

A Reformation Roadmap of Shenzhen: Its Past Success and Vision Beyond

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Abstract: To respond to the calling of Deng Xiaoping in 1992—Deng's South Inspection Speech, a large amount of "migrant workers" flowed into Shenzhen resulting in the prosperity of Shenzhen's primary processing. With the migration of people, Shenzhen ushered in a new era. Moreover, as one city of a country, Shenzhen's city functions are not only working as a regular city but also a platform or a window that connects the inland urban to the world and spread Chinese authority, earning a place for Chinese enterprises in the world market. Shenzhen becomes a place of receiving and introducing a new idea from out of the country. By comparing the history of Hong Kong and Shenzhen, this essay tries to explain the tendency of Shenzhen's industrial transformation and talks about the talented people that adapted to the tendency. As Shenzhen's urban function is transforming from processing to creating, Shenzhen needs newcomers who are high-educated and have some ideas about improving the social environment. Differing from the last 20 years, Shenzhen not only needs newcomers to be brave but also needs talented men and women to develop different industries of Shenzhen into the top level all over the world.

Keywords: Shenzhen, urban function transformation, industrial transformation

1. Introduction

The story of Shenzhen is a remarkable story, which started with getting a professional and outstanding person from Beijing. Shenzhen develops very quickly because it uses several ways to absorb resources from all over the world. First of all, Yuan Geng found that the ships were hard to anchor in Hong Kong and Shenzhen for different reasons. Also, it is a good chance to attract foreigners and outside resources by building shipbuilding in She Kou. Then, to attract more foreigners, Yuan Geng built several hotels for a foreigner to take a rest, which causes more and more foreigners to prefer to anchor in Shenzhen, She Kou. After that, Yuan Geng used Shenzhen's advantages in environment and climate to invite a high-level official from Beijing to have a fantastic holiday in Shenzhen. By providing hospitality, Shenzhen got lots of support from the high-level official. Then, Shenzhen started to absorb all the high-quality resources from other provinces and foreigners, such as high-quality population from a different place and billions of money support [1].

Besides, to develop faster, Shenzhen must be different from other cities and have different policies to support economic development. In the implementation of Chinese policy in different provinces, Shenzhen inverts the model and combines socialism and capitalism, which avoids the most debatable question of that is it socialism or capitalism and forms a new global model that set a good example for

other provinces. Shenzhen uses the advantage of capitalism, which is the free market to boost economic growth and also uses the advantage of socialism to plan to make sure the safety of economic growth. After following the policy and trying to gain power from the central government, Shenzhen succeed in production (Huaqiangbei's electronic products), regulation (Hukou system, which let many workers in rural or urban areas get hukou and benefit from the warfare system), the invention (building completely warfare system), intensification (rural urbanization), commodification (learning experience from Hong Kong), and reinvention. Shenzhen is a political project in Chinese policy [1, 2].

In officialdom, it is hard for Deng Xiaoping to get power from Mao and let people trust Deng and his propaganda. However, Shenzhen, which acts as a socialist model and nationalist goal, helps Deng to solve this problem. Shenzhen is the application of Deng's theory. The ability of individuals to define political leadership and heroism. Liang Xiang, Yuan Geng, and Luo Zhenqi were similar in having a good idea about how old society worked, knew that "reform" was important, and they all passed through many things that happened in China. Deng and his allies acted to create a new political legitimacy that secured the CCP's monopoly on political power by implementing policies—free-market reforms and the privatization of state-owned enterprises. The first generation of inland cadres encountered a relatively weak county administration. To solve the problem of the special zone's low population density, lack of infrastructure, and absence of bureaucratic mechanisms to oversee and regulate reform praxis, Shenzhen's government open the first free market in China [3, 4].

Although it brings more competition than before, at this time, the government can invite bids and choose both the cheapest and best quality construction corps. The free market is not only in the government's project but also in the new company and real estate, such as the appearance of a commercial-residential building. Special zone cadres figured out how to electrify the area, lay water lines, and paved roads—all without a fully functioning government in place and no oversight from either the provincial government in Guangzhou or the central government in Beijing [1]. Yuan Geng in the newly designated Shekou Industrial Zone explicitly challenged Beijing's monopoly on making appointments and determining the form and content of public opinion, converging with popular demand for political as well as economic change. To reform the socialist system and challenge the complacency of cadres, Yuan Geng creates a new role model instead of Maoism, which is connecting money with the work quality. Yuan Geng lobbied the government about the requirement of employees. He this that an eligible employee needs to have basic skill sets and experience rather than political views. The desire for money runs employees' work at high efficacy and forms "Shenzhen Speed." To push the limits of reform, Yuan Geng transforms the employee residents of Shekou into voting citizen workers because he hoped to make elections for political positions universal in Shenzhen. Thereby, the government can extend ministerial reforms to territorial structures, but Beijing reformers balked at this measure. Beijing policymakers relied on post facto recognition and withheld it in order to check the action of special zone heroes. Because Yuan Geng rejected to explain Shekou, there had many debates about the issues of democracy and changing the legal system in Shekou. To support the reforming and clarify socialism with Chinese characteristics, Deng went to Shenzhen and had his South Inspection Speech.

As Shenzhen develops, its cost of production will become higher and higher and will be very close to some very developed cities like New York. Shenzhen had to find its place within two parallel processes a global shift from labor-intensive manufacturing to knowledge-based economies. Moreover, Shenzhen is facing increased competition from the ever-growing array of zones with China vying for both domestic and foreign attention. Shenzhen needs to transform. Shenzhen wishes to be at the pinnacle of modernity, and maybe, Shenzhen will be the next New York.

2. The Tendency of Shenzhen Industry Development

2.1. Natural Selection Makes the Fittest Survive

Fundamental trends of industrial upgrading and development in Shenzhen is the high-end manufacturing industry promoting industrial transformation and upgrading. "In 2013, 3145 low-end and backward enterprises were eliminated, cleaned up, and transformed in Shenzhen" [5]. Due to the increasing shortage of land resources, limited development space of traditional industries, rising costs of human resources, raw materials, and electricity, and shrinking profit space of industries, Shenzhen encounters many problems in the development of traditional industries. With the rapid rise of post-industrial society and the gradual decline of industrial society, "de-industrialization" appears in big cities—the proportion of traditional manufacturing industry in big cities is decreasing day by day, and the traditional industries will be upgraded to emerging industries. Traditional industries continued to extend to the high end of the value chain. "The proportion of entrusted design and self-owned brands in processing trade enterprises exceeded 65%" [5]. Under the "Shenzhen Speed," Shenzhen's urban function transform from manufacturing to high-tech industry, business, and finance. Also, the three processing and one compensation enterprises (sanlai yibu) will decrease a lot in the next 20 years, which means that they need to find a new place and support Shenzhen's development. The pace of fashion and brand transformation in industries such as clocks and watches, gold jewelry, clothing, furniture, and spectacles has been accelerated. "Over the past 30 years, the industrial structure of Shenzhen has experienced a process of continuous optimization from the labor-intensive export processing industry of 'three-processing and one compensation enterprises' to the high-tech industry and high-end service industry, and the traditional industrial zone is facing decline" [6]. Eliminating low-end manufacturing and manufacturing high-end is becoming a new path of industrial transformation and upgrading in Shenzhen.

After Hong Kong's "three-processing and one compensation" mode successfully started industrialization, based on Hong Kong's EPZs (special economic zone) mode, Shenzhen started to have a traditional labor-intensive industry. As a growth pole in the region, Shenzhen's transformation and upgrading have attracted a large number of production factors (labor, capital, science, and technology) from surrounding areas, and gradually formed a labor-intensive industrial group, promoting the rapid evolution of Shenzhen's industrialization. At first, large numbers of people move from the surrounding areas to the cities, ensuring that labor flows from the low-productivity sectors (agriculture) to the high-productivity sectors (industry and tertiary industries). This migration makes the industrial structure of Shenzhen to a drastic change in the initial and intermediate industrialization period. Secondly, a large number of people gather in Shenzhen, which is conducive to the development of the social division of labor [7]. If a city has a more social division of labor, it will be more conducive to the development of social productivity. Shenzhen's urbanization, which is much higher than surrounding cities and has the characteristic of keep improving, has created an enormous attraction to production factors and economic benefits [8]. Therefore, Shenzhen's geographical influence and radiating power also increased. More and more enterprises are attracted to Shenzhen. The scale of industrialization is increasing.

2.2. Inside and Outside the Second Line

The second line, which segregated Shenzhen from the rest of China delineates China's first experimental field or experimental management area, giving Shenzhen more area to develop and providing more chances for the immigrant. After Shenzhen got space, the Shenzhen government gave different areas different tasks to do and let similar properties grow in the same place. For the second line, Shenzheners call guannei for inside, which includes Nanshan, Futian, and Luohu. A small but

particular area of Shenzhen can map the tendency of Shenzhen, such as Nanshan and Buji, which one is inside the second line, and one is outside the second line. Nanshan has the most flourishing industry area—Shekou and Qianhai and all the reform and open policies applied at Nanshan at first [9]. Besides, Buji is the traffic center outside Erxian, and it has the first price of “Guangdong province rural economic comprehensive strength of 200 towns” [10]. The reforming and development in Buji are very evident because it is very close to the special zone and Hongkong which means that Buji is a very typical and representative town that is strongly influenced by the policy of Shenzhen.

2.3. Reforming in Nanshan

Nanshan’s reforming history mainly is divided into three periods—1980-1990, 1990-2000, and 2000-present. The different periods have different functions and focus on different tasks.

(1) Initial exploration stage: 1980-1990.

In this period, the Shekou area was dominated by three processing and compensation enterprises, most of which were labor-intensive enterprises, and many of them had some pollution in their production. At this time, Shekou District has built a large number of three-processing and one compensation (sanlai yibu) factory buildings, whose supporting development is centered around the central pillar industry of industry.

(2) Enriching connotation stage: 1990-2000.

In addition to the thriving three-processing and one compensation industry in the area, Shekou as the logistics center of the Pearl River Delta region has gradually emerged. Famous enterprises such as CIMC and Youlian Shipyard also developed rapidly in this period. A large number of international logistics companies, freight forwarding companies, and ocean shipping companies have set up Chinese offices in Shekou. During this period, Shekou mainly built factories or workshops for logistics freight companies.

(3) Upgrading and optimizing the stage of development: 2000-present.

Shekou District has gradually shifted the focus of urban development from traditional industries to high-tech industries, creative culture industries, and commercial services, making it difficult for a large number of labor-intensive industrial enterprises to survive in the region. Correspondingly, with the advantages of the environment and geographical location, creative industries, high-tech industries, and other industries with apparent characteristics of the post-industrial era have chosen Shekou District as the development base. In the two stages of development, Shekou Industrial Zone has formed a large number of industrial buildings and structures mainly consisting of three processing and one compensation factory buildings and factories or workshops operated by logistics and freight forwarding companies. Nowadays, Shekou Industrial Zone is in the stage of upgrading and optimizing development. With the emigration of most of the above enterprises or industrial transformation, these industrial buildings and structures are facing abandonment or demolition and reconstruction, forming a rich industrial and cultural heritage with the characteristics of the port industry.

2.4. Development in Buji

Since the reform and opening up, under geographical advantages, the foreign capital economy represented by “three-processing and one compensation” enterprises in Buji town has developed rapidly and become the pillar of economic development. In the early stage of development, private enterprises in Buji town mainly attached to other economic forms, mainly with small workshops and a few employee processing facilities. Private enterprises have single technology and lack the ability for independent research and development. Buji is mainly self-employed, with the characteristics of reduced benefits and weak development ability. "After entering the 1990s, Buji town’s economic

development momentum is rapid, and the main economic indicators continue to maintain strong growth momentum.” However, from the early 1990s, Shenzhen adopted measures to promote the transformation of “three-processing and one compensation” enterprises into “three capitals” enterprises, which led a large number of “three-processing and one compensation” enterprises to migrate to surrounding areas. In 1997, the Asian financial crisis broke out, and the development speed of the foreign capital economy in Buji town gradually slowed down. Fortunately, Buji town timely adjusted the development ideas, which is putting away foreign capital and driving domestic capital, external economic endogenous because they found that if they only depend on the foreign capital, they will not have initiative and will be controlled by the global market.

As a result, since 1998, Buji has implemented “three releases” for the development of the private economy. The first point is emancipating the mind and innovating ideas. Secondly, the government should provide less intervention and more services to enterprises. Thirdly, private enterprises are allowed to produce and operate in areas that are not expressly prohibited by national laws and regulations. Everything that foreign capital allows to operate is also open to private enterprises. For everything that state-owned or collective capital exits, the government should support and encourage private enterprises to boldly enter.

3. Demand for New Productivity

By comparing Shenzhen and Hongkong, using the experience of Hongkong development, Kuang Ping and Yuan Yiming found that the growth rate of Shenzhen is decreasing year by year and Kuang Ping thinks that it is because Shenzhen may expel too many primary factories which will cause the lake of productivity. From my perspective, one solution is to let well-educated people and high-quality people be the new productivity in Shenzhen's future improvement.

Looking back to the history of Shenzhen's development, "Reform and develop" became a principle of Shenzhen. Reform and opening policy have become a basic national policy of China. Reform and opening policy have established a socialist market economic system in Shenzhen. Based on two research which is led by Yuan Yiming, the general tendency of Shenzhen's development is increasing at high speed, which is famous as "Shenzhen Speed." In the mainstream, Shenzhen develops at high speed and transform successfully from traditional factories to high-tech companies. Similar to Huang, Ruqin says in her article, economic growth will be driven by technological progress and innovation. As one of the four most developed cities in China (others are Beijing, Shanghai, and Guangzhou), Shenzhen is upgrading the traditional industrial structure, eliminating backward industries, actively and prudently promoting the reorganization of enterprises, and accelerating technological transformation and innovation in enterprises, transforming from manufacturing to intelligent urban. Manufacturing city mainly focuses on industrial processing and manufacturing without their technology. Intelligent urban mainly focus on creating with their technology and idea.

Because Shenzhen's land resources are increasingly scarce, there is limited room for the development of traditional industries (sanlai yibu industry). The cost of human resources and materials becomes more and more expensive, which shrinks industrial profit margins. In 2013, traditional industries continuously transformed into high-value industries. Elimination of low-end manufacturing and development of high-end manufacturing become a new way for Shenzhen to transform the industry. However, in Kuang Ping's article, she gives a warning based on the history of Hongkong's development. She points out that it is right to transform and replace traditional factories with high-tech companies. However, the government needs to protect the traditional industry because high-tech companies are based on the traditional industry. During the transfer of Hong Kong's manufacturing industry to the mainland and the decline of the local manufacturing industry, the government adopted a non-intervention attitude. Due to the lack of attention to the development and protection of the manufacturing industry, Hong Kong has no corresponding protection and support

measures to promote the upgrading of the local manufacturing industry, thus losing the best opportunity for the manufacturing industry to transform into high-tech. Industrial Transformation is more critical than industrial transfer. An industrial transformation is an act that conforms to the economic law, but at the same time, it means upgrading and transformation based on the traditional industry. Because the manufacturing industry is the root of the manufacturing industry itself, the basis and starting point of transformation and development of the higher-level manufacturing industry. If traditional industries are uprooted, it will destroy the foundation and atmosphere for developing high-tech industries.

4. Conclusion

In conclusion, the essential point of demand for traditional industries is the demand for talented people because the reason that Shenzhen needs traditional industries is that Shenzhen needs local technology and local talent people to develop the traditional industries from primary processing to high-tech companies. On the other hand, the demand for traditional industries is the demand for productivity. Moreover, one possible solution is bringing in well-educated people and high quality, which can bring new powerful productivity. As same as what Huang, Ruqin says in her article, economic growth is driven by technological progress and innovation. Transforming from manufacturing to intelligent urban is an excellent way to create new and powerful productivity. Well-educated and high-quality people can generate enormous economic benefits and have more economic value than migrant workers who are working in primary processing. This solution can also solve the large population issue of Shenzhen. By looking at the history and developed tendency of Shenzhen which is to use the high-end manufacturing industry to promote industrial transformation and upgrading, people can see that the high-quality talent people of Shenzhen need to have powerful productivity and high motivated. Shenzhen, as one of the fastest growing cities in China, its urban function should not just stay in "three-processing and one compensation." It needs to create the future of China because it has the right place—close to Hong Kong and the sea, and the right time—between the third and the fourth scientific and technological revolutions. For the future, Shenzhen needs the "right person" who has a dream of improving the social environment and developing different industries of Shenzhen at the top level all over the world.

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