

Restoring capitalism: Enclaves of capitalism

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The role of Special Export Zones in China

Originally, the Special Economic Zones (SEZs) which were set up after 1979, were kept entirely separate from the rest of the Chinese economy. Their role was to attract foreign capital investment, high technology and to give China access to modern management techniques and foreign currency.

Their output was destined for export, not for the domestic market. In return, foreign companies were offered tax breaks, cheap labour and subsidised infrastructural development.

In the 1980s, the SEZs developed rapidly with double digit growth rates throughout the decade. As they grew, they shifted their emphasis from the original cheap labour assembly of toys and plastic goods to textiles and then to electronic and optical instruments.

By the 1990s production facilities of all sorts had begun to move away to lower wage areas such as the Pearl River delta between Hong Kong and Canton. The SEZs were increasingly concentrating on ?service? industries such as real estate management, insurance and banking.

From this it is clear that, despite their character as supposedly sealed enclaves, separate from the rest of China, the SEZs began to have an impact beyond their borders within a decade of their foundation. Not only did they provide employment they were also a growing market for all kinds of goods and services, often supplied from the TVE sector.

Over the last ten years the influence of the SEZs strengthened as the barriers to the domestic market were lowered and foreign firms were allowed to set up elsewhere.

As sources of foreign trained management and legitimisers of, for example, short term contract labour and what has been called ?frontier capitalism?, they have exerted an immense gravitational effect.

Especially in the coastal provinces, they have diverted resources from the state sector, pulled the TVEs into their own orbit and established economic links between the world market and the non-state sectors.

Today, their ?special? status is being relinquished under the terms of the World Trade Organisation agreement signed last November. From the point of view of the restorationists, their job has been done.