

## NEWS WRAP

### AGD

A RECENT SURVEY OF 100 bankers by the Reserve Bank of India points to bad loans posing the most significant risk to India's financial system. The Indian government's debt is nearly 69% of the GDP. The cooling economy is overshadowed with national debt and a growing budget deficit. Private companies like Hindusthan Construction, are trying to renegotiate its debts, running to billions of rupees, to avoid defaulting. The financial problems of many companies are partly a result of the government's slow payments for road and highway projects, as well as government delays in granting final approval for other projects already tentatively approved. The government owned banks comprise nearly 75% of India's banking system. At end March 2012, 3% of loans made by the 15 largest state owned banks were non-performing, compared with about 1.8% for six newer private banks.

During 2011-12, it is estimated that 17 public and private banks collected collectively nearly two trillion rupees in bad loans on their books. Most of the problems are concentrated in industries like aviation, infrastructure, real estate and telecommunications. The government is heavily involved in these businesses, as a player or a leader, and these enterprises have suffered from erratic or delayed government policies. The state run Air India and the private Kingfisher Airlines are struggling to pay their employees. The state owned electric power companies have accumulated losses of \$14 billion, because the low government mandated rates they charge customers, do not cover the cost of generating power.

### CENSUS

In India's ten yearly census, space satellite technology helped the government track the mushrooming and mostly illegal slums in the cities. The Rapid pace of expansion made printed maps redundant. A decade of rapid economic growth has made modest changes to the standard of living of most Indians. But a fifth of India's 1.2 billion population have not benefited at all. In 2001, fewer than 4% of rural households had a mobile phone or any phone. The figure is 54% in 2012. There has been a growth of nuclear family households, greater access to electricity and the dominance of television over radio. Just 10% more households have a private toilet than in 2001. A third of homes have access to treated drinking water, 17% of homes still need to fetch water, from more than half a kilometre away. Health and environmental problems are increasing, as two thirds of Indian households still use firewood, cow dung, crop waste or coal to cook on. Only 3% of Indian households have access to the internet at home. Most Indians still travel on two wheels. A fifth of the households still have none of the basic assets surveyed.

### UIGHUR MILITANTS

There are strains on the relationship between China and its most important regional ally, as senior Chinese officials have alleged that some Uighur militants in north western China have

deep seated ties to Pakistan based terror groups. Ethnic Uighurs have waged a long and bloody campaign for independence from China. Uighur separatists have been accused by Beijing as being part of the East Turkestan Islamic Movement (ETIM), which has ties to al Qaeda and other terrorist organizations. Suspected assailants in Xinjiang Uighur Autonomous Region are alleged to have received explosives and weapons training in terrorist camps, across the border in Pakistan. In March 2012, nearly twenty five people are killed, in a remote region near the Xinjiang border with Pakistan, after an attack by knife wielding assistants in Yecheng County.

#### SPRATLY ARCHIPELAGO

The South China sea holds vast oil and gas reserves, competing territorial claims have been made by six Asian nations, triggering several naval clashes. Half of the world's oil tankers pass the South China Sea. Vietnam has recently despatched six Buddhist monks to offer "spiritual nourishment" at temples in the spratly archipelago islands, abandoned in the 1970s. The monks have been made about for the duration of their six-month-mission. Besides praying for the souls of any Vietnamese lost at sea in defence of Vietnam's territory, they will tend a collection of long forgotten shrines. A few hundred military personnel and industrial workers inhabit the islands. The visiting monks will reinforce Vietnam's claims to 29 of the islands, and introduce a religious angle to the disputes with China. Chinese forces have been firing at Vietnamese fishermen, when they seek refuge during storms. The Spratly Archipelago consists of more than a hundred islets and atolls, having a total land mass of less than two square miles (5 sq kms). The governments of China, Vietnam, Taiwan, the Philippines and Malaysia have stationed troops on about 45 of the islands, staking out their claims.

#### BRICS ALLIANCE

Leaders of Brazil, Russia, India and China formed BRIC in 2009 to remake an international monetary system, which has been long dominated by the West. Adding South Africa in 2010, the Group became BRICS, and met in New Delhi in the last week of March 2012. Though the five nations rank among the fastest growing economies in the world, they have struggled to act as a unified geopolitical alliance. The proposal of creating a new development bank to rival the World Bank remain stalled, partly arising of fears of Chinese domination. The group is divided on national security and terrorism, mainly on the sanctions on Iran. There has been agreement which will allow BRICS nations to extend one another credit in local currencies while conducting trade, side-stepping the US dollar. □□□