

A Dangerous Decade of Chinese Power Is Here

Beijing knows time isn't on its side and wants to act fast.

By Andrew S. Erickson, a professor of strategy in the U.S. Naval War College's China Maritime Studies Institute, and Gabriel B. Collins, the Baker Botts fellow in energy and environmental regulatory affairs at Rice University's Baker Institute for Public Policy.

U.S. and allied policymakers are facing the most important foreign-policy challenge of the 21st century. China's power is peaking; so is the political position of Chinese President Xi Jinping and the Chinese Communist Party's (CCP) domestic strength. In the long term, China's likely decline after this peak is a good thing. But right now, it creates a decade of danger from a system that increasingly realizes it only has a short time to fulfill some of its most critical, long-held goals.

Within the next five years, China's leaders are likely to conclude that its deteriorating demographic profile, structural economic problems, and technological estrangement from global innovation centers are eroding its leverage to annex Taiwan and achieve other major strategic objectives. As Xi internalizes these challenges, his foreign policy is likely to become even more accepting of risk, feeding on his nearly decadelong track record of successful revisionist action against the rules-based order. Notable examples include China occupying and militarizing sub-tidal features in the South China Sea, ramping up air and maritime incursions against Japan and Taiwan, pushing border challenges against India, occupying Bhutanese and Tibetan lands, perpetrating crimes against humanity in Xinjiang, and coercively enveloping Hong Kong.

The relatively low-hanging fruit is plucked, but Beijing is emboldened to grasp the biggest single revisionist prize: Taiwan.

Beijing's actions over the last decade have triggered backlash, such as with the so-called AUKUS deal, but concrete constraints on China's strategic freedom of action may not fully manifest until after 2030. It's remarkable and dangerous that China has paid few costs for its actions over the last 10 years, even as its military capacities have rapidly grown.

Beijing will likely conclude that under current diplomatic, economic, and force postures for both "gray zone" and high-end scenarios, the 2021 to late 2020s timeframe still favors China—and is attractive for its 68-year-old leader, who seeks a historical achievement at the zenith of his career.

U.S. planners must mobilize resources, effort, and risk acceptance to maximize power and thereby deter Chinese aggression in the coming decade—literally starting now—and innovatively employ assets that currently exist or can be operationally assembled and scaled within the next several years. That will be the first step to pushing back against China during the 2020s—a decade of danger—before what will likely be a waning of Chinese power.

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As Beijing aggressively seeks to undermine the international order and promotes a narrative of inevitable Chinese strategic domination in Asia and beyond, it creates a dangerous contradiction between its goals and its medium-term capacity to achieve them. China is, in fact,

likely nearing the apogee of its relative power; and by 2030 to 2035, it will cross a tipping point from which it may never recover strategically. Growing headwinds constraining Chinese growth, while not publicly acknowledged by Beijing, help explain Xi's high and apparently increasing risk tolerance. Beijing's window of strategic opportunity is sliding shut.

China's skyrocketing household debt levels exemplify structural economic constraints that are emerging much earlier than they did for the United States when it had similar per capita GDP and income levels. Debt is often a wet blanket on consumption growth. A 2017 analysis published by the Bank for International Settlements found that once the household debt-to-GDP ratio in a sample of 54 countries exceeded 60 percent, "the negative long-run effects on consumption tend to intensify." China's household debt-to-GDP ratio surpassed that empirical danger threshold in late 2020. Rising debt service burdens thus threaten Chinese consumers' capacity to sustain the domestic consumption-focused "dual circulation" economic model that Xi and his advisors seek to build. China's growth record during the past 30 years has been remarkable, but past exceptionalism does not confer future immunity from fundamental demographic and economic headwinds.