



INDIA'S DEMOGRAPHIC TRANSITION AND ECONOMIC GROWTH: IMPLICATIONS FOR CHINA AND THE BALANCE OF POWER IN ASIA

Solvin Mathew

Ph. D. Research Scholar, Department of Political Science, Madras Christian College
(University of Madras), Tambaram, Chennai, Tamil Nadu

Abstract:

Power as one of the determinants of state security and an essential component of foreign policy (in international relations) has remained central to the security studies community. Thus, in the traditional definition of society, the state remains the focal and referent point, confronting technological change and sustainability challenges in areas that include, education, healthcare, manufacturing, agriculture, urbanisation, digital connectivity and so on. Asia occupies a unique setting in the twenty-first century global geopolitical matrix, contingent on how optimal India and China manage their governments, citizens, businesses and investments. This prospective scenario will have a significant impact on the balance of power equilibrium in Asia with demographic shifts, rising literacy levels and the spectacular economic growth in the previous years posing as the key drivers of change. This research paper explores the human dimension in the future of balance of power composure between China and India, two rising powers in the region, and as a stride towards globally dominant powers. For India, a giant leap forward necessarily includes the deployment of rapid, sustainable and resource-efficient growth.

Keywords: Emerging Global Power, Demographic Dividend, Knowledge Economy, Soft Power, Hard Power, Smart Balancing & Contextual Intelligence

Introduction:

India is a Middle Power, possessing sound 'hard' and 'soft' power resources, and is often capable of influencing outcomes in regional and world affairs, disproportionate to its weight. Depending on the circumstances, it may do this unilaterally, or multilaterally. An effective Indian 'smart power strategy' involves projecting power at a number of levels and through several institutions and agents. One such agent of change is the demographics, capable of balancing the power equilibrium in its favour in Asia and beyond. Concepts such as 'emerging global power', 'regional hegemon' and 'knowledge economy' are often used to signify India's rise. Demographic shifts, rising literacy levels, and the spectacular economic growth in the previous years have in essence given India a new identity. The bottom-line is there are powerful economic and social forces working together to transform India beyond recognition beginning with changes in the local administration and empowerment of weaker sections in particular. There has also been a change of mindset and attitude towards innovation and risk especially among the youth. Therefore, subject to data and statistics, India's rise is unquestionable. While China's advancements will be questioned, the robustness of the Indian economy will remain more admired. Shekhar Aiyar and Ashoka Mody argue that India's growth dynamics since 1980s is attributed to changing patterns of age structure and demography, and by 2025 the working age is expected to surpass that of China. Further, in the coming decades these demographics could potentially add two percentage per annum to India's GDP growth per annum.

David E Bloom and David Canning proposed four measures of the economic consequences of population change that apply much to India. The four mechanisms through which the benefits of the demographic dividend are delivered include: '(1)

Increased labour supply (2) Increase in savings (3) Human Capital (4) Decreasing dependency ratio while increasing domestic demand brought about by the increasing GDP per capita.' India is projected to grow further considering the growth in youth dynamics and the high ratio of working age. However, this could have an adverse effect if the young population is failed to be given adequate employment and infrastructure facilities that further add to the growth dynamics. India needs to be cautious yet watchful while implementing policies to manage eventualities following the demographic dividend when the dependency ratio sets in again, a situation that emerges when the productively working grows old and retires. Without ample planning, demographic dividend could become a liability.

On the other hand, China is aging at an unprecedented rate, while for some time it reaped the benefits of working adults (compared to the working adults that counted nearly twice as many working age people as the rest of the entire population combined). China's future holds many uncertainties resulting from selective abortions to one-child policy as the percentage of youth and workforce continues to decline, closely expecting to be older than United States by 2020 and Europe by 2030. This scenario will have significance on the balance of power equilibrium in Asia, while economy taking the lead to be a driving force.

The Drivers of Change – Concerns:

There are numerous issues for consideration; while some of them are internally bound, others are external forces working to defame India's growth story in an internationally competition driven scenario. Internally, pseudo-secular and communal forces are effective in some of the less developed states and areas where administrative paralysis exists. However, India maintains a strong interest driven strategic, social and economic relationship with South Asian nations as India continues to remain stretched for resources. The economic linkages and people to people linkages have been severe in the past starting from India's independence in 1947.

There are areas of concern for India and areas wherein India remains largely comfortable. Land boundaries of seven countries define India's foreign policy. Eradication of poverty is a primary area of concern before it can become a global player in addition to having a peaceful neighborhood. In this context, one can argue that Pakistan's stability is in India's interest and that stability adds to India's growth. Another concern is the diversion of water from Brahmaputra and construction of dams on the river Brahmaputra by China. In addition to the fact that China has built extensive facilities in Pakistan and Bangladesh, its claims on Arunachal Pradesh are equally daunting. In this context, India-U.S partnership and joint initiatives have significant importance to India's growth story. In addition to this, it demands India play a vital role in Asia-Pacific and especially with ASEAN countries. Proliferation challenges and Islamic extremism in countries like Pakistan and Bangladesh have in essence threatened India's stability in the neighborhood; and therefore, many argue that India-Pakistan reconciliation is the real one and the road to peace and sustainability.

Internally, serious corruption and criminal charges leveled against legislators have dimmed the prospect for India's democratic rise. Rural India faces changes in cast hierarchies and land-revolutionary peasants and Naxalites pose serious insurgency threats. Poor productivity of much of India's land has been another cause for concern. Another major issue is that 70% of the population still live in rural side and 60% depend on agriculture or is the only source of income. Today, the discussion of land is about real estate. In addition, the gap between the wealthy and the poor has widened, with not more than three quarters of people still living on less than \$ 2 a day. Maoists have

recruited tribals whose land is being taken for massive projects. Demographic dividend, more importantly a troubling sex ratio shows a major disparity between boys over girls, with cases reported on female feticide and infanticide.

India is moving away from agrarian economy to service economy but a vast number of populations still depend on agriculture for living. In addition to this, some of the reform policies that were initiated in the last twenty years have gone terribly wrong. Today, the poverty line classification has failed to standardize poverty other than mere need for food and shelter; in addition, failed to include health and education in the poverty definition. India today risks the inherent wisdom of socialism and moving into the risk of capitalism. Farmer's suicide has been another issue that has recently been taken up the mainstream media. However, decentralization has provided some hope; panchayat is no more a body of governance or administration but manages the economic or financial aspects in general. Progress has been rather too slow but partly the reason is that India has been operating under a very different strategic location. There is a powerful demand for liberty and India's destiny is settled unlike many of its neighbours. The world dynamics is changing and Asia coming to the center of the world is not too far off. India faces the question of resources to meet their demands in addition to an energy shortage. Today Indian economy needs markets, resources etc. However, India as an import destination is perturbing. India is in the global hunt for mineral resources to build metros, railways, roads, commercial and residential places. In this context, inflation remains an issue of great concern. However, democratic pulse or the working age is in favor of India. Democracy has been tested many times but is essential and federal system is that which holds the country on a democratic platform. India now requires the management of weight, influence and power to transfer its image. The prospect for long term growth remain pleasant; democratic transition in India has hastened, literacy level has risen particularly among women and it has the positive side of having more number of young people below the age of 25 who could become a major part of the work force. India must ensure economic growth rate, strengthen and build capacity for technological expansion, manage social tension, economic integration, and use culture and literature to define its position among the world powers. In this context, its relationship with the rest of the world matters and therefore, India's place in the world can not be discussed in isolation and in this context, human dimension cannot be underestimated.

Conclusion of Assessment:

Demography isn't everything in international relations, but essentially functions as an effective solvent to many problems that persist. India's growth dynamics certainly depends on a number of factors. David E Bloom argues that,

India's demographic evolution over the coming decades will provide a potential boost to its rate of economic growth- at a time when China will be losing the demographic impetus that has helped spur its economy. But the process is not automatic. Policy choices in the areas of governance, macroeconomic management, trade, and human capital formation can have a significant effect on realization of the demographic dividend. Central to capturing the dividend is providing an economic environment in which working-age people are productively employed. Failure in this endeavour could result in a demographic disaster rather than a demographic dividend

Dealing with corrupt governments have proved to be inefficient in previous years as for many years wheeling and dealings have been done in Delhi's closed five-star hotels. The backlogs in governmental policies are such that they can never be covered in four or five administrative periods. The bureaucracy touched new lows in terms of corruption. Nepotism adds further to the predicament as qualified, dynamic and initiative driven

individuals find it comparatively easier to prosper in countries other than India. Caste system is slowly being eroded in small parts of urban areas yet there are areas mostly in rural India where age-old social practices continue to dominate. Essentially the quality of output still suffers.

India's potential exists but that can never be realized under the age-old social system and religious quacky mindsets. India's population currently 1.29 billion is expected to take over China's by 2025. While China's workforce is starting to decline, India's is projected to grow for some more time, benefitting from a favourable demography. Therefore, for India, a giant leap forward necessarily includes the deployment of rapid, sustainable and resource efficient growth, a mechanism that will have positive impact on the balance of power equilibrium in Asia, towards India's favour.

References:

1. Aiyar, Shekhar and Mody, Ashoka. "The Demographic Dividend: Evidence from the Indian States" available online: <<http://www.imf.org/external/pubs/ft/wp/2011/wp1138.pdf>>
2. "A Tale of Three Islands", The Economist October 22, 2011, <<http://economist.com/node/21533364>>
3. Bloom, David E; Canning, David; Sevilla, Jaypee. "The Demographic Dividend: A New Perspective on the Economic Consequences of Population Change" RAND 2003, Santa Monica, CA.
4. Bloom, David E. "Population Dynamics in India and Implications for Economic Growth" PGDA Working Paper No. 65 available online: <<http://www.hsph.harvard.edu/pgda/working/htm>>
5. "Can India harness its demographic dividend?" The Financial Express, January 5, 2015 available online: <<http://www.financialexpress.com/article/economy/can-india-harness-its-demographic-dividend/26034/>>
6. "Future of India: The Winning Leap Forward," Price water house Cooper, available online: <http://www.pwc.in/en_in/in/assets/pdfs/future-of-india/future-of-india-the-winning-leap.pdf>
7. Mcrae, Hamish. "India will soon be the new China. It's the demography, stupid" The Independent, 18 May, 2014. Available online: <<http://www.independent.co.uk/voices/comment/india-will-soon-be-the-new-china-its-the-demography-stupid-9391070.html>>
8. Nagarajan, Reema. "Without jobs, India's demographic dividend will be a disaster: Alakh N Sharma" The Times of India, February 12, 2014 available online: <<http://timesofindia.indiatimes.com/interviews/Without-jobs-Indias-demographic-dividend-will-be-a-disaster-Alakh-N-Sharma/articleshow/30233665.cms>>
9. Population Reference Bureau 2011, World Population Data Sheet, available online: <http://www.prb.org/pdf11/2011population-data-sheet_eng.pdf>
10. Ranjit Goswami, "India's Population in 2050: Extreme Projections Demand Extreme Actions" East Asia Forum, 5 April 2013. Available online: <<http://www.eastasiaforum.org/2013/04/05/indias-population-in-2050-extreme-projections-demand-extreme-action/>>