Economic Development In the Shenzhen Special Economic Zone: Appendage To Hong Kong?

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Introduction

This paper will examine the development process of the Shenzhen Special Economic Zone (SEZ) (referred to as Shenzhen) in the ten years since its establishment. Since Shenzhen is situated in the Pearl River Delta (referred to as the Delta), together they are regarded geographically as an integrated region, which also includes Hong Kong, an international metropolis (Figure 1). Shenzhen and Hong Kong are spatially contiguous, though politically separated from Shenzhen. Since little work has been done on the economic relationship between Shenzhen and Hong Kong, not much information, especially in the form of statistics, is available. The following discussion will concentrate on Shenzhen’s economic development. From the analysis of Shenzhen’s development, this paper will make specific emphasis on the evolving Shenzhen-Hong Kong economic links.

The periodization adopted takes 1985 as a dividing line. The pre-1985 period (1979-1985) is the period of the formative stage of Shenzhen’s economic system. The subsequent analysis will show that during this period, Shenzhen’s development was primarily characterized by an emphasis on foreign trade. The trade-oriented pattern of economic development is in direct conflict to the Export Processing Zone (EPZ) model after which Shenzhen was founded. This led to a debate over the direction of Shenzhen’s development and resulted in an economic restructuring that re-emphasized on the original goal of export-oriented industrialization. The second period began in 1985/86 is a stage of industrial development. Shenzhen corrected the trade-bias of the previous stage, and put itself on the path of export-oriented industrialization.

Shenzhen’s economy is intended to be direct foreign investment (DFI) induced. Consequently, it is a form of transnational capital development. Before the export-oriented industrialization could take effect, an alternative economic structure during Shenzhen’s initial stage of development had to be introduced to provide for the necessary capital for industrialization. This paper reviews and