

**April 23, 1988**

## **Attachment 6: Main Points for the Information**

### **Citation:**

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### **Summary:**

Information about the construction and development of the Shenzhen Special Economic Zone.

### **Credits:**

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### **Original Language:**

Polish

### **Contents:**

Translation - English

{Attachment 6}

/Translation from Chinese/

Main points for the Information

Dear Polish guests,

Allow me to use this opportunity and present you briefly with a sketch of the construction of the Shenzhen special economic zone.

#### 1. Construction of the special zone

The Shenzhen special economic zone has been a product of the opening policy introduced by our country. It is the first zone that has been opened, it is the quickest to develop and the most comprehensive one. During the last 8 years the construction of our zone and its economic development were immensely successful.

Before construction of the zone Shenzhen was a remote town with the population count just above 20 000 people and the urban area of only 3 square kilometers. The agricultural and industrial production were backwards: they consisted of a few repair workshops for agricultural machinery, fertilizer production facilities and crop processing plants. The total value of industrial production in 1979 amounted to ca. 60 million yuans.

After the special zone had been established the fundamental construction works were organized at the great scale by the magistrate to create a favourable environment for investment. During eight years 10.4 bn yuans were spent to create the urban area of 50 sq. km. Gradually, the town government built 8 industrial areas, a scientific and technical network for the industry, multiple industrial facilities, real estate for trade and storage, sites for tourists and cultural objects; the overall area of new constructions reached 14 mn sq. km. The facilities for communication, transport, supply of water and electricity are being successively completed and improved; three new harbours have been built, a new highway and an aeroport are under construction. The city has been directly connected to the telephone grid with sixteen countries and foreign territories and over 90 cities at home. A town with dated urban infrastructure became a modern city and now the zone area has 520 000 people.

Before the zone was established the town had only one four-story block of flats; it took seven to eight years to make them a common view in the city. 10.4 bn yuans were spent on construction works, 300 mn of which the state invested directly. The remaining funds came mostly from four sources:

- a. Foreign capital,
- b. Investment from the provinces and cities of China (2 bn yuans altogether),
- c. Long-term loans granted to China,
- d. Use of local financial returns for fundamental construction works.

Central government applies to us the following policy: until 1990 local financial income can be spent on local constructions without the requirement to transfer them to the capital. At the moment, the total value of investment amounts to 7 bn and financial income in the last 8 years amount to 4 bn yuans.

## 2. Development of the special zone

Thanks to the continual improvement of the conditions for investment in the special zone foreign trade representatives are more and more interested in investing here. During the last 6 years Shenzhen reached over 5400 deals and agreements with 22 countries and territories, e.g. Japan, USA, England, West Germany, France and Canada. The total invested capital is 1.8 bn USD from over 1200 companies, 400 of which have been from the industry.

Apart from actively attracting foreign partners the special zone is involved in the activities at home, i.e. economic and technical communication, reaching gradually over 3000 agreements with the cities and provinces, attracting the investment of 2 bn yuans, establishing over 2000 enterprises linked with the rest of the country, including over 300 industrial companies. Applying the formula to "attract from the outside and connect with the inside of the country" and to "import materials, process them, contribute the added value and export" Shenzhen has recently moved from the previous era of small-scale production of minor agricultural tools and initial crop processing to the current situations of over 30 industries, e.g. electronical, chemical, textile, food, machine or construction materials. Now, total industrial production spans over 1000 goods, 450 of which go to international markets.

The value of industrial production in Shenzhen before the establishment of the zone was over 60 mn yuans in 1979, in 1987 it already reached 7.76 bn yuans, with the average annual increase of 67%, while 50% of production value was exported.

The rapid increase in social productivity pushed forward the common increase of production in the entire national economy. In 1987 the GDP [of China] amounted to 4.25 bn yuans, an increase of 20.6 times compared to the 1979 GDP of 190 mn yuans.

The overall export in 1987 was worth 1.4 bn USD while in 1979 it was 9 mn USD, which constitutes an average annual increase of 89%.

Apart from the economic development of the special zone, material and cultural conditions of life of the [local] population improved as well. Wages in the zone increased on average 2.7 times compared to the situation before the zone had been established; relevant progress happened in the sciences, education, culture, health care, and physical culture - right now there are four higher education institutions which train the staff for construction works in the zone.

With the creation of material civilization the development of spiritual civilization progresses as well. As a consequence of the development of our productivity, people's opinions have stabilized as well. In the special zone, there is stabilization and unity, good social order, and our practices for the last eight years bring trust of the wider masses for the economic zone where the development of socialism with Chinese specificity prospers.

Although the development in the special zone achieved a great success it is still not on par with our goals for the economic relations with other countries. Compared to the leading countries of the world we still have a lot to do and the environment for foreign investment needs further improvements, and these should be the main directions for our increased efforts.

## 3. State of reform in the special zone and perspectives for its development

Guided by the policy of opening and reform introduced by the Central Committee of

the CPC, since the special economic zone had been established we carried out a number of reforms concerning the construction of a new economic system tailored for market economy, planning system, prices, finances, foreign trade management, wages, labour and simpler administration. The reform produced favourable conditions for foreign investors who may now start enterprises here in accordance with the international law. Actually, the conditions for an economy compatible with free market is already present in Shenzhen: foreign traders feel the ease of conducting business in the zone as all the supplies of raw materials, basic subsistence goods, labour and real estate can be organized on the market.

After the XIII Session of the CPC we analyzed the situation we face, including the tendencies of reform, opening and economic development, and we established a strategy for economic development for the Shenzhen special zone. In it we follow the international market, strive for industrialization before the turn of the century, for consolidation of trade, industry and technology for a comprehensively developed economy of the special zone that would also include an advanced financial sector, tourism, agriculture, breeding and fishing. Furthermore, we are supposed to be one of those regions where the struggle to achieve the key economic goals of our country for the second and third period ends the most quickly.

Thus in 1990 the total GDP will reach 7 bn yuans with the expected population of 1.2 mn people gives on average 5800 yuans per person, a level of moderate prosperity set as a goal for the remainder of the century which we will achieve sooner than that, i.e. in 1990.[\[1\]](#)

By the end of the century our GDP will reach 29 bn yuans, i.e. 17000 yuans per capita with the expected population of 1.7 mn people, thus reaching the goal of modernization and the level of the developing countries. It means that the goals that the rest of the country will reach in the next century we will try to achieve before the year 2000.

From the point of view of the circumstances at home and abroad the Shenzhen special zone has many favourable features. In terms of the international situation, the world economy undergoes a transformation that is advantageous to us. Internally, the XIII session of the CPC set the strategy for opening and reform, for continual development encouraged by stabilization and unity in our special zone. We are confident that we will succeed with these tasks.

With this I conclude my brief and kindly ask our dear Polish guests for many hints and comments.

I thank you all.

23 April 1988

[\[1\]](#) They either mean not the GDP of China but the total income of the Shenzhen zone or the numbers were misrepresented by the factor of 103 such that when they write "million" they actually mean billions and when they write "billion" they mean trillions. Otherwise the expected population of just above million for the entire country and the GDP per capita calculations are inaccurate by an enormous margin. Also, in economic and statistical literature the unit of one thousand has been used quite commonly. It is possible that the translator simply forgot to include the units in his work. This might be true for the previous sections of these main points as well.