# What a U.S.-China Decoupling Could Mean

As U.S.-China tensions continue to simmer, leaders across the United States have expressed growing alarm about the intertwining of the world's two largest economies. Indeed, as China's ambition to become a global technology powerhouse has grown—supported by the increasingly coercive use of economic statecraft globally—its commitment to open-economy, market-based norms has flagged in critical areas. It has never been more important for U.S. leaders to understand both the fault lines and the benefits in the U.S. economic relationship with China. That will prepare us to create the relationship with China we want—and can live with—in the future.

Amid calls for economic "decoupling," the Chamber released a new report this week outlining the significant economic impacts of complete disengagement. "Understanding U.S.-China Decoupling: Macro Trends and Industry Impacts" provides a data-based analysis to inform decisions by the Biden administration as it charts a way forward on perhaps its most consequential foreign policy priority.

**What we're saying:** As Head of the International Affairs Division Myron Brilliant put it, "China is perhaps the most difficult foreign policy challenge confronting President Biden. We cannot ignore the economic challenges posed by China's rising Statism, nor the growing national security concerns. Yet, given the interconnectedness of our two economies and importance of the Chinese market for U.S. companies, large and small, it is critical that policy decisions are informed by the best data that weighs the costs and benefits of policy choices."

**Why it Matters**: The costs of full decoupling would be uncomfortably high for American companies and the U.S. economy. The imposition of 25% tariffs on bilateral trade could decrease U.S. GDP by $190 billion by 2025. A 50% reduction in foreign direct investment (FDI) into

China could mean $25 billion less in capital gains. That's not to mention losses tied to reduced tourism, R&D spending, and increased competition for business innovators.

**What we're recommending:**

- **Policymaking informed by data analysis.** China policy requires economic impact assessment, cost-benefit analysis, and a process of public debate and discovery.
- **Policies that reduce the costs to the U.S. economy while protecting our security**—mitigation, diversification, even simple transparency with Beijing—deserve careful consideration.
- **A broader spectrum of U.S. policies to address the China challenge.** Promoting domestic innovation and technology, and preserving the rules-based, open market order among like-minded economies are key to U.S. success. Government has a greater role to play, but one that must have guardrails and ensure the continued vitality of our market-based system.
- **Renewing the U.S. value proposition to our international partners.** No nation can address the China challenge alone, especially when it comes to sustaining technology leadership. A plurilateral approach is essential to reducing U.S. economic costs and preventing the erosion of U.S. comparative advantage that would occur if decoupling policies are implemented unilaterally.

**Learn More:**

- The report also delves into the impact of decoupling on four industries critical to U.S. national security – aviation, semiconductors, chemicals and medical devices. You can hear experts discussing these impacts, and the costs for the broader economy, at our launch event for the report.
- Watch the launch event for the report.

–Charles Freeman, Senior Vice President for Asia, U.S. Chamber of Commerce