



## **Coronavirus Solidifies US-China Decoupling**

**Dr Christina Lin**

**February 2020**

### **Abstract**

---

With the shift of Washington's China policy from one of engagement to aggressive containment under the Trump administration, some fear the coronavirus crisis will accelerate the 'decoupling' between US and China and lead to greater risk of war between the world's biggest powers. As the Chinese economy is reeling from a de facto quarantine and blockade due to the epidemic and US hawks continuing a policy of 'maximum pressure' through tariffs and sanctions, US-China ties seem headed towards a split of the global economy into mutually exclusive American and Chinese spheres of influence that resembles the pre-1914 environment. Subsequently war broke out due to German fears of being in a position where their power would not strengthen in the future and 1914 was their maximum moment. If Beijing perceives Washington is determined to exclude China from prosperity and keep it down, there is a risk this could also be perceived as her "maximum moment."

### **About ISPSW**

---

The Institute for Strategic, Political, Security and Economic Consultancy (ISPSW) is a private institute for research and consultancy. The ISPSW is an objective, task-oriented and politically non-partisan institute.

In the ever more complex international environment of globalized economic processes and worldwide political, ecological, social and cultural change, which occasions both major opportunities and risks, decision-makers in the economic and political arena depend more than ever before on the advice of highly qualified experts.

ISPSW offers a range of services, including strategic analyses, security consultancy, executive coaching and intercultural competency. ISPSW publications examine a wide range of topics connected with politics, the economy, international relations, and security/ defense. ISPSW network experts have worked – in some cases for decades – in executive positions and have at their disposal a wide range of experience in their respective fields of expertise.



## Analysis

In November 2019, Henry Kissinger was in Beijing for the Bloomberg Next Economy Forum, warning that the US and China are in the “foothills of a Cold War”, saying that conflict could be worse than World War I if left to run unconstrained.<sup>1</sup>

These comments came in the context of escalating tensions in recent years over trade, increasing rhetoric of military conflict over Taiwan and the South China Sea, accusations of espionage and influence campaigns, and an all-out competition to define the norms and values underpinning the international order.

One month later in December, there was an outbreak of the coronavirus in Wuhan, which resulted in worldwide panic and the de facto quarantine of the Chinese economy via city lockdowns, business shutdowns, and travel bans from the international community.<sup>2</sup>

With the shift of Washington’s China policy from one of engagement to containment and decoupling under the Trump administration, some observers such as Curtis Chin, an Asia fellow at the Milken Institute, believes the coronavirus is accelerating the decoupling with China as countries and businesses “think about their supply chain for the long run.”<sup>3</sup>

Commerce Secretary Wilbur Ross shares this view and sees China’s pandemic crisis as an opportunity to bring jobs back to the US.<sup>4</sup> Meanwhile, hawks continue to stress maximum pressure to boycott, divest and sanction (BDS) China with warnings that Beijing is committing bio-warfare via a virology lab in Wuhan, and for the US to deny medical aid and allow the virus to “rampage through the ranks” of China’s Communist Party, telling US officials they are being used as unwitting agents of China, and to continue with trade tariffs and various sanctions on the Chinese economy.<sup>5</sup>

### Deteriorating economic, military, educational and cultural ties

In recent years, China watchers have been growing alarmed at the rapid deterioration of US-China relations. Nowadays, it is common to hear arguments warning of a split of the global economy into mutually exclusive American and Chinese spheres of influence. The former Australian prime minister Kevin Rudd has warned that if indeed we arrive at a fully ‘decoupled world’, it would herald the return of an ‘iron curtain’ between the East

<sup>1</sup> Kissinger Says U.S. and China in ‘Foothills of a Cold War’, *Bloomberg News*, 20 November 2019,

<https://www.bloomberg.com/news/articles/2019-11-21/kissinger-says-u-s-and-china-in-foothills-of-a-cold-war>

<sup>2</sup> James Palmer, “China is under Lockdown”, *Foreign Policy*, February 5, 2020, <https://foreignpolicy.com/2020/02/05/china-lockdown-wuhan-coronavirus-government-propaganda-xi-jinping/>

<sup>3</sup> Weizhen Tan, “Coronavirus outbreak will speed up U.S.-China ‘decoupling’, more than the trade war, Milken Institute analyst says,” *CNBC*, February 11, 2020, <https://www.cnbc.com/2020/02/12/coronavirus-effect-on-us-china-decoupling-versus-trade-war-milken.html>

<sup>4</sup> Ana Swanson and Alan Rappeport, “Wilbur Ross Says Coronavirus Could Bring Jobs Back to the U.S.,” *New York Times*, January 30, 2020, <https://www.nytimes.com/2020/01/30/business/economy/wilbur-ross-coronavirus-jobs.html>

<sup>5</sup> Jane Lytvynenko, “A site tied to Steve Bannon is Writing Fake News About the Coronavirus”, *Buzzfeed*, February 3, 2020, <https://www.buzzfeednews.com/article/janelytvynenko/a-site-tied-to-steve-bannon-is-writing-fake-news-about-the>; James Mills, “Hedge fund manager Kyle Bass refuses to apologize for deleted tweet that the U.S. should let coronavirus ‘rampage through the ranks’ of China’s Communist Party”, *Daily Mail*, February 10, 2020, <https://www.dailymail.co.uk/news/article-7986727/Kyle-Bass-says-let-coronavirus-rampage-Chinas-Communist-Party.html>; Ellen Bork, “China is using you”, *The American Interest*, February 13, 2020, <https://www.the-american-interest.com/2020/02/13/pompeo-to-governors-china-is-using-you/>; <https://twitter.com/GordonGChang/status/1228291653124984833>; “U.S. House passes Uyghur law demanding sanctions on China over Xinjiang camps”, December 4, 2019, <https://tibtet.net/us-house-passes-uygur-law-demanding-sanctions-on-china-over-xinjiang-camps/>; “U.S. house passes bill on sanctions against Chinese officials for meddling in Dalai Lama succession”, *Economic Times*, January 29, 2020, <https://economictimes.indiatimes.com/news/international/world-news/us-house-passes-bill-on-sanctions-against-chinese-officials-for-meddling-in-dalai-lamas-succession/articleshow/73723531.cms?from=mdr>



and the West, and “the beginning of a new conventional and nuclear arms race with all its attendant strategic instability and risk.”<sup>6</sup>

However, Yun Sun from the Stimson Centre says US and China have already entered a war of attrition that will accelerate the decoupling of US-China economic ties, as both actors and third parties change the composition and direction of their supply chains and shift them elsewhere.<sup>7</sup> She warned that if decoupling results in the two countries shedding all common interests and leaving raw and pure conflicting interests, it would be a dangerous path – one leading towards military confrontation. That view is shared by a retired senior US Army officer, Lt. Gen. Karl Eikenberry.

Currently at Stanford University, General Eikenberry has been warning of a potential “military accident or operational miscalculation” between the armed forces of both countries amid this decoupling.<sup>8</sup> There have been several past instances of military clashes nearly breaking out – in 2018 a Chinese destroyer and a US navy destroyer almost collided in the South China Sea. In April 2001, a US naval aircraft collided with a Chinese fighter jet and was forced to land in Hainan, while in 1996, the US accidentally bombed the Chinese embassy in Belgrade. But, none of these flashpoints led to war.

However, with heightened tension between the two countries, coupled with rapid technological advancement in the consumer sector while domains of warfare have expanded into cyber and technology sectors, Eikenberry said Washington was now focused on the “securitization of economic exchanges”, and as such trade deals were no longer about balancing deficits but carried broader security implications. Should there be another diplomatic or military incident within this strained context, Eikenberry believed “the consequences will be much greater.”

Besides the economic and military realm, decoupling is also occurring at the local level of academic and people-to-people exchanges. A Bloomberg article in June 2019 revealed that the US is purging ethnic Chinese scientists, including US citizens, from cancer research in top institutions, as well as various other projects in STEM – science, technology, engineering, mathematics – fields.<sup>9</sup> Many institutions have partnered with the FBI to target Chinese scientists and scholars for surveillance, leading to fear among Asian Americans this could be a dangerous lurch down the path of paranoia and racial profiling, similar to China’s campaign of racially profiling Uyghurs in Xinjiang.<sup>10</sup>

Back in 2015, after various bungled cases, Congressman Ted Lieu (D-Torrance) and 42 members of Congress raised these concerns with the Department of Justice.<sup>11</sup> But in face of an increasingly fearful and tense environment in academic institutions, there has been a chill in bilateral scholarly exchanges and research collaboration, and this decoupling looks likely to continue.

<sup>6</sup> Kevin Rudd, “Defining the Great Global Decoupling”, Eighth annual Robert F. Ellsworth Memorial Lecture, UC San Diego, November 4, 2019, [https://china.ucsd.edu/files/11042019\\_ellsworth-lecture-speech.pdf](https://china.ucsd.edu/files/11042019_ellsworth-lecture-speech.pdf)

<sup>7</sup> Yun Sun, “Managing the Fallout of the U.S.-China Trade War”, Stimson Centre Issue Brief: 2020 Presidential Inbox, 31 October 2019, <https://www.stimson.org/content/managing-fallout-us-china-trade-war>

<sup>8</sup> Grace Shao and Joanna Tan, “Former army general warns of ‘military accident’ as U.S.-China relations deteriorate”, *CNBC*, 21 November 2019, <https://www.cnbc.com/2019/11/21/ex-us-army-official-warns-of-military-accident-amid-us-china-tensions.html>

<sup>9</sup> Peter Waldman, “The U.S. is Purging Chinese Cancer Researchers from Top Institutions”, *Bloomberg Businessweek*, June 13, 2019 <https://www.bloomberg.com/news/features/2019-06-13/the-u-s-is-purging-chinese-americans-from-top-cancer-research>

<sup>10</sup> “Raskin voices concern about racial profile of Chinese Americans”, U.S. Congressman Jamie Raskin Press Release, August 16, 2019, <https://raskin.house.gov/media/press-releases/raskin-voices-concern-about-racial-profiling-chinese-americans>

<sup>11</sup> Avi Asher-Schapiro, “Why Does the FBI Keep Arresting Asian-American Scientists?”, *Vice*, November 19, 2015, [https://www.vice.com/en\\_us/article/59eybd/why-does-the-fbi-keep-arresting-asian-american-scientists](https://www.vice.com/en_us/article/59eybd/why-does-the-fbi-keep-arresting-asian-american-scientists); Sarah D Wire, “Rep. Lieu wants to know if Asian American scientists accused of espionage were targeted”, *Los Angeles Times*, November 5, 2015, [https://www.vice.com/en\\_us/article/59eybd/why-does-the-fbi-keep-arresting-asian-american-scientists](https://www.vice.com/en_us/article/59eybd/why-does-the-fbi-keep-arresting-asian-american-scientists)



### Foothills of a cold war or ‘maximum moment’?

Given Kissinger is known to have prescient observations, at this critical juncture it appears his warnings in regard to a new Cold War seem apt. Paul Haenle, a former Asia adviser to presidents Bush and Obama, said: “If you talk to folks in the Pentagon, they say they’re no longer debating whether or not China is an enemy. They’re planning for war... and if you talk about cooperation, you’re [seen as] naïve.”<sup>12</sup>

Evan Osnos of *The New Yorker* noted how Kissinger compares the current bilateral situation to a disturbing analogy about the First World War. In that view, the trade war is an ominous signal of economic polarization, the same kind that pitted Britain against Germany before 1914, which has often been a prelude to real war.

“If it freezes into a permanent conflict, and you have two big blocs confronting each other,” Kissinger said, “then the danger of a pre-World War I situation is huge. Look at history: none of the leaders that started World War I would have done so if they had known what the world would look like at the end. That is the situation we must avoid.”

Yale historian Odd Arne Westad agrees. He noted: “The pre-1914 parallel is, of course, not just the growth in German power. What we, I think, need to focus on, is what actually led to war. What led to war was the German fear of being in a position where their power would not strengthen in the future, where they were, as they put it in the summer of 1914, at the maximum moment.”

Osnos cautioned that, currently, the greatest risk is blindness born of ignorance, hubris, or ideology. As witnessed recently in US-Iran relations, which brought both countries to the brink of war, misperception leads to miscalculation and escalation of conflict.<sup>13</sup>

As such, Osnos warned that, if Washington were to gamble on national security with botched predictions and ideology on trade, the consequences would be grave. And if Xi embraces a caricature of America determined to exclude China from prosperity and keep it down, he could misperceive this as his “maximum moment.”

\*\*\*

**Remarks:** Opinions expressed in this contribution are those of the author.

This article first appeared in *Asia Times* on February 15, 2020.

<sup>12</sup> Evan Osnos, “The Future of America’s Contest with China”, *The New Yorker*, January 6, 2020, <https://www.newyorker.com/magazine/2020/01/13/the-future-of-americas-contest-with-china>

<sup>13</sup> Mark Mazzetti, Ronen Bergman and Farnaz Fassihi, “How Months of Miscalculation Led the U.S. and Iran to the Brink of War”, *The New York Times*, February 13, 2020, <https://www.newyorker.com/magazine/2020/01/13/the-future-of-americas-contest-with-china>



### About the Author of this Issue

---

Dr. Christina Lin is a Visiting Research Fellow at the Center for Global Peace and Conflict Studies at the University of California, Irvine. She is the author of "The New Silk Road: China's Energy Strategy in the Greater Middle East" (The Washington Institute for Near East Policy), and a former director for China policy at the U.S. Department of Defense.



*Christina Lin*