Argentina Pulls Out of BRICS While Iran, Russia Abandon U.S. Dollar

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Argentina has formally declined an invitation to become a member of the BRICS group of nations, as per various news media outlets on Friday, December 29, quoting an official letter they have seen which was distributed to the leaders of Russia, China, India, Brazil, and South Africa. While new Argentinian President Javier Milei had hitherto opposed joining the alliance before being elected, the latest move signified a complete U-turn from the stance of his predecessor, Alberto Fernandez.

Fernandez had welcomed the invitation to join BRICS in August, maintaining that such a move would give the Latin American nation a "new scenario" for its development. Milei, who won the presidency in November, declared at that time that he would not "push for deals with communists because they don't respect the basic parameters of free trade, freedom, and democracy."

The media published one of Buenos Aires' letters on Friday that was apparently addressed to Brazilian President Luiz Inácio "Lula" da Silva. The letter said that the policy of the new Argentinian government would "differ in many cases from that of the previous government" and that some of its decisions, including "active participation in BRICS," would be "reviewed." None of the BRICS nations has officially verified receiving the letter so far.

Argentina's foreign minister Diana Mondino, who was Milei's senior economic advisor, also said that her government did not "see any advantage" in becoming a member of the group and would thus "not join BRICS."

The letter stated at the same time that Milei's government hopes to "intensify" bilateral relations with BRICS members, especially in the sectors of trade and investments. Formerly, the president said that, while he was not going to "align with the communists," his government would still not prevent the Argentinian private sector from doing business with "whoever it wants."

The South American nation is presently grappling with its worst economic crisis in decades. Inflation has skyrocketed 160 percent over the past year alone. The gravely devalued peso compelled the country to refinance its $44-billion debt with the IMF. Besides, Milei's government is also encountering widespread protests over its radical deregulation and austerity-based reform program.

In total, more than 40 countries have so far expressed interest in joining BRICS, according to present group chair South Africa. Saudi Arabia, the UAE, Egypt, Iran, and Ethiopia joined BRICS on January 1, doubling the alliance's membership to 10, with Brazil, Russia, India, China, and South Africa as the original members.

Russia is poised to hold the presidency of BRICS in 2024. The nation's priorities during its chairmanship would include further enlargement of the "circle of BRICS friends" to include Latin American countries, as well as a rise in trade settlements using national currencies, Russian Deputy Foreign Minister Sergey Ryabkov said in October.

Iran and Russia have officially ditched the U.S. dollar for mutual settlements after the countries finalized an agreement to trade in the ruble and the rial, Iranian news agency IRNA reported recently. The agreement was inked during a meeting in Russia between the heads of the central banks of the two countries, the outlet added.

"The establishment of new financial and banking platforms has opened a 'new chapter' in relations between Iran and Russia," IRNA reported, quoting the Iranian central bank. The arrangement permits banks and entrepreneurs to use alternative financial and banking platforms, such as non-SWIFT money-messaging systems, and also entails the establishment of bilateral brokerage relations in national currencies.

Iran and Russia, both under U.S. sanctions, first declared plans to use their respective national currencies rather than the greenback in mutual trade in July 2022. Earlier, members of the Russia-led Eurasian Economic Union (EEU) signed a full-fledged free trade agreement with Iran.

In July, Iranian President Ebrahim Raisi urged for the dollar to be ditched in global trade, saying that the U.S. currency has been employed as an instrument of Western hegemony.

Over the past year, Moscow and Tehran have drastically increased economic cooperation in the face of Western economic sanctions. Bilateral trade turnover has nearly tripled from $1.6 billion in 2019 to $4.6 billion in 2022, according to official data.

The U.S. dollar's share of global central bank reserves has continued to drop, plummeting to 59.2 percent in the third quarter of 2023, as per recent data disclosed by the IMF. The decline comes amid rising de-dollarization trends worldwide.

IMF statistics reveal that the dollar's share fell from roughly 70 percent in 2000. The dollar remains the world's leading reserve currency, with the euro coming second at 19.6 percent. The Japanese yen's proportion of world reserves increased to 5.5 percent from 5.3 percent in the previous three-month period. The Chinese yuan, British pound, Canadian dollar, and Swiss franc had little changes in their respective shares.

Meanwhile, based on data compiled by global financial messaging service SWIFT, the yuan's share of international payments attained a record high in November, with the renminbi becoming the fourth most used currency globally. Cross-border yuan lending has increased as well, while the People's Bank of China holds over 30 bilateral currency swaps with foreign central banks, including Saudi Arabia and Argentina.

The rising share of the yuan in cross-border transactions reflects China's trend of pivoting away from the dollar, as well as Beijing's attempts to promote the use of the renminbi, SWIFT declared.

Notably, the global trend toward using national currencies in trade rather than the U.S. dollar started to gain steam last year, after Ukraine-related sanctions exclude Russia from the Western financial system. Besides, Kyiv's Western backers also froze Russia's foreign reserves. The European Bank for

Reconstruction and Development (EBRD) cautioned that Russia's rising trade in the Chinese yuan as a response to Western sanctions could potentially undermine the strength of the U.S. dollar. Economists have also pointed out that Western trade restrictions have led to rising usage of the Chinese yuan globally at the expense of the greenback.

Global consumers and exporters of crude are presently managing without dollar-denominated trade deals, the *Wall Street Journal* also reported, citing the head of global commodities strategy at JPMorgan Chase, Natasha Kaneva.

The report came a day after Iran and Russia, two of the world's leading oil exporters, divulged that they have finalized an agreement to trade in their national currencies instead of the U.S. dollar.

"The US dollar is getting some competition in commodities markets," Kaneva told the *Journal*, emphasizing that the share of the world's oil traded in other currencies has increased to nearly 20 percent.