

“Decoupling”: Washington’s Plan to Kneecap China’s Economy

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*The United States has settled on a multi-pronged strategy to thwart China’s development and preserve America’s premier position in the global order. **The economic part of the plan is called “decoupling”, which refers to the selective blocking of China’s access to critical technology (particularly advanced semiconductors).** The strategy has garnered nearly-universal support among America’s foreign policy elites who believe that steps must be taken immediately to curtail China’s explosive technological development. There are, however, considerable **downside risks to implementing a plan that essentially erects a “Digital Iron Curtain” between China and the rest of the world.** Should China respond tit-for-tat to Washington’s aggression, then supply-lines would be severely disrupted increasing the probability of another global recession.*

It’s worth noting, that the term “decoupling” obscures how the policy is designed to work. The word itself—according to the Cambridge Dictionary means—“a situation in which two or more activities are separated...” Regrettably, **Washington’s decoupling strategy is not an attempt to achieve a benign ‘parting of the ways’, but to identify China’s main technological vulnerabilities in order to inflict maximum damage on the Chinese economy.** In other words, decoupling—as it is presented in the media and in think-tank analysis—is largely a public relations fabrication that is intended to conceal Washington’s economic war on China. Here’s a bit of background on decoupling from an article by Michael Spence at the Council on Foreign Relations:

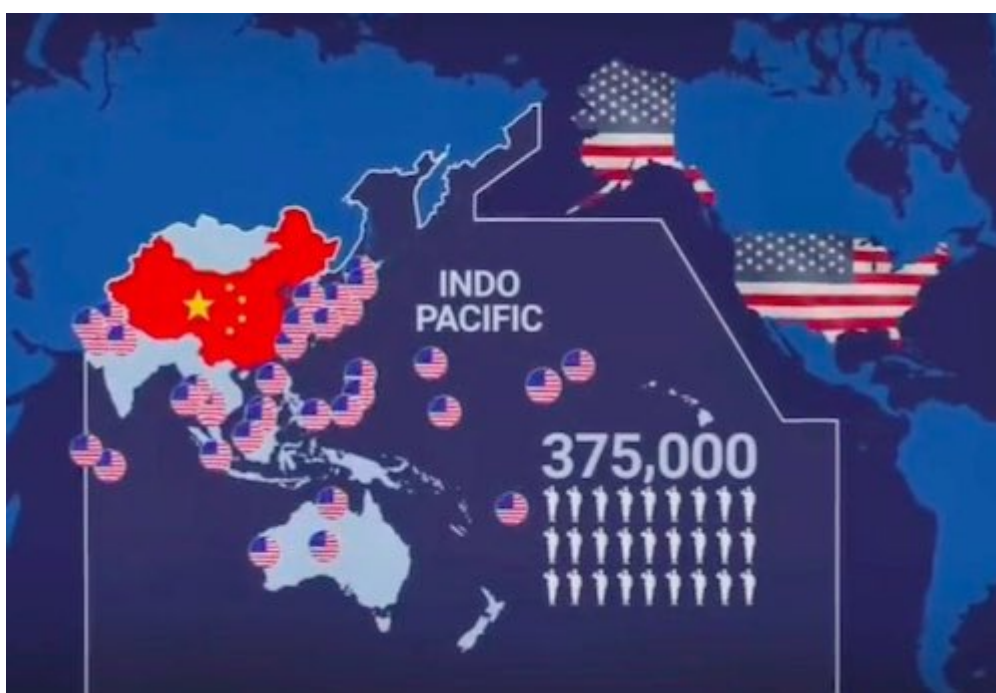
Over the last year, the trajectory of Sino-American relations has become indisputable: **the United States and China are headed toward a substantial, though not complete, decoupling.** Far from resisting this outcome, both sides now seem to have accepted that this will play out as a largely non-cooperative game, to the point that they are embedding it in their policy frameworks. But what exactly will decoupling entail, and what will its consequences be?

On the American side, national-security concerns have led to the creation of a

lengthy—and still **growing**—**list of restrictions on technology exports to and investments in China**, as well as on other channels whereby technology moves around the world. To enhance the strategy’s impact, the US is trying to make sure—including through the threat of sanctions—that other countries join its efforts...

Many people on both sides of what might be called the “mutual distrust equation” know that **decoupling is a distinctly suboptimal and perilous course**. But in both the US and China, dissenting voices are either ignored or stifled, whether through political pressure or outright repression.

Many emerging and developing economies recognize that a fragmented global economy...is not in their interest. But they currently lack the power to change the major players’ incentives...That leaves **no obvious off-ramps from the current trajectory**. **The future is partial decoupling and fragmentation.** [Destructive Decoupling](#), Council on Foreign Relations



US Bases Encircling China

While I disagree with much of what the author says, I share his fatalism. Indeed, this is not only the direction that we are currently headed, it is also bound to get much worse in the months ahead. The leadership of both political parties in the US are completely committed to decoupling as are the foreign policy elites operating behind the scenes. **What we’re seeing is a widespread recognition that the naive efforts to integrate China into the western “rules-based order” have utterly failed which has precipitated a dramatic reversal in policy that is steadily gaining momentum and ferocity.** China has demonstrated that it will never become a vassal state in Uncle Sam’s sprawling empire. The Chinese have remained stubbornly independent throughout, initiating only those reforms that fit within their political orientation while rejecting any changes that might challenge the party leadership. **In China, it is still the Party that sets the agenda and steers the ship-of-state, not Washington and not the Davos elites.** That realization has prompted a complete reassessment of US-China relations leading inevitably to strategies that are aimed at isolating, encircling and ultimately containing China. Here’s a bit of background from Matt Sheehan at the Carnegie Endowment:

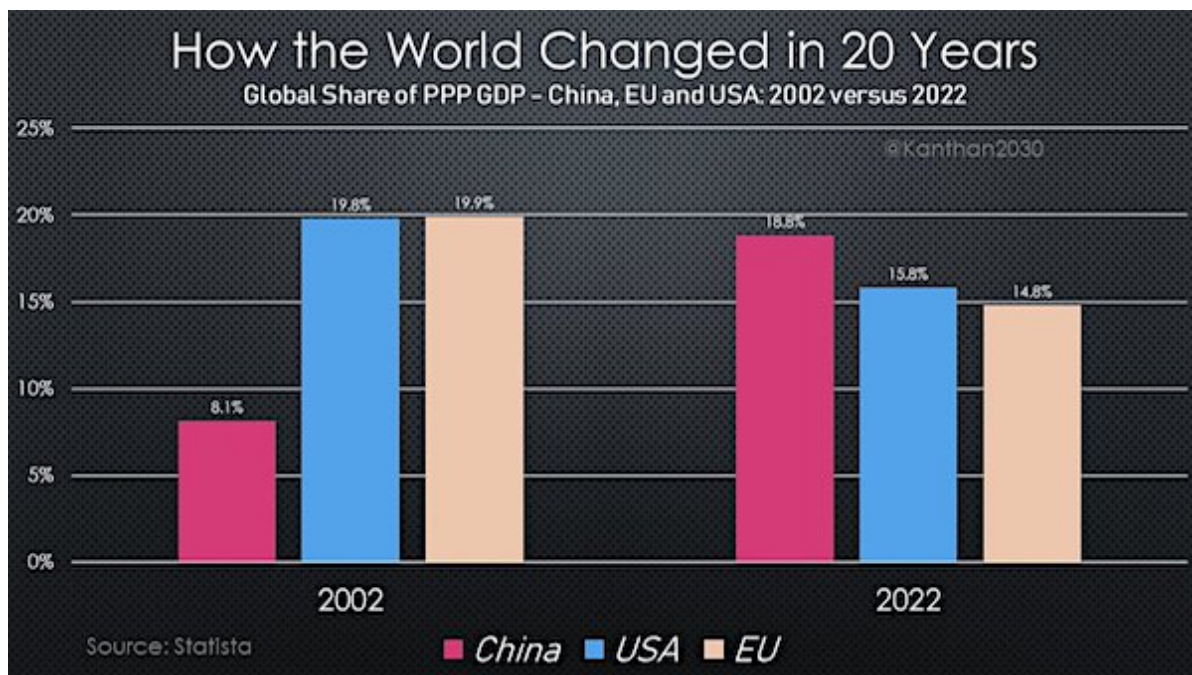
In early October, the U.S. government rolled out extensive new restrictions on China's access to advanced semiconductors and the equipment used to make them. The restrictions require a hard-to-get license for the sale of advanced semiconductors to entities within China, largely depriving the country of the computing power it needs to train artificial intelligence (AI) at scale. The rules also extend restrictions on chipmaking tools even further to industries that support the semiconductor supply chain, cutting off both the U.S. talent and the components that make up the tools that make the chips. Together, **these restrictions amount to the single most substantial move by the U.S. government to date in its quest to undermine Chinese technology capabilities.**

The new restrictions also attempt to settle a long-running debate within U.S. technology policy. That debate centered on a perceived trade-off between two competing goals: damaging Chinese capabilities today versus maintaining American leverage in the future. With the latest rules, **the U.S. government is betting that it can so deeply undermine China's semiconductor fabrication capabilities that it won't matter how motivated or well-resourced China's efforts are to create its own semiconductor industry—they simply won't be able to catch up.**

Whether the U.S. government wins that bet will go a long way toward determining the future balance of global economic and technological power. [Biden's Unprecedented Semiconductor Bet](#), The Carnegie Endowment for International Peace

This is an excellent “big picture” summary of what the new policy involves. Sheehan clarifies US intentions while explaining the potential risks. He also provides a helpful breakdown of the Commerce Department's new restrictions which fall under three main headings:

1. (The Commerce Dept) stopped targeting individual Chinese companies and started targeting the country as a whole. Now selling any advanced chips to any company in China will require a license and Congress has said it will deny most of those requests.
2. It prevents any US citizen, resident or company from working with any Chinese company manufacturing advanced chips.
3. It went even deeper into the semiconductor supplychain by restricting the components that go into the semiconductor manufacturing equipment. Before, it was just restricting the chips and the tools that make the chips. Now it is restricting the chips, the tools that make the chips, and the components that go into the tools that make the chips. In the near-term, this has been absolutely devastating for China's tech industry leaving its AI companies and supercomputing centers high-and-dry and in need of chips.” [Matt Sheehan video 4:37 minutes](#)



Washington's decoupling policy goes far beyond Trump's ham-fisted tariffs or Biden's unilateral sanctions on Chinese corporations. It is a blatant attempt to kneecap the Chinese economy by blocking access to vital technology. It is, quite clearly, an act of war, which even the administration's allies at the *New York Times* openly admit. Check out this blurb from Nick Beams at the *World Socialist Web Site* who quotes a piece from the *Times*:

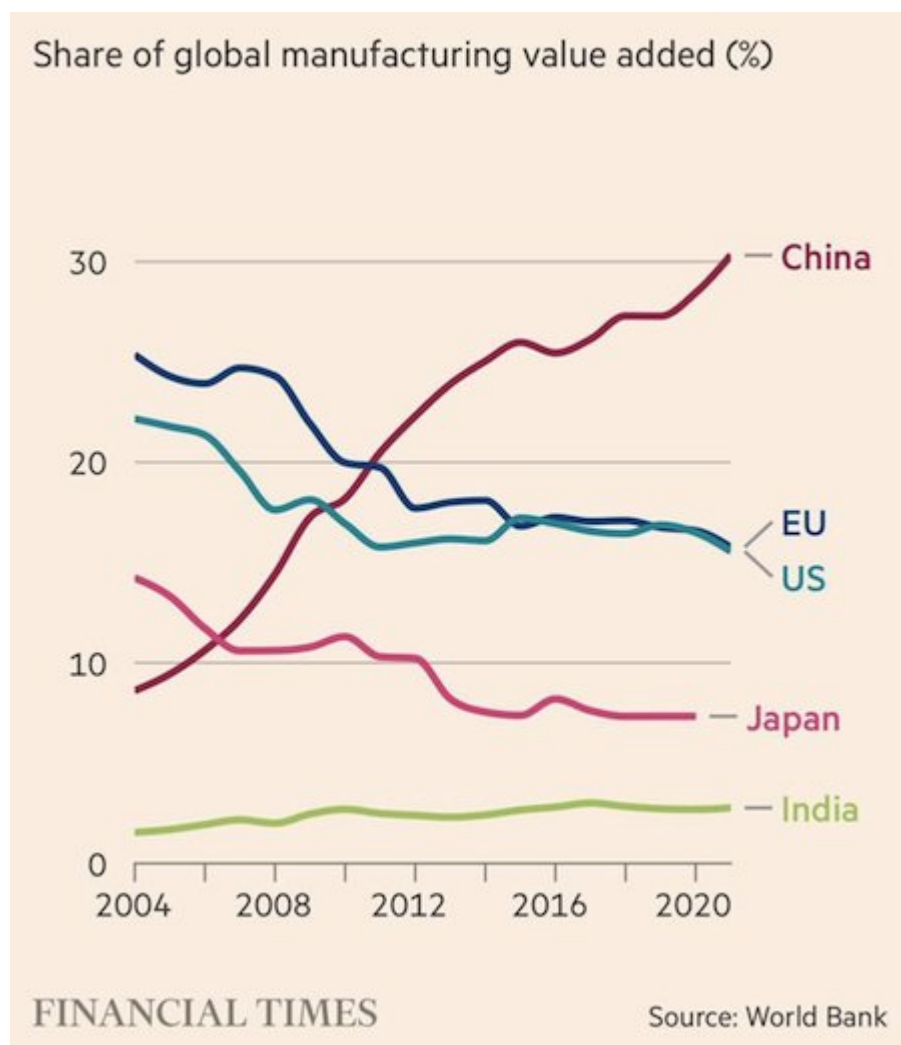
A major article by journalist Alex W. Palmer, published in the *New York Times* last weekend, has revealed the extent of the high-tech war being conducted by the US against China... The war is now about to be intensified as it is expected that **the US will shortly announce investment screening mechanisms designed to cut the amount of US money invested in Chinese high-tech areas as well as updating export controls to close loopholes that have emerged since the October announcement.**

(a key paragraph that reads:)

"With the Oct.7 export controls, **the United States government announced its intention to cripple China's ability to produce, or even purchase, the highest-end chips.** The logic of the measure was straightforward: Advanced chips, and the supercomputers and AI they power, enable the production of new weapons and surveillance apparatuses. In their reach and meaning, however, **the measures could hardly have been more sweeping,** taking aim at a target far broader than the Chinese security state. 'The key here is to understand that **the US wanted to impact China's AI industry,**' says Gregory C. Allen, director of the Wadhwani Center for AI and Advanced Technologies at the Center for Strategic and International Studies in Washington. 'The semiconductor stuff is the means to that end.'"...

Palmer wrote that the October controls "essentially **seek to eradicate, root and branch, China's entire ecosystem of advanced technology.**"...

Another indication of the extent of the US measures was expressed in remarks by C. J. Muse, a senior semiconductor analyst at Evercore ISO. "**If you told me about these rules five years ago, I would've told you that's an act of war—we'd have to be at war.**"



Can you see what's going on? The Biden Administration is making it impossible for China to acquire the advanced semiconductors they need to develop their Artificial Intelligence and Supercomputers. This type of blockade is clearly not allowed under current WTO regulations but, then again, neither are the unilateral sanctions the US has arbitrarily imposed on more than 1,300 Chinese companies. The bottom line is that the US is not going to let rules deter it from pursuing the course of action that best serves its own geopolitical interests. Here's how author Jon Bateman summed it up in an article at *Foreign Policy Magazine*:

"The Bureau of Industry and Security (BIS) announced new... limits on the export to China of advanced semiconductors, chip-making equipment, and supercomputer components. **The controls... reveal a single-minded focus on thwarting Chinese capabilities at a broad and fundamental level.... the primary damage to China will be economic, on a scale well out of proportion to Washington's cited military and intelligence concerns....** This shift portends even harsher U.S. measures to come, not only in advanced computing but also in other sectors (like biotech, manufacturing, and finance) deemed strategic. The pace and details are uncertain, but **the strategic objective and political commitment are now clearer than ever. China's technological rise will be slowed at any price.**" (["Biden is Now All-In on Taking Out China"](#), Jon Bateman, *Foreign Policy Magazine*)

It is important to realize that this mainly 'under-the-radar' Tech-War is being waged at the

same time the US continues to send political delegations to Taiwan (to challenge the “One China” policy), continues to strengthen anti-China coalitions in the Asia-Pacific, continues to provoke Beijing in the Taiwan Strait and the South China Sea, continues to sell lethal arms to Taiwan, continues to increase its military presence in the region, continues to push for NATO’s “eastward expansion” to the Asia-Pacific, and continues to conduct its largest-ever “live-fire” military drills (“Talisman Sabre”) in Western Australia.



China's Belt and Road Initiative: The Global Economic Integration of Sovereign States

That means **decoupling is just a small part of a larger war that is being waged on China to weaken its defenses, isolate it from its allies, strengthen its enemies, and force it to comply with Washington's diktat.** The United States is signaling that it is now prepared to risk a direct confrontation with a nuclear-armed China to prevent a fast-emerging rival from dominating the Central Asia landmass. We should probably expect an outbreak of hostilities in the very near future.

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