THE CHANGING INTERNATIONAL DIVISION OF LABOUR: 
MIGRATION OF LABOUR AND CAPITAL IN THE 
ZHUIJANG DELTA REGION

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A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF 
THE REQUIREMENTS FOR A MASTER OF ARTS DEGREE IN THE 
SOCIOLOGY OF LABOUR (WITH SPECIALISM IN COMPARATIVE 
LABOUR STUDIES), 
DEPARTMENT OF SOCIOLOGY, UNIVERSITY OF WARWICK.

SEPTEMBER 1989
ABSTRACT

The Changing International Division of Labour (CIDL) integrates the Third World countries into the world capitalist system by migrating some of the labour-intensive production process from the core or semi-periphery to the periphery to utilize the extremely low waged labour there. It is the huge amount of migrant labour from rural area that supply the unlimited reserve army of labour. Both the huge migration of labour and capital are dominant phenomena in the Export Processing Zones, or Free Trade Zones scattered around Asia, Latin America and Africa.

The People's Republic of China, which is a Third World country as well as a socialist country, had resisted the integration into the world capitalist system by implementing a closed door policy from 1949 to 1979. The development plan of China stressed on self-sufficiency and self-reliance. Since 1979, China has undergone a radical transformation by implementing the Economic Reform and Open Door Policy, which integrate China into the world capitalist system. However, the integration is much more significant in the Zhujiang Delta Region (ZJDR), which comprises three tiers of Export Processing Zones, and is the largest open zone in China.

After 1979, the most significant phenomena in ZJDR has been the huge migration of labour from other parts of China and migration of capital from Hong Kong. Migration of labour and capital provided the necessary resources to induce rapid export-oriented industrialization and hierarchical urbanization, which enabled ZJDR's participation in the CIDL. Huge migration of labour in the ZJDR were caused by the reform of labour employment system, the huge "surplus population" in China's rural area and numerous benefits to capital employing migrant labour.

China's closed door policy since 1949 separated the development of Hong Kong and Macao from the rest of the ZJDR. However, under the Economic Reform and Open Door Policy after 1979, and also under the CIDL of the World System, intensive flow of labour, capital and commodity between Hong Kong, Macao and the ZJDR, reintegrated the three parts into a regional political economy. Hong Kong now performs the control function of a secondary "World City" and accelerates the integration of the whole region into the world capitalist system.

Huge influx of migrant labour and capital enables rapid accumulation of capital in the ZJDR. The influx also induces great impact on the growth of export-oriented industrialization, formation of the new proletarian and resistance of the labour.

Nevertheless, the integration of the ZJDR into the world capitalist system is not a smooth process and is actually limited by the vitality of the Asiatic mode of production, the contradictory role of the socialist state and the resistance of labour.
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ACKNOWLEDGMENT

This dissertation cannot be completed without the invaluable help and encouragement from my tutors and friends both in the United Kingdom and Hong Kong. Many ideas in the following are inspired by the active and stimulating discussions among staff and students during seminars at the Sociology Department in the University of Warwick. I would like to thank our tutors, Robin Cohen, Peter Gutkind, Bob Fine, Peter Fairbrother, Tony Elger and Ian Procter for their critical and invaluable discussions and comments which have provide the basic theoretical paradigm of my work. In particular, I am indebted to my supervisor, Robin Cohen, for his indispensable insight and encouragement during supervision. Furthermore, I would like to thank Peter Fairbrother who has offered his kind support and help during preparation of this dissertation.

In Hong Kong, worthy discussions with my friends, Fong Man-ying, Foo Kim-ling, Law Wing-sang and Lee Tin-yan have sharpened my ideas and arguments in this thesis. I am grateful to Cheng Yiu-tong, the delegate to the People Congress of China, who permits the sharing of data obtained in field studies in the Zhujiang Delta Region.

Without the assistance and support of my dearest comrade, Man-ying, I could not have completed this dissertation in such difficult times for the Chinese and also for me.
The ideas of this dissertation have been inspired by the experiences of different generations of migrant workers in the Zhujiang Delta Region, including my Grandmother-in-law and Aunt Yanghai. This dissertation is dedicated to them.

H. W.
### ABBREVIATIONS

<table>
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<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>CCP</td>
<td>Chinese Communist Party</td>
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<td>CIDL</td>
<td>Changing International Division of Labour</td>
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<td>NICs</td>
<td>Newly Industrialized Countries</td>
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<td>EPZs</td>
<td>Export Processing Zones</td>
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<td>FTZs</td>
<td>Free Trade Zones</td>
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<td>HK</td>
<td>Hong Kong</td>
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<tr>
<td>LSC</td>
<td>Labour Service Company</td>
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<td>NIDL</td>
<td>New International Division of Labour</td>
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<tr>
<td>RMB</td>
<td>Ren Min Bi (official currency of China)</td>
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<tr>
<td>PRC</td>
<td>People's Republic of China</td>
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<td>SEZs</td>
<td>Special Economic Zones</td>
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<td>SMI</td>
<td>Small and Medium Industries</td>
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<td>TNCs</td>
<td>Transnational Companies</td>
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<td>ZJDOZ</td>
<td>Zhujiang Delta Open Zones</td>
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<td>ZJDR</td>
<td>Zhujiang Delta Region</td>
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INTRODUCTION

The Changing International Division of Labour (CIDL) does not only integrate the Third World countries, but also the socialist countries which once resisted the full integration into the world capitalist system. The People's Republic of China, which has been implementing the Economic Reform and Open Door Policy since 1979, became one of these socialist countries. However, the integration is much more significant in the Zhujiang River Delta Region (ZJDR), than other parts of China. The CIDL in the ZJDR is signified by its high-speed export-oriented industrialization, hierarchical urbanization and state-directed "development" policy. The most significant phenomenon is the huge migration of labour and
capital into the ZJDR, which is in line with the restructuring of capital inside the regional political economy and under the world system. As a result, Hong Kong now performs the control function of a "World City" within the region, which in turn accelerates the integration of the whole region into the world capitalist system. However the mobility of capital and labour are limited by the remnants of what is sometimes called the Asiatic mode of production, the contradictory policy of the state and the resistance of the labour.

The site of the following investigation, the Zhujiang River Delta Region, situated in the middle and Southern part of Guangdong Province in South-eastern China, is just north of the border of Hong Kong (See Appendix 1: Map 1). ZJDR is the largest delta in the sub-tropical region in China. Zhujiang (Pearl River) comprises three rivers: Xijiang (West River), Beijiang (North River) and Dongjiang (East River). The three rivers carry masses of sand and mud, which are deposited in the estuary of the South China Sea. The plain region formed on the delta is thus known as the ZJDR. The geographical characteristic of ZJDR is different from other coastal regions in that its economic connection is more outward oriented rather than inward oriented. ZJDR is in the South-eastern border of China, far away from the political and economic centre of the country. Moreover, it is surrounded by mountains over 1000 meters high, which lie in a semi-circle to block the transportation of the ZJDR to the inland region of China.

ZJDR is also the first part of China penetrated by the World mercantile and imperial capital. The rapid commodification of the region after the mid-Ming Dynasty, made its development path and mode of production, developed along a different path with the inland, that is the Northern region of China, which retained, to a larger extent, the traditional Asiatic mode of production.

Definition of the subject of investigation

Owing to the constant changes in administrative definition, and the different criteria in different researches, the definition of "Zhujiang Delta Region" is under constant change and induce certain confusions and difficulties. Generally speaking, four definitions are mainly adopted by the Chinese academics and authorities. The first definition is the "Petty Zhujiang Delta Region", mainly used by the academics in investigating the recent developments in the ZJDR. It is based on the development level, openness and the completeness of the administrative units. It includes seven cities (Guangzhou, Shenzhen, Zhuhai, Foshan, Jiangmen, Zhongshan and Dongguan) and nine xians (counties) (Sanshui, Nanhai, Shude, Panyu, Baoan, Doumen, Heshan, Gaoming, and Xinhui.) The total area is 14.1 thousand square kilometers (7.92% of the Guangdong Province), the total population is 11.49 million (20.01% of the Guangdong Province) (Xu et al., 1988).
The second definition follows the administrative policy of the central government. In January 1985, the State Council agreed to establish three economic open zones in the delta region of Zhujiang, Changjiang and Minnan, therefore the "Petty Zhujiang Delta Open Zone" was established by the Guangdong Province. In contrast to the "Petty Zhujiang Delta Region", it excluded the open city Guangzhou and the two Special Economic Zones: Shenzhen and Zhuhai, which were to enjoy greater degree of openness. However, it included the four Xians (Taishan, Kaiping, Enping and Zengcheng), which have close relation with the Chinese in Hong Kong, Macao and the foreign countries (Xu et al., 1988).

Another pair of definitions is the "Grand Zhujiang Delta Region" and the "Grand Zhujiang Delta Open Zone". In December, 1987, following the open policy of the central government, Guangdong Province extended the original "Petty Zhujiang Delta Open Zone" to include another three cities and eight xians in the peripheral areas to form the "Grand Zhujiang Delta Open Zone". Therefore, the definition of the "Petty Zhujiang Delta Region" also correspondingly embraced the "Grand Zhujiang Delta Region", which still included Guangzhou, Shenzhen and Zhuhai three cities.

Despite the recent extension to incorporate more peripheral regions, the surveys and statistics available mainly adopt the "Petty" definition, therefore the definition of Zhujiang Delta Region (ZJDR) in the following paper is based on the definition of the "Petty Zhujiang Delta Region" which includes the "Petty Zhujiang Delta Open Zone", the open city Guangzhou and the Special Economic Zones, Shenzhen and Zhuhai. (See Appendice 2: Map 2)

In the following paper, we treat the ZJDR as a "regional political economy" which is distinct from the global determinism and abstractions of world system's theorists and also from the inadequate use of legally-defined nation states (Cohen, 1988). Owing to the close interaction between Hong Kong, Macao and the Zhujiang Delta Region, we treat them as a regional political economy, in spite of the fact that Hong Kong and Macao are still colonies of Britain and Portugal respectively. Owing to the limited space here and the similar but lagged behind development of Macao to Hong Kong, the following paper will omit the empirical investigation on Macao.

In chapter one, we review the debate from the "New International Division of Labour" (NIDL) to the "Changing International Division of Labour" (CIDL), the theory of migration of labour and capital, and the "World City Hypothesis". In chapter two, we investigate the social formation of the ZJDR under the historical context in five stages. In chapter three, we then focus on the process of how labour and capital migrated in the ZJDR since 1979. Chapter four will try to account for the huge migration of labour in the ZJDR, and how Hong Kong act as a world city to facilitate the influx of capital to the ZJDR, with respect to the dynamics of state, labour and capital inside the regional political economy. In
chapter five, we discuss the impact of the migrations. In the last chapter, we assess the limit of the mobility of labour and capital and discuss their problems and prospects.
CHAPTER ONE: THE THEORETICAL DEBATES ON MIGRATION OF LABOUR AND CAPITAL

The following thesis will base on three theoretical traditions to analyze the migration of labour and capital. First is the "Changing International Division of Labour" theory, second is the hypothesis of the interaction between migration of labour and capital developed by Sassen, and third is the "World City Hypothesis". The following paper will follow the general arguments of these three traditions, however, it will also refer to the particular phenomena in the regional political economy, the ZJDR, to sustain, specify and revise the general hypothesis of the three traditions.

1. From "NIDL" to "CIDL"

The "Dependency" and "World System" theories all stress the "development" or the possible accumulation of capital in the core capitalist countries are really in the expense of the "under-development" or domination of the peripheral Countries. (Amin 1974; Wallerstein 1974) This school stated that the flow of migrant labour mainly came from the periphery to the core and semi-periphery. The domination and intrusion of the capital in the core or the semi-periphery forced and accelerated the commodification of agriculture in the periphery.

Although articulation of the pre/non capitalist mode of production might exist in some regions, the destruction, subordination and encapsulation of the pre/non capitalist mode of the production were the common outcomes. The integration into the world capitalist system, thus created the huge reserve army in the peripheral countries (Wallerstein, 1974; History Task Force, 1979; Arrighi & Diselli, 1987). This account for the formation of the rural surplus population, which is a necessary condition for the huge migration, as well as the direct source of surplus value for the capital accumulation.

Following the debate on the Dependancy Theory and the World System Theory, the "New International Division of Labour" (NIDL) Theory becomes a focal debate to analyze the locus of the development of the capitalist society in the global context. The NIDL theory provides several insights in the migration of production capital from the core countries to the peripheral countries and the industrialization in the peripheral countries.

The original idea of NIDL is developed from a group of German academics' study on the structural unemployment in industrialized countries and the industrialization in the developing countries (Frobel et al. 1980). The NIDL theory first integrates Frank's idea of "Development of Underdevelopment". Frobel and his colleges argue there exist a "Classical Division of Labour", in which,
Latin America, Africa and Asia integrated in the developing world economy chiefly as producers of agricultural and mineral raw materials, sometimes as suppliers of labour force... enforced... by the military, technological and economic superiority which European nations and rulers developed after the sixteen century.

(Frobel et al. 1980, p.12)

Moreover, this classical international division of labour prohibited and destroyed the industrialization of the Third World.

Secondly, they adopt the paradigms of "World System Analysis" developed by Wallerstein and state that the classical international division of labour has recently replaced by the NIDL. The main characteristic of NIDL is the emergence of a world market of labour, a worldwide industrial reserve army and a world market for production sites.

Finally, they incorporate the division of labour theory of Babbage, who demonstrated that an increased division of labour allows the labour process to be fragmented so that the skilled labour can be replaced by the unskilled cheap labour and thus enabling greater control over workers.

The study identifies three reasons for the recent emergence of export-oriented manufacturing industry in some Third World countries:

(1) The breakdown of traditional and social structure in the Third World provides unlimited supplies of cheap labour, the "inexhausible industrial reserve army".
(2) The international fragmentation of the production process enables the unskilled sections to be split off and relocated in the cheap labour region.
(3) The development of transportation and communication technology breaks through the technical, organizational and cost problems, which prohibit the division of the labour process at any site throughout the world.

It is these preconditions, together with the desire of capital to maximize profits, which leads to industrial relocation of certain largely labour-intensive production process to the cheap labour countries of the periphery. The NIDL theory has corrected the sole attention of the Dependency Theory and the World System Theory on the sphere of circulation back to the sphere of production.

As Southall (1988) points out, the implications of NIDL theory are deterministic, and suggests that the global periphery is simply acted upon by the core. Just as dependency theory advocated the external dimension as the primary cause of underdevelopment, the conception of the NIDL devalue the internal dynamics of Third World social formations as determinants of, or obstacles to, capitalist growth and industrialization. New industrializers do, however, have to overcome the legacy of having been incorporated into the capitalist system on
unequal terms. These include the determination of their economic structures from outside, the external implantation of capitalism, as well as the tendency for capitalism at the periphery not to destroy pre-capitalist modes of production but to depend upon and articulate with continuing existence.

Moreover, the NIDL theory denies the centrality of the struggle between capital and labour as the principle dynamo of contemporary capitalist development. NIDL theory still neglects the production relation that is the formation and reproduction of class and class structure (Jenkins, 1984). Cohen (1988) also attacks the vague concept corresponding to the term "NIDL". Cohen argues that the different meanings of "division of labour" make it more preferable to measure the changes in the structure and utilization of the labour force than to measure the changes in the circulation of capital and the distribution of production activities in accounting for the division of labour.

Furthermore, Cohen also suggests that the spatial division of labour between production and product is not "new" but has been evolved in four successive phases: mercantile, industrial, imperial and transnational division of labour, differentiates by the different mixed form of free and unfree labour employed. Cohen thus introduces the notion of "the Changing Division of Labour" (CIDL) to replace the old label "NIDL".

The basic difference between the NIDL and CIDL theorists is that the CIDL theorists change the focus of analysis from the sphere of production to the sphere of production relation. The analysis paradigm extends from the "core/semi-periphery/periphery" to the "regional political economy". Moreover, the empirical base also extends out of the confined experience of the few NICs to the more complicated phenomena of the international division of labour between the core, semi-periphery and periphery. The role of the states should be investigated, according to the NIDL theorists.

This paper will follow the tradition of CIDL to investigate the migration of labour and capital in the ZJDR as a case study to sustain and elaborate the general hypothesis of the CIDL theory.

2. The interaction between migration of labour and capital

Sassen (1987) correlates the migration of labour and capital together under the restructuring of capital in the World System. The labour flows are associated with worldwide trends in the recomposition of capital. Sassen argues that the restructuring of the world economy assumes specific forms in locations losing manufacturing and in those receiving it. The new labour migrations to the core and the new migrations within the periphery are articulated with different movements of the capital migration circuit. The former are articulated with the recomposition of the economic structure of the world economy's old centres now in decline. The latter are articulated with the relocation of manufacturing and
clerical activities to selected periphery areas where the regional concentration of these activities and their labour intensive character maximize the impact on people, promoting internal migration to the new industrial zones.

Export Processing Zones (EPZs) represent an institutionalization of key patterns underlying the new industrialization in selected areas of the periphery. The relocation of manufacturing, the associated intra-periphery migrations and the new migrations to the core can be shown to be interdependent occurrences when we introduce the set of explanatory variables that can be summarized under the notion of class struggles.

Owing to the struggles of labour movement in the core countries, labour gained certain improvements in working and living conditions. Nevertheless, capital responded to labour's gains by reallocating production process to the periphery, where low waged, unorganized and highly controllable labour, most of them migrants from the rural area, can be easily employed. The capital thus can make use of these migrant labour to suppress the demand of labour in the core by threatening to move out their production into the periphery.

This development appears to be a victory of capital. In a context of increasing pauperization in the periphery, the possibility of migrating to industrial zones in the periphery or the core emerges as a survival strategy, or as an option for maximizing opportunities in the cases of migrants with considerable human capital (Sassen, 1987).

3. The World City Hypothesis

However, the dispersion of industrial capital has generated new forms of concentration of managerial and specialized servicing operations in major urban centres. Besides generating a large supply of high-income professional jobs, this new economic core also needs, directly and indirectly, a wide array of low-wage jobs. Immigration has become the supplier of low waged and typically powerless workers, facilitating these strategic centres to control and manage the world economy.

Following these arguments is the theoretical tradition of the World City Hypothesis developed by Friedmann (1986) and Sassen (1984) linking urbanization processes to global economic forces. The World City Hypothesis is about the spatial organization of the NIDL. It concerns the contradictory relations between production in the era of global management and the political determination of the territorial interests.

There are seven thesis proposed by Friedmann (1986).
The form and extent of a city's integration with the world economy, and the functions assigned to the city in the new spatial division of labour, will be desired for any structural changes occurring within it.

Key cities throughout the world are used by global capital as "basing points" in the spatial organization and articulation of production and markets. The resulting linkages make it possible to arrange world cities into a complex spatial hierarchy.

The global control functions of world cities are directly reflected in the structure and dynamics of their production sectors and employment.

World cities are major sites for the concentration and accumulation of international capital.

World cities are points of destination for large numbers of both domestic and/or international migrants. In the semi-periphery, world cities grow chiefly from inter-regional migration.

World city formation brings into focus the major contradictions of industrial capitalism-- among them spatial and class polarization.

World city growth generates social costs at a rate that tends to exceed the fiscal capacity of the state.

However, Korff (1987) criticized that the World City Hypothesis focused on the wrong aspect due to a wrong starting point. The starting point was the macro level of world system analysis, while it should rather be the detailed analysis of specific cities. The influence of the world system should still be considered, but only on the basis of a detailed analysis of real, existing cities. Without such a basis, the analysis of world city formation remains a static concept looking at changes from the macro perspective of a world system, neglecting how the world system is changed by the actions of people in a longer historical context.

The following chapters will take the above remarks and conduct a detailed analysis of Hong Kong as a world city and Hong Kong's control relation with the other parts of the ZJDR, in a wider class formation and historical context under the World City Hypothesis.

Hong Kong is now the managerial, information, and financial centre of the ZJDR's regional political economy. Employment and capital in Hong Kong are being restructured, shifting from export-oriented manufacturing production to trading and finance business which controls the production of the whole of ZJDR. In 1979, the Economic Reform and Open Door Policy of PRC ended the closed door policy of China, and enabled the reintegration of the ZJDR in the mainland with Hong Kong and Macao. Facing the keen competition from the other NICs and protectionism from the advanced capitalist countries, Hong Kong made use of this opportunity to shift its production activities into the ZJDR, utilizing the cheaper labour and land resources in the ZJDR as a surviving strategy. Moreover, the lower cost of production allowed capital to expand the production scale.
In the external World System, under the CIDL, world capital intended to enter the huge market and to search for source of surplus value in China. The traditional prosperous trading activities provided Hong Kong an excellent transportation and communication network with other countries. Well-equipped with its advantageous geographic location and educated workforce, world capital tried to use Hong Kong as a basing point. It created a continuous inflow of financial and production capital into Hong Kong. Hong Kong in turn acted as a capital wholesaler to fuel the rapid industrialization and urbanization in the ZJDR. Hong Kong thus performs the functions of a world city to facilitate the whole region's integration into the World System and to control the capital accumulation process of the whole region.

**Theoretical Hypotheses**

In conclusion, all the three theoretical traditions mentioned above, stress the importance of investigating the internal class forces inside a regional political economy and examining the external class forces in the World System, to understand the Changing International Division of Labour. The CIDL signifies the restructuring of labour and capital across the spatial frontier, that is the migration of labour and capital, which should be understood in a historical context of the development of the social formation. In chapter two, we will review the social formation of the ZJDR according to this principle.

This paper basically agrees with the NIDL theorists' arguments in accounting for the growth of export-oriented industrialization in the Third World countries. However, this paper will also focus on the role of the state and the resistance or incorporation of the labourers, which are stressed by the CIDL theorist. In the case of China, which is a socialist state, the ideology of the state and the labour induces a more dialectic and complicated picture than their counterpart in the capitalist World. This complicated picture will be examined in chapter five and chapter six.

The following chapters will also echo the view of Sassen that migration of labour and capital are correlated under the restructuring of capital. Nevertheless, in the case of ZJDR, it is not the migration of capital which destroys the pre/non-capitalist mode of production and induces the migration of labour. The opposite may be true that it is the migration of labourers which enables and facilitates the migration of capital into the ZJDR to have extended accumulation. The capital accumulation in both Hong Kong and the ZJDR, which will be described in chapter two and chapter three, support the hypothesis that the movement of labour is as important as, if not more fundamental than, the movement of capital.
The development of the Third World countries is uneven and combined under the World Capitalist System. The insight of World City Hypothesis adds one more dimension that the development in the semi-periphery and periphery is hierarchical. However, the development of the world city is actually following the "bottom-up" need of the regional political economy, rather than satisfying the "top-down" need of the abstract "World Capital". In chapter four, we will discuss how Hong Kong develops into a world city under the dialectic and dynamic forces in the ZJDR.

The experience of the rapid industrialization of ZJDR shows the possibility of this uneven, combined and hierarchical development of the Third World countries. Nevertheless, on the one hand, ZJDR is only in the lowest hierarchical stratum of the World System and under the subordination of Hong Kong capital and thus the international capital; on the other hand, its development is on the expense of the uneven and lagged development of the other regions in China. This internal contradiction inheres in the accumulation process and will limit the migration of labour and capital. We will discuss it in chapter six.

CHAPTER TWO: 
THE HISTORICAL SOCIAL TRANSFORMATION OF ZJDR

Before 1949, the development of the ZJDR was integrated as a whole. Migration of labour and capital between Hong Kong, Macao and the ZJDR was free and intensive. After the establishment of PRC in 1949, a closed door policy had been implemented, which stopped the free flow of labour and capital. The closed door policy thus separated the accumulation process of the mainland region from Hong Kong and Macao. It was only after the introduction of the Economic Reform and Open Door Policy in 1979 that the ZJDR reintegrated with Hong Kong and Macao, forming a regional political economy. In the following chapters, we will discuss the afore-mentioned process to elaborate how this regional political economy is emerged, segregated and reintegrated.

In order to understand the Changing International Division of Labour in ZJDR, we must first review the historical social formation of ZJDR, especially the different interaction between Hong Kong and the rest of the ZJDR in different phases. The historical social formation of the ZJDR can be divided into four stages: first, the development of feudalism and mercantile capital (before 19th Century); second, the conquest of and resistance to imperialism (1840-1949); and, third, the establishment and closed door policy of the People's Republic of China (1949-1979). The final stage begins since 1979, which is the recent phase of development in ZJDR, denotes the phenomenon of the Changing International Division of Labour. The different stages will be discussed in this chapter.
1. The development of feudalism and mercantile capital in ZJDR
(From 2nd Century B.C. to 19th Century A.D.)

The traditional political, economic and cultural centre of China was mainly located in the Midland region between Huang Hei (Yellow River) and Changjiang (Yangtze River). From Chin Dynasty (2nd Century B.C.) to Yuan Dynasty (12th Century), for nearly one thousand and five hundred years, Guangzhou which was the transportation centre of the ZJDR had developed as an economic centre of the Southern China. It performed the exchange function between the whole of China and the foreign world. The short navigation distance from Guangzhou to South East Asia, Europe and Africa made Guangzhou remain the most important foreign trade city in China until today.

However, trading in Guangzhou did not depend on the local commodity, but on foreign goods like jewelry, spice from the tropical region and the products of the northern regions. Nevertheless, the early and mature development of foreign trade easily attracted mercantile capital from the world system. Therefore ZJDR became the first region of China impinged upon by the mercantile capital (Xu et al., 1988).
During the Ming Dynasty, in order to protect the coastal area from the attack of private and foreign invasion, the Chinese state government prohibited all foreign trade by sea, except leaving Guangzhou as the one and only one foreign trading port. However, foreign ships were not allowed to enter Guangzhou. Therefore the foreigners were required to find other "basing point" in the outlet of the ZJDR to trade with Guangzhou and thus the whole China. The Portuguese, were the first representative of mercantile capital to find a suitable port in the outlet of Zhujiang facing the Pacific Ocean. The port was Macao, which had clear water supply and shallow harbour suitable for yacht to be anchored.

Since 1553, Macao was occupied by the Portuguese, and developed from a fishing village into an international sea port. The rise of Macao can not be separated from the development of Guangzhou, which was the transportation and trading centre in Southern China. From the end of Eighteenth Century to 1930's, foreign trade of Guangzhou had a 100% increase. The active trading activities between Guangzhou and Macao also induced significant development in agriculture and manufacture in ZJDR. Moreover, the mass influx of silver through foreign trade in Macao crystallized the commodity production and circulation in the ZJDR. These signified both the emergence of capitalist element out of the domestic feudalist mode of production and the acceleration of these processes, by which ZJDR begin to involve in the mercantile division of labour under the development of the world capitalist system (Xu et al., 1988).

After the invasion of mercantile capital, specialized agricultural region and manufacturing towns were established to facilitate petty commodity production. In the mid-Ming Dynasty, the division of labour inside the ZJDR was very sophisticated. First, the agricultural production had been changed. Rice production, which was the main food staple of the region, began to decline and the authorities needed to import rice from other provinces. At the same time, agricultural commodity production were developed. Sugar cane and mulberry leaves (the food of silk-worms) became the main cash crops. Moreover, manufacturing in ZJDR was also well developed. It was the production base of iron work, China manufacturing and silk manufacturing.

The wave of commodity production in the Ming and Qing Dynasty had covered the whole Zjdr, and penetrated into every walk of social and economic life. The changes of production, consumption and circulation, the transformation of the industrial structure and the spatial structure all signified the emergence of capitalism in the ZJDR. It depended both on the surplus produce in the large inland conurbation and the inflow of foreign and domestic mercantile capital. It was also the reason why the imperial capital also selected ZJDR as their landing area in China.
2. From Opium War to Establishment of PRC: the Conquest of and Resistance to Imperialism (1840-1949)

In 1842, the outbreak of the Opium War marked the invasion of imperial power into China and the starting point of China becoming a semi-colony. The Opium War also started in the ZJDR. Defeated by the British fleet, the Qing Dynasty was forced to sign the Treaty of Nanjing. According to the treaty, Hong Kong was to be ceded and the customs duties of China were to be determined by foreign arrangements. Also, foreign commodities were to be sold freely through China.

These imposed great impact on the regional political economy in the ZJDR, which was closely related to the emergence of Hong Kong as a important port. Hong Kong replaced the re-export function of Macao and facilitated the semi-colonization of the whole of ZJDR.

Before the Opium War, Hong Kong was a small island with three thousand population, mainly engaged in fishing and agriculture. However, owing to the advantageous geographic location, the excellent deep water harbour and the good shelter and easily available water supply, Hong Kong became an important stop in the sea route between ZJDR and the foreign countries in the Ming and Qing Dynasty.

British policy was to create a trading port which would facilitate trade with China and throughout the Orient on free trade principles. No attempt was made to isolate Hong Kong from China, and its population, which grew rapidly, continued to be Chinese overwhelmingly. As a result of these policies, Hong Kong remained Chinese not only geographically, but also ethnically, culturally and often emotionally (Youngson, 1983).

Xu et al. (1988) stated that after the completion of the Suez canal in 1869, the navigation distance from Europe to the Orient was greatly shortened. Hong Kong thus became an international "entrepot". In 1870-1880, import and exports increased four times, Hong Kong became the commercial trading centre of the East Asia. In the same period, one-fifth export and one-third import of China were through Hong Kong. In the 1930's, one-third of imports to Hong Kong were from China; in 1945-1949, the amount was 24%. At the same time, some modern industry like sugar refining, textile, cement, machine, dockyard and flour industry were established.

These trading and industrial activities all required the migrants from the ZJDR to become waged labour in Hong Kong and thus the population growth rate was extremely high due to the inflow of migration. By 1907, the Hong Kong population was just over 400,000. After the First World War, the Hong Kong re-export trade had great development. From 1907 to 1929, the population almost
doubled. In 1937, before the Sino-Japanese War, the population reached one million.

Xu et al. (1988) described that after the Opium War, the mass import of foreign rice, had a disastrous effect on food-stuff production in ZJDR. In 1870-1907, the import of foreign rice to China increased 90 times, and most of this was imported to Guangdong. The breakdown of self-sufficient food staple production in ZJDR was most significant. One-third of the population in the region had to purchase foreign rice. The demand of the cash crops depended highly on the world market, thus agriculture in the ZJDR was subject to great fluctuations and unhealthy growth.

Besides agriculture, small manufacturing was also challenged by the imperial capital. The first impact was on the traditional textile manufacturing. All famous textile manufacture, cotton growing and spinning in ZJDR were diminished. Another example was the famous iron works in Foshan which had lasted for a thousand years, and employed more than five thousand workers in the late Ming Dynasty. In the late Qing Dynasty, it was defeated by the foreign iron production and vanished (Xu et al., 1988).

The invasion of imperialism destroyed the foundation of the feudalistic economy and enabled the development of commodity production. On the one hand, the imperial capital accelerated the development of capitalism in the ZJDR. On the other hand, it turned ZJDR into a semi-colony, which integrated into world system as other colonies in the "Classical Division of Labour" which provided raw materials and manpower for the development of the core countries. Hong Kong then became the basing point of imperial capital.

For centuries it has been a Chinese practice to escape from brigandage, starvation or war by taking refuge in Hong Kong was available to them if they wanted to go there, for safety or other advantage. In the late 1930's, when the Japanese invaded China, a mass exodus began. About 750,000 people moved into Hong Kong between 1937 and 1939. Another wave of migrants came during 1945-1949 civil war in China during 1945-1949 reversed the trend again. By the end of 1950, Hong Kong population had increased and reached nearly 2.5 million (Youngson, 1983). Such massive influx of people, the refugees, or migrant labourers provided the impetus for Hong Kong's economic growth. Especially, the influx of production capital and skilled labourers from Shanghai textile industry in the late 40's, enabled Hong Kong to start its recent export-oriented industrialization.

3. The establishment of the PRC and its closed door policy  
(1949-1979)

In 1949, the Chinese Communist Party (CCP) succeeded in defeating the Kuomintang (KMT) and unified the whole of China. After the formation of the People's Republic of China (PRC), it was the first time after the Opium War,
China could be independent from the control of the imperial capital. The new socialist China intended to establish an independent and self-reliant development policy under a central planning system. Furthermore, the PRC followed the socialist camp in the cold war. The outbreak of Korean and Vietnam War induced American trade sanctions. The intense international relations contributed to the closed door policy of the PRC.

Chan (1988) stated that after 1950's, there had been trade between the other parts of the ZJDR with Hong Kong and Macao, but most of the trade was conducted according to a central plan and was carried out by state foreign trade companies under the instruction of national and provincial governments. The traditionally free-flow economic link between Hong Kong and Macao and the delta region under Chinese sovereignty was discontinued. The two parts since then has evolved along separated paths of economic development.

Before the economic reforms, local trade in the ZJDR was under the monopoly of the state commercial system (which covered also the collectively owned cooperatives). Flows of commodity trade therefore followed administrative channels within the provincial and national hierarchies of the state commercial system, and the trade relations among different localities, were determined primarily by policies carried out by the state commercial system, which in turn were subject to the macro-economic policy regulation of the central government. Since the early 1960's, the macro-economic policy of China had been primarily one of self-reliance, and with special attention to local self-sufficiency of food-grain production and consumption.

This had enhanced the traditional pattern of division of labour in the ZJDR, in which Guangzhou and to a lesser extent, other towns in the region were specialized in industrial production, while the rural sector concentrated on agricultural production, but with an even greater emphasis on food-grain production. As the trade relations between the two sectors were determined by the state commercial system according to administrative criteria, many of the local towns lost their trading functions and withered. Even some of the established towns like Foshan suffered as most of their industrial capacity was forced to shift to provide fertilizers, machinery and equipment and other services to agricultural production at a low cost, sometimes at a loss such that state subsidies were required for compensation. The result was a rather low degree of economic integration and linkage between Guangzhou, the economic and industrial centre in the region, and the rest of the ZJDR on the eve of economic reforms (Chan, 1988).

After the establishment of the PRC, the movement of population from ZJDR to Hong Kong still continued, especially during the 1960-1962 great recession of China, and the late 70's. It is said that in 1962, 100,000 immigrants crossed the border in six weeks (Youngson, 1983). For the five years (1976 to 1981), the natural increase of population was about 270,000; immigrants from China, legal
and illegal, added about 480,000 to this figure, or over 10 per cent of the total Hong Kong population at the beginning of 1976. These legal and illegal immigrants from the PRC provided the necessary waged labour to fuel the development of Hong Kong. These immigrants also affected the labour markets; they helped to keep wages down and labour ill-organized.

4. The setting up of the three tier open zones in ZJDR since 1979

In 1976, the death of Mao Tzedong and the downfall of the "Gang of Four" marked the end of the ten-year Cultural Revolution and the falling of power of the hard left in the CCP. In 1978, at the 11th 3rd Plenary Session of the Party Central Committee, the CCP declared the main task of the country should not be "class struggle" but "economic development and the Four Modernizations", which marked the era of the Economic Reform and the Open Door Policy of the socialist China.

Undergoing the economic reforms, the economy of China has been transformed from a Stalinist central planning model to a mixed economy. In 1979, the policy was "planning is elementary, market is subsidiary". In 1984, the policy further developed to "commodity economy with planning" and in 1987, the CCP further declared China is only in the "Primary Stage of Socialism" and should extensively develops commodity economy. Therefore, the planning, ownership, price, labour and finance systems all undergo critical and high speed reforms. On the basis of Open Door Policy, China reopened her door to the world capitalist system. The ZJDR, being the pioneer in the Economic Reform and Open Door Policy, is considered as an experimental area to test the outcome of the new policy for extension to the whole country. Therefore we can understand the situation of the whole China especially the coastal region through the experience of the ZJDR which has depicted a complicated picture in the ZJDR.

Chan (1988) stated that there have been four steps of changes taken place in the ZJDR. Firstly, in 1979, the state allowed Guangdong together with Fujian to adopt a special policy which, in essence, gave the provincial governments exemptions from many of the centralized and restrictive economic policies of the central government, and allowed them to have a greater control over share of funds generated from local accumulation. The special policy was given also at a time when the central government began to implement a policy of liberation and reforms in the areas of agriculture, foreign trade and foreign economic relations. The special policy or policy exemptions offered the Guangdong provincial government the legitimacy to adopt an even more liberal policy in these areas. This had then led to a gradual re-emergence of spontaneous local economic growth and an increase in inter-locality trade.

Secondly, in 1979, the central government approved the request by the Guangdong and Fujian governments to set up export-processing zones, which were officially named as Special Economic Zones (SEZs). Two of the SEZs were located in the ZJDR, Shenzhen and Zhuhai SEZs. The setting up of the SEZs was a sudden opening of the door of Chinese socialist economy to the outside world,
and led to an influx of capital from both domestic and foreign sources. The heavy investments then raised local purchasing power tremendously and created a very attractive market for the surplus rural labour.

Thirdly, as a follow up to the setting up of SEZs, the central government in 1984 approved a list of fourteen coastal cities as "Open Cities" which enjoyed a large extent of the special policy allowances of the SEZs. In addition, Guangzhou, together with a few major cities in other provinces, were accorded a provincial status in planning, which brought the city administration forth to an equal status in terms of planning and economic with the provincial government of Guangdong. This started the administrative separation of Guangzhou from the ZJDR.

Fourthly, in February, 1985 the central authority set up an open zone on the basis of the remaining areas of ZJDR and named it as Zhujiang Delta Open Zone (ZJDOZ). The zone would enjoy similar policy concessions of the coastal open cities, serving as the key to local economic development and was assigned a development strategy of "trade-industry-agriculture" with trade given the highest priority.

The establishment of the ZJDOZ completed the last administrative reorganization of the geographical ZJDR, which is now divided into three tiers with SEZs of Shenzhen and Zhuhai enjoying the greatest policy concessions, followed by Guangzhou as an open coastal city with a provincial planning status and the ZJDOZ. Moreover, during this period, significant amount of capital were migrated from Hong Kong to ZJDR and also significant amount of labour migrated from the mountainous area of the Guangdong Province and even from other provinces to facilitate the rapid industrialization in the ZJDR. These phenomena will be discussed in next chapter.

Conclusion: The development of a regional political economy in ZJDR

The above paragraphs roughly review the historical social formation of the ZJDR, the central theme of which, is the development of capitalist mode of production which integrate the ZJDR as a regional political economy. The rise and prosperity of Guangzhou before the Opium War signified the emergence of a capitalist mode of production out of the domestic political economy. The rise of Macao since 15th Century, represented the first appearance of world mercantile capital in China. However, owing to the relatively advanced development of China in that period, mercantile capital could not dominate and destroy the domestic mode of production as in the cases in Africa and Latin America. Mercantile capital in fact added the impetus of the development for the emergence of capitalist mode of production.

It was the rise of Hong Kong after the Opium War, which saw imperial capital's use of gun-boat to destroy the resistance from the domestic mode of production. Hong Kong became the theatre of accumulation for the regional and
foreign capital and acted as a basing point to articulate the surplus and market of China. After the 1949 Revolution, the main focus of the CCP was to eliminate imperial power out of China to gain independence, therefore the closed door policy separated the development of Hong Kong and Macao with the rest of ZJDR. However, owing to the Economic Reform and Open Door Policy after 1979 and also the CIDL of the World System, the intensive flow of labour, capital, and commodity between Hong Kong, Macao and the ZJDR, reintegrate the three parts into a regional political economy. The huge migration of labour and capital in this regional political economy since 1979 will be introduced in the next chapter.

**CHAPTER THREE: THE HUGE MIGRATION OF LABOUR AND CAPITAL IN ZJDR**

Having started the Economic Reform and Open Door Policy in 1979, ZJDR underwent a rapid industrialization and urbanization process. From 1980-1986, the annual average growth rate of both gross industrial and agricultural output value in ZJDOZ was 18.24%, much more higher than the Guangdong average (15.54%) and the national average (9.3%) (Chan, 1988). The impetus for this rapid growth cannot be separated from the huge influx of migrant labour and capital into the ZJDR. In this chapter, we outline these phenomena as the signifier of the integration of ZJDR into the World System under the CIDL.

The factors contributed to the ZJDR's integration into the World System can be divided into two fold. First, it was the millions of migrant labourers' influx from other parts of China to ZJDR that provided the necessary source of surplus value to the intensive capital accumulation. Secondly, it was the production and financial capital inflow from Hong Kong to the ZJDR, provided the necessary capital for the initial accumulation.

The microscopic factor for individual migrant labourer is basically economic as other migrant labourers throughout the world. The higher wage in the ZJDR, the higher living quality of the urban life, and the opportunity to have upward mobility are the common attractions drawing the migrant labourers into ZJDR. However, it is the macroscopic factor which is the structural cause leading to huge migration. The reform of labour employment by the state,

**The Migrant labours in ZJDR**

1. The "Blind Flow"
In March, 1989, after the Chinese New Year, over 2. between China and Hong Kong. From 1978 onwards, however, China's investments have been diversified into other fields, such as manufacturing, catering, tourism, aviation, building and construction as well as real estate.

The scale of China's investments in Hong Kong is subject to speculation. Estimates of it range from 4 to 6 billion US dollars. Nevertheless, it is definitely quite a large amount. Moreover, Hong Kong also borrows heavily from China's banking institutions. According to Chai (1988), contrary to the general impression that Hong Kong's capital was being exported to China, Hong Kong in fact was a net capital importer from China during 1979 to 1985 (See Table 13).
Table 13: China's capital account balance with Hong Kong

<table>
<thead>
<tr>
<th>Items</th>
<th>Credits</th>
<th>Debit</th>
<th>Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Investment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>from Hong Kong</td>
<td>4.2</td>
<td>5.0</td>
<td>-0.8</td>
</tr>
<tr>
<td>in Hong Kong</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>from Hong Kong</td>
<td>3.3</td>
<td>2.8</td>
<td>+0.5</td>
</tr>
<tr>
<td>to Hong Kong</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>7.5</td>
<td>7.8</td>
<td>-0.3</td>
</tr>
</tbody>
</table>


Conclusively, what mentioned in the above paragraphs shows that China's capital has been integrated into Hong Kong's financial system, to participate in the concentration and accumulation of capital in Hong Kong. We can say that the manifestation of CIDL in the ZJDR, is not of the simplistic notion that the semi-periphery (in this case, Hong Kong) exploits the periphery (in this case, the rest of the ZJDR in China). It illustrates that what is really important is not the relation between the two regions, but the relation between capital and labour. It is the capital, both from Hong Kong and the ZJDR, making use of the segregation and division of labour between Hong Kong and the rest of ZJDR, to facilitate its own accumulation.

Moreover, the process also induces an urban hierarchy in the whole region, with the accumulation process centralized in the semi-periphery, Hong Kong, which performs the control function. The control function includes the control of technical know-how, key production process, and market connection with the World System. There neither really exists a competitive relation between Hong Kong's and China's capital, nor a competitive relation between Hong Kong workers and their counterparts in the rest parts of ZJDR. Rather, the main issue is the exploitative relation between capital and labour in both areas. There will be a discussion on this contradiction between labour and capital in the following chapter.

In short, the inflow of world capital and China's capital enable Hong Kong to develop into a "Secondary world city". Hong Kong has become a basing point for world capital to enter China in general and ZJDR in particular. Hong Kong's becoming into a world city is the fundamental reason for the huge outflow of both productive and financial capital from Hong Kong into the ZJDR, which in
turn has integrated the whole region into a holistic political economy. In the following chapter, we will discuss the impact of integration into the World System on the ZJDR.

CHAPTER FOUR:
THE REGIONAL POLITICAL ECONOMY -- BEHIND THE HUGE MIGRATION OF LABOUR AND CAPITAL

To account for the huge migration of labour in the ZJDR, we should investigate the dynamic forces in the regional political economy. The different forces in the ZJDR -- state, labour and capital -- all enable and enhance the rise of migrant labour. Furthermore, the huge migration of capital from Hong Kong to the ZJDR should be understood in the context of how Hong Kong becomes a world city to accelerate the regional economy's integration into the World Capitalist System. This chapter first investigates the role of the state, labour and capital in accounting for the emergence of migrant labour. In the second part, there is a discussion of the development of Hong Kong as a world city.

We will also show that it is not the semi-periphery, Hong Kong, that exploits the periphery, the ZJDR, nor does there exist competition between labour in Hong Kong and the ZJDR. Owing to the integration of capital of both areas, it is in fact the exploitative relation between capital and labour of the whole region that is important.

Role of State, Labour and Capital

1. The state reform of the labour employment system

Before the economic reforms, both agricultural and industrial labour in China were virtually at a standstill. Since 1959, every citizen in China has had a designated place of residence and a system of social control system has operated to coordinate the housing, food supply, employment, social welfare and even marriages of the citizens. Local authorities were thus able to control population movements by administrative means. Requests to change residence registration status from rural to urban areas were usually denied, thereby preventing peasants from migrating to the cities, a common phenomenon in other Third World countries.

Until the '80s, all China's urban citizens, after completing their schooling, waited for the local officials to allocate them a job. Young people, awaiting employment, could notify the labour bureau of their preferences for career and working location. Although some had their preferences taken into account, most did not. Once assigned to a job, their citizenship registration or *hukou*, was fixed to their work unit, the *danwei* (Leung, 1988). From then on, they were attached to that work unit and assured of life long employment.
The work unit then looked after their wages, housing, living subsidies, medical benefits, political activities, marriage and other family affairs; and all these were tied in with their residence registration (Leung, 1988; Sklair, 1989). For those Chinese workers in the state enterprises, this represented an "iron rice bowl", that is, a secure lifetime employment but with little mobility. Everything was done for the urban residents through their work unit. Urban dwellers who did not belong to a work unit, made a living as "black-citizens" or "non-citizens". For most urban workers, therefore, residence and workplace tended to be fixed for life.

In 1979, under the Economic Reform policies, a new "Contract Labour System" was introduced to reform the fixed-employment system. This involved a fixed-term contract between employer and employee and thus no longer any guarantee of a permanent job for the worker was provided. The reformers believed that by introducing fixed term, renewable working contracts for state employees, productivity would be improved. The system would also offer greater freedom for individuals to change jobs and for managers to expand or reduce their work-force according to production needs. The "iron rice bowl" has turned out to be a "China rice bowl" which can be smashed to pieces.

Despite official enthusiasm for it, the contract system has threatened the full and secure employment formerly enjoyed by state-enterprise workers. Many workers feel that, under the new system, their traditional status as "master of the house" has been severely undermined. The contract system has brought with it a worrying new element of insecurity; workers may suddenly find themselves unemployed, with no means of livelihood other than the sale of their labour (Leung, 1988). The resistance of the workers thus generated friction between central and municipal government, which were slow to enforce any regulations and this endangered local employment levels. A compromise solution whereby that "the original workers retained the old system and the new comers adopted the new system" was eventually reached.

The iron rice bowl had been smashed even hardly with the introduction of the category of "Temporary labour". These temporary workers -- usually young migrants from the rural areas -- represented the most marginalized sector of the work-force. They had even less job security and welfare protection than the contract labour. At the end of 1986, the government estimated that over 10 million rural population were working in China's cities (China Daily, 5/3/1988). Most of them were employed on short-term contracts -- one to three years -- in the construction, textile and machinery industries. Virtually, they were in the lowest paid sectors with the worst working conditions.

The reform of labour employment system in the ZJDR was easier and more successful than in other regions of China. It was because most of the establishments in the SEZs and the ZJDOZ were newly established. Unlike other big industrial cities, for instance Shanghai and Wuhan, the ZJDR had no burden of vast amount of original, aged workers. The newly established enterprises could easily attract the rural population in ZJDR to accept the new labour system, therefore most of the migrant workers in the ZJDR were under the two new forms of labour system, that is, contract labour and temporary labour.
Other relevant reforms in ZJDR were on the household registration system and the food-grain purchase and supply system. The migrants were allowed to reside temporarily in the condition that they could bring with themselves the necessary food-grain or could afford to buy food-grain in the market. The municipal government would not supply them with any food-grain in official price. They were known as the "self-managed food-grain household".

Moreover, it is the state which control the flood gate of the migrant. Many migrants however are employed by the Labour Service Company (LSC), which is, however, really a department of the municipal government. The LSC actually contacts the labour department in other xians or other provinces to organize the labour to move in. The blind flow issue mentioned in the previous chapters is also an example of the active role of the government.

In sum, the state's role is significant in the following aspects -- reforms in labour employment system, household registration system, food-grain purchase and supply system and finally the establishment of Labour Service Company. These changes in policy allow the free flow of labour, which was prohibited before the Economic Reform.

2. The Formation of Rural Surplus Population

In most of the Chinese literature (Meng and Bai, 1988; Xu et al., 1988) on the mobility of labour, the focal point of debate rests on "the mobility of the rural surplus population", which is also the fundamental factor for the huge migration of labour taking place in recent years in China. Meng and Bai (1988) identify three historical factors to account for the particular huge number of rural surplus population in China. First, owing to shortage in cultivated land and fast growth in population, the per capita cultivated land is very little when compared with other countries. Second, the traditional monopolistic product basing on food-grain and the self-sustained economy have jointly formed a vicious cycle, making agriculture cannot absorb its own surplus labour. Third, the urban area where the enterprises have already borne heavy social benefits cannot absorb any surplus population.

Although many agricultural population have been changed to the secondary and tertiary sectors, the average arable land per rural labour force is only 3.5 acres, which is quite low. There are 8.99 million acres of arable land while the agricultural labour force is 2.57 million (Guangdong Statistical Yearbook, 1986). According to Xu et al. (1988), the technical level of and production service for agriculture can allow each labour force to be responsible for 5-6 acres at least. Even taking the minimum average 5 acres, only 1.8 million agricultural labour force is enough for the limited arable land in ZJDR. By this estimation, therefore, in 1985, there were still 800,000 surplus labour force. thousand surplus labour force.
However, most of the literature follow the arguments of the Neo-Classical School, simply equates surplus population as those people whose marginal productivity are equal to or less than zero. Some of the academics have followed Lewis's "Dual Economy Model" claiming that the "unlimited supply of the rural surplus population" is the fuel of development of the Third World countries. They also follow the "Push and Pull" theory to account for the huge migration in China.

In accounting for the continuous use of migrant workers in different phases of capitalism, a "Push and Pull" theory had been developed by the demographers and geographers. The theory considered overpopulation, poverty, traditional value and economic stagnation of the homeland as the 'push factors'. On the other side of the coin, the diplomatic, demographic and economic need, modern value and economic opportunity in the receiving countries were regarded as 'pull factors'. However, this school has been heavily criticized for its individualistic, domestic and ahistorical view (Cohen 1988; Sassen 1988; History Task Force 1979).

Marx argued that over population of rural area, that is, rural surplus population, was in fact a historical product of particular capitalist mode of production. Marx (1976) identified that as soon as capitalist production methods had intruded into the rural world, agricultural employment sharply decreased, such that part of the agricultural population was constantly on the point of passing over into urban or manufacturing proletariat. The rural population thus became the source of relative surplus population.

The History Task Force (1979) concluded Marxist view on the law of population in the capitalist mode of production as follows: under capitalism, population became population for capital. The capitalist mode had as its fundamental premise the dispossession of the majority of population of instruments and means of production. This majority was transformed into waged labour, that is, a human mass defined not by its need for subsistence but by its production of capital, which involved both the accumulation and increasing concentration of social wealth and the reproduction of capitalist relation as such. But systematic expropriation and the demand for labourers were not matched by a capacity to absorb ever larger numbers of workers into the productive apparatus. In augmenting its numbers, the working class reproduced its own superfluidity within the society. In contrast to other modes of production, it was the very mechanism of capitalist development in its explosive revolutionary expansion that generated never larger relative overpopulation.

Therefore, when we talk about "rural surplus population", it should not be an abstract idea with respect to their "productivity" but is an analysis with respect to the relation of production. In the case of China in the present, the pre/non capitalist mode of production was first articulated with the semi-colonial mode of production before 1949, nevertheless, the essence of the pre/non capitalist mode of production in rural area has been preserved. Under the title of "socialism", although the production unit had once been changed from household to co-operative and even large scale commune, natural
subsistence economy still existed such that the commune had to solve the rural people's subsistence need on its own foot. In the Chinese case, the commune had had to be responsible for its own food-grain production until the economic reforms. After the economic reforms, especially under the policy of promoting "commodity production" in the rural area, it is the first time that capitalist mode of production is enforced and encouraged by the state throughout the lengthy history of China. Although the process has not been completed, it has already induced large amount of "surplus population".

3. The benefit of employing migrant labour to capital

Another reason for the huge migration taking place in the ZJDR, is that the migrants, like migrant labour in other countries, provide extra benefits to capital. Cohen (1988) identified four positive benefits by employing migrant labour. First, rooted in classical economic theory, more hands meant more production. The second benefit came from savings in the reproduction cost of labour-power of migrant labour. Third, migrant labour were cheaper, less well organized, easier to be hired and fired and had lower economic and social expectations. Fourth, it segregated the working class and fractured the class composition. All these benefits are also applicable to the capital in the ZJDR.

Specifically, the first benefit of migrant labour to capital in the ZJDR, is in enabling the extended growth of the scale of production. The influx of migrant labour provides virtually "unlimited" supply of labour, which has been the main production factor for those labour intensive industries, such as manufacturing, construction etc.. In other words, it allows expansion in production scale and thus the extended accumulation of capital.

According to Sit and Wong's survey (1988) on the small manufacturing establishments, out-processing facilities in China enable large scale expansion of total business for the Hong Kong firms involved. It is because the unskilled labour-intensive industries have been migrated to the ZJDR where the labour cost is much more lower. In their survey, total employment within the Hong Kong plants had shrunk as compared to 1982, however, the total output has increased many-fold.

The second benefit is to lower the reproductive cost by importing migrant labour. Cohen (1988) stated that the social wage of migrant labour (training, education, welfare benefits) was either not met at all, or met principally outside the core economy. Castells (1975) identified three main mechanisms by which migrant labour lowered the reproductive cost borne by the state: First, by recruiting immigrants primarily from among the young and productive workers, it was possible to avoid paying the costs of "rearing" the workers, and the maintenance costs after his/her working life ended. Second, given the restriction on family reunification, majority of migrant labour were unmarried or "forced" bachelors, so the costs of reproduction of families such as public housing, schools, hospital beds were not borne by the capital or the state. Third, the conditions of reproduction for migrants themselves as well as their families were clearly below average standard of indigenous workers. Their housing conditions were particularly bad. The last point is particularly true for migrant labour in the ZJDR, who
live in small dormitories provided by the enterprises. One migrant worker complained about the working and living conditions as follows:

'We work more than 13 hours a day, overtime everyday, but have never received any overtime pay. The boss doesn't allow us to drink water during work hours, we are body-searched when we go off work. Our living dormitory is crowded beyond imagination - 20 to 30 women squeezed into an iron-walled room, without toilet or bathroom. How can we bear this life.'


Leung (1988) described that one of the key factors in attracting foreign investments was the low wage level in the ZJDR. In 1986, the average monthly wage of Shenzhen SEZ workers was between RMB$ 200(US$ 54) and RMB$ 280(US$ 75.6). For the capital, it was the most attractive low waged region in the Asian EPZs or FTZs (See Table 9).

<table>
<thead>
<tr>
<th>Country</th>
<th>Wage in US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>China (Shekou SIZ)</td>
<td>54 - 76</td>
</tr>
<tr>
<td>Philippines (Bataan EPZ)</td>
<td>63</td>
</tr>
<tr>
<td>South Korea (Masan FTZ)</td>
<td>108</td>
</tr>
<tr>
<td>Malaysia (Penang FTZ)</td>
<td>100 - 200</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>205 - 380</td>
</tr>
</tbody>
</table>


However, this "low" income is the highest in the country. Official figures show that the average annual income for Shenzhen SEZ residents in 1984 was over RMB$ 2800 -- five times the national average for urban residents of RMB$ 608. In 1988, the average salary of Guangdong, including the ZJDR and the mountainous area, was RMB$ 1419. This was higher than the neighbouring provinces like Guangxi (1,161), Hunan (1,078), Hubei (1,023) and Xichuan (1,070), which were the main home provinces of the huge migrant labour (State Statistical Bureau, PRC, Monthly Bulletin of Statistics--China 11.1988).

In comparision with the indigenous workers, capital likes to employ migrant labourers because they are more "obedient" to the management and give less trouble. Moreover, most of the migrant workers are temporary labourers, only a few become contract labourers, whereas most of the fixed labour are indigenous workers. It is easy to detect the wage differential among these three kinds of labour.

The final benefit of employing migrant labour to the capital is that it segregate the working class into different fractions thus weakening the ideology, class formation and collective bargaining of the workers. Specifically, in the ZJDR, migrant labour enjoy
little, if any, labour protection in case of sickness, maternity or retrenchment. Only a few fall within the trade union welfare network, whereas indigenous labour in fixed or contract labour employment enjoy. It is an obvious segregation between the labour force under the official reform policy of labour employment system.

In addition to the state's policy, cultural difference and language barrier also segregate migrant labourers from indigenous labourers. Leung (1988) described that the migrants who moved away from their home village communities, were unfamiliar with city life. As one of these workers put it: 'We have no friends or relatives here, our life is sometimes hard, and we are looked down upon.' Prejudice against these "country bumpkins" has bred uneasiness and tension among city residents and migrant labour.
The formation of a World City -- Hong Kong

Under the CIDL, Hong Kong itself has been heavily integrated into the World System. Moreover, it acts as a world city to integrate the whole of ZJDR into the World System. Hong Kong is used by global capital as a basing point in articulation of the production and markets of the Pacific region, especially China, where exist huge source of labour-power of extremely low wage, and vast unexplored market. In line with the restructuring of economy of the whole of ZJDR, Hong Kong's control and managerial function is increasing. However, it is not mainly carried out by the transnational companies (TNCs) but by local financial capital and the out-processing activities of the medium and small scale manufacturing industries. It is obviously a significant characteristic for Hong Kong to be a "secondary world city", that is the regional core of a regional political economy.

1. The restructuring of labour process

Sit & Wong (1988) described how Hong Kong restructured its own capital. According to their survey on the small and medium sized industries. Out-processing facilities in China enable restructuring of labour process of the firms involved, which became to concentrate more on marketing, product design, quality control, purchase of raw materials, inventory control, management and technical supervision, and finally financial arrangement and control. Thus, Hong Kong based firms usually would expand such activities and then increase employment of personnel in these largely higher skilled and better paid jobs. Most of the unskilled labour intensive process are out-processed into the ZJDR.

According to Table 10 in the following, it is obvious that Hong Kong's occupation structure is undergoing restructuring which reflects the increasing control function performed by Hong Kong. The proportion of production workers in total labour force decreased 21% from 1976 to 1987. This was in great contrast to the tremendous increase in the white-collar occupations in the same period, for instance: clerical workers increased tremendously by 73%, administrative and managerial workers increased by 83%, even professional, technical workers increased by 35%. The shift from production and related workers to clerical workers and administrative and managerial workers, verifies the restructuring of labour process in Hong Kong. Workers move out from unskilled or semi-skilled manual job on the assembly line, some of them upgrade to do those higher skilled jobs whereas most of the workers in the lower section turn to clerical jobs. In sum, as Hong Kong becomes to be more concentrated on its control function over the regional economy, the labour intensive production work or process has been migrating to the ZJDR.
The following table shows how significant the transformation of employment structure in different industries in Hong Kong was from 1971 to 1986. It is obvious that transformation was much more significant and rapid after the start of Economic Reform in China, especially after 1981. The percentages of manufacturing employment decreased from 47% in 1971 to 41.2% in 1981 and then continued to decrease to 34% in 1987. Employment growth was mainly in wholesale and retail trades, restaurants and hotels, which increased from 16.2% in 1971 to 19.2% in 1981, and then significantly increased to 23.4% in 1987. On the other hand, employment in finance, insurance, real estate and business services, increased from 2.7% in 1971 to 6.3% in 1987.


<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional, technical and related workers</td>
<td>5.2</td>
<td>6.2</td>
<td>6.9</td>
<td>7.0</td>
</tr>
<tr>
<td>Administrative and managerial workers</td>
<td>1.8</td>
<td>3.0</td>
<td>3.7</td>
<td>3.3</td>
</tr>
<tr>
<td>Clerical and related workers</td>
<td>9.9</td>
<td>13.2</td>
<td>16.1</td>
<td>17.2</td>
</tr>
<tr>
<td>Sales workers</td>
<td>11.0</td>
<td>10.0</td>
<td>10.7</td>
<td>10.9</td>
</tr>
<tr>
<td>Agricultural workers and fishermen</td>
<td>1.7</td>
<td>1.5</td>
<td>1.3</td>
<td>1.6</td>
</tr>
<tr>
<td>Production and related workers</td>
<td>54.2</td>
<td>50.5</td>
<td>45.7</td>
<td>42.9</td>
</tr>
<tr>
<td>Unclassifiable</td>
<td>2.1</td>
<td>1.5</td>
<td>0.1</td>
<td>(A)</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total (in thousand)</td>
<td>1,837</td>
<td>2,393</td>
<td>2,505</td>
<td>2,736</td>
</tr>
</tbody>
</table>

Note: (A) Smaller than 0.05%.
Table 11: Percentages distribution of working population by Industry (1971-1987)

<table>
<thead>
<tr>
<th>Industry</th>
<th>1971 (%)</th>
<th>1976 (%)</th>
<th>1981 (%)</th>
<th>1987 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>47.0</td>
<td>44.8</td>
<td>41.2</td>
<td>34.0</td>
</tr>
<tr>
<td>Agriculture and fishing</td>
<td>3.9</td>
<td>2.6</td>
<td>2.0</td>
<td>1.5</td>
</tr>
<tr>
<td>Construction</td>
<td>5.4</td>
<td>5.6</td>
<td>7.7</td>
<td>8.0</td>
</tr>
<tr>
<td>Wholesale and retail trades, restaurants and hotels</td>
<td>16.2</td>
<td>19.5</td>
<td>19.2</td>
<td>23.4</td>
</tr>
<tr>
<td>Transport, storage and communication</td>
<td>7.4</td>
<td>7.4</td>
<td>7.5</td>
<td>8.5</td>
</tr>
<tr>
<td>Finance, insurance, real estate and business services</td>
<td>2.7</td>
<td>3.4</td>
<td>4.8</td>
<td>6.3</td>
</tr>
<tr>
<td>Service</td>
<td>15.0</td>
<td>15.4</td>
<td>15.6</td>
<td>17.2</td>
</tr>
<tr>
<td>Others and unclassifiable</td>
<td>2.4</td>
<td>13.0</td>
<td>2.0</td>
<td>1.1</td>
</tr>
</tbody>
</table>


All of these signify the restructuring of Hong Kong capital from productive capital to financial and mercantile capital. The fundamental role of export-oriented manufacturing in Hong Kong's economic development in the 50's and 60's diminished in line with the increasing migration of manufacturing activities into the ZJDR notably and also other Third World countries. The increase in employment of business and finance industry signifies the transformed role of Hong Kong, which now acts as the regional financial and commercial centre. It attracts inflow of capital both form overseas and China. In next part we will discuss the inflow of world capital, which uses Hong Kong as a "basing point".

2. The Inflow of World Capital and Emergence of Hong Kong as a Regional Financial Centre

Although industrialization in the ZJDR has been based on capital coming from Hong Kong, it does not imply that world capital in the advanced capitalist countries have no significant role in the industrialization process in the ZJDR. World capital, however, takes another form, in form of financial capital, rather than productive capital in participating this process. Hong Kong has been the main source of loan to China. Apart from long term equity capital, Hong Kong is also known to be an important source of medium and short term loan for China. Hong Kong, as a major financial centre in the Asian-Pacific region, provides China with a ready access to international short and
medium term loans. Moreover, the deposit-taking bank of China with its numerous branches in Hong Kong also provides China with easy access to local short term loans. It is undeniable that the inflow of world financial capital into Hong Kong has facilitated Hong Kong in becoming a regional financial centre.

Looking at Table 12, we first find that Hong Kong's financial capital was integrated into the world system with tremendous inflow of foreign financial capital. From 1980 to 1987, foreign liabilities increased thirteen fold whereas the net inflow of capital increased from 400 billions to 1640 billions, a three fold increase.

This signifies that Hong Kong has become a wholesaler of international financial capital to China. Hong Kong has also become a basing point for global financial capital to enter China's financial market, since most of the large investments in transportation, public utilities, and communication infrastructure were funded by loan from banker groups in Hong Kong. From table 13, loan for use outside Hong Kong increased 312% from 1980 to 1987. Moreover, most of Hong Kong's productive capital involved in the ZJDR, also depend on the bank loan for their fixed and variable capital.
Table 12: **Hong Kong licensed banks balance sheets**

*(1980-1987)*  (HK$ million)

<table>
<thead>
<tr>
<th></th>
<th>80</th>
<th>84</th>
<th>87</th>
<th>80-87</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts due to banks aboard</td>
<td>118,067</td>
<td>373,001</td>
<td>1,657,648</td>
<td>+1300%</td>
</tr>
<tr>
<td>Amounts due to banks in H.K.</td>
<td>55,760</td>
<td>161,482</td>
<td>321,811</td>
<td>+477%</td>
</tr>
<tr>
<td>Deposit from customers</td>
<td>86,753</td>
<td>296,103</td>
<td>641,685</td>
<td>+639%</td>
</tr>
</tbody>
</table>

| Assets |
| Amounts due to banks aboard | 78,366  | 328,826 | 1,493,805 | +1800% |
| Amount due to banks in H.K. | 47,617  | 195,323 | 398,147  | +736%  |
| Loans to customers: |
| (A) | 15,582 | 195,323 | 41,519 | +166% |
| (B) | 75,490 | 176,231 | 307,077 | +306% |
| (C) | 27,511 | 65,373  | 258,262 | +312% |

Notes:
(A) To finance imports to, and exports and re-exports from Hong Kong
(B) Other loans for use in Hong Kong
(C) Other loans for use outside Hong Kong


Nevertheless, Chai (1988) pointed out that Hong Kong was also a capital importer from China. Since 1978, China's investments in Hong Kong have been stepped up significantly. Before 1978, China's investments were mainly confined to shopping, transport, distribution and finance, which were closely related to the indispensable trade between China and Hong Kong. From 1978 onwards, however, China's investments have been diversified into other fields, such as manufacturing, catering, tourism, aviation, building and construction as well as real estate.

The scale of China's investments in Hong Kong is subject to speculation. Estimates of it range from 4 to 6 billion US dollars. Nevertheless, it is definitely quite a large amount. Moreover, Hong Kong also borrows heavily from China's banking institutions. According to Chai (1988), contrary to the general impression that Hong Kong's capital was being exported to China, Hong Kong in fact was a net capital importer from China during 1979 to 1985 (See Table 13).
Table 13: China's capital account balance with Hong Kong

<table>
<thead>
<tr>
<th>Items</th>
<th>Credits</th>
<th>Debit</th>
<th>Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Investment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>from Hong Kong</td>
<td>4.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>in Hong Kong</td>
<td></td>
<td>5.0</td>
<td>-0.8</td>
</tr>
<tr>
<td>Loan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>from Hong Kong</td>
<td>3.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>to Hong Kong</td>
<td></td>
<td>2.8</td>
<td>+0.5</td>
</tr>
<tr>
<td>Total</td>
<td>7.5</td>
<td>7.8</td>
<td>-0.3</td>
</tr>
</tbody>
</table>


Conclusively, what mentioned in the above paragraphs shows that China's capital has been integrated into Hong Kong's financial system, to participate in the concentration and accumulation of capital in Hong Kong. We can say that the manifestation of CIDL in the ZJDR, is not of the simplistic notion that the semi-periphery(in this case, Hong Kong) exploits the periphery(in this case, the rest of the ZJDR in China). It illustrates that what is really important is not the relation between the two regions, but the relation between capital and labour. It is the capital, both from Hong Kong and the ZJDR, making use of the segregation and division of labour between Hong Kong and the rest of ZJDR, to facilitate its own accumulation.

Moreover, the process also induces an urban hierarchy in the whole region, with the accumulation process centralized in the semi-periphery, Hong Kong, which performs the control function. The control function includes the control of technical know-how, key production process, and market connection with the World System. There neither really exists a competitive relation between Hong Kong's and China's capital, nor a competitive relation between Hong Kong workers and their counterparts in the rest parts of ZJDR. Rather, the main issue is the exploitative relation between capital and labour in both areas. There will be a discussion on this contradiction between labour and capital in the following chapter.

In short, the inflow of world capital and China's capital enable Hong Kong to develop into a "Secondary world city". Hong Kong has become a basing point for world capital to enter China in general and ZJDR in particular. Hong Kong's becoming into a world city is the fundamental reason for the huge outflow of both productive and financial capital from Hong Kong into the ZJDR, which in turn has integrated the whole region into a holistic political economy. In the following chapter, we will discuss the impact of integration into the World System on the ZJDR.
CHAPTER FIVE:
THE IMPACT OF MIGRATION OF LABOUR AND CAPITAL IN ZJDR

In the previous chapters, we have already investigated how Hong Kong becomes a world city and how Hong Kong revives its traditional connection with the rest of the ZJDR to form a regional political economy. Hong Kong has become the managerial, information and financial centre of the region, which in turn has accelerated the region's integration into the World System as a whole. Hereinafter, we will focus on the impact on the rest of the ZJDR.

The huge influx of migrant labourers and capital enable rapid accumulation of capital in the ZJDR. The influx also have induced the growth of export-oriented industrialization, the formation of a new proletarian and the resistance of the labour.

The resistance of labour in the ZJDR is rooted in three dimensions in the specific historical context: first, it is the resistance to integration into the World System. After many years' struggle to gain independence and self-reliance from the imperial powers' control and the propaganda of benefits brought by self-reliance policy by the socialist state, there is a general reluctance for the Chinese workers to work for the foreign capital.

Second, the labour's resistance is rooted in the socialist ideology stressed by the CCP. The state still emphasizes the importance of retaining the merits of socialist system and the "proletarian dictatorship". The workers' subjective feeling for being "Master of House" also induces resistance to the capital.

The final dimension contributed to the rise of labour's resistance is more fundamental, which is rooted in the workers' day-to-day experience regarding their working life. Labourers in the ZJDR complain about long working hours, harsh rules of the management and co-operatism of the trade unions. In different issues, they spontaneously organized strikes and stoppages to fight against capital's exploitation. It is this complicated specific historical context of ZJDR that generates the conflicting feelings and actions of both the workers and the socialist state.

1. The growth of export-oriented industrialization in ZJDR

The growth of export-oriented industrialization can be analyzed in three steps: first, the restructuring of economy and industrialization process; second, the
transformation of industrial structure which is externally circumscribed by the international division of labour; third, the growth in exports in ZJDR.

Chan (1988) stated that the economic acceleration of the ZJDOZ had been quite uneven throughout the period since 1978, and could be divided into two stages. The first stage covered the period from 1978 to 1984. During this stage, the pace of economic acceleration was slower but more balanced. The average annual growth rates for gross industrial output and gross agricultural output were 16.5% and 12% respectively. The differential growth rate between industry and agriculture had contributed to the shrinking of agricultural sector, from the share of 42.2% in the gross industrial and agricultural output value in 1978 to 36.5% in 1984.

The second stage began in 1985, and has continued even up to the present date. The growth pattern of local industry showed an even more rapid acceleration than in the previous stage. The annual industrial growth rate jumped to 30.64% and 18.68% in 1985 and 1986 respectively, while that of agriculture recovered from the stagnation in the period of 1981-84 and had 8.01% and 8.54% annual growth respectively in the two consecutive years. In 1986, the gross industrial output constituted 83.0% of the total gross industrial and agricultural output. This signifies the ZJDOZ has become primarily an industrial zone.

In Shenzhen, industrialization process is even more rapid than in the ZJDOZ, viewing the annual growth rate of gross industrial output from 1979 to 1987 was 76.6%! In 1987, the share of primary industry in GDP was 8.1%, secondary industry increased to 46.1%. In the same year, the gross industrial output was RMB 57.6 billion, 32% of GDP, while the share of tertiary industry decreased to 45.8% (Shenzhen SEZ Yearbook, 1988). In 1987, there were 148 thousand industrial workers, constituted 43.6% of the total employed population in Shenzhen.

All the above indicators signify that rapid industrialization has taken place in the ZJDR. We then investigate the industrial structure in ZJDR, which is similar to the industrial structure of Export Processing Zones and Free Trade Zones in other Third World countries, showing little vertical and horizontal integration to the local economy. According to Zuo (1988), the industrial profile in Guangzhou and the ZJDOZ in 1986 is as follows: (See Table 14)

The largest shares in industrial structure were belonged to machinery, chemistry, food and textile industry in both Guangzhou and ZJDOZ, occupying 71.1% of total industrial output value in Guangzhou and 74.3% in ZJDOZ. Machinery industry, which was mainly composed of electronics, electrical appliances, was the biggest industrial sector in both areas.

**Table 14: Distribution of Industrial Output Value of**
Guangzhou and ZJDOZ by major division

<table>
<thead>
<tr>
<th>Industry</th>
<th>Guangzhou</th>
<th>ZJDOZ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metallurgy</td>
<td>5.6</td>
<td>1.1</td>
</tr>
<tr>
<td>Electric</td>
<td>2.0</td>
<td>0.6</td>
</tr>
<tr>
<td>Construction materials</td>
<td>1.9</td>
<td>5.1</td>
</tr>
<tr>
<td>Chemicals</td>
<td>17.3</td>
<td>12.2</td>
</tr>
<tr>
<td>Machinery</td>
<td>36.5</td>
<td>35.1</td>
</tr>
<tr>
<td>Wood products</td>
<td>1.6</td>
<td>1.9</td>
</tr>
<tr>
<td>Food</td>
<td>8.9</td>
<td>11.1</td>
</tr>
<tr>
<td>Textiles</td>
<td>8.4</td>
<td>15.9</td>
</tr>
<tr>
<td>Garment</td>
<td>2.5</td>
<td>5.2</td>
</tr>
<tr>
<td>Paper printing</td>
<td>5.5</td>
<td>7.3</td>
</tr>
<tr>
<td>Others</td>
<td>9.8</td>
<td>4.5</td>
</tr>
</tbody>
</table>

Note: ZJDOZ here only includes Foshan, Jiangmen with their xians and Panyu, Zhengcheng xians, totally 14 cities and xians, about 82.4% of ZJDOZ by land area.


About the industrial structure in various areas in ZJDOZ, there exist quite different patterns which are dependent on: the history of economic development in the locality, the foundation and experience of industrial production, the availability of natural resources, and finally the policy of local state.

For instance, in Foshan and Jiangmen cities, which have longer history of industrial development and have higher proportion of state-invested or collective-invested industries, structural transformation was completed in 1984. In 1978, food industry, chemical industry and textile industry, commanded respectively 26.75%, 13.23% and 10.42% of the annual industrial output value. It shows that the industrial structure based in the endowment of the domestic resources that agricultural product was the main output, therefore the food processing industry had the largest share. In 1984, the order had been changed such that textile industry, food industry and everyday use metallic manufacturing industry, occupied 18.20%, 14.80% and 12.80% respectively. By 1986, there was again a change in the order of importance, the export-oriented industries like electronics and textile became much more important than the food industry, in such a way that the new electrical machinery and equipment industry became the largest one (16.70%) and was followed by textile industry (15.36%) and food industry (9.45%) (Chan, 1988).

In Shenzhen SEZ, owing to the weak base of industrial development before 1979, all the newly established industries were more dependent on foreign investments and largest share of the produce was export-oriented. Shenzhen's
industrial structure was even more unbalanced than the ZJDOZ. In Shenzhen, the light industries occupied 79% of industrial output value in 1987, with the electronics industry alone occupying 45.0% of the industrial output value (See Table 15). It shows the industrial structure inclined strongly to the export-oriented electronics industry.
Table 15: Industrial Structure in Shenzhen (1984-1987)
( RMBS ten thousands)

<table>
<thead>
<tr>
<th>Items</th>
<th>1954</th>
<th>1987</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Output value</td>
<td>6061</td>
<td>576289</td>
</tr>
<tr>
<td>(SEZ)</td>
<td>(2966)</td>
<td>(499011)</td>
</tr>
<tr>
<td>Metallurgy</td>
<td>10</td>
<td>8548</td>
</tr>
<tr>
<td>Electric</td>
<td>48</td>
<td>4973</td>
</tr>
<tr>
<td>Chemicals</td>
<td>324</td>
<td>44991</td>
</tr>
<tr>
<td>Machinery</td>
<td>385</td>
<td>64448</td>
</tr>
<tr>
<td>Electronics</td>
<td>121</td>
<td>259194</td>
</tr>
<tr>
<td>Food</td>
<td>3416</td>
<td>51933</td>
</tr>
<tr>
<td>Textiles</td>
<td>405</td>
<td>53892</td>
</tr>
<tr>
<td>Construction Materials</td>
<td>324</td>
<td>56932</td>
</tr>
<tr>
<td>Others</td>
<td>-</td>
<td>15447</td>
</tr>
</tbody>
</table>


The fundamental cause of the above changes is the central state's economic policy to restructure the country's economy according to the priority "Trading - Industry - Agriculture" but not the traditional order, which was just the reversal. The industrial structure in ZJDR, however, shows that industrialization is transplanted, that is capital, labour and technology all have been transplanted from outside. It is clear that, therefore, there is low level of horizontal integration or vertical integration between the agricultural and industrial sectors and also among the industrial sectors in the ZJDR.

Table 16 in the following shows that economy in the ZJDR has becomes more export oriented. In 1978, only 33% total value of retail sales of commodity were purchased by foreign trade department for export; in 1986, the value increased to 44.37%. In the same period, the ratio of export to total value of retail sales of commodity also increased from 12.69% to 28.13%.

Table 16: Export values of the ZJDR

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(%) (%) (%) (%) (%)</td>
<td>33.05</td>
<td>34.02</td>
<td>28.65</td>
<td>31.16</td>
<td>44.33</td>
</tr>
<tr>
<td>Year</td>
<td>Ratio of export to total value of retail sales of commodities</td>
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<td>-------------------------------------------------------------</td>
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<tr>
<td>1</td>
<td>12.69</td>
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<tr>
<td>2</td>
<td>14.61</td>
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<tr>
<td>3</td>
<td>21.83</td>
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<tr>
<td>4</td>
<td>16.73</td>
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<tr>
<td>5</td>
<td>28.13</td>
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</table>

In Shenzhen SEZ, the economy is mainly export-oriented. In 1985, the export industrial output was only RMB$ 8.8 billion; in 1987, it increased to RMB$ 30.7 billion, which was equal to 53% of gross industrial output. In 1979, the total export trading was US$ 9.3 million; in 1985, it increased to US$ 5.63 billion; in 1987, it increased tremendously to US$ 14.14 billion. Among them, Shenzhen's domestic products amounted to US$ 8.2 billion (58% of the total export trading)(See Table 17). In Shekou, exports amounted to 70% of industrial output value in 1987, that is RMB$ 1200 million.

**Table 17: Export Distribution of Shenzhen SEZ**

<table>
<thead>
<tr>
<th></th>
<th>85</th>
<th>86</th>
<th>87</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export industrial output</td>
<td>8.8</td>
<td>18.19</td>
<td>30.7 (RMB$ billion)</td>
</tr>
<tr>
<td>Percentages of industrial output</td>
<td>32.9%</td>
<td>51%</td>
<td>53%</td>
</tr>
<tr>
<td>Export trading value</td>
<td>5.63</td>
<td>7.26</td>
<td>14.14 (US$ billion)</td>
</tr>
</tbody>
</table>


As we can see, Shenzhen SEZ has integrated more deeply into the world economy than the rest of China, which enables it to perform as a "window" for the whole of China by integrating the inland region with the outside world. Moreover, this integration increases not only in quantity but also quality. The main cooperation method with foreign capital has shifted from out-processing to joint venture project. In 1988, Shenzhen SEZ stressed the " Three points one line" development strategy, that is, to integrate the capital, technology, equipment, raw material and market of the "three points", inland, SEZ and foreign to "one line", the exported-oriented economy.

The root of this rapid export-oriented industrialization should be traced back to the state's encouragement. After a visit to the ZJDR in 1988, the former chairman of the CCP, Zhao Ziyang, proposed the "Great input and great output, involved in the international economic circulation" policy in the coastal region. The policy was based on the successful experience of the ZJDR and also under the assumption that global economy was now under restructuring, where some labour-intensive production had to be moved out from some developed countries to the Third World. Therefore, China should not miss this opportunity and should make use of its huge surplus population. With the installment of export-oriented industry, their labour-power could then be "exported" in form of exported products. However, owing to the shortage of capital and raw material and the low level of technology, raw materials and capital needed to be imported from the foreign countries. It is, however, exactly what the CIDL theorists described as the current phenomena in the development of world capital. Nevertheless, this time it
is not the TNCs to take the initiative but the socialist state who is eager to participate in the CIDL.

2. The formation of new proletarian and their resistance in a Socialist State

On one hand, the labour-power of ZJDR becomes commodity when great amount of agricultural/rural population in the subsistence natural economy has now transformed to be industrial/urban population. In this sense, labourers become "free labour". On the other hand, the transformation has not completed yet when many original agricultural population, both migrant or indigenous labourers, retain their land as a safety net. It is because they are afraid of the possible changes of the state's policy and the risk of fluctuation of industrial/urban income. Actually, for thousands of years, land is the most reliable and valuable production factor and source of living for the Chinese peasant. It seems that the rural population's response has its root in tradition.

Owing to huge migration, the individual household's distributed land to is now cultivated by the aged and the children who remain in the homeland. It shows that land is still held by small household units on their own terms. On the other hand, ownership of land is still under the collective ownership of the state. According to the state's present land policy, which does not allow the commodification of land, land in China, though cultivated by individual household, cannot be redistributed or centralized. Thus, further mechanization and large commodity production are not possible.

Therefore, we can say that capital accumulation in the ZJDR, comprises an example of "extensive growth" but not "intensive growth", where the accumulation of capital depends on the ever-increasing incorporation of unfree labour to be free labour as migrant labourers in the ZJDR. Since the pre/non capitalist mode of production is retained in their homeland, it is a utilization of mixed form of free and unfree labour. However, both the free and unfree labour will resist the exploitation of the capital.

"All bosses are the same -- they're only there for making money...I still don't understand why we have to enter into joint-ventures with bosses and that the masters of our country, the workers, have to work for capitalists. Are we really that poor that we can't even afford this little bit of dignity? But then again, it's true that in these several years, all my colleagues and my living has got much better. Now everybody's got TVs, fringes, hi-fis and washing machines. It is all the result of the joint ventures... if we were to wait for the state investment only, when will we even have these luxuries, it is a very difficult question, isn't it?"

(ACanteenworker in the Shenzhen SEZ, cited in Leung, 1988, p.125.)
It is not only a dilemma for the workers but also a dilemma for the "workers' state". The workers in the ZJDR have been educated about the superiority of China's being a socialist state and the fundamental importance of proletarian dictatorship. In short, they have high consciousness about the superiority of the working class.

However, the proletarian dictatorship is actually substituted by dictatorship of the state, workers in China live under the extremely strong repressive and ideological state apparatus. Even so, workers in the ZJDR still carry out their resistance to the exploitation and subsumption to the capital. The speedy development of export-oriented industrialization has also induced the formation of a new working class, whereas proletarianization of the peasants has created new struggles.

According to the experiences of other Export Processing Zones or Free Trade Zones, the workers sooner or later will stand on their own feet, willing to fight for their own rights through their individual and collective actions. According to a interview with Shenzhen Municipal Federation of Trade Unions, from 1986 to 1987, there were 21 strikes in the Shenzhen SEZ and in 1988, it increased to 20 strikes. Workers in Shenzhen SEZ follow the experiences of their counterparts.

Cohen (1980) emphasized the need to go beyond the assessment of workers' resistance by conventional indicators such as strikes, man-hour lost and degree of unionization etc.. These indicators, although important, tend to overlook the hidden and latent forms of resistance of workers and contribute to the myth of the passive and apolitical third world working class. High mobility of workers in the ZJDR amplifies the "hidden resistance".

Gu et al. (1988) conducted a survey on 1,000 workers in the Shenzhen SEZ, they found that labour mobility was much higher than that in the inland region. According to their survey, 48% of sampled workers had changed employer in the last five years before the survey. Among them, 38.71% changed employment once, 7.4% changed twice, and 0.9% changed for three times. Another question was asked if they wanted to leave their present job or not, 20.4% answered that they "intended to" and another 28.3% said "depending on circumstances". The youth workers had the highest intention to change their present jobs. The reasons that they had given for leaving their present job included: low wage (67%), not suitable job (14%), bad benefit and welfare (8%), and further education and training (8%).

These resemble the high mobility of workers in other countries' FTZs and EPZs. The main reason for the high mobility is low wage. This represents a certain form of "hidden resistance" to the exploitation of capital.

It is also a dilemma for the "official" trade unions under the close supervision of the government and the CCP. As revealed in a fieldwork interview
with the unions' officials, the unions intend to act as a mediator and a protector simultaneously. As a mediator, the unions want to act in a cooperatism ideology to ensure the open policy to attract foreign investments. As a protector, they intend to retain the socialist ideology to protect the workers' rights. The unions thus perform the dual role of being a representative of the workers and the judge between workers and capital. This controversial position casts them in a dilemma. This dilemma may be well illustrated in the Kadar issue which was famous in the Shekou Industrial Zone, situated in the Shenzhen SEZ.

The Kadar Toy Manufacturing Company which is the largest toy manufacturing factory in Hong Kong, is also one of the first group of Hong Kong manufacturing industries removing the labour intensive production process into the ZJDR.

In 1983, the subsidiary plant of Kadar at Shekou employed 1,600 employees. Most of the plant's management staff were coming from Hong Kong. They also brought with them the notorious tradition of management in Hong Kong. Production extremely depended on over-time work of labourers to meet the orders in busy seasons. It is beneficial to capital by increasing the exploitation rate. It gave "flexibility" to capital in such a way that, capital only had to employ a minimum number of labourers for the non-busy season and use over-time arrangements to meet the excess demand without employing some more labourers. Furthermore, the management can fully utilize the machines in the busy seasons.

Owing to these benefits, the management of the Kadar plant at Shekou thus forced workers to perform over-time work. The workers described that unless they could not get up from bed, they were forced to do the over-time work even when they were sick. They also had to get the certificate from the factory doctors, which was always not given, to claim on sick-leave or not performing the over-time work. Over-time work always lasted for four to five hours at least, and usually seven to nine hours, sometimes even as long as eleven hours!

The extremely long working hours even did not allow the workers to have enough time to rest and restore their labour-power. Many workers felt sick and some even fainted on the shopfloor. Having received many complaints from the workers, the Shekou Federation of Trade Unions took up the case and carried out investigation. The unions, then, with the support of the management of the Shekou Industrial Zone and the Labour Service Company started to bargain with the management of Kadar. The unions proposed that over-time work had to be limited within two hours per day and four days per week; also over-time work should be on voluntary basis and approved by the factory union. In the first evening after the bargaining, twenty workers put the proposal in practice and did not perform over-time work. However, the management took a hard stand, and one of the workers' leader was dismissed and the others were warned.
Unions supported the workers and sent a letter to Kadar to demand re-employment of the dismissed worker. Kadar threatened to withdraw all their investments back to Hong Kong in response. The municipal government of Shekou Industrial Zone supported the workers this time, and encouraged the dismissed worker to sue Kadar. The Shekou Federation of Trade Unions decided to represent the workers in suing Kadar. Kadar's management then softened their stand and accepted the unions' offer. After the Kadar issue, the Shenzhen SEZ set up new regulations regarding over-time work. Throughout this issue the unions took up the role as workers' protector.

In another issue in 1988, the unions, however, took the mediator's stand to support the management. Leung (1988) described that at a wild-cat strike organized by the migrant workers at Sanyo semi-conductor plant to complain about the low-wage, the unions, however, stood with management and tried to "educate" the workers and forced them to end their strike. Two leaders of the strike were dismissed without any support from the unions.

The above issues illustrate the dialectic function of the trade unions. These dialectic functions of trade unions also exist in the capitalist society (Hyman, 1971), but it is more intensified in the socialist China.

Under the propaganda of the need of "proletarian dictatorship" and of the working class as the real ruling class, the workers in the ZJDR are thus more conscious about exploitation and uneven distribution of wealth among the different strata. The political movement culture carried down by the Cultural Revolution also facilitates the subject consciousness of the workers. However, in the past, it was the segregation between urban and rural area that limited the growth of proletarian. The integration into the World System through export-oriented industrialization breaks through the barrier and enables the transformation of rural population in the ZJDR to involve in waged work. Their labour-power for the first time becomes a commodity in the market, which sequentially enables the formation of a new proletarian.

CHAPTER SIX: LIMITS TO THE MOBILITY OF LABOUR AND CAPITAL

The integration of China in general and the ZJDR in particular, into the world system is not a smooth process but with obstacles and set back. Three factors confine the mobility of labour and capital: the vitality of the pre-capitalist mode of production, the contradictory role of the socialist state, and the resistance of labour.
While the author is preparing this article, the Student Movement in Beijing arouses world attention. The students in fact supported the Economic Reforms Policy since 1979. They were just intolerant of the slow pace of economic reforms and the lagged behind of political reforms. The democratic movement was suppressed by tanks and machine guns. Mass arrest and "white horror" continued after the June 4th Incident. The bloody incident not only smashed the student movement, but also revealed the contradiction inherited in the Economic Reforms and the Open Policy.

1. Vitality of the Asiatic mode of production

First of all, we must understand China's present stage of economic development. The former Secretary of the CCP, Zhao Ziyang, in a major speech at the Thirteenth Party Congress in 1987, announced that:

"The picture is very clear. Out of a population of more than one billion, 800 million people live in rural areas and, for the most part, still use hand tools to make a living. A certain number of modern industries coexist with many industries that are several decades or even a century behind present-day standards. Some areas that are fairly developed economically coexist with vast areas that are underdeveloped and impoverished...nearly one-quarter of the population is still illiterate or semi-literate. The backwardness of the productive forces determines the following aspects of the relations of production: socialization of production, which is essential for expanded socialist public ownership, is still a very low level; the commodity economy and domestic market are only beginning to develop; the natural economy and semi-natural economy constitute a considerable proportion of the whole; and the socialist economic system is not yet mature and well developed."

(Leung, 1988, p.3)

The NIDL theorists try to focus on the free will of capital to migrate and the World System theorists underestimate the vitality of the pre/non capitalist mode of production. The "articulation of mode of production" hypothesis states that retention of the pre-capitalist mode of production may be well beneficial to the capitalist mode of production in providing surplus and reproduction of labour power outside the capitalist production. However, "articulation of mode of production" still has the fallacy of the functionalism and assumes the free will of capital. It may be argued that, in the case of China, it is the vitality of the Asiatic mode of production that resists the full integration into the World System.

Asiatic mode of production was first mentioned by Marx in the Preface to A Contribution to the Critique of Political Economy. The Asiatic mode of production was not a main theme in Marx's principal writings but scattered in his correspondence and newspaper articles. Avineri (1969) concluded the basic
arguments of Marx on the Asiatic mode of production as follows: It was the absence of private property in land that made the historical process in Asia so different from European historical developments. Each of Marx's successive European modes of production - ancient, feudal, bourgeois - was predicated upon different yet always existing and widely diffused forms of private property in land. Asia was different.

The centralized oriental state power, Marx further argued, went hand in hand with a unique social structure, the villages, each of which processed a completely separate organization and formed a little world in itself. These villages were based on property held in common by the villagers: and it was this common ownership of land that the mainstay of what Marx called Oriental Despotism. Though Marx was aware that description did not fit Chinese conditions very well, he maintained that common property in land was at least the background of the present Chinese land system; and in any case, he argued, both Indian and Chinese villages were based on a peculiar union of agriculture and manufacture, which made each village into a self-sufficient and self-contained macrocosms, autonomous, inward-looking, cut off from the outside world and hence capable of serving as the basis of conservatism, immobility and stagnation (Avineri, 1969).

Although Marx's understanding of Chinese society seemed less profound than his grasp of Indian affairs, and certainly his central thesis about Oriental Despotism being based in the absence of private property in land did not apply to China; yet the combination of agriculture with home manufacture, which he saw as determining the basic autarchy of village communities in Asia, was certainly as true of China as it was of India. In reality, China resembled many characteristics described by Marx.

Land in China was divided by numerous landlords and kinships, which was then leased to the small peasant households. Owing to huge population and high growth rate, per capita arable land area in China remained very low. Land was thus divided into small plots and the peasant households performed intensive farming. The basic production units were the millions of peasant households which gave rent to the landlord and tax to the state. Furthermore, owing to the need to maintain and explore new arable land, it was necessary to do the large scale irrigation work to set the irrigation network and prevent flooding. To enable this large scale water-work, a highly centralized powerful state apparatus was essential. The strong kinship tie and hierarchy power structure facilitated the Confucian value as the ruling ideology to consolidate this subsistence Asiatic mode of production. Until today, this mode of production is still having vitality in rural areas, especially the inland region of the socialist China.

In the beginning of chapter three, we mentioned that shortage of food-grain in ZJDR has limited further inflow of migrants into the ZJDR. It is the policy of the central government to restore the self-reliance food supply policy of each province, which in fact is the subsistence mode of production, focusing on
production for subsistence need but not the need for exchange. This limits the further inflow of migrant labourers, who are the source of new waged labour. It is, however, rooted in the contradiction between the subsistence economy of the Asiatic mode of production and the commodity economy after the Economic Reforms, especially in the pioneer area, such as the ZJDR.

The contradiction of the two different modes of production also appears in the form of contradiction between different regions. Many inland regions complained the Guangdong Province and particularly the Shenzhen SEZ about "unequal exchange" and "loop-hole of the policy". It was because Guangdong in general, and Shenzhen in particular made use of the "special policy" granted by the central government to import vast amount of durable consumer goods like motor vehicles, television sets, Hi-fis in lower tax and out of import quota system of the inland region. Guangdong and Shenzhen then re-exported these consumer goods to the inland region, which had a great demand of these goods but without means to import. Therefore, Guangdong and Shenzhen made good profits, these profits, however, were the initial driving force for Shenzhen's economic development before 1984.

The inland provinces first complained about the "unequal exchange" relation, in which, the inland provided agricultural products for population in the SEZs, raw materials and energy resources to fuel the SEZ' development, whereas the SEZs provided foreign durable consumer goods in return. However, owing to the fixed price system which suppressed the price of agricultural products and raw materials and uplifted the price of consumer goods artificially, the trading was "unequal". Although after the price system reform, a market price system was established to alleviate the problem of fixed price, it still tightened the supply of agricultural products and raw materials in the inland region, leading to the bottleneck of their own development. Secondly, many other provinces complained that the Shenzhen SEZ was not export-oriented in earning foreign incomes but only through the "improper" trading to exploit the inland's money. This was obviously a loop-hole of the Economic Reform Policy.

Their discontents gathered momentum, thus forcing the central government to extend the special economic concessions to the fourteen Coastal Open Cities which were mainly in other provinces. However, the subsistence mode of production was still preserved in the inland region due to their lower level of economic development and blockage of transportation. In the coastal region, the commodity economy was much more developed under the policy of the "planned commodity economy", which was the basic characteristic of "Initial stage of Socialism" mentioned in the thirteenth National Congress of the CCP. In 1988, there was a dispute between the coastal provinces and the inland provinces. The inland provinces refused to supply food, silk, and tobacco etc. to bargain with the coastal provinces. The contradiction between different regions has not been solved in due course.
The contradiction between the different modes of production and between different regions is the material base for the difference between the so called "reformist camp" and the "conservative camp" in the CCP. The inland regions, where subsistence mode of production is more persistent, support a more centralized planning model to redistribute benefit and surplus now the coastal regions enjoy. They also reject the radical economic reforms. The downfall of Zhao Ziyang, the leaders of the reformist camp, and the regaining of power of the conservative camp is not just an accident, but an indicator of strong stability of the subsistence mode of production.

The vital power of the pre-capitalist mode of production thus provided a large inertia to resist the integration of China in general and ZJDR in particular into the World Capitalist System.
2. Contradictory role of the Socialist State

The resistance of integration into the World System, however, is also supported by the contradictory role of the state. The socialist state in China, on one hand, declares the "market socialism" to facilitate integration; on the other hand, the socialist ideology of the state blocks further integration into the capitalist system. The pragmatism of the present Chinese leader, Deng Xiaopeng, declares the reform of China is "Crossing the river steps by steps on the stones". He does not have a consistent theory like Mao Tzetung in steering the direction of China. Therefore, most of the problems arising in the course of integration are not prepared to be matched, nor prepared to be solved.

The contradictory role of the state can be best illustrated by its role in migration of labour and capital. In chapter three, we have already reviewed the active and important role of the state. Both central and municipal governments actually control the "flood-gate" to manage the quantity as well as quality of the influx of labour and capital. The state encourages influx of labour and capital in the initial stage, but selects those suitable labour and capital and prevent the influx of certain kinds of labour and capital in a latter stage.

As an example, Shenzhen SEZ is separated from the rest of China by a "secondary frontier", which is really barbed wire with checking points around the frontier. All "inlanders" should proceed a visa in order to enter the SEZ and should possess a temporary resident identity card to work in the SEZ legally. The residents of the SEZ, however, should also possess the identity card. Under close supervision and tight control of the SEZ municipal government, there does not exist the syndrome of urbanization of the other Third World countries such as unemployment and housing problem. However, there exist some other social problems such as shortage of food-grain and electricity, imbalanced sex ratio of workforce and population. All these problems induced a tighter control over migrant labourers in 1988.

Influx of capital is also under control. At the beginning of the setting up of the Shenzhen SEZ, foreign capital, mainly from Hong Kong was concentrated on tourist industry such as hotel and amusement park, but not the industrial production. Over-investments led to over supply of hotel rooms, so that the occupancy rate was only 30%. The Shenzhen government thus stopped further investment of tourist industry, and encouraged foreign capital investment in production industry after 1984.

The stats's significant role in controlling migration of labour and capital is clear, however, it is contradictory.

3. Resistance of Labour
The third factor limiting the mobility of labour and capital is the resistance of the labour. The labourers in Hong Kong as well as their counterparts in the other parts of the ZJDR both resist the exploitation of capital. On the eve of May day, 1989, a group of workers staged a demonstration in Hong Kong. They claimed that due to the increasing removing of manufacturing factories into the mainland China, some workers lost their works and even their jobs. They demanded the authority to carry out proper actions and policies so as to increase workers' job security. Furthermore, various surveys conducted by trade unions and labour groups revealed this subject. They all pointed out that there was a growing number of Hong Kong invested establishments opened in the ZJDR, and many domestic manufacturing workers were affected simultaneously. Some employers simply moved out all the machines out of Hong Kong into the ZJDR, without paying compensation such as redundancy payment or Long Service Payment to the workers. This violated the Hong Kong legislation but the Hong Kong government could do nothing to enforce the legislation. This has aroused the attention of both the authorities and the unions on both sides of the border.

Capital in Hong Kong is not satisfied with the huge supply of migrant labourers in the ZJDR. They even demanded influx of migrant labourers from China to solve the "labour shortage" problem. The construction and tourist industries, which could not transfer their production process to the ZJDR were most keen on this proposal. Moreover, the manufacturing capital also wanted to input migrant labour with lower wages to lower their production cost. The unions had great reaction to this proposal, and held several actions including demonstrations, signature campaigns to resist the proposal of importing migrant labour into Hong Kong.

Capital also organized surveys to show the existence of the shortage of labour, and to support the need of importing migrant labour. However, owing to the strong reaction from labour, the government did not accept the proposal put forward by the capitalists to import over 50,000 unskilled labourers. The Hong Kong government finally just allowed importing 3,000 skilled labourers, under the condition that the wage level of migrant labour should equal to that of domestic workers. It did not meet the intention of capital which was to import large amount of unskilled labour of lower wage, therefore, the response of application was poor when compared with the huge voice presented previously by the capital. Only 8,000 migrants were applied to work in Hong Kong, but only 3,000 were permitted. It can be seen as a victory for labour, which is very rare in the history of labour disputes in Hong Kong.

This is a typical example of labour's response both in Hong Kong and the ZJDR in reaction to the exploitation of capital and state. This also limits the mobility of labour and capital.
In this chapter, we investigate the limits to the migration of labour and capital in the ZJDR. There are three factors: first, the Asiatic pre-capitalist mode of production dominated in other areas in China; second, the control function of the state, performed by both the central and municipal governments; and finally, resistance of the labour to the subsumption of capital.
CONCLUSION

The paper above has reviewed the formation of a regional political economy, the ZJDR, under the Economic Reforms and Open Policy in the Socialist China. The huge migration of labour and capital enable the setting up of export-oriented industries and the proletarianization of the Chinese peasants. The migration also signifies the restructuring of capital in the World System and the regional political economy. Hong Kong now becomes a Secondary World City to facilitate the whole region's integration into the World System. However, it is not a smooth process and actually is limited by the vitality of the Asiatic mode of production of China, the contradictory role of the Socialist state, and the resistance of labour.

What is the prospect of development of the ZJDR? Will it really be integrated into the World System and follow the accumulation process in the NICs or will it return back to the Stalinist central planning model and stress self-reliance and self-contained economic policy? It is a very difficult question to answer, considering the present unstable conditions in China. After the June 4th Incident, in spite of the downfall of the reformist leader, Zhao Ziyang, the top leader, Deng Xiaopeng insists that the Economic Reforms and the Open Policy should be carried on simultaneously with the "Four Principles" which stress the socialist ideology and the leadership of the CCP. It can be said that the reform of China is crossing the river step by step without clear objective and theoretical support. However, China is now in the middle of the river, there is no stone in front, a step further will fall into the river and follow the stream of the world capitalist system. However, it can not return back, with the resistance of those beneficiaries in the course of reform and also the international trend of reform policy in the Socialist Camp. No one really knows where should China go and how to go.

Nevertheless, the local officials and workers in the ZJDR, are still optimistic about future development. They believe that they have the bargaining power with the central government. There is a "rumour" that the new entrepreneurs, the managers in the ZJDR threat to lay off all the migrant workers, now may be approximately two millions in the ZJDR, in responding to any tighten policy of the central government (Tai Kung Bao 29/8/89). In reviewing the social formation of the ZJDR, we find that it is significantly different from the inland regions of China. It may be quite possible that the development path of ZJDR will further separate it from the rest of China and integrate with Hong Kong, which will return back to Chinese sovereignty in 1997. In the upward phase of the world's business cycle, the integration of the whole ZJDR into the world system seems possible. However, when the downward phase comes, competition between the NICs and the New
Newly industrialized Countries like Thailand, the Philippines and also the ZJDR will be very keen, it will pose a problem for the export-oriented economy, and may induce a more inward linkage with the inland economy.

Another irreversible change is the proletarianization of millions of migrant workers. The Chinese peasants have not left their land for thousands of years. It is the first time they depart from their peasant life and work on the factory floor. Although they may feel insecure and being exploited by capital, the higher income, the quality of urban life and the ever-increasing expectation, attract them to be the new proletarian. Therefore, the contradiction of the ZJDR in the future may not be presented in the form of conflicts between the ZJDR and other provinces, but mainly in the form of conflicts between capital and labour. These dynamics may arouse the lagged behind political reform in the ZJDR, and becomes a crisis as well as an opportunity for ZJDR's development.

The paper is based on the definition of the "Petty Zhujiang Delta Region" which includes the "Petty Zhujiang Delta Open Zone", the open city Guangzhou and the Special Economic Zones, Shenzhen and Zhuhai (see appendices 2: map 2).

In the following paper, we treat the ZJDR as a "regional political economy" which is distinct from the global determinism and abstractions of world system's theorists and also from the inadequate use of legally-defined nation states (Cohen, 1988). Owing to the close interaction between Hong Kong, Macao and the Zhujiang Delta Region, we treat them as a regional political economy, in spite of the fact that Hong Kong and Macao are still colonies of Britain and Portugal respectively. Owing to the limited space here and the similar but lagged behind development of Macao to Hong Kong, the following paper will omit the empirical investigation on Macao.
In chapter one, we review the debate from the "New International Division of Labour" (NIDL) to the "Changing International Division of Labour" (CIDL), the theory of migration of labour and capital, and the "World City Hypothesis". In chapter two, we investigate the social formation of the ZJDR under the historical context in five stages. In chapter three we then focus on the process of how the labour and capital migrated in the ZJDR since 1979. With respect to the dynamics of the state, labour and capital inside the regional political economy in account of the huge labour migration in ZJDR, and how Hong Kong act as a world city facilitate the influx of capital to ZJDR in chapter four. In chapter five, we discuss the impact of the migrations. In the last chapter, we assess the limit of the mobility of labour and capital and discuss their problems and prospects.
CHAPTER ONE:
THEORETICAL DEBATES ON MIGRATION OF LABOUR AND CAPITAL

The following thesis will base on three theoretical traditions to analyze the migration of labour and capital. First is the "Changing International Divisional of Labour" theory, second is the hypothesis of the interaction between the migration of labour and capital developed by Sassen, and third is the "World City Hypothesis". The following paper will follow the general arguments of these three traditions, however, it will also refer to the particular phenomena in the regional political economy, the ZJDR, to sustain, specify and revise the general hypothesis of the three traditions.

1. From "NIDL" to "CIDL"

The "Dependency" and "World System" theories all stress the "development" or the possible accumulation of capital in they outside the core economy. Castells (1975) identified three main mechanisms by which migrant labour lowered the reproductive cost borne by the state: First, by recruiting immigrants primarily from among the young and productive workers, it was possible to avoid paying the costs of "rearing" the workers, and the maintenance costs after his/her working life ended. Second, given the restriction on family reunification, majority of migrant labour were unmarried or "forced" bachelors, so the costs of reproduction of families such as public housing, schools, hospital beds were not borne by the capital or the state. Third, the conditions of reproduction for migrants themselves as well as their families were clearly below average standard of indigenous workers. Their housing conditions were particularly bad. The last point is particularly true for migrant labour in the ZJDR, who live in small dormitories provided by the enterprises. One migrant worker complained about the working and living conditions as follows:

'We work more than 13 hours a day, overtime everyday, but have never received any overtime pay. The boss doesn't allow us to drink water during work hours, we are body-searched when we go off work. Our living dormitory is crowded beyond imagination - 20 to 30 women squeezed into an iron-walled room, without toilet or bathroom. How can we bear this life.'


Leung (1988) described that one of the key factors in attracting foreign investments was the low wage level in the ZJDR. In 1986, the average monthly wage of Shenzhen SEZ workers was between RMB$ 200(US$ 54) and RMB$ 280(US$ 75.6). For the capital, it was the most attractive low waged region in the Asian EPZs or FTZs (See Table 9).
Table 9: Comparison of wage level of Asian FTZs, 1986.

<table>
<thead>
<tr>
<th>Country</th>
<th>Wage in US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>China (Shekou SIZ)</td>
<td>54 - 76</td>
</tr>
<tr>
<td>Philippines (Bataan EPZ)</td>
<td>63</td>
</tr>
<tr>
<td>South Korea (Masan FTZ)</td>
<td>108</td>
</tr>
<tr>
<td>Malaysia (Penang FTZ)</td>
<td>100 - 200</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>205 - 380</td>
</tr>
</tbody>
</table>


However, this "low" income is the highest in the country. Official figures show that the average annual income for Shenzhen SEZ residents in 1984 was over RMB$ 2800 -- five times the national average for urban residents of RMB$ 608. In 1988, the average salary of Guangdong, including the ZJDR and the mountainous area, was RMB$ 1419. This was higher than the neighbouring provinces like Guangxi (1,161), Hunan (1,078), Hubei (1,023) and Xichuan (1,070), which were the main home provinces of the huge migrant labour (State Statistical Bureau, PRC, Monthly Bulletin of Statistics--China 11.1988).

In comparision with the indigenous workers, capital likes to employ migrant labourers because they are more "obedient" to the management and give less trouble. Moreover, most of the migrant workers are temporary labourers, only a few become contract labourers, whereas most of the fixed labour are indigenous workers. It is easy to detect the wage differential among these three kinds of labour.

The final benefit of employing migrant labour to the capital is that it segregate the working class into different fractions thus weakening the ideology, class formation and collective bargaining of the workers. Specifically, in the ZJDR, migrant labour enjoy little, if any, labour protection in case of sickness, maternity or retrenchment. Only a few fall within the trade union welfare network, whereas indigenous labour in fixed or contract labour employment enjoy. It is an obvious segregation between the labour force under the official reform policy of labour employment system.

In addition to the state's policy, cultural difference and language barrier also segregate migrant labourers from indigenous labourers. Leung(1988) described that the migrants who moved away from their home village communities, were unfamiliar with city life. As one of these workers put it: 'We have no friends or relatives here, our life is sometimes hard, and we are looked down upon.' Prejudice against these "country bumpkins" has bred uneasiness and tension among city residents and migrant labour.
The formation of a World City -- Hong Kong

Under the CIDL, Hong Kong itself has been heavily integrated into the World System. Moreover, it acts as a world city to integrate the whole of ZJDR into the World System. Hong Kong is used by global capital as a basing point in articulation of the production and markets of the Pacific region, especially China, where exist huge source of labour-power of extremely low wage, and vast unexplored market. In line with the restructuring of economy of the whole of ZJDR, Hong Kong's control and managerial function is increasing. However, it is not mainly carried out by the transnational companies (TNCs) but by local financial capital and the out-processing activities of the medium and small scale manufacturing industries. It is obviously a significant characteristic for Hong Kong to be a "secondary world city", that is the regional core of a regional political economy.

1. The restructuring of labour process

Sit & Wong (1988) described how Hong Kong restructured its own capital. According to their survey on the small and medium sized industries. Out-processing facilities in China enable restructuring of labour process of the firms involved, which became to concentrate more on marketing, product design, quality control, purchase of raw materials, inventory control, management and technical supervision, and finally financial arrangement and control. Thus, Hong Kong based firms usually would expand such activities and then increase employment of personnel in these largely higher skilled and better paid jobs. Most of the unskilled labour intensive process are out-processed into the ZJDR.

According to Table 10 in the following, it is obvious that Hong Kong's occupation structure is undergoing

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