

Chairman's Pen

My dear fellow exporters,

A major problem that is affecting members of the Council relates to the disruption in realising payments from Iran. India's imports from Iran is around to US\$ 12 billion while India's export goods worth US\$ 2 billion. Thanks to US sanctions on Iranian banks, it was already very difficult for Indian companies to trade with Iran. The Reserve Bank of India had provided the ACU mechanism through which the Indian companies could realise payments for some time now. However, at the end of December 2010, the Reserve Bank of India stopped this route as well as a result of which many of our member exporters are facing considerable problems in realizing payments from their Iranian buyers. Our member companies belonging to small, medium as well as the large scale are facing tremendous problems as their payments are stuck at various stages of the financial system. In many cases this is despite having followed the UCP 600 guidelines. Further, this also affected India's ability to settle its debt due to the imports it was making from Iran.

As per media reports, India in February 2011, had begun clearing its past dues to Iran by making Euro payment through a German based Bank. But this German based Bank, which is owned by Iran, is a banned entity in the US and Washington used its influence on Germany to stop payments through this route. Media reports also indicates that India is exploring paying for crude oil bills from Iran in Rupees after the US forced Germany to stop routing payment through this German based Iranian owned bank.

Iran is an important market for India and we can increase our exports from US\$ 2 billion currently to US\$ 3 - US\$ 4 billion in the next two years provided this payment problem can be resolved. In fact, it is because of this kind of attitude of certain countries, among others, that many experts are of the view that the time has come for developing an alternative reserve currency to the USD or the Euro. Indeed, with India's share in world trade increasing, may be, there could be by the next decade or so, a time when the Indian Rupee itself could be acceptable to some of our trading partners, if not all!

Yours sincerely,


(AMAN CHADHA)