



CURRENT AFFAIRS



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LAUNDROMAT COUNTRIES

This article covers "Daily Current Affairs" and the topic details "Laundromat Countries". The topic "Laundromat Countries" has relevance in the International Relations section for the UPSC CSE exam.

Relevance of the topic "Laundromat Countries"

For Prelims:

What are Laundromat Countries?

For Mains:

GS 2: International Relations

What is the background of buying oil from Russia?

What is the role of India in facilitating the purchase of Russian oil and selling it to the European countries?

Why in the news?

According to a recent report released by Helsinki-based Centre for Research on Energy and Clean Air (CREA), India leads 'Laundromat' countries in buying Russian crude and selling oil products to Europe.

What are Laundromat Countries?

Laundromat countries are a group of countries that purchase Russian oil and 'launder' the products to countries that have sanctioned Russia.

The 'laundromat countries' are China, India, Turkey, the UAE, and Singapore.

What is the issue of laundering oil?

The report suggests that Russia is selling oil at discounted prices to attract buyers and that certain countries involved in the money laundering scheme are importing Russian crude oil and refining it into larger volumes of refined products.

These refined products are then exported to countries that have imposed sanctions on Russia, resulting in a 26% increase in refined oil products exported to these countries in the year following the invasion, compared to the previous 12 months.

What are the implications of such an exercise?

The undermining of the sanctions: Although this method of exporting oil products may be legal, it enables Russia to generate revenue for Putin's war chest. By changing the origin of the product through the refining process, the laundering countries are able to circumvent sanctions and provide financial support to Russia's activities.

What is India's interest in the process?

- **Cheap oil source to fulfill its energy needs:** India is buying cheap oil compared to the high prices raised by OPEC+ countries.
- **Diversification of oil needs:** India can diversify its sources of oil and reduce its dependence on oil from other countries such as the Middle East.
- **Revenue for the Oil refineries:** India is exporting crude from Russia and exporting the processed oil to European countries. This is a revenue generating for the oil refineries providing employment and contributing to the economy.

What is the impact of such an exercise on India's foreign relations?

- **Assertion of Indian strategic autonomy:** It signals a willingness by India to maintain an independent foreign policy and not be overly reliant on any one country for its energy needs.
- **Relations with the US:** If India continues to buy oil from Russia despite these sanctions, it could strain its relations with the US, which is a key strategic partner for India.

Way Forward

- **Working with Russia:** To maximize the economic benefits of buying oil from Russia, India can negotiate favorable terms for oil purchases and explore opportunities for investment and collaboration in the oil and gas sector with Russia. This can help create a win-win situation for both countries.
- **Deft diplomacy:** India can adopt a balanced and pragmatic approach in its foreign policy, maintaining friendly relations with both Russia and USA allies.
- **Self-sufficiency:** India can diversify its energy mix by investing in renewable energy and exploring other sources of oil and gas. This can help reduce its dependence on fossil fuels and provide a more sustainable and secure energy supply.

In conclusion, the way forward requires a comprehensive and integrated approach that considers all relevant factors and stakeholders. By adopting a strategic and proactive approach, India can maximize the benefits of buying oil from Russia while minimizing its negative implications.

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