

The surplus labour advantage that supported China's growth model has dwindled thanks to the 'One Child Policy' followed by the republic. China's population is ageing fast and by 2050 people above the age of 60 will form 30% of the population as opposed to 15% now, while the working age population will fall sharply (The Economist). Manpower, a business-recruitment firm, has estimated that workers may even need to be imported by 2030. This has created a dire need for a large pension system, since single children may not be willing or able to take care of their families alone.

China needs to rebalance its economy, away from investment and more towards consumption. A view that even noted economist Paul Krugman has supported is that in any economy with such high growth rates, consumption should form a much larger share of the GDP. Private consumption relative to GDP is still the lowest in China, as compared to other major economies. And with fears of inflation, due to rising production costs, goods are likely to become costlier, further deterring private consumption. Already due to poor health insurance and pension system, households are forced to save more. China's saving rates is among the highest in all economies, close to 51% of the GDP (CNBC). According to the IMF, "without fundamental reform to rebalance the economy toward consumption and stimulate productivity growth through deregulation, growth is likely to slow considerably." Apart from this the service sector has a large potential for creating jobs and needs heavy investment, while the banking sector needs to be given financial independence to play along the market rules.

The demographics need to be rebalanced and so China must do away with its 'One-Child Policy' completely. Farmers, in China, do not have property rights over their land. It can be confiscated by the government as and when they wish to. Such rights need to be given, especially to those at the bottom of the pyramid. There is a clamour, more than ever, for China's impending need to transform to a functioning democracy.

It is the pages of history that predict the future. China's future, of course, seems saturnine. It is therefore, important for the Chinese government, to realise its ability to alter the future, and to protect the aspirations and dreams of its people!

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Anatomy of Alliances

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Summary: "Nations have no permanent friends or allies, they only have permanent interests". This article aims to validate the above statement made by Lord Palmerston in the 19th century. The analysis of India's relations with USA, UK, China and Japan forms the basis for the conclusion that nations are guided by their own self-interest rather than historical friendship. Therefore, lasting alliances requires that both domestic

compulsions and international dynamics be accommodated.

The character of Bhishma in the Mahabharata claimed that "the force of circumstances creates friends and foes" and this sentiment was again echoed in Lord Palmerston's statement in the 19th century when he

asserted that “Nations have no permanent friends or allies, they only have permanent interests.” This holds well even today. Global frictions have waxed and waned, public sentiments have ebbed and flowed, allies have become enemies and vice versa. Nations across the globe have strategically and rationally chosen allies so that they get the maximum payoff possible, something that game theory will also endorse. Nation-states take into consideration the needs and interests of other nation-states only when these other nation-states are ‘credible threats’ i.e. they have the power to threaten or perform damaging actions.

Our new government is committed to forge new allies and rekindle the warmth with the old ones. A very cautious approach has been taken in dealing with the nations that India doesn’t get along well with. Campaigns like ‘Make in India’ are being publicized and promoted on a huge scale to lure international investors with superior technological skills to exploit a skilled Indian labour force. Many leaders from across the globe have also visited India recently.

India has the world’s second largest population. According to GDP measures, it is the third largest economy in Asia. India has the world’s second largest army and it is expected to become the world’s fourth largest defence spender by 2020. The country shares a 2,500-mile border with China and sits near critical chokepoints in the Indian Ocean, through which over 80 percent of the world’s seaborne oil passes, along with almost one third of global trade. Thus, India is an important player in the geopolitical dynamics and it’s in the interest of many nations to forge an alliance with it. New Delhi is learning well the art of treading the dicey waters of pleasing allies along with signing profitable deals. Plethora of international examples supports the above claim.

INDIA – UK

India and the UK have a shared history that goes back to the colonial days, and these historic links make Britain (to quote Mr Cameron’s phrase) India’s ‘partner of choice’. The large Indian diaspora and other soft ties, all lend warmth to the Indo - British relation. So, when the Indian government choose the French consortium-led Dassault Rafale over the UK-German consortium-led Eurofighter Typhoon as the preferred

bidder in the tender process for defence aircraft, it was met with much disbelief in the UK and Germany. India’s Ministry of Defence emphasized that price would be the most important factor in its decision. The Rafale was quoted to be 15–17 per cent cheaper than the Typhoon. Rafale has an advanced reconnaissance pod and the latest electronic scanned array radar. None of these features were offered by the more expensive Typhoon. This contract was important for Britain because it would have provided a significant boost to their national economy, particularly, in the hard-hit manufacturing and defence sectors. Even though India and Britain have been allies for a long time, but the warmth of that partnership wasn’t good enough to seal the much-needed deal in favor of UK. India chose to go with the bidder who served her interests the most (i.e. gave the maximum payoffs), much in a way that game theory predicts.

INDIA - USA

Historically a non-aligned India and an allied USA had separate political trajectories and national interests for decades. But post the cold war, a lot has changed, and pragmatism and enlightened self-interest have brought these two countries together.

The Indo-U.S. strategic partnership is based on increasing convergence of interests on bilateral, regional and global issues. However, in April 2011, the Ministry of Defence rejected bids from US firms Lockheed and Boeing, which offered the F-16 Fighting Falcon and F/A-18 Hornet, respectively. The rejection was consistent with the Indian government’s refusal to sign arms transfer agreement with the US. The weakened ties with Pakistan gives India an even greater significance in America’s efforts for stability in Afghanistan when most NATO troops leave by the end of the year. Also, America’s desire for co-operative relations with China have degenerated into a form of strategic competition, thereby favoring India as a partner.

Overall, however, America’s economic ties with India do not come close to the huge, symbiotic relation it has with China. India itself now trades more with China (\$74 billion in 2011) than it does with America (\$58 billion), and undoubtedly, American officials would like to see that change more in their country’s favor.

INDIA – CHINA

China has also extended a warm hand of friendship to Mr Modi. The first telephone call Prime Minister Modi received following his May swearing-in ceremony was from the Chinese Premier Li Keqiang who for 40 minutes conveyed China's desire to build 'robust ties' with his new government. Despite the recent Chinese-Indian standoffs, the deployment of additional troops and weapons near their contested border, China backing Pakistan and a growing Chinese presence in the Indian Ocean, Beijing and New Delhi enjoy increasingly productive ties.

Between 2003 and 2012, the trade between the two countries increased by an average of 30 percent each year. Their armies are conducting joint military exercises, and in February 2014, China offered to fund Indian infrastructure development with \$300 billion in loans. The synergistic benefits from this alliance could boost the economies of both nations, if both are mature enough to handle their differences smartly.

INDIA - JAPAN

China has played the cupid that has brought about the recent India-Japan honeymoon. Japan is open about its strategy of being an ally of India with an eye on China, while India remains the bashful bride, enjoying the attention of the two leading Asian economies. New Delhi not only secured huge economic investment from Tokyo but also found a partner for economic growth. Japan has committed to investing nearly \$34 billion in India; it is involved in almost seventy infrastructure projects (with more being negotiated) and Mr. Modi and Mr. Abe have upgraded their countries' relationship to a "special strategic" partnership. Japan's difficult relations with China may have nudged it to look for stable economic opportunities and for India, it helps, as it can now more confidently present itself to the world as the next best investment option after China, because of the two assets India has that China does not: democracy and non-aggressive diplomacy.

But India will have to balance its relations with these two countries wisely. As a neighbor, China must surely remain India's priority. National interest will drive

India to seek peaceful relations with China. In the meantime, closer defence engagement with Japan might be helpful in ensuring its longevity. This need not be anti-China in nature (which India can ill-afford anyway), but rather a contribution to maintaining peace and prosperity in the region.

CONCLUSION

Nations are led by their own motives and not historical friendships. India and the United States have common interests in fighting terrorism and in providing a strategic counterweight to China. But India has a fruitful relationship with Iran that it sees no reason to sever. France and USA are also allies, but France did not provide much support in the war in Iraq and though UK supported the US in Iraq, the US didn't provide so much support to Britain during the Libyan war. Russia and USA were involved in the cold war few decades ago, but Russia did support the US in the war in Afghanistan.

Preventing the domination of any single power, promoting democracy, fostering economic growth, preserving global commons, promoting energy security, safeguarding the global environment and fighting terrorism are few-shared interests that form or break allies. But, shared interests do not mean that any country will subordinate its national interests. Issues such as competing national preferences, absence of any tradition of cooperation, and diversity of domestic interests may not allow countries to form a formal alliance. Most nations want to lead, and none wants to be subservient, so, whatever engagement emerges, it has to be sought on equal terms. Statecraft today, requires nations to accommodate both domestic compulsions and international dynamics for a lasting alliance.

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