

ARGUMENT

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A Dangerous Decade of Chinese Power Is Here

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

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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.

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.

As debt levels continue to rise at an absolute level that has accelerated almost continuously for the past decade, China also faces a hollowing out of its working-age population. This critical segment peaked in 2010 and has since declined, with the rate from 2015 to 2020 nearing 0.6 percent annually—nearly twice the respective pace in the United States. While the United States faces demographic challenges of its own, the disparity between the respective paces of decline highlights its [relative advantage](#) compared to its chief geopolitical competitor. Moreover, the United States can choose to access a global demographic and talent dividend via immigration in a way China simply will not be able to do.

Atop surging debt and worsening demographics, China also faces resource insecurity. China’s dependence on imported food and energy has grown steadily over the past two decades. Projections from [Tsinghua University](#) make a compelling case that China’s oil and gas imports will peak between 2030 and 2035. As China grapples with [power shortages](#), Beijing has been reminded that supply shortfalls equal to even a few percentage points of total demand can have outsized negative impacts.

Domestic resource insufficiency by itself does not hinder economic growth—as the Four

Asian Tigers' multi-decade boom attests. But China is in a different position. Japan and South Korea never had to worry about the U.S. Navy interdicting inbound tankers or grain ships. In fact, the United States was avowedly willing to use military force to protect energy flows from the Persian Gulf region to its allies. Now, as an increasingly energy-secure United States pivots away from the Middle East toward the Indo-Pacific, there is a substantial probability that energy shipping route protection could be viewed in much more differentiated terms—with oil and liquefied natural gas cargoes sailing under the Chinese flag viewed very differently than cargoes headed to buyers in other regional countries.

Each of these dynamics—demographic downshifts, rising debts, resource supply insecurity—either imminently threatens or is already actively interfering with the CCP's long-cherished goal of achieving a "moderately prosperous society." Electricity blackouts, real estate sector travails (like those of Evergrande) that show just how many Chinese investors' financial eggs now sit in an unstable \$52 trillion basket, and a solidifying alignment of countries abroad concerned by aggressive Chinese behavior all raise questions about Xi's ability to deliver. With this confluence of adverse events only a year before the next party congress, where personal ambition and survival imperatives will almost drive him to seek anointment as the only Chinese "leader for life" aside from former leader Mao Zedong, the timing only fuels his sense of insecurity. Xi's anti-corruption campaigns and ruthless removal of potential rivals and their supporters solidified his power but likely also created a quiet corps of opponents who may prove willing to move against him if events create the perception he's lost the "mandate of heaven." Accordingly, the baseline assumption should be that Xi's crown sits heavy and the insecurity induced is thereby intense enough to drive high-stake, high-consequence posturing and action.

While Xi is under pressure to act, the external risks are magnified because so far, he has suffered few consequences from taking actions on issues his predecessors would likely never have gambled on. Reactions to party predations in Xinjiang and Hong

Kong have been restricted to diplomatic-signaling pinpricks, such as sanctioning responsible Chinese officials and entities, most of whom lack substantial economic ties to the United States. Whether U.S. restraint results from a fear of losing market access or a belief that China's goals are ultimately limited is not clear at this time.

While the CCP issues retaliatory sanctions against U.S. officials and proclaims a triumphant outcome to its hostage diplomacy, these tactical public actions mask a growing private awareness that China's latitude for irredentist action is poised to shrink. Not knowing exactly when domestic and external constraints will come to bite—but knowing that when Beijing sees the tipping point in its rearview mirror, major rivals will recognize it too—amplifies Xi and the party's anxiety to act on a shorter timeline. Hence the dramatic acceleration of the last few years.

Just as China is mustering its own strategic actions, so the United States must also intensify its focus and deployment of resources. The United States has taken too long to warm up and confront the central challenge, but it retains formidable advantages, agility, and the ability to prevail—provided it goes all-in now. Conversely, if Washington fails to marshal its forces promptly, its achievements after 2030 or 2035 will matter little. Seizing the 2020s would enable Beijing to cripple the free and open rules-based order and entrench its position by economically subjugating regional neighbors (including key U.S. treaty allies) to a degree that could offset the strategic headwinds China now increasingly grapples with.

Deterrence is never certain. But it offers the highest probability of avoiding the certainty that an Indo-Pacific region dominated by a CCP-led China would doom treaty allies, threaten the U.S. homeland, and likely set the stage for worse to come. Accordingly, U.S. planners should immediately mobilize resources and effort as well as accept greater risks to deter Chinese action over the critical next decade.

The greatest threat is armed conflict over Taiwan, where U.S. and allied success or failure will be fundamental and reverberate for the remainder of the century.

There is a high chance of a major move against Taiwan by the late 2020s—following an extraordinary ramp-up in People's Liberation Army capabilities and before Xi or the party state's power grasp has ebbed or Washington and its allies have fully regrouped and rallied to the challenge.

So how should policymakers assess the potential risk of Chinese action against Taiwan reaching dangerous levels by 2027 or possibly even earlier—as emphasized in the testimonies of Adms. Philip Davidson and John Aquilino? In June, Chairman of the Joint Chiefs Gen. Mark Milley testified to the House of Representatives that Xi had “challenged the People's Liberation Army to accelerate their modernization programs to develop capabilities to seize Taiwan and move it from 2035 to 2027,” although China does not currently have the capabilities or intentions to conduct an all-out invasion of mainland Taiwan.

U.S. military leaders' assessments are informed by some of the world's most extensive and sophisticated internal information. But what's striking is open-source information available to everyone suggests similar things. Moving forward, a number of open-source indicators offer valuable “early warning lights” that can help policymakers more accurately calibrate both potential timetables and risk readings as the riskiest period of relations—from 2027 onward—approaches.

Semiconductors supply self-sufficiency. Taiwan is the “OPEC+” of semiconductors, accounting for approximately two-thirds of global chip foundry capacity. A kinetic crisis would almost certainly disrupt—and potentially even completely curtail—semiconductor supplies. China presently spends even more each year on semiconductor imports (around \$380 billion) than it does on oil, but much of the final products are destined for markets abroad. Taiwan is producing cutting-edge 5-nanometer and 7-nanometer chips, but China produces around 80 percent of the rest of the chips in the world. The closer China comes to being able to secure “good enough” chips for “inside China-only” needs, the less of a

constraint this becomes.

Crude oil, grain, strategic metals stockpiles—the commercial community (Planet Labs, Ursa Space Systems, etc.) has developed substantial expertise in cost-effectively tracking inventory changes for key input commodities needed to prepare for war.

Electric vehicle fleet size—the amount of oil demand displaced by electric vehicles varies depending on miles driven, but the more of China's car fleet that can be connected to the grid (and thus powered by blockade-resistant coal), the less political burden Beijing will face if it has to weather a maritime oil blockade imposed in response to actions it took against Taiwan or other major revisionist adventures. China's passenger vehicle fleet, now approximately 225 million units strong, counts nearly 6.5 million electric vehicles among its ranks, the lion's share of which are full-battery electrics. China's State Council seeks to have 20 percent of new vehicles sold in China be electric vehicles by 2025. This target has already basically been achieved over the last few months, meaning at least 3.5 to 4 million (and eventually many more) new elective vehicles will enter China's car fleet each year from now on.

Local concentration of maritime vessels—snap exercises with warships, circumnavigations, and midline tests with swarms of aircraft highlight the growing scale of China's threat to Taiwan. But these assets alone cannot invade the island. To capture and garrison, Beijing would need not only air, missile, naval, and special operations forces but also the ability to move lots of equipment and—at the very least—tens of thousands of personnel across the Taiwan Strait. As such, Beijing would have to amass maritime transport assets. And given the scale required, this would alter ship patterns elsewhere along China's coast in ways detectable with artificial intelligence-facilitated imagery analysis from firms like Planet Labs (or national assets).

Only the most formidable, agile American and allied deterrence can kick the can down the road long enough for China's slowdown to shut the window of

vulnerability. Holding the line is likely to require frequent and sustained proactive enforcement actions to disincentivize full-frontal Chinese assaults on the rules-based order in the Indo-Pacific. Chinese probing behavior and provocations must be met with a range of symmetric and asymmetric responses that impose real costs, such as publishing assets owned by Chinese officials abroad, cyber interference with China's technological social control apparatus, "hands on" U.S. Navy and Coast Guard enforcement measures against Maritime Militia-affiliated vessels in the South China Sea, intensified air and maritime surveillance of Chinese naval bases, and visas and resettlement options to Hong Kongers, Uyghurs, and other threatened Chinese citizens—including CCP officials (and their families) who seek to defect and/or leave China. U.S. policymakers must make crystal clear to their Chinese counterparts that the engagement-above-all policies that dominated much of the past 25 years are over and the risks and costs of ongoing—and future—adventurism will fall heaviest on China.

Bombastic Chinese reactions to emerging cohesive actions verify the approach's effectiveness and potential for halting—and perhaps even reversing—the revisionist tide China has unleashed across the Asian region. Consider the recent nuclear submarine deal among Australia, the United States, and the United Kingdom. Beijing's strong public reaction (including toleration of nuclear threats made by the state-affiliated *Global Times*) highlights the gap between its global information war touting China's irresistible power and deeply insecure internal self-perception. Eight nuclear submarines will ultimately represent formidable military capacity, but for a bona fide superpower that believes in its own capabilities, they would not be a game-changer. Consider the U.S.-NATO reaction to the Soviet Union's commissioning of eight Oscar I/II-class cruise missile subs during the late Cold War. These formidable boats each carried 24 SS-N-19 Granit missiles specifically designed to kill U.S. carrier battle groups, yet NATO never stooped to public threats.

With diplomatic proofs of concepts like the so-called AUKUS deal, the Quadrilateral Security Dialogue, and hard security actions like the Pacific Deterrence Initiative now

falling into place, it is time to comprehensively peak the non-authoritarian world's protective action to hold the line in the Indo-Pacific. During this decade, U.S. policymakers must understand that under Xi's strongman rule, personal political survival will dictate Chinese behavior. Xi's recreation of a "one-man" system is a one-way, high-leverage bet that decisions he drives will succeed.

If Xi miscalculates, a significant risk given his suppression of dissenting voices while China raises the stakes in its confrontation with the United States, the proverbial "leverage" that would have left him with outsized returns on a successful bet would instead amplify the downside, all of which he personally and exclusively signed for. Resulting tensions could very realistically undermine his status and authority, embolden internal challengers, and weaken the party. They could also foreseeably drive him to double down on mistakes, especially if those led to—or were made in the course of—a kinetic conflict. Personal survival measures could thus rapidly transmute into regional or even global threats.

If Xi triggered a "margin call" on his personal political account through a failed high-stakes gamble, it would likely be paid in blood. Washington must thus prepare the U.S. electorate and its institutional and physical infrastructure as well as that of allies and partners abroad for the likelihood that tensions will periodically ratchet up to uncomfortable levels—and that actual conflict is a concrete possibility. *Si vis pacem, para bellum* ("if you want peace, prepare for war") must unfortunately serve as a central organizing principle for a variety of U.S. and allied decisions during the next decade with China.

Given these unforgiving dynamics and stakes, implications for U.S. planners are stark: Do whatever remains possible to "peak" for deterrent competition against China by the mid-to-late 2020s, and accept whatever trade-offs are available for doing so.

Nothing we might theoretically achieve in 2035 and beyond is worth pursuing at the expense of China-credible capabilities we can realistically achieve no later than the mid-to-late 2020s.

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