

Remarks by Secretary of the Treasury Janet L. Yellen at a Press Conference in Beijing, the People's Republic of China

April 8, 2024

As Prepared for Delivery

PROGRESS OVER THE PAST YEAR

I'd like to begin by speaking about the groundwork that we have laid over the past year.

Last April, I outlined our Administration's approach to our economic relationship with China. President Biden and I are clear-eyed about the complexities of this relationship. Our priorities include protecting our national security and that of our allies, advancing an objective of a healthy economic relationship with a level playing field for American workers and firms, and cooperating with China where both countries can and must.

It is undeniable that the U.S.-China relationship is on stronger footing today than this time last year. This was not preordained. It was the direct result of President Biden's guidance to me and

his cabinet to intensify our diplomacy with China and put a floor under the relationship. Over the past year, I have met in person with my Chinese counterpart Vice Premier He Lifeng three times, including in the San Francisco Bay Area where I call home. We established Economic and Financial Working Groups that have seen substantive, in-depth economic conversations. These build on the candid and constructive meeting between President Biden and President Xi in Woodside, California last November.

Through these exchanges, my team and I have been able to advance the interests of the American people. We have set forth our own economic policy priorities and gained an improved understanding of China's. We have advocated for specific steps to ensure American workers and firms are treated fairly. We have directly communicated American national security concerns, and both countries have clarified potential misunderstandings to prevent unintentional escalation. And we have restarted cooperation on issues where our interests coincide. Last November, the Vice Premier and I took the important step of affirming key areas

of agreement, including a commitment to work toward a healthy economic relationship that provides a level playing field for both countries.

This progress matters. Given the size of our economies, the U.S.-China economic relationship is among the most important bilateral economic relationships in the world. And it matters deeply for American workers and firms. In turn, the American people expect their leaders to do the hard work of economic diplomacy. That's not the type that always generates headlines. It's one that keeps at it despite the noise—in order to advance a responsible approach to the complex challenges that we face.

President Biden and I are committed to such an approach. And it is what brought me here to China.

KEY STEPS FORWARD DURING TRIP TO CHINA

Over the past week, I have had the opportunity to make progress on issues that matter to Americans. I've had productive, direct, and extensive meetings over four days in Guangzhou and Beijing with China's economic leadership, including Premier Li, Vice Premier He, Governor Pan, and Finance Minister Lan. I have also met with those outside of the central government, including American and other foreign businesses, Chinese academics and students, and local government leaders with practical, on-the-ground economic policy responsibilities.

Let me outline three areas where we've made significant progress this week.

Exchanges on Balanced Growth in the Domestic and Global Economies

First, Vice Premier He and I agreed to launch intensive exchanges on balanced growth in the domestic and global economies. This represents an important part of my effort to advocate for American workers and businesses and gain a better understanding of certain PRC macroeconomic policies. Let me explain.

During conversations this week, I underscored again that the United States does not seek to decouple from China. Our two economies are deeply integrated, and a wholesale separation would be disastrous for both of our economies. Even as we take actions to diversify our supply chains, we seek to preserve the broader trade and investment relationship that can benefit American workers and firms. China is a key market for American products and services. And competition between our firms can spur greater dynamism and innovation in American

industries. The American businesses that I spoke to in Guangzhou underscored the significant benefits of a healthy economic relationship.

At the same time, I expressed concern to senior Chinese officials that there are features of the Chinese economy that have growing negative spillovers on the U.S. and the globe. I am particularly worried about how China's enduring macroeconomic imbalances—namely its weak household consumption and business overinvestment, aggravated by large-scale government support in specific industrial sectors—will lead to significant risk to workers and businesses in the United States and the rest of the world. China has long had excess savings, but investment in the real estate sector and government-funded infrastructure had absorbed much of it. Now, we are seeing an increase in business investment in a number of “new” industries targeted by the PRC's industrial policy. That includes electric vehicles, lithium-ion batteries, and solar.

China is now simply too large for the rest of the world to absorb this enormous capacity. Actions taken by the PRC today can shift world prices. And when the global market is flooded by artificially cheap Chinese products, the viability of American and other foreign firms is put into question.

We've seen this story before. Over a decade ago, massive PRC government support led to below-cost Chinese steel that flooded the global market and decimated industries across the world and in the United States. I've made clear that President Biden and I will not accept that reality again. I know that these serious concerns are shared by our allies and partners, from advanced economies to emerging markets.

China's excess capacity has built up over a significant amount of time, and our concerns will not be resolved in a week or a month. But the exchanges that we announced during this trip will provide a dedicated structure for us to raise our concerns about China's imbalances and overcapacity—among a wide range of other topics—in a detailed and targeted manner. We intend to underscore the need for a shift in policy by China during these talks—building on the over two hours I spent on this topic with the Vice Premier last week. This is a part of our effort to advocate for American industries and prevent the significant economic disruptions we've seen in the past.

It's important to note that I firmly believe that addressing these imbalances in an appropriate way will not only be good for the U.S. and the world. It will also be good for China's long-term productivity and growth. Importantly, we have and will continue to emphasize that our concern about overcapacity is not animated by anti-China sentiment or a desire to decouple.

Rather, it is driven by a desire to prevent global economic dislocation and move toward a healthy economic relationship with China.

Anti-Money Laundering Cooperation

Second, I was pleased to announce that we are expanding cooperation with China in our shared work against illicit finance. At home, President Biden and I have taken major steps to prevent illicit actors from exploiting the U.S. financial system and to hold them accountable when they do. But the United States cannot do it alone. Weaknesses in financial regulatory regimes abroad—in China and other countries around the world—also provide an avenue for financing for criminal organizations, human traffickers, drug traffickers, fraudsters, and other malicious actors that can harm Americans and our national security. From now on, a new Joint Treasury- PBOC Cooperation and Exchange on Anti-Money Laundering, established during this trip, will enable our countries to share best practices and information to clamp down on loopholes in our respective financial systems. I've asked my team to begin these meetings very soon, and we look forward to reporting on our progress.

I'm also pleased that illicit finance is a critical component of Treasury's work with the PBOC as part of the U.S.-PRC Counternarcotics Working Group. Exchanging information on money laundering as it relates to trafficking of fentanyl and other illicit synthetic drugs can help us disrupt the flow of illicit narcotics, precursor chemicals, and equipment. The opioid epidemic is a crisis that affects every community in the United States, large or small, with more than 150 Americans dying each day. Treasury is committed to using all of our tools, including international cooperation, to counter this threat.

Financial Technical Exchanges and Broader Cooperation with China

Third, we are announcing that we will continue a series of financial technical exchanges between the United States and China. Just like military leaders need a hotline in a crisis, American and Chinese financial regulators must be able to communicate to prevent financial stresses from turning into crises with tremendous ramifications for our citizens and the international community. Over the past few months, we have hosted several exercises with China, including on how we would coordinate if there were to be a failure of a large bank in either of our countries. I'm pleased that we will hold upcoming exchanges on operational resilience in the financial sector and on financial stability implications from the insurance sector's exposure to climate risks.

These are the types of discussions that we have with other major economies, since we know a financial issue in a foreign country can quickly cascade to ours. I am glad that we are doing the same with China.

This technical exchange builds on other spheres of cooperation. This includes our efforts to alleviate debt distress in emerging markets and developing countries. We have seen progress over the past few months on specific debt cases, such as Zambia's. I have and will continue to push as hard as I can to build greater momentum in other outstanding debt cases. I have also been pleased by the progress we have made in conversations around sustainable finance and am committed to moving our climate cooperation with China forward.

Macroeconomy and National Security

Alongside these specific steps, I also exchanged views with Chinese officials on the macroeconomy and national security. I shared my assessment that the American economy remains strong, with President Biden's historic economic agenda driving both our current resilience and long-term growth. We also discussed risks to the resilient global outlook. I was able to learn more about how the Chinese government views their current economic and financial situation and the steps that they have and are contemplating taking. These exchanges help inform our government's own economic decision-making.

We also had difficult conversations about national security. President Biden and I are determined to do all that we can to stem the flow of material that is supporting Russia's defense industrial base and helping it to wage war against Ukraine. We continue to be concerned about the role that any firms, including those in the PRC, are playing in Russia's military procurement. I stressed that companies, including those in the PRC, must not provide material support for Russia's war and that they will face significant consequences if they do. And I reinforced that any banks that facilitate significant transactions that channel military or dual-use goods to Russia's defense industrial base expose themselves to the risk of U.S. sanctions.

We also exchanged information on the use of economic tools in the national security space. Going forward, I believe that we must continue to discuss how each side defines national security in the economic sphere. While the U.S. needs to continually evaluate its national security measures given the rapid pace of technological development, we are committed to "no surprises." We have privately and publicly laid out our perspective at length, along with the principles and process that we undertake in formulating our policies. Our actions are

implemented through transparent rules and regulations with ample comment periods. We would welcome transparency from the PRC on its national security actions and greater clarity on where it sees the line between national security and economic issues. This would provide greater stability to the relationship while also helping bolster confidence for firms doing business with the PRC, which is in China's interest.

Vice Premier He and I committed to stay in close touch about these issues. The United States will also be hosting our Chinese counterparts next week for the fourth meetings of the Economic and Financial Working Groups, where these issues will be discussed at length.

CLOSING

Let me end with this. The work of diplomacy is not easy. But in the few months since the Woodside Summit—and certainly since I visited Beijing last summer—we have taken major steps to stabilize the U.S.-China bilateral relationship. And during this trip, we have been able to build on that foundation to move the ball forward on specific issues that matter to Americans.

That does not mean we have resolved all our differences. There is much more work to do. And it remains unclear what this relationship will endure in the months and years ahead.

But as we proceed, we must remember that its trajectory is not predestined. It depends on the choices that each of our countries make. I know that the American people expect a clear-eyed approach to China: one that proceeds with confidence about the economic strength of our country and protects our national security while finding a way forward so that both countries can live in a world of peace and prosperity. The President and I are firmly committed to continue to deliver on that.

I'll take your questions.

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