

# Early decision on alternative payment mechanism for India-Iran trade unlikely

Tehran keen to trade in local currency to evade US sanctions, but New Delhi yet to decide on sourcing oil, say sources

**AMITI SEN**

New Delhi, July 21

India is not in a hurry to take a decision on resuming normal bilateral trade with Iran, despite the US sanction-hit nation's interest in reviving the rupee-rial payment mechanism or exploring the rupee payment option, as such mechanisms would be workable only when trade in oil re-starts, a person tracking the matter has said.

"India would be interested in resuming exports to Iran but it is difficult to take a call on reviving the rupee-rial payment mechanism or start trading in rupee as such mechanisms would be workable only if India also imports from Iran. Since the major item of import from Iran is oil, India may want to wait and watch whether Iran and the US can work out some

solution to the oil sanctions," the source said.

Iranian Foreign Minister Hossein Amir-Abdollahian, during his India-visit last month, had said at an industry interaction that both countries had surveyed the possibility of trade in local currency, including rupee, or otherwise barter. He also said there were existing mechanisms within the framework of international law which can help in reviving banking and financial interaction that his country had implemented with a number of countries.

India and Iran used the rupee-rial payment mechanism to trade in oil and other goods to avoid banking sanctions after the US, under former President Donald Trump, withdrew from the Joint Comprehensive Plan of Action, also known as the



'Iran nuclear deal', reached between Iran and the five permanent members of the UN Security Council in 2015.

The rupee-rial payment mechanism worked well for both countries. Iran was India's third largest crude supplier in 2018-19 accounting for 23.9 million tonnes of crude. But once the Trump regime banned oil trade with Iran in mid-2019, India's oil imports from the country stopped completely. Overall bilateral trade was also hit as the rupee balance in Iran's accounts in Indian banks ran low and the country could not import from India. India-Iran bilateral trade in 2021-22 fell to about \$1.9 billion, compared to \$17 bil-

lion in 2018-19, according to government figures.

## **In wait and watch mode**

"When the Biden-regime in the US started talking to Iran on reviving the Iranian nuclear deal earlier this year, there was hope that the sanctions on oil may be lifted. But the talks have not progressed well. So, India would prefer to wait and watch the situation," the source said.

As India is already sourcing oil from Russia, which is being offered at a discount, it may not be keen to immediately try and evade the US oil sanctions against Iran. "Western nations have not been too happy about India's oil purchase from Russia due to its on-going war with Ukraine. However, India has been able to handle the matter well at the diplomatic level. It may not want to disturb the peace by purchasing oil from Iran as well before Tehran reaches an understanding with Washington," the source said.