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Desperate Times, Desperate Measures: Slowing Growth Is Making China More Dangerous

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Abstract

Most debate on U.S.-China policy focuses on the dangers of a rising, confident China. But the United States actually faces a more volatile threat: an insecure China mired in a protracted economic slowdown. China's growth rates have fallen by half over the past decade and are likely to plunge in the years ahead as massive debt, foreign protectionism, resource depletion, and rapid aging take their toll. Past rising powers that suffered such slowdowns became more repressive at home and aggressive abroad as they struggled to revive their economies and maintain domestic stability and international influence. China already seems to be headed down this ugly path. Slowing growth makes China a less competitive long-term rival to the United States, but a more explosive near-term threat. As U.S. policymakers determine how to counter China's repression and aggression, they should recognize that economic insecurity has spurred great power expansion in the past and is driving China's belligerence today.

Implications and Key Takeaways

- Policymakers should think about U.S.-China competition as a decade-long sprint rather than a decades-long marathon.

- The United States and its allies must prevent China from achieving near-term successes that would radically alter the long-term balance of power. The most pressing dangers are a Chinese conquest of Taiwan and Chinese dominance of critical goods, services, and technologies.

- The United States and its allies must use tools and partnerships that are available now rather than devoting resources to cultivating assets that will require years to develop.

- The United States and its allies should focus on selectively undermining Chinese power rather than changing Chinese behavior. Instead of trying to cajole and persuade Beijing, they should focus on conducting targeted attrition on Chinese capabilities. This approach is obviously risky, but not as risky as business as usual with Beijing.

- The United States and its allies must move fast, but also avoid provoking Beijing into a violent response. Washington should eschew impassioned calls to pursue regime change in China, a full technological embargo, across-the-board trade sanctions, or major covert action programs to foment tensions and violence in China.

Introduction

Most debate on U.S. China policy focuses on the dangers of a rising, confident China.[1] But the United States actually faces a more volatile threat: an insecure China mired in a protracted economic slowdown. China's growth rates have fallen by half over the past decade and are likely to plunge in the years ahead as massive debt, foreign protectionism, resource depletion, and rapid aging take their toll. Past rising powers that suffered such slowdowns became more repressive at home and aggressive abroad as they struggled to revive their economies and maintain domestic stability and international influence. China already seems to be headed down this ugly path.

As China's economic conditions have steadily worsened since the 2008 financial crisis, China's government has cracked down on dissent and dialed up nationalist propaganda. At the same time, it has invested heavily overseas to generate demand for Chinese exports and secure scarce resources for Chinese firms. To protect these investments, China also has gone out militarily, tripling its procurement of long-range naval ships, quintupling its patrols in major sea lanes, militarizing strategically placed features in the South China Sea, and increasing its use of maritime coercion—ship ramming and aerial intercepts—by nearly an order of magnitude.

The standard narrative in Washington attributes this surge in assertive behavior to China's growing power and ambition. In reality, it reflects profound unease among China's leaders, who are facing their country's first sustained economic slowdown in a generation and see no end in sight. China has experienced several recessions since the Reform and Opening period in the late 1970s, but China's government was able to rekindle rapid growth each time through stimulus spending or economic reform. But now stimulus is increasingly ineffective, and China's leaders have ruled out reform as too politically risky. Consequently, they are resorting to a classic authoritarian strategy: tightening their grip on power while carving out privileged economic zones overseas.

Slowing growth makes China a less competitive long-term rival to the United States, but a more explosive near-term threat. As U.S. policymakers determine how to counter China's repression and aggression, they should recognize that economic insecurity has spurred great power expansion in the past and is driving China's belligerence today.

These findings contribute to theoretical and historical debates on the origins of great power conflict and the rise and fall of great powers. The current scholarly literature on those subjects is vast but rests on several simplistic assumptions: great powers are either rising or falling, rising powers expand, falling powers retrench, and conflict is most likely when there's a power transition, a phenomenon that Harvard professor Graham Allison has popularized as the "Thucydides Trap" though his analysis is essentially a regurgitation of power transition theory—a well-established literature stretching back decades.[2] The findings in this paper overturn these assumptions. I show that there is much more volatility in every country's trajectory. Rising states often experience extended economic slowdowns. Those states can and often do expand rather than retrench in the face of growing headwinds. I further show that wars can occur even when there is no power transition and, often, precisely because a rising state perceives that it will fail to overtake the leading power. These dynamics have been the primary driver of major power conflict in the modern era and are at the core of contemporary U.S.-China competition.

China's Economic Slowdown

In March 2007, China's then Premier, Wen Jiabao, delivered a shocking press conference in which he said China's growth model had become "unsteady, unbalanced, uncoordinated and unsustainable."[3] From that year until 2019, China's gross domestic product (GDP) growth rates dropped from 15 percent to 6 percent, the slowest rate in 30 years and marking the longest sustained growth deceleration in the post-Mao era. The COVID-19 pandemic has dragged China's growth rates down even further.[4]

A growth rate of 6 percent would still be spectacular, of course, but many economists believe China's true rate is roughly half that.[5] More important, GDP growth is not necessarily a sign of wealth creation. If a country spends hundreds of billions of dollars on useless infrastructure, its GDP will rise but its stock of wealth will remain unchanged or even decline. To accumulate wealth, a country needs to increase the output it produces per unit of input, a metric that economists call total factor productivity. Over the past decade, China's productivity has deteriorated by a full percentage point each year and more than 10 percent overall and essentially all of its economic growth has come from capital inputs, spending more money and taking out more credit.[6]

The tangible signs of China's unproductive growth are easy to find. China has built more than 50 ghost cities—huge metropolises filled with empty offices, apartments, malls, and airports.[7] More than 20 percent of homes sit unoccupied.[8] Excess capacity in major industries tops 30 percent as factories sit idle and goods rot in warehouses.[9] China's government estimates that it spent at least $6 trillion on "ineffective investment" between 2009 and 2014 alone.[10] The unsurprising result of this waste is massive debate. China's debt ballooned eight-fold in absolute size from 2010 to 2019 and was more than three times the size of China's economy on the eve of the COVID-19 pandemic, which has pushed Beijing's finances further into the red.[11]

Worse, the very elements that powered China's economic ascent are fast becoming growth-sapping liabilities dragging the economy down. In the 1990s and early 2000s, China enjoyed expanding access to foreign markets and technology and a secure geopolitical situation rooted in a friendly relationship with the United States. China enjoyed near self-sufficiency in food, water, and energy resources and a manageable level of pollution. Most important, China was reaping the benefits of the greatest demographic dividend in history, with ten working-age adults per senior citizen aged 65 or older (roughly twice the global average ratio).[12] China's government seemed to be skillfully harnessing all of these advantages, slowly transitioning from a Maoist dictatorship to a business-friendly autocracy.

But now China is losing access to foreign markets and technology; since the 2008 financial crisis it has been hit with thousands of new trade and investment barriers by the world's biggest economies.[13] The surge of anti-China protectionism has accelerated greatly since 2017, when the United States started waging a trade and tech war against China. The world's wealthiest democracies, led by the G-7, are adopting new labor and environmental standards that implicitly discriminate against China. They also are looking to reduce China's presence in their supply chains and are colluding to cut China off from advanced technology. For example, the United States, the Netherlands, South Korea, and Taiwan recently cooperated to prevent China from gaining access to advanced semiconductors and the machines that manufacture them.

At the same time, China has started suffering severe water scarcity—Beijing has less water per capita than Saudi Arabia—and it is now forced to import more food and energy resources than any other country, having decimated its own natural endowments.[14] To top it off, China is starting to experience what will be the worst aging crisis in history, in which it will lose 200 million workers and gain 200 million seniors over the next 30 years, thanks to the one-child policy.[15] The most recent estimates, including those from Chinese researchers, suggest China's population could be cut in half perhaps within the next 30 years and certainly by the end of the century.[16] Demographers project that China will have to triple age-related spending as a share of its economy, from 10 percent of GDP to 30 percent of GDP, by 2050 to keep large numbers of senior citizens from dying in abject poverty.[17] To top it off, China's government is sliding back into economically devastating neo-totalitarianism.[18] Xi Jinping is a dictator that has clearly shown he will sacrifice economic growth to maintain political power. Even though private firms generate most of China's real wealth, Xi has funneled subsidies to inefficient, and even loss-making, state-owned firms while starving private firms of capital. He also has carried out a brutal anti-corruption campaign that has discouraged economic experimentation by local governments and objective economic analysis.[19] And he has pushed through an array of new regulations that have crimped China's tech sectors. Any Chinese company that does anything remotely related to the internet is required to hand over its data and get Beijing's blessing before making major strategic moves or obtaining a loan.[20]

China hopes to maintain solid economic growth by boosting its economic self-reliance and technological innovation through a policy called "dual circulation," in which China relies more on its home market for demand while siphoning technology and key resources from friendly countries in Eurasia, Africa, and Latin America.[21] At the same time, China has invested heavily in R&D. These efforts have paid some dividends. China leads the world in certain manufacturing industries—for example household appliances, textiles, steel, solar panels—and it boasts the world's largest e-commerce market and mobile payments system. Yet in high-technology industries that involve the commercial application of advanced scientific research (e.g., pharmaceuticals, bio-technology, and semiconductors) or the engineering and integration of complex parts (e.g. aviation, medical devices, and system software), China generally accounts for small shares of global markets.[22] China also still relies on imports for an array of linchpin technologies, including 80 percent of its computer chips, high-end sensors, and advanced medical devices and 90 percent of its advanced manufacturing equipment.[23] This lack of progress, despite hundreds of billions of dollars spent on R&D over the past decade and the world's most aggressive use of economic espionage during that time as well, do not bode well for China becoming a high-productivity economy anytime soon.

Every country that has experienced anything close to China's current debt accumulation, productivity collapse, or rapid aging has suffered a lost decade or more of near-zero economic growth. How would China handle such a dire situation?

The Historical Record

When fast-growing great powers slow down, they typically do not mellow out. More often, they crack down on domestic dissent while expanding abroad to tap new sources of wealth and deter foreign rivals from exploiting their economic vulnerabilities. Over the past 150 years, nearly a dozen great powers grew economically at 3.5 percent annually or faster for at least a decade followed by another decade in which their average growth rates fell by at least 50 percent. None quietly accepted a new normal of slower growth.[24]

When U.S. growth slowed in the late-nineteenth century, for example, the United States suppressed domestic labor strikes, hiked tariffs on foreign goods, and pumped investment and exports into Latin America and East Asia, annexing territory there, and building a massive navy to protect its far-flung assets. It also seized key strategic points, including the Panama Canal route, Puerto Rico, and the Philippines and waged war against Spain and sent troops to China, all while warning other great powers to stay out of the Western Hemisphere.[25] During its own late-nineteenth century slowdown, Russia centralized authority in the Tsar's hands while building the Trans-Siberian railway and militarily occupying parts of Korea and Manchuria with 170,000 troops.[26] By 1905, some 70 percent of the Russian empire was living under martial law. The Russian military grew, especially the navy, which saw its budget rise by 40 percent from 1901 to 1905. Russia's expansion ceased only when Japan defeated it in the Russo-Japanese War.

When economic crises threatened Japan's rise and Germany's recovery during the interwar years, both countries turned to authoritarianism and went on rampages to seize resources and smash foreign rivals.[27] When France's postwar boom fizzled in the 1970s, it tried to reconstitute its economic sphere of influence in Africa, deploying 14,000 troops in its former colonies there and carrying out a dozen military interventions over the next two decades.[28] When Japan's era of rapid growth ended in the 1970s, it transformed itself into the world's largest foreign investor and a major military power: it provided struggling Japanese firms massive loans to help expand their global market share; quintupled foreign investment from the mid-1970s to the early 1980s, purchasing controlling stakes in raw materials firms in developing countries and high-technology companies and real estate in developed countries; acquired hundreds of advanced combat aircraft, ships, and submarines; and began patrolling sea lines of communication up to 1,000 miles from the Japanese coast.[29] When Russia stagnated after the collapse of world oil prices in 2009, it jailed dissidents and banned foreign NGOs while pressuring its neighbors to join a Russian-dominated regional trade bloc. This coercion intensified a crisis with Ukraine that culminated in the Maidan Revolution and Russia's annexation of Crimea.[30]

These and other examples show that rising powers can become prickly and aggressive when their economies run out of steam. Rapid growth fuels their ambitions, raises their citizens' expectations, and alarms their rivals. Then stagnation dashes those ambitions and expectations and gives their enemies a chance to pounce. Consequently, their leaders become extremely fearful of a rise in domestic unrest and a decline in international power and prestige, and they search feverishly for ways to restore steady growth and keep internal opposition and foreign predation at bay. A prolonged economic slump threatens a great power's security as well as the legitimacy of its leaders and the patronage networks they rely on to remain in power. For these reasons, when a rising great power experiences a severe and sustained economic slowdown, its leaders can be expected to become determined, even desperate, to boost growth or generate alternative sources of regime security. If rapid growth gives countries the capability to expand their interests, a slowing economy provides a powerful motive to make secure those interests quickly, before the country's window of opportunity slams shut. It is the long ascent followed by the specter of a sharp decline that makes the situation so dangerous.

In theory, slowing great powers have alternative options to economic and military expansion. They could for example, try to revamp the economy by enacting major reforms, for example, invest more heavily in education and R&D to spur innovation and boost productivity. A slowing great power also could try to stimulate domestic demand by providing more social services to citizens (e.g. healthcare, childcare, and pensions), thereby encouraging citizens to spend, rather than save, more of their incomes. But such major reforms are typically expensive, require raising taxes, and could take years to boost the economy. Thus, leaders typically look for other, less politically wrenching, options. International expansion often appears to be an attractive option, because it can potentially open up new sources of wealth, rally the nation around the ruling regime, and ward off rival powers. It offers the prospect of a single great solution to what ails a slowing regime. Historically, the question has been, not whether a rising power would expand abroad during a slowdown, but how.

Risk Factors

Great powers have two basic pathways to expand. One is to rely on global markets by opening up to foreign trade, investment, or immigration. The other is to engage in mercantilism, protecting national firms with subsidies and trade barriers while using various elements of state power (e.g. aid, loans, bribes, arms sales, technology transfers, military coercion and conquest) to carve out exclusive economic zones abroad. In practice, great powers typically rely on some combination of markets and mercantilism. In most cases, however, it is possible to identify a general tendency toward one or the other.

Two main factors shape a rising power's response to hard economic times. The first is the level of openness in the international economy.[31] How open are foreign markets? How safe are international trade routes? If the international economy is open, a slowing great power can potentially rejuvenate its economy through peaceful free trade and investment, as Japan did after its postwar economic miracle came to an end in the 1970s. If the international economy is closed, however, then the great power may have to shove its way into foreign markets and physically secure critical resources, as Japan did in the 1930s.

The second key factor is the degree of state ownership and intervention in the great power's economy.[32] If the government has a direct stake in the survival of major firms, and if major firms have substantial influence in the government, then the government will be especially inclined and capable of shielding firms from foreign competition and helping them move overseas when profits dry up at home. State-led economies are unlikely to liberalize and rely on free markets during a slowdown, because that would require eliminating subsidies and protections for state-favored firms—risking a surge in bankruptcies, unemployment, and popular resentment and disrupting the crony capitalist networks that the regime depends on for survival. Instead, state-dominated regimes usually engage in mercantilist expansion during slowdowns, using money and muscle to carve out exclusive economic zones abroad and divert popular anger toward foreign enemies.

Over the past 150 years, the most violent expanders were authoritarian capitalist countries suffering slowdowns during periods of declining economic openness. All of the state-dominated economies that faced closing markets abroad (Imperial Russia, Imperial Japan, Nazi Germany, the Soviet Union, and contemporary Russia) resorted to military coercion and conquest—the most intense forms of mercantilism—to try to carve out exclusive economic spheres, deny rivals an exclusive economic zone, divert domestic discontent toward foreign enemies, or all of the above. The other formerly rising powers that suffered an economic slowdown faced a more varied set of circumstances and, perhaps as a result, employed a more mixed bag of mercantilist and market-based strategies while expanding abroad. China today is clearly an authoritarian capitalist state, and while the global economy remains more open today than in previous eras, China's access to foreign markets and resources are coming under increasing threat from a global rise in protectionism and the trade war with the United States.

Chinese Assertiveness

As China has faced slowing growth and rising protectionism over the past decade, it has tightened authoritarian controls while greatly expanding its global economic and military footprint. Domestically, it has erected the most advanced propaganda, censorship, and surveillance systems in history; doubled internal security spending; expelled foreign NGOs; detained one million Uighurs in internment camps; and concentrated power in the hands of a dictator for life.[33] Internationally, China has tripled foreign direct investment and quintupled overseas lending to gain privileged access to foreign markets, resources, and technologies.[34] To protect its vast overseas assets, China has adopted a new military strategy focused on "open seas protection," launched more warships than the total number of ships in the British navy, flooded sea lanes with hundreds of government vessels and aircraft, militarized features in the South China Sea, and dramatically increased its use of coercion—especially sanctions, ship-ramming, and aerial intercepts—to defend its maritime claims.

Many observers believe these actions reflect China's growing power and confidence. In fact, they are rooted in economic and domestic political insecurity. When China's economy was booming in the 1990s and early 2000s, China loosened political controls and adopted a peaceful rise strategy, which sought to mollify other countries through economic integration and multilateral confidence building mechanisms. China's hard turn to dictatorship and mercantilist expansion, by contrast, has occurred as China's economy has suffered its most protracted slowdown in a generation; labor protests have proliferated; Chinese elites have moved their money and children out of the country en masse; China's president has given multiple internal speeches warning party members of the potential for a Soviet-style collapse; and China's government has outlawed negative economic news and peddled conspiracy theories blaming setbacks, such as the 2015 stock market collapse and the 2019 Hong Kong protests, on Western meddling.[35] These are not the hallmarks of a confident superpower. Rather they reflect a sense of urgency in Beijing, one that could impel China to make a mad dash to achieve its vaunting objectives—to conquer Taiwan, control the East and South China Seas, and restore China to its rightful place as the dominant power in Asia and most powerful country in the world—before decline sets in.

Indeed, China has in recent years thrown off any semblance of restraint and started expanding aggressively on multiple fronts and brandishing every coercive weapon in its arsenal. Friendship diplomacy has given way to "wolf warrior diplomacy." Perceived slights from foreigners, no matter how trivial, are met with vicious, North Korean–style condemnation. "We treat our friends with fine wine, but for our enemies we have shotguns," explained Gui Congyou, China's ambassador to Sweden, in 2019, after a Swedish literary group dared award a prize to an imprisoned Chinese publisher. Western powers once thought they could tame China by integrating it into the liberal order. But last year, President Xi Jinping declared that anyone that tries to control China will have their "heads bashed bloody against a Great Wall of steel." A combative attitude pervades every part of Chinese foreign policy—and it is confronting the United States and its allies with their gravest threat in generations.

This threat is most apparent in East Asia, where China is moving aggressively to condoslidate its vast territorial claims.[36] Beijing is churning out warships and has flooded Asian sea lanes with government vessels. Since September 2020, it has carried out the most provocative show of force in the Taiwan Strait in decades. Chinese military patrols, some involving a dozen warships and more than 50 combat aircraft, loiter in the strait almost daily and simulate attacks on Taiwanese and U.S. targets. Chinese officials have told Western analysts that calls for an invasion are growing more common within the CCP. Pentagon commanders worry that such an assault could occur by the middle of this decade. A major clash between nuclear-armed great powers hasn't looked this likely since the early 1980s. The world's most important maritime crossroads is on the brink of becoming a warzone, and China's entente with Russia raises the specter of simultaneous conflicts in Europe and Asia.

China has gone on the economic offensive, too. Its latest five-year economic plan calls for achieving primacy over what Chinese officials call "chokepoints"—goods and services other countries can't live without—and then using that dominance, plus the lure of China's domestic market, to coerce countries into concessions.[37] Toward that end, China has loaded up more than 150 countries with more than $1 trillion of debt. Beijing has massively subsidized strategic industries to gain a monopoly over hundreds of vital products including medical supplies, pharmaceuticals, rare earths, and industrial goods, and it has installed the hardware for digital networks in dozens of countries.[38] It is using economic coercion with increasing frequency. Australia, Canada, the Czech Republic, Japan, Lithuania, Mongolia, Norway, the Philippines, South Korea, Taiwan, and the United States—plus dozens of private companies and individuals—have recently experienced China's economic wrath. In many cases, the punishment has been vastly disproportionate to the supposed crime. After Australia requested an international investigation into the origins of COVID-19, for example, China slapped steep tariffs on nearly all the country's major exports. Like Imperial and Nazi Germany, China has become what the economist Albert Hirschman called a "power trader," a country that uses commerce as "an instrument of power, of pressure, and even of conquest."[39]

China also has become a serious antidemocratic force, developing Orwellian tools of tyranny and selling them around the world.[40] By combining surveillance cameras with social media monitoring, artificial intelligence, and biometric, and speech- and facial-recognition technologies, the Chinese government has pioneered a system that allows dictators to watch citizens constantly and punish them instantly by blocking their access to finance, education, employment, telecommunications, or travel. The system is an autocrat's dream. With computers and cameras managing day-to-day surveillance and propaganda, security forces are free to focus on the physical elements of autocratic rule, such as detaining and beating dissidents. Whereas dictators once had to choose between internal security and economic development, now they can have both, because China's "smart city" technologies not only help control populations but also enhance infrastructure and make the trains run on time. After beta-testing its system against the Uyghur population in Xinjiang, where smart cities coexist with concentration camps, China has started supplying and operating aspects of it in more than 80 countries.[41]

If China's growth slows further in the coming years, as is likely, then China's government will probably double down on the repressive and aggressive policies of the past decade. The regime has already stoked Chinese nationalism, promised Chinese citizens national rejuvenation, staked out uncompromising positions on territorial disputes, issued deadlines for reunification with Taiwan, and sunk more than half a trillion dollars of taxpayer money into risky bets on foreign infrastructure. In addition, powerful interest groups—most notably, state-owned enterprises and the military and security services—have developed a vested interest in maintaining China's current strategy, which funnels money into their coffers.[42] Great powers typically struggle to extricate themselves from foreign entanglements, especially when expansion serves elite interests.[43] China looks unlikely to buck this historical trend.

Conclusion

China's economic insecurity poses grave dangers to the United States and its allies. As China's leaders lose the ability to rely on rapid growth to bolster their domestic legitimacy and international clout, they will become more eager to appear tough in crises, squelch dissent, and boost China's economy by any means necessary. Rampant espionage, protectionism, a splintered internet, naval clashes in the East and South China Sea, and a war over Taiwan are only the more obvious risks of a desperate and flailing China.

These threats are near-term concerns. Many analysts describe U.S.-China competition as a marathon that will last for decades and a new cold war in which both sides will have time to marshal their resources, invest in long-term innovation, and gradually assemble international coalitions. But history and China's recent behavior suggest that the sharpest phase of competition will occur this decade, the 2020s, as Beijing tries to rush through closing windows of strategic opportunity before its economic problems set in. The most important mission for the United States and its allies, therefore, must be to prepare to blunt this coming upsurge of Chinese aggression.

That in turn requires adopting what Hal Brands and I have called a "danger zone" strategy, which would entail three basic elements.[44] First, the United States and its allies must prevent China from achieving near-term successes that would radically alter the long-term balance of power. Second, the United States and its allies must use tools and partnerships that are available now or will be in the near future rather than devoting resources to cultivating assets that will require years to develop. Third, they must focus on selectively undermining Chinese power rather than changing Chinese behavior. Instead of trying to cajole and persuade Beijing, they should focus on conducting targeted attrition on Chinese capabilities. This approach is obviously risky, but not as risky as business as usual with Beijing.

Washington's top priority must be to save Taiwan from Chinese aggression. If China absorbed Taiwan, it would acquire an "unsinkable aircraft carrier" to project military power into the western Pacific and threaten to blockade Japan and the Philippines as well as gain access to the island's world-class technology. China also would shatter the credibility of U.S. alliances in East Asia and eliminate the world's only Chinese democracy.

Taiwan is a natural fortress, surrounded by rough waters and coastline, but Taiwanese and U.S. forces currently are ill equipped to defend it, because they rely on small numbers of advanced aircraft and ships tethered to large bases—forces China can now cripple with air and missile attacks. Some American policymakers and pundits are calling on Washington to formally guarantee Taiwan's security, but such a pledge would amount to cheap talk if not backed by a revamp of actual military capabilities. Instead of issuing threats, Washington should deploy large numbers of missile launchers and armed drones near, and possibly on, Taiwan. These forces would function as high-tech minefields, capable of destroying significant portions of a Chinese invasion or blockade force early in a war. It is a strategy that capitalizes on the fact that China needs to seize and maintain control the seas and airspace around Taiwan to conquer the island, while the United States just needs to deny China that control. If necessary, the United States should reduce funding for costly power-projection platforms, such as aircraft carriers, to fund the rapid deployment of missile launchers and smart mines near Taiwan.

The United States also needs to help Taiwan revise its military structure to fight asymmetrically. Taiwan's Overall Defense Concept envisions enormous arsenals of missile launchers and drones; an army that can deploy tens of thousands of troops to any beach at a moment's notice backed by a million-strong reserve force trained for guerrilla warfare. Yet Taiwan is dragging its feet on implementing this new concept and some of its top-brass may be trying to table the initiative in favor for more traditional, symmetrical defense concepts. The United States should encourage a Taiwanese transition to an asymmetric strategy by offering to subsidize Taiwanese investments in asymmetric capabilities, donating ammunition, and expanding joint training on air and coastal defense and antisubmarine and mine warfare.

Finally, the United States should try to multilateralize the Taiwan conflict by enlisting other countries in Taiwan's defense. Japan has already signaled that it would regard a Chinese conquest of Taiwan as a mortal security threat and has drawn up joint battle plans with the United States to prevent it. Perhaps Japan could be called on to block China's northern approaches to Taiwan in a war. Australia's defense minister has said it is "inconceivable" that his nation would not join the fight as well. Now that AUKUS has linked the United States and Australia closer together militarily and will soon equip

Canberra with advanced long-range missiles, perhaps Australia could be called on to strike Chinese vessels operating in the South China Sea or assist in a multilateral blockade of China's energy imports in the event of a war. India might be persuaded to allow the U.S. Navy to use the Andaman and Nicobar Islands to enforce such a blockade, and European allies could impose severe economic and financial sanctions on China in case of an attack on Taiwan. The United States should continue to reach out to partners to commit publicly to joining a conflict over Taiwan. Even if the measures they would implement would not be decisive militarily, they could enhance deterrence by raising the possibility that China might have to fight a multifront war.

The United States must simultaneously work to prevent China from monopolizing the commanding heights of the global economy. History shows that whatever country dominates the critical goods and services of their era, dominates that era. In the nineteenth century, Britain was able to build a vast empire in part because it mastered iron, steam, and the telegraph faster than other great powers. The United States rose above other nations in the twentieth century in part by harnessing chemicals, electronics, and information technologies. China today is trying to dominate modern strategic sectors—including artificial intelligence, biotechnology, semiconductors, and telecommunications as well as strategic goods like rare earths and services like 5G telecommunications—while relegating other economies to subservient status. The role for other countries in the global economy, Chinese Premier Li Keqiang reportedly told former U.S. National Security Adviser H.R. McMaster in 2017, will "merely be to provide China with raw materials, agricultural products, and energy to fuel its production of the world's cutting-edge industrial and consumer products."

To avoid becoming vassals in a Chinese economic empire, the United States and its allies need to take steps to speed up their economic development and resilience in key sectors while slowing China's down. They should expand the lists of technologies that they currently restrict from exporting to Beijing to cover semiconductors, AI chips, and computer numerical control (CNC) machines. They also should form an unofficial "economic NATO," a grouping of democratic economies, anchored by the G-7, that could defang Chinese economic coercion by pledging to mutually assist one another should a member become the target of Chinese economic pressure. Members could open up their markets to goods from other members that are shut out of

China and find alternative sources of supply when members are cut off from their Chinese suppliers. The longer-term goal would be to develop supply chains among democracies that don't involve China.

Given the United States' domestic problems, some policymakers want to dial back competition with China now so that the United States can focus on repairing its democracy, economy, and public health. Those are important tasks, but the United States does not have the luxury of a respite from competition with China. As China grows more aggressive, the United States must plug holes in its defenses, and do so now.

Yet urgency is not the same thing as recklessness. The United States and its allies must balance strength and deterrence with caution to avoid goading China into a war. The United States, for example, should not impose a full-scale technological embargo against Beijing or pursue comprehensive decoupling from Beijing. Nor should it try to foment domestic instability within China through covert action programs, as was considered in the early years of the Cold War with Moscow. The United States and its allies also should encourage or ignore Chinese initiatives in areas that don't affect their vital interests. That includes most projects in China's Belt and Road Initiative. If China wants to lavish funds on bridges to nowhere in Central Asia or invest in aircraft carrier battle groups that will not have a strategic impact for decades, the United States should not stand in its way.

Making it through the 2020s won't bring an end to U.S.-Chinese competition, any more than surviving the early Cold War won that struggle. The goal should be to make it through to a less volatile and intense form of Sino-American rivalry. Such a competition may still rage across regions and last for decades. But the risk of a shooting war might dissipate as the United States shows China that the status quo can't be overturned through a smash and grab operation. The United States and its wealthy democratic allies have ample resources to win a long competition with China, but to get there they may first have to weather an intense series of crises this decade.

The views expressed are the author's alone, and do not represent the views of the U.S. Government or the Wilson Center.

Notes

1 For examples, see Rush Doshi, *The Long Game: China's Grand Strategy to Displace the American Order* (Oxford: Oxford University Press, 2021); Pavneet Singh, Eric Chewning, and Michael Brown, "Preparing the United States for the Superpower Marathon with China," Brookings Institution, April 2020, https://www.brookings.edu/research/preparing-the-united-states-for-the-superpowermarathon-with-china/; Michael Pillsbury, *The Hundred-Year Marathon: China's Secret Strategy to Replace America as the Global Superpower* (New York: St. Martin's, 2016).

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