

## Malaysia set to join BRICS

- **PM Anwar has announced that Malaysia will begin formal procedures to join the BRICS economic group. While insisting that Malaysia remains neutral in its economic relationships, he noted that BRICS could provide checks and balances globally.**
- **Malaysia's potential inclusion in BRICS could offer benefits such as enhanced trade, investment opportunities, and stronger strategic alliances. The move could also support Malaysia's efforts toward de-dollarisation and enhanced financial stability.**
- **However, it also presents challenges such as increased competition, domestic social and political opposition, and managing the perception of BRICS as an anti-West bloc.**

### Malaysia expresses interest in joining BRICS

Prime Minister Anwar Ibrahim has announced that Malaysia will soon begin formal procedures to join the economic grouping, BRICS (Brazil, Russia, India, China and South Africa), ahead of Chinese Premier Li Qiang's three-day visit to Malaysia to mark the 50<sup>th</sup> anniversary of bilateral ties. While insisting that Malaysia remains neutral in its economic relationships, the Malaysian PM said the BRICS group could provide checks and balances globally.

### Background of BRICS

Founded in 2009 as a cooperative platform for emerging economies, BRICS is an intergovernmental organisation originally comprising Brazil, Russia, India and China. South Africa joined in 2010, and Iran, Egypt, Ethiopia, and the UAE subsequently joined in Jan 2024. Initially recognised for its investment potential, BRICS has developed into a unified geopolitical bloc. Since 2009, member governments have met annually at formal summits to coordinate multilateral policies. Bilateral relations within BRICS are primarily based on principles of non-interference, equality, and mutual benefit.

The BRICS countries are widely considered as the leading geopolitical rival to the G7 group of major advanced economies, introducing competing initiatives like the New Development Bank, the BRICS Contingent Reserve Arrangement, BRICS Pay, the BRICS Joint Statistical Publication, and the BRICS basket reserve currency.

According to the latest statistics from the IMF, the total economic size of BRICS economies has reached USD27.2trn in 2023 (GDP at current prices), accounting for 26% share of the world GDP. Despite still trailing the G7 economies size of USD46.8trn (almost 45% share of global GDP), the gap is likely to shrink as major BRICS nations such as India continue to grow at above-average rates, and as the group likely welcomes even more members in the future. At least 14 more countries, including Thailand and Vietnam has applied to join the BRICS group. While there is no formal application process, an applicant country must receive the unanimous backing of all member states.

### Malaysia's Potential Inclusion in BRICS: Opportunities and Challenges

Malaysia's potential inclusion in the BRICS group presents numerous opportunities and challenges. These implications span economic, geopolitical, and domestic aspects.

#### Opportunities: -

**Trade diversification and improving market access.** Joining BRICS could significantly enhance Malaysia's trade diversification and market access. Increased trade with BRICS member countries would diversify Malaysia's trade portfolio, reducing dependency on traditional trading partners. This shift would open up new markets for Malaysian goods and services, particularly within the large consumer markets of China and India. Such access could boost Malaysia's exports, benefitting key sectors like electronics and electrical (E&E), palm oil, and oil & gas. By focusing on sectors where Malaysia has comparative advantages, such as electronics, palm oil, and tourism, the country could tap into BRICS markets more effectively. Strategic investments and policy support in these sectors could further drive economic growth, positioning Malaysia as a competitive player within the bloc.

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**Funding for development projects.** Participation in BRICS' development initiatives, such as the New Development Bank (NDB), could provide much-needed funding for infrastructure and development projects in Malaysia. This financial support would be instrumental in modernizing Malaysia's infrastructure and improving public services. By leveraging the resources and expertise of BRICS members, Malaysia could expedite its development agenda, ensuring sustainable and inclusive growth.

**Expediting technology transfer.** Enhanced collaboration with BRICS countries could lead to significant technology transfer, boosting innovation and productivity in Malaysia. Access to advanced technologies from countries like China and India could accelerate Malaysia's technological advancement, fostering a more innovative and competitive economy. This collaboration would not only enhance Malaysia's industrial capabilities but also contribute to the development of a skilled workforce adept in cutting-edge technologies.

**De-dollarisation and currency stability.** Joining BRICS could support Malaysia's efforts to reduce reliance on the US dollar in international trade and finance. This aligns with the broader BRICS agenda of promoting local currencies in trade among member countries. Cooperation on financial matters and currency swaps with BRICS could help stabilise the Ringgit, providing a buffer against global financial volatility and enhancing economic stability. Access to BRICS' alternative payment systems and financial networks could offer Malaysia more options for settling international transactions, reducing exposure to dollar volatility and sanctions risks. Enhanced financial integration with BRICS members could also lead to more robust financial markets and investment opportunities, benefiting Malaysia through increased capital flows and improved financial market infrastructure.

**Fostering closer relations and balancing global powers.** Joining BRICS would likely strengthen Malaysia's diplomatic ties with member countries, fostering closer political and economic relations with member countries. This would lead to increased bilateral cooperation in various fields, enhancing Malaysia's global partnerships. Moreover, aligning with BRICS could help Malaysia balance its relationships with major global powers, including the US and EU. This strategic alignment would provide Malaysia with more diplomatic leverage and strategic options. Membership could enhance Malaysia's influence in regional and global geopolitics, leveraging BRICS' collective strength. Consequently, Malaysia could play a more prominent role in shaping regional policies and initiatives, contributing to a more balanced and multipolar global order.

**Challenges: -**

Despite the potential benefits, Malaysia's inclusion in BRICS also presents several challenges such as heightened competition, domestic political and social opposition and the possibility of being perceived as anti-west.

**Economic competition.** Increased competition from BRICS countries, particularly in sectors where they have strong capabilities, would require Malaysia to enhance its competitiveness to maintain its market share. Managing trade balances with large economies like China and India could be challenging, necessitating careful economic planning to ensure fair and balanced trade relationships and avoid trade deficits.

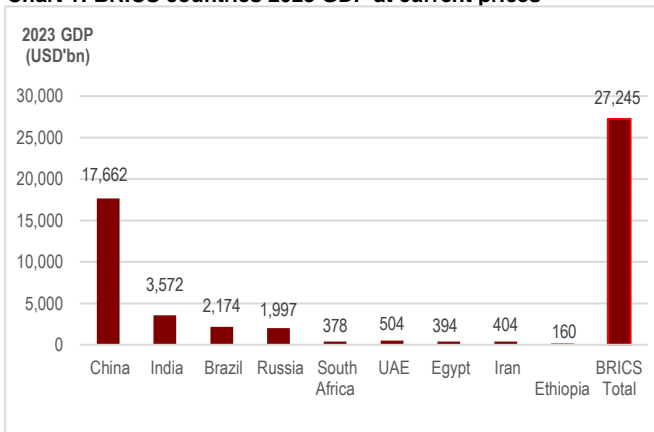
**Political and social dynamics.** Additionally, there may be potential domestic opposition to closer ties with certain BRICS members due to political differences or human rights concerns would need to be addressed through transparent and inclusive policymaking. The government would have to navigate the social implications of increased foreign influence and investments, ensuring that the benefits of BRICS membership are widely shared among the population to maintain social cohesion.

**Perception of anti-west.** Another significant challenge is the perception of BRICS as an anti-West or anti-US bloc. Aligning more closely with BRICS might lead to concerns about Malaysia's relationships with Western countries. This could impact Malaysia's diplomatic and economic ties with the US and EU, potentially leading to political and economic repercussions. Addressing these perceptions and maintaining a balanced foreign policy will be crucial for Malaysia to ensure it does not alienate key Western allies and trade partners.

## Conclusion

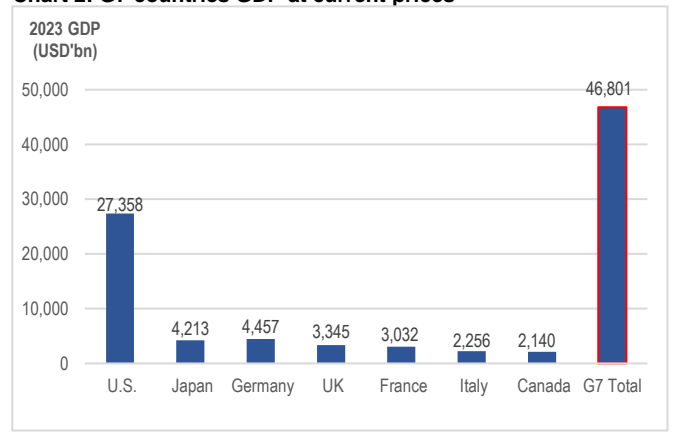
Malaysia's potential inclusion in BRICS could offer significant economic and geopolitical benefits, including enhanced trade, investment opportunities, and stronger strategic alliances. The move could also support Malaysia's efforts toward de-dollarization, enhancing financial stability and providing more autonomy in international transactions. However, it also presents challenges such as increased competition, domestic social and political opposition, and managing the perception of BRICS as an anti-West bloc. Careful consideration and strategic planning would be essential to maximise the potential advantages of BRICS membership while mitigating associated risks.

**Chart 1: BRICS countries 2023 GDP at current prices**



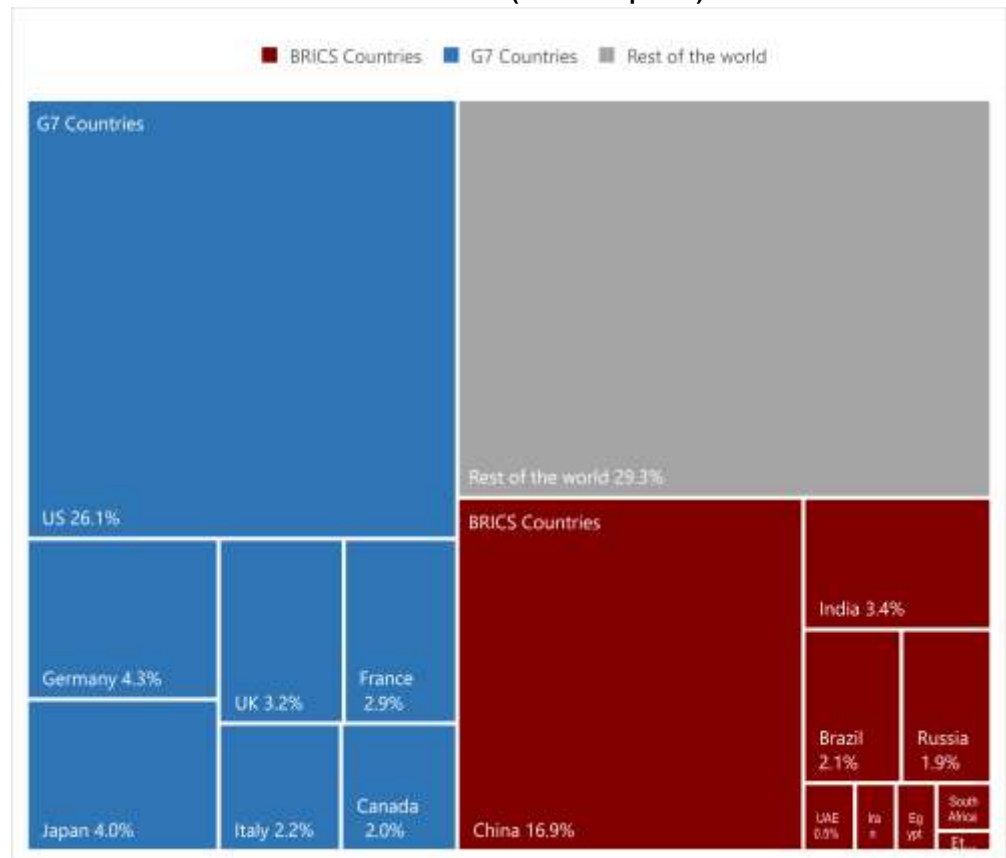
Source: IMF, CIMB Securities

**Chart 2: G7 countries GDP at current prices**



Source: IMF, CIMB Securities

**Chart 3: BRICS and G7's share of world GDP (at current prices)**



Source: IMF, CIMB Securities

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