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Aaron L. Friedberg & Charles W. Boustany Jr.

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Partial Disengagement: A New US Strategy for Economic Competition with China

The United States and China economically engage each other with different objectives and expectations, and they seek to advance their interests and pursue their goals by following very different strategies. Since the end of the Cold War, successive US administrations hoped that engagement would help tame, and ultimately transform, China. Policymakers believed that deepening ties of trade and investment with the United States and the rest of the world would encourage the CCP regime to liberalize the Chinese economy and to become a “responsible stakeholder” in the existing international order while setting forces in motion that would eventually lead to far-reaching political reforms.

If the United States engaged China in the hopes of transforming it, CCP leaders sought to grasp the benefits of engagement while containing what they saw as the insidious and potentially deadly dangers of transformation. The possibility that attempts at reform could have unintended, catastrophic consequences was rendered even more plausible by the 1991 collapse of the Soviet Union. In

Aaron L. Friedberg is Professor of Politics and International Affairs at Princeton University. He is Co-chair and a Principal Investigator of the Taskforce on Transforming the Economic Dimension of US China Strategy at the National Bureau of Asian Research (NBR). Professor Friedberg can be reached at alf@princeton.edu. Charles W. Boustany Jr. is a former Congressman serving Lafayette, Louisiana (2005–17) and a Counselor at NBR. He is Co-chair and a Principal Investigator of the Taskforce and can be reached at cits@nbr.org. This article draws from the Taskforce report of the same title, <https://www.nbr.org/publication/partial-disengagement-a-new-u-s-strategy-for-economic-competition-with-china/>, published in November 2019.

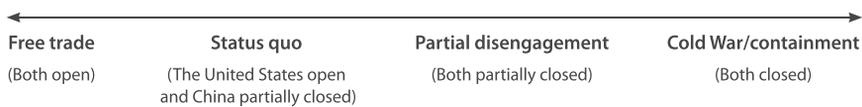
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contrast to the generally laissez faire policies preferred by the liberal democratic United States, China's rulers have pursued a statist, mercantilist-Leninist approach that reflects their own distinctive ideology and governing philosophy. From the CCP's perspective, the primary purpose of all economic activity, and thus the proper goal of economic policy, is to preserve and enhance the power of the party in relation to all other actors in Chinese society while increasing China's wealth and power relative to all other nations in the international system.¹

When the Cold War ended and engagement began in earnest, policymakers in both Washington and Beijing believed that time was on their side. Each side gambled that its strategy would succeed. So far, it seems that Beijing has gotten the better half of that bet. China today is vastly richer and stronger than it was three decades ago, but it continues to be ruled by an oppressive authoritarian regime and to pursue market-distorting trade and industrial policies. Far from becoming a responsible stakeholder or a status quo power, the CCP regime is starting to express more openly its dissatisfaction with existing institutions and prevailing norms, and it has begun to behave in ways that are increasingly assertive and even aggressive.

China has been following what can perhaps best be described as a predatory approach to its economic relations with the United States and other advanced industrial democracies. It has exploited their openness to propel its growth while carefully controlling and, in certain respects, constricting their access to the Chinese economy. [Figure 1](#) presents a simplified way of visualizing the possible state of economic relations between the two countries.

Figure 1: US-China Economic Relations



At one extreme (“free trade”), China would pursue the path of economic liberalization, enabling both Washington and Beijing to reduce or eliminate all barriers to the free flow of goods, capital, information, and people between their two countries. At the opposite end of the spectrum (“Cold War/containment”) is a world in which the United States and China drastically constrict bilateral flows of trade and investment and effectively disengage from one another economically.

For the better part of three decades following the start of engagement, the state of relations between the Pacific powers fell somewhere between these two extremes, with the US economy comparatively open and the Chinese economy

relatively closed (“status quo”). Over the course of the last decade, however, there has been a growing recognition on both sides of the political aisle in Washington that this situation threatens to damage US welfare by potentially reducing the prospects for future economic growth and to endanger US security by enabling China to enhance its relative power. Though no single event or development is responsible, this shift in attitudes accelerated markedly following Xi Jinping’s rise to power in 2013.²

Since 2017, the Trump administration has effectively struck out in opposite directions simultaneously. On one hand, the administration is trying to compel Beijing toward greater openness by applying tariffs on an increasing array of imports from China and by demanding structural reform. In this sense, it is pursuing the same goal as previous administrations, albeit by different, more aggressive means. On the other hand, the administration is taking steps that respond reciprocally to some aspects of Beijing’s policy, such as tightening restrictions on the procurement of Chinese-made IT equipment for use in government and commercial networks as well as limiting the investment of Chinese firms in US industries deemed to be of strategic importance. The apparent contradiction between these two aspects of US policy has led to considerable confusion among observers in Congress, business, and the media about the Trump administration’s ultimate intentions.

Although we regard the genuine liberalization and opening of the Chinese economy as a desirable goal, we are skeptical that it can be achieved through unilateral US pressure. Indeed, we suspect that this outcome will not truly be possible so long as the CCP remains in power. Nevertheless, working with its like-minded allies and trading partners, the United States should continue to press for this objective. In the meantime, we believe that the proximate aim of US policy should not be a total decoupling from China, but rather a new posture of partial economic disengagement that will be politically sustainable and increase both US security and, in the longer run, the welfare of the nation’s citizens.

To achieve this objective, the US government should pursue a strategy consisting of four overlapping parts: first, reach a stable ceasefire, or off-ramp, in the ongoing tariff war that limits damage to US consumers and producers while creating incentives for the relocation of some portions of existing supply chains outside China; second, adopt an array of defensive measures to protect against the dangers of surveillance and sabotage, pressure or disruption, and technology diffusion; third, pursue a program of self-strengthening to

The proximate aim of US policy should not be decoupling but partial economic disengagement.

sustain and enhance the nation's innovative capacity; and finally, promote effective multilateral cooperation among the United States and the other advanced industrial democracies, better enabling them to resist Beijing's predatory practices and to press more effectively for eventual policy change.

Tariff War Off-Ramps

In the wake of its "phase one" trade agreement, the Trump administration finds itself with three options in its ongoing tariff war with China.³ It could, of course, decide simply to lift all the import restrictions that it has imposed and seek a return to the January 2018 situation before the tariff war began. While it might result in further, superficial concessions from Beijing, this option would mean surrendering all the leverage the administration has acquired through its actions to date.

The second alternative is for the administration to leave in place all the tariffs that it has imposed and hunker down for a struggle of indefinite duration. While this approach might add some certainty to corporate planning, it would do nothing to reduce the impact of tariffs on the US economy as a whole or on key US sectors targeted by Beijing, assuming that China retains its own market restrictions.

The most plausible option is a selective ceasefire that lifts tariffs in some sectors but leaves them in place in others. The question here is whether the two sides could reach a mutually acceptable agreement on a new pattern of bilateral trade. One possible partial resolution of the current standoff would be for the United States to lower barriers to importing low-tech consumer products such as clothing, toys, and furniture in return for China dropping restrictions on US agricultural products and raw materials.⁴ The United States might then retain tariffs on some products in higher-technology sectors including electronics and industrial machinery where it can demonstrate that Chinese producers are damaging viable US competitors through the use of unfair trading practices (including intellectual property theft), or where, for strategic reasons, it seeks to reduce dependence on goods manufactured in China and encourage the movement of supply chains to other countries.⁵

Defensive Measures

In an ideal world, free flows of goods, capital, people, and ideas would promote both prosperity and peace, enhancing the welfare and the security of all nations. Unfortunately, in the real world, this is not always the case. The geopolitical ambitions of the CCP regime and the extent to which it wields power over all Chinese economic actors mean that the United States can no

longer afford to permit these entities virtually unrestricted access to the US economy and society.

The defensive measures needed to address the economic challenge from China have three main goals: to reduce US vulnerability to surveillance and sabotage, to eliminate or alleviate dependencies that could be used to disrupt the functioning of the US economy or exert leverage by threatening to do so, and to slow the diffusion of technologies thereby helping to preserve US advantage in commercial or military competition.

The US can no longer afford to permit China virtually unrestricted access.

Reducing vulnerability to surveillance and sabotage

The ubiquity and complexity of modern information technology networks have created a variety of risks that are difficult to assess and mitigate. Although physical intrusion is not the only possible avenue of attack, implanting vulnerable or corrupted equipment or even individual components could enable a hostile foreign actor to extract valuable information or disrupt the functioning of individual weapons and communications systems or even of entire networks. For these reasons, the prominent role of Chinese-based companies in IT manufacturing and their recent efforts to play a part in building portions of the critical infrastructure of foreign countries, including next-generation telecommunications networks (i.e. 5G) have become a cause for legitimate and growing concern.⁶

Given the risks, a concerted effort to exclude Chinese-made equipment from the entire US telecommunications system is prudent and overdue. Similar restrictions will likely also need to be applied to other portions of the nation's critical infrastructure, whether publicly or privately owned, including electric power generation, railroads, water systems, and law-enforcement agencies.⁷ At this point, however, trying to exclude every Chinese-manufactured computer, hard drive, and integrated circuit from the US economy by imposing a blanket ban would be unnecessary and unwise. In addition to greatly expanding government intrusion into the private sector, such a measure would be costly and disruptive, especially in the absence of alternative suppliers, and the way it would enhance national security is unclear.

The depth, complexity, and fluidity of modern supply chains make it difficult and costly to trace every item back to its source. This kind of scrutiny may nonetheless be needed to ensure the security of weapons, communications, and other defense systems. For this purpose, the US government will need to expand its capacity to collect and analyze relevant commercial and technical

information, but it should also work with the private sector to develop new tools and analytic techniques to identify especially risky nodes in complex and rapidly evolving supply chains.⁸

In some cases, mitigating risk will also require cultivating alternative sources of supply. Trade agreements with other countries, perhaps combined with continued tariffs on Chinese manufacturers, could help shift productive capacity to safer locations.⁹ Tax breaks, subsidies, procurement guarantees, and other incentives could also be used to ensure that there is sufficient capacity to make select, critical items at secure facilities on US soil. Some such programs already exist, including the Defense Department's Trusted Foundry Program for the manufacture of high-end semiconductors.¹⁰

Reducing vulnerability to pressure or disruption

Over the course of the last several decades, the US and Chinese economies have evolved in ways that could complicate the ability of the United States to mobilize and sustain defense production in the event of a confrontation or protracted conflict involving the two countries. In a number of areas, including rare earth metals, specialized alloys, missile and munition propellants, and printed circuit boards, US manufacturers of arms and other military equipment now depend heavily on inputs imported from China.¹¹

The deterioration in US-China relations has cast some of these dependencies in a new and troubling light. An overt embargo or even unacknowledged delays or interruptions in supply could make it difficult for US companies to ramp up defense production. Analysts and officials have also recently raised the disturbing possibility that China could apply pressure by threatening to cut or actually suspending exports of drugs and chemicals needed to fight the spread of infectious disease or treat routine but potentially debilitating medical conditions.¹²

While some instances of import dependence give legitimate grounds for concern, there is also a risk that claims of the essentiality of various industries and sectors to national defense can be deployed to rationalize wide-ranging protectionism.¹³ Instead of carelessly invoking the national security provisions in US law, policymakers should proceed systematically. Realistic planning scenarios for a range of contingencies (including a protracted conventional war with China) should be used to estimate requirements for the production of arms, equipment, and other necessary items (including drugs) and to identify areas where dependence on Chinese imports could create bottlenecks and shortfalls. In some cases, stockpiling may be adequate to alleviate risk; in others, it should be possible to rely on imports from friends and allies; in other instances, it may be necessary for the government to work with the private sector to encourage the creation or expansion of domestic capacity.

Slowing technology diffusion

Since at least the end of World War II, the United States has relied on scientific research and technology development to gain and hold an edge over both strategic and commercial competitors. While the US margin has diminished in some areas due to the global diffusion of knowledge and technical competence, it remains an important source of advantage.

China is now engaged in a wide-ranging, ambitious, and well-funded effort to become a scientific and technological superpower as well as a world leader in manufacturing. The CCP regime is clear about its intentions to close remaining gaps with the United States and other advanced industrial nations by reducing its dependence on them for cutting-edge technologies while moving closer to the long-sought objective of achieving a high degree of self-reliance.¹⁴

To help speed technological progress, the CCP regime is using all the instruments of state-led industrial policy, including subsidies and other inducements for commercial innovation, government-funded research, megaprojects, and promoting greater technology sharing between the civil and military sectors. In addition, as is now widely understood, Beijing has been waging a decades-long campaign to acquire foreign technology and intellectual property by any means necessary, including some that clearly break the laws of the United States and other advanced industrial nations as well as others that violate the spirit, if not the letter, of China's international commitments.¹⁵

In addition to enhancing its own capacity for generating new technological advances, the United States, preferably in close collaboration with some of its advanced industrial allies, must take steps to slow the pace at which some of these innovations flow back to China. This endeavor will partly be a matter of strengthening cybersecurity in both the public and private sectors, increasing investments in China-focused scientific and industrial intelligence and counterintelligence capabilities, and stepping up enforcement of US laws against those caught stealing technology and other intellectual property. But the problem here is not merely that China is breaking laws and bending rules. In many respects, it has simply been taking advantage of the opportunities presented by the extraordinary openness of the United States and other Western democracies.

Aside from the methods already described, there are three avenues, or apertures, through which technology flows to China from the West: direct investments of various kinds by Chinese entities; the movement of people, including students, scientists, and engineers, who come to study or work in the West and then either return or maintain close ties to China; and the witting,

The US must take steps to slow the pace at which some innovations flow back to China.

and more or less willing, transfer or export of technology by Western companies to Chinese counterparts. In general, the federal government should impose tight restrictions on direct Chinese investment in sensitive areas while leaving the door as open as possible to Chinese citizens seeking to study and work in the United States. The proper extent of controls on technology exports by US companies to Chinese counterparts will likely fall somewhere in between these two extremes.

Chinese investment in the United States has dramatically increased over the past decade, including significant growth in technology-intensive sectors such as electronics, robotics, energy, information technology, and biotechnology. These inflows have come in a variety of forms, including attempts to acquire large companies and small venture-capital investments in start-up firms with promising new ideas. Even when the Chinese companies involved in these transactions are nominally private rather than state-owned enterprises (SOEs), their activities are often directed, facilitated, subsidized, or funded by organs of the party-state. Through these activities, Beijing seeks “to upgrade its domestic industries and, ultimately, degrade, reduce, or replace US competition in key sectors.”¹⁶

The recent strengthening of investment screening procedures under the Foreign Investment Risk Review Modernization Act (FIRRMA), which enables scrutiny of a wider array of possible transactions, is an appropriate, if only partial, response to this threat.¹⁷ In addition to actual government intervention, the possibility of investment reviews and a greater awareness on the part of US companies of the potential dangers involved can help reduce the volume of problematic transactions.¹⁸ Because Chinese capital makes up only a small fraction of total foreign investment in the United States (1.4 percent in 2018¹⁹)—and a smaller fraction still of total investment—in the long run, these changes are unlikely to have significant negative effects on domestic research and innovation. The fact that US and other Western firms are already tightly constrained from investing in sectors that Beijing deems strategic further reduces the scope for possible losses due to retaliation.²⁰

Along with other methods for acquiring technology and intellectual property, the CCP regime has made use of what FBI director Christopher Wray has described as “nontraditional collectors,” including professors, scientists, and students attending US universities or conducting research in conjunction with their counterparts.²¹ As in other areas, the CCP regime seeks to exploit the openness of democratic societies and exercise its ability to control the actions of its citizens in order to enhance its own power. And here, too, the United States must find defensive measures that are effective without endangering the vitality and the values that they are intended to protect.

Of the roughly 340,000 Chinese nationals now studying in the United States, only around 15 percent are doctoral students, while most others are enrolled in secondary school, college, or master's degree programs.²² It is highly unlikely that young people working at these lower levels are receiving training or have access to information that could pose an immediate threat to US welfare and security. Of the remaining students, some upper-level degree candidates are working in fields like environmental science that do not generate knowledge of the sort that federal agencies should be seeking to control. Provided that they do not violate US laws or academic norms protecting the privacy and freedom of expression of others, these students should continue being welcomed.

Among students working in STEM fields, a recent FBI report suggests that it is “mostly post-graduate and post-doctorate researchers” who are likely to be used as “non-traditional collectors.”²³ The US government could conceivably impose restrictions of varying degrees of stringency on these more advanced researchers, depending on their fields of specialization. An even narrower approach would be to concentrate more on the institutional affiliations of those engaged in high-level training and collaborative research, especially those with links to the People's Liberation Army (PLA).²⁴

The US government should bar students or researchers working in scientific and technical fields that it has reason to believe have ties to the PLA, and it should discourage joint research projects with PLA-linked institutions or ban them outright if the US participants receive federal funding, as members of Congress have recently proposed.²⁵ US universities should also be discouraged from accepting funding or establishing joint research centers with Chinese entities that have direct links to the party-state or a history of intellectual property theft or other violations of US law—US universities have already started rejecting funding from some Chinese entities as a result of allegations against Huawei.²⁶ Furthermore, academic researchers in the United States and other democratic countries should take responsibility for policing themselves and avoiding collaborations with Chinese counterparts that are morally dubious, even if they are not illegal. One troubling example that has recently come to light involves a number of collaborations between Western and Chinese scientists helping to develop facial-recognition software that can distinguish ethnic Uighurs from Han Chinese.²⁷

In addition to buying or investing in US companies to gain access to their intellectual property, Chinese firms, with the assistance and often at the direction of their government, have sought to compel transfer through a variety

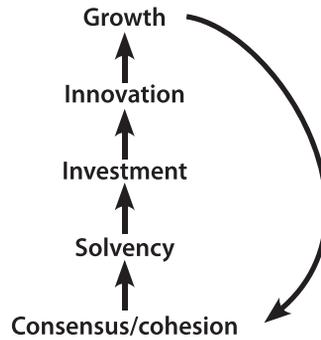
Most Chinese nationals studying in the US are younger and unlikely to pose a threat to US security.

of mechanisms including mandatory joint ventures and licensing agreements.²⁸ To counter these practices, Congress has authorized an expansion in export-control regulations beyond existing, narrowly defined limits on items that are obviously dual-use or of direct military utility, including a wide array of so-called emerging and foundational technologies.²⁹ While the precise parameters of the new regulations have yet to be set, many observers warn that stringent controls could damage the innovative potential of US companies by reducing their sales and profits and thus their investments in R&D. The need to apply for export licenses, possibly including those for “deemed exports” if a company employs foreign nationals from countries of concern, could also slow product development and might even discourage the pursuit of promising new ideas. Worst of all, if similar technologies are available from foreign competitors, tight controls could hurt US firms without effectively slowing China’s progress.³⁰

Devising a control regime that reduces risks without imposing undue costs will not be easy, but certain approaches can help. The greater the cooperation among the United States and its advanced industrial allies, the more effective export controls are likely to be. And the smaller the number of countries involved, the easier it will be to achieve cooperation. Even in the absence of complete consensus on the strategic challenge from China, growing awareness in both Europe and Asia of the potentially harmful effects of China’s predatory industrial policies has led to greater caution about investment and technology transfer. There are already sectors, such as the equipment for manufacturing high-end semiconductors, where a kind of tacit export-control regime exists, with a handful of companies and governments working in parallel to defend their own interests by fending off Chinese attempts to acquire key technologies.³¹ US officials should begin by identifying areas, such as semiconductors and aerospace, where the United States and a handful of friendly countries enjoy a similar edge and could work together through intelligence sharing, law-enforcement cooperation, and export restrictions in order to protect this advantage.³² Another way of reducing the possible negative effects of new export controls would be to focus on the transfer of skills and technology (e.g., the knowledge and machinery needed to make high-end semiconductors) rather than the export of products (e.g., the semiconductors themselves) that cannot be easily copied or reverse-engineered.³³

Self-Strengthening

Defensive measures of the sort just described will be insufficient, in themselves, to retain a meaningful margin of advantage over a dynamic and determined rival.

Figure 2: Requirements for Long-Term Competition

The United States needs to run faster if it wishes to stay ahead, so innovation will be essential to its prospects for success. As important as they undoubtedly are, however, innovation and technological progress are only pieces of a larger picture. [Figure 2](#) illustrates the elements of a comprehensive program of “self-strengthening” in which the nation now must to engage. Originally used to refer to China’s efforts to improve its economic, technological, and military capabilities during the second half of the nineteenth century, this term is an apt description of what the United States will need to do if it wishes to fend off the most serious strategic challenge it has faced since the end of the Second World War.

Growth

For the United States, as for China, continued economic growth is a necessary precondition to sustained rivalry. Growth creates the resources needed to build and wield the various instruments of national power including military forces, intelligence capabilities, aid, development assistance, and political influence operations.

Innovation

In a modern, advanced economy like that of the United States, innovation is the key to growth. In addition to whatever direct impact it may have on the performance of weapons and other military systems, innovation thus enhances a state’s overall ability to engage in geopolitical competition with its rivals.

Investment

Innovation, in turn, demands investment, and accelerating the pace of innovation will generally require increasing the rate of investment. If the United States does not increase its investments in innovation, it risks losing its current advantages

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over China in both commercial and military competition.³⁴ Given the nature of the US system, these investments will have to come from both public and private sources. The US government can seek to encourage private-sector investment through modifications in tax and regulatory policy, but for a variety of reasons, these are unlikely to be sufficient in themselves.

Throughout the Cold War, the federal government spent heavily on scientific education, basic research, and the applied

research needed to develop weapons, space vehicles, and in their early forms, jet engines, computers, and microelectronic circuits. US government investment in research and development, measured both as a percentage of GDP and as a fraction of the total federal budget, peaked in the mid-1960s and has fallen sharply since then with the temporary exception of the late Cold War.³⁵

Major new public investments in basic research and education will be required in order to accelerate the pace of innovation in the United States. These measures will be expensive, but they are unlikely to prove controversial. Adjustments in immigration policy that continue to make it easy and attractive for talented men and women to come to the United States to study, work, and stay as permanent residents or as citizens will be more politically difficult.

Despite past partisan debates over the wisdom of industrial policy, at least in principle, both Republicans and Democrats now support government funding and public-private partnerships aimed at strengthening “emerging and foundational technologies” including semiconductors, quantum computing, and artificial intelligence.³⁶ A number of recent reports and study groups have recommended ambitious and presumably costly “moonshots” that would select “ambitious challenges” to serve as “focal points for industry, government, and academic efforts.”³⁷

Solvency

All of the innovation-promoting measures just described will cost money. For example, a recent Council on Foreign Relations report calls for boosting federal funding for R&D back to its historical average of 1.1 percent of GDP per year, or roughly US\$230 billion.³⁸ If current trends continue, however, it is difficult to see where the necessary funds can be found. The combination of fast-rising spending on entitlements and healthcare with relatively slow-growing revenues from current taxes means that the federal government will continue to run large deficits and incur more debt.³⁹

Political consensus and social cohesion

There is no mystery about the policies that would be required to correct these imbalances and free up the resources needed to wage an intensified strategic rivalry with China. The budgetary arithmetic of such a reallocation of national resources might be relatively simple, but the political compromises necessary to achieve it are, at this point, virtually impossible to imagine. The history of the past century suggests that it may take a crisis to rally the support and mobilize the resources needed to face an external challenge. Absent such a galvanizing event, political leaders must do what they can to explain the dangers facing the country and lay out the steps that must be taken in order to meet them.

It will be easier to win the support of people who feel that they are benefiting from and being treated fairly by the system they are being asked to help defend. In part for this reason, it will be important not only to sustain aggregate growth and promote technological innovation but also to ensure that benefits are shared more widely than has been the case in recent decades.

Multilateral Cooperation

Even as it takes steps to bolster its defenses and strengthen its economy, the United States should move away from a potentially self-isolating unilateral posture and seek closer cooperation with other advanced industrial democracies. The goals of this element of US strategy should be fourfold.

First, Western nations should cooperate more closely to slow China's systematic and relentless efforts to extract technology and other intellectual property from Western economies. Whether with a small group of like-minded countries or on a case-by-case basis depending on the technologies involved, US officials should seek common understanding on export restrictions.

Second, because even nominally private Chinese firms are required by law to cooperate with the party-state, Western countries face serious security risks if they permit these companies to build portions of their critical infrastructure. As it has done in attempting to keep equipment built by telecommunications giant Huawei out of the 5G networks of its closest allies, the United States should continue to call attention to these dangers and work with other governments that have reached similar assessments to persuade those that have not. Above all, it should work with other

The US should seek closer cooperation with other advanced industrial democracies.

governments as well as both US and foreign companies to develop practical alternatives to what China has to offer.

A third aim of US policy should be to work together with like-minded partners to create a common front on trade issues and exert the maximum possible aggregate leverage in the hopes of compelling Beijing to abandon its most egregious trade and industrial policies. While there are undoubtedly differences over tactics and priorities, there is ample overlap in interests here and significant potential for cooperation.⁴⁰ This potential has not yet been realized, primarily because of the Trump administration's practice of pursuing trade actions against US friends and allies at the same time that it is trying to extract concessions from Beijing.

The fourth and broadest aim of US policy should be to work with friends and allies to rebuild and strengthen a partial liberal trading system that does not yet encompass the entire planet, as envisioned at the end of the Cold War, but in which all participants genuinely adhere to the same principles of openness while working together to defend themselves against those who do not. High-standard trade agreements linking the economies of North America, Europe, and parts of Asia would help fuel the growth of all the nations involved, enhancing their collective wealth and power and strengthening their ability to defend shared interests and common values. If China can meet the necessary norms and standards, it too should eventually be able to enjoy the benefits of inclusion. If, as seems more likely, it refuses to change course and remains an outlier, China will find itself at an increasing disadvantage.

Merits of Partial Economic Disengagement

Instead of transforming China, three decades of engagement have left the United States open to penetration and exploitation by an increasingly capable and aggressive competitor. In order to reduce the resulting risks at an acceptable cost, the United States must now pursue a strategy of partial economic disengagement from China. The aim of this approach would be to selectively constrict, rather than sever, flows of goods, capital, information, and people between the two countries in ways that enhance US welfare and security.

Partial disengagement does not imply decoupling, and indeed, it is intended to avoid such a radical, disruptive shift in relations. Moreover, the limited tariffs and other defensive measures intended to produce partial disengagement are only two pieces in a wider strategy aimed at strengthening the innovative capacity of the US economy and promoting closer cooperation with the other advanced industrial democracies. This program is admittedly ambitious, but given the magnitude of the challenge and the delay in acknowledging its existence, we believe that all

of the elements described here are essential and that their implementation has become a matter of urgent necessity.

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