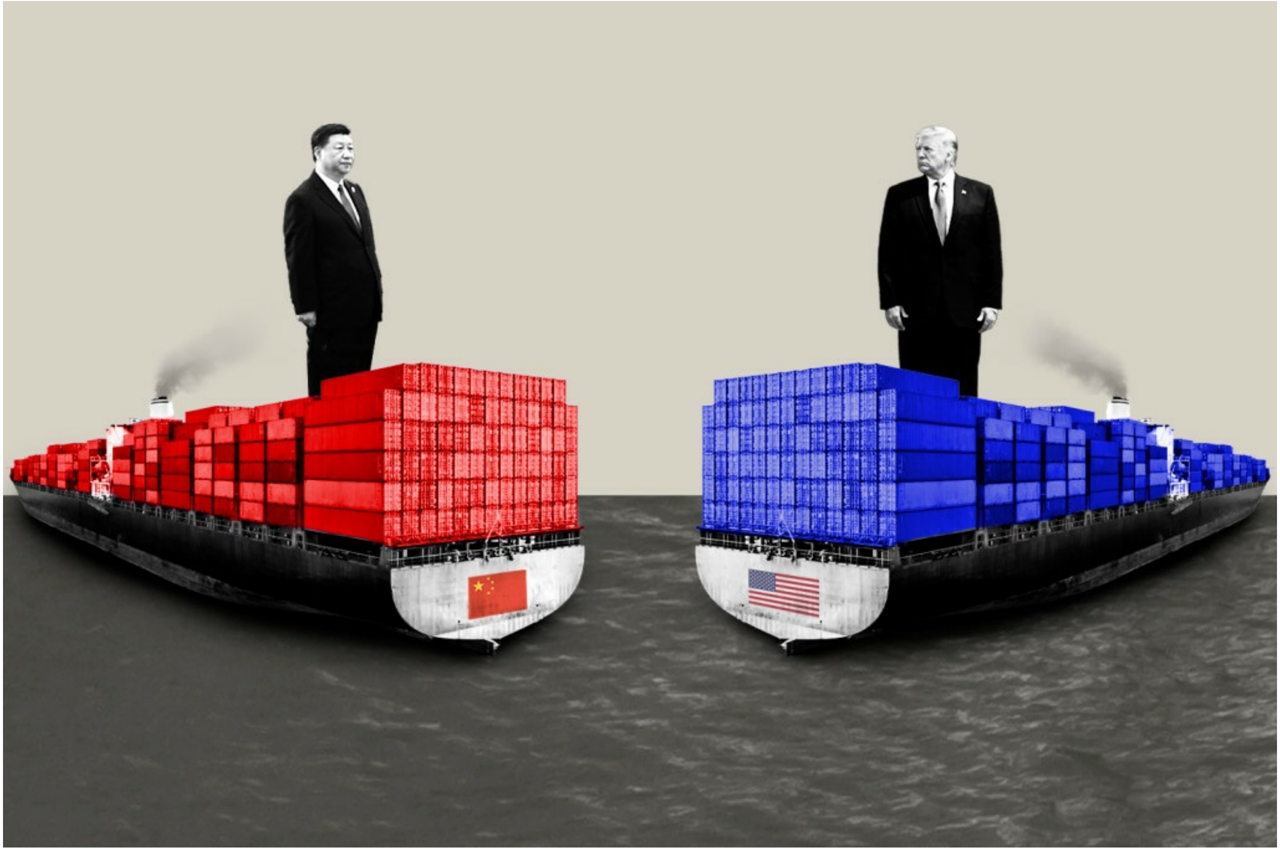
# The Great Decoupling

foreignpolicy.com/2020/05/14/china-us-pandemic-economy-tensions-trump-coronavirus-covid-new-cold-war-economics-the-great-decoupling

Keith Johnson, Robbie Gramer



Jon Benedict for Foreign Policy/Getty Images

The U.S. ambassador on the spot in an Asian economic powerhouse put it bluntly in a cable to the secretary of state in Washington: Don't cut them off. Give them some "economic elbow-room," or they'll be forced to carve out an economic empire of their own by force. But Washington was in the grip of economic nationalists battling a historic economic downturn. The White House, consequently, was deaf to the Ambassador Joseph Grew's pleas from Tokyo in 1935.

Within a few years, the United States ramped up economic pressure on Japan, culminating in a trade and oil embargo. Six years after Grew wrote his dispatch, the two countries were engaged in total war.

Today, American policymakers are consumed by the economic and geopolitical confrontation with another Asian heavyweight. And, as in the 1930s, economic decoupling is all the rage.

For the more hawkish members of the Trump administration, undoing 40 years of ever-closer economic relations with China and rolling back U.S. reliance on Chinese factories, firms, and investment was always the end game of the endless trade war—

even before the coronavirus pandemic turbocharged Washington's desire to disentangle itself from what many view as a dangerous economic bear hug. Now, lawmakers and administration officials are mulling a raft of measures to cleave parts of the two largest economies in the world: Bans on a wide variety of sensitive exports, additional tariffs on Chinese goods, forced reshoring of U.S. companies, even pulling out of the World Trade Organization altogether, which is seen by some as facilitating China's so-called economic imperialism.

It's not just economic ties between China and the United States that are in danger. Europe, too, is increasingly talking of rolling back the deep trade and investment ties it has developed with Beijing in recent decades (even as it is cutting trade ties with itself, as the United Kingdom leaves the European Union). Other countries are also pulling up the drawbridges—all leery that today's unprecedented level of economic integration has gone too far, bringing more pain and less gain.

The threat of a great decoupling is a potentially historic break, an interruption perhaps only comparable to the sudden sundering of the first huge wave of globalization in 1914, when deeply intertwined economies such as Britain and Germany, and later the United States, threw themselves into a barrage of self-destruction and economic nationalism that didn't stop for 30 years. This time, though, decoupling is driven not by war but by peacetime populist urges, exacerbated by a global coronavirus pandemic that has shaken decades of faith in the wisdom of international supply chains and the virtues of a global economy.

Other countries are also pulling up the drawbridges—all leery that today's unprecedented level of economic integration has gone too far.

The only real question is how far the decoupling will go. U.S. President Donald Trump made one of his sharpest threats to date amid growing tensions with China in an interview with Fox News on Thursday. "We could cut off the whole relationship," he said—a prospect that, while unlikely if not practically impossible, would send historic shockwaves through the global economy.

Undoubtedly, most experts and officials agree, brewing trade tensions between Washington and Beijing—amplified by the coronavirus pandemic—will force some multinational companies to alter their business models, reorienting their supply chains closer to U.S. shores. Across the fractious political spectrum in Washington, Republicans and Democrats alike agree the United States should alter its business relationship with China to varying degrees. But if the fallout from the pandemic passes quickly, and especially if Trump and his protectionist "America first" agenda are defeated in the November election, the clamor to decouple from China could begin to ebb as politicians confront just how complex it is to untangle parts of the world's two largest economies. Not least of the problems Washington would have to confront is that China is the second-largest U.S. creditor, holding more than $1 trillion in U.S. debt.

Either way, the looming reshaping of the sinews of the world economy will have untold implications, from tearing up business models to remaking entire industries. But it could also have unforeseeable geopolitical consequences, especially regarding China, which over the course of four decades has grown from minnow to whale under the auspices of a tight-knit global economic system, led by deepening trade and investment ties with the West. What happens if that gets torn apart?

"There's enough there by way of trend lines to suggest we're entering into a new period that turns on its head the widely-held assumptions about the U.S.-China relationship from the time that Deng Xiaoping returned to leadership in the late 1970s and rebooted China for the subsequent 40 years," Kevin Rudd, a former Australian prime minister and well-known China scholar, told *Foreign Policy*.

He worries about, if not a straight replay of the first Cold War, which featured bigger nuclear arsenals and proxy wars around the globe, at least Cold War 1.5. "It's at that sort of inflection point," he said.

That could spell the reemergence of competing blocs, as during the Cold War. China is already well into the creation of its own economic sphere with its ambitious Belt and Road Initiative, which seeks to link economies across Asia, Africa, and parts of Europe to Beijing. China and the United States are on track to develop dual, and dueling, technology to drive the next big economic transformations, especially in mobile phones.

Now, Trump administration officials talk of rolling out a concept called the "Economic Prosperity Network" of like-minded countries, organizations, and businesses. The aim is in part to convince U.S. firms to extricate themselves from China and instead partner with members of the so-called network to reduce U.S. economic dependence on Beijing—seen as a key national security vulnerability. If a U.S. manufacturing company can't move jobs from China back to the United States, for example, it could at least move those jobs to another more U.S.-friendly country, such as Vietnam or India.

"Safeguarding America's assets is one of the core pillars, supply chains are a big part of that," Keith Krach, Trump's undersecretary of state for economic growth, energy, and the environment, told *Foreign Policy*. "Supply chains are super complex. Sometimes they go down 10, 20 levels and I think it's essential to understand where those critical areas are, where the critical bottlenecks are," he added.

How will Beijing respond? China, in some ways, has been pursuing its own form of decoupling for more than a decade, since it launched a campaign to develop more advanced technologies at home and rely less on U.S. and other Western suppliers, noted Ashley Feng of the Center for a New American Security. And many Chinese firms have proved adept at surviving a rupture with the United States—Huawei, for example, once relied on U.S. firms for many of the components of its smartphones but now does without. Still, China's quest to bolster its own capacity for innovation and to become a leader in advanced technologies relies on easy access to firms and researchers around the world, and it doesn't want to see those connections severed entirely. At the same time, with an already-slowing economy hammered by the pandemic this year, China will likely do what it can to ease the economic tensions with the United States—like trying to appease Trump by adhering to the goals of the phase-one trade deal reached in January, for example.

“The economy has been deeply damaged by the coronavirus crisis and, prior to that, damaged somewhat by the trade war,” Rudd said. “So I think the predisposition of Beijing at present to try to restabilize that economic relationship because China is still not strong enough to sail alone.”

---

A worker watches over container ships at the port on the Yangtze River on April 12 as activities gradually resume after Wuhan, China, reopened following a lockdown for the coronavirus. China’s central place in many global supply chains came back to haunt the global economy when the world’s workshop shut down.STR/AFP via Getty Images

Decoupling refers to the deliberate dismantling—and eventual re-creation elsewhere—of some of the sprawling cross-border supply chains that have defined globalization and especially the U.S.-China relationship in recent decades. The modern version of the concept traces back, ironically, to Chinese policymakers in the 1990s who were themselves worried about overdependence on the U.S. dollar and high-end American technology.

Trump has long contended that China has exploited the U.S. economy for its own enrichment at the expense of the American worker, and there is some economic data to back that up. As a result, since taking office, the Trump administration has sought to partially decouple economically from China, first by reducing U.S. imports through higher tariffs, later by more restrictive screening of Chinese investment in critical sectors.

More recently, the administration has expanded controls on exports to China of potentially sensitive technologies, and this week it banned a federal retirement fund from investing in Chinese stocks. Administration officials even briefly flirted with the idea of defaulting on government debt held by China. These days, efforts to tear up and rebuild supply chains are gaining momentum, whether in semiconductors, rare-earth elements, or medicines and personal protective equipment needed to deal with the ravages of the coronavirus pandemic.

"What the pandemic has done is expose our very significant dependence on Chinese production, and overseas production generally, but particularly in key areas on Chinese manufacturing production and Chinese supply chains," said Sen. Josh Hawley, a Missouri Republican, who is leading the legislative charge to repatriate U.S. supply chains and withdraw from the WTO. "I'd like to see as much production brought back to our shores as we can."

"What the pandemic has done is expose our very significant dependence on Chinese production."

Other U.S. allies around the world are eyeing ways to follow suit. Australia, bristling at Chinese trade threats, is also looking to diversify its own export markets and supply chains away from China. Europeans are having second thoughts about ever-closer trade and investment ties with Beijing. Some European policymakers in recent years have been spooked by an aggressive wave of Chinese takeovers of critical infrastructure from ports to power grids, fearing it could give Beijing undue leverage over their countries. Chinese diplomats have taken on an aggressive stance against some Western countries, including the Netherlands, with vague threats of sanctions or other forms of coercion as relations sour amid the pandemic.

"Many countries are waking up to this aggressive tactic and they don't like it. The damage to China's reputation is irreparable," said the State Department's Krach.

The CEO of Axel Springer, a major German media company, recently made the case for Europe to "draw a clear line in the sand" and follow the U.S. lead in rolling back economic relations with China. "If we do not manage to assert ourselves, then Europe could suffer a similar fate to Africa, on a gradual descent towards becoming a Chinese colony," Mathias Döpfner wrote.

The trend also transcends politics, meaning decoupling could outlast the Trump administration. His presumptive Democratic presidential rival, Joe Biden, is a trade and foreign-policy centrist. But he is increasingly pressured by progressive populists, including supporters of Sen. Bernie Sanders, to move his trade and economic policies further to the left. Biden this week announced joint "unity" task forces of his top aides and Sanders supporters to develop a unified Democratic platform. Sanders has called for renegotiating trade deals with China aimed at bringing manufacturing jobs back to the United States and labeling Beijing as a currency manipulator. At the same time, Republicans are hammering the former vice president for being soft on China to lay the groundwork for a contentious election cycle, where China and the coronavirus pandemic will be central issues.

To a large extent, the current race to decouple is the fruit of two decades of steadily growing Chinese economic might, which many, like Trump, see as responsible for the hollowing out of important industries such as manufacturing in the West. Chinese state-owned companies, often powered by government subsidies and greased by a free hand with others' intellectual property, have unfairly competed with companies in the United States and other developed economies since China joined the WTO in 2001, those critics say.

"The status quo ante was unsustainable because it presumed that China would eventually change the way it manages its economy, to bring it more in line with U.S. and European expectations," said Dani Rodrik, a professor of international economy at Harvard University's Kennedy School. "I think that was probably an implausible expectation even at the beginning, and clearly has been proven wrong."

"The United States and Europe have genuine concerns," he said. "It's entirely legitimate, just as China wants to protect its own policy space, for us to say, I want to ensure I adequately protect my labor market and my innovation and technologies."

While many point to China's accession to the WTO as the original sin in the developed world's economic relationship with Beijing, others maintain that it has been broadly positive for U.S. interests.

"What many critics overlook is that China already had access to U.S. markets. The United States didn't give up anything—China made concessions to join" the WTO, said Robert Zoellick, U.S. trade representative in the George W. Bush administration at the time China joined the WTO.

"This is a theme, a new piece of the conventional wisdom, that cooperation has failed—and that assumption is flat wrong," he said. "On proliferation, the global financial crisis, the environment, security—there are a lot of areas where cooperation has served U.S. interests."

"This is a theme, a new piece of the conventional wisdom, that cooperation has failed—and that assumption is flat wrong."

Those arguments never swayed Trump, however, who hasn't strayed from his long-held gut beliefs that liberalized trade with China would ultimately come back to bite the United States—which he developed well before he became president in 2017 or before the coronavirus pandemic arrived. "Because China's going bad it's going to bring us down, too, because we're so heavily coupled with China," Trump told Fox News in an interview in 2015. "I'm the one that says you better start uncoupling from China, because China's got problems."

If skepticism of the merits of deeper economic relations with China was already rampant, the outbreak in China of the novel coronavirus has pushed that desire to decouple from Beijing into overdrive. China's central place in many global supply chains came back to haunt the global economy when the world's workshop shut down earlier this year, sending ripple effects throughout Asia, Europe, and North America.

Robert Lighthizer, the current U.S. trade representative, argued this week in the *New York Times* that offshoring of U.S. jobs was a "misguided experiment," one whose vulnerabilities the pandemic has left in sharp relief.

"The pandemic has vindicated the Trump trade policy in another way: It has revealed our overreliance on other countries as sources of critical medicines, medical devices and personal protective equipment," he wrote.

But the aftershocks of the outbreak affected more than just medical supplies Automakers, electronics-makers, and factories of all sorts struggled to keep operating after parts of China went into economic hibernation earlier this year.

"One province of China went on lockdown, and suddenly factories all over the world don't have supplies," said Beata Javorcik, the chief economist at the European Bank for Reconstruction and Development. "That drove home the point of how reliant we are on China, and how little redundancy we have" built into global supply chains.

Beyond that, persistent questions about Chinese President Xi Jinping's alleged efforts to disguise the origins and outbreak of the new coronavirus have only deepened convictions of Sinophobes that the United States is too cozy with what is, and will remain, an opaque and undemocratic political system.

So Trump administration officials are seizing on the pandemic to ramp up their existing efforts to decouple economic relations between the world's two largest economies. Before the pandemic struck, the Trump administration was in the midst of drafting a first-ever Economic National Security Strategy, reflecting the administration's increasingly blurred lines between economics and national security. The pandemic has added new urgency to the task, several officials say, as it laid bare U.S. interdependence with its geopolitical rival, from technology in critical infrastructure to the supply chains for life-saving medical equipment.

U.S. President Donald Trump and Chinese President Xi Jinping end their handshake at a press conference at the Great Hall of the People in Beijing on Nov. 9, 2017. Since taking office, the Trump administration has sought to decouple economically from China. Artyom Ivanov\TASS via Getty Images

One reason that the pandemic is creating such an opening for a fundamental reshaping of the global economy is because most of the economy, in the United States and elsewhere, has been shut down for the first part of the year. That creates a rare, if traumatic, opportunity to start with something like a clean slate.

"When you're at a high level of economic activity, when unemployment is low, you'd see the pain if you pull all that apart," said Douglas Irwin, an expert on trade history and policy at Dartmouth College. "But now that everything is scrambled, it's easier in some sense to pull back. This artificial contraction makes it easier not to go back to how things were before."

Global supply chains came about in the first place because they offered lower costs and greater efficiencies for manufacturers—to the benefit of consumers nearly everywhere, if not to certain displaced manufacturing workers. And many companies continue to invest in China not as a source of global production, but to serve one of the world's biggest consumer markets—witness Tesla's mammoth factory in Shanghai to churn out electric cars for the Chinese market.

To reverse that underlying business logic, governments can turn to policy that encourages or even forces businesses in certain sectors to relocate their manufacturing facilities, or investors to reconsider pouring money into China. The Trump administration has used national security arguments to levy tariffs on foreign goods, including Chinese goods, in a bid to force suppliers to relocate their factories. It can also reach for more powerful tools, such as the Defense Production Act and the

International Emergency Economic Powers Act, which would allow the government to mandate some production decisions for the private sector. At the same time, the Trump administration has intensified the screening of inbound Chinese investment to keep Beijing from snapping up valuable advanced technologies.

Lawmakers and administration officials, however, still hope that a combination of factors will help drive companies to overhaul the way they've done business in years past: firms waking up to the political and reputational risks of doing business in China, bottom-line calculations about economic harms caused by China's cover-up of the outbreak, and old-fashioned patriotism. (Several administration officials said they spoke to leaders of some companies who expressed a willingness to take short-term financial hits to divest from China, but they declined to name the companies.)

"The experts guffaw when you talk about manufacturing. They say, 'Oh, that'll never come back.' Manufacturing is not monolithic."

There are some signs of cooperation from other companies already: Big semiconductor-makers such as Intel are warming up to the idea of rebuilding high-end manufacturing capacity in the United States to serve government and private-sector customers. Other companies, stung by interruptions even with close neighbors such as Mexico during the shutdown, are also accelerating their efforts to reshore production.

"You've got producers, manufacturers, folks who produce things who are tired of having too much of their other inputs … tied up with Chinese and other supply chains," Hawley, the Missouri senator, said. "They'd like to have more control over that."

But if governments are getting ready to push, they are leaning in many cases on an open door. It's not just populism or the pandemic that is rewriting the business logic behind global supply chains and rampant globalization. What once seemed like one-off external shocks that disrupted global production, such as the 2011 tsunami in Japan and flooding in Malaysia, are becoming increasingly frequent, thanks to climate change and extreme weather events. The pandemic and its disruptions just brought home the value of having a robust, not simply cheap, supply chain, Javorcik said.

"My point is that going forward, companies will be judged by rating agencies, by their shareholders, based on resilience. So there will be this powerful incentive for firms to change their supply chains, to build in redundancy, to build in some geographic diversification," she said.

The first wave of decoupling will likely take place in medical supply chains, a vulnerability highlighted by difficulties getting masks, gloves, and even ventilators during the pandemic. And supply chains in many advanced technologies, from telecommunications to semiconductors, are also being reshaped for security reasons. Advocates of decoupling like Hawley hope the trend will expand to include broader swaths of manufacturing.

"The experts guffaw when you talk about manufacturing. They say, 'Oh, that'll never

come back.' Manufacturing is not monolithic," Hawley said. "There's lots of precision tooling, high-tech manufacturing going on around the world. We design many, perhaps most of the products that require that type of manufacturing, but we don't make any of the tools or the finished goods here, and I'd like to see us do both."

Companies are indeed starting to bail out of China, moving production both to other Asian countries such as Vietnam and back to the United States. The consultancy Kearney found in its latest Reshoring Index that manufacturers are increasingly diversifying their supply chains away from China, leery of the risks of the trade war—and now the pandemic. And large investors and money managers are increasingly starting to judge companies by the resilience and diversification of their supply chains.

Of course, the great decoupling on the horizon won't be cost-free. Some firms that reshore production to higher-cost countries, such as the United States, will lose some of the efficiency gains they've racked up in recent decades. For many industries, the protectionist push could hit a very thick wall of opposition from corporate boardrooms very quickly, even with a raft of new incentives and warnings coming from Washington.

"There are going to be other industries that, while kicking and screaming, may ultimately move away from China and move business to another country."

"Broadly speaking, I think companies are going to be incredibly resistant to anything that hurts their share price," said Shehzad H. Qazi, the managing director of the China Beige Book, a platform that analyzes data on China's economy for investors. "We're not going to see, for example, Nike move all its production back to the United States and have their shoes and athletic wear being produced here, just because from a cost standpoint that makes absolutely no sense," he said. "I don't think there is any amount of tax incentives that could be provided that would be palatable enough to make that shift happen."

Still, decoupling could be easier, or at least less painful, on a small scale for some industries than for others. "There are going to be some industries where it's going to be virtually impossible no matter what," Qazi said. "There are going to be other industries that, while kicking and screaming, may ultimately move away from China and move business to another country."

At the same time, a race to bolster economic self-sufficiency in one country will almost certainly lead other countries to do the same, which could choke off export opportunities and lead to less trade in the future.

"Some of the lessons of the 1980s about just-in-time manufacturing will be adjusted—that is natural and appropriate," Zoellick, the former U.S. trade representative, said. "We just have to decide where we want to pay the cost—because there will be costs. If we develop it all at home, it will have costs, and it will have costs for U.S. exporters" who stand to lose overseas access in a world of rising trade barriers, he said.


Chinese stocks plunged at open on March 23, 2018, on growing fears of a global trade war after U.S. President Donald Trump imposed billions of dollars of tariffs on Chinese imports and Beijing drew up a list of retaliatory measures. NICOLAS ASFOURI/AFP via Getty Images

If the idea of a wholesale decoupling is so jarring, that's because much of the last 80 years has been a deliberate, often U.S.-led effort to deepen, not weaken, economic integration around the world.

Washington made an open and increasingly interconnected world economy a key building block of the postwar architecture, in large part to explicitly stave off future global conflicts. With the creation of the Bretton Woods system in 1944, before World War II even finished, or the later creation of the General Agreement on Tariffs and Trade—forerunner to the WTO—it set out to link economic interdependence with peace. So did others: The European Coal and Steel Community, created just a few years after the end of the war, cemented both closer economic and security ties in a war-ravaged continent and lay the foundation for the eventual creation of the European Union. Those trends continued, decade after decade, with only the odd hiccup or retreat, from the creation of the North American Free Trade Agreement and the WTO to the expansion and ever-closer economic integration between EU member states.

That whole process was itself a reaction to the last great decoupling: the upheaval of World War I, which ended the first age of globalization, followed a decade later by the Great Depression, trade barriers, economic nationalism, and a full-scale retreat from globalization.

And the end result of all that was to turn international economic rivalry into a zero-sum, beggar-thy-neighbor contest where economic concerns became security threats. Japan's need for raw materials led to its occupation of Manchuria, and later the creation of the "Greater East Asia Co-Prosperity Sphere" that so worried Ambassador Grew during the 1930s. It eventually led to an attack on resource-rich Southeast Asia and a preemptive strike on the U.S. fleet at Pearl Harbor. Nazi Germany, largely cut off from global markets, sought, eventually by force, to create a European *Großwirtschaftsraum*, or greater economic area, the economic equivalent of the German expansionist concept of *Lebensraum*.

“The key lesson drawn from the inter-war experience was that international political cooperation—and an enduring peace—depended fundamentally on international economic cooperation,” noted the WTO. “No country absorbed this lesson more than the United States.”

That’s what makes today’s deliberate retreat alarming to contemplate for some economists. “The importance of decoupling, it seems to me, is something that goes beyond” the modest retrenchment in global trade and global supply chains in the decade following the 2008-2009 financial crisis, said Rodrik, the Harvard economist. “It’s an approach to trade that is much more mercantilist and zero-sum, rather than positive-sum.”

When it comes to China, “What we need to worry about when we talk about decoupling is kind of using economics as a stick,” Rodrik said, “making the economic relationship hostage to the geopolitical competition.”

“You won’t have the globalization you had in the past. How far you down the road in reversing that is to be determine.”

Does that mean, as trade barriers rise and decoupling accelerates, that the world is headed for a repeat of the 1930s?

“I think there are some quarters in the United States that really do want to go that far, and I think other countries have to adopt a defensive posture,” said Irwin, of Dartmouth. “When some countries go down this road, it forces other countries to go down this road as well, and give up some of the gains they might have from being open and integrated. So these things can spiral—that’s certainly the story of the 1930s.”

But in some ways, such a repeat seems nearly impossible, because globalization, trade, and cross-border investment have advanced so much further today than when the Great Depression hit.

“I think the argument against is that today we have such a high degree of integration, there’s no way that Australia and Canada and the EU would go as far as the United States would, or no desire to go as far as the United States could,” he said. The upshot would be a retrenchment—not another dark valley.

“You won’t have the globalization you had in the past. How far you down the road in reversing that is to be determined,” he said.

Zoellick, for his part, ticks off the impacts already attributable to the pandemic and national lockdowns: rejiggered supply chains, export restrictions, constricted trade finance, and a resurgence of classical protectionism.

"I'm not sure anyone can say how they will all add up, but the direction isn't good," he said.

"I'm not trying to say we'll return to the 1930s, but if you have an economic downturn exacerbated by pandemic risks and moves toward economic autarky, it can get pretty nasty," Zoellick said. "So don't take things for granted."

The Trump administration has often spurned its allies with a unilateralist, go-it-alone attitude. BRENDAN SMIALOWSKI/AFP via Getty Images

Now that the Trump administration is using the coronavirus pandemic to more aggressively push its economic decoupling agenda, the big question is what happens to U.S.-China relations.

The United States has already thrown out the idea of strategic engagement with China and openly treats Beijing as its major geopolitical rival. China has taken advantage of the pandemic to ramp up pressure on Taiwan, which it regards as a renegade territory. Weakening the economic ties that bind—through more than $650 billion in annual two-way trade, tens of billions more in investment, and China's trillion-dollar holding of U.S. government debt—will simply sharpen that confrontation.

"What we have now through the beginnings of economic decoupling is the removal of that economic ballast in the U.S.-China relationship, which has historically differentiated it from the characteristics of the U.S.-Soviet relationship in the Cold War," said Rudd, the former Australian prime minister.

"If we have another pandemic, or environmental issues, or financial-sector issues, or Iran, or North Korea, how effective are you going to be if you don't have a working relationship with China?"

In concrete terms, that will likely make it harder for the United States to nudge China to make any of the reforms Washington has pushed for years, let alone to moderate its increasingly belligerent and aggressive foreign policy. “If the question is whether breaking economic ties will lead to increased friction, the answer has to be yes,” Zoellick said. “The nature of decoupling doesn’t mean the Chinese will stop” their disruptive behavior, “they will just be less concerned with norms that the United States would otherwise push.”

In other words, after almost two decades of urging, sometimes successfully, China to become a “responsible stakeholder” in the global system, as then-Deputy Secretary of State Zoellick famously urged in a 2005 speech, the United States would essentially be throwing in the towel. And, on a host of global challenges, giving up influence and engagement with the world’s largest population, second-largest economy, and a permanent member of the U.N. Security Council could undermine U.S. interests across the board, he warned.

“If we have another pandemic, or environmental issues, or financial-sector issues, or Iran, or North Korea, how effective are you going to be if you don’t have a working relationship with China?”

Delegates listen to a speech by Chinese President Xi Jinping during the closing session of the National People’s Congress in Beijing on March 20, 2018. The annual gathering of Chinese lawmakers concluded with a nationalistic speech by Xi, who spoke confidently of China’s determination to take its place in the world. Kevin Frayer/Getty Images

And unlike other U.S. foreign-policy challenges in the Trump administration—from Iran to Saudi Arabia to Venezuela—any change to a Democratic White House next year would likely do little to dial down the confrontation with China.

Strategic engagement, which guided successive U.S. administrations since practically the first secret Richard Nixon-era trips to China, has been declared dead even by former Obama administration officials. With unemployment at record levels and the economy slumping, nobody—and especially not presumptive Democratic nominee Biden—wants to go easy on China. And many of the Trump administration's economic policies toward China, from the reform of foreign investment to export controls to the remaining tariffs on Chinese imports, would be politically tough to undo with the stroke of a pen, noted Feng of the Center for a New American Security.

"There's a bipartisan hardening—that tendency to be more hawkish on China, it has only been exacerbated by the pandemic," she said.

In the end, U.S. efforts to roll back the one part of globalization that it can somewhat control—global supply chains and trade—will be at best a partial and imperfect solution that will only aggravate the other challenges. Choosing economic decoupling as the answer to today's problems, said Zoellick, is simply inviting future headaches.

"If you try to stymie the system in one area, the forces of globalization—whether pandemics or migration—they are not going to go away," he said. Gum up the global trading system, and you dampen growth prospects for the developing world. Lower growth leads to more migration. More migration leads to more political stresses in the developed world. "It's like squeezing a balloon," he said.