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# THINKING ABOUT DEVELOPMENT IN SOUTHERN CHINA

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## [A] INTRODUCTION

In China's economic reform strategy, raising living standards by means of rapid economic growth and also, more recently, by a process of urbanization, have been key elements. Today, as a result, the People's Republic of China has become the second largest consumer market and possesses the world's largest number of urban residents. In order to further the reform process, a major policy of developing multiple city clusters has emerged. These conurbations represent substantial concentrations of economic power. Perhaps the most important example of this approach is the newly established Guangdong–Hong Kong–Macau Greater Bay Area (GBA) in southern China. This occupies significant parts of what is perhaps China's most 'market-liberal' and economically advanced area, and clearly raises questions about future relations between Hong Kong and mainland China. Southern China's GBA idea is in part inspired by other global cities situated on large coastal bays—San Francisco, New York and Tokyo. In view of its growing economic potential, it is not surprising to find that there are also emerging debates and controversies about how this southern Chinese GBA should best evolve, including in terms of law and politics. Given the political sensitivities involved in discussions about relations between Hong Kong and mainland China, a new and important analysis on such issues from a mainland commentator is to be welcomed. This very significant publication is the Chinese language book authored by Zhang Siping (2019) on *The Guangdong–Hong Kong–Macau Greater Bay Area: A New Chapter in China's Reform and Opening-Up*.

## [B] ZHANG'S INNOVATORY APPROACH

The book introduces readers to the history and contemporary developments of what is a very important dimension of regional changes in China, namely, the development of the GBA, comprising the economically most advanced areas of Guangdong Province, together with the Special Administrative Regions of Hong Kong and Macau. The author of the book, Zhang Siping, is a former Deputy Mayor of Shenzhen, and a former member of the Standing Committee of the Chinese Communist Party (CCP) Municipal Committee in Shenzhen. He is a specialist in economic reform and has served as the Guangdong director of the Economic Reform Commission (*Jingji Tizhi Gaige Weiyuanhui*) and the director of the Shenzhen Economic Reform Office (*Jingji Tizhi Gaige Bangongshi*). The influential but controversial mainland magazine, *Southern Weekly (Nanfang Zhoumo)*, has characterized Zhang as a 'path-breaker' (*chuangjiang*) in the reform history of Shenzhen (Luo 2016), praising him for the boldness of his plans and policies for economic reform, especially in contrast to the slowness of other local leaders in China's administrative system today. The extent to which his reformist ideas have actually been put into practice, even in a progressive city such as Shenzhen, is not very clear, however.

The book reveals a bold approach to economic reform in China. Even though Zhang only fairly recently (in 2014) stepped down from important official positions in Shenzhen and Guangdong, his study offers radical thinking on the opening-up and reform policies that bear the imprint of Deng Xiaoping's sweeping programme of economic reform that evolved in the 1980s and early 1990s. The core proposal made in the book is that Hong Kong should serve as a role model for GBA cities in the Guangdong Province in order that these mainland urban areas might learn how better to pursue economic and social development. More importantly, Zhang suggests, since Hong Kong is a free port that does not levy any customs tariff and has only limited excise duties, this approach to economic macro-management should be broadly accepted and applied through the region of the GBA. In this way there would be free movement of people, goods, capital, information, technology, and so on within the area—which includes many of the economically developed areas of Guangdong Province, as well as Hong Kong and Macau. In addition, aspects of the EU's system, including elimination of hard borders and other policies encouraging free movement and communication within the GBA, are important possible templates. The ultimate goal of the GBA development, Zhang argues, is to become the biggest free trade zone in China, dwarfing

another 19 ‘new districts’ (*xinqu*) across the country which also serve as trial locations for economic reforms. In Zhang’s vision for the future, there will be no hard borders between Hong Kong, Macau and Guangdong Province. Instead, borders (and tax zones) will be moved backward to inland cities in the GBA, and through them the GBA will connect with cities in other provinces in China.

## [C] ONE COUNTRY, TWO SYSTEMS— LOOKING AHEAD

Zhang sees such a radical development as nevertheless consistent with ‘One Country, Two Systems’. Hong Kong, in his view, is no longer a strictly ‘capitalist’ system (p 220). It has changed, having been influenced by its relations with the mainland over the past 40 years and the reform and opening-up of mainland China. By 2047, when Hong Kong is due to lose its status as a Special Administrative Region along with the ‘high degree of autonomy’ it enjoys under the Hong Kong Basic Law, the mainland’s socialist system will have further matured, and in many respects China will have become internationalized, so there may well not be any need for Hong Kong’s mellowed and modified ‘capitalist’ system to make significant changes. Clearly, one of the purposes of the GBA is to bring Hong Kong closer to the mainland, even though Hong Kong residents may well regard such a development as worrying. Many Hong Kong residents are concerned that, if Hong Kong is robustly incorporated into the mainland, then Hong Kong’s distinctive culture and society will be lost. Zhang’s proposals are in part intended to allay such fears on the Hong Kong side, and the author predicts that, after 2047, while there will indeed likely be ‘One Country, One System’, this system may well be one that is infused with internationalization and the ‘advanced’ economic and social institutions and processes of Hong Kong and Macau. What the author encourages, then, is a true opening-up of mainland China, and that reformist changes should be made by mainland China, despite the conservativeness of many local bureaucrats, and that such changes would facilitate a smooth re-incorporation of Hong Kong into mainland China.

The book, as its title suggests, discusses developments in and around the GBA. However, as stressed by the author in the ‘Preface’, it does not offer much of a discussion on Macau, choosing to see the former Portuguese colony as a relatively unimportant player in the region, and focusing instead on the developments in Guangdong and Hong Kong, more specifically, the relationship of mutual dependence and competition, and the developmental models of Hong Kong and Shenzhen. This reflects

the author's experiences as a former senior party-state leader in Shenzhen but, likely, does also reflect a feeling in the leadership that Macau is a weak player in the overall GBA project. In terms of its economic and political influence, it simply cannot compete with Shenzhen or Hong Kong.

The book thus raises important questions of how best to build systems in the GBA under the framework of 'One Country, Two Systems'; what are the directions, functions, and future prospects of the GBA; and how best to bring the GBA's perceived advantages into full play and to develop it into a world-class city cluster or conurbation, while at the same time bringing Hong Kong and the mainland closer in a manner acceptable politically on both sides of the current border. These are very broad ambitions and issues, and in my view, the author addresses them primarily in an ideological manner rather than in a practical way. Nevertheless, at this stage of development, the author's proposals are still valuable—at least in the sense that he is encouraging a bold vision for the future. We may question why the author did not make such noises while he was still in office, or, if in fact he did, why the reform proposals failed to proceed.<sup>1</sup> But it is important nonetheless that such ideas are being made public now, despite strict control of the press in China today.

## [D] THE BOOK

Zhang's book comprises six chapters. The first chapter provides background and overall policy design, and also offers suggestions for reform in the GBA. It introduces, in particular, the development of Hong Kong and Hong Kong's successful experiences as a free port, Hong Kong's relationship with Shenzhen, and how Shenzhen borrowed successfully Hong Kong's approach to economic growth and development for its own advancement. As indicated above, the author has stressed the value of what he sees as Hong Kong's unique experience. To justify this stress, he devotes a section to explaining why Hong Kong is not best seen as 'capitalist' in strict terms, or at least is not a capitalist system that is simply a product of the 'West'. Hong Kong's policies have real value in Zhang's view as a template for GBA growth and development, but up to now they have not been fully understood, especially on the mainland, because of differences in ideology between Hong Kong and the mainland. He also looks to the EU, for inspiration for reforms (pp 30 and 34).

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<sup>1</sup> As he explained in an interview with *Southern Weekly*, one aborted reform was the reform of household registration in Shenzhen, which he saw as a pressing need, as only 20% of Shenzhen residents hold Shenzhen household registration and enjoy rights such as electoral rights. He hoped that his proposed reforms could raise the percentage of local household registration to 50% of the overall population in Shenzhen (Luo 2016).

Zhang suggests two possible approaches for the integrated development of the GBA. The first is to keep the current policies of sending ‘gifts’ to Hong Kong—that is, offering Hong Kong special policies and arrangements such as signing more mainland and Hong Kong Closer Economic Partnership Arrangement types of agreement and establishing collaboration zones (*hezuoqu*), such as Qianhai in Shenzhen, so as to enhance the prospects of Hong Kong companies in the mainland market. The second approach is to use Hong Kong and Macau as examples for the GBA from which mainland players might learn, and to better link up China’s economic reforms with international practices and standards (pp 31-32). Zhang argues that the danger in the first approach is that Hong Kong will gradually become ‘mainlandized’ (*neidihua*), will rely more on the mainland and will gradually lose its global advantages and connectivity, thereby limiting the effectiveness of the GBA. What is needed instead is to strengthen market mechanisms and weaken the government’s administrative measures in the GBA’s developmental process (p 49), while ensuring that cities within the GBA not only collaborate but also become competitive (p 52).

Chapter Two argues the case for making the GBA the largest and most powerful free-trade region in China. Zhang sees Hong Kong’s free-trade policies as key in making Hong Kong successful (p 57). These policies are what have transformed Hong Kong from a small fishing village into one of the world’s most important international trade and shipping centres, while also creating a successful re-export and services-orientated economy. He argues that once the GBA has become fully developed, it will become the largest and most important duty-free area within China (p 63), and that there should therefore be no differing tax zones within the GBA. Further opening-up and pursuit of free-market policies are what the GBA needs for its development, and borrowing the mechanisms, institutions and processes—especially from Hong Kong or the EU—is to be welcomed. Another important point the author makes in this chapter is the need to sidestep ‘socialist’ and ‘capitalist’ ideological divisions. Instead, in the spirit of coordination and competition, the GBA should develop and share one telecommunications and internet network, breaking down communication and other information ‘walls’ between GBA cities. It should also avoid creating different tax zones and, instead, create a ‘second-tier custom’ (*erxian haiguan*) beyond the boundaries of the (minimal) ‘first-tier’ customs created between Guangdong’s large cities and Hong Kong and Macau (p 81). The reforms, Zhang hopes, can in turn put pressure on the whole country to deepen its market reforms.

Chapter Three explores financial reforms in the GBA. Again, free-market policies and, especially, free movement of capital are needed. Zhang here seems to be trying to dampen the worries of conservative mainland leaders—that a further opening-up of the mainland’s financial system, a free movement of foreign currency, and an opening of the door for foreign capital to invest more extensively in China will together expose weaknesses in mainland China’s financial system. Without such change, however, the mainland system will remain relatively parochial, holding back economic development, corporate competitiveness and the growth of financial sophistication. In many ways, Zhang’s proposals reflect neo-liberalist thinking, assuming that a free market is key for China’s economic development, and that the issue is how best to integrate such an approach into China’s framework of a socialist state intent on creating a ‘socialist market economy’. What China needs, Zhang argues, is less regulation and more reliance on the market, and to free itself from government plans, removing the legacies of China’s old system of planned economy and releasing the true growth power of China’s market.

The detailed analysis offered in the first three chapters is not matched in Chapters Four and Five on social management and law respectively. Reform suggestions here are mainly about learning from Hong Kong’s laws and administration of justice and also the more democratic systems found in Hong Kong. Clearly, there are deep political sensitivities for the author to propose bold reforms in these areas. Even though he has stepped down from office, he still feels it prudent not to elaborate in detail on these subjects. Nevertheless, his proposals in Chapter Four are quite radical and include abolition of household registration in the GBA cities situated in Guangdong, delivery of Hong Kong-type free medical services, introducing a Hong Kong style pension insurance system, promoting a Hong Kong style social community and social services system, and so on. Similarly, in Chapter Five, his discussion on ensuring citizens’ human rights and freedom, creating a rule of law environment, and legal mechanisms for protecting private property, and so on, point us in certain directions, but no concrete plans are provided in the book. These two chapters in their present form do not contribute a great deal to the study of the future of the GBA and seem very much like ‘castles in the air’.

Yet, these are areas which will be extremely important in the development of the GBA. The idea of extending Hong Kong law to many aspects of GBA governance and regulation is indeed politically very sensitive, but it also builds on China’s approach to legal modernization which has long been very dependent on processes of legal transplantation. So Zhang’s proposals, while quite thin at the moment, do have some

experience to build on. The transplantation of foreign law has been a fundamental feature of the modernizing reform of Chinese law since at least the last decade of the Qing Dynasty, albeit often with functional goals in mind rather than for its own sake or with ideological prerequisites for transplantation. The late Qing reforms introduced at the beginning of the twentieth century were in part inspired by Wu Tingfang, who qualified as (the first Chinese) barrister when called at Lincoln's Inn to the Bar in 1876, and who used several decades of public service and legal practice experience in Hong Kong to promote legal reforms in China with Common Law models in mind. Subsequently, under the Nationalist government, this transplantation of foreign law continued, albeit more derivative of German and Japanese law. The socialist legal system that emerged in parts of China before 1949 also relied heavily on foreign experience, but primarily that of the Soviet Union whose ideas and institutions of socialist legality were significantly modified to suit China's local conditions. Since 1992, when the CCP adopted the policy of developing a 'socialist market economy', foreign models and localizing China's international legal obligations are continuing processes. While the application of Hong Kong's common-law based system in the GBA would, of course, be politically very sensitive, it would not be at all novel given China's modern history of legal transplantation.<sup>2</sup>

The last chapter reflects on the issues raised and proposals made in the first chapter and further justifies the approaches the author suggest for learning from Hong Kong and the 'West' in order to develop the GBA. The author stresses the potential of the mutual dependency of Hong Kong and mainland China. For example, Hong Kong has excellent, world-ranking universities, while Shenzhen has very sophisticated high-tech companies, so that Shenzhen can and should work with Hong Kong in the process of transferring high-tech knowledge into commercial practice. At present, Zhang's suggested reforms remain largely theoretical, and the book itself does not offer sufficient detail on how best to execute Zhang's proposals. For example, the proposal for setting up 'second-tier' customs by the borders of inner cities and making the GBA a special trade zone, or indeed, another special administrative area like the Hong Kong Special Administrative Region, needs very detailed implementation planning. And what might work well for the GBA, might also be characterized and criticized on the mainland as separating the GBA from other parts of China. How the GBA's borders will be set and in what ways the inland cities will relate to the GBA are practical concerns that may give rise to such worries.

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<sup>2</sup> For a specific example of such transplantation, see Zhou (2011).

## [E] REFLECTIONS

There seems little doubt that, in Zhang's thinking, the ways in which Shenzhen's economic reform programme has emulated Hong Kong's experience has been a profound influence. And Shenzhen has effectively relied on Hong Kong in an economic arrangement that has been characterized as one of 'front shop, back factory' (*qiandian houchang*).<sup>3</sup> However, in the current social and political situations in mainland China and Hong Kong, how might reforms encouraging more democratic processes and rule of law values be promoted? Innovations for social and legal development are important for the GBA. The current realities, however, are against such a direction. The control of borders has been getting stronger, communication barriers have been put higher, and for criminal justice there have been continuous protests in Hong Kong for months. Trust between the mainland and Hong Kong is currently very fragile.

Zhang has visualized three possible endings of 'One Country, Two Systems' after the initial guaranteed period which comes to a close in 2047 (pp 228-31). The first scenario is that 'One Country, Two Systems' will continue, and the flow of capital, goods and information will continue to be limited. The second scenario is that the development of the GBA will lead to a Hong-Kong and Macau-influenced system of 'One Country, One System', in which the GBA will become truly international and a genuine free-trade zone. The third scenario is that the GBA will lead to a mainland-dominated type of 'One Country, One System', in which the 'mainland China model' is paramount. Some observers are encouraged to support the third model by the burgeoning economic growth of Guangzhou and Shenzhen. Throughout the book, the author clearly hopes for a realization of the second scenario, which is the best in his view for encouraging continuous reform and opening-up for China as a whole. And publication of the book suggests that within China there are many like-minded people willing to work towards these ends.

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<sup>3</sup> 'Front shop, back factory' is a term used to describe economic cooperation between Hong Kong and the Pearl River Delta since the 1970s. However, as Guangdong's economy grows, the relationship between the two regions is changing. Li describes the relationship as it first emerged as follows: 'Hong Kong in a sense acted as the front shop (*qiandian*), handling not only marketing and sales but also fund raising and making other major financial decisions, whereas localities in the Delta, mainly Bao'an [in Shenzhen] and Dongguan, served as the back factory (*houchang*) undertaking actual production.' (Li 2009: 188)



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