

A Study of Special Economic Zone Transformation and the China Model

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Abstract The background of the “altruistic” establishment of China’s traditional special economic zones determines that the special zones serve as “windows”, “experimental fields”, models and drivers, and they take up the historical mission of reducing the risks and costs of the national reform and opening up while paving the way for it. When the market-oriented reform of the special zones becomes the goal for national reforms, the traditional historical mission of the special economic zones will have basically been accomplished. This shows that the special zones have no longer mainly functioned as the windows for the opening up and the experimental fields for institutional reforms; instead, they have developed into a regional developmental model and have constituted a pole for the economic growth of this region. New special zones were established and special policies relating to them were set up to further aggregate the factors, promote the economic development of the new special zones, give rise to polarization and produce diffusion effects, which has become a new regional developmental model. The economic reform was mainly driven and put into practice by the special economic zones, thus the special zone mode developed by the traditional special zones and the new special zone developmental path is the foundation and core of the China Model.

Keywords Special economic zones · Transformation · Special zone mode · China model

The Third Plenary Session of the 11th Central Committee of the Communist Party of China established the basic policy for reform and the opening up to initiate the course of the great rejuvenation of the Chinese nation. In 35 years, China made a breakthrough—setting up the special economic zones—and continuously intensified the reforms, expanded the opening up to make tremendous achievements, gradually build a firm confidence in the socialist road with Chinese characteristics, theories and systems. In this process, the special economic zones grew from

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“windows” and “experimental fields” for reform and the opening up into a regional developmental model and then the foundation and core of the China Model.

1 Review of the Developmental History of Special Economic Zones Around the World

The special economic zones¹ have existed in the world for nearly five centuries, since Italy announced the Port of Leghorn in its northwestern Genova Bay as a free port in 1547. The first special economic zone² emerged after Italy officially designated the Port of Leghorn as a free port in response to the needs of the development of international trade following the birth of the capitalist mode of production. The special economic zones came into being and developed along with the generation and development of capitalism and are the product of the commodity economy and international trade development.

The special economic zones grew out of nothing, from few to many, from low levels to high levels in the historical process of the development of special economic zones around the world. Initially, special economic zones were available in small quantities and mainly served foreign trade and entrepôt trade. After the Second World War, their number greatly increased and they focused on developing the export processing industry. Since the 1970s, they have transferred to high levels and have been mainly engaged in developing cutting-edge technologies and technological, knowledge-intensive products. In the 1980s, there was a trend of comprehensive development, and they grew from trade-oriented, export processing-oriented, technology-oriented special economic zones to integrated special economic zones characterized by an equal emphasis on trade, industry, agriculture and the all-round development of primary, secondary and tertiary industries.

(I) Developmental stages of special economic zones around the world

In general, the development of special economic zones around the world can be divided into the following four stages:

1. Initial stage. Capitalism flourished from the middle of the 16th century to the middle of the 19th century. In order to further prosper the national economy and enhance national economic strength, some capitalist countries with international trade advantages started building ports along the coast of the Mediterranean and in other relevant regions as free ports or free trade zones, such as Hamburg and Bremen in Germany, Copenhagen in Denmark, Porto in Portugal, Dunkirk in

¹Special economic zone refers to the abbreviated form of Special Economic Development Zone. The name of Special Economic Development Zone varies with different establishment objectives and conditions in various countries. It is exclusively named as special economic zone in China.

²The Port of Leghorn is the first special economic zone named as free port in the world and is generally considered as the originator of the special economic zones around the world [1].

France, etc. [2]. At that time, the special economic zones concentrated on developing import and export trade, entrepôt trade, and tried to leverage their geographical advantages and policy advantages, including exemption of customs duty, to attract foreign merchants and merchant ships, thus becoming international distribution centers for commodities.

2. Growth stage. Capitalism developed from free competition to imperialism from the middle of the 19th century to the Second World War. With a view to strengthening commodity exports and capital exports, plundering natural resources in colonies and dependent countries to seize more economic benefits and expand their economic sphere, some imperialist countries unilaterally turned the important ports in some colonies, dependent countries and leased territories into special economic zones for developing import and export trade, entrepôt trade in addition to maintaining and adding some new domestic special economic zones; for example, imperialist France and Britain announced Gibraltar, Singapore, Hong Kong, Pulau Pinang, Aden, Djibouti, etc. as free ports or free trade zones.
3. Vigorous developmental stage. The special economic zones experienced a golden age of development from the Second World War to the 1970s. On the one hand, the new independent countries which had just broken away from suzerains, some developing countries and territories established special economic zones focusing on developing the export processing industry or import and export trade to massively introduce foreign capital and advanced technologies in order to consolidate their political independence and pursue economic prosperity. On the other hand, some developed countries fully utilized the natural resources and cheap labor from developing countries or territories and relentlessly exported capital and labor-intensive industries. Highly influential special economic zones include Panama's Colon Free Zone, Brazil's Free Port of Manaus, Canada's export processing industrial villages, New York's No. 1, San Francisco's No. 3 and No. 3A, Chicago's No. 22 foreign trade zones in USA, Ireland's Shannon Export Processing Zone, South Korea's Masan Export Processing Zone, Singapore's Jurong Industrial Estate, The Philippines' Bataan Export Processing Zone, Sri Lanka's Katunayake Investment Promotion Zone, Thailand's Ladkrabang Export Processing Zone, Malaysia's Bayan Lepas Export Processing Zone, Taiwan's Kaohsiung, Nanzih, Taichung export processing zones, etc.
4. High-level developmental stage. With the surge of the third science and technology revolution and the development of economic globalization, the special economic zones have been in the stage of high-level development since the 1970s. Their prominent feature is that the development of cutting-edge technologies, technological and labor-intensive products has become the center of development in the special economic zones. The famous ones include Silicon Valley in California, USA, Silicon Valley in Scotland, The UK, Tsukuba Science City, Japan, Taiwan Hsinchu Science Park, China, etc.

At present, there are more than 1000 special economic zones around the world, among which about 1/3 are located in developed countries, 2/3 in developing

countries or territories. The roles of the special economic zones are increasingly enhanced amid regional and global economic integration.

(II) **classification of special economic zones around the world**

Though the establishment objectives and developmental directions are greatly different among different special economic zones, they are basically classified into the following four categories:

1. Trade-oriented. A trade-oriented special economic zone focuses on developing foreign trade and entrepôt trade for obtaining commercial interests. Free ports, free trade zones, free border zones, bonded warehouse zones, foreign trade zones fall within this category.
2. Export processing-oriented. An export processing zone refers to a certain area designated as a special economic zone in a country (territory), where preferential economic policies and inexpensive complete factory buildings, water, electricity, roads, communication and other infrastructures are provided to attract foreign investors to set up factories, develop the export processing industry with competitive power on the international market, from which products are mainly exported.
3. Integrated type. An integrated special economic zone means a large-scale multi-tier, multifunctional special economic zone which is dominated by one industry and is involved in diversified operations. Besides the development of foreign trade and an emphasis on the production of the export industry, it is also engaged in various industries including finance, real estate, tourism, agriculture and animal husbandry, science and technology, culture and education, health and services.
4. Science and technology-oriented. A science and technology-oriented special economic zone is also called a knowledge-intensive zone, a science park, a science city, a high and new technology industrial development zone, etc. It refers to a special economic zone which closely integrates scientific research, production and education, and focuses on developing cutting-edge technology industries and products. Such a kind of special economic zone offers various preferential policies to highly centralize wisdom and capital and specializes in the development of emerging industries involving research, pilot scale tests and the production of new technologies and high technologies.

2 Background of the Times for the Establishment of China's Traditional Special Economic Zones

For ease of research on China's special economic zones, we classify the special economic zones into traditional special zones and new special zones. The former refers to the five special zones established in the 1980s and named special economic zones, including Shenzhen, Zhuhai, Shantou, Xiamen and Hainan, while the latter

includes the Pudong New Area, the Binhai New Area, state-level high-tech zones, export processing zones, bonded zones, bonded port zones, the Kashgar Economic Development Zone, the Khorgos Development Zone, the China (Shanghai) Pilot Free Trade Zone, etc. established since the 1990s.

Given the developmental history of the special economic zones around the world, the special economic zones came into being and developed along with the generation and development of Capitalism. Why did China, as a socialist country, establish special economic zones? Why did China not establish special economic zones until the 1980s? Was the establishment of China's special economic zones the sudden impulse of high-level policymakers at that time or the inevitable choice of history? In order to gain a deep understanding of the above questions, we take the international background and domestic background as the longitude and latitude, respectively, to depict the background of the times for establishing China's special economic zones.

(I) The International background: formation of the traditional socialist mode and its dilemma

The contradictions between the traditional economic and political system defended by Socialism and the development of productive forces were increasingly intense in the late 1970s and the early 1980s. At that time, agriculture, light and heavy industries were seriously disproportionate in the national economy; the growth rate of economic development dramatically decreased, the necessities for people's lives were severely undersupplied in the Soviet Union. Many eastern European countries became debt-ridden, where economic development was stagnant, inflation was severe, the people's living standard greatly declined, and national relations were increasingly strained. When the world's socialist system was gradually trapped in severe economic plight, major Western capitalist countries were dedicated to carrying out a high-tech revolution and accelerating the internationalization of capital.

As traditional Socialism got into trouble but Capitalism thrived rather than die away, some socialist builders wandered, but most were finding the way. The first country which challenged the traditional socialist mode was Yugoslavia. The 20th Congress of the Communist Party of the Soviet Union criticized Stalin's personality cult in the mid 1950s. Afterwards, the eastern European countries rose to object the Soviet Union's control and broke the traditional mode. The Polish Incident and Hungarian Incident were the typical cases in that period. The Socialist countries in Eastern Europe triggered a wave of reforms, marked by the Prague Spring, since the 1960s. Faced with the "centrifugal" tendency, the Soviet Union outrageously sent troops to invade and curb the situation; as a result, reforms were suspended in the socialist countries of Eastern Europe.

In the late 1970s and the early 1980s, the traditional socialist mode remained in deep waters; the economic, political and national contradictions increasingly worsened in the Soviet Union, and the authority of the Communist Party of the Soviet Union was weakening, while the voice of reform for breaking the traditional socialist system became an irresistible trend. This reform was not merely the theoretical and policy adjustment and the improvement made by the Communist Party;

instead, it involved complicated international and domestic class struggles and national struggles. The first opposition party, the Polish Solidarity Union, appeared in a socialist country governed by the Communist Party. With this reform, the Soviet Union and the socialist countries in Eastern Europe saw the result: politically, Western-style multi-party parliamentary democracy was practiced; economically, the market economy with privatization as a goal was carried out; the social system was thoroughly transformed from Socialism to Capitalism. Bewilderingly, this reform started with improving the socialist system but ended with abandoning it.

(II) Domestic background: formation of the planned economic system and its disadvantages

With the basic completion of three major socialist transformations and the expansion of the scale of economic development, the disadvantage that rigid and excessive control was exercised in the economic system gradually surfaced. The Central Committee of the Communist Party of China was aware of these problems and put forward some improvement measures before and after the 8th National Congress of the Communist Party of China in 1956; but there was a lack of experience in the construction of Socialism, especially several unrealistic fixed ideas about Socialism formed over a long period time due to the “left” thought within the Party after 1957. Even the correct measures for invigorating enterprises and developing the socialist commodity economy were criticized as Capitalism. Consequently, the excessive centralization in the economic system could not be resolved over a prolonged period of time and became more and more prominent. Although powers were delegated many times during this period, adjustments were limited to the administrative authority of the Central Government and local governments and did not touch upon critical issues concerning the autonomy of enterprises, planning and market, thus actions could not go beyond the rigid rules of the original planned economic system.

Major drawbacks to the original planned economic system were reflected as follows: the government’s responsibilities were not separated from those of the enterprises; the Party played the roles of the government; the government made decisions which should have been made by the enterprises; there were barriers between the higher and the lower levels or between different departments and regions; regional protectionism was prevalent; the State exercised excessive control over the enterprises; the roles of commodity production, value law and market were ignored, even denied; equalitarianism was very severe in distribution. Certainly, enterprises lacked the due autonomy and shared the “big pot” of the State, while employees relied on the “big pot” of enterprises, thus severely depressing the enthusiasm of enterprises and employees for production, and largely devaluing the socialist economy which should be full of vigor.

(III) Undertaking our own path to build socialism with Chinese characteristics

In December, 1978, the Communist Party of China convened the epoch-marking Third Plenary Session of the 11th Central Committee of the Communist Party of China, which established the opening up as a long-term basic national policy. At the National Theory-Discussing Meeting in March, 1979, Deng Xiaoping pointed out:

“The democratic revolution in the past was conducted according to China’s conditions by undertaking the path of encircling the cities from the countryside carved out by Comrade Mao Zedong, now we should also proceed from China’s conditions to take a Chinese style road to modernization” [3]. The Communist Party of China convened the 12th National Congress in September, 1982, which specified the guiding thought for building socialism with Chinese characteristics. In his opening speech, Deng Xiaoping made a programmatic incisive exposition about the great undertaking of China’s reform and opening up: “Our construction modernization must proceed from China’s actual conditions, we should learn and draw upon the experience of foreign countries, both in revolution and in construction; however, success will never come if we mechanically copy the experience and the mode from foreign countries. We have had many lessons in this regard. We should combine the universal truth of Marxism with China’s actual situation to undertake our own path towards building socialism with Chinese characteristics, which is the basic conclusion drawn by us after summarizing long-term historical experience” [4].

Undertaking our own path towards building socialism with Chinese characteristics means that the construction modernization in socialist China, we should neither copy the traditional socialist mode nor follow the path adopted by the Soviet Union and Eastern Europe; we should go along a socialist road with Chinese characteristics and a national character which conforms to China’s national conditions.

(IV) Establishing special economic zones: a breakthrough in China’s reform and opening up

China is a vast country with a large population, where the level of productive forces was low and the development was extremely unbalanced among regions. In order to minimize the transaction costs for reform and opening up and to avoid great social frictions and percussions after 30 years of isolation, first it was essential to seek a breakthrough.

Guangdong Province put forward the conception of establishing special economic zones in Guangdong Province in January, 1979. China Merchants of the Ministry of Communications first designated a land lot at Shekou Commune in Baoan County, Guangdong Province, separated from Hong Kong by only a strip of water, to set up the Shekou Industrial Zone. During the Working Conference of the Central Committee held in Beijing in April, 1979, the persons chiefly in charge of Guangdong Provincial Party Committee, Xi Zhongxun and Yang Shangkun reported the work to the Central Committee and suggested: “As Guangdong is adjacent to Hong Kong and Macau, we can leverage this advantage to do something in opening up.” Deng Xiaoping immediately responded: “We can designate an area called a special zone” [5].

After this Working Conference of the Central Committee, according to Deng Xiaoping’s suggestion, Gu Mu, Secretary of the Secretariat of the Central Committee of the Communist Party of China, Vice Premier of the State Council, led a working group to inspect Guangdong Province and Fujian Province, conducted a careful survey and feasibility study on the establishment of special economic zones together with leaders of both provinces and experts, while both provinces separately

reported study results to the Central Committee. After a careful study, on July 15, 1979, the Central Committee of the Communist Party of China and the State Council approved, in writing, the reports of both provinces and officially consented to designate part of the areas in Guangdong's Shenzhen, Zhuhai, Shantou and Fujian's Xiamen as a pilot establishment of a Special Export Zone. For arrangements, the Central Committee believed that pilot work could be carried out first in Shenzhen and Zhuhai. After experience was accumulated, considerations were given to establish Shantou and Xiamen as Special Export Zones.

Shenzhen was the first to be established as a Special Export Zone among the four special zones. The Shekou Industrial Zone was the first to start construction in Shenzhen. Its construction began in July, 1979; it was called "Test Tube Special Zone". The initial name—Special Export Zone—was mainly designed to differentiate it from the name "Export Processing Zone" in capitalist countries. In March, 1980, the Central Committee of the Communist Party of China convened the working conference of Guangdong Province and Fujian Province in Guangzhou to sum up the progress in implementing special policies in foreign economic activities and preparing the pilot establishment of special export zones in both provinces; they also discussed some specific measures for establishing the special economic zones. Afterwards, Deng Xiaoping proposed to change the name "Special Export Zone" to "Special Economic Zone". The Standing Committee of the National People's Congress adopted and promulgated the Regulations on Special Economic Zones in Guangdong Province ("the Regulations") on August 26, 1980. The Regulations provided that in order to develop foreign economic cooperation and technical exchanges and promote socialist modernization, certain areas in Guangdong's Shenzhen, Zhuhai and Shantou were separately designated as special economic zones. Special zones encourage foreign citizens, overseas Chinese, compatriots from Hong Kong and Macao and their companies, and enterprises to invest in and set up factories or cooperate with us to establish joint-venture factories, set up enterprises and carry out other undertakings, and protect the profits attributable to their assets and other legal income in accordance with laws. Meanwhile, the first special economic zone in China—Shenzhen Special Economic Zone, officially came into being. The construction of the Zhuhai Special Economic Zone officially commenced in October, 1980. Ground was broken for the Xiamen Special Economic Zone in October, 1981. The construction of the Shantou Special Economic Zone also began in November, 1981. Hainan Special Economic Zone was established on April 13, 1988.

3 Transformation of China's Special Economic Zones in the New Period

The background of the "altruistic" establishment of traditional special economic zones determines that special zones serve as "windows", "experimental fields", models and drivers, and the special zones are national special zones. While

enjoying the “trial and error” privilege, the special economic zones assume the historical mission of reducing the risks and costs of the national reform and opening up and paving the way for them. When the market-oriented reform of the special zones becomes the goal for national reform—the establishment of socialist market economy system, the historical mission of traditional special economic zones has basically been accomplished. At this time, the special zones are national special zones and also their own special zones. Special zones are designed for “altruistic” experimentation, and more importantly, the special zones present their own “mutually beneficial” growth.

(I) Functional positioning of traditional special economic zones

1. Special economic zones are the windows on China’s reform and opening up
At the beginning of the establishment of China’s special economic zones, Deng Xiaoping stressed that special economic zones should be closely connected with the expansion of national reforms and the opening up. In his first inspection of the special economic zones in 1984, Deng Xiaoping stated: “The special zones are windows—windows for technology, management and knowledge as well as external policies” [6]. With the near absence of capital support from the Central Government, the special economic zones earnestly introduced foreign capital, attracted advanced technologies and management experience from foreign enterprises, thus saving the national fiscal funds, achieving rapid development and stimulating the economic development of the surrounding areas.

2. The special economic zones are the experimental fields for the reform of China’s economic system

In order to build socialism with Chinese characteristics, it is unfeasible to take the traditional socialist road and copy the Western mode; instead, it is essential to push forward institutional reform so as to find a socialist modernization road suitable to China’s national conditions. Reform entails costs. Failure to succeed in reform may cause economic losses, even social turbulence. Therefore, it is necessary to find a suitable area to carry out reform experiments in before large-scale reform can effectively avoid potential risks. The special economic zones are the frontiers of reform and the opening up and are the forerunners of China’s economic development, thus it is relatively easy for them to draw upon foreign advanced managerial experience; furthermore, they are less subject to the restraints of the old system and the Central Government gives them special policies, thus they are most appropriate for acting as experimental fields for reform and opening up. If the reform is successful, the reform experience can be applied nationwide; if the reform fails, its impact is only limited to a small scope and it will not produce great negative effects nationwide.

3. The special economic zones serve as the bridges for promoting the peaceful reunification with the motherland

The establishment of special economic zones including Shenzhen, Zhuhai, Shantou, Xiamen and Hainan contains the political vision for promoting peaceful reunification with the motherland. Traditional special economic zones

have played an important role in securing the return of the sovereignty of Hong Kong and Macau, subsequently maintaining their prosperity and stability after their return, promoting peaceful reunification with the motherland, safeguarding the national unity and stabilizing the situation of the South China Sea.

4. The special economic zones serve as models and drivers

Instead of adopting the mode of small area and single functional structure in most of special economic zones around the world, China's special economic zones have successfully undertaken the path towards developing large-scale, outward-looking integrated special economic zones. The main task at the inception of special zones was to develop their own economy. After the special zones developed and grew economically, they played a radiation effect on and stimulated the economy in the areas surrounding them and the hinterland. Shenzhen Special Economic Zone has developed from a small border town into the model of China's special economic zones in more than 30 years. Shenzhen Special Economic Zone has gradually shifted some industries to its surrounding areas, including Dongguan and Huizhou, since the early 1990s, thus driving the development of the local economy. Shenzhen has also helped part of the hinterland develop its economy through investment and assistance.

(II) The functional transformation of the special economic zones in the new period

As China has increasingly integrated into the economic globalization and the degree of its economic openness has been on the increase, an all-round opening-up pattern has taken shape; the mission of traditional special zones as the windows for the opening up has been basically accomplished. As reform and opening up are intensifying, the reforms of the political and economic systems are also carried out nationwide, and the traditional special zones are no longer the first choice as the experimental fields for institutional reform, while some reforms such as the coordinated development of urban and rural areas cannot be launched in the traditional special zones. The role of traditional special zones as the experimental fields is gradually weakening, while the enthusiasm of other areas for seeking experimentation is rising. Given the current development of traditional special zones and the developmental situation of the national economy, the historical mission of traditional special economic zones has basically been completed and the special zones are at a new crossroads of development.

The French economist François Perroux believes that a balanced development is realistically impossible in a country or territory; in general, economic growth is gradually transmitted to other areas through one or several economic growth centers, thus the government should adopt relevant policies to consciously allocate growth poles for stimulating the development of relevant industries or areas.

As China is a vast country, the natural conditions, the geographical locations, history, culture and other factors are different among areas across China. This determines that China's regional development cannot be fostered by a single national balanced developmental strategy. Limited resources should be used in a

specific area to develop it in advance of other areas in China, and then the area which becomes prosperous first promotes the development of the backward areas. Such a strategy lays stress on giving priority to efficiency while considering equity in economic development. This is the inevitable choice of an overall strategy for regional economic development in China.

4 Coordinated Development of the Special Economic Zones and the Non-special Zones in the Transformation Period

With 35 years of explorations and practice, as the forerunners of China's reform and opening up, the special economic zones have grown into a developmental model—the special economic zone model. The background of the “altruistic” establishment of traditional special economic zones determines that the special zones basically function as the “windows” and “experimental fields” for reform and opening up, and they are national special zones rather than their own special zones. When the socialist market economy system, successfully experimented in the special zones, becomes the goal for national reform and opening up, the historical mission of traditional special zones will have basically been accomplished. The convening of the Third Plenary Session of the 18th Central Committee of the Communist Party of China marked China's entry into a new developmental period for a comprehensively intensified reform and opening up. The establishment of the China (Shanghai) Pilot Free Trade Zone means that the development of China's special economic zones has entered the transformation period, during which the special economic zones face the following two major difficulties: First, how special economic zones leverage appropriate advantages to further promote their development; second, how to coordinate the development of special economic zones and non-special zones. Obviously, the latter attracts attention from all sectors of society under the current situation since the coordinated development of special economic zones and non-special zones has a bearing not only on the balanced development of China's regional economy, but also on the income distribution, social justice and even on social stability.

(I) Functional transformation of the special economic zones in the transformation period

1. The evolution of the form of special economic zones

China's special economic zones can be divided into traditional special economic zones and emerging special economic zones according to the historical developmental process and historical missions. Traditional special economic zones refer to the five special zones established in the 1980s and named special economic zones, which were Shenzhen, Zhuhai, Shantou, Xiamen and Hainan, and which represent a milestone due to their roles as the windows and

experimental fields for China's reform and opening up. Emerging special economic zones mean the economic areas where the State has implemented special policies for developing the regional economy and coordinating the regional development since the 1990s, such as the Pudong New Area of Shanghai, the Binhai New Area of Tianjin, the Kashgar Economic Development Zone, etc. [7]. Although these different kinds of "special zones" are not named special economic zones, they aim at addressing some major difficulties in the reform of the economic system; essentially, they remain special economic zones regardless of their different functions.

2. Functional transformation of the special economic zones

The traditional special economic zones basically function as the windows for reform and opening up, the experimental fields for the reform of the economic system, the bridges for promoting national peaceful reunification, models and drivers. With the intensification of reform and the opening up, the mission of the special economic zones as the windows for the opening up has been accomplished. Meanwhile, the reforms of the political and economic systems are carried out in full swing nationwide. Traditional special economic zones are no longer the first choice as the experimental fields for institutional reforms, and their role as experimental fields is gradually declining, while there is an increasing enthusiasm from other areas for serving as experimental fields.

The developmental experience of the traditional special economic zones, including Shenzhen, shows that as a kind of special resources, special policies can become the important driving forces for the economic development of a region and turn them into the economic growth pole for that region, so as to stimulate the economic development of other areas within the region, even in other regions; moreover, after preferential policies are universally applied, they still maintain rapid economic growth and continue to play the leading role. The developmental process of the traditional special economic zones implies a developmental model: a city, a city group, or a city circle within a certain region can be chosen as a pole, and the State provides special policies (including certain preferential policies) to that city, city group, or city circle and makes it into a special economic zone for developing ahead of other regions, and so producing a radiation effect to stimulate the economic development of other regions, in order to narrow the gap in the level of economic development within a region and among regions. In the transformation period, the special economic zones are no longer pure experimental fields for reform and opening up; though experiment remains an important function of theirs, the special economic zones are mainly designed to promote regional development, and the main function of the new special zones has been substantively changed. The new special zones are established and relevant special policies are given so that the region can further attract factor agglomeration, boost their economic development, generate a polarization effect and then exert a diffusion effect, which has become a new regional developmental model [8].

(II) Problems in the developmental practice of special economic zones and non-special zones

China's implementation of the regional economic developmental strategy is generally divided into the following three stages: [9].

The first stage: the 1950s to the 1970s. A balanced regional economic developmental strategy was implemented under the rigid planned economic system. Facts prove that such a strategy can achieve a certain success in the initial period after new China was founded, but it runs counter to the economic efficiency principle for comparative advantages, and the planned economy can hardly bear information asymmetry, resulting in low efficiency and failure of such a strategy.

The second stage: the 1980s. A non-balanced developmental strategy with the special economic zones as growth poles was adopted against the general background of reform and the opening up. Under the principle of giving priority to efficiency, Deng Xiaoping advocated that part of the people, part of the regions were allowed to prosper first. In that period, China established five traditional special economic zones, Shenzhen, Zhuhai, Shantou, Xiamen and Hainan, and these special economic zones became de facto growth poles. They rapidly developed through the polarization effect and exerted a positive impact on their surrounding areas, even nationwide through the diffusion effect. With the successful implementation of such a strategy, China maintained a high-speed growth for more than 20 consecutive years, which is hailed as a miracle in the history of economic development in the world.

The third stage: the 1990s until now. Guided by the theory of gradient transfer, a non-balanced coordinated developmental strategy has been put into practice—increasing emphasis has been placed on balanced and coordinated regional development while paying attention to regional non-balanced development. As from the 8th Five-Year Plan, especially in the later period of the 9th Five-Year Plan and the 10th Five-Year Plan period, China carried out a series of strategies for non-balanced coordinated development; the establishment of the Pudong New Area, the development of the western regions, the revitalization of the northeastern old industrial base, the rise of Central China, the establishment of different kinds of special economic zones all involve balanced development based on non-balanced development.

However, as great achievements have been made by adopting a non-balanced developmental strategy in the special economic zones, unavoidable problems have arisen, especially circulative accumulation has led to particularly salient problems in the coordinated development of the special economic zones and non-special zones.

1. The polarization effect from the special economic zones has turned out to be obviously negative

As the regional economic growth poles, special economic zones can, by virtue of the scale economy driven by them, produce a strong polarization effect on labor, capital, technology and other factors in the surrounding areas. When such

a polarization effect is stronger than its diffusion effect, the developmental opportunities in the surrounding areas will be deprived and such deprivation tends to intensify, thus the economic development disparities between special zones and non-special zones will become increasingly apparent, causing the structure of a “geographically dual economy”.

In the long term, the polarization effect will not always be stronger than the diffusion effect, the growth will not infinitely accumulate, and the geographical diffusion effect (trickle-down effect) will be sufficient to narrow the gap among regions. However, the problem is how long the polarization effect will be stronger than the diffusion effect. The diffusion effect of a growth pole is undeniable, but the polarization stage is undoubtedly long; in such a long time, political instability factors caused by regional developmental imbalance may increase.

2. The possibility that the “enclave type” special zones might emerge is increasing. Compared with the traditional special zones, the new special zones are generally designed for modern industry or service industry. They have advanced the technical equipment and management methods, but require high innovation capabilities. These industries do not offer many employment opportunities for the surrounding areas, with an obvious minor diffusion effect. As a result, the “enclave type” special zones, unrelated to the development of the surrounding areas, appear, and it can be predicted that it is less likely that such “enclave type” special zones can produce a diffusion effect in the long run. They fail to act as growth poles for regional economic development, and they can even exacerbate the imbalance of regional economic development.
3. Competition involving local interests aggravates the polarization effect of the special zones

Driven by dual interests—fiscal and tax decentralization, an economic evaluation system—fierce competition has formed among local governments since the reform and the opening up. Such competition has an increasingly negative impact while pushing forward sustained rapid economic growth in China.

Such competition among local governments also covers the competition between the governments of special economic zones and that of non-special zones. In the new period, special economic zones are still given the power for first implementation and experimentation and still shoulder heavy responsibility for serving as the vanguard in intensifying the national reform and opening up; however, the special economic zones face the challenges that policy-related comparative advantages decrease and their characteristics fade away. Reinforcing their own development will be the first priority for the special zones. In other words, the primary goal for the special economic zones, as independent interest bodies amidst intense regional competition, will lie in further developing themselves, followed by considering the coordinated development with non-special zones. The governments of special zones should proceed from their own interests and take the following actions: First, using their special statuses, continue seeking from the Central Government the

regional policies beneficial for them; second, leveraging their existing strong positions in the regional economy to develop local policies favorable to them. Both actions will strengthen the polarization effect on non-special zones to further deprive developmental opportunities from non-special zones.

4. A segmented regional market hinders the diffusion effect of the special zones. The coordinated development of the special economic zones and the non-special zones needs to be achieved by the diffusion effect from the special economic zones on the non-special zones. At present, two basic patterns in China's market system obviously obstruct such a diffusion effect.

On the one hand, regional protectionism driven by local interests is so rampant that the regional market is segmented and the normal flows on the commodity market and factor market are severely impeded. On the other hand, subject to administrative monopolies and control by vested interest groups, the market mechanism is seriously distorted, thus the diffusion effect from the special zones on the non-special zones is delayed or will not occur at all. Both actual patterns exacerbate the imbalance between the special economic zones and the non-special zones.

(III) Thinking of policies concerning the coordinated development of special economic zones and non-special zones

According to the economist Karl Gunnar Myrdal et al., a strong intervention from the government is necessary for advancing the coordinated development of regional economy. Given the problems from the practice in China's special economic zones and non-special zones, the key to promoting the coordinated development of both lies in ensuring the smooth progress of the spread of the special economic zones.

1. Develop a unified fair market system

The market system centers on price and is governed by the principle of efficiency. Market competition more often tends to incur non-uniformity, difference and exacerbation of such a tendency. Even so, the market is the most effective way for realizing the diffusion effect from the special economic zones on the non-special zones. The market is the foundation for resource allocation and coordinated regional development. Market barriers, segmented markets and regional blockades are the important causes for hindering the diffusion effect. As the reform of economic system advanced regionally, the degrees of economic marketization were different among regions in China, which is also the important cause for intensifying regional economic differences in the transition period.

Therefore, a consistent environment for the market economic system among regions is the basic prerequisite for coordinated development of the regional economy. Only after a regional blockade is removed, various rules concerning market segmentation, which are detrimental to fair competition, are abolished, and administrative barriers are broken to establish a domestic uniform market for facilitating the flow of various factors, can the institutional foundation

become available for the diffusion effect from the special economic zones on the non-special zones and the coordinated development of both can be smoothly achieved.

2. Strengthen the role conversion and functional innovation of the government

Role conversion and functional innovation of the government is a systematic issue. When the Central Government delegates powers, due to the lack of an effective restraint mechanism and control means for regulating the acts of local governments, the economic power of local governments is magnified, and even this gives rise to the fact that the local economy is led by local governments, thus begetting many drawbacks, including administrative barriers, local protectionism, market restrictions, vicious competition, ineffective investments, even violent corruption, eventually causing the market to be driven out of the rules of the game. Practice proves that the government should be and is restricted to performing the following four basic functions: protecting private property rights, supplying public products, providing basic social security and providing a just and fair social environment. If the special economic zones enjoy certain advantages due to their location and policies, the government-led economy may cause excessive and improper polarization of production factors from the surrounding areas towards the special economic zones, thus the developmental opportunities in the surrounding areas will be artificially deprived.

The role of the government and functional innovation is the foundation for the market mechanism to play its role, and also makes up the basic guarantee for establishing a unified, fair market system—producing a diffusion effect. Two forces including the government and the market rise and decline in turn. Both theory and practice prove that the leading role of the market is unshakable. The role of the government and functional innovation is one of the reform priorities for China in the future.

3. Take comparative advantage as the primary principle for establishing the special economic zones

The establishment of special economic zones artificially reinforces certain comparative advantages. The forms of special economic zones are determined according to comparative advantages. Diverse regional comparative advantages certainly diversify the forms of the special economic zones. Only special economic zones established on the principle of comparative advantages can generate the diffusion effect to the greatest extent so that they can stimulate the coordinated development of the surrounding areas and avoid “enclave type” special zones while bringing about their own rapid development.

The principle of comparative advantage considered in establishing special economic zones mainly involves the industrial level. The industries to be driven by special economic zones should be chosen according to resource endowment, factor conditions and the level of economic development in the surrounding areas; otherwise, there is an extremely high possibility that “enclave type”

special zones will occur, which is contrary to the goal for establishing special economic zones.

4. Improve the cooperation mechanism between special economic zones and non-special zones

In order to achieve the coordinated development between special economic zones and non-special zones, it is imperative to develop a cooperation mechanism. Such cooperation mechanism may take into account the following three levels: first, the governments of the special economic zones and those of the non-special zones engage in policy cooperation; the regional economic cooperation mechanism is elevated to a legal level; regional economic policies and local industrial policies with legal effect are made; full play is given to the role of the market mechanism to promote the free flow of production factors among regions. This is the starting point for establishing a cooperation mechanism between the special economic zones and the non-special zones.

Second, the principle of comparative advantages is followed to conduct a rational industrial division between the special economic zones and the non-special zones; blind competition and repeated construction resulting from local interests is not allowed, otherwise, resources are ineffectively utilized. This is the principle for establishing a cooperation mechanism between the special economic zones and the non-special zones.

Third, after the special economic zones develop for a certain period of time, there are needs for upgrading the industrial structure, and some industries and enterprises which lose comparative advantages in the special economic zones entail gradient transfer towards the non-special zones. Such gradient transfer is exactly the contents and goal for establishing a cooperation mechanism between the special economic zones and the non-special zones.

5 Developmental Model of the Special Economic Zones

(I) Connotation of the mode

In the Modern Chinese Dictionary, “mode” is explained as the standard form of a thing or the standard style which can be followed by people. From the perspective of philosophy, “mode” can also be defined as the unfolding of the inner mechanism of a thing, and it can systematically reflect the essential attributes of a thing in various ways. Overall, “mode” mainly presents three connotations and characteristics: first, internality—mode shows the internal essence of a thing; second, externality—mode is manifested in many forms; third, usable for reference—mode can be learnt and used for reference.

With the advance of developmental economics and the modern economic growth theory, when studying economic development and growth issues concerning certain countries and territories, some experts and scholars always summarize the developmental experience and paths from these countries and territories as one mode.

China has witnessed multiple developmental models since the reform and the opening up, such as an all-round contract in rural areas, a system of economic responsibility in urban areas, the Sunan Mode, the Wenzhou Mode, the Shunde Mode. However, these modes have only a periodical and a local impact nationwide, and the mode which is universally applicable nationwide is unavailable. The special economic zones have exerted a long-term, overall impact on the national economic system and economic development. The special economic zones have become a new mode for China's development.

(II) The special economic zone model

As indicated by the developmental experience from traditional special zones including Shenzhen, as a kind of special resources, special policies can become the important driving forces for the economic development of a region and turn them into the economic growth pole for that region, so as to drive the economic development of other areas within the region, even other regions; moreover, after preferential policies are universally applied, they still maintain a rapid economic growth and continue playing the leading role. The developmental process of traditional special economic zones implies a development model: a city, a city group, or a city circle within a certain region can be chosen as a pole, and the State provides special policies (including certain preferential policies) to that city or city group, or city circle and makes it into a special economic zone to develop ahead of other regions, and then produces a radiation effect to stimulate the economic development of other regions, so as to narrow the gap in the level of economic development within a region and among regions. In this sense, the special economic zones no longer mainly function as the windows for the opening up, the experimental fields for institutional reform; instead, they serve as a regional developmental model to become the pole for the economic growth of the region.

Functionally, the comprehensive reform pilot zones developed by China in the 21st century are different from the traditional special economic zones. These new special zones were established amid the emergence of national level regional developmental strategies for the development of the western regions, the revitalization of the northeastern old industrial base, the rise of Central China. The Pudong New Area of Shanghai and the Binhai New Area of Tianjin are the representatives of coastal new special zones. They take up the heavy responsibility of further developing the outward-looking economy, pushing the economy to transform from an outward-looking one to an open one so as to further make their own economic expansion and thus become the engine for developing China's economy. The Shenbei New Area strives to find a path suitable for developing the northeastern economy and push forward the revitalization of the northeastern old industrial base. The Wuhan City Circle and the Changsha-Zhuzhou-Xiangtan City Circle endeavor to become the vanguard for the rise of Central China. As a region with a better economic foundation in West China, the Chengdu-Chongqing Region mainly aims at balancing urban and rural development, eliminating the urban-rural dual structure, expanding its own economy to promote the post-earthquake economic recovery in the Sichuan region and stimulate the economic development of other

areas in West China. In this sense, the special economic zones in the 21st century are no longer pure experimental fields for reform and opening up, although experiment is their main function; the special economic zones are mainly designed to boost the regional economic development, while the main functions of the special zones have been substantively changed. A new regional developmental model arises: new special zones are established and are given relevant special policies to aggregate factors and impel the economic development of the new special zones, produce the polarization effect and then the diffusion effect.

(III) The action mechanism of the special economic zones

Special economic zones are set up to promote the economic growth of a regional central city or a region and first turn it into a pole for regional economic growth; after the special economic zones become economically powerful, they stimulate the economic development of the surrounding areas. The impact from special economic zones on regional economic development is realized through the polarization effect and the diffusion effect.

1. The polarization effect of the special economic zones

The polarization effect illustrates the process in which the production factors, including capital, talents and technologies, gather in the central city. The special economic zones, as special areas, are slightly different from the ordinary areas in terms of the cause for producing the polarization effect. The polarization effect in the ordinary areas is mainly generated by the market mechanism, while that in the special economic zones results from special institutional arrangements in addition to the market mechanism.

The establishment of the special economic zones is based on special policies, while special policies are special institutional arrangements. Special policies are dominated by preferential policies, while preferential policies are those policies which can directly deliver economic benefits to investors, such as preferential policies relating to taxes, land and prices. Compared with the surrounding areas, the special economic zones are the policy-oriented low-lying land where entrepreneurs make investments in order to reduce the production costs and where the production factors gather. At the initial stage after its establishment, the Shenzhen Special Economic Zone relied on special policies to attract foreign enterprises, including Hong Kong and Taiwan-funded enterprises.

2. The diffusion effect of the special economic zones

The diffusion effect means that the areas surrounding the economic center get access to production factors, including capital, talents and technologies, along with the economic expansion of the regional economic center so as to promote the development of the local economy. Thanks to government regulations and the market mechanism, the special economic zones can bring together factors in a short time to expand their own economy and then produce a diffusion effect to motivate the economic development of the surrounding areas. The diffusion effect of the special economic zones works mainly through the

industrial gradient transfer mechanism, the institutional transplantation and imitation mechanism, the knowledge technology spillover mechanism.

(1) The industrial gradient transfer mechanism

As the economy of the special economic zones develops, the local market gradually becomes saturated, and the prices of production factors, including land and labor, are on the rise, thus the costs for enterprises' production operations within the zones increase. Many industries with high pollution and low added value are introduced to the special zones for developing their own economy at the early stage of development. When the economy of the special economic zones develops to a certain level, it is necessary to upgrade the industrial structure, thus these low-end industries start moving to the surrounding areas for survival. As part of industries shift, the areas to which these industries shift see further improvement of the industrial structure, and the industrial linkage effect helps develop related industries, thus promoting the economic development of these areas.

(2) The institutional transplantation and imitation mechanism

This mechanism means that the areas with backward institutional arrangements learn from the areas with advanced institutional arrangements; in other words, advanced institutional arrangements are transplanted, imitated and localized to propel the local economic development. Institutional transplantation and imitation is able to reduce the institutional change costs in the areas with backward institutional arrangements—lowering the institutional searching costs, shortening the time for institutional changes, drawing experience and lessons from the institutionally advantageous areas during the institutional changes.

Institutional changes involve potential risks. A set of rational systems can boost the economic development, while irrational ones will hinder the economic development. Institutional changes are a risky “trial and error” process. A better way to mitigate institutional change risks is that institutional changes should be restricted to a small area and new institutional arrangements should be applied in other areas after such institutional arrangements are proved to be fit for the economic development. Special policies and special management systems constitute the foundation for the existence of the special economic zones. The special economic zones enjoy the power to experiment first, even the “trial-and-error power”, thus a loose political environment is available for making institutional changes in the special economic zones. As the special economic zones undertake the task of reform and experimentation, this certainly requires institutional changes, therefore, the special economic zones are located at the high end of institutional arrangements compared with the surrounding areas.

After a set of well-proven systems are developed in the special economic zones, these systems are non-exclusive, thus these systems can be transplanted and imitated by other areas at low costs, and then the actual situation of local economic development is considered to make the institutional arrangements

beneficial for local economic development, so as to effectively avoid potential risks in institutional changes and save the costs of those changes.

(3) The technological spillover mechanism

The special economic zones have a technology spillover effect on the surrounding areas mainly by the following means: first, the free movement of people. Some large enterprises within the special zones attach importance to research, development and employee training; once the scientific research and managerial talents of these enterprises flow to the surrounding areas, some enterprises in these areas will benefit from their technologies and managerial aptitude. Second, the demonstration effect of the enterprise development. When part of enterprises within the special zones gain high profits due to advanced technologies and managerial experience, imitation of these enterprises within the special zones by other enterprises in the industry will improve the economic benefits for the enterprises in surrounding areas. Third, the upstream and downstream linkage effect among industries. Some enterprises within the special zones may keep close contacts with the enterprises outside the special zones in the capacity of supplier, customer, partner etc.; they often provide suppliers with training and technical assistance in order to help suppliers enhance the quality of the product. Part of the enterprises in the special zones get into a technical cooperation relationship with enterprises and research institutions of the surrounding areas, also can produce a technological spillover effect.

6 Special Economic Zones and the China Model

In recent years, with the rapid rise of China's economy, "Chinese Times" has gradually replaced the "American Times" to become the mainstream; China has a growing global influence and the China Model has become the hot topic in the international academic circles.

(I) Discussions about the China Model

Opinions about the connotation of the "China Model" are always diverse in the academic circles. Some scholars equate "China Model" with "Beijing Consensus"; some scholars believe that there is difference between them; some scholars discuss neither one nor rethink "China Model" from the perspective of the difference between experience and mode.

Joshua Cooper Ramo published an article entitled "The Beijing Consensus", which kicked off great worldwide attention to the China Model. He believed that the China Model was the Beijing Consensus and summarized the China Model in the following three theorems: innovation, efforts, self-development.

Fan Qiuying [10] held that the China Model was equal to the Beijing Consensus. She thought that the China Model was a developmental model with Chinese

characteristics, socialism-oriented, which took harmonious development as its goal, was driven by reform innovation, put the people first and stressed pragmatism.

Yin Qian [11] believed that the China Model was logically higher than the Washington Consensus and the Beijing Consensus. The China Model was a practical experience and a developmental philosophy, with reference to the developmental models of other countries or territories, while the Beijing Consensus was only a developmental philosophy, was relative to the Washington Consensus, and it was a concept equivalent to the Post-Washington Consensus, to the European Value Outlook³ etc., all of which fell within the scope of developmental philosophy. Therefore, comparatively, the Beijing Consensus represented too narrow a perspective.

Shen Yunsuo [12] defined the China Model from the perspective of a developmental road and experience which referred, in particular, to a social developmental road or developmental experience since China's reform and opening up, and treated China's social developmental road from a globalization or global perspective, which was also called the Chinese road, the Chinese experience.

Li Keqin [13] considered that as a concept, the China Model cannot fully embody the complete connotation of China's reform and opening up. The Chinese Experience was more able to fully show the historical landscape of China's developmental changes since it was open, inclusive, not stereotyped, constantly changed and developed. It respected the experiential selection of other countries, which was not opposite to Western experience, but also did not emphasize its own universal applicability. Li Keqin believed that the Chinese Experience was obviously more rational, mature, objective and just than the China Model.

We believe that the China Model has been a summarization of the developmental experience in various fields, including economy, politics, culture and society, since China's reform and opening up, and it is particularly based on economic reform, while economic reform has been mainly driven and practiced by the special economic zones; thereby, the special economic zone model formed by the developmental paths for traditional special economic zones and new special zones is the foundation and core of the China Model.

(II) The action mechanism of the special economic zones is the motive power for forming the China Model

The imbalance of the economic and social development among regions is a common severe problem for countries around the world, especially large countries. China is a vast country where the population is not commensurate with the level of productive forces, making this problem more prominent. The China Model is highly regarded by most of the developing countries, even a few developed countries, because China has fully considered this problem by specifying the goal:

³The European Value Outlook is based on the European traditional philosophy of the value of social democracy and advocates human rights, environmental protection, social security and equitable distribution while emphasizing economic growth.

some of the people and some of the regions are allowed to first prosper and then help the backward regions so as to gradually achieve prosperity for all. This tallies with the law of social and economic development and has a universal value. In order to achieve prosperity for all, the special economic zones are established to promote the economic growth of a main regional city or an entire region and make it become a pole for regional economic growth. After the special economic zones grow economically, they stimulate the development of the surrounding areas, even the national development.

The special economic zones produce a polarization effect to draw in the production factors, including capital, talents and technologies; subsequently, the economic expansion of the central regions generates a diffusion effect to externally diffuse the production factors, including capital, talents and technologies, so as to propel the economic development of the surrounding areas. Special economic policies and special economic management systems gradually develop the special economic zones into a new regional economic developmental model and a good example of the China Model. In a certain period, the special zones witness more remarkable achievements than other areas and secure a favorable competitive position, characterized by a rapid economic growth, a significant improvement in per-capita income, a rapid enhancement of comprehensive strength. Their developmental experience is “copied” from coastal cities to those inland so as to form the China Model.

(III) The special economic zones have created the China Model

The most basic connotation of the China Model is the economic developmental model, which is mainly driven by China’s developed areas represented by the special economic zones, thus the special economic zones have created China’s economic developmental model, as shown in Fig. 1.

The special economic zone model refers to a developmental path which mainly entails the process of development from traditional special zones named special economic zones to new special zones dominated by new zones, comprehensive reform pilot areas and special economic developmental zones. Other economic areas, established or opened during this process, where special economic policies and special economic management systems were implemented (such as the 14 coastal open cities, the coastal economic developmental zones, the national new and hi-tech developmental zones, the national bonded areas and the bonded port areas, the export processing zones, the three large economic circles, the economic developmental zones, the national economic and technological developmental zones, the national key developmental and opening pilot zones) also fall within the scope of the special economic zones. China’s economic developmental model is a generalization and summarization of the developmental strategies, ways of thinking, successful experience and practices in the economic development of the special economic zones.

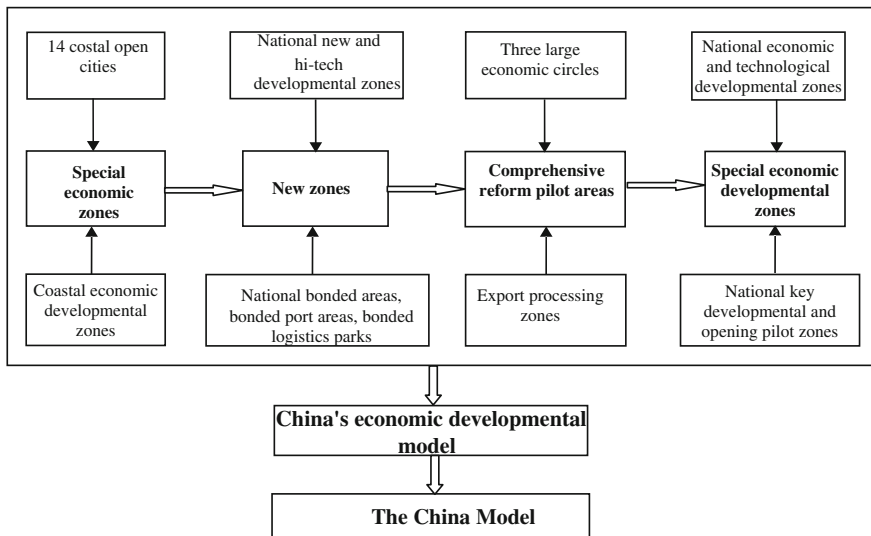


Fig. 1 The path of formation of the China Model

(IV) The special economic zone model is essentially consistent with the China Model

From the establishment of the traditional special economic zones as “windows” and “experimental fields” to the development and opening of new zones to comprehensive reform pilot areas and special economic developmental zones, from Shenzhen, Zhuhai, Shantou, Xiamen, Hainan Special Economic Zone to the Pudong New Area and the Binhai New Area to the gradual opening of coastal cities, border areas, cities along rivers and inland cities, China’s economic development and construction modernization have been carried out by adopting the economic gradient developmental strategy from “points” to “lines” and then “areas”. The key is the work on “points”, and the special economic zones represent the best form of “points”. The special zones are the frontier of reform and the opening up and are the “windows” and “experimental fields” for reform and the opening up. The special zones are given the “trial-and-error power” so that experiments are carried out, experience and lessons are summarized to gradually push forward extensive work. As the experimental zones for reform and opening up, the special zones are open to experimentation regarding the socialist road with Chinese characteristics. Based upon the “points”—the special economic zones—the national all-round opening up is promoted. The China Model is gradually formed in this process. In essence, the China Model features reform and opening up.

(V) **The special economic zones have boosted the development of the China Model**

China has been actively exploring a new market economic system during the reform and the opening up. According to the guidelines of the Central Committee for “blazing a new trail” and “going beyond the existing system”, among the special zones, Shenzhen became the first to launch a series of institutional reforms including prices, foreign exchanges, finance and foreign trade, and insisted on introducing something from foreign countries and going global. The special zones made use of special economic policies and special managerial systems to move the opening up forward. Industries, including processing of materials supplied by foreign clients, processing according to buyer’s samples, assembling of parts supplied by foreign clients and compensation trade, were introduced; various resource advantages were utilized to develop an outward-looking economy, thus greatly promoting the rapid development of the special economic zones. Foreign capital, technologies, managerial experience and managerial talents were massively introduced to inject new vigor for developing the economy of the special zones. The special zones have acquired rich successful experience from development and serve as the models to be learnt and adopted for the development of other areas. Therefore, various areas have drawn upon the successful experience of the special economic zones to accelerate their own development, thus further pushing the development of the China Model forward.

The China Model has been a summarization of the development experience in various fields, including economy, politics, culture and society, since China’s reform and opening up, while the special economic zone model is the foundation and core of the China Model. As “a single spark can start a prairie fire”, the special economic zones have rapidly developed through reform and opening up for 35 years, expanding the development from several cities in the eastern coastal areas to the whole of China, including bonded areas, bonded port areas, export processing zones, new and hi-tech developmental zones, economic and technological developmental zones, economic circles, key developmental and opening pilot zones, as a model, to promote the formation and development of the China Model.

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