

# Abstract

A Comparative Sociological Study on Developing Nations' Investment Free Zone  
- A Case Study on China's Shenzhen SEZ and Korea's Masan FEZ

Lee Seung Kun  
Department of Sociology  
The Graduate School  
Yonsei University

In the process of striving to achieve economic development, developing nations are faced with a lack of capital. The strategy they adopt in order to solve this problem is to encourage direct investment. However, a weak national economy becomes problematic in that it is a barrier to effective foreign investment, as well as the very cause of the negative consequences foreign investment can bring. Such a background accounts for the reason why developing nations arrange an 'Free Investment Zone', which would endow foreign investors with certain privileges.

China's Shenzhen Special Economic Zone and Korea's Masan Free Export Zone share the same objective of 'increasing exports and employment through foreign investment'. However, the different timing of initiation that is closely related international division of labor structure and different political regimes of the two countries expose the specific development process of these two areas.

Both zones were set up under the objective to solve the problems of their economic development strategy, while the strong character of the state acted as a

functional variable in promoting a 'successful' investment Free zone. Especially the early stage of initiation, they attracted a lot of direct investment.

However, there are important differences concerning the investing countries and wages, as well as labor policies. I believe these can be explained by the difference in the character of the regime of the two countries, as well as the difference in the timing. Masan's Zone was set up in the early 1970's, when Japan was looking for an industrial zone that offered cheap labor. As Japanese investment flew in, the Korean government exerted a repressive labor control policy, which resulted in bringing down the wages of the Zone. Shenzhen developed as the NICs, especially Hong Kong sought new production sites. However, the Chinese government retained a protective labor policy, which accounts for the high wages of the Zone.

**Key Words:** developing nation, Investment Free Zone,  
ShenZhen Special Economic Zone, Masan Free Economic Zone,  
international division of labor, foreign capital