**Coronavirus and Decoupling
By: Patrick Coe**

**Part One: Three Strikes to Strategic Engagement**

**Introduction**

In 1971, President Nixon shocked the world by announcing his intention to meet with Chairman Mao Zedong on Chinese soil. The United States had yet to even formally recognize the Chinese Communist Party (CCP) as the legitimate governing body of mainland China. The meeting was ultimately the brainchild of Nixon’s famed national security advisor, Henry Kissinger. He posited that engaging with China offered tangible benefits to American interests unrealizable by continuing to undermine and isolate the regime. Despite the CCP’s horrendous human rights record and ideological origins that ran deeply against American values, Kissinger hoped that giving the CCP the international legitimacy it craved would earn the United States favor in advancing its immediate interests: withdrawing from Vietnam and undermining the USSR’s control of the communist world.[[1]](#footnote-1) In the longer term, it was hoped that promoting trade with China and the entrance of Western companies into China like Coca-Cola in 1978 would help lead China toward capitalism. While China was little help in America’s withdrawl from Vietnam, Nixon’s meeting laid the foundation for the opening of China’s economy. For the first time in Maoist China, Western firms were invited to cooperate with local state owned enterprises (SOEs) to manufacture and sell their products in China. After Mao’s death and under the leadership of Deng Xiaoping, the strategy appeared to be working even more successfully. China began experimenting with liberal economic reforms that transformed its economy. The agricultural communes were abandoned, private businesses were permitted to operate, and special economic zones were designated to further draw in foreign investment. By 1984, Chinese GDP was growing at an unprecedented 15.1%.[[2]](#footnote-2)

**A New Economic Relationship**

In 1992, the 14th National Communist Party Congress renewed Deng’s policy of promoting market liberalization, ensuring Deng’s legacy would endure after his departure from government.[[3]](#footnote-3) From the American perspective, China was heading in the right direction thanks to a policy of engaging with it economically. There were also signs of progress on the political front. Although the CCP had no intension of relinquishing full control over the political system, it began to create positive norms and balance its power between factions within the party. The days of arbitrary power purges and violent suppression appeared to be waning. By the year 2000, the value of trade between the two countries had grown from a mere $4 billion in 1979 to over $100 billion.[[4]](#footnote-4) Seeking to build upon the initial success of engagement, American policymakers opted to grant China privileges and inclusion into global economic institutions that, in many cases, it did not yet deserve. Although China had liberalized many parts of its economy, the state remained heavily influential. It remained active in supporting its industry through forced technology transfers, currency manipulation, and heavy state subsidies. Despite these policies, China was granted normal trade relations status (NTR) in the United States–China Relations Act of 2000, wiping out US tariffs against China as the US supported its entry into the World Trade Organization (WTO). It was further reasoned that as China’s citizens became wealthier, their demands for political rights would follow.

Few predicted the sheer scale of the economic relationship that would emerge between the United States and China. After entering the WTO, US-China trade consistently enjoyed double digit growth. By 2008, China and the United States were trading over $300 billion worth of goods. During this period, however, the United States’ trade deficit reached unprecedented levels. US firms, eager to reduce costs, systematically shifted large portions of their manufacturing to China. Controlling for productivity, the hourly cost of compensating Chinese workers was about 18% of the cost of equivalent work in the United States.[[5]](#footnote-5) On top of labor savings, minimal safety and environmental regulation further added to China’s competitiveness. By some estimates, the process of offshoring from the United States wiped 3.4 million American jobs between 2001 and 2015.[[6]](#footnote-6) Nearly 75% of the jobs lost between 2001 and 2015 were in manufacturing (2.6 million jobs). By the time Donald Trump was elected to the Presidency in 2016, the trade deficit had grown to an unprecedented $375 billion.

As early as 2006, however, some policymakers began to criticize the new economic arrangement between the US and China. That very year, Senate majority leader Chuck Schumer began calling for policies that sound all too familiar. He threatened to propose a bill in the Senate that would impose tariffs on China lest it cease its currency manipulation, intellectual property theft, and its use of industrial policies that placed American firms and workers at a severe disadvantage.[[7]](#footnote-7) At the time, Schumer had few colleagues at his side. In additional to resistance from President Bush, majorities of both parties were staunchly against such action. Of course, this would all change with shocking pace in the next decade. The consensus around engagement could no longer command confidence in the face of three insurmountable challenges.

**Strike One:**

The first major blow to engagement came with the ascension of Xi Jinping as leader of the CCP. Xi, chosen in 2007 by the Central Committee to succeed Hu Jintao in 2012, earned his support by appearing weak and malleable to his CCP colleagues. It was a clever ploy. Xi was anything but the agreeable and conciliatory bureaucrat that his colleagues were expecting. He began his term by launching the most extensive party purge since Mao. Over 1.5 million government officials have been found guilty of corruption-related charges. The campaign reached the highest levels of the CCP, with 35 members of the party’s influential Central Committee, 9 members of the party’s internal disciplinary body, along with generals of the PLA.[[8]](#footnote-8) Unsurprisingly, Xi’s principal rivals Bo Xilai and Zhou Yongkang were also imprisoned. Xi used his consolidated power to aggressively assert China’s interests and resist reform. Instead of liberalizing the economy, he has expanded the centrality of SOEs in his plans for future growth. Instead of liberalizing the CCP, he abolished his own term limit.[[9]](#footnote-9) From the American perspective, China was going backwards by every measure.

**Strike Two:**

The shock election of President Donald Trump proved another decisive blow to the proponents of engagement. Trump has long held unconventional economic views on international trade, especially with China. He was indifferent to the axioms of strategic engagement, having throughout his career viewing trade in zero-sum terms. To him, China was consistently robbing the United States of jobs and economic growth through trade deficits. “Because China’s going bad it’s going to bring us down, too, because we’re so heavily coupled with China,” Trump argued during a Fox News in an interview in 2015. In his words, “[He is] the one that says you better start uncoupling from China, because China’s got problems.” Even Trump, however, felt staunch resistance to enacting his trade policies. From the beginning, his cabinet was split between corporatists, such as Gary Cohen, and nationalists led by Steve Bannon. The corporatists were viciously opposed to starting a trade war with China, fearing an economic downturn and the loss of the Chinese market. Perhaps with other Republican presidents, that would have been enough for them to back down. But Trump proved more than willing to fly in the face of conventional wisdom, beginning the trade war on China following Cohen’s resignation. However, even the start of trade war did not mark the end of engagement. Trump and his surrogates consistently justified the trade war as a mean to secure better trading terms with China, not as a long-term strategy to break apart the economies. It was still possible for a trade deal to be reached and relations to be improved.

**Strike Three:**

However, the third and final strike, as this paper will examine, seems to have finally closed that opportunity to avoid decoupling. The arrival of Covid-19 has brought US-China relations to their lowest point in decades. Some hoped that the arrival of the virus would force the two nations to cooperate. Instead, China and the United States have played a very public and nasty blame game. As early as May, the President elevated unverified claims that the origin of Covid-19 was created at the Wuhan Virology Institute.[[10]](#footnote-10) He has also, to the great annoyance of the CCP, publicly referred the virus as the “Chinese Virus” or the “Wuhan Virus”.[[11]](#footnote-11) The CCP for its part has inverted Trumps narrative to the point of absurdity. A spokesman for China’s foreign ministry, Zhao Lijian, tweeted that “it might be the US army” that created the virus and spread it to China.[[12]](#footnote-12) As international scrutiny grew on the CCP about the origins of the virus, it elevated this conspiracy theory by pushing it through state media outlets.[[13]](#footnote-13) The blame has eroded any trust left between the two nations. Perhaps in another world, with different leadership on both sides, China and the United States could have used a global crisis to pool their talent and resources and jointly guide the world toward a solution. Instead, China and the United States are hoarding resources, escalating tensions, and working as rivals for the first vaccine. In China, it is widely accepted that US policy is to contain its growth. In the United States, it is fully understood that China seeks to supplant it both economically and politically from global hegemony. Already, one of the characteristics of the 2020 race between Trump and Joe Biden is who will be tougher on China.[[14]](#footnote-14) The result is that the most extreme inversion of strategic engagement, deliberate decoupling, seems more likely than ever.

**Part Two: The Policy: Deliberate Decoupling**

**Who is behind Decoupling? Who supports it?**Decoupling as a coherent ideology only started to exert political influence under President Trump. Prior to that, those who pushed economic decoupling were seen as outcasts. President Obama sought to challenge China whilst avoiding a trade war at all costs. The Republican establishment was not far from Obama’s position during his term, seeking to push China toward making concessions without igniting a full economic decoupling. However, figures on the fringes of the Republican Party had long sought more action against China. They include figures like Steve Bannon, who from the fringes of the right pushed an ideology of “economic nationalism” – which advocates deconstructing the post-WWII liberal free trade order in favor of greater protectionism for US workers.[[15]](#footnote-15) Another key figure is Bob Lighthizer, who is currently the United States Trade Representative. Lighthizer has for decades criticized, against the mainstream, NAFTA and other trade deals.[[16]](#footnote-16) A few months ago, he argued in the New York Times that offshoring of U.S. jobs was a “misguided experiment.” Although these two figures were nominally members of the Republican Party, their incorporation into the governing framework was a result of Trump’s election. They single-handedly transformed the GOP from a radical pro-free-trade party to one of greater protectionism.

Similar forces from the left were unleashed with the surprisingly strong challenge of Bernie Sanders to Hillary Clinton in the 2016 Democratic primary. Sanders had long stood outside of the democratic party as an independent and self-described democratic socialist. Although Hillary eventually won the primary, she was forced to accept many of Sander’s positions—including on trade. By the end of the primary, Clinton had denounced the Trans-Pacific Partnership, a free trade agreement she once described as the “Gold Standard.” With both parties firmly opposed to trade policies that made strategic engagement possible, the supporters of decoupling had the opportunity to capitalize.

 **The Goals of Decoupling**

Deliberate decoupling refers to a policy of intentionally dismantling supply chains between two countries and recreating them elsewhere. Despite operating in the realm of economics and trade, the motivations behind deliberate decoupling are purely geopolitical. The policy involves the government actively working against market forces to rearrange supply chains. The modern proponents of decoupling observe that the source of China’s growing power is its economy. Decades of double-digit growth and the expectation of its ascension as the world’s largest economy has been the central force in China’s rise. Instead of reinforcing the US-led world order, China’s new economic resources have been channeled into internationally oriented programs, such as the Belt and Road Initiative, that directly challenge US global leadership. The CCP has also announced industrial policies, such as Made in China 2025, that actively seek to supplant US dominance in high tech manufacturing fields including advanced semiconductors and other high-tech fields. The threat of losing access to China’s market has been effectively weaponized to impose the CCP’s political opinions. When Daryl Morey tweeted support for Hong Kong protestors on American soil, the NBA forced him to apologize publicly after China complained.[[17]](#footnote-17) The CCP often need not even act—as private organizations self-censure. The American Bar association withdrew a book deal with a Chinese human rights activist, Teng Biao, for fear of angering the CCP.[[18]](#footnote-18) Instead of making China more American through engagement, it began to look like America was becoming more Chinese—all of which came through its economic might.

To solve this fundamental problem, decouplers argue the government must therefore actively discourage Chinese growth. Of course, most proponents of decoupling would avoid being so explicit about this objective to avoid being antagonistic toward the CCP. President Trump, however, has more than once gloated about how China’s economy is slowing partially due to his trade war. He tweeted in July that “China’s 2nd Quarter growth is the slowest it has been in more than 27 years. The United States Tariffs are having a major effect on companies wanting to leave China for non-tariffed countries. Thousands of companies are leaving.”[[19]](#footnote-19) In May he said that because of the tariffs, “Our economy is fantastic; theirs is not so good… We’ve gone up trillions and trillions of dollars since the election; they’ve gone way down since my election.”[[20]](#footnote-20) Although he is possibly the most transparent of decouplers, President Trump is hardly alone in this sentiment. He justifies his reaction by framing China’s growth as ill-gotten. After all, the Chinese state actively promotes exports through state subsidies to massive SOEs. which flood many global markets with excess capacity. As of 2020, they remain 35% of China’s economy. Any hope that China would open its markets to foreign competition were also dashed by the ascension of Xi Jinping. Under his leadership, the state continues to restrict imports by denying outsiders access to key industries (notably led by the West) in the service sector. Western firms are outright denied access to compete in China’s growing banking and insurance sectors. Social media firms, which had huge potential for growth in China, were closed out in 2008 (allowed local competitors to flourish). The result of these neo-mercantile policies is distortive effects that harm American firms and workers. Whether through the use of tariffs or excluding certain state-subsidized firms by law, the hawks see this as a justified means of leveling the playing field.

With these artificial barriers imposed on China, global supply chains may be re-arranged in a way more favorable to the United States. Most importantly, the strategy denies China its growth. Critics of the policy have rightly pointed out that these policies will prove economically damaging to the United States. Higher tariffs mean higher prices for consumers. They also mean that, after Chinese retaliation, US exporters lose competitiveness in China. But decouplers regard these as a worthy trade-off so long as China loses its special place in the global supply chain in the long term. Assuming a growth rate of 6% for China and 2% for the United States, China is on track to become the largest economy in 2029. If China’s growth slows to an average of 4%, that won’t happen before 2040. Decouplers are largely indifferent as to whether these supply chains move to Vietnam, Indonesia, or the United States (though this is ideal), for as long as the companies leave China the geopolitical goal is fulfilled. The realization of this strategy, however, is enormously difficult as the tools available to decouplers are limited.

**Strategy 1: Tariffs**

The first tool available is tariffs. China-specific Section 301 tariffs imposed by the Trump administration place a 25% tariff on roughly a third of Chinese goods entering the United States.[[21]](#footnote-21) By making China 25% less competitive on a wide range of goods, decouplers hoped this would incentivize companies to rearrange their supply chains at China’s expense. After initial doubts, it is now clear that tariffs are definitively shifting the supply chains of American firms. Kearney’s 2019 Reshoring Index, which measures what percentage of the US’s manufacturing value is imported from 14 major Asian low-cost countries (LCCs), including China, Vietnam, and others, has for the first time in a decade reversed away from LCCs. Their share fell from $816 billion in 2018 to $757 billion last year, while American manufacturing holds steady. Country-specific examination found that China saw a $90 billion decline in its exports to the United States. The decline was the result of, according to Kearney, about $43 billion of substitutions with other LCCs and Mexico as companies sought to circumvent tariffs.

Tariffs, however, are an expensive strategy. The Journal of Economic Studies found that in 2018 nearly all the costs of tariffs were being absorbed by American producers and consumers—not Chinese firms. By their most conservative estimate, the policy generated $8.2 billion in lost output.[[22]](#footnote-22) Other estimates have shown the tariff strategy to be a definite drag on US GDP growth. The Congressional Budget Office revealed that, in the current form, the tariffs would reduce GDP growth by 0.3% by 2020.[[23]](#footnote-23) Although these costs are smaller than many analysts initially warned, they nevertheless reveal that decoupling through tariffs boils down to denying growth from US firms until they pull out of China. Unsurprisingly, the heavy cost of this strategy has encouraged China hawks to explore other means of decoupling.

**Strategy 2: Firm-Specific Bans**

The second strategy is firm-specific bans. By targeting individual Chinese companies that benefit from state subsidies and IP theft early, decouplers hope to protect US firms that will struggle to compete in the future. The justifications for these bans are usually tied to national security. This was notably the case in 2018 with the Trump administration’s ban on Huawei, which outlawed the use of its products by the federal government. The ban prompted US tech companies like Google, Intel, and Microsoft to sever their links to the company. Huawei was primarily banned because it represented “something that’s very dangerous...from a security standpoint, from a military standpoint it’s very dangerous,” President Trump told reporters in May.[[24]](#footnote-24) However, the President also revealed that there was another motive behind the ban. He stated during a press conference in September that “We’re not doing business with Huawei, we’re going to do our own business… we’ll do it right from within the United States.”[[25]](#footnote-25) Here we see that there is also a desire for the US to develop these products independently. Even though Huawei led the field in 5G, decouplers want that technology to be controlled by US firms. Unsurprisingly, Dell, Microsoft, and AT&T have been more than happy to move into the field at Huawei’s expense.

The strategy has not been limited to high tech fields. Earlier this year, decouplers won a major victory against the China Railway Rolling-Stock Group Corporation (CRRC). CRRC is a Chinese state-owned enterprise that manufactures railcars and other rail equipment that, like other SOEs, it is managed by a CCP commission in Beijing. The firm has been given a preeminent role in China’s “Made in China 2025” initiative, which aims to dominate 10 sectors of the global economy, including rail stock. CRRC has been granted subsides, monopoly power, and has access to near unlimited financing as a high ranking SOE. In recent years, CRRC has come to dominate many foreign railcar markets as it expanded overseas. In Australia, CRRC entered the market in 2007 and by 2012 controlled 43% of the market. By 2017, it held 100%. All Australian manufacturers were put out of business. Events like these have struck fear into domestic American railcar manufacturers. The domestic producers formed a group called the Rail Security Alliance (RSA) to lobby the government to keep CRRC out of the United States and succeeded in banning federal funds from being used to buy CRRC products by 2022.

Ultimately, we should continue to expect policymakers to use firm-specific strategies as they push to decouple. Unlike tariffs, they allow policymakers to work together with domestic US firms rather than against them. More fundamentally, they take away economic gains from the future rather than the present, making them feel less economically damaging.

**Part 3: Coronavirus and Decoupling**

**Has coronavirus strengthened resolve to decouple?**

The coronavirus pandemic has initiated a seismic shift in American public opinion about China. While opinion on China was lukewarm at best prior to the pandemic, 66% of Americans now view China unfavorably. Only 22% have confidence in President Xi to do the right thing on world issues.[[26]](#footnote-26) One of the most consequential results of this shift in public opinion has been an unbreakable bi-partisan consensus against China. In April, the Senate Republican campaign distributed a 57-page memo to its candidates on how to campaign during the pandemic. In short, it says “Don’t defend Trump, other than the China Travel Ban — attack China.” The memo goes on about how to associate Democrats with China and make them appear “soft” on the issue. The natural effect of these attacks has been to force Democrats to adopt a hawkish position as well. In July, Biden announced the ‘Buy America’ plan. It calls for a $700 billion investment in domestic production, $400 billion of which is devoted to incentivizing the purchasing of American products. The other $300 billion is for U.S. research and development in high-tech fields under assault from China. Upon reading the plan, the right-wing Steve Bannon said, “I tip my hat to them.” This new consensus of American politics, directly the result of coronavirus, means that a push toward decoupling is almost certain to occur—it is only a matter of pace.

**Leveling the Economy**

The economics of decoupling have always been tricky. Many of the economic relationships between the US and China span decades, meaning that individual corporations or even entire industries are dependent on Chinese manufacturing. The pandemic, however, has changed everything. In the words of Douglas Irwin, an expert on trade from Dartmouth College, “When you’re at a high level of economic activity, when unemployment is low, you’d see the pain if pull that apart… but now that everything is scrambled, it’s easier in some sense to pull back. This artificial contraction makes it easier not to go back to the way things were before.” Indeed, the pandemic made quick work of a huge portion of economic activity in the United States. US GDP, according to the bureau of labor statistics, contracted by 32.9% in the second quarter of 2020.[[27]](#footnote-27) By June of 2020, US imports from China were only $181 billion compared to $218 billion in June of 2019, a 17% drop.[[28]](#footnote-28) This period of decline serves as an opportunity for China-reliant firms to put their house in order and adjust their supply chains. Many of them have already started. Samsung, Hasbro, Apple, Nintendo, and GoPro all announced in July of 2020 their intention to shift parts of their supply chain out of China.

Multi-national firms are starting to place ever greater importance on the “resilience” of their supply chains. They have a clear incentive to do so. Many traders and money managers have begun rewriting their investment strategies, placing greater weight on resilience than price.[[29]](#footnote-29) As opposed to previous measures of supply chains, “resilience” demands that corporations ensure supply chains are diversified. Companies too dependent on China will be financially penalized. With cost no longer the top of supply chain priorities, China only has space to lose.

**Industry-Specific Decoupling**
The pandemic has also shed light on critical industries far more dependent on China than was previously known. The medical sector, for example, had unanticipated vulnerabilities that led to shortages. This was especially the case with personal protective equipment (PPE), which enables medical professions to treat patients without contracting diseases. China has successfully grown its market share over PPE, and medical supplies more broadly, as a result of a decoupling of its own. Nearly every producer in China has had easy access to government subsidies, which were offered after the SARS crisis in 2002. For example, the NYT found that Shenzhen Mindray, a ventilator manufacturer, was given up to $16.6 million a year over the past three years.[[30]](#footnote-30) Shenzhen Mindray and its fellow Chinese were further strengthened by a central and local government mandates in 2014 that required medical devices be purchased locally. Sichuan, for example, cut the number of devices that could be imported by 50%. These interventions more than succeeded in making China self-sufficient, pushing it to become the top exporter of medical equipment. It’s an industry the CCP has no intention of giving up. Over $300 billion of the CCP’s Made in China 2025 plan, which aims to cement China’s lead in key industries, is devoted to medical manufacturing.

China’s dominance of the sector meant that when the virus struck in early 2020, much of the world’s medical supplies simply ceased being made. For the United States, which relies heavily on importing the components its medical equipment, the crisis led to shortages of critical supplies. PPE, ventilators, and pharmaceuticals were nowhere to be found on the market by April, leaving parts of the United States in a desperate bind. The situation led to the medical sector becoming a focal point in the argument for decoupling. On August 11th, President Trump announced that “Over the course of the next four years, we will bring our pharmaceutical and medical supply chains home and we will end reliance on China and other foreign nations.”[[31]](#footnote-31) Using the Defense Production Act, he waived typical regulations on the sourcing of imports to bypass China, in addition to providing rebates for US firms to ramp up production. There is still much work to do, but by mimicking the same methods of China the US will slowly build independence.

The pandemic has also accelerated the Tech war between the US and China. On April 28, the U.S. Commerce Department issued new rules that enlarge its regulation of semiconductor manufacturing equipment subject to its export controls. In June, the administration banned federal retirement funds from investing in Chinese tech stocks. And in its most bold move yet, the administration demanded in August that ByteDance, which owns the popular app TikTok, sell its business to an American firm or be banned from the market. While the Committee on Foreign Investment in the United States (CFIUS) declared TikTok a national security threat, it would be unprecedented for the US to endorse a fire sale of the company—and take a cut of the deal, as Trump suggested. Though this process was already underway before the pandemic, most tech firms have now accepted the future fissure in their American and Chinese business segments as inevitable. Multinationals with strong markets on both sides, such as Taiwan’s TSMC, are now reorganizing their businesses to have separate US and China compartments.[[32]](#footnote-32)

**The Grand Vision**

It is worth noting that many see tariffs and firm-specific bans as a mere starting point. Some China hawks within the Trump administration envision a far greater program of decoupling. State department officials have in recent months began to push the idea of a global “Economic Prosperity Network,” which would create a selective association of corporations and civil society groups based on a set of legal and ethical standards. These standards would cover topics ranging from trade, infrastructure, research, and education. Members of the network would presumably be given privileges from the government for adhering to the standards. Naturally, Chinese business practices would fall far below said standards and exclude them from the market. Secretary of State Mike Pompeo has said that he is working to “move the global economy forward” with Australia, Japan, India, and New Zealand by creating this network.[[33]](#footnote-33) Of course, these talks are only in their infancy. But they reveal that some members of the administration seek to take decoupling to its logical conclusion— a global economy partitioned into an ‘alliance of the free’ against China.

There are some indications that many lawmakers now believe culling Chinese economic growth is not enough. They envision not only the separation of the United States and China economically, but also culturally. Two GOP lawmakers proposed a law that would ban Chinese students from receiving student Visas if they major in STEM subjects. In their eyes, the United States should not devote any resources to training its future competitors—casting a wide net over all Chinese nationals, many of whom stay to contribute to US technology. Hawkish lawmakers also succeed this year in forcing the Peace Corps, which has operated in China since 1993, to end its activities in China.[[34]](#footnote-34) Just this month, China’s Confucius institute, which teaches language and philosophy, was labeled a “foreign mission” by the State Department. Of course, China has done its share of cultural decoupling as well, but it was never the goal of China to promote reform and change in the United States. By severing these links, the United States has very clearly indicated it has given up any pretense of seeking to liberalize China.

**Part 4: Can Decoupling Deliver without Allies?**

**The Unliteral Challenge**Since the start of the trade war, the Trump administration has urged many of its allies, particularly in Europe, to take a more active role in confronting China. The economies of its collective members equal that of the United States, each of which control roughly 15% of global GDP.[[35]](#footnote-35) The EU collectively makes up China’s second largest trading partner, with $573 billion worth of total trade in 2018. Naturally, the United States sees cooperation with Europe as key to succeeding in its policy of decoupling. In June, Secretary of State Mike Pompeo accepted an EU proposal to establish a joint dialogue stating, “we should address that challenge together, as transatlantic partners.”[[36]](#footnote-36)

The current administration’s decoupling strategy, however, has so far been pursued unilaterally. In fact, many of the United States’ traditional allies found themselves attacked by the administration on issues of trade. When Trump imposed his first major set of tariffs on all steel (at 25%) and aluminum (15%) entering the country in March of 2018, no exceptions were made for close allies like Canada, Mexico, and members of the EU. Trade tensions with these allies were only escalated over the next year and half. Threatening to withdraw from NAFTA, Canada and Mexico were forced to accept slightly weaker trading terms with the United States in the U.S. Canada Mexico Trade Agreement (USMCA). US-EU trade tensions have also heated up. Under Trump, longstanding disputes of the EU’s ban on American food imports (due to the use of GMOs) have led to new sanctions. When France introduced an 3% internet tax on American internet firms like Facebook and Google in July 2019, Trump responded by imposing a 25% tariff on French wine.[[37]](#footnote-37) The result of these policies is that, as the United States has escalated the trade war, none of its traditional allies joined. This was by no means unavoidable, many of America’s allies share its concerns about China. However, burned by the Trump administration, allies have neither the inspiration nor the means to assist the United States.

**International Support: The European Union**
In the immediate aftermath of the pandemic, the EU faced a similar shift in public opinion against China. The situation was worsened by Chinese “mask diplomacy,” where China made a show of delivering supplies after the virus ravaged EU states, some of which did not even work. Many Europeans saw the moves as cheap and opportunistic symbolism by the CCP. According to survey conducted by European Council on Foreign Relations, pluralities in Spain, France, Germany, and most other EU states say their views of China have been worsened by the pandemic. The business community has shown similar concern. Mathias Döpfner, CEO of Germany’s Axel Springer, penned an op-ed slamming EU relations with China. In his words, “Germany and Europe should decide to remain with the US and pursue a strict process of decoupling from China.”[[38]](#footnote-38) He even argues that the $200 million of German trade with China is a sacrifice worth making. In early April, the European Commission reflected many of his concerns when it began constructing a report outlining Chinese disinformation campaigns concerning the virus.

Europe’s early surge in anti-Chinese sentiment, however, did not last. By late April news began to surface that the report was watered down due after Chinese diplomatic protest. While the United States and most of the anglosphere (the UK, Canada, and Australia) issued a joint statement condemning China’s new national security law, which undermines Hong Kong’s judicial independence, the EU issued a small 5-sentence statement about the need to “raise the issue in our continuing dialogue with China.”[[39]](#footnote-39) The gulf between the US and EU is growing, threatening to tear apart Western unity against the CCP. This is partially due to the United States’ disjointed and chaotic response to coronavirus, leading to many front-page stories about Americans partying amid the pandemic. In fact, compared to China, EU citizens’ opinion of the US has fallen even more greatly to China, helping contribute to the EU’s implementation of a US travel ban.[[40]](#footnote-40) The decline in the United States’ international standing, which may or may not be a temporary result of the crisis, doubtlessly hurts the US’s cause. However, the real reasons for the divergence between the US and the EU are far more fundamental. The EU is ultimately far more dependent on China economically and in a much weaker economic position to begin with. Additionally, the structure of the EU makes collective action on such a major issue extremely difficult.

**Europe’s Daunting Challenges**

The EU began the coronavirus pandemic in a far more economically precarious situation than the United States. Even before the arrival of the virus, the major economies of Germany and France were stagnant. Italy’s GDP was declining. The pandemic is estimated to have wiped out an additional 12% of the bloc’s GDP. The circumstances make challenging China extremely difficult, as the bloc exports over $200b worth of goods the China, a figure that has grown from $110 billion just ten years ago. To challenge and criticize the bloc’s largest and growing trading partner would be painful. This problem is exacerbated by the fact that collective action by the EU is nearly politically impossible. Each member state is an equal in the Union’s foreign policy framework, allowing for one state to effectively veto policy they object to. China has successfully constructed a constituency within the EU that reliably takes its side. Eastern European EU members, but particularly Bulgaria, Hungary, and Poland have received billions in investment from China as members of the BRI. They also frequently find common cause with China over international issues of sovereignty and human rights. As traditional Christian states, the EU has often been viewed as an outside bully demanding to impose its values over their democratically elected governments. Their leaders have been rewarded for making a scapegoat of the EU. More recently, Hungary has lauded China’s support during the pandemic whist downplaying the EU’s efforts.[[41]](#footnote-41) Even if Europe wanted to initiate decoupling—it’s hard to see a path it could take.

Ultimately, the European Union has no intention of abdicating its China policy to the whims of the United States. Angela Merkel has for years argued that Europe must take its own path. In her mind, the EU’s immediate interests are to promote economic recovery from the virus and unite its disjointed member states. In the long term, its interests are to secure a place in the world as a major and independent geopolitical force, strengthening the economy, and becoming a global leader on climate change. On each of these issues, decoupling undermines these goals. It would damage the economy, primarily serve the geopolitical interests of the United States, and prevent progress in engaging with China on climate change. Unlike the United States, the logic behind decoupling simply does not apply. There is no clear path, but more importantly, no will to pursue the policy.

**America’s Best Bet**
The United States will struggle to achieve its goals of reducing China’s economic and geopolitical power by proceeding unilaterally. It is crucial that the United States, in addition to working with its anglosphere allies, enlists the EU in pursuing a long-term strategy of pushing back against China. Relying on Chinse misbehavior and the latest set of EU grievances with China is not enough, for as long as the EU feels its long-term goals are not aligned with the US then it will feel uncertain about joining its side. Instead, the United States should seek to market its strategy as a means of supporting the EU’s goal of upholding global human rights standards, fair trading practices, and multilateral cooperation as the mechanism for addressing global issues. Furthermore, the United States should set more reasonable expectations for the EU. Pressing for an equally strong form of decoupling is too ambitious. Europe has no interest in further weakening its economy with a general tariff hike on Chinese goods. Instead, the United States should stand beside Europe as it seeks to diversify away from China, offering to support its industries that are most dependent on China. Additionally, the United States must couple its push for economic decoupling with Chinese human rights violations, which evoke strong reactions in Europe. France, for example, only implemented its de facto ban on Huawei’s 5G equipment once the company’s role in supporting the CCP’s Xinjiang policy was publicized.[[42]](#footnote-42) Only by appealing to shared values and a reasonable form of decoupling will the United States succeed in building an international coalition.

**Part 5: Conclusion:**
On July 26, 1941 the United States came to the conclusion that its economic relationship with a rising Asian power were too open.[[43]](#footnote-43) As Japan continued to wage war against China, seizing its territory and committing innumerable war crimes, American protests and threats fell on deaf ears. It became increasingly clear, however, that Japan’s rise was facilitated by the American economy. 74% of its scrap iron, 93% of its copper, and 80% of its oil, all of which were vital for its war effort, originated from the United States.[[44]](#footnote-44) Realizing that empty threats would not change Japan’s behavior, the United States finally froze Japanese assets and cut off its exports in 1941. They decoupled.

What the United States hoped would bring Japan to the negotiating table actually had the opposite effect. Recognizing that its new empire would never be accepted by the Americans, Japan’s military regime moved to bomb Pearl Harbor seize as much oil-rich territory as possible before the Americans attacked. One by the one, the colonies of European empires fell before Japan, in additional to the American Philippines. 111,606 Americans would die fighting to reclaim these territories from Japan’s clutches.

Although conflict with Japan was likely unavoidable, decoupling must be remembered for the powerful impact it had on Japan’s strategic calculation. After all, to decouple is to say that you are seeking for your adversary to fail. Your policy is to deliberately undermine their economy to force a settlement. Japan’s leaders reasoned, understandably, that peace with an adversary of that attitude made war a risk worth taking.

As the United States pursues another decoupling, it must endeavor to avoid creating a similar strategic landscape with China. A general, sloppy, and vindictive decoupling will doubtlessly undermine any attempt to promote reform in China. If the United States gives into this mindset, then strained relations will likely continue. A purposeful, controlled, and selective decoupling pursued in tandem with its traditional allies, however, has the potential to both satisfy the justified security and economic concerns of the United States whilst promoting global peace and order.

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