

US-China contest and the challenge of governance

There are certain parallels between the core issues faced by both rivals. To deal with its problems, America needs more political coherence, while to deal with its problems, China needs less political control. That either will be able to do what it needs to do is not guaranteed.



Bilahari Kausikan

Strategic rivalry between the United States and China is now a structural feature of international relations and will remain so for many years to come. Competition between their governance systems is a key aspect. Chinese President Xi Jinping has revived the Maoist trope of the East rising and the West declining and claimed that "time and momentum" are on China's side.

It cannot be denied that these images (it is stretching the meaning of the term to call them "ideas") appeal to the ethnic sentimentality of certain sections of Singapore, and not only Chinese Singaporeans. These images are effective because they are not complete fabrications, only caricatures of far more complex realities.

A more balanced view first requires that we understand the nature of US-China competition accurately. Too often, it is described as "a new Cold War". That is an intellectually lazy trope that fundamentally misrepresents the nature of the two nations' competition.

The US and the former Soviet Union led two separate systems connected only at their margins. Their competition was to determine which system would prevail. The US and China are both vital and irreplaceable components of a single global system. They compete within this single system to see which will dominate it.

The US and China are linked to each other and other parts of the global system by a web of supply chains of historically unprecedented scope, density and complexity. This web makes it highly improbable that the system will completely bifurcate into two separate systems, at least not at any acceptable cost to either the US or China. Some bifurcation in specific domains has already occurred but the global system, while under pressure, will remain largely intact.

Competition within a system is fundamentally different from competition between systems. The relative capabilities of different governance systems have more weight in competition within a system because the objective is not for one system to destroy or displace another, but for one part of a single system to dominate it by convincing other parts of the system that it is more effective.

This is why an accurate and clinical understanding of both the Chinese and American systems is crucial. The understanding of these countries by many Singaporeans is much more superficial than they may believe, and they are often inclined to take too much at face value.

SIMILAR ILLS

This contest is often described as one between democracy and authoritarianism. The politics is indeed important, but focusing on these broad political categories



Visitors to Beijing's National Art Museum in front of a portrait of Chinese President Xi Jinping. The writer says that Mr Xi, by concentrating power around himself and imposing penalties for perceived disloyalty, may have reintroduced something akin to a neo-Maoist single point of failure to the Chinese system. PHOTO: NYTIMES

glosses over the fact that both the US and China are today mixed economies, the primary difference being in their respective balances between market and planned or regulated elements of their economies. In the 21st century, a pure laissez-faire economy is as chimerical a creature as is a pure planned or totally regulated or controlled economy.

The specific reasons may not be exactly the same, but being part of one system, both the US and China suffer from much the same ills of globalisation – growing inequality, to take just one example. In 2019, the Gini coefficient – which measures income inequality – for the US was 0.48, up from 0.47 a decade earlier. For China, the average estimated Gini coefficient over the last decade was 0.482. Not much difference between them, and both on the high side.

The precise numbers matter less than the fact that neither the US nor China seems to have dealt with inequality particularly well. This should make us cautious about drawing hasty and simplistic conclusions about the relative merits or demerits of the Chinese and American or, more generally, Western governance systems.

Both have their strengths and both have serious deficiencies. We should all acknowledge that China has remarkable achievements to its credit. But we should see these achievements in perspective.

The Chinese Communist Party (CCP) took power and established the People's Republic of China 72 years ago. All its achievements were in the last 40 years or so since Deng Xiaoping's reforms. The record of the first 30 years is less clearly one of success. I doubt the next 40 years will be a straight-line extrapolation from the last 40 years. There are serious challenges that China must confront.

To some degree, government in all Western-style democracies is dysfunctional by design to prevent an overconcentration of power. This is especially pronounced in America, where distrust of the state was ingrained at its founding. The separation of powers between different branches of government is more jealously guarded in America than elsewhere.

Politics in America is always partisan, now more so than previously. This makes it difficult for the US to react quickly and steer a steady long-term course without raucous debates in which compromises often make for less than coherent policies. America can be bewildering to the casual observer. But while consensus is very difficult to reach in American politics, once reached, it can be enduring.

The US pursued a Cold War against the Soviet Union for 40 years amidst fierce political debates. America is often slow to react, but once it rouses itself, it

can act decisively and even ruthlessly. It is all too easy to underestimate America. Many who have done so have not lived to regret it.

CHINA'S RECORD

Authoritarian systems are better placed to make quick and clear decisions and pursue them relentlessly over the long term, and this was a key reason for China's success over the last 40 years. But the ability to take and implement long-term decisions is an advantage only if the decision was correct in the first place.

Deng Xiaoping's decision to reform and open up China was correct. Mao Zedong's Great Leap Forward and Cultural Revolution were immense mistakes, costing millions of lives. It was the very scale of the disasters that made Deng's sharp correction possible. Had the consequences of Mao's bad decisions been less tragic, threatening the very survival of the CCP, Deng would probably have found it far more difficult to change course. That catastrophes are needed for change is also characteristic of authoritarian systems.

It is now clear that prematurely abandoning Deng's sage approach of "hiding light and biding time" was another serious mistake, albeit with less tragic consequences, at least so far. Once revealed, ambitions cannot be concealed again, nor easily forgotten. Beijing's assertive behaviour in the East and South China seas, in the Taiwan Strait and in the Himalayas, and its mercantilist economic policies, have created a nascent coalition of countries around the world with concerns about China. The one issue on which there is today a strong bipartisan consensus in America is China.

Beijing missed or ignored changing American attitudes towards China – it was President George W. Bush who first labelled China a "strategic competitor" 20 or so years ago. As the Hu Jintao era drew to a close, China began to regard the 2008 to 2009 global financial crisis as validating its own propaganda about America's absolute decline. Beijing misinterpreted the Obama administration's lack of stomach for robust competition as a new

It is entirely possible that neither system will find answers to its challenges and that both will continue to stumble along with no clear denouement to their competition. That is in fact the most probable outcome. Certainly, neither the US nor China is going to collapse and we will all have to deal with both the best we can.

norm of American foreign policy.

President Xi has doubled down on these mistakes. By concentrating power around himself, strongly emphasising party discipline, demanding compliance with his "thought" and imposing harsh penalties for perceived disloyalty, he may have reintroduced something akin to a neo-Maoist single point of failure to the Chinese system, whereby a single bad decision can have a systemwide effect.

Dealing with the US was one such system error. But Mr Xi cannot afford to look weak – the shrill and jingoistic nationalism he has stoked to legitimate the CCP is a double-edged sword. Relations with the US may have to get much worse before they improve. As during the Maoist era, it may take a disaster to admit and correct mistakes.

America is a highly decentralised system. The most important things in America do not always happen in Washington, DC, and are less dependent on politics and government at the centre. Equally important are what happens in great American universities and corporations, on Wall Street, in research laboratories and on the main streets of the 50 states.

THE WEST'S DIFFICULTIES

Decentralised systems are resilient, not susceptible to single points of failure, and generally are self-correcting without having to confront catastrophic system failures. But they are unwieldy and generally move forward only very slowly and by lurches and meanderings.

For the US and other Western economies, the core challenge is how to ensure the long-term durability of their political systems by mitigating inequality and other downsides of globalisation. This requires state intervention and more resources, or at least the reprioritisation of existing social policies to free finite resources for new uses.

Existing Western social compacts are almost all unsustainable owing to changing demographics – ageing populations. Change will, however, be politically extremely difficult, requiring a new type of democratic politics.

Mr Jean-Claude Juncker, former president of the European Commission, stated the problem succinctly: "We all know what to do, we just don't know how to get re-elected after we've done it." That is the essential problem in America too.

In the US and the West generally, political power is now fragmented and diffused, primarily because social media and other 21st-century information technology have deconstructed and dispersed the idea of popular sovereignty, making it more difficult to reach and sustain consensus. It has become very difficult to get things done through the political process. Without political reform, it will not be easy for any American or Western leader to regain the level of political coherence needed to make anything more than incremental and marginal changes.

One consequence is a deterioration in the quality of Western political leadership. If it is harder and harder to get less and less done through the political process, why should any reasonably sane or intelligent person go into politics? I doubt that the best and brightest in America or Europe today seek political careers.

CHINA'S DILEMMA

The key challenge confronting China is as daunting and engages even more fundamental issues. In 2012, at its 18th congress, the CCP acknowledged that the economic model responsible for China's growth in the 1990s and early 2000s was unsustainable. The following year, it rolled out a plan that envisaged a restructuring of the economic system "to allow the market to play a 'decisive role' in the allocation of resources". Implementation has, however, been hesitant because the plan posed a fundamental, perhaps existential, dilemma for the CCP.

China is not just authoritarian but has a very specific type of authoritarian system – a communist system led by a Leninist-style vanguard party. China is no longer very communist in its ideology, but it certainly is communist in the structure of its politics.

The essence of a communist system led by a Leninist vanguard party like the CCP is the party's insistence on control, not just of politics, but of state and society in all their aspects. The market, by definition, means less control.

The choice between political control and market efficiency is not absolute. What is required is a new balance between control and efficiency. Where that new balance should lie is, however, not clear.

At the 19th party congress in 2017, Mr Xi redefined the "principal contradiction" facing China as that between

"unbalanced and inadequate development and the people's ever-growing needs for a better life" – in other words, rising expectations, which Mr Xi described as "increasingly broad". This has set a lengthy domestic agenda which has many elements in common with the Western agenda: dealing with inequality and a rapidly ageing population among them. Strategic competition with the US creates new uncertainties and adds to the complexity of dealing with this agenda.

Coping with the agenda on the scale required in China will require a long time and immense resources. Mr Xi has emphasised the imperative of revitalising the CCP and insisted on its central role to deal with the challenges posed by rising expectations. But in an authoritarian system led by a Leninist party, political logic and economic logic are not easily reconciled.

China faces a vicious circle that is difficult to change or break: sustaining growth to meet continually rising expectations requires greater economic efficiency; efficiency requires a new balance between control and the market; establishing that new balance necessarily entails risk; mitigating the political risks requires growth to satisfy rising expectations; sustaining growth requires a new model based on a new balance, and so on and so on. This is the core issue facing the CCP.

Mr Xi has not abandoned the search for greater market efficiencies, but as previously noted, he has so far placed much greater emphasis on party discipline and party control.

It was not irrational to have done so. A huge country that has undergone such profound transformation in a short period – what is 40 years in the sweep of history? – will naturally be internally roiled. The Chinese people generally support a party that has improved their lives, but are easily unsettled, or at least the CCP thinks so. Thus, the CCP is powerful and popular but simultaneously insecure, one of China's many contradictions.

An unstable China is in no one's interest and it is not clear that there is any practical alternative to the CCP to maintain stability. But by accentuating the party's already overwhelmingly dominant role, Mr Xi has also sharpened the difficulty of finding a new balance between political control and economic efficiency. Economic policy circles around rather than confronts this core issue.

Despite the power he has accumulated, Mr Xi has so far not shown any sign of being willing to confront the core issue head-on, or even that he recognises this as something that needs to be addressed. His speech last Thursday at the celebrations for the CCP's 100th anniversary lauded its achievements and projected a confident Whiggish vision of China's future under the CCP's leadership. This was perhaps only to be expected, given the occasion.

Other party meetings had taken a more sober view of China's internal and external challenges. The new approach of "Dual Circulation" is intended to address these challenges. So far, "Dual Circulation" – and the 14th Five-Year Plan announced in outline earlier this year – seems more old wine in a new sultan rather than anything designed to directly deal with the core issue facing the CCP.

We will have to wait until the 20th party congress next year to see if the external and internal challenges will be sufficient for the Chinese leadership to muster the will to do so.

There are certain parallels between the core issues faced by the US and China. To deal with its problems, America needs somewhat more political coherence, while to deal with its problems, China needs somewhat less political control. That either will be able to do what it needs to do is not guaranteed.

It is entirely possible that neither system will find answers to its challenges and that both will continue to stumble along with no clear denouement to their competition.

That is in fact the most probable outcome. Certainly, neither the US nor China is going to collapse and we will all have to deal with both the best we can.

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