

**A nation is a society united by delusions about its ancestry and by common hatred of its neighbors.**  
William Ralph Inge

## Xenophobia

The Indian engineer who was killed in cold blood and the other who narrowly escaped death in Kansas were 'mistaken' by the murderer to be 'Middle Easterners'. The subtlety is that if the victims had, indeed, come from the Middle East, then their murder would be fully justified. The two Indians were victims of the atmosphere of xenophobia that has been created as a matter of State policy in the United States after Donald Trump was pitched forked into the White House. What is surprising is that such acute xenophobia should get ready acceptance of a people who are all descendants of foreigners settled in the New World. Can Trump himself deny his mixed German-Scottish ancestry? The murderer had yelled: "Get out of my country". How would he and his fellow compatriots react if the Red Indians of America were to turn round and yell back: "Get out of our country"?

When the ruling party or the ruling personage of a country divides the people into 'we' and 'they', unwittingly they create a boiling cauldron of hatred. This is as true of any other country, including India, as of America. Hatred of a different kind is now being worked up in this country. This hatred creates the ideal atmosphere for targeting innocents anywhere, from the suicide of a dalit student in Hyderabad to the mysterious disappearance of a student of the Jawaharal Nehru University to clashes between different groups of college students in Delhi. The atmosphere thus created makes 'moral policing' easy. A couple may be booed and humiliated for holding hands in public in the suicide of one, or a film may be banned from showing because it is 'lady oriented'—whatever that may mean. The mentality of intolerance and hatred which is being created and which enjoys official patronage is real. The hate mongers may win elections and interpret their victory as people's endorsement of spreading hatred, distrust and disgust for 'them'. But the damage that they are causing to the body politic of this country with a plural polity is very real.

It is for the saner elements of society to come together and raise their voice against the forces that seek to divide society on grounds of religion, caste or political beliefs. If they succeed, then the sap of life that has nurtured this country through its power of assimilation through the millennia will dry up.

# IMF assessment of India's growth outlook

## REFLEX ACTION

G. Srinivasan

Post-demonetisation, the verdict on India's economic performance from reputed global institutions has seldom been unambiguous. However, the International Monetary Fund (IMF) was the first to lower India's gross domestic product (GDP) growth for the current fiscal to 6.6 per cent in its updated world economic outlook report a couple of months ago. This was at a time when the domestic authorities and other cheer-leading public and private institutions were cocksure of India's growth clocking 7 per cent in 2016-17.

Now the ill-tidings is out with the IMF contending in its assessment of the Indian economy under Article IV discussion it held with its Executive Directors, the contents of which were released in Washington on Wednesday Under Article IV of the Fund's Article of Agreement, the IMF holds bilateral parleys with members, usually every year with a staff team visiting the country to hold discussion on the various economic issues. IMF staff team held extensive discussions in New Delhi, Mumbai and Kolkata in November last with the report completed in early January this year in Washington. The Fund's Executive Board is of the view that post-demonetisation, the Indian economy faces near-term challenges, while its medium-term growth outlook remains favorable. It contended that the post-November 8, 2016 cash shortages and payment disruptions caused by the currency exchange initiative of declaring not legal tender high denomination currencies of Rs 500 and 1000 have undermined consumption and business activity, posing "a new challenge to sustaining the growth momentum". This has come at a time when growth was bolstered by a large and durable terms of trade gain and more recently by a favorable agricultural crop outlook and decennial civil servant wage revisions, propelling consumption and driving force of the Indian growth recovery.

Investment, on the other hand, has contracted sharply even before demonetisation, in the first half of 2016-17 (April to September), reflecting excess capacity in key industrial sectors and strains in financial and corporate sector balance sheets. As a

consequence, India's growth is projected to slow to 6.6 per cent in fiscal 2016-17 to rebound to 7.2 per cent in fiscal 2017-18, due to transient disruptions, primarily to private consumption caused by cash shortages. The Fund hastens, however, to add that tailwinds from a conducive monsoon, low oil prices and continued progress in resolving supply-side bottlenecks, as well as robust consumer confidence would underpin near-term growth as cash shortages ease.

But for the investment recovery, the much-needed impetus for ensuring broad-based revival of the economy, the IMF foresees only a modest phase ahead with uneven spread across sectors. This is predicated on the occurrence of deleveraging and industrial capacity utilization picking up before long. With temporary demand disruptions and increased monsoon-driven food supplies, inflation is expected at about 4.75 per cent by early 2017—in line with the Reserve Bank of India's inflation target of 5 per cent by March 2017. Supply side reforms, particularly in agriculture, continued fiscal consolidation and relieving impediments to monetary transmission remain crucial to retain low inflation in the medium-term, the Fund noted. Even as the domestic authorities are flaunting figures for the success in containing the current account deficit (CAD) in recent years, the Fund hoists red flag on this front by presaging a widening of CAD to about two per cent of GDP over the medium as domestic demand strengthens further and commodity prices, particularly oil and other farm produce like edible oil, gradually rebound.

On the financial front, while the policy ballast to clean up banks' balance sheets has led to considerable uptick in the recognition of non-performing assets (NPAs) among Indian banks, the Fund has not glossed

over the huge problem of proper provisioning and debt recovery which remain key challenges for banks. It said the public sector banks (PSBs) aggregate provisioning coverage ratio continues to be low at 99 per cent as of end-fiscal year 2015-16, triggering travails about its sufficiency. It further noted that PSBs' loan recovery capacity remains weak and vulnerable, with efforts to counteract the rise in NPAs being met primarily through write-offs. Write-offs accounted for a 1.2 percentage point offset in NPA slipper rates in fiscal 2015-16 while loan recoveries accounted for only 0.6 percentage points, down from 0.8 percentage points a year earlier, underlying the urgent need for timely implementation of debt resolution reforms.

The Fund pertinently points out that the slow deleveraging and repair of corporate balance sheets and the potential further build-up of new NPAs can have "detrimental effects" on the real economy by constricting the flow of credit to the productive segments that are in dire need for working expenses to keep the wheels moving. It said the need for capital preservation meant a weaker slowdown of credit growth at PSBs, down to four per cent year-on-year as of March 2015 from an average of 11.7 per cent in the preceding three years. The Staff Appraisal report of the Fund justifiably argues that altogether, a larger-than-anticipated increase in new NPA formation due to shocks affecting corporates' debt repayment capacity—e.g., due to weaker demand in certain sectors or exchange rate or interest rate shocks—or PSBs' inability to raise adequate capital, could further dampen the provision of credit to the real economy and impair growth. Interestingly, the pre-Budget Economic Survey released a day prior to the Union Budget on February 1 also spoke of the deleterious dangers of the twin balance sheets troubles—banking and corporate sectors.

Unless the twin balance sheets troubles looming large on the economy remain unaddressed, the high corporate leverage which magnifies banks' losses in response to shocks, which has already been a drag on domestic investment, would remain so for the foreseeable future. This is the message loud and clearly left forth by the world's lender of the last resort! (IPA)



A traditional decorative lamps using tender coconut leaves being prepared at the National Folk Art Festival, in Thiruvananthapuram.

# Naga issue dominant in Manipur poll

Manipur goes to polls next month. Elections to the 60 seats of the State Assembly will be held in two phases—March 4 and 8. This Assembly election is going to be totally different from all other elections in the past. It is the Naga issue that is dominating the election scene. The Nagas mounted an economic blockade of the State on the 1st of November last year to protest against the creation of seven new districts by the Congress-Manipur Government. They think the creation of the new districts is intended to divide the Nagas living in Manipur and weaken them politically.

It is a unique situation in that the Meiteis or Manipuris living in the plains and all the hill tribes except the Nagas living in the hills are united against the Nagas. The BJP which initially hoped to wrest power from the Congress now finds itself caught between two stools. And the Congress finds that the situation has suddenly started to turn in its favour. The Modi Government signed a 'Naga Framework Agreement' with the NSCN(IM), one of the three factions of Naga insurgents, in August, 2015.

Despite repeated and strident demands of the people of Manipur, both in plains and hills, the Centre has refused to reveal its contents. The Manipuris suspect that in order to buy peace with the Naga insurgents, the Centre must have conceded one of the basic demands of the Naga people, namely, to integrate all Naga-inhabited areas of Arunachal, Assam and Manipur in a single State to be called Nagalim. Manipuris are determined not to cede a square inch of their land to anyone.

Having signed the Framework Agreement, the BJP finds it impossible to give up its support to the Nagas, the more so because it is running a coalition government in Nagaland with some Naga political parties. Equally, the BJP finds it difficult to support the Naga economic blockade. It is trying to wriggle out of the quandary by blaming the Congress for allegedly supporting the NSCN(IM) in the past. But this is not cutting ice because people are not concerned with the past but the present. Secondly, the BJP is failing to take a firm and clear stand against the Nagas. Rajnath Singh blames Chief

Minister Ibobi Singh for failing to break the deadlock with the Nagas. Ibobi turns back and says, because of your tacit support to the NSCN(IM) that the Manipuri Nagas represented by the United Naga Council (UNC) and the Naga People's Front (NPF) have taken such an intransigent stand. The Manipuris believe the UNC and NPF are really the two 'faces' of the NSCN(IM).

The BJP's ambivalence is costing it dearly. A few days ago, Indira Oinam, a BJP spokesperson and the party's candidate for the Thoubal constituency, resigned from her party and joined the Congress which lost no time in appointing her as a Congress spokesperson. Earlier, another prominent BJP activist, Khumkuhem Joykishen, left the party to join the Congress. They were all unhappy with their party for not spelling out its stand on the Naga issue. It is a different kind of

## FOCUS

Barun Das Gupta

polarization the BJP is not familiar with and has no clue to resolving it. Recently, from Sharmila, who has founded her own political party, People's Resurgence and Justice Party (acronym PRAJA), to fight for the withdrawal of the Armed Forces (Special Powers) Act from Manipur, made the sensational claim that just ahead of the polls, the BJP had offered her Rs. 36 crores to contest as a BJP candidate. BJP's Ram Madhav took no time in rubbishing her claim. "We don't need Rs. 36 crore for our entire election campaign in Manipur", he said.

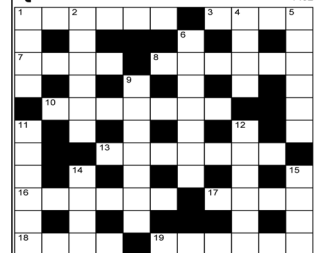
Ticket distribution has also caused much heart-burning in the BJP. Many aspirants have been denied ticket and are fuming. What role they will play in the elections is anybody's guess. Manipur has a sizeable Muslim population. In about a dozen and a half constituencies they play a decisive role. The Muslims are

unhappy because the BJP has practically ignored their claims. Only one Muslim, Anwar Hussain, has been given BJP ticket.

But the issue that will determine the outcome of the Manipur Assembly polls is the Naga issue. The Congress is up in arms against the Nagas. In the middle of this month, the Congress Legislature Party of Manipur shot off a letter to the Prime Minister demanding that the United Naga Council (UNC) which is spearheading the economic blockade, be banned.

The Congress knows its demand will not be accepted and that is exactly what it wants. Because if the Centre refuses to outlaw the UNC, it will bring fresh grist to the Congress propaganda mill against the BJP and project it as a party which is secretly trying to dismember Manipur by conceding Naga territorial claims. If you want to deny the charge, please disclose the contents of the Framework Agreement! That is the position of the Congress and that is the position of the non-Naga people of Manipur also. It is, indeed, a Catch 22 situation for the BJP. (IPA)

## QUICK CROSSWORD



- Across**  
1. Expression (6)  
3. Wan (4)  
7. Row (4)  
8. Eventual outcome (6)  
10. Exploded cereal (7)  
13. Graveyard inscription (7)  
16. Lyrical (6)  
17. Stagger (4)  
18. Position (4)  
19. Deal in (6)
- Down**  
1. Tug on (4)  
2. Haphazard (6)  
4. Trench painfully (4)  
5. Property (6)  
6. Perform surgery (7)  
9. Doubter (7)  
11. Noisy disturbance (8)  
12. Drapes (smag) (6)  
14. Finest (4)  
15. Smokestack (4)

Previous solution  
Across: 1. Influenza, 6. Panda, 7. Punch, 9. Goya, 10. Fossil, 12. Eylelet, 14. Loaf, 17. Tinge, 18. Model, 19. Disregard.  
Down: 2. Nanny, 3. Leak, 4. Employ, 5. Zones, 8. Pigment, 8. Helpful, 11. Veneer, 13. Enrui, 15. Order, 16. Smag.

## SUDOKU: 1779

						2	8	1
8					9	2		
		5	7					3
		1			6			
		7		8		4		
			3			8		
1					7	5		
		4	1					9
6	2	4						

## Yesterday's Solution 1778

7	2	8	3	4	1	5	9	6
6	3	4	5	8	9	7	2	1
9	5	1	2	7	6	4	8	3
5	8	9	7	6	3	1	4	2
2	4	6	9	1	5	3	7	8
3	1	7	4	2	8	6	5	9
1	9	5	8	3	4	2	6	7
8	7	3	6	5	2	9	1	4
4	6	2	1	9	7	8	3	5

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