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Is "decoupling" from the West part of Beijing's strategy?



President Biden attends the G7 summit in Japan.

Washington - China's announcement of sanctions on U.S. chipmaker Micron Technology comes a day after the Group of Seven nations recently suggested that economic engagement with China would be committed to "de-risking" rather than "decoupling." It is the first major US chip company to be banned, and to a considerable extent, this move also gives the outside world a glimpse of Beijing's anti-"decoupling" and "de-risking" coping strategies.

China's version of decoupling

In addition to the Micron ban, China has recently raided the Chinese offices of several foreign companies and detained multiple employees and even executives. Despite these signs of China's seemingly sudden acceleration in decoupling, observers say people should not be surprised.

"China's recent accelerated economic decoupling from foreign companies operating in the country, a trend exemplified by the broadening of the scope of anti-espionage laws, has sent shockwaves through the business community in the U.S. and other G7 countries," Harry Broadman, head of the emerging markets practice and the national economic security affairs practice at Berkeley Research Group, recently wrote in [Forbes](#).

In an interview with VOA, Broadman said that China has for many years not been secret about its strategy to ultimately decouple from advanced Western countries from a technological standpoint.

"The G-7 (Group of Seven) shouldn't view China's desire to decouple or de-risk as sudden or ironic. That's always been part of Beijing's strategy," Broadman said. "That's the perspective to view China's actions toward Micron; self-reliance and self-improvement in core areas has been China's long-standing national policy."

"In line with this policy, it was only a matter of time before China decouples from companies from certain Western countries," continued Broadman.

Micron's entanglement with China can be traced back to 2018, when the trade dispute between the United States and China heated up sharply. Micron has repeatedly raised allegations of Chinese secret theft, and it has always been the one that has the most conflicts with China among major chip companies for many years. Still, Beijing only recently demanded that "operators of critical information infrastructure in China should stop purchasing Micron products," citing national security risks.

For Micron's Chinese opponents, the wings were not yet full in 2018. China's largest memory chip manufacturer Yangtze River Storage had just launched the 3D NAND architecture Xtracking under the national strategic project, and now this technology is called China's killer technology Mass production has been achieved.

"By banning Micron, the authorities have opened up a space in the industry that can be filled by Chinese chipmakers." A report in The New York Times this week said the memory chip industry is now China's largest competitor in chip competition with the United States. One of the few industries that can "have a foothold".

Stewart Black, INSEAD professor of global leadership and strategy, and Allen J. Morrison, professor of global management at Arizona State University's Thunderbird School of International Management, recently wrote that for the past 15 years China has been pursuing a strategy of reducing excessive dependence on foreign countries, and this strategy is expected to continue into the next 15 years.

They wrote in the "Harvard Business Review" that for the United States, decoupling mainly involves protecting employment or returning jobs, and ensuring the security of the United States' infrastructure. "However, from China's perspective, decoupling is a strategic shift. China shifted its focus from economic growth to economic control."

Although China's and the United States' policy to "not be coerced by any country" seem to be somewhat similar, the de-risking of the two countries is not the same concept on many levels.

China's development in the past few decades has benefited to a considerable extent from globalization. China is the largest trading partner or investor in dozens of countries. Its "One Belt, One Road" and other projects are deeply involved in the economies of many countries. China's future prosperity and decline It is also closely related to the integration of its economy and the world. While China is trying its best to disconnect its key industries from the West, it also firmly opposes full "decoupling".

China's official media said that "de-risking" is old wine in a new bottle. On Thursday, an official warned again not to use the name of "de-risking" to de-Sinicize the reality. Shu Jueting, a spokesperson for China's Ministry of Commerce, also called on G7 members to implement their statement that they would not seek "decoupling" from China.

Morrison, the professor at Arizona State University and co-author of "Enterprise China: Adopting a Competitive Strategy for Business Success," emphasized in an interview with VOA that China's goal is not decoupling. He said that China hopes to become the dominant player in the world economically and politically, and what it pursues is to make the West depend on China in turn. "This is their goal; decoupling is inconsistent with this goal."

For example, Morrison said that China has strengthened the formulation and promotion of its own industrial standards and hopes that other countries in the world will act in accordance with China's technical standards. "Therefore, it is inaccurate to think that China's strategy is decoupling."

China's response

According to The New York Times, "Micron's sales in China will be \$3.3 billion in 2022, accounting for 11 percent of its annual global sales of \$30.8 billion." impact on prospects.

"Asia Times" said in an article titled "With the ban on Micron, China expresses its opposition to 'de-risking'" that China's announcement of sanctions against Micron is intended to warn other multinational companies. "By banning Micron products, Beijing is warning foreign technology companies not to join the West's 'de-risking' program," it said.

A survey last month by global consultancy and insurance brokerage Willis Towers Watson (WTW) found that more than 40% of corporate respondents expected a breakaway between the two largest economies, amid deep concerns among Western businesses about a decoupling between the United States and China. It said economic decoupling will be "significantly stronger" in 2023, while the same survey found that less than 15% of businesses felt that way in 2022.

While "decoupling" has gotten a lot of attention recently, Berkeley Research Group's Broadman, who has long advised businesses in China, says the notion that this is a new phenomenon is overblown. He noted that "de-risking" and "decoupling" have been "on the rise for some time." In business decision-making, however, he argued there is not much difference between the two. "The change in terminology is only symbolic," he said, and for businesses, "the same action taken could be defined as 'de-risking' or 'decoupling'."

In the context of the sharp deterioration of US-China relations, many American and Western companies have been working hard to reduce their risk exposure in China in recent years, and China seems to have already taken precautions, "playing the game of risk reduction very smartly." Arizona Morrison of the State University said that China has also been de-risking. Not only foreign companies, but Chinese companies themselves are also reducing their exposure to China and leaving China more and more.

In order to prevent the supply chain from being too concentrated in China, companies from the United States, Europe, Japan and other countries have been trying to transfer their

industries to Southeast Asian countries for many years. However, Morrison said that this effort has had very limited results. He said: "Many western companies reducing their exposure to China and looking for other options are adopting the so-called "China + 1" sourcing strategy, and many of the partners found in Malaysia, Indonesia, Thailand, etc. are actually Chinese-controlled companies. So, they're very smart about it. In a sense, Western companies are reducing their exposure to China, but on the other hand, their partners in Thailand or Malaysia are still controlled by Chinese entities."

China's photovoltaic industry is in a very dominant position in the international market. In the ranking of the world's top ten photovoltaic module suppliers last year published by the "PV-Tech" in February this year, Chinese companies accounted for eight seats. However, in the United States, according to the report, importing countries of photovoltaic products are mainly Southeast Asian countries.

In another report, by S&P Global Market Intelligence in March 2023, imports from Cambodia, Malaysia, Thailand and Vietnam together accounted for 78.7% of US PV module imports in the fourth quarter of 2022.