

Booming! Exploding economy! Two digits growth! Extraordinary trade balance! The highest personal savings in the world! It doesn't look like China has any problems, right?

# Quo Vadis China ?



by Justyna Wilaszek

Really?

To trigger all the positive results listed above, there is a necessary starting factor: "people".

Paradoxically, that's exactly where the problem begins!

The question that pops out immediately is: how could China possibly have a problem with its people, if it is inhabited by 1/6 of the population on Earth and a long time ago the population crossed one billion?

To answer this question we have to come back in time, to 1974, when the Office of Population Theory Research was established in the Beijing College of Economics. A group of scientists received the task to examine western demographics and

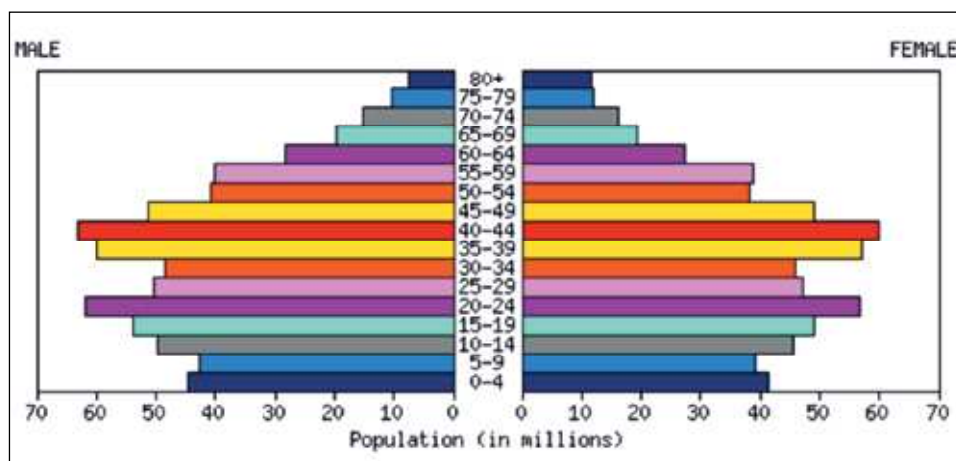
ted that the optimal population of China should be between 650 and 700 million of people, what constituted 2/3 of the Chinese population in 1980. This calculation was the base to implement the "one child policy", supposed to be a mean to China's healthy economic growth, modernization, poverty and unemployment avoidance.

In 1979 the China Fifth National People's Congress passed the policy that encouraged families to have only one kid making husband and wife equally responsible for the birth planning. This policy was accompanied by a system of rewards: free birth control methods,

paid holidays, free health care, guaranteed retirement to those ones who followed indications, but also penalties: 10% of the

« The population in China counts 118 boys for 100 girls »

## China 2010



Source: U.S. Census Bureau, International Data Base

## Bio

Justyna holds an economics degree from the University of Economics in Cracow and a Master in International Management from HEC Lausanne. For the past 6 years she worked as the Executive Director of the Federation of European National Collection Associations. She currently develops her own e-shop company specialized in fast-fashion clothes "my-dress", with platforms in Switzerland and the EU. Her contacts with China concern import of fabrics and "made to order" goods.

design a solution supported by science to address the rising population crisis.

In the mid sixties and seventies western economies witnessed a development of the neo-Malthusian school, which predicted a mass starvation as a result of over-population. The "Club of Rome", propagating this theory was created as a prominent think tank at the MIT, and 3 Chinese scientists specialised in cybernetic and mathematics directly implanted these ideas in the Chinese ground. Basing themselves on the ideas of the "Club of Rome" they calcula-

couple income for 14 years for each supplementary child. As a result of this campaign, the birth rate fell from 2.9 in the late 70-ties to 1.7 in the mid 90-ties and currently reached the lowest level in the history: 1.47.

What are the economic consequences of the decision made in 1979?

- The "one child policy" prevented the birth of between 100 and 400 million children.
- Many female homicides were performed and males – the main household provider – were preserved, causing a huge gender discrepancy. Currently, the population

## Vues de Chine



Noëmi Fivat

Etudes des relations internationales au HEID à Genève.  
Master en droits de l'enfant à Madrid et Berlin  
4 ans à la Freie Universität Berlin dans le domaine des droits de l'homme.  
2012-2013: volontariat de 3 mois dans une ONG à Pékin (avec cours de mandarin intensif) et voyage à travers le sud de la Chine.

«Clearly, China is on the straight way to become old before becoming rich»

in China counts 118 boys for 100 girls (world: 103-105/100), signifying that 40 millions of Chinese males will never find a wife.

- The pre-“one child policy” population will pass the bar of 65 years old in the next 20 years, constituting a group of over 360 millions of elderly citizens who must be taken care of. When China introduced the “one child policy”, the ratio of 7 working people on one retired person, today this ratio is around 5.5 / 1 and by the 2035 this ratio will shrink to 2.5 working / 1 retired.
- In January 2013 the National Bureau of Statistic for the first time in history announced that the working age population declined by 3.45 millions, and according to statisticians, by 2020 it will decline of 29 millions. Some coastal provinces

inverted pyramid, where the thickest layer will be constituted by retired people.

### So, quo vadis China ?

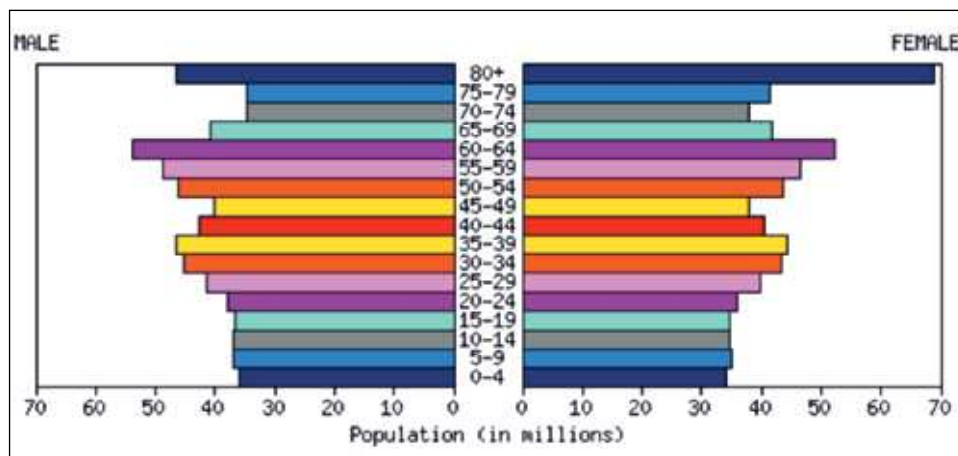
With a shrinking work force of and rapidly ageing society China starts to face a serious demographic problem already now. Indeed, the Chinese society is family based; therefore young Chinese traditionally take care of elderly parents, as the health care is not covered by the state. So, when the “Chinese emperors” (single children used to receive everything) migrate to bigger cities where salaries can be up to 28 times higher than in rural areas, they realize bigger apartments in urban areas are often out of the range, children education is extremely expensive, therefore, the money they earn is mostly used to finance their ancestors, not their descendants.

king people) will be higher than 80 in 2050 according to the UN.

The famous Chinese savings lying on the state bank accounts, which constitute around 40% of a net income of an average Chinese family, will soon start to shrink rapidly, as the retired people will start to use life savings to cover current needs, not being able to live only with the retirement money. By 2035 pension liabilities of the state will amount to 40% of the GDP, exceeding 3 times the level of household savings and the state will use the retirement accounts of the work force to finance the old population.

Clearly, China is on the straight way to become old before becoming rich; as the industrialisation is far from being complete, millions of citizens live in poverty and relatively high proportion of citizens (almost 10%) is aged over 65. In combination with work force shortfalls due to emigration for economic reasons and too low fertility rate, China becomes a giant with clay feet: it is a question of a (relatively short) time when the consumption will drastically fall, and productive work force will be forced to take care of the old vulnerable citizens. Instead on consumption they will be spending their earnings on maintenance of old relatives and supplying money to an empty account of the Chinese pension fund financing the old population.

### China 2050



Source: U.S. Census Bureau, International Data Base

experience already labour shortages lobbying the central government to relax the one child policy, as manufacturing jobs are moving to Vietnam, Myanmar and Philippines.

### Perspectives for the future

The current population pyramid looks already like a diamond (see graphs), with the thickest layer of the population aged 40-49. By 2020 the thickest layer will move up (49-54 years old) and by 2050 predictions suggest it will start adopting the shape an

China defines a contemporary family as: 1+2+4, meaning that the child takes care of two parents and four grandparents, but lately this equation doesn't sum up to 7, but only to 6 (0+2+4), as parents stop having kids. The 1979 policy was overtaken by current socio-economic factors. Even if the (one child) policy would be completely lifted by 2020, the fertility rate predicted by statisticians will barely reach 1.67 what is insufficient to maintain the growth, and China's dependency ratio (people under 16 or above 65 maintained by every 100 wor-