

Decoupling from China Won't Be Easy: Here Is One Way to Think About It

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U.S.-Sino bilateral relations are at multidecade lows, stoking concerns and uncertainty among businesses and investors that, after decades of expanding trade and investment linkages, the world's two largest economies are headed for an economic divorce. That is not our base case—but let's face it, any decoupling between the world's two largest economies will be painfully felt far and wide.

Along those lines, consider for a moment what your typical U.S. household would look like if everything “Made in China—or produced by a Chinese firm in another country or a good that contained a Chinese component—was removed from the premises. If you China-proofed your home, you would have the makings for one heck of a yard sale. Walk with us through this exercise:

Start in the foyer and open the coat closet. After removing all the jackets, fleeces, hoodies, hats, gloves, umbrellas and the like that were “Made in China,” you’d be staring at a lot of unused hangers. But since China is the largest source of hangers, you would have to toss many of them as well. Your running shoes would have to go since, whatever the brand, there is a good chance that the foam for the midsole, the polyester lining the shoe, and rubber for the bottom were all sourced from China.

Moving into the kitchen, by the time you stripped bare all the goods that were either made in China or contained a part or component from the Mainland, you would have to order takeout and eat standing up. You would most likely be minus a stove, microwave, toaster, blender, coffee maker and a refrigerator, and down some plates and eating utensils like basic forks, spoons and knives.

Walking into the living room, don't even think about watching your favorite show tonight. Whatever the brand of your television, there is a very good chance that components like the LCD panel, power board, screen and other components were sourced from China. Decluttering your living room of “Made in China” goods means probably doing without a sofa, end tables and lamps (Exhibit 1).

Exhibit 1: A U.S.-China Breakup Won't Be Easy for U.S. Consumers.

Investment Implications

Tariff-related volatility in the headlines and in markets is likely to persist. While successful negotiations with select countries may offer temporary reprieve for investors, we remain primarily focused on U.S.-China tensions. An extended deterioration in bilateral relations poses a longer-term headwind for both U.S. businesses and consumers, in our view.

Household Product	% of Imports from China
Smartphones	81.1%
Microwaves	87.7%
Blenders	79.9%
Refrigerators	69.2%
Toasters	99.7%
Lamps	93.5%
Sofas	30.7%
Quilts/comforters	92.4%
Pillows	84.5%
Curtains	93.3%
Electric Toothbrushes	80.6%
Hair Dryers	70.9%
Ibuprofen	90.3%
Wooden picture frames	78.0%
Toys	75.8%
Tennis shoes	73.6%
Bicycles	89.0%

Sources: Census Bureau. Data refers to 2024, as of April 2025.

In the den, you would probably have to toss your favorite reclining chair and coffee table and ditch the throw rug. You can keep all the family pictures, but you would have to remove the frames because...you guessed it—"Made in China."

Next, you head upstairs to the bedroom. If you are tired, sleeping in your own bed may not be an option since China remains one of the largest suppliers of U.S. bed frames and mattresses. Your sheets, pillows and linens are also primarily supplied from China or Chinese firms producing in other low-cost locales. Ditto for your lamps, dressers and nightstands. Without a bed, you might opt to grab your sleeping bag, but since nearly 90% of U.S. sleeping bags sold in the U.S. are from China, that's not going to work.

In the bathroom, you will have to toss some towels since China accounts for around 20% of U.S. imports of cotton terry towels and similar products. Other "Made in China" products that will have to go include soap, bathroom mirrors, blow dryers, shower heads and toilets since China remains a leading supplier to the U.S. of these products.

You open the medicine cabinet in search of relief, but you are prevented from using many drugs because the essential components of these medications—active pharmaceutical ingredients (APIs)—are supplied from China. Generic medications are cheaper because they often depend on cost-effective APIs from India and China. By some estimates, roughly 30% of raw ingredients required in U.S. drug manufacturing are sourced from China.

Clearing out the attic of "Made in China" means chucking Christmas decorations, lights, toys and the like. When it comes to toys, China manufactured around 75% of the dolls, tricycles, scooters and other toys imported to the U.S. last year.

Outside, the last stops are the garage, shed and patio and on the list to heave are bats, balls, baseball gloves, beach chairs, hiking boots, skis, coolers, rakes, tents, knapsacks, pottery, garden equipment, grills and patio furniture. You never knew you had that much space in the shed and garage until you decluttered "Made in China" products.

Breaking Up Is Hard To Do. All of the above illustrates how embedded and connected U.S. consumers have become with Chinese producers over the past few decades (and vice versa). The level of co-dependency runs deep—and has been mutually beneficial to both parties. U.S. consumers have benefitted handsomely from China's role as the "factory to the world," while China has benefitted from rising employment and incomes for millions of Chinese workers.

Meanwhile, it's not just U.S. households that are chock-full of China products and inputs. So too are many U.S. factories. The latter are stuffed full of China industrial goods, as well as parts and components, that drive production across multiple sectors. So by the same token, if U.S. companies de-cluttered their plants and factories of "Made in China" products, a great deal of shop space would be empty.

The downside to all of this, of course, has been structural loss of U.S. manufacturing jobs and an ever-expanding U.S. trade deficit with the Mainland. It's the latter (\$295 billion deficit in goods last year) that has brought U.S.-China trade relations to a boil. April's tit-for-tat trade war between the U.S. and China has effectively brought bilateral trade flows to a standstill and put investors on edge as to what comes next in the impasse between the world's two largest economies. U.S. equities have been on a roller coaster ride with each new headline about U.S.-China trade, and the ride will continue until there are clearer signs of de-escalation. There is no "all clear" on the trade front and threat of tariffs until the U.S. and China square away their differences on commerce.

That said, the stakes are huge for both countries—and for both U.S. businesses and consumers. To understand the magnitude of the trade clash, just take a walk around your house.