

U.S. and China Agree to New Economic Dialogue Format

The regular talks are intended to give both countries a venue to resolve differences.



By Alan Rappeport and Keith Bradsher

Alan Rappeport covers the Treasury Department and traveled with Secretary Janet L. Yellen to China in July. Keith Bradsher covers Beijing for The Times.

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The United States and China have created a new structure for economic dialogue in an effort to improve communication between the world's largest economies and stabilize a relationship that has become increasingly strained in recent years.

The Treasury Department said on Friday that the United States and China had agreed to create economic and financial working groups that would hold regular meetings to discuss policy and exchange information. The announcement followed visits to Beijing by three of President Biden's cabinet members over the summer that were intended to ease tensions over economic and geopolitical matters that has been festering for years between the two countries.

The Treasury Department said that the new working groups would create "ongoing structured channels for frank and substantive discussions." Treasury officials will report to Secretary Janet L. Yellen, who traveled to Beijing in July. China's representatives, from its ministry of finance and the People's Bank of China, will report to Vice Premier He Lifeng.

"These working groups will serve as important forums to communicate America's interests and concerns; promote a healthy economic competition between our two countries with a level playing field for American workers and businesses; and advance cooperation on global challenges," Ms. Yellen said in a statement.

The United States and China still have major economic disagreements on tariffs, technology controls and investment restrictions. The Biden administration has been especially concerned recently about the treatment of American companies operating in China.

The creation of a working group linking the Treasury Department directly with Chinese officials on economic and financial issues represents the revival of a decades-long approach to bilateral relations that was dismantled under President Donald J. Trump.

"These are issues where the U.S. and China clearly see mutual benefit to mitigating conflict and managing the bilateral relationship in a constructive way," said Eswar Prasad, a former head of the International Monetary Fund's China division. "These working groups might also help in maintaining dialogue on such issues even if geopolitical fissures between the two sides continue to deepen."

He added: "The formation of these working groups is unlikely to lead to a significant de-escalation of trade and economic tensions but will at least reduce the risk of any further escalation, especially as the U.S. political season heats up."

Congress took away the Treasury's authority over trade relations in the 1970s, transferring that authority to the newly created Office of the United States Trade Representative, which was also made a cabinet agency. Congress acted after complaints from American industries and labor unions that Treasury and the State Department had been making trade concessions to other countries to win allies against the Soviet Union in the Cold War.

Under Presidents George W. Bush and Barack Obama, the Treasury led interagency negotiating teams in talks with China. Treasury's leadership limited the influence of American trade officials, as a succession of Treasury secretaries assigned a high priority to economic policy coordination with China and to opening China's financial markets to Wall Street firms.

Mr. Trump dismantled the interagency working group system and said each agency would negotiate separately with China. Vice Premier Liu He, the predecessor of Vice Premier He Lifeng in handling international economic policy, tried repeatedly to reach trade arrangements with the Treasury secretary at the time, Steven T. Mnuchin, bypassing Robert E. Lighthizer, who was Mr. Trump's trade representative.

But Mr. Trump did not endorse those arrangements and instead backed Mr. Lighthizer, who ended up negotiating a limited trade agreement that was signed by both countries in January 2020, and remains in place.

In August, Gina M. Raimondo, the commerce secretary, announced during her trip to Beijing and Shanghai that the United States and China had agreed to hold regular conversations about commercial issues and restrictions on access to advanced technology.

The Office of the United States Trade Representative was aware of the planning of the new working groups and will be consulted when the discussions turn to trade matters, but the new format for talks will be led by Treasury.

A senior Treasury official said a consensus had been reached during Ms. Yellen's trip in July to form the groups, which are meant to allow both sides to voice concerns and look for ways to work together. The economic group will focus on challenges such as restructuring debt for low- and middle-income countries in distress, while the financial group will delve into topics like financial stability and sustainable finance.

Ms. Yellen said on Friday that the new structure was an important step forward in the bilateral relationship.

"It is vital that we talk, particularly when we disagree," she said.

Ana Swanson contributed reporting.

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