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US-PRC relations:

How do the countries maintain business contacts amid rising political tensions?

The fifth meeting of the US-China Financial Working Group (FWG) was held in Shanghai on 15-16 August. Against the backdrop of generally rising tensions in bilateral relations, such an event is truly significant for both countries.

Political background to the Shanghai meeting

We decided to highlight this event because it is a symbol of the existence of a reasonable approach to maintaining business relations despite their constant escalation. Ultimately, however, the world is heading for another global catastrophe.

Both the Shanghai meeting and several other events are evidence that the lines of communication in US-China relations are being maintained. Against the backdrop of ever-increasing tensions in bilateral relations, all this is becoming extremely important for the countries. The situation is becoming a whirlpool that Washington and Beijing have little control over. [Another incident](#) in the South China Sea has only confirmed this.

Background on the establishment of US-China expert groups on finance and the economy

The two expert working groups (Economic Working Group, EWG, and Financial Working Group, FWG) were established in September 2023 [as a result of negotiations](#) held in July of the same year during the visit of the US Secretary of the Treasury, Janet Yellen, to China. It should be noted that due to the complete failure of the policy towards China of the “specialised” American department, i.e. the State Department headed by A. Blinken, the task of maintaining the entire system of communication lines with the main geopolitical opponent is apparently entrusted to Janet Yellen.

First and foremost, Janet Yellen is concerned with solving the problems that fall within her direct purview. And there are plenty of problems in the relationship between the world's two largest economies. For example, it is a very unfortunate fact for Washington that it loses about \$400 billion a year in trade with Beijing. Obviously, considerations of protecting its own market from the invasion of cheap Chinese products during the so-called "green transition" outweigh the restrictions on their access that Washington has recently imposed.

At the same time, the policy of preventing damage to national security can be seen in measures to limit cooperation with China in the field of the most advanced technologies. This is the production of microchips, which are considered "dual-use" technologies. Their use in both civilian and military products dramatically increases the performance characteristics of both. Restrictions on established cooperation with Chinese counterparts of American companies specialising in civilian products have a negative impact on the business of the latter and provoke a negative reaction from their owners.

It should be noted that Janet Yellen has warned against "crossing the line" with restrictive measures in the area of bilateral cooperation. The reason for this was the counterproductivity of such measures for the US economy itself. In this context, commentators in both countries found the [news](#) of the US Department of Defence's intention to remove the world's leading laser radar manufacturer, China's Hesai Technology, from its blacklist remarkable. The reason given was that its US counterparts simply had nothing to replace its products with.

As a result, the financial and economic experts of both countries have a set of very specific problems to discuss, without much political consideration. [The first successive meetings](#) of EWG and FWG experts took place virtually at the end of October 2023.

The [meeting](#) between President Joseph Biden and Chinese leader Xi Jinping, which took place a month later in San Francisco on the sidelines of the next APEC summit, further intensified their work. This was followed by four more face-to-face meetings, alternating between the two countries.

FWG Shanghai Meeting

It is noteworthy that the above announcement about Hesai Technology also appeared just before the FWG meeting in Shanghai. The work of this group is aimed at preventing the collapse of the functioning global financial system, something in which both Washington and Beijing have a vested interest. It is important to note that the latter is quite comfortable with its current "dollar" form. The trend of China's rejection of US Treasuries outlined

above has been replaced by [an increase in their volume](#). The US Treasury announced this on the eve of the next FWG meeting.

The People's Bank of China's [report](#) on the recent FWG format expert meeting says that a certain joint document was signed in which the parties agreed to “make joint efforts to maintain global financial stability” in the interests not only of China and the United States, but also of the world economy. Such a statement is quite remarkable against the backdrop of growing difficulties in US-China relations in general.

Moreover, there are reports that a list of issues of concern to the Chinese side has been handed over to their American counterparts. There is simply no other way in the complex and contradictory relationship between the world's two leading powers.

Action against drugs and their distribution

Two weeks before the Shanghai FWG, experts from both countries met in Washington, D.C., to discuss a very different issue. We are talking about the problem of the spread of fentanyl-based drugs, which is becoming a national disaster in the United States. These drugs are being mass-produced by drug cartels in Mexico, who easily smuggle the finished “product” across the border to their neighbours.

It is not out of the question that the Democratic Party's strange attitude to the problem of strengthening the border with Mexico and to more general problems in the area of migration policy can be explained by the old maxim of business as usual. Most likely, the proceeds of such “business” go into the pockets of its behind-the-scenes sponsors, who avoid publicity and have found it possible to nominate an utter fool for the highest public office in the “homeland”.

Either way, but in the context of the next general elections in the United States, it was impossible for the current Democratic administration not to respond to the problem of the production of fentanyl-based drugs in Mexico. And since these drugs use some components allegedly bought in China, this issue was also raised by Biden in San Francisco during the aforementioned meeting with the Chinese leader.

Following a positive response, a Working Group on Fentanyl Drug Production and Trade in Fentanyl Preparations was established in January this year. This group held its first meeting in Washington on 31 July. Judging from comments in both [the PRC](#) and [the US](#), the meeting was quite successful.

Finally, let us note the peculiarities of the operation of the modern mass media, at the centre of which is the concept of hype. When the next clash between Chinese and Filipino

border vessels attracts public attention, the work of these groups of experts is not even mentioned.

Although this should have been done because the success of the latter will essentially determine the answer to the question of whether a random and minor incident in the South China Sea will lead to a new global massacre.

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