

## Chinese Perspective of Globalization

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### I . Introduction

Globalization, which emerged as the main buzzword of the 1990s, refers to the process through which countries are further integrated as a result of the international movement of goods, services, and production factors. Integration among countries has gradually increased as the international movement of goods, investment, and capital has picked up speed. Therefore, globalization has come to be accepted by most as an inevitable phenomenon. The successful completion of the Uruguay Round in 1993 and the launching of the WTO in 1995 have done much to foster the growth of the globalization movement. As a result of the spread of globalization, consumers increasingly purchase imported commodities, corporations expand their businesses beyond national boundaries, and investors progressively invest more abroad than they do in their respective domestic markets. As the competition among the major global corporations has spread to include overseas' markets, foreign direct investment has also become hotly contested. National governments have initiated scores of policies aimed at promoting and liberalizing

trade and investment as part of their ongoing efforts to lure these corporations' and their capital to their shores. These governments have attempted to attract foreign capital, including foreign direct investment, in order to improve the competitiveness of their own economies. In order to attract this foreign capital, individual governments have introduced market-oriented reforms, such as the opening up of domestic markets and the easing of regulations, to improve their respective business environments. Such trends are expected to continue unabatedly in the future.

In conjunction with the rise of globalization, the world has experienced a marked increase in the international movement of capital, technology, goods, and information. The influence of private and civic groups, as well as of various transnational organizations, has spread into spheres that have traditionally been regarded as being the sole domain of the nation state. Some have even argued, although somewhat outlandishly, that globalization will result in the erosion of national sovereignty and the removal of national borders.

Nevertheless, the rise of globalization and of

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### Key Words :

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its effects has been viewed differently in each country. Where a country stands in terms of its ability to move capital, technology, and information has greatly affected the outlook adopted towards globalization. Therefore, it is only natural that various evaluations and perceptions of globalization have emerged. In this regard, China has been no exception; thus while China has perceived globalization as the driving force behind the development of the global economy, it has also adopted the view that the spoils emerging from the spread of globalization have not been equally distributed. China perceives globalization as leading to a further deterioration of the gap between the rich and poor (as well as increasing the gap between domestic social classes). Therefore, China believes that the current competition being waged by individual countries for national gain will only be worsened by globalization.<sup>1</sup> Thus, in order to avoid the potential pitfalls of globalization, China has sought to pursue a policy that is firmly entrenched within the framework of the nation state, while at the same time emphasizing the need to further strengthen national sovereignty during the globalization process.

This paper analyzes the current characteristics of globalization, and then compares these with the Chinese perspectives of globalization. An attempt is also made to analyze China's perspectives of globalization, as well as some of the countermeasures it has

proposed in order to safeguard its national sovereignty in this globalization era. In addition, this paper attempts to predict whether or not China will be able to smoothly overcome the prospected limitations imposed on national sovereignty by globalization in the aftermath of its incorporation into the global economic system following its introduction of a socialist market economy, and of its joining of the WTO.

## II . Concepts and characteristics of globalization

Various concepts and characteristics have been associated with the phenomenon known as globalization, all of which has resulted in further complicating the search for an exact definition of the process. Some camps have identified globalization as being an internationalization process through which the movement of capital and human resources beyond national borders is increased. On the other hand, others have pointed out that globalization in fact refers to liberalization, or the process through which governmental regulations such as trade and investment barriers, foreign exchange transaction regulations, capital controls, and visas, all of which limit the movement of materials and human factors across countries, are removed in order to create a borderless global economy. This liberalization process is widely regarded as having helped to rapidly integrate the global economy. In addition, others view globalization as an extension of American-style westernization: Globalization is seen as

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<sup>1</sup> Wu Yi Kang, Huang Yie Jing, "Economic Globalization and Multipolarization", *Global Economy and Politics*, Vol. 12 1998, pp.6-7/Quoted in Kim Jae-Cheol, 2000, "Globalization and National Sovereignty: China's Search for Coexistence", *International Politics*, The Korean Association of International Studies, Vol.40. Issue No. 3

being the equivalent of (especially Americanized) westernization and modernization, and as such, should be understood as the process through which a modern social structure - exemplified by such notions as capitalism, rationalism, industrialization, and bureaucratism - is spread to the world, while at the same eroding the cultural and regional autonomy of the past. In this interpretation, globalization is in essence seen as a form of cultural imperialism that is symbolized by McDonalds, Hollywood, and CNN. Lastly, another school of thought argues that globalization is in fact a borderless movement through which the traditional concepts of time, space, both social and territorial, and distance are being reorganized inadvertently.

Globalization, which as we have seen above displays many different characteristics and aspects, has been strengthened as a result of the Uruguay Round and of the growth of international organizations such as the WTO. Consumers increasingly purchase imported commodities, corporations expand their businesses beyond national boundaries, while investors progressively invest more abroad than they do in their respective domestic markets. As the competition among the major global corporations has spread to include overseas' markets, foreign direct investment has also become hotly contested. National governments have initiated scores of policies aimed at promoting and liberalizing trade and investment as part of their ongoing efforts to lure these corporations' and their capital to their shores. These governments have attempted to attract foreign capital, including foreign direct investment, in order to improve

the competitiveness of their own economies. In order to attract this foreign capital, individual governments have introduced market-oriented reforms, such as the opening up of domestic markets and the easing of regulations, to improve their respective business environments. Such trends are expected to continue unabatedly in the future.

At the turn of the 20th century and the beginning of the 21st, new globalization trends have emerged: First, there has been an increased globalization of economic activities, a process that started at the end of the 20th century; Second, more neo-liberal based reforms and global standards, which are exemplified by the Thatcherism and Reaganomics of the 1980s, have been adopted and spread; Third, the development of informationalization, which has emerged as the technological environment that has helped ease the process of globalization in various regards, while at the same time changing the organizational structure of politics, economics, and society, as well as the way in which these things are managed, has also taken place.

Let us analyze the relationship between these three factors. The globalization of economic activities has helped transnational corporations and capital, which form the material and financial basis of globalization, to further foster the spread of this phenomenon. Meanwhile, the spread of neo-liberalism and of global standards have helped to strengthen globalization at the individual country policymaking level. Finally, informationalization has both contributed to advancing globalization

and led to the increased synchronization of the global economy at the same time. These developments run contrary to China's perspective of globalization. In this section, an attempt is made to analyze the current characteristics of globalization, and to search for the challenges that these characteristics cause to China's own perspective of globalization, while also delving into the Chinese response to these challenges.

### **1. Globalization of economic activities: transnational corporations and capital**

The globalization of the production, distribution, and investment sectors occurred rapidly at the end of the 20th century. Moreover, the development of multinational corporations and capital greatly contributed to the formation of transnational networks. Multinational corporations have incessantly moved their production facilities in search of lower production costs. Furthermore, by spreading the production process, which is a vital step in the production of goods, to various countries, these multinational corporations have helped to form transnational production networks.

Just as many corporations have expanded their businesses beyond national borders, investors have also increasingly invested their capital overseas instead of domestically. What's more, transnational capital has grown as a result of the global integration of finances that has in turn come about because of financial liberalization, the easing of regulations, and the development of IT technologies. For example, foreign direct investment, acting as a form of international investment fund, has played a core role in the formation of the global integration of

finances. In 1980, the FDI portion of total domestic investment accounted for only 2.3%. However, this amount increased to 11.1% in 1998, with developing countries supplying 36.7% of total foreign direct investment.

The international financial system can limit the national sovereignty of a state in various ways. If the economic policies of a state do not meet international expectations, the international financial system can force the said state to alter the direction of its policies by using the threat of, or actually withdrawing capital. Such a move is made possible by the fact that, unlike traditional industrial capital, there are no costs associated with withdrawing investment capital. Parallel to the growth of the power of the international financial system has been the increased loss of national sovereignty through the signing of international agreements, which have forced nations to relinquish control over domestic corporations and finances. As states have no recourse to protect them against financial speculation, they increasingly find themselves compelled to adopt the policies that the international financial system prefers in order to stabilize the foreign exchange market. These developments have damaged the nation state's autonomy over macroeconomic policy. As such, economic issues, which used to be decided at the national level, can no longer be decided based solely on domestic needs. The number of decisions that have been based on the policy preferences of international capital has increased, as has the degree of foreign intervention in national affairs. In short, the era in which international confidence is more important than the domestic variety in terms of

national policies has emerged.

## **2. Emergence of global standards and neo-liberalism**

Globalization does not mean the simple integration of markets attained through the international movement of goods, services, and production factors. Rather, it refers also to the fact that traditional economic institutions and practices should be changed as well. In order to bring all economic activities under one global framework, transparency in terms of economic management and policy, as well with regards to financial accounts and legislation, must be guaranteed. Only then can everybody understand the global phenomenon of being free to invest as one chooses. Therefore, institutions and practices are increasingly synchronized and standardized to mesh with the incorporation of markets. As the desired policy effects cannot be achieved solely through the actions of one state, the need for international cooperation in terms of policymaking becomes ever more important. As such, globalization also means that all of the world's economic activities should be conducted in accordance with internationally recognized institutions, policies, and regulations. Thus, these international institutions, policies, and regulations can be regarded as global standards. Regulations imposed on trade, taxation, and investment have been gradually synchronized as a result of the growth of the clout of multinational organizations such as the WTO and G8.

Neo-liberalism is understood to include the easing of regulations, privatization, and the weakening of national controls over markets. In the current neo-liberalist based system, the role

of markets is no longer limited to the national level, but rather has expanded, in conjunction with the globalization of neo-liberalism, to develop a global reach. Moreover, privatization and the easing of regulations have also occurred beyond national borders. As a result, many of the previous macroeconomic policies that were available to nation states have been obsolete. Under the new neo-liberal order, the nation state has lost its ability to formulate and pursue the policies it desires.

Due to the introduction of transnational production methods, the globalization of the financial system, the establishment of global standards, and the global rise of a neo-liberal order, the influence of international capital has increased. These factors have eroded the autonomy of individual states, and weakened the influence of national sovereignty.

## **3. The results of the development of informationalization**

IT technology, a field which has recently seen remarkable advancement, can be regarded as providing the technological basis of globalization. The development of the information sector has helped to further globalize the finance and neo-liberal systems. As the cost of communication and information management has decreased due to informationalization, the temporal and spatial barriers that historically separated individual markets has collapsed. Furthermore, the spread of informationalization has resulted in the rapid incorporation of exchange and financial markets. In addition, the development of IT technology, along with the advancement that has been made in transportation technologies, has contributed to

lowering the costs of communication and transportation. This has resulted in bringing into the realm of the possible corporations ability to adopt optimized resource allocation strategies. That being the case, informationalization is expected to further speed up the pace of globalization.

### III. China's perception of globalization

The pros and cons of globalization, which emerged as a hot button issue in the western world at the beginning of the 1990s, also began to be discussed in Chinese academic circles at the same time. However, it was not until the mid-1990s that globalization became a hot topic among Chinese academia. Nevertheless, there were some scholars in China who began to point out the need to conduct studies and to introduce work carried out by western scholars on globalization as prematurely as the early 1990s, or when the concept first emerged as a buzzword in the western world. One of the first opportunities to discuss the merits of globalization in China arose as a result of the Central Compilation & Translation Bureau of the Central Committee of the Communist Party's invitation of Duke University professor Arif Dirlik in 1993. During his speech, Professor Dirlik pointed out that the world had now reached the era of a global economy, and that

the notion of modern capitalism should now be viewed through the lens of the globalization of the economy. The effects of this speech on Chinese scholars were soon felt, as in 1994 no less a figure Lee Sun tzu, the then Vice-Director of the Chinese Academy of Social Sciences, began to promote the need to begin studying globalization.<sup>2</sup>

However, globalization and its implications were understood differently then than they are now. At the beginning of the 1990s China's take on globalization was one in which the internationalization of economic activities was to be brought about as a result of the information revolution and the development of technologies.<sup>3</sup> Thus, China did not perceive globalization as being in any way related to the notion of a borderless society or to the synchronization of economic institutions and regulations as emphasized by globalization advocates. The East Asian financial crisis of 1997 was the event that opened the Chinese' eyes to the ongoing integration of economic activities in the Western sense of the word.<sup>4</sup> Although China was able to sidestep the financial crisis, the inherent weaknesses of its domestic financial system, which were exposed during the process of globalizing the economy, drew the attention of government leaders and leading scholars alike. This led the then President of the People's

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2 Yu Ke Ping, "China's Perception of Globalization", *Strategic Management*, 1999, <http://wiapp.myetang.com/iapp/acpapers/a24.html>

3 *Annual Report on the International Situation*, Shanghai Branch Office of the Chinese Encyclopedia Publishing Department 1993, p.21

4 The East Asian financial crisis led China to develop a better understanding of the shock caused by globalization to developing countries. Fang Ning, Wang Xiaodong, Song Qiang, *China's Strategy for a Globalized Economy*, (Beijing: Chinese Social Science Publishing Company, 1999), pp.334-335

Republic of China Jiang Zemin to announce at the 9th National People's Congress on March 9th, 1998 that there was a need to develop a more precise understanding of what a globalized economy entailed. The globalization of every country's economy has emerged as an objective of this overarching trend towards the development of a truly globalized economy. As no country can escape this ongoing process through which the economy is being globalized, individual nations find themselves with no other choice but to join this movement. The key issue for developing countries such as China is to find ways of staying on top of the globalization trends in order to be able to simultaneously measure both the potential benefits and negative aspects of globalization. As such, as a result of the East Asian financial crisis and of Jiang Zemin's exhortations, the study of globalization became the main research topic among Chinese academia.

At the end of 1999 the Chinese government agreed to hold bilateral negotiations with its American counterpart over China's admission to the WTO. Following China's entrance to the WTO in November 2001, the debate over globalization began to mainly focus on how to respond to this inevitable historical trend. Having accepted globalization as an inevitable trend, China started to more actively engage itself in the process.

If this is indeed the case, then what are the main notions of globalization that have been

discussed in China? These are summarized below<sup>5</sup>:

First, China regards globalization as the process through which all human culture is integrated as part of the creation of a new global identity that spans the traditional notions of regional and national sovereignty, or in accordance with a more objective view of history, as the process through which global exchanges are invigorated and the level of interdependence among nations increases (Cai Tuo, "Globalization and International Relations"; Yu Ke Ping, *Discussions on Globalization*, Chinese Pyuntaek Publishing Company, 1998). As transportation and communications have developed, the whole world has become more closely connected, and the relationship between states and regions has become more interdependent. Therefore, a globalized world is one that should pay attention to the common problems faced by humans and strive to solve these problems in a spirit of collaboration and cooperation. (Tan Jiu Jun, "Discussions on Globalized Thought"; Yu Ke Ping, *Discussions on Globalization*, The Translation and Editing Bureau Of the People's Party of China, 1998).

Second, a perception has emerged that equates globalization with capitalism, or rather as the developmental stage of a new-style capitalism. According to this approach, globalization is an inevitable byproduct of the development of capitalism and of its universalization of production methods. For the proponents of this view, the globalization of the

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5 Yu Ke Ping, "China's Perception of Globalization", *Strategic Management*, 1999.  
<http://wiapp.myetang.com/iapp/acpapers/a24.html>

economy has been carried out under the guise of capitalism, and the problems caused by globalization can be directly connected to advanced or modern capitalism (Ji Yu Xiang, "Capitalist-based Changes in Globalization", *The Reality of Marxism*, 1998, Vol.4). Although globalization has influenced all major aspects of human life and culture, its historical inevitability actually stems from the rise of capitalistic production methods and from the inherent nature of a market economy (Yang Chao Ren, Han Zhi Wei, "Globalization and National Development Following the Opening of the Economic System"; *The Reality of Marxism*, 1998, Vol.4). Based on this viewpoint, globalization becomes another type of modern capitalism, or just another nickname for capitalism. Globalization has also been referred to as post-capitalism, advanced capitalism, non-organized capitalism, multinational capitalism, and global capitalism. (Wang Feng Zhen, "Globalization as Cultural Assimilation-based Nationalism"; Wang Ning, *The Post-Colonial Nature of Globalization*, The Translation and Editing Department Of the People's Party of China, 1998)

The third perception of globalization is that of westernization or Americanization. Those who advocate this position point out that globalization is exemplified by assimilation and the universalization of human values; in other words, America's values are passed off as being common human values. Therefore, globalization is in fact nothing more than a westernization and Americanization process (*Global Times*, September 22, 2000, "How will the national interest be changed under globalization?").

Some scholars point out that liberal scholars located in Greater China tend to explain globalization using the notions of global trends and universal values. However, the theories developed by these scholars amount to nothing more than an attempt to turn the political, economic, and cultural values of the Western world and America into common human values. Therefore, globalization should be understood as being limited to the westernization and Americanization of other cultures (Zhang Wu, "Globalization: Reassessment of the East Asian Financial Crisis", *The Post-Colonial Nature of Globalization*, The Translation and Editing Department Of the People's Party of China, 1998)

The fourth viewpoint criticizes the above-mentioned three perceptions' explanations of the specific characteristics of globalization and regards globalization as possessing internal contradictions that render it a contradictory structure. Conversely, this viewpoint identifies the characteristics of globalization as being the following: first, while the internal contradictions of globalization are an established fact, such contradictions are both expected and acceptable. As such, globalization contains notions of integration and disintegration and of unification and diversification. Moreover, globalization also encompasses notions of centralization and decentralization and internationalization and localization. Therefore, globalization is a contradictory structure, and supplementary processes are needed to overcome these contradictory factors. Nevertheless, these contradictory factors are deemed to arise out of rational conflicts. Second,



it is inevitable for globalization to be beset with internal contradictions. The state most willing to open its country up to globalization cannot erase its own national roots and uniqueness, while even the most conservative (or close-minded) of states cannot completely exclude itself from the globalization process. Third, these contradictions found in globalization are actually beneficial to the development of human society, as all societies possess inherent unification and diversity factors. Whether it be the process through which diverse elements are unified, or the one through which unified elements are diversified, the linking factor here is that both of these processes represent an inherent part of human development (Yu Ke Ping, "China's Perception of Globalization", *Strategic Management*, 1999, Vol. 3).

All Chinese perceptions of globalization share the commonality of regarding globalization as a double-edged sword. As such, China's perspective of globalization is based on the belief that globalization provides China with certain opportunities as well as challenges.<sup>6</sup>

Above all, China sees globalization as providing it with an opportunity to further develop its economy. As such, globalization has helped China to attract foreign direct investment, to acquire the advanced scientific technologies, management methods, and institutional structures of advanced countries, while having a positive influence on the global

export of Chinese goods, and increasing China's role in the international community. For example, the decision to join the WTO, which has been regarded as the most epoch-making event since the inauguration of Deng's reform initiatives, was reached in response to the increasingly globalized environment surrounding China, and as a means of reforming the domestic economy using outside pressure.

However, some scholars have pointed out the negative effects of globalization on the development of the Chinese economy. This negative view of globalization began to emerge in the aftermath of the East Asian financial crisis. In this regard, the following negative aspects of globalization have been raised: First, globalization runs the risk of threatening China's economic security. The strengthening of foreign capital's control over the domestic economy, as well as its virtual monopoly of technology, could threaten the further development of the Chinese industrial structure. Such a potentially alarming situation could be further amplified if China's foreign debt begins to spiral out of control. Due to its increased dependence on international trade and capital, the Chinese economy finds itself more and more influenced by the flow of the global economy. Moreover, the opening of China's financial markets to the outside world increases the possibility of a Chinese financial crisis.<sup>7</sup> Second, globalization erodes national sovereignty. One of the basic preconditions that must be met before a country can participate in the globalization

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6 Wang Wen Zhang, *China's Response to the Advent of a Globalized Economy*, <http://wiapp.myetang.com/iapp/spapers/wangwz01.html>

7 Wang Wen Zhang, *China's Response to the Advent of a Globalized Economy*, <http://wiapp.myetang.com/iapp/spapers/wangwz01.html>

process is that the country in question must abide by international standards, conventions, and agreements. Furthermore, most of these international agreements are geared towards protecting the interests and standards of advanced countries and are designed to bring about the implementation of the institutional structure of the West on the global stage. Therefore, developing countries have no choice but to cede some of their national sovereignty if they wish to partake in the spoils of economic globalization. As a result, the national sovereignty of a developing country is eroded.<sup>8</sup>

#### IV. China's response to globalization

Few Chinese would deny the need to participate in the globalization movement. Nevertheless, as mentioned in Section III, because China sees globalization as a double-edged sword, they have tended to emphasize the need to reap the benefits of globalization, while at the same time avoiding the potential pitfalls of this process. As such, while China participates in the globalization process in order to reap the benefits, it also emphasizes the fact that it must not allow itself to be oppressed by the flow of globalization in order to assure that its national sovereignty is upheld and its national economic security protected.

China's emphasis on upholding its national sovereignty runs contrary to one of the major

tenets of globalization, the erosion of national sovereignty. The Chinese attitude is closely intertwined with the post-Cold War and globalization era that suddenly emerged to challenge China's traditional stance in the 1990's. Truth be told, the emergence of this post-Cold War and globalization era in the early 1990's proved to be a challenge for all countries, not only China. The periodic and structural changes wrought by these forces obliged nearly all countries to change their existing international and domestic policies. However, from China's viewpoint, the collapse of the socialist block and the dismantlement of the Cold War structure meant that an international environment that was completely different from the one that had existed in the 1980s suddenly came to the surface. As such, the emergence of this post-Cold War era, which marked the arrival of a new wave of history, had the potential to deepen the crisis of Chinese socialism internally, while creating conditions that made China's adoption of a precautionary foreign policy the only plausible option. In particular, the shock wrought by the Tiananmen Square massacre and the rise of the anti-Cold War era led to increased criticism of Chinese socialism and of a newly emerging China in the Western world, and especially the United States.<sup>9</sup>

The shock of the Tiananmen Square massacre led the U.S. and other Western countries to increasingly criticize the hidden

8 Yu Ke Ping, China's Perception of Globalization, *Strategic Management*, 1999, Vol.4  
<http://wiapp.myetang.com/iapp/acpapers/a24.html>

9 Seo Jin-Yeong, *China's International Relations: A New Order in Northeast Asia and China*, "A New International Order in Northeast Asia and China: With a Special Focus on China's Foreign Policy during the Jiang Zemin Regime and the Korean Peninsula", 2000, Korea University, Asia Center, p.11-12

aspects of China's authoritarian controls over its society, with notions such as freedom, democracy, human rights, and other values and institutions that humans should pursue being trumpeted in the name of the Chinese people. As China's strategic importance was reduced as a result of the collapse of the Cold War structure, it found itself increasingly seen as both a potential partner and as a source for concern. The emergence of a new China, which became a regional power and increased its influence based on its rapid economic growth, began to be looked upon warily by the U.S., Japan, and other surrounding countries. In time, the West's suspicion and sense of weariness when it comes to China began to grow.

China was forced on the one hand to maintain a cooperative relationship with the West in order to assure its sovereignty and independence, while also having to respond to international pressure, including that emanating from the U.S., on the other. In order to be able to maintain Chinese socialism, China was forced to carry out in-depth reforms and to adopt an opening policy. As such, it was inevitable that to develop its economy through the launching of reforms and the adoption of an opening policy, China would have to cooperate with the international community. Therefore, China had to some degree give in to the demands and pressure from the international community. Moreover, as a result of the opening up of its economy, China increasingly found itself dependent on the global economy. China cannot

expect to achieve economic growth without abiding by international regulations and institutions. Therefore, despite the potential dangers of globalization, China opted to decisively carry out a restructuring process designed to expand the opening of its markets, and to bring its institutions more into line with a capitalist market economy. Nevertheless, if China adopts an overly cooperative attitude or attempts to rapidly change Chinese values and culture in order to meet the demands of the West, the Chinese-style market economy and socialism based political system might find itself increasingly threatened. Thus, China has strived to assure its independence by emphasizing its uniqueness to the West, while at the same time attempting to harmonize its cooperation with the West, particularly the U.S.

As can be glossed from Chinese efforts to reform the domestic economy and its ascension to the WTO, China has become an active participant in the globalization movement. However, in reality China does not completely accept the notion that globalization means the unification of all the world's economies under a global economic system or that it must play by global economic rules. Rather, China has emphasized a state's right to use the opportunities provided by globalization for its own purposes, and asserted that national sovereignty should be upheld in order to offset the potential pitfalls of globalization.<sup>10</sup>

China believes that as its economic

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10 Li Qi, *Chinese Industrial Trends in a Globalized Economy*, 2003, <http://www.gjmy.com/list.asp?articleid=1650>

exchanges with other countries become more invigorated, its economic policies will be influenced by these international relationships. As such, China's right to choose their own economic policies or to intervene in their own economy would be weakened. As the Chinese economy continues to open up, the possibility of China's economic security being eroded has increased. Therefore, China has asserted that the role of the state in protecting its own economic security should be increased in accordance with the introduction of new opening policies. China has emphasized that the state should be able to carry out its functions based on its national sovereignty. This attempt by China to protect its national sovereignty from the rising tide of globalization is closely related to its foreign policy objectives. At the end of the 1990s, China came to see the international political situation as one that was favorable to the pursuit of peace, development, and the multipolarization of the world. Thus, as the possibility of a major global conflict faded, the level of cooperation and exchanges between countries began to expand. However, there were also some negative aspects that emerged in the international arena during this post-Cold War and globalization era. No less a figure than Jiang Zemin argued that the Cold-War mentality still could be found in the world, and that the hegemonic aspirations and power politics of certain countries were threatening world peace and stability. In addition, many

came to believe that an unfair and irrational international economic order actually served as a foil to the further development of developing countries. Furthermore, this period saw an increasingly large number of instances in which some of the world's strongest countries intervened in the internal affairs of other countries in the name of human rights.<sup>11</sup> In response to all this, China declared that it would pursue an independent diplomacy, while adhering to the Five Principles for Peaceful Coexistence, which are: mutual assurance of sovereignty and respect for territorial integrity; non-aggression; non-interference; equal sharing of the economic benefits wrought by globalization; peaceful coexistence.

Then, how will China respond to the globalization of its economy?

First, China has attempted to protect its economic security by strengthening the integration of its national strength.<sup>12</sup> The integration of a country's national strength does not mean the simple fusion of political and military power. Rather, the strengthening of a country's national strength and the invigoration of its international competitiveness can protect a nation's economic security.

Second, China has attempted to develop strategic industries and corporations in order to prepare for any shocks that might arise from the rapid opening of its economy that began with its entry into the WTO. As China's

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11 Jiang Zemin, the 15th National People's Committee, People's Daily Newspaper, September 21, 1997; requoted in Seo Jin-Yeong, 2000, p22

12 Wang Wen Zhang, China's Response to the Advent of a Globalized Economy, <http://wiapp.myetang.com/iapp/spapers/wangwz01.html>

participation in the international division of labor has increased since joining the WTO, the government should develop strategic industries in order to strengthen its international competitiveness and secure an advantageous position for itself in the international division of labor. The Chinese government should also introduce an advanced industrial structure.<sup>13</sup> In addition, as in the globalized era the competition among countries has become a competition for technological innovation between corporations, the government should help Chinese corporations based on the belief that by heightening the competitiveness of these corporations, China is in fact heightening its own national competitiveness.<sup>14</sup> In actuality, as the date in which the Chinese service market must be opened to the outside world draws nearer in accordance with an agreement reached when China joined the WTO, the Chinese government has announced that it would develop globalized Chinese corporations within 5-10 years in the retail, distribution, and financial sectors.

Third, many problems-such as the reform of national corporations and unemployment problems caused by the reform measures, the gap between the rich and poor, gap between rural and urban areas, as well as corruption-that emerged during the period of economic development era have yet to be solved. The government should actively carry out the restructuring of its domestic economic system

in order to keep pace with the rapid acceleration of globalization.<sup>15</sup>

Fourth, as a result of the acceleration of the pace of globalization the level of interdependence between countries and regions has also been expanded. China has maintained that as the necessity to cooperate with advanced and developing countries in order to resolve global problems grows, the importance of international standards will also be expanded. Therefore, the government should move beyond simple membership in the WTO and actively participate in international organizations, such as regional economic blocs, and sign FTAs with other countries. It is especially important for China to cooperate with the overseas Chinese economic network and with other East Asian economies, both of which are of vital importance to China's political and economic security.

Lastly, as globalization has accelerated the international movement of capital, the Chinese government should prepare defense mechanisms to guard against the potential hazards of transnational capital. The government has argued that it should particularly focus on speculative short-term capital and on the integrated management of foreign debts.

## V. Conclusion

In the 1990s, the appearance of the post-Cold War era led to the collapse of barriers

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13 Li Qi, *Chinese Industrial Trends in a Globalized Economy*, 2003, Vol.4 <http://www.gjmy.com/list.asp?articleid=1650>

14 Wang Wen Zhang, *China's Response to the Advent of a Globalized Economy*, <http://wiapp.myetang.com/iapp/spapers/wangwz01.html>

15 Chi Fu Lin, *The Reform of the Chinese Economy as a Response to the Advent of a Globalized Economy*, China (Hainan) Institute for Reform and Development, [http://www.chinareform.org.cn/cgi-bin/zhj/Zgy-ZJ-Art-Read.asp?text\\_id=14](http://www.chinareform.org.cn/cgi-bin/zhj/Zgy-ZJ-Art-Read.asp?text_id=14)

between countries. The development of technologies as a result of the IT revolution has contributed much to the creation of a real-time global world, and to the acceleration of the globalization of production, trade, and finance. In the aftermath of the introduction of Deng Xiaoping's reforms, China has gradually moved its economy towards becoming a market-oriented one. China became one of the world's biggest economic powers during the 1990s, a decade which saw China accumulate a large trade surplus and become the 4th biggest trading country in the world. Moreover in 2003, China was the largest recipient of Foreign Direct Investment (FDI). Over the last ten years, China has achieved incredible economic growth. If this trend continues, China is expected to become the world's biggest economic power, almost on a par with the U.S. The rapid growth of the Chinese economy has been the driving force of globalization, a process that has been even more accelerated by the international movement of capital, technologies, goods, and information.

In order to participate in the globalization process, China has implemented a government-led reorganization of various institutions in order to carry out economic reforms designed to increase market efficiency. A neo-liberalist reform movement has also emerged in China that has strengthened the impetus for these reforms, as exemplified by China's entrance to the WTO. However, contrary to one of the main tenets of globalization, that is, the erosion of national sovereignty, China has continuously emphasized the need to protect nations' national sovereignty. Like most of the other

countries in East Asia, China has been able to achieve incredible economic growth during its economic development process by relying heavily on government-led interventions. The survival of a socialist market economy is based on the ability of the state to develop response to the challenges of globalization as part of a nationalistic framework. As such, given that economic development continues to be the main national task of China, the latter's ability to strengthen its national sovereignty in this globalized era might be further invigorated.

The Chinese economy's degree of international dependence was estimated at 60% last year. The economic development of China has contributed to increasing other East Asian countries exports. The increase in the price of parts and finished products made in China as a result of shortages of raw materials has directly influenced other countries' prices. As can be seen from the above-mentioned facts, the Chinese and global economies require each other to assure further mutual development, and this synergy-based relationship will further deepen in the future. As such, it will be interesting to see whether or not China will stick to its position of upholding the need to protect national sovereignty under such circumstances.

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## Chinese Perspective of Globalization

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In order to participate in the globalization process, China has implemented a government-led reorganization of various institutions in order to carry out economic reforms designed to increase market efficiency. A neo-liberalist reform movement has also emerged in China that has strengthened the impetus for these reforms, as exemplified by China's BIG (Big Entrance to the WTO). However, contrary to one of the main tenets of globalization, that is, the erosion of national sovereignty, China has

continuously emphasized the need to protect national sovereignty.

The Chinese and global economies require each other to assure further mutual development, and this synergy-based relationship will further deepen in the future. As such, it will be interesting to see whether or not China will stick to its position of upholding the need to protect national sovereignty under such circumstances.