U.S. - China Relations: Decoupling to De-Risking

Why in news?

The Trump-era focus of the U.S. to decouple from China is being phased out by a new concept called ‘de-risking’.

What is the story so far?

- The Trump-era U.S. focused on decoupling from China.
- The U.S. is shifting its policy on China from decoupling to de-risking.
- The EU has declared that its approach to China will be based on de-risking, ensuring it through its Leader’s Communique at G7 Summit.

How was the diplomatic ties between the U.S. and China so far?

- The diplomatic ties between the U.S. and China establishment in 1979.
- Both the countries embarked on a path of increasing economic interdependence.
- China gained immensely from this relationship and its economic and military power grew, to challenge the primacy of the U.S.
- **Trump Era -** The Trump administration made it a point to attack the gargantuan bilateral trade imbalance in favour of China.
- The U.S.-China ‘trade war’ started and the US started following ‘Decoupling’ policy.
- **Biden Era -** Over time, the Biden administration added its own features into the China policy inherited from Trump changing it in to ‘de-risking’.

Decoupling is a term used to refer to the unwinding of deep economic and commercial ties between two nations, whereas de-risking means removing or avoiding risks rather than managing it.

What is ‘de-risking’?

- **De-risking** - It means having resilient, effective supply chains and ensuring the economy cannot be subjected to the coercion of any other country.
- De-risking aims to limit such an enmeshed effect only in areas where it challenges the U.S. national security and industrial competence.
- **The U.S.’s de-risking activities -** Recent legislations such as the Bipartisan Infrastructure Law, CHIPS and Science Act as well as the Inflation Reduction Act reflects this new approach.
- The U.S.’s geo-economic initiatives also reflects the spirit of de-risking such as,
    - Partnership for Global Infrastructure and Investment (PGII)
    - Indo-Pacific Economic Framework for Prosperity (IPEF)

Why U.S. is de-risking?

- The policy change has been announced in the wake of several events of high geopolitical significance.
- The global economy is trying to rebound from the disruptive years after pandemic.
- The U.S.-China rivalry had peaked due to the tension across the Taiwan Strait and the spy balloon.
- The ongoing Russia-Ukraine conflict and the Chinese President Xi Jinping's visit to Russia proposing a peace plan.
- Xi Jinping's 'peacemaking diplomacy' is extended to West Asia.
- These recent developments have made U.S. to reconsider its earlier approach towards China.

What could be the geopolitical implications of de-risking?

- The U.S. adopting the path of de-risking will keep its allies closer in its geopolitical rivalry against China.
- It has already won a significant victory in Japan at the G-7 summit.
- On the other hand, China has expressed its disapproval in painting China as the actor responsible for heightening geopolitical risks.
- De-risking helps the West's moves to counter China's rise much more sustainable by facilitating a united front among allies.
- Countries like India will benefit from de-risking by leveraging its benefits like attracting supply chains.

References

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