

China Is a Declining Power—and That's the Problem

The United States needs to prepare for a major war, not because its rival is rising but because of the opposite.

SEPTEMBER 24, 2021, 4:16 PM

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Why do great powers fight great wars? The conventional answer is a story of rising challengers and declining hegemons. An ascendant power, which chafes at the rules of the existing order, gains ground on an established power—the country that made those rules. Tensions multiply; tests of strength ensue. The outcome is a spiral of fear and hostility leading, almost inevitably, to conflict. “The growth of the power of Athens, and the alarm which this inspired in Sparta, made war inevitable,” the ancient historian Thucydides wrote—a truism now invoked, ad nauseum, in explaining the U.S.-China rivalry.

The idea of a Thucydides Trap, popularized by Harvard political scientist Graham Allison, holds that the danger of war will skyrocket as a surging China overtakes a sagging America. Even Chinese President Xi Jinping has endorsed the concept arguing Washington must make room for Beijing. As tensions between the United States and China escalate, the belief that the fundamental cause of friction is a looming “power transition”—the replacement of one hegemon by another—has become canonical.

The only problem with this familiar formula is that it's wrong.

The Thucydides Trap doesn't really explain what caused the Peloponnesian War. It doesn't capture the dynamics that have often driven revisionist powers—whether that is Germany in 1914 or Japan in 1941—to start some of history's most devastating conflicts. And it doesn't explain why war is a very real possibility in U.S.-China relations today because it fundamentally misdiagnoses where China now finds itself on its arc of development—the point at which its relative power is peaking and will soon start to fade.

The retreat of the Athenians from Syracuse in the Peloponnesian War is depicted in "Cassell's Illustrated Universal History, Vol. I—Early and Greek History." THE PRINT COLLECTOR/HERITAGE IMAGES VIA GETTY IMAGES

There is an entire swath of literature, known as “power transition theory,” which holds that great-power war typically occurs at the intersection of one hegemon’s rise and another’s decline. This is the body of work underpinning the Thucydides Trap, and there is, admittedly, an elemental truth to the idea. The rise of new powers is invariably destabilizing. In the runup to the Peloponnesian War in the 5th century B.C., Athens would not have seemed so menacing to Sparta had it not built a vast empire and become a naval superpower. Washington and Beijing would not be locked in rivalry if China was still poor and weak. Rising powers do expand their influence in ways that threaten reigning powers.

But the calculus that produces war—particularly the calculus that pushes revisionist powers, countries seeking to shake up the existing system, to lash out violently—is more complex. A country whose relative wealth and power are growing will surely become more assertive and ambitious. All things equal, it will seek greater global influence and prestige. But if its position is steadily improving, it should postpone a deadly showdown with the reigning hegemon until it has become even stronger. Such a country should follow the dictum former Chinese leader Deng Xiaoping laid down for a rising China after the Cold War: It should hide its capabilities and bide its time.

imminent danger starts to replace a feeling of limitless possibility. In these circumstances, a revisionist power may act boldly, even aggressively, to grab what it can before it is too late. The most dangerous trajectory in world politics is a long rise followed by the prospect of a sharp decline.

As we show in our forthcoming book, *Danger Zone: The Coming Conflict with China*, this scenario is more common than you might think. Historian Donald Kagan showed, for instance, that Athens started acting more belligerently in the years before the Peloponnesian War because it feared adverse shifts in the balance of naval power—in other words, because it was on the verge of losing influence vis-à-vis Sparta. We see the same thing in more recent cases as well.

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Over the past 150 years, peaking powers—great powers that had been growing dramatically faster than the world average and then suffered a severe, prolonged slowdown—usually don't fade away quietly. Rather, they become brash and aggressive. They suppress dissent at home and try to regain economic momentum by creating exclusive spheres of influence abroad. They pour money into their militaries and use force to expand their influence. This behavior commonly provokes great-power tensions. In some cases, it touches disastrous wars.

This shouldn't be surprising. Eras of rapid growth supercharge a country's ambitions, raise its people's expectations, and make its rivals nervous. During a sustained economic boom, businesses enjoy rising profits and citizens get used to living large. The country becomes a bigger player on the global stage. Then stagnation strikes.

Slowing growth makes it harder for leaders to keep the public happy. Economic underperformance weakens the country against its rivals. Fearing upheaval, leaders crack down on dissent. They maneuver desperately to keep geopolitical enemies at bay. Expansion seems like a solution—a way of grabbing economic resources and markets, making nationalism a crutch for a wounded regime, and beating back foreign threats.

Many countries have followed this path. When the United States' long post-Civil War economic surge ended, Washington violently suppressed strikes and unrest at home, built a powerful blue-water Navy, and engaged in a fit of belligerence and imperial expansion during the 1890s. After a fast-rising

A century later, Russia became aggressive under similar circumstances. Facing a severe, post-2008 economic slowdown, Russian President Vladimir Putin invaded two neighboring countries, sought to create a new Eurasian economic bloc, staked Moscow's claim to a resource-rich Arctic, and steered Russia deeper into dictatorship. Even democratic France engaged in anxious aggrandizement after the end of its postwar economic expansion in the 1970s. It tried to rebuild its old sphere of influence in Africa, deploying 14,000 troops to its former colonies and undertaking a dozen military interventions over the next two decades.

All of these cases were complicated, yet the pattern is clear. If a rapid rise gives countries the means to act boldly, the fear of decline serves up a powerful motive for rasher, more urgent expansion. The same thing often happens when fast-rising powers cause their own containment by a hostile coalition. In fact, some of history's most gruesome wars have come when revisionist powers concluded their path to glory was about to be blocked.

German Kaiser Wilhelm II meets with troops during World War I in 1914.

Japanese schoolgirls wave flags in front of the Imperial Palace in Tokyo on Dec. 15, 1937, in celebration of the Japanese capture of the Chinese city of Nanjing. PHOTOQUEST/GETTY IMAGES

Imperial Germany and Japan are textbook examples.

Germany's rivalry with Britain in the late 19th and early 20th centuries is often considered an analogue to U.S.-China competition: In both cases, an autocratic challenger threatened a liberal hegemon. But the more sobering parallel is this: War came when a cornered Germany grasped it would not zip past its rivals without a fight.

For decades after unification in 1871, Germany soared. Its factories spewed out iron and steel, erasing Britain's economic lead. Berlin built Europe's finest army and battleships that threatened British supremacy at sea. By the early 1900s, Germany was a European heavyweight seeking an enormous sphere of influence—a Mitteleuropa, or Middle Europe—on the continent. It was also pursuing, under then-Kaiser Wilhelm II, a “world policy” aimed at securing colonies and global power.

But during the prelude to war, the kaiser and his aides didn't feel confident. Germany's brash behavior caused its encirclement by hostile powers. London, Paris, and St. Petersburg, Russia, formed a “Triple Entente” to block German expansion. By 1914, time was running short. Germany was losing ground economically to a fast-growing Russia; London and France were pursuing economic containment by blocking its access to oil and iron ore.

needed to mobilize for war. Britain announced it would build two battleships for every one built by Berlin. Germany was, for the moment, Europe's foremost military power. But by 1916 and 1917, it would be hopelessly overmatched. The result was a now-or-never mentality: Germany should "defeat the enemy while we still stand a chance of victory," declared Chief of Staff Helmuth von Moltke, even if that meant "provoking a war in the near future."

This is what happened after Serbian nationalists assassinated Austria's crown prince in June 1914. The kaiser's government urged Austria-Hungary to crush Serbia, even though that meant war with Russia and France. It then invaded neutral Belgium—the key to its Schlieffen Plan for a two-front war—despite the likelihood of provoking Britain. "This war will turn into a world war in which England will also intervene," Moltke acknowledged. Germany's rise had given it the power to gamble for greatness. Its impending decline drove the decisions that plunged the world into war.

Imperial Japan followed a similar trajectory. For a half-century after the Meiji Restoration in 1868, Japan was rising steadily. The building of a modern economy and a fierce military allowed Tokyo to win two major wars and accumulate colonial privileges in China, Taiwan, and the Korean Peninsula. Yet Japan was not a hyper-belligerent predator: Through the 1920s, it cooperated with the United States, Britain, and other countries to create a cooperative security framework in the Asia-Pacific.

During that decade, however, things fell apart. Growth dropped from 6.1 percent annually between 1904 and 1919 to 1.8 percent annually in the 1920s; the Great Depression then shut Japan's overseas markets. Unemployment soared, and bankrupt farmers sold their daughters. In China, meanwhile, Japanese influence was being challenged by the Soviet Union and a rising nationalist movement under then-Chinese leader Chiang Kai-Shek. Tokyo's answer was fascism at home and aggression abroad.

From the late 1920s onward, the military conducted a slow-motion coup and harnessed the nation's resources for "total war." Japan initiated a massive military buildup and violently established a vast sphere of influence, seizing Manchuria in 1931, invading China in 1937, and laying plans to conquer resource-rich colonies and strategic islands across the Asia-Pacific. The goal was to build an autarkic empire; the result drew a strategic noose around Tokyo's neck.

Japan's push into China eventually led to a punishing war with the Soviet Union. Japan's designs on Southeast Asia alarmed Britain. Its drive for regional primacy also made it a foe of the United States—the country from which Tokyo imported nearly all of its oil with an economy vastly larger than

President Franklin Roosevelt imposed an oil embargo that threatened to stop Japan's expansion in its tracks. But Japan still had a temporary military edge in the Pacific Ocean, thanks to its early rearmament. So it used that advantage in a lightning attack—seizing the Dutch East Indies, the Philippines, and other possessions from Singapore to Wake Island as well as bombing the U.S. fleet at Pearl Harbor—which guaranteed its own destruction.

Japan's prospects for victory were dim, acknowledged then-Japanese Gen. Hideki Tojo, yet there was no choice but to “close one's eyes and jump.” A revisionist Japan became most violent when it saw that time was running out.

Relatives pause as they place the ashes of a loved one in a metal chute on a ferry in the East China Sea off Shanghai on March 22, 2014. A number of Chinese cities promote sea burials as an attempt to offset a shortage of land for cemeteries due to a rapidly ageing population. KEVIN FRAYER/GETTY IMAGES

This is the real trap the United States should worry about regarding China today—the trap in which an aspiring superpower peaks and then refuses to bear the painful consequences of descent.

China's rise is no mirage: Decades of growth have given Beijing the economic sinews of global power. Major investments in key technologies and communications infrastructure have yielded a strong position in the struggle for geoeconomic influence; China is using a multi-continent Belt and Road Initiative to bring other states into its orbit. Most alarming, think tank

superpower: Xi has more or less announced that Beijing desires to assert its sovereignty over Taiwan, the South China Sea, and other disputed areas, becoming Asia's preeminent power and challenging the United States for global leadership. Yet if China's geopolitical window of opportunity is real, its future is already starting to look quite grim because it is quickly losing the advantages that propelled its rapid growth.

From the 1970s to the 2000s, China was nearly self-sufficient in food, water, and energy resources. It enjoyed the greatest demographic dividend in history, with 10 working-age adults for every senior citizen aged 65 or older. (For most major economies, the average is closer to 5 working-age adults for every senior citizen.) China had a secure geopolitical environment and easy access to foreign markets and technology, all underpinned by friendly relations with the United States. And China's government skillfully harnessed these advantages by carrying out a process of economic reform and opening while also moving the regime from stifling totalitarianism under former Chinese leader Mao Zedong to a smarter—if still deeply repressive—form of authoritarianism under his successors. China had it all from the 1970s to the early 2010s—just the mix of endowments, environment, people, and policies needed to thrive.

Since the late 2000s, however, the drivers of China's rise have either stalled or turned around entirely. For example, China is running out of resources: Water has become scarce, and the country is importing more energy and food than any other nation, having ravaged its own natural resources. Economic growth is therefore becoming costlier: According to data from DBS Bank, it takes three times as many inputs to produce a unit of growth today as it did in the early 2000s.

China is also approaching a demographic precipice: From 2020 to 2050, it will lose an astounding 200 million working-age adults—a population the size of Nigeria—and gain 200 million senior citizens. The fiscal and economic consequences will be devastating: Current projections suggest China's medical and social security spending will have to triple as a share of GDP, from 10 percent to 30 percent, by 2050 just to prevent millions of seniors from dying of impoverishment and neglect.

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has relentlessly pursued the centralization of power at the expense of economic prosperity.

State zombie firms are being propped up while private firms are starved of capital. Objective economic analysis is being replaced by government propaganda. Innovation is becoming more difficult in a climate of stultifying ideological conformity. Meanwhile, Xi's brutal anti-corruption campaign has deterred entrepreneurship, and a wave of politically driven regulations has erased more than \$1 trillion from the market capitalization of China's leading tech firms. Xi hasn't simply stopped the process of economic liberalization that powered China's development: He has thrown it hard into reverse.

The economic damage these trends are causing is starting to accumulate—and it is compounding the slowdown that would have occurred anyway as a fast-growing economy matures. The Chinese economy has been losing steam for more than a decade: The country's official growth rate declined from 14 percent in 2007 to 6 percent in 2019, and rigorous studies suggest the true growth rate is now closer to 2 percent. Worse, most of that growth stems from government stimulus spending. According to data from the Conference Board, total factor productivity declined 1.3 percent every year on average between 2008 and 2019, meaning China is spending more to produce less each year. This has led, in turn, to massive debt: China's total debt surged eight-fold between 2008 and 2019 and exceeded 300 percent of GDP prior to COVID-19. Any country that has accumulated debt or lost productivity at anything close to China's current pace has subsequently suffered at least one "lost decade" of near-zero economic growth.

All of this is happening, moreover, as China confronts an increasingly hostile external environment. The combination of COVID-19, persistent human rights abuses, and aggressive policies have caused negative views of China to reach levels not seen since the Tiananmen Square massacre in 1989. Countries worried about Chinese competition have slapped thousands of new trade barriers on its goods since 2008. More than a dozen countries have dropped out of Xi's Belt and Road Initiative while the United States wages a global campaign against key Chinese tech companies—notably, Huawei—and rich democracies across multiple continents throw up barriers to Beijing's digital influence. The world is becoming less conducive to easy Chinese growth, and Xi's regime increasingly faces the sort of strategic encirclement that once drove German and Japanese leaders to desperation.

Case in point is U.S. policy. Over the past five years, two U.S. presidential administrations have committed the United States to a policy of "competition"—really, neo-containment—vis-à-vis China. U.S. defense strategy is now focused squarely on defeating Chinese aggression in the Western Pacific; Washington is using an array of trade and technological

countries respond to the threat from Beijing.

In maritime Asia, resistance to Chinese power is stiffening. Taiwan is boosting military spending and laying plans to turn itself into a strategic porcupine in the Western Pacific. Japan is carrying out its biggest military buildup since the end of the Cold War and has agreed to back the United States if China attacks Taiwan. The countries around the South China Sea, particularly Vietnam and Indonesia, are beefing up their air, naval, and coast guard forces to contest China's expansive claims.

Other countries are pushing back against Beijing's assertiveness as well. Australia is expanding northern bases to accommodate U.S. ships and aircraft and building long-range conventional missiles and nuclear-powered attack submarines. India is massing forces on its border with China while sending warships through the South China Sea. The European Union has labeled Beijing a "systemic rival," and Europe's three greatest powers—France, Germany, and the United Kingdom—have dispatched naval task forces to the South China Sea and Indian Ocean. A variety of multilateral anti-China initiatives—the Quadrilateral Security Dialogue; supply chain alliances; the new so-called AUKUS alliance with Washington, London, and Canberra; and others—are in the works. The United States' "multilateral club strategy," hawkish and well-connected scholar Yan Xuetong acknowledged in July, is "isolating China" and hurting its development.

No doubt, counter-China cooperation has remained imperfect. But the overall trend is clear: An array of actors is gradually joining forces to check Beijing's power and put it in a strategic box. China, in other words, is not a forever-ascendant country. It is an already-strong, enormously ambitious, and deeply troubled power whose window of opportunity won't stay open for long.

A Chinese military band plays after Chinese President Xi Jinping's speech at the opening session of the 19th Communist Party Congress in Beijing on Oct. 18, 2017. KEVIN FRAYER/GETTY IMAGES

In some ways, all of this is welcome news for Washington: A China that is slowing economically and facing growing global resistance will find it exceedingly difficult to displace the United States as the world's leading power—so long as the United States doesn't tear itself apart or otherwise give the game away. In other ways, however, the news is more troubling. History warns the world should expect a peaking China to act more boldly, even erratically, over the coming decade—to lunge for long-sought strategic prizes before its fortunes fade.

What might this look like? We can make educated guesses based on what China is presently doing.

Beijing is already redoubling its efforts to establish a 21st century sphere of economic influence by dominating critical technologies—such as artificial intelligence, quantum computing, and 5G telecommunications—and using the resulting leverage to bend states to its will. It will also race to perfect a “digital authoritarianism” that can protect an insecure Chinese Communist Party's rule at home while bolstering Beijing's diplomatic position by exporting that model to autocratic allies around the world.

Most troubling of all, China will be sorely tempted to use force to resolve the Taiwan question on its terms in the next decade.

In military terms, the Chinese Communist Party may well become increasingly heavy-handed in securing long, vulnerable supply lines and protecting infrastructure projects in Central and Southwest Asia, Africa, and other regions, a role some hawks in the People's Liberation Army are already eager to assume. Beijing could also become more assertive vis-à-vis Japan, the Philippines, and other countries that stand in the way of its claims to the South and East China Seas.

People's Liberation Army is already stepping up its military exercises' intensity in the Taiwan Strait. Xi has repeatedly declared Beijing cannot wait forever for its "renegade province" to return to the fold. When the military balance temporarily shifts further toward China's favor in the late 2020s and as the Pentagon is forced to retire aging ships and aircraft, China may never have a better chance of seizing Taiwan and dealing Washington a humiliating defeat.

To be clear, China probably won't undertake an all-out military rampage across Asia, as Japan did in the 1930s and early 1940s. But it will run greater risks and accept greater tensions as it tries to lock in key gains. Welcome to geopolitics in the age of a peaking China: a country that already has the ability to violently challenge the existing order and one that will probably run faster and push harder as it loses confidence that time is on its side.

The United States, then, will face not one but two tasks in dealing with China in the 2020s. It will have to continue mobilizing for long-term competition while also moving quickly to deter aggression and blunt some of the more aggressive, near-term moves Beijing may make. In other words, buckle up. The United States has been rousing itself to deal with a rising China. It's about to discover that a declining China may be even more dangerous.

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