

Course correction – TIME TO TALK: ON CENTRE-RBI DIFFERENCES

The Centre-RBI face-off is not healthy. They must resolve their differences in private

The simmering tensions over the last few months between the Reserve Bank of India and the Centre found spectacular release over the weekend through a public speech by Deputy Governor Viral Acharya. "Governments that do not respect central bank independence," said Mr. Acharya, "will sooner or later incur the wrath of financial markets, ignite economic fire, and come to rue the day they undermined an important regulatory institution." These are very strong words and raise the question: why? This is not the first time that the RBI has had a run-in with the mandarins at North Block, and it will not be the last. India has had Finance Ministers who got frustrated enough to say that they would "walk alone" in driving the economy, and RBI Governors responding that the Centre would still be thankful that the central bank exists. Indeed, disagreements between Mint Street and North Block over setting benchmark interest rates have been common over the years. What is different this time, though, is that the disagreements, none of which are insurmountable, appear to be over regulation *per se*. There are three issues on which the Centre seems to have irked the RBI. It has refused to accept Governor Urjit Patel's point that the RBI is hobbled by lack of adequate powers in regulating public sector banks. The second is the tussle over the RBI's burgeoning reserves, a piece of which the Centre is eyeing to bridge its fiscal gap. The RBI resents this. The last is the attempt by the Centre to set up an independent payments regulator, which the RBI sees as encroachment of its turf.

For its part, the Centre has several grouses, the chief among them being over an RBI circular of February 12 which redefined NPAs and revised the framework for resolution. It is also upset that the central bank is not doing enough to ease the ongoing liquidity squeeze through extraordinary measures. These are issues that could be easily addressed by sitting around a table, but the fact that they haven't done so points to a complete breakdown of communication between the RBI and the **government**, something that bankers have been privately acknowledging for some time now. A certain amount of creative tension is systemically in-built given their different perspectives: one is short-term and political; the other is long-term and technical. Such tension is good for the economy. Yet, that is no excuse to spar over turf or make statements aimed at pressuring the other side into acting in a particular manner. The current row is definitely worrying given the backdrop of economic turmoil, globally and domestically. The Centre and the central bank must talk behind closed doors and resolve their differences as mature entities, as they have done so many times in the past.

Meanings of Difficult Words :

- **Differences** - disagreements about something
- **Face-off** - if people or groups face off, they compete or fight with each other
- **Resolve** - to solve a problem, or to find a satisfactory way of dealing with a disagreement
- **Simmering** - something that is simmering is controlled but may burst out at any time, often violently
- **Tension** - the feeling caused by a lack of trust between people, groups, or countries who do not agree about something and may attack each other
- **Spectacular** - very sudden or extreme, and therefore attracting a lot of attention
- **Deputy** - someone whose job is the second most important in a department or organization, and who takes the responsibilities of the most important person in some situations

- **Incur** - to experience something unpleasant as a result of something that you have done
- **Wrath** - very great anger
- **Ignite** - to make something start to burn
- **Rue** - to be sorry about something and wish that it had not happened
- **Undermine** - to make something or someone become gradually less effective, confident, or successful
- **Mandarin** - a senior government official
- **Indeed** - used for adding a statement that supports and increases the effect of what you have just said
- **Benchmark** - an amount, level, standard etc that you can use for judging how good or bad other things are
- **Insurmountable** - impossible to deal with successfully
- **Per se** - considered by itself: used for emphasizing that you are not considering something in relation to anything else
- **Irk** - to annoy someone
- **Hobble** - to prevent something developing or being successful
- **Adequate** - good enough or large enough for a particular purpose
- **Regulate** - to control an activity, process, or industry officially by using rules
- **Tussle** - a short fight
- **Resent** - to experience angry unhappy feelings because you think you have been treated unfairly or without enough respect
- **Encroachment** - the act of gradually taking away someone else's rights, or taking control of someone's time, work, etc
- **Grouse** - to complain, often about unimportant things
- **Circular** - a letter or notice sent to a large number of people
- **Framework** - a set of principles, ideas etc that you use when you are forming your decisions and judgments
- **Resolution** - the action of solving a problem or dealing with a disagreement in a satisfactory way
- **Ease** - to make or become less severe, difficult, unpleasant, painful, etc
- **Liquidity squeeze** - a liquidity squeeze happens when concern about the short-term availability of money causes reluctance among financial institutions to lend out money from their reserves
- **Extraordinary** - much better or worse than is usual
- **Address** - to give attention to or deal with a matter or problem
- **Breakdown** - a situation in which something has failed or is beginning to fail
- **Acknowledge** - to accept or admit that something exists, is true, or is real
- **Perspective** - a particular way of considering something
- **Turmoil** - a state of excitement or uncontrolled activity
- **Globally** - including or affecting the whole world
- **Domestically** - relating to the country being talked about, not other countries
- **Behind closed doors** - in a place where other people cannot see or know what is happening

**Course correction –No zero-sum games: on India-U.S. trade hostilities
 India and the U.S. must work to halt trade hostilities urgently**

There are alarm bells in India over a possible decision by the U.S. Trade Representative to withdraw the Generalised System of Preferences status. Under this, India is able to export about 2,000 product lines to the U.S. under zero tariff. The revocation of the GSP, which was first extended to India in 1976 as part of a global concession by the U.S. to help developing countries build their economies, will be a blow to Indian exporters, and the biggest in a series of measures taken by the Trump administration against India to reduce its trade deficit. President Donald Trump's case on what he calls "unequal tariffs" from India rests on the trade relationship in favour of India: Indian exports to the U.S. in 2017-18 stood at \$47.9 billion, while imports were \$26.7 billion. The measures are in line with Mr. Trump's campaign promises. On the matter of Harley-Davidson motorcycles, he spoke directly to Prime Minister Narendra Modi on at least three occasions, demanding that India zero out tariffs to match U.S. rates on Indian motorcycles. In March 2018, the U.S. began imposing tariffs on several Indian products, and in April, the USTR began a review of India's GSP status, based on complaints of trade barriers from India it had received from the dairy industry and manufacturers of medical devices. In November the U.S. withdrew GSP status on at least 50 Indian products.

In retaliation, India proposed tariffs of about \$235 million on 29 American goods, but has put off implementing these five times in the past year in the hope that a negotiated trade settlement will come through. The latest deadline expires on March 1. India has also attempted to address the trade deficit with purchase of American oil, energy and aircraft. There have been dozens of rounds of talks between officials over the past few months, but no breakthrough. U.S. officials say the decision on data localisation for all companies operating in India, and the more recent tightening norms for FDI in e-commerce have aggravated the situation. Both sides should work towards calling a halt to trade hostilities and speed up efforts for a comprehensive trade "package", rather than try to match each concern product by product. The U.S. must realise that India is heading into elections, and offer more flexibility in the next few months. India must keep in mind that the larger, global picture is about U.S.-China trade issues, and if a trade deal with the U.S. is reached, India could be the biggest beneficiary of business deals lost by China. The visit of U.S. Commerce Secretary Wilbur Ross to India this week will be watched not as much for substance, as for signals that New Delhi and Washington understand the urgency in breaking the deadlock.

Meanings of Difficult Words :

- **Zero-sum game** - a situation in which one person can win only what another person loses
- **Hostility**- opposition to something
- **Alarm bell** - something that makes you feel something unpleasant or dangerous is going to happen
- **Export** - the practice or business of selling goods to another country
- **Tariff** - a tax that a government charges on goods that enter or leave their country
- **Revocation** - the act of saying officially that an agreement, law, etc. is no longer in effect
- **Concession** - something you give or allow to someone in order to reach an agreement
- **Exporter** - a person, business, or country that sells goods to another country
- **Trade deficit** - a situation in which a country is buying more things from other countries than it is selling to them
- **Import** - a product from another country, that is bought with money from your country
- **In line with** - similar to someone or something
- **Retaliation** - the act of doing something harmful or unpleasant to someone because they have done something harmful or unpleasant to you

- **Negotiate** - to try to reach an agreement by discussing something in a formal way, especially in a business or political situation
- **Address** - to give attention to or deal with a matter or problem
- **Deficit** - the difference between the amount of money or goods that a country or business has and the amount that it has spent or that it owes
- **Breakthrough** - a discovery or achievement that comes after a lot of hard work
- **Aggravated** - an aggravated crime has features, such as the use of violence, that make it worse
- **Comprehensive** - including many details or aspects of something
- **Urgency** - the need to deal with something quickly
- **Deadlock** - a situation in which neither person or group involved in a disagreement is willing to change their opinions or position

Course correction – **Shot in the arm: on SC upholding Insolvency and Bankruptcy Code**

The Supreme Court's ruling eases the implementation of the IBC in knotty cases

Last week's Supreme Court judgment upholding the validity of the Insolvency and Bankruptcy Code 2016 (IBC) in its "entirety" could have a major impact on the country's economic landscape. The fledgling IBC has been severely tested in the two years since its enactment, with the Centre being forced to amend a couple of its provisions in order to plug some loopholes that enabled defaulting borrowers to challenge the legislation. Any law of this nature that takes over businesses and assets from defaulters and empowers lenders to change the management is bound to face legal challenges. Borrowers were never going to take the IBC lying down, and that is exactly what happened; over the last two years, they have challenged various aspects of the law in tribunals and courts. In the event, the apex court's stamp of approval on the entire Code is a strong signal to borrowers and banks even as it brings a sense of relief to the Centre, which has been watching one of its better economic initiatives being stifled by vested interests.

One of the major challenges mounted against the IBC was by operational creditors, who are owed money by the company in the normal course of operations for supply of goods and services. In the payment waterfall prescribed under Section 53 of the IBC in the event of liquidation of the company or its sale to another entity, their dues rank below those of financial creditors, workmen and employees. This was challenged by the operational creditors, who wanted equal treatment with financial creditors in the waterfall mechanism. Several landmark cases that were referred to the National Company Law Tribunal under the IBC remain stuck there, including that of the high-profile Essar Steel, as a result of its operational creditors seeking equal treatment. With the Supreme Court now ruling that there are "intelligible differentia" between operational and financial creditors, an avenue that defaulters used to stymie proceedings has been closed. Repayment of financial debt by borrowers infuses capital into the economy as lenders can on-lend the money that has been repaid to other entrepreneurs, thus aiding economic activity, the judges observed. The apex court has also clarified that a mere relationship with an ineligible person cannot disqualify someone from becoming a bidder for a troubled asset. It has to be proved that such a person is "connected" with the business activity of the resolution applicant. The court used strong words: "...[T]he experiment conducted in enacting the Code is proving to be largely successful. The defaulter's paradise is lost."

This constitutes a clear signal of its backing for the IBC which, despite all the challenges that it has faced, has been successful in sending a message to recalcitrant defaulters that there can be no more business-as-usual when they default.

Meanings of Difficult Words :

- **Shot in the arm** - something that quickly makes a bad situation much better
- **Uphold** - if a court of law upholds something such as a claim, it says that it is correct
- **Insolvency** - (especially of a company) the condition of not having enough money to pay debts, buy goods, etc., or an occasion when this happens
- **Bankruptcy** - a situation in which a person or business becomes bankrupt
- **Bankrupt** - a person or business that is bankrupt has officially admitted that they have no money and cannot pay what they owe
- **Ruling** - a decision
- **Ease** - to make a problem, bad situation, or pain less severe
- **Knotty** - difficult to solve or understand
- **In it's entirety** - with all or everything included
- **Major**- important, serious, large, or great
- **Impact** - an effect, or an influence
- **Landscape** - the main features of a situation or activity
- **Fledgling** - new and without experience
- **Severely** - very seriously
- **Enactment** - to make a proposal into a law
- **Amend** - to make changes to a document, law, agreement etc, especially in order to improve it
- **Provision** - a part of an agreement or law that deals with a particular problem
- **Loophole** - something that has been left out of a law or legal document that people can use to avoid obeying it
- **Default** - to fail to pay money that you owe
- **Asset** - something such as money or property that a person or company owns
- **Defaulter** - someone who does not pay interest or other money that they owe, or who fails to do something that they should do by law
- **Empower** - to give someone more control over their life or more power to do something
- **Aspect** - a particular part, feature, or quality of something
- **Tribunal** - a special law court organized to judge a particular case
- **Apex** - the top or highest part of something
- **Stifle** - to stop something from developing normally
- **Vested interest** - a special reason for wanting things to happen in a particular way, because you will benefit from this
- **Creditor** - a person or company that is owed money by another person or company
- **Liquidation** - a situation in which a business closes and sells everything it owns in order to pay money that it owes
- **Workman** - a man who does physical work, especially building or repairing things
- **Landmark** - a major event or achievement that marks an important stage in a process and makes progress possible
- **High-profile** - often seen in public, mentioned in newspapers, or appearing on television
- **Intelligible** - clear or simple enough to understand

- **Differentia** -the properties that differentiate between one person or thing and another
- **Avenue** - one of the methods you can use to achieve something
- **Stymie** - to stop someone from achieving an aim, or to stop some process from continuing
- **Proceedings** - the actions taken, usually in court, to settle a legal matter
- **Infuse** - to give someone or something a particular quality
- **Entrepreneur** - someone who uses money to start businesses and make business deals
- **Thus** - as a result of the fact that you have just mentioned
- **Mere** - used for emphasizing that something is small or unimportant
- **Ineligible** - prevented by official rules from doing something
- **Bidder** - someone who makes bids for something, for example at an auction (=an event where things are sold to the person who offers the most money)
- **Troubled asset** - an asset on the balance sheets of financial institutions that has experienced a significant drop in value
- **Constitute** - if something constitutes something else, it is considered to be that thing
- **Despite** - used for saying that something happens even though something else might have prevented it
- **Recalcitrant** - refusing to obey orders

Course correction – Road through Rome ?

Italy's proposed endorsement of the BRI highlights the dilemmas within the EU

Italy's plan to endorse the Belt and Road Initiative, the first such move by a G7 member, will boost China's global ambitions. In turn, this highlights the difficulties facing the EU and the U.S. in formulating a concerted response to counter China's growing might. On its inception in 2013, the BRI envisaged linking about 65 countries along a modern Silk Road, the transformation of China into a high-income economy and the renminbi's elevation into a global currency. Today, it has expanded to over 80 countries, mostly least developed and developing economies, as Beijing seeks to bolster its Made in China 2025 industrial policy. The lure of the BRI is attributed largely to the informal nature of the deals Beijing negotiates with partner-states, with attractive loan terms and sans political strings. Their opaque nature has spurred criticism that recipients risk being pushed into a debt trap. But the glitches facing some of the BRI infrastructure projects have merely led to calls for renegotiation rather than their roll-back. The BRI has moved forward, along with Beijing's other venture, the Asian Infrastructure Investment Bank. Many Central and Eastern European countries, EU members and aspirants alike, are part of the "16+1" group, which includes China, collaborating in infrastructure ventures.

However, Italy, an EU founder-member, will be the first major developed economy to participate in the BRI. Rome's ruling eurosceptic and anti-establishment coalition has been enthusiastic in signing on. Its timing is seen to have something to do with the difficulties the government has faced in balancing its growth targets with the EU's stringent fiscal norms. These tensions surfaced in recent negotiations with Brussels that led to a revised Italian budget. Italy is counting on its BRI endorsement to boost investment in it, given recent reductions in Chinese outflows into the EU. Rome is expected to sign an MoU to participate in the mammoth endeavour during a visit this month of President Xi Jinping. Italy's move comes at a moment of increasing concern in European capitals, especially Paris and Berlin, to counter Chinese mergers and acquisitions of European firms

to protect the bloc's strategic economic sectors. The Trump administration has, in keeping with its America First policy, invoked national security provisions rarely deployed in international trade and targeted Beijing with punitive import tariffs, ostensibly to protect domestic industries. China's phenomenal economic expansion since joining the WTO in 2001 has almost altered the global landscape. But attempts to block Chinese businesses may prove short-sighted. Instead, Western democracies should strive to live up to their repeated pledges, since the 2007-08 global financial crisis, to eschew protectionism and promote rules-based open and free global competition.

Meanings of Difficult Words :

- **Endorsement** - the act of saying that you approve of or support something or someone
- **Dilemma** - a situation in which a difficult choice has to be made between two different things you could do
- **Initiative** - a new plan or process to achieve something or solve a problem
- **Ambition** - a strong wish to achieve something
- **Concerted** - planned or done together for a shared purpose
- **Counter** - to react to something with an opposing opinion or action, or to defend yourself against something
- **Inception** - the beginning of an organization or official activity
- **Envisage** - to imagine or expect something in the future, especially something good
- **Transformation** - a complete change in the appearance or character of something or someone, especially so that that thing or person is improved
- **Elevation** - the fact of being given a more important position
- **Bolster** - to support or improve something or make it stronger
- **Lure** - to persuade someone to do something or go somewhere by offering them something exciting
- **Sans** - without
- **Opaque** - difficult to understand
- **Spur** - to encourage an activity or development or make it happen faster
- **Criticism** - the act of saying that something or someone is bad
- **Renegotiation** - to discuss an agreement again in order to change it
- **Roll-back** - an occasion when the influence of particular laws, rules, etc. is reduced
- **Aspirant** - someone who very much wants to achieve something
- **Collaborate** - to work with someone else for a special purpose
- **Euroseptic** - a person, especially a politician, who opposes closer connections between Britain and the European Union
- **Coalition** - the joining together of different political parties or groups for a particular purpose, usually for a limited time, or a government that is formed in this way
- **Stringent** - having a very severe effect, or being extremely limiting
- **Counting on** - to be confident that you can depend on someone / something
- **Outflow** - the amount of money that leaves a company, industry, or country during a particular period
- **Mammoth** - extremely large
- **Endeavour** - to try to do something
- **Concern** - a feeling of worry about something, especially one that a lot of people have about an important issue

- **Merger** - an occasion when two or more companies or organizations join together to make one larger company
- **Acquisition** - the process of getting something
- **Strategic** - helping to achieve a plan, for example in business or politics
- **Invoke** - to use a law in order to achieve something, or to mention something in order to explain something or to support your opinion or action
- **Punitive** - intended as a punishment
- **Import** - to buy or bring in products from another country
- **Tariff** - a charge or list of charges either for services or on goods entering a country
- **Phenomenal** - extremely successful or special, especially in a surprising way
- **Alter** - to change something, usually slightly, or to cause the characteristics of something to change
- **Short-sighted** - not thinking enough about how an action will affect the future
- **Strive** - to try very hard to do something or to make something happen, especially for a long time or against difficulties
- **Eschew** - to avoid something intentionally, or to give something up
- **Protectionism** - the actions of a government to help its country's trade or industry by taxing goods bought from other countries

☞ “Believe In Yourself And All That You Are Know That There Is Something Inside You That Is Greater Than Any Obstacle.”☞