GS-2 - I.R

2. To make rupee tradeable, India needs a group of nations with whom it runs surpluses & deficits. Explain.

International Monetary Fund - data on global foreign exchange resources - 60% of dollars, 18-20% of euro, 5% of yen and pounds, 3% of yuan & others.

Domestic currency Arrangement.

with the Ukraine war, → sanctions on Russia and oil cap on trade with russia, countries are switching to Domestic currency trade.

India is no exception to it. India started Rupee - Rouble arrangement with Russia.

Rupee - Rouble arrangement

India to import from Russia with Rupee payment and Russia to receive the ~~export~~ rupee and convert it to roubles.

Issues.

when India pays more Rupee for more imports, since Rupee is a soft currency, Russia finds it's difficult to pay for goods to other countries

2. How to solve this

India - focusing on Internationalisation of rupee.

Consideration of bloc

India can focus on finding blocs with which it finds surplus/ deficit.

Eg: 1. ~~Surplus~~ Deficit trade countries eg: ~~Australia~~ Australia. India can consider rupee based settlement, as there will not be any issue of excess ~~do~~ rupee.

2 ~~Deficit~~ Surplus as eg: Bangladesh - India if trade in Rupee will lose out excess dollars.

Most favourable

India within trade deficit bloch search for oil Exporting countries eg: Gulf corporation council For Rupee arrangement for trading in rupee within the group.

India can follow mixed approach by identifying countries - deficit/ surplus as prerequisite for Internationalisation of rupees & also save forex reserves