



The Daily Dish

Is America Already Doing Strategic Decoupling From China?

TORI SMITH | JULY 24, 2023

The House Select Committee on the Chinese Communist Party hosted an unconventional session last week where two two-person teams engaged in a [debate](#) on three questions regarding decoupling from China. The debate was [advertised](#) as one between “limited decoupling” and “broader decoupling.”

Given the choices between “yes” and “yes, but harder,” I was expecting a very one-sided conversation. Much to my *pleasant* surprise, the teams presented two very different positions on the debate questions. For a full rundown, you can scroll through my live [tweet thread](#) of the debate.

The questions were: (1) Should the United States revoke permanent normal trade relations (PNTR) for China; (2) Should the United States have country-wide or product-specific export controls; and (3) Should the United States have capital controls on outbound investment to adversaries?

The team advertised as favoring limited decoupling argued against revoking PNTR for China, saying it would materially hurt American companies and that instead the United States should use its more surgical policy tools for enforcing trade rules. It also made the case for targeted and precise export controls to focus on the most consequential products. On the final question, this team questioned the use of outbound investment controls, instead favoring the use of the Treasury Department’s Specially Designated Nationals list.

Is that limited decoupling? If so, one could then say that the United States has been on a path of limited decoupling from China for quite some time.

The “limited” team’s arguments are largely in line with maintaining status quo policy toward China with an emphasis on fully enforcing and using the tools already at the government’s disposal. In recent years, this position has been called “weak on China,” but now it’s apparently called “limited decoupling.”

On the other hand, the team arguing in favor of broader decoupling advocated for revoking PNTR for China and replacing it with a new tariff scheme (rather than subjecting China to Column 2 tariffs). This team also suggested the United States should place an embargo on exports to China of *any* sensitive technology. Finally, it argued the United States should have capital controls on U.S. investment in China.

Although this debate was advertised as the battle over the degree to which the United States should decouple from China, the teams were clearly arguing for two very different approaches. The team advocating for broader decoupling ostensibly wants the United States to dramatically change the U.S.-China economic relationship. Whether the other team represents “limited decoupling” or not, it is certainly a strategy more in line with the existing approach of the U.S. government.