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**THE “INSTANT CITY” COMING OF AGE: *China’s
Shenzhen Special Economic Zone in Thirty Years****

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“INSTANT CITY” COMING OF AGE:
CHINA’S SHENZHEN SPECIAL ECONOMIC ZONE IN THIRTY YEARS*

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Abstract

The year 2009 marks the thirtieth anniversary of the birth of China's Shenzhen Special Economic Zone (SEZ) bordering Hong Kong. Shenzhen SEZ not only heralded the essence and evolution of China earlier domestic economic reform and global integration but also represents the dynamics of new city-building in China over the last three decades. This paper looks at Shenzhen's short history for the lessons it teaches about the superfast growth and painful transition of a boomtown-turned-megacity. We first scrutinize the internal and external factors that have created Shenzhen's boom and are inhibiting its transition. We then examine the dilemma of a huge migrant population and labor force in Shenzhen that made the city rich but has not been incorporated fully by and into the city. Finally, we investigate the opportunity and necessity of bolder and deeper governance reform that is critical to engineering more sustainable development for Shenzhen.

Key words: Shenzhen, boomtown, transition, migrants, governance

Shenzhen and Dubai may have outstripped Paris and New York as civic models. But can an instant city ever feel like the real thing? Built at phenomenal speeds, these generic or instant cities, as they have been called, have no recognizable center, no single identity. It is sometimes hard to think of them as cities at all...

(Ouroussoff, 2008, pp. 70, 72)

INTRODUCTION

If not for the dazzling pace at which Shenzhen exploded from a tiny fishing village on the Hong Kong border and Dubai rose from the desert in the Middle East, it would be hard to fathom that a *New York Times* architectural critic would mention them in the same breath as Paris and New York. Both Shenzhen and Dubai have risen at a dramatic pace, and become known as an “instant city,” albeit with very different histories and different scales, forms, and functions, respectively.¹ Leaving the examination of Dubai to more qualified scholars (see Kanna, 2009), this paper turns to Shenzhen to review its miraculous growth over three decades, to examine the broad implications of this process, and to assess its likely future.

A relatively young city, Shenzhen is coming of age. Around 1980, China’s first Special Economic Zone (SEZ) was set up in Shenzhen city for attracting overseas investment and

¹ On scale, Dubai’s population grew from 25,000 in 1948 to about one million around 2000 (Kotkin, 2005), which was dwarfed by Shenzhen’s explosion from around 30,000 in 1979 to over 10 million in 2009. On function, a small and remote port in the sprawling British “informal empire” until the 1970s, Dubai has since been marked by a greater variety of economic activities such as smuggling, transshipment, free-trade zones, and more recently, financial services (Kanna, 2009).

initiating domestic reform. Shenzhen was an unexpected product of a China behind its closed doors and centrally planned economy. Its progress was so rapid that it became, in a manner of speaking, a victim of its own success, in part because of internal and external constraints on its current and future well-being.

Shenzhen is confronting cumulative economic, social, and political challenges stemming from its superfast growth – it is China’s largest city of immigrants, and is particularly vulnerable to the effects of the current global economic crisis. A retrospective and prospective study of Shenzhen will reveal the complex lessons of a city that is touted for its growth rate, glitzy skyscrapers, and gross economic rankings among Chinese and world cities. The study of Shenzhen offers many insights into an array of contentious processes and outcomes that define it and perhaps other “instant cities.”

We first place Shenzhen within the limited tradition of research on boomtowns to establish it as China’s fastest growing and first contemporary “instant city”; one that differs considerably from seemingly similar cities in Western history. Next, this study identifies three salient features of Shenzhen that reflect both the progress and pain of its rapid economic ascent: its primary emergence as a dynamic SEZ; its evolution into a full-fledged industrial city; and that now it faces an uncertain future in light of the global economic downturn. This approach differs from and extends a recent comprehensive review of China’s SEZs’, especially Shenzhen (see Yeung, Lee and Gee, 2009) through a critical evaluation of Shenzhen’s speedy successes and subsequent challenges, that provide lessons about city-building. By highlighting Shenzhen’s experience in dealing with industrial transition, migrant labor, and governance reform, we will shed light on the broader implications of the Shenzhen model for development zones and city-building in China, and beyond.

BOOMTOWNS, INSTANT CITIES, AND SHENZHEN

The rise and fall of cities is generally a slow process. Architect Carlo Ratti (2003, p. 212) characterized it as "...the collective addition, discussion, acceptance, refusal or modification of every new intervention, leading to a slow and long-lasting urban growth" or decline. By contrast, the sudden growth of boomtowns has been infrequent. Historical antecedents would be Venice and Antwerp in the 14th and 15th centuries C.E. Merchants built Venice with the lively circulation of capital in a geographically confined manner and outside labor. Turkish pirates threatened it as city began to crumble from within due to drains on its wealth. Venice fell as Istanbul rose to supplant it as a new maritime powerhouse (Braudel, 1992). Antwerp also rose to be a center of the international economy through maritime trade. Although Antwerp did not have its own native merchants of international standing, it attracted foreign traders from the old Hanseatic cities, and England, France, Portugal, Spain and Italy. Ascending from external maritime trade connections and subsequently developing industrial activities, Antwerp eventually descended in profile and activity as a result of internal religious, political, and social problems (Braudel, 1992).

Given the fast rise of historical European cities like Venice and Antwerp, they might well have been regarded as earlier boomtowns. Although neither boomtown nor instant city were used to refer to these cities, Braudel (1992, p. 98) introduced the Latin phrase *ex nihilo* (out of nothing) to characterize them, especially those in northern Europe as cities built from scratch. As these cities lost their quick fortunes and dominant status due to different external and internal conditions, they left historical legacies and lessons that were explored further in later urban literature.

A stronger focus on boomtowns developed with studies of urban centers of the 19th century American Great Plains that drew millions of pioneers to new manufacturing jobs and the prospect of other riches (see Kalman, 1999). This scholarship advanced the notion of the “instant city,” referring to a type of settlement that condensed the complex growth from wilderness to city within the span of a generation (Barth, 1975). One object of this focus was Cincinnati that grew from a tiny frontier settlement of 750 residents in 1800 to a booming city of over 100,000 people 40 years later (Kotkin, 2005). San Francisco and Denver were other subjects. These instant cities achieved the status of urban centers in a matter of decades. The depletion of gold mines, coupled with the introduction of new technology such as the railroad and the telegraph, transformed San Francisco and Denver from isolated instant cities into stable, sustainable urban establishments that fostered a sense of community and operated within a national network (Barth, 1975). The interplay between internal and external factors sustained some boomtowns like San Francisco and Denver, whereas it led to the decline, in absolute or relative terms, of some earlier European and American Western towns.

Research on boomtowns in the developing world is more recent and rare. One such study focused on the sustained boom of Nador, Morocco, which for almost 40 years drew tens of thousands of Moroccan immigrants from afar. The multiple linkages between Nador and international commodity circuits sustained a profound local effect on the everyday life of the free flow of bodies, ideas, and commodities into and out of the Nador region (McMurray, 2001). Boomtowns or instant cities vary in their growth trajectories (sustained or not) in response to the relative role of and dynamic interaction between local and extra-local forces that either drive or induce change.

In comparison to these cases, Shenzhen is an “instant city” that boomed on a larger scale, at a faster speed, and most importantly, and in a distinctive fashion. Shenzhen broke the record of constructing a skyscraper at an average of two and one half days per floor in the 1980s and continued to change its “skin” or cityscape in both wrenching and fluid ways (Ratti, 2003). Shenzhen was once depicted as a “city that sprung up when someone just added water.”² Socioeconomically, while adventurous individual pioneers searching for private fortune or religious freedom built the boomtowns of the old American West, Shenzhen became an “instant city” as a result of it having been designated as a SEZ - thus its growth was propelled by a purposeful push from a powerful state. Its boom was sustained by the extended implementation of favorable policies and rapid and continued build-up of large-scale, state-financed infrastructure. Shenzhen would not have boomed without the collective toil of many risk-taking migrant laborers (a common trait for boomtowns, see later).

To better understand any boomtown or instant city via a focus on Shenzhen, we employ the concept of coming of age to define Shenzhen’s developmental pathways and prospects. We undertake a broad analysis of three crucial dimensions of Shenzhen that have shaped its existence and identity and may well constrain its future: economic growth; migrant labor; and political governance. Marked by its 30th anniversary, the coming of age for Shenzhen reveals the big moment for an instant city. Through our analysis, we will extract from Shenzhen some lessons about how boomtowns or instant cities can achieve short-term spectacular growth and define the struggle for these boomtowns to parlay success into more sustainable development.

² T.K. Maloy, “Shenzhen: The Instant City,” United Press International.com, October 1, 2003, accessed on April 20, 2009.

CHINA'S FIRST SPECIAL ECONOMIC ZONE

Shenzhen's fame and fortune were tied to China from the very outset as the first SEZ created at the beginning of China's historic turn to modernization and internationalization. In 1978, China was poised to enter a new era after emerging from the "dark decade" (1966-76) of the Cultural Revolution. The post-Mao leadership under Deng Xiaoping - who had returned to power after the Cultural Revolution - introduced the "four modernizations" in agriculture, industry, technology, and defense.

Included in this development strategy was the Joint Venture Law. Passed in 1979, this law changed China forever by allowing overseas enterprises to establish equity joint ventures with Chinese companies and directly exposing state-owned enterprises to the financial and managerial influences of foreign investors. Besides immediately unleashing major change at the organizational level, this elevated to an aggregate effect on larger institutional arrangements. This cannot be overstated, as evidenced by China's emergence as the most popular destination among developing countries for foreign direct investment (FDI).

Although the Joint Venture Law of 1979 was immensely transformative, the promulgation of "The Regulation on Special Economic Zones" in 1980 was no less important. This initiative defined a "Special Economic Zone" as "an area where enterprises are treated more preferentially than in other areas in relation to such matters as the tax rate and the scope of operations in order to attract foreign capital and advanced technology for modernization" (Chen, 1994, 1995). The SEZs furthered development of well-prepared public utilities and fostered a receptive investment climate. They offered preferential treatment to foreign firms seeking advantage in land use, rent agreements, and tax holidays. SEZs were designed to help major exporters of manufactured goods enjoy the benefits of doing business on the global market.

The concept and intended practices of SEZs were not entirely new in 1980, as they bore a resemblance to the Export Processing Zones (EPZs) that Taiwan, South Korea and other countries had been using since the 1960s to drive their export-oriented industrialization efforts (Chen, 1994, 1995; Sit, 1988). However, SEZs were a brand-new concept for China - a bold stroke given the entrenchment of socialism in the political economy that lingered into 1980.

As the first SEZ, Shenzhen was the very first locale in China to be cordoned off to experiment with economic reform and market activities—a sort of testing ground for capitalist practices. Thus began China’s gradual move from centralized planning and isolationist policy to a more market-friendly political economy. It was a bold strategy tempered by cautious tactical steps. Although an unprecedented move to introduce market practice and foreign investment to post-reform China, it was implemented with the state’s unfettered ability to control the experiment in a confined environment and restrict any negative effects. This coupling of audacity and caution made it possible to replicate success and reduce risks from the very outset of China’s reform, when major success was far from certain and the risks of failure were perceived as high.

FROM TORRENT GROWTH TO TOUGH TRANSITION

Shenzhen has incomparably maximized the first-mover advantage in achieving instant rapid growth. This is not surprising given Shenzhen’s pre-growth backwardness and geographic adjacency to Hong Kong and its plentiful capital. Like the rest of China, pre-SEZ Shenzhen had a history of economic stasis that lasted until reform sparked and sustained its three-decade-run of remarkable growth. While Shenzhen’s power and status have thrust it into the limelight, the first mover advantages raise questions about its long-term strength. We provide an analytical peek

into both the predictable origin and trajectory of a boom city and the protracted challenges it faces as it comes of age.

In non-statistical terminology, Shenzhen exploded from a small fishing village—a tiny outpost at the far southern edge of the expansive Chinese mainland bordering Hong Kong—into the giant industrial metropolitan region of today. Even as recently as the mid-1980s, when the senior author of this paper first traveled to Shenzhen to conduct research, this young SEZ had relatively few paved roads and the landscape was bereft of an expanse of new government and residential construction. Notwithstanding this, new factories interrupted the vista and construction activity, which, revealed that groundwork, had begun in earnest for the emergence of a large industrial city.

Starting with a population size of only 30,000 people in 1979, Shenzhen increased its official population count (as of 2007) to 8.6 million, of which only 2.1 million were registered households or *hukou* (a designation which confers household members the status of legal permanent residents) (Shenzhen Statistical Bureau, 2008). The true demography of Shenzhen may reveal an additional population of perhaps another four to six million migrant laborers who lived in the city temporarily and were not counted in the official tally; adding them would raise the total *de facto* population to approximately twelve to fourteen million (Shen, 2005; You, 2008). Regardless of the tricky definition of urban population in China and in Guangdong's cities (see Shen, 2005), the more conservative estimate for Shenzhen yields a lopsided 5-1 ratio of temporary population (six million long-term residents plus four million or so short-term migrants for a combined ten million) to a legally permanent population of two million. This makes Shenzhen unique among China's largest and economically most important cities and poses a particularly vexing challenge from the huge migratory labor force (see below).

Shenzhen's annual average growth of 30% since 1980 was unequalled in the world and it had a GDP of almost US\$100 billion in 2007, ranking fourth among all Chinese cities, but likely without a global equal. Its GDP per capita surpassed US\$10,000, the first Chinese city to do so (see Figure 1 below),³ with its projected GDP per capita reaching US\$20,000 by 2020, another China's first.⁴ Shenzhen industrialized at a greater rate than any other Chinese city between 1980 and 2007; its industrial share of the GDP rose from 20% in 1979 to 50% in 2007 while its agricultural share dropped from 30% to less than 1% (Shenzhen Statistical Bureau, 2008). Shenzhen also marked 2007 as the fifteenth straight year it ranked as China's number one export city, finishing ahead of the larger, older, and traditionally export-oriented Shanghai. Thirty years ago, Shenzhen barely had a serviceable road linking its center to the outside world; it developed into an excellent logistics hub, boasting the world's fourth largest container port behind only those in Singapore, Shanghai, and Hong Kong (with its growth coming mostly at the expense of Hong Kong).

[Figure 1 about here]

First-Mover Advantages

Shenzhen would never have experienced demographic, industrial, and infrastructure growth at such a pace without its first-mover advantages working quickly and intensively. Shenzhen became a living laboratory for new economic principles and practices that were alien to the socialist planned political economy prior to 1980. By offering lower taxes at 15% as opposed to 33% outside its boundaries, Shenzhen became the first and foremost destination for

³ This calculation excluded the six million temporary migrant population, which helped build Shenzhen's industrial machine (Wang, 2008).

⁴ Same as note 2 above.

an initial wave of foreign investment. By March 1981, total foreign investment in Shenzhen had grown to US\$400 million (Nishitateno, 1983, p. 176), far exceeding any other single locale in China. From 1983 to 1985, FDI in Shenzhen rose about 75% annually. By the mid-1980s, more than 52% of the total number of equity joint ventures in China were located in Shenzhen and the three other SEZs. The four zones accounted for 34.6% of the total pledged foreign investment in such projects, with Shenzhen getting the lion's share (State Statistical Bureau, 1985). Shenzhen's first-mover advantages got a big early lift from its heralded neighbor Hong Kong. Given Hong Kong's historical economic relationships with international markets, it was well prepared to provide Shenzhen with an entry point to markets outside of China. This allowed low-cost production in Shenzhen, where land and labor were relatively cheap; low-cost and convenient shipping of raw materials and products to international markets; easy supervision of the production process and excellent quality control; and streamlined coordination with headquarters in Hong Kong. The end result was the efficient, expeditious export of quality, inexpensive finished goods to international markets through Hong Kong. From 1986-1993, Hong Kong accounted for 66% of overall FDI in Shenzhen and 64.2% of cumulative foreign investment (Liang, 1999, p. 119). While geography reinforced Shenzhen's first-mover advantages, it didn't sustain them later as Shenzhen's SEZ status gradually became less exclusive—its success prompted the government to extend the stimuli of FDI to other cities and locales across China. Shenzhen lost some of its first-mover monopoly in 1984 when the central government designated 14 other coastal cities as economic development zones, each of which became a competitor with Shenzhen and with one another for FDI and fast growth.

If the true first-mover advantages of a SEZ like Shenzhen were to last only for about five years, the open policy heralded by them appeared to be assimilated in 1985 when Deng Xiaoping

told China “The open policy will not be changed; if changed, it will only become more open. Without the open policy, there is no hope for the four modernizations.”⁵ The expansion of the open policy targeting the coastal belt in turn strengthened the SEZs’ continued importance to China’s future development. The SEZs permitted China to induce, digest, and then adapt western technology through the controlled channels without exposing its entire political economy to fierce competition with more efficient multinational corporations. It also helped preserve a critical mass of socialist inertia that was of great ideological importance to a state not yet forty years removed revolutionary birth in 1949.

The year 1992 was a landmark in Shenzhen’s evolution. That year, Deng Xiaoping revisited Shenzhen where he made emphatic remarks to confirm the importance of the SEZs, and also sent a powerful message to the rest of China that economic reform and open policy would definitely continue. Deng’s visit provided an immediate boost to FDI in Shenzhen, which rose from US\$250 million in 1992 to US\$497 million in 1993. In 2007, contracted FDI in Shenzhen exceeded US\$5 billion, with utilized FDI reaching US\$3.6 billion (see Figure 2). Both indicators were historical peaks for a relatively young city fueled by FDI from the very outset.

[Figure 2 about here]

With an unexpected and ironic twist, Shenzhen today in its regional context may be likened to an historical example from the second half of the 19th century, when Guangdong province in general, and the port city of Guangzhou (then Canton) in particular, functioned as China’s most intense points of cultural contact economic intercourse with the West through the gateway of Hong Kong. China’s disastrous loss of the Opium War and its attendant humiliations contributed to the Qing government’s ironically-named “Self-Strengthening Movement”--an ill-

⁵ *Ta Kung Po* (published in Hong Kong), August 4, 1985.

conceived set of reforms that, in effect, sought to superimpose western technological and military reforms on a feudal political state. Rather than achieving the piecemeal modernizations for which it was designed, the reforms instead fomented dissent from within and caused the house of Qing to collapse upon itself by 1911. It appears that the post-Mao modernizations and market reforms first pioneered in and embodied by Shenzhen have been implemented far more carefully and successfully, and unlike “Self Strengthening,” will be a boon to the state, rather than the catalyst for its ultimate implosion.

Shenzhen’s Growth Pains

The miraculous rise of Shenzhen in comparison to other Chinese cities was, in fact, not totally unexpected, given the decade-long head-start that stemmed from its SEZ designation. . Its first-mover advantage was magnified by its propinquity to Hong Kong. After its designation as China’s first SEZ the future course of Shenzhen’s development was on a seemingly inexorable trajectory. However, the glorious early years of Shenzhen’s development were a bit short-lived. Shenzhen, like any developing city, was not immune to the inevitable growing pains of economic growth and attendant developmental adjustments.

In 2005, Xu Zongheng, Shenzhen’s sitting Mayor, enunciated “four difficulties” facing the city: limited land, shortage of energy and water, demographic pressures, and environmental contamination. He pointed out the obsolescence of the conventional strategy of increasing the labor supply as a means to raise GDP, given the fact that Shenzhen was bearing an increasingly heavy demographic burden. Even if the unofficial, estimated gross population total of fourteen million persons in 2007 were to be set aside, Shenzhen’s official tally of 8.6 million - of which

less than one in four people were living in registered households – was a demographic issue that had to be factored into any proposed comprehensive development strategy.

These development bottlenecks have been met with purposeful policy responses. Since 2005, the Shenzhen government has increased its restrictions on land approval, raised the minimum wage to the highest rate among large Chinese cities (US\$125 a month), and elevated environmental standards by banning the particularly polluting industries including dying, paper-making, tanning, and electric-coating. The inevitable rise in both land and labor costs due to rapid growth, coupled with both reactive and pro-active government policies, led to some capital exodus and also elevated the importance of timely and successful industrial restructuring in affected sectors (Hu, 2007).

Despite being a cornerstone of SEZ first-mover advantages, tax breaks are no longer sufficient to induce businesses to maintain operations in Shenzhen. For example, Taiwanese-based Guangdong Nai Li Shoes has moved its factory to nearby Dongguan to secure cheap land and labor. "We had tax privileges for five years," said owner Mr. Li. "Then we realized that Shenzhen was getting so expensive, so we have moved our 30,000 square meter factory with 4,000 workers to Dongguan."⁶ The Shenzhen headquartered firm Measurement Specialties, which makes sensors for installation into devices ranging from cars to pacemakers has also left. Having recently acquired a small Chinese company in Chengdu, Sichuan province, Measurement Specialties began planning to move some non-core, labor-intensive operations to Chengdu, where all-in pay is about 20 percent lower than in Shenzhen.⁷ Even Shenzhen's home-grown

⁶ *Asia Times* online at www.atimes.com, November 20, 2007.

⁷ Alan Wheatley, "China's growth slowly starts to shift inland." Accessed on <http://www.reuters.com/article/newsOne/idUSTRE53C0LN20090413?sp=true>, April 13, 2009.

powerhouse Huawei—China’s largest telecommunications company—began construction of a production facility on a 500,000 square meter technology park site in Dongguan. Huawei, which employs 22,000 people worldwide (including around 1,000 in Bangalore, India) and still maintains about 4,000 workers in Shenzhen, invested US\$588 million in the Dongguan project.⁸

In 2000, Ping An Insurance—which originated in Shenzhen in 1988 and became a major national company—began a move to relocate its core business units to Shanghai, and in September 2002, Ping An announced the construction of the US\$3 billion Ping An Financial Tower in Pudong, Shanghai. This signaled both a substantive and symbolic shift of its corporate gravity away from Shenzhen and towards mainland China’s premier financial center. By the end of 2002, China Merchants Bank, which was founded in Shenzhen in 1987 as China’s first shareholding commercial bank, moved its credit card center to Shanghai where it would operate its nation-wide credit card business. Even Wal-Mart’s China Procurement Center, once ensconced in Shenzhen, stole away to Shanghai, dampening Shenzhen’s aspirations to becoming an international logistics center. With both home-grown and multinational companies leaving Shenzhen, a Shenzhen-based reporter for the BBS forum of the official *People’s Daily* was moved to ponder, “whether Shenzhen is being cast away, and by whom?”⁹

The question may be merely rhetorical, as China’s first SEZ--a key city with top performance indicators cannot be “cast away.” Nevertheless, the reporter’s controversial question, published on November 17, 2002, marked a turning point in Shenzhen’s coming of age

⁸ See note 5 above.

⁹ The reporter who raised the question published the controversial article on November 17, 2002 and then left Shenzhen for work in Hong Kong. We accessed the article on www.cul.book.sina.cn/view/shzh/ in January 2009.

story and triggered new thinking and planning for the city's future that reflected and reinforced its pioneering role in economic reform and development over the previous two decades. By building up the local economy on the clean slate of export-oriented light industries and then moving toward high-tech industries, Shenzhen almost skipped the standard stage of heavy industrialization that many of China's other manufacturing centers experienced, distinguishing its path-dependent trajectory. While this development was highly successful, it also created imbalances and left a large void in Shenzhen's industrial foundation.

To redress this, Shenzhen promoted the growth of some heavy industries, which grew at 16.5% in 2007, faster than the 14.7% GDP growth (Wang, 2008). This policy tilt was accompanied by the acceptance and encouragement of labor-intensive processing factories leaving Shenzhen for interior cities. In the first half of 2007, the six district governments of Shenzhen, working with some industrial associations and interior municipal governments, established twenty "enterprise transfer parks" to facilitate the relocation of less competitive factories to cheaper locations.¹⁰

Transcending its earlier successes in labor-intensive assembling and manufacturing, Shenzhen tried to establish itself as China's top-ranked city in a number of new national and international brand-name products. Shenzhen became adept in developing the capacities and competencies to design products instead of merely manufacturing them. In June 2008, the national government approved Shenzhen to be the first experimental city for becoming an innovation center.¹¹ With a vibrant graphic and industrial design industry encompassing more

¹⁰ "Letting sparrows go and inducing phoenixes: Shenzhen's turnaround," *The People's Daily*, December 3, 2007, p. 6.

¹¹ "Miracle Shenzhen," *The People's Daily*, November 26, 2008, p. 2.

than 6,000 design companies and 60,000 designers, UNESCO named Shenzhen a “City of Design” in late 2008.¹²

Given its entrenched industrial history and the intense competition posed by more competitive cities like Shanghai for developing modern services, Shenzhen may still find self-reinvention difficult. The coming of age after 30 years of neck-breaking growth has indeed presented challenges to Shenzhen’s future prosperity, but with prudent planning, these challenges are also opportunities for an “instant city” to rebalance itself as a more permanent hub for sustainable development.

CHINA’S LARGEST CITY OF IMMIGRANTS

Shenzhen would not have urbanized and industrialized so rapidly without the infusion of millions of migrant laborers. The ratio of migrants to permanent residents was extreme: six million persons were classified as a “temporary population” in 2007 (see Figure 3) plus four to six million unregistered (not captured by the graph), compared to about two million permanent residents, or those with the household registration of *hukou*.

[Figure 3 about here]

Shenzhen is China’s largest city of immigrants. Moreover, it has an extremely young population averaging just under thirty years of age (Ratti, 2003). Since 1980, approximately when the first huge wave of migrants arrived at Shenzhen, millions have followed suit to seek better economic opportunities. While some struck rich and a small number even became millionaires, most have labored quietly to make a living. While some have come and gone—returning to their native homes outside the city--most have stayed for varying periods of time and

¹² “The spirit of Shenzhen,” *The Wall Street Journal Asia*, January 9-11, 2009, p. W12.

some have permanently set roots in Shenzhen and obtained legal resident status. Regardless of their individual gains and losses, the millions of migrant workers in Shenzhen have transformed it into an “instant city” of wealth and prosperity. They are the very essence of contemporary and future Shenzhen.

Migration to Shenzhen was among the earliest and largest rural-to-urban and urban-to-urban population movements in post-reform China. This was due to Shenzhen’s appeal as a special destination of unprecedented opportunity, its association with large-scale infrastructure construction, and its supply of a large number of factory jobs. This migration was also an unusual but productive coupling of Shenzhen’s first-mover development advantages and being the first mover to take advantage of them. It happened at the time when inter-city and inter-provincial migration in China was still tightly controlled, with the annual cross-provincial rate of migration remaining below 1% during the 1980s (Li, 1996). Although the initial migration to Shenzhen accounted for a tiny proportion of the subsequent tidal waves of the so-called “floating population,” it included many people who were willing to risk much for the prospect of a better life—an aspiration that was violently suppressed during the Maoist era.

Migrants Rich, Poor, and In-Between

The fortune of earlier migrants to Shenzhen reflects the city’s appeal as a newly opened frontier with its attendant adventures and rewards. The more calculated migrants retained their previous household registrations, as a precaution should they need to return home. Others have risked everything on Shenzhen’s prospects. The migrants’ stories tell the tale of a boomtown that has allowed some to prosper and many to languish in a fiercely competitive environment (Chen, 1987).

Mingzhe Ma arrived in Shenzhen in 1983 and took a job as a taxi driver. Before long he was hired by China Merchants Shekou Industrial Zone Social Insurance Company, working his way to the lofty position of Deputy Manager. Today, he is the Chairman and CEO of China Ping An Insurance Corporation (see earlier). Hua Chen, a peasant from Wuchuan County in rural Guangdong arrived in Shenzhen in 1985 with US\$12--a loan from his sister--to seek employment as a construction worker. His first job paid him the monthly equivalent of US\$7. Ten years later, he started a real estate development company, and by 2005 he was named among China's list of 100 wealthiest people, with a personal net worth of over US\$300 million (Zhang, 2007).

The experience of Resheng Chu, a 1988 immigrant from Anhui province, is more modest and more typical. Possessing only a middle-school education, his Shenzhen story began when he was hired as a laborer for a construction team in Shenzhen from Fujian province. In three years, he saved about US\$1,500, which he used to build a new house in the home village. In 1997, he married, and later had two sons. He continued to earn about US\$4,500 a year in Shenzhen, managing to save two-thirds of it to send home to support his family. Feeling contented with this level of success, Chu delayed returning to his hometown, in contrast with original plans for a quick repatriation – an experience shared by many Shenzhen migrant workers.

As of 2007, he has remained in the city, and his future plans remain undecided. Like so many others, he can neither settle down nor return to be with his family (Zhang, 2007). Chu's life experience is similar to the millions of temporary migrants who came to Shenzhen seeking both quick money and a short stay--only to find themselves earning too much to justify leaving for home, but too little to have the freedom to do so. Millions of workers have similarly become *de facto* residents of the city. (In the early years of the SEZ, it was reported that Shenzhen's

policemen would put up their own street stands to sell merchandise after they finished their daily duties [Wang, 2008].)

A growing number of migrants have risen to middle class status through years of hard work and educational mobility. Representative of this group is Zi An who traveled to the bustling southern city from her native village at the age of sixteen, possessing only an elementary education, and with a very flimsy mastery of Mandarin. Working 16-hour days on a factory assembly line, she enrolled in night classes and soon was qualified enough to obtain work as a waitress and hotel attendant. She graduated from Shenzhen University with both a bachelor's and master's degree in literature and linguistics. An would go on to write a bestselling book chronicling the obstacles faced by migrant workers, and her work has been an inspiring story for thousands of them. She is now a well-known inspirational speaker and a regular on the business seminar circuit. An hopes to convince other migrant women that they also can make their dreams of a better life come true, even in the face of setbacks.¹³

An is part of the growing number of seasoned migrants in Shenzhen who have achieved some upward social mobility through sheer determination and hard work. The stories of many immigrants to China's largest immigrant city—which has offered factory jobs and entrepreneurial opportunities to millions of risk-taking outside laborers--remind us of the experiences of American immigrants who arrived in booming American industrial cities in the 19th and earlier 20th centuries (Kotkin, 2005).

The Misfortune of Outsiders

Millions of migrants like An have collectively built up the wealth of Shenzhen, and a

¹³ Reported on channelnewsasia.com, January 30, 2009.

small number of them made individual fortunes in the process. For the majority of these migrants, success has proved far more elusive. They are not accorded a household registration and its attendant privileges and social standing relative to education level and professional credentials. They are denied low-cost access to education and health care and have to pay a large sponsoring fee for their children to be able to attend local schools. Migrant nurses are paid at most half the wages allocated to colleagues who are legal residents. While Shenzhen's permanent residents can easily apply for and get travel permit to visit Hong Kong, migrant workers must return to their hometowns to apply for the same privilege.

Facing these and other discriminatory practices, migrant workers feel they are second-class citizens in Shenzhen. For many, the longing for a real home manifests itself at Chinese New Year when Shenzhen is transformed into a ghost town as millions of migrants return home for the extended holiday. Despite having lived in Shenzhen for 18 years and adopted an urban life style, Chu (who generally stays in Shenzhen during the holiday) remains an outsider without *hukou* (Zhang, 2007). While migrants like Chu have lived in Shenzhen for some time, their weaker attachment to the city, coupled with their decisions to send remittances instead of spending more locally, have the aggregate negative macroeconomic effect of lowering consumption.

Shenzhen's retail sales in 2003 were half of Guangzhou's, even though the former average per-capita income was higher than the latter. The Engle Coefficient--the proportion of spending on food in the total consumer spending—for Shenzhen was 27.9% compared to 36.8% for Guangzhou. This prompted some retailers to set up their South China headquarters and flagship stores in Guangzhou rather in Shenzhen (You, 2008). This phenomenon is largely consistent with the departure of major manufacturing and service companies (e.g., Ping An

Insurance) or their core operations from Shenzhen (see the preceding section).

The Challenge of Incorporating Migrants

Addressing the current needs and long-term prospect for millions of migrant workers in Shenzhen is a major challenge: it bears the weight of sustained economic growth, accumulated wealth, and unwillingness to accept migrants as true local citizens. The challenge has aroused widespread concerns and also some recent policy responses. A former Party Secretary of Shenzhen Municipality advocated discontinuing the phrase “peasant workers” and replacing it with “outside workers.” This nonetheless carried the connotation of migrant workers coming from the outside. A former Mayor of Shenzhen expressed a grave concern that if temporary workers don’t identify with the city, they were more likely to leave, and their departure would be particularly detrimental at a time when they were needed for industrial upgrading (Zhang, 2007). While Shenzhen used to attract about 300,000 college graduates every year, that number dropped by about half in recent years – also attributable to accelerated growth, more job opportunities, and higher pay in the Yangtze River Delta around Shanghai (Chen, 2007). Widespread popular criticism of the police force’s characterization of people from Hunan province as more prone to criminal activities was also remarkable. In response to an outcry, the police were forced to apologize and rescind the characterization. Some bloggers went as far as to call for Shenzhen to establish a special festival for migrants (Zhang, 2007).

Perhaps prompted by the broad concern about the conditions of migrant workers, the Shenzhen government has introduced several policy measures, some of which are the first in China (mirroring its lead in initiating other reforms). In May 2006, the Shenzhen government introduced a medical insurance program for migrant workers mandating employers to pay \$1

with employees contributing fifty cents a month that they could apply to gain easier access to medical treatment. The government labor bureau and lawyers generally persuaded in persuading evasive factory owners to return millions of dollars in back pay that they owed the migrant workers. Presently this has become increasingly difficult as the global recession has prompted some business owners to shut down factories, sometimes overnight, and flee China to avoid paying both suppliers and workers. During 2008 in the city of Dongguan, there were 673 cases—up 24 percent—of owners fleeing their factories, leaving behind 113,000 unemployed workers owed US\$44.1 million (Roberts, 2008, p. 46). Worse, as rural migrants who live in huge factory dormitories, these workers have no place to live if the bosses flee. This has recently prompted the Guangdong Lawyers Association to call for legislation that will allow criminal prosecution of bosses who flee factories (they currently only face civil penalties) (Roberts, 2009). In a city built by millions of migrant workers whose meager livelihood pivots directly on the vicissitude of the global economy, a severe crisis has engendered a labor management and protection challenge of huge magnitude that tests the local government's will and ability to respond effectively.

In introducing other measures, the Shenzhen government has increased investment for educating migrants' children and directed greater investment for already locally enrolled students by approximately US\$500,000. Following the government's lead, companies in Shenzhen have stepped up informal educational programs to improve the performance of their workers by upgrading their human capital. These programs are created to be task specific and the workers participate in evaluating their efficacy. The employer-sponsored education is formulated to be complementary to the workers' ability to perform their tasks and allows employees to exercise more control over their workspace (Xiao, 2003). The private sector's effort, however, pales in

comparison to the intention and actual effect of formal government policies for migrant workers.

On August 1, 2008, the Shenzhen government took the biggest step thus far by beginning to issue the “permanent residence card”¹⁴ to temporary migrant workers (which will make the two lower lines in Figure 3 converge). In principle, this new card will allow migrant workers to enjoy the same housing, medical, educational, and pension benefits as those with *hukou* or household registration, even though they are not legally the same. Shenzhen planned to issue five million such cards by the end of 2008 and widen its coverage to over 90% of the migrant labor force by the end of 2009. Some migrants who have been in Shenzhen for a few years have already applied for and received the card. At this point, it is unclear if this be sufficient to bridge the gap between the small proportion of Shenzhen residents with *hukou* and the majority migrant population that are expected to receive the permanent residence card. One of its immediate effects will be to blur the distinction between the “local and legal” resident with *hukou* and the “outside” migrant and thus eroded the former’s privileges. But if the new card is not *hukou*, it will test the government’s desire and ability to make this program really work to the point where the formal and informal distinctions between the permanent residence card and *hukou* can be made to disappear.

PIONEERING AND LEARNING IN GOVERNANCE

The dual challenges of industrial upgrading and migrant labor influx put the third

¹⁴ This card can be issued to all Shenzhen temporary residents over 16 years of age who are employed, have investment, own properties, are overseas returnees, or possess special creative talents. The government also introduced a “temporary residential card” for those who don’t have jobs, investment and private property in Shenzhen.

dimension of Shenzhen's coming of age—pioneering in governance—in sharp relief and pertinent historical perspective. Relative to the magnitude of its profile for generating the first economic and city-building miracle of post-reform China, Shenzhen's role as a broader reform leader received less attention during most of its history. Its earlier significance however remains highly relevant to understanding the more recent round of political reforms in Shenzhen and its governance challenges in the future.

Shenzhen broke new ground in utilizing foreign investment and bank loans for constructing infrastructure projects. It adopted tendering where project design, construction, and furnishing would all be subject to competitive bids as a way of reducing risks and improving the efficiency of capital construction. This practice contributed to the “Shenzhen Speed” of growth in ways other than being the “historical first.” Shenzhen blazed the trail in introducing contractual employment through the first set of Chinese-foreign joint ventures, leading to early reforms of traditional lifetime employment, egalitarian wages, and insurance that was prevalent in state-owned enterprises. Furthermore, Shenzhen started the first foreign exchange swap center in China, allowing some degree of openness, competition, standardization, and fluctuation based on market principles that stimulated the export-oriented economy. Shenzhen broke new ground by using auctions to transfer the use or leasing right to state-owned land.

A number of policy experiments that originated in Shenzhen have become wider practices in China. The successful experiments in Shenzhen such as tendering in infrastructure construction, labor contract, and loosened control of non-staple food prices were quickly adopted in the 1980s. This process could be seen as a spatial extension of “better (not best) practices” from Shenzhen to the rest of China. The transfer of land use right through auctions was crucial to the rapid built-up of the Pudong New Area of Shanghai, China's second Shenzhen-like

development initiative, in the early 1990s (see Chen, 2009). As this demonstrated that large infrastructure projects like highways could be built through a bidding process, it became replicable and was repeated in other Chinese cities, creating a powerful push behind the rapid spatial transformation of those cities. Contractual employment, which was tested in Shenzhen, spread quickly and widely to other cities and became an enduring element of China's new labor market. This also set in motion the large-scale internal migration, which turned into tidal waves, of an estimated 150 million laborers working or roaming to find work in cities.

Stretching the Reform and Governance Frontier

The more Shenzhen became a pioneer and replicable model for reforms, the more pressure mounted for the deepening of its own reforms. As a brand new city, Shenzhen was placed on an uncharted course for developing new and innovative governance reforms because it was less tainted with strong state control and deep economic planning. These reforms took on a more political or institutional focus after its earlier successful economic reforms lost some of their power in sustaining rapid growth and overcoming new transitional challenges discussed earlier. That Shenzhen has attempted new and unprecedented political reforms is ultimately spurred by the central government, which could not afford China's first SEZ and its unique historical significance to languish. Like Deng Xiaoping and Jiang Zemin who had blessed Shenzhen personally with their visits, and their nationally broadcast support of the city, Hu Jintao visited Shenzhen in April 2003 and accentuated its historical position as China's "open window and experimental ground" that could and should stay ahead of the rest of the country.¹⁵

¹⁵ "The flag for reform and opening," *People's Daily*, October 1, 2008, p. 2.

As it is widely known, China's political reform has been much slower and more timid than economic reform over the last 30 years. While the political reforms introduced in Shenzhen pale in comparison to its bold economic experiments, they have been more audacious and forward-looking than what has occurred in the rest of China. The general thrust of Shenzhen's political reform has been the improvement of governance capacity through a comprehensive redefinition and restructuring of the municipal government from an omnipresent one to a more limited one, from a regulator/administrator to a service provider and from a power-holder and influence-wielder to one with a civil service identity and accountability. This involves separating the government's functions of decision-making, implementation, and monitoring, which aims to reduce the governmental tendency to "overreach, neglect, and misjudge" (Li, 2008). Although this may appear somewhat abstract, the scope and essence of the reform reflect a serious effort to move into new political territories that carry far-reaching policy implications.

The recent political reform also includes some specific but ambitious measures. In May 2008, the Shenzhen government unveiled a plan to institute a multi-candidate mayoral election and introduce the Hong Kong model of clean and corruption-free government in three years. This would allow self-recommended and Party-nominated candidates to run limited campaigns, which will take place first at the district or sub-city level where candidates could give open speeches and engage in public debates.¹⁶ In November 2008, the Party Secretary of Shenzhen introduced a process through which the municipal government would move from the current "two-level government and four-level governance" structure to a new "one-level government and three-level governance" model. This envisioned the elimination of the district government's

¹⁶ "Shenzhen: Mayoral election in three years." *First Fiscal and Economics Daily*, May 26, 2008, p. 5.

structure (which corresponds to that of the higher municipal government) and the creation of differentiated and simplified governance at the municipal, district and street office levels.¹⁷ The goal of this proposed reform was to lighten the top-heavy and top-down approach to governing and replace it with a more limited governance setup closer to and more in tuned with community interests. Whether this bold reform will be implemented and how well it will work may depend on how the current government is handling the difficult challenges for governing an export-dependent transitional city during a global economic crisis.

Governing a Transitional City

Before Shenzhen can implement the next round of new political reforms, it must surmount a web of dealing with multiple challenges arising simultaneously from earlier success and recent developments within and beyond its borders. Governing a city of almost fourteen million people who are crowded into a built-up area of 720 square kilometers (in contrast to only three in 1979) is daunting. Although Shenzhen is sometimes regarded as a planned city, it suffers from a lack of overall planning and a failure to anticipate the problems of a city of this scale, which is worsened by favoring the speed--as opposed to the coordination—of growth. The millions of migrant laborers who contributed to Shenzhen's boom have not been fully incorporated into the city's social and built environments. Until very recently, the layered government bureaucracy has made it both difficult and expensive for migrant workers to obtain the temporary residential permit, requiring a long series of rubber stamps and high fees. In response to the higher proportion of migrants involved in crimes, Shenzhen's police have been

¹⁷ “The planned elimination of the district government is Shenzhen's pioneering role in governance reform,” *First Fiscal and Economics Daily*, November 24, 2008, p. 4.

heavy handed in cracking down by rounding up people perceived as migrants with legitimate temporary residence. The speculative real estate market that has developed in response to the rapid economic growth has pushed up housing prices in central Shenzhen to an almost comparative level as Hong Kong's New Territory cross the border, forcing migrant workers to the city's periphery to rent or build the equivalent of slum housing on ecologically fragile hills. The *Asia Times* reports that as many as 400,000 migrant laborers were involved in building and living in make-shift housing, mostly on Shenzhen's outskirts against government regulation.¹⁸ As a new city, Shenzhen was built with wider roads to accommodate cars but without attention to the walking needs of pedestrians and access to public buildings and spaces. Pedestrians can only cross the streets at pedestrian overpasses, which are useless for wheelchairs and thus inconvenience the disabled.¹⁹

The lack of government care and protection for the daily interests of both migrants and local residents has stimulated bottom-up political aspirations, especially in light of the growing middle class in Shenzhen. Using the criterion set by the Chinese Academy of Social Sciences for the middle class with a household income of US\$7,246, Shenzhen boasts about five million members of this middle class, including some early migrants who worked their way up through upward social mobility. Middle class Shenzhenites who view the current political system as corrupt have been challenging the election law. Ordinary citizens are running for political office in attempts to change the system. Jiang Shen, who works in the advertising sector, chose to run for political office. He used his cell phone to find supporters for his candidacy and distributed

¹⁸ See note 6 above.

¹⁹ Sean Marshall, "Shenzhen: China's Instant City," *Spacing Toronto*, October 13, 2008, accessed on April 20, 2009.

campaign cards to neighbors—he met opposition from state officials who were disposed against him because of a lawsuit he had brought against a city official (French, 2006).

This is indicative of increasing enfranchisement among those in the Shenzhen middle class. While he was not successful in his political run, Jiang Shen represents people seeking political participation to redress their grievances. Besides the political aspiration of the new urban middle class in Shenzhen, non-government and non-profit organizations (NGOs and NPOs) have become more active in helping meet the diverse needs of the heterogeneous migrants. They provide social services to the economically disadvantaged and free legal assistance to abused women through hotlines operated by professionals. The more diverse socio-political landscape intensifies the pressure on the government to be more accountable, which helps sustain the momentum of the pioneering reforms.

The progress in governance reform experienced a setback when the global economic crisis hit Shenzhen directly in 2008. It eroded the government's willingness to enforce China's new Labor Law, which provided more effective protection for migrant labor's interests and rights effective January 1, 2008. In the first 10 months of 2008, 15,661 enterprises in Guangdong province shut their doors, and over half of those – about 8,500 – ceased doing business in October 2008. Shatangbu Yifa Rubber and Hardware Corporation in Shenzhen closed its factory and abandoned its workers. The workers sought to claim their back pay and severance stipulated by the Labor Law. Many migrants were unable to secure funds from the Hong Kong-based owner and were left without sufficient funds to return home for the Chinese New Year. Although the third of the workers who sought resolution from the local government were granted 500 Yuan (US\$73) each for back pay, the funds were limited and any other

grievances were relegated to their fate in bankruptcy court.²⁰ The willingness and ability of Shenzhen's government to protect migrant workers' interest was compromised by the central government's new permission for local authorities to freeze minimum-wage levels and to reduce or suspend employers' social-insurance contributions.

Although the Shenzhen government retreated from intervening in many areas of social life through earlier reforms, it asserted its role in responding to the negative impact of the global economic crisis. Given its heavy dependence on the garments industry, which contributed US\$10 billion to Shenzhen's exports in 2007, the Shenzhen government began to encourage clothing manufacturers to promote brand name recognition. The Shenzhen Bureau of Trading and Industry, the Shenzhen Garment Industry Association, and the Beijing Kingbuilding Economic Management Research Institute crafted policies that would transform Shenzhen into the "Capital of Women's Fashion Garments."²¹ In the meantime, the Shenzhen government accelerated the relocation of labor-intensive, declining industries to other cities to free up more land for more high tech and service industries. Shenzhen recently signed a regional cooperation agreement with Guangdong's poor neighboring provinces of Hunan and Jiangxi, and Chongqing municipality in the southwest, to assist manufacturing enterprises moving there, in return for

²⁰ "Factory closures strain China's labor law," by Sky Canaves in *The Wall Street Journal*, January 16, 2009, <http://online.wsj.com/article/SB123215043508192065.html>.

²¹ "Shenzhen's garment sector promotes regional brands," by Li Li and Liu Jia on *China Economic Net* online at http://en.ce.cn/Insight/200901/12/t20090112_17929312.shtml, January 12, 2009.

unspecified fees payable to the Shenzhen government, with the conditions of the removal aid dependant on *guanxi* or connections.²²

As Shenzhen shifts from an “instant city” to a more mature city, its governance becomes more complex and challenging due to the interaction of changing internal dynamics and external factors. The fast growth of labor-intensive and export-dependent industries has benefited tremendously from low taxes, massive Hong Kong investment, cheap prices, and government subsidies. However, upgrading to higher value-added manufacturing and services calls for more strategic policy coordination and sophisticated handling of state-market relations. Having delayed addressing a range of issues regarding the millions of migrants, the government has taken a bold new step by issuing them the permanent residential card but without specifying and guaranteeing that they will have the same rights as the small percentage of the population with *hukou*. The global economic crisis has raised the stakes of a more effective governance response by the Shenzhen government. Ironically, the crisis appears to have an unintended consequence of strengthening a government that has attempted to shrink itself through ongoing political reform.

THE PROSPECT FOR AND LESSONS FROM SHENZHEN

What is next for Shenzhen? The answer lies just in as much in an assessment of its present state as in its historical lessons. While sudden growth may have turned Shenzhen into an urban anomaly—a city without historical identity—²³ its short history as a SEZ is undoubtedly its dependent path. The Shenzhen SEZ was the *first mover* of economic reform and open policy during the early stage of China’s transition to a hybrid system that blends socialism with

²² *Asia Times* online at www.atimes.com, November 20, 2007.

capitalism. Although China has become progressively more open to globalization since the reforms began around 1980, it was Shenzhen that set the tone and stage for that gradual and cumulative process to unfold over the next three decades. Shenzhen became *the* experimental ground for FDI, joint ventures, land tendering, contractual employment, the blurring of urban and rural through migration, and more. The success of these experiments provided a powerful stimulus to Shenzhen to take off. When the successful experiments became transplantable and replicable in other areas, Shenzhen began to lose its special status. An apt metaphor or not, Shenzhen was the first domino that was special when it triggered the row's fall, after which it was no longer unique; yet it remains the singular domino that dictated the fate of the whole lot – for better or for worse – of dominoes that followed.

Beyond its first-mover status and modeling role as a SEZ, Shenzhen has grown out of its instant city stage into a huge industrial city confronting new challenges that threaten its continued prosperity. In a sense, Shenzhen became too successful too fast. World-renowned architect Rem Koolhaas, who has used Shenzhen as a prominent case for teaching and research remarked, “the absence, on the one hand, of plausible, universal doctrines and the presence, on the other, of an unprecedented intensity of production, have created a unique, wrenching condition: the urban seems to be least understood at the moment of its apotheosis” (cited in Ratti, 2003, p. 210). As a new city built quickly on labor-intensive processing and manufacturing, Shenzhen lacks a deeper and more diverse economic base that can cushion the undesirable effects of industrial restructuring and a global economic recession. Shenzhen's location advantage in bordering Hong Kong, which was a boon to its rapid growth through the convenient cross-boundary transfer of massive capital for export-oriented production, has also reinforced Shenzhen's shallow and single-dimensional economic strength. As Hong Kong's own

disadvantages--high salaries, expensive land and the overwhelming dominance of the service and real estate sectors--persist, it may be less capable of helping Shenzhen when that help is particularly needed for Shenzhen to achieve successful industrial upgrading through the current global economic downturn.

In fact, Chinese scholars (e.g., Gu, 2005) earlier on pointed to Shenzhen's advantages--a fast-expanding manufacturing sector, more high technology, growing R&D capacity, and a dynamic and youthful workforce—as needed for Shenzhen to stay competitive. For example, the container throughput at Shenzhen's port grew from 0.04 million twenty-foot equivalent units (TEUs) in 1990 to 18.50 million in 2006, following closely Hong Kong's 23.3 million TEUs in 2006. Shenzhen's container throughput will likely surpass Hong Kong's in five to ten years (Shen, 2008, p. 336). Simply put, Hong Kong's advantages have been eroded by the faster overall growth and upgrading of Guangdong and neighboring cities, especially Shenzhen since 2001 (Shen, 2008).

Nevertheless, in meeting the new challenges of rising cost and industrial upgrading, Shenzhen has (re)turned to its old neighbor—Hong Kong—as a key component of Shenzhen's 2030 Urban Development Strategy, which envisions the city becoming a global urban center for sustainable development (Shen, 2008). This is the first time Shenzhen has taken economic integration with Hong Kong into consideration in its long-term development plan. The draft blueprint, drawn up in late November 2007 and sent to the State Council (China's cabinet) for approval, calls for Shenzhen and Hong Kong to convert themselves into a twin-financial, trade and shipping hub. One of the priorities set forth in the blueprint is to build a common capital market, with Shenzhen's financial institutions going international through Hong Kong while more financial institutions in the former British territory could set up branches in Shenzhen as

their springboard to expand business in the mainland. The two stock exchanges could cooperate more closely to attract dual listing of enterprises at home and overseas. The Shenzhen blueprint focuses on six major areas: improving cooperation on financial systems; building a Shen(zhen)—(Hong) Kong Innovation Rim; improving cross-border transportation; and enhancing cooperation with Hong Kong in the high-technology and high-end service industries. To build the Shen-Kong metropolis, the Shenzhen government has reiterated in its newly released draft regulation on developing the financial industry that it was willing to become "the backyard" of Hong Kong as the region's international financial hub. The draft regulation was aimed at boosting Shenzhen's financial sector into "a strategic pillar industry" of the city after high-technology manufacturing (Chung, 2007).

As rosy a scenario as the blueprint depicts, there are heavy barriers to be overcome before execution. For example, the Chinese currency is still not fully convertible, which greatly restricts capital flow between Shenzhen and Hong Kong. Legal systems in the two places are also radically different, so to build a common capital market a common legal basis must be established. Regarding the proposed merger of the Hong Kong and Shenzhen stock exchanges, it is important to note that the Hong Kong stock exchange is a listed company, whereas the Chinese government owns the stock exchange of Shenzhen. In addition, there are many technical issues to deal with: among other issues, the listing, settlement, and regulatory regimes of the two exchanges are different and investors inside and outside the mainland are not allowed to trade in each other's market (Chung, 2007).

Despite these barriers associated with the incompatibilities between Hong Kong as a Special Administrative Region (SAR) and Shenzhen as a sub-provincial municipality, the call and forces for closer cooperation and integration between the two have been in place for some

time. In 2003, the Comprehensive Development Institute (CDI), a think tank connected to the State Council, advised the central government to elevate Shenzhen to provincial status so Shenzhen could create significant economic linkages with Hong Kong from a more compatible and powerful position. The CDI pointed to the fact that the combined GDP of Hong Kong and Shenzhen amounts to HK\$1.7 trillion (about US\$207 billion), some 17% of China's total GDP. The CDI also viewed the SEZ-SAR alliance as an effective solution to the major problems of Hong Kong's economy such as high unemployment, high land and property prices, and high labor costs. A "SEZ-SAR twin-metropolis" would encompass 3,000 square kilometers, doubling Hong Kong's space and giving Shenzhen another 700 square kilometers to expand. The CDI also called for trade and investment to be liberalized, which would compliment unrestricted flows of labor, logistics, and information between Shenzhen and Hong Kong (Ng, 2003).

The ultimate lesson from Shenzhen the "instant city," or city *ex nihilo* in Braudel's term, is the dilemma of dealing with millions of migrant laborers. Although many of them have lived in Shenzhen for a long time with or without permanent residence, many more have yet to feel at home in and develop an attachment to Shenzhen. Even if the current crisis provides a temporary relief to this alienation as many migrants are forced to leave Shenzhen to return to their places of origin, migrant workers' lack of identity with Shenzhen is a roadblock to its transition to a more sophisticated city because some of the more skilled and educated temporary workers (Shenzhen boasts highest percentage of Ph.D.s of all Chinese cities) will not be fully committed to working in the city. Having begun to issue the permanent residential card to the millions of migrant workers in 2008, the Shenzhen government has taken a great leap forward in governing the transitional city as a more equitable and sustainable living place. How this official document translates into benefits and rights for the millions will determine Shenzhen's real future. In this

crucial transition, Shenzhen is a very different “instant city” from its historical antecedents elsewhere. And its coming of age reveals both the dynamic and contentious aspects of building an instant city and governing its transition in China’s reforming economic and political context over the last 30 years.

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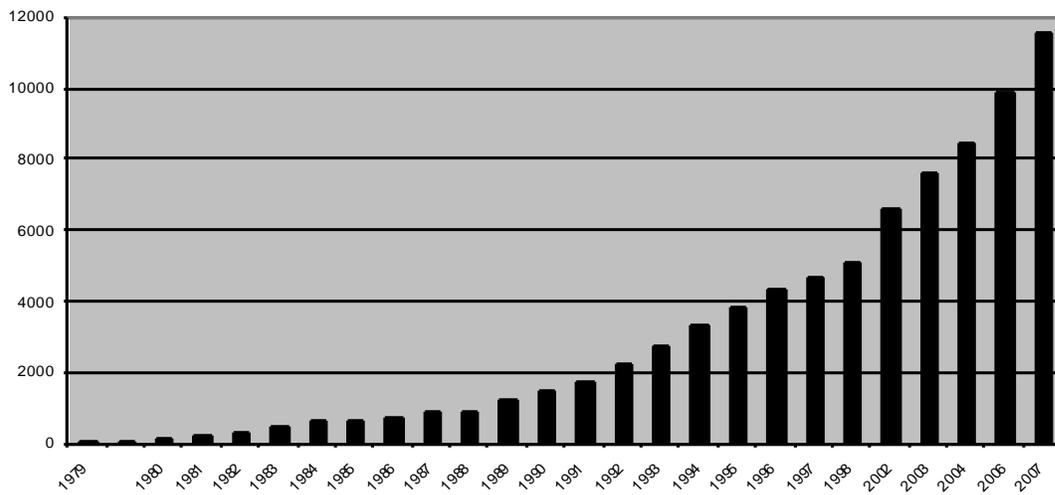
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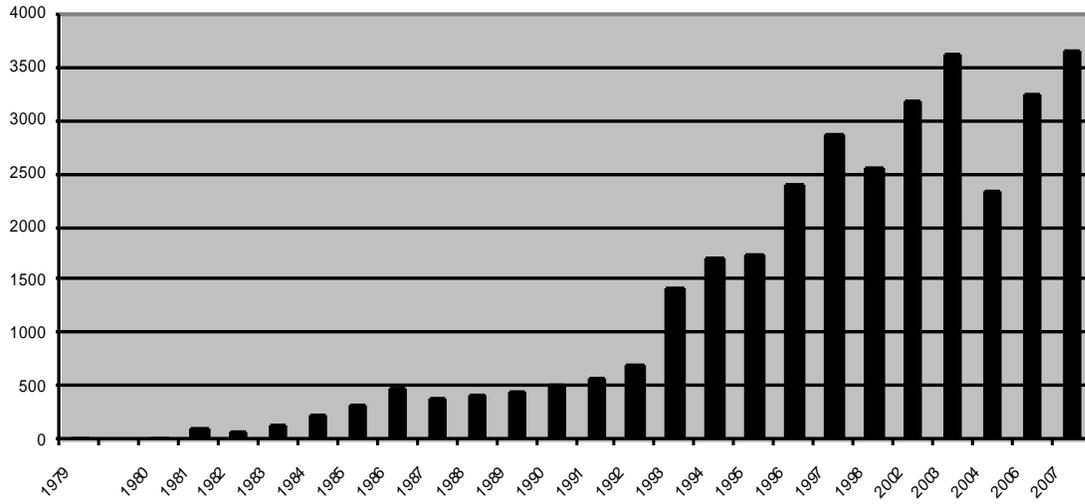
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Figure 1
Shenzhen's GDP per Capita (in US Dollars), 1979-2007



Source : Graphed from data published by Shenzhen Statistical Bureau.

Figure 2
Amount of Foreign Capital Actually Used (in million US Dollars),
Shenzhen, 1979-2007



Source: Graphed from data published by Shenzhen Statistical Bureau.

Figure 3

Shenzhen's Population Growth, 1979-2007

