China’s Economic Slowdown & Its Strategic and Military Implications

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China’s much hyped economic bubble has finally burst with its recent stock-markets crash and now the annual growth rates which were in double digits earlier slipping to just 6-7% leaving in its wake serious strategic and military implications for China’s ‘Giant Leap’ to emerge as a Superpower.

China in view of its serious economic challenges and its attendant political and strategic implications needs to seriously introspect for a change of strategic directions if it does not want to be sucked into the same trap as the former Soviet Union leading to its eventual disintegration. Arms race with the United States and a huge debt-ridden economy led to disintegration of the Former Soviet Union.

China’s economy admittedly is not in a meltdown state with China’s leaders trying to reset China’s economic strategies with the large trillion dollars financial reserves at its disposal. However, the big question is whether China’s economic slowdown is reversible and whether political and strategic space is available to Chinese leaders to bring about a reversal of the economic slowdown and bring back the Chinese economic growth to double-digits rates as before.

Admittedly, it may not be a meltdown at this stage but it also cannot be dismissed outright that these may be the opening scenes of what can ultimately turn-out to be a meltdown. Why I make this assertion is that an economic slowdown of Chinese economy would confront Chinese leadership with grave challenges of subsidising their aspirations for emergence as a global Superpower contending with United States from limited resources and the graver challenge of rising unemployment and domestic discontent.

This finds reflection in my latest Book“ CHINA-INDIA MILITARY CONFRONTATION: 21ST CENTURY PERSPECTIVES” which has a
Chapter on “China’s Giant Leap for Superpower Status & Its Geopolitical Implications”.

China’s economic slowdown and its implications has been the subject of avid debate in US think-tanks for the last few months and virtually everyone agrees that China has a serious and grave challenge ahead. Recently, Professor Lee of the Hudson Institute gave an impressive articulation in Australia. Some of the more notable conclusions that Professor Lee made are (1) Chinese economic slowdown presents an existential challenge to the Chinese Communist Party (2) Days of Chinese double-digit economic growth are now a thing of the past (3) Chinese economic slowdown will have the psychological impact of paralysis in Chinese policy-making (4) China is not a driver of global economy. Economic slowdown adds serious challenges to Chinese leadership as time is not on China’s side.

With the Chinese income tax payers’ base reported to amounting to only2% or so, the Chinese economy has largely been driven by massive foreign investments. Slowdown in any nation’s economic growth invariably results in flight of foreign direct investments and while not much information is currently surfacing on this account, the fact is that such a possibility exists. In the case of China, what counts is not only the not so optimistic forecasts of China’s economic revival but also the loss of global trust in China’s economic resilience, China’s record of not being a responsible stakeholder in global stability and security becomes a double-edged danger when added to the implicit perception in which China’s not so satisfactory record of financial manipulations of its currency is added

Without going too much in Chinese flawed economic and financial policies and the reasons arising from thereof, the main theme of this Paper is to analyse the strategic and military implications that would arise from a slowdown of the Chinese economy and on China’s powerful rise. The analysis is being done at a macro-level so as to provide food for thought for the strategic community.

**Strategic Implications of China’s Economic Slowdown**

Perceptually, the most significant strategic hit that China will face is the denting of its much-hyped American mythification that China is well on the way to emerges as a Superpower, though not necessarily a responsible one.

In the words of Bonnie S Glaser and her Associate in a November 2015 CSIS piece the point stands made that: “Despite being widely recognised as the most powerful emerging country in the world, China’s international position rests upon untested foundations. 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”. With such a given it is inevitable that the meteoric rise of Chinese military power, so far unrestrained, would now feel the challenge of brakes being applied as Chinese leaders juggle around the division of their budget between military power and providing safety fuses for domestic unrest brought about by an economy on a slowdown.

On the global plane, the above will have a direct impact on China’s ambitions to attain strategic and military equivalence with the United States or at least reduce the differentials of Chinese power with that of the United States. Conversely, the United States strategic pivot to
Asia Pacific and rebalancing its Forces in the Pacific will be better placed to take on the Chinese military challenge with resources getting limited to reinforce its military capabilities.

Another major strategic hit that China is likely to face is its switch of its Grand Strategy as spelt out in China’s Military Strategy Document 2015 which signalled that China would switch from a predominantly Land Warfare Strategy to a Strategy of Maritime Predominance and Power Projection in Distant Seas. With a squeeze on Chinese defence budget, it is quite likely that the switch in Chinese Grand Strategy gets impaired.

**Chinese Economic Slowdown & its Impact on China’s Core Interests**

China in recent years has designated Taiwan, the South China Sea and Tibet as China’s “Core Interests” to be defended by force, if challenged on these issues.

It remains to be seen as to how and with what intensity China can safeguard its “Core Interests” with a decline in defence budgets and reduction of force projection capabilities. But a dilution of China’s military effectiveness and military capacities for military brinkmanship is a very much a possibility.

**China’s Economic Slowdown and Its Military Implications**

This aspect is too wide a subject and needs a comprehensive analysis of a host of factors. Suffice it to say that in the limited scope of this Paper, the most notable point is that since the entire edifice of Chinese rising power and the Communist Party’s iron control on China’s domestic political control depends on the military power and effectiveness of China’s Armed Forces, there exist serious implications here.

Here again a serious challenge awaits the Chinese political leadership in terms of proportionate distribution of restricted defence allocations. China’s domestic discontent is likely to grow and when this is coupled with the emerging widespread discontent on China’s peripheries like Xinjiang and Tibet, China would have to divert greater resources for the Chinese Peoples Armed Police. Conversely this would result in lesser resources for the PLA’s all three wings.

In terms of China’s Core Interests’ two of these Core Interests of Taiwan and South China Sea would require greater Chinese naval and air force power, which can come only at the cost of China’s Land Armies.

**Concluding Observations**
Two major observations need to be made in conclusion. The first is that in terms of Asia Pacific security and stability which was endangered seriously by China’s unrestrained military rise, the potency of the emerging China Threat is likely to stand relatively diluted.

Secondly, the United States needs to reset its China-policies of China-Appeasement at all costs. China will increasingly be less of insurance for American strategic interests’ vis-à-vis Russia.

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