The Peril of Peaking Powers

Economic Slowdowns and Implications for China's Next Decade

Michael Beckley

When and why do rising powers expand aggressively abroad? From ancient times to the present, ascendant powers have taken up arms to enlarge their empires and reorder the world.[1] Yet such violent revisionism poses a puzzle: If a rising power is profiting from the existing order and gaining ground on its rivals, why would it disrupt that progress with a reckless fit of expansion?[2] Why would it not continue to amass power quietly and overtake its competitors without firing a shot? Such a country presumably could follow Chinese leader Deng Xiaoping's maxim to "hide its capabilities and bide its time."[3]

Scholars have long studied the paradox of rising power aggression, yet

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1. A. F. K. Organski, *World Politics* (New York: Alfred A. Knopf, 1968); A. F. K. Organski and Jacek Kugler, *The War Ledger* (Chicago: University of Chicago Press, 1980); Robert Gilpin, *War and Change in World Politics* (New York: Cambridge University Press, 1981); Jacek Kugler and Douglas Lemke, eds., *Parity and War: Evaluations and Extension of the War Ledger* (Ann Arbor: University of Michigan Press, 1996); Graham Allison, *Destined for War: Can America and China Escape Thucydides's Trap?* (Boston: Houghton Mifflin, 2017).
2. John R. Oneal, Indra de Soysa, and Yong-Hee Park, "But Power and Wealth *Are* Satisfying: A Reply to Lemke and Reed," *Journal of Conflict Resolution* 42, no. 4 (August 1998): 517–520, https://doi.org/10.1177/0022002798042004; Dale C. Copeland, *The Origins of Major War* (Ithaca, NY: Cornell University Press, 2000), 3, 13–15, 20; Jack S. Levy, "Declining Power and the Preventive Motivation for War," *World Politics* 40, no. 1 (October 1987): 84, https://doi.org/10.2307/2010195; Paul K. MacDonald and Joseph M. Parent, *Twilight of the Titans: Great Power Decline and Retrenchment* (Ithaca, NY: Cornell University Press, 2018), 15.
3. *Taoguang yanghui* captures the spirit of a twenty-four-character admonition credited to Deng Xiaoping. See Dingding Chen and Jianwei Wang, "Lying Low No More? China's New Thinking on the *Tao Guang Yang Hui* Strategy," *China: An International Journal* 9, no. 2 (September 2011): 195–216, doi.org/10.1142/S0219747211000136.

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existing answers fall short. One theory holds that rising powers become belligerent because declining powers inevitably wage cold or hot wars against them.[4] Recent research, however, shows that declining powers more often retrench and accommodate rising powers than try to crush them.[5] A second prominent theory holds that rising powers expand violently when they become "dissatisfied" with the existing order.[6] Yet that explanation raises the question of why an ascendant power would become dissatisfied in the first place.[7] Many studies skirt this issue by measuring dissatisfaction with indicators of conflict, such as whether a rising power is embroiled in a rivalry or an arms race;[8] has formed alliances against other great powers;[9] or espouses a different ideology, regime type, or set of preferences from the dominant state.[10] This approach, however, yields a circular argument: dissatisfied states engage in conflict, and states engaged in conflict are dissatisfied.[11] The question thus

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4. For example, see Gilpin, *War and Change*; Levy, "Declining Power and the Preventive Motivation for War"; Copeland, *The Origins of Major War*, 15–16, 21, 37; Dale C. Copeland, *Economic Interdependence and War* (Princeton, NJ: Princeton University Press, 2015); Nuno P. Monteiro and Alexandre Debs, "An Economic Theory of War," *Journal of Politics* 82, no. 1 (January 2020): 255–268, https://doi.org/10.1086/705814.
5. MacDonald and Parent, *Twilight of the Titans*; Kori Schake, *Safe Passage: The Transition from British to American Hegemony* (Cambridge, MA: Harvard University Press, 2017); Joshua R. Itzkowitz Shifrinson, *Rising Titans, Falling Giants: How Great Powers Exploit Power Shifts* (Ithaca, NY: Cornell University Press, 2018); Steven E. Lobell, *The Challenge of Hegemony: Grand Strategy, Trade, and Domestic Politics* (Ann Arbor: University of Michigan Press, 2003); David M. Edelstein, *Over the Horizon: Time, Uncertainty, and the Rise of Great Powers* (Ithaca, NY: Cornell University Press, 2017); Brandon K. Yoder, "Retrenchment as a Screening Mechanism: Power Shifts, Strategic Withdrawal, and Credible Signals," *American Journal of Political Science* 63, no. 1 (January 2019): 130–145, https://doi.org/10.1111/ajps.12395; Kyle Haynes, "Decline and Devolution: The Sources of Strategic Military Retrenchment," *International Studies Quarterly* 59, no. 3 (September 2015): 490–502, https://doi.org/10.1111/isqu.12146.
6. For example, see Organski and Kugler, *The War Ledger*, 19–23, 39; William R. Thompson, *On Global War: Historical-Structural Approaches to World Politics* (Columbia: University of South Carolina Press, 1988), 14–15.
7. Oneal, De Soysa, and Park, "But Power and Wealth *Are* Satisfying."
8. On rivalry, see Daniel S. Geller, "Power Differentials and War in Rival Dyads," *International Studies Quarterly* 37, no. 2 (June 1993): 173–193, https://doi.org/10.2307/2600767. On arms races, see Suzanne Werner and Jacek Kugler, "Power Transitions and Military Buildups: Resolving the Relationship between Arms Buildups and War," in Kugler and Lemke, *Parity and War*, 187–207.
9. Woosang Kim, "Alliance Transitions and Great Power War," *American Journal of Political Science* 35, no. 4 (1991): 833–850, https://doi.org/10.2307/2111496.
10. On ideology, see Mark L. Haas, *The Ideological Origins of Great Power Politics, 1789–1989* (Ithaca, NY: Cornell University Press, 2005). On regime type, see Douglas Lemke and Suzanne Werner, "Power Parity, Commitment to Change, and War," *International Studies Quarterly* 40, no. 2 (June 1996): 235–260. On divergent preferences, see Michelle Benson, "Status Quo Preferences and Disputes Short of War," *International Interactions* 33, no. 3 (Summer 2007): 271–288, https://doi.org/10.1080/03050620701449058.
11. Choon-Nam Kang and Douglas M. Gibbler, "An Assessment of the Validity of Empirical Mea-

remains: When and why do some rising powers upend the international orders that enabled their ascents?

This article highlights one factor that might compel a rising state to expand aggressively abroad: slowing economic growth. Rising powers sometimes suffer severe and sustained economic growth slowdowns. These slumps may not immediately alter the balance of power, but they raise the specter of future decline in the minds of a rising power's rulers. The fear that the country's moment in the sun is about to end, that its strategic window of opportunity is starting to close, and that its regime will not be able to deliver the goods that it has promised the people, can incite aggression and expansion that a nation more optimistic about its economic prospects might avoid. Given China's slowing growth today, this is a dynamic worth worrying about.[12]

Existing studies provide valuable insights into this topic, especially the finding that great powers often become belligerent when they fear future decline.[13] Few works, however, explicitly examine rising power growth slow-

sures of State Satisfaction with the Systemic Status Quo," *European Journal of International Relations* 19, no. 4 (2012): 695–719, https://doi.org/10.1177/1354066112436702; Steve Chan, Weixing Hu, and Kai He, "Discerning States' Revisionist and Status Quo Orientations: Comparing China and the U.S.," *European Journal of International Relations* 25, no. 2 (2019): 613–640, https://doi.org/10.1177/1354066118804622.

12. During the 2010s, China's economic growth rates dropped by roughly half, productivity turned negative, and debt ballooned more than eight-fold. On these points, see Michael Beckley and Hal Brands, "The End of China's Rise: Beijing Is Running Out of Time to Remake the World," *Foreign Affairs*, October 1, 2021, https://www.foreignaffairs.com/articles/china/2021-10-01/end-chinas-rise. Long-term growth projections for China vary, but most predict a continued slowdown in the 2020s. For recent discussion of various projections, see Roland Rajah and Alyssa Leng, "Revising Down the Rise of China," Lowy Institute, March 14, 2022, https://www.lowyinstitute.org/publications/revising-down-rise-china; Lingling Wei, "IMF Tempers Its Medium-Term Economic Growth Forecast for China," *Wall Street Journal*, February 3, 2023, https://www.wsj.com/articles/imf-tempers-its-medium-term-economic-growth-forecast-for-china-11675437545; Robin Wigglesworth, "The Implications of China's Mid-Income Trap," *Financial Times*, February 27, 2023, https://www.ft.com/content/a998c1bc-7632-47c1-baba-6ccd6aaef96e.

13. For examples, see Copeland, *The Origins of Major War*; Gilpin, *War and Change*, 186–210; Levy, "Declining Power and the Preventive Motivation for War"; Stephen Van Evera, *Causes of War: Power and the Roots of Conflict* (Ithaca, NY: Cornell University Press, 1999), 35–104. For recent applications to China, see Hal Brands, "Danger: Falling Powers," *American Interest*, October 24, 2018, https://www.the-american-interest.com/2018/10/24/danger-falling-powers/; Michael Beckley, "The United States Should Fear a Faltering China: Beijing's Assertiveness Betrays Its Desperation," *Foreign Affairs*, October 28, 2019, https://www.foreignaffairs.com/articles/china/2019-10-28/united-states-should-fear-faltering-china; Dale C. Copeland, "Grappling with the Rise of China: A New Model for Thinking about Sino-American Relations," in Nicole Peterson, ed., *Chinese Strategic Intentions: A Deep Dive into China's Worldwide Activities* (Washington, DC: U.S. Department of Defense, December 2019), 1–6; Andrej Krickovic and Chang Zhang, "Fears of Falling Short versus Anxieties of Decline: Explaining Russia and China's Approach to Status-Seeking," *Chinese Journal of International Politics* 13, no. 2 (Summer 2020): 219–251, https://doi.org/10.1093/cjip/poaa006; Daniel W. Drezner, "The Perils of Pessimism: Why Anxious Nations Are Dangerous

downs.[14] This oversight is problematic because "peaking powers," meaning great powers whose economic ascents have slowed but not yet stopped, might be the most dangerous kind of country; an era of rapid growth has equipped them with the means to shake up the world, and then a severe slowdown motivates them to move aggressively.

To address this shortcoming, I analyze every case over the past 150 years in which a fast-growing great power experienced a severe and sustained economic growth slowdown. This analysis yields two main results.

First, the most common reaction to slowing growth is mercantilist expansion: the use of state power to carve out economic spheres of influence. Most of the rising powers that stagnated over the past 150 years tried to revive their fortunes by restricting foreign access to their domestic markets while investing heavily overseas to generate demand for their exports and secure critical resources. To protect their far-flung assets, they developed military power-projection forces and deployed them along key trade routes. In most cases, these attempts to forge empires fueled great power competition. In some cases, they triggered major wars.

Second, two main factors shape the extent to which a rising power resorts to mercantilist expansion during an economic slowdown: (1) the rising power's regime type, and (2) its prospects for future trade. Over the previous century and a half, the most aggressive mercantilist expanders were stagnating autocracies confronted by growing international protectionism. In contrast, peaking powers with democratic institutions, easy access to foreign markets, or both expanded less aggressively and employed a more mixed set of mercantilist and market-based strategies. In these more moderate cases, democratic institutions served as shock absorbers for aggressive urges, and good trade prospects

Nations," *Foreign Affairs* 101, no. 4 (July/August 2022): 34–43, https://www.foreignaffairs.com/articles/world/2022-06-21/perils-pessimism-anxious-nations; Hal Brands and Michael Beckley, *Danger Zone: The Coming Conflict with China* (New York: W. W. Norton, 2022).

14. Most studies focus on economic decline, usually operationalized as a drop in a great power's share of world gross domestic product (GDP) or ordinal GDP rank, rather than rising power growth slowdowns. Partial exceptions include studies by Charles F. Doran showing that states become more warlike at various inflection points in their power trajectories, including the transition from rising at an increasing rate to rising at a decreasing rate. See Doran, *The Politics of Assimilation: Hegemony and Its Aftermath* (Baltimore: Johns Hopkins Press, 1971); Charles F. Doran and Wes Parsons, "War and the Cycle of Relative Power," *American Political Science Review* 74, no. 4 (December 1980): 947–965, https://doi.org/10.2307/1954315. In a recent study, Susan Sample shows that when two states are experiencing a power transition, differential growth rates increase the likelihood of conflict between them. See Susan G. Sample, "Power, Wealth, and Satisfaction: When Do Power Transitions Lead to Conflict?," *Journal of Conflict Resolution* 62, no. 9 (October 2018): 1905–1931, https://doi.org/10.1177/0022002717707238.

provided opportunities to prosper through peaceful commerce rather than through conquest or the creation of exclusive economic zones.

These findings have important implications for international relations scholarship and U.S. foreign policy. For scholars, they amend classic theories of great power expansion and war.[15] Academics have long studied these subjects, but many works rest on questionable assumptions: countries are either rising or declining; those on the upswing expand while those on the downswing retrench or launch preventive wars; and conflict is most likely when a rising challenger catches up to an established superpower. The results of this study, however, suggest that these assumptions do not always hold. Great powers can rise and fall simultaneously; they may build up their militaries or expand their spheres of influence even as their economies stagnate. Mercantilist expansion, not retrenchment or preventive war, is the most common response to peaking power. Most important, great power conflict can occur even when power transitions do not. Peaking powers have lashed out when they realized that they would not catch their rivals or achieve their grand ambitions—unless they took drastic action. These peaking power dynamics help explain some of the most consequential geopolitical events of the past 150 years, including the surge of U.S. imperialism in the late nineteenth century, the outbreak of World War II, and Russia's 2014 annexation of Crimea and intervention in eastern Ukraine. They therefore should be incorporated into theories of great power expansion and conflict.

This study also recasts the timing and nature of China's threat to the United States. In foreign policy circles, Sino-American competition is often characterized as a "100-year marathon," a "long game," or a "new Cold War" in which both sides have decades to marshal their resources and rally international coalitions.[16] Yet the sharpest phase of that competition could be more like a

15. For several of many seminal works, see Copeland, *The Origins of Major War*; Gilpin, *War and Change*; Levy, "Declining Power and the Preventive Motivation for War"; Organski and Kugler, *The War Ledger*; Van Evera, *Causes of War*; Jack Snyder, *Myths of Empire: Domestic Politics and International Ambition* (Ithaca, NY: Cornell University Press, 1991); Robert Powell, "Uncertainty, Shifting Power, and Appeasement," *American Political Science Review* 90, no. 4 (December 1996): 749–764, https://doi.org/10.2307/2945840; James D. Fearon, "Rationalist Explanations for War," *International Organization* 49, no. 3 (Summer 1995): 379–414, https://doi.org/10.1017/S0020818300033324.

16. For example, see Michael Pillsbury, *The Hundred-Year Marathon: China's Secret Strategy to Replace America as the Global Superpower* (New York: St. Martin's, 2016); Rush Doshi, *The Long Game: China's Grand Strategy to Displace the American Order* (Oxford: Oxford University Press, 2021); Michael Brown, Eric Chewning, and Pavneet Singh, "Preparing the United States for the Superpower Marathon with China" (Washington, DC: Brookings Institution, April 2020), https://www.brookings.edu/research/preparing-the-united-states-for-the-superpower-marathon-with-china/.

sprint in the 2020s, because China has entered a perilous period: it has acquired the means to disrupt the existing order, but slowing growth is narrowing its window to act. As a brutal dictatorship facing rising international protectionism, China is a high-risk case for an aggressive response, and its belligerent and expansionist behavior since its growth started to slow in the 2010s could be just a preview of what is to come if its economy stagnates in the years ahead. The United States obviously needs a long-term strategy to manage its relationship with China throughout this century. But it also needs a near-term strategy to blunt a potential surge of Chinese aggression in the 2020s.

This article proceeds in three main sections. First, I discuss the relationship between rising powers' growth slowdowns and mercantilist expansion. Second, I analyze cases over the past 150 years in which a rising power experienced a severe and sustained economic slowdown. The conclusion discusses this article's contribution to international relations theory and implications for U.S. foreign policy.

How Rising Powers Respond to Slowing Growth

This article focuses on rising powers that experience severe and sustained economic slowdowns, or what I call "peaking powers." These are cases in which a great power's economy has grown substantially faster than the global average for many years, followed by another extended period in which its growth rates plummet. Growth slowdowns can occur for many reasons, including resource exhaustion, market saturation, demographic decline, corruption, or simple regression to the mean.[17] Regardless of the exact cause, the basic problem is that a country's economic engine has run out of steam, and quick fixes, such as stimulus spending or minor economic reform, have failed to restart steady growth.

I focus on severe and sustained slowdowns, rather than short-term crises, because extended slumps are especially threatening to a great power and its leaders. If a country's growth rate dips for a few quarters, then its leaders can

17. Gilpin, *War and Change*, 156–185; Copeland, *Economic Interdependence and War*, 30–32; Mancur Olson, *The Rise and Decline of Nations: Economic Growth, Stagflation, and Social Rigidities* (New Haven, CT: Yale University Press, 1984); Lant Pritchett and Lawrence H. Summers, "Asiaphoria Meets Regression to the Mean," Working Paper no. 20573 (Cambridge, MA: National Bureau of Economic Research [NBER], October 2014); Ruchir Sharma, "The Demographics of Stagnation: Why People Matter for Economic Growth," *Foreign Affairs* 95, no. 2 (March/April 2016): 18–24, https://www.foreignaffairs.com/articles/world/2016-02-15/demographics-stagnation.

reasonably hope that the downturn will pass quickly or that they can jump-start the economy with stimulus spending or minor reforms. If growth rates decline year after year, however, then tangible signs of economic malaise will accumulate (e.g., stagnant wages, shuttered factories), hope will fade, and leaders will realize that they face a fundamental choice: accept the "new normal" of sluggish growth or take decisive action to turn the tide.

PEAKING POWERS ARE PROACTIVE

Great powers are unlikely to choose the first option—doing nothing—because that would be geopolitically risky, domestically unpopular, and psychologically painful. For starters, a severe growth slowdown, if left unchecked, may cause the country to fall behind rivals economically and militarily. Great power competition is typically fierce, so significant slippage in a nation's growth rate can undermine its security.[18] That may be especially true for a peaking power, because its rapid ascent has likely alarmed its rivals, and the subsequent slowing growth gives those enemies a chance to pounce. Even if rivals espouse friendly intentions, they may be unable to convince the peaking power that they will refrain from exploiting its economic woes in the future, a classic commitment problem.[19] As a window of vulnerability opens for the peaking power, windows of opportunity to rekindle its rise or achieve historic aims start to close.[20] Faced with impending stagnation and foreign predation, a peaking power is apt to try to beat back unfavorable trends by any means necessary.[21]

Domestic political factors accentuate this temptation. During an extended economic boom, many segments of a society become accustomed to an expanding pie: businesses to swelling profits, government agencies to growing budgets, ordinary citizens to improving living standards, and all of the above

18. Paul Kennedy, *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000* (New York: Vintage, 1989); John J. Mearsheimer, *The Tragedy of Great Power Politics* (2001; New York: W. W. Norton, 2014), 55–138.
19. Fearon, "Rationalist Explanations for War"; Robert Powell, "War as a Commitment Problem," *International Organization* 60, no. 1 (Winter 2006): 169–203, https://doi.org/10.1017/S0020818306060061; Sebastian Rosato, "The Inscrutable Intentions of Great Powers," *International Security* 39, no. 3 (Winter 2014/15): 48–88, https://doi.org/10.1162/ISEC_a_00190.
20. Thomas J. Christensen, "Windows and War: Changes in the International System and China's Decision to Use Force," in Alastair Iain Johnston and Robert Ross, eds., *New Approaches to China's Foreign Relations: Essays in Honor of Allen S. Whiting* (Stanford, CA: Stanford University Press, 2006), 50–85.
21. Copeland, *The Origins of Major War*; Gilpin, *War and Change*, 186–210; Brands, "Danger"; Levy, "Declining Power and the Preventive Motivation for War"; Van Evera, *Causes of War*, 35–104.

to greater international power and prestige. Leaders of rising powers usually feed these ambitions, promising the citizens that they will be rewarded with national rejuvenation and historical greatness if they continue to support the regime.[22] Slowing growth dashes those ambitions and tarnishes the government's legitimacy.[23] Leaders struggle to fund the patronage networks that sustain their rule or satisfy societal demands on pocketbook issues, such as job security and social services. Fearful of unrest, they become determined, even desperate, to revitalize the economy and contain political opposition.[24]

Psychological factors further incline leaders to be proactive during a slowdown. Psychologists have shown that humans are often willing to gamble recklessly to avoid losses.[25] When confronted by negative trends, people tend to exaggerate the risks of inaction while overestimating their ability to turn things around with bold moves. This combustible combination—threat inflation, loss aversion, and overconfidence in one's own capabilities—is pervasive in world politics. It seems particularly applicable to the leaders of a peaking power because an era of rapid growth has inflated their egos and given them something to lose. A protracted slowdown thus threatens their power, historical legacy, and perhaps even their lives.[26] Retrenchment and austerity might be the rational responses to slowing growth, but rulers can become irrationally addicted to rising power and arrogant about their capacity to control events.[27] Rather than meekly adapting to harder eco-

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22. Snyder, *Myths of Empire*, 3–6, 14–19, 31–54; Stephen Van Evera, "Hypotheses on Nationalism and War," *International Security* 18, no. 4 (Spring 1994): 30–33, https://doi.org/10.2307/2539176.
23. Bruce Gilley, "The Determinants of State Legitimacy: Results for 72 Countries," *International Political Science Review* 27, no. 1 (January 2006): 47–71, https://doi.org/10.1177/0192512106058634; Steven E. Finkel, Edward N. Muller, and Mitchell A. Seligson, "Economic Crisis, Incumbent Performance and Regime Support: A Comparison of Longitudinal Data from West Germany and Costa Rica," *British Journal of Political Science* 19, no. 3 (1989): 329, https://doi.org/10.1017/S0007123400005512; Ora John Reuter and Jennifer Gandhi, "Economic Performance and Elite Defection from Hegemonic Parties," *British Journal of Political Science* 41, no. 1 (2011): 83–110, https://doi.org/10.1017/S0007123410000293.
24. Peter Gourevitch, *Politics in Hard Times: Comparative Responses to International Economic Crises* (Ithaca, NY: Cornell University Press, 1986); Bruce Bueno de Mesquita and Alastair Smith, *The Dictator's Handbook: Why Bad Behavior Is Almost Always Good Politics* (New York: Public Affairs, 2022).
25. Robert Jervis, "Political Implications of Loss Aversion," *Political Psychology* 13, no. 2 (June 1992): 187–204, https://doi.org/10.2307/3791678.
26. Dominic D. P. Johnson and Dominic Tierney, "Bad World: The Negativity Bias in International Politics," *International Security* 43, no. 3 (Winter 2018/19): 96–140, https://doi.org/10.1162/isec_a_00336.
27. Dominic D. P. Johnson, *Overconfidence and War: The Havoc and Glory of Positive Illusions* (Cambridge, MA: Harvard University Press, 2004); Van Evera, *Causes of War*, 14–34; Robert Jervis, *Perception and Misperception in International Politics* (Princeton, NJ: Princeton University Press, 1976), 356–381.

nomic times, they may gamble for resurrection by adopting ambitious new policies.[28]

PEAKING POWERS EXPAND ABROAD

In theory, a peaking power could rely solely on domestic remedies to restart its rise. For example, it could invest more heavily in education, infrastructure, and research and development (R&D) to boost productivity; provide citizens with social services (e.g., healthcare and pensions) to buy loyalty and stimulate consumer spending; and modernize its military and security forces to ward off enemies. To free up resources for investment, a peaking power could cut international commitments.[29]

In practice, however, peaking powers are unlikely to hunker down at home.[30] Domestic investment is expensive, could take years to boost the nation's wealth and power, and usually requires raising taxes, which could incite unrest and further drag down growth. Retrenchment, meanwhile, might not save much money: soldiers brought home from overseas still need to be paid and housed—or they can be fired, but slashing the enlisted ranks and the defense budget would reduce employment and possibly growth, too, at least in the short term. Most important, retrenchment risks reducing the country's international influence, emboldening foreign rivals, and pushing the peaking power into full-blown decline.[31]

Even if a peaking power could afford—financially, politically, and strategically—to ramp up internal investment during a severe growth slowdown, it may lack the raw materials and productive outlets needed to turn additional spending into real wealth. The country may have already depleted its natural resources. Perhaps its population of workers and consumers has started to shrink. Maybe most of the country's useful bridges, roads, and buildings have already been built. Or perhaps the nation's political institutions have been captured by corrupt rent-seekers. Protracted growth slowdowns are, almost by definition, the result of diminishing returns on investment, the

28. David A. Welch, *Painful Choices: A Theory of Foreign Policy Change* (Princeton, NJ: Princeton University Press, 2005); Jeffrey W. Taliaferro, *Balancing Risks: Great Power Intervention in the Periphery* (Ithaca, NY: Cornell University Press, 2004).
29. MacDonald and Parent, *Twilight of the Titans*.
30. Gilpin, *War and Change*, 188–197; Copeland, *The Origins of Major War*, 41.
31. Robert Gilpin, "The Theory of Hegemonic War," *Journal of Interdisciplinary History* 18, no. 4 (Spring 1988): 601–603, https://doi.org/10.2307/204816; Harold Sprout and Margaret Sprout, "The Dilemma of Rising Demands and Insufficient Resources," *World Politics* 20, no. 4 (July 1968): 661, https://doi.org/10.2307/2009688.

exhaustion of critical inputs, or both.[32] These structural problems cannot be solved simply by injecting money into the economy.

Innovation is the ideal solution for stagnation, but it is also difficult and risky. Most R&D projects fail to produce technological breakthroughs. Sustained innovation typically requires a host of intangible assets that governments cannot easily mandate into existence, such as brilliant scientists and entrepreneurs, open flows of information, secure property rights, and venturesome consumers willing to pay premiums for cutting-edge products.[33] Innovation also involves "creative destruction"—the replacement of established methods with new ones—which is inherently disruptive. Businesses may have to overhaul their operations; workers may have to upgrade their skills or find new jobs; investors may have to place bets on unproven firms and technologies; and political leaders may have to weather fierce opposition from entrenched interests. These aspects of innovation can be politically destabilizing during the best of economic times, let alone during a severe slowdown.[34]

Given the limitations and risks of internal reform, peaking powers may instead expand abroad to reshape their geopolitical environments and rejuvenate their economies with infusions of foreign resources. By "finding new markets for old products," a peaking power can stimulate its industries and render other countries more dependent on its goods and services—all without fundamentally altering its domestic economic model.[35] It can "weaponize interdependence" by taking control of international chokepoints, such as major sea lanes or communications nodes, and then browbeat countries into concessions by conditioning their access to those chokepoints.[36] It can attract allies by

32. Pritchett and Summers, "Asiaphoria Meets Regression to the Mean"; Olson, *The Rise and Decline of Nations*; Sharma, "The Demographics of Stagnation"; Barry Eichengreen, Donghyun Park, and Kwanho Shin, "When Fast Growing Economies Slow Down: International Evidence and Implications for China," *Asian Economic Papers* 11, no. 1 (Winter/Spring 2012): 42–87, https://doi.org/10.3386/w16919.
33. Arnold S. Kling and Nick Schultz, *From Poverty to Prosperity: Intangible Assets, Hidden Liabilities, and the Lasting Triumph over Scarcity* (New York: Encounter Books, 2009); Amar Bhidé, *The Venturesome Economy: How Innovation Sustains Prosperity in a More Connected World* (Princeton, NJ: Princeton University Press, 2008); Jeffrey Ding, "The Rise and Fall of Great Technologies and Powers" (unpublished manuscript, October 2022).
34. Jonathan N. Markowitz, *Perils of Plenty: Arctic Resource Competition and the Return of the Great Game* (Oxford: Oxford University Press, 2020), 24–36.
35. Robert Gilpin, *U.S. Power and the Multinational Corporation: The Political Economy of Foreign Direct Investment* (New York: Basic Books, 1975), 70.
36. Henry Farrell and Abraham L. Newman, "Weaponized Interdependence: How Global Economic Networks Shape State Coercion," *International Security* 44, no. 1 (Summer 2019): 42–79, https://doi.org/10.1162/isec_a_00351.

doling out aid and loans;[37] and if economic inducements fail, a peaking power can send out its military to kill enemies, seize territory, plunder resources, and extract tribute.[38]

Expansion, however, is also costly and risky.[39] To exploit foreign markets and tap overseas resources, a great power may need to develop globe-girdling supply lines complete with ports, airfields, railways, and communications networks—plus military forces to protect them. The fiscal costs of such a buildout can be enormous. In addition, expansion may trigger blowback. Rival nations might militarize and ally against the expanding power.[40] Saboteurs of all stripes—nationalist movements, tribal insurgents, religious extremists, criminal gangs, and foreign spies—may chip away at the expansionist power's empire by destroying or stealing its overseas assets, kidnapping or killing its citizens abroad, or all of the above.[41]

Declining powers typically retrench to avoid these costs of expansion.[42] Fiscally strapped and strategically overstretched, the last thing that they want are more foreign entanglements. Rising powers, on the other hand, do not need to engage in aggressive expansion. With economic and geopolitical trends already going their way, they can allow their spheres of influence to grow naturally and gradually, engaging in what scholars call "involuntary" or "automatic" expansion, rather than manually pumping money and military forces into foreign lands.[43] Other countries may stand aside or even welcome contact with a rising power, because they are enthralled by the profits to be

37. David Baldwin, *Economic Statecraft: New Edition* (Princeton, NJ: Princeton University Press, 2020).
38. Peter Liberman, *Does Conquest Pay? The Exploitation of Occupied Industrial Societies* (Princeton, NJ: Princeton University Press, 1998).
39. Kennedy, *The Rise and Fall of the Great Powers*, 488–540; Gilpin, *War and Change in World Politics*, 156–185; Snyder, *Myths of Empire*.
40. Kenneth N. Waltz, *Theory of International Politics* (New York: Random House, 1979); Stephen M. Walt, *The Origins of Alliances* (Ithaca, NY: Cornell University Press, 1987); Mearsheimer, *Tragedy of Great Power Politics*.
41. Chalmers Johnson, *Blowback: The Costs and Consequences of American Empire* (New York: Metropolitan Books, 2000).
42. MacDonald and Parent, *Twilight of the Titans*.
43. Fareed Zakaria, "Realism and Domestic Politics: A Review Essay," *International Security* 17, no. 1 (Summer 1992): 188, https://doi.org/10.2307/2539162; Eric J. Labs, "Beyond Victory: Offensive Realism and the Expansion of War Aims," *Security Studies* 6, no. 4 (Summer 1997): 12, https://doi.org/10.1080/09636419708429321; Colin Elman, "Horses for Courses: Why *Not* Neorealist Theories of Foreign Policy?," *Security Studies* 6, no. 1 (Autumn 1996): 28–29, https://doi.org/10.1080/09636419608429297; Nicholas D. Anderson, "Push and Pull on the Periphery: Inadvertent Expansion in World Politics," *International Security* 47, no. 3 (Winter 2022/23): 136–173, https://doi.org/10.1162/isec_a_00454.

made in its market, want to recruit it as an ally, or are simply scared of picking a fight with an emerging superpower.[44] Rising powers, therefore, often take a peaceful and patient approach to achieving their interests and garner influence merely by flaunting their vibrant economies.[45]

Peaking powers, by contrast, have the means and the motive to expand aggressively.[46] They are more capable than declining powers, because they have just reaped bonanzas of rapid growth, yet they are more eager to expand than rising powers, because their slowing economies portend dark futures of stagnation and internal unrest. Whereas a declining power might need to retrench to stay solvent, and a rising power can afford to wait for better days ahead, a peaking power may feel it has to secure its vital interests now or miss its moment forever. Beset by slowing growth, but still armed with formidable capabilities, leaders of peaking powers may prefer to step on toes abroad rather than impose belt-tightening at home. Some may even welcome a degree of international conflict, because demonizing foreign rivals can potentially rally the nation behind the ruling regime.[47]

PEAKING POWERS BECOME MORE MERCANTILIST

Peaking powers may not strike out on all fronts in a mad frenzy, but they are likely to expand abroad in calculated ways that maximize benefits and minimize costs. In doing so, they have a spectrum of options from which to choose. On one end of the spectrum are various forms of liberal expansion, the most extreme of which involves opening up to free trade and investment and letting private actors take the lead in generating national wealth and power. If a peaking power can "create an empire of trade rather than one of colonies," it can profit from foreign resources while avoiding ruinous protectionism and costly military conflicts.[48]

44. Randall L. Schweller, "Bandwagoning for Profit: Bringing the Revisionist State Back In," *International Security* 19, no. 1 (Summer 1994): 72–107, https://doi.org/10.2307/2539149.
45. Oneal, de Soysa, and Park, "But Power and Wealth *Are* Satisfying"; Copeland, *The Origins of Major War*, 3, 13–15, 20; Levy, "Declining Power and the Preventive Motivation for War," 84; MacDonald and Parent, *Twilight of the Titans*, 15.
46. Copeland, *The Origins of Major War*, 4–7.
47. Frederick Solt, "Diversionary Nationalism: Economic Inequality and the Formation of National Pride," *Journal of Politics* 73, no. 3 (July 2011): 821–830, https://doi.org/10.1017/S002238161100048X; Michael C. Desch, "War and Strong States, Peace and Weak States?," *International Organization* 50, no. 2 (Spring 1996): 237–268, https://doi.org/10.1017/S0020818300028551; Pål Røren, "The Belligerent Bear: Russia, Status Orders, and War," *International Security* 47, no. 4 (Spring 2023): 7–49, https://doi.org/10.1162/isec_a_00458.
48. Gilpin, *War and Change in World Politics*, 137.

On the other end of the spectrum are various forms of mercantilist expansion, which use the iron fist of state power to forge privileged economic zones.[49] The most extreme type of mercantilism is conquest, which is essentially vertical integration by force. Slightly less extreme is colonialism, which involves asserting control over foreign lands without fully nationalizing them. Less extreme still is imperialism, which entails colluding with oppressive foreign rulers to gain special access to their nations' markets and resources. Even less extreme, but far more common, are forms of state capitalism and strategic trade, which involve nurturing domestic industries with subsidies and trade barriers while using various foreign policy inducements (e.g., aid, loans, bribes, arms sales, technology transfers) to gain secure and cheap access to raw materials and captive consumer markets abroad.

In practice, most states use both markets and mercantilism and fall somewhere in the middle of this spectrum. Peaking powers, however, are likely to become more mercantilist as their economies slump. Whereas rising powers with flourishing economies can confidently engage in free trade, knowing that their firms will prosper on a level playing field, peaking powers with sputtering industries may need to tilt the field in their favor to avoid stagnation. Toward that end, subsidies and tariffs can help state-favored firms undercut foreign prices and capture global market share. Espionage can boost indigenous innovation. Overseas lending and investment can incentivize other countries to buy more of the peaking power's goods; and economic sanctions, gunboat diplomacy, and conquest can pry open foreign markets or deny access to competitors. These tools might be beyond the capacity of a declining power, but they are likely to be attractive to a peaking power with a favorable but finite window of strategic opportunity.

intervening variables: trade prospects and regime type

Peaking powers tend to engage in mercantilist expansion, but a tendency is not an inevitability. The extent to which a peaking power engages in mercantilist expansion depends on myriad factors, two of which are especially important.

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49. On how economic interests can motivate various forms of mercantilist expansion, see Vladimir I. Lenin, *Imperialism: The Highest Stage of Capitalism* (New York: International Publishers, 1969); J. A. Hobson, *Imperialism: A Study*, 3rd ed. (London: Allen and Unwin, 1938); Liberman, *Does Conquest Pay?*; Copeland, *Economic Interdependence and War*; Jonathan N. Markowitz, Christopher J. Fariss, and Blake McMahon, "Producing Goods and Projecting Power: How What You Make Influences What You Take," *Journal of Conflict Resolution* 63, no. 6 (2018): 1368–1402, https://doi.org/10.1177/0022002718789735.

The first factor is the peaking power's prospects for trade and investment.[50] How open are international markets? How secure are major trade routes? How competitive are the peaking power's products? If the international economy is open, and the peaking power has desirable wares to sell, it can potentially revitalize its economy by embracing free trade and investment. But if the peaking power faces fierce international protectionism, feeble foreign demand for its goods, or insecure supply lines, then it may need to use mercantilist methods to push its way into foreign markets and obtain critical resources.

The second factor is the peaking power's regime type. Autocratic peaking powers are especially prone to mercantilism, because they tend to have higher levels of state-ownership in their economies and cater to narrower and more economically nationalist political coalitions than do democracies.[51] Autocrats rule primarily through patronage and coercion, both of which are expensive: cronies have to be bribed; dissidents repressed.[52] To stay in power, therefore, autocrats must control what Vladimir Lenin called the "commanding heights" of the economy, meaning the vital industries—such as agriculture, energy, transportation, construction, mining, heavy manufacturing, and banking—that enable all the others.[53] These industries provide a steady stream of deployable wealth, perfect for running a patronage system.[54] They produce hard assets that hold their value even when seized through force and do not require liberal institutions, such as private property rights or a vibrant middle class, to

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50. Copeland, *Economic Interdependence and War*; David A. Lake, "Economic Openness and Great Power Competition: Lessons for China and the United States," *Chinese Journal of Political Economy* 11, no. 3 (Autumn 2018): 237–270, https://doi.org/10.1093/cjip/poy010; Monteiro and Debs, "An Economic Theory of War." I do not attempt to explain why some states, at some times, have better trade prospects than others, but one likely factor is relative material power. All else equal, materially wealthy states are likely to have better trade prospects than materially weaker states, because wealthy states are more likely to have competitive goods to sell on international markets and bargaining leverage to extract concessions from trade partners. Materially wealthy states therefore will generally have an easier time expanding their access to markets and resources abroad, whereas poorer states with less to offer potential partners may have to use various elements of state power to force their way into new markets—or find a hegemonic benefactor to open markets and trade routes for them.
51. Mark R. Brawley, *Liberal Leadership: Great Powers and Their Challengers in Peace and War* (Ithaca, NY: Cornell University Press, 1993); Bruce Bueno de Mesquita et al., *The Logic of Political Survival* (Cambridge, MA: MIT Press, 2005), 129–172; Bueno de Mesquita and Smith, *The Dictator's Handbook*, 30–41; Markowitz, *Perils of Plenty*, 22–36.
52. Milan W. Svolik, *The Politics of Authoritarian Rule* (Cambridge: Cambridge University Press 2012).
53. Daniel Yergin and Joseph Stanislaw, *The Commanding Heights: The Battle between Government and the Marketplace That Is Remaking the Modern World* (New York: Simon and Schuster, 1998).
54. Markowitz, *Perils of Plenty*, 23–35.

turn a profit.[55] Autocrats usually own these industries outright or control them through proxies.[56]

As a result, autocratic regimes often consist of a tight fusion of political and industrial interests in which the state invests heavily in major companies, and major companies have significant sway in the government.[57] These kleptocratic links, concentrated in industries prone to rent-seeking, incentivize autocrats to shield national firms from foreign competition and help them find new resources and markets abroad when profits dry up at home.[58] Without regular elections to hold them accountable, autocrats can concentrate the benefits of mercantilist expansion among a tight circle of elites while offloading many of the costs (e.g., higher taxes to pay for subsidies and military spending, higher prices as a result of tariffs, and military conscription) onto the powerless masses.[59]

In contrast, it is dangerous for autocrats to support free trade and private enterprise, especially during an economic downturn. Liberalization would require them to reduce privileges for state-favored companies, which could disrupt the regime's patronage networks by triggering surges in bankruptcies and unemployment.[60] Democratic governments obviously are not immune to crony capitalism, but they usually represent a broader and more diversified portfolio of economic interests, some of which may favor free trade. These mixed governing coalitions can pull democratic regimes in different directions and mitigate mercantilist impulses during an economic downturn.[61]

55. Some economists call this "extractive growth." For example, see Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (New York: Currency, 2012), 124–151.
56. Bueno de Mesquita and Smith, *The Dictator's Handbook*, 146–150.
57. Patrick J. McDonald, *The Invisible Hand of Peace: Capitalism, the War Machine, and International Relations Theory* (New York: Cambridge University Press, 2009). Snyder calls these regimes "cartelized." See Snyder, *Myths of Empire*, 31–49.
58. Brawley, *Liberal Leadership*; Markowitz, Fariss, and McMahon, "Producing Goods and Projecting Power"; Jonathan N. Markowitz et al., "Productive Pacifists: The Rise of Production-Oriented States and Decline of Profit-Motivated Conquest," *International Studies Quarterly* 64, no. 3 (September 2020): 558–572, https://doi.org/10.1093/isq/sqaa045.
59. Bueno de Mesquita et al., *The Logic of Political Survival*, 177–264, 405–455; Bueno de Mesquita and Smith, *The Dictator's Handbook*, 317–348; Svolik, *The Politics of Authoritarian Rule*; Daron Acemoglu, Thierry Verdier, and James A. Robinson, "Kleptocracy and Divide-and-Rule: A Model of Personal Rule," *Journal of the European Economic Association* 2, nos. 2–3 (May 2004): 162–192, https://doi.org/10.3386/w10136.
60. Daron Acemoglu and James A. Robinson, "Economic Backwardness in Political Perspective," *American Political Science Review* 100, no. 1 (February 2006): 115–131, https://doi.org/10.1017/S0003055406062046.
61. Kevin Narizny, *The Political Economy of Grand Strategy* (Ithaca, NY: Cornell University Press, 2007); Lobell, *The Challenge of Hegemony*; Peter Trubowitz, *Defining the National Interest: Conflict and*

Both intervening variables—trade prospects and regime type—are partially endogenous to the main independent variable (economic growth rates) and the outcome variable (how peaking powers respond to slowing growth). Theoretically, negative feedback loops among these variables could mitigate their effects. For example, a peaking power with poor trade prospects could expand abroad militarily and scare rivals into granting it trade concessions, thereby improving its trade prospects. Or a peaking power that becomes more repressive might incite a revolution that topples the regime and replaces it with a democratic government committed to free trade.

Just as likely, if not more so, however, are positive feedback loops that accentuate the initial effects of trade prospects and regime type. Great powers often meet aggression with aggression, protectionism with protectionism, and mercantilist expansion with a scramble for economic empire.[62] Hard economic times have more often caused societies to reject democracy and free trade, and to embrace dictatorship and mercantilist expansion, than the reverse.[63] In short, bad things often go together: trade wars typically heighten geopolitical tensions, insecure regimes usually become more repressive, and both of these dynamics tend to drive further mercantilist expansion.

As I explain in the next section, I attempt to address these endogeneity issues by dropping overdetermined cases in which the causal effects of different variables cannot be easily disaggregated; comparing cases with different combinations of trade prospects and regime type; and process-tracing the chain of events in each case.

SUMMARY AND OBSERVABLE IMPLICATIONS

Peaking powers will engage in mercantilist expansion, becoming more protectionist at home and expansionist abroad than they were during their eras of rapid economic growth. Specifically, they will try to carve out privileged economic zones by protecting their domestic industries with subsidies and

Change in American Foreign Policy (Chicago: University of Chicago Press, 1998); Snyder, *Myths of Empire*, 49.

62. Copeland calls this a "trade-security spiral." See Copeland, *Economic Interdependence and War*, 11. See also, Lake, "Economic Openness and Great Power Competition."

63. James MacDonald, *When Globalization Fails: The Rise and Fall of Pax Americana* (New York: Farrar, Straus and Giroux, 2016); Manuel Funke, Moritz Schularick, and Christoph Trebesch, "Going to Extremes: Politics after Financial Crises, 1870–2014," *European Economic Review* 88 (September 2016): 227–260, https://doi.org/10.1016/j.euroecorev.2016.03.006; Italo Colantone and Piero Stanig, "The Surge of Economic Nationalism in Western Europe," *Journal of Economic Perspectives* 33, no. 4 (Fall 2019): 128–151, https://doi.org/10.1257/jep.33.4.128.

trade barriers while using overseas investment and other inducements to try to boost international demand for their exports and to secure access to foreign resources. This economic expansion will beget military expansion, as the peaking powers protect their overseas assets and trade routes. The degree of mercantilist expansion will vary across cases by each peaking power's trade prospects and regime type: authoritarian peaking powers with poor trade prospects will expand the most beyond their preexisting baselines of overseas activity; democratic peaking powers with favorable trade prospects will expand the least; and mixed cases—authoritarian powers with good trade prospects or democratic powers with bad trade prospects—will fall somewhere in the middle.

If this theory is correct, then scholars should be able to observe peaking powers deliberately adopting strategies of mercantilist expansion. These strategies should emerge within a few years after the great power's economic growth rates start to slide and be described extensively in primary and secondary sources, including government documents, statements by leaders, and media coverage from the time as well as historical studies written years later. In short, mercantilist campaigns should be obvious to observers both past and present.

In addition, quantitative indicators should show each peaking power becoming exponentially more protectionist and expansionist. Specifically, peaking powers will adopt higher trade barriers and increase their military spending and naval tonnage at faster rates during their economic slowdowns than during their rapid-growth eras. Peaking powers also are likely to boost their exports and overseas investments and become more frequently involved in militarized disputes. These outcomes depend partly on how other states react, however, and thus are less likely to occur than increases in military spending, which peaking powers more fully control.

For example, I expect peaking powers to *attempt* to increase their export volumes, but in some cases these efforts might fail and thus not yield an actual surge in exports. Therefore, I treat indicators that depend partially on the reactions of other states as secondary evidence; they provide potentially useful information, but they are not as clear-cut as indicators that directly measure peaking powers' policy changes.

This point about indicators highlights an important limitation of my theory, namely that it is monadic and therefore cannot fully explain dyadic or systemic outcomes, such as the outbreak of major wars. The theory explains peaking powers' initial reactions to slowing growth, but it cannot completely account for the subsequent outcomes of those reactions or determine the overall extent of a peaking power's overseas presence or mercantilist behavior. Rather, the theory merely predicts that peaking powers will expand in mercantile fashion above and beyond their preexisting baselines of overseas activity, which are shaped by numerous other factors, including a peaking power's geographic location, natural resource endowment, and demography. For example, a state that is surrounded by enemies and has a growing population but dwindling natural resources is probably more inclined to engage in mercantilist expansion (i.e., have a higher baseline) than a self-sufficient power that is surrounded by allies. According to my theory, both types of countries can be expected to expand their overseas presence and mercantilist policies as they transition from rapid to slow economic growth. Yet, the theory cannot fully explain why any country has a larger or smaller international footprint overall.

The History of Peaking Powers since 1870

To assess how rising powers respond to severe and sustained economic growth slowdowns, I analyze every case from 1870 to 2018 in which a great power's per capita gross domestic product (GDP) grew at least twice as fast as the global average for at least seven years and then suffered at least a 50 percent decline in growth rates over the next seven years. I adopt these case-selection criteria from previous studies to reduce the likelihood of selection bias.[64] I use the rate of economic growth as a sampling criterion rather than as

64. I adopt my definition of "great power" from the Correlates of War Project, "State System Membership List, v2016," http://correlatesofwar.org. I adopt the 1870 starting point from MacDonald and Parent, *Twilight of the Titans*, 45; and Paul K. MacDonald and Joseph M. Parent, "Graceful Decline? The Surprising Success of Great Power Retrenchment," *International Security* 35, no. 4 (Spring 2011): 22, https://doi.org/10.1162/ISEC_a_00034. MacDonald and Parent note that 1870 is the first year for which reliable cross-national data are available for all the great powers. I adopt the seven-year moving average criterion and use of per capita GDP from Eichengreen, Park, and Shin, "When Fast-Growing Economies Slow Down"; and Barry Eichengreen, Donghyun Park, and Kwanho Shin, "Growth Slowdowns Redux," *Japan and the World Economy* 32 (November 2014): 65–84, https://doi.org/10.1016/j.japwor.2014.07.003. These studies analyzed countries since 1957 that grew at 3.5 percent or faster annually for at least seven years, followed by seven years in which their growth rates fell by at least 2 percentage points. I supplement those criteria by requiring great powers to have grown at least two times faster than the world average to account for the fact that growth rates were slower in earlier eras—3.5 percent was spectacular in the nineteenth century, but just above average in the postwar era. Had I only used Eichengreen, Park, and Shin's criteria, my case selection would have been biased in favor of postwar cases. I use per capita GDP, rather than GDP, to follow Eichengreen, Park, and Shin, and because per capita GDP correlates with both a state's power and its standard of living. Given my argument that lead-

Table 1. Peaking Powers (1870–2018)

Country	Approximate year of transition from rapid to slower growth
United States	1882
Russia	1899
Japan	1922
France	1925
Soviet Union	1926
Germany	1927
Japan	1970
Russia	2007
China	2012

a continuous variable, because severe and sustained slowdowns are qualitatively different from minor slowdowns. I exclude wartime downturns, meaning cases in which a great power grew rapidly as it mobilized for war and then got destroyed in that war, because wartime destruction differs fundamentally from peacetime stagnation.

This exclusion leaves nine cases, which are displayed in table 1. For each case, I list the year in which the great power's average annual growth rates started to slow. Because they are based on imprecise data, these peak years are rough approximations of when the great power transitioned from rapid to slow growth.[65] I therefore use these years only to identify cases for further research, not to conduct precise quantitative tests.

I examine all the cases in detail except interwar France, Germany, and the Soviet Union, because mercantilist expansion was arguably overdetermined in those cases. Interwar Europe was a cauldron of protectionism and conflict and featured some of history's most notorious tyrants. Peaking power dynamics likely exacerbated Europe's descent into war but may not have been necessary given the era's geopolitical pressures and ruthless personalities.[66] The

ers of peaking powers fear both relative decline and domestic unrest, per capita GDP is a more relevant measure of economic trends than GDP growth.

65. For a description of the data, see Jutta Bolt and Jan Luiten van Zanden, "Maddison-Style Estimates of the Evolution of the World Economy: A New 2020 Update," Maddison Project Working Paper WP-15 (Groningen, Netherlands: Maddison Project, University of Groningen, October 2020), https://www.rug.nl/ggdc/historicaldevelopment/maddison/publications/wp15.pdf.

66. Scholars disagree on the extent to which Europe's great powers trusted one another and were committed to international cooperation during the 1920s. For example, see Edelstein, *Over the Horizon*, 94–120; Sebastian Rosato, *Intentions in Great Power Politics: Uncertainty and the Roots of Conflict* (New Haven, CT: Yale University Press, 2021), 153–192. There is no doubt, however, that the interwar European order started to unravel in the late 1920s and particularly after the Great Depression began in 1929. For detailed accounts of that unravelling, see Zara Steiner, *The Lights That Failed: Eu-*

three interwar cases superficially fit my predictions: France, Germany, and the Soviet Union grew rapidly in the early 1920s, suffered slowdowns in the late 1920s and early 1930s, and reacted aggressively. Germany went on a genocidal rampage to seize what Adolf Hitler called "living space";[67] the Soviet Union ditched its relatively liberal New Economic Policy for autarky and territorial expansion;[68] and France doubled down on punitive reparations, beggar-thy-neighbor trade policies, and the construction of military fortifications.[69] Given the turmoil engulfing Europe at the time, however, it is difficult to isolate the role that slowing growth played in propelling these actions. Therefore, I drop the interwar European cases from my sample.

I evaluate the remaining cases using an interrupted time series design, comparing how the great power behaved during its era of rapid growth with how it behaved during its subsequent economic slowdown. As described earlier, my framework predicts a dramatic increase in mercantilist expansion during the slowdown period and the existence of evidence directly linking the growth slowdowns to decisions for mercantilist expansion, including statements by top leaders to that effect and judgments of scholars who have studied the case in question extensively.

Because of space constraints, this article presents only the two most recent cases: twenty-first century Russia and China. The other cases are discussed at length in the online appendix. A quick summary of those cases reveals two main findings.

First, all the peaking powers launched deliberate campaigns of mercantilist expansion. When the United States' post–Civil War boom fizzled in the 1880s, Washington reacted by forging a "protectionist empire," adopting the highest tariffs in the world, channeling investment and exports into Latin America and

ropean International History, 1919–1933 (Oxford: Oxford University Press, 2005); Adam Tooze, *The Deluge: The Great War and the Remaking of the Global Order, 1916–1931* (New York: Allen Lane, 2014).

67. Adam Tooze, *The Wages of Destruction: The Making and Breaking of the Nazi Economy* (New York: Viking, 2007); Copeland, *Economic Interdependence and War*, 133–142.

68. David R. Shearer, *Industry, State, and Society in Stalin's Russia, 1926–1934* (Ithaca, NY: Cornell University Press, 1997); Michael R. Dohan, "The Economic Origins of Soviet Autarky, 1927/28–1934," *Slavic Review* 35, no. 4 (December 1976): 633–635, https://doi.org/10.2307/2495654; Robert C. Allen, *Farm to Factory: A Reinterpretation of the Soviet Industrial Revolution* (Princeton, NJ: Princeton University Press, 2003), 47–110.

69. Stephen A. Schuker, *The End of French Predominance in Europe: The Financial Crisis of 1924 and the Adoption of the Dawes Plan* (Chapel Hill: University of North Carolina Press, 1976); Robert A. Doughty, "The Illusion of Security: France, 1919–1940," in Williamson Murray, MacGregor Knox, and Alvin H. Berstein, eds., *The Making of Strategy: Rulers, States, and War* (New York: Cambridge University Press, 1996), 466–497; Robert Boyce, ed., *French Foreign and Defence Policy, 1918–1940* (London: Routledge, 1998).

East Asia, seizing territory there, and building an enormous navy to secure its new empire.[70] Similarly, imperial Russia responded to the end of its rapid rise at the turn of the century by abandoning its previous policy of "peaceful penetration," which had used trade and investment to extend Russian influence in the Far East, in favor of militarily occupying parts of Korea and Manchuria to secure markets, raw materials, and warm-water ports. In the 1920s, a rising imperial Japan suffered a series of economic crises culminating in the Great Depression, to which it responded by becoming a serial conqueror and forging an "East Asia Co-Prosperity Sphere," a euphemism for a brutal Japanese empire. In the 1970s, Japan again had a rapid rise come to an end. This time Japan avoided military aggression, but nevertheless adopted a "mercantile realist" strategy of industrial policies and non-tariff barriers to help Japanese firms snap up global market share and dominate high-technology industries and international supply chains.[71] Japan also expanded its air and naval power-projection capabilities—procuring advanced military aircraft, ships, and submarines—and began patrolling sea lanes up to 1,000 miles from its territory, though this militarization was driven partly by Japan's fears of Soviet expansion and by U.S. demands to contribute more to the U.S.-Japan alliance.[72]

Each of these mercantilist campaigns is reflected in standard quantitative datasets. All the peaking powers exponentially increased their military spending,[73] naval tonnage,[74] and exports or overseas investment,[75] and they became involved in more militarized disputes during the decade after their growth

70. The phrase "protectionist empire" comes from Benjamin O. Fordham, "Protectionist Empire: Trade, Tariffs, and United States Foreign Policy," *Studies in American Political Development* 31, no. 2 (October 2017): 170–192, https://doi.org/10.1017/S0898588X17000116.
71. The phrase "mercantile realism" comes from Eric Heginbotham and Richard J. Samuels, "Mercantile Realism and Japanese Foreign Policy," *International Security* 22, no. 4 (Spring 1998): 171–203, https://doi.org/10.2307/2539243.
72. Jennifer M. Lind, "Pacifism or Passing the Buck? Testing Theories of Japanese Security Policy," *International Security* 29, no. 1 (Summer 2004): 111–116, https://doi.org/10.1162/0162288041762968.
73. National Material Capabilities, v6.0, Correlates of War, https://correlatesofwar.org/data-sets/national-material-capabilities/. See David J. Singer, Stuart Bremer, and John Stuckey, "Capability Distribution, Uncertainty, and Major Power War, 1820–1965," in Bruce Russett, ed., *Peace, War, and Numbers* (Beverly Hills, CA: Sage, 1972), 19–48.
74. Russia lost a substantial portion of its naval fleet in the Russo-Japanese War, so Russia's naval tonnage plummeted in 1905, but it had been increasing rapidly from 1899 to 1905. Brian Benjamin Crisher and Mark Souva, "Power at Sea: A Naval Power Dataset, 1865–2011," *International Interactions* 40, no. 4 (2014): 602–629, https://doi.org/10.1080/03050629.2014.918039.
75. From the late 1920s to the early 1930s, Japan's export growth declined because of the Great Depression and a related surge in global protectionism, but its overseas investments increased, mostly in Manchuria, where Japan was carving out an empire. For investment data on each case, see the online appendix. For export data on each case, see Katherine Barbieri and Omar M. G.

rates peaked compared with the decade before.[76] In addition, all but one of the peaking powers raised tariffs to historically high rates.[77] The only exception was 1970s Japan, which was compelled by the United States and enabled by a liberalizing global economy to reduce its tariffs and revalue its currency.

The second main finding from the historical cases is that each peaking power's reaction to slowing growth was shaped by its regime type and trade prospects. Democratic institutions and political polarization tempered U.S. mercantilist expansion in the late nineteenth century: Republicans promoted mercantilist expansion, whereas Democrats opposed it and reduced tariffs and naval construction whenever they held power. The United States also had decent trade prospects. Although European powers raised tariffs on many U.S. goods in the 1880s, the United States was able to negotiate a series of bilateral exemptions because its huge market made it an attractive trade partner. Consequently, the surge of U.S. expansion in the 1880s and 1890s was primarily a "commercial invasion," albeit one backed by the periodic use of gunboat diplomacy.[78]

Imperial Russia, by contrast, reacted to slowing growth with an actual invasion of Manchuria. Autocratic institutions gave Russia the means to mobilize a major military operation—the government, military, and major industrial companies were controlled by the czar and a handful of senior officials—while poor trade prospects and slowing growth provided the motives. Russia's stagnating industries were ten to fifty times less productive than those of other great powers at the time, and its investments in the Far East were becoming in-

Omar Keshk, Correlates of War Project Trade Data Set Codebook, V4.0, 2016, https://correlatesofwar.org.

76. Militarized dispute counts include disputes at hostility level 2 and above, because hostility level 1 implies no show or use of force. Faten Ghosen, Glenn Palmer, and Stuart A. Bremmer, "The MID3 Data Set, 1993–2001: Procedures, Coding Rules, and Description," *Conflict Management and Peace Science* 21, no. 2 (April 2004): 133–154, https://doi.org/10.1080/07388940490463861.

77. For the United States, see Census Bureau, *Historical Statistics of the United States: Colonial Times to 1970* (Washington, DC: Government Printing Office, 1975), series U 207–212. For Russia, see Forrest Capie, "Tariff Protection and Economic Performance in the Nineteenth Century," in John Black and L. Alan Winters, eds., *Policy and Performance in International Trade* (London: Palgrave Macmillan, 1983), 20–21. For imperial Japan, see Ippei Yamazawa, "Industrial Growth and Trade in Prewar Japan," *Developing Economies* 13, no. 1 (March 1975): 50, https://doi.org/10.1111/j.1746-1049.1975.tb00342.x.

78. The phrase "commercial invasion" comes from a 1902 essay in *Scribner's Magazine* by former U.S. Assistant of the Treasury Frank A. Vanderlip. See Vanderlip, *The American Commercial Invasion of Europe* (1902; Whitefish, MT: Kessinger, 2010). But scholars have used the term to describe U.S. late nineteenth-century policy more broadly. For example, see Matthew Simon and David E. Novack, "Some Dimensions of the American Commercial Invasion of Europe, 1871–1914: An Introductory Essay," *Journal of Economic History* 24, no. 4 (December 1964): 591–605.

creasingly vulnerable to turmoil in China. Russian leaders therefore feared that they could not revive their economy through free trade and, instead, were driven by a sense of "reactive desperation" into imperialism and conquest.[79]

The contrast between the two Japanese cases further illustrates the importance of regime type and trade prospects. In the 1920s, imperial Japan had a parliament, but the military reported directly to the emperor, the official head of state. With little governmental oversight and a fiefdom of assets in Manchuria, the military was prepared to hijack Japanese policymaking during the economic downturn in the 1920s, especially once international protectionism skyrocketed with the onset of the Great Depression in 1929. Military officers blamed Japan's economic woes on liberal internationalist civilian policymakers, assassinated officials deemed insufficiently committed to autarky and conquest, and eventually invaded Manchuria unilaterally in 1931.

In the 1970s, by contrast, Japan was a consolidated democracy, and its slowdown occurred amid the heyday of Cold War détente, the opening of China to Western commerce, and the start of "hyperglobalization," an era in which global tariffs fell by more than half from 1970 to 1980.[80] As a technological leader with attractive products to sell, Japan was able to prosper with open international markets while outsourcing its security policy to the United States. That arrangement, in turn, gave the United States leverage to pressure Japan into additional tariff reductions. Given these circumstances, plus the memory of World War II, Japan not surprisingly avoided aggressive mercantilist expansion in the 1970s.

RUSSIA, 2007

Russia's economy shrank during the 1990s, but from 1999 to 2008 it grew 8 percent annually and more than doubled in size.[81] Living standards rose for the first time in decades, and wages jumped 400 percent from 2004 to 2008 alone.[82] The main driver of this prosperity was a seven-fold rise in world oil and natural gas prices from January 1999 to June 2008.[83] Because Russia was the

79. William C. Fuller, *Strategy and Power in Russia, 1600–1914* (New York: Free Press, 1992), 373.
80. Arvind Subramanian and Martin Kessler, "The Hyperglobalization of Trade and Its Future," Working Paper 13-6 (Washington, DC: Peterson Institute for International Economics, July 2013).
81. Timothy Frye, *Weak Strongman: The Limits of Power in Putin's Russia* (Princeton, NJ: Princeton University Press, 2021), 41.
82. Kathryn Stoner and Michael McFaul, "Who Lost Russia (This Time)? Vladimir Putin," *Washington Quarterly* 38, no. 2 (Summer 2015): 175, https://doi.org/10.1080/0163660X.2015.1064716.
83. "Crude Oil WTI," *MarketWatch*, accessed April 20, 2023, https://www.marketwatch.com/investing/future/crude%20oil%20-%20electronic.

world's largest natural gas producer and second-largest oil producer at the time, few if any countries benefited more than it from the rise in prices—or suffered more when prices plummeted by 70 percent during the 2008 global financial crisis and by an additional 15 percent from 2008 to 2020.[84] The Russian economy shrank by 8 percent in 2009 and grew only 1.6 percent annually on average during the 2010s.[85]

The domestic popularity of Russian leader Vladimir Putin tracked the trajectory of Russia's economy. When growth rates were high from 2000 to 2008, Putin's job approval rating approached 90 percent; but from 2008 to 2013, it declined to 61 percent, the lowest level since his first months in power.[86] In September 2011, Putin announced that he would seek a third term as president, a decision he expected Russian citizens to welcome.[87] But tough economic times had hardened the public's mood.[88] In November 2011, Putin was publicly booed at a martial arts match in front of 20,000 people. In parliamentary elections a few weeks later, Putin's party, United Russia, lost a quarter of its seats—a shocking result in a rigged authoritarian system—and hundreds of thousands of Russians began flooding the streets to protest Putin's planned return to the presidency.[89] These demonstrations were the largest in Russia since the Soviet Union collapsed in 1991, and they occurred as the Arab Spring was toppling autocratic regimes across the Middle East.[90]

As a kleptocratic dictatorship, the Kremlin was primed to respond aggressively to these threats.[91] The Russian state is run by Putin and a small band of

84. Ibid.
85. World Bank DataBank, accessed April 20, 2023, https://databank.worldbank.org/home.aspx.
86. "Putin's Approval Rating," Levada Center, accessed April 20, 2023, https://www.levada.ru/en/ratings/.
87. From 2008 to 2012, Vladimir Putin served as prime minister but was widely regarded as Russia's true leader.
88. Maxim Trudolyubov, "Russia's Grand Choice: To Be Feared as a Superpower or Prosperous as a Nation?," in Elizabeth A. Wood et al., *Roots of Russia's War in Ukraine* (New York: Columbia University Press, 2015), 80–84.
89. Stoner and McFaul, "Who Lost Russia (This Time)?," 176.
90. Ibid.
91. On the links between Russian domestic unrest and international expansion, see Daniel Treisman, "Putin Unbound: How Repression at Home Presaged Belligerence Abroad," *Foreign Affairs* 101, no. 3 (May/June 2022): 40–53, https://www.foreignaffairs.com/articles/ukraine/2022-04-06/putin-russia-ukraine-war-unbound; Valerie Bunce and Aida Hozic, "Diffusion-Proofing and the Russian Invasion of Ukraine," *Demoktratizatsiya* 24, no. 4 (Fall 2016): 435–446, https://muse.jhu.edu/article/634318#info_wrap; Kathryn E. Stoner, *Russia Resurrected: Its Power and Purpose in a New Global Order* (New York: Oxford University Press, 2021), 235–268; Chris Miller, "What Putin Really Feared in Ukraine," Foreign Policy Research Institute, E-Note, September 17, 2014, https://www.fpri.org/article/2014/09/what-putin-really-feared-in-ukraine/.

oligarchs who collectively own the commanding heights of the economy.[92] Sustaining this "pyramid of patronage" was relatively easy during the high-growth years, when Russian tycoons reaped bumper profits and the Kremlin's coffers were flush, but this system came under severe pressure during the economic downturn.[93] In response, the Russian government cracked down on dissent, stoked anti-Western nationalism, and transferred assets from political opponents to Putin's cronies at state-favored firms.[94] By some estimates, the state-owned share of Russia's economy doubled from 35 percent in 2005 to 70 percent in 2015.[95]

As he seized assets domestically, Putin also looked abroad for new sources of revenue.[96] Russia expanded more aggressively into the Arctic after the late 2000s to secure natural resources, sending tens of thousands of troops there and conducting regular military patrols and exercises.[97] The Kremlin also began pressuring neighboring countries to join a Russian-dominated customs union, the Eurasian Economic Union, that essentially would have turned them into economic vassals of Moscow.[98] Putin hoped that this economic bloc would stimulate Russian industries and establish, as he put it in an article in

92. Most, if not all, senior Russian officials operate a medium-to-large business or have a spouse who does. On that point, see Natalia Lamberova and Konstantin Sonin, "The Role of Business in Shaping Economic Policy," in Daniel Treisman, ed., *The New Autocracy: Information, Politics, and Policy in Putin's Russia* (Washington, DC: Brookings Institution Press, 2018), 139–140. On Russia as a kleptocratic dictatorship, see Frye, *Weak Strongman*, 37–49; Alena V. Ledeneva, *Can Russia Modernise? Sistema, Power Networks, and Informal Governance* (Cambridge: Cambridge University Press 2013), 50–84; Karen Dawisha, *Putin's Kleptocracy: Who Owns Russia?* (New York: Simon and Schuster, 2014).

93. "A Tsar Is Born," *Economist*, October 26, 2017, https://www.economist.com/leaders/2017/10/26/a-tsar-is-born.

94. According to one study, members of Putin's inner circle received 142 times more money in new assets and contracts than less connected business owners. See Lamberova and Sonin, "The Role of Business in Shaping Economic Policy," 141. On Russia's nationalization of industries as a means of sustaining Putin's patronage network, see Anders Åslund, *Russia's Crony Capitalism: The Path from Market Economy to Kleptocracy* (New Haven, CT: Yale University Press, 2019), 86–87, 95. On the crackdown on dissent and stoking of nationalism, see Bunce and Hozic, "Diffusion-Proofing and the Russian Invasion of Ukraine"; Stoner, *Russia Resurrected*, 249–262.

95. "Milk without the Cow," *Economist*, October 20, 2016, https://www.economist.com/special-report/2016/10/20/milk-without-the-cow.

96. Russia expanded into the Arctic to secure natural resources, sending tens of thousands of troops there and conducting regular military patrols and exercises. See Markowitz, *Perils of Plenty*, 80–123.

97. Ibid.

98. William E. Pomeranz, "Ground Zero: How a Trade Dispute Sparked the Russia-Ukraine Crisis," in Wood et al., *Roots of Russia's War in Ukraine*, 54–55; Samuel Charap and Timothy J. Colton, *Everyone Loses: The Ukraine Crisis and the Ruinous Contest for Post-Soviet Eurasia* (London: Routledge, 2017), 102–127; Chris Miller, *Putinomics: Power and Money in Resurgent Russia* (Chapel Hill: University of North Carolina Press, 2018), 140–144; Pomeranz, "Ground Zero," 54–55; Andrej Krickovic and Maxim Bratersky, "Benevolent Hegemon, Neighborhood Bully, or Regional Security Provider?

late 2011, "a powerful supranational association, capable of becoming one of the poles of the modern world."[99] To underscore his ambitions, Putin increased Russia's defense spending by 7 percent in 2011 and 15 percent in 2012. By 2013, Russia's defense budget was more than 50 percent larger than it had been in 2007.[100]

In 2012, however, the European Union (EU) threatened Russia's trade prospects by offering a "deep and comprehensive free trade agreement" to Ukraine, the most populous former Soviet state and main producer of Russia's military hardware.[101] The agreement would have granted Ukraine extensive access to European markets in exchange for Kyiv cutting ties to Russia's military and adopting EU regulatory standards, which would have barred many Russian products from the Ukrainian market.[102] The agreement also called for integrating Ukraine into the EU's common security and defense policy, a move that Putin viewed as a Trojan horse for NATO membership.[103]

Ironically, Russia's entry into the World Trade Organization (WTO) in 2012 exacerbated its negative trade prospects. With the exception of commodities and military hardware, few Russian industries could compete on international markets without the aid of state subsidies. For that reason, the Russian Ministry of Economic Development estimated that Russia would lose $13 billion from 2012 to 2014 alone as foreign competitors displaced domestic producers in the wake of Russia's WTO entry.[104] Meanwhile, the U.S. Congress tied its approval of normal trade relations with Russia to passage of the Magnitsky Act, which authorized the United States to freeze the assets of foreign human rights offenders, including senior Russian leaders.[105] Thus,

Russia's Efforts to Promote Regional Integration after the 2013–2014 Ukraine Crisis," *Eurasian Geography and Economics* 57, no. 2 (2016): 180–202, https://doi.org/10.1080/15387216.2016.1211026.

99. Quoted in Andrej Krickovic, "Imperial Nostalgia or Prudent Geopolitics? Russia's Efforts to Reintegrate the Post-Soviet Space in Geopolitical Perspective," *Post-Soviet Affairs* 30, no. 6 (2014): 503–528, https://doi.org/10.1080/1060586X.2014.900975.

100. Military Expenditure Database, Stockholm International Peace Research Institute (SIPRI), 2022, https://www.sipri.org/databases/milex.

101. Richard Sakwa, *Russia against the Rest: The Post–Cold War Crisis of World Order* (Cambridge: Cambridge University Press, 2017), 144–152; Stoner, *Russia Resurrected*, 43–44; Jokull Johannesson, "Russia's War with Ukraine Is to Acquire Military Industrial Capability and Human Resources," *Journal of International Studies* 10, no. 4 (2017): 63–71, https://doi.org/10.14254/2071-8330.2017/10-4/4.

102. Pomeranz, "Ground Zero," 61; Elias Götz, "It's Geopolitics, Stupid: Explaining Russia's Ukraine Policy," *Global Affairs* 1, no. 1 (2015): 3–10, https://doi.org/10.1080/23340460.2015.960184.

103. Götz, "It's Geopolitics, Stupid," 4.

104. "Russia Could Lose $13 Billion from WTO Entry, Economy Minister Says," *Moscow Times*, July 10, 2012, https://www.themoscowtimes.com/2012/07/09/russia-could-lose-13bln-from-wto-entry-economy-minister-says-a16133.

105. Pomeranz, "Ground Zero," 57.

Russia's initiation into the WTO raised tensions with the West and fueled Putin's determination to consolidate a Russian-led regional trade bloc.[106]

Toward that end, Russia began aggressively pressuring Ukraine to reject the EU's trade deal. Russia both promised Ukraine a 30 percent reduction in gas prices, lower tariffs, and $15 billion for joining the Eurasian Economic Union and threatened steep tariffs on Ukrainian goods for signing with the EU. In November 2013, Moscow had seemingly achieved its objectives when Ukrainian President Victor Yanukovych rejected the EU deal. That decision, however, sparked protests in Kyiv that forced Yanukovych to flee to Russia. The next day, the Ukrainian parliament voted to replace his government with one that enthusiastically backed the EU deal. The change in regime reoriented Ukraine away from Russia and toward the West. It also galvanized Putin's domestic political opponents. Alexey Navalny, a Putin rival who had won nearly a third of the vote in Moscow's mayoral election in 2013, celebrated the Ukrainian coup as a "popular uprising" against "corrupt authorities" and suggested that it could serve as a model for political change in Russia.[107]

The Kremlin feared that Ukraine was about to split in half, that the EU would swallow the western portion of the country, that Russia would lose its gas deals with Ukraine and its naval base in Crimea, and that the resulting chaos might spark domestic unrest within Russia.[108] To prevent those outcomes, in 2014 Russia annexed Crimea and supported pro-Russia separatists in Donetsk and Luhansk, together known as the Donbass region of southeastern Ukraine.

CHINA, 2012

Since 1978, the economy in China has grown faster, for longer, than in any country ever. Propelled by a demographic dividend and easy access to Western markets and capital, Beijing rode a wave of hyperglobalization from the 1980s to the 2010s to become the world's workshop and its second-largest economy.

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106. Notably, Putin tried to get the Eurasian Economic Union admitted to the World Trade Organization (WTO) as a unified trade bloc. He also demanded that the WTO allow members to defend national industries during times of insecurity. Ibid., 56–58.
107. Miller, "What Putin Really Feared in Ukraine."
108. Miller, *Putinomics*, 144–145; Daniel Treisman, "Why Putin Took Crimea: The Gambler in the Kremlin," *Foreign Affairs* 95, no. 3 (May/June 2016): 47–54, https://www.foreignaffairs.com/articles/ukraine/2016-04-18/why-russian-president-putin-took-crimea-from-ukraine; Anthony H. Cordesman, "Russia and the 'Color Revolutions': A Russian Military View of a World Destabilized by the U.S. and the West (Full Report)" (Washington, DC: Center for Strategic and International Studies, May 28, 2014), https://www.csis.org/analysis/russia-and-color-revolution.

During this high-growth period, China's leaders maintained ambitious objectives, including reabsorbing Taiwan, controlling swathes of the East China Sea and the South China Sea, "blunting" the global spread of democracy, and breaking the chain of U.S. alliances in East Asia.[109] With some glaring exceptions, however, China's approach to pursuing these interests was relatively peaceful.[110] Confident in a growing economy, and wary of U.S.-led encirclement, Chinese leaders mainly relied on the lure of their nation's vast market to extract concessions from other countries.[111] From the 1990s to the mid-2000s, China settled border disputes with seven neighbors;[112] joined major international organizations, including the WTO;[113] and shelved plans to build aircraft carriers and other military power-projection platforms.[114] Western firms reported that China's business climate was becoming friendlier;[115] and rigorous research suggested that China was, on the whole, behaving as a "status quo power."[116] In short, China carried out a "peaceful rise" strategy during its high-growth years.[117]

In the late 2000s, however, China's rapid growth and geopolitical moderation started to end. In March 2007, Premier Wen Jiabao warned that China's investment- and export-dependent economy had become "unsteady, unbalanced, uncoordinated, and unsustainable."[118] A year later, the 2008 global financial crisis caused world trade to plummet by 15 percent in a single quarter.[119]

109. Doshi, *The Long Game*, 47–158.
110. Glaring exceptions include: a 1988 naval battle in the Spratly Islands, during which China killed nearly seventy Vietnamese sailors; the 1989 Tiananmen Square Massacre; the 1994 annexation of Mischief Reef; the 1995–1996 Taiwan Strait Crisis; and the 2001 EP-3 reconnaissance aircraft incident. China also invested in "assassin's mace" military capabilities designed to destroy U.S. forces within several hundred miles of China's coastline. See Pillsbury, *The Hundred-Year Marathon*, 134–155.
111. Doshi, *The Long Game*, 53–67, 105–112.
112. M. Taylor Fravel, *Strong Borders, Secure Nation: Cooperation and Conflict in China's Territorial Disputes* (Princeton, NJ: Princeton University Press, 2008), 46–47.
113. Alastair Iain Johnston, "Is China a Status Quo Power?," *International Security* 27, no. 4 (Spring 2003): 5–56, https://doi.org/10.1162/016228803321951081.
114. Doshi, *The Long Game*, 68–100.
115. Yeling Tan, "How the WTO Changed China: The Mixed Legacy of Economic Engagement," *Foreign Affairs* 100, no. 2 (March/April 2021): 95, https://www.foreignaffairs.com/articles/china/2021-02-16/how-wto-changed-china.
116. Johnston, "Is China a Status Quo Power?"
117. Zheng Bijian, "China's 'Peaceful Rise' to Great Power Status," *Foreign Affairs* 84, no. 5 (September/October 2005), https://www.foreignaffairs.com/articles/asia/2005-09-01/chinas-peaceful-rise-great-power-status; Oriana Skylar Mastro, "The Stealth Superpower: How China Hid Its Global Ambitions," *Foreign Affairs* 98, no. 1 (January/February, 2019): 31–39, https://www.foreignaffairs.com/articles/china/china-plan-rule-asia.
118. "Wen Confident in Maintaining Economic Growth," *China Daily*, March 16, 2007.
119. Rudolf Bems, Robert C. Johnson, and Kei-Mu Yi, "The Great Trade Collapse," Working Paper no. 18632 (Cambridge, MA: NBER, December 2012).

Over the following year, Chinese export growth collapsed, twenty million workers lost their jobs, and labor strikes and protests proliferated around the country.[120]

Fearing a recession and internal unrest, China's leaders launched what became the largest credit expansion in history; from 2008 to 2018, Chinese firms and local governments took out an astounding $29 trillion in new credit.[121] This enormous injection of funds kept China's growth rates artificially high for a few years after 2008 but exacerbated a longer-term slowdown. Awash in easy money, local governments and state-owned enterprises spent trillions of dollars on loss-making projects, including the construction of more than fifty "ghost cities."[122] The spending binge also provoked China's trade partners, many of which were unwilling to absorb a glut of Chinese exports as they struggled to stabilize their own economies. China faced nearly eight hundred new trade barriers in 2009 alone and thousands more during the 2010s.[123] Meanwhile, a dozen of China's major trading partners, which collectively constituted 40 percent of the global economy, were negotiating what eventually became the Trans-Pacific Partnership. Not only did this trade bloc exclude China, but it was designed "to make sure the United States—and not countries like China—is the one writing this century's rules for the world's economy," as U.S. President Barack Obama later declared.[124]

As these economic headwinds gathered speed, internal Chinese government

120. Sharon LaFraniere, "China Puts Joblessness for Migrants at 20 million," *New York Times*, February 2, 2009, https://www.nytimes.com/2009/02/03/world/asia/03china.html; Zheping Huang, "China Has Seen a 13-Fold Increase in Labor Strikes and Protests since 2011—and It's Cracking Down," *Quartz*, December 23, 2015, https://qz.com/580553/china-is-cracking-down-on-labor-rights-ngos-in-its-worlds-factory-with-a-state-media-smear-campaign.

121. On Chinese leaders' fears of economic decline and domestic unrest, see Barry Naughton, "China and the Two Crises: From 1997 to 2009," in T. J. Pempel and Keiichi Tsunekawa, eds., *Two Crises, Difference Outcomes: East Asia and Global Finance* (Ithaca, NY: Cornell University Press, 2015), 118–123. On Chinese credit expansion, see Daniel H. Rosen and Logan Wright, *Credit and Credibility: Risks to China's Economic Resilience* (Washington, DC: Center for Strategic and International Studies, October 2018), 1.

122. Koh Qing, "China Wasted $6.9 Trillion on Bad Investment Post-2009," Reuters, November 20, 2014, https://www.reuters.com/article/china-economy-investment/china-wasted-6-9-trillion-on-bad-investment-post-2009-media-idUSL3N0TA2KP20141120; Guanghua Chi et al., "Ghost Cities Analysis Based on Positioning Data in China," Baidu Big Data Lab, 2015, https://doi.org/10.48550/arXiv.1510.08505; Wade Shepard, *Ghost Cities of China: The Story of Cities without People in the World's Most Populated Country* (London: Zed Books, 2015); Atif Ansar et al., "Does Infrastructure Investment Lead to Economic Growth or Economic Fragility? Evidence from China," *Oxford Review of Economic Policy* 32, no. 3 (2016): 360–390, https://doi.org/10.1093/oxrep/grw022.

123. Global Trade Alert, accessed May 1, 2023, https://www.globaltradealert.org/country/all/affected-jurisdictions_42/period-from_20090101/period-to_20220815.

124. Barack Obama, "Writing the Rules for 21st Century Trade," White House, February 18, 2015, https://obamawhitehouse.archives.gov/blog/2015/02/18/president-obama-writing-rules-21st-century-trade.

reports began painting pessimistic pictures of an economy beset by slowing growth, foreign protectionism, soaring debt, diminishing returns, and looming demographic and environmental crises.[125] "Facing these challenges," one review of Chinese sources concludes, "Chinese officials and state-affiliated researchers were concerned and gloomy."[126] China's hope for a return to steady growth and expanding market access, another study concludes, quickly "gave way to concerns about economic and political stability" and "a consensus that industrial overproduction remained a serious problem that could hobble China's future economic growth."[127]

Yet China's leaders also perceived a tantalizing opportunity.[128] The great recession had thrown the international balance of power into flux by hobbling the U.S. economy and polarizing politics across the democratic world. Hyperglobalization had stalled, but the eroding liberal order was creating space for a more China-centric system—and thanks to decades of rapid growth, China had more tools to forge such a system than at any point in its modern history. Consequently, as Thomas Christensen explains, China's leaders were imbued with "a strange mix of confidence on the international stage and insecurity at home."[129] They could reshape the international system in their favor, but only by adopting a more assertive grand strategy.

The first sign of this new strategy emerged in July 2009, when president Hu Jintao declared at the Chinese Communist Party's (CCP) 11th Ambassadorial Conference that China "must more actively promote the resolution of international and regional hot-spots related to China's core interests . . . make more offensive moves, and actively guide the situation to develop in a favorable direction."[130] Premier Wen elaborated on the economic prong of this strategy in his 2010 *Government Work Report*. "Trade protectionism is clearly reasserting itself," he warned, and China's economy was beset by "considerable excess capacity" and "insufficient internal impetus driving economic growth."[131] In

125. Daniel C. Lynch, *China's Futures: PRC Elites Debate Economics, Politics, and Foreign Policy* (Stanford, CA: Stanford University Press, 2015); Margaret M. Pearson, Meg Rithmire, and Kellee S. Tsai, "China's Party-State Capitalism and International Backlash: From Interdependence to Insecurity," *International Security* 47, no. 2 (Fall 2022): 135–176, https://doi.org/10.1162/isec_a_00447.
126. Min Ye, *The Belt and Road and Beyond: State-Mobilized Globalization in China: 1998–2018* (New York: Cambridge University Press, 2020), 3.
127. Axel Dreher et al., *Banking on Beijing: The Aims and Impacts of China's Overseas Development Program* (New York: Cambridge University Press, 2022), 285–286.
128. Doshi, *The Long Game*, 159–182, 261–296.
129. Thomas J. Christensen, "The Advantages of an Assertive China: Responding to Beijing's Abrasive Diplomacy," *Foreign Affairs* 90, no. 2 (March/April 2011): 59, https://www.foreignaffairs.com/articles/east-asia/2011-02-21/advantages-assertive-china.
130. Quoted in Doshi, *The Long Game*, 180.
131. Wen Jiabao, 2010 Report on the Work of the Government, Delivered at the 3rd Session of the

response, the government needed to assert "macro-control" over the economy and pursue two objectives: (1) "transform the pattern of economic development" by "fostering emerging industries of strategic importance"; and (2) "steadily develop foreign trade . . . by opening new markets."[132]

China's authoritarian system facilitated this combination of statist industrial policy and overseas market expansion. The CCP owns almost all of China's land; roughly two-thirds of its assets; the four largest banks in the world; and major firms in critical sectors, including energy, transportation, heavy industry, and telecommunications.[133] In addition, CCP members hold the top positions in 95 percent of the country's largest private firms.[134] China's leaders, therefore, were highly capable of controlling economic policy—and heavily incentivized to find ways to maintain solid growth without giving up that control.[135] These facts were underscored in November 2013, when the World Bank worked with the CCP to develop 336 reform proposals designed to liberalize China's growth model by allowing markets to "play a decisive role in allocating national resources."[136] Less than 10 percent of those reforms were ever implemented.[137] Instead, the CCP doubled down on mercantilist expansion in an attempt to patch its economic problems while maintaining its authoritarian grip on power.[138] The CCP reasserted tight control over the economy—assets owned by the state more than doubled from 2008 to 2012—and then used that

11th National People's Congress on March 5, 2010, https://china.usc.edu/wen-jiabao-2010-report-work-government-march-5-2010.
132. Ibid.
133. Nicholas R. Lardy, *The State Strikes Back: The End of the Reform Era* (Washington, DC: Peterson Institute for International Economics, 2019); Chang-Tai Hsieh and Zheng Song, "Grasp the Large, Let Go of the Small: The Transformation of the State Sector in China," *Brookings Papers on Economic Activity*, Spring 2015, 295–366, https://www.brookings.edu/wp-content/uploads/2016/07/2015a_hsieh.pdf; Curtis J. Milhaupt and Wentong Zheng, "Beyond Ownership: State Capitalism and the Chinese Firm," *Georgetown Law Journal* 103, no. 3 (March 2015): 665–722, https://law.stanford.edu/publications/beyond-ownership-state-capitalism-and-the-chinese-firm/.
134. Chun Han Wong and Eva Dou, "Foreign Companies in China Get a New Partner: The Communist Party," *Wall Street Journal*, October 29, 2017, https://www.wsj.com/articles/foreign-companies-in-china-get-a-new-partner-the-communist-party-1509297523.
135. Mark Wu, "The 'China, Inc.' Challenge to Global Trade Governance," *Harvard International Law Journal* 57, no. 2 (Spring 2016): 261–324, https://harvardilj.org/wp-content/uploads/sites/15/HLI210_crop.pdf.
136. "Market to Play 'Decisive' Role in Allocating Resources," Xinhua, November 12, 2013; Barry Naughton, "The Challenges of Economic Growth and Reform," in Robert S. Ross and Jo Inge Bekkevold, eds., *China in the Era of Xi Jinping* (Washington, DC: Georgetown University Press, 2016), 80.
137. Daniel H. Rosen, "China's Economic Reckoning: The Price of Failed Reforms," *Foreign Affairs* 100, no. 4 (July/August 2021), https://www.foreignaffairs.com/articles/china/2021-06-22/chinas-economic-reckoning.
138. Nadège Rolland, *China's Eurasian Century? Political and Strategic Implications of the Belt and Road Initiative* (Washington, DC: National Bureau of Asian Research, 2017), 93–120.

control to launch the most extravagant campaign of industrial policies and overseas investments the world has ever seen.[139]

"After 2010," Barry Naughton shows in a detailed study, "China was committed to a full panoply of industrial policies" and would go on to spend more than twice as much on technological development as any other nation during the 2010s, both in absolute terms and as a share of its economy.[140] Whereas past policies focused on catching up to technological leaders in existing industries, China's new policy called for leapfrogging the rest of the world in emerging technologies, such as artificial intelligence and synthetic biology.[141] Naughton attributes this ambitious approach to China's growth slowdown: "This new Chinese government effort expanded just as the Chinese economy was slowing. To be sure, the new policy package was a response to the slowdown, not the cause of it."[142]

Slowing growth also drove Chinese economic expansion overseas. After the 2008 financial crisis, Chinese strategists assessed that their traditional export markets in the United States, Europe, and Japan had become "saturated" and plagued by "financial crises and trade frictions."[143] To boost exports, and thereby maintain government revenues, CCP strategists proposed a "Marshall Plan" to "proactively create external demand" for Chinese goods in emerging markets.[144] Accordingly, the Hu administration began engaging in "infrastructure diplomacy" during the final two years of its reign, extending billions

139. On the more than doubling of state-owned assets, see Tan, "How the WTO Changed China," 98. On the CCP asserting tight control over the Chinese economy, see Pearson, Rithmire, and Tsai, "China's Party-State Capitalism." Notably, the authors conclude on page 136: "This change has been driven by the leadership's uncertainty about its economic model, heightened anxiety after the 2007–2009 global financial crisis, and a more generalized perception of domestic and external threats."
140. Barry Naughton, *The Rise of China's Industrial Policy, 1978 to 2020* (Ciudad Universitaria, Mexico: Academic Network of Latin America and the Caribbean on China, 2021), 49. On China's industrial policy spending, see Gerard DiPippo et al., *Red Ink: Estimating Chinese Industrial Policy Spending in Comparative Perspective* (Washington, DC: Center for Strategic and International Studies, 2022), 2.
141. In 2010, Chinese policymakers began to parrot the slogan "occupy the commanding heights of the technology revolution" as short-hand for this policy. Naughton, *The Rise of China's Industrial Policy*, 71.
142. Ibid., 13.
143. Luo Jianbo, director of the Chinese Diplomatic Research Division of the Institute of International Strategic Studies at the CCP Central Party School, quoted in Nadège Rolland, *A New Great Game? Situating Africa in China's Strategic Thinking*, Special Report 91 (Seattle: National Bureau of Asian Research, June 2021), 13, https://www.nbr.org/publication/a-new-great-game-situating-africa-in-chinas-strategic-thinking/.
144. Zhang Monan, "Jiji zhudong de chuangzao waixu shishi zhongguoshi maxieer jihua" [Ac-

of dollars in loans to dozens of developing countries from 2010 to 2012.[145] After assuming power, President Xi Jinping rebranded this campaign in 2013 as the Belt and Road Initiative (BRI) and greatly expanded its scope and scale to curb China's industrial overcapacity, which Xi described as "the root cause" of China's economic woes that would "trigger an economic crisis" if not resolved.[146]

Chinese leaders also believed that expanding into new markets would enhance their leverage over trade partners and, ultimately, reorient the global economy on terms more favorable to Beijing. Behind closed doors at the 18th National Congress held in November 2012, Xi told delegates that the CCP's previous policies of reform and opening had allowed the United States and other rich nations to "hijack" China's economy.[147] Western firms exploited China's cheap labor and plowed the savings into innovation, thereby reinforcing their technological lead. To avoid becoming a cog in Western supply chains, Xi and other top officials reasoned, China needed to cultivate indigenous innovation and new markets where it would be the dominant dispenser of capital and technology.[148]

Driven by these imperatives, China massively expanded its economic presence abroad. From 2010 to 2017, China doled out over $1 trillion in loans to more than one hundred countries, a sum greater than the sovereign lending of the twenty-two Paris Club governments combined.[149] The main goal of this lending was to create privileged economic zones where Chinese firms could

tively and proactively create external demand and implement the Chinese Marshall Plan], *Zhongguo jingji daobao* [Chinese Economic Daily], June 27, 2009.
145. Min Ye, *The Belt and Road and Beyond*, 117–118.
146. Quoted in Yangpeng Zheng, "New Warning on Overcapacity," *China Daily*, November 5, 2013, https://usa.chinadaily.com.cn/business/2013-11/05/content_17080567.htm. In October 2013, a few weeks after Xi announced the BRI in Kazakhstan, China's State Council issued the "Guidelines for Resolving Severe Overcapacity," which set out a roadmap to resolve overcapacity in major industries within five years. See Zhiwei Zhang, "China Guidelines Announced to Resolve Overcapacity Problem," *China Money Network*, October 17, 2013, https://www.chinamoneynetwork.com/2013/10/17/china-guidelines-announced-to-resolve-overcapacity-problem.
147. Katsuji Nakazawa, "Xi, Not Trump, Started on Path to Decoupling," *Nikkei Asia*, April 20, 2023, https://asia.nikkei.com/Editor-s-Picks/China-up-close/Analysis-Xi-not-Trump-started-on-path-to-decoupling.
148. Julian Gerwitz, "The Chinese Reassessment of Interdependence," *China Leadership Monitor*, no. 64 (Summer 2020), https://www.prcleader.org/gewirtz; Alicia Garcia Herrero, "What Is behind China's Dual Circulation Strategy?," *China Leadership Monitor*, no. 69 (Fall 2021), https://www.prcleader.org/herrero.
149. Dreher et al., *Banking on Beijing*, fig. 4.1; Sebastian Horn, Carmen M. Reinhart, and Christoph Trebesch, "China's Overseas Lending," *Journal of International Economics* 133 (November 2021): 1–32, https://doi.org/10.1016/j.jinteco.2021.103539.

dump excess capacity in poor countries while maintaining non-tariff barriers on rich countries.[150] Beijing typically targeted areas that were packed with resources or potential consumers, or that had ports near China's main trade routes. Then it extended a panoply of credit, goods, services, and technologies to partner governments, many of which ended up taking Chinese loans to employ Chinese workers to build infrastructure and install Chinese telecommunication and "smart city" systems. These "coordinated credit spaces" not only drummed up business for Chinese firms but also drew partners into China's ecosystem of products and services.[151] "The goal is not simply profit maximization," Stephen Kaplan explains, but "market maximization."[152] To facilitate this process, the central government paired Chinese provinces with countries that seemed ideally suited to alleviate their specific overcapacity problems.[153] Provincial governments then directed local companies to relocate production capacity to those countries.

The impetus for this expansion was slowing growth at home and declining trade prospects abroad. As Min Ye concludes from her review of Chinese sources, "GDP growth rates had continued to slide, corporate performance was in trouble, and industrial overcapacities were widespread. . . . These economic pressure points provoked a sense of urgency—the state had to respond and respond quickly. . . . It was against this background of crises and state paralysis that the BRI was launched."[154] Zenobia Chan reaches a similar conclusion based on hundreds of elite interviews, Chinese government documents, and quantitative data on China's overseas project contracts:

China was facing a confluence of economic, political, and diplomatic challenges that could jeopardize the legitimacy of the Chinese Communist Party (CCP). On the economic front, substantial excess industrial capacity and re-

150. Zenobia T. Chan, "Affluence without Influence? The Inducement Dilemma in Economic Statecraft" (unpublished manuscript, October 10, 2022), https://drive.google.com/file/d/1SyXgHDz37p-5V02527G5MlVAKmvTqobA/view. Rolland, *China's Eurasian Century?*, 93–120; Charles Clover and Lucy Hornby, "China's Great Game: Road to a New Empire," *Financial Times*, October 12, 2015, https://www.ft.com/content/6e098274-587a-11e5-a28b-50226830d644.
151. Gregory T. Chin and Kevin P. Gallagher, "Coordinated Credit Spaces: The Globalization of Chinese Development Finance," *Development and Change* 50, no. 1 (January 2019): 245–274, https://doi.org/10.1111/dech.12470; Robert D. Atkinson, "A Remarkable Resemblance: Germany from 1900 to 1945 and China Today. Time for a NATO for Trade?," *International Economy*, Fall 2020, 14–17, 53–56, https://itif.org/publications/2021/01/20/remarkable-resemblance-germany-1900-1945-and-china-today-time-nato-trade/.
152. Stephen B. Kaplan, *Globalizing Patient Capital: The Political Economy of Chinese Finance in the Americas* (New York: Cambridge University Press, 2021), 48.
153. Dreher et al., *Banking on Beijing*, 286.
154. Min Ye, *The Belt and Road and Beyond*, 44.

gional inequality within China had only worsened after the 2008 Global Financial Crisis, hampering the economic growth the country had sustained for three decades. On the political front, ethnic conflicts and riots in Xinjiang and Tibet stemming from poverty, marginalization, and discrimination directly threatened the inter-ethnic harmony promoted by Beijing. On the diplomatic front, Chinese policymakers perceived the imminent threat of strategic encirclement under the Obama administration's "pivot to Asia" and the Trans-Pacific Partnership. Against the backdrop of these shocks to the CCP, the Belt and Road Initiative was launched.[155]

Economic expansion quickly spurred calls within China's leadership for military expansion to protect the country's increasingly far-flung assets.[156] From 2014 to 2016, the number of Chinese legal laborers abroad doubled from one to two million; tens of thousands of Chinese firms registered overseas; and China became the leading trade partner of many of the world's countries and the largest importer of food, energy, and other vital commodities.[157] Roughly 20 percent of China's overseas workers and investments were deployed in countries classified by the World Bank as highly unstable, and dozens of Chinese citizens were killed or kidnapped abroad during the 2010s.[158] Consequently, China's leaders developed a keen interest in overseas security.[159] "Wherever Chinese interests go, our security boundary must also go," one prominent strategist wrote in 2014.[160]

China's military had been gradually increasing its noncombat operations

155. Chan, "Affluence without Influence?," 16.
156. Timothy R. Heath, *China's Pursuit of Overseas Security* (Washington, DC: RAND Corporation, 2018).
157. Nadège Rolland, "Securing the Belt and Road: Prospects for Chinese Military Engagement along the Silk Roads," in Nadège Rolland, ed., *Securing the Belt and Road Initiative: China's Evolving Military Engagement along the Silk Roads*, Special Report 80 (Seattle: National Bureau of Asian Research, September 2019), 3, https://www.nbr.org/publication/securing-the-belt-and-road-initiative-chinas-evolving-military-engagement-along-the-silk-roads/.
158. Murray Scott Tanner and Peter W. Mackenzie, *China's Emerging National Security Interests and Their Impact on the People's Liberation Army* (Quantico, VA: Marine Corps University Press, 2015), 32.
159. Michael McDevitt, ed., *Becoming a Great "Maritime Power": A Chinese Dream* (Arlington, VA: Center for Naval Analyses, 2016), https://www.cna.org/archive/CNA_Files/pdf/irm-2016-u-013646.pdf; Liza Tobin, "Underway: Beijing's Strategy to Build China into a Maritime Great Power," *Naval War College Review* 71, no. 2 (Spring 2018): 17–48, https://digital-commons.usnwc.edu/cgi/viewcontent.cgi?article=1734&context=nwc-review; Jeffrey Becker, "Securing China's Lifelines across the Indian Ocean," *CMSI China Maritime Report*, 11 (December 2020), https://digital-commons.usnwc.edu/cmsi-maritime-reports/11/.
160. Zhang Wenmu, *Lun zhongguo haiquan* [On China's sea power] (Beijing: Haiyang chubanshe, 2014), 210–211, quoted in Isaac B. Kardon and Wendy Leutert, "Pier Competitor: China's Power Position in Global Ports," *International Security* 46, no. 4 (Spring 2022): 14, https://doi.org/10.1162/isec_a_00433.

abroad since 2004. In 2006, it began using law enforcement ships to enforce China's territorial claims in the South China Sea.[161] As the BRI was developed in the early 2010s, however, Chinese analysts began calling for the development of "strategic strongpoints"—a vast overseas port and base network concentrated around global chokepoints.[162] The 2013 edition of *China's Military Strategy* tasked the People's Liberation Army for the first time with safeguarding China's overseas interests, and the 2015 version of that document declared that protecting overseas interests had become as important as defending China itself.[163]

This new emphasis on "open seas protection" contributed to a massive expansion of Chinese power-projection forces.[164] From 2014 to 2018, China launched more large warships than were in the British, Indian, Spanish, Taiwanese, and German fleets combined.[165] Whereas China launched ten destroyers in twenty years from 1990 to 2010, it launched twenty-four destroyers in just eight years from 2010 to 2018. Prior to 2009, China had shelved plans to build aircraft carriers, but in the 2010s it launched two carriers and prepared to build at least two more in the 2020s.[166] China also built and militarized

161. On noncombat operations, see M. Taylor Fravel, "Economic Growth, Regime Insecurity, and Military Strategy: Explaining the Rise of Noncombat Operations in China," *Asian Security* 7, no. 3 (2011): 177–200, https://doi.org/10.1080/14799855.2011.615080. On maritime law enforcement, see Andrew Chubb, "Xi Jinping and China's Maritime Policy," Brookings Institution, January 22, 2019, https://www.brookings.edu/articles/xi-jinping-and-chinas-maritime-policy/.
162. Conor M. Kennedy, "Strategic Strong Points and Chinese Naval Strategy," *China Brief* 19, no. 6 (2019), https://jamestown.org/program/strategic-strong-points-and-chinese-naval-strategy/; Christopher Len, "China's 21st Century Maritime Silk Road Initiative, Energy Security and SLOC Access," *Maritime Affairs* 11, no. 1 (2015): 1–18, https://www.tandfonline.com/doi/abs/10.1080/09733159.2015.1025535.
163. *The Diversified Employment of China's Armed Forces* (Beijing: State Council Information Office of the People's Republic of China, April 2013), http://www.andrewerickson.com/wp-content/uploads/2019/07/China-Defense-White-Paper_2013_English-Chinese_Annotated.pdf; *China's Military Strategy* (Beijing: State Council Information Office of the People's Republic of China, May 2015), http://english.www.gov.cn/archive/white_paper/2015/05/27/content_281475115610833.htm. In 2015, China also released a central-level document calling for a vast increase in overseas transport infrastructure focused on maritime chokepoints. See National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce, "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road," Xinhua she, March 28, 2015.
164. Doshi, *The Long Game*, 184; Christopher J. McMahon, "The Middle Kingdom Returns to the Sea, While America Turns Its Back—How China Came to Dominate the Global Maritime Industry, and the Implications for the World," *Naval War College Review* 74, no. 2 (Spring 2021): 81–114, https://digital-commons.usnwc.edu/nwc-review/vol74/iss2/7.
165. Brad Lendon, "China Has Built the World's Largest Navy. Now What's Beijing Going to Do with It?," *CNN*, March 5, 2021, https://www.cnn.com/2021/03/05/china/china-world-biggest-navy-intl-hnk-ml-dst/index.html.
166. Rick Joe, "Predicting the Chinese Navy of 2030," *Diplomat*, February 15, 2019, https://thediplomat.com/2019/02/predicting-the-chinese-navy-of-2030.

seven artificial islands in the South China Sea, negotiated its first official overseas base in Djibouti, and purchased or leased dozens of ports near the world's most heavily trafficked maritime chokepoints—and made many of those ports capable of hosting large warships.[167] Beginning in 2012, China began creating "strategic projection support ship fleets," which are essentially armadas of car ferries, container and bulk carriers, tankers and other large vessels capable of ferrying military equipment and vehicles to distant locations.[168] Armed with a growing array of power-projection platforms, China significantly increased its overseas military activity and use of coercion after the late 2000s—especially sanctions, ramming of ships, and aerial intercepts—to assert its maritime claims.[169]

Many studies document these and other instances of Chinese aggressiveness since the late 2000s. Less often noted is that China's surge of mercantilist expansion occurred amid the nation's most protracted economic slowdown of the post-Mao era.

Conclusion

Every peaking power over the past 150 years expanded its economic and military presence abroad as its economy slowed. Many of these cases are well known—the late-nineteenth-century United States, imperial Russia, imperial Japan, Putin's Russia, and contemporary China—but even postwar Japan, a country not usually thought of as expansionist, significantly increased its overseas footprint as its era of rapid growth came to an end. In short, expansion has been the dominant response to peaking power. The main question has

167. "China's 'Maritime Road' Looks More Defensive than Imperialist," *Economist*, September 28, 2019, https://www.economist.com/graphic-detail/2019/09/28/chinas-maritime-road-looks-more-defensive-than-imperialist; Kardon and Leutert, "Pier Competitor," 22–26.
168. Conor M. Kennedy, "Civil Transport in PLA Power Projection," *CMSI China Maritime Report*, 4 (December 2019), https://digital-commons.usnwc.edu/cmsi-maritime-reports/4; Conor M. Kennedy and Andrew S. Erickson, "China's Third Sea Force, The People's Armed Forces Maritime Militia: Tethered to the PLA," *CMSI China Maritime Report*, 1 (March 2017), https://digital-commons.usnwc.edu/cmsi-maritime-reports/1/.
169. Andrew Chubb, "PRC Assertiveness in the South China Sea: Measuring Continuity and Change, 1970–2015," *International Security* 45, no. 3 (Winter 2020/21): 93, https://doi.org/10.1162/isec_a_00400; Ketian Zhang, "Cautious Bully: Reputation, Resolve, and Beijing's Use of Coercion in the South China Sea," *International Security* 44, no. 1 (Summer 2019): 133, https://doi.org/10.1162/isec_a_00354; Gregory B. Poling, Tabitha Grace Mallory, and Harrison Prétat, *Pulling Back the Curtain on China's Maritime Militia* (Washington, DC: Center for Strategic and International Studies, 2021); Edmund J. Burke et al., *China's Military Activities in the East China Sea: Implications for Japan's Air Self-Defense Force* (Washington, DC: RAND Corporation, 2018), 26.

been how that expansion took place, an outcome that depended heavily on each peaking power's trade prospects and regime type. The autocracies with poor trade prospects (imperial Russia, imperial Japan, and Putin's Russia) resorted to military coercion and conquest, the most aggressive forms of mercantilism. China today may be headed in a similar direction, although its growth slowdown is ongoing. By contrast, the two democracies with good trade prospects, the United States and postwar Japan, employed a more moderate and market-based set of responses to slowing growth.

There are two main implications of these findings. First, they amend classic theories of great power expansion and conflict. An enormous literature focuses on power transitions between rising and declining states and debates whether the former or latter are more likely to upend the international system. In contrast, I have suggested in this article that rising and declining states are often peaceful—the former because they can be, the latter because they must be—whereas peaking powers tend to be the prime drivers of geopolitical conflict. Many of the cases that scholars have classified as rising or declining powers that turned aggressive were instead peaking powers suffering severe economic slowdowns. These peaking powers did not immediately launch preventive wars, as some theories predict. Instead, they engaged in mercantilist expansion to try to rekindle their rise. In most cases, that expansion fueled security competition with rival nations and culminated in violent conflict. But the chain of events leading to that climax was often more complex and contingent than the theories of preventive and diversionary war would predict. Future research should focus on understanding those causal chains and the peaking power dynamics that catalyzed them.

Second, much of the debate on U.S. policy toward China concentrates on the perils of an ascendant and confident China. Yet the United States actually faces a more volatile threat: an ambitious and anxious China suffering a prolonged economic slowdown. China's economic growth rates are sliding and could fall further in the coming years as debt, demographic decline, environmental degradation, and other headwinds take their toll.[170] Economic stagnation would render China a less fearsome long-term rival to the United States, but possibly a more explosive near-term threat. Whereas a fast-growing China could afford to expand slowly and back down in crises—safe in the knowledge that its wealth, power, and status were rising and that the legitimacy of the CCP was

170. Michael Beckley, *Unrivaled: Why America Will Remain the World's Sole Superpower* (Ithaca, NY: Cornell University Press, 2018), 33–61, 98–134; Beckley and Brands, "The End of China's Rise."

secure—an economically sluggish China could be more desperate for economic outlets and primed to react violently to slights and setbacks.

Indeed, it is hard to see how the CCP could do otherwise. The regime has already dialed up nationalist propaganda, pledged to make China whole again by taking back territories lost in previous eras, loaned hundreds of billions of dollars of Chinese taxpayers' money to foreign governments that will struggle to repay those debts, and adopted a national security strategy that calls for preventive action against threats to CCP security. Xi Jinping has attached his legitimacy to many of these initiatives, and powerful interest groups—including state-owned industrial firms and the armed forces—favor China's current strategy, because it channels money into their budgets.[171] Historically, great powers have struggled to escape foreign entanglements, especially when those entanglements benefited political elites.[172] China appears to be no exception to this pattern.[173]

The challenge for U.S. foreign policy is to contain China's mercantilist expansion without causing the CCP to lash out. Achieving that aim, in turn, requires U.S. policymakers to simultaneously deter Chinese aggression, allay China's insecurities, and insulate the United States from blowback should deterrence and assurance fail—no small task given the inherent tension among these objectives. If mishandled, U.S. policy could end up choking China economically and provoking it with tough talk over Taiwan and other issues while failing to deter Beijing militarily. History suggests that would be a recipe for disaster.

Two principles could help strike a better balance.[174] First, the United States should focus on competing in the few areas that could upend the balance of power. The two most pressing dangers are Beijing's efforts to conquer Taiwan and to monopolize and weaponize what the CCP calls economic "chokepoints," meaning goods and services that other countries cannot live without, such as telecommunications networks, computer chips, medical supplies, and rare earths. The United States does not need to confront China everywhere at once; enacting across-the-board trade sanctions, covert action programs to destabilize the CCP, or a U.S. version of the BRI, for example, would be financially ruinous and strategically destabilizing. Nor should U.S. policymakers

171. Susan L. Shirk, *Overreach: How China Derailed Its Peaceful Rise* (New York: Oxford University Press, 2022).
172. Snyder, *Myths of Empire*; Taliaferro, *Balancing Risks*.
173. For a detailed account of China's escalating repression and aggression, see Brands and Beckley, *Danger Zone*, 105–137.
174. For more explanation of these strategic principles, see ibid., 138–216.

engage in symbolic gestures, such as upgrading Taiwan's diplomatic status, that provoke Beijing without enhancing U.S. or allied capabilities. Instead, the United States should focus on blunting Chinese military and economic aggression while reacting calmly to, or even encouraging, initiatives that channel Chinese resources in less threatening directions. For example, if Beijing fritters away money on loss-making projects along the BRI or builds aircraft carriers that will not be combat-ready for decades, so much the better.

Second, competition with a peaking power is a race against the clock. Securing U.S. interests requires "strategic MacGyverism," using tools and partners available now rather than waiting for cutting-edge assets that may not materialize for many years.[175] The fact that China faces a challenging long-term trajectory will not be much consolation if Beijing nonetheless thrashes the United States in a war over Taiwan or achieves dominance over economic chokepoints this decade. To blunt these near-term threats, the United States will need to embrace second-best solutions, adapt old capabilities for new purposes, and assemble imperfect coalitions on the fly. Militarily, that means immediately procuring and deploying missile launchers and armed drones near Taiwan, even if doing so drains funds for longer-term investments in more advanced weapons systems. Economically, the United States needs to marshal a patchwork of "mini-lateral" coalitions to develop alternatives to Chinese products and to enforce targeted export and investment controls in critical sectors, as the United States and several of its allies recently did in the advanced semiconductor industry.

Perhaps in the 2030s, Chinese power will mellow, and a Sino-American diplomatic breakthrough will become possible. Now, however, is a moment of maximum danger, because a peaking China has both the means and the motive to upend key aspects of the international system, including the territorial status quo in East Asia, the openness of the global economy, and the dominance of democratic governments and norms. As China's epic rise comes to an end, and Xi's "China Dream" slips away, the United States must handle the CCP's mercantilist expansion with a sophisticated blend of deterrence, reassurance, and damage-limitation. Compared with waging a hegemonic struggle with a rising superpower, managing China's economic slowdown may seem like an uninspiring mission. But it would be wiser and ultimately more effective.

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175. See Michael Beckley and Hal Brands, "America Needs to Rediscover Strategic MacGyverism," *National Interest*, March 27, 2021, https://nationalinterest.org/feature/america-needs-rediscover-strategic-macgyverism-181245.