

The author draws back the veil on a province exploding with ambition, innovation and technology...

David W. Ferguson

From **MADE IN** GUANGDONG to **CREATED IN** GUANGDONG

The world needs to watch Guangdong.



FOREIGN LANGUAGES PRESS

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Last May, while visiting Yanqing, a town in the hills to the north of Beijing, I saw an intriguing device.

An enterprising Chinese family in a farm restaurant in the countryside, where the electrical supply is likely to be irregular, had converted an old TV satellite dish to a simpler but very practical function. They had covered it with bright reflective cooking foil. The old dish sat on the ground outside the restaurant, where it did an excellent job of focusing rays onto the point of the antenna. But the radio antenna had been replaced by a simple assembly with a cooking hob on top, and the radio waves had been replaced by the rays of the sun. On top of the hob sat a kettle, which glowed red and boiled fiercely in the concentrated heat.

I thought it was an excellent example of ingenuity and initiative. You can find instructions on how to produce a similar device in English on the internet, and you can find similar purpose-built devices in use in places like distant Tibet. But satellite dishes are not generally authorized in China, and not easily available. I wondered where these farmers had got the idea, and where they had found the parts they needed.

A different Western observer might well have accused them of stealing both. That seems to be a regrettably common reaction in the West to the ingenuity and enterprise that China has shown over the past 30 years in transforming itself into the second-biggest economy in the world. For good measure, my hypothetical Western observer might well have gone on to dismiss the device as rubbish. That is a regrettably common attitude to Chinese goods.

You do not have to spend long on any Western discussion forum about China in order to hear such opinions, often voiced with considerable force, and generally by people who have never visited China and are never likely to. This is a pity. I have spent most of my adult life living and working in dozens of foreign countries in almost every continent around the world. It seems to me that China is unarguably the most misunderstood and misrepresented place I have ever visited.

Like all developing economies, China went through a phase when it depended almost entirely on foreign technology, not always obtained in ways that others

might consider legitimate, and when its products were of inferior quality and craftsmanship. Such periods do not come to a sudden and clinical end. The transition from a dependent economy, where a country relies on other people's skills, to an interdependent one, where a country participates in an exchange of ideas and technology, has to take place over a period of years.

The reality is that this transition phase is already well under way in China. The country is peppered with companies at the cutting edge of the highest technology. This is particularly the case in Guangdong, which has been at the forefront of China's economic development since the country opened up for business in the late 1970s.

The subject of this book is Guangdong's current transformation strategy, which is headlined "Accelerating the transformation and upgrading; building a happy Guangdong". It involves the transformation and upgrading of Guangdong's industrial base, moving away from traditional labor and resource-intensive activity and into a much higher quality service and high-tech oriented market – moving from "Made in Guangdong" to "Created in Guangdong". It also aims to enhance the quality of life of the people of Guangdong, not in an abstract manner, but in a specific and measurable way.

This is not intended to be an academic work. Such a book would require a good deal more time and research than was available to me, and possibly a better-qualified author, although economists are not always the most reliable experts in their own field. One of UK's leading commentators, Will Hutton, had the misfortune to publish *The Writing on the Wall* in 2007,¹ anticipating a crisis in China's economy which has yet to materialize, just a few months before the collapse of the Western economies which did materialize, and which Will was unlucky enough not to foresee.

Not being an economist myself, I can probably claim with some justification to be as poorly-informed on the subject as the real ones appear to be. Unlike them, I'm spared the need to pretend that I know what I'm talking about.

There are gaps in the book. I have not dealt with the fascinating subject of the migrant workers who are so numerous in Guangdong and who have made such a significant contribution to China's development. It would have been difficult to do justice to this topic. But for those who are interested I recommend a newly translated work by Lü Guoguang, Dean of the School of Education of Yunnan University of Nationalities. The book is called *Behind the Chinese Miracle – Migrant Workers Tell Their Stories*.² It provides accounts of the experiences of a broad cross-section of migrants of different generations and sexes, many of whom have traveled to Guangdong. Their stories are told in their own words, rather than presented on their behalf by an academic.

Another topic that I would like to have covered is the zones for industrial transfer which have been set up outside the Pearl River Delta (PRD). Some PRD cities have been assigned the responsibility for supporting zones outside their area. It would

1 *The Writing on the Wall*; Will Hutton; Little, Brown; London, 2007; ISBN 978-0-349-11882-6.

2 FLP; Beijing, 2011; ISBN 978-7-119-07144-2.

have been interesting to see how they plan to avoid simply exporting the problems that these industries caused. Time constraints did not allow me to visit any of these areas.

The government authorities that I talked to were reluctant to deal with one or two more sensitive topics such as corruption. This is a pity, as Guangdong has a good record in identifying and rooting out corruption, even at the higher levels of government. This is known to be a red issue for Wang Yang, the Secretary of the Guangdong Provincial Committee of the Communist Party of China (CPC), and a member of the state's politburo. Another subject on which they were reticent was the possibility of changes in political structures. I did talk to a senior official in Shunde, however, who spoke in considerable detail about some significant changes in government structures that have been piloted there which will feature later in the book.

In view of these shortcomings, it would not be unfair to characterize this book as focusing primarily on the areas that the Guangdong government is most keen to talk about. Nevertheless, I hope to provide some interesting, revealing, and original insights on my subject. My experiences in researching and writing the book have certainly led me to my own conclusions on the strengths and weaknesses of the strategy, and the likelihood of its ultimate success.

Chapter 1 introduces Guangdong's new headline strategy with a more general discussion on the role of political slogans in modern China, a subject that can be a source of considerable mystery to Western China-watchers.

Chapter 2 provides a more general introduction to the background to Guangdong's development through a brief overview of China's reform and opening up, the period that started with Deng Xiaoping's reforms following the end of the "cultural revolution" in the late 1970s.

Chapter 3 takes a more detailed look at Guangdong's development at provincial level, and some of the measures and projects that are in place or under way.

Chapter 4 introduces six of the principal cities of the Pearl River Delta, and some of the traditional companies that have grown and been part of their development.

Chapter 5 looks forward to future developments, again through the eyes of some of Guangdong's key companies, and also the structures that will support their development, the services, facilities, infrastructure and economic zones.

Chapter 6 provides an overview of the political dimension, through interviews with some of the key departments at city and provincial level.

In Chapter 7 I review the question of China's image as presented by the Western media.

In Chapter 8 I offer my own conclusions on the impact and the prospects for success of Guangdong's transformation project.

Most of the data and statistics are not individually annotated, but it should be possible to validate them easily by means of an online search. They came from four principle sources.

The first is Newsgd.com (www.newsgd.com), an English-language online news and information source containing a very substantial library of information, data, and articles about Guangdong.

The second is the Guangdong Statistical Yearbook (http://www.gdstats.gov.cn/tjnj/ml_e.htm), an online government source of information and statistics available in both Chinese and English.

The third is the American Chamber of Commerce in South China White Paper (<http://www.amcham-southchina.org/amcham/static/publications/whitepaper.jsp>), an annual publication of enormous value which is comprehensive and authoritative, and whose reliability is enhanced by the fact that it is an independent source.

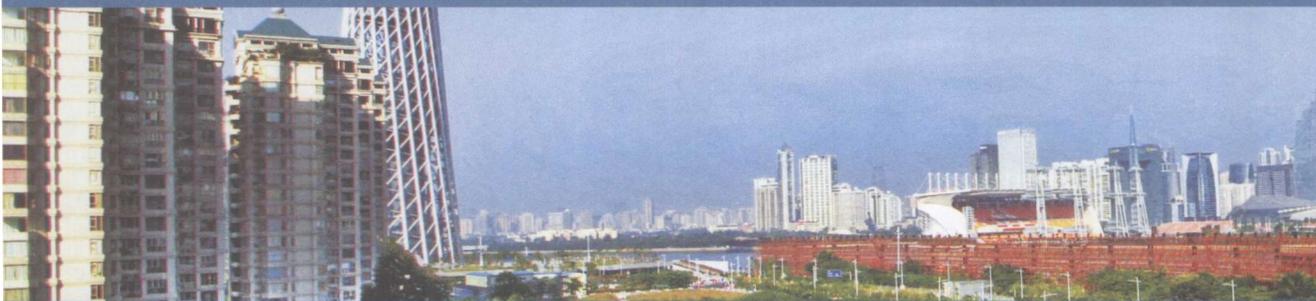
The fourth is *The Greater Pearl River Delta*, an annual factbook from Invest Hong Kong (www.investhk.gov.hk) which is now in its sixth edition, and which covers Hong Kong and Macao as well as the Pearl River Delta.

The three latter sources are particularly useful as they provide comparative data going back several years.

Items of information that do not come from the above four sources are individually annotated. Information concerning individual companies and education and economic development zones in Chapters 4 and 5 came from individual interviews with representatives of the relevant organizations, and the information in Chapter 6 came from individual interviews with the relevant government departments.

David W. Ferguson

Guangdong is the province on the southeast coast of China that borders on Hong Kong and Macao. It covers a land area of around 180,000 km², and according to the 2011 figures has a registered population – people with a fixed right of residence in the province – of around 85 million and a “permanent” population – people who have lived in the province for more than six months – of around 104 million.



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Chapter 1

Guangdong's Transformation Strategy



“Accelerating the Transformation and Upgrading; Building a Happy Guangdong”

One of the unresolved mysteries of China, when seen from a Western perspective, is the role and status of strategic political slogans.

A degree of Western cynicism is understandable. Western politics is increasingly trapped in the prison of the political “soundbite”, where spin-doctors vie with each other to come up with aphorisms which often leave the impression that they have been deliberately constructed to conceal or distort information rather than to reveal or explain it. With regard to China the legacy of the “cultural revolution” – when the production of slogans seemed to replace the production of more useful items like food and tools – has left its imprint. And radical political extremism in general has a history of expressing itself in the form of stale catchphrases. “Tractor production figures” remains to this day an English-language colloquialism that targets dubious politically-slanted statistics. It dates back to the days of Soviet totalitarianism, and refers to the creation of imaginary production figures by work units under pressure to perform.

It is understandable, then, that many in the West assume that there is indeed no substance behind the superficial banality of modern China’s strategic slogans.

Robert Lawrence Kuhn holds a very different view.

Dr Kuhn is one of the best-informed and best-connected Western commentators on modern China. Originally a scientist specializing in the human brain, he gained his doctorate in human anatomy and brain research from the University of California in 1968, before going on to become an investment banker of international repute. He first came to China in 1989, but refused to return after the events of Tian’anmen. Subsequently, at a UCLA conference which Dr Kuhn was chairing, he had a discussion on the subject with a Chinese scientist whom he had invited. The scientist accused Dr Kuhn and other Western thought leaders of abandoning the reformers in China. The discussion made a profound impression, and following this discussion Dr Kuhn changed his mind and resumed his visits, which now number in the hundreds.

The author of dozens of articles and books on China, he wrote a biography of the country's former president, Jiang Zemin, which was China's best-selling book in 2005, and has more recently published *How China's Leaders Think: The Inside Story of China's Past, Current and Future Leaders*,³ a book based on exclusive access to and interviews with one hundred of the new generation of China's top political leaders. It seems unlikely that there could be anyone in the West who possesses at the same time a better idea of how the human mind works, and a better understanding of how Chinese politics work. Dr Kuhn, in short, can be considered to have some idea of what he is talking about.

One of his particular interests is semiotics – the study of signs and symbols – and one of the areas where he has applied that interest is in the study of Chinese political slogans. In an interview, he told me:

“Appreciating Chinese political slogans changed my attitude from being simply interested in China to wanting to dig down really deep. I love philosophy (see my PBS TV series *Closer to Truth*) and like to apply analytical and psychological thinking to Chinese politics. Early on I was offered an opportunity to talk to a vice minister who was one of China's experts on political theory, and in my first meeting with him I suddenly saw a world that I never even knew existed. He started to reveal to me the political depths involved, and then I really started to focus on it. Clearly the aphorisms that were being used in China reflect the context of the times, often highlighting the most serious problems or intense topics of controversy and debate.

A good example is ‘The Three Represents’, Jiang Zemin’s legacy work. To a Western ear it could hardly be more banal – Productive forces, Good culture, and Working to benefit most of the people. I mean how much more banal could you get?

But when you understand the system you see that the detail behind each of those principles actually served to undermine a rigorous leftist ideology that dominated the political thinking of the time. It’s very powerful, and that’s why it was so controversial. Each of the Represents challenges the whole political perspective of what the Party is – a radical change that turns the Party from an ideological structure to a ruling party. It became the vehicle to change the Party’s theoretical basis to be more consistent with the reality of its practice. Externally, the Party had legitimacy in that it was running the country economically and politically, but it did not have internal legitimacy because its own theory was totally out of sync with what it was doing in practice. The Three Represents brought it back into line, and it was absolutely fascinating to watch that development.

Some of the people who did understand this were very angry, and they fought it because it was undermining the old ideology. And then shortly afterwards

³ *How China's Leaders Think*; Robert Lawrence Kuhn; Wiley; New Jersey, 2011; ISBN 047082445X.

the decision was made to allow entrepreneurs to join the Party – this was a very radical development which wouldn't have been possible without the theoretical basis of The Three Represents.

It's perhaps a dying art, like playing an old instrument. But in terms of the past I enjoy studying the subject – even some Western China scholars don't pay a lot of attention to it, but to me it's a great way to understand the transformation of China. Study the slogans, and the science of signs, and look how they are applied by the very influential people who do take it seriously."

Evidence to support Dr Kuhn's view can be uncovered elsewhere. Long before it became a tool of Soviet totalitarians, the political slogan had played an important role in Chinese politics. Emperors would author inscriptions, and offer them as tokens of their favor. At the birth of modern China in the early days of the 20th century, one of the fathers of the country, Dr Sun Yat-sen, was a keen author of inscriptions. These related mostly to the ideals of the democratic revolution that he promoted and believed in, and he would produce them in calligraphy in his own hand and offer them as gifts. His favorites were the phrases "*Tian Xia Wei Gong*" (meaning "The World Is for All"), which originated in an ancient Chinese classic, and "*Bo Ai*" ("Fraternity").

There is other persuasive evidence to be found in Chinese culture. Chinese poetry has flourished in many forms for thousands of years, and particularly when expressed in calligraphic form it is one of the most prized expressions of Chinese art. Yet even the greatest of the Chinese classical poets seem prosaic and leaden in translation. Here is Li Bai (701-762), one of the most distinguished poets of the Tang Dynasty and still hailed today as the best of China's Romantic poets, writing about an acquaintance and fellow great, Du Fu:

*I met Du Fu on a mountaintop
in August when the sun was hot.
Under the shade of his big straw hat
his face was sad.
In the years since we last parted,
he'd grown wan, exhausted.
Poor old Du Fu, I thought then,
he must be agonizing over poetry again.⁴*

It is not easy to appreciate what all the fuss is about.

There are two obvious explanations – either millions of Chinese over hundreds of years have pretended to find beauty, subtlety, and grace in words that contain none, or something is being lost in translation. It would take a singular lack of humility to opt for the former.



▲ Sun Yat-sen, one of the key figures in the making of modern China

⁴ See: <http://www.chinapage.com/libai/libai2e.html>.



▲ Guangdong Party Committee Secretary Wang Yang

I prefer to join Dr Kuhn in surmising that there is more to Chinese poetry, and to Chinese political aphorisms, than meets the eye. “Accelerating Transformation and Upgrading; Building a Happy Guangdong” may not sound particularly profound to the Western ear, but for the listeners to whom it is directed – Chinese listeners – I believe there is considerable substance to it.

This new headline strategy is the brainchild of Wang Yang, the influential and charismatic Secretary of the Provincial CPC Committee. “Transformation and upgrading” refers to the province’s industry and economy, while the reference to “happy Guangdong” is a direct acknowledgement that China must succeed in building a society that focuses on the quality of life of its people, rather than simply on their material wellbeing.

Wang’s words carry weight in Guangdong and beyond. A Party highflyer and a keen reformist, he joined the state’s politburo in 2007. He would no doubt be happy to acknowledge that, like most things in China, the origins of his strategy lie in a much older history.

A good deal of nonsense is talked about China in the Western media, and this may be an opportune point to explore the phenomenon. At the height of the recent international economic crisis, the Western media was full of doom-laden articles describing – in many cases with some gleeful hand-rubbing, it has to be said – how the Western recession was already wreaking havoc in China’s fragile, export-dependent economy, and how extensive disorder and a general collapse of the country’s social and political structures could be expected. Guangdong’s transformation strategy, it was suggested, was a desperate attempt to ward off catastrophe.

The Washington Post provided a typical example in November 2008 – “As China’s Losses Mount, Confidence Turns to Fear”:⁵

“For the first time in the 30 years since China began its capitalist transformation, there is a perception that the economy is in real trouble. And for the Communist Party, the crisis is not just an economic one, but a political one.... The economic devastation has been worst in the industrial centers of southern China, areas that had thrived in recent decades by producing the electronics, clothing, toys and furniture that fill retail stores in the United States....”

Around the same time a leading prophet of Chinese doom, Gordon Chang, was telling the readers of *Forbes* magazine that “Declining U.S. consumer sentiment has led to this year’s closure of 10,000 factories in China’s export powerhouse, the Pearl River Delta in Guangdong province....”⁶ Mr Chang is no anonymous internet blogger. He is regarded in America as one of the foremost Western experts on China, a contributor to a host of Western periodicals and TV programs. Back in 2001, he wrote a book – *The Coming Collapse of China* – which predicted that the Chinese economy would disintegrate in 2006. He was widely quoted as predicting that a third of all

5 <http://www.washingtonpost.com/wp-dyn/content/article/2008/11/03/AR2008110303486.html?hpid=topnews>.

6 http://www.forbes.com/2008/10/23/china-economy-bust-oped-cx_gc_1024chang.html – Forbes; 24th Oct 2008.



Guangzhou Tower overlooking Pearl River New City
on the opposite bank of the river

