SHENZHEN, CHINA: From Fishing Village to Megacity in 30 Years

In 1980, fewer than 30,000 people lived in the sleepy fishing village of Shenzhen in Southeastern China. Fifteen years later its population had soared to 3 million. Today Shenzhen is a global megacity, home to more than 11 million people, China’s second busiest shipping port, and a burgeoning high-tech industry. And it is still growing. By 2030 the Chinese government plans to integrate Shenzhen with 8 nearby cities, each over 1 million inhabitants, into a megalopolis of up to 80 million people.¹

An instant city

Unlike other urban agglomerations that grew up or sprawled out gradually from a historical urban core, Shenzhen is an “instant city”. In 1980, Chinese leader Deng Xiaoping declared the area China’s first “special economic zone” as part of his reforms to open up China to the rest of the world. This special status allowed for direct foreign investment and private enterprise to move in. From just across the border, Hong Kong became a major investor.

Under China’s hukou system, which ties a person’s entitlement to social services (like health care and education) to their birthplace, Chinese people themselves could not freely move from the countryside to cities like Shenzhen until 1985, when villagers were granted the ability to register as temporary urban residents. Even though migrants lacked full benefits (a process still under reform), young construction and factory workers poured into Shenzhen. Factories, office buildings, and dormitories seemed to spring up overnight, like mushrooms after a rain.²

As John Zacharias and Yuanzhou Tang write in the journal Progress in Planning, "Shenzhen’s growth surpassed planned levels several times, rendering the spatial plans obsolete before they were completed. Growth was particularly spectacular during the 1980s, but continued to outpace virtually every major city in China through the 1990s as well."³ Large skyscrapers or factories were constructed directly adjacent to small residential buildings—imagine a 40-story building going up in your backyard. In many cases, however, the original residences were just demolished. Peasants were moved to planned “urban villages” interspersed among industrial zones. The government compensated some of those who lost their homes, but most just lost out.⁴

Factories for the world

Special economic zones became virtual free market economies within the communist country. Their purpose was to help China to better understand modern capitalism and help boost the national economy. Shenzhen incubated China’s first land market. Businesses paid far lower taxes than in other parts of the country. The economy was geared to churn out exports in previously unforeseen quantities.⁵

It did not take long before companies around the world were turning to Shenzhen to fill orders for products and components. In the early years, factories produced basic household goods. Then came the electronics wave.
Endless rows of migrant workers in newly-built complexes assembled the hardware that went into mobile phones and computers and other technological devices the world over. Electronics companies came in to harness the massive industrial capacity, finding that components that took months to be built elsewhere could come together in Shenzhen in a matter of weeks, and at a large scale. The city’s population routinely swells by some 4 to 5 million workers each summer to gear up for the Christmas electronics rush—Santa’s Chinese outpost, if you will. China’s “open door” policy was working, and for much of the world economy, that portal was Shenzhen.

More recently, Shenzhen has been transitioning to software, finance, and genetics. A number of the international companies that made Shenzhen their Chinese headquarters are opening factories further inland where they can access cheaper property and cheaper labor. Shenzhen’s 2011 five-year plan highlighted six priority industries: biotechnology, internet, renewable energy, advanced materials, cultural creativity, and information technology. Christopher Balding, associate professor of business and economics at the HSBC Business School in Shenzhen, chronicles some of Shenzhen’s current offerings: “Today some 8,000 tech companies have set up shop in the city, including Internet giant Tencent and telecommunications company Huawei Technologies, as well as the world's largest drone maker...Beijing Genomics International, a public-private partnership, provides rapid DNA data downloadable anywhere in the world via Amazon cloud services. Lighting company LEDSFilm is manufacturing the smallest and brightest studio and entertainment lights in the world.”

Dangers of rapid growth

Glittering skyscrapers flaunt Shenzhen’s amassing wealth. Shenzhen’s GDP now rivals that of Hong Kong. In the Nanshan district, the average GDP per person in 2014 exceeded $49,000, the highest of any district in China and more than that in Japan and Germany. Venture capital and private equity firms abound. A $3 trillion stock exchange focuses on technology start-ups.
Yet rapid growth can come with a cost. Factories have left the region’s rivers polluted. Living and working conditions for migrant workers are often lacking. Shenzhen made international headlines in 2010 for the rash of suicides by workers at a Foxconn assembly plant that supplies Apple.\(^\text{10}\)

In December 2015, a massive hill of accumulated construction debris became destabilized, turning into a landslide that buried or collapsed 33 buildings. Up to 32 feet of red mud covered apartments, worker dormitories, and factory buildings across an area larger than 70 football fields. Dozens of people were buried. Investigations found that developers were not heeding disposal regulations in their rush to get buildings up quickly.\(^\text{11}\)

And then there are the more commonplace problems that plague fast-growing cities the world over. As the city grew up, cars took the place of the quintessential Chinese bicycles, and with them came traffic congestion and air pollution. In 2016, residents were facing average commuting times of up to an hour and a half. To try to curb traffic backups, the city limits new car registrations. New roads, tunnels, and bridges are continuously being erected. The metro system is evolving quickly. The first metro station opened in 2004. A decade later the system had 131 stations.\(^\text{12}\)

**URBAN EXPANSION**

The proportion of China’s population living in cities has risen steadily since the 1970s. Workers moving from rural areas to cities are prevented from integrating, however, by a household registration system that restricts them from officially changing their permanent residence. Urban populations concentrate in the eastern part of the mainland.

**Megacity merging**

In 2008, the Chinese government released its plan to merge Shenzhen and eight other nearby cities into an interconnected urban agglomeration sharing transportation, water, energy, and telecommunications infrastructure. According to the World Bank, this Pearl River Delta megalopolis—covering Shenzhen plus Guangzhou, Foshan, Zhaoqing, Dongguan, Huizhou, Jiangmen, Zhongshan, and Zha— is already the world’s largest continuously urbanized area. In 2010 its population of 42 million was larger than many countries, including Argentina, Australia, Canada, and Malaysia. By 2030, the total urban population could double to 80 million with a GDP of $2 trillion (equal to the GDP of the entire country in 2004).\(^\text{13}\)
Transportation improvements, including a 22-mile-long bridge, will closely link Hong Kong to Shenzhen and the other mainland cities; how Hong Kong’s political and economic linkages will evolve is less clear. Even murkier is what an urban area of this size will mean for the local people and the environment. Food and water supply logistics will need to be managed carefully as the rural areas in between the cities are urbanized. The scope of this development goes far beyond anything in human history.14

The future of China’s urbanization

In 2015, for the first time since the special economic zones were created, China’s migrant population shrunk. More people elected to stay in their rural villages than in the past, causing some to ask if China could be nearing “peak urbanization.” China’s central planners say no. They envision an even more urban future, with close to 1 billion people, or 70 percent of the country’s projected population, living in cities by 2030.15

By and large, China has avoided some of the worst problems associated with urban growth, including large slums or squatter settlements. The urbanization of the last several decades played a large role in lifting 500 million Chinese out of poverty. But, as a joint report from the Chinese government and the World Bank notes, “strains are starting to show.” The government recognizes that going forward, urban planning will need to be better managed to use land more efficiently. It also recognizes that property rights and land sales, as have been piloted in Shenzhen, will play an important role in the future.16

The Shenzhen experiment showed China how incentivized capitalism could transform an area from rice paddy to mega-metropolis in record time. As the experiment proceeds, care is needed to ensure that urbanization’s challenges do not outweigh its benefits.

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16 World Bank; Development Research Center of the State Council, the People's Republic of China. 2014.