

Chapter 4

Special Economic Zones and the Selection of China's Path for Institutional Changes



Yitao Tao

Abstract Special economic zones, as the breakthrough points for the Chinese reform and opening-up, began the journey of exploring the path of China's institutional changes. They constitute an imposed institutional arrangement that breaks the status of balance under the traditional system and makes the unbalanced development the best path selected for China's institutional changes. The brilliant achievements of typical special economic zones represented by Shenzhen embody the “backwash effect”, the “spread effect” and the “trickle-down effect” in the traditional theory of regional economics by the “Chinese” mechanism in a “non-classical” manner, and interpret the unique path of China's institutional changes. The transition from typical empirical special zones to special economic zones in a broad sense and then to the establishment and formation of free trade zones and bay areas, which are the extended forms of special economic zones, is the result of organically integrating “gradient development” and “reverse gradient development” and the harvest of institutional changes. The trajectory of the institutional changes reflects the internal logic of special economic zones and institutional changes, and constitutes the theoretical mechanism.

Keywords Special Economic Zones (SEZs) · Institutional change · Unbalanced development · China's path

1 Introduction

Thinking and research on the special economic zones and China's selection of a path for institutional changes is not only a reflection on the process of reform and opening-up over the past 40 years, but it is also a study of China's path of modernization and a theoretical and practical exploration of the inherent logical relationship between special economic zones and China's path, because the difficult and glorious course that China has undergone over the past 40 years of reform and opening-up is a process

Y. Tao (✉)

The China Center for Special Economic Zone Research, Shenzhen University, Shenzhen 518060, Guangdong, China

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of changing from a traditional planned economy to a socialist market economy, from pervasive poverty to common prosperity and from closing the door to the outside world to full policy and institutional opening-up, and what's more, a great and beautiful journey to build a moderately prosperous society in all respects and realize the Chinese dream. This not only begins with the establishment of special economic zones, but it also constitutes the evolutionary trajectory of China's institutional changes.

If exploring a path to modernization that suits the national conditions of China was the historic responsibility and mission of the Communist Party of China (CPC) in the 40 years of reform and opening-up, then the establishment of special economic zones can be said to be a great creation for practicing the great exploration by the CPC. In my opinion, from the perspective of the historical process of China's institutional changes and the formation of China's path, it is no exaggeration to speak very highly of special economic zones. For today's China, the special economic zone itself is neither simply a product of special policies, nor an expedient measure, but a logical starting point for China's institutional changes and China's path. It constitutes an important part of China's path. It can even be said that without the establishment of special economic zones, there would be no practice of China's reform and opening-up; without the "early and pilot implementation" of special economic zones, there would be no selection of a path for China's institutional changes; without the practice of special economic zones, there would be no exploration of China's path; without the demonstration and guidance of special economic zones, there would be no development and accumulation for building a moderately prosperous society in all respects; without the expansion and innovation of special economic zones, there would be no solid institutional and material power to realize the Chinese dream. Therefore, from the perspective of the political background at the beginning of China's reform and opening-up, special economic zones are undoubtedly the only path for China to undertake in order to realize transformation from the traditional planned economy to a socialist market economy, and thus launching the social transformation in all directions; from the perspective of the exploration of the path to modernization, special economic zones are undoubtedly the only path to take to avoid the conflict between ideals and reality, and thus achieve socialism with Chinese characteristics of common prosperity; from the perspective of the selection of China's path for institutional changes, special economic zones are undoubtedly the only path to take to break the rigid traditional system and ideological dogma in a country where the traditional ideology has always dominated, and thus completing the social transformation and institutional changes from top to bottom; from the perspective of developmental strategy, special economic zones are undoubtedly the only path to take to truly abandon the blindness that "man can conquer nature" and the absurdity that "we prefer socialist grass to capitalist rice" in a country where the "ultra-leftist" ideology has always dominated, thus embarking on scientific development in the form of unbalanced development and the practice of "progressive reform".

In the *Theses on Feuerbach*, Karl Marx pointed out: "The question whether objective truth can be attained by human thinking is not a question of theory but is a practical question. It is in practice that man must prove the truth, that is, the reality and power,

the this-sidedness of his thinking... Social life is essentially practical. All mysteries which lead theory astray into mysticism find their rational solution in human practice and in the comprehension of this practice... The philosophers have only interpreted the world, in various ways; the point, however, is to change it.” (Marx & Engels, 2012a). In my opinion, when reviewing, summarizing and thinking about the great course of China's 40 years of reform and opening-up, the study of Chinese special economic zones (SEZs) cannot simply talk about them or stay at or be confined to the study of SEZs themselves. Rather, from the perspective of China's history of reform and opening-up, SEZs should be put under the framework of China's institutional changes, in the process of formation, development and improvement of the socialist market economy, and on the journey of exploring China's path in the new era. From the perspective of historic evolution, the irreplaceable status, function and unique historic mission of China's SEZs are evaluated; from the clue of institutional changes, the intrinsic link between SEZs and the selection of China's path for institutional changes is interpreted; from the inherent logic of institutional changes in the transitional society, the particularity of China's path and the generality contained in that particularity is demonstrated, and thus further providing an alternative choice for other transition countries. Let history prove history and let history foretell the future.

2 Establishment of Special Economic Zones and the Initiation of China's Path

China's institutional changes with the establishment of the socialist market economy as the main line have constituted the arduous and splendid process of the emergence, growth and development of SEZs. The practice of reform and opening-up of the SEZs in China, represented by Shenzhen as a typical example, has not only explored an effective path for institutional changes suited to China's national conditions, but it has also revealed a unique path of modernization with Chinese characteristics. With the selection of the correct path and the glory of development, it has promoted the establishment, development and improvement of China's socialist market economy, advanced the historic process of social transformation, accelerated the pace of modernization, and proved the correctness of China's path.

The “special zone” refers to a region where special policies are implemented. Along the historic track of China's reform and opening-up, special economic zones (SEZs) can be broadly divided into four types: typical special economic zones, special economic zones in a broad sense, emerging special economic zones, and extended forms of special economic zones. The typical special economic zones are also called early special economic zones, and this mainly refers to the cities that were established at the early stage of China's reform and opening-up, deployed as the overall

national strategy and specifically delineated at the national level, and fully implemented special economic policies and special administrative and economic management systems with specific functions and specific missions. They mainly include early comprehensive special economic zones such as Shenzhen, Zhuhai, Shantou, Xiamen and Hainan. This type of special economic zone is the focus and main subject of this study. Because both in history and reality, they are truly the initiators of China's institutional changes, pioneers of reform and opening-up, forerunners of the socialist market economy, explorers of China's path, and trailblazers of the process of modernization.

The special economic zones in a broad sense refer to the forms of special economic zones with specific pilot functions approved by the State Council after the establishment of the typical special economic zones, including national new areas, national high-tech zones (technical parks), bonded areas, export processing zones, bonded logistics parks, bonded port areas, comprehensive bonded areas and national comprehensive reform pilot areas. This type of special economic zone is also the product of special economic policies. Their functions and missions are also to break the shackles of the traditional system and advance the reform and opening-up of China, thus gradually forming a new landscape for the market economy. However, compared with typical special economic zones, they are not cities of independent administrative divisions, but relatively independent and specific areas within cities of independent administrative divisions; unlike most of the special economic zones, which have the centrally-recognized separate state planning and independent legislative powers, they are still administratively affiliated to cities; their missions of reform and opening-up are mostly more specific and specialized, rather than comprehensive and all-around; they, to a considerable extent, implement, validate, complete or improve the concept and measures of a certain matter of reform and opening-up in the country, and will also innovate and create in practice, but most of them are different from typical special economic zones, which were born with the mission of early and pilot implementation and give demonstrations to the whole country. Then, the statuses and roles of special economic zones in a broad sense in the process of China's reform and opening-up are also different. The Shanghai Pudong New Area and the Tianjin Binhai New Area are not only the earliest state-level new areas, but they also have a more important position in the process of China's reform and opening-up, especially the Shanghai Pudong New Area, which shares very similar functions and roles with typical special economic zones. They are often referred to as the "five plus two" special economic zones with typical special economic zones.

Generally speaking, although special economic zones in a broad sense do not have the mission of early and pilot implementation and take the lead in institutional innovation, they play an indispensable role in the process of China's gradual institutional changes. Their existence and practice constitute the realistic content and developmental content of China's path. In this sense, they should not only be written into the more complete chronicles of the emergence, development, and evolution of Chinese special economic zones, but they should also be written into the history of China's reform and opening-up and the process of exploration and practice of China's path.

The emerging special economic zones mainly refer to the Xinjiang Kashgar Special Economic Zone and the Khorgos Special Economic Zone established at the beginning of this century with the overall layout plan of China's reform and opening-up expanded from the opening up of the coastal area to the implementation of the opening-up strategy along the border. They are SEZs approved by the central government to be given the names of cities after typical special economic zones at the early stage of the reform and opening-up. Their actual scope is neither like typical special economic zones nor cities with their name, and there are also rumors about the recognition of their status as SEZs. However, they not only exist in reality, but they are also shaping policy highlands and growth poles of regional economies in terms of the functions of special economic zones and regional coordinated developmental strategy. Meanwhile, in the implementation of the Belt and Road Initiative, they are building a new landscape for China's regional economy with irreplaceable geographical advantages.

The extended form of the special economic zone refers to pilot free trade zones and bay area economic belts. It can be said that the establishment of the pilot free trade zones and bay area economic belts does not mean the end of the functions and missions of SEZs, but the natural results of the establishment, development and improvement of the socialist market economy by means of constructing SEZs, the inevitable trend to gradually realize the social transformation and institutional changes by means of constructing SEZs, the gradual harvest to achieve the unbalanced developmental strategy by means of constructing SEZs, the successful practice of exploring China's path by means of constructing SEZs, and the extended form of SEZs that undertake the new mission of reform and opening-up in the new era. Therefore, the free trade zone of China is said to be the most important action taken by the government for the purpose of building an upgraded version of China's economy. Its influence and significance are comparable to the establishment of the Shenzhen Special Economic Zone in the 1980s and the development of Pudong in the 1990s. The core lies in the creation of an international business environment that conforms to international common practice and is internationally competitive for both domestic and foreign investments (Huang, 2017). The formation of the bay area economic belt is the result of the development of SEZs from the "aggregation effect" to the "radiation effect". They not only reflect the overlapping of the triple "identity" of special economic zone, free trade zone and bay area in the political-geographical location, but they are also like typical special economic zones as the early and pilot implementation in the manner of institutional innovation also historically becomes their mission of the times.

Two historic meetings could not be ignored when it came to China's reform and opening-up. The first meeting was the 36-day CPC Central Work Conference held in Beijing from November 10 to December 15, 1978. It was historically known as the "Jingxi Conference". On December 13, 1978, Deng Xiaoping made an important speech entitled "Emancipate the Mind, Seek Truth from Facts, and Unite as One in Looking to the Future" at the closing ceremony. According to him, emancipating the mind was a vital political task, democracy was a major condition for emancipating the mind and solving old problems would facilitate the shift of the focus of the whole

party and looking to the future, so we must study the new situation and tackle the new problems (Deng, 1994). This speech actually became the basic guiding ideology for the upcoming Third Plenary Session of the 11th CPC Central Committee. Therefore, the “Jingxi Conference” was not only ideologically prepared for the convening of the Third Plenary Session of the 11th CPC Central Committee, but it also became a historic meeting for the reform and opening-up of China.

The second meeting was the Third Plenary Session of the 11th CPC Central Committee held three days after the “Jingxi Conference”. From December 18 to 22, 1978, the Third Plenary Session of the 11th CPC Central Committee was held in Beijing. The plenary session clearly proposed to: completely negate the “Two What-ers”, re-establish the ideology of emancipating the mind and seeking truth from facts; stop using the slogan “taking class struggle as the key link” and firmly made the great decision of shifting the focus of the party and the state to economic construction and adopting the policy of reform and opening-up (Deng, 1993a). It could be said that the Third Plenary Session of the 11th CPC Central Committee officially ushered in the new historic period of reform and opening-up, and its influence on today’s China was far-reaching and historic. In this regard, the Report to the 17th CPC National Congress made an accurate and incisive statement when reviewing and summing up the great historic process of reform and opening-up in the 29-year period during which the Third Plenary Session of the 11th CPC Central Committee fundamentally broke through the ideology of “leftism” and clearly pointed out that the scientific system of the Mao Zedong Thought must be fully and accurately grasped. The strategic decision was made to re-establish the Marxist ideological, political and organizational lines, and shift the focus of the party and the state to socialist modernization and to reform and opening-up. The central leader delivered a famous speech entitled “Emancipate the Mind, Seek Truth from Facts, and Unite as One in Looking to the Future” at the Central Work Conference held before the Third Plenary Session of the 11th CPC Central Committee. In his speech, an important argument was made, namely “when everything has to be done by the book, when thinking turns rigid and blind faith is the fashion, it is impossible for a party or a nation to make progress; its life will cease and that party or nation will perish”, which represented the great awakening of the Chinese Communists in the new era (Deng, 1994). It could be said that under the guidance of the ideological line of emancipating the mind and seeking truth from facts re-established by the Third Plenary Session of the 11th CPC Central Committee, hundreds of millions of Chinese people broke through many old ideas that had long controlled the minds of the people, they shook off a lot of shackles and confinements in their minds, invigorated the great spirit of innovation and made brilliant achievements in development that attracted the attention of the entire world; under the basic judgment of the Third Plenary Session of the 11th CPC Central Committee that rejected “taking class struggle as the key link”, the party and state shifted their focus to economic construction, and in the process of reform and opening-up, hundreds of millions of Chinese people created and continued to create a vibrant type of socialism; under the guidance of the correct developmental direction established by the Third Session of the 11th CPC Central Committee, the Chinese Communists opened up a new realm of Marxism in China

while exploring the practice of socialism with Chinese characteristics, they won the support of the people and became the strong leadership core of the cause of socialism with Chinese characteristics (Wang & Lin, 2008). As pointed out by Marx, "Men make their own history, but they do not make it as they please; they do not make it under self-selected circumstances, but under circumstances existing already, given and transmitted from the past." (Marx & Engels, 2012b). Following the track of 40 years of reform and opening-up, along the exploring trajectory of China's path, we can make the following judgments on the statuses, roles, functions and missions of the SEZs in the process of China's reform and opening-up:

First, SEZs are a breakthrough for China's reform and opening-up while going on a journey of exploring China's path for institutional changes. Since then, China's modernization has embarked on a path towards development with Chinese characteristics that is different both from the traditional Soviet model and from the capitalist Western model, and that is also different from the "Washington Consensus" adopted by the former socialist countries in Central and Eastern Europe and Latin American transition countries.

In the modern and contemporary history of China, the special economic zone was an epoch-making symbol of reasoning and passion, thinking and exploration. It marked the end of an era and the beginning of another era, the transformation of China from a traditional planned economy to a socialist market economy, the official opening of the country that was confined for 30 years, the coming of the emancipation of the mind and the renewal of ideas, and a big country on the brink of economic collapse truly taking the right path of "development is the absolute principle". Therefore, to the founders, the special economic zones were not only the product of poverty giving rise to a desire for change, but also the product of challenging the "truth" and the tradition and conducting a self-revolution. Its success and future could not be predicted at once, but the political risks and social unrest that it possibly caused seemed to be predictable then. For this reason, from January 24 to February 10, 1984, when visiting the Shenzhen, Zhuhai and Xiamen SEZs, Deng Xiaoping pointed out that: "The special economic zone was proposed by me and decided by the central government, so I must take a look at whether it can be successful." (Party Literature Research Center of the CPC Central Committee (ed.), *Chronicles of Deng Xiaoping*, 2004a). Thus, in February 1979, Wu Nansheng, the then Secretary of the Guangdong Provincial Party Committee proposed that Guangdong should pilot in Shantou because it had experience in foreign economic activities, and because it was located in the eastern part of Guangdong, the influence would not be great if something went wrong (Wu, 1998). At the Work Conference of the CPC Central Committee held in Beijing from April 5 to 28, 1979, Xi Zhongxun, the then First Secretary of the Guangdong Provincial Party Committee, requested the central government to decentralize some powers so that Guangdong could take the lead. Deng Xiaoping answered: "The central government will not make any investment, and you may blaze a trail on your own!" (Party Literature Research Center of the CPC Central Committee, 2004b).

Looking back on the 40 years of reform and opening-up, the epoch-making significance of the special economic zones is not only the political wealth that can be

recorded in the history of China's reform and opening-up, but also the institutional power to create history and work miracles. For example, the early and pilot implementation and continuous institutional innovation of typical special economic zones bring infinite life and vitality to the gradual realization of all-round reform and opening-up; the universal establishment and successful practice of special economic zones in a broad sense boost the development and improvement of the socialist market economy, and show the release effect in the process of gradually solving the imbalance of regional economic development; the approval of emerging special economic zones, and the establishment of free trade zones and bay areas as the extended forms of special economic zones can further deepen the reform, build a new landscape for the Chinese economy, gradually solve and even eliminate the state of inadequate and unbalanced social development, and thus play the role of demonstration in undertaking the new mission of leader in the new era.

Second, the special economic zone, as an imposed institutional arrangement, broke the general balance under the traditional system and made the unbalanced development the best path for China's institutional changes, thus becoming a choice for exploring China's path. It was the path towards unbalanced development that enabled China, a large country that had adopted a highly centralized planned economy for 30 years, to quickly and successfully make a transition to a socialist market economy marked by "some regions and some people getting rich before the others". As a product of the path towards unbalanced development, the special economic zone and unbalanced development made up important parts of China's path.

If the absolute dominance of the centralized planned economy in a country with a vast territory and a large population was the background of China's reform and opening-up, the pervasive poverty and the seriously unbalanced economic development among different regions and between urban and rural areas were the most serious constraints in China's institutional changes. The development of the socialist practice in the past three decades full of twists and turns, especially the status of the Chinese economy in the late 1970s, clearly proved that the Soviet model did not work, nor did the planned economy; egalitarianism did not work, nor did balanced development; the large-scale reform did not work, nor did the original system. In a backward large, poor country bound by a planned economy, faced with a highly centralized planned economy and the corresponding egalitarian distribution system, the only path was to break various internal defects and blaze new trails to venture down the path of unbalanced development. This path of unbalanced development was what Deng Xiaoping meant in 1985 when he said that "we should encourage some regions and some people to get rich before the others" (Deng, 1993b).

The practice of 40 years of reform and opening-up proved that the path of unbalanced development was a correct choice. Its implementation could effectively get rid of the shackles of the traditional system, and make full use of the developmental imbalance that existed within the original system. The weakest points of the planned economy were most likely to be where the market economy grew. The reform and opening-up 40 years ago began with the creation of oases of a market economy in the vast ocean of a planned economy. Shenzhen, Zhuhai, Shantou and Xiamen, being the weakest points of the planned economy, became those oases by virtue of their

advantageous geographical location (either as neighbors to Hong Kong and Macao, or because they were far from the center of the planned economy). These regions were not important cities of the planned economy and were far away from political centers. In case of failure, there would be no serious impact on the national economy. For this reason, they became fertile grounds for China's reform and opening-up. This was a choice that could reduce political risks and reform costs, and it was also a choice full of political intelligence and suited the national conditions of China. Therefore, as a top-down formal institutional arrangement, the special economic zone not only greatly lowered resistance of the dominant traditional ideology against institutional changes and reduced the cost of institutional innovation under the dominance of the traditional system, but it also successfully circumvented the various risks and violent social unrest that the reform and opening-up might cause, so that the performance of institutional changes could quickly emerge in the short term and be effectively demonstrated throughout the country. From January 24 to February 10, 1984, when visiting Shenzhen, Zhuhai and Xiamen, Deng Xiaoping wrote that "the development and experience of Shenzhen prove that our policy of establishing special economic zones is correct"; the "Zhuhai Special Economic Zone is good", and "the special economic zones must be operated faster and in a better way" (Deng, 1993c).

On February 24th, Comrade Deng Xiaoping pointed out when talking with the central leaders that "the impression Shenzhen leaves me is one of prosperity" (Deng, 1993c). On June 12, 1987, Deng Xiaoping said when meeting with foreign guests that: "Comrades from Shenzhen told me that more than 50% of the industrial products are exported, and foreign exchange receipts and payments can be balanced. Now I can boldly say that our decision to establish special economic zones was not only correct but also successful. All doubts can be cleared up." (Deng, 1993d). In the early spring of 1992, in the famous "Southern Tour Speech", Deng Xiaoping put forward the following requirements for special economic zones: "We should be bolder than before in conducting reform and opening up to the outside world and have the courage to experiment. We must not act like women with bound feet. Once we are sure that something should be done, we should dare to experiment and break a new path." (Deng, 1993e). At the 14th National Congress of the Communist Party of China held in Beijing in October 1992, it was clarified that the goal of the Chinese reform was to establish a socialist market economy. The formation of this historic judgment was inseparable from the successful practice of special economic zones and the effective implementation of the strategy of unbalanced development. It could even be said that without such a successful practice, it would not be possible to make such a historic judgment.

It is worth noting that the unbalanced development, as the choice for China's path towards institutional changes and an important part of China's path, does not simply have the connotation of unbalanced development in the Western regional economics represented by Karl Gunnar Myrdal and Albert Hirschman, but a logic of and a path towards development that contains the theory of regional economic growth and reflects the national conditions of China. First, in a considerable period at the early stage of reform and opening-up, the resources were not input to regions and industries with a high degree of efficiency as indicated by the classical theory, but first of all, the

economically backward regions were selected because they were weak in the planned economy with low resistance and a low cost of reform. Second, the resources invested were not tangible funds, technology or other scarce production factors, but special policies on production factors that look forward to attracting and driving economic startup and development. Third, the theoretical logic of the rapid economic growth of regions input with more resources driving the development of other regions, in the process of China's unbalanced development, is reflected more or mainly as the result of special policies and the courage to reform, especially at the beginning of the reform and opening-up. The "aggregation effect" and the "spread effect" that drive regional development are manifested as the effects of special policies on the one hand, and the potential and institutional power interacting with special policies and continuously promoting and reshaping the reform and development on the other hand.

After 40 years of reform and opening-up, when looking back on the special economic zones from the perspective of institutional arrangements, and introducing the unbalanced growth into our research horizon, the SEZs are not only the product of special policies, but also a path suitable to China's national conditions and institutional changes with Chinese characteristics. Judging from the historic evolution of China's reform and opening-up, the affirmation of special economic zones is a complete denial and subversion of the ultra-leftist trend of "taking class struggle as the key link". It is an affirmation of the historic significance of the ideology that "development is the absolute principle", the theoretical recognition of the choice of China's path for institutional changes and the reflection of the absolute confidence in that path.

Third, the special economic zones, as a top-down formal institutional arrangement, constitute an important practice model for China's progressive reform under the concept of "crossing the river by feeling the stones", and the "early and pilot implementation", "taking the lead in demonstration" and "bold to pioneer" constitute the important connotations and quality of this important model of practice. If unbalanced development is a mode of development when confronted with constraints, then progressive development is a developmental step when confronted with constraints. As two aspects of mutual support and mutual promotion in the same process of reform, they can jointly guarantee the natural occurrence of induced institutional changes dominated by imposed institutional changes in the course of China's reform and opening-up; the steady transformation from local to whole; the effective combination of reform within the system and outside the system; the marketization of the economy and the progressive occurrence and realization of the reform in all aspects; and the mutual coordination of reform, development and stability; thus proving the practical value and practical significance of China's path by the practice of reform suited to the national conditions of China.

China's reform and opening-up has the basic characteristics of "progressive reform", and meanwhile "progressive reform" constitutes a distinctive feature of China's institutional changes. "Progressive reform" is dominated by imposed institutional changes with induced institutional changes as potential; the economic reform as the entry point, all-round reform as the direction; economic development as the

focus, growth in all aspects as the goal; unbalanced development as the path, and coordinating and shared development as the aim. This logical line of the reform basically reflects the evolutionary trajectory of China's institutional changes.

In theory, the "progressive reform" is a market-oriented reform based on industrialization and a socialist constitution in a country where the macroeconomy is relatively balanced and stable. It highlights the fact that countries undergoing reforms make full use of the resources of existing social organizations, especially the state power, to initiate and advance the reforms. It has the characteristics of transitional and imposed inductiveness of the double-track transition and shows the distinctive features of the reform from local to overall, and reform in the system and promotion outside the system, coordination of reform, development and stability, as well as the advancement of the reform of the political system by the pilot market-oriented economic reform (Wang, 2002), and "early and pilot implementation" is the most vivid expression and practice of China's "progressive reform".

It can be said that "early and pilot implementation" is the "innate" character that transitional China has given to special economic zones, the "privilege" in policies that imposed institutional changes have given to special economic zones, the "priority" to reform with wisdom and courage that the strategy of unbalanced development has given to special economic zones, the "trial" accompanying risks and costs that the progressive reform and opening-up has given to special economic zones, and the reason why the special economic zones can be invigorating all the time. Forty years ago, the Shenzhen Special Economic Zone took the lead in the great and arduous practice of the socialist market economy with the "privilege" policy of "early and pilot implementation". Under the banner of "early and pilot implementation", the Shenzhen Special Economic Zone not only output the most fundamental concepts and practices of a market economy, such as the law of value, market competition, labor and commodity, and stock dividends to the whole country, but it also shouted the slogans of "time is money" and "efficiency is life" loudly in China.

The main functions of special economic zones aim at taking the lead in realizing, demonstrating and completing the construction of a socialist market economy in a planned economy, and promoting the universal establishment of a socialist market economy throughout the country. However, special economic zones, as China's choice of a path for institutional changes, must not only facilitate the formation of a socialist market economy with its own practice, but it must also improve the socialist market economy with its own development, thus advancing China's reform and opening-up towards in-depth development. Therefore, as China's great cause of reform and opening-up deepens, with the great expectations of people for more profound institutional changes to China, the "early and pilot implementation" has been continuously given the deeper and broader connotations of the times and the missions to deepen the reform. For example, with the courage, wisdom and strategy of "daring to be the first", SEZs explore and practice the social institutional environment, operational regulation and legal system that adapt to a socialist market economy; they explore and practice the routes to deepen the reform of the political administrative system, build the social security system benefiting all people, and construct the mechanism for social innovation that reflects incentives and efficiency;

moreover, they explore and practice the routes towards transforming the economic growth model, achieving sustainable development and accomplishing the supply-side reform as well as exploring and practicing the new measures to maintain their leading role in building a moderately prosperous society in all respects, speeding up the construction of an innovative country, expediting the improvement of the socialist market economy, promoting the formation of a new pattern of opening up in an all-around way, and comprehensively realizing modernization, thus continuing to be the “pioneers” for deepening the reform and opening-up of China in all aspects. “Early and pilot implementation”, as the operational path for the “progressive reform” or institutional changes of China, drives the realization of the top-down imposed institutional changes and boosts the conscious experiment and practice of institutional innovation in leading regions, that is, the natural occurrence of the induced institutional changes dominated by imposed institutional changes. Also, the “early and pilot implementation” ensures that the institutional changes and social transformation progress steadily from local to overall, and it also shapes the performance-based model of institutional change combining imposed and induced institutional changes.

As stated above, the special economic zone in China is by no means a temporary economic phenomenon, nor simply a product of special policies, nor a stopgap. As a product of special policies, it accomplishes the mission of exploring and demonstrating the transformation of China from a planned economy to a market economy; as an institutional arrangement, it is the best path to have chosen to achieve social transformation at a minimum cost in a large country with unbalanced development; as an important practice model of progressive reform, it reduces the risk of China’s reform and opening-up and improves the performance of institutional changes; as an important part of China’s path, with the agglomeration and radiation effects of regional economy, it continuously changes, improves and shapes the new landscape of the Chinese economy and becomes a “shortcut” with institutional performance to modernize China.

A special economic zone is not just a city. It is an explorer of the path of China’s institutional changes, a pioneer in the construction of a socialist market economy, and an indispensable component of China’s path. The formation of China’s special economic zones is far greater than the formation of a city; the growth of special economic zones is more significant than the growth of a city; the development of special economic zones is far more important than the development of a city; the influence of special economic zones is far beyond the influence of a city. Only by putting the understanding of and research on special economic zones in the historic process of China’s reform and opening-up can we explain, get to know and comprehend the unique roles and missions of special economic zones, and then we can find the evolutionary path of China’s institutional changes, discover the theoretical mechanism of China’s path, figure out the driving force behind the “Chinese miracle”, and make it clear why special economic zones can provide a replicable developmental path for China’s institutional changes in a path-dependent manner.

3 Unique Status of the Shenzhen Special Economic Zone and the Comparison of Domestic and Foreign SEZs

As the most typical and successful special economic zone, the Shenzhen Special Economic Zone (“Shenzhen SEZ”) has made tremendous historic contributions to China’s reform and opening-up. After 40 years of reform and opening-up, the Shenzhen SEZ, with the double identity and status of free trade zone and bay area, still plays a prominent role in leading the important institutional innovation in the process of deepening the reform of China. The vitality of special economic zones stems from the correct choice of path for China’s institutional changes, the institutional performance of the strategy of unbalanced development, the scientific nature of the practice model of the progressive reform and the vitality of China’s path itself. The successful practice of China’s special economic zones, represented by Shenzhen, not only directly boosts the effective implementation of the opening-up strategy from coast to border areas, but also continuously builds the new landscape of the Chinese economy in a manner of unbalanced development.

According to some scholars, Shenzhen, as the most typical and successful special economic zone, made four historic contributions to China’s reform and opening-up. First, it took the lead in exploring, demonstrating and practicing the socialist market economy and contributed a “new system” to Chinese economic development—a socialist market economy, which provided a basic guarantee for China’s reform and opening-up and institutional changes in terms of institution-ideology. Second, with its development and success, it validated a “new path” for the modernization of China—China’s path, so that China began to change from pervasive poverty to the goal of common prosperity by adopting the strategy of unbalanced development. Third, the “pilot” practice and the courage of being “dare to be first” provided a “new spirit” for advancing the process of China’s reform and opening-up—dare to innovate, thus expediting the revolution that renewed the mind of hundreds of millions of people and encouraged the formation of the mind suited to a socialist market economy and the new culture of reform and innovation. Fourth, the wealth of taking the lead in development and the achievements guiding the reform and opening-up of China proved a truth—the free development of human beings was the content and goal of social development; the creativity of each citizen was not only the source of social development, but also the driving force behind realizing the Chinese dream; deepening the reform was not only a path for China to achieve modernization, but also a path to realize the Chinese dream (Su & Zhong, 2010).

First, the development of the Shenzhen SEZ was a process full of creations and miracles, which continuously adjusted developmental strategies, optimized the industrial structure and transformed the model of economic development during trial and error and exploration, and explored the transition from a traditional planned economy to a socialist market economy, from an economically growing society to a welfare society being developed in all aspects. This process fully reflected the practical evolution of institutional changes by the practice of early and pilot implementation.

The Shenzhen Special Economic Zone began with “processing with supplied materials, assembly with supplied parts, processing with supplied samples, and compensation trade”. The selection of such a model of development was determined by the factor endowments then. At the beginning of the reform and opening-up, Shenzhen was only a small fishing village that was relatively weak in its development of a planned economy. The comparative advantages of Shenzhen then were low-cost labor and land, but it lacked capital, technology and management expertise. In the late 1970s and the early 1980s, the “Four Little Dragons in South Asia” including Hong Kong had the need for industrial upgrading and structural adjustment. Under the guidance of the reform and opening-up policy, Hong Kong’s labor-intensive industries, mainly the processing sector, settled in Shenzhen in a timely and appropriate manner. It could be said that the gradient transfer of inter-regional industries was never a sheer flow of materials. Shenzhen, which had just been established and was eager to find opportunities for development, would inevitably transfer capital, technology, management expertise and modern enterprise systems to this young, growing city while undertaking the industrial chain that was transferred from Hong Kong. Inheriting the industrial renewal chain of regions and countries with a well-developed market economy, Shenzhen not only reduced the starting cost of economic development, but also greatly reduced the cost of learning from the market economy and determined the characteristics of an export-oriented economy. Meanwhile, the “input” of the processing sector also spawned the rise and development of the tertiary industry from its derivative needs (Tao & Lu, 2017). By 1993, 87% of Shenzhen’s foreign trade came from the net export of the three types of foreign-funded enterprises and the levy on “processing with supplied materials, assembly with supplied parts, processing with supplied samples, and compensation trade”; the tertiary industry accounted for 46% of Shenzhen’s GDP, and employment within these enterprises accounted for 32.2% of Shenzhen’s labor force (Tao & Lu, 2008).

When the economy of Shenzhen was on a track of high-speed growth, the constraints of its inherent shortage of natural resources quickly emerged and attracted the attention of policy-makers. The inherent shortage of natural resources meant that the selection of any growth model with the consumption and use of natural resources would result in high prices paid by the people for the creation and development of wealth due to the law of scarcity, and hence the cost of economic growth would also increase due to the high cost of the creation of wealth (Tao & Lu, 2017). Moreover, Shenzhen, as an emerging city developing a market economy with a demonstration effect in the country, could neither repeat the developmental model and path of the traditional industrial sectors, nor take the unsustainable developmental path of the creation of wealth with the consumption of wealth. Therefore, to explore and try a new model of economic growth and creation of wealth for demonstration to the country became the responsibility and mission of the Shenzhen SEZ.

From “processing with supplied materials, assembly with supplied parts, processing with supplied samples, and compensation trade” to high-tech industries as the pillars, Shenzhen not only selected a sustainable developmental path, but also one with significant factors in the government decision-making for institutional changes

(special funds and policy preferences, etc.), it solved the problem of initial insufficiency of funds, and relieved the pressure on high-tech enterprises alone; moreover, it created an institutional environment for high-tech industries to settle in, grow in, develop in and innovate in with the unique broad mind of reformers, and attracted a large number of prestigious high-tech enterprises at home and abroad to settle in Shenzhen; finally, it provided the solid intellectual guarantee for the follow-up development of high-tech industries with the vision of the changers, and some well-known universities and various scientific research institutions took root in Shenzhen. In 1999, the first "China International High-tech Achievements Fair" (High-Tech Fair) was held in Shenzhen, which was a symbol or milestone for Shenzhen in taking the direction of industrial development led by high-tech industries. By the year 2000, Shenzhen's production of magnetic heads for computers ranked third in the world, its production of microelectronic computers accounted for 25% of that of the entire country, its production of program-controlled switches occupied 50% of that of the country, and its production of genetic interferons accounted for 60% of that of the country; also, it was China's largest production base of printers, hard disk drives and cordless phones and it shaped five high-tech pillar industries, namely electronic information, biotechnology, new materials, opto-mechatronics and the laser (Tao & Lu, 2008).

If it could be said that the labor-intensive economy enabled Shenzhen to gain the competitive advantage of capturing the market by low cost, then the global financial crisis exposed the problems inherent in the growth model of the labor-intensive economy, including low product capital and technical added value and the lack of core competitiveness, and solemnly proposed the transformation of its model of economic growth as an inevitable strategic choice to achieve scientific development.

If a country had abundant labor resources with low labor costs or prices, in the absence of factor endowment advantages such as capital and technology, the low-cost labor force became the best choice at the start of economic development and the natural choice with the lowest cost of development. This was also Shenzhen's primary choice and even that of the whole country for economic start-up and initial development at the early stage of development. The development of most economically backward developing countries was faced not with the problem of resource shortage in the sense of natural endowments, but with the problem of resource constraints in the sense of factor structure. The resource constraints in the sense of factor structure meant an inferior "factor endowment structure"; in other words, the economic development of a country or region was lacking in advanced factors such as capital, technology, education, management experience and legal system, but had an abundant labor force without education or with a low level of education. Hence, the inferior "factor endowment structure" became the root cause of the inferior economic structure. When there was only a simple labor force in the factor stock, the labor-intensive economy became a natural choice. Therefore, "changing the quality and structure of factors is a realistic and logical premise to improving the industrial structure." (Fan, 2009).

In the history of the development of the Shenzhen SEZ from the formation of "processing with supplied materials, assembly with supplied parts, processing with

supplied samples, and compensation trade” characterized by labor-intensiveness, to the development of high-tech industries characterized by capital and technology-intensiveness and the formation of a new idea of independent innovation, and then to the transformation of the model of economic growth to establish a sustainable socio-economic model of development, while experiencing and winning the glory and accumulating the wealth, the Shenzhen SEZ solved and corrected problems existing in development by its cognition of scientific development and its concept of harmonious development. These footsteps and gains were also Shenzhen’s line of thought and reflection for advancing forward. Perhaps this trait and spirit of constant self-revolution made Shenzhen, the city prospering in the reform, still the forerunner and pioneer, confronted with new missions in the new era, to advance the strategic layout of the “Four Comprehensives”, achieve the general layout of “Five in One”, vigorously expedite the process of building a moderately prosperous society and take the lead in realizing the Two Centenary Goals.

After 40 years of reform and opening-up, Shenzhen had already entered a mature period of steady development. In 2017, Shenzhen’s economy grew by 8.8% over the previous year (calculated at comparable prices); its economic aggregates rose from 196 million yuan in 1979 to 2.24 trillion yuan in 2017, ranking third in the country; and the per capita GDP increased from 606 yuan in 1979 to 183,100 yuan in 2017, which was 27,100 US dollars converted at the average exchange rate in 2017 and thus it ranked first among China’s large and medium-sized cities (GDP and per capita GDP data, 2017). It could be said that Shenzhen brought wealth and prosperity to diligent people along a fast-growing track. As is known to us, GDP is the material basis of social development, but it cannot be the ultimate goal of social development. The growth of GDP and per capita GDP without an improvement in social well-being and the free development of human beings can only be regarded as simple material growth that lacks soul and humanistic care. The growth and development of the Shenzhen SEZ not only demonstrates the true meaning of all-around and shared development, but it also highlights the institutional charm of transitional China.

Whether in the successful practice of the Shenzhen SEZ or the great achievements of China’s reform and opening-up, Hong Kong was an extremely important factor. In the past 40 years of reform and opening-up, Hong Kong was the most direct and convenient window for the mainland to learn about the world, learn the market economy and integrate into the international community. At the early stage of reform and opening-up, the government (mainly the mainland government) provided policies to encourage Hong Kong’s private capital to flow freely to the mainland. It was the manner of cooperation that was widely adopted and implemented by Hong Kong, Shenzhen, Guangdong and even the whole country, and the introduction of Hong Kong capitals, joint ventures with Hong Kong people and sole ownership of Hong Kong people were the most basic and primary manners of cooperation in a considerable long period. In 2003, the implementation of CEPA was mainly to open up the market to Hong Kong, and allow Hong Kong capital to participate in competition on the mainland market with preferential policies. In 1999, the investment from Hong Kong and Macao accounted for 50.70% of Shenzhen’s actual use of foreign capital; in 2016, this figure reached 88.14% (The data of the foreign capital actually absorbed

by Shenzhen, 1999). It should be said with certainty that Hong Kong's capital, materials, commodities, technology, talents and other economic factors truly expedited the process of reform and opening-up of the mainland, especially in Shenzhen and Guangdong. This not only accelerated the transition from a planned economy to a market economy, but it also brought institutional and cultural powers from competition and a market economy that were sufficient to change the traditional system. At any time, we could not simply understand the market economy as technology, science, tools and means, because fundamentally the market economy was a system, a mechanism, a culture and a civilization.

Hong Kong showed us a set of mature social management frameworks and administrative procedures constantly tested and proven by practice and revised and improved through trial and error. Hong Kong could provide reference for us in terms of functions and efficiency of the social governance, decision-making rules and procedures of the government, service consciousness and law-abiding awareness of government officials, and democratic and equal value orientation in social life. The institutional advantages of Hong Kong were a valuable resource. Learning from advanced institutions could help us overcome and avoid the conservativeness and low efficiency of the government in the transitional society. For example, the vested interests and traditional ideologies in the original system could directly affect the preferences of officials in the process of institutional changes, and the demonstration effect of the advanced system enabled people to throw off the shackles of traditional ideology in a short period of time, avoid limitations of human reasoning, and thus enhance the cognitive ability of institutional changes. For another example, in the process of institutional changes in the transitional society, it was often the case that even if the government intended to establish new institutional arrangements to restore the institutions from imbalance to balance, due to the lack of knowledge in social sciences, the government could not accomplish correct institutional arrangements. As a result, the short-term efforts in maximizing profits could lead to the pursuit of persistent ineffective activities (when the institutional constraints were given), and even if they pursued productive activities, this could also lead to unpredictable results (North, 1994). Hence, learning from an advanced system could eliminate the time lag, decrease the cost and reduce intangible losses in institutional changes, and meanwhile it could make the government mature, rational and responsible with the value orientation of serving the society and people in the process of making institutional changes. Hong Kong was a region with a mature, perfect and highly internationalized developed market economy. It showed us the efficiency of a service-oriented government, democratic and transparent discussions and procedural orders, a market order of fair competition and a perfect and inclusive social security system. After 40 years of reform and opening-up, the development and prosperity of China not only benefited 7.3 million Hong Kong residents, but it also improved Hong Kong's regional competitiveness to some extent. According to the *Global Innovation Index 2017*, Shenzhen-Hong Kong ranked second in the world with 41,000 international patents, Tokyo-Yokohama topped this ranking with 94,000 patents, and San Jose-San Francisco (where the Silicon Valley is located) ranked third (World Intellectual Property Organization (WIPO), 2017). But in a sense, learning from the institutional

advantages of Hong Kong is still a valuable resource that we can use to deepen reform. Nietzsche once pointed out: "Nothing is needed more than truth among philosophers." (Nietzsche, 1991). The advancement of human society requires not only diligence and enthusiasm, but also thinking and rationality.

Second, the Shenzhen SEZ, the most typical and successful representative of China's special economic zones, has an irreplaceable status. It is not only the cradle of China's reform and opening-up in the true sense, but it also leads the direction of China's reform and opening-up with its own practice in a long historic period, and constantly creates new ideas and concepts that can affect the mind of hundreds of millions of people. Although the SEZ is not just a city from the selection of China's path for institutional changes and the practice of China's path, Shenzhen is a city that is emerging by taking the lead in the reform and opening-up, and it should undoubtedly be recorded in the history of China's reform and opening-up.

Today, when one mentions China's special economic zone, they almost always refer to Shenzhen. After 40 years of reform and opening-up, Shenzhen has become synonymous with and a glory symbol of China's special economic zones in a considerable sense. As the "test field" for the transition from a planned economy to a market economy, Shenzhen historically undertakes the missions of reform, exploration and demonstration; as the "window" for opening up to the outside world, Shenzhen firmly undertakes the missions of exploring, trying and finding the path; as the "pioneer" of China's reform and opening-up, Shenzhen is inborn with the missions of being bold to try and take risks, creating and producing scalable and replicable experience. Hence, not only many world-shaking practices and experiences in reform and opening-up are generated and extended from Shenzhen to the whole country, but many reforms and practices to deepen the reform are tested in Shenzhen first. In the long historic period of reform and opening-up, providing the country with replicable experience and an exemplary path for institutional changes is a unique function and mission of the Shenzhen SEZ. Today when China advances towards a new era of deepening reform, in the process of realizing the "Four Comprehensives" and "Five in One", Shenzhen, as the most successful and typical special economic zone with the double identity and status of free trade zone and bay area, is still important for taking the lead in institutional innovation.

Forty years later, the Shenzhen SEZ is not the only region with the most developed market economy in China. However, the experience of taking the lead in the construction of a socialist market economy and the geographical advantage as a window for opening up to the outside world make today's Shenzhen still the most convenient "window" for opening-up. If at the beginning of the reform and opening-up, the establishment of a market economy throughout the country by the demonstration effect is an important function and role of the Shenzhen SEZ, 40 years later, boosting the deepening of China's reform with continuous institutional innovation becomes an important historic responsibility of the Shenzhen SEZ. The evolution of intrinsic functions of special economic zones is a sign that China has evolved from imposed institutional changes aiming at breaking through the traditional system to induced institutional changes motivated by the harvest of potential benefits. China has not gone from the era of reform to the era of development. Reforming and developing

are still the internal motivation for China to advance forward. The reform has not yet been completed, and the path is still tortuous and long. The special economic zone is an effective "shortcut" for China to realize modernization. Its mission is continuing, and there is still a long way to go.

The Shenzhen SEZ, as the earliest region to practice the socialist market economy, has accumulated not only material wealth after 40 years of reform and opening-up, but also spiritual wealth in 40 years of reform and innovation, and good social regulations and legal environment in the process of learning from international practices. These will undoubtedly become the unique material and political capital for the Shenzhen SEZ to accomplish its new historic missions. Of course, in order to complete the new historic missions in the new era, special economic zones must continue and maintain certain special qualities, such as the courage to persist in reform, the verve to deepen the reform, the wisdom to realize the reform and the art to implement the reform. Beyond doubt, the most important thing is to have a fearless spirit and courage to take the risks of reform.

Although Shenzhen almost becomes synonymous with China's special economic zones, it is not all of the Chinese special economic zones. As China's reform is being deepened, the new special economic zones, especially the establishment and formation of pilot free trade zones and bay areas, not only prove the correct way to complete China's institutional changes and further establish, develop and improve the socialist market economy by the choice of founding special economic zones, but it also demonstrates that the special economic zone itself is an effective path for China to achieve modernization and an important connotation of China's path. Accordingly, a special economic zone should be studied as the growth pole of a city or an administrative region, and also as a kind of institutional arrangement; and the study must focus on both the particularity and the generality of special economic zones. Only by probing into them and transcending a specific special economic zone can we truly understand the status and role of special economic zones in China's reform and opening-up and institutional changes.

Strictly speaking, special economic zones are the product of special policies. When there are no special policies, SEZs should cease to exist. The original intention of Comrade Deng Xiaoping in establishing special economic zones was to make them a breakthrough point for China's institutional changes, a window for opening up to the outside world, and a test field for the market economy. Forty years later, they not only have completed this initial mission well, but they have also developed from a single spark to a prairie fire. However, if we judge that the SEZs can be contained in the historic museum gloriously, it is too short-sighted and shows a lack of a sense of history. In my opinion, the vitality of the SEZs stems from the vitality of China's path, the choice of a path for the strategy of unbalanced development, and the need for a practical model of the progressive reform. If there is still a historic mission today when the socialist market economy has been widely established in China, this mission is to deepen the great cause of reform and opening-up concerning China's destiny. In this sense, China's SEZs will run through the entire process of the reform and opening-up. Furthermore, it is my belief that under the call of the new mission

in the new era, the Chinese SEZs, as a banner for the reform and opening-up with Chinese characteristics, will fly beautifully in the sky of history.

Third, no matter whether from the cause, function, status or concept, China's special economic zones are not the same as those in foreign countries. Although China's reform and opening-up starts from economic construction, the political mission of special economic zones or the mission of reform is the greatest mission and the most fundamental mission; their political significance is greater than economic significance; their significance for reform is greater than their significance for growth.

The special economic zone is not an invention of China, but it already existed before China decided to establish special zones. The term "Special Economic Zone" is usually used by foreign researchers to refer to an area delineated by a country or region for constructing infrastructure within the area, implementing special preferential policies such as exemption from tariffs, developing the processing trade and entrepôt trade, promoting the development of the economy and trade in the area and neighboring areas, and increasing fiscal revenue and foreign exchange earnings. Historically, in the thirteenth century, with the development of the commodity economy, there emerged some early forms of modern free ports in coastal cities in European countries such as Venice in Italy and Hamburg in Germany. Some scholars divided the emergence and development of special economic zones in the world into three phases: the first phase, lasting from 1228 to the 1950s, was the period of the development of free ports and free trade zones around the world; the second phase, lasting from the 1950s to the mid-1970s, was the period of the emergence and development of export processing zones around the world; and the third phase, lasting from the 1970s until now, is the period of developing special economic zones towards the scientific, integrated and transnational development (Zhong, 2002). Without the division according to the phases of development, some scholars have also pointed out that the "special economic zone" was generally a term in the broad sense covering a wide range of different parks, such as free trade zones, export processing zones, industrial parks, economic and technological development zones, high-tech zones, scientific and technological parks, free ports, bonded areas and enterprise zones, etc. (FIAS, 2010).

It can be said that despite the fact that they are the product of special policies, the Chinese special economic zones have different meanings from foreign ones. First of all, from the background of the emergence, China's special economic zones are not the inevitable result of social and economic development, especially the rising and prosperous international trade, but the product of the social economy on the verge of collapse and the desire for change. Therefore, although the Chinese special economic zones also have forms and titles like free ports, free trade zones, bonded areas, export processing zones and scientific and technological parks, they are created, exist and play their functions and roles according to the overall strategic deployment of China's reform and opening-up, not just for the simple economic goal of expanding foreign trade. Second, with regard to the functions and roles, as mentioned above, the Chinese special economic zones undertake the mission of ending an era and opening an era beginning on the date when they are founded. Their emergence aims to find a path for the transformation of China, and their development aims to explore China's path

for institutional changes. They can enhance the performance of institutional changes by reducing the ideological cost of the reform and the cost of trials and errors, and provide the emulative and replicable institutional arrangements for social transformation. Moreover, in terms of status and significance, special economic zones are the product of special policies and the product of political wisdom. As the product of special policies, they have the same attributes as foreign ones. However, as the product of political wisdom, they reflect the uniqueness of China. This uniqueness lies in the fact that as a top-down imposed institutional arrangement, they drive economic development forward and guide the overall direction of the country's all-round reform. In a certain sense, for China, the political mission or the mission of reform undertaken by the special economic zones is the greatest and the most fundamental mission; the political significance of establishing special economic zones is greater than the economic significance; their significance for reform is greater than their significance for growth. Therefore, in the historic process of China's reform and opening-up, both typical special economic zones, special economic zones in a broad sense, which is close to the concept of special economic zones in foreign countries, and extended forms of special economic zones, are not a simple economic phenomenon, but the administrative division for undertaking different missions of reform in different eras.

In fact, such a difference between Chinese and foreign special economic zones is an interesting focus for the study of the history of the development of China's special economic zones. On the one hand, Chinese special economic zones enrich the types and the developmental history of special economic zones throughout the world with their unique functions and missions; on the other hand, the successful practice of Chinese special economic zones different from others around the world proves the country-specific choice of a path for institutional changes and the uniqueness and replicability of China's path. Meanwhile, the study of the successful experience of Chinese special economic zones also has practical significance for sharing wisdom with the world.

4 SEZs and the Internal Logic of China's Selection of a Path for Institutional Changes

From the perspective of the theory of institutional change and the theory of regional growth, both typical special economic zones, special economic zones in a broad sense, and free trade zones and bay areas, are all regarded as an institutional arrangement carrying out the different missions of early and pilot implementation in different periods and stages of China's reform and opening-up, thus realizing the country's overall strategy of development; the choice of an effective path towards achieving social transformation, a "shortcut" to accelerate the realization of modernization and the exploration and enrichment of the essence and connotation of China's path. This trajectory towards development, while continuously shaping the growth poles

for the regional economies of China, gradually achieves the balanced development, the coordinated development and the all-round development of China. From typical special economic zones to special economic zones in a broad sense, and then to the establishment and formation of free trade zones and bay areas as the extended forms of special economic zones, they reflect the organic integration of the choice of a path of “gradient development” and “anti-gradient development”, which not only verifies the fact that China’s path of gradient development and anti-gradient development is the best in terms of institutional performance, but also further proves the correctness of China’s choice of a path for institutional changes in the process of deepening the reform, and interprets the uniqueness and creativity of China’s path.

Furthermore, from the logical starting point and choice of a path of China’s reform and opening-up, the unbalanced development is the dominant strategic choice. However, with the creation of an increasingly greater number of special economic zones and the general establishment and development of the market economy, the situation predicted by Williamson’s hypothesis with an inverse U-shape curve gradually emerges. This theoretical logic reflects the realistic logic for the evolutionary path of China’s institutional changes and constitutes the theoretical mechanism of China’s path.

Marx pointed out that: “The degree of realization of a theory in a country depends on the extent to which the theory meets the needs of the country.” (Marx & Engels, 2012c). The practice of China’s reform and opening-up in the past 40 years proves that unbalanced development is the choice of a path with the best performance and the lowest cost to achieve development in an all-around manner in a big country with unbalanced economic development, especially for reducing the trial-and-error costs and the ideological costs of the reform and opening-up. If China’s institutional changes by establishing special economic zones in the past aimed at reducing the political risks and the trial-and-error costs of the reform and opening-up, then the establishment of various special economic zones later intends to foster economic growth poles with the power of policy. Through the release of the “backwash effect”, the “spread effect” and the “trickle-down effect”, institutions demonstrate institutions, regions drive regions and the growth poles formed and accumulated by the early and pilot implementation gradually promote and realize balanced development and development in all aspects.

First, when the theory of regional economic development is applied to explain the functions and roles of China’s special economic zones, on the one hand, the brilliant achievements of the typical special economic zones represented by Shenzhen powerfully interpret the functions and roles of special economic zones and the mechanism and connotation of China’s path in theory; on the other hand, the unique background of China’s institutional changes and the uniqueness of the choice of a path for those changes resulted therefrom constitute another interpretation of and supplement to the theory of regional economic development. Like the imposed, top-down institutional changes, the “backwash effect”, the “spread effect” and the “trickle-down effect” in the traditional theory of regional economics are embodied in the “Chinese” mechanism in a “non-classical” manner.

According to the principle of circular and cumulative causation proposed by Karl Gunnar Myrdal, the founder of the Stockholm School of Economics and one of the pioneers of the development economics (Myrdal, 1944), the process of economic development is not simultaneously occurring and uniformly spread in space, but begins from some regions with good conditions. Once these regions develop ahead of other areas due to their initial advantages, they continue to advance by means of the process of cumulative causation by virtue of vested advantages, thus further strengthening and exacerbating the regional imbalances and leading to the spatial interactions among growing regions and backward regions. Then, two opposite effects occur: One is the “backwash effect”, that is, production factors flowing from underdeveloped regions to developed regions, which continuously expands regional economic differences; the other is the “spread effect”, that is, production factors flowing from developed regions to underdeveloped regions, which can narrow the regional economic differences. Under the influence of the market mechanism, the “backwash effect” is much larger than the “spread effect”, that is, developed regions become more developed and backward regions become more backward. Given this situation, Myrdal put forward the policy proposition of regional economic development. In other words, at the early stage of economic development, the government should give priority to the development of regions with better conditions, in order to seek better investment efficiency and a faster economic growth rate, and promote the development of other regions through the spread effect; however, when the economy develops to a certain level, to prevent the infinite expansion of the gap between the rich and the poor by circular and cumulative causation, the government must formulate a series of special policies to stimulate the development of backward regions in order to narrow economic differences.

1. The situation in China is different from the theory of Myrdal because the reform and opening-up began not in regions with better conditions, but in underdeveloped regions which performed worse in the planned economy. For example, Shenzhen at the beginning of the reform was just a small fishing village that was virtually unknown. However, as mentioned above, the common feature is the low cost of reform and the low risk of failure.
2. The “backwash effect” has existed as an attraction of the reform and opening-up policy for a considerable period, rather than the result of a purely market economy. Taking Shenzhen as an example, with regard to the important factor of production—the flow of human capital, the initial attraction is not from the factor price itself, but from the loose institutional and cultural environment that is gradually formed by special policies and conducive to the reform and opening-up. By the same token, the earliest entry of foreign capital is not entirely driven by profit maximization, but by the optimistic view of the reform and opening-up policy, and the optimistic expectation for tremendous economic benefits brought about by institutional changes. Meanwhile, because the production factors can benefit from special policies only after entering the special economic zones, the policy of the “backwash effect” of taking the lead in the reform is greater than that induced economically, and the regional developmental gap by the “backwash

effect” is basically narrowed in the process of the reform and opening-up. In theory, only when the market economy is generally established, can the production factors truly return gradually from the policy-oriented flow preference to the flow preferences determined by the laws of the market economy (Tao & Lu, 2017).

3. The “spread effect” does not occur to a considerable extent as a cause, but as a result. By referring to “as a result”, it means that the reform process and the strategic deployment of the central government play a considerable guiding role in the “spread effect”, which is also the characteristic of the top-down imposed institutional changes in China. In view of the theoretical mechanism, with the development of leading developed regions, under the influence of the “spread effect”, the production factors flow from developed regions to underdeveloped regions, which narrows the regional developmental differences. However, in the process of China’s reform and opening-up, this “spread effect” is formed on the one hand with the general establishment and improvement of the market economy and released with the industrial upgrading of the early-developed regions, such as the Double-Shift Strategy of Guangdong Province, and accompanied on the other hand with the adjustment of the national policies for development and the advancement and expansion of the regional layout of the overall strategy of development, such as the proposal and implementation of the scientific outlook of development, the transformation of the economic growth model and supply-side structural reform, as well as the execution and extension from coastal opening-up to border opening-up, free trade zones and bay area economic belts and the Belt and Road Initiative.
4. In a certain sense, the “trickle-down effect” as the content and path of reform and opening-up, rather than the result after development, was strategically formulated at the beginning of the reform and opening-up. The “trickle-down effect” is an important point of view of Albert Hirschman’s theory of unbalanced growth. It refers to the fact that no special preferential treatment will be given to the poor, vulnerable groups or poverty-stricken regions in the process of economic development, but the early developed groups or regions provide benefits to them by consumption and employment, and boost their development and prosperity, thereby better promoting social and economic growth (Hirschman, 1958). The goals of China’s reform are to accomplish the transition from a planned economy to a market economy and to explore the path from pervasive poverty to common prosperity. The path to achieve the latter goal is to let some people get rich before others by the institutional power of the reform. A large number of peasants liberated from the land swarm into the early-developed regions. They not only constitute a unique labor force that takes on the historical significance in the process of China’s reform and opening-up, in other words, the migrant workers, but they also become the production factor with the biggest price advantage for working the “Chinese miracle”. This can be said to be the most representative “trickle-down effect” accompanying the reform and opening-up. Such a “trickle-down effect” with Chinese characteristics first objectively gives

people, especially those who have been firmly bound to the land by the traditional household registration system, the right of free choice and narrows the developmental gap between urban and rural areas and among different regions. Moreover, with the possibility of giving peasants the right of free choice, it changes the living conditions of some peasants (Tao & Lu, 2017).

As the formal institutional arrangements for China's imposed institutional changes, the typical special economic zones represented by Shenzhen, the special economic zones in a broad sense represented by Pudong in Shanghai, and the extended forms of special economic zones represented by free trade zones release the "backwash effect", the "spread effect" and the "trickle-down effect" in the deepening of the reform and the process of modernization of China with their leading role in development, and they are also embodied as the result and product of the above "effects" at different developmental periods, time points or phases. They, while continuously forming the regional economic growth poles of China, gradually realize a balanced development, a coordinated development and an all-round development, and they explore, practice, validate and construct the theoretical mechanism of China's path.

Second, special economic zones, development zones, new areas or free trade zones, as the result of China's institutional changes and the important connotation of China's path, are the policy growth poles that have been given unique functions from the outset. Moreover, the functions of these growth poles, such as the "spread effect" to achieve gradient transfer, are not a natural release after simple development, but a policy-oriented release for achieving the national strategy of development based on the market mechanism. The interactions between market choice and policy attraction and the combination of market power and institutional power make China's social and economic development reflect a unique trajectory and a high speed. The establishment of the Xiong'an New Area is not only the organic combination of a gradient and anti-gradient choice of a path of development, but it also interprets the uniqueness and creativity of China's choice of a path for institutional changes in the process of deepening the reform.

The theory of gradient development (gradient transfer theory) (Vernon, 1966) points out that priority should be given to supporting and promoting the development of high gradient regional economies in the order of regional economic development, thereby achieving high economic benefits and driving and promoting the development of low gradient regional economies. The "theory of gradient development" also holds the opinion that the rise and fall of the regional economy mainly depends on the strengths and weaknesses of the industrial structure, and the industrial structure depends on the regional economic sectors, especially the stage in which the specialized sectors of the leading industries are located. If the regional leading specialized sectors are composed of thriving sectors at the stage of innovation, it is a high gradient region; otherwise, if they are composed of sectors at the late stage of maturity or aging, it belongs to a low gradient region. Meanwhile, most of the new industrial sectors, new products, new technologies, new production management and organizational methods originate from high gradient regions, and under the influence

of the spread effect, they are gradually transferred from high gradient regions to low gradient regions. Gradient transfer is mainly achieved through the gradual expansion of the urban system. Wilbur et al. called the creative application of this theory of life cycles in regional economics vividly as the phenomenon of “industrial location penetrating down.” (Gao, 2014).

1. Just as the emergence and formation of China’s economic growth poles (typical special economic zones, special economic zones in a broad sense, and extended forms of special economic zones) are the products of special policies, the occurrence of gradient transfer is manifested as the result of policies or national strategies. Different growth poles jointly fostered by special policies and regional factor endowments, in the process of combining with the gradient development layout of the country as the national overall strategic deployment, created and undertook the chains and opportunities of gradient development at different periods by different means. Under institutional arrangements of the national overall layout of the strategic development, the gradient development of China expands at an exponential rate. For example, from 1984 to 1986, the country established the first batch of national economic and technological development zones in 14 coastal open cities. Later, with the advancement and deepening of the reform and opening-up, according to the needs of national strategies of development in different periods, the construction of national economic development zones as special economic zones in a broad sense also expands by gradients from coastal areas to cities along the Yangtze River, along the border and in inland provinces, as well as central regional cities. As the cause and result of gradient development, with their own function as the regional economic growth poles, national economic development zones become an important point of support for the realization of the national strategic goals of development, such as opening up from the coast to the border and the development of the western region, the revitalization of the northeastern part of China, and the rise of the central region, and they constantly construct a new landscape for the regional economies that fully reflect the evolutionary logic of China’s path. In the process of successive approvals of national economic and technological development zones as special economic zones in a broad sense, we can also observe the unique trajectory of China’s economic gradient development in one facet.
2. The southeastern coastal regions are the first gradient regions of the Chinese economy where the earliest typical special economic zones and those in a broad sense came into being. The innate geographical advantages of opening up the coastal areas to the outside world objectively provide the possibility of early and pilot implementation and development that inland cities did not have, especially at the early stage of the reform and opening-up. Typical special economic zones and early new areas and development zones, as the growth poles of China’s regional economy, have continued to build up the strength and radiation effect of the first gradient regions with their industrial structure, technological development, level of comprehensive management and innovative capabilities. The central and western regions, as the second and third gradient regions of China,

while undertaking the gradient transfer of industries and technologies, have naturally accepted the non-economic factors and resources that can boost the reform and opening-up and the improvement of the market economy, such as new ideas, advanced culture and good social regulations. In my opinion, "transfer" in this sense will continue to run through the process of China's gradient development for a long period of time. Therefore, gradient transfer is not a purely regional economic concept in China, but a process that accompanies the general establishment of the market economy and the process of deepening the reform and opening-up. Fundamentally, the resolution of major social contradictions in the new era and the mitigation and gradual elimination of imbalances and inadequacy in social development are also not purely the result of laws of economics, but the harvest of the more profound institutional changes and further deepening of the reform.

3. The theory of anti-gradient development (Zhang & Wei, 2005) points out that the development of backward regions can skip developed regions and directly develop underdeveloped regions not pursuant to the current situation but according to needs and possibilities. If China's path for institutional changes is investigated by the "gradient transfer theory", it can be said to be a strategic choice to organically integrate "gradient development" with "anti-gradient development". "Gradient development" plays a dominant role, especially in the period when the market economy was just established, and "anti-gradient development" is the national strategic decision. "Anti-gradient development" embodies the concept of balanced development, coordinated development and shared development; it reflects the institutional power of imposed, top-down institutional changes and demonstrates the unique choice of a path for eliminating the regional developmental gaps in a big country with a large population and economic development imbalances. The "anti-gradient development" in China is manifested not only in the establishment of policy-driven growth poles in economically underdeveloped regions, such as the Kashgar and Korgos Special Economic Zones established in 2010, to promote the extraordinary economic development of backward regions, but also in the powerful function of institutional innovation for the early and pilot implementation by the policy-driven growth poles in late developed regions together with those in early-developed regions. Hence, from the time line of national development zones and new areas as the special economic zones in a broad sense, the trajectory of institutional changes for combining "gradient development" and "anti-gradient development" can be clearly observed. For example, the establishment of THE Xiong'an New Area is very convincing evidence. The selection of a path for anti-gradient development can facilitate institutional innovation and create an institutional supporting environment for the extraordinary development in regions where the market economy is not well developed. The practice of China's reform and opening-up makes it possible to organically integrate "gradient development" and "anti-gradient development" in the overall strategy of the development of the country and constitute an integral part of China's path.

Third, after 40 years of reform and opening-up, China has shaped the “policy highlands” with different functions and missions made up of special economic zones, national development zones, national new areas and free trade zones, from local to global, from individual regions to cities and urban agglomerations, from city clusters to regional economic belts. On the one hand, the strong growth poles distributed throughout the country and made up of these “policy highlands”, under the joint effect of gradient development and anti-gradient development, not only shapes the cores with different levels of development—peripheral economic circles or economic belts, but it is also very likely that in a relatively short period, the development among the regions will quickly show the trend of Williamson’s inverse U-shape curve. On the other hand, the process of the formation of different policy-driven growth poles, such as emerging special economic zones, national new areas, free trade zones and bay areas, with their unique functional orientation and specific mission, clearly reflects the fact that the internal path for deepening the reform in an all-around manner makes China’s institutional changes starting from the economic reform to gradually expand from the economic sphere to a wider range of areas such as politics, culture, mechanisms of social management, laws and regulations. If the important function of the typical Special Economic Zone represented by Shenzhen in that year was to become a test field for the transformation from planned economy to market economy, and to promote and promote the establishment of the socialist market economy system in the whole country, today, the more important mission of the free trade zone and the Bay area, as the expansion form of the special economic zone, is to become the demonstration zones for the deepening of reform, coordinated development, and the all-round reform and opening-up of China. Of course, the government’s vision and self-revolutionary capabilities will, as always, determine the performance of China’s institutional changes and the value of the sustainability and exploration of China’s path.

John Friedmann, an American contemporary economist, puts forward the “core-periphery theory” that echoes the growth pole theory and the gradient development theory, while considering the long-term evolution of inter-regional imbalance (Friedman, 1966). This theory first divides the spatial structure of the economic system into two parts: the core and the periphery. The core is a sub-system of social regional organizations, which can generate and attract a lot of innovations; the periphery is another sub-system, which interacts and is interdependent with the core, and whose direction of development mainly depends on the core. The core and the periphery not only form a complete spatial system, but also a complete binary spatial structure. The conditions of the development of the core are superior, with relatively high economic benefits and an almost absolute dominance, but the conditions of development of the peripheral are inferior, with relatively low economic benefits in a position of being dominated. Accordingly, at the initial stage of economic development, there will be a net transfer of production factors from the peripheral to the core, or just the “backwash effect”, without the “spread effect”. The binary structure of the social economy at this stage is very obvious, showing a single-core structure. However, as the economy proceeds to the take-off stage, the single-core structure will be gradually replaced by a multi-core structure under the influence of

the “spread effect” and gradient development. When the economy proceeds to the stage of sustained growth, with the intervention of government policies, the boundary between the core and the periphery will gradually disappear, and the economy will be integrated across the country.

Friedman further uses Schumpeter's innovative ideas to explain his core-peripheral theory (Yan & Yuan, 2004). Development can be seen as a process of discontinuous accumulation of groups of basic innovation that eventually merge into a large-scale system of innovation. A rapidly developing metropolitan system usually has conditions conducive to activities of innovation. Innovation often spreads from big cities to peripheral regions. The core is a subsystem of regional social organizations with a high degree of innovation and ability to transform, and the peripheral system is a regional social subsystem determined by the core according to the relationship of dependency with the core. The core and the peripheral together constitute a complete spatial system, in which the core dominates. Friedman places great emphasis on the role of the core in the spatial system. In his opinion, the existence of a core that dominates important decisions in the periphery is decisive because it determines the existence of the regional spatial system. Any particular spatial system may have more than one core, and the geographic scope of a particular core will vary with the natural size or scope of the spatial system. Friedman has always predicted that the limits of the core expansion can eventually be reached when there is only one core within the scope of human habitation.

1. Friedman's core-periphery theory, as a model for explaining the evolution of the economic spatial structure, attempts to explain how a region can become a regional system from unconnected and isolated to interconnected unbalanced development, and then from extremely unbalanced to interconnected balanced development. In the process of China's institutional changes, this evolution is not only amazing, but also because the core is basically the administrative core regions, under the unified deployment of the central government and the top-down vertical leadership; once the regional strategy of development is formed, local governments on the periphery of the subsystem will promote the development and improvement of core-periphery economic belts under the overall strategic deployment of the country with positive institutional arrangements, and the institutional transaction costs between the core and the periphery in terms of positioning and cognition will also be relatively low. In my opinion, the so-called “China is an exception to all rules” (Russell, 1984) can be explained here as China's adherence to the universal laws and can take its own path in the process of development and making progress by human beings. For example, the formation of the Pearl River Delta Economic Circle, the Yangtze River Delta Economic Circle and the Bohai Bay Beijing-Tianjin-Tangshan Economic Circle basically follows the conventional evolutionary logic in terms of the developmental trajectory: First, the economic growth pole is shaped, the “backwash effect” accelerates the development and economic extension of the growth poles, the “spread effect” forms and advances the gradient transfer, the developmental effect of gradient transfer spreads, and the core-periphery economic

belt is then formed. But fundamentally speaking, if the “policy-driven growth poles” are regarded as the premise and background, without powerful administrative appeal and executive force of the central and local governments for resource allocation, integration and concentration, the evolution will last long, the institutional transaction cost will increase, and the corresponding release effects of various mechanisms will be reduced due to the dispersion of goals.

2. The practice of many developing countries proves that the great impetus for economic progress will focus economic growth around the initial starting point, and the emergence of growth poles (either a product of policy or a natural outcome of market development) necessarily means the imbalance of growth between different regions, which is inevitable in economic growth and even a prerequisite for achieving overall economic development. At whatever stage of economic development, further growth always requires breaking the original balance. Unbalanced growth is both the prerequisite for and the result of growth. Although the situation of China’s social development also shows a similar trajectory, the government’s policies to promote regional coordinated development and the powerful role as the carriers for the early and pilot implementation increasingly reflect Williamson’s hypothesis with an inverse U-shaped curve. Williamson’s hypothesis with an inverse U-shaped curve (Williamson, 1965) predicts that the substitution relationship between balance and growth will change nonlinearly over time. During periods with a high degree of economic development, growth is dependent on balance. That is, when the economy develops to a certain high degree, each development is no longer simply breaking the existing balance, the balance is the premise of continuing development, and there is an inverse U-shaped relationship between the developmental stage and the regional difference. Perhaps it can be said that on the one hand, without the balanced development among regions, it is difficult to achieve overall development; on the other hand, development not only breaks the original balance, but also advances towards a higher degree of development with balanced development as its premise. In this sense, special economic zones, development zones, new areas, free trade zones and bay area economic belts are both the product of unbalanced development and the result and premise of balanced development. As the product of unbalanced development, they release the functions and effects of economic growth poles; as the result of and premise to balanced development, they are narrowing the gap among regions and demonstrating the level of economic development, and increasingly reflect dependence of a high level of economic growth on balance. From the perspective of the logical starting point and choice of a path of China’s reform and opening-up, unbalanced development is the dominant strategic choice, especially at the early stage of reform and opening-up. However, the emergence of the extended forms of special economic zones, such as free trade zones and bay areas, reflects the transition of China from the strategic choice dominated by unbalanced to balanced development. The arrival of such a transition is based on the strategy of unbalanced development for a long period of time. Therefore, in the 40 years of China’s reform and opening-up, it can be precisely said that the emergence of the extended forms

of special economic zones, such as free trade zones and bay areas, is the result of China's transition from unbalanced towards balanced development. Their mission is to promote and realize China's coordinated development, balanced development, shared development and all-round development. As the expansion form of special economic zones in the new era, to realize the balanced development of Chinese society through the reform path of unbalanced development is not only the constant historical mission of special economic zones, but also the important connotation of China's path.

3. Either the "aggregation effect", the "spread effect", or "gradient development", "anti-gradient development" and "hypothesis with an inverse U-shaped curve" theoretically clarify the functional mechanism of special economic zones as the product of special policies, and explain the inherent logic of the existence, development and evolution of various types of special economic zones in theory. The "aggregation effect" is a good interpretation of the possibility of piloting the reform and opening-up on "policy highlands"; the "spread effect" gives the theoretical interpretation of the "demonstration effect" of special economic zones from the perspective of the market-oriented flow of all factors including institutions; the "gradient development theory" and the "anti-gradient development theory" not only theoretically expound the practical significance of unbalanced development, but also convincingly prove the institutional performance of unbalanced development guided by the national strategy in imposed institutional changes (such as the combination effect of the "gradient development theory" and the "anti-gradient development theory" as mentioned above); the "hypothesis with an inverse U-shaped curve" expatiates on both "instrumentality" and "purposiveness" of unbalanced development in terms of the possible substitution relationship formed between balance and growth as time goes by. All of the above theories can demonstrate the inherent logic and theoretical mechanism of special economic zones and China's institutional changes.

The special economic zone is not only the starting point of China's institutional changes, but also the product of those changes; it is not only China's path selection for institutional changes, but also shows the evolutionary trajectory of those changes; it is not only a shortcut to the modernization of China, but also an important part of China's path. Unbalanced development is the philosophy followed by China's institutional changes. This philosophy increases the marginal benefits while reducing the costs and risks of the reform and opening-up. Various types of special economic zones, with different missions in different historical periods of the reform and opening-up, as the "growth pole" of policy creation, continue to facilitate the process of institutional changes by the "aggregation effect" and the "spread effect", create the increasingly broad economic growth poles, drive China's institutional changes to a deeper level, and thus achieve development in all aspects to solve the problem of unbalanced and inadequate development in the process from unbalanced development to the deepening of the reform.

The missions of special economic zones still continue as the product of and the choice of a path for China's institutional changes. Here, institutional innovations

will take place and successful practices and experiences to be practiced will be replicated throughout the country. More importantly, here, many explorations and practices will be changed from policies to institutional arrangements, and then to laws and regulations, thus transforming “early and pilot implementation” into the institutional power of building a modernized country. A powerful country and a developed market are what we need, but a society ruled by law is the prerequisite for them; a prosperous country and the people’s livelihood with well-being are what we expect, but the government’s vision is the political and institutional guarantee for their realization.

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