



## KEY TAKEAWAYS FROM

# “U.S.-CHINA TECHNOLOGICAL ‘DECOUPLING’: A STRATEGY AND POLICY FRAMEWORK”

Jon Bateman, April 2022

**Summary:** The U.S. lacks a strategy to curb technological interdependence with China in a responsible way that avoids self-destructive decoupling. The best approach would combine bold domestic investments (in R&D, education, and much more) with narrow restrictions on U.S.-China ties in a few strategic technology areas. Carnegie’s new report offers a comprehensive guidebook for U.S. analysts and an action plan for U.S. leaders.

**Foreword by Eric Schmidt:** “There is no shortage of analysis today on U.S.-China tech policy, but Jon’s report stands out for its ambition, clarity, and rigor. . . . [It] is among the best guides I have seen and will remain a touchstone for years to come.”

## *Facing the Strategic Dilemma*

Too much technological interdependence could help China erode U.S. military and economic advantages and enable Chinese espionage, sabotage, influence, and authoritarianism. Yet too much decoupling could cut off U.S. innovators from critical Chinese labor, supplies, and markets; further imperil cooperation on global challenges; and create friction with international partners. The right balance is unclear because today’s China challenge differs fundamentally from historical precedents. The U.S. should therefore seek to preserve and expand its options with a two-pronged strategy:

- **“Offense.”** Make large, adversary-agnostic investments in U.S. domestic and allied technological strength and resilience. This will act as a hedge—helping the U.S. better compete in today’s still-globalized tech marketplace, while gradually making it feasible to decouple more fully should that become necessary in the future.
- **“Defense.”** Use targeted tech restrictions to stop China from securing unique, significant, long-lasting strategic advantages. This buys time for U.S. offense to pay off while minimizing costs and risks. Narrow, clearly explained restrictions reduce the incentives of China or others to decouple preemptively on their own terms.

The U.S. has already imposed scores of defensive measures in recent years. These should be fine-tuned, not dramatically increased. Offense must now be the main focus.

## Highlights From the Report

**A primer on U.S. defensive tools.** The U.S. government’s numerous China-oriented technology restrictions are poorly understood and often conflated. This report offers a comprehensive primer on U.S. export controls, import restrictions, investment limits, visa bans, licensing denials, financial sanctions, technology transaction rules, federal spending limits, and law enforcement actions targeting the Chinese tech sector (p.14). It shows:

- The number of Chinese companies on the Entity List (restricted from importing U.S.-origin items) has quadrupled in four years. They include many of China’s leaders in telecoms, AI, chips, cameras, drones, cybersecurity, and supercomputers.
- The number of CFIUS notices from Chinese acquirers (attempting to purchase certain U.S. companies) plummeted by 71% between 2018 and 2021, even as non-Chinese notices held steady.
- The number of Chinese actors on the SDN List (the harshest of U.S. financial sanctions) is still small—only 3% of the total. Of the list’s 332 China-based actors, the vast majority were sanctioned for ties to countries like Iran and North Korea—not for their involvement with the Chinese government’s own troubling activities.

	Huawei	DJI	Alibaba	Tencent	China Mobile
Non-SDN CMIC List	X	X			X
Entity List	X	X			
Covered List	X				X
Section 889 blacklist	X				
Federal indictment	X				
App ban				*	
ICTS supply chain security review			X	?	
FCC license denial/revocation					X
CFIUS action			X	†	
Stock exchange de-listing/over-the-counter ban			†	†	
Remove and replace rule	X				
Section 337		*			

**A guide to U.S. strategy debates.** The diversity of U.S. views on technological decoupling can be roughly grouped into three camps. “Cooperationists,” who see U.S.-China tech integration as a clear win-win, were once dominant but lost much of their influence during the Obama administration. The major debate is now between (p.37):

- “Restrictionists,” who believe the U.S.-China technology relationship is zero-sum and favors Beijing, requiring dramatic cuts to bilateral tech ties. That camp includes China hawks, some human rights defenders, and many national security officials.
- “Centrists,” who think that U.S.-China tech ties are complex and uncertain, with both zero- and non-zero-sum elements. This report elaborates on centrist arguments for targeted defensive measures plus large offensive investments. Centrists include many mainstream think tankers, moderate politicians, and some state/local leaders.

**A framework for U.S. policy.** U.S. leaders and analysts often talk vaguely of “countering Chinese tech threats,” but restrictive measures must have clearer objectives. The heart of this report is an effort to define and explore nine distinct U.S. goals for tech decoupling (p.55). It suggests ways for agencies to decide which technologies do and don’t warrant restrictions, offers case studies, and highlights key offensive measures:

**Table 1: Overview of Recommended U.S. Policies**

	<b>Proposed policy objective</b>	<b>Proposed standard for government tech controls</b>	<b>Illustrative policies</b>	<b>Key offensive measures</b>
<b>NATIONAL SECURITY</b>	<b>Maintain a military edge over China</b>	Slow China's acquisition of technologies that could thwart U.S. defense planning objectives.	Consider controls for drone swarm hardware, but review sanctions on Chinese super-computing organizations.	Speed up U.S. force transformation. Improve defense industrial base information and cybersecurity.
	<b>Limit Chinese national security espionage</b>	Deny China insider access to U.S. personal data it cannot otherwise readily obtain, whose loss would be hard to remedy.	Continue blocking sale of American genetics firms to Chinese entities, but allow sale of firms with geolocation data.	Pass national cybersecurity and data privacy laws. Improve defensive counterintelligence for U.S. government officials.
	<b>Prevent Chinese sabotage in a crisis</b>	Deny China a presence in systems that could disrupt major U.S. military contingencies or cause mass casualties or evacuations.	Reinstate ban on Chinese large power transformers, but narrow and clarify the sweeping ICTS supply chain security rule.	Invest in adversary-agnostic cybersecurity and all-hazards resilience of critical military and civilian systems.
	<b>Limit Chinese influence operations</b>	Prevent China from swinging a federal election or significantly reducing public confidence in elections or pandemic measures.	Permit Chinese ownership and operation of TikTok pending further analysis. Do not force Chinese divestment from U.S. video game developers based on influence threats.	Repair U.S. information ecosystem by regulating platforms, reforming election law, funding education and journalism, and facilitating basic research.
	<b>Deny support for China-enabled authoritarianism and repression</b>	Avoid U.S. complicity in Beijing's repression of minorities. Dissuade China from selling, and others from buying, repressive tech.	Sanction Chinese tech companies that support Xinjiang security operations, but clarify the "surveillance technology sector" authority.	Press Americans, U.S. allies, and others on the use or sale of repressive tech. Model liberal democratic tech policies at home.
<b>ECONOMIC</b>	<b>Counter unfair Chinese economic practices and IP theft</b>	Link U.S. technology controls to a comprehensive strategy for the international trade system.	Reconcile U.S. open trade aspirations with America's tech-related trade barriers and claims of a WTO "national security exception."	Cultivate a united front among U.S. allies about the WTO's future and China's role within it.
	<b>Compete and lead in strategic industries</b>	Prevent long-term Chinese dominance of tech industries expected to have the largest economic impact (and some national security nexus).	Maintain controls on 5G telecoms equipment, but generally avoid restricting AI software, smartphones, and Internet of Things on economic grounds.	Increase federal spending on R&D, STEM education and training, and innovation infrastructure. Step up antitrust scrutiny and reforms.
<b>ANCILLARY</b>	<b>Obtain general leverage over China</b>	Use technology restrictions as bargaining chips with Beijing in rare cases when they could advance supreme U.S. interests.	Consider leveraging Huawei sanctions to secure Chinese emissions reductions, but not to expand U.S. market access in non-technology sectors.	Build and sustain international coalitions to press China on key U.S. concerns.
	<b>Shape U.S. domestic narratives</b>	Raise domestic awareness about technology threats from China while minimizing politicization.	Use regularized processes instead of executive orders. Empower oversight elements.	Carry out responsible, factual domestic messaging campaigns. Listen to domestic stakeholders.