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# Examining China's Total Fertility Rate

How China's declining fertility rate presents both domestic security risks and challenges

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# Executive Summary

*Cameron Fenwick*

The constantly changing nature of fertility rates and demographic structures poses challenges to governments around the globe. No country faces a more significant disruption both in scale and impact than China, with its total fertility rate (TFR) falling off a cliff in recent decades through a combination of modernisation and government policy.

This public policy report, therefore, seeks to explore the challenges and difficult questions China will have to answer in the coming decades. It faces major internal security risks caused by its unprecedented demographic transformation – a change even its East Asian neighbours have not experienced or will experience to the same extent. From dealing with a surplus of 30 million bachelors predetermined with permanent solitude to trying to fund its ever-increasing pension and healthcare expenditure, the Chinese Communist Party (CCP) has many hurdles to overcome.

The report is thus structured as follows. We first look at China's current fertility levels and present the projections of its TFR. After examining the causes of the recent decline in detail, we look at the key risks both heightened and expected to materialise by this rapid change in demographic structure. We classified such risks into three distinct categories – social, economic, and political – attempting to provide a complete and diverse risk analysis.

We then examine the few attempts the CCP has undertaken to reverse its declining TFR. The efficacy of such policies is uncertain, however. This is because merely abolishing the one-child policy and replacing it with the two and subsequent three-child policy neglect the fundamental drivers in TFR decline to a significant extent.

Lastly, we place China's demographic transformation within the wider context of the global economy, with analysis focusing both on the impact China's fertility rates will have on the Global South and on the developed world.

Taken together, this public policy report aims to provide a broad introduction to the risks and challenges China will face in the next few decades. We hope that this report could help further the discussion on the issue surrounding declining fertility rates. China continues to play a vital role on the world stage. Hence, its domestic issues should be paid close attention to with great scrutiny and diligence.



Image Sources: [Top Left](#), [Top Right](#), [Middle Left](#), [Middle Right](#), [Bottom Left](#), [Bottom Right](#)



# China's Current & Projected Total Fertility Rate

Ryan Leung & Pragati Singh Parihar

## Examining China's current TFR

[An analysis of China's fertility rate](#) since the 1980s suggests that the total fertility rate (TFR) of China decreased from 5.81 in 1970 to 2.75 in 1979. During the 1980s, TFR hovered above replacement level. However, since the 1990s, the fertility rate has declined to below the replacement level.

The [2020 census](#) yielded a TFR of 1.30. The decline has been especially stark in recent years, as China's National Bureau of Statistics reported annual births totalling [10.62 million](#) for 2021 - a significant decline of 11.5% compared to the previous years' census, although arguably COVID-19 could be blamed for part of this sudden decline.

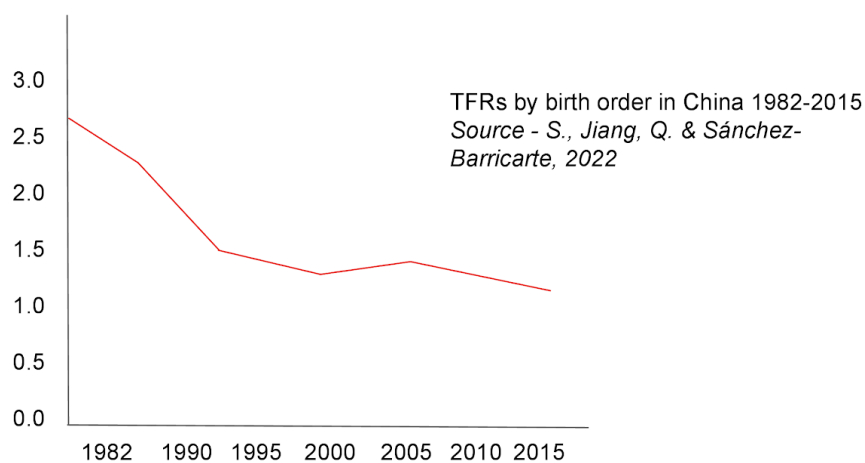


Figure 1: The decline in Total Fertility Rate by birth order in China since 1980's to 2015

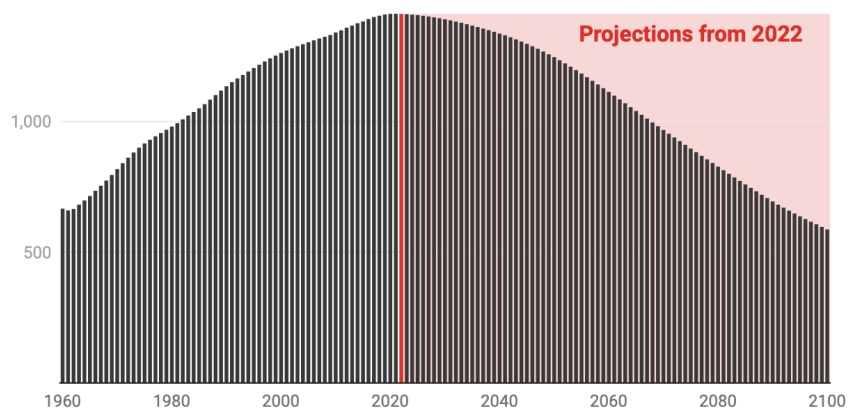


## Projecting future TFR

China's TFR is expected to continue its decrease in the coming decades. The Shanghai Academy of Social Sciences team [projected](#) that China's population will decline by an average of 1.1% from 2021, causing its population to decrease to 587 million in 2100. The team also predicted that TFR will decline to 1.1 by 2030, and remain at those levels until 2100.

### China's population and projections

Total population, millions



Source: Shanghai Academy of Social Sciences • [Get the data](#)

Figure 2: China's total population from 1960 to 2100 ([source](#))



# Causes for Decline in Total Fertility Rate

*Ryan Leung & Pragati Singh Parihar*

## **Socio-cultural and political reasons for decline in TFR**

The decline of TFR has been a global phenomenon in recent years, plaguing highly developed countries and triggering mass population decline in the face of an ageing population. Despite the demographic trend being observable across the world, China's own TFR crisis lies in its history, arguably triggered by government policy.

Historically, China enjoyed a large population size, fueling its agricultural and industrial growth. When the Chinese Communist Party (CCP) solidified its control over mainland China in 1949, population management remained its top agenda. Following years of warlordism, the Japanese invasion, and later a bloody civil war against the Nationalist government, casualties of war plagued China. Thus, for China to assert its power, increasing its population size became crucial, especially for a socialist-led nation which focused on agriculture and labour industries.

Early years saw the CCP enact a policy geared towards population growth, condemning contraceptives. However, the leadership's ability to sustain such an increased population size was questioned. [The Great Leap Forward](#), consisting of a series of harsh economic reforms, miscalculated agricultural policies, and inefficient management, triggered widespread famine across the country. Also known as the Chinese Great Famine, over a period of three years, [an estimated 30 million people died](#) of starvation and diseases. As a result, in its aftermath, the leadership became cautious of a potential catastrophe due to overpopulation, and with it, the necessity for population control.

Consequently, in 1980, after a period of recovery and political consideration, a one-child limit was placed on all families as the central measure to limit population growth. Seeing the horrors caused by overpopulation, it was also written into the constitution, cementing the centrality of the policy. The term one-child policy was later popularised throughout its implementation. There were [some exemptions](#), mainly for rural families and ethnic minorities, for the purposes of manpower and the need to maintain minority heritage and ethnicity. The policy successfully and drastically limited China's population growth to a comfortable level.

This came at a cost, however, as strict measures were enforced around China. These included forced [abortion](#), sterilisation, mandatory contraceptives, and fines and imprisonment. As a result, the one-child policy serves as the principal cause for China's decline in TFR. Thus, China's demography and TFR is arguably artificial, as opposed to the traditional decline of TFR most countries experience.



Despite a controlled population size enabling China to improve its quality of life and economic strength over the previous decades, the harm caused by the one-child policy remains today. Socio-cultural factors influenced the effects of the one-child policy to a great extent.

Firstly, China's patriarchal social structure and a strong preference for males altered its gender balance. [Traditionally](#), as an agrarian society, men are favoured by families over women due to the necessity of manpower and the desire to continue the family bloodline. Thus, when families were subjected to the one-child policy, mass numbers of unwanted infant females [were abandoned or killed](#), leading to an unnatural imbalance in the sex ratio. This missing generation of women became one of the underlying causes of China's decreasing TFR, as TFR is fundamentally limited by the number of child-bearing women.

Secondly, despite today's state having abolished its one-child strategy, citizens now prefer a smaller family size. As mentioned above, being historically an agrarian society, manpower was crucial to society. Rural families were usually larger and thus needed more working power in the field. However, following the shift in China's economic activity, the need for a large family also changed. It created a changed form of family structure, with an emphasis on lesser children. Despite the state having pushed for a three-child policy, the effect of such seems to be little. A [report](#) on human reproduction in China under the three-child policy found that the intention to have a second child was found to be around 60% and only 13% to have a third child. Additionally, the mean desired family size for women was 1.58 children and 1.76 for men. Even when the state abolished its population control initiatives, the population simply did not desire to have two or more kids.

## **Economic reasons for decline in TFR**

[China's nationwide](#) family planning program and government fertility policies had a significant contribution towards changes in the fertility rate, mostly in the early years. However, [since the mid-1990s](#), fertility changes have been largely driven by social, economic, and cultural factors. During this period, China has greatly narrowed its gap with the developed world.

Many of its major development goals have become realities. After the efforts of several generations, the country has once more become a major global power. Now, China is not only the factory of the world but also has become a world leader in major developmental and technological areas.

China has been [more actively engaged in world affairs](#) than ever before. All these developments have greatly changed Chinese society. In recent decades, hundreds of millions of people have been lifted out of poverty and are now striving for more prosperity and comfortable life. Hundreds of millions of people left the countryside and now live and work





in urban areas. The standard of living for Chinese people has greatly improved. Education has experienced unprecedented expansion and development.

This continuous development in China and betterment in the living standard of people have also impacted their decision-making in family planning, gender equality, fertility intentions, and reproductive behaviours. The couples of today's day and age have a different mindset when it comes to raising a child and consider the high cost of living in family planning.

A [report](#) published by Beijing-based YuWa Population Research Institute found that, on average, it costs \$76,760 to raise a child in China, accounting for everything ranging from pregnancy-related costs to tuition fees. The study detailed how the cost to raise children in cities could be more than double (630,000 yuan or \$99,666) than in rural areas (300,000 yuan or \$47,460). Raising a child in Beijing or Shanghai can [cost](#) a family as much as one million yuan (\$158,413).

The principal drivers of these [changes are major economic reforms](#), increased childcare and education costs, migration from rural farmlands to urban areas, and the end of state-guaranteed employment and elderly pensions in urban areas.

Consequently, many [women of child-bearing age refuse to have a second child](#), despite having the desire to, because of the heavy financial burden, insufficient childcare services and worries about career development. As such, China's total fertility rate fell to 1.3 in 2020.



## Domestic Social Risks

*Léo Courvasier*

China's historically restrictive demographic policy is likely to produce significant changes in the country's social structure. Once hailed as the solution to alleviate overpopulation, the one-child policy's domestic consequences are far-reaching, and China's low fertility rate unveils a manifold of challenges.

### **An ageing population and the elder care crisis in China**

With China's sustained low fertility rate causing a steady decline in population growth and increasing life expectancy concurrently ageing the population, a booming dependent older population is set to rely on a smaller workforce. While the percentage of Chinese over 60 years of age amounted to over 10% of the population in 2000, it is expected that the old-age dependency ratio will be [over 25% by 2050](#). In the span of one generation, the most populous country is heading towards a slippery slope where a lack of young people supporting old people will be detrimental to the country's social stability.

Indeed, the impact of decades of low fertility rates on China's social structure will undoubtedly challenge the country's elderly care system; this stems from a traditional family-centred culture, where it is the duty of children to support their parents and grandparents. Calls for the implementation and institutionalisation of a comprehensive pension provision system may arise due to the financial pressure of changing demographics and the imbalances in the age pyramid.

Currently, [only 17% of older Chinese have some form of pension and more than 70% rely only on the support of their children](#). However, with the family size decreasing, the proportion of family support the elderly can rely on has been plummeting. The situation is all the more dire in rural regions, where [nearly half of the nation's over-65 population](#) resides. With young and middle-aged people leaving their hometowns to work in cities, most rural elders are empty nesters who do not seek medical treatments due to mobility and financial issues. Experts are unanimously voicing that inadequate care of elderly parents is a national problem which will ultimately challenge the fiscal sustainability of social security programmes.

### **An asymmetrical distribution of sex and its aggravating effect on law and order**

This disproportionate ratio is especially worrisome in rural areas, where gender-selective abortions were not strictly regulated to prevent the traditional preference for sons. The sex ratio at birth (SRB) is higher in rural districts than in urban areas. This unbalanced



distribution creates social dissatisfaction, and there is little doubt that this abnormal SRB is a direct result of the one-child family policy. Indeed, sons have been favoured for decades to carry on the family line and care for the ageing parents. The [sex ratio at birth](#) is less skewed now, but the generation born when the policy was at its peak is now reaching adulthood and bearing the brunt of the legacy of the one-child policy. Resulting from the imbalanced sex ratio, there is an estimated [30-million surplus of single men](#) (光棍 guang gun, or literally “bare branches”), living for the most part in rural areas. The forced bachelorhood of Chinese surplus men could challenge China’s domestic security in the future, inasmuch as they are seen by the central government as an [unstable, dangerous factor in society](#) because of the financial, social, and sexual frustration they suffer from.

Indeed, sociological studies have hypothesised that the social and biological frustration of not being able to start a family is prone to spawning [disruptive behaviours and violence](#). In the alarmist paper ‘A Surplus of Men, A Deficit of Peace: Security and Sex Ratios in Asia’s Largest States’, published in 2002, political scientist Valerie Hudson and Andrea M. den Boer argue that “[high sex ratio societies simply have a different security calculus](#).” They predict that China is likely to use its surplus males to “[suppress violence at home and export it abroad through colonisation and war](#).” Overall, the idea that an excess of males is generally disruptive of society has been detailed in a few academic studies which hypothesise that male sex ratios have contributed to the rise in criminality in China, accounting for up to one-sixth of the overall rise in crime as argued in [a 2007 study](#). The scarcity of women is also linked to a [rising incidence of rape and sexual harassment](#) in China, as well as the development of sex trafficking networks with rich unmarried men buying brides and sexual services from women in poorer provinces, [such as Yunnan and Guangxi](#). While studies have not evidenced that unmarried males are likely to become a social threat on a wide scale by banding together, male-dominated societies are still [likely to be more violent](#). Plans encouraging single women living in cities to pair up with bachelors from the countryside have been met with [intense backlash](#), due to a wide socio-economic background and the restriction of women’s liberties by local authorities. Other striking prospects include an [earlier marrying age for Chinese women](#), which could progressively fall to adolescence, causing those who are still unmarried by their mid-twenties to be derogatorily labelled “leftover women” (剩女, sheng nu). This demonstrates the long-lasting and drastic effects of the one-child policy on the role of gender in China.

## **A considerable number of undocumented births**

Another phenomenon exacerbated by the one-child policy and its underlying low fertility rate is that many families exceeding the birth quota chose to not report the births to avoid facing severe penalties. These children, referred to as heihaizi or “black children” (黑孩子), are not integrated into their family's household registration system (户口 hukou). Unregistered children are [denied access to basic needs](#) such as health insurance, free education, or regular employment, particularly in urban areas where not only was the one-child policy most strictly



implemented, but also where government control and monitoring was easiest. The difficulties faced by heihaizi to effectively contribute to the Chinese economy are all the more alarming when considering current demographic trends such as a low fertility rate and an ageing population. Aside from mental health issues entailed by the “[ghost children](#)” status, this hidden segment of the Chinese population is a factor of social instability. Indeed, those “black-listed” children are often [forced to work with organised crime syndicates](#) in prostitution, drug trafficking, and extortion.

### **A generation of “spoilt emperors”**

China's one-child policy created a “[four grandparents, two parents and one child](#)” [family configuration](#), which has become a deeply-rooted social norm, associated with China's economic boom. The one-child policy has also shaped Chinese couples' reproductive behaviour and has [left a permanent impression on family life](#); raised as single children, they tend to focus their resources and undivided attention on one child as well. This generation, oftentimes referred to as the “little emperors” (小皇帝-xiao huang di), generally associates multiple children with rural poverty. Various potential psychological and social problems have been forecasted for this generation of hyper-protected and spoilt single children.

Born between 1976 and 1985 during the one-child policy's heyday, “[the sandwich generation](#)” must bear a double financial burden of caring for both their children and ageing parents. The allocation of money, time, and resources toward children is foremost and prevails over elder care. The first-generation of one-child families must now cover the costs of caring for two elderly parents. Facing the slowest birth rate since the 1950s, “little emperors” are spurred to have more children, to the detriment of the traditional childcare model which heavily relied on grandparents.

As the percentage of young people in a population declines, society loses its vitality and dynamism. In 2012, the 65 and over age group [eclipsed](#) the 20–39 age group in Japan. Japan's unprecedented fate is telling of the social stagnation risks that such a shift entails. Due to a shrinking workforce, the Japanese became more averse to risks and began prioritising security rather than striving for innovation. It is projected that China will undergo an [inversion of its demographics by 2034](#). With the share of elders eclipsing the younger workforce, the national spirit might suffer. A sharp decline in the fertility rate would substantially impact China's social landscape, as evidenced in precedent countries.



## Domestic Economic Risks

*Jayme Teoh*

Not long ago, the biggest demographic threat to the world was considered to be its rapidly escalating population. Many scholars embraced a Malthusian view in which the world population would eventually rise to a peak where the planet's resources would no longer be able to meet the needs of this growing populace. However, there have been dramatic changes to much of the world's demographic situation. Over the last few decades, the [consensus view](#) has shifted from viewing a decline in fertility as having strong effects, to it not being very important, and recently back toward assigning them some significance politically, socially, and economically. TFRs have begun falling at a much faster rate than expected, leading to a much greater slowdown in population growth in many regions. China, in particular, is one of the startling examples of how much these declining TFR are impacting the demographic features of individual countries. Scholars have recently identified a handful of [economic challenges of decreasing TFR](#) globally. These include but are not limited to labour shortages, fewer consumers, a growing ageing population that may generate unsustainable burdens, and reduced total productivity and competitiveness.

Generally, a large portion of scholars agrees that China's declining TFR will affect the country's economy negatively. [Liao](#) argues that despite the government's attempts at fertility intervention measures, such as the two-child policy in 2016, the negative consequences of the implementation of family planning are causing an "economic crisis." This is largely focused on the labour shortage that the country will face. Despite government efforts to intervene via measures such as the two-child policy (2015) and three-child policy (2021), the population of newborns lowered to an alarming [10.62 million in 2021](#). This decline in population will result in reduced consumption, which could affect China's overall GDP. Additionally, [Lie](#) emphasises the issues surrounding a scarcity of human capital that comes with declining TFR, which lowers the return on investment on human capital. She concludes that a low fertility rate will result in lower economic growth.

In terms of China's productivity rates, [Li and Zhao](#) argue that total productivity will decline significantly. This study measured total factor productivity by utilising data from 1998 to 2017 in China. The results demonstrate that both significant increases and decreases in TFR will negatively impact human capital since its effect shows an inverted 'U' shape. This is especially salient given China's TFR has fallen to an all-time low in the past two years. China's National Health Commission reported that [TFR dropped to 1.3 in 2020](#), a rate far below the established 2.1 needed to maintain population levels. Even other reports suggest that present [TFR levels are as low as 1.6](#), with disastrous implications for economic growth, healthcare and living costs. China's economic growth is also closely linked to the CCP's legitimacy in China ever since Deng Xiaoping's "Reform and Opening Up" policies



transformed the country in 1978. These economic projections are problematic, as the Party's legitimacy has been built around fast economic growth, which in turn has relied on a cheap and willing young labour force.

Compared with other developed nations, China may face a bigger challenge because the increasing rate of their ageing population is beginning to surpass that of their economic growth. The OECD said that China is "[losing its advantages](#) over both high-income and low-income countries," emphasising the need for China to change its approach towards below-replacement fertility rates in the country. On one hand, a slower increase in the working-age population and expeditious economic growth has caused a labour shortage and rising wages. Increasing labour costs subsequently undermine the comparative advantage of labour-intensive industries, therefore pushing the industrial structure towards capital and technology-intensive industries. [Rozelle](#) observed a polarisation of the demand and wage growth in China: rising for professionals employed in formal skill-intensive industries and falling for workers in the informal labour-intensive service sector. As the ageing process of labour deepens, an increasing number of people will not support the development and use of new technologies, making it [difficult for new technologies to be used effectively](#) and causing a subsequent decline in productivity. [Lucero-Prisno III](#) explored how without a young population, China may lose some of the strengths of its social dynamics, which is an essential factor in national development. Paralleling China, Japan's older adults eclipsed the younger aged workforce, which seeks more safety and security. The population as a whole, therefore, becomes averse to risks rather than managing them and working towards innovation. As mentioned in the previous article, using population modelling, Toshiya predicts that China's future demographic makeup will lead to a [similar inversion around the year 2034](#).

On the other hand, China's per capita income has only just attained the upper-middle level and has not yet gained a significant advantage in physical capital. It also lags behind most developed countries in terms of labour quality and science and technology development. Therefore, the OECD report concludes that China (1) will lose the opportunity for overtaking developed countries; (2) will lose its advantage over other developing countries that still enjoy a [demographic dividend](#); and (3) has yet to gain the advantage in technology and innovation that developed countries enjoy.

A [2010 survey](#) on the ageing population in China found that 22.7% of elderly people in China were unable, or not fully able, to take care of themselves, and had to rely on other family members. Attending to the elderly restricts the labour participation of the people undertaking the responsibility, especially women. [Moussa's](#) review of empirical research shows that "mid-life women caregivers of elderly women are significantly likely to reduce their working hours." Another [2005 survey](#) found that female respondents who looked after their parents worked 1.4 hours less every week, and this figure drastically increased to 7 hours for women living with their parents. On top of having a constrained labour force that may have to spend



less time at work due to elderly care, China itself is not yet prepared for the oncoming ageing society, especially in terms of financial burdens on the economy.

Furthermore, the government's spending on old age support is limited. Only a small portion of public spending is directed to old-age pensions, with the pension system only covering a small population. On the other hand, the current social pension system is [facing an obstacle](#): pension funds in nearly half of the Chinese provinces cannot make ends meet, and the returns on pension investments are low. In fact, pensions are actually shrinking, with the annual rate of return maintaining below 2%, which is even lower than the rate of inflation. Taking into consideration the backdrop of an increasingly older population, this will be calamitous for China's social pension system.

Additionally, the increasing ageing population has generated a global rise in health spending due to higher demand for medical and long-term care services. This is especially significant as [Lopreite and Zhu](#) found in a study that China was more affected than the USA by population ageing during the observation period from 1978 to 2016. To address the health costs, the scholars suggest that China should establish a fully functioning three-tier healthcare system, emphasising the role of primary healthcare providers as gatekeepers. With regards to pensions, rather than postponing the retirement age in order to lessen the burden of public spending on the elderly, [Liu and Sun](#) suggest that retirement reform will require a comprehensive policy package that effectively addresses a host of factors including the replacement rate of pension, personal life events, savings, work condition, health, and family circumstances.

However, the general perceptions of the negative economic effects caused by a low TFR are sometimes misinterpreted. [Marois, Gietal-Basten, and Lutz](#) demonstrate that the future economic outcome of a population may look very different depending on the indicator of the demographic dependency used. The paper argues that a "purely age-structure-based reasoning which disregards labour force participation and educational attainment may be highly misleading." Although China's TFR has fallen to low levels, human capital accumulation has been strong, especially among younger cohorts. Rather than prescribing to the mainstream viewpoint that low TFR definitively leads to low human capital, as suggested by Lie, Marois suggests that factoring in the "productivity-weighted labour force dependency ratio" (includes effects of labour force participation and educational attainment) on productivity can more accurately capture the economic implications of demographic change. In fact, using this ratio suggests that low fertility rates may not pose such a significant impediment to continued economic prosperity over the coming decades. In a multidimensional demographic model, the paper shows that by 2040, both low (TFR = 0.8) and high (TFR = 1.7) fertility scenarios still yield the exact same structures for the adult population above age 25 because the older cohorts have already been born. However, due to the smaller number of children, the lower fertility scenario results in a lower age-dependency ratio (ADR) over the coming decades.



The ADR of the low fertility scenario exceeds the one of the high fertility scenarios only around 2050. Therefore, even when assessed on the basis of the conventional ADR, lower fertility might give China an economic boost for the next 20 years rather than being an economic burden. Therefore, such studies reject the one-dimensional notion that a decline in TFRs inherently leads to slower economic development. It is important to consider the other dimensions of demographic dependencies, such as education and labour force participation. In recent years, [China's education level globally](#) has entered the ranks of middle and upper-income countries. Additionally, although China's labour force participation rate has [declined to a record low](#) of 68.1%, it still [remains far above average](#) compared to other countries globally. How these variables interact with TFRs and affect economic growth and development remains ambiguous, but recent studies such as those conducted by Marois paint a more optimistic picture of China's economy in light of declining TFRs.





## Domestic Political Risks

*Joakim Enrique Carli*

As families for generations now have been adjusted to an enforced one-child policy, this has inevitably influenced cultural norms on the amount of children families wish to have and what is deemed appropriate. With the increased requirements for education and the competition for high-status jobs in China rising, focusing time and resources on one rather than two children seems rational from a parental perspective. Reversing this trend will require another few generations of determined expansive reproductive policies, if at all possible. Keeping the idea of a traditional family life alive is also increasingly more difficult in an era where a market that facilitates a comfortable life for single people in China further creates a lower incentive for them to get “out there” to find a spouse. Marriage registrations fell to a [historical low in 2021](#) with a mere 7.6 million registered, a 6.1% decrease from 2020. This is also accompanied by another growing cultural expectation of women working to achieve financial independence.

A solution that has served to support the increasingly more expensive welfare states as a result of an increasingly ageing population in European countries has been to do so through immigration. The development of China has thus far stimulated a fair amount of immigration. For example, as a result of an elevated income, higher-earning Chinese have increasingly been hiring maids and other labour workers from nearby countries like the Philippines. Another immigration incentive has risen as a direct result of the male-to-female ratio in China, creating a demand for [“foreign brides”](#), purchased from countries like Russia, North Korea, and Vietnam. However, the covid zero policy has made both tourism and immigrant settlement in China difficult during the pandemic. Furthermore, China is struggling to overcome issues with racism that are becoming more apparent with social media – especially [racism against Africans](#). The root of the problem for the CCP is that it has in many ways de facto excluded the potential for immigration as a solution because of its reliance on nationalism to rally the support of its people, especially in the [Xi Jinping era](#). In essence, the nationalist propaganda strategy has proven to be more effective than the CCP could have anticipated. It is now becoming detrimental to the issue of population stagnation and decline, as the nationalist sentiment that has been flourishing among many Chinese citizens is now [preventing](#) Beijing from implementing good immigration policies to attract foreign talent and potential immigrants. This became apparent when the Ministry of Justice launched its [draft rules for permanent residency](#) for foreigners in 2020, which sought to relax requirements for foreigners seeking permanent residency in China. Tying the issue of xenophobia back to the issue of immigration, this also exposes more structural issues related to the interplay between racism and patriarchy in China. Marrying foreign women is becoming more common, as previously mentioned, but it is not viewed as an antinationalist issue, because it is men who do it. Women marrying non-Chinese men, on the other hand, [is very much problematised](#),



especially in the more traditional rural areas in China. It is furthermore also [directed towards African men](#), which illuminates a struggle with racism and immigration that makes for an uninviting climate for potential immigrants.

It is thus important to assess what implications female empowerment has to the issue of political risk for China when on the topic of declining fertility rates. Women are child bearers and thus have a central position in regards to being involved in anything related to the issue of fertility rates. Consequently, as a group, they have leverage in any sort of bargaining regarding reproductive or family policies. Criminalising abortions would for example be to strip away rights that are viewed as fundamental women's rights, and the response by an already pressured female demographic could in the worst case scenario for the CCP be a wide-scale social uprising. Therefore, in order to implement effective policies to combat the issue of declining fertility rates, women will need to be consulted, understood, and listened to. There can potentially be a downside to this as it may also be that women in the process of being consulted realise the bargaining power they have. This could in turn leave Beijing forced to exchange more civil liberties to a group of its population in order to get them on board with their policies if they are to resolve the fertility crisis. This could also result in other interest groups becoming aware of the possibility to gain more representation for their cause, which in turn could mean that pressure towards Beijing by minority groups would grow. The result of this could likely be further political instability as the power of the CCP would become more fragmented and an eventual destabilisation of power. A potential scenario could be to see China's totalitarian regime gradually phasing into a more open political system, which would further risk exposing the legitimacy of the CCP and introducing competing groups.

The lower amount of working-age people to generate tax revenue will result in the Chinese government struggling to maintain a sufficient level of [social benefits and pension funds](#). This issue is exacerbated by the growing number of elderly Chinese citizens in need of social care, medical assistance, and pension benefits. Chinese workers might be forced to work for a longer time than their parents needed to, which in turn will lead to a more fatigued, less productive, and burnt-out labour force that might begin to feel resentful of the late response by the CCP to mitigate this looming crisis. Such policies to delay the retirement age were already [presented in 2015](#) but were abandoned after facing criticism from workers who are approaching retirement age who would be affected by the policies and were thus abandoned at the time. However, the CCP again launched similar alternatives to address future labour issues in 2021, and is set to follow through with it this time, [beginning in 2025](#). The policy proposals have already been negatively received among Chinese workers, and are certain to accumulate larger resistance as conditions worsen for career-starting Chinese adolescents. Already, a number of young Chinese workers are jumping on a trend called '[lying flat](#)' in response to growing demands by domestic employers, illustrating the risks of putting further pressure on an increasingly unmotivated labour force. Not being able to provide sufficient



means to ensure that Chinese citizens have a socioeconomic ladder to climb will certainly create massive grounds for instability within the country.

Another issue related to the declining fertility rate is the fact that as the Chinese population increasingly chooses to pursue education to live modern lives, a military career is no longer a major route to social mobility. As a result, recruitment to the People's Liberation Army is reduced to a smaller pool of potential recruits. This means that the PLA, a central instrument for the CCP to maintain stability and order internally, [will be weakened](#). Although military service in China is technically mandatory, conscription has never been required as the pool of volunteers has always been large enough. If this is to falter, then the conscription of unmotivated soldiers to the army would undermine the ideological conviction on which the CCP is dependent which aims to ensure that every soldier remains loyal to the cause. Should the quality of the PLA suffer, the party will certainly suffer with it, as both the ability for internal rule and international power projection will decline. In the case of a major civil unrest unravelling, adding this factor would mean that the CCP's possibility for controlling the situation will be weakened, as PLA soldiers who are not completely on board with the CCP's ideological visions of the party could become reluctant to use force, or worse, sympathise with the cause of civil protesters and refuse to intervene.



## Government Initiatives

*Matheus Mora Machado*

Given the extent of economic, security, and political risks associated with declining a TFR, the CCP has adopted and will continue to adopt policies designed to increase China's TFR in the coming decades. However, the extent to which these policies address the root socio-economic, political, and cultural causes of China's dramatically low TFR has been [questioned](#) by a variety of scholars and commentators. Indeed, the CCP's approach to engineering a sustainable and socially-desirable TFR has been soft-handed, misguided, and mistimed. Rather than swiftly enacting ambitious initiatives to tackle the underlying causes of China's low TFR, the CCP's most significant policy initiatives have largely consisted of belatedly reversing previous policies that contributed to the problem at hand. But those problematic policies – most notably the infamous one-child policy – ingrained [cultural and social attitudes towards child-bearing](#) that will be difficult to reverse. Therefore, despite some signs of progress, the CCP's initiatives have been too little too late to meaningfully reverse the TFR trend.

### The Two-Child Policy

In October 2015, the two-child policy came into effect, marking the first time in 36 years that Chinese citizens were permitted to birth more than one child. The one-child policy had restricted the number of children that women of child-bearing age could birth by prohibiting [second newborns](#) from attaining Hukou status – a system of population registration that determines whether individuals are eligible for social services such as healthcare and education. As has been mentioned, from an economic perspective, the policy made it difficult for couples to have more than one child, especially in light of rising schooling and healthcare costs during China's economic boom in the late 20th and early 21st centuries. Consequently, the two-child policy allowed women to have and raise up to two children by permitting both children to have access to education, healthcare, and other fundamental social services.

The primary goal of the two-child policy, of course, was to [increase the number of births](#) in China. Policymakers targeted and expected a baby boom following the implementation of the policy, stating that the infant population was set to [reach 20 million at the policy's peak effectiveness](#). Importantly, the effect of the policy was intended to be long-term, such that any given increase in yearly births, and thus in China's TFR, would be sustained for decades to come.

In the near term, the policy did indeed lead to a higher birth rate, but the TFR did not rise sufficiently to make up for the present deficit. The policy did not get off to a strong start – in June 2014, six months following the announcement of the policy in November 2013, [approximately 270,000 couples applied for approval for a second birth](#), only a sliver of the [90](#)



[million eligible couples](#). But per [Li, Xue, and Hellerstein](#), there were 5.4 million additional births, or approximately 300,000 additional births per month, from July 2016 to December 2017, compared to October 2015 to July 2016. The [monthly mean of births by multiparous mothers and of mothers aged 35 and above](#) rose by 9.1% and 5.8%, respectively, indicating that the policy encouraged older women to have children. Other academics, including [Chen, Wei, and Wang](#), corroborate these findings: they concluded that the two-child policy was associated with a “moderate increase in fertility.”

However, [Li, Xue, and Hellerstein](#) cite several reasons to believe the figures are somewhat inflated. Firstly, the baseline period—from October 2015 to July 2016—against which subsequent births were measured was the year of the Sheep, which is considered to be a ‘[particularly unlucky time of birth](#)’. Secondly, Chinese births [peak around early winter](#), nine months after families gather for the annual spring festival. As such, births in the subsequent period may have been higher for reasons other than the two-child policy.

Key demographic indicators in China between 2010 and 2020 suggest that the two-child policy was insufficient to reverse China’s low TFR. The rate of natural increase (RNI)—the difference between the number of live births and the number of deaths—[fell by 69.7% from 4.79 to 1.45](#). The mean number of individuals per household [decreased from 3.1 to 2.6](#), indicating that couples are increasingly choosing not to have children. Correspondingly, the fertility rate in 2020 was at [an all-time low of 1.3](#), although some reports suggest that figure is [as low as 1.16](#).

## **The Three-Child Policy**

The three-child policy came into effect in August 2021 via an amendment to the Population and Family Planning Law (2002). Thus, there is little empirical evidence to make a scientifically robust conclusion on how it has impacted China’s TFR. However, its effectiveness may be inferred via an analysis of the substantive aspects of the policy and what issues it seeks to tackle, as compared to the causes of China’s low TFR.

The three-child policy removed [three](#) significant barriers to increasing the TFR. Firstly, the one (and subsequently two) child limit; secondly, the encouragement to delay marriage and child-bearing; and thirdly, the obligation for couples of childbearing age to use contraception. The amendment also affirmed bans on ultrasounds and abortions used to select the sex of the unborn child, in order to restore a more even sex ratio.

Furthermore, the amendment is more hands-on in approach. For one, the amendment places significant emphasis on achieving gender equality in the workplace amidst [fears that childbirth was unduly limiting women’s employment opportunities, salaries, and careers](#). To that end, Article 28 of the amendment provides for the development of infant childcare services within local communities and companies. Furthermore, the amendment seeks to



reduce the financial burden of childbearing on families by distributing welfare benefits to those who have ‘children in accordance with the law’ (per Article 25) and implementing tax benefits to families with children (Article 27). Congruently, the amendment also intends to lower education costs by standardising educational resources to make them less dependent on families’ financial resources (Article 27). These measures are potentially significant, as [Kang, Jing, and Liu](#) found that high parenting costs and high education costs were significant barriers to rearing children aged 0-3 years.

Nonetheless, the amendment fails to address many of the root causes of China’s low TFR. High housing prices are closely associated with low fertility levels globally, but particularly in China, where home ownership is strongly indicative of social and cultural status. As such, Chinese homeownership rates – with 70% of Chinese millennials owning a home – are [far higher](#) than in the United Kingdom (31%) and the United States (35%). However, given that [63.9% of the Chinese population now lives in urban areas](#), housing prices have risen rapidly, making it difficult for Chinese citizens to birth children. The [price-to-income ratio for homes](#) in Shenzhen and Shanghai is 44.7 and 41.9, respectively, whilst in New York City and London, it is 9.5 and 13.6. Furthermore, the turmoil in the Chinese housing market prompted by the Evergrande crisis has caused many couples who purchased homes as investments to lose significant portions of their savings. As the Chinese real estate market is not expected to recover for some time, the impact on the TFR may be potentially far-reaching.

Additionally, policymakers may need to reckon with the likely possibility that 36 years of obligatory single-child households left a cultural and psychological mark on prospective and current Chinese parents. In particular, the policy exacerbated the pre-existing preference in Chinese culture to birth boys rather than girls. Indeed, the sex ratio at birth [increased from 106 boys for every 100 girls in 1979 to 121 boys in 2005](#). An increase in the sex ratio at birth has contributed to the decline in China’s TFR because child-bearing is ultimately dependent on women: the fewer women, the fewer children will be born. As mentioned, the amendment has affirmed bans on ultrasounds and abortions used for sex selection, but this may not be sufficient to rapidly normalise the ratio.

The existing literature on reversing declines in the TFR indicates that further development at high human development index levels may be crucial to reversing fertility declines, as suggested by [Myrskylä, Kohler, and Billari](#). However, it may be too late for China to accomplish such a feat in time to reverse its declining TFR. Prompting further levels of development must entail shifting the Chinese economy from a manufacturing-oriented to a consumption-oriented basis. This in itself would rely on unprecedented increases in Chinese productivity, which cannot be achieved, barring huge leaps in technological innovation, with a rapidly ageing population.



## Raising the Retirement Age

Chinese policymakers have recently [affirmed plans](#) to gradually increase the retirement age in China. Currently, China has one of the lowest retirement ages among ageing countries. Workers in Japan are compelled to [retire at age 65](#), whilst American and British workers must [retire at age 66](#). However, [in China](#), women may retire at age 55 or 50, depending on whether they are blue-collar workers, whilst men may retire at age 60. The [average retirement age](#) in China is 57.5, compared to 65 in Japan, 62 in France, and 61 in South Korea. The drawback of such early retirement ages for China is that the potential productivity of ageing workers is lost. Furthermore, Chinese children are strongly expected to look after their ageing parents, and early retirement prompts young and middle-aged workers to spend much time off work to do so. This results in a further loss of productivity for Chinese society also because workers, in particular women, lose opportunities for career development. The implication for the TFR is therefore not straightforwardly direct; raising retirement ages may be a way to compensate for the loss of productivity due to an already-ageing population that is not being adequately replaced.

In order to mitigate the aforementioned consequences, China plans to increase the retirement age incrementally, purportedly by a few months each year, and with a view to each individual's particular circumstances. [Fang](#) speculates that the new statutory retirement age, once pinned down, will be 65 until 2045. However, there are not only problems with the efficacy of raising the retirement age on productivity, but also with TFR. Firstly, [many Chinese children are raised by their grandparents](#), as parents must work to support their families. As such, should the retirement age rise, TFR would be expected to decrease further, as parents would need to invest more time into raising children. Indeed, [Kang, Jiang, and Liu's](#) study surveyed over 4000 Chinese parents and found that 39.3% of respondents viewed the high time costs of child-rearing as a barrier to child-bearing. Secondly, productivity would be negatively impacted as older workers would at times [disrupt potential career opportunities for younger workers](#). In the absence of such opportunities, younger couples may elect not to have children.



## International Impact

*Felipe Chertouh*

### **Examining the effect of China's decline in TFR on the world economy**

As outlined in previous sections, China suffers from a declining TFR, which has created three critical domestic security risks: (a) a less productive workforce, due to the heavier burden placed on younger individuals to account for the elderly; (b) a burden on the national budget, given lessened tax revenue because of the shrunken labour force; (c) A weakening PLA due to an over-valuing of education, which has weakened the ability of the CCP to enact its policies top-down.

The culmination of the aforementioned weaknesses in China's domestic political balance will have far-reaching consequences on the global economy. This will be addressed through two distinct lenses. First, nations wherein China has existing ties and a developed sphere of influence—namely, the Global South. And second, developed nations.

### **The Global South — A weakening of the Belt Road Initiative (BRI) and lessened investment**

At present, China's ability to carry out its BRI initiatives relies on its high export volume. This is because the US dollar is the global reserve currency and all exports are paid for using it. Hence, given its dominance in foreign manufacturing over the last two decades, China has amassed [a competitive amount of USD in its reserve](#) (\$3.15 trillion as of 2020). Instead of investing this in American bonds to fuel the US economy, it has opted to spearhead the BRI initiative — [loaning to third countries affording low interest rates](#), at the geopolitical and economic benefit of China, and likewise at the financial benefit of nations in the Global South. However, this is, itself, powered by a productive and high-numbered workforce which can outcompete other nations in the manufacturing division by offering low costs of production. The current trend of declining TFR which has already been outlined in this report suggests that this workforce will be burdened and thereby rendered less competitive in future, especially as new global players, such as [India](#), [Vietnam](#) and [Indonesia](#), begin to outpace China in the [manufacturing index](#). This is significant because if China experiences a loss in its productivity and begins to export fewer manufactured goods, it will – in time – hold less USD in reserve. The effect of this is that developing nations which currently have an economic relationship with China, and tend to borrow towards local investment, will find these efforts hindered in the long term. As investment rates decrease with borrowing due to lessened reserves, a likely outcome is that there will be less infrastructure development and short-term growth in the developing world — which thus far has been fueled by more than an [average of 5% in annual growth per year](#) by attractive, low-interest rate Chinese loans.





However, while the impact of lessening Chinese loans will certainly, for a period, be detrimental to economies in the Global South, it will likely open up the doors for economic multipolarity in the provision of loans – this is to say, beyond the current dichotomy of the IMF’s Washington Consensus and the China Development Bank. [India is already considering strategic proactivity in the foreign debt market](#) through the Asia Development Bank. As such, in the long term, the effect of a lessening overreliance on Chinese loans by considering other players in foreign debt markets could be widely positive for the economy of developing nations. This is because China has a long history of [loan-sharking](#) and bad-faith lending, as demonstrated by the seizing of strategic ports and using [Chinese labour for construction](#). Both of these suggest that with the lessening of Chinese influence through loans, nations currently swept by the BRI will be offered other attractive alternatives, and thereby will not be pigeonholed into poor agreements out of desperation for economic growth. Therefore, it could be said that while China’s declining TFR could have a negative impact on the growth of developing nations, this may only be temporary as other countries may step in to create further competition in foreign debt markets, which overall improves loan conditions.

## **Developed World — Rising prices and increased local employment**

Over the last two decades, because of its young and productive population willing to work for cheap, China managed to position itself as the [primary source for job offshoring and outsourcing](#) for the developed world. Given that a significant portion of American and European goods was being manufactured at a much lower cost of production abroad, many substantial domestic inflationary pressures [were cobbled](#) in the process. As such, the incidence of rising costs was seldom felt by European and American consumers. Now, after the long-term institution of the one-child policy, and a substantial cultural shift in China – wherein families are having fewer children as they opt instead for material prosperity – local labour supply is [getting older, smaller and less productive](#). This is significant because it likely suggests that there will be an [increase](#) in the average price level of consumer and manufactured goods due to lessened productivity, which, ultimately, would affect domestic consumption in developed nations, worsening the cost of living crisis and affecting the price of domestic products. Furthermore, as supply chains in the West [readjust and move away from China](#) and towards ASEAN countries, immediate temporary shocks are likely to occur, affecting the momentary average price level even more. Its consequences have already begun to materialise, as supply chains with China were [partially disrupted during the height of the pandemic](#). This is the likely outcome of falling TFR, which would move production out of China.