

Part 1:

Intergovernmental relations

The Dialogue explored intergovernmental relations at its 2012 workshop, which led to a special issue of the *Australian Journal of Public Administration* (Vol. 72, Issue 3), and reviewed decentralisation developments at its 2014 workshop, which led to a symposium in *The China Review* (Vol. 16, No. 2). The differences between the unitary systems of the PRC and Taiwan and Australia's federal system were highlighted, the federal arrangement giving the states a degree of sovereignty, not just delegated authority, over their areas of responsibility. Another key difference is the PRC's five levels of government, compared to Taiwan's four and Australia's three, and the extensive role of townships and villages (the most local levels of government) in the PRC compared to the much more limited role of local government in Australia.

Nonetheless, the different systems grapple with similar challenges, whether balancing centralisation and decentralisation, managing central–local financial relations, identifying respective roles and responsibilities, or managing relationships and ensuring accountability. While Australia's federal system has operated for well over a century, these issues remain subject to debate, particularly in light of continuing social, economic and technological change: central government steadily increased its powers over the century; its domination of revenue-raising capacity requires elaborate systems of financial transfers; while the states continue to deliver most public services, the Commonwealth has become increasingly involved, for example, setting policy objectives or conditions or requiring performance reporting; and the machinery to manage the relationships has become more elaborate.

Arrangements in the PRC and Taiwan have yet to mature since the 'opening-up' reforms in the PRC and the democratisation reforms in Taiwan. There is much interest there in the frameworks that have emerged in Australia over both the long-term and more recently. At the same time, interestingly, the PRC's more systematic use of experimentation at both provincial and more localised levels offers a possible example of how Australia's federal arrangements could be better exploited to develop government policies and practices.

Reviewing intergovernmental relations now, it is clear that the core issues remain, but the context has shifted and may shift further in the decade ahead. COVID-19 has had a considerable impact as the national response—both health and economic—required active involvement by both central and local governments in all three jurisdictions; how lasting the changes will be remains uncertain. No less important has been political developments in the three jurisdictions.

In the first chapter, **Richard Hu** explores shifts in China's 'one country, two systems' policy as it relates to Hong Kong under Xi Jinping. While the Mainland's previous 'opening-up' agenda may have suggested a narrowing of differences between the political systems of the Mainland and Hong Kong, with the Mainland relying heavily on Hong Kong's legal system and international connections, any thought that may have existed in Hong Kong or elsewhere of convergence to a common democratic framework was naïve. Instead, Xi has strengthened central control by the Chinese Communist Party (CCP) over Hong Kong, constraining the territory's previous democratic and legal rights traditions. That said, the 'two systems' were already coming under increasing pressure from wider social and economic forces with the massive development of Shenzhen and Guangzhou and the growing integration of the Pearl River Delta conurbation; moreover, Deng Xiaoping's original idea of 'one country, two systems' always emphasised 'one country' and the overriding role of the CCP. Both the Chinese discourse and the Western discourse about recent developments are normative, value-laden and stance-based. Growing political and ideological differences have instrumentalised and weaponised these discourses in the geopolitical conflicts and confrontations between China and the West and the propaganda of each. These discourses are likely to continue to bifurcate, at least until China and the West can figure out a way to cope with their differences. In the meantime, both the city and the policy will move on.

While her chapter is in the next section, as its main focus is on budgeting and financial management, **Christine Wong** also refers to Xi Jinping's aim of achieving a more balanced central–local fiscal relationship. Expansion of 'harmonious society' public services had exacerbated the previous imbalance, adding to the expenditure responsibilities of local governments without providing them with access to the resources needed. While some action has been taken, progress on intergovernmental transfers and roles and responsibilities has faltered.

Youlang Zhang examines the impact of Xi's strengthening of central control on China's tradition of experimentation. He reveals that experimentation is still very much in use to test new policies and practices but more often now initiated by the central government rather than by lower-level governments, and aims to test the policies the central government is exploring. Bottom-up experimentation, aimed to demonstrate the usefulness of ideas generated by local governments, is less common under Xi.

Tsai-tsu Su and **Ming-feng Kuo** examine recent reforms in Taiwan aimed to strengthen municipal governments and their ability to respond to their local communities' needs and preferences. The results, they suggest, have been disappointing. The revised institutional arrangements have not gone far enough in giving the local governments autonomy, and so far the reforms have not been accompanied by 'open government' measures that might impose more accountability on the local political leaders by the media and civil society. While special municipalities have been given more resources, this is not the case for non-special-municipality governments; those governments face the greater problems of lack of adequate finances and lack of sufficiently skilled staff.

Alan Fenna describes how the Australian response to COVID-19 included the replacement of the Council of Australian Governments with the so-called National Cabinet of first ministers of the Commonwealth and state/territory governments, meeting weekly with the aim of achieving closer collaboration across governments. At least for the duration of the pandemic, Australia's long drift to centralisation experienced a pause or even some reversal as states and territories exercised authority over most of the pandemic controls, including testing, contact tracing, quarantine and precautionary measures such as mask-wearing, as well as travel restrictions and lockdowns, albeit ostensibly based on guidance agreed by National Cabinet on the advice of a committee of chief health officers. In the later stages, the federalist principle of state sovereignty has come to the fore as each jurisdiction pursued its own interpretation of National Cabinet decisions. Developments more generally over the last two decades reflect an almost chaotic, but ultimately quite telling, range of competing tendencies in both the federal balance and the working relations between the Commonwealth and the states. While long-run centralisation has continued, the states have also demonstrated their continuing importance and vitality.

Rachel Thompson reviews recent developments in Australia's federal financial relations. Some important modifications have been made to the longstanding arrangements for horizontal fiscal equity (HFE), aimed to ensure every state and territory has the capability to find the resources needed to provide its population with broadly equal public services, despite varying capacity to raise revenues themselves and varying costs to deliver services. The modifications provide the states and territories with a little more certainty and stability without undermining the basic principle of HFE—Commonwealth transfers to achieve HFE had been fluctuating widely because some resources-dependent states in particular were affected

by sometimes large changes in Australia's terms of trade. Thompson also describes recent developments to achieve better coordination and collaboration when governments are dealing with major crises such as bushfires and COVID-19.

Bligh Grant and **Nicholas Aroney** review Australia's sub-provincial government arrangements, drawing attention (again) to local government's more limited role in Australia than elsewhere, including in other federal systems. Local government in Australia, as in other federal systems, is not an autonomous level of government but a creature of the states; the authors set out the ways in which the states determine their (delegated) functions and the various mechanisms for their oversight. Major reform of local government has not recently been on the national government's agenda, but the authors see significant incremental changes occurring, including through closer collaboration among neighbouring local governments; better linkages between these and regional structures and forums that the Commonwealth and state governments are using to improve service delivery and coordination; and closer attention to performance reporting including to the state governments. The authors also describe the role of special purpose local authorities, in particular the increasing importance of First Nations local authorities.

Key conclusions to draw from the chapters include the following:

- The three systems are very different, and the PRC's unitary arrangements are becoming even more centralised under President Xi;
- Centripetal forces remain strong, however, in all three jurisdictions, but intergovernmental relations are also very fluid, adjusting to address new challenges and responding to changes in political circumstances;
- The role of subnational governments nonetheless remains important, ensuring greater responsiveness to citizens and communities and offering opportunities for innovation;
- There remain significant issues, even in a mature system like Australia's, to clarify roles and responsibilities, financing and accountability, particularly as responsibilities are increasingly being shared.

Intergovernmental relations are also highly relevant to the issues explored in the following sections of the book, particularly financial management and service delivery.

This text is taken from *Dilemmas in Public Management in Greater China and Australia: Rising Tensions but Common Challenges*, edited by Andrew Podger, Hon S. Chan, Tsai-tsu Su and John Wanna, published 2023 by ANU Press, The Australian National University, Canberra, Australia.