

## IS DESPERATION GUIDING CHINA'S FOREIGN POLICY?

by

Stephen Nagy & William Winberg

In looking at external state behavior, the trajectory of a given country's domestic socio-economic status is a useful barometer in explaining outward vacillations in foreign policy shifts. A notable example in current memory is that of the U.S. and the 2016 election of Donald Trump. As Isabella Rudberg [points out](#), Trump was not averse to bending democratic norms and institutions to his will at home.

In the international arena, he caused further anxiety by putting U.S. military commitment to its allies in doubt while simultaneously engaging in an unseen hostile approach to its strategic competitor in China. Trump has largely been seen as a product of dissatisfaction at the domestic level with economic production leaving the country all the while low-skilled labor immigration flows have been high.

A perhaps more worrisome example can be found in the example of the People's Republic of China, an authoritarian state which ironically may be more susceptible to the people's wrath as it sees seemingly endless economic possibilities disappear at a fast pace. In an essay, Andrew Small and Dhruva Jaishankar [identify](#) a shift in Chinese foreign policy as it behaves more and more aggressive towards not only its rivals and competitors, but also potential partners and allies.

A case in point brought up in the article is how treatment of Swedish nationals in China and an outspokenly hostile Chinese ambassador to Sweden soured its relation to what potentially could be one of its closest partners in Western Europe, given Sweden's historical non-alignment. The authors speculate on the potential reasons for this behavior, and one of the most frightful scenarios is that it may

be acting aggressively out of desperation in the face of a shrinking economy and the socio-economic aftereffects of the COVID-19 pandemic.

Similarly, Hal Brands and Michael Beckley [propose](#) that China is seeing its window of opportunity closing in on itself as growth stagnates in the country. The trajectory of China may in fact be such that it is not a rising great power, as most would argue, but instead a declining or stagnating one that has already peaked. The danger here that Brands and Beckley point to is not the potential of a great power replacing another, the infamous Thucydides Trap. Instead, it is the potential of a power being denied its place in the sun, with sudden and rapid decline making it unable to fulfill its dreams of grandeur that prompts the most dangerous situation.

Contemporary China is in this sense compared to Japan of the early 1940s and Germany of the mid 1910s, where these powers unleashed a now-or-never attack on the international system out of desperation to ensure its rightful place as a great power.

### 'Peak China' Presents Risks and Opportunity

So much has this been a point of discussion that some scholars have been actively using the notion of a "Peak China" currently taking shape. Gota Nishimura [uses this idea to explore](#) just how a "Peak China" would materialize, by comparing it to the sudden decline in the late 1980s of Japan as its bubble era came to an end. Will China also face the decade(s) of stagnation that Japan is dealing with?

The difference that China may be facing in this case is that it has not, unlike Japan, escaped the so-called middle-income trap. China's economy, while undoubtedly large, is wholly unbalanced in terms of the distribution of prosperity within the country and still finds itself as being largely a producer country instead of a service-oriented one like Japan and the U.S. Naoki Tanaka, for instance, [argues](#) that China will enter a state of long stagnation without reaching the status of being a middle-income country.

That is why scholars like Thomas Christensen [argue against](#) the Trumpian trade wars and so-called decoupling from China. To Christensen, engaging in this behavior would lead to what he calls a mutually assured disruption, which may be more consequential than the more famous mutually assured destruction of the Cold War.

Excluding China from its place in the world economy would only further exacerbate the potential for conflict as it would (1) move faster towards the picture painted above by Hal and Beckley, and (2) remove the most convincing incentives for China to abide by the international order based on the rule of law from which it otherwise has reaped massive economic benefits so far. As [pointed out](#) by Nagy, the risks that come with a stagnant China are significant and its consequences will not only be felt inside the country.

### How the Form of Government Plays In

While Japan faces a relative decline compared to China, its demographic problems are nowhere near what is forecast to hit China. Japan houses a sophisticated economy which albeit stagnating is keeping afloat. Unlike that of China, this is happening within the context of a robust democracy which is institutionally averse to sudden and irrational policy changes.

The U.S. likewise finds itself housing a stable democracy which, despite increased partisan divisions and the ascension of populist politicians riding on the misfortune of the electorate, is able to maintain itself on a path of relative stability. Furthermore, unlike both China and Japan, the U.S. has no problem sustaining population growth which gives it an edge over most countries around the world.

The form of government and its connection to China's trajectory and its comparison with Japan is characteristic as full-fledged democracy warrants further attention. While Japan has had a history of a

politically disruptive tendency for a quick turnover in Prime Ministers and remaking of cabinets, it lacks the many difficulties that comes with the increasingly authoritarian style of rule that is found in China.

Guoguang Wu [argues](#) that as China's paramount leader Xi Jinping further concentrates his grip on power within the Communist party, the more difficult governing the country has become. Ironically, Xi's increase in power has led to greater challenges as other party elites have fewer incentives to achieve their objectives. While Xi may be able to exercise great political power, it comes at the cost of effective governance.

As mentioned, not all commentators subscribe to the notion of a "Peak China" taking place either now or in the future. Evan S. Medeiros, for instance, [labels](#) the idea as wishful thinking on the part of the U.S. So far, it makes sense to be skeptical.

What is certain, is that whether or not China is tumbling towards the disaster that Hal and Beckley gloomily predict, its trajectory is such that it faces mounting domestic challenges whose symptoms will definitely be expressed and translated to the international realm.

### The Merits of Engaging China

To this end, it is in not only in the interest of the U.S., Japan and other like-minded countries to keep China inside, and as much as possible playing by the rules, of the international order based on the rule of law, but also in China's interest so as to dampen the potential of domestic upheaval and all the devastating consequences that would naturally unfold as a result. Even if the "Peak China" scenario doesn't play out, Medeiros correctly points out that even a relatively weaker China is well equipped to challenge the rule of law in its near region.

Regardless of how large of an impact the slowing of China's economic growth will be, countries with a



vested interest in upholding the political status quo in the region ought to be wary of developments for China domestically and how they could potentially reverberate internationally.

If China sees its window of opportunity suddenly starting to close and economic prospects disappearing and political legitimacy evaporating, the Chinese Communist Party (CCP) leadership may find prior incentives to abstain from lashing out at its perceived renegade province on the other side of the Taiwan Strait.

Conversely, Beijing may find it in their interest to take proactive initiatives to lock-in as many geopolitical gains as possible and to shape its external environment to one that is more favorable to China before the external environment becomes too antagonistic and resistant to China's efforts to create a [Lebensraum with Chinese characteristics](#).

As we have [argued previously](#), influential, regionally focused middle powers in the region, like Japan,

are presented an opportunity to use their ability to moderate the U.S.-China rivalry and simultaneously make sure that China does not feel isolated from the international system that has hitherto sustained its growth.

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