

Shenzhen, china's exemplary special economic zone essay sample



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This Essay hopes to examine the rationales behind Special Economic Zones in China. Paying particular attention to Shenzhen. First I will explore the climate in which the idea was conceived, referring to the China's history, politics and ethics. I will go on to discuss the whole spectrum of SEZ's. Then I will critically analyse the topic using opinions from a cross section, before finally presenting my view. My aim is to conclude my essay having gained as clear understanding possible of the subject in question.

History

Inspired by the revolutionary ideas of Sun Yat Sen, the Qing dynasty was overthrown in a quest for a republic China. The invasion of China by Japan sparked rebellion amongst the newly formed CCP. After bitter years of fighting with the Japanese and the Kuomintang, in 1949 the CCP, with Mao Zedong at its front controlled most of China. The country now known as the Peoples Republic of China.

1949 marked the beginning of a new era for China. Delighted with sovereignty and with the redistribution of land, the Chinese people threw themselves to the whims of Mao.

In 1949 and early 1950's the CCP leadership was shared. Socialism combined with pragmatism worked harmoniously. It was only when Mao decided to play yoyo economy that the entire population was thrown into extreme mobilisation collectivism. It wasn't until his death in 1976 that key figures, such as Deng Xiao Ping could get a foothold. Subsequent demotions took place including the resignation of Mao's chosen successor Hua Guo Fang. The demotion of these leading protagonists along with the promotion

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of Zhao Ziyang and Hu Yaobang beheld great symbolism. Was it the decision of figure like Zhao and Hu not to seek revenge after being victimised themselves during the Cultural Revolution, that helped restore faith in Chinese politics?

Structural Reform

Much to the pessimism of the Chinese population the 1980's marked a turning point in Chinese history. Class struggle was replaced by socialist modernisation.

Conceived from the 3rd plenum 11th central committee and Deng's 'open door' policy, Shenzhen became china's earliest experimental location for a SEZ. Special Economic Zones (SEZ) Are loosely based on previous South east Asia's export processing zones in that they adapt to give preferential treatment to investors. By attracting foreign investment. These zones can hope to earn foreign exchange via exports, encourage technological transfer and gain modern business practise knowledge. Shenzhen's situation in Guangdong province, directly adjacent to Hong Kong was no accident. After Hong Kong, now known as Hong Kong Special Administrative Region, was ceded to the British during the opium . war in 1842 it flourished into a thriving commercial community.

With all the characteristics of a western market economy. This gave birth to the idea that China, one country, could have two systems. Hong Kong had developed by the 1970's into a labour intensive export goods centre.

However by the late 1970's Hong Kong had succeeded to the point where

the raising cost of local labour was making labour intensive export

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processing unprofitable (Hudson, 1997). This coincided with the declaration of Shenzhen as a SEZ in 1980. Whether or not a direct result of it or not is arguable. But what is clear is that China, a country with a seemingly limitless pool of labour, was just what Hong Kong needed.

Shenzhen although not the only Special Economic Zone at that time, shows an example of how china, by choosing to accommodate the manufacturing needs of Hong Kong in return found a source of capital, managerial expertise and marketing know how(Hudson 1997) .

By fostering the principles of a market economy, and the presence of competition, price could now be determined by supply and demand. The joint venture law made it possible for foreign companies to invest, as China was privatising.

According to Dickson and Chien-Min (2001) Special Economic Zones were to be sites for foreign investment in enterprises which would produce exports to earn foreign exchange to underwrite modernization; they were to be classrooms in which locals could observe and learn management practices and business skills; they would be places in which high-technology equipment and knowledge could be acquired and transferred; they were to be laboratories in which western business culture and techniques could be observed and those aspects most suitable to Chinese socialism selectively adopted.

Initial objectives of Special Economic Zones Shenzhen in particular at the time were regarded as overambitious and ambiguous. In 1979 when the idea was first conceived there was no real blueprint for implementation.
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Implementation

The PRC by providing special economic incentives such as lower tax tariffs and tax rates, superior infrastructure and facilities, flexible labour policies, and more enterprise autonomy would endeavour to attract foreign investment.

In 1979 Shenzhen was changed from a county (xian) to a city (xian ji shi) and under the direct authority of the province in 1981 it was further upgraded to a provincial municipality. (Goodman 1989)

It was thought that after two years of observation of this experiment SEZ needed greater administrative autonomy to achieve its objectives. In a report by Thomas M H Chan he suggests a prerequisite for economic development is infrastructure. Chinese estimates that 6.3 billion Yuan RMB were invested in capital construction in Shenzhen between 1979 and 1985, of which more than 40 percent went towards urban construction. (Goodman 1989). This massive investment altered Shenzhen's economic structure in that industrial output surpassed agricultural output for the first time. Of course you cannot deny the facts that make Shenzhen largely a tourist orientated zone.

In 1984 although a little dated show industry contributed to less than 30% of the income of Shenzhen. A bigger proportion came from building and service industries which contradicts those afore mentioned objectives of a 'special export zone' Thus term as they are now referred to as Special Economic Zones not only emphasizes that recreational projects are important income generators, but that the zones are developing into liberal market economies. <https://assignbuster.com/shenzhen-chinas-exemplary-special-economic-zone-essay-sample/>

China's abundance of cheap labour has played a great role in attracting foreign investment. Subsequent labour reforms have also taken place.

On the back of capitalism came our own Human Resource management style. Unlike the relationship between workers and their enterprise in State Owned Enterprises, workers in SEZ'S were not guaranteed life long employment. The comfort of their work unit no longer existed but instead a competitive salary. This saw the diminishment of the ' iron rice bowl', this factor alone sparked criticism over SEZ's. Because the Chinese government intended to universalise these policies across enterprises of all ownership style, they promulgated temporary regulation, to ease the introduction, beginning in SEZ's.(DE BURGH 2006)

The taxation system went through reform. Practically all central and provincial government budgetary expenditures were financed out of taxes and levies extracted from state owned enterprises, whether they were profitable or not. (CANNON 2000)

To give greater taxation autonomy to SEZ's would have been risky for the government at that time to say the least.

Shenzhen was one of four SEZ designated in 1980, Zhuai and Shantou in Guangdong province and Xiamen in Fujian Province. Later on in 1988 Hainan became the fifth. There are now over 400 of this type of economic zones in operation around the world. In china these zones have evolved along with the rest of china and the distinctions between theses capitalist costal provinces and inland china are melting. Is this evolution now uncontrollable?

These designated zones stand in stark contrast to the communist route Mao
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Zedong strictly adhered to for 4 decades previous. Opposition to the zones voiced " to allow foreign capital to enter China after 30 years of social transformation, would be like going back in time to semi colonial era". (2002 [online])An era where concessions were made to the imperial powers.

Criticism continued and in1985 concerns were raised over an increasing flow of illegal commercial activities, such as foreign exchange laundering, fraudulent bank loans, excessive wage and bonus payments to workers and managers, smuggling, gambling, prostitution and pornography.(CANNON 2002) Still Deng Xiaoping adhered to his policy and rejected every critic by proclaiming that they needed the open-door policy in order to become part of the economic world and to overcome poverty and backwardness

Conclusion

The whole way in which the Chinese had previously operated is changing, and through the SEZ'S window this can be clearly seen. China wanted to open up, and therefore has had to adapt. The zones have allowed the government to experiment with unconventional market orientated techniques. It seems apparent noe the aim was to promote economic development by inviting investors into the country. If the measure were successful then they would be extended to other areas of China. If they proved disastrous, then they could put it down to a deep rooted interpretation as the west being associated with capitalism and capitalism associated with national decay. Then china could go back to being a self sufficient middle kingdom. The fact that that China has joined the World Trade organisation means there is no going back.

As to the success? Well, since SEZ ' s China has introduced Economic and Technical Zones. 14 areas were opened up from 1984 to 1988, the next 18 from 1992 to 1993 and the last group of 17 entities from 2000 to 2002. Most of these areas were opened around the coast, only 21 were opened in the middle and west of China in order to develop these parts of China as well. The question now is not whether to reform or not but at what pace? Should it be gradual or radical? With an annual growth rate of 10% I would say that is pretty radical. According to Fewsmith (2001) economists estimate that China's WTO membership will add 1.5 per cent to its annual growth rate after the commitments it has agreed to make is accomplished within five years of accession.

Now the wheels are set in motion for China to become a successful economy Deng Xiao Ping's theory defiantly rings true in this case. No matter the colour of the cat as long as it catches the mouse. China has definitely caught the mouse, the question is whether or not they have the teeth to chew it!