

Demographic Trends in **China**:

Implications for Domestic and Foreign Policies

In the 21st century, China is going to become one of the most important states in the international system. With a population of over 1 billion people, it represents nearly 20% of the global population and this fact alone will combine with the country's increasing economic might to give much weight to Beijing's domestic and international policies in this century. There are significant challenges, however, that are associated with having a population as high as China's. The first one is that in the 21st century, China is facing a process of population aging as a consequence of the one-child policy implemented since the 1970s in an effort to curb high population growth. The social costs are going to increase and be expressed in health care and social services expenditures, retirement incomes, and a lower ration of retired people to workers, who can support the costlier social security system. Further, the shift of the focus to the demographic problems China will face in this century will take away attention and resources from other policy areas, such as military spending and foreign policy, with the irony being that the availability of the amounts of right people for the many tasks at hand in a growing economy is central to everything the government in Beijing is

going to do in the 21st century. A limited comparative perspective on the consequences of an aging and declining population comes from a survey of Eastern European states in the aftermath of the post-socialist transformations they experienced through the 1990s and 2000s, with massive emigration of skilled labour to the West and a collapse in birth rates across the region. From the foreign policy perspective, China may find itself challenged to meet its international obligations, commitments and aspirations when an aging population will become an exceptional domestic concern as we approach the middle of the century. These policies may include foreign troop deployments, the maintenance of international regimes and agreements and leading efforts in new policy areas, such as environmental problems, new energy sources or Space exploration; from this brief survey, it is possible to see the many implications demographic trends have for China's domestic and international position.

Demographics

In the 1970s, a one-child family planning policy took effect in China to curb the high rate of population growth up until that point.[1] The 

result has been that the birth rate dropped dramatically, but it has also introduced challenges to China that will be felt in the coming decades. On the one hand is the issue of an increasingly unbalanced sex ratio that sees men outnumbering women significantly; there is a cultural explanation in that families tend to prefer sons over daughters and in combination with the one-child policy, girls are consequently more disadvantaged.[2] Rectifying this imbalance must be done with a perspective in mind, because it will only be restored within a generational vision of demographic policy-making

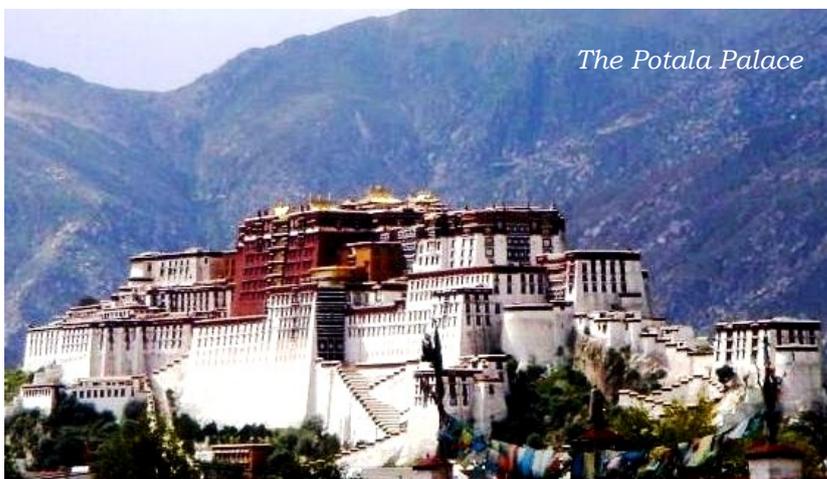
The much more salient issue to Chinese demographics is that the same one-child policy will result in a population structure, where the amount of older and retiring people will be greater than the amount of children and young people in absolute terms. In other words, China will face the problem of an aging and decreasing population in the medium to long term.

The implications to such a development of events are considerable. The one that comes to mind immediately is social security. With fewer workers supporting more retirees in the long run, economic growth, skilled labour shortages and taxation will become important political issues on the domestic front. Policy responses will certainly include raising the retirement age to offset the negative effects of an aging population in some respects. A useful comparative perspective can be found with countries in Eastern Europe, which are

going through this process in the present. Following the collapse of socialism, the exodus of skilled professionals to the West, the collapse of birth rates and the spike in death rates translated into an ongoing twenty-year trend of steady population decline.[3] Keeping in mind that these states also have population age averages that are among the highest in the world, it will be important for China to keep an eye on how they cope with these restrictions, because within the foreseeable future it will confront the same problems, only on a much larger scale.

On the domestic front, the potential decline of China's population will have impacts across a wide range of its roles. An aging and declining population, in the first place, will lead to an invariable rise in domestic expenses in the social sphere, from pensions and wages, to taxes and healthcare.[4] The diversion of the needed resources will produce a negative impact on expenses towards military and security, for instance. In effect, Chinese policies on the domestic front may supersede Beijing's international commitments and responsibilities in the long run. The most visible impact will be on the military component, as cuts will reduce the size, serviceability and types of hardware that China will be able to afford. However, the most dramatic cuts may happen in other areas, such as infrastructure or education.

We must not ignore the fact that ethnic tensions in China may also be affected adversely by negative demographic trends.[5] In particular, tensions with Tibet, and with various minorities in Western China are not immune from flaring up as attention and resources may be shifted away from the border regions and towards the regions of high population concentration, where most of the aging population would be expected to reside – the towns and cities in coastal and southern China. The challenge for policymakers in Beijing is clear in its definition, but complex in the execution of the solution: the high rate of economic growth can be maintained for the time being, but with an aging population it will stabilize and gradually slow. At worst, it can



stagnate and fall, at best, continue at a decreasing rate on a year-on-year basis. In turn, the rate of economic growth will affect the collection of taxes and the ability to allocate diminishing sources of income, as the ratio of workers to retirees falls through the 21st century. The solution must incorporate creative compromises that will ensure the dignity of the multitude of retiring workers in the 2030-2050 period and at the same time retain the national cohesiveness with minimal reference to military force in preventing uprisings and rebellions that remain realistic threats in China's historically restive regions.

Implications of worsening demographic indicators for Chinese foreign policy

It is an expectation in the international community that an upcoming power should shoulder more of the issues in regards to global challenges: environment, security and foreign aid are just among the most important. An aging population will have an adverse effect not only on the hard power, but also the soft power and humanitarian aspects of Chinese foreign policy towards the middle and second half of this century. Encouraging development goals, for instance, will become more difficult as the capacity to do so will be reduced by the demands of more social spending.

Foreign policy has three dimensions. Two are theoretical: hard and soft. The third dimension is the practical implementation of foreign policy that is a hybrid of hard and soft power, sometimes rational and more often irrational. Chinese foreign policy is going to operate in a multipolar world with the potential to lead multilateral responses so as to set the tone of global solutions to global problems [6]. However, the expected higher cost of social spending in China will put constraints on the extent of Beijing's ability to pursue its foreign policy objectives.

Military spending will be the most visible sign of reduced spending, even if it is on a current upward trend.[7] Closing the perimeter of the

footprint of the Chinese military to more selective deployments and missions will become needed, as budget revenues are going to stagnate and potentially fall. Thus, it would be wise for Beijing to frame the extent of military capabilities that should be achieved within the next fifty to seventy years, and the financial framework to which these expectations should be married for this period of time. The reason behind choosing a policy with a sight towards the end of the 21st century is because demographic pressures have generational impacts that can be accurately estimated within a generation and upon analysis of population trends over a longer historical period, extrapolated within a scope of possibilities for demographic development towards the end of the century. In the context of

Foreign policy has three dimensions. Two are theoretical: hard and soft. The third dimension is the practical implementation of foreign policy that is a hybrid of hard and soft power, sometimes rational and more often irrational.

these scenarios it is possible to give respective estimations for the availability of manpower, price inflation, and budgetary requirements and with proper technological analysis, what we might expect in the way of military capabilities through the course of the 21st century. Yet again I will emphasize that it is a demographic analysis that is the independent variable – all other factors relating to military capacities are dependent on it.

The second consideration in regards to foreign policy concerns Chinese economic activities abroad. Under this label, I include both foreign direct investment and development aid. Currently, Beijing is directing an aggressive economic expansion abroad, notably in terms of investment in Africa, a potentially enhanced economic position in Europe and a vast trade surplus with the United States.[8] The growing economic capabilities of the country indicate that

these trends will continue in the foreseeable future. However, as the middle and second half of the century come, the added pressures of social expenditure on an aging population at home have the potential to stagnate or even lower the level of foreign economic relations. While the current trends show a systematic foreign expansion of Chinese capital abroad, these trends are bound to slow down or reverse in the medium to long term. At this point, China risks losing valuable political and economic leverage relative to its competitors in the global system and with that, a degree of leadership on world issues in general. An aging population will also put other limits on foreign economic policy, such as the availability of experts and manpower to oversee and administer projects and policies with Beijing's multitude of economic partners; conversely, lower-level intensity on a more selective basis will be the policy response to reflect these coming realities.

Outlining both hard and soft power implications briefly, the question becomes what is the best practical policy for China to meet the many challenges brought on by an aging population, while maintaining its foreign policy achievements and aspirations? The answer lies in multilateralism. Our world is bigger, more interdependent and interconnected than any time in recorded history. It is very difficult for a single country, however powerful, to manage this kind of increasingly complex world. The United

States' immediate postwar political and economic dominance in a shattered world made it possible for Washington to design a system in which it was, and still is, the principal trendsetter of global political and economic affairs. In turn, China's rapidly growing stake in the global economy suggests that while Beijing will play a very important role in global affairs during this century, it is not going to be in the same position as the United States in 1945 where it is the only state with the capacity for moving international relations forward. Multilateralism is almost an inherent condition for the management of global problems today and China's greater stakes in it will demand a response from Beijing to provide leadership in this kind of an international system. Demographics are a salient policy implication for this rehashing of Beijing's global role, because the amount of workers, social expenditure, birth and death rates directly affect the strength of China's international position; we must understand that the greater China's stake grows, any shifts in population size, however small, will reverberate accordingly in magnitude. While not an obvious connection, demographics have the potential to define China's relative role in a multipolar system, and the influence of population must be internalized in Beijing's multilateral foreign policies, which will be an almost natural outcome of the world's growing multipolarity.

Finding as many commonalities as possible with international partners to foster the convergence of interests to the point where interdependence becomes more profitable than competition is important for China, it is going to offset the negative implications that come with an aging and declining population. Regional strategic partnerships will become the essential foundation for a multilateral Chinese foreign policy; however, it cannot be a sole Chinese effort. For it to work, Japan, India, America and Russia will need to provide the major impetus onto which China can build a foreign policy that not only fosters trust between partners, but is also reciprocal. An added benefit is that it makes possible a secondary wave of such relationships with other influential countries:



Iran, South Korea and Brazil for instance. The attitude of seeking a convergence of interests is applicable across a wide variety of policy fields: security, economics and development; what is more, an increasingly interconnected and interdependent world will make such convergence easier and easier to pursue in this century, and this is why it would be a wise strategic choice by Beijing to pursue multilateralism across different policies as its style of foreign policy.

Conclusion

The picture that emerges in the broad survey is that while China is an up and coming and will have a lasting trace on world politics, the challenges brought on by slowing population growth, a rise in the average age and a gradual decline that will occur later in this century, will put a strain on the ability of Beijing to effectively meet domestic and international obligations. Internally, supporting an aging population will require more funding of healthcare and retirement services, and part of the money will come from raising the tax load on an increasingly smaller working population. Conversely, the pressure of supporting an aging population will also put China's foreign commitments under strain, from military funding to the ability to maintain the needed capacity for humanitarian initiatives: foreign aid, peace operations, or even substantiating an expanded role for the UN on the world stage. The ultimate point here is that in order to sustain its leadership in the world, China must focus on the challenges that will be brought on by the long-term perspective of an aging and decreasing population.

Notes:

* **Georgi Ivanov** is a graduate student in political science and international affairs at Carleton University in Ottawa, Canada.

1. Nie, Weiliang. (September 24, 2010). China's one child policy – success or failure?. *The British Broadcasting Corporation*. Retrieved October

23, 2011 from the BBC Website <http://www.bbc.co.uk/news/world-asia-pacific-11404623>

2. Huang, Yanzhong and Yang, Dali. "China's Unbalanced Sex Ratios: Politics and Policy Response". *The Chinese Historical Review*, Volume 13, Number 1 (Spring 2006): 1-15. P.2
3. The World Bank. (2007). *The Demographic Transition in Eastern Europe and the Former Soviet Union*. *TheWorld Bank*. Retrieved October 23, 2011 from the World Bank Website http://siteresources.worldbank.org/ECAEXT/Resources/publications/454763-1181939083693/chaw_045-072_ch01.pdf
4. Wall Street Journal (October 29, 2009). Is More Social Spending Enough to Right China's Imbalances? *The Wall Street Journal*. Retrieved October 23, 2011 from WSJ Website <http://blogs.wsj.com/economics/2009/10/12/is-more-social-spending-enough-to-right-chinas-imbbalances/>
5. Fairclough, Gordon. (April 5, 2008). China's Ethnic Tension Isn't Limited to Tibet. *The Wall Street Journal*. Retrieved October 23, 2011 from WSJ Website <http://online.wsj.com/article/SB120735402342591389.html>
6. Kampf, David. (October 20, 2009). The Emergence of a Multipolar World. *Foreign Policy Association*. Retrieved October 23, 2011, from Foreign Policy Association Website <http://foreignpolicyblogs.com/2009/10/20/the-emergence-of-a-multipolar-world/>
7. Dickie, Mure and Hille, Kathrin. (March 4, 2011). China's Military Budget Rise Alarms Tokyo. *Financial Times*. Retrieved October 23, 2011, from FT Website <http://www.ft.com/cms/s/0/6525224c-462f-11e0-aebf-00144feab49a.html#axzz1bf5tTmx6>
8. Schuman, Michael. (September 14, 2009). Why the China-U.S. Trade Dispute is Heating Up. *Time Magazine*. Retrieved October 23, 2011 from Time Magazine Website <http://www.time.com/time/business/article/0,8599,1922155,00.html>