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MUTUALLY ASSURED DISRUPTION

Globalization, Security, and the Dangers of Decoupling

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ABSTRACT

The evolution of transnational production in the Asia-Pacific over the past few decades has been a force for peace. Critics of globalization and proponents of US-China economic decoupling advocate policies that would not only harm the global economy but would increase the likelihood of military conflict. This article focuses on the national security benefits of US-China economic engagement and the regional economic integration of East Asia. Government interventions to protect national security and build more resilience in supply chains are needed but should be limited in scope so as to avoid fundamental damage to the complex economic interdependence that has fostered growth and helped to deter war.

GLOBALIZATION has gotten a bad name. This reputation is not deserved. On purely economic grounds, the investment and trading patterns that fueled globalization and created transnational production chains have pulled many hundreds of millions of people out of abject poverty and reduced global hunger to historically low proportions.¹ The efficiencies created have turned technological innovations into affordable products. For example, the vast majority of the world's people carry a smart phone, a device only imaginable in science fiction writings three or four decades ago.² Advocates for decoupling and protectionism emphasize the disruptive aspects of globalization, especially the off-shoring of manufacturing jobs in the developed world. These arguments often fail to recognize the positive economic outcomes or to consider alternative domestic policy responses other than protectionism

¹ Fraser 2022.

² International Telecommunication Union. 2022. "Three-Quarters of the World's Population Own a Mobile Phone." At <https://www.itu.int/itu-d/reports/statistics/2022/11/24/ff22-mobile-phone-ownership/>, accessed August 21, 2023.

to address the pain suffered in previously vibrant manufacturing regions in North America, Europe, and Japan.

China's accession to the WTO in 2001 is often deployed as a bogeyman in arguments against globalization.³ Washington's support for China's accession is now widely considered a mistake on both sides of the political aisle. This makes little sense. The United States was already wide open to Chinese imports before China joined the organization, and US exports to China grew faster than imports from China in the years after the People's Republic of China (PRC) joined, lowering its own tariffs.⁴ When the United States discriminates against imports from China, as it has since 2018, the beneficiaries are not US workers, but workers in other nations, such as in Vietnam and Mexico. As trade with China as a percentage of overall US trade decreased, the difference was more than made up by trade with other actors. In 2022 the US trade deficit with the world hit record levels.⁵ Unless the United States closes itself from international commerce altogether—a policy that exacerbated the Great Depression—then restricting trade with China alone provides no relief for the negative social impact of globalization.

Others have expressed national security concerns. Some argue that US-China trade has benefitted the PRC, a strategic rival, much more than the United States, and they portray US-PRC strategic competition as a zero-sum proposition.⁶ Others point out with more subtlety that the United States and its allies and partners are dangerously dependent on China for needed products, a potential source of leverage for Beijing in future bilateral strategic interactions. The solution here is not necessarily decoupling, but diversification of sources of supply and a multilateral retaliatory capability that might deter China from leveling coercive sanctions in the first place.⁷

What is even less appreciated than the economic benefits of globalization, however, has been the positive international security contributions of the transnational production chains of which China has been an integral part. Despite the brutal Russian invasion of Ukraine, interstate wars have been historically infrequent in the decades since the end of the US-Soviet Cold War in 1991. What roles globalization

³ Autor, Dorn, and Hanson 2016.

⁴ Christensen 2016, chp. 5; Christensen, Thomas J. 2016. "How to Make America Weak Again." *Pittsburgh Post-Gazette*, October 9. At <https://www.post-gazette.com/opinion/Op-Ed/2016/10/09/Voters-must-reject-the-nativist-isolationist-policies-of-Donald-Trump/stories/201610090006>.

⁵ Swanson, Ana. 2023. "America's Trade Deficit Surged in 2022, Nearing \$1 Trillion." *New York Times*, February 7. At <https://www.nytimes.com/2023/02/07/business/economy/us-trade-deficit.html>.

⁶ Mearsheimer 2021.

⁷ Cha 2023.

and transnational production have played in this decline are unclear, but experts consider them among the leading explanatory variables.⁸

This explanation seems particularly true in East Asia. A counter-factual assertion is difficult to prove, but I posit here that globalization and complex regional interdependence is one major reason that no interstate war has occurred in East Asia since 1979, when China invaded Vietnam. This fact is all the more remarkable when one considers all the destabilizing factors present in the region: the structural change created by the meteoric rise of China; the multiple sovereignty disputes in the South China Sea, East China Sea, and across the Taiwan Strait; unsettled legacies of past historical conflicts; and diverse regime types. Listing all these factors alongside the lack of intraregional economic interdependence, in 1993 Aaron Friedberg argued convincingly that the region was “ripe for rivalry” and more prone to conflict than post-Cold War Europe. Along with the subsequent growth of regional multilateral institutions, the biggest stabilizing change in the region since then has been the growth of regional economic integration and transnational production, all facilitated by China’s entrance into the WTO.⁹

In 1988, Helen Milner pointed out that since manufactured goods were, for the first time, being produced in multiple countries, the number of trade conflicts in the 1970s and 1980s was limited despite the apparent decline of US hegemonic leadership in the Bretton Woods system. She argued persuasively that this was the result of transnational production links by which products are made from inputs from more than one country. As both importers and exporters corporations could no longer blithely lobby their home governments for protective tariffs, for fear that the price of their imported inputs might rise and that their final products would suffer from retaliatory tariffs abroad.¹⁰ Milner limited her insights to the study of international political economy, although Stephen Brooks showed how even military equipment is now produced with foreign inputs. Most great powers are not fully self-reliant.¹¹

Applying Milner’s lens to the international security politics of East Asia, transnational production and complex economic interdependence helps to explain why states such as Japan and China have avoided military conflict over their sovereignty disputes regarding the Senkaku islands or Diaoyu islands, as the Japanese and Chinese call them respectively.

⁸ Szayna et al. 2017.

⁹ Friedberg 1993.

¹⁰ Milner 1988.

¹¹ Brooks 2007.

Similarly, the last military clash in the tense South China Sea region, to which six actors have overlapping sovereignty claims, has not occurred since 1988, when China forcibly evicted Vietnamese forces from a disputed islet. Like the 1979 Chinese land invasion of Vietnam, this smaller battle occurred prior to the region's economic integration.

The key role played by both Taiwan and mainland China in the global transnational production chain has arguably helped to prevent a conflict across the Taiwan Strait as well. A conflict would be devastating not only for Taiwan's economy, but for mainland China's, and, given the world's dependence on one corporation—Taiwan's TSMC—for the lion's share of high-end semiconductors, for the entire world.¹² Even if a PRC military victory were to be quick, TSMC itself is dependent on complex inputs from the United States that would likely not be forthcoming.

We have some concrete evidence of how Beijing's dependence on Taiwan affects policy. Despite Beijing's dyspepsia about what they regard to be a pro-independence government in Taiwan since 2016 and the PRC's penchant for economic coercion, robust trade has continued across the Strait. Beijing has difficulty laying heavy economic sanctions on Taiwan even though the island is much more dependent on the mainland economy than vice versa. Some 70 percent of Taiwan's exports to the mainland are in the electronics and telecommunication sectors, providing inputs for highly competitive mainland electronics industries.¹³ So, mainland sanctions on Taiwan tend to be largely symbolic—on items like fruit or soft drinks—with little or no impact on the mainland's position in the transnational production chain but also with limited political bite in Taiwan itself.¹⁴

Transnational production is hardly a panacea. Military preparations to deter a conflict across the Taiwan Strait are also important and have grown more challenging for the United States and Taiwan as the Chinese People's Liberation Army develops power projection capabilities that threaten Taiwan, US forward deployed forces, and US regional allies and partners. I take those concerns seriously and have written about them at length elsewhere.¹⁵ Here I want to emphasize that economics

¹² US Senate 2023, 86.; Vest, Charlie, Agatha Kratz, and Reva Goujon. 2022. "The Global Economic Disruptions from a Taiwan Conflict." *Rhodium Group*, December 14. At <https://rhg.com/research/taiwan-economic-disruptions/>.

¹³ Wang, Cindy. 2022. "Goldman Sees Blow to Taiwan Economy if China Trade Hit Persists." *Bloomberg*, August 10. At <https://www.bloomberg.com/news/articles/2022-08-10/goldman-sees-blow-to-taiwan-economy-if-china-trade-hit-persists>.

¹⁴ Ives, Mike, and Zixu Wang. 2022. "Mostly Bluster: Why China Went Easy on Taiwan's Economy." *New York Times*, August 12. At <https://www.nytimes.com/2022/08/12/business/china-taiwan-economy.html>.

¹⁵ The Task Force on US-China Policy 2022.

also plays an important deterrent role and that it is one reason that no serious fighting has occurred in the Taiwan Strait since 1958. Removing economic incentives for peace would be foolhardy, especially when military challenges are growing.

The stabilizing role of economic integration could be eroded over time by efforts in both the United States and China to reduce economic dependence on the other. China has arguably done the most damage. The Chinese effort began in about 2006 under the label Indigenous Innovation and accelerated over time. Contributing factors include: the 2008 financial crisis, which made Chinese export markets appear unreliable; the ascension in 2012–2013 of Chinese leader Xi Jinping, who has favored state-owned enterprises over the private sector and put a priority on national security concerns over economic efficiency; the global pandemic, which exposed all nations' vulnerability to supply chain disruptions in a highly interdependent global economy; and the growing US-China strategic competition and US technology and investment restrictions on interactions with China. These factors fueled China's push for greater self-reliance (*zili gengsheng*), a phrase associated with Mao Zedong's disastrous Great Leap Forward, but commonly used under Xi.¹⁶ Beijing has made doing business in China harder for foreigners by favoring Chinese firms, especially state-owned firms, and harassing due diligence research on which foreign investors rely, ostensibly to enhance national security.¹⁷ Beijing has also predictably retaliated against Trump-era tariffs by adopting significant tariffs of its own on US imports.

For its part, the United States has adopted many measures designed to limit US-China economic interaction, starting with President Trump's sweeping tariffs on Chinese products, which the Biden administration sustained. To protect national security and to highlight US concerns about human rights abuses, Washington has placed more scrutiny on inbound Chinese investments.¹⁸ The United States Department of Commerce also greatly increased the number of Chinese firms on its Entities List, which requires US citizens and businesses to seek permission before

¹⁶ *CGTN America* 2018; Lu, Tenglong, and Xuemei Chang, eds. 2020. "Xi Jinping tan xin xingshi xia Ziligengsheng zhi lu" [Xi Jinping Discusses the Road to Self-Reliance under New Circumstances]. *Xinhua*, October 13. At <http://cpc.people.com.cn/n1/2020/1013/c64094-31889929.html>; Christensen 1996, chp. 6.

¹⁷ *Economist*. 2023. "Is Doing Business in China Becoming Impossible for Foreigners?" June 11. At <https://www.economist.com/business/2023/06/11/is-doing-business-in-china-becoming-impossible-for-foreigners>; Shepherd, Christian. 2023. "China Raids Another Global Business Consultancy, Cites Spying Concerns." *Washington Post*, May 9. At <https://www.washingtonpost.com/world/2023/05/09/china-raid-capvision-bain-business/>.

¹⁸ The White House 2022a; US Department of the Treasury 2020.

doing any business with them.¹⁹ Perhaps most dramatically, on October 7, 2022, the Biden administration restricted the sale of high-end semiconductors and semiconductor manufacturing equipment (SME) to the PRC. These technologies will enable the next generation of weaponry that could be used against the United States and its allies and partners.²⁰ What adds so much bite to these restrictive measures is that Washington has convinced or coerced to join the embargo other major producers of such semiconductors and SME (the Netherlands, Japan, South Korea, and Taiwan).²¹ The Biden administration has added restrictions on outbound US investments in these sectors.²² Beijing has retaliated by placing restrictions on the export of gallium and germanium, essential metals for semiconductor production, the supply of which China currently largely controls, and by banning some purchases of lower-end US semiconductors.²³ Beijing warned that this is just the beginning of Chinese countermeasures.

The US policies toward China take place in the context of a broader set of Biden administration initiatives to increase domestic manufacturing, such as the CHIPS Act for US-based semiconductor production, and the Inflation Reduction Act for manufacturing of green products in the United States. The administration also wants a larger share of imports of needed products to come from trusted, friendly actors, a strategy called friend shoring, to distinguish it from re-shoring back to America.²⁴ Not only does China, but many of the United States' allies and partners see the reversion to industrial policy in the United States as old-fashioned protectionism dressed in the cloak of grand strategy.²⁵ And the United States, which led the creation of the multilateral free

¹⁹ Kurtenbach, Elaine. 2022. "US Puts 3 Dozen More Chinese Companies on Trade Blacklist." *Associated Press*, December 16. At <https://apnews.com/article/technology-business-china-human-rights-246aa894dac05b3dab65b41a10a50415>.

²⁰ Bureau of Industry and Security 2022.

²¹ Wong, Jacky. 2023. "Three-Way U.S. Chip Alliance Should Spook Beijing." *Wall Street Journal*, January 30. At <https://www.wsj.com/articles/u-s-tripartite-chip-alliance-should-spook-china-11675082522>; *Reuters*. 2023. "Taiwan says 'Fab 4' Chip Group Held First Senior Officials Meeting." February 25. At <https://www.reuters.com/technology/taiwan-says-fab-4-chip-group-held-first-senior-officials-meeting-2023-02-25>.

²² Baker, Peter, and David Sanger. 2023. "Biden Orders Ban on New Investments in China's Sensitive High-Tech Industries." *New York Times*, August 9. At <https://www.nytimes.com/2023/08/09/us/politics/biden-ban-china-investment.html#:~:text=President%20Biden%20escalated%20his%20confrontation,the%20world's%20two%20largest%20economies>; Television Interview with Christopher Johnson. 2023. *PBS News Hour*, August 9. At <https://www.youtube.com/watch?v=NfzrizPJmQE>.

²³ Kawate, Iori, and Shoya Okinaga. 2023. "China Tightens Export Restrictions on Two Chipmaking Materials." *Nikkei Asia*, August 1. At <https://asia.nikkei.com/Economy/Trade/China-tightens-export-restrictions-on-two-chipmaking-materials>.

²⁴ The White House. 2023b; US Department of the Treasury 2022.

²⁵ *Economist*. 2023. "What America's Protectionist Turn Means for the World." January 9. At <https://www.economist.com/finance-and-economics/2023/01/09/what-americas-protectionist-turn-means-for-the-world>.

trade and financial systems after World War II, has largely been absent in recent multilateral economic agreements in Asia such as in the Comprehensive and Progressive Agreement for a Trans Pacific Partnership and the Regional and Comprehensive Economic Partnership. The Trump administration not only routinely violated US commitments to the WTO, it blocked the appointment of appellate judges on which the WTO relies.

Whether driven by simple protectionism or sincere security concerns, broader decoupling of the two economies could do further economic damage and weaken the stabilizing role that interdependence has played in East Asia security relations. Chinese investment in the United States has largely dried up under the pressure of US security vetting, Chinese capital restrictions, and Chinese investors' concerns about political risk. US investment in China has also declined precipitously since 2019 because of China's own industrial and security policies, parallel investor concerns about political risk, the harsh zero COVID policies in China that made normal business operations impossible, and the prospect of more expansive US government restrictions on outbound investment into Chinese industries.

Broad decoupling has not yet occurred, however, and the Biden administration has insisted that decoupling is not its goal. Despite tariffs in both countries, US-China bilateral trade figures were still at or near record highs in 2022 (above 700 billion dollars).²⁶ That year may have been an anomaly. Short-term fiscal stimulus given to US consumers boosted not only trade with China but helped to create record US trade deficits with the rest of the world. All things being equal, tariffs have had a negative impact on US-China trade. As a percentage of imports from around the world, in 2020–2022 Chinese products made up a lower percentage than at any time since 2003.²⁷ This has not, however, produced the re-shoring of US jobs promised by advocates of greater protectionism. Third countries are now exporting products to the United States previously purchased from China. They themselves have become more dependent on intermediary inputs from China, meaning that the United States is still dependent on China, simply less directly.²⁸ For example, US imports

²⁶ Zhou, Marrian, and Rintaro Tobita. 2023. "US-China Trade Hit Record in 2022 Despite Tensions." *Nikkei Asia*, February 7. At <https://asia.nikkei.com/Economy/Trade/U.S.-China-trade-hit-record-in-2022-despite-tensions2>.

²⁷ DeBarros, Anthony, and Yuka Hayashi. 2023. "How US and China are Breaking Up, in Charts." *Wall Street Journal*, August 12. At <https://www.wsj.com/articles/how-u-s-and-china-are-breaking-up-in-charts-282bd878>.

²⁸ *Economist*. 2023. "Joe Biden's China Strategy is Not Working." August 10. At <https://www.economist.com/leaders/2023/08/10/joe-bidens-china-strategy-is-not-working>.

from Mexico and Vietnam have increased sharply in the past few years, while Chinese exports to those countries have also skyrocketed.²⁹

Secretary of Treasury Janet Yellen, Secretary of State Antony Blinken, and Secretary of Commerce Gina Raimondo have stated that the United States intends to maintain robust economic engagement with China even as it takes measures to protect US national security. In restricting key technology exports and certain foreign investments, they insist that the United States is building a high fence around a small yard. They are not trying to harm the overall Chinese economy. Similarly, they differentiate friend shoring or derisking from a broader decoupling. Under these concepts, the United States could still allow many purchases from China as long as the United States is not overly dependent on China as the single supplier.³⁰ For its part, Beijing is also reaching out to foreign business leaders, with mixed results, to reassure them that China is still open for their business despite the aforementioned self-reliance initiatives and increased security oversight of foreign firms.³¹

On economic grounds, the Biden administration's efforts to preserve the basic US-China economic relationship make good sense. Little evidence exists that the Trump-era tariffs, sustained under the Biden administration, have done anything but harm to the US economy, especially when the Chinese retaliatory tariffs are taken into account.³² So increasing them, as now presidential candidate Trump has promised to do if he is reelected, would only likely harm the United States more.³³ And because of the diversion of trade to countries such as Mexico and Vietnam, the US trade deficit with the world has increased despite the protectionist tariffs on trade with China.³⁴

Eschewing broad decoupling makes good sense from a national security perspective as well, despite the complaints of hawkish voices on

²⁹ Trading Economics 2023a; Trading Economics 2023b; Nguyen 2023.

³⁰ US Department of State 2023; US Department of the Treasury 2023.

³¹ State Council of the People's Republic of China. 2023. "China's Self-Reliance Is Not a Closed-Door Policy, Xi Says." At http://english.www.gov.cn/news/202306/28/content_WS649b6b4ac6d0868f4e8dd46f.html; Luo, Shanshan. 2023. "Kaifang Zhongguo Yiran shi Waishang Touzi Gaodi" [Open China Remains a Highland for Foreign Investors]. *People's Daily*, June 14. At <http://cpc.people.com.cn/1/2023/0614/c64387-40012867.html>.

³² United States International Trade Commission 2023; Hass, Ryan, and Abraham M. Denmark. 2020. "More Pain than Gain: How the US-China Trade War Hurt America." *The China Project*, July 29. At <https://thechinaproject.com/2020/07/29/more-pain-than-gain-how-the-u-s-china-trade-war-hurt-america/>.

³³ Tobita, Rintaro. 2023. "Trump Will Raise China Tariffs if He Wins White House: ex-USTR." *Nikkei Asia*, August 6. At <https://asia.nikkei.com/Politics/International-relations/US-China-tensions/Trump-will-raise-China-tariffs-if-he-wins-White-House-ex-USTR>.

³⁴ Roach, Stephen S. 2023. "US-China Decoupling by the Numbers." *Project Syndicate*, July 26. At <https://www.project-syndicate.org/commentary/us-china-decoupling-derisking-has-deleterious-economic-effects-by-stephen-s-roach-2023-07>.

Capitol Hill and in pundit circles about the dangers of any US-China engagement.³⁵ Broad economic decoupling appears wrongheaded when we appreciate how complex, integrated supply chains that cross many borders have helped to deter interstate conflict in an important region of the world that is full of sovereignty disputes, political differences, post-colonial nationalism, and unreconciled historical animosities.

Social scientists are often uncomfortable with counterfactuals, even when presented with dramatic nonevents like the lack of East Asian interstate war since 1979. But some less abstract dynamics demonstrate fairly convincingly the pacifying role of complex interdependence. Mainland China seems unwilling to sanction Taiwan meaningfully over the past seven years despite Taipei's refusal to accept that Taiwan is part of a larger Chinese nation. Chinese restraint on selling weapons to Russia after Putin's invasion of Ukraine also suggests the importance of China's economic dependence in restraining Beijing's behavior.

President Xi Jinping does not want Putin, his avowed "best friend," to fail entirely in Ukraine and potentially be driven from power under pressure from the United States and NATO. Xi needs authoritarian friends, and the take down of his most powerful one by a coalition of liberal democracies would be a disaster for what matters most in Chinese national security—the stability of single party rule at home by the Chinese Communist Party. Beijing has supported Russia in various ways, parroting Moscow's talking points about the causes and consequences of the Russian attack on Ukraine and the PRC provided an economic lifeline to Putin via the purchases of Russian commodities and the sale of Chinese consumer goods.³⁶ China has supported Russia in other ways, such as carrying out joint military exercises with Russian forces near Japan, Korea, and Alaska.³⁷

An important dog has not yet barked, however. Beijing has strong incentives to sell a significant number of weapons to Russia, but it has not done so, almost certainly because of the prospect of sanctions by the United States and others, especially European states. Not only has NATO been unified in support of Ukraine's military efforts, all the advanced economies of the world have put stronger economic sanctions on Russia for a longer period of time than many expected when the war

³⁵ US House of Representatives. 2023a; US House of Representatives 2023b.

³⁶ He, Laura. 2023. "China is Helping to Prop up the Russian Economy. Here's How." *CNN*, February 26. At <https://edition.cnn.com/2023/02/22/economy/china-russia-economic-ties-ukraine-intl-hnk/index.html>.

³⁷ Tajima, Yukio. 2023. "China and Russia Kick Off Military Exercises in Sea of Japan." *Nikkei Asia*, July 21. At <https://asia.nikkei.com/Politics/International-relations/Indo-Pacific/China-and-Russia-kick-off-military-exercises-in-Sea-of-Japan>.

first started. China's diplomatic support for Russia after the invasion has already damaged China's interests not only in Europe, but in Asia as well. Japan and South Korea have both been actively participating in NATO meetings and, perhaps more surprisingly, getting along quite well with each other.³⁸ According to China's own statistics, four out of five of China's top economic partners are attending these meetings.³⁹

Xi Jinping's China has both the wherewithal and the incentive to sell weapons and other militarily relevant equipment to Russia and would likely do so at a high pace if it were not for the threats of economic sanctions from leaders like US Commerce Secretary Gina Raimondo, who stated that the United States might kneecap entire Chinese industries, like China's more run-of-the-mill semiconductor fabrication plants, which are still currently able to import critically needed US equipment.⁴⁰ Putin's Russia needs to increase its supply of weapons like artillery shells and drones to improve Russia's dismal performance to date in the attritional fight in Ukraine. And public reports suggest that China has not provided them, at least not in large numbers.⁴¹

For related reasons, the war in Ukraine also has negative consequences for Beijing in its efforts to pressure Taiwan into accepting that it is a part of China and subordinate to Beijing. Many have appropriately focused on Putin's military failures as a sobering lesson for Xi, who must have doubts about whether his own military could achieve his objectives in Taiwan effectively and quickly.⁴² But beyond military calculations, a war across the Taiwan Strait would be extremely costly economically to the mainland in a direct sense, and even more still if an attack were followed by US and allied sanctions, as seems highly likely. As discussed above, a

³⁸ North Atlantic Treaty Organization 2023; Johnson, Jesse. 2023. "Kishida and Yoon Hail Improved Ties as 'Shuttle Diplomacy' Resumes." *Japan Times*, May 7. At <https://www.japantimes.co.jp/news/2023/05/07/national/politics-diplomacy/kishida-south-korea-visit-yoon-talks/>.

³⁹ General Administration of Customs of the People's Republic of China. 2023. "2022 Nian 12 Yue Jinchukou Shangpin Zhuyao Guobie (Diqu) Zongzhi biao (Meiyuan zhi)" [Total Value of Import and Export Goods by Major Countries (Regions) in December 2022 (US Dollars)]. At <http://www.customs.gov.cn/customs/302249/zfbxgk/2799825/302274/302275/4794352/index.html>.

⁴⁰ Swanson, Ana. 2022. "Chinese Companies that Aid Russia Could Face US Repercussions, Commerce Secretary Warns." *New York Times*, March 8. At <https://www.nytimes.com/2022/03/08/technology/chinese-companies-russia-semiconductors.html>; Wright, Jasmine, and Paul LeBlanc. "US Says China Will Face 'Real Costs' If It Provides Lethal Aid to Russia for War in Ukraine." *CNN*, February 26. At <https://edition.cnn.com/2023/02/26/politics/jake-sullivan-ukraine-russia-china-cnntv/index.html>.

⁴¹ Beech, Eric. "Biden Says China Has Not Yet Provided Weapons to Russia." *Reuters*, March 24. At [⁴² Falconer, Rebecca. 2022. "CIA Chief: Putin's War on Ukraine Forcing China Taiwan Invasion Rethink." *Axios*, July 21. At <https://www.axios.com/2022/07/21/russia-ukraine-war-china-taiwan-invasion-rethink-cia-chief>.](https://www.reuters.com/world/us/biden-says-china-has-not-yet-provided-weapons-russia-2023-03-24/#:~:text=OTTAWA%2C%20March%2024%20(Reuters),for%20its%20war%20in%20Ukraine;The White House 2023a.</p>
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conflict across the Taiwan Strait would be harmful to the global economy. So, not surprisingly, more countries, including Japan, South Korea, and India, have been calling out Beijing's threats to peace and stability across the Taiwan Strait as a global security concern.⁴³

Because these countries are even more highly dependent on the Chinese economy than is the United States and none recognize Taiwan as a sovereign state independent of mainland China, Washington would certainly find it more difficult to rally allies and partners to sanction the PRC over an attack on Taiwan than it did so against Russia for attacking Ukraine.⁴⁴ But Beijing's leaders cannot ignore this possibility. After all, observers have been surprised by the cohesion of the multilateral sanctions regime on Russia, and Washington's ability to pressure major chip producers to limit their own technology transfers to China. And China's past efforts to use retaliatory economic coercion against targeted states such as South Korea and Australia have not been highly effective.

Dynamics such as these are why widespread decoupling of the United States from the Chinese economy in peacetime would be an unwise strategy on both economic and security grounds. In the absence of a preexisting conflict around which to rally allies and partners, Washington would likely fail to bring others on board. The effort to do so would likely only strain political relations with US allies and partners and, once rejected, put US business at a grave disadvantage. Economics aside, US allies and partners around the globe are the greatest source of US competitive advantage in the ongoing strategic competition with the PRC, so straining relations with those allies, as President Trump did, is a poor security strategy. Finally, even if US-PRC peacetime decoupling itself were to move forward, with or without allies and partners on board, significant US leverage on China's future strategic behavior would be lost.

Social science concepts from the security studies literature are useful here. The Biden administration has leveled serious regulatory restrictions regarding specific types of technology sales to China. With real diplomatic skill, the administration has used the leverage provided by

⁴³ Oba, Shunsuke, and Mitsuru Obe. 2023. "Japan's Kishida says Taiwan's Security is Global Issue." *Nikkei Asia*, May 10. At <https://asia.nikkei.com/Editor-s-Picks/Interview/Japan-s-Kishida-says-Taiwan-s-security-is-global-issue>.; Kim, Soyoung, Ju-min Park, and Hyonhee Shin. 2023. "Exclusive: South Korea's Yoon Opens Door for Possible Military Aid to Ukraine." *Reuters*, April 19. At <https://www.reuters.com/world/asia-pacific/south-koreas-yoon-opens-door-possible-military-aid-ukraine-2023-04-19/>; Indian Ministry of External Affairs 2022.

⁴⁴ *Economist*. 2023. "Europe Can't Decide How to Unplug from China." May 15. At <https://www.economist.com/international/2023/05/15/europe-cant-decide-how-to-unplug-from-china>.; Nagata, Kazuaki. 2022. "Japan and China's 'Hot' Economic Ties Increasingly Complex." *Japan Times*, September 26. At <https://www.japantimes.co.jp/news/2022/09/26/business/japan-china-50-years-economic-ties/>; Economist Intelligence Unit 2023, 3.

the US position in the global supply chain to convince relevant allies and partners to join in that embargo. The resulting high-tech embargo is an example of what Thomas Schelling called a “brute force” measure against China.⁴⁵ The embargo aims to keep China weaker than it otherwise would be as a potential adversary and it is applied without conditions related to China’s behavior. National Security Advisor Jake Sullivan said the goal is to maintain the US lead in strategic technologies.⁴⁶ This is, then, economic warfare, not an economic sanction. No improvement in China’s near-term policy behavior would make the United States reconsider selling technologies that would speed Beijing’s progress in artificial intelligence, with implications for the next generation of weapons.

Such brute force measures are not new. Even in the high times of economic engagement in the past thirty years, the United States restricted certain militarily relevant technology transfers to the PRC such as manufacturing equipment for turbo-fan jet engines. The main difference now is that high-end semiconductors are important to broad swathes of future economic output from driverless cars to 5G telecommunications systems.⁴⁷ So, the recent technology restrictions look to many Chinese more like a general effort to keep the Chinese economy down than did some of the earlier restrictions on militarily relevant technologies.⁴⁸

A problem with an expansion of the peacetime yard around which the United States is building high fences is that, in Schelling’s terms, most of US economic statecraft toward China is not brute force, but coercive diplomacy, the blending of threats and assurances to influence behavior. Secretary of Commerce Gina Raimondo’s threat toward the entire Chinese semiconductor industry, not just the high-end chip sector, if Beijing sold military-related items to Russia during the war in Ukraine, was an explicit coercive threat, conditional on China’s foreign policy behavior. She was trying to deter a change in Beijing’s policies, not trying to hurt the Chinese economy to make the PRC a weaker nation

⁴⁵ Schelling 1966, 2–6.

⁴⁶ The White House 2022b.

⁴⁷ Miller 2022, chp. 47.

⁴⁸ Qiu, Lifang, eds. 2023. “Xi Jinping zai kanwang canjia Zheng Xie huiyi de min jian gongshang lian jie weiyuan shi qiangdiao zhengque yindao mingying jingji jiankang fazhan gaozhiliang fazhan.” [When Xi Jinping Visited the All-China Federation of Industry and Commerce Who Participated in the CPPCC Meeting, He Emphasized the Correct, High-Quality Development of the Private Sector]. *Xinhua*, March 6. At http://www.news.cn/politics/leaders/2023-03/06/c_1129417096.htm.; Yong, Niu, and Hongbin Yue, eds. 2023. “Ezhi daya zudang buliao Zhongguo fazhan de bufa.” [Containment and Suppression Cannot Stop the Pace of China’s Development]. *People’s Daily*, August 12. At <http://world.people.com.cn/n1/2023/0812/c1002-40055180.html>.

overall. To be effective, such coercive threats require credible threats that the state leveling the threats can and will mete out the threatened punishment; but equally important are credible assurances that the threatened punishment will only be carried out if the prohibited behavior is adopted.⁴⁹ Coercive threats must be conditional to be effective. Importantly, then, the brute force aspects of US economic policies should not expand to such a degree that they undercut assurances in US coercive diplomacy that threatened punishment of China's general economy truly is conditional on Chinese behavior. Otherwise, China would have little incentive to comply with US coercive demands regarding issues such as Chinese arms sales to Russia.

In the context of cross-Strait relations an only thinly veiled threat exists: a PRC attack on Taiwan will lead to severe economic sanctions against the PRC by the United States and at least some other states on whom Beijing depends economically. Those threats also have to be accompanied by assurances that the economic punishment will not be leveled anyway or that, if Beijing eschews the use of military force, the United States will not support Taiwan independence, an outcome that is anathema to Beijing on nationalist grounds. Without such assurances, deterrence in the Strait would be impossible.

US and allied economic coercive leverage on China has arguably increased recently as a series of Chinese state policy decisions has reduced domestic consumer demand and sparked concerns about deflation and low growth. Foreign export markets in the advanced economies in Asia, North America, and Europe have thereby become even more important.⁵⁰ These realities almost certainly help to explain why China has softened some of the edges of its wolf warrior diplomacy in places such as Europe, and has tried to portray itself, with limited success, as more of a peacemaker than an unconditional supporter of Russia in the context of the war in Ukraine.⁵¹

If, however, the small yard surrounded by high fences in the brute force aspects of US foreign economic policy grows to encompass broad swathes of US-China economic interactions, then it will appear to many Chinese that the United States really is trying to hamstring China's overall economic growth in the way that it tried to harm the overall

⁴⁹ Schelling 1966, 75.

⁵⁰ Posen 2023.

⁵¹ Erlanger, Steven, and Erika Solomon. 2023. "China Woos European Leaders on Trip Overshadowed by Kremlin Ties." *New York Times*, May 9. At <https://www.nytimes.com/2023/05/09/world/europe/china-eu-russia-ukraine-war.html>.

Soviet economy in the Cold War.⁵² Coercive diplomatic leverage would be lost if a growing sense in China were that US markets and inputs might be cut off from China on an unconditional basis because of expanding definitions of what economic transactions are military-related, general bilateral political hostility, or simple US protectionism dressed up as national security policy. The necessary assurances in the coercive threats against China would become less credible, undercutting deterrence and making the following behaviors that are threatening to US national security interests appear less costly to China and therefore, more likely: robust Chinese arms sales to support Russia's invasion of Ukraine; the PRC's use of military force to attempt to resolve differences across the Taiwan Strait; or the more aggressive use of China's military to assert China's expansive sovereignty claims in sovereignty disputes in the East China Sea with US ally, Japan, and in the South China Sea, including with the US ally, the Philippines. None of these outcomes would be in the US national security interest and all of them are made less likely than they otherwise would be by globalization and the maintenance of robust US-PRC economic ties in peacetime.

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⁵² Wei Jianhua, Xie Binbin, Gao Wenchang, Rong Li, and Yu Fan. 2023. "Tuogou" Xin Majia—Xinhuashe si lian ping qi di 'Qufengxian' Meishi huashu xianjing" [Decoupling's New Clothes—Xinhua's 4 Comments on the Trap of America's 'De-Risking' Rhetoric]. *Xinhua*, July 19. At http://www.news.cn/world/2023-07/19/c_1129758638.htm.

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