

# India, Russia suspend talks to settle trade in ₹

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REUTERS

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India and Russia have suspended efforts to settle bilateral trade in rupees, after months of negotiations failed to convince Moscow to keep rupees in its coffers, two government officials and a source with direct knowledge of the matter said.

This would be a major setback for Indian importers of cheap oil and coal from Russia who were awaiting a permanent rupee payment mechanism to help lower currency conversion costs.

With a high trade gap in favour

of Russia, Moscow believes it will end up with an annual rupee surplus of over \$40 billion if such a mechanism is worked out and feels rupee accumulation is 'not desirable', a government official, who did not want to be named, told *Reuters*.

The finance ministry, the Reserve Bank of India and Russian authorities did not immediately respond to requests for comment.

The rupee is not fully convert-

ible. India's share of global exports of goods also is just about 2 per cent and these factors reduce the necessity for other countries to hold rupees.

India started exploring a rupee settlement mechanism with Russia soon the invasion of Ukraine in February last year, but there has been no reported

deal done in rupees. Most trade is in dollars but an increasing amount is being carried out in other currencies like the UAE dirham.

The two sides have spoken about facilitating trade in local currencies but the guidelines were not formalised.

Russia is not comfortable holding rupees and wants to be paid in Chinese yuan or other currencies, a second Indian government official involved in the discussions said.

"We don't want to push rupee settlement any more, that mechanism is just not working. India has tried everything we could to try and make this work but it hasn't helped," a third source who is directly aware of the developments said.

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