

Committee: Economic and Social Council (ECOSOC)

Issue: The issue of the demographic problem and its impact on the Chinese economy

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Position: President

PERSONAL INTRODUCTION

Dear delegates of the Economic and Social Council,

My name is Alice Alifragi, an 11th grade student in the German School of Athens, and I have the honour of serving as the President of the Economic and Social Council in this year's ACG conference.

It is my honour to welcome you to the Economic and Social Council of the 5th ACG Model United Nations Conference. First and foremost, I would like to congratulate you for deciding to get engaged in the fascinating world of Model UN. Having the opportunity to deeply examine and discuss some of today's most vital and engrossing issues will indisputably prove to be a valuable experience for each and every one of you. Not only will you take a step towards being an active citizen of the world, but you will also develop communication and public speaking skills, as well as make deep and meaningful friendships and connections. I think all of the agenda topics in this conference are truly engrossing and sincerely hope this conference will give you the opportunity to learn, discuss, make new friends and acquaintances, but most importantly, have fun and fruitful debates!

A little about my MUN journey - I decided to first take part in my school's MUN club back when I was an eighth grader; and was immediately mesmerised by the world of Political debate and Model United Nations in general. I have so far attended more than 10 conferences, as a delegate and Student Officer, and have had more fun at each and every one of them. I deeply hope to offer you memories, as amazing as those I obtained from any of the MUN conferences I've attended throughout the years, since every single one was better than the other.

Lastly, I would like to let you all know that I am here to assist you throughout this conference, whatever conflict you may face or problem you may have. Please do not hesitate to ask any questions or ask for my help at any given time through my email address at alicealifragi5@gmail.com

Sincerely,

Alice Alifragi

TOPIC INTRODUCTION

It is no secret that China's economy is one of the most influential financial powers worldwide for a multitude of reasons. For one, China is the largest manufacturing economy, and its Gross Domestic Product heavily relies on export goods, which we encounter in our daily lives more than we think. Furthermore, China's consumer market has been said to be growing the fastest in the world, and due to that, China is also the world's second largest importer nation. Due to the fact that China is prominent in both export and import, it has also claimed the title of the largest trading nation internationally. It is needless to say, that China's prominence as well as influence in international trade is like no other and the world as we know it would not be the same if it were not for China's influential market.

At this point, it is vital to mention that since the introduction of Deng Xiaoping's economic reforms in the country, China is now considered a socialist market economy, meaning that a dominant state-owned enterprises sector exists in parallel with private ownership and a capitalist market. Under the current market model, the government plays a vital role in managing the economy through gradual five-year plans setting various goals and strategies.

However, this may change abruptly. The demographic transition in China has affected the composition of the dependent population, the age structure of the labour force, the size and composition of households, and many others. The demographic transition in China is not something exactly recent. As a matter of fact, there was a previous demographic transition back in 1970, which predated the one-child-policy of 1979, which was implemented to combat overpopulation due to a sudden population growth in China. In May 2021, it was revealed that only 12 million new-borns had been born in China the past year, making 2021 the year the fewest babies had been born in the country since the great famine of 1961.

This drop in births over the years has led to a disproportionate number of children to adults in modern Chinese society, with adults and seniors far outweighing the children. Not only that, but recent studies reveal that the proportion of elderly Chinese citizens grew from only 8.9% to 13.5% of the population only within a decade, meaning that much of the discussion concerning the demographic issue tends to also be focused on elders. It has also been noticed that there is a skewed sex ratio in modern China, with 111 boys to every 100 girls, which makes a multitude of other issues arise.

So far, the country's communist party has proposed some measures to overcome the issue, however none are easy to implement. There is no doubt that China is facing a demographic timebomb, which affects the buying power of its people, its

own productivity, the future growth of its economy, but also is jeopardising its ability to surpass the US in its Gross Domestic Product income.

DEFINITION OF KEY TERMS

Demographic

Demographic data captures the population characteristics of a community/society.

Dependency Ratio

A measure of the number of dependents aged zero to 14 and over the age of 65, compared with the total population aged 15 to 64. This demographic indicator gives insight into the number of non-working age people, compared with the number of those of working age.

Disposable Income

Disposable income is closest to the concept of income as generally understood in economics. Household disposable income is income available to households such as wages and salaries, income from self-employment and unincorporated enterprises, income from pensions and other social benefits, and income from financial investments (less any payments of tax, social insurance contributions and interest on financial liabilities).¹

Gross Domestic Product (GDP)

GDP is a standard system of measuring the production of goods and services in a country during a certain period of time through the agricultural, industrial and social services sector. Additionally, the GDP measures the income from that production, as well as the amount spent on goods and services.

Industrial Rust Belt

The term Industrial Rust Belt is used to describe regions facing industrial decline and oftentimes abandoned factories. The term is also used to describe regions that have seen drastic economic decline, with high poverty rates and very few high-paying jobs

Working age

Working-aged people are typically considered people aged 15 to 64.

¹ "Household Accounts - Household Disposable Income - OECD Data." TheOECD, data.oecd.org/hha/household-disposable-income.htm.

BACKGROUND INFORMATION

As has been mentioned above, China has been facing a huge shift in demographic data, which has caused effects on the global market, the country's productivity, economy and financial status, regional imbalances, social neuroticism but also behavioural changes in population. The main issue causing China's demographic problem is the ageing population paired with the low birth rates, a phenomenon which affects and threatens China's economic and societal status in many ways such as the change in age structures, which has had significant disruptive implications, since the size distribution of households has shrunk in size due to the distribution of the ever-shrinking population into households having a significant impact on the household expenditure pattern, which in turn hurts the economy. Another problem that has been caused by the demographic transition is that the working-age population is constantly contracting, with a 40 million loss rate since 2010, resulting in 880 million working-age citizens today. In the following five years, a loss of another 35 million workers is predicted. Furthermore, China's crude dependency ratio has noticeably been falling, and will continue to do so for an estimated two decades from now.

In 2020, there were only 8.14 million marriages in the entirety of China, a considerably low amount considering how big the country actually is. Not only that, but 2020 had been the 7th year of falling marriage numbers and also the lowest documented level in the past 17 years. There has been a drumbeat of calls to address the issue China is facing - however permanent changes in society have been observed, for example the Chinese population having reached a level of education and income where having larger families has lost its appeal, as evidenced by the average household size dropping from 3.4 members in 2000 to just 2.6 today.

Despite the Chinese one-child policy, the system which initially caused the demographic shift in China, ending in late 2015 and leading to a mere two-year rise in births, more declines followed and have continued to occur.

The one-child policy

The one-child policy is a policy allowing only one child or birth per family, with twins counting as one birth. China's one-child policy rolled out in 1979 under Deng Xiaoping's regime, the early phases of the "Reform and Opening of China" and was planned by Deng Xiaoping and the National Health and Family planning commission. The policy was implemented because there was a rapid growth in population, surpassing 969 million citizens in 1980. By 1982, China's population had exceeded 1

billion, and family planning became a fundamental policy in China. Family planning was enforced on a provincial level through contraception, abortion, and fines that were imposed based on the income of the family and other factors. "Population and Family Planning Commissions" existed at every level of government to raise awareness and carry out registration and inspection work.

In the midst of the 1980s, there was a modification to the policy, allowing rural parents a second child if their first was a girl, as well as ethnic minorities being exceptions to the policy. Despite the aforementioned exceptions, the policy was enforced with strict punishments, such as fines for violations and oftentimes forced abortions. Violating the policy was also associated with major social stigma. Civil servants and employees, especially those of government-affiliated organisations, such as universities, risked losing their jobs and positions if they had more than one child.



Figure 1: Graph depicting the annual number of births in China from 1950 to 2020

In the following years, the “social child-raising fee” or “family planning fine” was implemented for families having a second child. The fee was collected as a fraction of either the annual disposable income of urbaners or of the annual cash income of people who resided in the countryside in the year of the child's birth. If parents did not pay the “family planning fee”, the child would not be registered in the national household system, meaning it practically had no legal existence and no access to social services such as healthcare and education to name a fundamental few.

Initially, authorities thought the policy was a key factor in supporting the country's economic boom and preventing overpopulation, however, later on the government realised the one child policy would in the long-term lead to financial corruption due

to lack of adults and working-age population, in turn resulting in a low number of taxpayers and therefore harming the economy.

Not only did the one-child policy have financial consequences, but also social effects for women, which still persist to this day, despite the abolition of the policy. Firstly, the influence of patriarchal attitudes and a general cultural preference for sons instead of daughters led to the abandonment of unwanted infant girls, oftentimes in cruel ways. The Chinese government pushed sex-selective abortions and even infanticide targeting girls due to the aforementioned traditional preference for boys. Due to that, China's sex ratio skewed towards men, creating a generation of very few women and an imbalanced society, and even today, men far outweigh the women in China. Secondly, due to the active discouragement of women to conceive, there was a greater workforce participation by women who would have otherwise been occupied with childrearing. Only a lucky few received a greater familial investment in their education, however.

The one-child policy was overall a tool for China to address overpopulation, alleviate poverty and achieve social mobility by consolidating the combined inherited wealth of the two previous generations into the investment and success of one child instead of having to share it between multiple children, and therefore achieving a higher standard of living for the one offspring.



Figure 2: Promotional poster in China encouraging the one-child policy

Having realised the one-child policy did not go as planned, the Chinese Communist Party (CCP) officially ended the one-child policy in January 2016 and introduced the two-child policy in hopes of reversing the damage of the one-child policy. The latter, however, did not result in the expected number of births, and pregnancy rates even continued to show a record low since the great famine of 1959 to 1961, in which 30

million Chinese lost their lives and the same number of births were lost. The CCP then introduced a three-child policy in May 2021 at a meeting of the Politburo in an attempt to further urge population growth. Other policies, such as previously used propaganda campaigns, discouraging families from having children, had also been gradually lifted at that point.

The 4-2-1 structure

The 4-2-1 structure is the result of the currently ageing population and shrinking numbers of young people. A household will consist of four grandparents, two parents and one child (4-2-1). The two working parents will in most cases have to single-handedly provide for five people, four parents and one child. Due to the small amount of the working-age population, the state is, and will be, facing lower tax income, in turn draining resources from already cash-strapped local governments, which are responsible for providing vital social welfare benefits including education, health care, and pensions. Additionally, since there is a smaller working population, working-age individuals will not only have to support their household, but likely more non-working relatives.

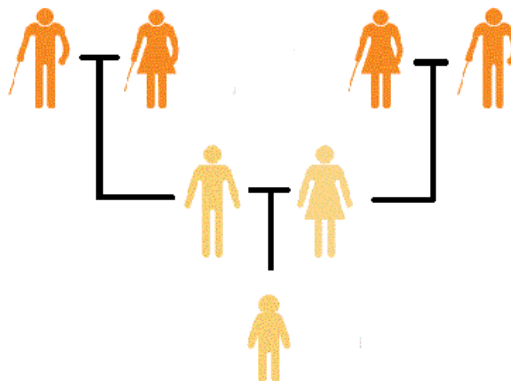


Figure 3: Graph depicting the 4-2-1 structure of a household

The challenge that persists here is the improvement of social services to meet the medical, health care, and pension demands of China's expanding crop of senior citizens, which are now the largest part of the population. Currently, the government is spending around 7% of the country's GDP on social welfare, whereas the Organisation for Economic Cooperation and Development's (an organisation consisting of a group of wealthy countries) average is around 20%. For example, the United States expenditure on social welfare is at 18.6% and even the developing nation of Brazil is at 17%. At the same time, the Chinese Academy of Social Sciences predicts the main pension fund for urbanites is underfunded and could run out by 2035.

Beijing, however, has pledged to equalise its services and thereby allow rural Chinese provinces to get the same quality and level of benefits as their urban counterparts, such as better equipped schools, skilled teachers, access to better medical care to name a few. Despite efforts to address the issue, there are still persistent gaps within the system. For example, urbanites receive pensions fifty times higher than the average of the pensions rural residents receive. The cost of raising these social services to the level of developed countries will cost around 20 percent of the GDP income from 2020 to 2030, even though the government now only takes in 17% of the GDP through taxes. In the near future, there will be even less tax income, as there will be even less working-age population than before, due to the current 4-2-1 structure.

One must also take into consideration that less economically developed regions are being hit much harder by the demographic challenges than wealthier regions for a multitude of reasons, such as lagging healthcare and pensions. Not only that, but rural China also happens to be where 60% of senior citizens live. The rapidly ageing population has also had major effects in places such as the industrial rust belt of northeast China, where the ailing economy has led to a massive, multi-year outflow of young people. For example, the provinces of Liaoning, Jilin, and Heilongjiang have seen their combined populations fall by eleven million people (10%) over the last decade, while the average age has gone up.

At the same time, southern provinces like Guangdong are a top destination for migrant workers. Such regions have seen a growth in population and a large percentage of people compared to northeast China, meaning that there are massive social shifts between provinces and regions, also affecting the economy on a national level.

Large social differences between regions are also, partially, caused by the household registration system, also known as the hukou system. The hukou system blocks those residing in the countryside from accessing higher-quality urban social services. Furthermore, the system also makes it difficult to convince China's vast numbers of less well-off families to have more children. Higher fertility rates once compensated - to a certain degree - for low birth rates in urban areas. This, however, is no longer true, because people in the countryside only have a rural household registration.

Intergenerational poverty trap

According to researchers from the National University of Singapore and Chinese University of Hong Kong, children from richer families have benefitted far more as China's economy has grown, while those from poor backgrounds have remained poor. Poor social mobility as a result from the aforementioned points, in addition to the household registration system inhibits migrants and rural Chinese citizens from spending their money in

investments et cetera. Instead, people engage in precautionary savings and stocking away their incomes in order to have a safety net for future medical, education, emergency, and retirement costs. This affects multiple social and financial factors, such as savings rates, the housing market and demand for social assets. Therefore, Beijing's aim of lowering its economy's reliance on debt and investments is not exactly implementable for the time being.

MAJOR COUNTRIES AND ORGANISATIONS INVOLVED

China

Of course, China is the one who is most affected by this conflict. Due to the abovementioned reasons, the nation is currently facing an excess of males, a rapidly ageing population, migration to cities, very sparsely populated rural areas whereas urban regions are overpopulated, and the threat of a negative population growth.

Nigeria

Nigeria's child policy seeks to reduce fertility from the current six children per family to four children per family, partially due to the fact that millions of children in 10 states in Nigeria still do not have the appropriate legal framework for the protection of their rights. The government suggests the ideal marriage age of 18 years for women and 24 years for men. Child survival is a big issue in Nigeria, seeing that one in every 15 children dies before turning 1 and one in every 8 children dies before turning 5.

Vietnam

Since 1981, Vietnam's population policy has put a two-child limit within a gap period of three to five years, which was declared law-abiding in 1988. The goal of Vietnam's policy is to maintain national population growth at a steady 2%. However, ethnic families are allowed to have a third child if they desire. Low-education women and women residing in rural areas were most affected by the policy. The Southeast Asian country's fertility rate in 2021 stood at 2.034 births per woman which is a 0.34% decline from 2020. The decline in fertility rates is associated with a 1.2% decrease in the proportion of sons in each family. Vietnam's 2-child policy has also resulted in an 1.3%

India

It is no secret that India is a country with an overwhelming amount of population and high poverty rates. India has been grappling with population control for many decades, resulting in abject poverty, with government welfare being unable to cater

to the insane number of citizens, leading to thousands, if not millions, earning less than \$3 daily.

TIMELINE OF EVENTS

Date	Description of event
Spring 1959 - End of 1961	The great Chinese famine
1970	Major demographic issues after the great famine due to the Chinese population spiking, national speculation over overpopulation issues
1979	The one-child policy is introduced in China
1982	China's population exceeds 1 billion, family planning becomes a fundamental policy
4 th December, 1982	The Constitution of the People's Republic of China is adopted, reflecting Deng Xiaoping's determination to adopt and enforce means for domestic stability and economic reform
31 st May 2021	The CCP introduces the 3-child policy
2027	China's population is expected to turn to negative growth

RELEVANT UN RESOLUTIONS, TREATIES AND EVENTS

China: case studies in population policy (ST/ESA/SER.R/88) (UN 1989)

Studies conducted by the UN analysing demographic trends in China throughout the years, primarily focusing on the effect of population problems on socioeconomic development.

Country Partnership Framework (CPF) for FY2020 to 2025

<https://documents1.worldbank.org/curated/en/902781575573489712/pdf/China-Country-Partnership-Framework-for-the-Period-FY2020-2025.pdf>

The abovementioned Country Partnership Framework for fiscal years 2020 - 2025 is a partnership by the World Bank and China. The Framework is aligned with China's development priorities, emphasising a better quality of, more balanced and more socially, financially and environmentally sustainable, growth.

PREVIOUS ATTEMPTS TO SOLVE THE ISSUE

China

With Beijing's encouragement, several cities are extending maternity leave and putting better protections in place against job discrimination targeting pregnant women and mothers. As has also been mentioned in the Background Information section, Beijing has also pledged to equalise its services and allow rural Chinese to get the same quality and level of benefits as urban counterparts

Furthermore, the National Health Commission has announced pilot programs aimed at improving elder health care in 15 out of 31 Chinese provinces and cities. Other than that, in late July 2021 the State Council announced a ban on the once-booming private-tutoring business in an attempt to reduce financial pressure on families. There has also been a renewed push after the government's five-year plan, to raise the retirement age from its current level of sixty years old for most men and fifty or fifty-five years old for women to a higher age.

POSSIBLE SOLUTIONS

Promotion of healthy and balanced reproduction

The fertility rate of a country should be 2.1 for the population to remain stable. Making contraceptives more accessible, as well as placing more focus on sexual education in schools is a vital step in achieving a balanced population growth.

Making the workplace safer/more welcoming for women

By making the workplace safer and more welcoming for women, including pregnant women and mothers, they will not be forced to choose between a career and motherhood under societal standards, leading to a vicious cycle, both socially and economically. The workforce will not continue shrinking and population growth will not do so either.

Increasing Education Levels

Another possible solution would be the promotion of pursuing a university education and a career. Not only would couples not start having children at a very young age, when they would not be able to support them financially, but if standard/public education were of a higher quality, the intergenerational poverty trap would also be broken to a certain extent

Empowerment of women & feminism

Targeting sex selective abortions and realising the patriarchal norm's negative effects on specifically women, as well as on the population generally, is a course of action that is vital to take. As mentioned under "making the workplace safer/more welcoming for women" (see above), empowering women and promoting social safety will both have positive social and economic consequences, since women will be able to use their capabilities to the fullest, without facing various social barriers present in Chinese society.

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