

# *Yellen Sees 'More Work to Do' as China Talks End With No Breakthrough*

Treasury Secretary Janet L. Yellen was warmly received in China, but it was evident that the level of trust between the two sides does not run deep.



**By Alan Rappeport**

Alan Rappeport is traveling with Treasury Secretary Janet L. Yellen in China.

April 8, 2024

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Four days of top-level economic meetings between the United States and China concluded in Beijing on Monday with no major breakthrough, but the world's two largest economies agreed to hold more discussions to address rising friction over trade, investment and national security.

The conversation is poised to become even more difficult, however, as hopes of greater economic cooperation collide with a harsh political reality: It is an election year in the United States, and antipathy toward China is running high. At the same time, Chinese officials appeared unmoved by Treasury Secretary Janet L. Yellen's urging that China scale back its recent surge of green energy technology exports, which could threaten American jobs.

Despite a warm welcome on her second trip to China as Treasury secretary, which included meetings with the premier and with senior economic and finance officials, it was evident that the level of trust between the two sides does not run deep.

“There is much more work to do,” Ms. Yellen said at a news conference in Beijing on Monday. “And it remains unclear what this relationship will endure in the months and years ahead.”

The Treasury secretary added that she believed that China was engaging in the discussions in good faith and that progress was being made. “I do not want to see the U.S. economic relationship, or the overall relationship with China, deteriorate and fray,” she said.

Her meetings came as the Biden administration announced that it would award up to \$6.6 billion in grants to Taiwan Semiconductor Manufacturing Company, the leading maker of the most advanced microchips, in an effort to bring some of the most cutting-edge semiconductor technology to the United States. The administration has been doling out billions of dollars to semiconductor companies as it looks to reduce its reliance on China for critical microchips.

The most pressing matter that is likely to divide the United States and China in the coming months is how the Biden administration plans to address concerns that Chinese exports of electric vehicles, lithium-ion batteries and solar panels pose a threat to the very industries that the United States is spending trillions of dollars to develop domestically.

During her meetings with her Chinese counterparts, Ms. Yellen tried to argue that China should focus more on investing in domestic consumption and warned that flooding markets with exports would disrupt supply chains. Europe, Mexico and Brazil are all pursuing anti-dumping investigations into China that could lead to new trade restrictions, and Ms. Yellen suggested that the United States was prepared to protect its burgeoning industries.



Ms. Yellen with Vice Premier He Lifeng in the southern city of Guangzhou on Saturday. Pool photo by Andy Wong

China has denied illegally subsidizing its new energy exports, and it has raised concerns about what its officials perceive as a wave of unfair protectionism. During a meeting on Sunday between Ms. Yellen and Premier Li Qiang in Beijing, Mr. Li pushed back on the question of Chinese exports. He said the issue should be viewed objectively and from “a market perspective,” pointing to China’s position that the surge in exports is driven by global demand.

“China hopes that the U.S. side will work with the Chinese side to adhere to the basic norms of market economy of fair competition and open cooperation, and refrain from politicizing and national-securitizing economic and trade issues,” Mr. Li was quoted as saying in an official summary of the meeting issued by the Chinese government. (Economists and foreign trade officials, however, argue that China’s industrial policy — including low-interest loans from state banks to factories, and low-cost land transfers — helps the country’s exports.)

In China's official summary of the talks, the government sought to instill confidence in the country's economy, saying that it remained an engine of global growth. Beijing emphasized that it continued to push for reform and to open its economy further, which it said would provide more opportunities for companies from all countries, including the United States.

While China made clear that the two sides had not reached much common ground on substantive issues, it also struck a somewhat optimistic tone about the areas where they agree: the importance of strengthening communication and preventing "decoupling."

The prospect of additional American tariffs comes as China has been seeking a rollback of some of the ones that Washington imposed on Chinese imports during the Trump administration. Asked by reporters if the United States might impose new trade restrictions if China did not change its policies, Ms. Yellen said she did not want to "get ahead of where we are," but she added that it would "not be acceptable to the United States" for China to continue to pursue an export strategy that hurts American workers.

Ms. Yellen also met on Monday with Pan Gongsheng, the governor of the People's Bank of China. Earlier she held talks in the southern city of Guangzhou with her primary counterpart, Vice Premier He Lifeng.

The United States and China agreed to hold "intensive exchanges on balanced growth," Ms. Yellen said, to address the concerns about the flood of exports from China that some officials argue is distorting global markets.

Ms. Yellen acknowledged that China is unlikely to change course in the near future. Some observers suggested that China was stalling by merely agreeing to hold more talks on the matter.

"The U.S. needs to be cleareyed and vigilant and not allow these new talks to become an excuse for inaction by China," said Wendy Cutler, a vice president at the Asia Society Policy Institute. "In light of weak domestic demand and

overproduction, China should take steps now to prevent export surges to the United States and other countries.”

Trade experts have suggested that with the U.S. election approaching and former President Donald J. Trump proposing sweeping new tariffs, it was already unlikely that existing import levies would be lowered.

“There is little prospect of a significant de-escalation of tariffs and other trade restrictions imposed by Washington, but avoiding any further escalation of overt bilateral trade hostilities in the coming months would in itself be an accomplishment for both sides,” said Eswar Prasad, a former head of the International Monetary Fund’s China division.

During the talks, Chinese officials voiced concerns about U.S. national security measures directed at China. The Biden administration has been focused on preventing China from gaining access to information about American consumers; restricting China’s access to technology, such as semiconductors, that could advance its military; and preventing electric vehicles with Chinese components from being eligible for U.S. subsidies through the Inflation Reduction Act of 2022.



Ms. Yellen met with Pan Gongsheng, the Chinese central bank governor, in Beijing on Monday. Florence Lo/Reuters

In Washington, Congress is working through legislation that aims to force the Chinese company ByteDance, under threat of an American ban, to sell the social media platform TikTok.

Ms. Yellen said Chinese officials raised their concerns about the TikTok legislation during the talks. Ms. Yellen said that protecting personal data is a “legitimate concern” and noted that many American social media platforms are not allowed to operate in China.

On Monday, Ms. Yellen described the national security conversations with China as “difficult” and indicated that the United States would work to clearly signal its plans, saying it was “committed to ‘no surprises.’”

The Biden administration faces calls from both Democratic and Republican lawmakers at the national and local levels for measures that aim to decouple the two economies, through investment restrictions and new tariffs on Chinese imports. At the same time, Beijing has sought reassurances from Washington that it does not seek to decouple from China.

During her trip, Ms. Yellen has sought to learn more about Chinese culture. Her visits to a Cantonese restaurant in Guangzhou and a Sichuanese restaurant in Beijing drew attention on Chinese social media. And on Sunday, the Treasury secretary learned about the history of the Ming and Qing Dynasties during a private tour of the Forbidden City.

Ms. Yellen emphasized on Monday that while the United States wants to protect national security, it does not seek to sever trade and investment between the two countries.

“Our two economies are deeply integrated, and a wholesale separation would be disastrous for both of our economies,” she said.

Daisuke Wakabayashi and Siyi Zhao contributed reporting from Seoul.

***A correction was made on April 8, 2024: Because of an editing error, a caption with a photograph that accompanied an earlier version of this article incorrectly stated the photograph's date. It was taken in July 2023, not on Friday.***

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A version of this article appears in print on , Section B, Page 4 of the New York edition with the headline: China Talks End With No Breakthrough