



Journal of World Business

Special Issue Call for Papers

DECOUPLING IN INTERNATIONAL BUSINESS¹

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Special Issue Overview

The empirical record suggests that the world's two largest economies, China and the United States, have been decoupling economically for some time (Witt, Lewin, Li, and Gaur, 2023). By 2020, Chinese exports to and foreign direct investments from the United States, as a percentage of GDP, had fallen to 28 percent and 8 percent of their respective peaks reached in 2005. Exports to and investments from China by 2020 had likewise declined in significance for the US economy, falling to 82 percent and 13 percent of their respective peaks in 2017 and 2016. All of these declines predate the Covid-19 pandemic, which likely reinforced this trend.

The *JWB* perspective paper accompanying this Call for Papers (Witt et al., 2023) defines decoupling as “the process of weakening economic interdependence between two nations or blocs of nations” and argues that Sino-US decoupling is spurred on by the confluence of three dynamics: politics, economics, and technology.

China-US political relations have gone into a tailspin. China's economic and military rise represents a challenge to US global hegemony (Witt, 2019). Multiple friction points exist, including conflicting and diverging views on Russia's war in Ukraine; Taiwan; the Senkaku/Diaoyu Islands; the South China Sea; Hong Kong; the Uyghur issue; political ideology; and, not least, economic issues such as protectionism and intellectual property rights, but also the loss of US industrial employment to China following the latter's accession to the WTO (Krugman, 2019).

Both countries have moved to shore up their economies in light of these frictions. In a departure from prior free market orthodoxy, United States has begun to pursue targeted industrial policies, such as the \$280 billion package passed in 2022 that aims at strengthening US semiconductor manufacturing and capabilities in cutting-edge technologies (Edmondson,

¹ Please refer to the perspective paper (Witt et al., 2023) in which the special issue editors have further fleshed out these ideas.

2022) paired with sweeping restrictions on semiconductor suppliers to China (Bateman, 2022; Patel, 2022). China has adopted the “dual circulation” policy that in effect aims to reduce China’s dependencies on the world while keeping the world dependent on China (Rudd, 2021). In combination with its Belt and Road Initiative (Lewin and Witt, 2022), Chinese policy seems to aim at carving out a Chinese economic sphere of interest. A Cold War 2.0 with a world economy bifurcated into separate economic blocs around China and the United States has become increasingly likely (see also Petricevic and Teece, 2019).

Economically, while the United States would arguably be about as attractive to Chinese firms as it was five or ten years ago if one discounted the effect of politics, the opposite is not true: China is rapidly losing its appeal as an economic partner for US firms. Among the factors contributing to this trend are the end of China’s period of high economic growth; rising labor costs; institutional uncertainty; and the impact of China’s zero Covid strategy on global supply chains and economic growth in the country. As a result, the overall attractiveness for US firms to do business with or in China is declining.

Technological advances, which in the past usually led to higher levels of economic interdependence (Chase-Dunn, Kawano, and Brewer, 2000; Jones, 2007; O’Rourke and Williamson, 2014), may in the future enable contrary and divergent outcomes. For example, firms may draw on advances in additive manufacturing to decrease dependence on global supply chains. This may involve higher short-term cost, but it increases resilience against supply chain disruptions. Similarly, digitalization of processes paired with artificial intelligence (AI) may enable organizations to absorb higher levels of complexity, allowing them to reabsorb functions previously outsourced and offshored. By helping firms shift production more easily to where it is needed and desired, technological advances may thus lessen the exit barriers for firms looking to reduce their dependence on China as the “factory to the world.”

Not all industries and firms are likely to be affected in the same way, and one key challenge for research will be to identify and elaborate the key contingencies involving decisions to reshore, friend-shore (i.e., produce in allied nations), near-shore, or continue to off-shore. Two strategic factors likely to underlie these decisions are strategic importance and reshorability, that is, the role of the given firm or industry for national security of the home country and the feasibility and facility of bringing production back to the home country (Witt et al., 2023). Other important contingencies are likely to exist, and their relative salience and combinatorial effects represent important research questions.

The upshot of all these developments is that the field of International Business (IB) has entered a qualitatively different era, both as practice and science. IB has been subject to temporary shocks, but no living business practitioner has experienced a secular decline in economic interdependence in general and between the world’s largest two economies in particular. IB as a field of inquiry has likewise not had to contend with these developments.

Illustrative Topics

This new international context opens up a wide range of important topic for exploration, including (and not limited to) the following examples excerpted from the JWB perspective paper already mentioned (Witt et al., 2023):

1. How, where and when does decoupling manifest itself within the MNE?
2. What are the processes by which firms decouple? For instance, what are the decision-making processes leading to decoupling? Once a decision has been made, what functions are relocated first? How do firms manage the requisite transfers of capital and knowledge as well as the winding down of the existing operations? And what processes do firms employ to reconfigure their supply chains?

3. How do firms within industries vary in terms of their decoupling responses and why? What accounts for why some firms decouple first, and why some firms are late movers? What are the contingencies that govern these variations, and to what extent are they firm or industry-specific or generalizable across industries?
4. How do MNEs' decoupling responses relate to corporate governance and stakeholder configurations? For example, do firms with CEO duality, high levels of board independence, or large blockholders respond differently from firms that vary in these respects? Are there configurations of these factors associated with specific decoupling responses such as earlier or delayed timing? And what roles do factors such as external stakeholder configurations and organizational visibility play in this context?
5. To what extent and how are prior IB experience and success, not least in the country being decoupled, connected to variations in decoupling responses? For example, are MNEs with greater experience and higher success rates in their international operations more willing to decouple? Are MNEs with profitable domestic operations in China more reluctant to decouple than firms that produce little profit or losses there?
6. How much agency do firms have in responding to national pressure to decouple? For example, a leading manufacturer of semiconductors would probably be wooed by both China and the United States to produce or export there. How much freedom to choose would this company have, and what would be the boundary conditions for this choice? Can such companies, or their home countries, play off China against the United States to obtain benefits otherwise not available? Do Indian companies find themselves in a privileged position vis-à-vis the United States given the likely pivotal role of India as a US ally in Asia (Li, Lewin, Witt, and Välikangas, 2021; Luo and Witt, 2022), with an attendant potential for a boost to Indian economic growth?
7. Geographically where might business activities decoupling from China and the United States move to in the future, and why? What are the contingencies governing these location decisions? Can strategic importance and reshoring, as proposed in our perspective paper, account for them? Are there additional factors?
8. While the United States and possibly the West more generally are decoupling from China, other countries may be experiencing growing levels of interdependence with China. What brings these countries and their firms closer to China? Is it low salience of the drivers underlying decoupling? Or are other factors, or combinations of factors, in play?
9. How should IB endogenize geopolitics and potentially new kinds of technological forces in IB theory?

We imagine that many other viable topics are possible as long as they maintain a clear connection to the phenomenon of decoupling as defined in the perspective paper.

Author Guidance for Submissions

- Key for inclusion in this special issue is the presence of a distinct theoretical contribution to the field of International Business. Conceptual and empirical papers are both welcome. While we are agnostic with respect to empirical methods (qualitative, quantitative), data and analysis must be credible and at the state-of-the-art, including in terms of satisfying falsifiability and replication criteria.
- Papers must follow the JWB Guide for Authors and will undergo the standard JWB double-blind review process by a Special Issue Review Board whose membership will be announced at a later date.
- All submissions must use the JWB online submissions system and indicate, in the system and the cover letter, that the paper is intended for this special issue.

R&R Paper Development Workshop

Authors of papers receiving a revise-and-resubmit editorial decision in the first round of reviews will be invited to participate in a paper-development workshop. Depending on the feasibility of travel and review timelines, the workshop may take place at King's Business School, London; in the context of an upcoming Academy of International Business annual conferences; or virtually.

Post-Publication Panel

We plan to propose one or more panels at a future AIB annual conference drawing on papers in this special issue. The objective is two-fold: increase networking opportunities for scholars working on the same or related topics and disseminate the findings of the papers published in this Special Issue.

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