

US treasury secretary Yellen warns China on military and economic fronts

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Both sides spoke of co-operation and the development of a more stable relationship. But there was no disguising the increase in tensions between the US and China, the world's number one and number two economies, during the weekend visit by US treasury secretary Janet Yellen to China.

Yellen began her discussions with Chinese leaders and officials by backing statements from US Secretary of State Anthony Blinken to a meeting of NATO foreign ministers last week. He claimed Beijing was assisting Russia “at a concerning scale” by supplying “tools, inputs and technical expertise” to support its war in Ukraine.

Citing three people “familiar with the discussions,” the *Financial Times* said the “warnings were explicit” and the “shift” was “very striking.”

Following discussions in Guangzhou, a statement from the US Treasury said Yellen had emphasised “companies, including those in the PRC (China), must not provide material support for Russia’s war against Ukraine.” If they did, there would be “significant consequences.”

After this warning on the military front, Yellen then proceeded with the main purpose of her visit. This was to demand that China not use its so-called overcapacity in the production of electric vehicles (EVs) and other green technology products to flood the market with cheaper goods.

The US maintains that China is providing state subsidies to companies, enabling them to undercut American firms.

“I think the Chinese realise how concerned we are about the implications of their industrial strategy for the United States, for the potential to flood our markets with exports that make it difficult for American firms to compete,” she told reporters after one of her meetings.

It was a clear case of the pot calling the kettle black. Under the Biden administration’s Inflation Reduction Act, subsidies and major tax breaks are provided to US firms investing in green technology. China has lodged objections to the measures in the World Trade Organisation and the European Union had denounced them as protectionist.

Yellen, however, was determined to remain “on message.”

“China is too large to export its way to rapid growth,” she said at an event hosted by the American Chamber of Commerce in China. China was churning out more than “the global market can bear.”

Such comments underscore the total irrationality of the capitalist market and profit system. Under conditions in which climate change poses an ever-greater danger, the production of goods based on green technologies in greater quantities and at a lower price leads to intensified conflict.

Chinese Premier Li Qiang was reported to have advised Yellen against turning “economic and trade issues into political” matters.

An editorial comment in the official Chinese news agency Xinhua as Yellen’s trip began summed up the position of Beijing. It declared that when it came to “fair play in business and trade,” Washington should “wean itself off the practice of abusing the national security pretext to elbow aside leading Chinese high-tech and clean energy companies.”

It said the modus operandi for Washington was to manage US-China relations from a “position of strength” relentlessly “aligning everything with its own interests while disregarding the perspectives and concerns of others.”

While this was an accurate summation of the US stand, Beijing is seeking, at least at this stage, to avoid

an open breach. The editorial went on to say that the visit was a “good sign that the two largest economies are committed to maintaining the momentum of communication and coordination.”

Likewise, Yellen, even as US presses forward with its economic warfare measures, especially in the high-tech area where a range of bans have been introduced against China, sought to maintain this façade, at least for the present.

In prepared remarks issued at the start of a meeting in Beijing on Sunday, Yellen said while there was more to do, “I believe that, over the past year, we have put our bilateral relationship on a more stable footing.”

This did not mean ignoring differences or avoiding “tough conversations” but understanding that “we can only make progress if we directly and openly communicate with one another.”

In discussions with Premier Li, she said: “As the world’s largest economies, we have a duty to our two countries and to the world.”

Meanwhile behind the talk of open communication and the development of a more stable relationship, the conflict intensifies. As she was departing for China, Yellen said the imposition of further tariffs on Chinese goods had not been ruled out.

The conflict over green technology, in particular solar panels and EVs, is being fuelled by the slowdown in world economic growth and the ruthless battle in the auto industry for market share and profit.

This is what led Yellen to place “overcapacity” front and centre in her discussions.

Last week the *Wall Street Journal* published a major article outlining the growing problems facing the EV manufacturer Tesla and its chief executive, the billionaire Elon Musk.

Laying out the situation confronting the firm, it began: “After a period of rapid expansion, the company has seen its sales fall and its once-enviable profit margins shrink. For the first time in years, the biggest question for Tesla is not whether it will be able to make enough cars, but whether people will buy them.”

Last week Tesla reported its first year-on-year decline in its quarterly deliveries since 2020.

The article noted that the value of the company’s stock on Wall Street was down by 34 percent so far this year and its market capitalisation had more than halved since reaching a peak in 2021.

The core of Tesla’s product range, it said, was “dated” and “Chinese carmakers are now the ones that look like nimble tech-savvy start-ups.”

Behind the diplomatese and blather about coordination, the conflict will intensify on both the military and economic fronts.

This is because existential questions are stake for the US and China. For the US, Chinese economic development is regarded as the greatest threat to its global dominance which it is determined to maintain by all means, including war.

The NATO-led war against Russia must be seen in this context. The defeat of Russia is seen as necessary to place the US in the best position to deal with what is referred to as the “big one”—a war with China.

For the Xi Jinping regime, technological development, what it calls the advancement of “new productive forces,” is the road to a new economic model to ensure growth and prevent the eruption of social conflicts, above all the development of the class struggle that would threaten its very foundations.



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