SHANKAR IAS

18-July-2023

DATE

Q. India and UAE have signed a pact to establish a framework to promote the use of Rs and AED for cross border transactions. Explain its implication (10 marks).

India and UAE pact :-

Both the countries are going to do transaction within their own currency.

This agreement will be applicable to both export and import.

In this agreement, all current Account transaction and few permitted capital A/C transactions are allowed.

Implications :-

1. The major benefit to India will be internationalizing of Rupees.

2. It will optimise transaction cost.

3. Will reduce the dependency on Dollar, as countries are transacting within their own currencies.

4. Hedge the global currency exchange risk. As countries can make the payments at their own currencies.

5. It will increase the investment in Indian market. Hence enhacing ease of doing business.

6. Further this agreement will develop the

Rupees - Dirham foreign exchange market.

So the overall implication of this India and UAE agreement will be a win-win situation for both the countries.
Hence, Indian Rupees can make its hegemony in the present market. and revaluing the Indian and other currencies also.