

Public Symposium

STANFORD KYOTO TRANS-ASIAN DIALOGUE 2011

**Demographic Change in East Asia: Economic, Social, and Security Implications**

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5:00-6:45pm

Kyoto International Community House Event Hall

Kyoto, Japan

**<<Moderator>>**

- **Dr. Masahiko Aoki**, Senior Fellow, FSI and SIEPR; Henri and Tomoye Takahashi Professor Emeritus of Japanese Studies, Department of Economics, Stanford University, USA

**<<Panelists>>**

- **Dr. Cai Fang**, Director, Institute of Population and Labor Economics (IPLE), Chinese Academy of Social Sciences (CASS), People's Republic of China
- **Dr. Karen Eggleston**, Shorenstein APARC Center Fellow, FSI CHP/PCOR Fellow and Director of the Asia Health Policy Program, USA
- **Mme. Ton Nu Thi Ninh**, President, Tri-Viet University, Former Vietnamese Ambassador to the European Union, Vietnam
- **Mr. Keiichiro Oizumi**, Senior Economist, Economics Department, Japan Research Institute, Japan
- **Minister Yu Myung Hwan**, Former Minister of Foreign Affairs and Trade, Republic of Korea, Former ROK Ambassador to Japan, Republic of Korea

**<<Remarks>>**

- **Dr. Gi Wook Shin**, Director, ARARC, Stanford University, USA

**Gi-Wook Shin:** Hi, I am Gi-Wook Shin. I am Director of the Shorenstein Asia-Pacific Research Center at Stanford University. On behalf of our Center, I'd like to welcome all of you to this special symposium on demographic changes in Asia. Some of you may know we established this Stanford Kyoto Trans-Asian Dialogue in year 2009, and this is annual meeting in this beautiful city of Kyoto in every September to talk about main issues facing the Asia-Pacific region.

At the first meeting, we talked about energy and environment, and last year, we addressed the question of building East Asian community. This year, we've been discussing demographic changes in Asia. Through this dialogue, we are trying to identify main problems and challenges and also trying to find out some solutions and opportunities. Also, we are trying to see if Asia can offer any lessons for other countries like United States and Europe. At this time, as I've mentioned, we've been discussing about demographic changes and how they affect our social, economic, and political life. This evening, we have a nice panel to address this issue.

Before closing, I'd like to express my sincere thanks to the City of Kyoto and Yasunori and Yumi Kaneko and Freeman Spogli Institute for International Studies at Stanford University for their generous supports for this dialogue.

Now, I am going to turn to my colleague Professor Masa Aoki who will be moderating this panel tonight. Please, enjoy and I'll look forward to discussion at the panel. Once again, welcome and thank you. Arigato Gozaimashita. Thank you.

**Masahiko Aoki:** Let me open third panel meeting about Stanford Kyoto Trans-Asian Dialogue. In the last 2 days about 30 people, scholars from Stanford and other universities in other Asian countries, journalists, and policymakers and diplomats, and all these people gathered and discussed this very important issues on changes over population structure in Asia. As you are going to see, this population change is really big, a historical change, which is taking place all over Asia, not only Japan, but China, Korea, and other countries too. Out of 30 people who participated in the dialogue, today in this panel discussion, we ask five people participate in mutual discussions who has a specific background in nationalities, and the field, and so forth. Let me introduce each person very briefly. Person who is sitting next to me is Dr. Cai Fang from China. He is academician of China's Social Science Academy, and he is Director of Institute of Population and Labor Economics. Also, he is member of standing committee of People's Congress of China. As

you see, he is a very important person, so I really think that he is one of the most leading economists in China but also he has a very strong influence on very important issues over Population problem in China.

Then, Dr. Karen Eggleston, she is my colleague at Freeman Spogli Institute of International Studies at Stanford University. She has Ph.D. from Harvard University, and she is Center Fellow at the Institute and also she is the Director of Asia Health Policy Program.

Then, next, Madam Ninh from Vietnam. Most of you who have participated in this panel discussions, she is now regular sort of member of our dialogue. She is a very important diplomat. She was ambassador to EU and so forth, and she is now very active in establishing a new so called Tri-Viet Green [ph] Enterprises by establishing a new private university called Tri-Viet University.

Then, next is Mr. Oizumi Keiichiro. He is from Kyoto. He graduated from Kyoto University, and he used to be also a research scholar at Asian Research Institute of Kyoto University. But, he is now research fellow of Nihon Sogo Kenkyusho, Japan Research Institute. He published a very important influential book in Japan, which is called 'Aging Asia,' 'Oiteyuku Ajia'. This book received a very important prize for Asian Economic Development, so many of you might have read his book already.

Finally, but not the least, Ambassador Yu Myung Hwan. He is a very important career diplomat in Korea. He served as a foreign minister until last summer. Before that, he was ambassador to Japan.

As you see, very distinct scholars, diplomats, and so forth. I am very much looking for to hearing their expertise, opinions, and also mutual interactions.

I think the mutual interactions and also I'd like to you audience to participate in discussions, comments, and so forth. I would like to ask each panelist to limit their first presentation to, let's say, 5 or 10 minutes, briefly basic points, and then after finishing this first presentation by each people, I'd like to propose that everybody engage in mutual interaction.

I should have asked Karen Eggleston first, because she probably is going to talk about why this population change is very important, what kind of approach change exist, and how the Asian countries face a similar or different problems, so she will set the sort of whole stage of discussion. So, Karen?

**Karen Eggleston:** Thank you Professor Aoki, and thank you all for being here. It's my honor to serve on this panel today. I will briefly set the stage by talking about the demographic transition, and what we mean by that. It has been called by demographers and economists, one of the most important changes over the last millennium for humankind. What is the demographic transition? Well, many centuries ago and for a long period of human history, we lived in societies that had very high levels of mortality, and very high levels of fertility, and for various reasons because of improved nutrition and control of infectious disease well over a century ago, in some parts of the world, mortality began to decline, and more and more babies survived into their adulthood.

Typically, after some lag, societies and individuals and families chose to have fewer children to have the desired family size and having children grow to their adulthood. The fall of mortality was followed by a decline in fertility so that societies moved toward equilibrium or a society in which you have both low mortality and low fertility, and that's been called the demographic transition. In a sense, it's still going on. Although, we are right here in Japan, which sort of leads the world in having the longest life expectancy among women, even here you could say it's not completely finished its transition in the sense that the population is still changing towards more an elderly aged structure overtime.

In Asia and with Japan's neighbors, there is particular experience with this dramatic change in society. We know about Japan as being one of the pioneers in this area. Perhaps, less well known in many areas is that South Korea has been aging at an even more rapid pace, and China, perhaps not as rapid as Korea, but at a much larger scale, at a lower level of per capita income is an aging society. Perhaps, a little known fact is that the median age in China will soon be older than that in the United States within the next decade if current trends continue.

Some might consider this a great success story, we are living longer lives, we see fewer of our children die in infancy before they have a chance to live their lives, and our population has not exploded to completely overrun the resources of our planet. But, this transition has also led to many policy challenges for us as individuals and societies and for policymakers, and I'll just mention a few that my colleagues will talk about in more depth.

One, of course, is whether we're able to continue economic growth and increases in per capita income with these new configurations of elderly and sometimes shrinking workforce. How are we going to fund pension systems and medical care for the elderly? What are we going to do about

having below replacement fertility and having societies that are actually declining? What is the role of migration if any in emulating these trends? Another issue is families sometimes choose or sometimes policy pushes them towards having a single child, often it's a single son instead of a single child. This has led to a great gender imbalance particularly in China and parts of India, and this also leads to tremendous challenges as part of the demographic transition, about having many men grow to adulthood that won't be able to find wives in their current societies. Those are some of the issues that our great success with longer lives have presented us.

**Masahiko Aoki:** Thank you. Dr. Cai Fang.

**Cai Fang:** Good afternoon. I will start by addressing three questions. Number one, what is current population trend in China? Thanks not only to one-child policy but also to the social and economic development, in the past three decades, the total fertility rate, that is number of children per woman, declined dramatically. Currently, the fertility rate is 1.4 in China, the same as that of Japan last year. In the world, most people believe that Japan is aging and less children country, but now China is catching up. That's the first question.

Number two, what is the labor market situation in China? As a result of the population change, the population structure, particularly the age structure has changed as well. The working age population is growing slowly and slowly. In about 2 years, it'll stop growing. As a result, there is a shortage of labor supply with the strong demand for labor because the Chinese economic growth has been very fast in the past 30 years. The annual growth rate of GDP is about 10%. There is a strong demand for labor. A strong demand with weaker and weaker supply of labor, so you can see the situation in the labor market has changed as well. Also, as a result, there is a wage rate hike, not only in the coastal areas, but also in the areas lagging behind. This is a situation that tends to lead China to lose its comparative advantage in labor intensive industry gradually. Well, China has not gained the comparative advantage in capital and technology intensive industry, so this is the second question.

The third one is, was this labor shortage caused by the population aging and its resulting factors slow down the economic growth of China? I think the answer is there is a possibility. Maybe, I can be more certain, there will be a slowdown for the Chinese economic growth. The question is

how, when, and how much? I can give you two references. One is the Japanese experiences or lessons. During the similar period, I mean at the similar stages of demographic transition to China, the GDP growth rate of Japan declined from 9.2% to 3.8% and then to less than 1% after 1990, so this is one reference.

Another one is economists estimated there is a certain period, we call it 'time-span', for economic slowdown. Economists estimated differently, but we can see there is a period between the per capita GDP \$7000 US and \$17,000 US in term of purchasing power parity, that is not calculated by the exchange rate. This is a period of time in which fast growing economies are more likely to slow down. Last year, China's per capita GDP was just a little bit more than 4000 yuan. By the similar definition that was equivalent to more than 8000 yuan, exactly falling in the period of slowing down. We have to ask ourselves how can China avert the middle-income trap, and what can we do. I think I may have time to address this later, but I name some of the areas. I put it as higher priority of reform. Number one is education, educating the youth and training the working people, that's number one. Secondly is to eliminate the institutional barriers that prevent labor from migrating from rural to urban areas. Current pattern of China is like this; most young farmers migrate from their home villages to the city for a better job, better pay. But, in the future, these people have to face the upgrading of the manufacturing of the economy and the structure change, so they need better skills. Also, maybe for the next decade, there will be a trend that the labor-intensive industry will move from the coastal areas to the inland areas, then the older farmers can also migrate locally and get a job, no agricultural job.

Finally, I think you may be interested in how the one-child policy would go. I think the reform of this policy is under agenda. If you are interested, I will address this later. Thank you.

**Masahiko Aoki:** Thank you very much. Next, I would like to ask Mr. Yu.

**Yu Myung Hwan:** Yes, thank you for giving me the floor. We have seen both good and bad news on the population front. The good news is that we are living longer, and the bad news is that despite a rising longevity of the lifespan, there are fewer and fewer babies coming on the scene. The two factors translate into a demographic situation that has serious implications for economic growth and social structure in which we are living.

Korea today is one of the most rapidly aging countries in the world. The improvement in nutrition and medical care has increased the life expectancy of average Koreans from 62.3 in 1970 to 80.1 in 2009. Whereas, the elderly defined as aged 65 or older make up about 10% of the entire population today. They are expected to account for nearly 40% of the population in 2050, which is among the highest in the world. Korea will, in fact, have become a super-aged society by 2026.

Another factor that aggravates the problem of an aging society is the rapidly declining fertility rate. In 2010, Korea's overall fertility rate stood at 1.2 that is lowest among OECD countries. This is an alarming figure given that the country's fertility rate in 1970 was as high as 4.5. With rapid economic growth and accompanying socio-economic changes, the figure started to plunge from 2.8 in 1980 to 1.5 in 1990, and below.

Low fertility and an aging population will have enormous consequences for the future of the country. With a shrinking workforce and a decrease in total population, it will mean a diminishing growth rate and falling national competitiveness, and it will also place a heavy burden for the younger generation to support the elderly accompanied by societal conflicts as well as putting pressure on pension schemes and health care insurances.

Then, what is the policy response? Being aware of the situation, the Korean government advanced numerous policies in the past few years including improved maternity leave, child care subsidies, and fiscal incentives. In 2005, it enacted so called Basic Law on Low Fertility and Aging Society and established a special presidential committee and also created a policy implementation team within the Ministry of Health and Welfare.

The Basic Law on Low Fertility and Aging Society provides for a 5-year implementation plan to ensure sustainable growth by proactively responding to low fertility and aging society. The first 5-year plan from 2006 to 2010 focused on the following three areas; the first promoting childbirth and creating a childcare-friendly environment. Second, laying the groundwork for improving living standard in an aging society, and third securing the growth engine for the future.

The first basic plan focused on laying the policy and legal framework for meeting the above three objectives and raised the public awareness on the seriousness of low fertility and aging society. Based on its outcome, the second 5-year plan was launched in 2011 this year focused on helping women balance work and family.

While we have seen a number of uplifting cases of efforts also taken by the corporate sector and

local communities to promote fertility rate and help women balance work and family, such measures alone are not sufficient, and it is very unlikely that the nation's fertility rate will reach anywhere near the replacement level that is 2.1 in the foreseeable future.

In sum, the challenge is how to restructure society to be more marriage and child friendly while at the same time restructuring the economy to make it more efficient and competitive. Such task will not be easy, and it won't be cheap. This is why we need a nationwide campaign that is not led solely by the government, but has the active support of the industry and the local communities. I wish to stress that people's support, and involvement, and participation is a sine qua non for this most pressing task to succeed. Thank you very much.

**Masahiko Aoki:** Thank you. Next, Madam Ninh.

**Ton Nu Thi Ninh:** Thank you. It is my pleasure to meet with citizens and students of Kyoto for the third time, and at the outset, I'd like to report to you the admiration of we, the Vietnamese public at the extreme sense of cohesion and dignity that the whole Japanese nation showed during and after the Fukushima tragedy.

I'd like now to touch upon the question of demographic change and migration with a focus on the case of Japan. Japan to me is a paradox. It's the first in Asia to have deliberately open to the Western world, to the industrialized world, which was then Western, in order to catch up with the industrialized world. Today, in other words, the movement outward, today Japan remains among the top exporting nations, and we see Japanese tourists everywhere. The Japanese are among the top contingents of overseas students in most universities of the world.

But, the reverse direction is not quite the same. What I mean is, we live in a globalized world where competition and synergies are at the core of progress, and how we cope with challenges. It would seem to me therefore that Japan is still going out to the world. The big question is, what, how, and to what extent will Japan welcome the world as an open society? Today, during our discussions, I mentioned a fact that the US has 16 plus percent of its workforce coming from overseas. Germany has more than 9%, while in Japan, the figure had peaked at about, a few years ago, at 1.1 but now, the last figure, I managed to get in 2009, it had slipped back to 0.9. Those are temporary workers, so not workers that settled down as in Australia or in the US. Workers who



settled down in the context of an aging nation like Japan would solve two issues; issues of employment and the issue of the aging population because of higher fertility always among migrants. This is perhaps the reason why the United States is not among the fast aging societies.

The strength of Japan, as I was saying, is this strong, very solid sense of identity, and in this globalized world, I – because in Vietnam, we feel the same. You globalize successfully if you have first a strong sense of your identity. But, at the same time, I think you need to open. When I speak about Japan, I am also thinking about my country. Vietnam just like Japan is traditionally an ethnic – although it has 54 ethnic groups, but in its thinking and cultural attitudes, it's very unitary, it's very Vietnamese versus foreign. I think there is a mindset transition that needs to be operated in countries like Japan and Vietnam, perhaps also even Korea.

The point I wanted to make is even among us, Asian countries, breaking the ice, the cultural ice is not easy. I mentioned Taiwan and Korea, you know, making up for a low fertility or reasons specific to these two countries, low numbers of marriages among certain groups of males, well, anyway, can you imagine 120,000 Vietnamese brides in Taiwan. To us, the Vietnamese, that figure is such a surprise, and in Korea, already 50,000 and continuing. But, Martin Fackler of the New York Times then mentioned that he did a survey that showed that children of those mix marriages in Korea tended to show higher school dropout rates than all Korean kids. To me, personally, it means that therefore the integration, the linguistic and cultural integration of those mix children perhaps leaves to be desired. This phenomenon in itself shows that not speaking about Caucasian or Western migrants, just among Asian countries is not yet easy. We still have a certain way to go. Adaptation to the need to be open societies in the context of globalization and of aging societies, I think, is a very challenging issue that requires not just governmental, but I think a social community and individual thinking and intervention and action.

The second point and last point I'd like to make is about health and employment adaptation. It was said today by Dr. Eggleston that, in fact, although the Japanese elderly are very numerous, but the financial burden that they pose in terms of healthcare is not as large as one might expect and that it would seem therefore that the elderly Japanese tend to be healthy. They work longer. But, I think that an issue that has to be considered is the adaptation of employment, new types of restructured or adapted types of employment that would make the best of what elderly people can offer. In this respect, it is very clear that working longer when you are elderly is good for your health, overall.

But, health here has to be defined not just as physical health. Reality and practice show that for the elderly, the intellectual and spiritual dimensions of health matter a lot. Therefore, we need to revisit types of employment adapted to the elderly and the notions of health that we want to achieve for the elderly where the intellectual and spiritual, and I would also add cultural components would matter. That is an area where perhaps following the suggestion of Dr. Gi-Wook Shin, that might be an area where the US and Europe might have to learn from this part of Asia and more particularly from Japan and Korea. I'll stop there.

**Masahiko Aoki:** Thank you very much. Finally, I'd like to ask Mr. Oizumi from a perspective of Japan in Asia, you're going to speak in Japanese first, so panelist please use the earphone.

**Keiichiro Oizumi:** First, thank you very much. I'm glad to be here and to give my presentation tonight.

But, my presentation, I speak in Japanese because I would like to discuss it precisely, and I have many messages to Japanese audience.

Up till recently, we thought that Japan was the pioneer in terms of low fertility aging society. But, as you have heard in this symposium and in this forum today, low fertility is common to all Asian countries, and all Asian countries are aging, which means that in the past when we look at Japan and Asia from that perspective, we might have to change our perspective about Japan because we are not the only country to see this trend. But, of course, I would like to point out why the pace is so rapid in Japan.

As we have just heard, in China, the total fertility rate is 1.6 and in South Korea, it's 1.2, less than in Japan. This is common not only in East Asia, but also this is true for Southeast Asian countries as well. For example, in Thailand, it is only 1.6; in Vietnam, it's 2.1, I think. But, Indonesia, Malaysia will soon come down to 2.1 level. What is the mechanism behind this trend? Probably, I think the mechanism is similar to that of Japan. I also teach at three universities, and I always asked them a question, to the students. I ask them, when you have a family, how many children would you like to have? Fifty percent or more of the students would say two, and perhaps a 30% or so would say more than three, and only one is about 20%. If you work out the average, you end up with about 2.3. But, the fertility rate in Japan is currently only 1.3.

Now, why do we see this gap? Let me give you the answer. I think the young people do not have

the ability to get married. Now, probably, our perspective of marriage is totally different from the perspective of current students. What is important in marriage is love. If you have love, financial difficulties can be overcome, that's how we got married in the past. But, of course, that may not have been true. But, if you talk with the young people nowadays, they are looking for stable income first, otherwise, love, family, they cannot be maintained, so money comes first and love and family follows afterwards.

Financial risk is not a cost, but it is a worry that will indefinitely become larger and larger for them and as such marriage just breeds anxiety, and therefore, they are not able to get married. I think that is not only true for Japan, but this may be true for China as well as with the youths of Southeast Asian countries as well. If that is the case, I think, many women would dream that one day they would come up with Tom Cruise or Marilyn Monroe or someone who is so attractive worth to get married. But, in Thailand, more than 30% of people in the 30s are not getting married. In Tokyo, a total fertility rate is about 0.6 to 0.7, and I think, it's the same with Shanghai, and Seoul, and Bangkok. I think that is a similar change in lifestyle. But, of course, we are not able to give the reason why the total fertility rate is so low. If you go to the rural areas in Thailand, once again, it's less than two.

In the past, we used to think that for lower income people, fertility tends to be high, but this is not true anymore. Why? The situation is because of the globalization, there is a big income gap in Thailand. For instance, if you work with a foreign affiliate company and are getting salary, and if you compare that with the wage or the income that you earn in working in the rural farm, perhaps, the difference is about 100-fold, 100 times even. The parents would like to have good education for their children so that they are able to work with foreign companies. But, if you want to send children to good schools so that they can get good jobs, you are not able to have so many children. I think the researchers and scholars in Thailand tend to think that, that may be the reason why fertility rate is declining in Thailand.

If that is the case, I think, the trend of low fertility cannot be reversed in all Southeast Asian countries. The kind of illusion that we used to have, in other words, Japan was the only country suffering from low fertility and aging society so that we may be able to make use of the increasing population in other Asian countries, that is an illusion. I think we have been able to identify that as a common challenge throughout this symposium that we have been having since yesterday.

I would like to talk about the kind of prescription that I would like to see for the Japanese society. But, I would like to talk about that later. In other words, one message there is the trend of low fertility aging society in all Asian countries, and I think we need to do something about that.

**Masahiko Aoki:** We have heard view from different countries, but we see that each Asian country sort of face same problems, common problems, although there is subtle difference in stages, and so forth. Also, this problem of population is not only just declining fertilities and aging but also many interests in various aspects like migration from agriculture to urban area, international migrations, and then the questions of culture diversities, and globalization, and so forth. It includes many interesting aspects. Since there I see many students today and some of you might be studying economics, so I'd like to inject a little bit just a few words about my own view over these topics.

Asia has a very common sort of a historical background in the sense that historically China, Japan, Korea, Vietnam, and so forth is a very agrarian economies dominated by small peasants who hold or own some land by themselves and cultivate. In Japan, let's say, proportion of this rural population is, let's say, 70% after the major restorations [ph]. Then Korea's case and China's case 80% even in 1950.

Then, we are discussing now that population is declining, I mean, fertility rate is declining and smaller number of children, and so forth. The western demographic scholars and also economists describe this kind of a decline of fertility rate as Dr. Karen Eggleston described as a population demographic transitions. But, between these dominantly rural peasant economies through these demographic transitions, there is a very unique sort of stage in Japan, which is unique in Asia in common, that is, namely migrations of labor force from rural area to urban area.

If we look at this, Japan in the 1950s and also China 1970 and 80 and Korea also 1970, 80, very high per capita income development was recorded like very close to 10%, as Dr. Cai Fang described. But, during this high growth period, this very rapid per capita income growth is very much explained by migrations of labor from rural area to urban area and also increase of populations participate in real workforce. For this, a very high rather fertility rate before this industrialization or beginning of industrialization matters.

But, now, domestic migrations come to a certain stage, let's say, agricultural, rural employment goes down below 20%, and then, the economy has to grow autonomously by power of human capital

investment. But, for human capital investment, as we discussed, you have to invest in education, and so forth. Education is very costly and also raising kids and accumulating human capital also is a very costly in terms of time for also parents, and also marriage is becoming very costly, and so forth.

But, this kind of a process is sort of common globally, but in case of Asia, this process is compressed into a very short period, like in the case of China, this human capital investment and also a stage of labor migration from rural area to urban area, these kinds of a process which, let's say, Europe underwent over the 100 years; in Japan, 40 years or 50 years, but in case of China, it's compressed in very short period of time. From this perspective, Dr. Cai Fang, would you like to make some comments on this interactions over labor migrations from rural to urban area, and this processes are still going to continue or not.

**Cai Fang:** Thank you. Currently, there are 160 million labors who migrated from countryside leaving their home township for more than 6 months; 96% of them migrated to cities at different level. In the past, almost 20 years, but most importantly in the past 10 years since China entered the WTO, the migration growth rate has been very high. But, in the very recent years because, as I said, the supply of labor force even in the rural areas slow down, so the migration speed has been slowing down as well.

But, it will continue because now if we compare China with developed countries and even to the world average, China's share of agricultural labor is still high. Official figure shows 38% of labor force is still engaged in agriculture. But, according to our own estimation, the share of agricultural labor is 24%. It's still much, much higher than developed countries. In the future, I believe the migration trend will be continued but with a little bit slower pace.

But, one most important new phenomenon will be that because the current labor force engaged in agriculture is mainly relatively older labors because for every young labor, they migrated to the cities. Then, more than 50% of the agricultural workers are 40 years old or older. The problem in the future is how can we include these people to go out of agriculture sectors. I believe one solution will be as the labor cost increase in the coastal areas, at least the greater proportion of the labor-intensive industry will move to inland areas. The older agricultural surplus labor can find non-agricultural job we think in their province or even in low-cost cities, so that makes easier for

them to migrate. Thank you.

**Masahiko Aoki:** Please, allow me to ask one more question because this question may be also shared by audience, about one-child policy. If this labor shortage is going to become problematic in China, one solution to agree is to increase fertility rates. What do you think about this possibility of relaxing one-child policy or this kind of policy would affect fertility rate or as Professor Oizumi mentioned rather this low fertility rate is not just policy impact but also kind of reflects generic process, which we are observing?

**Cai Fang:** First of all, as economist, I don't count on the policy reform to increase fertility rate because according to studies by some of my colleagues, the decline of fertility rate can be attributed to two parts, one is the one-child policy because it asks you to have only one child. Also, the second part is the economic growth and also social development. As time goes on, in the very recent years, the secondary fact plays a bigger role in determining the fertility rate. But, there is a small room. If we reform or relax the one-child policy, the fertility rate will go up a little bit because currently the policy of fertility rate is 1.5, because you know, actually it's not accurate to say China's policy is one-child policy because for the urban young people, in most cases, they can only have one-child. But, in rural areas, if you have a girl first, you can have the second child with 4 years interval. Totally, the policy allowed fertility rate is 1.5.

But, according to a survey, the survey asked young couples if without the policy limitation, how many children they want. The average result is 1.7; there is 0.2% difference between the designed number of children and the policy of fertility rate. That is we have only a small room to increase fertility rate. If we implemented the reform immediately as early Professor Rozelle [ph] said is exactly the time. What's on the schedule for the relaxation of the one-child policy?

One of the lessons in China is that reform should be in a gradual manner. The one-child policy reform is also on that track. For the past years, every province, city already implemented the policy. In Chinese, we called [Foreign Language]"Shon-dou"? that is for the couples who, both of them are only child, they can have two children. The next step, yeah, I believe is as soon as next year or at least within the next 5-year plan period, the policy will be to allow the couples with one of them is the only child to have two children because the current generation young people, most of

them are one-child policy generation. That policy will allow most young couples to have two children. I think with that, we will have opportunities to improve the age structure.

**Masahiko Aoki:** Let me ask one more question to a participant, Dr. Eggleston says that the economic development of total fertility rates tend to decline, it is kind of a generic tendency. But, 2 years ago, there is a very interesting article published in Nature magazine, which shows that if you regress the total fertility rate on so called Social Development Index, which is constructed by United Nations incorporating not only per capita income but also rate of women's participation in society, and so forth, and then when this Social Development Index reaches a certain level, threshold point, then this total fertility rate started to going up again. This article is entitled as 'Baby's Coming Back'. In case of Japan, we talked about this total fertility rate 1.25 in year 2005, but last year, I understand this total fertility rate increased to 1.39, and one of the reason is that women who are rather relatively older, they started to bear babies. This might be related to Oizumi-san's [ph] kind of argument in a sense because marriage is expensive but also having a baby is very expensive. But, if their work is protected even if they bear the child, take a leave but they can come back, and so forth, and they can do this. Also, if there is a better baby-care, childcare center, and so forth, this may be possible to have more babies, so lots of institutional factors and particularly this gender issues, how the women can participate in society while having a baby, and so forth. This kind of issue could be very important, so anybody would like to make a comment on this? Yes.

**Ton Nu Thi Ninh:** Vietnam applies a two-child policy. I don't know much about how it is applied in China, but I am glad that we never thought of the one-child policy. The two-child policy, in fact, when you apply it to young urban couples, they don't even use their quota. Many of them stop at one. But, in the countryside, they don't pay any attention, especially because in Vietnam, that policy is perceived as directed chiefly to civil servants. In the countryside, they have many more than two children.

But, it seems to me that there is the fact that Vietnam now has moved so fast down to not even 2.1, I think it's 2.0 or something, so a little over 2, so it seems to me that our government stopped paying attention because the perception, tourists come to Vietnam, they say you are so young, we go in the street and it looks so young, but then you look at the fertility rate, it's a different picture, a trend

picture altogether. It seems to me therefore that our government needs to pay attention and perhaps have to revise the two-child policy. It might not even be useful anymore because as I say, self-censorship, the very active and sort of high achieving young couples, they just want one kid anyway.

Whether later on at a higher threshold of social development, those young couples once they are more successful, and they are still of child-bearing age, they will want to have more than one child or more than two children might be another story.

But, I found one thing particularly interesting, I had a discussion yesterday, I can't recall with whom, who was explaining to me that in Japan, the reason why – I remember now, it's Martin Fackler of New York Times, he's been here 8 years; he was explaining to me the low female labor participation rate. I enquired, but why can't they have nannies? But, he explained to me, and I stand to be contradicted by the public here that there are no nannies in Japan, I mean, nannies being hired. I'm not speaking about grandmothers or mothers-in-law.

In Vietnam, young couples today, they hire the nanny from the countryside, and they can afford it. That is why, perhaps, it's easier to give birth, to have to establish a family and to give birth.

Now, about the question of marriages, I don't know how it is in Japan. Of course, young couple will want to be independent. But, the majority still relies to some extent on their families. The notion of, I have to have my own home before I get married doesn't fully apply. Therefore, it's very common still to have young couples living in with their parents. I was wondering in the case of Japan, is it because young couples have this advanced idea of independence that you can find a family only if you can have a separate home that it's not worth getting married if you have to sort of still rely on your parents. I'd be interested to hear perhaps from our Japanese colleagues here or the public how this is in Japan compared to Vietnam, say.

**Masahiko Aoki:** Mr. Oizumi, please.

**Keiichiro Oizumi:** Thank you very much. Talking about marriage, it might be a nonsense [ph] thing for me to talk about the young people. But, I will give my impression by looking at my students. Marriage is not independent from the families or the parents, so there is the selection of the partners, and there is the higher risk, is it all right to stay with them forever and ever until I die. The



selection of the partner is very important. It is rather risky, so people feel rather unstable in selecting the right partners. I think this is a very critical decision making.

When you are in Tokyo, the single people who live with the parents are quite large in number. They do not get married. They just live with their parents, and the managing of the household is fully dependent on their parents. I believe this is not only in Japan but also common to the other countries in Asia. The risk of getting marriage, I think, this is the risk, the risk judgment and perception is changing. If you have some different opinions, I'd like to ask the audience or young people whether they have some uncertainty about the risk of marriage.

**Masahiko Aoki:** Anybody, from the audience who can give us any input or any questions, please?

**Questioner 1:** Thank you very much for giving us a lot of input, which gives me the time to think in depth.

In order to solve the problems of the low fertility and aging, I believe the critical point is the income gap which said by Mr. Oizumi, it is not only the financial income gap, but the income gap in terms of the social measurement, for example, the time needed for the childbearing and the labor participations. Even if we have the foreign migrations to Japan, unless there is enough income for the households which are filled with a lot of elderly people, if there is no money to accept or receive those foreign workers, it is very difficult to solve the low fertility rate, so income gap is a very important and very difficult issue.

We have to have the equality and balance of the income in order to energize our society once again in Japan. Take an example of the immediate example. According to the mass medium, in Sweden, even if the tax payment is high, the fertility rate is becoming higher because income opportunity is given from the government to the community so that they would be able to increase their fertility. What's important here social economically speaking; ethics, morality, and harmony, and those are not taught in education. Even if the education cost is high, the essential part of the education is not provided. They only think about their own profit, and there is the vicious cycle of the young people becoming older. They only think about their welfare, and they are very egoistic, so we have to change our society from the bottom. Thank you very much.

**Masaharu Aoki:** In the case of Japan, the young people who come to the marriage age, they stay even in

that age with their parents not getting married. In Korea, I understand young women tend to stay with their parents not getting married and contributing adversely to the fertility rate. What is the case?

**Yu Myung Hwan:** That's true. We have similar problem as Japan has. As Mr. Oizumi mentioned that the perception of young people is very important. In the past, as you mentioned, if there is love, they get married. But, nowadays, there is another connection whether they have enough sustainable income or not. The youngsters are becoming more pragmatic, but in other words egoistic. They are too much concerned about their own personal, I mean, things rather than thinking about their parents. But, in the past, in Korea, everybody thought that getting married is a kind of a responsibility toward the family and for their parents. But, nowadays, that's not true. The other problem is that as Professor Aoki mentioned, now the youth, that is more than 30 years old, even becoming 35 of age, but still they are depending on the parents. They are using the savings of their parents. It's a big social problem. In the case of Korea, it's because of more than 80% of high school graduate go to universities, and once graduate from universities, normally they don't want to go to the workplace and manufacturing industry where they say, it's a sweaty job, dirty, dangerous and difficult job. They're just waiting for a better job, but the chances are not available so simply living together with their parents, and they don't care about the money because parents sometimes give money to them, so it's a big social problem. The important thing is we have to change the perception of that value system. Education is important. In that sense, I think we share the same problem with the education, I mean, the change in perception is one of the most important factors in solving this low fertility problems. Thank you.

**Questioner 2:** I am a Kyoto university student, and I have one question. Mr. Cai Fang mentioned about the importance of education in China and Mme. Ninh founded the new university in Vietnam for the global leadership education, right, okay. Now, China is very, very, very changing, so even now China is not world company, just only company. China make innovation and changing Vietnam or Malaysia and Indonesia is company of the world, so what is the global role of Vietnam and China? What do you think about Japanese role in the world? Because long, long ago, Japan was the world

company, just only making products, so I want to ask Mr. Cai and Madame Ninh, what is your countries role in the world? It's a pretty general question.

**Cai Fang:** Thank you for the question. I think currently China indeed is a big producer of the world, but it is only a manufacturing producer, but it is not inventor. Actually, in Japan, there was a one stage of development at which you produced a very big share for the world in terms of manufacturing products, labor intensive. Now, we play the same role as you were. But, we can produce that big share because we have abundant unskilled workers. Most of the migrant workers are educated as junior high school level at the average. Those educational skills are sufficient for them to do the current job.

Then, we gain from the total amount of labor force. But, in the future, we are not in the advantage position in terms of the total labor force – in that magnitude of labor force. We have to be upgraded not only for the industries but also for the labor force. That's why I was saying that education is important, not only educating the new generation of labor force, but also the current stock of working age population. Otherwise, when we lose the comparative advantage in the manufacturing, we will gain nothing. Because according to the study by economist during the globalization in terms of performances of all world, you can see U-shape curve that is at the very low level countries can gain benefit from globalization because these countries can produce the cheapest manufacturing goods.

At the same time, the very high level countries benefit also a great deal from the globalization because they are under a frontier of technology innovation and capital accumulation. But, in the middle countries, they have competitive advantage in certain factors, but they do not have apparent strong competitive advantage, so they grow relatively slow. That is when labor cost increased in China, we are losing the position at the lower end, so that's a risk for China to trap in the middle income trap.

**Ton Nu Thi Ninh:** In the case of Vietnam, of course, we are historically very specific, very different in that we reunited after long wars; two different socio-political and economic systems. If you look at it from that perspective, we are a relative success in the sense that we didn't break too many eggs and that today animosity or divisions are, let's say, minor, and we really feel one nation. That in

itself, I think, is already one defining feature of who and where Vietnam is today.

Economically and internationally speaking without accession to WTO, Vietnam's rejoining the world economy and world community of nations came full circle. By 2010, we exceeded to the lowest rung of the so called middle-income country status. I could quote a few achievements in the production of agro-products and export of agro-products, for example, we are the – I joke, the pepper-superpower of the world, we are not the superpower in anything else, but we are number one in the export of pepper. Probably, some of the pepper you eat here may come from Vietnam, some of the coffee, you know, instant coffee may be composed of Vietnamese Robusta, and so on, and so forth because we are the second exporter. But, these are just semi-good news, I mean, I don't think we can contend ourselves with just that.

If we stop there, we will be mired forever at the lowest rung of the middle-income group of countries. Now, I think, Vietnam stands at the crossroads. It needs in it all of the reforms that it has effected and that brought it to where it is today. I think Vietnam now has to really think hard what it wants to become.

Philip Kotler, the Father of Marketing came to Vietnam and he described China as the factory of the world. He said, "What do you think Vietnam can become? Can it become the kitchen of the world?" Well, I thought, because he was thinking about our cuisine. Well, I love our cuisine, I am rather chauvinistic, but frankly I think we need to be a bit more ambitious and strategic. I hope our leaders, our thinkers, our economists, our planners, everybody in Vietnam will try to think hard how we want to position ourselves and define our specific strength.

Personally, this is completely subjective. I think the young Vietnamese have a special talent for design, and they are very good at mathematics and computing. I have to boast a little bit; earlier at the beginning of this year, we got our first equivalent of the Nobel Prize in Mathematics, what you call 'The Fields Prize'. It is not a coincidence or by chance that it happened in mathematics. I don't think it could have happened in any other field of science for a country or latecomer like Vietnam. That's the first strategic issue that is in front of Vietnam.

The second strategic challenge that we need to overcome that is education. Our education is in a mess, is in crisis in a sense, quality-wise but also directional-wise, structural-wise. I listen with great interest because Vietnamese youth of post secondary age, there are only about 18% of them in college, which is quite low. We need to lift that number up. But, listening carefully to our

Japanese and Korean friends, we are not ambitioning to lift it up to 80 or 80 plus percent in order to have college graduates who are unemployed or refuse to take non-college types of work. The structure of the whole post-secondary education has to be revisited, and we have to combat the confusion mentality of parents and bureaucrats alike that is to say, we need a university degree to be considered up to the mark. There is not the right perception – understanding of the crucial importance of the right types of technicians. Technical education, vocational training will be crucial I think to Vietnam, and that's what the employers, the corporations are telling us. I am mentioning these two major and I consider strategic challenges for Vietnam at this crossroad if it is to move up the ladder of the middle-income country status and someday much further down the road hopefully. Get out of that box. But, this being said Vietnam has great potential, but we are at a very sensitive juncture, and we should not rest on the laurels of our achievements of the past two decades of reform, so that's where Vietnam stands now. That's my personal opinion.

**Masahiko Aoki:** Yes, thank you very much. I recognize few more people are raising hands, but unfortunately we don't have time. Time is about to be closed, so after this, we have a reception party. You could raise your questions to panelist in person. But, in order to close this, Karen Eggleston, would you like to make a final comment. Particularly, you mentioned the gender problem – particularly on this, you would like to say something?

**Karen Eggleston:** Thank you very much for the honor of asking that. I'd just hasten to add that low fertility doesn't necessarily mean below replacement fertility and many demographers were quite surprised that fertility rate shall be low replacement and remain so low for many societies. When we talk about the future, many people quote the UN and most of those UN projections for population of the future assume fertility will come back up to a bad replacement.

A point there also related to what Professor Aoki mentioned is that it's not right to think that low fertility is because women are all out there working, in fact, many places have lots of female in the labor force and have achieved babies coming back. My final point would be that it's not just achieving work-life balance for women, but it's for men as well. Actually, that might play a role in lessening the gap and life expectancy retainment in women if there were more work-life balance for us all.

**Masahiko Aoki:** Thank you very much. Well, thank you very much the audience for listening. I am sorry that because of my bad management, you did not have a time to raise your question, and so forth. But, please, join the reception and raise questions. Please, join me to thank you to panelist by applauding. Also, representing panelist, we thank you for listening. Thank you very much.

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