

CHINA

in

TRANSITION

**Economic, Political and
Social Developments**

**Edited by
George T. Yu**

UNIVERSITY
PRESS OF
AMERICA



Lanham • New York • London 993

CHAPTER 14

THE CHANGING ROLE OF SHENZHEN IN CHINA'S NATIONAL AND REGIONAL DEVELOPMENT IN THE 1980s

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Introduction

From 1979 to 1980, the People's Republic of China established four Special Economic Zones (SEZs) in its southeastern coastal cities. The SEZs were heralded as forerunners for China's open and decentralized policy of introducing foreign investment and reforming the domestic economic system. Of the four SEZs (Shenzhen, Zhuhai, Shantou, and Xiamen), Shenzhen is the largest and has been growing most rapidly. Bordering on Hong Kong, Shenzhen is also the most strategically located of the four zones. Since 1980, Shenzhen has been studied most heavily in the ever growing body of SEZ scholarship. Much of the existing research on Shenzhen, however, tends to deal with the internal dynamics of the zone itself, with little attention given to the close linkages between Shenzhen and the domestic sector. Studies that address these linkages focus largely on changes in the central government's policies regarding Shenzhen.¹

This chapter extends previous research on China's SEZs and Shenzhen in three specific ways. First, I propose an integrated and parsimonious conceptual model of Shenzhen's development. Second, I use the model to analyze Shenzhen's changing role in China's national and regional (Guangdong Province and the Pearl River Delta) development throughout the 1980s. Third, I evaluate the performance of Shenzhen's two key industries--electronics and textiles--in creating commercial and technological linkages between the world market and China's national and regional economies.

Conceptualization of the Shenzhen Model

Since its formal inception in 1980, Shenzhen's orientation and functions have been subject to competing visions and heated debates among China's policy and academic circles. Early on, Shenzhen was described as having to attain "four majorities": (1) the majority of the zone's construction investments were to be from foreign sources; (2) the majority of the zone's firms were to be either Chinese-foreign joint ventures or wholly foreign-owned firms; (3) the majority of the zone's products were to be for export; and (4) the majority of the zone's economic activities were to depend on market forces rather than on planning mechanisms. In 1984 Deng Xiaoping offered his vision for Shenzhen as serving the "four windows" function by introducing technology, scientific knowledge, management expertise, and articulating China's open policy. The "four majorities" characterization is consistent with an *outward* orientation for Shenzhen measured by: (1) foreign investment constituting over 50% of the zone's total capital stock, especially in the industrial sector; (2) 70% of the zone's products being exported; and (3) realizing and maintaining the zone's balance in foreign exchange.² The vision of "four windows" seems to dovetail with both an *outward* and *inward* orientation for Shenzhen. The zone was to diffuse international resources to the domestic economy and to symbolize China's openness to Hong Kong and the world community. Opinions also split on whether Shenzhen should be primarily an industrial center or a trade zone, as measured by either sector accounting for over 50% of the zone's gross domestic product.³