

2.1 CHINA'S ECONOMY TODAY

Analyze China's Economic Policies

China's establishment of Special Economic Zones (SEZs) has allowed many people in China to enjoy a much higher standard of living than they had a few decades ago. Read the information below to learn more about these SEZs, and then chart the advantages and disadvantages of China's changing economic policies.

- **SEZs** Special Economic Zones in China and other countries attract foreign businesses and investors through low taxes and few regulations. Companies can easily import and export raw materials and manufactured products at low costs. Local governments in these areas can create environments in which businesses can quickly establish themselves and grow without the need for a lot of investment.
- **Economic Activity** Companies from more-developed countries benefit from the low labor costs in China and other developing countries. Millions of people from China's rural areas have moved into SEZs in China's cities, seeking work with multinational corporations. The economic activity in these areas has secondary benefits because prosperity spreads to nearby areas. International businesses may also introduce new technologies that local people can adopt.
- **Types of SEZs** China has a number of different types of SEZs. Open Cities, Export Processing Zones, High Technology Development Zones, and other types of SEZs have allowed the Chinese government to experiment with a market economy. It can test reforms on smaller areas before putting them into practice throughout the country. However, some critics of SEZs argue that applying these reforms only in certain areas allows the government to avoid broader, nationwide reforms.

1. **Evaluate** Select three features of Special Economic Zones. For each one, list its advantages and disadvantages in the chart.

FEATURE	ADVANTAGES	DISADVANTAGES
Low taxes on exports		

2. **Analyze Cause and Effect** As Special Economic Zones expand across China and other countries, what do you think the effect might be on manufacturing jobs around the world?
3. **Draw Conclusions** In what ways might China's type of government make economic reforms easier to put in place than in other countries? Why might the Chinese government resist putting market reforms into effect across the country?