

'INDIA SAID TO EYE RUPEE TRADE TO OFFSET SANCTIONS ON RUSSIA'

Relevant for: International Relations | Topic: Effect of policies and politics of developed & developing countries on India's interests

Bypass route: India had engaged in rupee trade with Iran after the latter came under Western sanctions. VELANKANNI RAJ BVELANKANNI RAJ B | Photo Credit: VELANKANNI RAJ B

India is exploring ways to set up a rupee payment mechanism for trade with Russia to soften the blow on New Delhi of Western sanctions imposed on Russia after its invasion of Ukraine, government and banking sources said. Indian officials are concerned that vital supplies of fertilizer from Russia could be disrupted as sanctions intensify, threatening India's vast farm sector.

India has called for an end to violence in Ukraine but refrained from outright condemnation of Russia, with which it has long-standing political and security ties.

Russia invaded Ukraine by land, air and sea on Thursday. Russian forces pressed their advance on Friday and Ukrainian President Volodymyr Zelenskiy pleaded with the international community to do more, saying sanctions announced so far were not enough.

India's plan is to get Russian banks and companies to open accounts with a few state-run banks in India for trade settlement, a banking source involved in the discussions said.

If the conflict escalates and sanctions intensify, India would not be able to settle transactions in dollars and "so an arrangement has been proposed to set up a rupee account, which is being considered," the source said.

Funds in such accounts act as a guarantee of payment for trade. Such mechanisms are often used by countries to shield themselves from the blow of sanctions. India had also used it with Iran after it came under Western sanctions for its nuclear weapons programme, the source added.

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