We have entered a new historical period, characterized by economic globalization, multi-polarization, cultural diversification, and information networking. Globalization of capital, markets, production, information, science, technology, and labor not only intensifies interaction and communication between states, but also greatly affects the economic and political realities within. This became evident in the aftermath of the South-East Asian financial crisis and the September 11th terrorist attack on the USA, directly influencing the entire world.

Globalization is shaping the history of all nations, including China. The most recent stage in the modernization of China, initiated in 1978 and characterized by reform and opening to the outside world, is a process of active participation in globalization. This modernization strategy has created an economic miracle. From 1978 to 2003, the Chinese gross national product has increased from RMB 362.4 billion (US$44.2 billion) to RMB 11,690 billion (US$1,425.6 billion). Ignoring the price index, it has increased 8.4 times, with an average annual growth rate exceeding 9%. This growth rate is much higher than the 2.5% average GNP growth rate of developed countries, the 5% growth rate of developing countries, and the 3% average world growth rate during the same period, when China has registered the fastest economic growth in the world. At current foreign exchange rates, per capita GNP in 2003 was US$1,090, catapulting China from one of the “low income countries of the world” to the rank of “medium-low income countries.” In the past twenty-five years, China has solved the problem of providing adequate food and clothing for people below the poverty line, which in its rural areas has been reduced from 30.3% to 3.1%. The chasm in economic performance between China and the major developed countries has been reduced. According to World Bank statistics, in 2002 already, the domestic national product in China
was ranked sixth only after the USA, Japan, Germany, France, and the United Kingdom.¹

This economic miracle is a product of Deng Xiaoping’s policy of domestic reform and external liberalization, two dimensions of the same modernization process. Inadvertently, Deng Xiaoping demonstrated that he regarded globalization as the historical condition for China’s development strategy. In his view, economic, political and cultural interactions have become so important that “no country can develop by isolating itself from the outside world.”² Attempting to do the opposite would result in political suicide. As the biggest developing country, China is no exception. The new generation of Chinese leaders is clearly aware of the historical objectivity of globalization, and seeks to meet its challenges, participating actively in its processes.

The Chinese government is determined to seize the opportunities brought by globalization to hasten modernization. The vision of modernization as “fully developing a prosperous (xiaokang) society,” was announced even earlier than the United Nations proposition of Millennium Development Goals (MDGs). The Chinese government first formulated the concept of social prosperity as early as in 1980, but the term itself entered official Party policy only with the sixteenth session of its Central Committee in 2002.

Creating prosperity within twenty years presupposes continued and rapid economic growth, leading to improvements in the quality of life for the population as a whole, to enhanced environmental protection, democracy, a legal system and cultural development. According to this long-range plan, by the year 2020, the gross economic output will reach thirty-six trillion RMB (four trillion US dollars). This means that on the basis of a 9% yearly average economic growth rate of the past twenty-five years, the average yearly economic growth rate in the next fourteen years will have to be sustained at around 7–8% per year.

In addition, the quality of life in both urban and rural areas will need to be improved, environmental degradation checked, political