

Rupee trade can boost competitiveness of Indian products in trade with Myanmar: FICCI Survey

NEW DELHI, May 25, 2012. The competitiveness of India's trade with Myanmar can be significantly enhanced if India adopts a strategy whereby Myanmar accepts payment for all its exports to India in Indian rupees and the export earnings can be used to make payments for goods and services imported from India, as is the practice being followed in trade between India and Nepal and India and Bhutan, according to a **FICCI survey**.

Myanmar is a member of the Asian Clearing Union (ACU) and settlement of current account transactions including trade transactions are done through ACU mechanism.

In the wake of certain international developments, it was decided by the Reserve Bank of India in 2004 to allow trade transactions with Myanmar to be settled in any freely convertible currency in addition to the ACU mechanism. Subsequently, the position underwent a further change whereby ACU mechanism cannot be used for trade with Myanmar in ACU Dollar.

Currently, border trade between India and Myanmar is done through local currencies, which is an informal arrangement. For trade transactions Letter of Credit facilities, third country currencies like Euro, Singapore dollar are required which increase transaction costs, thereby making Indian exports lose their competitive edge.

The **FICCI survey on Indian companies doing business with Myanmar** have highlighted various steps the Government could initiate to maintain and enhance the competitiveness of the Indian products in Myanmar. These include:

- Acceptance by Myanmar for all its payment in Indian rupees (INR) for all exports to India. The accumulated INR fund can then be used by Myanmar for making payments for import of goods and services from India
- Opening of US\$ account by an Indian Bank in a bank in Singapore or Hong Kong and opening of US\$ account by a Myanmar based bank in an Indian Bank in India for settlement of trade transactions till such time as the ACU mechanism for US dollars resumes
- Need to allow Teller Transfer (TT) reimbursement. At present this needs special approval
- Transparency and proper coordination with Myanmar Foreign Trade Bank and tie-ups with more banks
- Setting up of a helpdesk to facilitate banking transactions
- Published document on Do's & Don't for businesses

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