

Africa to Latin America, trade in local currencies on cards

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Mumbai, 20 July

Indian authorities are in talks with several nations in Africa and Latin America to settle bilateral trade in the respective local currencies similar to the one signed with the United Arab Emirates (UAE) last week.

Indonesia, Egypt and Argentina are some of the countries where discussions were held to settle bilateral trade in local currencies, sources said.

Talks were held at the central bank level first to understand how the system will work and governments also had discussions on the issue, according to sources with direct knowledge of the discussion.

“The Indian government has been very proactive,” said a source, adding that the aim is to reduce dollar dependence.

Sources said talks were held with Malaysia as well for settling bilateral trade in the Indian rupee and Malaysian ringgit. Talks were also in the advanced stages to settle trade in Indonesian rupiah and the Indian rupee, sources said.

Indonesia is India’s largest trading partner in the Association of Southeast Asian Nations (Asean) region.

Major exported items from India to Indonesia include mineral fuels, mineral oils and products; bituminous substances, among others.

Among Latin American countries, such discussions were held with Argentina. The India-Argentina bilateral trade registered a peak of \$6.4 billion in 2022, a growth rate of 12 per cent in 2021, with exports accounting for \$1.84 billion, and imports to the tune of \$4.55 billion.

Major items of India’s exports to Argentina include petroleum oils, agro chemicals, organic chemicals, bulk drugs



ILLUSTRATION: BINAY SINHA

and two-wheelers.

Major items of India’s imports from Argentina include vegetable oils (soya

EASE OF TRADE

■ Discussions held with Egypt and Argentina to settle bilateral trade in local currencies

■ Talks held with Malaysia for settling bilateral trade in rupee and ringgit

■ Deliberations are in advanced stages to settle trade in Indonesian rupiah and rupee

■ Last week, the RBI and the Central Bank of UAE signed MoUs for a framework to settle trade in local currencies

bean and sunflower), finished leather, cereals, residual chemicals and allied products and pulses.

India’s exports to Egypt was \$4.11 billion in the last financial year, while its imports stood at \$1.95 billion.

During Prime Minister Narendra Modi’s visit to Egypt last month, both countries planned to increase bilateral trade to \$12 billion over the next five years.

On Saturday, the Reserve Bank of India (RBI) and the Central Bank of UAE (CBUAE) signed two Memoranda of Understanding (MoUs) in Abu Dhabi to establish a framework to settle bilateral trade in respective local currencies, and interlinking payments and messaging systems.

“This will boost the trade between the two countries, it will be cost effective and the settlement will be much faster,” RBI governor Shaktikanta Das said, after signing the pact with his UAE counterpart.

It covers all current account

transactions and permitted capital account transactions.

The India-UAE Comprehensive Economic Partnership Agreement (CEPA) came into effect on May 1, 2022.

In the year since the agreement came into force (between May 2022 and April 2023), the bilateral trade in goods between the two countries increased to \$82.6 billion from \$75.2 billion in the corresponding period a year ago.

Exports to the UAE grew by 6.5 per cent during this period, as against India’s overall merchandise export growth of 3.5 per cent.

Imports from the UAE, however, grew by 12.2 per cent, lower than India’s overall merchandise import growth of 13 per cent.

After the Russian invasion of Ukraine last year and the resultant sanctions on Moscow, many countries felt the need to reduce the dependence on dollars.