

India to incentivise rupee-settled exports to boost Russia trade

REUTERS

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India may give incentives to exporters settling trades using rupees to boost the acceptability of the currency and increase the sales of goods to Russia, which has fallen because of western sanctions, according to government and industry sources.

The move is designed to boost Russian trade after the Reserve Bank of India put in place a mechanism for international trade settlements using the rupee last month.

Indian companies are already swapping out the dollar and euro for Asian currencies to settle trades to avoid Western sanctions imposed on

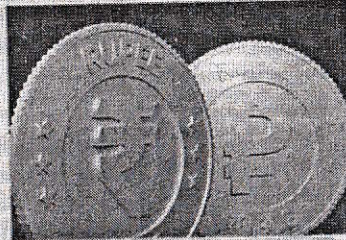
Russia after their invasion of Ukraine.

The most likely incentive that will be granted would apply a current programme for trades using fully convertible currencies such as the dollar and the euro to the rupee, which is only partially convertible, according to the three sources.

Rebates to goods

Under the existing programme, Indian exporters receive rebates on a portion of the taxes and customs duties accumulated during the entire process of manufacturing a good.

The new incentive would apply those rebates to goods ex-



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ported using the rupee as a currency, the sources said.

"The Department of Commerce is working with the central bank and the revenue department to ensure facilitation of rupee-related transactions as foreign exchange real-

isation in accordance with RBI's notification last month," said one of the sources, a senior government official who did not want to be identified as the discussions are private.

"Steps will be taken to extend foreign trade policy benefits for such realisation," he added.

Commerce Ministry, Finance Ministry and the RBI did not immediately respond to requests seeking comment on the incentives.

Guidelines soon

So far bankers and traders have not increased their use of the rupee for settlements as they are awaiting more details from

the central bank and the government on the incentives to use the rupee, the sources said. Guidelines are expected "soon" and will help boost trade with Russia, the sources said.

Another one of the sources, also a government official, said India is aiming to add trade worth \$6-7 billion with Russia in the next two months.

India's imports from Russia, mainly crude oil, increased five times to more than \$15 billion from February 24, when Russia invaded Ukraine and the end of July, compared to the previous year, Reuters reported earlier this month.

However, exports fell to \$852.22 million from \$1.34 billion in the same period.