

REWIND AND RECONNOITER: CHINA'S SLOWING ECONOMY WITH COLLIN MEISEL

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MEMBERS

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In 2019, Collin Meisel and Jonathan D. Moyer wrote “[Preparing for China’s Rapid Rise and Decline](#)” for War on the Rocks, looking at how “China’s rapid transition toward a downward trajectory will pose a unique set of national security challenges for the United States that could prove even more difficult than those posed by China’s rise.” In light of China’s economic slowdown, we asked Collin to look back on the piece and its recommendations. Read more below.



Image: [Department of Defense photo](#) by U.S. Air Force Staff Sgt. D. Myles Cullen

In your article, you look at the risks posed by Chinese “decline” on the global stage. Now that we’re seeing sinking Chinese economic numbers, has that period of decline begun?

I don’t believe so — and if so, then not for the structural, and largely demographic, reasons that international studies professor Jonathan Moyer and I described in the piece. While some have argued that demographics are the source of China’s recent woes, [China’s age dependency ratio](#) (around 45 percent) — the ratio of children and elderly individuals to working-age adults — is still below the global average (around 55 percent) and far below that of Japan (71 percent). The [median age](#) of China’s population (around 38) is well below that of Japan (around 49) and not yet very far above the global average (around 32).

By mid-century, however, China's demographics will begin to look more and more like Japan with a much older and more dependent society than the global average. This is when China's decline will be exceedingly difficult to avoid.

In our 2019 essay, our use of the phrase "rapid decline" was relative to the relative rise and relative decline of other great powers in recent centuries. Britain and the United States each enjoyed roughly a century of global dominance, with their global shares of GDP, for example, continuing to rise for several decades after becoming a global hegemon. Barring an unforeseen collapse of the Chinese Communist Party or a Cultural Revolution-type calamity, China still appears poised to surpass the United States as the world's leading power in the next 20 to 30 years, but soon thereafter China's share of global power is expected to peak and begin shrinking as countries like India continue to rise. This is when structural headwinds, particularly those related to demographics, will likely become severe and cut short the "Chinese century."

In your piece, you said that, "As the long-term consequence of its one- and two-child policies, however, China will soon be confronted with an aging working population. This is likely to translate into declines in annual gross domestic product growth, increases in health expenditures both per capita and as a share of gross domestic product (perhaps as much as 10 percent by 2030 when pensions are included), and, ultimately, potential declines in material power." How much of a role have these factors played in Chinese economic decline, or is this more a product of the coronavirus pandemic?

I see these as longer-term challenges, although the knowledge that these challenges are indeed coming could potentially be undermining confidence in China's nearer-term prospects. That said, I largely concur with economist Yu Yongding's assessment that what we're seeing today in China is largely a "policy-induced slowdown."

China today is facing a debt crisis — not necessarily in terms of levels of debt given that China's [national government](#) has room temporarily to take on more debt to bail out deeply [indebted local governments](#) — but in terms of too few borrowers and too many private borrowers paying down debt at the same time, risking a deflationary spiral. Others far more expert in China's economy than myself, such as the economist Richard Koo, have [highlighted](#) ways the China can resolve this apparent ongoing [balance sheet recession](#), namely through demand-side fiscal stimulus.

Even if you prefer [alternative explanations](#) for China's economic slow-down, the vast majority have [policy solutions](#), including rebalancing the economy toward more consumption. To be sure, this is a politically unpalatable policy option for the Chinese Communist Party given the additional power it would essentially be granting consumers, but it is a policy option nonetheless.

What risks to the United States and its allies does Chinese economic decline pose? Has that changed in the years since you wrote your article?

This depends in large part on how determined Chinese leader Xi Jinping is to take Taiwan. If he feels he must — after all, partly leaders appear to [deem](#) “reunification” with Taiwan to be an essential component of its national “rejuvenation” — then China's economic decline could potentially pose grave risks.

As I've written [elsewhere](#) for War on the Rocks, leaders who choose to go to war do not necessarily do so because they consider it a good option — they just need to consider war to be the least bad option. If China's economy is in a long-term decline, the absorption of Taiwan via greater economic interdependence is becoming less plausible. China scholars Jude Blanchette and Ryan Hass [note that](#) “China's leaders continue to tell their people that time is on their side and that the balance of power is increasingly tilting toward Beijing.” If China's leaders believe

time is no longer on their side, then aggressive military action sooner rather than later may become their least bad option available.

This risk has become more acute since we wrote our article — even if China's present slow-down is a blip, its long-term decline is nearer than it was before. But I'm optimistic that there is still time to prepare new strategies to deter Chinese aggression.

In your article, you argued that “The time to prepare for China's descent is now, while the challenges that come with it still sit at the edge of the discernible future, and not at the edge of American shores.” Have these preparations been made in the years since? And if not, what danger does that lack of preparation pose?

Yes and no.

Yes in the sense that the Biden administration's historic approval of arms transfers to Taiwan under the Foreign Military Financing program is a notable but modest preparation, assuming that my coauthor and I are correct that China is likely to be more dangerous in its decline. Recent high-level war games that have highlighted the grave dangers of a war with China over Taiwan and contributed toward the development of new strategies are another critical preparation.

No in the sense that much analysis of U.S.-Chinese relations today is predominantly through a security — and particularly a military — lens. This risks creating a self-fulfilling prophecy where U.S.-Chinese cooperation becomes anathema and great-power competition veers toward conflict. To quote China scholar Robert Daly:

What does it say about us that the military aspect of this competition is the easiest for us to do, despite the fact that it's the most expensive and the most escalatory? “Oh, no, no, no, we couldn't possibly do a free trade agreement. We couldn't do CPTPP, that's beyond our means. But we can

fund a new generation of bombers,” right? “We couldn’t possibly fund more diplomats at the State Department. That doesn’t make sense. But we can expand the military budget.”

Now that China’s economic might appears to be weakening somewhat, how should U.S. policy towards the country change?

For one, further efforts should be made by the current and future administrations to realize a whole-of-government integrated deterrence strategy. High-level diplomatic dialogue must also continue so as to contradict the narrative the U.S. policymakers are trying to isolate and “keep China down.” A resumption of the Peace Corps China program would be a welcome development, too. This would offer evidence that the United States is interested in helping rather than hurting China, and it would also foster person-to-person relationships between younger Americans and Chinese, which could help reduce enmity and the risks of conflict.

Peterson Institute for International Economics President Adam Posen has recently posed an alternative strategy. As characterized by historian Adam Tooze:

Right now, China is headed down a path, which Posen likens to that of Venezuela. Rather than recoiling from that vision in horror — Venezuela is, after all, the driver of one of the largest refugee crises in the world (7 million as of May 2023) — Posen offers advice to the United States government on how best to intensify this crisis. To do so he advocates encouraging the exit of China’s upper class — offering them “off ramps” & opportunities for “self-insurance” — thus increasing pressure on Xi’s regime and accelerating China’s economic demise.

This strategy is certainly an option, but it would come at the moral cost of intentionally worsening the lives of 1.4 billion people. I personally don’t think that cost is worth it.

And finally, with the benefit of hindsight, is there anything you would change about your argument or piece?

After the piece was posted, we received some pushback from readers who didn't seem to grasp that we were discussing relative rise and decline rather than rise and decline in absolute terms. America's current decline in global power and China's forthcoming decline in global power are relative. Both will continue to grow their capabilities — it's just that many other countries, such as India, are expected to grow much faster. If I were rewriting the piece, I would try to emphasize that more.

I would also try to more clearly distinguish between our argument and other “declinism” arguments that emphasize the “inevitable” collapse of the Chinese Communist Party. In the grand sense of world history, sure, all political regimes of the past have eventually ended or transformed into something new. My personal opinion is that this is not likely for the Chinese Communist Party in the near term — not to say it's impossible. But this is not what we were arguing in the piece. Unfortunately, I think some readers conflated our argument with party-focused arguments.

Learning from these experiences, we did a better job of clarifying these distinctions in our article with Austin Matthews that followed a few years later in the Journal of Contemporary China. One item we did not address, and what I would add to a revised piece, would be the wild card that automation and artificial intelligence pose for future labor productivity, healthcare for the elderly, and the like. Major advancements in these areas could potentially take the wind out of China's long-term structural headwinds.

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