# The Geopolitics Behind a Normal Meeting

**by George Friedman -** August 26, 2024

Small things can reveal much larger geopolitical truths. Such is the case of a recent meeting of the U.S.-China financial working group. The group, which consists of representatives from each country's central bank and government agencies, convened last week in China to do what it was designed to do: coordinate changes in their respective banking systems. These meetings happen fairly regularly, so the important thing here is to understand what is being coordinated and to what extent it affects each country's economy.

On the surface, the U.S.-China relationship appears strained. Each side places weapons systems in positions that alarm the other. Each has close relations with nations that are hostile to the financial working group's interest. There are "flare-ups" seemingly all the time. Only a few weeks ago, two Russian bombers joined two Chinese bombers to probe the airspace near Alaska, only to be closed in on by U.S. and Canadian interceptors. Then this week, a Chinese surveillance plane became the first Chinese military aircraft to violate the airspace of America's ally Japan. The U.S. also has a close relationship with the Philippines, which is regularly challenged by China. And the U.S. continually undermines China's interests by its stalwart support for Taiwan. The list goes on.

Geopolitics dictates that wars can be started by political differences, by threats from economic matters and, of course, by military actions. If finance is a dimension of the geopolitical system, then it ought to be coordinated with military, political and economic affairs. Political and military tensions between the U.S. and China, then, ought to be also present in economic and financial matters – as is common between lots of countries that are near war. It is reasonable for nations to rationally coordinate every dimension of their relationship, especially where relations are dicey. But to coordinate where many expect a war is strange.

To be clear, I do not think the U.S. and China will go to war. The U.S. has little to gain and much to lose. China has a more complex decision to make and may be open to a war in Asia but is wary of any naval war. This consideration makes us examine why this financial working group meeting takes place. Ostensibly, the meeting is about making financial transfers for investment and trade more reliable and efficient. The U.S. has an interest in both. If this is simply a technical meeting to make financial processes more efficient, then it is unremarkable. But to me, it seems like something more.

  

The relationship between the U.S. and China is as complex as it is tense. But the economics is such that both are interested in cooperation. The trick is to clear financial hurdles that would otherwise hinder trade going forward. Last week's meeting is a step in that direction. Both sides are operating under a principle to "implement a deal for payments, and leave the rest to the market."

The view of China as a military superpower has largely faded. The view that there is money to be made in China has been resurrected. The financial working group's technical focus belies the economic problems now on the table. There have been several technical meetings between the United States and China, but last week's was, more or less, the first since the U.S. called China's bluff on military activity. China needs investment, the U.S. needs new markets, and both know it. It's a good time for Chinese and Americans to be working on the details.

**Author: George Friedman**
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