



By: *Tomorrow's Affairs Staff*

Janet Yellen in China - a cautious dialogue, but a dialogue nonetheless



The four-day stay of US Treasury Secretary Janet Yellen in China and the ten-hour talks she held with leading people in charge of the economy and finance did not result in a package of new agreements or the resolution of any of their numerous bilateral problems.

The important thing about this visit is that expectations before it were not inflated, primarily thanks to Secretary Yellen's cautious tactics, so the absence of significant positive news did not cause pessimism.

From the political aspect, which is not Secretary Yellen's principal portfolio, the very fact that it happened marked a very significant shift in communication between the two largest global economic and political powers.

Secretary Yellen visited Beijing only three weeks after her colleague from the administration, Secretary of State Antony Blinken, which has been an unprecedented frequency of visits at this level.

The last visit of the US Treasury Secretary to China was four years ago, and the State Secretary's was five years ago. From that perspective, US-China relations seem to be on the upswing.

There is no good and bad cop

The upswing exists, as Janet Yellen's visit showed, but it certainly cannot be sharp due to the abundance of open questions.

"President Biden and I do not see the relationship between the U.S. and China through the frame of great-power conflict. We believe that the world is big enough for both of our countries to thrive", Yellen said at the end of the visit before leaving for Washington on Sunday night.

Secretary Yellen's role in Beijing was not that of "good cop", as was often, but at the same time superficially, assigned to her by observers. This would mean that Secretary Blinken's visit to China was its opposite: "bad cop", which is far from his June mission.

Treating these important visits by two high-ranking representatives of the US administration to China as an old investigative trick has been a gross underestimation of China's negotiating strategies, which is not the relationship that Joe Biden's administration wants to establish.

Simply put, both Ms Yellen and Mr Blinken travelled to China representing the general line of President Biden's administration on stabilising major trade and economic ties after a long period of shifts and far more downs than ups.

Skeletons in the closet

Beijing also wants this type of development as a condition without which they cannot hope for the expected return to high growth rates after the three-year closure of the economy due to the pandemic.

Stabilisation of economic relations was also the main shared issue, which President Xi Jinping and President Joe Biden reached at the meeting within the framework of the G20 summit in Indonesia.

The possible resolution of one of the more serious inherited "skeletons" hinted at by Secretary Yellen, regards import tariffs on goods from China, which were introduced by Donald Trump and are still in force.

Secretary Yellen refrained from lightly promising the Chinese a positive outcome they

are otherwise very interested in, but criticised the Trump-era imposition of tariffs as ineffective and has postponed the administration's final position after conducting internal analyses of these measures, which are still ongoing.

She tried to reassure senior Chinese interlocutors about the announced restrictions on American investments in China regarding sensitive high technology.

Yellen pointed out that the intended investment control regards "very narrow high technology areas" and that such possible measures will not significantly affect the Chinese economy.

Her concerns also regarded Chinese restrictions in the field of high technology, such as the recent restriction on the export of two minerals, gallium and germanium, critical for the production of semiconductors, starting from August.

Under the pretence of national security concerns

In both countries, economic issues are overshadowed by concern for national security, which is still a difficult obstacle to overcome, as was seen during Secretary Yellen's visit to China.

China's new anti-espionage law, which will, for example, increase the caution of Western investors, or, on the other hand, US investment restrictions that could potentially increase China's access to security-sensitive technologies are beyond the scope of being resolved in discussions of the highest ranking economic representatives of the two governments.

The US-China thaw, or "stabilisation" of mutual relations, could gain momentum only by reactivating military-to-military communication at the top.

It was practically closed after the shooting down of a Chinese spy balloon over US territory last February. So far, there has been no indication of its restoration, confirmed by Antony Blinken after he visited Beijing last June.

The desired thawing of trade and economic ties is still hindered by mutual caution regarding national security, so this aspect is also included in major commercial strategies.

This testifies to the lack of mutual trust, the restoration of which will take a lot of time and talks, such as those that Secretary Yellen had in Beijing with a new first economic group of China.

My hope is that we can move to a phase in our relationship where senior-level diplomacy is simply taken as a natural element of managing one of the world's most consequential bilateral relationships", said Janet Yellen at the end of her visit to China.