CHAPTER 7

CHALLENGES OF GLOBALIZATION AND RESPONSES OF STATE POWER

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Abstract: After the Cold War economic globalization has mended its pace. Globalization is a development process and trend as a whole. Its political dimension follows its economic leg. Globalization, both economic and political, has posed multiple and long-lasting challenges to state power, especially sovereignty. National rise and fall count on whether nation-states can come up with appropriate proposals to deal with the impacts of globalization. This article analyzes the impacts of economic and political globalization on state authority and works out proposals for China.

In the post second World War era, globalization has progressed to a new stage. In the past several decades, especially since the 1990s when the Cold War came to an end, market economy has expanded to every nook and corner of the world. The world market has been unified. Scientific advances have led to reduction in the costs of transportation and communication—time and distance are no long a big problem. Production, trade, investment, finance and consumption are increasingly getting internationalized. The flows of information and values have speedened up. Globalization as we perceive and experience today, has acquired new dimensions and it’s not an exaggeration to say that it has stealthily arrived at our doorstep. Globalization is a development process and trend as a whole. The political dimension follows the economic leg. Today, political power and relations know no national borders and have expanded to such a point that assorted, complicated global and regional governance networks have been established. Globalization, both economic and political, has posed multiple, long lasting challenges to nation-state power in general and state sovereignty in particular. National rise and fall count on whether nation-states can come up with proposals to deal with the impacts of globalization.
I. The Impacts of Economic Globalization on State Power

Globalization means that social activities and organizations expand across the borders of nation-states and outside the limits of different systems and cultures. People enjoy free and speedy mobility, contact, activity and exchange. It is a historical progress and trend. A multi-layered, holistic process, globalization has economic, political and cultural dimensions. First of all, the economic leg of globalization took place. Goods, service, means of production and information started moving across borders in a larger scale and in more than one means. The international distribution and allocation of economic resources at the global market facilitate economic integration. The fact that market, capital, multinational management, information and personnel mobility are globalized gives expression to the natures of globalization. These have posed serious challenges to state power. American scholar Susan Strange generalized the ways economic globalization poses challenges to state power. In her opinion, economic globalization has reduced or limited 10 dimensions of power that state was supposed to be entitled to. The importance and scale of defense goes down; it is hard to keep domestic currency; it is difficult to follow the capitalist development; it has a downward capability to regulate market fluctuations; it has a limited capability to offer social security; it can not collect enough taxes; it has a downward capability to work out an overall development strategy; it can hardly finish infrastructure construction on its own; and it can hardly keep its market competitive edge and monopoly. Challenges on these dimensions of power come in different ways. Power today cannot be exercised in the traditional way.¹

There are five impacts of economic globalization on state power.

First, the global expansion of market force has set limits to state power. After the Cold War, some 20 or 30 former socialist countries in Central Europe, East Europe and former Soviet Union transformed from planned economy to market one. More than 60 developing nations have embraced market economy. The socialist countries including China and Viet Nam have initiated reform, established socialist market system and opened themselves to the outside world. Most of the developed countries have adopted a pro-market policy