

## NEWS WRAP

AGD

There is widespread discretionary decision making in India, covering government, business and institutions. Such decision making is routinely subjected to extraneous influences, leading to vast governance deficit. The combined debt of the Union Government and the states, both fiscal deficit and public debt, is about 64% of GDP. Alongside a widening gap between the rich and the largely poor population, the fantastic wealth creation and weak governance is casting shadows on India's long term economic success. Advantages gained from the global financial crisis and the related quick recovery, and India's economy growing at 8.5% per annum, have been undermined by graft in telecoms, the defence deals, and the hosting of the 2010 Commonwealth Games. There is increasing influence peddling by powerful entrepreneurs, combined with a clouding state bureaucracy. The requirement of knowing the right people on the inside and the trampling of regulations, have created a generation of oligarchs in India, and a handful of family-led companies, like Tata, Ambani, Birla, Godrej, Bajaj, Mahindra etc. Economic Growth in India has made the oligarch families richer. Crony capitalism, dominated by powerful insiders, has harmed India's growth story, and frustrated multinationals from abroad. Foreign capital flows to India, have fallen in recent times.

### INDIAN NAVY

With a perceived growing threat to India's maritime supremacy in the Indian Ocean, India's naval planners had set targets to launch 100 warships, during the next decade. China has three times the number of combat vessels as India, and five times the personnel. Beset by delays and rising costs in shipyards, more Indian ships are being decommissioned, than being launched. Indian Navy's fighting capability is diminishing, and the navy's force levels are on the decline. Poor performance of state-owned shipyards, ad hoc financial management and shortages of appropriate building materials have resulted in India's maritime power declining. The strength of warships in India's navy has been stagnating. There have been large shortfalls against planned levels of warships, despite construction of war ships indigenously. With a fleet comprising about 120 vessels, many supplied by Russia, Indian Navy is the fifth largest in the world. But the responsibilities of the navy are growing significantly. Even though India is among the world's biggest buyers of arms, there has been a slow pace of replacement of naval hardware. Half of the equipment held by India's armed forces are obsolete. Mumbai's Mazagon Docks, Goa Shipyards, and Kolkata's Garden Reach Shipbuilders have been able to produce only four ships a year. India plans to operate three aircraft carriers, and two years ago launched a locally built nuclear submarine, from a Russian design.

### AFGHAN TRANSITION

Since the fall of the Taliban in 2001, violence is at its worst level in Afghanistan. The US boosted training efforts of Afghan police and soldiers since 2009, and the number of Afghan security has grown rapidly to about 270,000. But local forces suffer from lack of leadership qualities, weak logistical support capacity, factionalist, and high levels of illiteracy and attrition. Independent of NATO forces, the local units often struggle to mount effective operations independently. NATO forces are suffering from war-exhaustion, and NATO combat forces are planned to withdraw from Afghanistan by 2014. Afghanistan's President Hamid Karzai has announced that local Afghan forces will take responsibility for securing seven provinces and towns, from July 2011. The transition areas include regions where insurgent activity has been low, and NATO coalition forces are on hand, to provide protective support, if Afghan forces fail to withstand rebels.

### **CHINA'S NUCLEAR PLANTS**

Thirteen nuclear reactors are in operation in China. At least twenty five more nuclear reactors are under construction. The National People's Congress adopted a five-year plan in March 2011, that adopted dozens of more nuclear units. An additional seventy reactors are on the drawing boards, in the more distant proposal stage, including for regions with known seismic activity. Recently the Chinese government has ordered integrity checks at existing plants, following overheating of Japan's Fukushima Daiichi Nuclear Power Plant. China's State Council has suspended the approval process for Nuclear Power Stations, so that safety standards can be revised, after the explosions at a Japanese plant. Details are vague about the conduct of the safety review. China is not planning next generation designs for future nuclear plants. Unlike former years when equipment was imported from USA, France and Japan, an increasing portion of the nuclear energy production will be based on technology transferred to China. Although potentially dangerous, China is reprocessing spent uranium. □□□