In an address to the Asia-Pacific Economic Cooperation (APEC) meeting in Brunei on November 16, 2000, Chinese President Jiang Zemin asserted that a nation’s participation in economic globalization is an “objective requirement” for economic development. He also argued that globalization has a salutary impact on international relations, noting that “closer economic and technological ties between nations and regions” constitute “a positive factor to promote world peace and stability.” Alluding to Chinese concerns, Jiang acknowledged globalization had negative economic consequences, including a widening economic gap between and within nations. He also indicated that China was worried about the potential negative political and cultural consequences of globalization when he condemned efforts by “some countries” to try to “force their own values, economic regime, and social systems on other countries by taking advantage of economic globalization.”

Jiang’s mixed review of globalization reflects the growing unease of many Chinese officials and researchers about the potential negative effects the process may have on China and also their simultaneous conviction that China has no alternative but to march full-steam ahead. The country’s leadership has strongly endorsed China’s involvement in the economic globalization process while also pointing out its potential drawbacks. However, this main-
stream consensus has not ended the vociferous and emotional debate in China on globalization. Many, if not most, knowledgeable Chinese are dissatisfied with the status quo. Reformers express concern that China is not changing fast enough to meet the challenges of globalization, while hardline nationalists view globalization as a threat to Chinese values, independence, and sovereignty, contending that China can and should pull back from deepening involvement in the globalization process.

This article is based on the author’s private discussions with Chinese officials and researchers regarding globalization in Beijing and Shanghai in July 2000, in Washington, D.C., during the fall of 2000, and in Beijing in January 2001. The individuals interviewed represented a broad range of government institutions and think tanks as well as the Chinese business community. Some of these people were representatives of organizations with close ties to the political leadership; these organizations included the China Institute of Contemporary International Relations (CICIR) under the State Council, which produces reports directly for Chinese leaders; the China Institute of International Studies (CIIS) under the Ministry of Foreign Affairs (MFA), which produces reports for the government primarily through MFA channels; the Development Research Center (DRC) under the State Council; the Central Party School under the Central Committee of the Communist Party; and the China Reform Forum (CRF), which is nominally a nongovernmental organization (NGO) with close ties to the Party School and leading reformers in the Party. Other individuals came from some of the various institutes within the Chinese Academy of Social Sciences (CASS), including the Institute of American Studies (IAS), the Institute of World Economy and Politics (IWEPI) and the Institute of Asia-Pacific Studies (IAPS). The influence of these organizations is less institutional and more based on the personal ties of the particular researchers, many of whom have good relations with advisers of senior leaders and whose research reports are circulated at senior levels of the government and party.

Individuals were also interviewed from several organizations with formal or informal ties to senior levels of the People’s Liberation Army (PLA) General Staff, including the China Institute of International Strategic Studies (CISS), the Institute of Strategic Studies (ISS) of the National Defense University (NDU), and the Foundation of International Strategic Studies (FISS). Shanghai is the other leading center besides Beijing for research and advice to the leadership on globalization and related issues. Well-informed and influential individuals were also interviewed from the Shanghai Institute for

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2. The author has carried on a regular dialogue with many of the Chinese interviewed for this article for as long as 20 years and during more than two-dozen visits to China. The article includes quotes from notes of conversations without direct attribution to protect the confidentiality of our discussions.
International Studies (SIIS); the Shanghai Academy of Social Science (SASS); the Shanghai Municipal Center for International Studies; the Center for RIMPAC (presumably Rim of the Pacific) Strategic and International Studies, an NGO in Shanghai; the Center of American Studies at Fudan University; and the Institute of International Economy and Trade (IIEET) of the Shanghai University of Foreign Trade. Several Chinese businesspeople were also interviewed, some of whom had left the military or think tanks to work for foreign corporations operating in China.

For the most part, the Chinese whose views are represented here support a deepening of economic reform and greater opening to the outside. Many are knowledgeable participants or observers of internal debates in China and were able to provide invaluable insights into the views and positions of those in China who are highly critical of or opposed to globalization. In addition, many are well-informed about leadership thinking in general and are able to submit their own recommendations directly to senior officials.

This article is not intended to provide a systematic review of the literature published in China regarding globalization or the problems facing Beijing as it confronts the challenges presented by entry into the World Trade Organization (WTO). Rather, the article is intended to provide insights into how key, highly knowledgeable individuals are thinking about these issues and the priorities they attach to them. The article first explores the debate over globalization, including both the mainstream view guiding current policy and the views of the minority that opposes China’s further involvement in globalization. It then examines Chinese perspectives on the economic, political, and social challenges presented by globalization and the various steps the government is taking—or failing to take—to meet these challenges. It concludes with an assessment of the factors that might further erode support for the mainstream’s view regarding globalization.

**Divided Views on Globalization**

While most Chinese officials and economists initially viewed globalization primarily as an economic phenomenon, over the past three years their perspective has become more comprehensive and nuanced. Most intellectuals and officials have distanced themselves from an earlier, whole-hearted embrace of the process as entirely beneficial. That unrestrained enthusiasm was called into question following the 1997 East Asian financial crisis and its devastating impact on some East Asian countries, especially Indonesia, and its ricochet impact around the world. These developments led most intellectuals and officials to be more wary about the globalization’s economic impact.

The topic became even more controversial following the events of early 1999, including the U.S./NATO (North Atlantic Treaty Organization) attack...
on Yugoslavia and the mistaken U.S. bombing of the Chinese embassy in Belgrade. The perception among many Chinese that the U.S. was not only globalization’s leading advocate and benefactor but also that it was a key element of U.S. strategy aimed at achieving global hegemony intensified their concerns about the political, cultural, and social implications of globalization. As a consequence, the globalization controversy became enmeshed in the highly emotional debates over U.S. strategic intentions toward China and China’s national strategy. Chinese international relations experts, social scientists, and other researchers as well as hard liners in the military, the Party, and the media, began to focus on the political, cultural, and sociological as well as economic consequences of the globalization process. The assessment that often resulted was that globalization posed a potential threat to China.

Mainstream Support of Globalization

Despite growing unease, as indicated earlier the mainstream view of Chinese leaders, officials, and researchers is that globalization poses dangers but that it is inevitable and that China has no rational choice other than to fully participate in the process. According to this view, a senior America specialist from the IAS asserted, “Those countries that follow the trend of globalization will prosper and those that resist globalization will be left out and finally will fail.” Another senior CASS scholar from IWEP characterized the mainstream view as “whether you like it or not, you have to join” the globalization process. This is recognized by the Chinese leadership, insisted a former senior IAS researcher, which “knows that China must move along the globalization road no matter what negative effects it produces. There is no other choice.”

The mainstream is also confident that the positive benefits of globalization for China outweigh the costs as long as China takes the necessary ameliorative measures. “You have to sacrifice some things like social stability, traditions and traditional thinking, endure cultural confusion, and carry out painful political reform,” the senior IWEP researcher asserted, adding that “this is not so comfortable but there are also great gains.” He noted that this is the “double-edge sword” view which has been mentioned “several times” by President Jiang and Premier Zhu Rongji. A country’s national policies can mitigate the negative impact of globalization, however, according to mainstream researchers and officials. The cost of globalization “depends on

5. IAS, interview, Beijing, July 2000.  
whether you are prepared” to meet the challenges, an expert from the Shanghai Institute of IET maintained, adding that this idea is “accepted by top leaders in Beijing.”

While mainstream analysts assert that steps can be taken to try to protect China from the downside of the globalization process, they portray globalization as benefiting the developed countries, especially the U.S., far more than it aids the developing countries. “Based on past experience, we observe that the developing countries have not gotten much benefit” from globalization, according to a senior economist from the State Council’s DRC. The economist asserted that although the gap between developing and developed countries has broadened in the past 20 years, “according to assessments of the World Bank and other world organizations, China is one of the few developing countries that has been a winner in globalization.”

Another senior economist from the MFA’s CIIS pointed out that China has been the top recipient of foreign direct investment (FDI) for the past five years and has “optimized its economic structure” in response to globalization, moving up the ladder of production from low-grade products to “mid-level, technological products” produced by Chinese corporations like home appliance manufacturer Haier and computer maker Legend. “If China had not been involved in globalization, we would not have achieved this progress,” he added, noting that China has obtained not only large amounts of FDI but also advanced technology and management skills as a result of its participation in the process. Perhaps more important, he asserted, is that opening up China to such participation has “widened our horizons and changed our point of view on the outside world.”

Moreover, globalization’s potential benefits for China are not seen as limited to the economic sphere. Success in meeting the challenges posed by globalization is viewed by the leadership as the sine qua non for China to deal with a myriad of other, noneconomic, problems, including, most importantly, the Taiwan issue. A senior researcher from Shanghai explained that “the biggest question” for China is whether it can meet the challenge of globalization after joining the WTO, which “is a more important challenge” for China than Taiwan. He predicted that China’s success in meeting the challenge of globalization and achieving strong economic development over the next five to 10 years would greatly facilitate reaching an accommodation between Taiwan and the Mainland on the basis of the one China principle and the achievement of “stable cross-Strait relations and eventual reunification.” On the other hand, “if China fails under globalization, China’s economy will

7. IIET, interview, Shanghai, July 2000.
8. DRC, interview, Beijing, July 2000.
decline and China will fall into turbulence—and then Taiwan might have a better opportunity for independence.” This individual, who has close ties to senior Party officials, asserted that this assessment is reflected in the communiqué of the Fifth Plenum of the 15th Central Committee meeting in October 2000. He also maintained that Jiang was referring to cross-Strait relations as well as to international relations in general when the Chinese president stated in his APEC speech that globalization, by leading to greater global economic integration, was a force for peace and stability.10

Although the mainstream believes that China benefits from globalization in many ways, the U.S. is seen to be receiving even greater benefits. This disproportionate U.S. benefit from globalization, in the view of the Chinese leadership as well as the mainstream of researchers and officials, accounts in large part for the failure of the world to evolve in a multipolar direction in contrast to their hopes and expectations in the early 1990s. By helping strengthen the overall U.S. position in the balance of comprehensive national power—that is, in comparative economic, technological, political, and military strength—globalization has exacerbated Chinese concerns about U.S. strategic intentions that were heightened by the Kosovo conflict. According to a senior IAS researcher, Chinese leaders and the Party view globalization as posing an urgent challenge to China because world politics has become “severely imbalanced” due to U.S. dominance as the “only superpower in economic, military, and political power and in science and technology.” Recent statements by Jiang Zemin, the researcher asserted, suggest that the leadership views the U.S. as seeking to capitalize on its preponderant position to pursue its “effort to Westernize and split China.”11 For Chinese leaders and the mainstream of officials and researchers, this Sino-American imbalance of power is a reason not to withdraw from globalization but rather to seize the opportunities it provides to enhance China’s comprehensive national power. Moreover, mainstream officials and analysts do not view globalization as Americanization or as a zero-sum game between the U.S. and China.

Voices Opposed to Globalization

Although the mainstream of Chinese researchers and officials may view globalization as unstoppable, they acknowledge that there is opposition to globalization both from economic enterprises and ministries in China that stand to lose in the face of the onslaught of foreign competition and the country’s further integration into the world economy. There also are hardline na-

10. Washington, D.C., December 2000. The communiqué noted that “the session held that development is the clincher and the key to resolving all problems in China.” “Communiqué of the Fifth Plenary Session of the 15th CPC Central Committee,” Beijing Xinhua Domestic Service in Chinese, October 11, 2000, in FBIS, DR/C, CPP20001011000123, October 11, 2000.
tionalists and leftist ideologues who view globalization as a threat to Chinese sovereignty and security and warn of its deleterious effects on Chinese culture, society, and identity.

Chinese enterprises and ministries that are likely to lose out as a result of further integration into the world economy have focused their resistance to globalization on the threat to their own economic interests posed by WTO membership. Most enterprises and ministries accept that proceeding with membership and participation in the globalization process is a leadership decision that they cannot reverse. They therefore have concentrated their efforts on slowing down implementation of China’s WTO commitments and pressing the government to compensate them for globalization’s impact on their bottom line. The losers are “waiting for the government to do something to help them,” the senior DRC economist asserted. “They know the WTO is the decision of top leaders and there is no use in resisting. It is best to call for help from the government.”

The most strident opposition to globalization in China comes not from economic enterprises and ministries, however, but from a loose coalition of hardline nationalists in the party, media, military, and academia as well as an apparently growing number of vocal ultraleftists in academic institutions and the party. This increasingly strident minority strongly opposes globalization as a threat to China’s sovereignty, culture, and socialist values. They portray globalization as “American globalization,” according to the CIIS economist, and contend that the U.S. is seeking to use globalization “to influence China economically, politically, and culturally.” Moreover, he said, they argue that the WTO is a “focal point or wedge of globalization as regards China” so they oppose entering the WTO “on political and cultural as well as economic grounds.”

The opposition also warns that China must learn from the lessons of other countries. These opponents of globalization attribute “all the difficulties of Russia, Eastern Europe, Brazil, and Africa” to globalization and the West, according to the senior IAS researcher, because, they say, by participating in globalization, these countries have lost their sovereignty and “are ruled by stooges of Western imperialism.” This America expert added that some hardliners even have condemned Jiang Zemin and other Chinese leaders for “selling out Chinese interest to the West by joining WTO.” This critique of globalization, according to Chinese experts, gained far wider acceptance after the embassy bombing and the U.S./NATO attack on Yugoslavia led to deepened suspicions in China about U.S. strategic intentions.

Many of the opponents of globalization and the U.S. are thus deeply critical of current Chinese foreign policy, which, in their view, attaches top priority to deepening China’s participation in globalization and thus risks a loss of sovereignty and threatens Chinese socialist values and institutions. They maintain there is an alternative to China’s current national strategy that includes a more confrontational foreign policy toward the U.S., an anti-U.S. strategic alliance with Russia, and a readiness to use force in the near term to reunify Taiwan with the Mainland. On the most fundamental level, these opponents to globalization reportedly reject the values reflected in Deng Xiaoping’s strategic assumption that the current era is one of peace and development, which has been the premise underlying China’s economic reform and opening up to the world as well as Chinese foreign policy for more than two decades. While many hardliners maintain that peace and development are no longer a correct assessment of China’s strategic environment due to increasing threats to China’s national security, especially the prospect of military conflict with the U.S., other nationalists and ultraleftists, according to the senior CASS America expert, oppose the peace and development strategy because it “reflects values that are similar to the values in globalization.” The notion of “peace” is viewed by the nationalist opponents of globalization as the “opposite of the use of force” to defend China’s sovereignty, while the concept of “development” in the leftist critique of globalization is “based on seeking GDP growth, not equality” and it “emphasizes absolute gains rather than relative gains,” thus accepting a widening income gap. “If we chose sovereignty and equality as our highest priority” as these opponents of globalization advocate, he concluded, “we would launch a war to take over Taiwan.”

In contrast to the mainstream of Chinese officials and researchers who support “peace and development” as well as globalization, the opponents of globalization insist that China can opt out or drastically slow the pace of Chinese integration into the globalization process and return to socialist values and institutions while strengthening and expanding the socialist sector of the economy. They maintain that “globalization is Westernization and is not an inevitable trend but rather a trap—a deliberate effort by the U.S. and the West to dominate the world and exploit developing countries,” according to the senior IAS America expert. They point to Indonesia after the East Asian financial crisis as “depending more on the West” and “more vulnerable to Western pressure.” Based on this assessment of globalization, the opponents oppose reform of the state-owned enterprises (SOEs), which they maintain are the foundation of Chinese socialism, and they point to the recent

15. CASS, interview, Beijing, July 2000.
economic recovery in China as a sign that China can sustain economic growth without SOE reform.

The most extreme opponents of globalization, especially the ultraleftists, contend that China needs “to find a new way based on China’s culture, history, and the philosophy of Maoism,” according to the CASS America expert. They call for “socialist self-sufficiency and even a return to the poor but egalitarian society of the Cultural Revolution.” They have reevaluated the Mao period and the Cultural Revolution as positive, he notes, and say that “Mao united China and created an industrial base, ensured the basic welfare of the common people, and gave China great confidence in confronting imperialism.” They contend that China was even better off during the Cultural Revolution: “China was independent and defiant of the West; China was not rich but people were more equal, they had high spirits and were more ethical and moral.” Although these extreme views are likely held by a relatively small number of ultraleftists, their implicit critique of contemporary Chinese society probably resonates with many Chinese who would not agree with the ultraleftists’ alternative of opting out of globalization and returning to China’s socialist past.

Openness to Hardline Criticism But Not to Alternatives

Globalization’s critics notwithstanding, mainstream, “double-edged sword” views of globalization remain dominant in China, representing the views of most Chinese leaders, officials, economists, and moderate researchers, according to well-informed Chinese analysts. Although the critics’ views have “some impact” on Chinese leaders, according to the senior economist from the MFA’s CIIS, they “are smart enough to see the need for globalization and the WTO.” The opponents of globalization are generally outside policymaking circles and have little impact on Chinese policy. “Some professors in universities want to use the globalization issue to attract attention by writing articles,” observed a senior researcher at CICIR, but “serious scholars don’t pay attention to them—nor do policy makers.” Chinese leaders and officials accept that China must “more actively participate in globalization” as well as develop “good ways to protect ourselves from the negative effects of the globalization,” he added. Moreover, Chinese leaders and officials continue to focus primarily on economic globalization and managing its negative economic consequences while the opponents of globalization are more

17. CASS, interview, Beijing, July 2000.  
concerned about the political, social, and cultural impact of globalization on China.

Of course, although some of the critique of the anti-globalization forces is received sympathetically by many Chinese leaders, officials, and researchers in the mainstream, they strongly reject the alternative economic strategies proposed by many of the opponents, from slowing economic reform and greater reliance on SOEs to a return to a more autarkic and Maoist socialism. Although the Chinese public is even more receptive to the anti-Western and nationalistic message of globalization’s critics, Chinese researchers say, the public, too, does not want to sacrifice the economic benefits of globalization—as the opponents are willing to do—as the price of reasserting Chinese sovereignty, independence, and socialist egalitarianism. “Their critique is popular but not their alternatives,” the senior IAS America expert asserted, because “people want prosperity.”20 The senior IWEP researcher similarly noted that globalization’s opponents get support from the public when they say they are for poor people and when they strongly condemn “Western imperialism.” But when they deal with “concrete issues like WTO or PNTR (Permanent Normal Trade Relations),” the public sees that they are “not practical and not pro-reform.”21

Globalization’s nationalist and ultraleftist opponents have a significant influence on the broader political climate in China, however. “They have an impact on the Internet and in some newspapers” and “are important in shaping the overall political atmosphere,” the senior IAS America specialist asserted. “They paint a picture of China surrounded by the West and maintain that China’s security situation is deteriorating so China should spend more on national defense and state security.” Moreover, he said, they have created an atmosphere of fear in academic circles, including CASS. Moderate, pro-globalization U.S. specialists “are among their targets” and some people “are really afraid,” he added, noting that he had received death threats against him personally in Internet chat rooms.22 The media spreads the anti-globalization, nationalist views, according to Chinese researchers, primarily to increase profits since such sensationalist articles and books sell publications. Moreover, these views have support from the propaganda department, it is alleged, and the leadership is reluctant to order such views suppressed for fear of appearing “soft” even though they do not represent leadership thinking and policy.

Although currently marginalized in policymaking circles, the influence of the anti-globalization forces may grow in the future. Some Chinese research-

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ers and officials express concern that a sharp rise in unemployment and declining prosperity for most Chinese as China implements its WTO commitments could fuel social unrest and the growth of anti-Western, nationalist sentiment in China. This could then bolster support for a return to the safety and egalitarianism of socialism and the iron rice bowl as well as for an increasingly tough Chinese policy toward the U.S., Taiwan, and Japan as called for by the nationalist and ultraleftist opponents of globalization. Much will depend on whether China is adequately prepared to meet the myriad challenges posed by globalization as well as on developments in Sino-American relations and cross-Strait relations.

Globalization’s Challenges

Chinese officials and analysts insist that increased awareness of the negative as well positive aspects of globalization has not diminished China’s commitment to participating in the globalization process and that Beijing will judiciously implement its WTO obligations once China joins the world body, as reiterated by President Jiang in his APEC speech. Many officials and economists also express confidence that China will ultimately succeed in this quest if it adopts and implements the correct policies. “We think if China formulates an appropriate strategy for economic development and the government takes gradual steps to supervise the opening process,” the CIIS economist asserted, “we can participate in the trend of globalization in a manner to capitalize on the opportunities for economic development.”23 Chinese analysts expect WTO to be a spur to economic reform and are especially hopeful that joining the WTO will accelerate development of an independent judiciary in China. “The real meaning of the WTO is the rule of law,” a U.S.-trained Chinese lawyer and former think-tank analyst commented. “For example, while many things done now are done without contracts, with the WTO there will have to be legal contracts.”24 Many Chinese researchers and business people express confidence that WTO entry will provide a major impetus to reform of the economic system by improving government efficiency and transparency, strengthening the legal and regulatory systems, and attracting more foreign investment that will bring new technology and management experience to improve Chinese industry.

Many Chinese researchers also say, however, that they are worried about China’s ability to meet the many economic challenges posed by globalization as China joins the WTO and becomes more fully integrated into the world economy. China will be more competitive in the long term if it is successful, they say, but in the near term many Chinese industries and enterprises will be

23. CIIS, interview, Beijing, July 2000.
hurt or forced out of business by China’s entry into the WTO. Moreover, some Chinese economists and analysts openly express concern that China is ill-prepared and that the government is not taking the necessary steps to meet the daunting challenges ahead.

Will Chinese Industries Lose to Intensified Competition?

The most serious question raised by Chinese analysts is whether China is prepared to meet the challenge of significantly increased and intensified foreign competition. Although Chinese economists point to some industries that might benefit, such as textiles, garments, and consumer electronics, they fear that many industries will be particularly hard hit by increased competition. The losers will include capital intensive industries such as the petrochemical and auto industries, as well as the finance, telecommunications, and high-technology and agricultural sectors. “For example,” the CIIS economist said, “financial services are monopolized by SOEs and they are very backward, but they will have to compete with foreign corporations when they lose their monopoly.” He predicted that many of the SOEs will go bankrupt, downsize, or restructure and noted that in many cases government policy has “not been very helpful” to the SOEs. But he also pointed out that some enterprises are taking steps to prepare for intensified competition. For example, he said, some telecommunications companies have recently begun to offer more service at lower prices and to shorten the time it takes to get a telephone installed from several months to two weeks.25

The competitiveness problem has been exacerbated, some analysts say, by China’s need to move up the food chain of international trade as the cost of doing business rises in China compared with other developing countries. “For 20 years, Chinese competitiveness was increasing,” a senior CICIR America specialist asserted, “but recently a Swiss institute said that in world-level terms, China’s competitiveness is decreasing. In other words, cheap labor and cheap resources along with capital inputs cannot sustain China’s competitiveness.” He noted that in China, labor has become more expensive, the price of land has shot up, and the domestic market is not growing. Therefore, he said, although “we need to transform China’s industrial structure to a higher stage, “we have not done very well with this economic transformation, especially SOE reform, and we see a great increase in unemployment.”26 A DRC economist expressed the same concern but predicted that China could maintain its current strategy for another decade or so. “For now,” the economist said, “we can sustain development by buying technology rather than

developing it ourselves. For the last 20 years, we have bought technology from abroad. We can do this for 10 or 20 years. But as we get to the top level, we have to develop our own technology.” She added that she hoped that many Chinese students trained in the U.S. in high technology areas will return to China to contribute to this process.27

There is also concern among Chinese experts that China cannot maintain competitiveness in the face of the information technology (IT) revolution and the need to disseminate IT throughout the society. The CIIS economist noted that the IT revolution is leading to the “New Economy” in the U.S. with high growth, low inflation and low unemployment, while “China is still in the industrial period.” China needs to both continue industrialization and to catch up with the digital revolution “or be left further behind,” he said, adding that this “is easier said than done . . . there is not enough money to buy computers and provide Internet access for everyone in China.” Chinese enterprises also need to upgrade technologically and move from labor intensive production to capital and knowledge intensive production, but they are failing to do so fast enough to begin catching up with the U.S. and other advanced countries. The CIIS economist noted, for example, that although the gap between China and the U.S. has narrowed in terms of total GDP, “it has widened in terms of quality, efficiency, and production efficiency.”28

**R&D and Venture Capital Deficiencies**

China’s competitiveness problem is further aggravated by Chinese firms’ lack of resources for acquisition or development of new technologies and better products. An especially pessimistic view was expressed by a Chinese businessman who represents U.S. corporations operating in China. He asserted that “Chinese companies are all struggling,” and “have no money for new technologies.” As a consequence, he contended, “they cannot withstand the competition from U.S. firms.”29

Chinese economists acknowledge that China has a very low ratio of research and development (R&D) expenditure to GDP compared to other countries and that there is little venture capital available for new technology start-ups. “People recognize the importance of venture capital and the need to establish investment institutions because banks are not competent to do it and are not confident of new entrepreneurs,” the CIIS economist asserted.30 The senior DRC economist elaborated on this, asserting that China’s business credit system, stock market, and laws protecting investors are all weak, “so if

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27. DRC, interview, Beijing, July 2000.
29. Interview, businessman, Beijing, July 2000.
30. CIIS, interview, Beijing, July 2000.
you want to have successful venture capital, you need to do a lot of building of ‘social infrastructure’. ” He noted that there is U.S. venture capital behind some Chinese companies such as Sinanet and that the central government and some local governments have “set up some funds like venture capital to support high tech development.” But the amount of funds available from the central government for R&D is only about $5.5 billion, he said, noting that IBM alone spends more than $5 billion on R&D.  

Moreover, what R&D money is available is not spent effectively. A senior State Council economist asserted that “the government doesn’t have expertise to evaluate projects” but it proceeds to evaluate and fund them anyway. A DRC colleague similarly noted that although the central government has established a venture capital company, “it is managed by government bureaucrats, not experts,” and “the money is wasted.” Moreover, she said, “most of the big companies in China—the SOEs—are facing financial difficulties. They borrowed too much from banks, so they can’t invest much in R&D.” By comparison, this economist noted, “U.S. companies make more money and invest more money to make more in the future.” Moreover, Chinese economists say, companies in China fail to recognize the importance of R&D expenditures in contrast with the U.S., where about 70% of R&D expenditures are investment by private corporations. In addition, much of Chinese R&D money goes to universities and the Academy of Sciences rather than to business enterprises. “Universities do good work on basic research,” the previously mentioned CIIS economist asserted, “but not product development,” and of the money made available to enterprises by the government, most of it often goes to money-losing SOEs and not to private companies.

Eroding Government Controls in the Information Age

Beyond the economic repercussions of the IT revolution, there is concern that the Chinese leadership is unprepared for the accelerating impact of the information age on politics and society under globalization. “Chinese leaders always believe that you can separate politics from economics,” according to the Chinese businessman, who represents foreign businesses operating in China, and “they have been successful in doing so for the last 20 years. But the information and technological revolution will pose challenges to this.” The government’s control is already being eroded by the Internet, he asserted, to which “virtually all city people will have access” in five years or less. “I have heard that the state security people have been discussing how to control

33. DRC, interview, Beijing, July 2000.
34. CIIS, interview, Beijing, July 2000.
Internet information," he said. "But they have figured out this would be very difficult because it is so widespread. It would be costly to try to control it and they would always be left behind technological change." A Chinese lawyer also noted that the government has given up much of its effort to control access to the Internet, including cancellation of an order requiring notification of creation of web pages. "People in high schools, universities, government, think tanks, and business" have Internet access and "everyone talks about the Internet and keeps in touch by email." Besides e-mail communication, he said, the Internet is providing people with "all kinds of news" from "any perspective," including many liberal news web sites. For example, "there are at least 100 websites for Chinese law" which can "protect rights" since they can be searched to find any Chinese law almost instantly.36

Government efforts to control business use of technology also have been thwarted. "According to Chinese regulations, all companies, including foreign companies, have to report what encryption they are using, which will allow access to their files," the Chinese businessman said, but "a majority of domestic and foreign companies are ignoring the regulation." The government's declining control extends its traditional forms of surveillance, he said, adding that "the government is still doing a lot of eavesdropping, wire-tapping, and opening of mail, but it is a more and more impossible job" because the volume of calls and mail is increasing so fast that the government does not have the resources to keep up.  

Other Social Problems

While Chinese businesspeople view government and Party bureaucrats as significant obstacles on China's path as it marches toward full participation in the globalization process, some analysts view the government as so overzealous in its pursuit of the economic benefits of globalization that it is failing to address the process's social and environmental downside. "So far, I see no sign that China is not going full steam into the world economy, despite internal criticism," an economist from Fudan University asserted. The biggest worry of many Chinese reformers, as well as globalization's opponents, is that the disparity of income in different parts of China—coastal and interior, cities and rural areas—will widen rather than narrow as a result of China's further integration into the world economy. He warned that this widening rich-poor gap could lead to growing opposition to globalization in China as it has in advanced countries like the U.S. "[The] Seattle [WTO protests] opened my eyes that even people in wealthy countries could feel left out and

35. Interview, businessman, Beijing, July 2000.  
36. Interview, lawyer, Beijing, July 2000.  
37. Interview, businessman, Beijing, July 2000.
harmed by globalization,” he said. “It could be a similar problem for China.” He also criticized the government for paying too little attention to the extensive environmental damage in China. “The price we have paid is shocking,” he asserted. Although he acknowledged that there was widespread environmental damage in China during the Mao period of near economic autarky, he insisted that the situation has worsened under globalization. “If China had not been opened up, the ‘Three Gorges’ project would still be on paper as much of the funding for economic development has come from the outside.”

Finally, mainstream analysts and officials acknowledge that unemployment generated by globalization could pose a threat to social and political stability. “When we look at globalization we need to consider possible social turmoil and not just consider economic issues,” asserted a senior CICIR America specialist, especially since China needs to transform the economy to a higher stage, including SOE reform, but so far has failed to do so successfully. He and other Chinese analysts maintain that the growing unemployment resulting from the reform of the SOEs will constitute the biggest threat to stability. Some SOE’s will go bankrupt, putting all of their workers out of a job, they note, while others will have to drastically downsize to survive.

The impact of the unemployment problem will be exacerbated by the lack of an effective social safety net. They point out that although the government has made developing a social security system a priority, so far it has met with little success. China’s social security system “is short of money to pay pensions or unemployment,” the senior DRC economist asserted. A major reason for this, he said, is that a few years ago “the government took away social security funds from factories and invested in new projects—and most of those new projects are losing money.” He added that the government should return the funds to the social security system “but it doesn’t have enough money to do so.”

While Chinese nationalists and ideologues argue that China can and should reverse course; pull back from globalization; and rely on socialist values, institutions, and economics in response to the “globalization threat,” many Chinese reformers contend that China’s only hope to avoid or cope with the potential negative social and political as well as economic effects of globalization is to accelerate the economic and political reform process and more rapidly integrate China into the world economic and political community. One reformer warned that Beijing is “sitting on a big time bomb” of potential social upheaval resulting from rapidly growing numbers of unemployed, un-

38. Interview, economists, Shanghai, July 2000
40. DRC, interview, Beijing, July 2000.
educated workers with no skills and without a viable safety net. The economic steps necessary to diffuse the time bomb, he maintained, include completely privatizing the economy since “everyone knows that SOEs will eventually die.” And politically, he asserted, China needs “to change the way of governing. There is a need to change the whole system, to have greater participation of the whole society, not just a handful of people from the elite. We need to be more pluralistic and transparent.” Over the next decade, he said, China should develop a multiparty political system “and prepare the Communist Party to be the biggest party” among many parties.41

Conclusion

Chinese officials and researchers insist that the Chinese leadership is strongly committed to deepening China’s participation in the globalization process. This commitment, they maintain, was demonstrated by Chinese leaders’ willingness to make extensive compromises to reach a WTO agreement with the U.S. last year at a time of serious tension in Sino-American relations and suspicions about U.S. strategic intentions toward China. At that time, Chinese leaders were under intense domestic pressure to pull back not only from cooperation with the U.S. but also from the globalization process itself, which was increasingly portrayed as a tool of American hegemonic domination of China. However, Chinese leaders resisted nationalist, anti-U.S. pressure, especially regarding globalization and the WTO. They concluded that China has no viable alternative to participation in the globalization process if it is to achieve its economic modernization objectives. Moreover, Chinese leaders have concluded that success in meeting the challenge of globalization is a necessary condition for solving China’s multitude of other, non-economic problems, including Taiwan and that, if China fails in the face of globalization, it will experience economic decline and social turbulence, which will greatly weaken its ability to head off Taiwan independence.

Although most Chinese leaders, as well as pro-reform officials and researchers, have adopted a wary, “double-edged sword,” view of globalization, they express confidence that China can meet the challenges of greater involvement in globalization, including implementation of China’s membership obligations under globalization’s near-term incarnation, the WTO. They also insist there is broad support in China for going ahead with globalization—warily—while taking steps to avoid or deal with the negative economic, political, and social consequences.

Hardline nationalists and ultraleftists proclaim that China’s national identity, sovereignty, and political system are under assault by U.S.-led globalization and contend that China can and should pull back from globalization and

41. Interview, reformer, Beijing, July 2000.
reassert the primacy of socialist economics and morality, even if that leads to a reduced standard of living. They also say that China should be willing to go to war to defend its sovereignty by reuniting Taiwan with the Mainland, even if this would jeopardize China’s prosperity.

For now, the policy influence of these anti-U.S. nationalists and ultraleftists opposed to globalization is limited despite the wide publicity given to their views in the Chinese media. Moreover, the opponents include disparate voices opposed to globalization for different reasons and with different values, concerns, and political agendas. Those who reject globalization for nationalist and ideological reasons do not necessarily agree among themselves on priorities and goals, and they have little connection with those who oppose globalization and WTO for fear of the negative consequences for their own economic interests. Moreover, the latter group accepts that resistance to globalization is futile but hopes to delay compliance with new WTO-related regulations or convince the government to compensate them for their losses due to increased international and internal competition. The public at large, which is sympathetic to the anti-globalization critique of the West and, implicitly, of government policy, is currently unwilling to support the radical alternatives to globalization that many of the critics advocate. Supporters of a deepening Chinese commitment to globalization warn, however, that the influence of the anti-globalization forces on Chinese domestic and foreign policies could grow in the next few years, especially if China should suffer economic setbacks as it implements policies required by its pending entrance into the WTO. They also assert that the anti-globalization, nationalist forces could gain support for their ideas in policy circles should Sino-American tensions be significantly exacerbated, especially over Taiwan.

The leadership’s ability to successfully implement the painful measures required by the reform process and entry into WTO could be tested sooner than currently expected if there is a protracted slowdown in the U.S. and world economy. Export markets for Chinese goods could shrink and foreign investment in China could decline, thus exacerbating the economic and social problems created by SOE reform and increased competition under WTO. This, in turn, could feed anti-globalization, nationalist sentiment, and strengthen support for the view that China would be better off pursuing an autarkic path. Under these circumstances, the opponents of globalization could, at the very least, tap widespread discontent to slow or obstruct policies the reformers believe are necessary to meet the challenges posed by globalization—and at a time when decisive steps forward may be even more urgent. Leadership reluctance to take painful steps necessary to meet the challenges of globalization could result in a near-term policy of “muddling through” at the risk of a more serious economic, social, and political crisis in the long-term.
The Chinese are also concerned that even if China maintains substantial economic growth, globalization is increasing the gap between developing and developed countries, including China, and, most importantly, that the U.S. lead over China in economic and technological terms as well as military strength will continue to widen rather than narrow for the next several decades. They worry that as a result, China’s position in the balance of comprehensive national power with the U.S. may not only fail to improve but could even deteriorate in the future—a prospect that is likely to be a source of frustration and resentment of the U.S. that could further fuel China’s nationalist, anti-globalization fires in the future.

The nationalist, anti-globalization sentiment in China is likely to be a continuing and perhaps growing source of domestic political pressure on the Chinese leadership. Thus, Chinese leaders could be constrained from making compromises on issues in Sino-American relations that might otherwise be palatable—even though a significant imbalance of comprehensive national power places China in a weak political position vis-à-vis the U.S. Some Chinese leaders also could seek to capitalize on nationalist, anti-globalization sentiment to blame the U.S. for the failure of China’s domestic policies and push for a tougher, more confrontational policy toward the U.S. and Taiwan to divert attention from China’s internal problems.