Top U.S. Treasury Officials to Visit Beijing for Economic Talks

A meeting of the new economic working group comes as the U.S. and China are trying to prevent any escalation of hostilities.

By Alan Rappeport
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The Biden administration is dispatching a high-level delegation of Treasury Department officials to Beijing this week for a round of economic talks as the world's largest economies look to continue engagement efforts that President Biden and his Chinese counterpart, Xi Jinping, agreed to pursue last year.

A Treasury official, speaking on the condition of anonymity because the trip has not been publicly announced, said that the two days of meetings would include "frank conversations" about China's use of nonmarket economic practices like government subsidies. The U.S. officials also plan to discuss concerns about industrial overcapacity, which could flood international markets with cheap products.

They will also talk about ways to resolve sovereign debt burdens that have been weighing on low-income countries and preventing some of those countries from investing in sustainable development and climate initiatives. China is one of the world's largest creditors and has faced international pressure to make concessions that would unlock a global effort to restructure hundreds of billions of dollars of debt owed by poor countries.

More broadly, the two governments will discuss the macroeconomic outlooks for their countries, whose economies are critical to the health of the overall global economy. The United States is proving to be the most resilient economy in the world. China, meanwhile, continues to be haunted by a financial industry that's struggling to contain enormous amounts of local government debt, a volatile stock market and a crisis in its real estate sector.

Last week, the International Monetary Fund, in its latest economic outlook, projected that China's economy would grow at a rate of 4.6 percent in 2024, a faster pace than previous projections. But it also urged China to make longer-term structural changes to its economy, such as overhauling its pension program and reforming its state-owned enterprises, to prevent its output from slowing more dramatically.

"Without those reforms, there is risk that Chinese growth would fall below 4 percent," Kristalina Georgieva, the I.M.F.'s managing director, told reporters on Thursday.

The American and Chinese officials will also discuss mutual efforts to combat climate change and the mechanics of investment screening programs that are creating new economic barriers between the two countries.

The revival of a formal economic dialogue structure is intended to prevent misunderstandings between the United States and China from spiraling into economic warfare.

The five-person group from Treasury will be led by Jay Shambaugh, the department's under secretary for international affairs. It is the first such meeting in Beijing of the economic working group that was established last September. In January, a group of Treasury officials with a focus on financial issues held talks Beijing.

The visit could pave the way for a second trip to China by Treasury Secretary Janet L. Yellen, who traveled to Beijing last summer.

The Biden administration has been trying to persuade Chinese officials that President Biden's efforts to diversify American supply chains away from China are not meant to hurt Beijing's economic development.

The Treasury official would not elaborate on what specific concerns Mr. Shambaugh would raise with his counterparts during this trip. But Biden administration officials have continued in recent months to complain about China's subsidies for its domestic industries and discrimination against foreign competitors.

In a speech to the U.S.-China Business Council in December, Ms. Yellen lamented that China continued to use unfair economic practices, limit access to foreign firms and coerce American companies.

"For too long, American workers and firms have not been able to compete on a level playing field with those in China," Ms. Yellen said.

Although the increased levels of engagement appear to have eased some of the public displays of tension between the United States and China, it is unclear how much progress is being made in practice.

The Biden administration moved forward last August with plans to initiate new rules to restrict American investments in certain Chinese sectors that the United States considers to be national security risks. Two months later, China announced that it would restrict exports of graphite, which is an important component of electric vehicle batteries.

But the two countries say they want to continue looking for areas of collaboration.

"These trips have considerable significance for preventing any further escalation of hostilities, especially as election-year rhetoric in the U.S. ramps up," said Eswar Prasad, a Cornell University professor and former head of the International Monetary Fund's China division. "I think both sides are very eager to tamp down any further escalation of hostilities."

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