

**Assessing China's Rise and Decline:
Implications for United States Policy**

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Abstract

Following the passage of the Taiwan Relations Act of 1979, and the implementation of China's paramount leader Deng Xiaoping's economic and diplomatic reforms, the Chinese Communist Party (CCP) began to work its way into American-led international institutions, initiating Beijing's ascent towards becoming the second global superpower. American policymakers currently believe that China will continue to rise as an economic and geopolitical adversary, challenging the once-unipolar world order led by the United States. Conversely, this paper asserts that the CCP has entered into a state of decline by examining demographic, economic, and geopolitical statistics. Operating under the assumption that Beijing is aware of this situation, the following analysis will explore historical patterns of both China's behavior and the tendencies of other comparable countries during periods of decline. The world can expect that China will utilize an increasingly imperialist foreign policy agenda, fascist tendencies domestically, and an impending attempt to invade Taiwan following the historic tendencies outlined in the paper. In the long term, observers will see Beijing focus on dominating East Asia through a strategy of offshore balancing to remove Western influence from its region. This analysis has considerable implications for changes to U.S. federal policy and this paper will outline recommendations for such changes.

Assessing China's Rise and Decline: Implications for United States Policy

In recent decades, China has made leaps and bounds towards becoming the second global superpower. Western strategists are preparing for a world where the United States is not the unipolar power it has been since the end of the Cold War as China ramps up its military development and its GDP exceeds that of the United States. The conventional wisdom in Western foreign policy circles is that China will continue to become more powerful and secure significantly greater international influence in the next several decades. However, it is essential to consider that China has already peaked as a world power and is now in decline, as evidence is now pointing to such a possibility. The U.S. government must get its analysis of this situation correct, as the assumption that China is going to continuously progress will prove to be a dangerous miscalculation if untrue. If Washington prepares for the wrong circumstances, it will leave nations in the Asia-Pacific region vulnerable⁵⁶⁷, and reduce the United States' influence abroad.

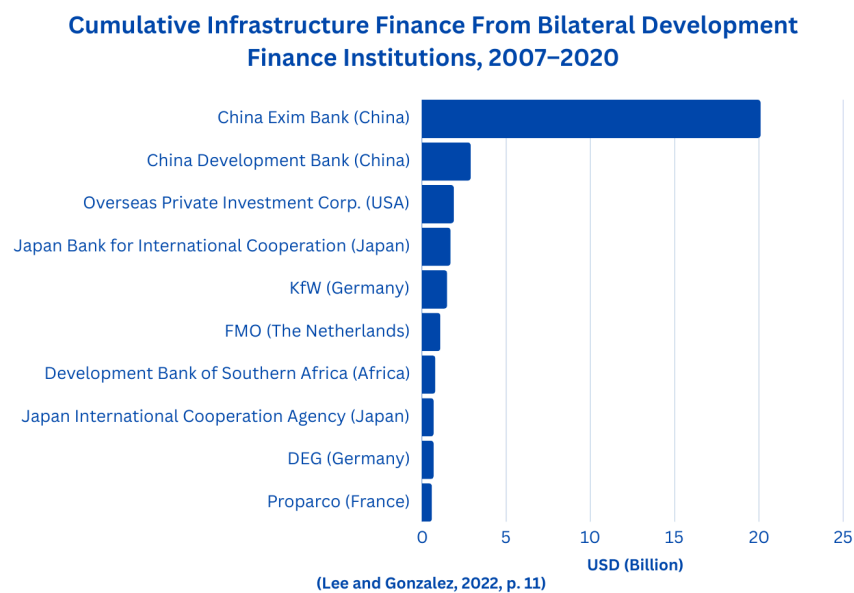
Argument That China is Rising

China's GDP has increased every year since 1987 and doubled from \$8.53 trillion in 2012 to \$17.82 trillion in 2021 (World Bank Group, 2021). The nation is on track to boot the West out of the Asian economy with its One Belt, One Road Initiative, leaving itself as the regional hegemon. Simultaneously, this will allow it to gain an upper hand in controlling the developing world by creating multilateral investment institutions like the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB). Through these, the Chinese

Communist Party (CCP) has invested \$8 billion more into African infrastructure from 2007 to 2020 than the World Bank, European Investment Bank, and the U.S. Overseas Private Investment Corporation combined (Lee & Gonzalez, 2022).

Figure 1

Cumulative Infrastructure Finance From Bilateral Development Finance Institutions, 2007-2020



Note. Adapted from *Stuck Near Ten Billion: Public-Private Infrastructure Finance in Sub-Saharan Africa*, by N. Lee and M. Cardenas Gonzalez, 2022, p. 11.

Furthermore, China is increasing its influence in Western-leaning institutions like the World Bank by increasing its monetary contributions while simultaneously creating its own institutions like the BRICS (Brazil, Russia, India, China, South Africa) bloc to compete with the existing American-led world order. The People's Liberation Army (PLA) has undergone an

intense modernization process that places it on an equal playing field with the United States in the Pacific Ocean (U.S. Department of Defense, 2019). Experts also point towards the significance of China's "Belt and Road Initiative" (BRI) as an effective means of removing Western economic (and thus, geopolitical) influence from its local region, with the fear that this project will ultimately make East Asian trade more appealing to Europe. If this were to happen, China could begin replacing the U.S. as the dominant imperial power on the world stage, rather than being merely an Asian hegemon. A European movement away from the United States economically would boost China's economic growth even further (Sacks, 2023) and suggests that China is continuing to rise and threaten U.S. power. These facts are often used as evidence by intimidated U.S. administrations and foreign policy agents to justify policies that prepare for a great power struggle with Beijing (*National Security Strategy*, 2017, pp. 46-47).

Demographic Evidence of a Declining China

China's population is growing old, which has significant implications for its economy. The nation's working-age population is estimated to decrease by 23.6 million people in the next eight years, and 171.7 million people in the next 28 (*Working Age Pop.*, 2022)—a result of its one-child policy from years past. There simply is not enough youth to sustain the growth rates the economy is currently enjoying. Compared to countries like the United States, which enjoys a heavy flow of immigration to sustain workforces, China is less welcoming to migrants. It employs strict naturalization policies leading to only ~531,000 foreign-born individuals living there as of 2021 (OECD, 2022). Therefore, it is unable to benefit from external labor forces, having to rely almost exclusively on its Chinese citizens. A population that is aging at such a rapid rate puts pressure on an economy, as Chinese companies will have to reckon with

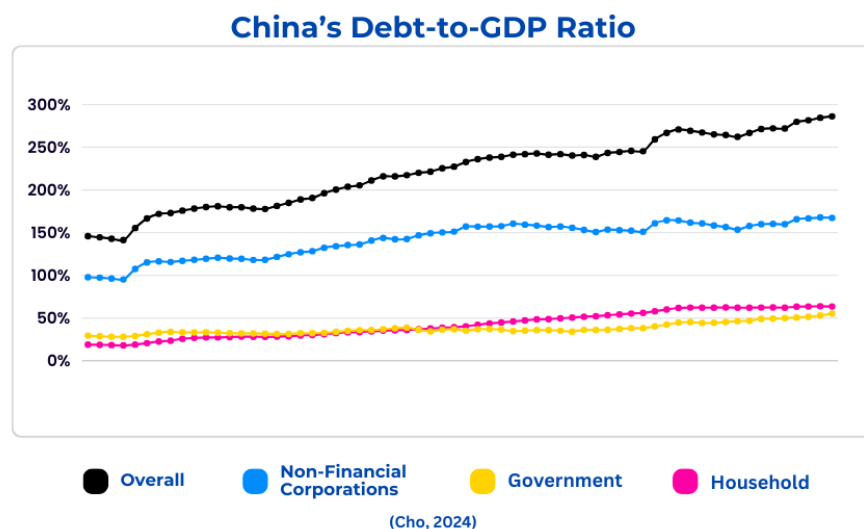
ever-rising labor costs due to a shortage of workers. Less people spending money means less demand for products, greatly reducing corporate wealth. This can be compensated for if Chinese companies can break tradition and begin operating globally, following the lead of ByteDance and Shein. Firms originating in mainland China have historically been able to rely on the massive consumer base of over one billion citizens. Instead of diversifying product design for international operations, firms are putting themselves at risk by failing to compensate for a sustained population decline. The products they design and their company structures flourish in their homogenous culture but are not conducive for operation and sales outside of the mainland. Additionally, the CCP will have to begin diverting funds away from institutions that provide it with hard power such as the PLA, and towards programs such as social security for senior citizens as a growing percentage of their population enters the age bracket. Combined, these factors will exponentially reduce China's capabilities to compete on the world stage.

Economic Evidence of a Declining China

Population decline aside, the economic growth that China's economy has experienced in the past decades cannot continue for much longer, as the basis for its growth is entirely unsustainable. As a result, the nation is headed toward an inevitable debt crisis. Its total debt-to-GDP ratio (the country's total debt, public and private, compared to its GDP) reached 286.1% at the end of 2023 (Cho, 2024) with no signs of slowing.

Figure 2

China's Debt-to-GDP Ratio



Note. Adapted from *China's Debt-to-GDP Ratio Rises to Fresh Record of 286.1%*, by M. Cho, 2024. Copyright 2024 Bloomberg LP.

Unrestrained government stimulus during the last two decades has been the primary factor in reaching this point; during the pandemic, the debt ratio increased by 26%, due to government officials making it easier for companies to take out loans. Such rising debt delegitimizes China's GDP growth, as it indicates that the increasing investments made by governments, households, and most significantly the private sector, are being made with borrowed money that the country cannot afford to pay back. At a certain point, China cannot go further into debt to propel its GDP. Without significant market reform, its current strategies will lead to significant economic stagnation (Scissors, 2016).

Geopolitical Evidence of Declining China

The reason a now-declining China is so dangerous for the rest of the world is that historically, powers who experience a major rise followed by a fall into decline engage in aggressive expansionism in a desperate attempt to prop themselves back up. Examples of this behavior include the United States after the end of the Civil War, with the modernization of its navy, westward expansion, the annexation of Hawaii, and involvement in Latin America (*Expansionism in the 1890s*, n.d.). Additionally, between 1890 and 1910, Russia boosted their industrial and economic sectors and aggressively pursued dominance of the Korean peninsula and Manchuria. This was triggered by a failing economy and a corrupt political sector (Curtis, 1996).

The CCP makes little effort to conceal not only a rising predilection for aggressive imperialism but internal fascist behaviors as well. In recent years, it has tightened its grip on its civilians using mass surveillance technologies (Thayer & Han, 2019), and oppressing Xinjiang's Uyghur Muslims using internment camps, mass sterilization, and torture (*China; Draconian Repression*, 2021) to bring the region under its control. Xinjiang is abundant in vital resources and stands between Eastern China and Europe, indicating the CCP may believe that control of the province is necessary if it is to successfully implement the One Belt One Road initiative (Coiffard-D'Amico, 2019). Additionally, China is challenging the global status quo by claiming sovereignty over the South China Sea in defiance of international law and creating its own multilateral institutions in collaboration with other nations belligerent to the Western neoliberal order (i.e. Brazil, Russia, India, South Africa).

More human rights concerns are being raised regarding Beijing's disregard for the autonomous government of Hong Kong (Coiffard-D'Amico, 2019) as it integrates the region's democratic culture into its own. Lastly, China causes concern to democratic nations with technology companies that operate as state surveillance for the CCP, such as Huawei (Cilluffo & Cardash, 2018). These factors have inevitably led to backlash from the world's leading democracies, instigating counterbalancing efforts specifically aimed at limiting Chinese influence and power abroad. Strategies range from sanctions on CCP officials, banning Huawei technology in the United States and the United Kingdom, holding freedom of navigation operations through the South China Sea, and most significantly, the collaboration of Europe, the United States, and Japan to address the aggression of China concerning its trade practices, ideology, and military (Cimmino et al., 2020). Evidently, the decline of China is a cyclical event, where the nation's aggression results in counterbalancing, further pushing itself out of the center stage and solidifying its decline, resulting in more aggression, etc.

Short-Term Chinese Strategic Changes

Yuan-Kang Wang of Western Michigan University has identified China's pattern of behavior based on its relative power level as far back as 960 AD. Throughout the ages, the government ruling China has consistently gone on the offensive when experiencing a high relative power, most notably during the Song and Ming dynasties. Given China's dogmatic adherence to tradition, and observing the nation's present behavior, policymakers around the world must prepare for a China on the offensive (Wang, 2011). Distinguished Professor Hal Brands of Johns Hopkins University is one of the leading proponents of the decline of China.

Throughout his authored pieces on the subject, he equates its modern geopolitical situation to those of Germany and Japan in 1914 and 1941, respectively. As both countries faced rising nationalism alongside faltering economies, their ambition on the world stage grew. This led to counterbalancing efforts at the hands of other nations as the threat of regional domination increased to an unacceptable level.

In Germany's case, this resulted in them jumpstarting the First World War by declaring war on Russia and France, later pulling Britain into the conflict by sending troops through a neutral Belgium. Germany was seizing what appeared to be its last opportunity to dominate Europe by acting on political turmoil in the Balkans. Later, Japan invaded Manchuria and most of Eastern China during the Second World War, capitalizing on the geopolitical unrest to gain territory, and subsequently resources in a desperate scramble to rescue its dying economy. To understand the reasons behind an impending conflict and what it may look like, one must first understand China's current grand strategy. The CCP operates under a set of core interests laid out by Xi Jinping when he came into power in 2012. These interests are designed to achieve the ultimate goal of a government: "consolidating and maintaining authority" over what the party views as its nation. Comparatively, a nation's grand strategy is the way it goes about achieving, maintaining, and protecting these interests (Mastro, 2021). China's domestic interests are laid out within its "The Great Rejuvenation of the Nation" strategy in a unique four-part explanation: Strong China (strength in economics, politics, diplomacy, science, and the military), Civilized China (achieving equity and fairness, a rich culture, and high social morals), Harmonious China (achieving peace between social classes), and Beautiful China (cultivating a healthy environment and reducing pollution). The success of these goals was to be determined by becoming a

“moderately prosperous country” by 2021, primarily focusing on alleviating poverty in poor provinces. Even more vaguely, by 2049 China will try to reach the status of being a “modern socialist country,” while defining this as being “prosperous, strong, democratic, culturally advanced, harmonious and beautiful” (Tianyou, 2022).

In the short term, observers are likely to see a switch to a more aggressive grand strategy to accelerate the realization of the party’s core interests as it is more than likely aware that the window to achieve them is coming to a close. Concerning the military capabilities of the PLA, Xi Jinping has stated that “Without a strong army and a solid national defense, the dream of a strong country will be difficult to realize,” (Tianyou, 2017) and intends to finish its modernization by 2027. Even more significantly, the criteria for modernization have been defined as the PLA’s ability to defeat the United States in a Taiwan invasion (Rudd, 2021) in every situation. This indicates two critical things: Firstly, that China’s mindset is increasingly war-oriented, legitimizing the concern that it will become increasingly imperialistic and eager to pursue armed combat in the pursuit of its interests. Secondly, China's grand strategy includes the assimilation of Taiwan, making the possibility of a winnable conflict with the United States significantly higher.

Long-Term Chinese Strategic Changes

Unfortunately for Xi Jinping, China cannot become a hegemon through short-term military conflict alone. Instead, it will also consider how to warp the power dynamics of the Asia-Pacific region over a longer period through a strategy of “offshore balancing.” This increasingly popular theory utilizes influence and allegiances to ensure no threats exist to the

hegemon of the power(s) wielding it. The benefit of this approach is that it does not require China to post troops in other countries across the world, but instead, it can rely on favorable alliances with key nations that ensure the party's continued influence in strategically important regions such as the Middle East. China must win these countries over with promises of money and unwavering political support to guarantee a partnership. In turn, China will displace American power further and further away from itself. Beijing would first focus on achieving and maintaining absolute supremacy in Northeast Asia. If China can become the dominant regional hegemon and remove U.S. influence from its neighboring countries, it will be in a position to focus on creating strategic partnerships in Europe and the Middle East. Possessing influence over countries in these areas will grant China more reliable access to policy control and natural resources like oil. A strategy of offshore balancing will allow China to sit back and observe, so to speak, as its regional allies ensure that conflicts and policies are favorable for the CCP (Latham, 2021).

U.S. Policy Implications

The United States government must prepare for the multi-faceted threat it now faces from China. If Washington wants to retain its global influence, it is imperative that President Biden continues to repair the damage done by Former President Trump to its relationships with the EU and Middle Eastern countries. Alone, the United States will not be able to counter the economic allure of the One Belt One Road initiative to Asia and Eastern Europe, nor the predatory investments being made in Africa. The United States is currently divided from the rest of the Western world ideologically, but it is time to repair this division and more closely collaborate with NATO countries to appear stronger in the face of China's authoritarian challenge.

Additionally, removing Chinese influence in Western multilateral institutions is highly necessary, as it is no longer in the interest of the West to cooperate with Beijing under these circumstances. The World Bank, the IMF, the UN, and the World Trade Organization do not operate as effectively or with the vigor needed to maintain their influence, particularly facing the encroachment of the newly risen Chinese institutions (AIIB, NDB, BRICS).

The U.S. must also face the reality that China is going to attempt an attack on Taiwan. No longer can it get away with a position of neutrality to dissuade Beijing, the traditional “official” stance from Washington. To stand the best chance possible of maintaining Taiwanese sovereignty, the United States must now decisively state that it will defend Taiwan and its democracy against all attempts of aggression. Though President Biden has definitively stated that the U.S. would defend Taiwan in the event of an invasion, his statement was quickly altered by the White House, attempting to revert back to its traditional strategic ambiguity. Becoming openly protective of the island is necessary, and not only against ground invasions. Though Washington needs to arm Taiwan with all manner of aircraft, ships, and weapons and conduct joint military operations more frequently while increasing troop presence on the island, it must also take definitive measures to protect Taiwan’s democratic processes and its economy.

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