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**THE ROLE OF SPECIAL ECONOMIC ZONES
IN CHINA'S DEVELOPMENT**

**A research project in partial fulfillment of the requirements for the degree of
Master of Philosophy in Development Studies at Massey University**

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ABSTRACT

Most economies of East and Southeast Asia have used export processing zones (EPZs) or special economic zones (SEZs) in their first stage of economic liberation programs. Many authors believed that these EPZs generally decreased welfare or had only a limited welfare-raising effect on the host country. However, by examining the role of SEZs in China's development, this study has concluded that China's SEZs have taken on a leading role in the process of economic reform, and have been important bridges over which foreign capital, technology, goods, management and ideas have crossed into the hinterland of China and over which the products of the hinterland have gained access to world markets. SEZs have been important economic laboratories in which some of the features of Western Capitalism could be tried out and when found appropriate to Chinese conditions, allowed to cross the bridge into the rest of China. They have also had a long-term effect on growth and development.

This study has shown that changes in ideology and human capital development are more important than technology and capital because effective utilization of physical resources depends on human resources. This study has also shown that SEZs will continue to play the role of economic laboratories since inner China still features a centrally controlled and managed system and experiments with market mechanism are still at a very early stage.

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