

# Decoupling With U.S. Would Cut China's Growth to 3.5%, Says Study

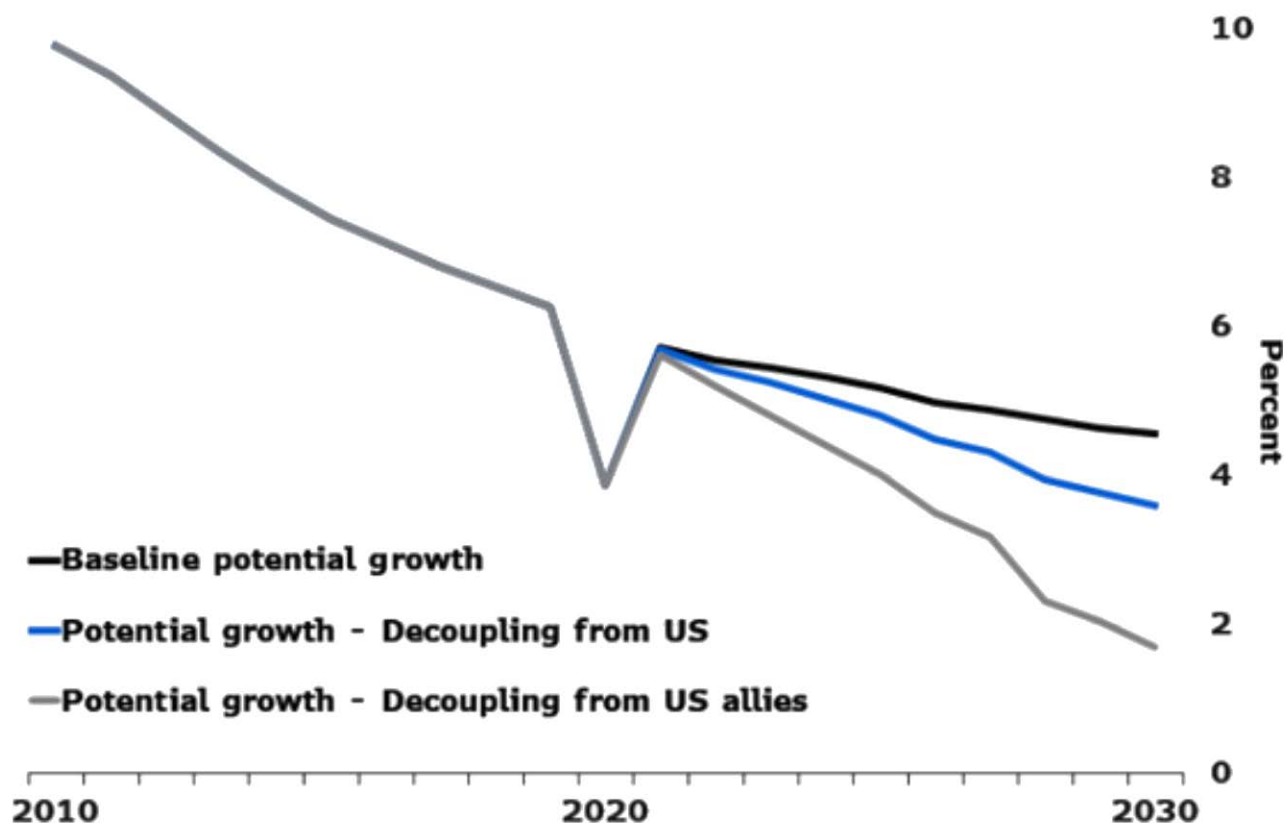
**B** [bloomberg.com/news/articles/2020-09-03/decoupling-with-u-s-would-cut-china-s-growth-to-3-5-study](https://www.bloomberg.com/news/articles/2020-09-03/decoupling-with-u-s-would-cut-china-s-growth-to-3-5-study)

The worsening conflict between China and the U.S. has damaged bilateral trade, but a complete decoupling between the two largest global economies would be even more damaging to China's long-term growth prospects, according to Bloomberg Economics.

The country's potential growth rate could fall to about 3.5% in 2030 if it decouples with the U.S., BE's Tom Orlik and Bjorn van Roye wrote in a [note](#). That's down from the current forecast of 4.5%, which assumes relations remain broadly unchanged.

Such a decoupling -- defined as ending the flow of trade and technology that boosts growth potential -- would have a much larger impact on China than on the U.S. as China gains more from cross-border exchanges of ideas and innovations. The U.S. potential growth rate would be 1.4% in 2030 instead of the current forecast of 1.6%, the research estimates.

In this scenario, China's productivity growth will slow due to the stop in technology transfer, and capital spending could also be weaker. However, the results won't be catastrophic as the country has substantially narrowed its technology gap with advanced economies over the last 20 years, the study published Thursday argued.



“If China moved to increase domestic funding for research and development, and expanded its ties with other advanced economies, it could hope to offset a significant amount of the drag,” the economists wrote.

China already looks to be preparing for less connection with the global economy. President Xi Jinping’s new strategy positions the domestic economy as the main driver of growth, seeking to insulate the nation from a slowing global economy and rising hostility. While the details still need to be fleshed out, it’s clear China wants more self-reliance in advanced manufacturing and technology innovation.

China would face even more disastrous consequences if the U.S. can coordinate its key allies, such as Japan, South Korea, Germany and France, to also decouple. In that case, China’s growth potential could fall to 1.6% in 2030, and it’d be harder for Beijing to offset with countervailing policies, according to the forecasts.