Implications Of Brics Currency Formation On Indonesia's Economic Sovereignty

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Abstract.
The establishment of a BRICS currency by the alliance of Brazil, Russia, India, China, and South Africa aims to reduce reliance on the US dollar in international trade. This new currency is expected to enhance economic stability for BRICS member countries and mitigate exchange rate fluctuation risks. For Indonesia, an open economy highly dependent on international trade, the presence of a BRICS currency could impact national economic sovereignty. This study aims to analyze the potential effects of the BRICS currency on Indonesia's economic sovereignty, particularly in maintaining national economic stability amid changing global financial architecture. This research utilizes a qualitative approach with a descriptive case study to explore the implications of the BRICS currency on Indonesia's economic policy.

Keywords: *BRICS; Economic Sovereignty; BRICS Currency; Economic Stability and Economic Policy.*

I. INTRODUCTION

BRICS, which includes Brazil, Russia, India, China, and South Africa, is a grouping born out of the need to strengthen the position of developing countries in the global order. The alliance emerged as a response to inequalities in the world economic system, with the goal of creating a new balance through cooperation in international forums such as the UN and the G20. To support this vision, BRICS has established institutions such as the BRICS Development Bank and the Contingent Reserve Arrangement, which aims to strengthen infrastructure, scientific research, and educational exchanges between its member states.[1].

One of the strategic innovations currently being explored is the plan to develop a BRICS currency (Brazil, Russia, India, China, and South Africa). This initiative is considered to be able to reduce its members' dependence on the US dollar in international trade.[2]. The new currency is expected to increase economic stability for its member countries, as well as reduce the risk of exchange rate fluctuations caused by the dominance of the US dollar.[3]. For Indonesia, although not a member of BRICS, this development still has a significant impact. As a country with an open economy that is highly dependent on international trade and foreign investment, Indonesia must consider the potential impact of this new currency on its economic sovereignty.[4]. Economic sovereignty is a concept that refers to a country's ability to maintain its internal stability without being too dependent or influenced by the policies of other countries that have great power on the international stage.[5].

Indonesia, as a country with a dynamic and growing economy in the Southeast Asian region, is currently showing significant interest in joining the BRICS (Brazil, Russia, India, China, and South Africa) economic alliance. This is driven by Indonesia's free and active foreign policy, in which Indonesia seeks to strengthen its strategic role in global economic diplomacy without being tied to a particular power bloc. According to the Spokesperson for the Indonesian Ministry of Foreign Affairs, Roy Soemirat, Indonesia's desire to join BRICS is not just following a trend, but is the result of an in-depth study of the benefits and challenges that may arise from Indonesia's involvement in the organization.[6].

On the other hand, the potential for this implementation also poses various challenges, including the impact on monetary policy, exchange rate stability, and economic relations with countries that are not members of BRICS. For Indonesia, understanding the economic and political implications of using the BRICS currency is very important to map out strategic steps in maintaining economic sovereignty and national stability amidst changes in the global financial architecture. This study is expected to provide comprehensive insight into the potential impacts and challenges of the formation of the BRICS currency on Indonesia's economic sovereignty.[7].

I. RESEARCH METHODS

This study uses a qualitative approach with a descriptive case study type. According to Denzin and Lincoln, qualitative research is conducted in a natural context to understand the social phenomena that occur and to seek meaning from the perspective of those involved.[8]. This approach allows researchers to obtain descriptive data in the form of expressions or observations of behavior that reflect the views and in-depth interpretations of certain individuals or groups.[9].

Case studies are chosen because this type of research allows for intensive and in-depth analysis of specific phenomena that are the main focus of the research. As explained by Arikunto, a case study is an intensive approach to a particular problem to further understand the symptoms that appear.[10]. Basuki added that case studies can be used to study problems that have unique characteristics, using either a qualitative or quantitative approach, depending on the target of the study such as individuals, groups, or even the wider community.[11]. Stake argues that the main purpose of a case study is to gain a comprehensive understanding of the case being studied, not just to gain generalizations. The cases can vary in complexity and require flexible time according to the desired depth of analysis.[12].

In this study, a qualitative approach and case study method are used to explore the implications of the formation of BRICS currencies on Indonesia's economic sovereignty. With a descriptive focus, the data collected are analyzed in depth to provide comprehensive insights into the potential impacts on Indonesia's economic policies, both in terms of potential and challenges faced.

II. LITERATURE REVIEW

State Sovereignty in International Law

The term sovereignty was first introduced by Jean Bodin, a French thinker. In its original language, namely French, sovereignty is known as souveraineté, which means the source of legitimate authority for law. This sovereignty developed as a concept that arose in response to certain historical situations, especially the conflict between secular and religious powers.[13].

State sovereignty is a fundamental concept that forms the basis of the international legal system. Sovereignty is not only considered a basic norm that regulates the rights and obligations of states, but also the highest principle in international law, as reflected in the Charter of the United Nations (UN). State sovereignty includes three main aspects: external, internal, and territorial. Externally, a state has the right to determine relations with other states freely without intervention from external parties. Internally, a state holds the exclusive right to organize the structure of government, establish laws, and determine policies within its territory. The territorial aspect of sovereignty gives a state full rights over individuals and objects within its territory and the power to exercise exclusive jurisdiction in that territory.[14].

Furthermore, sovereignty in international law has evolved from the concept of absolute sovereignty to sovereignty as responsibility. This concept emphasizes that the state not only has supreme power, but also the responsibility to protect the rights and welfare of its citizens. This transformation is greatly influenced by the increasing attention to human rights in international law, which encourages states to comply with international norms in maintaining the human rights and security of their citizens.[15].

The opening of the 1945 Constitution, which states that the Indonesian state is "sovereign of the people," is also reinforced in the body of the Constitution which regulates the division of state power based on the principle of the rule of law. The sovereignty of the people contained in the 1945 Constitution is closely related to the concept of constitutional democracy, where government must be based on law and accountability to the people. In other words, every government action not only reflects the will of the people but is also subject to the rule of law. This journal also emphasizes that the principle of non-intervention maintains the sovereign rights of the state without ignoring the constitutional limitations that must be adhered to in running the government.[16]. From the explanation above, economic sovereignty can be interpreted as the right of a country to determine, regulate, and implement sovereign economic policies and in accordance with national interests without relying on economic decisions from other countries. Sovereignty includes the ability of a country to determine resource allocation, inflation control, job creation, and management of the domestic currency exchange rate. In the global system, sovereignty indicates the ability of a country to maintain its economic independence amidst various currents of globalization and trade liberalization that often dominate international economic policy.

1. **The Influence of Economic Sovereignty on Trade Policy**

Economic sovereignty plays an important role in determining a country's trade policy. According to Rusydiana, strong economic sovereignty allows a country to control its trade policy independently, without too much influence from outside parties. Countries with high economic sovereignty are able to implement protectionist policies, namely steps to protect the domestic market from foreign competition, such as through import tariffs and quotas.[17]. These steps aim to strengthen the resilience of domestic industry and maintain economic stability from adverse external impacts.

However, the era of globalization brings challenges to economic sovereignty. Globalization reduces trade boundaries between countries, resulting in an increasingly open global market. This often narrows the room for countries to determine their own trade policies, because countries are expected to follow the principles of free trade promoted by the World Trade Organization (WTO). As members of the WTO, countries are bound by international agreements that limit the implementation of protectionist policies.[18]. Although free trade can increase economic growth through wider market access, it can also reduce a country's economic independence in maintaining the stability of its domestic market.

In developing countries, the challenges of economic sovereignty are increasingly complex. These countries are often under pressure to liberalize trade as part of the global economic scenario. They are faced with the dilemma of adopting free trade policies to support economic growth or implementing protectionist policies to develop weak industries.[19]. Thus, it is important for developing countries to design trade policies that can protect their domestic industries, while still participating in the global market.

III. RESULTS AND DISCUSSION

As the BRICS alliance develops, the organization is becoming stronger as a global player with the aim of reducing the economic dominance of developed countries such as the United States and Western European countries. Since its inception, BRICS has played a significant role in supporting the global economy, especially during the economic crisis in Europe. In fact, BRICS has contributed greatly to maintaining economic stability through investments in the financial and production sectors in various European countries, which ultimately helped prevent a global economic depression.[20].

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For Indonesia, which is currently showing interest in joining BRICS, a common BRICS currency could have major implications. On the one hand, Indonesia could benefit from reducing dependence on the US dollar, which is often a source of risk to the stability of the rupiah exchange rate. By adopting a BRICS currency, Indonesia could gain access to a more efficient trading mechanism among BRICS members, which could improve economic stability and strengthen its bargaining position in global trade.[22].

However, there are challenges that need to be considered. As a developing country, Indonesia must consider the impact on monetary policy and the role of Bank Indonesia in maintaining exchange rate stability. The implementation of the BRICS common currency has the potential to affect interest rate policy and inflation control if not managed carefully. In addition, Indonesia's competitiveness in international trade can also be affected, especially in facing competition from BRICS countries that have greater economic capacity, such as China and India.[23].

In terms of sovereignty, the formation of the BRICS currency has the potential to both strengthen and test Indonesia's economic sovereignty in the context of the changing global financial architecture. Economic sovereignty refers to a country's ability to regulate and implement economic policies in accordance with its national interests without pressure or dominant influence from external forces. In this case, the global economic system centered on the US dollar has long placed many countries, including Indonesia, in dependence on the currency, which often has implications for domestic economic stability.[24] If the BRICS currencies do become a major instrument in international trade, Indonesia may have to adapt to the economic policies set by BRICS as an economic bloc. This means that Indonesia's monetary and fiscal policies may need to be adjusted to align with the principles or standards set by this bloc. This could limit Indonesia's freedom to set specific economic policies according to domestic situations, because it must consider the consensus among BRICS member countries, which consist of countries with different economic interests and priorities.[25].

Thus, joining this system has two sides for Indonesia's economic sovereignty. On the one hand, this step can strengthen independence from the influence of the US dollar, but on the other hand, there is a risk of reducing full control over economic policy, especially if BRICS policies begin to set standards or regulations that affect the economic policies of its members.

IV. CONCLUSION

The formation of the BRICS currency has significant implications for Indonesia's economic sovereignty. On the one hand, the presence of a common BRICS currency can be an alternative solution to reduce Indonesia's dependence on the US dollar, which has so far been a risk to the stability of the rupiah exchange rate. By joining Indonesia in the BRICS currency-based trading system, there is the potential to strengthen Indonesia's position in international trade, open up new economic opportunities, and strengthen domestic economic stability through wider access to BRICS member markets.

However, this step also brings major challenges to Indonesia's economic sovereignty. As a developing country, Indonesia needs to consider the potential impact of adjustments to monetary policy, interest rates, and inflation control that may be needed to adapt to common policies within the BRICS bloc. In addition, integration into the BRICS economic system could reduce Indonesia's freedom to set economic policies that are in accordance with domestic conditions. Reliance on consensus among BRICS member countries, which have diverse economic and political priorities, could be a challenge for Indonesia in maintaining full control over its national economic policy.

Thus, Indonesia's decision to support or join the use of BRICS currency must consider the balance between the benefits and risks involved. The benefits offered in the form of economic strengthening and reduced dependence on the US dollar must be carefully weighed against the potential reduction of economic policy control concerning national economic sovereignty.

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