Secretary Yellen’s Visit Sustains Hope for the Bilateral Relationship

Janet Yellen meets with Chinese Premier Li Qiang in Beijing on July 7, 2023. (Source/Credit: Janet Yellen official Twitter account @SecYellen)

- U.S. Secretary of the Treasury Janet Yellen successfully completed her multiple-day trip to Beijing on July 9, 2023. Secretary Yellen praised the progress of stabilizing bilateral ties between the U.S. and China. Secretary Yellen also stated that the U.S. would be clear about future restrictions moving forward, which will not have a “fundamental impact” on China.
- Additionally, during her visit to Beijing Secretary Yellen urged China to become more involved in supporting international climate institutions, stressing the importance of increasing green finance and climate initiatives.
- Later in an interview with Bloomberg, Secretary Yellen said that, while “slow growth in China can have some negative spillovers” in the U.S., she does not expect a recession.
- Despite Secretary Yellen’s visit being hailed as successful by analysts, Chinese netizens labeled economics Yellen met with as being “radical feminists” and traitors.
- Secretary Yellen reaffirmed that the U.S. would “firmly” oppose export controls enacted by China on gallium and germanium, both of which are used to produce electronics and semiconductors.

Bilateral Accusation and Questioning Persists

An image of the Microsoft offices in Haidian District, Beijing (Source: Skyler Standridge/Institute for China-America Studies)

- The U.S. House Select Committee on the Chinese Communist Party sent a letter to the University of California, Berkeley requesting information about the Tsinghua-Berkeley Shenzhen Institute; a collaborative research institute set up in 2014.
- The Chinese Foreign Ministry office in Hong Kong has denounced the Biden administration’s extension of the ‘national emergency’ in Hong Kong, which revokes some special privileges and prevents sensitive technologies from being exported to the city.
- A U.S. Navy patrol plane flew through the Taiwan Strait and was monitored by Chinese PLA fighter jets during the third day of Chinese military exercises south of Taiwan.
- China has made accusations that the U.S. was “ganging up” with allies and making China accept a 2016 ruling over claims in the South China Sea; the ruling from the Permanent Court of Arbitration in The Hague stating that nearly all of the Chinese claims to the area lack validity.
- According to Microsoft, Chinese hackers were able to breach and gain access to government email accounts, reportedly targeting certain governmental organizations and employees.
- The Chinese government has issued a warning to citizens traveling to the U.S. to beware of “entrapment” by
“Yellen Says US Investment Curbs Won’t ‘Fundamentally’ Hurt China.” Bloomberg, July 17 [Paywall]


“Recent US diplomacy push aimed at China meant to soften blow of coming hi-tech export limits: analysts.” South China Morning Post, July 13 [Paywall]


“Chinese women economists called ‘traitors' online for meeting with Yellen,” Reuters, July 10

“Janet Yellen urges China to boost funding to tackle climate crisis,” The Guardian, July 8

American law enforcement agencies, stating that citizens should be more “vigilant and beware of falling into U.S. snares and arrest entrapment.”

Associated News Sources:


“US Navy plane flies through Taiwan Strait, China carries out more drills,” Reuters, July 13

“Chinese foreign ministry’s arm in Hong Kong slams United States for renewing city’s ‘emergency status’,” South China Morning Post, July 12 [Paywall]

“China blasts US for forcing it to accept South China Sea ruling,” Reuters, July 12


Changes in the Bilateral Economic Framework Continue

- The Carlyle Group and Trustar Capital are looking to incur US$4 billion in funding to buy back their stakes in McDonald’s Corp operations within Hong Kong and Mainland China, the exit from the firms would end their six year long ownership of the Chinese operations.
- Tesla has begun to lay off employees at their Chinese battery plant in Shanghai, after the current volatile price war for electric cars in China has begun to show signs of cooling.
- The U.S. Public Company Accounting Oversight Board (PCAOB) has begun to lead investigations of routine checks of Wall Street-listed Chinese companies and their audits in Hong Kong.
- Meta CEO Mark Zuckerberg has come under fire in China after his company announced plans to partner with Tencent to market new Quest VR devices, with the controversy stemming from his previous failures to enter the Chinese market and accusing Chinese rival companies of intellectual property theft.

Increases in Number of Officials Returning to High Level Talks

- U.S. Presidential Envoy for Climate John Kerry, conducted the first major climate talk with Chinese counterparts in over a year. Kerry stated that the U.S. would take “big steps that will send a signal to the world” noting that “it is vital that we come together to take action.”
- U.S. Secretary of State Antony Blinken finished “candid and constructive” discussions with Chinese diplomat Wang Yi, the meeting discussed a variety of topics including managing competition and maintaining peace and stability across the Taiwan Strait. The meeting came despite new allegations that Chinese hackers infiltrated senior US officials’ email accounts.
- The Chinese government has encouraged the U.S. to lift “unilateral” sanctions on Chinese enterprises, and has encouraged the possible visit from U.S. Secretary of Commerce Gina Raimondo.
- Tesla has begun to increase deliveries within China, as concerns over consumer demand and supply chain worries begin to cool and as interest increases in the largest electric vehicle market.
- U.S.-based Moderna Inc. has plans to announce their first investments in China, despite increased bilateral tensions and restrictions on U.S. firms. The investments may include multiple projects with a total investment amount of US$1 billion.

**Associated News Sources:**
- “McDonald’s China owners Carlyle, Trustar plan $4 billion exit, Bloomberg reports.” Reuters, July 13
- “Tesla Starts to Lay Off Some Battery Workers at China Plant.” Bloomberg, July 7 [Paywall]
- “US starts new round of audit inspections on China firms.” Reuters, July 7
- “Tesla Regains China Momentum as Clouds Over EV Sector Disperse.” Bloomberg, July 5 [Paywall]
- “Moderna Set to Invest $1 Billion in China, Yicai Reports.” Bloomberg, July 4 [Paywall]

**Ongoing Export Curbs and New Restrictions**

A photo of the Smithsonian Castle in Washington, D.C. (Source/Credit: LunchboxLarry via Flickr/Attribution 2.0 Generic (CC BY 2.0))

- On July 16, U.S. Senate Majority Leader Chuck Schumer announced that he will be supporting a bipartisan amendment this week to sanction China over its alleged role in producing fentanyl, a synthetic opioid.
- Members of congress are debating whether to add changes to a current bill which would clarify the impact of authorizing the Biden administration to ban Chinese-owned TikTok, according to the members of the Senate Intelligence Committee.
- U.S. critics have been protesting the increasing involvement from U.S. technology giants within the Indo-Pacific Trade Talks, as critics say the tech firms are using the agreement to mitigate domestic regulation and antitrust laws.

**- In Other News -**

“Taiwan election candidate risks China’s anger with planned US trip.” Financial Times, July 17 [Paywall]
“Biden administration warns Beijing against ‘brazen coercion’ in response to Taiwan VP visit.” Politico, July 17
“Xi Jinping’s foreign minister has vanished from public view. His prolonged absence is driving intense speculation.” CNN, July 17
“US expected to get around China’s export controls on gallium, an essential component for American military radar tech.” South China Morning Post, July 17 [Paywall]
“Biden’s Energy Funds Fall Behind Schedule Over China Scrutiny.” Bloomberg, July 14 [Paywall]
“Elon Musk says China is ‘on team humanity’, willing to work with US on existential AI threats.” South China
- The Biden administration has made statements opposing China’s new restrictions on the export of germanium and gallium, with the U.S. Commerce Department said that “these actions underscore the need to diversify supply chains.”
- Former Chinese Vice Commerce Minister Wei Jianguo told China Daily that if countries continue to add pressure to China’s technology industry, they should expect countermeasures to escalate. His statements came just as China enacted new controls on gallium and germanium before Secretary Yellen’s visit. Analysts have also predicted that Secretary Yellen’s visit, as well as other visits to Beijing by top U.S. diplomats, were aimed to soften the blow of the incoming export limits from China.
- The Biden administration has announced plans to place restrictions on Chinese organizations’ access to U.S. cloud-computing services.

Associated News Sources:
- “US Senate leader Schumer wants to sanction China over fentanyl,” Reuters, July 16
- “TikTok crackdown bill may need changes, US senator says,” Reuters, July 11
- “Tech Giants Play Too Big a Role in US Indo-Pacific Trade Talks. Critics Say,” Bloomberg, July 10 [Paywall]
- “US exporters snub de-risking to give China another shot – but they’re finding a new obstacle,” South China Morning Post, July 8 [Paywall]
- “Tech war: US opposes China’s metal export controls, saying they justify supply chain moves,” South China Morning Post, July 7 [Paywall]
- “US says it opposes export controls by China on metals, will consult allies,” Reuters, July 6
- “China's chipmaking export curbs 'just a start', Beijing adviser warns before Yellen visit,” Reuters, July 6
**What Are We Reading?**

- **Reuters**: "China-US climate progress could hinge on curbing of methane" by Valerie Volcovici and David Stanway (July 17, 2023)
- **The Wire China**: "Q&A: Kurt Campbell on Talking to China Again" by Bob Davis (July 16, 2023)
- **The New York Times**: "The U.S. and China Are Restarting Climate Talks: Here’s Where Things Stand" by Lisa Friedman (July 15, 2023) [Paywall]
- **Foreign Affairs**: "The Upside of U.S.-Chinese Competition: How Institutional Balancing Promotes Stability in Asia" by Kai He (July 14, 2023) [Paywall]
- **The China Project**: "Cultural boon or abomination? American-Chinese food arrives in Beijing" by Zhao Yuanyuan (July 13, 2023)
- **Foreign Policy**: "Chinese Scientists Are Leaving the United States" by Christina Lu and Anusha Rathi (July 13, 2023) [Paywall]
- **Nikkei Asia**: "U.S. big tech won’t shake its China addiction" by Akito Tanaka and Grace Li (July 12, 2023)
- **The New York Times**: "An Act of War: Inside America’s Silicon Blockade Against China" by Alex W. Palmer (July 12, 2023) [Paywall]
- **Nikkei Asia**: "US, China should continue talks to avoid tit-for-tat measures" (July 12, 2023)
- **Foreign Affairs**: "The Myth of Neutrality" by Richard Fontaine (July 12, 2023) [Paywall]
- **South China Morning Post**: "Tilting towards Washington, has India’s time over China come?" by Shi Jiangtao (July 11, 2023) [Paywall]
- **The Wall Street Journal**: "Bidenomics: Chinese Capitalism With American Characteristics" by Scott Hodge (July 11, 2023) [Paywall]
- **The Wall Street Journal**: "Despite Yellen, U.S.-China Decoupling Has Momentum of Its Own" by Nathaniel Taplin (July 10, 2023) [Paywall]
- **The New York Times**: "Biden Bets High-Level Diplomacy Can Cool Fiery Relations With China" by By Edward Wong, Keith Bradsher and Alan Rappeport (July 10, 2023) [Paywall]
- **The Messenger**: "China Puts Out Welcome Mat for Some Americans, Keeps Door Shut for Others" by Lili Pike (July 10, 2023)
- **Reuters**: "In China, the Era of Western Carmakers Is Over" by Yuko Kubota and Selina Cheng
- **The Washington Post**: "Will China overtake the U.S. on AI? Probably not. Here’s why." by Meaghan Tobin (July 9, 2023) [Paywall]
- **The New York Times**: "China and the U.S., Still Adversaries, Are Talking. That’s a Start." by Alan Rappeport and Keith Bradsher (July 9, 2023) [Paywall]
- **The New York Times**: "One Reason the U.S. Can’t Quit China? Chips." by Ana Swanson (July 8, 2023) [Paywall]
- **The Wall Street Journal**: "China Controls Minerals That Run the World—and It Just Fired a Warning Shot at U.S." by Jon Emont (July 7, 2023) [Paywall]
- **The New York Times**: "The Contentious U.S.-China Relationship, by the Numbers" by Ana Swanson (July 7, 2023) [Paywall]
- **The Washington Post**: "How America can exploit China’s brain drain" by Catherine Rampell (July 6, 2023) [Paywall]
- **Bloomberg**: "The US Is Building Factories Again, But Who Will Work There?" by Mackenzie Hawkins and Reade Pickert (July 6, 2023) [Paywall]
- **Bloomberg**: "China Should Welcome Yellen With Open Arms" by Minxin Pei (July 4, 2023) [Paywall]
- **The Economic Times**: "In its tech war with America, China brings out the big guns" by The Editorial Board (July 4, 2023) [Paywall]
## What’s Happening Around Town?

### - Past Events -

- **Has China Peaked? A Debate.**
  July 14 hosted by *Foreign Policy*
- **Risky Business: Growing Peril for American Companies in China.**
  July 13 hosted by House Select Committee on the Strategic Competition Between the United States and the Chinese Communist Party
- **No Water, No Food – Glacier Loss Threats to US and Chinese Agriculture.**
  July 13 hosted by Wilson Center
- **The Effects of Geopolitics and Data Regulations on MNCs’ China Outlook.**
  July 12 hosted by The US-China Business Council
- **US-China Technology Competition: Decoupling and De-risking.**
  July 12 hosted by International Institute for Strategic Studies
- **Electric Vehicle Webinar 2023.**
  July 11 hosted by The China Project
- **Chinese Law and US-China Relations: A Conversation with Professor Jerome Cohen.**
  July 10 hosted by The US-China Business Council
- **How to Reset the U.S.-China Relationship.**
  July 7 hosted by *Foreign Policy*

### - Upcoming Events -

- **How to Reset the U.S.-China Relationship.**
  July 20 hosted by *Foreign Policy*
- **China’s “Transnational Repression” against Americans’ First Amendment Freedoms.**
  July 20 hosted by Hudson Institute
- **A Conversation on the Indo-Pacific Economic Framework with Secretary of Commerce Gina Raimondo.**
  July 25 hosted by Wilson Center
- **US-China Proximate Military Operations In The Maritime, Air, And Space Domains.**
  July 26 hosted by Brookings
- **Library & Archives Summer Workshop 2023 | Modern China and Taiwan.**
  July 31 hosted by Hoover Institution
What ICAS Is Up To

---BCCC Quarterly Release---

Released the first week of every new quarter, the BCCC Quarterly is a magazine-style newsletter that records the most important trends and developments regarding blue carbon and climate change policies and regulations in China, the U.S., and other regions, as well as international regimes such as the United Nations. It also includes two special sections — the 'Theme of the Quarter' and the 'Blue Carbon Country Profile' — that aim to bring a fresh element to each issue.

The Theme of the Quarter was written by ICAS Research Assistant Intern Skyler Standridge and was written on Electric Vehicle Popularization.

The Blue Carbon Country Profile of Quarter 2, 2023, on Indonesia, was written by ICAS BCCC Research Assistant Zhangchen Wang.

View the Full 2023 Q2 BCCC Quarterly
Explore the ICAS Blue Carbon & Climate Change Program
Learn More About the 2023 Quarter 2 Publication

---L.E.A.D. Project Legislative Brief---

118th Congress on the Move on China in its First Few Months
July 12, 2023
By Yilun Zhang and Amanda Jin

When the 118th Congress convened on January 3, 2023, there was solid bipartisan consensus in Congress and in Washington to primarily view the U.S.-China relationship through the lens of strategic competition. Despite the fact that the Biden administration’s approach on China has been through multiple phases of development, the eventual framework of “invest, align, and compete” defined the general trajectory of the U.S.-China relationship. The 118th Congress has inherited where the 117th Congress ended on China—with the then-Speaker of the House Nancy Pelosi visiting Taiwan and stirring up an intensive bilateral diplomatic and security showdown as well as the passage of the “China competition bill,” formally referred to as the Strategic Competition Act of 2021. Therefore, the 118th Congress wasted no time beginning their search to develop America’s new approach to outcompete China.

Within this consensus to outcompete China, congressional leadership encouraged many lawmakers to not only make China a legislative priority, but also to look beyond the traditional areas and typical means to enhance American leadership. Soon after the midterm election, held in November 2022, then-Minority Leader, now-Speaker of the House Kevin McCarthy announced plans to establish a special committee on China, calling for and successfully receiving bipartisan support to prioritize China as a long-term challenge of American leadership and interests. In the Senate, key lawmakers in both parties similarly highlighted the U.S.-China strategic competition and named China as a legislative priority. Notably, the strategic competition with China has become a rare case of bipartisan and bicameral unison at a time when lawmakers regularly clash over other issues such as debts and budgets.
This rise in attention is evident from a numerical standpoint alone. From January to April 2023, the 118th Congress introduced more than 250 bills related to China; a clear increase compared to the 130 introduced over the first four months of the 117th Congress. With a shared understanding of China’s importance and Congress’ strategic objective on China, lawmakers have been more active than ever on issues ranging from trade, national security and sanctions to human rights, democratic values, Taiwan, and China’s global influence.

---Academic Engagement---

Executive Director Dr. Nong Hong speaks at the 2023 DILA-KOREA and ICIS Roundtable on East Asian States’ Potential Leadership
June 15, 2023

On June 15, 2023 [JST], ICAS Executive Director & Senior Fellow Dr. Nong Hong participated as a panelist in the 2023 DILA-KOREA and ICIS Roundtable, which focused this year on ‘East Asian States’ Potential Leadership’. Dr. Hong spoke virtually in Session 1: East Asia and Geopolitical Competition in the Indo-Pacific Region.

---Commentary---

Settling robust US–China guardrails after Blinken's and Yellen's China visits
By Sourabh Gupta
July 27, 2023

In June 2023, four months after a wayward surveillance balloon blew his impending visit off course, US Secretary of State Antony Blinken visited Beijing to set about erecting the ‘guardrails’ US President Joe Biden and Chinese President Xi Jinping envisaged in Bali in November 2022. He was followed in early July by Treasury Secretary Janet Yellen. The United States and China may be close to stabilising their rocky relationship — an opportunity they must not pass up.

The Biden administration’s strategy on China has been to invest in domestic competitiveness, align efforts with a network of allies and partners and, harnessing these assets, compete with China. The administration has also sought to isolate China via the Summit for Democracy, Quad and Indo-Pacific Economic Framework, and through bodies such as the G7. Having incentivised or leaned on allies to chip away at their relationships with China, Washington now seeks to establish a ‘floor’ under its own working relations with Beijing…

---ICAS In the News---

On Friday, July 7, 2023, Senior Fellow Sourabh Gupta discussed Treasury Secretary Yellen’s visit to Beijing on CGTN’s World Insight.

- “The expectation is that the ties will warm up and that the lines of communications and the channels of communication will be depend and that this will be a steppings tone for greater understanding between the two sides an hopefully that there will be more deliverables down the way particularly with the meeting with President Xi and the meeting with President Biden hopefully taking place in San Francisco at the end of the year.”
- “I think that it is a third goal which can be fundamentally moved forward I think there is a congruence of views on both sides with regard to the macroeconomic issues be it with regard to enhancing the lending capacity of the multilateral development banks towards say climate change as well as working
together in terms of reducing debt distress in some of the poorer countries on those issues. There's views that are of exactly conjoined for the two sides it's not harmonious but there is space for the two sides to construct bargains.”

- “She (Secretary Yellen) is very good, and if she had been in the Obama Administration she would have made a terrific treasury secretary, but, remember that just one week after her speech at John Hopkins Mr Sullivan gave a very important speech also at Brookings which was titled "Foreign And Trade Policy for the Middle Class" and it has five pillars; modern industrial policy, we've seen that in the chips and in the inflation reduction act which as to exclude China, Cooperation with Like Minded Partners; essential a means to isolate China, he talked about moving away from Traditional Trade Agreements to New International Partnerships which isolate China, he talked in terms of technology protection which was also directed at China. The only pillar that he talked about China in an area of congruence was in terms of repurposing the multilateral development banks and tackling climate change.”

On Thursday, July 6, 2023, Senior Fellow Sourabh Gupta was quoted in the Associated Press on Treasury Secretary Yellen's impending visit to Beijing

- “Sourabh Gupta, a senior Asia-Pacific international relations policy specialist at the Institute for China-America Studies in Washington, said the U.S. argument that targeted restrictions are coming from a national security standpoint and not an economic competitiveness one isn’t expected to convince the Chinese government but may provide further assurances that more communication between the countries is desired.”
- “It does help create a certain reassurance that at least the U.S. is looking for a good relationship…”

On Wednesday, July 5, 2023, Research Associate Jessica Martin was quoted in International Business Times on U.S. participation in the World Artificial Intelligence Conference.

- “Given how several of these same firms were 'strategic partners' at past WAICs, and how the content, participation list, speakers and such were likely determined by the hosts (who are Chinese government ministries), the decline in U.S. company sponsorships for the WAIC indicates, at the very least, a wariness by these Chinese government ministries in allowing U.S. companies to be on the same level as their own domestic companies,”
- “The decline could also be potentially rooted in U.S. companies rejecting opportunities to be sponsors, perhaps out of concerns for security or public image, but that appears to be less likely given how several of these companies' CEOs have already made public efforts to travel to China and meet with Chinese leaders over the last few weeks,”
- “Real trust takes time to build but is easily lost; both in politics and in industry. International conferences can be used to both gain and lose that trust, and government policies can block that path, both directly and indirectly,”

On Wednesday, July 5, 2023, Senior Fellow Sourabh Gupta was quoted in the South China Morning Post on Xi Jinping's Global Civilization Initiative and soft power.

- “The aim seemingly here is to suggest that China’s rise will not follow the beaten path of the Western powers, and that Beijing cherishes and advocates for the diversity of world civilisations. It is not so much an anti-Western message as it is a non-Western message to those interested in lending an ear,”
- “The GCI narrative will not sway countries markedly one way or the other. The civilisational dialogue theme is a tried-and-tested one and runs up against a certain [low] ceiling in terms of its resonance.”
- “Westerners have neither the curiosity nor the inclination to parse these highly conceptual utterances, especially beyond economic policy measures, and I doubt they will provide a platform for engagement and contestation in a ‘narrative war’.”