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The making of new regionalism in the cross-boundary metropolis of Hong Kong–Shenzhen, China

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ABSTRACT

In the age of globalization, new regionalism has become a new trend of regional development. This study examines the making of new regionalism in South China, using the case of Hong Kong–Shenzhen region. By tracing the process of Hong Kong and Shenzhen integration during the past three decades, the research finds three stages in Hong Kong–Shenzhen regionalization after the late 1970s, namely, the emergence of informal regional society from below, the transitional regional society and formal regional society, with reference to Hettne’s concept of regionness. Hong Kong’s internal economic, political, and societal difficulties and external changing conditions are conducive to Hong Kong government’s re-regulation toward a more positive stance on cross-boundary regionalization. Although intense economic and social interactions exist between Hong Kong and Shenzhen, a cross-boundary regional community has not emerged yet. The slow development of cross-boundary regional community is different from European case. The active participation of the governments aims to facilitate cross-boundary economic and infrastructure development and planning. This can take place well before reaching higher level of regionness: the formation of a regional community or the regional institutionalized polity.

Introduction

In the dialectical and intertwined processes of globalization and regionalization, the territorial “fixity” of the nation state has dissolved since the 1980s. The boundaries of regions have become open, fuzzy or elastic, leading to the emergence of cross-border regions across state borders. The dramatic spatial restructuring spurs the emergence of new forms of regional governance, such as urban networks and cross-border partnership, in response to challenges posed by globalization (Arndt, Gawron, & Jahnke, 2000; Heeg, Klagge, & Ossenbrügge, 2003; Katz, 2000). The political-economic geography of world cities extends well beyond the jurisdictional reach of the local state to reconfigure political–territorial alliances on multiple scales of their host states (Brenner, 1999; Church & Reid, 1996; Vogel et al., 2010).

The Great Pearl River Delta (PRD) as a sub-national region, consisting of Hong Kong, Macau and PRD region in South China, is currently experiencing an unprecedented process of regionalization as part of the wide processes of East Asia regionalization. A cross-boundary Hong Kong–Shenzhen metropolis is emerging as a new economic space under the institution framework of “one country, two systems” (OCTS) (Yang, 2005a; Shen, 2008a). This paper aims to explore the evolution of regionalization in Hong Kong–Shenzhen cross-boundary region using the new regionalism approach. It needs to clarify some concepts first — regionalization, integration, regionalism, new regionalism and regional cooperation. In the literature, regionalization means the formation of regional groupings and is an advanced stage of regional integration. The process of regionalization can be understood in two dimensions — economic integration and political—institutional integration (Higgott, 1997; Sasuga, 2004). Economic integration means enhanced economic relations while political—institutional integration means the establishment of formal political—institutional arrangements especially at the governmental level. (Old) Regionalism was a “state-led phenomenon, which simplified the definition of the macro-region into being a result from some sort of cooperation between a group of contiguous states (Hettne, 2003, p. 23)”. In contrast, new regionalism stresses an open and multi-dimensional system in which multiple (state and non-state) actors participate in regional projects (So, 2006). Similarly, regional cooperation means economic and/or institutional partnership and is an important part of regionalization.
In South China, the integration of Hong Kong–PRD regionalization leads the Hong Kong–PRD regionalization although most previous studies focus on the later (Leung, 1993; Shen, 2004, 2008b; Sum, 2002a, 2002b). In the literature, Hong Kong–Shenzhen integration, and Hong Kong–PRD regional integration in general, is understood both from the economic and political dimensions. On the economic dimension, Hong Kong–Shenzhen/PRD integration has been well documented in the literature from various perspectives including the new international division of labor, international commodity chains, cross-border production networks, social networks based on kinship ties (Leung, 1993; Lin, 1997; Shen, 2003; Sit, 1998). The market players played a critical role in Hong Kong–Shenzhen economic integration in the form of cross-boundary investment during the past three decades (Shen, 2008a; Yang, 2005a). In recent years, increasing attention has been directed to the political or institutional dimension of regionalization. These studies include the changing relationship between Hong Kong and the PRD/Shenzhen (Shen, 2008b), the multi-level governance in the cross-boundary region (Yang, 2005b), the role of Hong Kong government in the cross-boundary urban governance (Shen, 2004, 2008a). Between above spectrum, Sum examined the sub-regionalism of Greater China from the integrated perspective of economic and political dimensions (Sum, 2001, 2002a, 2002b). She investigated cross-scale regionalization of Greater China by introducing two concepts — “time-space envelopes” (TSEs) and “time-space governance” (TSG). She argued that the close connection between the geo-economic and nationalistic TSEs was the dominating force underlying the rise of Greater China’s sub-regional model of growth (Sum, 2001). These studies facilitate our understanding of regionalization in Hong Kong–PRD/Shenzhen region.

However, regionalization is a complicated process shaped by external and internal forces, and proceeds under different conditions of “regionness” (Hettne, 2003), creating a variety of pathways of regionalization. Regionalization in Hong Kong–Shenzhen region has its own unique evolutionary logic, proceeding from informal regional society from below to the transitional regional society and formal regional society. Hong Kong–Shenzhen regionalization has not reached the level of regional community. There is no agenda either to merge the two cities to form a full regional institutionalized polity in Hong Kong–Shenzhen region which is a significant departure from the EU (European Union). External forces also play a more important role than in the EU.

This paper will focus on the following questions. What is the status of Hong Kong–Shenzhen integration or Hong Kong–Shenzhen cross-boundary metropolis? What is the role of nation/city state in the making of Hong Kong–Shenzhen region? The next section reviews the theory of new regionalism to provide a theoretical background for this study. The research methodology is introduced in the following section. The making of new regionalism in Hong Kong–Shenzhen region is examined in section four to six, by analyzing three different stages of regionalization and the role of internal actors and external forces in the process. In next section examines the status and prospect of forming a cross-boundary regional community. Theoretical implications are discussed in the concluding section.

New regionalism and regionness

The old regionalism prevailed in the context of the bipolar cold war structure and Fordist mass production in the period from the 1950s to the 1970s. It was a process of state-led region building to promote cooperation among states (Hettne, 2003). Since the 1980s, under the impact of globalization and neo-liberalism, and pursuing of sustainable development, scholars have regained more and more interests in regionalism (Wallis, 2002). To differentiate it from the regionalism before the 1980s, many scholars use the term “the new regionalism”.

New regionalism emphasizes an open and multi-dimensional system in which multiple (state and social) actors participate in regional projects (So, 2006). Regional formation is seen as a dialectic outcome of society, market and state interactions. Polanyi (1957) argued that there are “double movements”, the expansion and deepening of the market system (the first movement) is followed by a political intervention (the second movement) in defense of society. The double movement thesis emphasizes contraction and change in the regional formation. The first movement involves a deliberate institutionalization of market exchange and the destruction of institutions built for social protection, which is also called “de-regulation”. However, the first movement threatens the power of territorial organizations and induces turbulence and social unrest. But the territorial logic is not dismantled with the rise of new regional entities (Popescu, 2008). Various political forces attempt to resist the process of globalization in order to ensure territorial control, cultural diversity, and human security (Hettne, 2003). This leads to territorial state’s attempts of re-regulation. Thus regionalism will enter the second movement and new institutions are created in response to the new political economy. Due to increased competition and globalization, the regional scale becomes more important than national or supra-national scale for responding to new political economy (Brenner, 1999). Hettne (2003) uses “a second great transformation” or the “return of the political” to refer to the increase of various political forces in shaping the course of regionalization.

The making of new regionalism is more complex, and should be understood both from an endogenous perspective and an exogenous perspective (Hettne, 2003; Schulz, Söderbaum, & Öjendal, 2001). According to the endogenous perspective, regionalization is shaped from within the region by many different actors, including state, businesses, public sectors and non-governmental organizations (NGOs). The making of new regionalism is a process of consensus building on a voluntary basis. On the other hand, the exogenous perspective stresses the role of external economic, political and social factors in region building, emphasizing the impact of regionalization and globalization on spatial restructuring.

Since a region is understood as a social construction, especially a political project, establishing regional coherence and regional identity is seen to be of primary importance in the ideology of the new regionalism. Hettne (2003) calls this “the pursuit of regionness”. Globalization and regionalization processes interact under different conditions of “regionness”. There is a variety of pathways of regionalization. Drawing on the regionalization experiences of the EU, Hettne (2003) proposed five levels of regionness, with increasing regionness from regional space to regional complex, regional society, regional community and regional institutionalized polity.

The regional space is a geographic unit defined by natural physical barriers such as “Europe”. In the earliest history of regional space, people lived in small isolated communities with little contact. Subsequently, trans-local relations between previously more isolated communities were developed, leading to the emergence of regional complex. At this second level of regionness, the trans-local relations are widened. Nation-building leads to a temporary decline in the level of regionness due to the consolida- tion of national territories and the inward orientation of nation states such as the post-colonial creation of states in Asia and Africa after the Second World War. When the states take more open stances to external relations, the degree of cross-border contact
may increase. However, the sense of regionness is still weak at this level. Exchanges and economic interactions are unstable, short-sighted and based on self-interest, rather than expectations of economic reciprocity, social communication and mutual trust (Hettne & Söderbaum, 2000).

A regional society emerges as non-state actors develop their relations across jurisdictions. Multi-dimensional regionalization occurs in economic, political and cultural dimensions spontaneously or through formalized regional cooperation with intensive interaction and communication among state and non-state actors. This level of regionness can be seen as a regional form of an “international society” of cooperating states (Bull, 1977). The state is still the dominant actor at this level of regionness, but interdependence is increasing and its inward orientation is relaxed. The regional society can be either organized or more spontaneous in cultural, economic, political or military fields. Two types of regions, formal region and informal region, thus emerge under different dynamics of regionalization. This paper argues that Hong Kong—Shenzhen region went through three sub-stages of regional society after the late 1970s, namely, the emergence of informal regional society from below, the transitional regional society and formal regional society, with increasing role of the Hong Kong government in the process of regionalization.

The level of regionness increases further with the emergence of regional communities. The most distinguished features of a regional community are the emergence of a regional collective identity and a trans-national/cross-boundary civil society characterized by social trust at the regional level. The regional civil society may emerge from “below”, but an organizational framework is necessary to create a cross-boundary civil society. The organizational framework can facilitate security, welfare, social communication and convergence of values, identities and actions in the region. The dividing line between different national communities disappears gradually.

The highest level of regionness is the regional institutionalized polity or region-state, which has a more established structure of decision-making and stronger actor capability. The region-state is formed on voluntary basis which is different from nation-building. Many sovereign national communities can create a new form of political entity where sovereignty is pooled for the collective interests. The EU is a laboratory for building the regional institutionalized polity. It should be mentioned that a regional institutionalized polity is not bound to emerge due to the existence of a strong civil society, the accumulation of social capital and other institutional arrangements at the region. Sometimes, new forms of governance or looser alliances could be other possible ways to cement various regional interests. Under unique context of Hong Kong’s colonial history, open-door policy in China and OCTS, this paper argues that Hong Kong—Shenzhen region may not move to the level of regional community and regional institutionalized polity in the near future.

These five levels of regionness suggest an evolutionary logic of regionalization. It simplifies the complexities of regionalization, making the comparative analysis of emerging regions and the understanding of regionalism easier. As regionness is an endogenous approach to understanding contemporary regionalism, it must be combined with an exogenous approach to show how globalization and regionalization processes interact under different conditions of regionness, creating a variety of pathways of regionalization (Hettne, 2003). The concepts of regionness and new regionalism have been developed by Hettne and his colleagues originally for world regions and macro-regionalization, such as the EU, North America and Asia Pacific, in the field of international relations and international political economy. However, they have been widely used on sub-national regions, micro-regions or cross-border regions in other academic disciplines such as geography, regional studies and urban planning. Hettne and Söderbaum (2000) also attempted to integrate macro-regions (consisting of nation states) and micro-regions (sub-national regions and cross-border regions) into the regionness concept. They argue that macro-regionalism and micro-regionalism are closely related. In East Asia, macro-regionalism has made slow progress while micro-regionalism is significant. Sub-regionalism or micro-regionalism in Greater China has been well documented in the literature (Sasuga, 2004; Sum, 2001, 2002a, 2002b). Sum’s work on the emerging time-space governance of the Greater China’s cross-boundary region is an important reference for understanding the relationship between Hong Kong, Taiwan and South China, especially the relationship between Hong Kong and the PRD region before the 1997 handover (Sum, 2002b). This paper will focus on the micro-regionalism in Hong Kong—Shenzhen region.

The five levels of regionness are generalized from regionalism in western society, especially in the EU. Because the form of regionalism depends very much on the specific historical and geographical settings in which it takes place, more empirical and comparative studies of various types of state-, market- and civil society-induced processes of regionalization are needed to test and develop the regionness model (Hettne & Söderbaum, 2000). This paper attempts to apply the regionness model to analyze the dynamics of new regionalism in Hong Kong—Shenzhen region. It will also attempt to answer the following questions. Is above regionness model applicable to other part of the world, such as East Asia? Is the role of nation/city state in the making of Hong Kong—Shenzhen region different from its western counterparts?

Regions are formed by comprehensive and multi-dimensional social processes, evolving and changing constantly (Herrschel & Newman, 2005; Hettne, 2003). Therefore, the emergence of Hong Kong—Shenzhen metropolis is considered as a social process in this study. Various actors and their roles in the regional formation are examined. External and internal forces shaping the course of regionalization are investigated in an attempt to provide a full picture of Hong Kong—Shenzhen integration. The stage of regional society is divided into three sub-stages: 1979–1996, 1997–2003 and 2004 onwards. In each stage, the market and the state especially the Hong Kong government play distinctive roles in regionalization. They will be examined in the following sections.

**Research methodology**

In order to understand the making of new regionalism in Hong Kong—Shenzhen region, two questionnaire surveys on two cities’ residents were conducted in 2008 and 2009 respectively. Both questionnaire surveys aimed to investigate general characteristics of cross-boundary movements, public opinion on Hong Kong—Shenzhen metropolis and regional integration, public opinion on some potential cooperative policies or initiatives, understanding on competition and cooperation between Hong Kong and Shenzhen.

In Hong Kong, telephone survey was conducted by the Telephone Survey Research Laboratory in Hong Kong Institute of Asia-Pacific Studies at the Chinese University of Hong Kong. In sampling, telephone numbers were first selected randomly from telephone directories and their last two digits were removed as seed numbers. Random numbers were added as last two digits, and another set of numbers was then generated. Duplicate numbers were then screened out, and the remaining numbers mixed in a random order became the final sample. Upon successful contact being made with a target household, one member of the household was selected...
among those present using the “next birthday” rule. Target population of the survey were age 18 or above.

The survey was conducted from 6 pm to 10:30 pm every night during 30 January to 4 February 2008. Within 7000 samples, 4493 failed to contact for various reasons such as line busy, no person, fax, and non-household phone. There were 2507 successful contacts, including 1327 no person answering the phone, 183 no suitable respondents for doing the survey, 487 who refused to do the survey, and 510 successful interviews. Excluding cases of no suitable respondents and no person answering the phone, the overall response rate is 51.2%. The sampling error for all percentages is less than plus/minus 4.34% points at 95% confidence level. As 99.9% households in Hong Kong have telephone, the result of survey is representative.

For the questionnaire survey in Shenzhen, it was conducted by a consultancy company in Shenzhen. The survey was conducted in four major districts in Shenzhen (Futian, Luohu, Nanshan and Yantian) during 15–25 February 2009. Interviewees were randomly recruited on streets, and some were chosen by snow-ball sampling. 508 Shenzhen residents aged 18 or above were successful interviewed. The sampling error for all percentages is less than plus/minus 5.12% points at 95% confidence level.

In addition, 20 people in two cities were interviewed, including government officials, urban planners, scholars and residents, adopting semi-structured and non-structured interview methods. Selected officials and urban planners were key persons involved in Hong Kong or Shenzhen’s urban development and policy making. Scholars interviewed had research focus on Hong Kong—Shenzhen development and integration. These interviews focused on the context of Hong Kong—Shenzhen development, the latest policies on Hong Kong—Shenzhen cooperation, cross-boundary area development plans, opinion on two cities’ cooperation and competition. These informants provided very useful information for this study as supplements for the above two questionnaire surveys.

1979–1996: The emergence of regional society from below

Hong Kong and Shenzhen are two cities in south China, separated by a small river (Fig. 1). Hong Kong was formerly a British colony and was returned to China’s sovereignty as a Special Administrative Region (SAR) in 1997. The framework of OCTS has been implemented in Hong Kong since then. Hong Kong enjoys a high degree of autonomy, with independent executive, legislative and judicial power. Shenzhen as Hong Kong’s north neighboring city was designed as a Special Economic Zone (SEZ) by the central government in 1979, with the intention of attracting foreign investment as well as preparing for the return of Hong Kong (Wu, 1997). In the administrative hierarchy, Shenzhen is a prefecture-level city under the administration of Guangdong Province. Shenzhen has grown from a small frontier town with a population of less than 30 thousand in 1978 to one of the top cities with a population over 10 million in China. Its GDP reached US$ 120.1 billion in 2009, about 57.0% of Hong Kong. Shenzhen was ranked as the second most competitive city in China in 2006–2010, only after Hong Kong (Ni et al., 2010). Under the framework of OCTS, capitalist Hong Kong and socialist Shenzhen have different institutional bases, which are called asymmetric urban governance (Shen, 2008a). Hong Kong government adopts a “positive non-intervention policy”, while Shenzhen government adopts a “developmental state” approach to urban economy. Overall, the cross-boundary relationship between Hong Kong and Shenzhen is very similar to those trans-border cities and EUROREGION in the EU (Heddebaut, 2004). Their integration can be analyzed through the lens of new regionalism.

Fig. 1. The location of Hong Kong and Shenzhen.
The rise of cross-boundary region of Hong Kong–Shenzhen/PRD region has much to do with a wide range of global and regional changes since the late 1970s. This study focuses on the period after 1979. Economic globalization has led to the rise of the “world factory” and the expansion of specific commodity chains in this region. Trans-national producers from the U.S., Germany and Japan relocated their manufacturing sectors to developing countries for cheap labor and raw materials (Sum, 2001, 2002a). The importance of such external force is another important feature of regionalism in South China, different from the EU.

Due to comparative advantages in cheap labor and preferential policies in Shenzhen/PRD, Hong Kong transferred the majority of its manufacturing to Shenzhen and other cities in the PRD. Shenzhen thus became the production base of Hong Kong. Hong Kong became the “front shop” of the PRD, providing producer service to the PRD region. The model of “front shop and back factory” was an important factor underlying Shenzhen’s astonishing economic growth after 1979 (Shen, 2003; Sit, 1998). A regional society thus emerged from below in economic terms during the period of 1979–1996, due to the increasing cross-boundary investment of Hong Kong in Shenzhen.

In the colonial period before 1997, cross-boundary interaction between Hong Kong and Shenzhen was mainly driven by economic factors. Hong Kong-funded firms were active agents in the cross-boundary regionalization, leading to market-led economic integration (Shen, 2003) or foreign direct investment-driven (FDI-driven) regionalization (Sasuga, 2004). Shenzhen received 27.1% of Hong Kong FDI to mainland China in 1986 and 16.0% in 1991 (Shen, 2008a). In the period 1986–1996, the total actual utilized foreign investment from Hong Kong reached US$ 6.99 billion in Shenzhen, accounting for 63.9% of the total foreign investment in Shenzhen (Table 1).

According to a survey conducted by the Federation of Hong Kong Industries (FHKI, 2003), Hong Kong-based companies had established 53,300 operations (85% of the national total) in Guangdong province which employed 10.34 million workers in 2002. Shenzhen accounted for 29.5% of the total factories and 25% of the total employment, just after Dongguan with 34% and 39% respectively. Apart from the relocation of Hong Kong’s manufacturing, some low value added services, such as retailing, accounting, recreation and leisure, have also relocated to Shenzhen and other PRD cities since the mid-1990s (Yang, 2005a; Sum, 2002a, 2002b).

| Year | Total actual utilized foreign investment (US$ million) | Total actual utilized foreign investment from Hong Kong (US$ million) | Hong Kong's share of total (%) |
|------|-----------------------------------------------------|---------------------------------------------------------------|--------------------------------|
| 1986 | 490                                                 | 390                                                          | 79.6                           |
| 1987 | 410                                                 | 260                                                          | 63.4                           |
| 1988 | 440                                                 | 280                                                          | 63.6                           |
| 1989 | 460                                                 | 290                                                          | 63.0                           |
| 1990 | 520                                                 | 260                                                          | 50.0                           |
| 1991 | 580                                                 | 320                                                          | 55.2                           |
| 1992 | 720                                                 | 460                                                          | 63.9                           |
| 1993 | 1430                                                | 920                                                          | 64.3                           |
| 1994 | 1730                                                | 1260                                                         | 72.8                           |
| 1995 | 1740                                                | 1050                                                         | 60.3                           |
| 1996 | 2420                                                | 1500                                                         | 62.0                           |
| Total| 10,940                                              | 6990                                                         | 63.9                           |

Note: the foreign investment from Hong Kong also includes small amount from Macau. Source: SSB (2007).

According to the *regionness* model, nation state is a dominant player in region building at the level of regional society (Hettne & Söderbaum, 2000). There is much interaction between state and non-state actors. However, the nation state of China and colonial city state of Hong Kong took very different stances to cross-boundary regionalization in the pre-1997 period. The central government of China was very active in promoting economic integration. It introduced open-door policy to expand and develop new production platforms and markets by attracting FDI including those from Hong Kong and Taiwan. Shenzhen SEZ, as well as other coastal cities, was designated as a pioneering site by the central government with various policy incentives. Shenzhen thus became a new geo-economic time-space to re-connect China to the regional and global systems (Sum, 2002a, 2002b). Therefore, the national government of China played an important role in creating initial conditions for the development of cross-boundary Hong Kong–Shenzhen metropolis (Perkmann & Sum, 2002). In contrast, the colonial Hong Kong government was passive on economic integration. It took the “Fortress Hong Kong” policy to keep distance from the mainland before 1997 due to the cold war and conflicts in political ideologies.

In short, the cross-boundary development of Hong Kong’s enterprises has played a vital role in breaking down territorial jurisdictions, leading to the emergence of a cross-boundary production network in the greater PRD region. However, unlike its western counterparts, the expansion of market exchange did not induce “re-regulation” at government level. Therefore, Naughton used “informal” cross-boundary regional integration to differentiate Hong Kong–mainland China’s integration from the EU and NAFTA’s “formal” regional integration (Naughton, 1997). Therefore, a cross-boundary metropolis of Hong Kong–Shenzhen was emerging only in economic sense, inter-governmental cooperation and institutional arrangements were inadequate in these two boundary cities (Yang, 2005a). It was clear that the regional society of Hong Kong–Shenzhen region was initially created by market players without the involvement of colonial Hong Kong government. It was called informal regional society from below. However, Hong Kong government has changed its position toward the cross-boundary regionalization since the mid-2003. A transitional regional society emerged in 1997–2003, followed by a formal regional society after 2004.

### 1997–2003: The transitional regional society with return of the political

In light of “the double movement” thesis, an expansion and deepening of the market system is followed by a political intervention in defense of society, inducing the second great transformation (Hettne, 2003). In the emerging Hong Kong–Shenzhen metropolis, the second great transformation took place during the period after 1997. Different from Hettne’s *regionness* model, this second movement was not a direct result of the first movement. It was a response to many economic and social challenges facing Hong Kong. Indeed, Hong Kong government and society went through a transitional period 1997–2003 when pro-integration and anti-integration camps clashed. A formal regional society emerged only after mid-2003 when Hong Kong and Shenzhen governments began to introduce formal institutional arrangements to facilitate the development of Hong Kong–Shenzhen metropolis.

Shenzhen government, using a developmental state approach to economic development, has consistently taken a positive stance toward Hong Kong–Shenzhen cooperation since its inception (Shen, 2004; Yeung, 2006). But Hong Kong government only began to respond to inter-city cooperation actively after 2003.
Shenzhen was designated as a SEZ because of its proximity to Hong Kong. One original objective of establishing Shenzhen SEZ was to develop an export-oriented economy by using Hong Kong’s capital and learning experiences of its capitalist market economy (Bruton, Bruton, & Yu, 2005; Ng, 2003). The economic miracle of Shenzhen in the past three decades was largely due to the Hong Kong factor. Therefore, Shenzhen government has been active in Hong Kong–Shenzhen cooperation before and after 1997. In the pre-1997 period, each round of Shenzhen Comprehensive Plan emphasized cooperative development strategies with Hong Kong (Bruton et al., 2005). During the foremost years after the 1997 handover, Shenzhen became very enthusiastic in linking up with Hong Kong in anticipation of bright prospects in Hong Kong–Shenzhen cooperation. Many new ideas and vision, such as twin cities, north–south cities and sister cities, were proposed by academic elites and government officials in Shenzhen (Bauhinia Foundation Research Centre, 2007). However, The Hong Kong government was reluctant to accept such suggestions from Shenzhen. The slow development of cross-boundary infrastructure was an example (Yeung, 2006).

On Hong Kong side, the Fortress Hong Kong mentality was not dismantled immediately after the 1997 handover. It still prevailed in Hong Kong government as well as society. Anti-integration was popular among many officials, businessmen and residents. This has political, social and economic reasons. First, politically, there was disagreement on Hong Kong–PRD integration within Hong Kong SAR government. The government was divided into two camps with opposite views on the cross-boundary cooperation/integration (Shen, 2004). Some officials were concerned that close economic integration could undermine the political autonomy of Hong Kong SAR. Thus Hong Kong SAR government did not actively move toward cooperation. Second, it was recognized that local and international confidence in the future of Hong Kong was fragile during the early years after 1997. Many Hong Kong residents were worried that close integration may cause potential interference in Hong Kong’s internal affairs by the Chinese government and change their capitalist way of life (Shen, 2004). Third, on economic aspects, some interest groups, including real estate developers, homeowners and retailers, worried about the potentially negative economic impact on Hong Kong caused by close cross-boundary integration.

Apart from the above reasons, Hong Kong SAR government also faced internal difficulties after the 1997 handover, including the economic downturn caused by the 1997 Asia Financial Crisis (AFC), the government’s handling of Article 23 of the Basic Law and the epidemic outbreak of Severe Acute Respiratory Syndrome (SARS) in the early 2003. These problems further deepened Hong Kong’s crisis. Many Hong Kong residents were not satisfied with Hong Kong SAR government. On 1 July 2003, about 500,000 citizens joined the mass street protest against the government. It is clear that Hong Kong SAR government faced with various internal social and economic difficulties, and the strategy of Hong Kong–PRD integration was not considered a priority.

From 2004 onwards: formal regional society with attempts to build regional institutions

The worst is always a turning point for better. The Fortress Hong Kong mentality began to dismantle from the mid-2003 and Hong Kong SAR government began to rethink its relationship with the mainland. Such a change has external and internal reasons. First, with close connections with the global economy, Hong Kong’s policy making is much dependent on its external conditions and needs to make reference to other localities’ strategies and actions (Ho, 2000). In the period of post-1997 AFC, Hong Kong faced heavy urban competition from cities in the Greater China. Taking the strategy of “Siliconization” as an example, almost all localities in the Greater China attempted to re-position themselves as “the next silicon valley” (Sum, 2002a, 2002b). Although Hong Kong proposed to develop itself into an “e-hub” (Jessop & Sum, 2000), Taiwan and cities in South China also sought similar strategies, for examples, Taiwan as a “science inland” and Shenzhen as a “gateway for information technologies” (Sum, 2002a, 2002b). On the other hand, Hong Kong was no longer the only pacemaker/gateway for China, with rapid economic development, further reform and opening in the mainland China. The growing Yangtze River Delta region, especially the emergence of Shanghai as international shipping center and international financial center, challenges the position of Hong Kong as an international logistics center and international financial center to some degree (Huang, 2009; Jiang & Shen, 2010). Since 2007, Shanghai port has surpassed Hong Kong port in terms of container throughput, becoming the second largest container port in the world (Fig. 2). Hong Kong’s neighboring cities, Shenzhen and Guangzhou, no longer position themselves as the “back factory” of Hong Kong (Yeung, Shen, & Zhang, 2006). Shenzhen has proposed to develop the headquarters economy, and build itself into a regional financial center and a logistics center in Asia-Pacific region in its strategy of Shenzhen 2030. Shenzhen port will catch up Hong Kong port soon (Fig. 2). Guangzhou is very aggressive in building competitiveness and attempts to regain its position as the “dragon head” of South China (Xu & Yeh, 2005). A large number of mega-projects have been initiated by Guangzhou since 2000. Guangzhou made massive investment in infrastructure such as metro system in preparing the Asian Games in 2010. Under such a competitive context, a debate on whether Hong Kong was being marginalized emerged among Hong Kong’s top officials and scholars. The Bauhinia Foundation Research Centre, a think-tank of Hong Kong’s chief executive, released a policy research report titled China’s 11th Five Year Plan: Opportunities and Challenges for Hong Kong in 2006. The report suggested that Hong Kong should take an active stance in cross-boundary cooperation in order to maintain Hong Kong’s competitiveness in a globalizing era (Yeung et al., 2006).

Second, Hong Kong’s economic recovery has benefited greatly from China factor. To help Hong Kong’s economy, the Central Government has introduced a series of preferential policies. In June 2003, the Central Government and Hong Kong SAR Government signed the first bilateral free-trade agreement – the Closer Economic Partnership Arrangement (CEPA). It covers three
aspects: trade in goods, trade in services, and trade and investment facilitation. Under the CEPA, the potentially huge market of the mainland is opened in advance of all foreign investors to Hong Kong investors with lower entrance thresholds than China’s commitments to WTO (World Trade Organization) (Yeung & Shen, 2008). Taking trade in goods as an example, almost all Hong Kong domestic exports to the mainland enjoyed zero tariffs. Only in the first two years of implementation, Hong Kong’s businesses saved a total of around HK$ 240 million in tariffs (Hong Kong SAR Government, 2006). In addition, the Individual Visit Scheme was also introduced by the Central Government in 2003 to boost tourism in Hong Kong. Prior to the scheme, mainland visitors could only travel to Hong Kong on business visas or in group tours. Under this scheme, residents in 43 mainland cities are allowed to visit Hong Kong on an individual basis. Such scheme has greatly stimulated the growth of tourism industry for Hong Kong. It was estimated that tourist income generated by the scheme reached over HK$ 60 billion in 2004, accounting for 55% of the total income of the industry (Yeung et al., 2006). It is clear that Hong Kong’s economic recovery has greatly benefited from supports from the Central Government.

Third, the attitude of Hong Kong society toward cross-boundary cooperation has become more positive. The public opinion is important to the policy making of Hong Kong government which depends on the feedback and support from the public. During the early years after 1997, many Hong Kong residents worried about the future of Hong Kong under Chinese sovereignty. Thus they took a negative stance toward cross-boundary cooperation (Shen, 2004). With the economic recovery, Hong Kong residents’ attitude toward cross-boundary integration has become more and more positive. A consensus around close cross-boundary integration has emerged in the society. According to a survey conducted in February 2002, 43.6% and 35.9% of Hong Kong residents had intention to purchase property or to work in the mainland in the coming five years respectively (Yeung & Wong, 2002).

With the changing internal and external political, economic and social conditions, Hong Kong government began to re-regulate its regionalization strategy. Hong Kong—Shenzhen region moved steadily toward a formal regional society with the regional institutional building, indicating the active participating of city state in regional integration. Different from its western counterparts, Hong Kong’s re-regulation was mainly caused by internal and external forces, instead of the first movement.

Hong Kong government began to engage in cross-boundary cooperation actively after mid-2003. A formal framework for inter-city cooperation and a joint vision were developed by the two cities in subsequent years. In 2004, two city governments signed the Memorandum of Enhancing Hong Kong—Shenzhen Cooperation and 8 sectoral cooperation agreements on tourism, technology and legal service, etc. It is called “1 plus 8” in brief. The memorandum and agreements can be seen as a formal institutional framework for Hong Kong—Shenzhen integration, symbolizing the involvement of governments in the regionalization. Under the framework of “1 plus 8”, inter-city cooperation has sped up. Some cooperative initiatives in education and technology have made satisfactory progress, such as establishing branches/campuses in Shenzhen by several universities from Hong Kong and cooperation between Shenzhen Hi-tech Industrial Park and Hong Kong Science Park.

According to the framework of “1 plus 8”, working meetings at mayor-chief secretary level and Hong Kong—Shenzhen Cooperation Forums (HKSCF) have been held to promote inter-city cooperation regularly. Thus a direct communication channel has been set up between the two cities without the need to liaise via the Central Government. Four HKSCFs were held in 2006, 2007, 2009 and 2010. The forum was jointly organized by The Central Policy Unit of the Government of the Hong Kong SAR, the Shenzhen Special Economic Zone Research Association and the China Development Institute (Hong Kong Economic and Trade Office, 2007). The forum involves research institutes and city governments and is a kind of cross-boundary policy networks in the region. In the second HKSCF held on 13 August 2007, the Acting Chief Executive of Hong Kong SAR advocated developing a world-class metropolis jointly. The emergence of HKSCF and “1 plus 8” indicate that Hong Kong—Shenzhen cooperation has moved beyond the market-led model of “front shop and back factory” toward government-involved or institution-led regional integration. A formal regional society is in the making.

Under the framework of “1 plus 8” and HKSCF, two city governments have intensively interacted, and frequently exchanged their views on Hong Kong—Shenzhen cooperation during the past several years. Building Hong Kong—Shenzhen Metropolis has become a joint vision of cooperative development for two cities. In the “Policy Address 2007—2008: A New Direction of Hong Kong” by Hong Kong’s Chief Executive, jointly developing a world-class metropolis with Shenzhen was emphasized as a new direction of Hong Kong (Hong Kong SAR Government, 2007). Shenzhen has also re-positioned itself as “a world-class metropolis with Hong Kong” in its new urban master plan and Shenzhen 2030 Urban Development Strategy.

Under the discourse of Hong Kong—Shenzhen metropolis, Hong Kong—Shenzhen integration has sped up. Among ten projects for economic development listed in the Chief Executive’s Policy Address 2007—2008, two are related to Hong Kong—Shenzhen cooperation. They are airport cooperation and joint development of Lok Ma Chau Loop area and two joint task forces were set up in December 2007 respectively. Regarding the airport cooperation, two airports are complementary (Vogel et al., 2010, chap. 10). Hong Kong and Shenzhen airports mainly offer international and domestic flights respectively. According to Shenzhen airport’s statistics, 3 million mainland visitors to Hong Kong used Shenzhen

1 Under the OCTs principle, Hong Kong has a high degree of autonomy as a special administrative region in all areas except defense and foreign affairs that are handled by central government. Hong Kong is thus not considered as an ordinary city or province in China. Generally, no direct interaction and communication mechanism should be set up between Hong Kong and local authorities in the mainland to ensure the implementation of OCTs. Any matters concerning Hong Kong or Hong Kong matters related to the mainland must be handled by the Liaison Office of the Central Government in Hong Kong. This was changed in 2009 that Guangdong and PRD cities are encouraged by the central government to interact with Hong Kong directly to facilitate cooperation.

| Table 2 | Hong Kong residents’ perception on constrains for building Hong Kong—Shenzhen metropolis (%) |
| --- | --- |
| The different values of residents in two cities | 46.4 |
| The difference in political institutions of two cities | 37.5 |
| The historical and cultural gap between two cities | 25.6 |
| The gap in economic development between two cities | 22.5 |
| The difference in economic regulation of two cities | 22.1 |
| The influence of Hong Kong’s politics | 17.0 |
| The division by the boundary | 9.9 |
| Others | 4.4 |
| No constrains | 1.8 |
| Unknown/no opinion | 9.7 |
| (Total) | (507) |

Note: multiple answers are allowed. The number of respondents is in parenthesis. Source: survey by the authors.
airport in 2006, accounting for 22.1% of the total mainland visitors to Hong Kong. Many mainland people, especially those in Shenzhen and other cities in the PRD, often use Hong Kong airport for their international trips. Therefore, airport cooperation has become a priority for inter-city cooperation.

A frontier closed area (FCA) was set up around Hong Kong–Shenzhen boundary in 1951 to halt the influx of immigrants from the mainland and to restrict illegal activities. The development within the area has been frozen since then. Hong Kong government has been active in the joint development of the boundary area. It reduced the size of the FCA from 2800 ha to 400 ha in January 2008. Only areas around boundary control points remained as the FCA. It is expected that the released land from the FCA will provide ample space for Hong Kong and Shenzhen cooperation. Lok Ma Chau Loop Area is a key area for joint boundary development. Two working groups, including environment, planning and project working group and development direction working group, were set up under the task force of joint development of boundary area. Some consultancy studies had been conducted by the task force.

The case of building Hong Kong–Shenzhen metropolis suggests that city governments can play an important role in the transition from market-based informal regional society to formal regional society. Under the discourse of Hong Kong–Shenzhen metropolis, a three-tier regional institution has been formed in the cross-boundary space. Three tiers include HKSCF, cooperation agreements and ad hoc task forces on inter-city cooperation. Such new regional institution is still a loose, flexible and partial form of cross-boundary governance. Its institutional capabilities should be enhanced, perhaps with a more fixed form of governance structure or denser policy networks.

The active participation of the governments aims to facilitate cross-boundary economic and infrastructure development and planning. This can take place well before reaching higher level of regionness: the formation of a regional community or the regional institutionalized polity. This means that economic-oriented regionalization can take place even when two societies do not share a clear identity or the same value. The slow development of cross-boundary regional community, which will be discussed in the next section, is another difference from European case.

Table 3
Comparison of new regionalism in Hong Kong–Shenzhen/PRD region and the EU.

| Items                          | The EU                                      | Hong Kong–Shenzhen/PRD region |
|-------------------------------|--------------------------------------------|-------------------------------|
| **Institutional base**        | Multi-nations                              | One country, two system       |
| **Urban governance**          | Entrepreneurial state                      | Asymmetric urban governance  |
| **Region-building process**   | Five levels of regionness                  | (developmental state vs.     |
| **External forces**           | No strong impact                           | entrepreneurial state)        |
| **Degree of regionalization** | Low-level regionalization                  | Informal regional society     |
| **Mechanism of regionalization** | Market exchange induced                   | from below — transitional    |
| **Cross-boundary regional community** | institution re-alignment                  | regional society —     |
| **Regional identity**         | Relative strong                            | formal regional society       |
| **Actors**                    | Business sector, state, residents,         | Strong impact                 |
|                               | NGOs, academic organizations, etc.         | High-level of regionalization |

Source: compiled by authors.

**Close interaction with loose regional identity: a long journey toward a cross-boundary regional community**

The huge cross-boundary investment in Shenzhen by Hong Kong has certainly induced intense social interaction between Hong Kong and Shenzhen. The number of Hong Kong residents working in the mainland, excluding those who stay in Hong Kong under one month in the six months before or after enumeration, increased from 52.3 thousands in 1988 to 157.3 thousands in 1998 and 196.5 thousands in 2009 (CSD, 1999, 2009). Its share in the total employment of Hong Kong increased from 4.2% in 1998 to 5.6% in 2009. Shenzhen was one popular city. About 57,400 Hong Kong residents worked in Shenzhen in 2009, accounting for 29.2% of those Hong Kong residents working in the mainland.

Boundary crossing has also become a frequent activity for many Hong Kong and Shenzhen residents. According to our surveys, 77.2% of Hong Kong residents visited Shenzhen occasionally (about once every two months or less) and 22.7% visited Shenzhen regularly (at least once a month) during the past year. Only 5.7% never visited Shenzhen. In contrast, only 44.7% of Shenzhen residents visited Hong Kong occasionally and 7.7% visited Hong Kong regularly during the past year. 38.6% never visited Hong Kong. It is clear that the majority of cross-boundary passengers were Hong Kong people due to the asymmetrical boundary-crossing control. Most Hong Kong residents could apply for a Home Visit Permit allowing unlimited travel to Shenzhen and other mainland cities. But Shenzhen residents could only apply for a double-entry visa to Hong Kong lasting three months to a year previously. From April 2009, 2.2 million Shenzhen residents with local hukou (household registration) can apply for an unlimited pass to visit Hong Kong within a year (Qiu, 2009).

Regarding Hong Kong people’s purposes of visiting Shenzhen, over half (53.9%) were for shopping and entertainment, 17.3% for visiting relatives and family/tomb sweeping, 16.9% for working, 16.5% for transport transit and 9.4% for taking vacation/massage. Regarding Shenzhen residents’ purposes of visiting Hong Kong, 73.8% were for shopping and entertainment, 33.2% for taking vacation/tourism, 15.7% for working, 10.1% for visiting relatives and family/tomb sweeping and 9.3% for doing business. It is clear that there is close social linkage between Hong Kong and Shenzhen. The respondents in both cities think that Hong Kong–Shenzhen cooperation will have positive impact on each other. Most Hong Kong people (69.8%) and Shenzhen people (88.3%) support the development of Hong Kong–Shenzhen metropolis. Clearly, the Hong

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2 Lok Ma Chau Loop area is about 1 km². The area was part of Shenzhen’s territory before 1997. Due to the straightening of Shenzhen river (the boundary of two cities) in 1997, this area was incorporated into Hong Kong. Currently, a company associated with Shenzhen government owns the land there, but the area is under the administration of Hong Kong government.

3 Multi-answers are allowed for the question. The total percentage is thus larger than 100%.
Kong SAR government’s strategy of “building Hong Kong—Shenzhen metropolis” has been widely accepted by the public.

Regional collective identities and consensus building are important for the formation of new regions and cross-boundary regional community. However, closer economic and social interactions between the two cities do not induce the emergence of a cross-boundary regional identity among two cities’ residents. Thus the regional community did not emerge after the regional society.

According to our surveys, many Hong Kong and Shenzhen residents know very little about the other city. 32.4% (Hong Kong) and 5.4% (Shenzhen) of respondents never pay attention to other city’s events while 56.9% (Hong Kong) and 62.5% (Shenzhen) pay their attention to the other city only occasionally. Although there is a close social linkage between two cities as mentioned above, only 7.7% (Hong Kong) and 13.2% (Shenzhen) of the respondents think that they are familiar with other city’s social, institutional and economic milieus. As high as 91.8% (Hong Kong) and 84.3% (Shenzhen) are not familiar with the other city. According to our surveys, it is still very much a reality for many residents on both sides that Hong Kong and Shenzhen are divided by a rigid boundary with full immigration and custom control (Table 2). The different values, different political institutions, different economic regulations and the historical and cultural gap between two cities are conceived as constraints for Hong Kong—Shenzhen integration by most respondents. Clearly, there is no clear cross-boundary identity and the sense of regional community is weak among residents in the emerging Hong Kong—Shenzhen metropolis.

Conclusion

The new regionalism is emerging as part of profound spatial and state restructuring in East Asia. Cross-boundary cooperation between Hong Kong and Shenzhen is one outstanding case of the dialectical process of globalization and regionalization. The aim of this article is to explore the making of new regionalism in the cross-boundary metropolis of Hong Kong—Shenzhen using the new regionalism and regionness framework. By tracing the process of Hong Kong and Shenzhen integration during the past three decades, three stages in Hong Kong—Shenzhen regionalization are identified after the late 1970s, namely, the emergence of informal regional society from below, the transitional regional society and formal regional society, with reference to Hettne’s concept of regionness.

Clearly, there are both similarities and differences between the cases of Hong Kong—Shenzhen region and the west, especially the EU, which is the starting point for our understanding of the regionalization in Hong Kong—Shenzhen region from western theoretical perspective (Table 3).

Regionalization can not be understood as a linear process, as regionness is evolving and changing restlessly. Different from the dominant role of nation state in region building in the EU, the colonial Hong Kong government was passive on economic integration in the initial period of 1979—1996. Such inactive role of quasi-city state is different from its counterparts in the EU. Thereby, the combination processes of globalization and regionalization generate different conditions of regionness.

Under unique context of Hong Kong’s colonial history, open-door policy in China and OCTS, Hong Kong government and society went through a transitional period 1997—2003 when pro-integration and anti-integration camps clashed. Since mid-2003, a consensus on regional integration has emerged in Hong Kong society, and Hong Kong and Shenzhen governments have introduced formal institutional arrangements to facilitate the development of Hong Kong—Shenzhen metropolis. Thus a formal regional society is in the making.

The Hong Kong—Shenzhen case shows that, different from Hettne’s regionness model, the second movement was not a direct result of the first movement. It is a response to many economic and social challenges facing Hong Kong. Hong Kong government’s re-regulation toward a more positive stance on cross-boundary regionalization is due to Hong Kong’s internal economic, political and societal difficulties and external changing conditions, such as post-AFC urban competition and the Central Government’s support. The importance of external force is another important feature different from regionalism in EU. In addition, the city state in the emerging Hong Kong—Shenzhen metropolis is a driving force of cross-boundary regionalization, instead of a counterforce in defense of society. Therefore, the process of regionalization depends very much on the specific historical, political, economic and societal and geographical contexts in which it takes place.

Although intense economic and social interactions exist between Hong Kong and Shenzhen, a cross-boundary regional community has not emerged yet due to differences and gaps in values of residents, political institutions, culture and economic regulations, etc. According to the theory of regionness, formation of regional community takes place before full-integration: regional institutionalized polity (Hettne, 2003). Hong Kong—Shenzhen metropolis is still in the level of “formal” regional society. It may take a very long time before common regional identity and regional community is formed. The slow development of cross-boundary regional community is another difference from European case.

The active participation of the governments aims to facilitate cross-boundary economic and infrastructure development and planning. This can take place well before reaching higher level of regionness: the formation of a regional community or the regional institutionalized polity. This means that economic-oriented regionalization can take place even when two societies do not share a clear identity or the same value.

Generally, measures should be taken to facilitate the exchange, interaction and mutual understanding of residents in two cities. Nevertheless, there is no agenda to merge the two cities to form a full regional institutionalized polity in Hong Kong—Shenzhen region. Further research is needed to examine whether such development is necessary or beneficial to both Hong Kong and Shenzhen.

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