

The difference between a moral man and a man of honor is that the latter regrets a discreditable act even when it has no effect and he has not been caught.

H. L. Mencken

Karunanidhi: Symbol of Dravid pride

Muthuvel Karunanidhi was a multi-dimensional personality, script writer, orator, politician and administrator. But above all, he was a symbol of Dravid pride who vigorously combated every attempt at imposing the cultural domination of the north on the south in the name of 'Hindi, Hindu, Hindustan'. His passing away creates a void not only in Tamil Nadu but in national politics as well. He led the party astutely through many vicissitudes. Toward the end of his life, the rivalry between his two sons—Alagiri and Stalin—caused him anguish and embarrassment but with the decisiveness of a born leader, he made his choice and made his younger son M. K. Stalin his political heir.

With Jayalalithaa and Karunanidhi gone, the two major political parties of Tamil Nadu, the AIADMK and the DMK, have lost their charismatic leaders who rivalled each other in their charisma and popularity. The totally unnecessary controversy over allowing his burial in Marina Beach, exposed the present leadership of the ruling AIADMK as men of small mind. The Madras High Court decision put them in their place.

Karunanidhi carried forward the legacy of Erode Venkatappa Ramaswamy, better known as Periyar, who started the Self Respect Movement and founded the Dravidar Kazhagam. It was Periyar and his followers who raised the banner of rebellion against the imposition of Hindi on the people of the south. It was a reminder to the North that the South also had a rich and ancient tradition of culture which flourished under the Chola dynasty as early as the third century B.C. It is this legacy that has effectively prevented the Congress and the BJP from striking roots in Tamil Nadu. Now with both Amma and the Kalaingar gone, the BJP will try to get a foothold in Tamil Nadu taking advantage of the mutual antipathy of the AIADMK and the DMK. Whether it succeeds or not, future will tell.

Karunanidhi had made another major contribution in national politics, too. Both he and M. G. Ramachandran, despite their political rivalry, reversed the strong centrifugal force in Tamil politics released by C. N. Annadurai in the 1960s by talking about secession from India. Like Kamraj, Karunanidhi established himself as a national leader and acted with considerable restraint when Tamil sentiment was fuming at the massacre of Tamil people during the civil strife in Sri Lanka. He never allowed the anger of the Tamil people to spill over and create a major law and order problem in his State.

Europe disarms Trump in trade talks

REFLEX ACTION

Anjan Roy

The outcome of the meeting of European Commission President Jean Claude Juncker and US President Donald Trump clearly shows that when it comes to diplomacy and maneuvering, old world Europe still has the trump card over the new world United States.

Trump had announced in rage only the other day that Europe was America's first foe. After the meet last night, the same Trump has observed that USA and Europe were allies and they would refrain from imposing competitive tariffs on imports from each other. That amounts to a virtual ceasefire and status quo ante the trade war. However, behind the verbiage and words, Europe has conceded little to the United States and gained reprieve from higher US tariffs on goods from Europe, particularly, automobiles. Because the agreement language is critical: the two sides have agreed to work towards zero tariffs, zero non-tariff barriers, and zero subsidies on non-auto industrial goods. It also promised to reduce barriers and increase trade in services, pharmaceuticals, and also import soybeans. Higher soybeans imports is the balm on Trump's sores coming from China's imposition of higher tariffs on soy and products, which had instantaneously shut out largest US farm export and was creating a glut of the item in US markets. China used to import soy worth some \$21 billion, which was critical for Trump's voting constituency in mid-west. On the other hand, the agreement does not touch the relative imbalance in the tariff structure on automobiles between the US and EU. That is, Europe's existing tariffs on imported American cars at 10% will continue for the time being while US tariff of 2.5% on cars from Europe will remain unchanged. For all other goods, the two sides will work towards elimination of all tariffs in the long run and avoid paying subsidies. This would give a huge sigh of relief to German car makers as the major auto companies are all from that country and the Americans have a declared preference for the BMWs, Mercedes, Audi and Porsches, to name a few.

Europe on its part agreed to import soybeans and chemicals and pharmaceutical items from the US. The two sides agree to also eliminate subsidies, but there is little mention of the huge subsidy that USA has just announced for soybean farmers of over \$20 billion. The pressure on US farmers and producers would of course come down once Europe starts importing these items from America.

What does this new bonhomie between erstwhile "foe" Europe and US mean for the worsening trade relations between US and China? It clearly gives Trump more elbow room in dealing with China, against which US has some legitimate issues. China had manipulated the multilateral trading regime to its own interests and its flabid growth of last three decades depended on this continuing misuse of the free market rules. China has its vulnerabilities towards the US. It is exporting goods worth \$500 billion to the US and importing just about \$130 billion, leaving a gaping trade deficit. Seeing the unbalanced nature of its trade China has even offered to bring down its surplus. However, doing that means it will have to substantially raise its imports. Given the structure of its trade, it is difficult to bring about the change in the short term. What is, however, worse is not the static trade deficit or surplus. The real point is China's arm twisting of US technology companies to part with their intellectual property as a condition for access to the Chinese markets. Many of the companies have in fact surrendered to Chinese browbeating for the lure of the huge Chinese market. The way Jean Claude Juncker could mould Trump has demonstrated classic diplomatic finesse of the Europeans, compared with the romping Americans. I could not help but remember the description of the dramatic personae at

the Versailles Peace Treaty at the end of the First World War in John Maynard Keynes' book "Essays in Biography". There Keynes describes the behind the scene manipulations of French President Georges Clemenceau and British Prime Ministers (Arthur James Balfour and David Lloyd George) to quietly sabotage Woodrow Wilson's sense of equity and fair play. Witness what Keynes wrote a hundred years back and how it fits in today:

"The first glance at the President suggested not only that, whatever else he might be, his temperament was not primarily that of the student or the scholar, but that he had not much even of that culture of the world which marks M. Clemenceau and Mr Balfour as exquisitely cultivated gentlemen of their class and generation. But more serious than this, he was not only insensitive to his surroundings in the external sense, he was not sensitive to his environment at all. What chance could such a man have against Mr Lloyd George's unerring, almost medium-like, sensibility to everyone immediately round him? To see the British Prime Minister watching the company, with six or seven senses not available to ordinary men, judging character, motive, and sub-conscious impulse, perceiving what each was thinking and even what each was going to say next, and compounding with telepathic instinct the argument or appeal best suited to the vanity, weakness, or self-interest of his immediate auditor, was to realize that the poor President would be playing blind-man's-buff in that party. Never could a man have stepped into the parLOUR a more perfect and predestined victim to the finished accomplishment of the Prime Minister: The Old World was tough in wickedness, anyhow; the Old World's heart of stone might blunt the sharpest blade of the bravest knight-errant. But this blind and deaf Don Quixote was entering a cavern where the swift and glittering blade was in the hands of the adversary".

Europe has so swiftly disarmed Donald Trump. Juncker had come with no hopes of a breakthrough. He is returning with a booty. (IPA)



Students performing a dance number during the 2nd Orientation of Royal Global University in Guwahati on Wednesday

Downslide of economy

FOCUS

Prabhat Patnaik

Newspaper headlines over the last few days have highlighted three facts which point to the current abysmal state of the Indian economy.

The first relates to inflation, where the June 2018 wholesale price index was 5.77 percent above that of June last year; this is the highest inflation rate witnessed since December 2013. The second is a burgeoning trade deficit: the trade deficit in June, at \$16.6 billion, was again the highest for any month in the last five years. The third relates to the industrial stagnation that has set in: the growth in factory output in May (the latest month for which we have data), measured by the Index of Industrial Production, was a mere 3.2 percent over May 2017, which is the lowest growth rate in seven months, exceeding only the 1.8 percent rate witnessed in October 2017.

Within industry, the manufacturing sector's performance has been particularly abysmal: it grew by only 2.8 percent over the

previous May. India has been witnessing a virtual industrial stagnation for long, but even the very faint recovery that had come about in the last few months, has now faded. All this, let us remember, refers only to the factory sector.

When we take account of the "informal" industrial sector which has been crippled by the blows dealt by demonetization, and the Goods and Services Tax, this picture of industrial stagnation gets greatly reinforced. We thus have a remarkable combination of stagnation, inflation and a burgeoning trade deficit. At first sight all the three would be put down to the effect of the rise in oil prices.

There is no doubt, it would be argued, has pushed up the trade deficit; it has also raised the rate of inflation, which in turn, through a squeeze in the real purchasing power in the people's hands, has had a restraining effect on industrial demand and hence output. But this perception is erroneous.

The industrial stagnation has been there for quite a while. The May 2017 growth in manufacturing output, over the preceding May was a mere 2.6 percent, and in June 2017, it was a mere 3.1 percent.

It is a faint recovery from this abysmal record that had been witnessed over the last few months; but even this has come to an end. Likewise, a balance of payments problem, manifested in a drastic decline in the exchange rate of the rupee has been there for quite some time, a consequence inter alia of the rise in the U.S. interest rate. Earlier, when the U.S. interest rate had been close to zero, a huge amount of funds had come into economies like India which had offered much higher interest rates; and because of

this fact not only had our current account deficit been covered but, additionally, our foreign exchange reserves had got swollen.

Now however there is a reverse flow, because the U.S. has increased its interest rate, and further increases are expected to follow. This has put pressure on the rupee, which the Reserve Bank's drawing down of foreign exchange reserves has been unable to stem. The decline in the value of the rupee for this reason has also been exerting a pressure on the domestic price level by jacking up the rupee prices of imported inputs. The increase in oil prices has only acted on top of this situation.

It has in other words acted as a powerful additional factor in a situation that was already

marked by stagnation-cum-balance of payments pressures-cum-inflation acceleration. The combination of these two factors makes the current predicament of the economy so precarious.

Pro-government spokesmen never tire of making comparisons between India and China, taking pride in India's apparently higher growth rate of late (whatever that may signify). But there is a basic difference between the two countries that is invariably missed, namely that China has been enjoying for long a current account surplus in balance of payments while India has for long had a deficit.

China consequently does not have to worry about attracting globally-mobile finance to make its balance of payments viable, which India necessarily has to. This worry which had abated somewhat as long as the U.S. maintained a near-zero interest rate, has now surfaced with a vengeance. (IPA/ To be continued)

Conventional Crossword

1	2	3	4	5	6
7	8	9	10	11	12
13	14	15	16	17	18
19	20	21	22	23	24
25	26	27	28	29	30

- | | |
|--------------------|------------------------|
| ACROSS | DOWN |
| 1 Hindu Mercantile | 1 Promote |
| 2 Finest quality | 2 Milder leader |
| 3 Incentive | 3 Roster |
| 4 Small fish | 4 Buffet (American) |
| 5 Cuff | 5 First woman |
| 6 Adult insect | 6 Length of army front |
| 7 Secluded corner | 7 In abundance |
| 8 Rodentia | 8 Kilt for drying hops |
| 9 Land measure | 9 Doghouse |
| 10 Zodiac sign | 10 Divulge |
| 11 Young horse | 11 Doctrines |
| 12 Glossy fabric | 12 Direction |
| 13 Kingdoms | 13 Hawaiian garland |
| 14 Blood vessel | 14 Play for time |

SUDOKU: 2278

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

Yesterday's Solution 2277

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

Yesterday's Cross Word Solution 286

C	R	A	B	R	O	B	O	T
R	E	C	I	T	E	R	H	
U	P	O	N	G	A	D	O	
S	R	F	A	L	T	E	R	
T	I	N	S	E	L	F		
M	S	E	D	A	T	E		
H	A	B	I	T	S	D	V	
E	M	O	F	A	M	E		
W	L	O	R	I	G	I	N	
S	A	L	O	N	T	E	X	T

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