

India and Malaysia to trade in Indian rupees

April 4, 2023

In news– Recently, India and Malaysia have agreed to settle trade-related payments in Indian rupees.

Key updates-

- Trade between India and Malaysia can now be settled in Indian Rupee (INR) in addition to the current modes of settlement in other currencies,
- **India International Bank of Malaysia (IIBM), based in Kuala Lumpur, has operationalised this mechanism by opening a special Rupee Vostro account** through its corresponding bank in India that is Union Bank of India.
- Vostro accounts are used to make payments in domestic currency.
- **The Union Bank of India in a statement said that it has become the first bank in India to operationalise this option** by opening a Special Rupee Vostro Account through its “corresponding bank” in Malaysia – India International Bank of Malaysia.
- **In March 2023, banks from eighteen countries were allowed by the Reserve Bank of India (RBI) to open Special Rupee Vostro Accounts (SRVAs) to settle payments in Indian rupees.** Malaysia was one of the eighteen countries.
- **The 18 countries are:** Fiji, Germany, Guyana, Israel, Kenya, Malaysia, Mauritius, Myanmar, New Zealand, Oman, Russia, Seychelles, Singapore, Botswana, Sri Lanka, Tanzania, Uganda, and the United Kingdom.
- The move follows the decision by the Reserve Bank of India in July 2022 to allow settlement of international trade in Indian currency.
- RBI’s initiative is aimed at facilitating the growth of

trade and supporting the interests of the global trading community in the Indian rupee.

India and Malaysia trade relations-

- With strengthening bilateral economic and commercial relations, **Malaysia has emerged as 13th largest trading partner for India while India figures among the ten largest trading partners for Malaysia** which is also our 3rd largest trading partner in ASEAN.
- A bilateral Comprehensive Economic Cooperation Agreement (CECA) covering goods, services and investment has come into effect from 1 July 2011.
- **India's major export items to Malaysia are** mineral fuels, mineral oils; aluminum and articles thereof, meat and edible meat offal, iron and steel, copper and articles thereof, organic chemicals, nuclear reactors, boilers, machinery and mechanical appliances; electrical machinery and equipment; etc.
- **India's major import items from Malaysia are** palm oil, mineral fuels, mineral oils, electrical machinery and equipment; animal or vegetable fats and oils and their cleavage products; nuclear reactors, boilers, machinery and mechanical appliances; copper and articles thereof, wood; wood charcoal, aluminum, organic chemicals, iron and steel and miscellaneous chemical products.
- **The first Indian joint venture, Godrej commenced operations in 1968**, and in the seventies and early eighties, Malaysia hosted the largest number of Indian joint ventures in any country.
- **Malaysia ranks as the 26th largest investor in India** with FDI inflow of US\$ 1.12 billion during the period April 2000 to September 2021.
- **The highest joint ventures and 3 Indian Public Sector Undertakings** operating in investment proposals have been in the telecommunications, Malaysia.
- Their areas of operation are manufacture of textiles and

yarn, followed by fuels (power and oil refinery), roads and highways.

- India-Malaysia bilateral trade touched \$19.4 billion during 2021-22.
- Malaysia is the third largest trading partner of India in the ASEAN region, after Singapore and Indonesia that account for \$30.1 billion and \$26.1 billion bilateral trade with India respectively.