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China Watcher

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with **PHELIM KINE**

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WELCOME BACK TO CHINA WATCHER. This is **Stuart Lau** reporting from Brussels, with great content also coming from Paris and Berlin. **Phelim Kine** will join you from an un-eclipsed U.S. on Thursday.

TRANSLATING WASHINGTON

YELLEN WARNS BEIJING ON RUSSIA SUPPORT: Treasury Secretary **Janet Yellen** warned Beijing that the U.S. is concerned about China's role in "Russia's military procurement" and that the Chinese banks who aid that effort could face sanctions, said [a Treasury statement published Monday](#). That followed Yellen's announcement on Saturday of a new mechanism to address the risk of China's industrial overcapacity creating a flood of cheap imports to the U.S. Yellen and China's Vice Premier **He Lifeng** agreed to launch "intensive exchanges on balanced growth in the domestic and global economies," Yellen said in a Treasury Department statement [released on Saturday](#). Those exchanges reflect Yellen's concern about the domestic impact of "large quantities of goods that China was exporting at artificially depressed prices," the statement said.

Beijing's rhetoric raises questions about the initiative's likelihood of success. "The accusation that China's 'overcapacity' is posing threats to other countries is untenable," Chinese ambassador to the U.S., **Xie Feng**, said in [an X post on Friday](#).

On illicit financing: Yellen and He also agreed to create a joint Treasury and People's Bank of China Cooperation and Exchange on Anti-Money Laundering aimed to fill "loopholes in the U.S. and Chinese financial systems to advance [criminals'] illicit activities," the statement said. Yellen told Chinese Premier **Li Qiang** that bilateral "tough conversations" are needed to address the issues facing the U.S.-China relationship, [per CNBC on Sunday](#). That candor is likely to reinforce Yellen's stature in Beijing as "someone in Washington that they can actually talk to on substance and not be lectured to," said **Harry Broadman**, former U.S. Assistant Trade Representative and a principal at WestExec Advisors.