The outcomes of the trade negotiations between China and the US depend to some extent on which country is more eager to reach an agreement. That country will, arguably, come away with less.

Although the trade tariffs hurt China more, it seems at first glance that the US should be more eager to reach agreement. After all, the thinking goes, President Donald Trump has to fight elections soon, while his Chinese counterpart, Xi Jinping, does not. The Communist regime can take a longer-term view, disregarding the effect on its people.

Such thinking is deeply flawed. While Mr Trump may indeed settle for an easy, cosmetic win — without securing serious and verifiable measures to check Chinese expropriation of intellectual property — this may have more to do with the president’s personality than any intrinsic weakness of democracies in bargaining with unelected regimes.

The administration of a democratic country enjoys something an unelected leadership does not: the automatic legitimacy of being in power having won an election. For the unelected regime, legitimacy has to be earned constantly through competent leadership. The regime can, of course, suppress mass public protest with force, but this is extremely costly and risks loss of control. Far
better to enjoy widespread popularity so that the costs of repressing a small number of critics are kept low.

Not only might the horizons of the leaders of the Chinese Communist party on matters of jobs and economic growth be just as short as those of democratic politicians, their choices may be more circumscribed. A democratic leader can blame a sequence of errors by previous administrations for the current parlous state of the stock market and the economy. Mr Trump can (and does) blame his predecessors for negotiating bad trade deals. And, while he currently uses the stock market as a barometer of his administration’s success, he may stop doing so if it turns south. Such flexibility in allocating blame gives democratic leaders some freedom of action.

By contrast, even though Mr Xi inherited an over-leveraged economy, he cannot blame his predecessors for the difficult hand he was dealt or for the current slowdown. They too were from the party, and if the party is fallible, does it not follow that people should have the right to vote for a different regime?

He has to maintain the fiction that the party has always made the best decision under the circumstances. That means the Chinese administration has to rescue the stock market if it tanks, and flood the economy with stimulus if growth slows significantly. In fact, it has very short horizons when reacting to potentially adverse economic developments. Chinese investors, confident that the government will bail them out if too many fail, pile in to risky assets without adequate diligence or fear, preventing Chinese markets from allocating capital appropriately.

Mr Xi’s tight control over policy also makes it hard to diffuse blame. He must defend his own departure from his predecessor Deng Xiaoping’s dictum that to prosper, China should hide its capabilities and bide its time. From his early days in power, Mr Xi asserted that “the Chinese nation has gone from standing up, to becoming rich, to becoming strong”. Some argue his actions have been tantamount to waving a red rag at the Americans, and are directly responsible for today’s trade imbroglio. To quell criticism that he has dragged China’s growth down by challenging the US geopolitically too soon, Mr Xi needs a positive resolution to the conflict.

None of this is to suggest that China behaves as if it is a democracy. It has a repressive apparatus to keep dissidents and minorities in place. But it does need to keep a broad majority satisfied.

To be sure, the Chinese Communist party has earned its legitimacy after 40 years of expansion. Against the odds, the party is largely a meritocracy. The Chinese people are probably willing to cut it substantial amounts of slack. Yet the system works because no recent leader has taken that slack for granted.

What does this mean for the trade negotiations? The Chinese administration is probably at least as politically constrained as the US. On the one hand, the Chinese are likely to be concerned about the
adverse effects of the Trump tariffs on growth, investment, and employment, and would be hesitant to have citizens suffer much longer. Mr Xi is probably just as eager as Mr Trump for a deal.

On the other, the Chinese are unlikely to accept anything that seriously compromises China’s future. Mr Xi has to sell the agreement at home — after all, he does report periodically to the National People’s Congress, which starts meeting this week, and the Chinese people are also paying attention. So to predict the outcome of this negotiation, it is best to treat Mr Xi as just another politician.

_The writer is author of ‘The Third Pillar: How Markets and the State Leave the Community Behind’_

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