

# [***U.S. Businesses Look To De-Risk, Not Decouple, Their China Ties***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:67S4-NJ21-JBCM-F14G-00000-00&context=1516831)

Forbes.com

March 12, 2023 Sunday

Copyright 2023 Forbes LLC All Rights Reserved

**Length:** 1170 words

**Byline:** Russell Flannery, Forbes Staff

**Highlight:** Many still see growth potential, former senior diplomat Ken Jarrett says

**Body**

<figure>

<figcaption>

Commuters at a subway station in Beijing on March 6. China's economic growth target of around 5% this year is more than three times the 1.4% expansion in the United States predicted by the International Monetary Fund. Photographer: Qilai Shen/Bloomberg

© 2023 Bloomberg Finance LP

</figcaption></figure>

What a difference two months makes. Hopes were high in January that U.S. Secretary of State Anthony Blinken s scheduled travel to China, the first such visit by America s top diplomat in years, would give a boost to strained ties between the two countries. China s economy had started to rev up from the end of its zero-Covid policies, giving a lift to its stocks and fortunes.

Then, the appearance of a suspected sky balloon over the U.S. heartland, deepening speculation about possible Beijing arms sales to Russia, and the start of high-profile Congressional hearings this month critical of China have changed the tone. In the United States, you have a very deep fear about China, Albright Stonebridge Group Senior Advisor Ken Jarrett said in an interview. It s still a relationship defined by rivalry, mistrust, and suspicion, said the former president American Chamber of Commerce in Shanghai, U.S. Consul General in Shanghai, and U.S. Deputy Consul General in Hong Kong. His government roles in Washington, D.C. include director of Asian Affairs at the White House National Security Council.

Certainly in the United States, it feels like the American public doesn't see much benefit of having a relationship with China. And in China, you have a sense of resentment toward the United States, because of the notion that the United States is trying to hold China back, Jarrett said. In both countries, the tone is shaped in part by domestic ***politics***, ideological differences and technology competition, he noted. Nobody talks about the bridges that we should be building.

And yet business ties between the two countries remain deep and, ironically, may be poised to grow faster this year. The one thing that hasn't changed (after the pandemic) is that the level of economic interdependence between the United States and China is still quite deep, Jarrett said. Now that China is exiting Covid, you're going to see this year a real uptick of executive travel to China from headquarters of U.S. companies. This might lead to an increase in investment. Particularly for the larger U.S. multinationals, the view of the importance of the Chinese market hasn't changed.

Business interest will be heightened by China s potential economic growth this year. After its GDP grew by a government-reported 3% in 2022, China is aiming for one of the world s economic growth rates this year of around 5%, according to a report this month by then Premier Li Keqiang. That s more than three times the growth rate of 1.4% for the American economy projected by the International Monetary Fund.

Just this past week back in the U.S., for instance, President Biden s clean energy czar John Podesta said Chinese companies will be big players in future U.S. energy production, according to Fox News. At the Nasdaq, Xiao-I, a leading cognitive artificial intelligence enterprise backed by Chinese auto billionaire Li Shufu, began trading after amid expectations of a recovery in China listings in the U.S. this year. (See related posthere.) Michigan this year has welcomed a hook-up on a $3.5 billion battery plant between Ford and China s Contemporary Amperex Technology, or CATL, the world s largest maker of EV batteries. Virginia earlier turned down the project and not everyone else is onboard: U.S. Senator Marco Rubio introduced legislation on Thursday that would block tax credits for EV batteries made with Chinese technology, Reuters reported. Rubio has also called for the Biden administration to review the Ford-CATL agreement, it said. Former U.S. ambassador to China Jon Huntsman is a member of Ford s board of directors.

So what s next for businesses? Long term, much about China also hasn't changed. For most, China is still among the top three investment destinations. Its ranking has fallen a bit, yet it is still ranked by multinational companies as an important investment destination, Jarrett said. Rather than a decoupling, there is a reappraisal that's under way.

<figure>

<figcaption>

The one thing that hasn't changed (after the pandemic) is that the level of economic interdependence between the United States and China is still quite deep, says Albright Stonebridge Group Senior Advisor Ken Jarrett.

Ken Jarrett

</figcaption></figure>

More specifically, Jarrett said, there is de-risking. U.S. companies are thinking of ways to rebalance their exposure in China. The one word that you hear a lot about from executives in China is a need to de-risk. This follows specifically from the Russian-Ukraine situation and a mindfulness of the experience of many U.S. companies in Russia which abandoned the market after the start of Russia invasion of the Ukraine. They don't want to face the same kind of situation in China vis-à-vis Taiwan, which would be many multiples more painful for them.

For some companies, Jarrett said, de-risking is about how to protect yourself, and how to look more local, such as through (having) more partners or investing in Chinese companies, he said. Where do you list? Where do you register your intellectual property rights? Where are the vulnerabilities in your supply chain? Do you need backups? Do you need a more of a regional approach to your supply chain?

I would argue that we're not going to have an across-the-board decoupling. There will be selective decoupling. We've been seeing that already in areas of sensitive technology, and some shifting around of supply chains that is inevitable.

U.S. companies will force themselves to grapple with those complexities vis-a-vis China because large parts of its economy still hold business promise: healthcare, pharmaceuticals, the financial industry, food and the consumer, Jarrett noted. Among high-profile American businesses looking to grow,Starbucks in Septembersaid it aimed to increase its number of stores in the country from 6,000 to 9,000 by 2025, opening a new shop every nine hours.

Back at home, the U.S. itself won t succeed vis-à-vis China only by criticizing it, and needs to find its own competitiveness. We need to be mindful that it's about the U.S. running faster, as opposed to just trying to trip-up China. Jarrett said. Though the U.S. discussion of national security is important, there is also a question that needs to be asked: What do you do to protect pure, legitimate business interests?

We continue to be in a very difficult place, Jarrett said. It's hard to be too optimistic, but hopefully, sensible leadership on both sides will help to manage which way this moves.

See related posts:

Asian IPOs Poised To Increase As Region s Economics Recover, Nasdaq Vice Chairman Says

U.S. Tops New Asia Power Ranking Due Largely To China s Setbacks

@rflannerychina

**Load-Date:** March 14, 2023

**End of Document**