

Specter of war with China could thwart tech's economic recovery

Article

The trend: US protectionism toward China's tech sector is escalating.

- The Biden administration is preparing to enact **new restrictions on US firms investing in Chinese tech companies.**

- It follows an executive order last year [limiting foreign investment in US tech](#) companies, aimed at China.
- US investors made up nearly [a fifth of investments in China-based AI](#) companies from 2015 to 2021, according to a CSET report.
- The US garnered [the most investment dollars from China](#) among nations between 2005 and 2022, totaling over **\$190 billion**, according to the American Enterprise Institute.

The policies coincide with the US taking a more aggressive posture toward China.

- The US military is expanding its presence in the Philippines with four more sites to counter a potential Chinese invasion of Taiwan.
- US Air Force Gen. **Mike Minihan** used inflammatory language in warning his troops to [prepare for armed conflict](#) with China in 2025.

Playing with fire: US leadership's collective stance toward China could inflame tensions and lead to war with a nuclear power.

- Although China President **Xi Jinping**'s authoritarian rhetoric toward Taiwan—home of [global semiconductor giant TSMC](#)—is a fundamental factor in the strained relationship, the US is fanning the flames.
- Four years of the Trump administration's trade war with China, former House Speaker **Nancy Pelosi**'s visit to Taiwan, and the [chip export ban](#), combined with dangerous rhetoric from figures like Minihan, are helping put the US on a collision course with Beijing.
- The threat of retaliation looms large as a suspected [Chinese spy balloon spotted over the US](#) could be more of a scare tactic than an intelligence-gathering attempt.

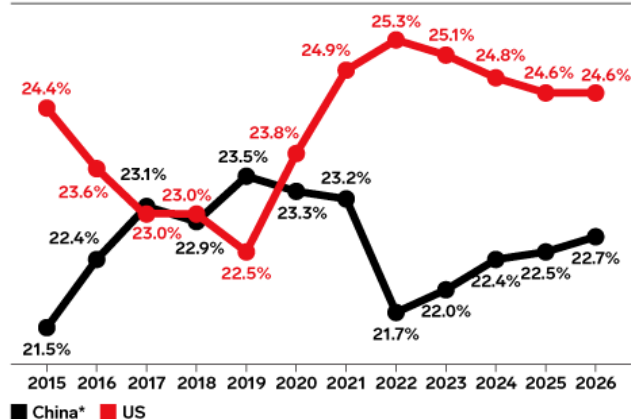
What it means for tech: US and China tech sectors have benefited from years of collaborative research and billions of dollars in mutual investment. The friendlier relations that helped create fodder for the kind of AI and quantum progress we see today are under threat, which could stifle innovation.

- Efforts by the US and other countries to scale up domestic production might not be sufficient to meet near-term demand without China continuing to be a key manufacturing partner.
- **Protectionist policies could hurt companies with diverse global portfolios that include investments in both China and the US.**

- With the tech industry still going through its own recession, deeper restrictions could curtail new avenues for revenue promised by [China's post-COVID-19 economic reopening](#).
- Russia's ongoing war in Ukraine gives a taste of the kind of [global supply chain and economic disruption](#) that a war with China would pose.

Share of Worldwide Retail Sales, China* and the US, 2015-2026

% of worldwide retail sales



Note: excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, restaurant sales, food services and drinking place sales, gambling and other vice goods sales; *excludes Hong Kong
Source: eMarketer, Dec 2022

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