS also fits into the country's overall ambition to explore new markets and reflects its exuberant confidence as a result of economic growth. For example, in 2022 the UAE's economy grew by 7.6%, the highest since 2012. In 2023 it is expected to grow by 3.9% with the 2024 forecast set at 4.6%.

The UAE's Attractiveness to the BRICS

The United Arab Emirates (UAE) is among the world's ten largest oil producers. About 96% of the country's roughly 100 billion barrels of proven oil reserves are located in Abu Dhabi, ranking 6th worldwide. The UAE is a member of OPEC, which also includes Algeria, Congo, Ecuador, Equatorial Guinea, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Saudi Arabia, and Venezuela, as well as the Arab Trade Zone which also includes Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, and Yemen.

It is also a member of the Gulf Cooperation Council (GCC) a regional, intergovernmental, political, and economic union comprising Bahrain, Kuwait, Oman, Qatar, and Saudi Arabia. The GCC currently has a Free Trade Agreement with Singapore and is negotiating FTA with China and has recently signed trade agreements with Cambodia, Israel, and India with several others pending.

The UAE is a dialogue partner to the Shanghai Cooperation Organisation which includes China, India, Kazakhstan, Kyrgyzstan, Pakistan, Russia, Tajikistan and Uzbekistan as full members, while Afghanistan, Armenia, Azerbaijan, Bahrain, Belarus, Cambodia, Kuwait, Maldives, Mongolia, Myanmar, Nepal, Saudi Arabia, Sri Lanka, Turkiye, Turkmenistan, and Qatar are all in various status as SCO dialogue partners and observers.

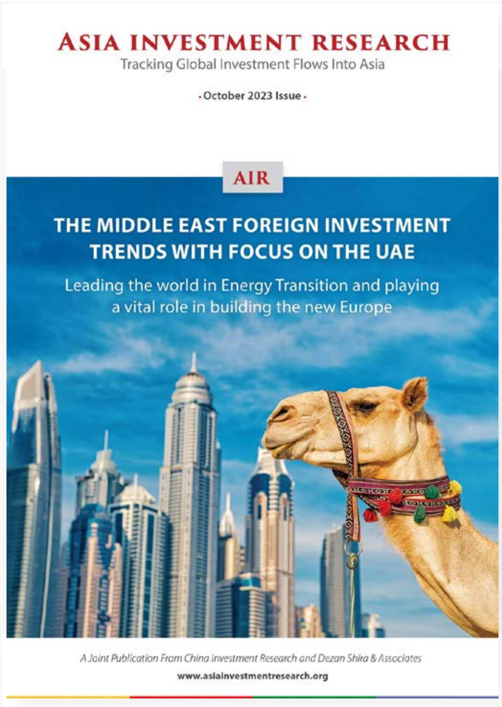
The United Arab Emirates' economy is highly dependent on the exports of oil and natural gas (40% of total exports). Other exports include pearls and other precious metals and stones (28%), machinery, sound recorders and parts (9%) and transport vehicles (6%). The electric vehicle industry is also becoming centred in part around the UAE. The Emirates largest trade partners are Saudi Arabia, Iraq, India, and Switzerland.

The inclusion of the UAE into the BRICS grouping provides the latter, along with Saudi Arabia and Iran, with a substantial Middle East footprint. All are neighbours. The inclusion of them within BRICS will also help develop the ties between Iran and the Arabic states, and is a logical move to help solidify the development of the INSTC trade corridor to Russia, Central Asia and onwards to China. It also assists with the development of this same corridor in terms of trade with India and further into South Asia.

For the UAE, the establishment in September 2023 of an operational branch office of the Asian Infrastructure Investment Bank (AIIB) in Abu Dhabi is further proof of China's intent to develop the region as a conduit for joint Arabic-Chinese funding into Eurasia, including the Middle East and Africa.

The UAE is expected to take up its membership within the coming six months.

SILK ROAD BRIEFING



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IRAN

IRAN – THE DEMOGRAPHICS

GDP: **USD231.5 billion**

GDP Per Capita: **USD2,760**

2023 Expected Growth Rate: **2.5%**

Population: **85 million**

Iran has the equivalent of over 1.2 trillion barrels of oil and gas and is the largest holder of hydrocarbon reserves in the world. Heavily sanctioned by the United States and Europe over plans for it to develop nuclear power plants (the West fears these could be used to make nuclear weapons capable of hitting Israel), Iran is however a member of OPEC, which also includes Algeria, Congo, Ecuador, Equatorial Guinea, Gabon, Iraq, Kuwait, Libya, Nigeria, Saudi Arabia, the UAE and Venezuela. It is also about to become a full member of the Shanghai Cooperation Organisation which includes China, India, Kazakhstan, Kyrgyzstan, Pakistan, Russia, Tajikistan and Uzbekistan as full members, while Afghanistan, Armenia, Azerbaijan, Bahrain, Belarus, Cambodia, Egypt, Kuwait, Maldives, Mongolia, Myanmar, Nepal, Saudi Arabia, Sri Lanka, Turkiye, Turkmenistan, Qatar and the United Arab Emirates are all in various status as SCO dialogue partners and observers.

Iran has recently stated it will link its energy supply chains to SCO members electricity networks, and is the main transit focus for the International North-South Transportation Corridor (INSTC) which links trade from Europe, Russia, Turkiye, the Caucasus and Central Asia through to markets in East Africa, the Middle East and South Asia.

The North-South Transport Corridor

Iran has a Free Trade Agreement with the Eurasian Economic Union (EAEU) which includes Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia. Its main trade partners are China, UAE, India, Turkiye, Russia and Germany. It is a key transit country for the International North-South Transportation Corridor (INSTC) which links Russia, Central Asia, the Middle East and South East Asia and which is expected to be fully operational by late 2024 once on-going infrastructure developments have been completed.

Iran's Membership in BRICS - Consequences and Prospects

Over the past two decades, BRICS has become more attractive for Iran because of its increasing geopolitical and geoeconomic status and dozens of successful meetings and summits. "BRICS Plus" allowed Iran to participate in the BRICS mechanisms in 2017. Negotiations began in 2017 regarding Iran joining the New Development Bank (NDB).

Negotiations for Iran's participation in BRICS therefore had already started six years ago, with Iran one of the first countries to request membership in this group. Now Tehran has expressed its readiness to join this group.

In the framework of his foreign policy doctrine, President Ebrahim Raisi has paid close attention to promoting economic diplomacy, the importance of multilateralism, Iran's active presence in regional economic organizations, and new South-South cooperation. With Iran becoming a permanent member of the Shanghai Cooperation Organization, a permanent presence in BRICS became a logical next step, with Tehran participating in BRICS meetings and summits.

Despite several obstacles and sanctions, variables such as Tehran's good relations with BRICS members made them support the joining of Iran. The 15th BRICS summit decided to invite Iran to become a full BRICS member from January 1, 2024.

Consequences and opportunities of BRICS membership for Iran

Iran will be considered an official member of BRICS from January 2024. From Tehran's point of view, participation in BRICS with about 26% of the area, about 42% of the world's population, strengthening economic and financial cooperation, an increasing role in the future of the world's economy and geopolitics, would be a 'new season', that will increase political and economic power, and will be a "strategic victory for Iran's foreign policy. Due to the efforts of the New Development Bank www.ndb.org in granting US$8 -10 billion in loans (30% of this in Iranian Rial) and focusing on the implementation of projects and supporting infrastructure, Iran has also requested to become a member of the NDB.

By becoming a BRICS member and the upcoming trip of the NDB President to Tehran, the process of Iran's joining the New Development Bank will be easier. Iran's participation in the bank and obtaining voting power will lead to financial and technical privileges of the bank and the granting of soft loans to support development and investment in Iran.

Despite the small size of the bank compared to Western institutions, the bank's foreign currency reserves and liquidity facilities are in favor of Iran. This can make difficult financial conditions easier for Tehran.

Tehran can still use the BRICS international position for geopolitical geoeconomic maneuvers. Also, Iran can be a stable partner for the group due to its unique geographical location and transit networks.

Iran is the key part of the International North South Transportation Corridor (INSTC) connecting ECO, ASEAN, EAEU, India, Central Asia, the Middle East, GCC, and Europe. With the help of BRICS and with the operationalization of INSTC, Iran can earn about US$20 billion annually from transit via the INSTC route.

In turn, that means Tehran can place itself at the crossroads of trade with BRICS and play a bigger role through China's Belt and Road Initiative.

That goes hand in hand with the development of Iranian free trade zones and the creation of new zones as one of the important economic approaches of the Iranian government. Tehran hopes that with BRICS, it will be able to strengthen existing ports and increase exports from Iran's free trade and special economic zones.

Iran's entry into BRICS can also be an important factor in helping Tehran in free trade negotiations with the Eurasian Economic Union (EAEU), India, cooperation with economic institutions, and Latin American and African countries.

This approach is a step to develop trade with emerging economies, rapid economic growth, opening new markets, and huge foreign investment (FDI) deals in Tehran.

Although raising the issue of removing the dollar from global financial and banking exchanges is not practical in the short term, by joining BRICS, Iran expects to reduce its dependence on the dollar and diversify its portfolio of foreign currencies. The de-dollarization of the economy completely aligns with Iran's economic policies in foreign trade.

Forming alternative payment systems and non-dollar financial systems, moving away from reliance on the US dollar, increasing trade with domestic currencies, and creating a common currency can benefit Iran.

Also, in case of overcoming the challenges and the members' agreement and creating a new currency (similar to the Euro) and structures similar to SWIFT in BRICS, Iran will be one of the biggest winners. In this approach, membership in BRICS can bypass US sanctions to some extent and support efforts to use national currencies and strengthen BRICS mechanisms.

On the other hand, with the BRICS card, Iran can develop alternative routes, promote economic growth, diversify the economy, minimize costs, open new markets for Iran's exports, develop e-commerce, market integration, and savings.

Expanding Iran's strategic relations with the main BRICS members and benefiting from the assistance of the member countries will open up geo-economic opportunities and contribute to the idea of a multipolar world in line with Iran's foreign policy.

In the past few years, Iran has been caught in the economic challenges of devaluing the country's currency, annual inflation, hosting more than 8 million immigrants. From the point of view of many in Tehran, with BRICS, it will be easier to attract large investments and economic reforms, increase the volume of production, stimulate Iran's exports, increase trade exchanges, achieve the development goals and vision of Iran, and increase its overall GDP.

Membership in BRICS can improve and increase tourists from the main and new BRICS countries. Iran imports part of its basic food needs, and providing food security and strategic goods, easy supply of raw materials and grains, and reducing supply chain costs will be easier through BRICS.

In addition, Iran's official joining of the BRICS group increases Iran's position of economic power in Asia, the Middle East, and the world, the ability to influence important decisions and activities at the global level and to play a role in global trade and the international economy.

Also, BRICS can use Iran's internal economic capacities, such as cheap labor, rich natural resources of oil and gas, and the consumer market of 88 million people and its geopolitical position to strengthen itself.

Iran's BRICS Vision

BRICS is still not a complete institution, and there are some inconsistencies among the members. The efforts of the BRICS members, such as de-dollarization, do not mean confrontation with the West, and BRICS does not see itself in conflict with the existing world order. India does not have a confrontational approach with the West.

The membership of Iran to BRICS can have a unique importance for the bloc. But it will greatly benefit if Iran can sell large volumes of oil, increase its exports to BRICS, and reduce sanctions.

However, Tehran's future goal of joining BRICS is certainly more geo-economic and economic. It seems that Iran's membership can partially reduce the effect of sanctions against the country. Also, some BRICS members' potentials can have a positive impact on Iran's economy in the short and medium term on foreign direct investment, overcoming Iran's economic challenges, access to the prospects of programs, and increasing the national growth rate.

TURKIYE NEXT FOR BRICS?

With the Turkish President, Recep Erdogan, having recently met with Russian President Vladimir Putin in Sochi, most of the media commentary focused on the possibility of the currently suspended Black Sea grain agreement being reactivated. But this was not the only item on the agenda.

The Turkish President expressed interest in the BRICS group back in July 2018, when he surprised Turkiye's Western allies by attending a summit of BRICS, which took place at the time in Johannesburg. Since then, the space has been quiet, with no further Turkish officials being seen at BRICS events. However, this may mask real intent – the COVID pandemic disrupted global meetings while Erdogan himself had serious economic issues – and still does – to contend with back home. Then there has been the Ukraine conflict, while Erdogan also had to fight a tough Presidential election campaign last year, with him finally being re-elected in May 2023.

Nevertheless, a Turkish element to the BRICS potentially appears on the cards. A strong Islamic bloc within BRICS is beginning to emerge, with Egypt, Saudi Arabia and the UAE all taking up membership early in 2024. Erdogan will not want Turkiye left out of that influential group. Meanwhile, with Turkiye's economy needing export assistance and investment, he agreed a US$5 billion deposit into Turkiye's Central bank with Saudi Arabia in March, and undertook a mini-Middle Eastern fund-raising tour in July to seek capital financing for a variety of projects. It worked – he signed over US$50 billion worth of agreements with the UAE, and a further US$9.9 billion worth of investments with Qatar.

Erdogan therefore is on the lookout for financing – and access to the BRICS New Development Bank could well be on the agenda. Turkiye has also made it clear it wants to boost its exports – it introduced significant export promotional incentives for Turkish exporters earlier this year. With the new BRICS having considerable influence over their respective regional free trade agreements, Turkiye will be eying those as potential new development markets.

We can take a quick look at Turkiye's trade with each of the MENA and Eurasian BRICS countries as follows:

Turkiye – China

2022 bilateral trade reached US$38.55, up from US$31.6 billion in 2021. 85% of this trade is Chinese exports. China has pledged to increase Turkish imports and to allow import payments from China in Turkish lira.

Turkiye – Egypt

Bilateral trade reached US$7.7 billion in 2022, a 14% increase from the year before.

Turkiye – Ethiopia

Trade has remained at about the US$400 million level the past three years. 2/3 of this are Turkish exports.

Turkiye – India

Turkiye – India bilateral trade grew to US$10.71 billion in 2022 from US$7.08 billion in 2021.

Turkiye – Iran

Turkiye's bilateral trade with Iran rose 19% in 2022 to reach US$12.7 billion.

Turkiye – Russia

In 2022, trade between Turkiye and Russia reached US$62 billion, an increase from US$33 billion in 2021.

Turkiye – Saudi Arabia

Turkiye and Saudi Arabian bilateral trade reached US$3.76 billion in 2021. Significant increases on this are expected for the 2022 and 2023 figures due to the two countries signing mutual, hundred-million dollar investment and trade agreements.

Turkiye – United Arab Emirates

In 2022, Turkiye was the fastest-growing of the UAE's trading partners, with non-oil trade climbing 40% to US$18.9 billion. With the implementation of the mutual CEPA trade agreement, bilateral trade is expected to reach US$40 billion by 2027.

As can be seen, Turkiye's trade dynamics with the BRICS countries (with the sole exception of Ethiopia) is highly positive. It would appear to be a common sense trade and investment move to cement that by becoming an official BRICS member state – something that could be announced at next year's BRICS summit in Kazan. This would, as mentioned, also potentially free up investment capital into Turkiye via the BRICS New Development Bank – another much-needed boost for its economic and foreign investment needs.

The Iraq Development Road

Turkiye has also stepped into the regional infrastructure debate by suggesting the Iraq Development Road as an alternative route between India and Europe. This would be a multi-modal route from Western India via maritime routes along the Persian Gulf to Iraq's Grand Faw Port. This is already close to completion at a cost of US$17 billion. When fully operational it will be one of the largest ports in the world.

From Grand Faw it heads north via rail across Iraq and into Turkiye, crossing the country and exiting at Turkiye's maritime connectivity routes to Europe. The Turkish President Recep Erdogan, speaking almost immediately after September's G20 summit stated that "There can be no corridor without Turkiye" and that "the most appropriate route for trade from east to west must pass through Turkiye". These comments were echoed by Hakan Fidan, the Turkish Foreign Minister, who also stated that "experts had doubts that the primary goal of IMAC was rationality and efficiency and more geostrategic concerns" were involved, adding "A trade route does not only mean meeting trade alone. It's also a reflection of geostrategic competition."

The Iraq Development Road

There are other subtle pointers ahead concerning Turkiye's BRICS ambitions. With the 2024 BRICS summit being held in Kazan, the capital of Russia's Tatarstan republic, there are underlying implications. About 50% of Kazan's population are ethnically Turkic, with Tatarstan attracting about 25% of all Turkish investment into Russia. At that event, Putin will also be unveiling the new highspeed Moscow-Kazan railway – which travels at 400kph and reduces the travelling time between the cities from 12 to 3.5 hours. That was built in conjunction with Chinese investment and technologies. Food for thought.

SUMMARY

The implications of this expanding BRICS have very specific and wide-ranging implications for future global trade flows and cross-border investment. Detractors will point out that the BRICS is not an 'official' – meaning institutionalised – trade bloc, however at this stage of development, being more flexible means the BRICS can make agreements on a faster, consensual basis and sort out the institutional structures later. Indeed, this loose structure may well be quite deliberate, as it means the BRICS as a grouping is harder to pin down. In terms of dealing with the West, this is essentially a 'divide and conquer' strategy as there is no specific BRICS secretariat. It means that the BRICS as a group cannot be sanctioned.

This doesn't mean that the BRICS aren't putting into place institutional structures, because they are. The BRICS New Development Bank is an obvious example, but there are many others, with their roles specifically stated with the BRICS 2023 Summit Official Declaration.

What many have missed however is that all the BRICS countries – including the new BRICS six – possess significant trade influence within their own backyards. In terms of the MENA influential members, this can be stated as follows:

The MENA-BRICS Regional Trade Influences

EGYPT

Egypt is the second largest (after Saudi Arabia) member of the Greater Arab Free Trade Agreement (GAFTA), which also includes Algeria, Bahrain, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Sudan, Syria, Tunisia, UAE and Yemen. GAFTA's population is about 440 million, while its total GDP (PPP) is about US$7.9 trillion. GDP per capita (PPP) varies widely among member countries; but averages out at US$17,270.

ETHIOPIA

Ethiopia is the second-most populous country in Africa and its sixth largest economy. It is also a member of the Common Market For East & South Africa (COMESA), which also includes Burundi, Comoros, the DR Congo, Djibouti, Egypt, Eswatini, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Somalia, Sudan, Tunisia, Uganda, Zambia and Zimbabwe.

Ethiopia is also a member of the African Continental Free Trade Agreement (AfCFTA) which includes all African nations with the exception of Eritrea. This agreement is phasing in reductions on all intra-African trade on 95% of all products in various stages over the coming 12 years. This eliminates tariffs for pan-African sourcing.

COMESA's population is about 640 million, while its total GDP (PPP) is about USD918 billion. The average GDP per capita (PPP) varies amongst members but averages out at US$5,173.

IRAN

Iran is heavily sanctioned by the West and is not a member of any Middle Eastern free trade agreements. However, it does have an FTA with the Eurasian Economic Union, with the main trade beneficiary within this being Russia as well as Armenia, Belarus, Kazakhstan, and Kyrgyzstan.

However, Iran is the key connectivity hub in the International North-South Transportation Corridor (INSTC), which also includes signatories Azerbaijan, India, Russia and Turkmenistan. This hub also directly links to other routes to Europe (West), China (East), the Middle East and Africa (South). It is expected to come into full operational use in 2024, using multimodal rail and maritime connectivity.

As the INSTC is cheaper and faster than the Suez Canal routes this places Iran at the hub of East-West, North-South global trade routes.

Iran is also a member of the Shanghai Cooperation Organisation, and is improving its regional ties, especially with Saudi Arabia. Iran is a significant regional market and economy, with a population of 85 million, and a GDP (PPP) of US$1.692 trillion. Its GDP per capita (PPP) is US$19,548.

SAUDI ARABIA AND THE UAE

Both Saudi Arabia and the United Arab Emirates (UAE) are members of the GAFTA free trade bloc – along with Egypt (see above for details).

They are also both members of the Gulf Cooperation Council (GCC) which also includes Bahrain, Kuwait, Oman, and Qatar. The GCC has CEPA trade agreements with India, Israel, and Singapore and is negotiating with Australia, Chile, China, and the UK.

The GCC has a population of 56.4 million, a GDP (PPP) of US$3.2 trillion and a per capita GDP (PPP) of US$61,506.

The Remaining BRICS

ARGENTINA

Like neighbouring Brazil, Argentina is a full member of the Mercosur free trade bloc in South America. Mercosur also includes Paraguay and Uruguay (Venezuela is currently suspended) and associate members Bolivia, Chile, Colombia, Ecuador, Guyana, Peru, and Suriname.

Mercosur's population is 284 million, while its total GDP (PPP) is US$5.195 trillion. GDP per capita (PPP) is US$18,987.

BRAZIL

Brazil is a member of Mercosur with a combined GDP (PPP) of US$5.19 trillion.

RUSSIA

Russia is a member of the Commonwealth of Independent States (CIS) and Eurasian Economic Union (EAEU). These blocs also include Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan. Their collective GDP (PPP) is US$5.5 trillion.

INDIA

India is a member of the South Asian Association for Regional Cooperation (SAARC) and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation BIMSTEC. These blocs collectively include India in addition to Afghanistan, Bangladesh, Bhutan, Maldives, Myanmar, Nepal, Pakistan, Sri Lanka, and Thailand. Their collective GDP (PPP) is US$16.63 trillion.

CHINA

China is a member of the Regional Comprehensive Economic Partnership (RCEP) which also includes Australia, Brunei, Cambodia, Indonesia, Japan, South Korea, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, Thailand, and Vietnam. RCEP has a collective GDP (PPP) of US$49.5 trillion.

SOUTH AFRICA

South Africa is a member of the Southern African Customs Union (SACU) which also includes Botswana, Lesotho, Namibia, and Swaziland. It has a GDP (PPP) of about US$950 billion.

Conclusion

The main point about the expansion of BRICS is the trade and development potential that it brings. With the bloc about to be expanded to eleven members, this actually increases the overall geographic reach of the BRICS to 84 countries by dint of their respective additional free trade agreements with other countries.

In total, these 84 nations now represent a group with an overall combined GDP (PPP) in excess of US$92 trillion, of which China's RCEP grouping equates to slightly less than 50%.

If we deduct the pro-Western GDP of Australia, New Zealand, Japan, Singapore, and South Korea from the RCEP membership, this equates to an overall collective, neutrally political dynamic of a GDP (PPP) of some US$83.5 trillion that the BRICS countries have considerable trade influence over.

This compares with GDP (PPP) figures for the European Union at US$24.05 trillion and the United States with a GDP (PPP) of US$21.478 trillion, meaning that the real BRICS global trade influence in purchasing power parity (PPP) terms over the collective West is now nearly double – US$83.5 trillion against US$45.53 trillion – as a result of the new expansion.

Planning for future trade flows as a result should be based on these figures as a collective, rather than the overly simplistic BRICS-only data that most commentators have illustrated as a 'disparate' group of nations with limited commonality. The reality is somewhat different.

This special edition of Silk Road Briefing was written by Chris Devonshire-Ellis with additional input from Farzad Ramezani Bonesh and Emil Avdaliani.

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