

Just Don't Call It Decoupling

The Biden administration is pushing back on the idea that it's seeking a full rupture with China

By Shawn Donnan

Faced with allies worried about the consequences of a fragmented world, the Biden administration is working hard to stress that—despite all the angst—it isn’t pursuing a long-term rupture or “decoupling” of the US and Chinese economies. Treasury Secretary Janet Yellen is carrying this message to the May 11-13 meeting of Group of Seven finance ministers, and President Joe Biden will bring it to leaders’ summits in Japan and Australia later this month.

Here’s the rub: China’s leaders certainly don’t put much stock in these assurances, and many US allies and businesses are skeptical, too, fretting they’ll end up as collateral damage in an escalating conflict between the world’s two biggest economies.

In a May 2 tweet, the *Global Times*, a Chinese state-owned newspaper, said the US “speaks sweet as honey, while stabbing in the back.” And just a day earlier, Singapore’s minister for foreign affairs, Vivian Balakrishnan, warned in a speech that the “bifurcation and the weaponization of trade, supply chains and even of money” could result in a “more dangerous world.”

The Biden administration hasn’t used the word “containment” to describe its China policies, but it’s difficult not to see at least some parallels to the US campaign to isolate the Soviet Union last century. The White House has worked to limit China’s access to high-end semiconductors and blacklisted Chinese companies for their ties to the military or their use of forced labor. And the administration isn’t done tightening the screws: Forthcoming are restrictions on US investment in China that both Biden and Yellen are expected to discuss on their trips.

The latest reassurances that the US isn’t

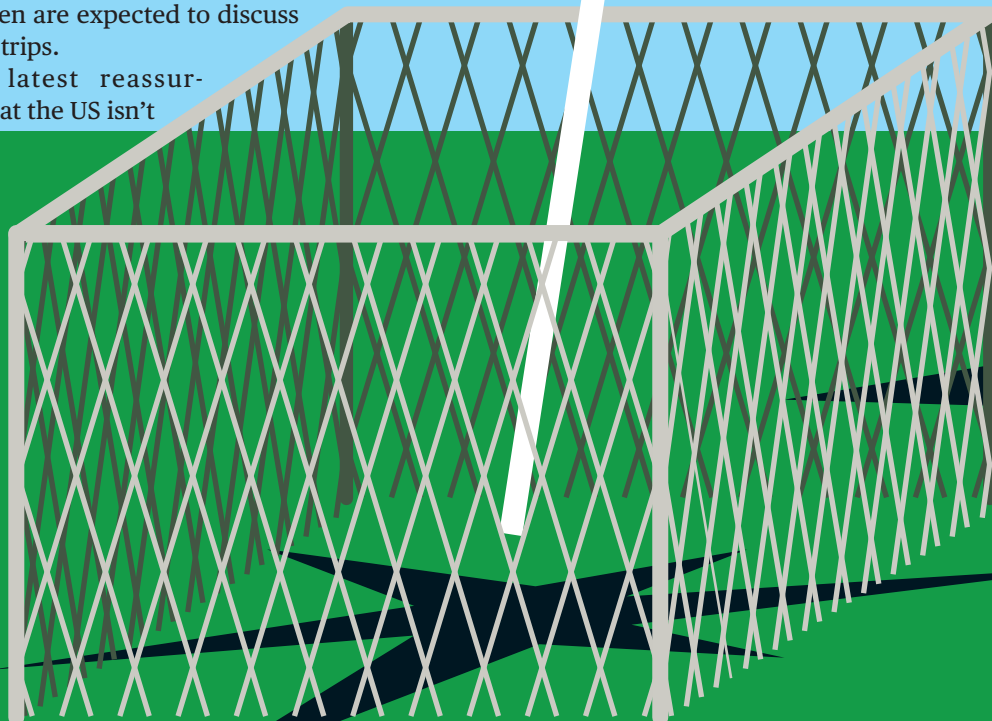
seeking to decouple from China came in speeches by Yellen and national security adviser Jake Sullivan. In remarks at the Johns Hopkins University School of Advanced International Studies on April 20, Yellen said that “a full separation of our economies would be disastrous for both countries” and “destabilizing for the rest of the world.” Sullivan a week later made news by appropriating the term “de-risking” used by European Commission President Ursula von der Leyen and other European leaders. “We are for de-risking and diversifying, not decoupling,” he said in a speech at the Brookings Institution laying out what he proclaimed to be a new “Washington consensus.”

US officials stress that the speeches weren’t meant to signal any change in China policy, the most aggressive bits of which they insist remain focused on limiting the country’s access to critical technologies, such as advanced semiconductors, that could be used for military purposes. The goal, as Sullivan has described it, is to create a “small yard, with a high fence.”

The US knows not everyone believes the message. The speeches were designed in part to appease nervous allies and articulate a policy that they argue has been misinterpreted. As one senior official says, if you’re not speaking, people start to impute views onto you.

And whenever the subject is a relationship as big as the one between the US and China, you’re talking to the world.

Although the speeches were drafted and planned independently, their common message was part of a broader administration campaign ▶



◀ to “get back to Bali,” meaning to wind back the clock to the meeting between Biden and Chinese President Xi Jinping on the Indonesian island last November, which held the promise of a less fractious relationship between the two countries.

They also were aimed at recalibrating the China rhetoric coming out of Washington—which has grown increasingly strident on issues such as Taiwan’s independence since a Chinese spy balloon drifted over the US earlier this year—as well as countering what some in the administration see as overly pessimistic warnings from the International Monetary Fund and other institutions about the dangers of “fragmentation.” (The word was on everyone’s lips at the fund’s spring meetings in April.)

Jennifer Harris, who until February served under Sullivan on the National Security Council, says the “discomfort” voiced by many of America’s trade and security partners is a consequence of the important policy shift under Biden that Sullivan was laying out. The US is “settling into a new status quo that is just a different—I would argue, more sustainable—place, long term,” Harris says. That’s one in which important decisions about the allocation of economic resources are no longer left to markets; it’s one in which a more interventionist government invests in strategic industries such as semiconductors at home and puts strict controls on related exports that might help rivals compete.

In Harris’s telling, this strategic pivot is a response to a world where the costs of globalization have come home to roost and driven the rise of populists such as Donald Trump in recent years. Warnings by the IMF and others that one big consequence of the sort of policies the US is pursuing is a fragmented world that will drag on global growth are “Cassandra-like and hyperbolic,” she says.

To call what the US is seeking “decoupling” misses both the point and the data, administration officials argue. Trade in goods between the US and China reached a record in 2022, they say, though they don’t mention that in the first quarter of this year, US imports of Chinese products were down 20% from the same period in 2022.

It also, the administration and its defenders argue, ignores the need to execute a reset on US policy on China, which for decades has been either too naively accommodating or, as it was in the Trump years, too chaotic. “This administration’s China strategy has always been—and they’ve meant it—that we’re dealing with the China we have, not the one we wish we had,” Harris says. “We’re shoring up vulnerabilities and making ourselves and our allies more resilient, beginning with a set of domestic investments coordinated with allies. Does this mean decoupling? No. The bilateral relationship with China is still there. But the more important question is how we are shaping the environment around China.”

China, of course, takes a different view, seeing a rival trying to restrain its rise. Xi in March accused the US of leading a Western campaign of “comprehensive containment, encirclement and suppression against us.”

“We’re shoring up vulnerabilities and making ourselves and our allies more resilient”

The issue for the US is that allies both in Asia and in Europe, while having their own concerns about China, don’t consider the US to be an innocent participant either. They quietly point to hypocrisy in Washington: The US is engaging in an economic nationalism that, despite the language, risks veering toward a breakup that none of them really want.

The US sees allies coming around and emulating its policies. As evidence, the Biden administration points to a March 30 speech by von der Leyen that called on Europe to reduce its dependence on China and also to collaborate with Japan, the Netherlands and other countries to curb exports of chipmaking equipment.

Still, by and large, America’s allies are indicating their preference for a more pragmatic path. After a May 1 meeting with Sullivan in Washington, Toshimitsu Motegi, the second-ranked official in Japan’s ruling Liberal Democratic Party, was quoted in the *Mainichi* newspaper as saying that “it is not realistic to decouple from China in all sectors” and citing an agreement with the US to “distinguish properly between fields where we can safely have a relationship and delicate fields where we need to be cautious.”

In resource-rich Australia, where Biden is due to meet his counterparts in the so-called Quad nations (Australia, India, Japan and the US) on May 24, leaders are reembracing China as an economic partner, with politicians and business executives again making the pilgrimage to the country.

The window for the US and China to find a calmer path is narrowing. There’s been talk of visits to China before the end of the year by Biden cabinet members Yellen, Secretary of State Antony Blinken and Secretary of Commerce Gina Raimondo. In normal times, Xi would attend November’s US-hosted Asia-Pacific Economic Cooperation, or APEC, summit in San Francisco.

Heading into the US presidential election in 2024, any engagement with China could become a political liability for Democrats in a raucous campaign in which opposition Republicans want to portray Biden as soft on China. Taiwan’s presidential contest in January could also provide a flashpoint.

Which raises an ominous prospect, say analysts such as Gerard DiPippo, a former US intelligence official now at the Center for Strategic & International Studies. “The way to actually reduce the temperature is to say, ‘We’re not going to do any more of these actions.’ I don’t think the White House is going to do that, for obvious political reasons. So I think basically the state of things now is close to as good as it is going to get.” **B** — *With Christopher Condon, Iain Marlow, Viktoria Dendrinou, Alan Crawford, Zibang Xiao, Isabel Reynolds, Philip Heijmans and Ben Westcott*

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