

MEA plans to rope in Indian missions to hard sell rupee-denominated trade

Focus is on neighbouring countries, nations with foreign exchange shortage

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To persuade trading partners to consider bilateral trade with India in rupees following the RBI's decision last month to allow such a mechanism, the Ministry of External Affairs is planning to write to its embassies and missions abroad.

The Ministry will explain in detail how the system works, so that our ambassadors and envoys, too, can help spread the word effectively, a person tracking the matter has said.

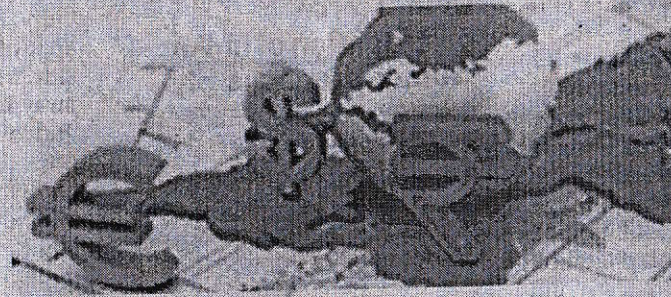
Apart from Russia and Iran, which would gain from rupee-denominated trade as it helps them get past economic sanctions imposed by the West, India's focus in the beginning is likely to be on getting on board

neighbouring countries and those with foreign exchange problems including African nations, the source added.

"At present, the problem is that not many have understood how the mechanism of trade settlement in rupee will work. We will have to write to our embassies, and explain to our ambassadors how the mechanism actually operates. Then bilaterally we have to talk to countries and tell them that this is a good opportunity for both sides," the source told *BusinessLine*.

RBI guidelines

Per RBI guidelines, for settlement of trade transactions with any country, the authorised dealer banks in India may



open special rupee vostro accounts of correspondent banks of the partner trading country. Indian importers are to make the payment in rupees which will be credited into the special vostro account of the correspondent bank of the partner country, against the invoices for the supply of goods or services from the overseas seller.

"The mechanism is actually simple with no problem of fixing exchange rates as it would be market determined. Once

our embassy officials understand the nitty-gritties, they can help officials in other countries understand its merits," the source added.

Focus areas

Neighbouring countries such as Sri Lanka, Nepal and Bhutan could be India's priority for rupee-denominated trade as the country has a substantial economic and diplomatic influence in the region, the source said.

Focus is also likely to be on

countries with forex shortage including several African nations, and when India decides to give them lines of credit, loans can be raised for them in rupee instead of dollars, the source explained. It would also serve India's interest to get countries that have a trade surplus with India to engage in rupee-denominated trade as India could then save on its foreign exchange substantially and the excess currency (rupee) that the partner country holds could be invested in India.

"Rupee settlement of international trade has to be planned strategically. All concerned Ministries and Departments, including financial services, economic affairs, commerce, agriculture and petroleum, will hopefully work on it together," the source added.