

Boost for local currency trade

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THE COMING YEAR may see something concrete emerging on the trade settlement in local currencies among the members of the BRICS grouping, a senior official said Wednesday.

"Keeping in view the global economic situation and the debt crisis many countries are facing, many leaders have expressed interest in both settlement of trade in national currencies and payment mechanisms," secretary (economic relations) in the Ministry of External Affairs Dammu Ravi said at a briefing after the conclusion of 16th Brics summit at Kazan in Russia. "This is the area in which the Department of Economic Affairs, Ministry of Finance is leading. They need to have more expert-level interactions to concretise this activity among BRICS countries. It might happen in the year to come," he added.

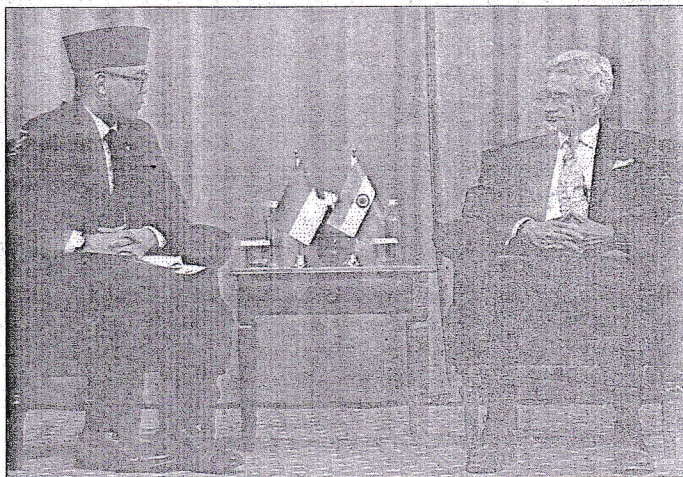
India took the first step towards enabling trade settlement in local currency when the RBI in July 2022 had permitted the invoicing and payment of international trade transactions in rupee. Around 20 authorised dealer (AD) banks in India have been permitted to open 92 special rupee vostro accounts of partner banks from over 22 countries to facilitate this trade.

"We encourage strengthening of correspondent banking networks within BRICS and enabling settle-

ments in local currencies in line with BRICS Cross-Border Payments Initiative (BCBPI), which is voluntary and non-binding, and look forward to further discussions in this area, including in the BRICS Payment Task Force," the Kazan declaration issued after the summit said. "Trade in local currencies and smooth cross-border payments will strengthen our economic cooperation," PM Modi said in his address at the summit.

Apart from local currencies trade, the BRICS leaders also had discussions on cross-border payment mechanisms, linking financial markets infrastructure, e-commerce and exchange of best practices on managing SEZs. "We recognise the widespread benefits of faster, low cost, more efficient, transparent, safe and inclusive cross-border payment instruments built upon the principle of minimising trade barriers and non-discriminatory access," the declaration said. The alternatives to the international payment system, Swift (Society for Worldwide Interbank Financial Telecommunication), has been explored since Russian banks were logged out of it after the conflict with Ukraine had started.

The members of the BRICS also agreed to explore the feasibility of connecting member countries' financial markets infrastructures. The members will discuss and study the feasibility of establishing an independent cross-border settlement and depositary infrastructure, BRICS Clear.



External affairs minister S Jaishankar meets Indonesia's foreign minister Sugiono, on the sidelines of the BRICS Summit, in Kazan on Wednesday

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