Interview

Institut EGA

OBSERVATOIRE DU RISQUE POLITIQUE ET SOCIAL EN ASIE

China's Shrinking Giant: Demographic Decline and Its Global Implications

With Lex Rieffel, American economist specialising in emerging markets.

Interview by Olivier Guillard, Director of the Observatory of Political and Social Risk in Asia at the Institute for Applied Geopolitical Studies.

Institute for Applied Geopolitical Studies

Founded in 2015, the Institute for Applied Geopolitical Studies (Iega) is a think tank recognized in France for its expertise in analyzing international relations, geopolitical issues, and contemporary diplomatic dynamics. As a public-interest organization, Iega is dedicated to producing rigorous analyses, informing the public, and providing training and advisory services to both public and private actors, including economic, institutional, and diplomatic sectors. Guided by a commitment to intellectual independence and analytical rigor, Iega aims to bring together civil society, institutional decision-makers, and the scientific community around major geopolitical challenges.

The Observatory for Political and Social Risk in Asia, established by Iega, provides a fresh perspective on Asian geopolitics. By adopting the lens of risk — multidisciplinary and inherently polysemous — the observatory promotes a cross-cutting approach with a forward-looking dimension. Through this observatory, Iega incorporates strategic actors into its reflective framework (businesses, social groups, non-governmental organizations) and offers insights that can be more readily applied. The observatory serves as a privileged platform for studying the interaction between internal state dynamics (social issues, the impact of economic and societal developments on political spheres, geographical and spatial dynamics) and their regional environment (border tensions, multilateralism, strategic partnerships, diplomatic agreements, and consideration of the consequences of climate disruption).

The observatory is headed by Olivier Guillard, associate researcher at IEGA.

As 2025 draws to a close, the People's Republic of China, the world's second-largest economy and a declared strategic rival of the United States, continues to assert its ambitious global presence across the Indo-Pacific and beyond.

Yet behind this projection of power, a demographic reality is increasingly shaping the nation's future: for the fourth consecutive year, the population of the former Middle Kingdom has declined, confirming the projections of many experts and reviving the image, at times suggested by INED, of a "demographic giant with feet of clay."

Chinese political and economic elites, as well as the population at large, face pressing questions: should this trend be a cause for concern, and what are its principal implications — domestic, regional, and global? To shed light on these critical issues, we have conducted this in-depth conversation with Lex Rieffel.

After more than six decades of continuous population growth, China has now recorded three consecutive years of population decline, with the population falling from 1.410 billion in 2023 to 1.408 billion in 2024. At the same time, annual births dropped sharply from 18 million in 2016 to 9.7 million in 2022. Is this downward demographic trend likely to continue in 2025, and is such a dramatic fall in births reversible?

It is a mathematical and biological certainty that China's population will shrink further in 2025. The sustained and steep decline in annual births—from 18 million in 2016 to 9.7 million in 2022—makes any near-term recovery extremely unlikely. In fact, this fall in the number of births is essentially irreversible in the short term (1–5 years) and probably also in the medium term (5–25 years). It may even persist over the long term (25–50 years). A genuine reversal would require significantly more women deciding to have more children, which current social and economic conditions do not support.

Between 2013 and 2021, the number of marriages celebrated annually contracted by more than 40%. How should this trend be interpreted?

I am not sure of the precise numbers, but the trend is very clear. Women in China are getting married later or not at all. This trend will almost certainly continue as long as the number of women born each year continues to fall. But here it is useful to think about the percentage of women who are getting married instead of the number. The percentage of women getting married could stabilize in the near term or medium term.

According to certain demographic projections, the Chinese population could fall by 50% by 2100. What would be the direct consequences of such a major contraction for China and for the world?

Every two years, the United Nations produces population forecasts for every country in the world. In its 2024 forecast, the UN projected China's population to shrink from 1.4 billion then to 633 million in 2100. This number is simply a mathematical extrapolation of the current trend in births and deaths.

The most important factor in this trend is the "total fertility ratio", the number of children that women in their childbearing years will have on average.

When this ratio is 2.1 (children per woman) the country's population over time will be stable. When this ratio is above 2.1, the population will grow and when it is below 2.1 the population will shrink.

Currently, this ratio for China is around 1.1, one of the lowest fertility ratios in the world. But it is wrong to believe that this low ratio will not change for the 75 years. The ratio may fall a bit further, but it seems more likely that the ratio will rise in the coming decades. For example, my coauthor and I have done research suggesting that various government policies and social adjustments may bring the fertility rate close to replacement level by the end of this century, resulting in a stable and more sustainable population of around 1.1 billion.

Our research suggests that such a smaller population will be good for China because it will enjoy a higher standard of living and no less global power. It should also be good for the world because of a favorable environmental impact: less global warming, less environmental pollution, less reduction of biodiversity, etc.

In 2016, the Chinese government ended the one-child policy (introduced in the early 1980s) and in 2021 authorized all couples to have up to three children if they wish. What concrete results have these reforms achieved?

Most demographers are not surprised to see that this change from an anti-natalist to a pro-natalist policy has had little or no impact on the birth rate. Fertility rates are below replacement level in more than half of the countries in the world. Many governments, especially in Asia and Europe, have adopted measures to boost birth rates, such as cash bonuses for new babies, without much effect. In today's world, women give many reasons for not wanting to have children. These include the cost of housing, the cost of education, and the adverse impact on their careers. Even the prevalence of conflict and uncertainty globally may be significant factors in depressing birth rates.

Faced with a growing share of elderly people and a shrinking working-age population, Chinese authorities are considering raising the legal retirement age (possibly to 65). Could such a measure meaningfully address current and future demographic challenges?

Much of the popular concern about a shrinking population is how it increases the proportion of elderly people (over 65 years of age) in a population relative to the number of working age adults (18-65). This change in "dependency" cannot be avoided but it is not permanent. The elderly "bulge" will disappear over time if fertility returns to the replacement level.

The policy issue of raising the retirement age is a dilemma because many countries in the world today, including China, have a serious problem of youth unemployment. Consequently, raising the retirement age means that fewer jobs will be available for young people. There is no right or wrong retirement age for any country. Here as with many other policy choices the best one might be politically or socially unacceptable leading to the adoption of second-best policies.

What further steps could the Chinese authorities take to successfully counter these discouraging demographic prospects?

This is the most fascinating and complex issue related to the demographic transition underway in China. Here I must stress that, as an American, I only have a superficial knowledge of Chinese society and its system of government. From my perspective, one potentially very useful step would be to announce a target population size for China in the medium term, in 2050 for example. (I have argued that this would be a useful step for all governments to take that are adjusting to a shrinking population.) Also, from my study of population dynamics in many countries I conclude that government incentives (like cash bonuses for babies) are less effective in persuading women to have more children than societal changes.

Among these societal changes, some of the most important appear to be: (1) making affordable housing more available; (2) providing free or inexpensive child-care options; (3) reducing the cost and competitiveness of higher education; and (4) opening more career paths for women. Changes of this kind cannot be achieved quickly; they are likely to require more than one generation. They also have crucial implications for the role of men as employers and fathers, the treatment of the elderly, and the structure of the economy.

Furthermore, these changes will be carried out in a global context that is likely to make the adjustment more difficult: climate change, artificial intelligence, robotics, geopolitics, etc. The world of today was unimaginable when I was born in 1941. The world of 2100 is at least as much if not more imaginable to people living now.

Perhaps the most important policy in managing the current demographic transition is flexibility: removing barriers to changes people want to make to have a better life and experimenting with new programs and projects to iterate toward a sustainable future.

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