# China's population has peaked and is now falling—opportunities and risks for Africa

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China will no longer be the world's most populous nation. India's population will overtake it this year at an estimated population of 1.42 billion.

It's an epochal transition which speaks to other underlying demographic changes across the world, including the fact that China's population has peaked and is now falling. Meanwhile, the region with the fastest-rising population—from a current base of around 1.4 billion—is Africa.

I have researched the economics of China, and China-Africa relations, for nearly two decades. I've also specifically analyzed the political economy of demographic change in China.

On the surface, China losing the "world's most populous country" crown means nothing for African countries. However, as I outline in my new paper, the transition embodies a number of opportunities and risks for many African countries.

China has been a leading economic partner to the continent for most of this century. Demand for China's manufactured goods is consistent across the continent. It is an especially important import partner for some of Africa's resource-rich countries, such as Angola, Congo, the Democratic Republic of Congo and Zambia. A slow-down in China's economy—or a shift away from commodity-intensive manufacturing and infrastructure construction—could especially challenge African commodity exporters whose main buyer is China, such as Angola.

So, as China's population declines and ages, there'll be direct and indirect repercussions for many African countries. Here are some of the possible implications.

## Opportunities

## End of labor-richness

African countries with a large working-age population can theoretically benefit from the end of China's period of labor-abundance. China had a massive number of low-wage workers from the 1980s until the 2000s. The broad passing of this abundance—in terms of both price and quantity—theoretically opens a window for other "younger" and low-wage economies. Labor rich countries already banging on China's door include Bangladesh, Indonesia and Vietnam.

African countries wanting to take advantage of this will need relevant policies. They will need enough qualified workers to take part in manufacturing opportunities; affordable and reliable energy; and competitive labor productivity. Ethiopia, for instance, has been attracting Chinese foreign direct investment in recent decades with more than 70% going into manufacturing.

## Increased service demand

For a decade or more, China has also been pushing, if very incrementally, for services—such as financial services, healthcare and tourism—to drive its domestic growth. This presents new opportunities for African goods and services providers too.

Things are already in the works. The official 2035 China-Africa Vision—which defines the overall framework of China-Africa cooperation—includes finance, tourism, media, and culture and sports. Some of these links, like the media industry, are relatively advanced already. Some countries, for example Mauritius, have already signed trade agreements which include financial services. And, more recently, Kenya Airways and China Southern Airlines signed an agreement to expand Nairobi's role as a regional aviation hub for Chinese destinations.

## China's pensioner boom

The pensioner population is expected to peak mid-century when China is forecast to be home to some 400 million pensioners—a massive target market. Cambodia, for example, already has an official strategy for attracting elderly tourists.

African countries could tap into this demographic, for instance to support tourism industries. East African countries are looking for emerging tourist markets and also looking to expand offerings to include activities such as cruises—these would be ideal for an older demographic.

## Risks

## Slowdown in China's economy

A big risk is that as China's population declines and ages it will cause China's economic development engine to falter.

As it's one of the world's largest economies, a stagnation would cause ripples across the world. It would slow China's potential to trade with and invest in Africa.

For instance, China is South Africa's largest export market. Nigeria, Angola, Egypt and the Democratic Republic of Congo are also major exporters of goods to China. Nigeria is the leading importer from China, followed by South Africa, Egypt and Ghana.

Some countries are relatively China-dependent for growth and development. These include Zimbabwe and Guinea.

China could become more risk-averse in lending to African countries, and conservative in foreign aid allocations. Leading Chinese companies might also have less revenue to re-invest in other markets, and less reason to do so given lower growth. This could challenge African government budgets and leave many in poverty and unable to find formal jobs in their working-age prime.

## Keeping production at home

There is also the risk that automation will directly replace labor in China, instead of shifting production to another country with a younger workforce. And foreign investors in China might seek to secure their own supply chains—at home—rather than shift production to a new labor-rich location after China.

## Regulatory challenges

Africa could face new regulatory challenges as China's population ages. Products demanded by an older Chinese population, with inputs sourced in Africa, may elevate existing regulatory challenges.

For instance, a Chinese traditional medicine known as *ejiao* uses collagen from donkey hides. It is believed to support sleep, blood vitality and those aging in general. This has led to a trade in African donkeys that has harmed Africa's own poor .

## Conclusion

In my opinion a probable scenario is that China's economy lumbers forward at a slower pace than in the past, but fast enough to stave off a crisis at home.

On the surface this may reduce the scale of opportunity for Africa. But, since China's economy is many times larger than any economy in Africa, there'll still be enough growth volume to tap for trade, investment and specific projects. Slower growth in China may even compel Chinese investors to turn to faster-growing African economies.

Africa is the world's youngest continent, and fast-aging population-declining China is the continent's most important trade partner and economic partner. African governments must keep a close eye on what happens next to tap into all potential opportunities—and mitigate any risks.



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