

The World Needs to Prepare for 'Peaked China'

Posted By *Harry J. Kazianis* On November 13, 2017 @ 12:01 am In | [30 Comments](#)

As President Trump travels through Asia this week trying to rally support against North Korea, we are missing what is an even greater challenge, something that could very well change the very nature of international politics as we perceive it. In fact, Asia's greatest challenge today is not a nuclear Pyongyang armed with missiles that can hit most parts of the planet, but something far more complex: a People's Republic of China that is out of space to grow economically, and has in fact peaked. The ramifications of this fact could be profound, and indeed reorder our thinking of global politics not just in the Asia-Pacific, but on a global scale.

To be fair, a few years ago, I would have argued that anyone who uttered such a phrase was completely nuts. I would point them to the hundreds of millions of people the Chinese government has pulled out of poverty, an economy that is second only to America in terms of total GDP, and a growing military that is on the verge of not only achieving regional dominance but has global aspirations. The headlines seem to suggest a rosy future for a nation that seems almost destined to take its place as not only a great power, but as one that could even displace America as a global hegemon.

But the conventional wisdom is wrong. Beijing will have a hard time developing its economy at the breakneck speed of years past and—unless China wants to bankrupt itself—won't have the resources to become a global military superpower to rival America. China, for all intents and purposes, has peaked.

China's Economy: Lies, Debt, and Demographics Come Calling

While Beijing has been benefited from decades of fast economic growth—and continues to claim such growth is still possible—China's economic picture is not as good as the stats would have us believe ^[1].

First, economists argue that Beijing's reported 6 percent or more growth has been largely fiction for the last several years ^[2], but some even argue that it could be much less—more like two percent. As one senior economist based in Shanghai explained to me just recently: "China's economic growth is largely based on a lie. While it is hard to ascertain when Beijing started cooking its books, many economists, including myself, see China only growing at somewhere between two to three percent." The economist continued, adding that, "you have to remember, China's whole economic growth strategy was based on having lots of cheap labor to pump out

consumer and other goods out of its sprawling factories—essentially to be the world’s cheap factory of choice. But with salaries rising and a decrease in the pool of labor for such factory work, well, that economic model won’t make China an economic superpower I am afraid. In fact, China’s economy seems stuck in neutral—with no clear way out.”

And then there is the debt—lots of debt. You see, China did not suffer from the same economic crunch the West did during the 2008 economic crisis. Beijing was able to keep growing fast, largely through local-government financed debt spending. China spent so much money collectively across the country on roads, bridges, tunnels, airports and high-speed rail—much of it a complete waste and only built to drive growth—that Beijing’s total outstanding credit is now 260 percent of GDP ^[3]. It is so high that Moody’s downgraded China’s sovereign debt rating, not exactly the sign of an aspiring nation that will surpass America in power and influence.

From here it gets worse. China’s large population may get old—very old—before it ever truly gets rich. China sports an extremely low fertility rate—the amount of children a woman on average gives birth to in her lifetime—of 1.2 per woman. This is very much below the 2.1 rate needed just to replace the population. While a good chunk of this demographic crunch is due to a one-child policy Beijing instituted decades ago to avoid over-population, combined with global demographic trends that have embraced smaller families, China seems destined to get gray, faster than any other nation on the planet. Indeed, while we might be talking today about the growth of Chinese internet subscribers or cell phone sales, we might be looking at a new stat quite soon: hundreds of billions of dollars spent on caring for a rapidly aging population. Spending that won’t go towards the drivers of traditional economic growth and national power. In fact, such numbers could be conservative when you consider that China will have 300 million or more people over age 60 by 2030 ^[4]—nearly the size of the America’s total population today.

Bad Economics = China Won’t Be a Superpower

If Beijing’s rapid economic growth—the basis for its rise in East Asia and globally—is slowly coming to an end, we must readjust our own thinking when it comes to China’s eventual place in the global pecking order.

For example, if Chinese economic growth will be constrained due to issues of debt and demography, the massive increases in military spending China has implemented in recent years to dominate Asia or potentially deter or defeat America will slow—and in fact that is already happening ^[5].

China will also unlikely be unable to develop the power-projection assets it needs to move into the Indian Ocean, deeper into Central Asia or Africa and will have no ability to challenge America in areas outside of Asia. Beijing would need things like four-to-six aircraft carrier strike groups, long-range bombers, the ability to move large expeditionary forces around the globe at a

moment's notice—and that is just scratching the surface—totaling perhaps hundreds of billions of dollars, if not more. When combined with a needed global military basing structure that would cost additional billions and billions of dollars it becomes clear this is simply out of China's reach.

Dealing with a 'Peaked' China: The Nationalism Question

While Western and specifically American strategists might be slow to recognize the economic trends, a "peaked" China will still be a nation that has clear national interests—interests that will still likely put China on a path of tensions with Washington and its allies.

Beijing may not have the economic muscles to dominate far past its near seas or into far off lands, but it will still insist on an East Asian security environment that bends to its wishes in places like the South China Sea, Taiwan, the East China Sea, and over the fate of North Korea. And considering America and the nations of East Asia have very different goals and objectives over those critical areas, we are likely in for decades of rising tensions.

There is also a bigger problem we must consider. The legitimacy of the Chinese Communist Party is based on delivering strong economic growth, a better standard of living and upward mobility for most of its society. But what happens when most of China's citizens realize this grand bargain, which is paid for in the form of a population that is controlled by what can only be described as an authoritarian regime offering very little freedoms or rights, is not getting what they "paid" for? Could Chinese leaders—and some would say this is already happening ^[6]—push a hardline nationalism that seeks to channel the population's anger against Beijing's geopolitical competitors? In such a scenario, the Communist Party would blame America, Japan, and all of its neighbors for Beijing's problems, and push to dominate the region through raw power, to prove to the people it still deserves the right to rule.

Alas, while a "peaked" China might not have the power to dominate the globe or overturn the international order, her rise to where she is today will still present problems for Asia and the United States, with its very own unique challenges and dilemmas. It is time to adjust our thinking to this new reality.

Harry J. Kazianis is director of defense studies at the Center for the National Interest and executive editor of its publishing arm, The National Interest. Previously, he served as editor of The Diplomat, a fellow at CSIS, and on the 2016 Ted Cruz foreign policy team.

30 Comments To "The World Needs to Prepare for 'Peaked China'"

#1 Comment By [David J. White](#) On November 12, 2017 @ 9:34 pm

Could Chinese leaders—and some would say this is already happening—push a hardline

nationalism that seeks to channel the population's anger against Beijing's geopolitical competitors?

In other words, peaked China will lead to piqued China.

(Sorry, couldn't resist. 😊)

#2 Comment By [Youknowho](#) On November 12, 2017 @ 9:37 pm

These days I feel nostalgic for the good old days when China was the enemy, and we did not have to worry as to how well, or how badly its economy was doing.

#3 Comment By [spite](#) On November 12, 2017 @ 9:39 pm

Absolutely nothing here that hasn't been said before, and trying to say that you are going against conventional thinking regarding China is laughable. This neocon mantra has been repeated for many years now, the USA has far more profound and bigger problems that China has.

#4 Comment By [Wake](#) On November 12, 2017 @ 9:42 pm

If only they had not done the one child policy there would be two or three billion more people and they could grow forever

The world needs an economic framework that is not population growth driven, or it will grow too far and collapse

#5 Comment By [rc1](#) On November 12, 2017 @ 11:18 pm

China received an undeserved reprieve with the election of Trump. With the election of such an unprepared, narcissistic, and ignorant president, US foreign policy regarding China has been set back years – what a horrid mistake the United States voters have made. The price will be steep – and the US will take years to recover

#6 Comment By [Whine Merchant](#) On November 12, 2017 @ 11:21 pm

Sorry – this reads a pure self-comforting rumination in the face of a coordinated political / economic machine with the autocracy to push ahead and no EPA or workplace laws to slow them down.

Trump's distraction and incompetence are letting Xi Jinping build his One Road – One Belt wherever he wants to go, and is bringing enough prosperity to Asia and Africa to buy all the friends he needs.

Many commenters at TAC and most at NR actually believe that 'at least Trump is better than HRC'. Well, not when it comes to knowing the true dangers of Xi and Putin. She's been in the game long enough to see through their tricks and not be distracted by petty domestic squabbles.

#7 Comment By [Good Reason](#) On November 12, 2017 @ 11:53 pm

All good points. But you have forgotten another important issue: the Chinese government admits that there are approximately 50 million more young adult men than young adult women in China. (For comparison, there are only 22 million people in all of Taiwan.) So China is not only going gray, it's becoming much more male over time. How will this affect China's behavior in the international system?

#8 Comment By [Bankotsu](#) On November 13, 2017 @ 1:19 am

What about America? Has America peaked?

Can it hold on to its global hegemony?

If U.S. has "peaked" and China has "peaked", can "peaked" China destroy "peaked" U.S. hegemony in Asia?

China is not after global hegemony like U.S., it only cares about western pacific, so I am wondering whether "peaked" China can oust "peaked" U.S. out of western pacific.

I agree with the writer's thesis that China has "peaked".

This is obvious, China is only growing at 6.5% annual GDP, not like the 10% in the past.

China has "peaked". This is true and even China admits that it is in a "new normal" post peak.

But even North Korea can completely destroy U.S. west coast with thermonuclear nukes.

So can a "peaked" China terminate "peaked" U.S. hegemony in Asia Pacific?

That is the question to ask.

#9 Comment By GregR On November 13, 2017 @ 1:56 am

Wait so China's growth is slowing down to roughly equal the world's average for developed nations... I am not sure I see that as a major problem.

The fact they either won't or can't justify spending more than say 20% what we do on their military isn't exactly a real problem either. We are quite quickly spending into an economic meltdown because we haven't yet realized as a nation that our military spending is unsustainable. While politicians quibble about cutting social programs, the military budget keeps increasing as a share of total spending. At some point in the relative near future the entire system is going to collapse.

China doesn't have to buy a better military than we have today, they just have to be a strong second and wait until ours collapses under its own weight.

#10 Comment By Winston On November 13, 2017 @ 2:48 am

The author does not seem aware that US is heading for a majority of poor people and has more in common with South Africa in future. Segregation policies will dim US future as Boomers die off and the new majority of poor pupils in public schools become adults.

#11 Comment By Bankotsu On November 13, 2017 @ 3:50 am

"...we must readjust our own thinking when it comes to China's eventual place in the global pecking order..."

Somehow I feel that it is Americans like the writer who has to readjust their thinking on where America's eventual place in the global pecking order really is.

Am I right?

#12 Comment By Reg Gilbert On November 13, 2017 @ 6:50 am

This article's thesis depends on actual Chinese GDP growth being only a couple percent. The

source for this claim? Unknown. "As one senior economist based in Shanghai explained . . ."

Come on. These aren't sexual assault or Trump-Russia claims we are talking about. If this point is credible, it should be no problem finding economists to say so on the record. Most international economists think China's claims of 7+ percent growth overestimate a point or two. It's not like the accurate figure is entirely impossible to estimate without Chinese government support. After all, Chinese exports, the chief source of the country's high GDP growth, can be tabulated from sources in recipient countries, and analyses of the trajectory of official quarterly reports can be revealing. Anyway, overall a shoddily reasoned article. The American Conservative needs its editors to be a little more critical of submissions before publication, and to force revisions when presented with clearly subpar reasoning.

#13 Comment By [Christian Chuba](#) On November 13, 2017 @ 7:39 am

Predicting the end of an economy is difficult. People have been predicting the end of ours for a long time and I'm certain that we know more about ours than we know about China.

Have they wasted money on bad domestic programs?

Probably, but how does that stack up against our defense spending.

Do they have debt? Certainly, but so do we.

Do they have a demographics problem? Probably, but we have been told the same thing about our country. How often have you heard about our 'aging population with immigration of low skilled laborers being the only offsetting factor'.

This article makes some interesting points ... [7]

1. Chinese debt is the same as ours but their GDP growth is higher. Unlike this author, he doesn't believe that their numbers are smoke and mirrors.

2. Most Chinese debt is internal, personal debt while ours is in treasuries. I don't know if this matters because both are denominated in local currencies.

Since I don't really understand the stats, I go by bet the jockey, not the horse. China behaves very prudently. I think they will be around for a long, long time. I'm more worried about us.

#14 Comment By [Myles Hagar](#) On November 13, 2017 @ 8:20 am

I recently returned to Canada after 12 years living in China. I am not qualified to judge whether or not China has 'peaked', but I am shocked to realize that, comparatively, in terms of infrastructure, education, housing, employment, personal prosperity, opportunities for younger people, peace initiatives, mental health, nutrition, physical fitness, Canada 'peaked' about 30 years ago. The system here is not working.

#15 Comment By [SteveM](#) On November 13, 2017 @ 8:52 am

China will also unlikely be unable to develop the power-projection assets it needs to move into the Indian Ocean, deeper into Central Asia or Africa and will have no ability to challenge America in areas outside of Asia. Beijing would need things like four-to-six aircraft carrier strike groups, long-range bombers, the ability to move large expeditionary forces around the globe at a moment's notice—and that is just scratching the surface—totaling perhaps hundreds of billions of dollars, if not more. When combined with a needed global military basing structure that would costs additional billions and billions of dollars it becomes clear this simply out of China's reach.

Typical Beltway Think Tank hackery. I.e., militarize everything with the assumption that then the U.S. would have to rush in and wave its Big Stick War Machine.

China is moving into Central Asia, Africa and South America with economic investments related

to the One Belt/One Road (OBOR) strategy of PanEurasian integration. Why would China need carrier strike groups, long range bombers and a huge military basing structure to build infrastructure and engage in trade with other countries?

Harry J. Kazianis is implicitly mouthing the Neocon mantra of complete militarization of U.S. foreign policy. I.e., the OBOR initiative which has little or nothing to do with the U.S. will be labeled as an existential threat to the U.S. with the usual belligerent and hyper-expensive Global Cop response of American "power projection".

BTW, Mr. Kazianis' The National Interest is a platform for regular postings by paid Think Tank agents fronting for the MIC with entries of fearmongering for weapons systems and a policy of too much MIC spending is never enough. Note too that the Center for the National Interest took in over \$3M in 2105 (last posted IRS 990). I wonder who is writing those checks?

#16 Comment By [pinoy_hunter](#) On November 13, 2017 @ 9:20 am

A new Gordan Chang wanabe

#17 Comment By [billwisherly](#) On November 13, 2017 @ 9:45 am

The author misses the one key ingredient. The demise of the US Dollar as the global currency, implacably happening as each day goes by, that enables the US to to spend limitlessly and upon which is based US global hegemony.

#18 Comment By [collin](#) On November 13, 2017 @ 10:10 am

How come with hot takes on China are either China will rule the world(!) or they will collapse into a debt driven demographic reality?

How about something in between? Sure I still China having a Japan reality with economics slowdowns of manufacturing employments combined, a debt crisis and a demographic challenge. However that does not mean it becomes the Soviet Union collapse either as Japan is still the third largest economy. And China still has a huge economy and large enough population to deal with demographic challenges.

And I always assume China foreign policy treasury is right way to go to increase global power while the US makes all kinds of wasted military endeavors.

#19 Comment By [Dan Green](#) On November 13, 2017 @ 10:38 am

As a confirmed Realist, there are currently 3 world powers. The US, China, and Russia. Each with a different model, shaped by their objectives. Each will start wars, intervene in other countries etc. if it serves their interest. China want;s to dominate Asia, Russia under Putin has a mandate to put back together the prior Soviet Union.Japan and Germany will tag along the Brits will pair with us.

#20 Comment By [Atticus Finch](#) On November 13, 2017 @ 11:26 am

"WHO CAN BLAME A COUNTRY FOR BEING ABLE TO TAKE ADVANTAGE OF ANOTHER COUNTRY"

"Who can blame a country for being able to take advantage of another country for benefit of their citizens?"-President Trump in China, speaking on November 9, 2017, about China's trade practices with the U.S.

What no one seems to be asking is: Is that a Christian ethical stance? Is it Christian for the

stronger and more cunning to take advantage of those who are weaker and foolish?

Trump is saying that past U.S. administrations were weak or foolish or both, and that China deserves “great credit” (actual phrase used by Trump in this same speech) for being bold, strong and cunning in taking advantage of U.S. consumers and companies.

On July 22, 2017, President Trump said: “We don’t want a fair fight. We demand victory.”

Aren’t Christians supposed to fight fair, fight within the ethical and moral rules? Is winning the only thing that matters?

The whole system of the British Empire of the 1700s through roughly 1945 was based on what Trump said: “Who can blame a country for being able to take advantage of another country for benefit of their citizens?” Though some people in India and some of the other British colonies did benefit from British Imperial rule, the British Empire was not established and run for the benefit of the people in the colonies. Everyone knows that.

Using Trump’s ethical principle, one could say:

“Who can blame Russia for invading, conquering and annexing the Ukraine and the all the former Soviet states” or

“Who can blame Russia for invading, conquering and annexing the former Eastern bloc nations such as Poland, Romania, and Hungary?” or

“Who could blame Hitler for invading and annexing Poland?” or

“Who could blame England’s King Henry V from invading and conquering France?” or

“Who could blame white Americans from buying and using black African slaves to make money on their plantation?” or

“Who could blame white citizens of Georgia for forcibly removing the peaceful, civilized Cherokees from all that valuable Georgia farmland?” or

“Who could blame the citizens of the Capital in ‘The Hunger Games’ for turning the people in the districts into serfs with no rights who slave away for the benefit for the citizens of the Capital?” or

“Who could blame Jack and the other aggressive boys for dominating and victimizing Piggy, Simon, and Ralph in “The Lord of the Flies.”

In Darwinian terms, who could blame such aggression and exploitation? But what about Christian terms? Doesn’t civilization depend on at least the ideal of voluntary moral restraint by the stronger and more cunning people as regards the weaker and more foolish? Doesn’t civilization require at least the ideal of global fairness?

Trump seems to believe in the old “Might makes right” philosophy? But is that Christian? Is civilization sustainable under the ethic of “Might Makes Right?” Isn’t that perilously too close to the philosophy of Mussolini, Hitler, and the other fascists? Is that a Conservative position?

#21 Comment By [Michael Kenny](#) On November 13, 2017 @ 11:47 am

One point the author doesn’t address is the decline of the US. The author seems to postulate China going up (or not) while everybody else stays where they are now. Perhaps China won’t need to replace the US as global hegemon quite simply because there won’t be a place in the

world for a global hegemon. Once China's "peak" is higher than the level of US decline, China ends up ahead.

#22 Comment By [Cratylus](#) On November 13, 2017 @ 11:47 am

Right off the bat this fellow gets his facts wrong.

China is not the second largest economy in the world; in PPP terms (the author may want to (have to) google that but it is standard economic parlance, China's GDP is number one according to the IMF, World Bank and CIA. China passed the US in November of 2014 according to the IMF. The present order is: China, EU, US, India, Japan, Russia (Yes, Russia) and Germany – although Russia and Germany are essentially tied.

See: [8]

Right now China's GDP is 120% that of the US in PPP terms – and China projects its growth to remain at 6.5%, twice that of the US, for the foreseeable future. They have been deadly accurate for the last 30+ years.

TAC should get competent authors to write on this subject. I feel sorry for this poor fellow, the author; he must be almost as embarrassed as the editors over this piece.

The idea that the US must remain number one is ahistorical and in fact downright silly. Everything changes.

#23 Comment By [Engineer](#) On November 13, 2017 @ 12:42 pm

Shame on the thinking and negativity of the author....

Are you an American or Indian pupit who is trying hard to defame Chinese Progress.....

#24 Comment By [Kent](#) On November 13, 2017 @ 2:34 pm

Ridiculous article. China's growth rate is much higher than 2 – 3 percent. And China is not a capitalist system. It is not constrained by debt or demographics. Those are western phenomena because banks are privately owned and retirements are constrained by funding. China can grow by 5% for the foreseeable future. They can build empty cities, trains to nowhere or whatever they want. That is money is a worker's pocket that will get spent on items produced in China's growing factories.

And the US has long since lost any real military capability. China has the production capacity to build an unlimited amount of military equipment. The weak USA takes years to build a single aircraft carrier that would be destroyed in minutes by a hail of Chinese rockets. This game is over. We lost.

#25 Comment By [DrivingBy](#) On November 13, 2017 @ 4:00 pm

They needed worry about us. Between the isolationists socialists and multiculturalist will manage to destroy ourselves about as fast as we can manage. Perhaps some good new incompetence will save us.

#26 Comment By [Jeremy 2](#) On November 13, 2017 @ 5:54 pm

Sad to see so many commenters here take a pro-China stance now that China is for "illiberalism," after believing that the Chicomos were coming for our precious bodily fluids for decades.

#27 Comment By [dave](#) On November 13, 2017 @ 7:19 pm

It's possible China has no intention of replicating the American strategy of dispersing their manufacturing base and as a consequence their military across oceans. It's a very long supply

line, vulnerable to disruption.

And we pick up the tab for providing security to the Persian Gulf, Afghanistan, parts of Africa. If you add the cost of the wars to the cost of oil or minerals, it seems to me the Chinese are paying a far lower cost than we are. I am not sure I'd call that bad economics.

Having written that, they certainly have challenges ahead of them. We all do, and much depends upon our leadership.

#28 Comment By [Bill Gaede](#) On November 13, 2017 @ 8:56 pm

[9]

If China is indeed growing at 2% rather than at 6%, the end of the human race is nearer than I thought. China has been the economic engine of the world for several decades now. Once the Chinese economy slows to a crawl, US, Japanese, and European companies will no longer be as profitable. The opportunities for investment will decline. Unemployment will definitely rise across the planet. These and other trends lead to the collapse of the global economy: the end of money. Without money, agricultural corporations have no incentive to produce or distribute food to anyone.

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#29 Comment By [Cosmin Visan](#) On November 13, 2017 @ 9:13 pm

China does not need all those things. Bases and carriers are for keeping other countries within the US Empire. It is an older model (20th century) of imperialism. China will expand its influence through infrastructure programs. It's military will probably focus on space weapons and electronics that can fry all those expensive American carriers (viz. the recent 'accidental' collisions at sea.

#30 Comment By [same old argument](#) On November 14, 2017 @ 10:23 am

China's fertility rate is 1.5 to 1.6, not 1.2 – and it has possibly bottomed out with the end of the one-child policy; its economy is still growing at 5 to 6 percent by the most reputable independent estimates – the 2-3 percent figure has been pushed for years by permabears like Gordon Chang who predicted China's complete meltdown upon its entry into the WTO (he claimed that China would drown from Western competition, and later only recanted by saying he didn't expect Beijing to cheat so successfully), or the speculators who've been burned in the last 2 years expecting a 20 to 50 percent Chinese currency devaluation.

So no, China will peak alright – but probably after 2030 when India and possibly the Islamic world will have surpassed it in raw economic potential and vitality (owing largely to better demographics). That's plenty of time for Xi's new communist superstate to give the West a run for all its money.

URL to article: <http://www.theamericanconservative.com/articles/the-world-needs-to-prepare-for-peaked-china/>

URLs in this post:

[1] China's economic picture is not as good as the stats would have us believe:

<http://fortune.com/2015/12/14/china-fake-economic-data/>

[2] has been largely fiction for the last several years:

<http://money.cnn.com/2015/07/15/news/economy/china-gdp-economic-statistics/index.html>

[3] that Beijing's total outstanding credit is now 260 percent of GDP:

<https://qz.com/990570/moodys-downgraded-chinas-sovereign-credit-rating-for-the-first-time-in-nearly-30-years/>

[4] when you consider that China will have 300 million or more people over age 60 by 2030:

<https://www.brookings.edu/articles/chinas-population-destiny-the-looming-crisis/>

[5] and in fact that is already happening: <http://www.bbc.com/news/world-asia-china-39165080>

[6] and some would say this is already happening:

https://www.washingtonpost.com/world/chinas-leader-elevated-to-the-level-of-mao-in-communist-pantheon/2017/10/24/dd911e0-b832-11e7-9b93-b97043e57a22_story.html?utm_term=.a14092a08f28

[7] : <http://www.unz.com/article/chinas-financial-debt-everything-you-know-is-wrong/>

[8] : [https://en.m.wikipedia.org/wiki/List_of_countries_by_GDP_\(PPP\)](https://en.m.wikipedia.org/wiki/List_of_countries_by_GDP_(PPP))

[9] : <http://www.theamericanconservative.com/articles/the-world-needs-to-prepare-for-peaked-china/>

[10] :

https://www.academia.edu/29310494/Unsustainability_Proceedings_ICBEC_Hong_Kong_2010_

[11] :

https://www.academia.edu/28866480/We_are_the_last_generation_of_humans_on_Earth_Proc._Int._Oxford_Apocalypse_Conf._Prague_2016_