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Bontje, M.

Publication date

2018

Document Version

Final published version

Published in

Cross-Border Review

License

Unspecified

[Link to publication](#)

Citation for published version (APA):

Bontje, M. (2018). Competing, Collaborating or Integrating? Changing Cross-border Relationships of Hong Kong and Shenzhen. In J. W. Scott (Ed.), *Cross-Border Review: Yearbook 2018* (pp. 93-116). Central European Service For Cross-Border Initiatives. <http://institute.cesci-net.eu/en/crossborder-review-2018>

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Competing, Collaborating or Integrating? Changing Cross-border Relationships of Hong Kong and Shenzhen¹

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Introduction

Shenzhen was one of the birthplaces of China's economic transformation. Until 1979 it was merely a small border town surrounded by villages and farmland; only a few decades later it had become a megacity. Shenzhen's fast growth started after it was chosen as China's first Special Economic Zone (SEZ). The province of Guangdong in which Shenzhen is located already had a long history as an international gateway to China. It was also a 'safe' place to experiment a new economic regime, sufficiently far from Beijing; and being close to Hong Kong was considered a strategic advantage (Campanella 2008, Wu & Gaubatz 2013). The SEZs of Shenzhen, Zhuhai, Xiamen and Shantou should also encourage the integration of Hong Kong, Macau and Taiwan into China (Yang 2005). In the early transformation years, Shenzhen's development and growth was mainly made possible by entrepreneurs and investments from neighbouring Hong Kong; moreover, its planning and urban design also had Hong Kong as its main inspiration source (Ng 2003).

Meanwhile, Hong Kong and Shenzhen are both megacities and related to each other in many ways: intensive cross-border traffic in both directions, cross-border investments, joint development projects, etc. However, Shen (2014) argues that Hong Kong and Shenzhen may indeed be integrating economically, but institutional integration and social integration are lagging behind. The idea to develop Hong Kong and Shenzhen as 'twin cities' has been suggested several times in the

1 An earlier, shorter version of this paper (Bontje, 2019) was published in Garrard, J. & E. Mikhailova (Eds.) *Twin Cities: Urban communities, borders and relationships over time*. See the list of references for further details.

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past decades (see for example SCMP 2003, SCMP 2008, China Daily 2016a), as well as even further-reaching proposals like creating one integrated Hong Kong – Shenzhen metropolis (Bauhinia Foundation Research Centre 2007). Some cross-border projects use terms like ‘twin cities’ to suggest that Hong Kong and Shenzhen are growing closer together. Concrete policy actions to get closer to either twin city or integrated metropolis so far have remained limited, however.

Although both Hong Kong and Shenzhen are part of China (Hong Kong since 1997), Hong Kong still has a special status within China as a ‘Special Administrative Region’ (SAR) under the ‘one country, two systems’ policy. Despite the Sino-British agreement that Hong Kong could maintain its special status until at least 2047, it increasingly looks like mainland China aims to fully integrate Hong Kong much sooner already. From that perspective, how should Hong Kong perceive its relationship with Shenzhen? Should it see Shenzhen as a twin city that may help strengthen its prominent international status? Or should it see Shenzhen as a rival and/or a strategic actor in mainland China’s takeover, possibly making Hong Kong ‘just another Chinese city’, second-rank in the mega-city region and much less competitive internationally? However, also Shenzhen may also become less special once Hong Kong loses its privileged status.

This paper will explore the many ways in which the two cities have become interconnected on the one hand, but are also still separated on the other; and the extent to which the cities have shared or adverse interests. Can Hong Kong and Shenzhen someday become one integrated megacity, or will border obstacles remain? Should Hong Kong and Shenzhen jointly strive for further integration, or should they rather maintain the current complex situation of being close and connected but not entirely integrated?

Hong Kong and Shenzhen: Context, History and Current Situation

The Pearl River Delta, in which both Hong Kong and Shenzhen are situated, is one of China’s prime megacity regions. While the region’s history may go back many centuries, its urbanization history is much more recent. Its present heavily urbanised situation mostly came about only in the last half-century, and especially since the start of the reform and opening up of China’s economy in 1978. The only significant historic regional centre is Guangzhou, the capital of Guangdong Province. In the late 18th and early 19th century it had a unique position in China as the only place where trade between Western and Chinese merchants was allowed. This fitted well in a longer history of Guangzhou and its region as

one of the main international gateways to China (Zhang 2015). Hong Kong and Shenzhen back then still mainly consisted of rocks, forests, farmland, and several small towns and villages.

Following the Opium Wars of the 1840s and 1850s, Hong Kong became a UK colony. In 1842, the UK colonised Hong Kong Island; in 1860 it added the southern part of Kowloon peninsula. In 1898, this colony was significantly extended with the 'New Territories', creating a buffer zone between Hong Kong and China (Tsang 2007). The UK and China agreed on a lease for 99 years, after which the area should be returned to China. The new border between Hong Kong and China was Shenzhen River, where the current border between Hong Kong and 'mainland China' is still situated. In the first decades of the 20th century it was still easy to pass the border. Strict border controls and obstacles like walls and fences were only introduced in 1939 (Watson 2010) and intensified in 1951. Hong Kong (and the UK) wanted to reduce the risks of an attack of Chinese communists or a mass influx of refugees; China wanted to reduce the liberal, democratic and capitalist influence of Hong Kong on Guangdong (Smart & Smart 2008). The 'New Territories' would remain largely undeveloped until the first New Towns were developed in the 1970s, bringing urbanized Hong Kong much closer to the Hong Kong-Chinese border. Hong Kong grew fast and transformed from a small port city surrounded by some villages into a larger, and increasingly 'global', city, especially after World War II.

In the first three decades of communist rule in China (1949-1978), Guangdong's development stagnated. This stagnation was partly due to the development priorities and strategies of China's socialist regime: China's urbanisation policy varying between 'controlled urbanisation' and 'anti-urban' policies (Ma 2002, Wu 2015); China's economic development strategy which favoured industrialisation of inland cities at the expense of coastal cities like Guangzhou (Wu and Gaubatz 2013, Wu 2015); and revolutionary policies with disastrous results like the Great Leap Forward and the Cultural Revolution. In addition, factors disadvantaging Guangdong in these first communist decades were the history of Guangzhou as a 'treaty port', a colonial history disliked by the communists; and, related to this, the perception of Guangdong as a potential 'bourgeois capitalist' risk for communist rule because of its international orientation and trade and kinship networks with the emigrant diaspora in Europe and North America (Vogel 1990, Vogel 2011). Smart and Smart (2008) add that Guangdong's tight relations with Hong Kong made it suspicious in the eyes of the new communist leaders. In these decades considerable amounts of political refugees and economic migrants attempted to cross the border, risking their lives and often being captured or even

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killed by Chinese border guards. Because both Chinese government and Hong Kong government refuse to officially acknowledge this history, there are no official statistics of how many fled or migrated successfully to Hong Kong and how many did not make it across, and estimates are heavily disputed. The highest estimates range between half a million and two million people, while it is also claimed that about 20 to 30% of Hong Kong population growth between 1961 and 1981 consisted of refugees and/or economic migrants from mainland China (SCMP 2013a, SCMP 2013b, China Daily 2011).

Based on his long experience of fieldwork research in borderline village San Tin, Watson (2010) describes the Hong Kong- Shenzhen border of those days as a Cold War frontline and compares it to the Berlin Wall. This seems at odds with the estimates mentioned just before: how could so many people successfully pass such a border? However, strict border control may have applied more to the border zone on land and less to water; it is likely that many have managed to escape mainland China by boat or swimming across Shenzhen Bay or Dapeng Bay. Next to these sea escape routes, several former refugees cited in the above-mentioned media sources refer to escape routes through the mountains between Shenzhen and Hong Kong, or places where Shenzhen River was so narrow they could easily jump across. The massive influx of mainland Chinese migrants contributed significantly to the growth of Hong Kong's low-cost mass industrial production in the 1960s and 1970s. Next to the large numbers of refugees and migrants from Guangdong, another influential group of migrants were merchants and industrialists from Shanghai, who rapidly built up a competitive textile industry in Hong Kong. In fact they could also be seen as political refugees and economic migrants at the same time, escaping mainland China during the 1945-1949 civil war and moving their factories and investments from Shanghai to Hong Kong (Tsang 2007, Zhang 2015).

After 1978, Guangdong, and especially the Pearl River Delta region, was the area where the first experiments with 'capitalism with Chinese characteristics' were launched (Lin 2001, Yang 2005, Campanella 2008, Vogel 2011). Guangdong's earlier disadvantages were turned into advantages, returning to pre-communist strengths: its international orientation, its history of capitalist entrepreneurship, the Guangdong diaspora in North America and Europe, etc. Guangdong transformed from a closed frontier zone to the region where China started to open up to the world. Several 'Special Economic Zones' (SEZs) were selected to accelerate China's economic transformation. Shenzhen was the first, largest and most successful SEZ. In line with China's modernisation strategy, SEZs like Shenzhen initially specialised mostly in industrial low-cost mass production. Hong Kong

was crucial in Shenzhen's early development stages. Many of the first firms in Shenzhen moved from Hong Kong and/or were owned or financed by Hong Kong entrepreneurs; and a large share of the foreign direct investments to establish these firms came either from Hong Kong itself or from elsewhere via Hong Kong. Especially in the first transformation years, Hong Kong also served as an inspiring example of market capitalism and strategic metropolitan planning. Since the early 2000s, the economy of Shenzhen and its regional context the Pearl River Delta has transformed once more, from 'workshop of the world' to a 21st-century high-tech, innovative and service-oriented economy (Zhang 2015, Bontje 2014, Vlassenrood 2016).

Meanwhile, after becoming an industrial city in the 1950s and 1960s, Hong Kong lost most of its industrial mass production to Shenzhen in the 1980s. Since then, the city has mainly specialised in advanced producer services, especially in the finance, insurance and real estate sectors. Hong Kong's political situation changed radically too: in 1984 the UK and China agreed that Hong Kong would return to China in 1997. It was a conditional return, though: in accordance with the Sino-British Joint declaration of 1984, the 'Basic Law' was introduced as the constitutional document of Hong Kong as a SAR of China. In practice this implied that most of the previously existing laws and regulations under colonial rule were maintained after Hong Kong's handover to China. The Basic Law and the principle of 'one country, two systems' should give Hong Kong a high degree of autonomy in executive and legislative matters, and Hong Kong citizens should have several rights that mainland Chinese citizens do not have, like freedom of speech, press, association and assembly. Also, a limited degree of democracy is arranged in the Basic Law, with the promise of universal suffrage in the future. This SAR status should last until at least 2047. However, on several occasions already it appeared that the Basic Law is interpreted differently by Chinese national government, Hong Kong government, and Hong Kong citizens, contributing to the growing anxiety in Hong Kong about how much autonomy Hong Kong really has and how long it will still last (Keatley 2016; Wall Street Journal 2016). Recent expressions of this growing anxiety were the Occupy Central movement and the Umbrella Revolution in 2014 (Ortmann 2015). Significant steps towards eventual full integration of Hong Kong into China have already been taken earlier, like the Closer Economic Partnership Arrangement (CEPA) in 2003 and the 'Individual Visitor Scheme' in the same year. Such steps have made many Hong Kong residents more aware of what sets them apart from the mainland Chinese. Instead of growing closer towards one Chinese identity at both sides of the border, 'localism' and hostility towards mainland China seems to have grown in Hong Kong since 1997 (Xiyuan 2016, Kwong 2016).

The Hong Kong – Shenzhen ‘Borderscape’

The border between mainland China / Shenzhen and Hong Kong has several unique, confusing and seemingly contradictory features (Breitung 2004). It is considered as an internal rather than an international border; still it is heavily guarded. Despite these strict border controls, it is one of the most crossed borders in the world. What exactly is the current status and future perspective of the border is also confusing: formally it has a clear ‘expiration date’ (2047), but considering China’s increasing integration pressure on Hong Kong, the border might disappear much earlier.

Another striking feature of the Hong Kong – Shenzhen ‘borderscape’ is that the border looks quite different on the Hong Kong side than on the Shenzhen side. While Shenzhen’s built-up area continues almost literally until the border, most of the Hong Kong border zone consists of fishing ponds, farmland or nature area (see Figures 1 and 2). The nearest-by urbanised areas of Hong Kong are still at quite some distance from the border, except for some pre-colonial historic villages like San Tin and Sheung Shui (Watson 2010). While several Shenzhen roads end at the border, intended to one day continue across the border, much less Hong Kong roads are connecting on the other side. As mentioned before, Hong Kong’s New Territories were initially mainly seen as a buffer zone between Hong Kong and China by the British colonial rulers. This changed after World War II, when a series of New Towns was developed in the New Territories. So far these New Towns are all at considerable distance from the border and mainly surrounded by country parks, nature conservation areas and water reservoirs. This still remaining distance between Hong and Shenzhen is also due to the ‘Frontier Closed Area’ at the Hong Kong side. This was installed in 1951 as a ‘buffer zone’ protecting Hong Kong from a possible Chinese invasion and to discourage illegal migration and smuggling. Remarkably, the ‘Frontier Closed Area’ remained in place after Hong Kong’s return to China in 1997. Recently, however, new development plans have been made for this area; we will return to these plans in more detail later.

In total (including also the international borders with the rest of the world), an impressive amount of about 299 million passengers crossed the Hong Kong borders in 2017 (Information Services Department 2018). After growing fast for several years, from 153 million in 2003 and 209 million in 2005-2006 (Smart & Smart 2008), the number of passengers crossing Hong Kong borders seems to have stabilised between 290 and 300 million visitors in recent years. Currently (2018), there are 5 border crossings between Hong Kong and mainland China

Figure 1: A neighbourhood in Shenzhen near the Luohu border; the mainland Chinese side of the border is directly adjacent to one of the neighbourhood's streets.

*Photo by author,
April 2016*



Figure 2: View from the Meridian View Center in Luohu, Shenzhen. Shenzhen's built environment continues until the border line (Shenzhen river); the other side of the border in Hong Kong largely consists of farmland and nature conservation area.

*Photo by author,
June 2013*



Figure 3: The Luohu / Lo Wu border, seen from the Shenzhen side.

*Photo by author,
April 2016*



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/ Shenzhen. A 6th border crossing will be added soon; this should have been opened in 2018 but is delayed until at least mid-2019. The border crossings are rather different in several ways. The Luohu / Lo Wu (Figure 3) and Futian / Lok Ma Chau crossings can be reached by metro on both sides of the border; the actual border crossing then takes place on foot, passing a bridge across the Shenzhen river. The Luohu / Lo Wu border is the busiest border crossing: in 2017, it was crossed by 81.17 million people (Information Services Department 2018). The Huanggang border can be crossed by private cars, taxis and buses. The Wenjindu border can only be crossed by private cars. The fifth border crossing, Shekou, could only be reached by ferries from Hong Kong Central, Hong Kong Airport or Macau, until the Shenzhen Bay Bridge was opened in 2007. Two ambitious railway projects will further intensify and facilitate cross-border traffic. The high-speed railway from Guangzhou via Shenzhen to Hong Kong was opened in September 2018. With this train, a trip from Hong Kong (West Kowloon station) to Shenzhen is only about 20 minutes and to Guangzhou about 50 minutes, which more than halved the public transport travel time. All customs procedures, both Hong Kong departure and mainland arrival, take place at West Kowloon station already. This was one of the controversial aspects of the high-speed connection; it meant that China took over jurisdiction of a part of Hong Kong territory. There are also plans to establish a direct rail connection between Hong Kong Airport and Shenzhen airport, but this is a longer-term and so far still uncertain project.

Although the border crossings are different, they have a comparable peculiar experience in common: even though Hong Kong is formally part of China, it is like crossing an international border. Arriving from the Hong Kong side, you first pass the Hong Kong customs, then you either walk or drive (depending on which border crossing you take) to the next gate to pass the People's Republic of China customs. In-between is a small piece of 'no-man's land': you have already left Hong Kong but not yet entered mainland China. From the Shenzhen side, it is the same procedure in the opposite sequence. Moreover, Hong Kong and China each have their own visa regime: Hong Kong can be entered without visa from many countries, but for mainland China visitors from most countries need to apply for visa. Exceptions to this are only made for Hong Kong and Macau travellers entering mainland China, and mainland China travellers entering Hong Kong and/or Macau; they can pass the border through separate and quicker channels, but even they have to go through two border controls, even though in fact they are staying in the same country. However, it is easier for Hong Kong and Macau residents to enter mainland China, than for mainland China visitors to enter Hong Kong and Macau (Smart & Smart 2008, Shen 2014); although it must be added that for Shenzhen residents it is easier than for others from the mainland.

Migrants and Visitors: Who is Welcome, Who is Not?

Patterns of migration from Hong Kong to Shenzhen and vice versa are quite complex, including migrants often migrating back and forth, migrants keeping a second residence in their place of origin, and migrants that frequently travel across the border for work, study or family visits. A survey of Hong Kong's Planning Department and Shenzhen's Statistics Bureau in 2008 illustrates this complexity. The survey found that about 62,000 people with Hong Kong identity cards or residence permits had taken up residence in Shenzhen in that year. However, about half of them appeared to be return migrants, being born in Shenzhen or elsewhere in mainland China. Adding to the complexity, almost half of these Hong Kong migrants to Shenzhen were part of 'mixed households' with Hong Kong and mainland household members. About 10,000 migrants were students, of which 41% kept studying in Hong Kong and 59% migrated to Shenzhen to study there. About 27,000 of the migrants were working, 66% of which kept working in Hong Kong. Frequently mentioned reasons to move from Hong Kong to Shenzhen were reunion with parents, partner and/or children (70%), lower living costs (25%), moving because of work or study (25%) or expecting a better living environment (20%) (Hong Kong SAR Planning Department & Shenzhen Statistics Bureau 2008).

In the first years after Hong Kong's return to China in 1997, Hong Kong feared large numbers of migrants from the mainland and tried to limit and regulate who was allowed and who was not. On the one hand, investors, tourists (especially the wealthier ones) and talented workforce were welcomed to contribute to Hong Kong's economic growth. On the other hand, Hong Kong struggled with the right of all children of Hong Kong residents to enter and reside in Hong Kong, which was stipulated in the Basic Law. This right did not exist before 1997 and it involved an estimated 1.67 million people then living in mainland China. Despite a decision of Hong Kong's highest court granting this right to all children of Hong Kong residents, the Hong Kong government managed to agree on a limitation and a quota system with the Chinese central government (Smart & Smart 2008).

Still, after 1997 many children of mainland Chinese parents have been born in Hong Kong hospitals, which also gives these children access to education in Hong Kong. This was often a strategic choice of the parents. Reasons included China's (meanwhile abandoned) one-child policy which did not apply to Hong Kong; the better reputation of Hong Kong's health care; Hong Kong's higher level of education and welfare; and getting a Hong Kong passport, making it

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easier for the children to travel outside of China. Next to these reasons for the children themselves, their parents also often see it as an investment in the future of the family as a whole. However, because children born in Hong Kong get the status of 'permanent resident' of Hong Kong but their parents do not, the phenomenon of 'border-crosser children' emerged (Reinstra 2015). These children cannot go to mainland Chinese public schools and private schools are very expensive for 'non-locals' there. Still, they live in Shenzhen or elsewhere in mainland China. Therefore many children are crossing the Shenzhen-Hong Kong border from home to school and back every school day, escorted by 'nannies'. The number of children travelling from Shenzhen to Hong Kong to go to kindergartens, primary schools or secondary schools grew from 12,865 in 2011-12 to 28,106 in 2015-16. Both the border-crosser children and their families face complex situations, trying to arrange their lives in-between the mainland and Hong Kong and struggling with identity and sense of belonging (Xiyuan 2016). Further growth is expected, but eventually the number will reduce because of another measure to limit mainland migration: a 'zero delivery quota' for mainland mothers in Hong Kong hospitals in 2013 (Harbour Times 2016, BBC 2012). This measure was taken after a wave of 'birth tourism' between 2001 and 2013, causing overcrowded hospitals and protests of Hong Kong citizens, especially local women unable to find affordable hospitals anymore. After the number of mainland births in Hong Kong grew from 620 in 2001 to over 35,000 in 2011 and 2012, it dropped dramatically to 173 in the first 9 months of 2013 (Xiyuan 2016).

Another problematic cross-border issue is parallel trade. This phenomenon has historic roots in small-scale cross-border trade between relatives and smuggling but has grown dramatically and became 'big business' since Hong Kong's return to China in 1997 and the CEPA and Individual Visitor Scheme in 2003. Many mainland visitors entering Hong Kong as 'tourists' are in fact parallel traders. They buy high-quality consumer goods in Hong Kong and sell them again with often huge profits in mainland China. These goods are either not available or much more expensive or of less quality in mainland China, so the demands for these Hong Kong and/or foreign products in the mainland is high. Food safety scandals in mainland China, like the use of poisonous melamine in milk powder, have contributed to further growth of this parallel trade. This often happens in such large quantities that Hong Kong retailers rapidly run out of stock and Hong Kong locals can hardly buy the products involved anymore or are faced with rapidly rising prices. Moreover, especially in Hong Kong's North District adjacent to Shenzhen, the parallel traders cause traffic congestion and occupy public spaces for their trade. This has led to chaos and disturbance of daily life in the North

District, increasing citizen protest and sometimes violent confrontations. Hong Kong customs and police have increased their efforts to work against this semi-illegal parallel trade and its negative impacts on Hong Kong, so far without much success (Cheung et al. 2015, SCMP 2016a). Instead of effectively targeting the parallel traders only, measures affecting all mainland visitors have been taken, like the ‘one visit per week’ limit for Shenzhen visitors to Hong Kong. Such measures probably have adverse effects on those mainland visitor groups that Hong Kong would not like to lose, instead of on those groups less welcome in Hong Kong.

Connected, Complementary or Competing?

In the first decades after China’s reform and opening strategy started, the traditional division of labour between Hong Kong and the Pearl River Delta could be described with a ‘front shop – back factory’ model. In this model Hong Kong was the prime hub of finance, management and other advanced producer services, while the ‘hinterland’ of the Pearl River Delta mainly functioned as a base of industrial production. Meanwhile, this model probably no longer applies: both Shenzhen and Guangzhou seem to have claimed parts of that ‘front shop’ and said goodbye to their ‘back factory’ role. Or would it (at least initially) rather be a shift to a ‘front office – back office’ model, with Hong Kong still in the leading role? (Schiller et al. 2015, Shen 2017) Still, although Shenzhen’s economic structure is becoming more like Hong Kong’s after its transformation from ‘factory of the world’ to ‘world city’, Hong Kong and Shenzhen have quite contrasting statuses in the world economy. In their analysis of the ‘world city network’, based mostly on the networks of offices of the leading companies in advanced business services, Taylor and Derudder (2016) present Hong Kong as a prominent example of ‘globalism’ and Shenzhen as a prominent example of ‘localism’. A ‘globalist’ world city has its strongest inter-city relations with other leading world cities, mostly outside of its own region.

A ‘localist’ world city rather has its strongest relations with other world cities within its own region. In Taylor and Derudder’s worldwide ranking of ‘globalist’ world cities, Hong Kong is second; in their ranking of ‘localist’ world cities, Shenzhen is tenth. While Hong Kong’s strongest inter-city links are with cities outside of Pacific Asia, Shenzhen’s strongest links are with cities inside Pacific Asia and especially with other Chinese cities. This seems to indicate that so far, Shenzhen’s economy is not yet directly competing with Hong Kong, at least not internationally. The two urban economies rather seem to be complementary, with Shenzhen mainly targeting China and Hong Kong mainly targeting the rest of

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the world. This may change in the future when Shenzhen's advanced service sector will strengthen and mature further and maybe then also becomes more internationally orientated. However, Taylor and Derudder (2016) also point at the extraordinary situation of Hong Kong and its political-economic relations with Beijing and Shanghai, presenting Hong Kong as an 'exterior power' of China: it is under China's political control, but with a high degree of economic autonomy. This 'exterior power' is "(...) *a power built upon transactions that are necessary but not possible in China itself* (...)" (Taylor and Derudder 2016: 181). As long as Hong Kong will keep its SAR status and as long as mainland China will be 'less free' economically, Hong Kong would then keep a significant advantage compared to Shenzhen.

In the typology of global cities of Leal Trujillo and Parilla (2016), based on 35 variables expressing 'tradable clusters', 'innovation', 'talent' and 'infrastructure connectivity', Hong Kong is an 'Asian Anchor' and Shenzhen is an 'Emerging Gateway'. 'Asian Anchors' like Hong Kong function as command and control centres and have a prominent position in the world economy, while 'Emerging Gateways' like Shenzhen, though growing fast recently, still lag behind significantly on the leading global cities on most of the key competitiveness factors included in this typology. This would suggest a hierarchical relation, with Hong Kong still clearly in the lead; but if 'Emerging Gateways' like Shenzhen would keep growing, the gap with 'Asian Anchors' like Hong Kong could of course become smaller.

Or are the Hong Kong and Shenzhen advanced producer service sectors gradually intertwining already and will they eventually integrate into one larger metropolitan whole? There seem to be signs of such a gradual development recently. A clear sign of strengthening Hong Kong – Shenzhen financial-economic ties is the Shenzhen – Hong Kong Stock Connect Programme, starting in December 2016. As part of an on-going liberalisation of the Chinese financial system, the programme allows overseas investors to trade in stocks on the Shenzhen Stock Exchange, and mainland Chinese investors to trade in stocks at the Hong Kong Stock Exchange (SCMP, 2016b). In 2014 a similar programme was already launched to connect the Hong Kong and Shanghai Stock Exchanges. Apparently these programmes had a significant impact on stock trading volumes and made trading between mainland China, Hong Kong and other countries much easier (Institutional Investor 2018). However, Chan and Zhao (2012) point at the obstacles towards further collaboration and integration of the advanced producer service sectors of the two cities. Not only the border and the different political-economic contexts of Hong Kong and Shenzhen businesses are problematic, but

also the diverging interests of stakeholders at both sides of the border. Hong Kong businesses and government are mainly interested in getting access to new markets in Shenzhen and the Pearl River Delta; Shenzhen businesses and government rather prefer advice from Hong Kong businesses to improve and innovate their advanced producer services.

Collaborative Projects

In the 1990s and 2000s, just before and just after Hong Kong's return to China, initiatives for cross-border collaboration mainly came from the Shenzhen side of the border (Yang 2005; Zacharias & Tang 2010; Shen 2014). Hong Kong was less eager to intensify cross-border collaboration. Hong Kong would rather maintain its current semi-autonomous status within China; intensifying cross-border collaboration could eventually lead to full integration into China, possibly reducing Hong Kong's attractiveness for international business. Shenzhen also profits directly and indirectly from Hong Kong's special status, so it will also be interested in maintaining the border to some extent. Still, both Hong Kong and Shenzhen also acknowledge the possible benefits of intensifying collaboration. Policy-makers and other stakeholders of both cities meet frequently to discuss collaborative projects, amongst others in the yearly Hong Kong – Shenzhen Cooperation Meetings and the two-yearly Hong Kong – Shenzhen Cooperation Forums (Shen 2014). In recent years several projects have started that are intended to encourage or facilitate collaboration between the two cities, though some projects may in fact not come much further than good intentions on paper. Below we will briefly discuss two prominent examples of such projects.

Lok Ma Chau Loop

The Lok Ma Chau Loop is often mentioned as a potentially promising development to help bridge the gap between the two cities. It is one of the ten 'major infrastructure projects' mentioned in the strategic development vision Hong Kong 2030. The planning vision as stated in the Planning and Engineering Study is very ambitious: *"(...) to develop it into a "HK/SZ Special Co-operation Zone" and a hub for cross-boundary human resources development within a Knowledge and Technology Exchange Zone (KTEZ) under the principle of sustainable development that can benefit the long-term development of HK, the Greater PRD and South China region"* (HKSAR Planning Department and Civil Engineering and Development Department 2015: 7). Even though there are already quite detailed spatial plans, possible urban designs and assessment studies, the actual building still seems far away. One of the ob-

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stacles blocking any development of the site for a long time was the question who owns the land: Hong Kong or Shenzhen? The Lok Ma Chau Loop used to be on the Shenzhen side of Shenzhen river, until the river was realigned in 1997 (Shen 2014).

Hong Kong now claims it is part of Hong Kong, Shenzhen claims it is still part of Shenzhen. The mainland Chinese government asked Hong Kong to pay all development costs, but at the same time acknowledge Shenzhen's land ownership; for understandable reasons Hong Kong did not agree (ejinsight 2014). Other concerns included the adjacent ecologically sensitive areas, water quality in and around Shenzhen River, soil pollution at the development site (part of the area used to be a mud disposal site of Shenzhen River) and poor infrastructure connections (HKSAR Planning Department and Civil Engineering and Development Department 2015). In 2018, first steps to actually realise the project were taken after all. Land decontamination has started in June 2018 and an 'Ecological Area' should also be created before the end of 2021. What is then envisioned as the next step is, according to the Hong Kong government, Hong Kong's largest science park: "(...) *a technology and innovation center of the Guangdong-Hong Kong-Macao Bay Area, standing side by side with the Silicon Valley in the US.*" (China Daily Hong Kong 2018). If this will ever truly be built or remain 'virtual reality' remains to be seen after 2021.

Qianhai and Shekou Free Trade Zone

Qianhai is one of Shenzhen's most recent new developments, adjacent to Shekou, one of the locations where the rapid growth of Shenzhen began in the early 1980s. Its location is very strategic, more or less in the middle between the airports of Hong Kong and Shenzhen and well connected to Shenzhen's current CBD in Futian too. In 2010, China's State Council approved the 'Overall Development Plan of Qianhai Shenzhen – Hong Kong Modern Service Industry Cooperation Zone', a plan issued by the province of Guangdong. The fact that the plan was made by Guangdong, not by the city of Shenzhen, and had to be approved of by China's central government, already makes clear that this was a plan of regional or even national importance. Such direct involvement of the higher government levels is quite common in Shenzhen because of its special status as the country's first SEZ.

Together with the neighbouring area of Shekou, Qianhai is Shenzhen's part of the Guangdong Free Trade Zone; other parts situated in the neighbouring cities of Guangzhou and Zhuhai. Free Trade Zones (FTZs) are in fact the next gen-

eration of SEZs, another attempt of Chinese government to open up parts of its economy to attract foreign direct investment. Just like with the SEZs in the 1980s, China has chosen to first experiment with this in a few areas, after which the model could possibly be spread throughout the country. In China, an FTZ is an area where goods may be landed, handled, manufactured and re-exported without intervention of the customs authority. FTZs can also experiment with financial models and have more possibilities to attract investment than the rest of mainland China. Yao and Whalley (2016) stress that the pioneering role of the FTZs in institutional reforms and innovations is probably more important than actual trade growth. The first FTZ was opened in Shanghai in 2013. In 2015, three more were added, one of which is in Guangdong. While Qianhai is still in its initial development stage, and it only received the FTZ status in 2015, it looks like FTZs are already rapidly becoming less special in China. In 2017, 7 new FTZs were opened, and possibly even more will follow in the next years. Still, Qianhai is sold as a success story in Chinese media, including statistics that are hard to believe; for example, according to such statistics, in 2015 already more than 61,000 companies would have been registered in the area, with an annual growth rate of 265% (China Daily 2016b).

Although the ‘real’ goals and intentions of prestigious Chinese urban development projects like Qianhai may always remain hidden, Polo (2016) argues that the Qianhai project has changed course quite drastically in recent years. Initially presented as a project to encourage further collaboration and integration of Shenzhen and Hong Kong, it now rather seems to be developed as yet another CBD of Shenzhen, next to the already existing CBD in Futian / Luohu. The 2010 development plan mentioned three main functions for the area: the area was destined to become an innovative advanced services hub, a Hong Kong – mainland cooperation zone, and a facilitator for the industrial upgrading of the Pearl River Delta. What seems to be built eventually, however, looks more like a modernised ‘copy’ of the already existing CBD of Shenzhen, and the collaborative dimension of the project with Hong Kong seems to have largely vanished. It looks like the concerns that Chan and Zhao already expressed in their 2012 article have not been tackled successfully yet: despite its initial good intentions, the Qianhai project has not managed to break through the institutional barriers and apparently the three governments involved (Hong Kong, Shenzhen and the Chinese central government) are not supportive enough to let the project succeed (Chan & Zhao 2012).

Longer-term Development Strategies: Shenzhen 2030 and Hong Kong 2030 and 2030+

Despite these recent projects aiming at collaboration, integration and lowering barriers between Shenzhen and Hong Kong, anxieties and tensions remain at both sides of the border. Interestingly, both cities now seem to face quite comparable challenges. Both Hong Kong and Shenzhen have run out of land suitable for further urban development, even though the population and economy of both cities is expected to grow considerably in the next decades. Hong Kong is already struggling with this dilemma for decades; for Shenzhen it is a much more recent experience. To what extent will the two cities manage to find joint solutions and inspire each other to make further growth possible? Or have both maybe come close to their growth limits? To what extent do the longer-term strategic plans of both cities ‘match’ with each other and could these plans be seen as a ‘stepping stone’ towards one integrated megacity in the future?

Since Shenzhen became a SEZ, a series of three masterplans has been developed, each having its own spatial development model. The 1986 masterplan was based on a ‘clustered linear’ model, with three development clusters connected by road and rail infrastructure. The 1996 masterplan used a ‘network model’ in an attempt to better connect Shenzhen’s central city area (the original SEZ area) with the adjacent areas. These adjacent areas would formally be added to the SEZ in 2010, while they had in fact already become an integral part of Shenzhen long before that. The most recent masterplan of 2010, the leading plan for further development until 2020 (Figure 4), and the longer-term strategy Shenzhen 2030, are based on a ‘polycentric model’. This evolution of master planning and urban development strategies in Shenzhen also reflects the rapidly changing development context and the challenges faced on the trajectory from countryside with scattered urbanisation to megacity. The 2010-2020 masterplan and the Shenzhen 2030 strategy emerged when the city was facing new realities, like shortage of land for new development and environmental problems. These challenges combined with Shenzhen’s transformation from a city of mass industrial production to a 21st-century high tech and advanced services city seem to have led to a shift from continuous extension to redevelopment of the existing urbanised areas (Zacharias & Tang 2010, Vlassenrood 2016).

Figure 4: The masterplan (comprehensive plan) of Shenzhen, 2010-2020.



Source: Shenzhen Municipal Government, 2010

The 2010-2020 masterplan includes clear ambitions about the relationships with Hong Kong: the term ‘twin city’ is explicitly mentioned as one of the long-term planning goals, Shenzhen is presented as “national service base to support Hong Kong’s development” and is aiming to “build a world-class city-region through collaborating with Hong Kong and relying on southern China” (Ng, 2011; Shenzhen Municipal Government 2010). However, it should also be kept in mind that Shenzhen’s masterplans so far only partially determined how the city has really developed. Shenzhen was no ‘tabula rasa’ when it became a SEZ, and especially in the first SEZ years its development was more unplanned than planned. Many investors were developing their own factory complexes and housing areas in piecemeal fashion, hardly taking connections between parts of the new city into account. Moreover, as Huang (2017) makes clear, Shenzhen’s population growth continuously outpaced the targets set in the masterplans. Especially the ‘urban villages’ so far have been hard to incorporate in the city-wide strategic long-term plans. These were the villages and small towns existing before Shenzhen became a SEZ which meanwhile have become part of the city. The urban villages were also the areas where most labour migrants found their first home. Shenzhen’s city government is keen on reclaiming and redeveloping the urban village areas, but it is a long and complex process. The heritage of the earliest SEZ developments, the urban villages and the dominant ‘urban enclave’ style of new residential developments still make Shenzhen a highly fragmented city, despite all the master planning (Bontje, forthcoming).

possibly a next step in the ‘mainlandization’ of Hong Kong (Kwong 2016). The need for such a large-scale development is also questioned; will the Hong Kong population really grow as fast as the government expects, or is this development rather to serve the interests of Hong Kong’s real estate tycoons and/or Shenzhen’s elite? Still, it looks like the new strategy will largely build on the earlier 2030 vision and strategy. For the Hong Kong – Shenzhen relations and connections, this implies that attempts to bridge the gap between the two cities will continue, though probably bridging the two cities closer together will remain a slow process of small steps, as long as the ‘one country – two systems’ principle and the Hong Kong – Shenzhen border will remain. If that border would someday disappear, however, it will probably become a totally different story which is currently still hard to predict. At the same time, what will be the impact of connecting Hong Kong, Macau and Zhuhai via the Hong Kong – Zhuhai – Macau bridge, opened in October 2018? Will it release the pressure on the Hong Kong – Shenzhen border? Will it integrate Hong Kong in mainland China via another route, bypassing Shenzhen and possibly making Shenzhen less important for Hong Kong? The answers to such questions will also depend on strategic planning taking place at a higher scale level: the Pearl River Delta as a whole. However, attempts to coordinate strategic planning at the Pearl River Delta level, like the Urban Cluster Coordinated Development Plan (2004) or the Reform and Development Outline Plan (2008), failed to really guide spatial development (Xu & Yeh, 2016). So far, it looks like the Pearl River Delta cities would rather compete than collaborate, and national and provincial governments have not yet managed to convince local governments to change this.

Conclusions and Future Perspectives

Hong Kong and Shenzhen are not yet heading for one integrated megacity in the near future. So far, the two neighbouring cities are collaborating as well as competing; they are not just partners with joint interests, but also rivals with competing interests. The relations between Hong Kong and Shenzhen are complex and how they will develop further in the next decades is hard to predict. This may also depend on what is planned for the Pearl River Delta area at the provincial and national government levels; though so far, plans to develop this area to an integrated mega-city region have largely remained ‘virtual reality’. It is clear that the two cities are closely interrelated in many ways. Shenzhen probably would hardly exist, or still be a small town, if it would not be located right next door to Hong Kong. Much of Hong Kong’s recent growth, on the other hand, probably

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would not have happened without China's reform and opening up since the late 1970s, of which the SEZ Shenzhen was (and still is) a crucial element. Especially in its earliest years, much of what was developed in Shenzhen was inspired and made possible by Hong Kong planners, developers and investors.

Most of Hong Kong's industrial mass-production left across the border to Shenzhen in the 1980s and 1990s. Most of the FDI needed to finance Shenzhen's development came from or through Hong Kong. Shenzhen may become a serious economic competitor of Hong Kong in the next decades, though Hong Kong still has a clear advantage as one of East Asia's most prominent 'world cities'. Collaboration between the two cities seems to have grown in recent years, though it is still quite limited and hard to accomplish as long as the border remains. It is unlikely that the border will entirely disappear soon. The decision on whether Hong Kong will stay a SAR within China, and if so, how autonomous that region would then be, will eventually be taken in Beijing. Recent events make it likely that Beijing will tighten its control over Hong Kong, and maybe the 'one country two systems' principle will not last until 2047. Beijing's reactions to for example the Umbrella revolution in 2014 and Hong Kong's most recent Legislative Committee elections in 2016 rightly give cause for concern in Hong Kong. At the 20th anniversary of Hong Kong's return to China, Xi Jinping once more made clear that Hong Kong should not strive for more autonomy or regime change: "Any attempt to endanger China's sovereignty and security, challenge the power of the central government and the authority of the Basic Law of the HKSAR or use Hong Kong to carry out infiltration and sabotage activities against the mainland is an act that crosses the red line, and is absolutely impermissible." (SCMP 2017). Still, a complete 'mainlandization' seems unlikely in the near future. Both Hong Kong and Shenzhen (and mainland China as a whole) still profit too much from Hong Kong's special status to give it up entirely.

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