

14.8 percent a year, reaching a level of 424 yuan (a yuan is about thirty-six Canadian cents) in 1986. These figures suggest that China's rural economic reforms have promoted the production and distribution of agricultural commodities. In addition, rural production has become increasingly rational as a result of the improvements made within the mix of agricultural products. Moreover, in many villages the peasants now live in new 2- or 3-storey houses and own bicycles, refrigerators, washing machines, electric fans, television sets, cameras and video cassette recorders. As things stand, therefore, it is certainly arguable that Deng's reforms have the support of China's 800 million rural residents.

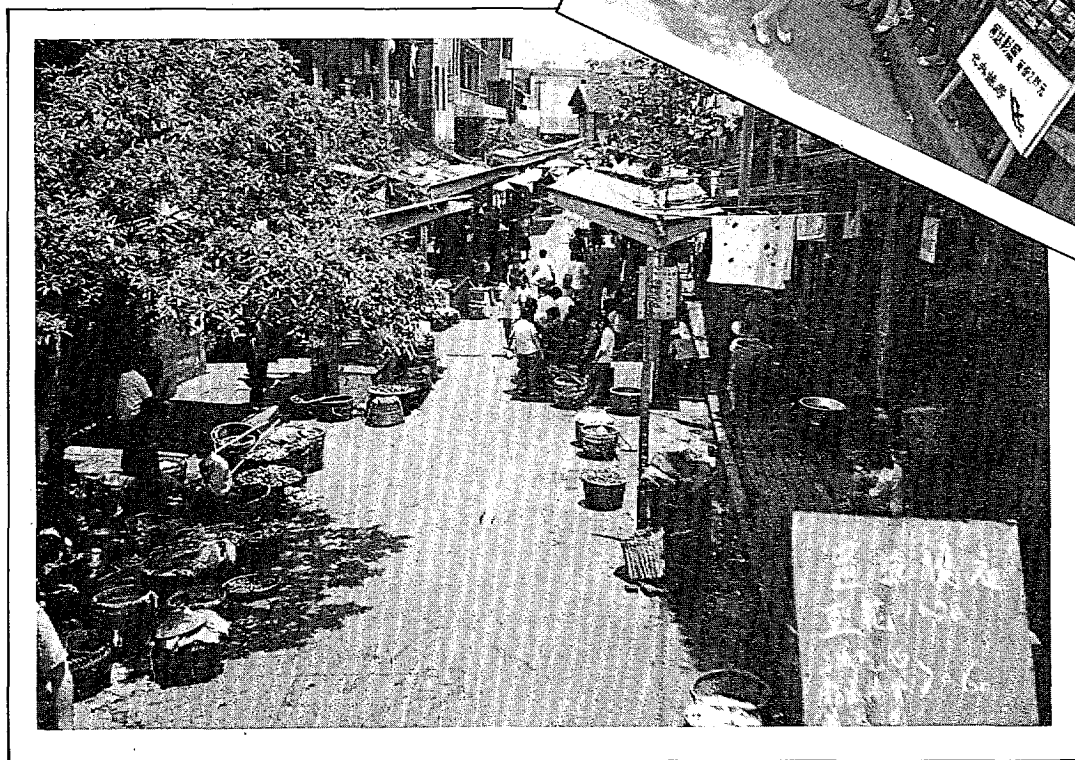
### "Special Economic Zones"

Concerning the second main element of economic reform — the exposure of the Chinese economy to Western technology, capital and management skills and the development of overseas business — the strategy rested on two broad aspects: the establishment of Special Economic Zones (SEZs) and the reopening of the coastal cities and other ports to foreign trade. In 1980, China began building SEZs in Shenzhen, Zhuhai and Shantou in Guangdong Province and in Xiamen in Fujian Province. Since then, twelve other similar industrial zones have been established in China.

SEZs are reserved for Chinese-foreign joint ventures, contractual joint ventures and wholly-owned foreign enterprises. The proximate purpose of the SEZs is to attract foreign investment, technology and management know-how. But their main function in the long term is more ambitious: to serve as "four windows" (a window of technology, a window of management, a window of knowledge and a window of foreign policy), and to act like "two coverings of a fan" (one

part radiates to inner China and the other opening to the world outside the "Middle Kingdom"). In other words, SEZs are pivots that link markets at home and abroad.

The development of SEZs is the outcome of special economic laws and regulations, which are inconsistent with the economic system prevailing in the rest of China. These rules cover such areas as the entry and exit of personnel, registration of enterprises, labor-management relations and wages, land use, property management, trade unions, foreign banks, technology transfer, bankruptcy of companies, and the resolution of disputes through mediation or arbitration. In order to encourage foreign investment, the SEZs provide enterprises with special tax breaks, including tax holidays, exemption from customs duties, reduced land rents, lower labor costs, credit from both domestic and foreign banks, a foreign exchange center where joint ventures can go to balance their foreign exchange requirements among themselves, preferential access to water, electricity, transportation, and communications equipment.



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