turn outward and not inward. Above all, we must become very clear that protection of our grouping that is in fact at the expense of some other grouping is self-destructive.

I think above all we need to keep our eye on the ball. The more equal distribution of goods, services, and power has got to be the basis on which we create our new historical system(s). Our time horizons have to be longer than they have been in terms of the use of our resources, natural and human. In this kind of reconstruction, Africa is well placed to take a lead. Africa has been a zone of exclusion in our modern world-system and we may expect that over the next 25-50 years the ongoing political, economic, and cultural mechanisms of the world-system will operate to exclude Africa and Africans still more.

If Africans stay mired in the claim for inclusion within the world-system in its present definition, they will tilt at wind-mills. If Africans show the way of combining short-run local meliorations with middle-run transformation of values and structures, they will not only help Africa; they will help the rest of us as well. Do not ask me or other non-Africans to draw up a specific agenda for action. We cannot do it. The ball is very much in Africa's court.

Let me say one last thing. I do not say Africa will inevitably suceed, as it tries. Africa has, we all have, at best a 50-50 chance of coming out of this transition with something better. History is not necesarily on our side, and if we think it is, this belief will work against us. But we are all very much an important and integral part of this process. And if we engage in it in the right way, we may indeed achieve the kind of world-system we want. It is around this realization that the road is hard, the outcome uncertain, but the struggle worth it, that we must organise our collective efforts.

Mário Murteira

On PRC's transition to the world market[1]

A comparative analysis between Zhuai and Shengzhen, the two SEZ (Special Economic Zones) neighbouring to Macau and Hong Kong

1. RECENT TRENDS IN THE WORLD ECONOMIC SYSTEM

It is well known that the quarter of century after the end of the Second World War was a period of «golden years» for the so called developed market economies.

Among the main features of this period of fast economic growth for countries of World I (the II being, of course, the self named World Socialist System and the III, the «underdeveloped» or «developing» countries of Latin America, Africa and Asia, including China) we emphasize the following:

First, Macroeconomic policy was oriented, almost by definition, and under inspiration of Keynesian theory, for the primary goals of economic growth and full employment of the national economy. Of course, macroeconomic theory was not elaborated on the assumption of closed national economies and international trade among those national economies was not ignored. However, the fundamental field for economic policy makers was the national economy, not the international, even less, the world economy.

Second, and as a consequence, economic growth and «social progress» — assuming by this expression the building of the Welfare State, or something like it, at the national level — were not considered as contradictory; in fact, they were considered as mutually reinforcing. Among other logic implications of this assumption, the so called «business unionism» (distinct from the ideological or revolutionary unionism) should be seen as a positive force, in economic as well as in social terms, being a countervailing power (in the words of Galbraith) of the employers and a dynamic, as well as conservative, element of developed and progressive capitalism.

1 Paper presented at the Fernand Braudel Center for the Study of Economies, Historical Systems and Civilizations, state University of New York, Binghamton in a public session, september 13, 1995.

Third, as Gunnar Myrdal's elaborate thought suggested, at the time, the integration of the national economy — searching the ideal of equal opportunities for all citizens, whatever their classes, regions, gender or races — should also be pursued by economic policy decision makers and, once again, that goal was not contradictory, but complementary, of the desired economic growth and social progress.

Since the seventies, all that was seriously threatened, and in the present decade it is obvious that economic growth is not easily combined — even in countries of stronger social democratic tradition — with the pursuit of full employment and social progress. Unionism is forced to a hard and painful metamorphosis, and almost nobody seriously talks any longer about the integration of the national economy (even the target of nominal cohesion predominates over the real cohesion in the frame of transnational economic integration under the European Union banner).

How could such a profound and (for many) unexpected shift in the trajectory of the world system occur in a period as short as two decades?

It is not our purpose to analyse here in depth this fundamental interrogation, but just as an introduction to our theme, we need to mention a few points related to this question:

A new international economic «order», let us call it the global market, emerged in the last two decades, very far from the New International Economic Order (NIEO) that Third World Countries claimed for, twenty or thirty years ago. (By the way. notice that neither this Third nor the Second World any longer exist: the NIEO, as a project to the reform of the world economic system, could not, obviously, survive those collapses)

The great players in this global market, the TNC, Transnacional Corporations disposing of huge financial and technological ressources, may challenge in different ways the traditional powers (for instance, the control of money supply) and even the foundations of the nation state. This is true, of course, both for «old» states existing for centuries (like Portugal, for instance, since the XII th Century), as well as for «new» ones, existing — and in a very precarious way — for two or three decades.

More than ever before, the global, inter-linked, world capitalist economy is conditioning the trajectories of its «national» and territorial components. There is not, anymore, an «international economy» working just as a projection of national economies of unequal power, even if we assume that some of the first still are the «core» of the world system and the others the periphery or the semiperiphery of the same system. Globalisation, among other things, means the possibility of multiple «Third World within» as well as several regional dominant economic poles (or cores), organised in complex and unstable nets of conflictual and/or cooperative relations.

Let us take a closer look to that trend of globalisation.

The «global» market order is a specific kind of world market order, both being, of course, analytical categories we should use to understand the development of capitalism in History.

In a synthetic and, a deliberately schematic way, adapting for our purpose a suggestion of Anthony Giddens, we may say that the domination of the «global» dimension implies a deconnection or de-linking between space and time.

In each point in space we may find the «global time», the global and «advanced» time of technology, finance and management proper to a TNC, whose headquarters may be very far in space but are always there in terms of information and decision making procedures.

In the same local point (say, Ghuanzhou in South China, Cabinda in the north of Angola or Vizeu in the north of Portugal), different productive systems and cultures, some very old and traditional, that is, deeply rooted in that particular «locus», are existing and functioning side by side.

In this sense, «global» time is invading and dominating «local» time everywhere in the planet, in part — as it is happening now in China — as a consequence of TNC's strategies, as well as of local strategies to attract FDI (Foreign Direct Investment). This process, of course, is not something totally new in capitalist development and has its roots in the long term process of that development: what is radically new is the impetus, scale and accelerated speed of this specific way of social reproduction at the world system level.

2. THE ENGINE OF WORLD ECONOMIC GROWTH: FROM WEST TO EAST

Even if we still have not a convincing explanation for the fact, there is no doubt that the so called Industrial Revolution is a Western event. What the Nobel Prize winner, Simon Kuznets, called (and analized in quantitative terms) Modern Economic Growth is a process mastered and powered by some Western societies, able to spread their economic, technological and political power all over the world. This was, it is well known, the start of a tremendous process of social change in the planet, and we are aware, now, of how much Nature itself is vulnerable to that change.

According to Kuznets estimates, the scale or size of North American economy increased about a thousand times in the two centuries after independence, that is, from 1776 to 1976. This is, however, slow growth, compared to the economic growth of PRC in the 80's, at an annual average rate of growth, nearly, three times faster!

The important fact to stress here, however, is one of the most salient features of the recent evolution in the world economic system: the trend to move the most powerful engine of world economic growth from a region in the West of the planet to a region in the East. This statement may look contradictory to what we said before on globalisation. It is not surprising that some contradictions may be found when we try to analyse recent trends in capitalist development. It remains true, however, that the areas of faster economic growth, at world level, in the last two decades are located in the Asia Pacific region.

Why so?

It would not be wise, in our opinion, to look for a simple, one single factor based, explanation of a complex evolution.

When we think, first, of Japan post Second World War economic growth; second, of the trajectory of the so called Four Dragons; and, third, of the economic growth of PRC since the eighties, it seems obvious that many different factors and circumstances played different roles in each case. But, of course, this is not saying that some general interpretation of the recent upward move of the Asia Pacific region in the world economic system is necessarily meaningless.

Mutatis mutandis, something like that could be said about the failure (instead of the success of Asian NIC's) of Subsaharian economies in the last two decades.

However, it is only the recent Chinese process of economic growth that concerns us here. And the specificity of this gigantic «case» is very apparent in the Asia Pacific general up grading as a component of the world system.

3. LABOUR ECONOMICS IN THE GLOBAL MARKET: STRUCTURAL COMPETITIVITY AND SOCIAL DUMPING

Since the great «classic» economists of the XVII and XIX centuries, until the third quarter of this century, labour theory of value occupied a central place in the debate among different paradigms of Economic Thought. Still in 1973, Paul Samuelson published an important article on the subject in the American Economic Review. The title of this article, *Marx, genius or crank?*, was a good suggestion of what was at stake, in Samuelson's view.

In fact, the debate was more often than not a false debate, because the protagonists were discussing different problems, assuming different sets of hypotheses, mostly without clearly stating either.

The above mentioned article had, at least, the merit of clarifying the questions, even if the corresponding answers could remain controversial or unclear, to say the least.

Let us evoke the fundamental questions at the time:

The departure point was the search for an «appropriate» measure of value. Value was something related to the market price — this price being the combined effect of demand and supply curves, each of them representative

of some «subjective» factors, like consumer preferences, and «objective» factors, like production costs.

But «value» was, or should be, in some way, something more essential or fundamental than price to the working of the economic system. If we are looking beyond the surface of capitalism, searching, say, its «raison d'être», we cannot accept the market price as the relevant measure of value. Besides, we need to explain the value of a very specific commodity in capitalism, that is, human labour itself.

This implied a strong analytical link between the labour theory of value and the theory of worker exploitation (and «alienation») in capitalism.

Therefore, if we try to extend this kind of analytical approach to the world market (not at the national market level, as before) we come again to some kind of unequal exchange theory. In a simplistic formulation, the theory says that in the periphery, for identical labour productivity levels, wages are lower than in the core countries.

We had, then, two kinds of exploitation mechanisms in capitalism: between social classes in «exploitative» countries, between core and periphery in the frame of the capitalist world system. In short, we could say that exploited workers and exploited nations were the fundamental means of capital accumulation in the development of capitalism.

Let us compare that kind of «Marxist» or «Marxian» approach to the typical approach of the dominant ideology today:we may take as reference an economist who is, simultaneously, an expert on management, Michael Porter, the author of «The competitive advantage of nations» (1990), a world best seller.

Ricardo, as we all know, tried to demonstrate the advantages of international trade, in a competitive market, for all participants. One basic hypothesis he assumed, was the free mobilitiy of goods among countries; but he also assumed the immobility of labour and capital. Both were «rooted» in their national economies. It is not necessary to describe here the Ricardian theory of comparative advantage as a persuasive argument for the specialization of each country in the (so called) International Division of Labour. All countries were supposed to benefit from that IDL.

Porter, of course, assumes the free mobility of capital, and the essential of his message is very simple: each country should create, at home, conditions for the competitivity of their firms in the world market. But those «national» firms should invest abroad, not only sell goods abroad, that is, their destiny is increasing transnationalization. Each country, then, should foster some kind of «structural competitivity» in order to support their home based firms on the transnational competition. That desirable structural environment includes, for instance, developed human skills and R & D capacities, high standard costumers' preferences and intense rivalry among home competitive firms. The home economy should be a tough training field for firms looking for competitive advantage on the world and global market.

What is «value» in this analytical framework?

At firm level, «value» is what the consumer is prepared to pay for a specific good. Apparently, demand predominates over supply in the determination of «value». But a closer look to the question reveals that supply is always inducing demand to «create» more value.

The goal of the firm is, therefore: (1) to persuade the consumer to pay a «value» as high as possible for a specific good(possibly a new one, resulting from some kind of innovation) and (2) to retain as large a share as possible of that value.

In the global market, the firm has to choose, among other things, which segments of the productive process are worth while to manage directly (the alternative being some kind of subcontracting or, in any case, buying from other firms separate components of that product).

On the other hand, the firm has also to decide the «locus» where either it produces or buys what it decides to keep out of its direct control.

What is the part of the human factor in this logic? To find an answer it is useless to quote Porter: he is obviously not interested in that question, at least, in the same way we are here interested to analyse it here.

According to the rationality of the global market, the human factor is an essential ingredient of that mechanism of value creation, basically in two ways:because the firm is looking for the best location, *coeteris paribus* (other things being equal), in terms of wage/productivity ratio; because the up grading in the global market demands, among other things, increasing qualification and motivation of the labour force. The first way leads to a reduction of the wage/productivity ratio, for a certain set of products or industrial cluster, the second may act in the opposite direction.

Now, we come to the point relevant to our analysis: in present conditions of the world market, we are facing a situation of, say, reversed unequal exchange or «social dumping», from the point of view of developed market economies.

To put it more clearly: the kind of labour economics characteristic to the «Golden Years» of developed market economies, meant a relevant up grading of the worker's condition in capitalism. At present, the emergence of the global market originates a general pressure to the devaluation of labour in «core» countries and a corresponding trend to the absolute and relative valuation of labour in some countries of the periphery or semi-periphery of the world system. This question is particularly relevant when we consider the entry to that system of the enormous manpower reserve of PRC.

We will see, now, how that entry is presently occurring.

II. THE GREAT CHINESE EXPERIMENT

4. FROM SELF RELIANCE TO MARKET RELIANCE?

Looking back to the Chinese economic strategy since 1949, when the Communist Party came to power, the observer is impressed by the combination of pragmatism and ideology, voluntarism and tradition and also the occurrence of drastic changes of cap, when the political leadership, after a period of deep crisis, faces the urgent need to find a turning point.

In a fascinating book by Harrison Salisbury — «The new emperors- Mao and Deng, a dual biography» — we see how that trajectory was to a large extent determined by the personalities of the great leaders of the time (the «new emperors» in the words of Salisbury). According to this author, Mao's culture and behaviour was much more rooted in the Chinese tradition than in Marxism Leninism. It would be nonsense, therefore, to discuss alternatives of economic strategy without taking into consideration such a complex cultural, social and political reality.

It is true, however, that about twenty five years ago, when Maoism was still an influential ideology, even in Europe, as the promise of a specific road to socialism in alternative to the soviet model, the economic strategy associated to the Chinese experience was clear, simple and persuasive

An article published by Monthly Review in July 1975, when Harry Magdoff visited the country and compared the economic strategies of Soviet Union and China is well representative of the interested, even passionate, way many Western progressive intellectuals regarded China at the time. That interested, even passionate, look to China from Western observers is still true today, but of course for rather different reasons.

The well-known typical strategic economic implications of that «Chinese road to socialism» were the following:

Self-reliance was the key of that strategy, in frontal opposition to all forms of dependence or subordination to the world capitalist market.

Agriculture and industry should support each other, in the process of economic growth. At the political level, there was the need for the famous «alliance» between industrial workers and peasants.

Priority should be given to the satisfaction of basic needs of the population

Decentralization of the economic system, and full mass mobilization would avoid the risk of a heavy bureaucratic central planning mechanism, Soviet style

After the First Plan (1953-57), inspired by the Soviet Union model, the shift from this model and the failure of the Great Leap Forward (1958-60), the return to the Soviet model, the time came for the decade of «Cultural Revolution» (1966/76).

The oficial Chinese doctrine, today, in China, gives full responsability of the chaotic situation of the country during that period to the «Gang of four», but Mao himself had great responsability for the dramatic events of the period (see Salisbury).

It is common, today, to hear from Chinese scholars and students speculations about what Chinese economy «could be» now, only if the present policies had started tenș years before and the Cultural Revolution had not ocurred instead

When Deng Xiaoping received Mao's heritage, a turning point was desperately needed in China, and the new economic strategy that was adopted by the Third Plennum of the 11th Party Central Committee in December 1978 was the response to that need.

In theory, the strategy should combine political orthodoxy, economic reform and opening to the outside world. A difficult receipe, obviously. Probably it would be an exageration and oversimplification to say that the strategy changed from self and popular reliance to capitalist and world market reliance. But, of course, it happens some times that troops in the battlefield do not follow exactly the instructions or guide lines elaborated by headquarters strategists.

5. «OPEN DOOR» AND «ONE COUNTRY, TWO SYSTEMS»

In theory, Deng's economic strategy is a brilliant exercise on pragmatism and solid common sense economics. Even if the official discourse is not so simple as that, the essential message is the following:

China needs to absorb from the outside world capital and technology, and also needs to develop its own capacity to get a rising share of the world market. (The proportion of exports to National Product was 18% in 1990, while it was only 2.9% in 1970. Notice that national product is growing very fast, around an annual average rate of 10% since the 80's!)

It is also true that the economic system needs more flexibility, a much greater degree of decentralization, in terms of local and regional decision makers as well as at the level of production units. However, it is not necessary to remember here, just to mention, the collapse of the Soviet economic model, and the troubles of the transition to a new economic system. Chinese reform strategists cannot ignore these lessons

On the other hand, a great number of Overseas Chinese — estimated at about 40 millions people living in Asia — in Taiwan, Hong Kong, Singapore, etc. — have considerable wealth and skills and is eager to participate in the Chinese economic development, particularly if simultaneously they could develop their own businesses.

The obvious solution for this situation seems to be combining a strategy of economic reform with a strategy oriented to attract foreign investment

and, simultaneously, using that investment to foster export growth and to absorb, as much as possible, developed foreign technology and know how.

One specificity of that strategy has been its gradual geographic implementation: coastal cities, coastal areas and «Special EconomicZones» (SEZ). All of them should be, at least in theory, self managed and organised, as economic systems, according to principles similar to a market economy (at least, clearly distinct of the central planning system).

Some of those zones have been deliberately chosen and oriented in order to grow in close connection with areas of the «Great China», that is, Hong Kong, Macao and Taiwan, their economic integration preparing the political integration.

6. HONG KONG, THE OPENING OF THE CHINESE «DOOR»

Although its relative importance is decreasing, as the process of change in the economic system and the simultaneous process of integration in the world market goes on, Hong Kong still plays a determinant part in the Chinese economic development.

Hong Kong has a population of about 6 million people in an area of 1,1 thousand square kilometers (Macau has about 400 thousand people living in a territory of just 18 square kilometers!). The per capita income (in terms of purchasing power parities) was around 14 thousand dollars in 1990, according to estimates of the World Bank, that is, about 7 times the corresponding value for the PRC, at the time.

According to a detailed study of Yun-Wing Sung (*The China-Hong Kong connection, the key to Chinas Open Door Policy*, Cambrige University Press, 1991), Hong Kong plays a multiplicity of functions:

As financier, promoting direct and indirect investment and loan syndication.

As trading partner, in commodity as well as services trade

As middleman, in activities such as entrepôt trade, trans-shipment and brokerage in direct trade and also tourism, loan syndication and business consultancy.

As facilitator, being a contact point, a channel of information and tecnology and also a training ground, in production as well as in management and marketing.

This impressive list, that Sung analyses in depth, is nevertheless misleading if we do not look for the essential of that so peculiar «China-Hong Kong connection». In our perspective, the essential lies in the global role of Hong Kong as a de facto way of integration of PRC in the world market, and particularly through the increasing economic integration of the so called «Great China». No wonder that Deng had said that China needed «more»

Hong Kongs to get full success of the «Open Door Policy». We will return to that question on analysing the triangle Guangzhou, Zhuai and Shengzhen, in relation to Hong Kong and Macau.

III. ZHUAI AND SHENGZHEN

7. ZHUAI AND SHENGZHEN IN THE FRAMEWORK OF GHUANDONG PROVINCE

In 1979, the first four SEZ were formally set up: Zhuai and Shengzhen, with specific vocation to integrate Macau and Hong Kong, and Xiamen and Fujian, oriented to attract investment from Taiwan. Later, in1984, a fifth SEZ, and the largest one, the Hainan island, was also set up. Once again, to absorb capital and know-how from Taiwan was the principal goal.

Before referring to Zhuai and Shengzhen in particular, some general remarks about the «special zones» are needed.

The first point to stress is the intention to reverse one of the main features of the Chinese economic strategy under Mao's leadership. that is, giving priority to the development of the inner country. Now, when the time comes for a «Open Door» policy, it is the geographic periphery, starting by zones closer to Macau, Hong Kong and Taiwan, that should have priority. It is supposed, of course, that the development of these coastal areas will induce also the development of the interior of the country.

The second point, is the pragmatism — to say the least — adopted by central authorities as the strategy develops, with increasing amplitude and ambition. Often, practice comes before than formal decisions. Furthermore, a larger autonomy is conceded (or tolerated by central powers) to each local or regional authority. This means that each case is specific up to a certain extent, and general and formal definitions and rules are not very useful to understand the real situations. According to a OECD study («The Chinese Economic Area», 1990) «wild capitalism and corruption» would be the only general and real rule

The third point to stress is the general move to change the PRC's economic system. That is: it would be, a priori, difficult to imagine the harmonic and simultaneous working of two different economic systems, one (let us say, by simplification, the «market») placed in an offensive position, and the other (say, «planning») in a defensive position.

In fact; *a posteriori*, we notice increasing competion at the regional and local level to attract foreign capital. There is a trend to persuade foreign capital everywhere in China that it benefits from something like a «more favoured treatment clause».

Besides, in the global market economy, China has to compete with other areas attracting foreign investment, and the end of the «World Socialist

System» was not, in this aspect, a favourable event to PRC economic policy This trend, of course, accelerates the general process of change, even if the ultimate stage of the process is not known.

The changing situation of the economic system has other causes too. Great political events such as the Tianamen incidents of 1989, affect the external environment of the country, and new efforts to seduce foreign investment are needed. On the other hand, as the process goes on, a kind of contagious effect takes place: for instance, the wage level gap, induced the transfer of firms from Macau and Hong Kong to Zhuai and Shengzen. But the same process is repeated in the inner country, as wages increease also in the SEZ. Large and spontaneous migrations of workers inside China, are the response in terms of a de facto labour market to the existing wage differentials.

Another reason for different periods of economic reform is the existence of cycles of macroeconomic stabilization, a kind of «stop and go» economic policy, Chinese way. Central authorities, sometimes, are forced to use strong brakes, trying to reduce great monetary desequilibria.

The fourth point concerns a somewhat perverse consequence of this economic strategy: the outflow of Chinese capital, mostly through the «Hong Kong connection». There seems to be a certain tolerance, or even cumplicity, from regional and local authorities, in relation to the transfer of funds and certain activities from (mainland) Chinese economic groups to Hong Kong, because there they can get more freedom to make their businesses abroad.

According to an estimate (as quoted by Yeung and Hu, «China's Coastal Cities, Catalysts for modernization», 1992, p. 320) this outflow through Hong Kong may be greater than the corresponding inflow of funds to China.

Finnally, in relation to our main interest area, the Ghuandong province has been the fastest growing region of PRC in the frame of the «Open Door» policy, and the main explanation for the fact lies in the proximity to Hong Kong. For instance, it has been estimated that firms with Hong Kong capital employ about two millions workers in the region

A certain kind of competition is being developed between Guangzhou (the capital of the Ghuandong province) and Shanghai.

In April 1990, it was annouced by Chinese government officials the setting up of an ambitious plan to develop a new SEZ, Pudong, near to Shanghai. Pudong, it is expected, will play the same role to the Chang Jiang Delta Region that Hong Kong has played to Ghuandong. It will become, it is said, the «Socialist Hong Kong»

For the time being, Guangzhou (Cantão), remains a dynamic and somewhat chaotic metropolis, contrasting with the relatively well organized central Shanghai. For the foreign visitor, it is striking to see the crowd continuously emigrating from the interior, staying in the neighbourhood of the railways central station, where they look for a job or a way of surviving. The crude signs of the market economy penetration are everywhere(they are also visible in Shanghai and Beijing, but not so much as in this old traditional merchant center) and the Hong Kong dollar is currently accepted as the normal way of payment.

The Guandong province has the demographic size of Great Britain, around 60 million people, and almost 10% of this amount lives in Guangzhou area. Typical of this city, is the juxtaposition of factories with residential areas, and the small proportion of space devoted to commerce, which means an amazing physic concentration of that activity, fast growing, of course, in spite of those limitations

In the triangle Guangzhou, Zhuai/Macau and Hong Kong/Shengzen, the second is located in the less developed and, until the recent past, relatively isolated West side of the Pearl River Delta. Of course, new infrastructures — roads, high speed trains, harbours, airports and so on — are growing fast everywhere, and the big new airport of Zhuai and the new (and first) international airport of Macau, will start working almost simultaneously. The distance by road between Macau and Guangzhou is just about eighty miles, but only three years ago, by car, the trip would normally take three or four hours, because of huge traffic jams in an old road. If we go by boat, it will take one night after the departure from Macau to put our feet on Guangzhou ground. It is an interesting experience — like living in an old Orson Wells' picture scenario — but the present author has no intention to repeat it. At present, a railway line linking the two cities is in accelerated construction, as many other infrastructures.

Macau will be transferred to Chinese sovereignity in the last year of this century, two years after Hong Kong. It is ironic to register that the Portuguese authorities postponed for the very final years of their secular presence in this still remote part of the world the solution of elementary conditions of accessibility to Macau from the outside world.

We could say in this case that those who leave will keep the door well open behind them.

8. SHENGZHEN VERSUS HONG KONG[1]

In 1993, according to official local data, 40 countries invested in Shengzhen. The first investor was Hong Kong (65% of total), the second Japan (20%) and the third the US (6%). The great majority of foreign investment assumes the form of «joint ventures» with Chinese partners. Fully owned foreign investment is possible and this is (or was) the way Japanese firms prefer to invest in China. In 1993, around 30% of firms in Shengzhen were fully owned by foreign investors.

[1] Most of statistical data and information referred in the following was directly obtained by the author in a recent visit to this SEZ.

We were told that about 20 000 lorries per day cross the border — in both directions — between Hong Kong and Shengzhen.

In industrial activity, electronic and tellecomunications equipment predominate, representing more than 40% of industrial production.

The extraordinary growth of infrastructures in Shengzen can be shown in a single set of facts:

The international airport started working in 1992 and it is the fifth in China. There are eight new harbours in the SEZ. A new highway and a new high speed train to Guangzhou started working last year.

In Shengzhen area there is also a «Free Trade Zone», set up in 1992. Last year, there were 120 firms located in the zone, most of them from Hong Kong, Japan being the second source of investment.

There is free circulation between the Free Trade Zone and Hong Kong, but, of course, not between the zone and the mainland. There is, we were told, equal treatment for Chinese and foreign firms and managers may freely recruit manpower, even outside the Ghuangdong province.

For the time being, the predominant industries produce goods like software, electric equipment and super large integrated circuits

A few notes on three relevant cases of foreign investment in Shengzhen.

The Shengzhen China Bicycle Company (SCB) is a joint venture of firms from US, Hong Kong and China, that started working in 1984. The American partner has the market exclusive distribution in US. SCB employs more than 2000 workers and is the greatest world exporter of bicycles.

At present, 90% of production is exported. However, the firm has plans to increase the share of the Chinese market from 10% to 40%.

This is a general trend in foreign investment in China: it is no more only a case for getting competitive advantages in the world global market, thanks to low wage levels, it is also a case for taking a share in an enormous and fast growing internal market. We can just imagine the dramatic change, at some point in a possibly not very distant future, when the majority of people may substitute for the «modern» private car the traditional Chinese bicycle!

The first Pepsicola unit started working in 1981, and it is pionner in what later was called in China «cooperative joint venture». In this case, the Chinese partner does not put monetary capital into the business, but physical equipment or just land. It is interesting to note that this peculiar joint venture started functioning without formal approval from Beijing. Is took about two years to get that decision from central authorities. But this kind of «post factum» authorization is not at all excepctional in China.

This Pepsicola unit, employing 125 workers, is linked to another Pepsicola firm in Hong Kong. Strategic decisions concerning planning and budgetary elaboration and control are discussed on meetings in Hong Kong. Today, there are eight Pepsicola units in China, and more ten are projected for the near future. The unit located in Guangzhou is the bigger, the most autonomous and the only exporter.

The Sanyo factory in Shengzhen is Japanese fully owned and started working in 1983, as subsidiary to the Hong Kong Sanyo. We were told that Sanyo's President «liked China» and that was the main reason for the investment. Other less sentimental reasons are the proximity to Hong Kong, tax and finantial advantages and the low cost of manpower Last year ten Chinese managers working for Sanyo were trained in Japan. Sanyo has several sub-contractors in China and other seven units are presently in operation in Guangzhou.

9. MACAU VERSUS ZHUAI

When, in 1577, Portuguese merchants got from Chinese authorities permission to a permanent location in a strategic point of the Pearl River Delta, they set up the first European establisment in South China. Macau would become the centre of commerce between China and Japan until the middle of the 17 th century. It would stay under Portuguese administration for more than four centuries.

One of the fascinating things about Macau is that the secular Portuguese presence had no significant effect in terms of Western (Portuguese, in particular) cultural dominance. But, on the other hand, it was that peculiar long term presence/absence that gave the possibility of a so specific socio-cultural community, following a autonomous trajectory, side by side with the gigantic China, and also surviving as a minor neighbour to the powerful Hong Kong.

It is, therefore, obvious that the intimate economic connection between Hong Kong and China, on one hand, and Hong Kong and Shengzhen, on the other hand, has nothing to do with the kind of relationship between China, Zhuai in particular, and Macau.

Until a few years ago, Zhuai was just a small city living from fishing and agriculture as many others along the coast of the South China Sea. The elementary infrastructures were lacking and the place was relatively isolated and underdeveloped in the West Pearl River delta region. It seems that the original project to this SEZ was to give priority to tourism, benefiting from the proximity of Macau. But, thanks to local authorities, a much more ambitious strategy was in fact developed.

Since 1985 to 1990 Zhuai GDP in US dollars increased three times. The present population is around 650 thousand people, 420 thousand living in Zhuai city, that is a urban population not much greater than Macau, but being resident in an area about 400 times larger! Comparatively to Shengzhen (not to mention Guangzhou), Zhuai is a calm, clean and well organised space. As one top manager in Zhuai city told us, the quality of life is here

much better and he would not move to Shengzhen, even if there he could earn more money.

In 1992, 70% of imports came from Hong Kong, Macau being the second supplier, but only counting for 9% of total imports. On the other hand, Hong Kong was also the first destination to Zhuai exports (26%), Macau being the second but, again, much behind Hong Kong (2%). Besides, it has been estimated that about 60% of goods processed in Zhuai are transshiped to Hong Kong prior to being exported.

In 1992, in Zhuai, among the 48 joint venture investments with a registered capital value of, at least, one million US$ the foreign investor was from Hong Kong in 33 cases and only in 11 cases he was coming from Macau (the second source for foreign investment).

If we analyse the statistics for industrial production, the most important industrial sectors are (for decreasing order of size):electronic & telecommunications equipment, chemical; machinery building, textiles, electric machinery.

It seems obvious, then, that Hong Kong is economically more influential in Zhuai than Macau, in spite of the proximity of the two territories. We would expect that, considering the relative econmic size of Macau and Hong Kong. On the contrary of Shengzhen, which economic future is largely determined by its economic integration to Hong Kong, Zhuai had in the recent past, and will probably have in the future, a much more autonomous economic development, in relation to Macau.

But, on the other hand, the economic evolution of Macau may be in the future increasingly determined by the economy of Zhuai.

10. ALTERNATIVE SCENARIOS FOR MACAU

The Macau Chinese Chamber of Commerce was established in 1911 and is a powerful center of pro-Chinese influence in Macau, with about 3000 members, most of them private firms, but also some state-owned companies. In contrast to Hong Kong, where central Government economic interests are less represented than regional ones (Ghuandong province), Chinese central representatives are relatively stronger in Macau (ef. T. Kamm, «Macau's economic role in the West River Delta», 1991, 2nd edition). This may be an important factor in the future development of the territory, after the transfer to Chinese sovereignty in 1999.

Macau's economy relies heavily on gambling and tourism. The contribution of gambling tax to local government current revenue is close to 50%. In 1991, 6.1 million persons visited Macau, more than 80% being Hong Kong residents. Most of them, went to Macau to gamble, staying just one day or two in the territory. Therefore, tourism, as an independent activity from gambling, is not so developed as it could be, considering other specific interests of the territory, particularly as a cultural and secular point of contact between West and East. The economic future of the territory, then, depends on what will happen to gambling after 1997. Its disappearance seems unlikely, considering the great amount of Chinese economic interests associated to gambling and related activities, but there is the possibility that other places in China may compete with Macau in this field.

In any case, what we may call the Montecarlo scenario is perhaps the most probable scenario for the future of the territory. And Zhuai may share some part of the corresponding income, particularly if it succeeds to keep part of the people coming from mainland to Macau in its own touristic area of interest.

As a productive center, Macau is severely limited, on one hand, by the smallness of the territory, on the other hand, by the increasing cost of manpower. For instance, according to estimates of the Macau University, the labour cost in Macau for skilled workers as well as for trainees in the furniture industry is above six times the corresponding labour cost in Zhuai, however significantly under wage levels in Hong Kong. This is one reason for the on going transfer of factories from Macau to Zhuai.

As a financial center, Macau is largely subordinated to Hong Kong:it is through Hong Kong that Macau's banks have access to other financial centers in the world.

In terms of external trade, however, Macau has some advantages. It is a free port and an agreement signed with the European Community in 1992 entitled Macau to a favoured nation treatment. Besides, the «European Community Investment Partners» (ECIP) offers financial, trade and investment advantages to joint venture European companies in Asia.

This possibilities may suggest another scenario for Macau's future, as an «economic bridge» between European countries and China. According to that scenario, Macau would be a contact point, an information center, a technical assistance support, and also an area for trade promotion between PRC and EU countries.

A third possible scenario may be called «the trans-cultural pole». Macau would become a cultural and scientific center oriented to develop exchanges, at those levels, between China and Western countries, as it in fact has been in some periods of the past. The University of Macau — once property of an economic group from Hong Kong and now owned by the Portuguese Government — and the United Nations University International Intitute of Software, established in Macau, are examples of possible instruments for that strategy

In practice, the future will be, probably, some combination of the three «scenarios» we mentioned above. In general terms, that future will depend on the trajectory of the present economic (and political) transition in PRC, and, in particular, of the specific conditions of that transition on the

Ghuandong province. However, the present strong direct influence of PRC's central powers in Macau will possibly allow a certain autonomy to the territory, in relation to Ghuandong provincial authorities .

11. GHUANDONG, ZHUAI AND SHENGZHEN IN PRC'S TRANSITION TO THE WORLD MARKET

Writing in 1942 about «Capitalism, Socialism and Democracy», Schumpeter concluded by the «cultural indetermination of socialism», meaning by that the inexistence of a necessary correspondance between the economic system and the cultural dimension of society. Perhaps we should speak, now, at the time of global capitalism, of the «cultural indetermination of capitalism»

It is well known, too, Schumpeter's belief that capitalism was running to socialism, not because its failure — as Marx supposed — but because «of its success». It is easy to be ironic, today, and state that «real» socialism is running to «real» capitalism, not exactly because the success of the latter but because the failure of the former.

The Chinese transition is a fascinating, but also a extremely complex, research matter for those still interested in the big issues that attracted great authors, like Marx and Schumpeter. In fact, at the end of the day, our subject is about capitalism, socialism and «culture».

One of the big difficulties we find is the understanding of the present working of the Chinese economic system. It would be too easy to assume, literally, that we have just «one country and two systems». Even if we only consider the province of Ghuandong — and we are aware of the strategic importance of this region in the global transition of PRC — it is obvious the complexity of the relationships among: Hong Kong and Shengzhen; Zhuai and Macau (and Hong Kong); between these areas and Guangzhou; finally, between all these components and the central powers in Beijing.

In fact, this complexity, say, in the peripheral space, is increased by the complexity of the center itself, as well as of the relationships between the central power and the regional and local powers.

Just to give one example, we may consider the Foreign Trade Entreprises (FTE). These FTE are the only enterprises licensed by the state to engage in foreign trade. This license may be approved by the State Council in Beijing or by the provincial government. However, due to the fast growing number of FTE in the Delta region, the central government decided, since January 1986, that all new FTE should be approved by Beijing.

But we should also take into consideration that there are four types of FTE's in China: national corporations under the supervision of the Ministry of Foreign Economic Relations and Trade (MOFERT) with their branches and sub-branches; the so called «end-user» corporations under ministries other than MOFERT; commercial-industrial FTE which are like joint ventures between MOFERT and industrial ministries; finally, FTE fully owned and managed by local governments.

We can imagine, therefore, the complicated net of interests and organizations that have some part in Chinese Foreign Trade . And, obviously, this is just an example, and a very simple one, of the complexities of the Chinese economic system. If we think of the monetary and financial implications of this complexity, it is not surprising the difficulties of any attempts of macro-economic stabilization policy in PRC's economy.

As we said before, Ghuandong province has been in the recent past the most dynamic Chinese region in terms of economic growth, and also the one that first and at a faster speed developed multiple economic relations with the outside world. All that was undoubtedly possible thanks to the «Hong Kong connection». The outstanding growth of Shengzhen was also possible, in the framework of the «Open Door Policy», because of this favourable location. The present uncertainties about the future of Hong Kong, as well as the accelerated growth of other powerful Chinese areas, such as Shanghai, will probably reduce the relative importance of the «Hong Kong connection» on PRC's transition to the world market. However, as one author called it (Kamm, op. cit.), the «Cantonese Newly industrialized Economy», that is, all the economic complex linking Zhuai, Shengzhen, Macau, Hong Kong and Guangzhou, seems too powerful to stop the process of outward oriented economic growth started in the early eighties.

The fundamental doubt in this aspect, however, is about the possibility of pursuing the present policies of transition to the world market economy without sacrificing the economic (and political) integration of the country.

Lei Qiang

The Economic Cooperation between Macau and Zhuai

In the economic cooperation among Hong Kong, Macau and Zhuai, the questions of the possibilities and the ways to further increase the economic cooperation between Macau and Zhuai, to exploit the cooperative advantages of these two places, so as to better develop the integrated economy among Macau, Zhuai and the Pearl River Delta are always raised. This becomes more important when the central government is adopting the macroeconomics adjustments and control, Zhuai enterprises are suffering from inadequate capital and difficulties in operations. At the same time, the slowdown of the real-estate activities in Macau brings on a stagnant economy. Under these situations, there are suggestions of forrning mutual beneficial economic cooperation between these two neighbours so as to overcome the above difficulties and develop their economies.

I. THE POSITIONS OF MACAU AND ZHUAI IN THE ECONOMIC AREA OF THE PEARL RIVER DELTA

Both Macau and Zhuai are situated in the same area of the Pearl River Delta, i.e. the western coast of the Pearl River mouth (on the east coast are Hong Kong and Shenzhen). They are connected by means of roads and water transport. The nearest point between these two places is only about a hundred meter apart. Although their basic functions are different, one is a free trade port and the other one is a Special Economic Zone (SEZ) in a coastal area, they are neighbouring harbour cities (Macau is recovering and rebuilding while Zhuai is developing) and the main functions of any port cities are the same, i.e. — to open up to the outside world and to carry out international business and trade activities. Together they build up an international gateway for the western part of the Pearl River Delta and develop it into a bridge to world market for the Big Pearl River Delta which comprises of Hong Kong, Macau and the Pearl River Delta, and also for South China and China as a whole.

To the western part of the Pearl River Delta, Macau is an important international channel to Portuguese speaking countries, Portuguese ex-colonies, countries of the Latin language countries and European Community