Globalization has thrown up challenges and opportunities which all countries have to grapple with. In his book, Yongnian Zheng explores how China's leaders have embraced global capitalism and market-oriented modernization. He shows that, with reform measures properly implemented, the nation-state can not only survive globalization, but can actually be revitalized through outside influence. To adapt to the globalized age, Chinese leaders have encouraged individual enterprise and the development of the entrepreneurial class. The state bureaucratic system and other important economic institutions have been restructured to accommodate a globalized market economy. Zheng observes that, in rebuilding the economic system in this way, the Chinese leaders have been open to the importation of Western ideas. By contrast, the same leaders are reluctant to import Western concepts of democracy and the rule of law. The author argues that, ultimately, this selectivity will impede China’s progress in becoming a modern nation-state.

Yongnian Zheng is Associate Professor at the East Asian Institute, National University of Singapore. His previous publications include Discovering Chinese Nationalism (1999) and China’s Post-Jiang Leadership Succession (2002).
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Yongnian Zheng

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## Abbreviations

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<tr>
<td>ABC</td>
<td>Agricultural Bank of China</td>
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<tr>
<td>ACFTU</td>
<td>All China Federation of Trade Unions</td>
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<tr>
<td>BOC</td>
<td>Bank of China</td>
</tr>
<tr>
<td>CBC</td>
<td>Construction Bank of China</td>
</tr>
<tr>
<td>CC</td>
<td>Central Committee (of the CCP)</td>
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<td>CCP</td>
<td>Chinese Communist Party</td>
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<td>CIB</td>
<td>China Investment Bank</td>
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<tr>
<td>CITIC</td>
<td>China International Trust and Investment Corporation</td>
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<td>CRS</td>
<td>Contract Responsibility System</td>
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<td>ETO</td>
<td>Economic and Trade Office</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>FIEs</td>
<td>Foreign-Invested Enterprises</td>
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<td>FLG</td>
<td>Falun Gong</td>
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<td>GATT</td>
<td>General Agreement on Tariffs and Trade</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GITIC</td>
<td>Guangdong International Trust and Investment Corporation</td>
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<td>HK</td>
<td>Hong Kong</td>
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<tr>
<td>ICBC</td>
<td>Industrial and Commercial Bank of China</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>INGOs</td>
<td>International Non-Government Organizations</td>
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<tr>
<td>IT</td>
<td>Information Technology</td>
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<tr>
<td>KMT</td>
<td>Kuomintang</td>
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<tr>
<td>MITI</td>
<td>Ministry of International Trade and Industry (Japan)</td>
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<tr>
<td>NATO</td>
<td>North Atlantic Treaty Organization</td>
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<tr>
<td>NPC</td>
<td>National People’s Congress</td>
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<tr>
<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
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<tr>
<td>PBOC</td>
<td>People’s Bank of China</td>
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<td>PCs</td>
<td>Personal Computers</td>
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<tr>
<td>PLA</td>
<td>People’s Liberation Army</td>
</tr>
<tr>
<td>SCSTIND</td>
<td>State Commission of Science, Technology and Industry for National Defense</td>
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<tr>
<td>SDPC</td>
<td>State Development Planning Commission</td>
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<td>SEC</td>
<td>State Economic Commission</td>
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## Abbreviations

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<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>SETC</td>
<td>State Economic and Trade Commission</td>
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<td>SEZs</td>
<td>Special Economic Zones</td>
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<tr>
<td>SOEs</td>
<td>State-Owned Enterprises</td>
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<tr>
<td>SPC</td>
<td>State Planning Commission</td>
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<tr>
<td>TICs</td>
<td>Trust and Investment Companies</td>
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<tr>
<td>TNC</td>
<td>Transnational Corporation</td>
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<td>TVEs</td>
<td>Township and Village Enterprises</td>
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<td>UK</td>
<td>United Kingdom</td>
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<tr>
<td>USA</td>
<td>United States of America</td>
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<tr>
<td>WAP</td>
<td>Wireless Application Protocol</td>
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<td>WTO</td>
<td>World Trade Organization</td>
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Preface

Globalization in the past few decades has swept every corner of the world. While many countries have benefited from unprecedented global flow of capital, human talent, scientific knowledge and other resources that a country’s modernization requires, globalization has also brought about enormous unexpected consequences. In the early 1990s, scholars were optimistic that globalization would herald the onset of a global democratic movement that would bring about greater representation and prosperity to the global community. But the 1997 financial crisis and the political instability that ensued corrected this sanguine view. The world had barely recovered from the consequences caused by rapid and massive capital flows when it was confronted with another scourge – global terrorism. The 9–11 attacks in the United States was the harbinger of terrorist acts in other parts of the world such as Southeast Asia. In essence, globalization has not brought about unmitigated benefits but has a reverse side as well. With globalization, as with physics, every action or new development has its own reaction or consequences.

This study examines the impact of globalization on the Chinese state in the Asian context. For many years, Asian countries have become the foci for scholarly exploration. Major events such as the 1997 Asian financial crisis, Indonesia’s turbulent transition to democracy, China’s entry into the World Trade Organization (WTO), and the spread of terrorism in many Asian countries, have prompted me to reflect on globalization and its impact on the nation-state in Asian societies. I believe that if it is inevitable for every country to be an integral part of the world community in a globalized age, the nation-state has to make a right choice in order to get the best out of globalization while minimizing its negative consequences. How can a nation-state achieve this goal? Asian states have responded to globalization in different ways. This book is about globalization and the Chinese state.

Despite its communist legacy, China is not particularly different from other nation-states in reacting to globalization. The world has witnessed the rise of Chinese nationalism, and anti-globalization is an important part of this new nationalism. Chinese nationalists have worried that
globalization is weakening the power of the national government in managing domestic affairs, and that China is losing its identity as a unique nation-state in world affairs. Indeed, outside of China, there are scholars and journalists who are doubtful whether China will be able to survive globalization. Some have argued that China is suffering a serious crisis of governance, while others have even predicted its impending collapse.

The impact of globalization needs to be examined in greater detail. While scholars have focused on the economic costs and benefits of globalization for China, less attention has been devoted to the political impact of globalization. Although many scholars are of the view that China’s political institutions will be greatly affected by globalization, they are not ready to elaborate what such impacts will be and in what manner they will come. This book attempts to examine how the Chinese state has adjusted itself in order to deal with globalization.

Like elsewhere, globalization has posed serious challenges to the Chinese state. Nevertheless, the Chinese leadership has regarded globalization as a unique opportunity to rebuild the Chinese state. Since the reform and open-door policy, the leadership has vigorously promoted globalization. How has the Chinese leadership been motivated to push the country towards globalization? I find that a particular mindset prevails among Chinese leaders. While nationalism is directed at building a strong and wealthy China, Chinese leaders recognized that such a goal could only be realized by integrating the country into the global community. Such a mindset was firmly rooted among Chinese leaders throughout the post-Mao reform era. Despite the often bitter political struggles among top leaders, the process of globalization has never slowed down. A deep ideological commitment to globalization has enabled the leadership to make greater efforts to legitimate capitalism as a means to achieve a prosperous and strong Chinese state. The leadership has also rebuilt the bureaucratic system, economic institutions and other major national institutions. Institutional rebuilding has enabled the Chinese state to cope with globalization. While it is too early to say if the Chinese state will become stronger with greater integration with the global community, it is reasonable to say that so far the Chinese state has benefited from globalization while mitigating its negative impact.

By giving a detailed examination of the impact of globalization on the Chinese state, this book tries to achieve three major goals: to assess the degree of seriousness of the problems resulting from globalization, to examine the ability of the Chinese state to cope with these problems, and to locate the future challenges of globalization. First, I found that globalization generates opportunities rather than crises for a developing country like China. Globalization has produced many problems for the Chinese state, but many of these problems are transitional. In coping with all
these problems, the Chinese state is given unprecedented opportunities to reconstruct itself. There is no sound basis to argue that globalization will lead to a collapse of the Chinese state. My second finding is that the Chinese state has displayed remarkable flexibility in adjusting itself at both the ideological and the institutional levels. This is contrary to conventional wisdom on the rigidity of the communist system. The communist system can be reformed, and it can transform itself through continuous adjustment to globalization. Third, I found that the real challenges of globalization lies in the Chinese Communist Party (CCP), not the Chinese state. To a great degree, globalization requires a rule-based state governance. Globalization has enabled the Chinese state to rationalize and institutionalize itself, and in many aspects, the state has been quite successful in doing so. The CCP has also made efforts in accommodating globalization such as changing its ideological stand and recruiting capitalists into the party, but it has been unwilling to subject itself to the rule of law. As a matter of fact, the party has been a major barrier to a full institutionalization of the Chinese state.

In the process of research and writing, I have benefited from many individuals. I would first like to thank my colleagues in the East Asian Institute. Wang Gungwu, Director, has consistently provided me strong intellectual and moral support. His deep historical insights enabled me to go beyond the mere economic calculations of globalization to discern the long-term impact of globalization on the nation-state. John Wong, Research Director and an economist, has shared with me his own views on the impact of globalization on China's economic system. Many other colleagues have also provided different forms of support in different stages. When I presented my initial plan and ideas on the project, they had many valuable comments. Among others, Liu Zhiqiang, He Baogang, Lam Peng Er, Zou Keyuan, Lai Hongyi and Lang Youxin deserve special thanks.

For years, the East Asian Institute has invited many overseas scholars on visiting programs or conferences. Frequent visits by these scholars provide an invaluable link between the institute and the international intellectual community, and I have benefited greatly from these exchanges. I was able to discuss various issues regarding this research project with scholars from different parts of the world. Among others, I would like to thank Peter Katzenstein, Andrew Walder, Lynn White, Gilbert Rozman, Kjeld Eric Brodsgaard, Wu Guoguang, Pei Minxin, Kong Qingjiang, Ignatius Wibowo, Wang Hongying, Chien-min Chao, Chen Weixing, Xiao Gongqing, Zheng Shipeing and Zhong Yang. I have also benefited from several workshops on China's state building in the past two years and my thanks go to Wang Shaoquan, Chu Yunhan, Hu Angang, Zhou Jianming, Cui Zhiyuan, Shi Tianjian, Wang Hui, Wang Xi, and Cao
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