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The Wrong Numbers: The Perils of Ignoring Demography in East Asia

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Michael Sutton, Northeast Asia Visiting Fellow at the East-West Center in Washington and previously Assistant Professor of International Relations at Ritsumeikan University in Kyoto, Japan, notes that the rising China narrative "ignores demographic realities" and warrants a closer examination of demographic trends and challenges in neighboring East Asian countries.

The alleged decline of the United States and the concomitant ascendancy of the People's Republic of China (PRC) are fashionable ideas these days. The narrative constructed from these twin ideas asserts that China possesses, or will soon possess, economic credentials superior to those of the United States, ultimately resulting in a massive transfer of economic and political power in China's favor. Some are convinced that the shift in the balance of power has already taken place. For evidence, supporters of this narrative point to China's population size—currently 1.33 billion people—and to its record of impressive economic growth. They contend that the two factors will naturally dovetail towards creating a China that is the world's largest consumer market, prosperous and globally powerful.

Essential to this fashionable narrative is the belief that Japan, the other great power in East Asia, is economically and politically safe to ignore due to its aging population of over 127 million, low fertility, and population decline. Japan currently has a total fertility rate (TFR) of 1.2, well below the replacement rate of 2.1, the effective replenishment for the national population. (The TFR is an annual "snapshot" of the number of children a woman will have during her childbearing years.) According to this narrative, Japan will also be dwarfed by the PRC and will reluctantly come to terms with Chinese power. For Asian democracies and small economies, there is growing anxiety over Chinese ambitions, and China's rise has even unsettled Pacific democracies, such as Australia.

Japan, South Korea, Taiwan, and Singapore have all expressed interest in and pursued policies to bring about a reversal in fertility decline. To date, their policies have been unsuccessful, suggesting further affirmation of future decline. Policies to arrest, reverse, or mitigate low fertility are rooted in anxiety over future national replenishment and over possible consequences from the growth of China and India that facilitates a future shift in the balance of power.

Policies to ensure more native-born children are tied to the preservation of national values and identity. They are designed to prevent the erosion of relatively new national identities in modern polities with shorter histories, such as Japan, South Korea, Taiwan, and Singapore. The last time Japan pursued this path was during World War II—more children are future soldiers and create a stronger nation, an idea that continued in the early decades of Mao Zedong's People's Republic and Chang Kai Shek's Republic of China.

The problem with this very rosy future portrait of the PRC is that it ignores demographic realities. As of 2010, the PRC also has very low fertility—now 1.5 and will only reach 1.6 by 2025. This is well below replacement level. Unlike the other East Asian governments, Beijing still pursues a vigorous family planning program that will only exacerbate future demographic imbalance. The one-child policy in China has passed its thirtieth year, making it the longest-running family planning exercise in East Asia. Beijing may, following other East Asian governments, change its position on low fertility in the future, reasoning that a TFR of 1.5 is not a sign of strength but a threat to national stability. This possible policy shift towards pronatalism would be very expensive and most likely result in failure.

The national population in China will also not grow indefinitely. China's population growth rate is currently 0.5%. This population growth rate will fall to zero by 2025 and the nation will experience population decline by 2027. The population growth rate in India is 1.4% but at 2025 will still be 1% with a TFR of 2.3—still above replacement level! India's population will also slightly exceed China's in 2026—1. 396 billion to China's 1. 395 billion.

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Rather than experience demographic decline, the United States is likely to enjoy higher rates of fertility and less anxiety over replacement of population. The United States currently enjoys the highest TFR in the developed world and enjoys a strategically more secure position than China in its ability to manage economic and social fallout from an aging society. The US is expected to have a TFR of 2.1 in 2030 and 2 in 2050 with a population growth rate of 0.9% in 2030 and 0.8% in 2050.

Japan's demographic position is also far from dire. While it is true that Japan has a low TFR, many other parts of the world are also in for a rough ride if having a TFR of between 1 and 1.5 equals economic decline. Switzerland (1.5), Croatia (1.4) the Czech Republic (1.3), Bulgaria (1.4), Greece (1.4), Spain (1.5), Italy (1.3), Austria (1.4), Slovenia (1.3), Germany (1.4), Lithuania (1.2), Portugal (1.5), Hungary (1.4), Poland (1.3), Romania (1.3), Singapore (1.1), South Korea (1.2), Slovakia (1.4), Taiwan (1.1), and Albania (1.5) are among other countries with low fertility rates. For all East Asian economies, one of the costs—or consequences—of rapid economic growth is low fertility. For China, how Japan, Singapore, Taiwan and Korea adapt to low fertility and manage aging will provide valuable lessons.

Will Japan be more marginalized in the future due to its declining fertility and aging, exempting itself from the "inevitable" power shift currently underway in the Asia-Pacific? A more important question is what makes China so different? If Japan is to become more passive due to demographic pressure, so will China.

Economically, the relationship between population size and economic growth is complex. There is nothing inevitable about economic development. Development requires good institutions, sound policies, open markets, and fairness for all consumers. China is no exception. Demographic analysis will continue to be crucial. The current national census in China, for example, is a positive step forward as is learning from the experiences of other East Asian countries. A demographic analysis network in regional frameworks is long overdue.

The balance of power shift narrative may be very popular, but its lack of specificity makes it notoriously difficult to quantify. Demography, labor force size, regional frameworks, and technology have not changed recently. Interpreting the subtleties of a variety of foreign policy events over the last two years involving the United States and China has its role in international relations, but to assume that fundamental demographic or structural change has occurred is building on sand. To ignore demographic realities contains a number of perils that, when taken to their logical conclusion, will result in at best bad policy and at worst serious strategic miscalculation not only for the United States and China but also for the rest of the world.

The source for the statistics quoted here is the US Census Bureau's International Database.

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