

## DEMOGRAPHIC CHANGES AND DIPLOMATIC CHALLENGES: THE FUTURE OF U.S.-CHINA RELATIONS IN THE CONTEXT OF CHINA'S DECLINING BIRTH RATE

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**Abstract:** This study examines the sociopolitical and economic impacts of China's demographic shifts, focusing on how a declining birth rate and aging population affect U.S.-China trade relations. It explores how China's family planning policies have reshaped population structure and consumer behavior, influencing economic interactions with the U.S. These shifts could lead to intensified competition or renewed cooperation between the two nations as they navigate global challenges. This research contributes to the discourses of sociology, international relation, and political economy by highlighting the broader implications of demographic changes on international trade, offering valuable insights for policymakers and scholars.

**Keywords:** International Relation, Demographic Shifts, U.S.-China Relations, Family Planning Policies, Economic Interactions, Sociological Theory

### 1 Introduction

"We are the last generation." Via Tiktok, millions of Chinese saw a man respond to police in this way. Four years ago, the hashtag that many young people in China liked to use was #AwesomeMyCountry. (New York Times, 2022) Now, along with China's slowing economic growth, and strict political policies, more and more Chinese are resisting having children. In fact, in addition to the public's "willingness to procreate," China's long-standing family planning policy has been effective in lowering the country's birth rate. China's demographics have long been one of the many ties that bind the U.S.-China political and economic relationship, as they have given China its miraculous market size and trade structure. However, declining natural growth rates and an aging population raise the question of whether China's market size and trade structure can continue to reliably bind the U.S.-China relationship as its population declines.

The purpose of this paper is to explore the significant impact of China's declining population size on U.S.-China relations. In China, declining economic growth and longstanding political policies have led to resistance to childbearing and a decline in the Chinese birth rate. Given China's large market size and trade structure, China's population has long been recognized as playing an important role in U.S.-China political and economic relations. However, with current demographic trends pointing toward a shrinking and aging population, it becomes critical to examine how these changes will affect future dynamics between the two countries. This paper will delve into the potential impacts of China's demographic changes on the economic relations and political impacts between the two states. Through understanding and analyzing these impacts, we can gain insight into the future trajectory of U.S.-China relations in the context of China's demographic challenges. As China and the United States navigate the complex global landscape, this exploration will help us better understand the intricate interplay between population dynamics and international relations in the 21st century.

### 2 Literature Review

Regarding population, current international relations theory mainly uses international relations theory to explain China's population policy. There is a viewpoint that the demographic changes witnessed in China have been influenced by a complex interplay of ideologies. For instance, Liberalism is characterized by its emphasis on individual rights and limited government intervention, which has also left its imprint on China's population policies, especially as the state navigated its transition towards a more market-oriented economic structure. Also, Marxism has historically impacted China's demographic landscape through policies aimed at the equitable distribution of

resources, which has been rooted in the principles of social equality and economic transformation.

In 1978, Neo-Malthusianism came to China. The 1960s and 1970s witnessed swift worldwide population expansion, attributed to economic progress and the dissemination of medical and scientific knowledge that led to reduced mortality rates. During this period, Malthus' perspective became resurgent and became the principal driving force behind policies aimed at controlling population growth. In 1960, the global population reached the milestone of 3 billion, a number that escalated to 4 billion by 1975. Thereby, concerns emerged among the governments of affluent states that the burgeoning populations in poorer states might deplete the finite resources on Earth, as highlighted by development economist Betsy Hartmann of Hampshire College<sup>1</sup>, which then marked the emergence of Neo-Malthusianism. Geert Jan Olsder, a Dutch professor, believed that *the Limits to Growth* report would shape the future of China's social structure. Thus, population control became an essential component of the state's pursuit of "socialist modernization," culminating in the implementation of the one-child policy<sup>2</sup>. In other words, neo-Malthusian can be largely viewed as the theoretical impetus for coercive population control policy in China.

In contrast, Liberalism does not fully agree with this theory. Liberalism is an international relations theory emphasizing cooperation, individual rights, economic interdependence, and democratic governance<sup>3</sup>. In the context of population growth, liberalism often values individual freedom and human rights, including reproductive rights. It also focuses on economic growth, trade, and cooperation among states to achieve mutual benefits. Malthus' perspective could resonate with worries about sustainability and environmental impact, yet liberalism seeks to reconcile these concerns with the pursuit of development, freedom, and mutual benefits among nations. Neo-Malthusian apprehensions have been employed to rationalize curbing this freedom, occasionally with force. Neo-Malthusian theory, such as those implemented in China, violates individual liberty, which can further exacerbate issues such as sex-selective abortions and female infanticide<sup>4</sup>, and ultimately distorting the worldwide gender ratio at birth.

On the other hand, Marxism proposes different perspectives. Marxist theory emphasizes the intricate relationship between economic systems, social structures, and labor. At the core of capitalism is the exploitation of labor for profit, a process contingent upon the existence of a stable and adequate labor supply. The one-child policy's potential implications for the labor force, and thus capitalist production, warrant a closer examination: the distorted sex ratio. On one hand, such gender imbalance can inadvertently sustain a patriarchal structure that could be exploited to maintain the traditional division of labor within families<sup>5</sup>. This arrangement further aligned with capitalist goals, as it potentially kept labor costs suppressed by relying on unpaid or underpaid familial support for household and caregiving tasks. On the other hand, such imbalance further disrupts capitalist production processes<sup>6</sup>. Following the implementation of the one-child policy, a noticeable decline in

<sup>1</sup> Chelsea F. Neo-Malthusianism and Coercive Population Control in China and India: Overpopulation Concerns Often Result in Coercion. Available from: <https://www.cato.org/policy-analysis/neo-malthusianism-coercive-population-control-china-india-overpopulation-concerns> (accessed 1 July 2020).

<sup>2</sup> Greenhalgh S. Science, Modernity, and the Making of China's One-Child Policy. *China Q.* 2010;192:855-75.

<sup>3</sup> Hindess B. Liberalism, socialism and democracy: Variations on a governmental theme. In: Foucault and Political Reason. London: Routledge; 2013. pp. 65-80.

<sup>4</sup> Ayushi SA. Impact of China's One-child Policy on Women. Available from: <https://thegeopolitics.com/impact-of-chinas-one-child-policy-on-women/> (accessed 20 July 2021)

<sup>5</sup> Johnson KA. Women, the Family, and Peasant Revolution in China. Chicago: University of Chicago Press; 2009.

<sup>6</sup> Zhang H. From resisting to "embracing?" the one-child rule: Understanding new fertility trends in a Central China village. *China Q.* 2007; 192:855-75.

the birth rate emerged, especially after 1980. This phenomenon, while aimed at addressing population growth, inadvertently yielded a consequence that reverberated through the workforce and industries. With fewer young individuals entering the labor pool, sectors heavily reliant on a steady supply of affordable and ample labor confronted a new set of hurdles in upholding their profit margins. Moreover, the diminished pool of potential workers introduced the potential for wage hikes, as the demand for labor outpaced its availability. This shift in supply and demand dynamics could potentially reshape labor economics and the overall industrial landscape, necessitating adaptations to accommodate these evolving realities.

In terms of Sino-US relations, current literature reveals the interdependence dynamics of Sino-US relations. Kant argues that economic interdependence reinforces constraints and liberal norms by creating transnational relationships that encourage accommodation rather than conflict.<sup>7</sup> A great example is the creation of the World Trade Organization (WTO). WTO's advocacy of free trade illustrates the world's unilaterally positive view of trade as a deterrent to war.<sup>8</sup> Besides, Gelpi and Grieco point out that not only can trade promote peace among democratic leaders, who see policy success as a necessary condition for extending their terms in office, but trade itself can promote peace among authoritarian rulers.<sup>9</sup> For the world first and second largest economy, a primary reason for U.S.-China economic interdependence lies in their complementary economic structures. The United States, with its advanced technology, innovation, and consumer-driven economy, has been a major destination for Chinese exports.<sup>10</sup> On the other hand, China's large and low-cost labor force, coupled with its robust manufacturing capabilities, has made it an attractive production base for U.S. companies seeking to access global markets.<sup>11</sup>

On the one hand, extensive trade relations have played a pivotal role in fostering economic interdependence. Bilateral trade between the two nations has surged over the years, with China becoming the United States' largest trading partner in goods. This reliance on trade has linked their economies closely, making any disruptions in the trade flow have significant ramifications for both countries.<sup>12</sup> On the other hand, the financial markets of both countries are deeply intertwined, further strengthening their economic interdependence.<sup>13</sup> The overall financial relationship is over US\$5 trillion, including nearly two trillion in Chinese listings on US stock exchanges and US\$1.3 trillion in Chinese official holdings of US government bonds. China's holding of U.S. Treasury securities, in particular, has implications for U.S. fiscal policy and interest rates. Conversely, U.S. financial institutions have a substantial presence in China, facilitating capital flows between the two economies. Whatever the strategic difficulties between the two Governments, it remains in the interests of both countries to maintain these arrangements.<sup>14</sup>

Nevertheless, the issue of how China's population changes affect Sino US relations remains unresolved. First, as a core factor of industrial sector, population, also affects the relationship between the two countries rooted in complementary industrial relations. Second, the interdependence of the above literature has been continuously challenged. Empirical studies have found that after the 2008 financial crisis, many industries between China and the U.S. gradually moved from interdependence to

competition with each other as China's economic structure shifted. Caporale, Sova, and Sova confirm a significant change in the structure of China's trade related to a shift from labor-intensive to capital- and technology-intensive exports.<sup>15</sup> Scholars like Hamia states that after 2010, the competitiveness index of Chinese manufactured goods rose rapidly, overtaking American industry in international markets, and the gap would be expected to widen further if "Made in China 2025" is successfully implemented.<sup>16</sup> Due to China's increasingly complex trade structure in recent years, its complementarities with industrialized countries (the United States, Japan, and Germany) have been weakening, and its competition with newly industrialized economies (India and Indonesia) and resource countries (Australia and Russia) has been decreasing.<sup>17</sup>

Certainly, that is not to say that the United States and China currently have no or little economic complementarities. Economic indicators, such as the volume of bilateral trade between the United States and China and China's holdings of United States Treasury bonds, suggest that the two countries remain very important economic partners for each other. The focus of this research is not on whether the debate has shifted, but on the trend. Not surprisingly, according to this trend, the United States is increasingly anxious about China's growing competitiveness. As realists have suggested, it is unlikely that politicians will be able to avoid considerations of relative gains, especially as economic relationships evolve from symbiotic to more competitive: "Each party considers not only its individual gains, but also how well it performs in comparison to the other party."<sup>18</sup> Therefore, deconstructing the elements that more deeply affect the changing trends of China's industrial structure is particularly important for understanding U.S.-China economic interdependence.

### 3 Population, Labor, and Industrial structure

Population, as a factor of labor force, is considered as a core element affecting industrial structure in economics.<sup>19</sup> By influencing labor supply, salaries and human resources, China's population has been pivotal in shaping China's industrial structure and industrial transformation.<sup>20</sup> Generally, the labor brought about by population growth is the simplest path to achieving economic growth<sup>21</sup>. A higher population within a state can result in a larger workforce and more convenient availability of labor. This increased labor force will subsequently contribute to the production of a greater number of products, thereby fostering economic growth. Therefore, the growth in population enables the expansion of both labor and products, and further grows the economy. Since China made market-oriented reforms in 1978, its economic performance becomes very productive. Up until the year of 2018, China has become the biggest trading country in the world<sup>22</sup>. It is found that the redistribution of labor and capital among manufacturing enterprises is an important source of productivity growth<sup>23</sup>. Within this context, one of the significant factors is China's massive population, especially the population growth in working-age, which allowed China to become the world's factory in the past few decades.

<sup>15</sup> Caporale GM, Sova A, Sova R. Trade flows and trade specialization: the case of China. *China Econ Rev.* 2015;34:261–73.

<sup>16</sup> Hamia MA. The US and Chinese International Trade Indices: A Comprehensive Empirical Survey. *LinkedIn*; 2016 Nov 1. Available from: <https://www.linkedin.com/pulse/us-chinese-international-trade-indices-comprehensive-about-hamia>.

<sup>17</sup> Kwan CH. Trade Structure of China Becoming More Sophisticated: Changing complementary and competitive relationships with other countries. *Res Inst Econ Trade Ind*; 2013 Jun 5. Available from: <https://www.rieti.go.jp/en/china13060502.html>.

<sup>18</sup> Mearsheimer J. The false promise of international institutions. *Int Secur.* 1994;19(3):5–49.

<sup>19</sup> Cui Y, Meng J, Lu C. Recent developments in China's labor market: Labor shortage, rising wages and their implications. *Rev Dev Econ.* 2018;22(3):1217–38.

<sup>20</sup> Xiao Y, Ma D, Cheng Y, Wang L. Effect of labor cost and industrial structure on the development mode transformation of China's industrial economy. *Emerg Mark Financ Trade.* 2020;56(8):1677–90.

<sup>21</sup> David EB. Population 2020. Available from: <https://www.imf.org/en/Publications/fandd/issues/2020/03/changing-demographics-and-economic-growth-bloom> (accessed March 2020).

<sup>22</sup> Christina Z, Bang X. China's 40 years of economic reform that opened the country up and turned it into a superpower. 2018

<sup>23</sup> Yan W, Yudong Y. Sources of China's economic growth 1952–1999: incorporating human capital accumulation. *China Econ Rev.* 2003;14(1):32–52.

<sup>7</sup> Kant I. *Perpetual Peace: A Philosophical Essay*, 1795. BiblioLife; 2000.

<sup>8</sup> The WTO. *economic interdependence, and conflict* (2008). Reference and Research Book News, 23(2)

<sup>9</sup> Gelpi CF, Grieco JM. Democracy, Interdependence, and the Sources of the Liberal Peace. *J Peace Res.* 2008;45(1):17–36. DOI: <https://doi.org/10.1177/0022343307084921>.

<sup>10</sup> Nye JS Jr. Power and interdependence with China. *Wash Q.* 2020;43(1):7–21.

<sup>11</sup> Wang Z, Zeng J. From economic cooperation to strategic competition: Understanding the US-China trade disputes through the transformed relations. *J Chin Polit Sci.* 2020;25:49–69.

<sup>12</sup> Bown CP. US—China Trade Conflicts and the Future of the WTO. *Fletcher Forum World Aff.* 2009;33(1):27–48.

<sup>13</sup> Nye JS Jr. Power and interdependence with China. *Wash Q.* 2020;43(1):7–21.

<sup>14</sup> Rudd K. *To Decouple or Not to Decouple?* University of San Diego, Robert F. Ellsworth Memorial Lecture; 2019 Nov 4. Available from: <https://asiasociety.org/policy-institute/decouple-or-not-decouple>.

On the other hand, China's long-term abundant labor supply has also shaped the trade conflict between China and the United States. In fact, since the 1960s, the number of manufacturing employees in the United States has been steadily declining. From 2000 to 2008, that is, during the China shock, the number of people employed in the manufacturing industry dropped even faster.<sup>24</sup> Scholars who study the economic consequences of the China shock on the American economy found that part of the manufacturing employment loss is the result of China's trade expansion, and the trade expansion itself is due to the change of trade policy or China's productivity.<sup>25 26 27 28</sup> The reason is that China's exports to the United States are mainly labor-intensive goods.<sup>29</sup>

In order to reduce the growth rate of its vast population, the one-child policy was implemented by the Chinese government officially from 1980 to early 2016<sup>30</sup>. However, the policy has made a great impact on both China's demographic and economic structure. It has unavoidably resulted in an aging population and a potentially shrinking labor force, which can further affect China's capability to maintain its competitive advantage in labor-intensive industries, as well as impact its exports of goods and types of services to other states, such as the United States. For instance, the shrinking working-age labor force could cause an increase in the cost of labor, which could potentially promote its trade transition from low-cost manufacturing industries to more technologically advanced industries. Even though this shift aligns with China's aspiration to become a global leader in emerging technologies, it influences the trading relationship between China and the U.S., and can further lead to technological rivalry with the U.S. concerning trade-related disputes, such as technology transfer and intellectual property protection.

More specifically, although the Chinese government started to change its family planning policy from a one-child policy to a two-child policy in 2016, and even to a three-child policy in 2021<sup>31</sup>, according to a survey made in 2022, there are two-thirds of more than 20,000 people show a "low birth desire", particularly urban women aged between 18 and 25<sup>32</sup>. On one hand, China's birth rates have kept declining, resulting in a smaller pool of young workers entering the labor force. This decrease in the number of new entrants could cause a shortage of skilled labor in certain industries, hindering technological innovation and higher value-added production. On the other hand, decades of the one-child policy and changing societal norms have caused a larger proportion of elderly citizens relative to the working-age population. Such demographic imbalances put pressure on social welfare systems, healthcare services, and pensions. The aging population can reduce the supply of workers available for labor-intensive industries and disrupt the dynamic that propelled China's industrial growth.

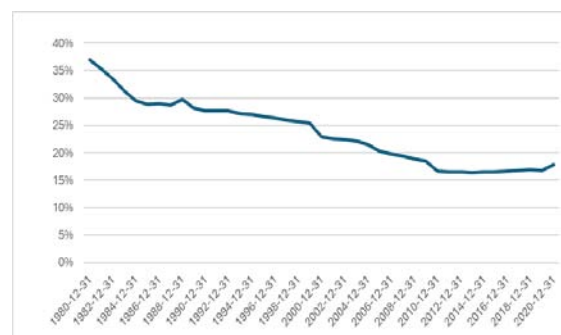
Therefore, with the significant changes in its demographic landscape, China starts to face many economic and political challenges. Currently, China's economic development has shifted towards becoming a knowledge-based economy driven by innovation and technology. Such a transition requires a

skilled workforce capable of contributing to research, development, and innovation. However, demographic changes, such as the aging population and decreasing birth rates, can make a negative impact on developing and sustaining a highly skilled workforce necessary for this transition.

#### 4 China's Demographic Changes and Political Impact

The political effects of China's demographic changes on U.S.-China relations, intricate and multifaceted, warrant equal attention. Unraveling these complexities reveals that the interplay between demographic realities and geopolitics could decisively shape the trajectory of the most consequential bilateral relationship in the world. On China's side, it has both internal stability and external manifestations. From the internal dimension, the way the Chinese government addresses its profound demographic changes is very important. The Chinese Communist Party (CCP) derives much of its legitimacy from sustained economic growth. Therefore, any challenges posed by the demographic changes, could precipitate a legitimacy crisis for the CCP<sup>33</sup>. Moreover, the effectiveness with which the government revamps its social welfare infrastructure will be another litmus test for the Party's leadership in the eyes of its populace. In other words, any perceived inadequacies could have made significant political repercussions for the Chinese government. A contracting workforce and potential economic deceleration may strain the social contract between the Party and its populace<sup>34</sup>. If the Chinese government struggles to meet rising expectations, it may face domestic challenges, pushing it to divert attention externally. Therefore, it is important to China to fix its social support system as soon as possible.

Moreover, the decline in China's population growth rate may further increase the trade conflict between China and the United States. China's population structure has undergone significant changes over the years due to the implementation of family planning policies. China's evolving population structure, characterized by a decreasing proportion of children, has far-reaching implications for consumption patterns, the domestic market, imports from the U.S., and the overall trade balance between the two nations.



Graph 1 Ratio of population aged 0-14 years to total population  
Source: National Bureau of Statistics of China

<sup>24</sup> Caliendo L, Parro F. Lessons from US-China trade relations. *Annu Rev Econ*. 2023;15:513-47.

<sup>25</sup> Autor DH, Dorn D, Hanson GH. The China syndrome: local labor market effects of import competition in the United States. *Am Econ Rev*. 2013;103(6):2121-68.

<sup>26</sup> Acemoglu D, Autor D, Dorn D, Hanson GH, Price B. Import competition and the great US employment sag of the 2000s. *J Labor Econ*. 2016; 34(S1)-98.

<sup>27</sup> Pierce JR, Schott PK. The surprisingly swift decline of US manufacturing employment. *Am Econ Rev*. 2016;106(7):1632-62.

<sup>28</sup> Caliendo L, Dvorkin M, Parro F. Trade and labor market dynamics: general equilibrium analysis of the China trade shock. *Econometrica*. 2019;87(3):741-835.

<sup>29</sup> Wang Z, Zeng J. From economic cooperation to strategic competition: Understanding the US-China trade disputes through the transformed relations. *J Chin Polit Sci*. 2020;25:49-69.

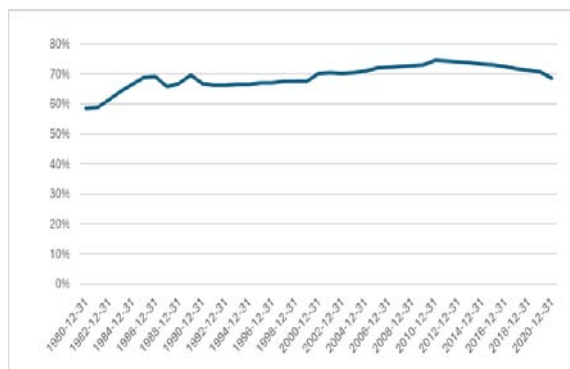
<sup>30</sup> Kenneth P. One-child policy Chinese government program. Available from: <https://www.britannica.com/topic/one-child-policy> (accessed 2023).

<sup>31</sup> Jing W, Liu J, Ma Q, Zhang S, Li Y, Liu M. Fertility intentions to have a second or third child under China's three-child policy: a national cross-sectional study. *Hum Reprod*. 2022;37(8):1907-18.

<sup>32</sup> Verna Y. 'The last generation': the young Chinese people vowing not to have children. Available from: <https://www.theguardian.com/world/2023/jan/20/the-last-generation-young-chinese-people-vow-not-to-have-children> (accessed January 2023).

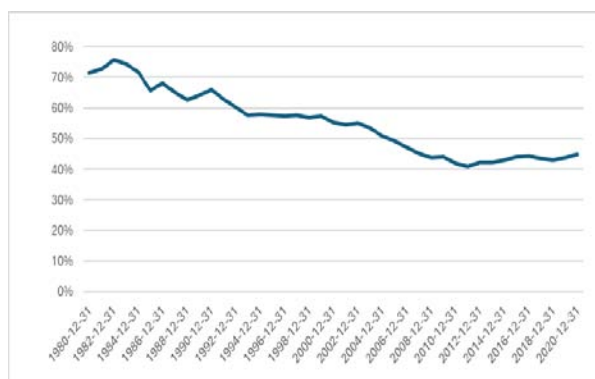
<sup>33</sup> Holbig H, Gilley B. In search of legitimacy in post-revolutionary China: Bringing ideology and governance back in. 2010.

<sup>34</sup> Gallagher ME. *Authoritarian legality in China: Law, workers, and the state*. Cambridge: Cambridge University Press; 2017.

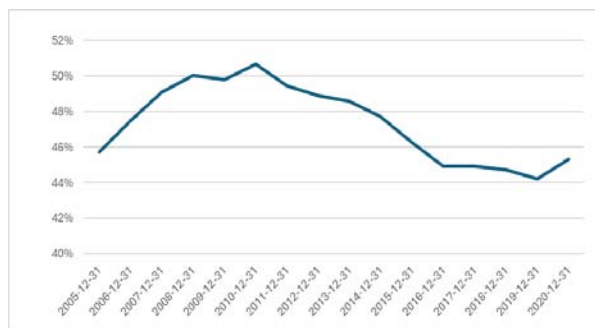


Graph 2 Ratio of population aged 15-64 years to total population  
Source: National Bureau of Statistics of China

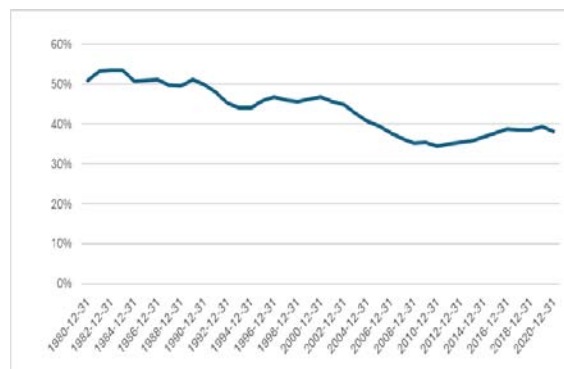
One key theory shows that the proportion of children in the population significantly affects a country's family consumption needs.<sup>35</sup> It is posited that Families with more children tend to have higher household consumption needs. In fact, China's family planning policies, including the one-child policy, have significantly reduced the proportion of children in the population. (See Graph 1 and Graph 2) At the same time, a larger working-age population typically leads to lower labor costs and potentially lower per capita income. (See Graph 3) Low incomes contribute to low savings rates as they accrue over time. (See Graph 4) The declining proportion of children in China's population suggests a higher proportion of working-age individuals but with relatively low per capita income. Given the low proportion of children and relatively low disposable income, China's consumption market may have yet to experience robust growth. Families with fewer children may have less incentive to spend on child-related products and services, contributing to slower consumption market growth. (See Graph 5)



Graph 3 Per capita disposable income  
Source: National Bureau of Statistics of China



Graph 4 Resident Saving Rate  
Source: National Bureau of Statistics of China



Graph 5 Resident consumption rate  
Source: National Bureau of Statistics of China

China's relatively low consumption power, as suggested by the declining proportion of children and low disposable income per capita, implies limited demand for consumer goods and services, including imports from the U.S. This low consumption power may result in reduced interest in high-end or luxury imported products. Besides, it is implied that the country may not have a strong need for imports due to China's low consumption power. As such, the argument posits that China's import requirements may not be as substantial as those of a nation with a more robust consumption market. Thus, China's lower consumption power and limited import needs may limit the volume and types of goods and services the U.S. exports to China. U.S. exports to China may be constrained by the relatively weak demand for certain products, impacting export sectors such as consumer goods and luxury items. The low consumption power and import needs may contribute to China importing less than it exports to the U.S. This argument aligns with the persistent trade imbalance between the two nations, where China consistently exports more to the U.S. than it imports.

Indeed, with the decrease in the labor force, the main sector of China's exports to the United States--manufacturing--will continue to shrink, which may alleviate the deficit between China and the United States to some extent. However, it also means that the trade relationship between China and the United States is gradually decoupling: the manufacturing related trade is shrinking, but the other trade sectors of the two countries have remained relatively low. In addition, a shrinking labor pool in China suggests looming economic decelerations in the future. It seems that China may uphold its economic momentum by leveraging technological innovation and enhancing worker productivity. With a shrinking labor force, China's impetus of development will be turn to focus on technology and automation industry. China may intensify its efforts in artificial intelligence, quantum computing, biotech and other technological domains, which can lead to increase the US-China competition in high-tech sectors<sup>36</sup>, potentially challenging the U.S. dominance in certain areas but also opening avenues for collaborations and investments. The specter of demographic dilemmas, however, could potentially be seen as harbingers of imminent financial fragility. The U.S. may view these prospective weak points as a golden opportunity to consolidate its foothold in the region. By reinforcing its alliances, the US aims to construct a more robust front against a China possibly keen on affirming its dominance before its demographic dividends diminish<sup>37</sup>. However, domestic challenges often precipitate assertive foreign policies, especially among major powers. For instance, China may bolster its territorial claims in the South China Sea or intensify its Belt and Road Initiative project, both of which could challenge strategic interests the U.S. and escalate tensions between these two states. Therefore, concerns about a potentially more assertive China, driven partly by its internal demographic challenges, may prompt the U.S. to solidify its alliances in the Indo-Pacific

<sup>35</sup> Stewart K, Patrick R, Reeves A. A time of need: exploring the changing poverty risk facing larger families in the UK. *J Soc Policy*. 2023;1–25.

<sup>36</sup> Mori S. US technological competition with China: The military, industrial and digital network dimensions. *Asia-Pac Rev*. 2019;26(1):77–120.

<sup>37</sup> Roy D. *Return of the dragon: Rising China and regional security*. New York: Columbia University Press; 2013.

region, such as maintain stable relationship with South Korea, Japan, the Philippines, Thailand, Australia and New Zealand<sup>38</sup>. Also, states sharing demographic similarities with China may find themselves aligning more closely with U.S. strategies.

## 5 Conclusion

The changes in the strength of the two countries brought about by the population decline in China will bring new opportunities and challenges to Sino-US relations. From a realist perspective, the primary driving force in international relations is power<sup>39</sup>. On one side, with China's workforce shrinking and aging population, there will be a potential decrease in its economic productivity. Such demographic change can be initially regarded as an opportunity for the US to maintain its economic and political dominance, and an aging China can be perceived as less aggressive and expansionist, thereby realizing the rebalance of power dynamics. In addition, an aging China also means that China has a greater demand for old-age care, medical care and insurance. At present, the development of China's old-age care, medical care and insurance industry lags far behind<sup>40</sup>, and the aging China will inevitably generate new demands in this field, thus increasing cooperation in related fields. However, on the other side, realism also recognizes that states do act based on their national interest<sup>41</sup>. Due to a declining young labor force, China has been rapidly developing and investing in technological industries such as artificial intelligence and semiconductor, aiming to sustain its economic capability. For instance, with a declining youth demographic, China potentially faces challenges in terms of manpower for its armed forces. Realism emphasizes the importance of military power in state actions and the international order<sup>42</sup>. If China anticipates a dip in its ability to amass large ground forces, it could strategically pivot to other forms of advanced technological power, such as cyber warfare, naval expansion, or advanced missile systems<sup>43</sup>. This move towards tech dominance poses new challenges for the US, which has traditionally held the tech reins. Therefore, it is also interesting to explore whether an aging, but more innovative China maintain and enhance its power under technological driven.

In addition, realism implies the fluid nature of alliances that dictated by the prevailing balance of power<sup>44</sup>. In other words, realism underscores that the fluid nature of alliances is shaped by the ongoing shifts in the balance of power. Therefore, China's demographic trajectory could lead to a recalibration of its alliances and partnerships, changing the geopolitical equilibrium. The implications could range from forming new alliances that serve its demographic and geopolitical interests, to reinforcing existing ones with shared demographic challenges or goals. As China navigates its demographic transitions, the attempts to reshape international norms and institutions can become more pronounced<sup>45</sup>. Also, the alterations to global political institutions aimed at fostering a favorable environment for China's interests could alter international alignments and potentially facilitate the emergence of novel diplomatic configurations. On one hand, as China's demographics changes, its relationships with its neighboring states and other great powers could undergo recalibration. With its demographic transition, China might seek to reshape global political institutions to better serve its interests, ensuring that policies and frameworks are favorable to its unique challenges. Also, will it create opportunity for the US to strengthen existing alliances or forge new ones. On the other

hand, although realism primarily highlights hard power, it does not ignore the subtleties of soft power. Recognizing its demographic challenges, China may double down on its global soft power initiatives to maintain influence, such as investing in infrastructure projects, cultural exchanges, or educational programs overseas. By investing in soft power, China can mitigate the impact of its demographic changes and maintain its existing global influence and reach to a large extent<sup>46</sup>. However, from the US side, such intensification in China's soft power play would necessitate a strategic response, either by countering with its own initiatives or by highlighting the drawbacks or strings attached to China's international endeavors.

Although demographic changes unfold progressively, their political impacts can be sudden and seismic. China's demographic trajectory is not merely an internal evolution<sup>47</sup>. More specifically, it is a transformative process that can shape China's external behavior, especially with the U.S. therefore, it is important to recognize and understand how these changes work for both states as they chart their courses in this new era of geopolitical competition. However, whether such demographic-driven political impacts end in confrontation or cooperation between the U.S. and China is largely dependent on their respective domestic and foreign policymaking and diplomatic strategies. From the lens of realism, China's demographic changes weave a complex tapestry of power plays, strategic recalibrations, and potential areas of conflict and cooperation with the US. As both states continue to act in their national self-interest, it is important to view these changes as paramount in predicting the trajectory of the relationship between the US and China.

In conclusion, China's demographic changes characterized by an aging population and potential economic and political implications, which will invariably influence its geopolitical strategy and posture. Although these changes may suggest certain predictable patterns of behavior, the actual course of U.S.-China relations remains contingent on diverse factors. Also, the realist perspective implies that national self-interest will always be at the forefront of decision-making for both states. Therefore, as we anticipate the future of the relationship between these two states, it is always essential to constantly reassess the evolving demographic landscape and its intersection with the political and economic dynamics of both powers. In other words, whether these demographic-driven changes lead to intensified competition or renewed cooperation between the U.S. and China, proactive diplomacy, informed policymaking, and a deep understanding of these underlying changes are crucial for both states navigating and addressing the global challenges.

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**Primary Paper Section: A**

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