



Geopolitical Consequences of China's Slowdown

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DESPITE BEING WIDELY RECOGNIZED AS THE MOST POWERFUL EMERGING COUNTRY IN THE WORLD, CHINA'S INTERNATIONAL POSITION RESTS UPON AN UNTESTED FOUNDATION. Unlike other leading countries, whose national strength emanates from the confluence of military, economic, social, and geopolitical vectors, Chinese power is inexorably tied to the expansion of the Chinese economy. Breakneck economic growth has greatly elevated China's regional standing, but Beijing's goal of becoming a regional leader—which may eventually extend to displacing American preeminence in the Asia-Pacific—has yet to be achieved.



The halcyon days of China's unbridled economic growth are coming to an end. Growth rates have dropped, weaknesses in the Chinese stock market have been exposed, and China's aging workforce poses a serious demographic challenge. Notwithstanding these problems, the Chinese economy remains the primary source of China's national power, and the leadership is wrestling with how to translate the nation's economic clout into increased influence, especially in Asia.

Chinese President Xi Jinping's top foreign policy priority is to persuade China's neighbors that China is a benign leader that can be trusted to assume the reigns of a new Sino-centric regional order. Xi's vision of "Asia for Asians" foresees a greater role for China within the region, but with economic strength serving as the primary driver of China's resurgence, China lacks the leverage to fundamentally alter the U.S.-dominated regional order. Countries in the Asia-Pacific are keen to reap economic benefits from

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China's rapid rise, but desire a strong U.S. presence to serve as a counterweight to the uncertainty created by growing Chinese power.

As leaders in Beijing endeavor to bolster China's regional position, they face an uphill battle mitigating negative perceptions of China while simultaneously expanding Chinese influence. The most direct means for an emerging power to reaffirm its international position is through enhancing its military strength. Although economic growth has fueled the expansion of Chinese military capabilities, Beijing must still rely upon its economic power to weaken American influence and promote Chinese interests. Reverting to outright military force or coercion would be counterproductive: it would entice China's neighbors to band together with the United States in an anti-China coalition. Consequently, Chinese leaders must temper Chinese short-term military power projection so as to not compromise the perception they are cultivating of China as a benign regional hegemon.

In an effort to counter American influence without directly challenging U.S. hegemony, Chinese leaders have embarked on an ambitious strategy to expand Chinese interests through the establishment of new financial institutions. Xi has actively pushed his regional economic agenda through the creation of the Asian Infrastructure Investment Bank (AIIB), which supports a Chinese-style infrastructure development framework for the broader Asia-Pacific region. By design, the AIIB will rival predominately U.S.-dominated financial institutions, such as the International Monetary Fund and the World Bank.

It's not difficult to see why China would back such initiatives. Institutions like the IMF have been routinely criticized for giving preference to the development agendas of the United States and Western Europe. Cultivating new institutional linkages across Asia offers China a means to address its concerns with the prevailing U.S.-centric security arrangements that dominate the region by rewarding the countries that acquiesce to Chinese interests in return for econom-

ic advantages, development assistance, and technological benefits. These arrangements harken back to the ancient tributary system, through which China exacted compliance from neighboring states on matters of politics, defense, and economics.

Nowhere is this Chinese alternative to the U.S. hub-and-spoke network more evident than with China's most ambitious development project—One Belt, One Road (OBOR). OBOR seeks to connect China's economy with infrastructure networks across Eurasia and into the Middle East. By fostering collaboration across the historic Silk Road and developing a new maritime branch, Chinese leaders are actively pursuing strategic initiatives designed to redirect the global economy to run through Asia, along corridors that lead to Beijing.

In their efforts to establish a Chinese-centered hierarchical order, Chinese leaders have embarked on an ambitious, yet risky strategy. The AIIB and OBOR are subsidized by the Chinese economy. While supported by numerous countries besides China, it is unlikely that either project will succeed without Chinese economic backing. In this way, Chinese leaders are attempting to expand China's regional influence by doubling down on economic power.

Overinvestment in economic initiatives leaves Beijing susceptible to the same vulnerabilities that threaten the Chinese economy. Should the Chinese economy stumble, aspects of the AIIB and OBOR will need to be scaled back. The knock-on effects of an economic slowdown could diminish China's future role in the region. The smaller countries of Asia have tolerated Chinese assertiveness in exchange for economic gains and because they fear that challenging China could cause Beijing to punish them economically. If China is no longer able to afford those benefits, many smaller countries may be less willing to show deference and

more willing to push back against Chinese threats to their interests.

In the South China Sea, where in recent years China has incrementally altered the status quo in its favor, such a development could have a positive effect. Myriad steps taken by some of the other claimants to the disputed land features, as well as by the United States, Japan, and other concerned members of the international community, have not persuaded Beijing to moderate its assertiveness and seek cooperative solutions to the extant territorial disputes. Any reduction in Chinese influence may diminish the disincentives that smaller claimant states and the Association of Southeast Asian Nations (ASEAN) face vis-à-vis China. Firmer and coordinated policies among Vietnam, the Philippines, and Malaysia, combined with greater unity among all the ASEAN member countries, might induce Beijing to conclude a binding code of conduct for the South China Sea that ensures disputes are managed peacefully and in accordance with international law.

Similarly, China's economic slowdown could offer Japan an occasion to gain leverage in the Sino-Japanese relationship, creating the possibility to tamp down tensions in the East China Sea and stabilize bilateral ties that remain a fragile, but critically important, component of the regional security landscape. Perhaps most significantly, a Chinese economic slowdown affords the United States an opportunity to buttress its political, economic, and military position in the Asia-Pacific, and assuage worries that the United States lacks sufficient strategic vision and political commitment to the region. The outcome relies on how Washington plays its hand, but the result could be the strengthening of a rules-based, U.S.-led security architecture in the Asia-Pacific region for years to come. □