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**Beibu Gulf: Emerging Sub-regional Integration  
between China and ASEAN**

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## ABSTRACT

This paper describes and analyzes an emerging sub-regional integration project between China and ASEAN: the Beibu (Tonkin) Gulf Economic Zone and the associated Pan-Beibu Gulf Economic Region. We describe the historical and economic background and the origins of this new initiative. We analyze the opportunities and challenges that this sub-regional integration project may encounter. We conclude that the Pan-Beibu economic cooperation area is likely to become another economic integration initiative to further bind the economies of China and most of the Southeast Asian countries. If this sub-regional integration plan eventually takes shape in a five- to ten-year timeframe, it would have profound strategic and political implications for China-ASEAN relations and international relations in East Asia.

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## **Beibu Gulf: Emerging Sub-regional Integration between China and ASEAN**

The Beibu Gulf<sup>1</sup> flourished and served as the starting point of the Silk Road on the Sea during China's Han and Tang Dynasties. However, due to some historical reasons, the economic importance of the Beibu Gulf subsided for more than a thousand years. Recent years have witnessed the opening up and development of the Beibu Gulf region at an exponential pace. In particular, the Guangxi provincial government in China has strongly pushed for a Beibu Gulf economic zone that would centre on Guangxi's coastal region and a Pan-Beibu Gulf regional economic area that would include China, Vietnam, Thailand, Cambodia, Malaysia, Singapore, Indonesia, Philippines and Brunei. Both proposals have been officially endorsed by the central government in China.

According to the Chinese plan, the Beibu Gulf economic zone will become China's fourth coastal economic growth pole, after the Pearl River delta, the Yangtze River delta and the Bohai economic circle. The Pan-Beibu economic cooperation area is likely to become another economic integration initiative to further bind the economies of China and most of the Southeast Asian countries. If this sub-regional integration plan eventually takes shape in a five- to ten-year timeframe, it would have profound strategic and political implications for China-ASEAN relations and international relations in East Asia. This paper attempts to analyse these new developments in the Beibu Gulf region. The paper includes five sections. we will first provide some basic facts about the Beibu Gulf, such as its location, history and resources. In the second section, we will describe the current economic situation in the region. In the next section, we will briefly discuss the origin of the Beibu regional economic initiative. In part four, we analyse the development potential of this sub-regional economic integration plan. In section five, we will outline some of the difficulties and challenges that the Beibu Gulf regional economic plan may encounter in the near future. The concluding part summarizes our findings and views.

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<sup>1</sup> Also more commonly known as the Tonkin Gulf.

## **The Beibu Gulf: Basic Facts**

### ***The Beibu Gulf Region: A Historiography***

If we consider factors such as administrative jurisdiction, economic relationship and cultural connections, the Beibu Gulf area should include China's Guangxi, Guangdong and Hainan provinces, and the northern part of Vietnam. In Guangdong, the part that lies along the shore of the Beibu Gulf is the Leizhou Peninsula, including Zhanjiang City and Maoming City. Thus, geographically, the Beibu Gulf is located between 18° and 20° north latitude and between 105° and 110° east longitude. A half-closed bay encircled by the mainland of China, Vietnam<sup>2</sup> and Hainan Island of China, Beibu Gulf covers an area of 128,000 square kilometres. Beibu Gulf enjoys a significant geographical location in that it is the passageway for Southwest China and the northern part of the Indochina peninsula to go outward. It is the junction of the two economic blocks of China and ASEAN, an important commodity distribution centre, as well as an international pivot for water transportation.

Adjacent to the Qiongzhou Straits on its east and with its gulf entrance between the Hainan Island and Central Vietnam connected to the South China Sea, the Beibu Gulf is often seen as part of the South China Sea. Being the linking point from Northeast Asia to the Indian Ocean, Africa and Europe, the South China Sea is one of the busiest sea routes of the world. Towards the southwest of the Beibu Gulf lies the equally busy and world famous Straits of Malacca.

Historically speaking, the Beibu Gulf is considered to be part of the Lingnan Area, i.e. the area south of the Five Mountains in South China. This area, ruled by Zhao Tuo in the second century B.C., includes today's Guangdong, Guangxi, Hainan and the northern part of Vietnam. As early as the Han Dynasty of second century B.C., the development of the Beibu Gulf had brought about a developmental overspill effect on its immediate neighbouring areas. Jiaozhi (now part of North Vietnam) and Hepu, in particular, were prefectures with a relatively mature economy and a developed society. Hepu became one of the departure ports along the Silk Road of the Sea from South China to Southeast Asia, Indian Ocean and Africa. This has resulted in multiple archaeological discoveries of ancient tombs with cultural relics

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<sup>2</sup> Vietnam gained its independence in A.D. 968 and had only included areas currently known as North Vietnam and Central Vietnam.

dating back to the Han Dynasty in Hepu.

In ancient times when people relied mainly on manpower in production, population size was an important indicator for productivity and economic prosperity. According to the *Book of Han • Geography*, Jiaozhi Prefecture had 92,440 households and a population of 746,237, four times and seven times respectively that of Nanhai Prefecture (today's Guangdong, which had 19,613 households and 94,253 people)<sup>3</sup> during the Han Dynasty. Obviously, the Beibu Gulf area was an economically well-developed area and acts as the main gateway of China to the outside world.

### ***A Resourceful Region***

The Beibu Gulf is located in the subtropical area and enjoys more than 300 frost-free days and plentiful rainfall, which facilitate the growth of crops and sea products. This region is therefore rich in agricultural products. The northern part of Central Vietnam, to the west of the Beibu Gulf, is a hilly area with rolling mounds and small patches of flat land where people can develop agriculture, forestry and animal husbandry. To its northwest is the Red River Delta Plain, a land of abundance with an area of about 20,000 square kilometres. The area between the Sino-Vietnam border and Qinzhou-Fangcheng of China, which is similar to the northern part of Central Vietnam, is further north and lower in average annual temperature. Hepu, Beihai and Leizhou Peninsula have a flat surface, which is fit for developing agriculture and forestry. To the east of the Beibu Gulf is Hainan Island, which at with 33,900 square kilometres, is the second largest island in China. The island has high mountains in the middle and flat land along the shore. It is also a good place for developing agriculture, forestry and animal husbandry.

The Beibu Gulf is a part of the continental shelf. The Qiongzhou Strait, which was developed from the rifts between Leizhou Peninsula and Hainan Island, creates favourable conditions for the exchange of water bodies. With many rivers streaming down to the Beibu Gulf, this sea area is blessed with an ecological environment of bay, river, island and continental shelf. This natural fishery has 500 species of fish, oysters and pearl oysters, which are famous for their good quality and environment-friendliness. The pearls of Hepu are well-known throughout the world. There are over 50 major cash-earning fish, including mackerel

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<sup>2</sup> 《Book of Han • Geography》 Scroll 28.

and serranida. Fish are the most important fishable biological resources in the Beibu Gulf. According to experts, the Beibu Gulf has an estimated yearly output of about 1.4 million tons of fish. Assuming 50% of the catch is allowable, the potential fishing volume would be about 0.7 million tons<sup>4</sup>.

The Beibu Gulf has a long and winding coastline and is dotted with ports of different sizes. It has very rich port resources, including, of the China side, Haikou Port, Yangpu Port, Beihai Port, Qinzhou Port and Fangcheng Port, and, on the Vietnam side, Hai Phong Port and Hon Gai Port. About 200 berths of above one million tons can be built in Beihai Port alone. Berths of 200,000 tons are being built in Fangcheng Port, and berths of 70,000 and 100,000 tons are under construction in Qinzhou Port. In 2007, the three ports of Guangxi, namely Beihai, Qinzhou and Fangcheng, handled about 70 million tons of cargo.

The Beibu Gulf area is a place with sunshine, sea and beach, no pollution and lots of world-famous places of historic interest and scenic beauty, such as the landscape of Guilin and the Silver Beach of Beihai in Guangxi, Tian Ya Hai Jiao (Heaven Edge, Sea Corner) and Yalong Bay Resort in Hainan. Hue, an ancient city of Vietnam, has the largest and best-preserved ancient building complex that is enlisted to the World Cultural Heritage. The Ha Long Bay in Quang Ninh, which is nicknamed as “Guilin on the Sea”, and the Phong Nha Cave in Quang Binh are both enlisted to the World Natural Heritage by the United Nations.

### ***Inhabitants and Society***

In the area that lies along the shore of the Beibu Gulf, the most populous is the Red River Plain with a population density reaching 1,218 people per square kilometre, the least populous is the northwestern part, with only 69 people in per square kilometre. The most populous province is Bac Ninh, with 1,236 people per square kilometre, while the least populous one is Lai Chau, with only 35 people<sup>5</sup>. The population density of Guangxi is about 217 per square kilometre, Guangdong, 511<sup>6</sup>, and Hainan, 232<sup>7</sup>.

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<sup>4</sup> Gu Xiao Song, “2007 Report on Pan Beibu Gulf cooperative development”, p. 86, Beijing, Social Science Academic Pres, 2007.

<sup>5</sup> Official Vietnam Statistics 2006.

<sup>6</sup> 26 March 2006 article, retrieved from Xinhua Net, reposted from “Yangcheng Evening News”.

<sup>7</sup> Official data released by Hainan Provincial Bureau of Statistics on 18 February 2004.

Area and population of the Beibu Gulf region, 2007

	Area (1,000 square kilometres)	Population (million people)
China	9,600	1,321.2
#Guangdong	178	94.4
Hainan	34	8.0
Guangxi	230	50.0
##Nanning	22.1	7.0
Beihai	3.3	1.3
Qinzhou	10.8	3.1
Fangchenggang	6.3	0.8
Vietnam	329	85
#North Vietnam	167	40.9

The neighbouring area of the Beibu Gulf was historically known as Lingnan, an area that included today's Guangdong, Guangxi, Hainan and a large part of North Vietnam. According to the ethnologists and historians, the ancestors of the Baiyue ethnic groups, including the Zhuang and Thai, inhabited in Lingnan. They subsequently moved southwest to today's Yunan of China, Northwest Vietnam, Laos and Thailand. This is why the Thai, Lao, Shan people of Myanmar, Tay and Nung of North Vietnam, the Zhuang people of Guangxi province and the Dai people of Yunan Province of China share similar basic vocabulary and are able to understand each other's daily conversational.

The Beibu Gulf area is inhabited mostly by the Han and Kinh people from across the border. Guangxi, although a Zhuang autonomous region, is mainly inhabited by the Hans, making up two-thirds of its total population. Most of the dwellers in Leizhou Peninsula of Guangdong and Hainan Island are also Hans. Meanwhile, the majority of Vietnamese are Kinh people, who take up three-quarters of its total population. There are 1.3 million Chinese in Vietnam<sup>8</sup> and a minority ethnic group known as "Ai", who lived in Quang Ninh by the shore of the Beibu Gulf and are in fact Hakkas migrated from China and number several

<sup>8</sup> Gu Xiaosong, *Vietnam and the Sino-Vietnamese Relationship*, p. 2, Beijing, World's Knowledge Publishing Firm, 2007.

thousand and belonging to the Hans. The three villages along the Sino-Vietnam border in Dongxing of Guangxi, China, namely, Wanwei, Wutou and Shanxin, are inhabited mainly by the Kinh people who total over 10,000. They are bilingual. They speak both Vietnamese and Cantonese and write in Chinese. These people migrated from Hai Phong in the sixteenth century, more specifically, from Doson of Hai Phong in 1511. So they have been living there for about 500 years while their ancestors lived in Cat Ba Island of Hai Phong<sup>9</sup>.

Second to the Hans in terms of population, the Zhuang in Guangxi surpasses 10 million in numbers. They live mainly in the southwest and northwest of Guangxi. The Tay, Nung and Thai along the Sino-Vietnam border on the Vietnam side and the Zhuang and Dai on the China side have kinship relations with similar languages and customs and can communicate with each other. Besides the Hans, Hainan Island is also inhabited by the Li, a minority ethnic group living around Wuzhi Mountain.

### **Beibu Gulf Economic Cooperation: Propitious Regional Environment**

The recent years have witnessed a strengthened “10 + 3” cooperation, namely, the 10 ASEAN countries plus China, Japan and South Korea, and the establishment of diversified and multi-layer cooperation mechanisms such as the East Asia Summit.<sup>10</sup> Since its first meeting in 2005, the East Asia Summit has expanded to include India, Australia and New Zealand<sup>11</sup>, and is held on an annually basis. Among the cooperation activities of East Asia, the China-ASEAN cooperation has been the most prominent. Cooperation between China and ASEAN has been strengthening since they established their dialogue relations in July 1991. The Declaration on the Conduct of Parties in the South China Sea was signed in 2002. In 2003, the Joint Declaration of ASEAN and China on Strategic Partnership for Peace and Prosperity was signed, and China is the first country to establish such strategic partnership with ASEAN, and the first dialogue partner with ASEAN to formally enter into the Treaty of Southeast Amity and Cooperation. The present stage witnesses the best period in China-ASEAN relations. The bilateral trade volume between the two sides increased from less than US\$8 billion in 1991 to

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<sup>9</sup> Yuan Shaofen, *Ethnic Cultures and Economics Dynamic*, p. 35, Beijing, Ethnic Publishing Firm, 2004.

<sup>10</sup> The ten ASEAN states, along with China, South Korea and Japan have held a summit annually ever since the first one in Kuala Lumpur in 1997 at the 30th Anniversary of ASEAN.

<sup>11</sup> The first East Asia Summit was held in 14 December 2005 in the capital of Malaysia, Kuala Lumpur. Sixteen leaders, including those from the ten ASEAN states, China, Japan, South Korea, India, Australia and New Zealand, took part in the summit.

US\$202.5 billion in 2007.<sup>12</sup> The Framework Agreement on Comprehensive Economic Cooperation between China and ASEAN was signed in Phnom Penh in November 2002, in which both sides agreed that by the year 2010, a China-ASEAN Free Trade Area will be established, which, if completed, will be one with the largest population of developing countries at 1.8 billion, an area of 14 million square kilometres, and a combined GDP of US\$4 trillion.

Over the recent years, China and ASEAN have developed multi-dimensional regional economic cooperation, in which the Greater Mekong Sub-region (GMS) cooperation has gained extraordinary progress and achievements. Starting from 1992, the six countries around the Mekong River<sup>13</sup> basin, namely, China, Laos, Myanmar, Thailand, Cambodia and Vietnam, have established mechanisms for multi-stratified cooperation. They have held three summit meetings. The countries along the Mekong River have conducted cooperation in nine key fields: transportation, energy, telecommunication, agriculture, environmental protection, trade, investment, human resources and tourism.

Construction of the East-West Economic Corridor, which runs across the four countries of the Indochina peninsula (i.e. Vietnam, Laos, Thailand and Myanmar), and the Kunming-Hanoi-Haiphong Economic Corridor, has been completed. The inter-state highway from Kunming in China to Bangkok via the northwest of Laos is under construction and will be completed by 2010. China, Laos, Myanmar and Thailand have signed the Agreement on Lancang River-Mekong River Commercial Navigations. Tourism cooperation has been carried out, including developing passenger source markets, joint promotion and marketing, building tourism networks, developing e-tourism, developing new tourism products and promoting travel facilitation. Efforts have been made in advancing the non-stop service of highway transportation and customs clearance facilitation. The Beibu Gulf is geographically located right at the heart of all the above-mentioned cooperation.

The development of the friendly ties between China and Vietnam and a successful plan for the Beibu Gulf is the basic premise for the development of the Beibu Gulf area. Researchers of the Guangxi Academy of Social Sciences proposed the idea of setting up a Beibu Gulf Economic Circle as early as 1988. However, due to the international environment

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<sup>12</sup> 16 January 2008, Xinhua News

<sup>13</sup> The Mekong River has its source in the Tanggula Mountains in the Tibetan Plateau of China. It is 4,880 kilometres long. runs through China, Laos, Myanmar, Thailand, Cambodia and Vietnam, and has a total area of 810 000 square kilometres. In China, it is known as the Lancang River and is called the Mekong River once it leaves the Chinese borders.

at that time, especially of the tense relations between China and Vietnam, the idea could only be mere paper talk.

China and Vietnam are geographically and culturally connected with each other and have witnessed ups and downs in their relations for over 2,000 years. Despite the fluctuations, Sino-Vietnamese relations were normalized in 1991, and have been constantly enhanced ever since then. The state leaders of the two countries agreed on the principle of “maintaining long-term stability, looking forward to the future, keeping good neighbourly relationship and conducting all-round cooperation”<sup>14</sup>. Both sides reached an agreement on the demarcation of boundaries in 1999 and settled the issue of demarcation of the Beibu Gulf in 2000. The National People’s Congress (NPC) Standing Committee of China and the National Assembly of Vietnam respectively endorsed in June 2004 the Agreement between the People’s Republic of China and the Socialist Republic of Vietnam on the Delimitation of the Territorial Sea, the Exclusive Economic Zone and the Continental Shelf of the Beibu Gulf. Bilateral relations between the two countries are developing in accordance with the above-mentioned principle and in the spirit of “being good neighbours, good friends, good comrades and good partners”.<sup>15</sup> The enhanced mutual trust has laid a solid foundation for the further development of bilateral relations.

Along with the development of political relations, the economic and trade relations between them have been advancing in great strides. The goal to be met by 2010 in bilateral trade has already been achieved ahead of schedule. Building on the success of hitting US\$10 billion in 2006<sup>16</sup>, the bilateral trade recorded a historic high of US\$15 billion in 2007<sup>17</sup>. China has been Vietnam’s largest trading partner for four consecutive years. Based on the current growth rate, bilateral trade is expected to reach US\$20 billion by 2010. As to regional economic cooperation, the two countries have signed an MOU on Conducting Cooperation in “Two Corridors and One Circle”.

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<sup>14</sup> In 25 February 1999, Jiang Zemin proposed to visit Vietnam Communist Party General Secretariat Le Kha Phieu to “build and develop a long, stable, forward looking Sino-Vietnam neighbourliness and fully cooperative relationship”.

<sup>15</sup> Article retrieved from *Renmin Daily* on 2 March 2002, “Good neighbour, good friend, good comrade, good partner – warmest congratulations to the success of General Secretariat Jiang Zemin’s visit to Vietnam”.

<sup>16</sup> According the Vietnam’s statistic, bilateral trade in 2006 reaches US\$10.42 billion while China’s estimation is at US\$9.951 billion, a growth of 21.4%. China’s export to Vietnam stands at US\$47.465 billion, a growth of 32.25%, while imports from Vietnam drop 2.59%, at US\$2.486 billion. China’s trade balance against Vietnam is US\$4.979 billion.

<sup>17</sup> Article retrieved from Vietnam’s *Investment Review* on 31 October 2007.

## **Economic Development of Beibu Gulf: The State of the Region**

### ***Construction of Modern Transportation***

Transportation in the Beibu Gulf area was relatively backward before the 1990s and it was not until after the 1990s did it begin to develop at a quicker pace, especially in Guangxi of China and the northern part of Vietnam.

In the 1990s, the Chinese government made great efforts in developing the Beibu Gulf area as the passageway of Southwest China to the sea. Besides concentrating on the construction of Fangcheng Port, the Chinese government has also begun to build Qinzhou Port and Beihai Port. In 2007, the handling capacity of Fangcheng Port, which has become the largest one in Southwest China, reached 50.52 million tons, almost 50% higher than the 30.32 million tons in 2006.<sup>18</sup> The handling capacity of Qinzhou Port over the same period reached 12 million tons and that of Beihai Port exceeded five million tons, the highest level in its history with a year-on-year increase of 30%<sup>19</sup>. As a result, the handling capacity of the three ports of Guangxi in the Beibu Gulf approached 70 million tons in 2007.

As to highway transportation, expressways with a total length of 500 kilometres from Nanning to Beihai via Qinzhou, from Qinzhou to Fangcheng, and from Nanning to the Friendship Pass at Sino-Vietnam boundary have been completed. About 400-kilometre-long railways from Nanning to Beihai via Qinzhou, from Qinzhou to Fangcheng, from Litang to Qinzhou have been completed. In terms of aviation, Beihai Airport has been built while Nanning International Airport has been expanded. In 2007, the number of passenger cargo processed were respectively 2.917 million tons and 34,291.4 tons, 29.99% and 21.29% higher than those of the previous year. These three production indexes are historic highs.<sup>20</sup> By 10 December, Beihai Airport had handled 2,647 sorties, 182,000 passengers and 1,201 tons of cargo, meeting the yearly goal ahead of schedule.

Air, land and sea transportation along Vietnam's coast of the Beibu Gulf are also developing. Besides the capital city Ha Noi (the centre of North Vietnam), where highway, railway and air transportation are already more developed, Vietnam is also trying to improve the transportation facilities of the coastal areas such as Hai Phong City and Quang Ninh

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<sup>18</sup> Guangxi News broadcast on 8 January 2008.

<sup>19</sup> Accurate at time of writing, 22 December 2007.

<sup>20</sup> Guangxi Broadcast by Xinhua News Agency on 7 January 2008.

Province. Apart from expanding Hai Phong Port, Vietnam is also building Cai Lan Port in Quang Ninh. In 2007, the throughput of Haiphong Port reached 12.3 million tons, up 40%, with the revenue from cargo handling amounting to 679 billion Vietnamese dong.<sup>21</sup> In terms of railway and highway transportation, narrow gauge railways and highways above grade two run from Ha Noi to Hai Phong, from Ha Noi to Ha Long, from Ha Noi to Central Vietnam. The Vietnamese Premier has endorsed a project to build, by Build-Operate-Transfer (BOT) arrangement, a 102-kilometre-long expressway from Ha Noi to Hai Phong, the speed of which is designed to be 120 kilometres an hour<sup>22</sup>. Asian Development Bank has agreed to loan US\$1.1 billion for the building of the expressway from Lao Cai to Ha Noi, so as to connect with the Kunming-Ha Noi-Hai Phong Expressway and build the Kunming-Ha Noi-Hai Phong Economic Corridor, which is a key cooperative project in the Great Mekong Sub-region. As for air transportation, Vietnam is expanding its Cat Bi Airport in Hai Phong.

Modern transportation facilities and systems by sea, land and air are developing at a quicker pace in the Beibu Gulf area. This is conducive to the economic and social development of this region as well as to exchanges and cooperation between China and ASEAN.

### ***Developing but Imbalanced Economies***

Compared with the coastal areas in East China, the Beibu Gulf area is less economically developed while the three provinces of China, namely, Guangxi, Guangdong, and Hainan, are economically more developed than the area on the Vietnam side of the Beibu Gulf.

On the China side, Guangdong Province is the most developed. Its GDP reached 3,060.6 billion RMB in 2007, surpassing Singapore, Hong Kong and Taiwan, which are among the Four Little Dragons of Asia. Its per capita GDP exceeded US\$4,000, almost the same as that of Malaysia. The ratio of the primary, secondary and tertiary industries in Guangdong was 6:52:42. The disposable income of its urban residents was 17,699 RMB and the per capita net income of rural residents was 5,624RMB.<sup>23</sup> In contrast, Guangxi and Hainan are less developed, the major reason of which is that the Beibu Gulf area was under the shadow of wars before the 1980s and did not develop its economy until the normalization of Sino-

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<sup>21</sup> Report from Vietnam's News Agency on 4 January 2008.

<sup>22</sup> Article retrieved from Vietnam's *Investment Review* on 4 October 2007.

<sup>23</sup> Article retrieved from Vietnam's *Investment Review* on 4 October 2007.

Vietnam relations in the mid 1990s. In 2007, the GDP of Guangxi reached 586.5 billion RMB, with per capita GDP amounting to 12,363 RMB, about US\$1,800. The ratio among the three industries was 21.6:39.7:38.7. The disposable income of its urban residents was 12,200 RMB, and the per capita net income of rural residents was 3,224 RMB.<sup>24</sup> The GDP of Hainan was only 122.96 billion RMB, with per capita GDP of 15,000 RMB.<sup>25</sup> The ratio among the three industries was 31.13:29.59:39.28. The disposable income of its urban residents came to 10,997 RMB, a rise of 11.9% over the previous year, and the per capita net income of rural residents was 3,791 RMB.<sup>26</sup>

Vietnam began its reform and opening-up in 1986, and its economy has been developing rapidly over the past 22 years. It has become the fastest-growing economy in Southeast Asia, with a growth rate of 8.5%, a GDP of US\$71.3 and a per capita GDP of US\$836 in 2007. The northern part of Vietnam is not as developed as its southern part. In the area along the shore of the Beibu Gulf on the Vietnam side, Ha Noi, Hai Phong and Quang Ninh are economically more developed. According to statistics, the most industrialized in this area is Hai Phong, with a rate of 40.4%. The least industrialized is Ha Tinh Province, with only 17%. In terms of urbanization, the best is Ha Phong, with a rate of 36.9%, and Tai Binh is the least industrialized, with a ratio of urban residents against the total population of only 7.2%<sup>27</sup>.

### **Beibu Gulf: An Emerging Cooperation Platform for China and ASEAN**

The Beibu Gulf is currently being promoted as a centre for regional economic integration through strategies and plans such as “Pan-Beibu Gulf Economic Cooperation”, “Two Corridors and One Circle” and the Guangxi Beibu Gulf Economic Zone.

The Guangxi Beibu Gulf Economic Zone plays a decisive role in the economic layout of coastal China, the development of West China, the passageway of Southwest China to the sea, China’s strategy of Going Southward, “Two Corridors and One Circle”, and even in “PBG Cooperation”. Therefore, the Chinese government made the Guangxi Beibu Gulf Economic Zone a key area for international and regional economic cooperation in January 2008, thus raising the developmental and cooperation status to one of national strategic level while the

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<sup>24</sup> Article retrieved from *Guangxi Daily* on 20 January 2008.

<sup>25</sup> Official statistics from Hainan Provincial government departments.

<sup>26</sup> Article retrieved from *Hainan Daily* on 23 January 2008.

<sup>27</sup> Year 2003 figures.

target of cooperation will be the ASEAN countries.

For years, China had given priority to the coastal areas in its opening-up strategy. The Pearl River Delta was the first to rise in the 1980s, followed by the rise of the Yangtze River Delta in the 1990s. The first decade of the twenty-first century witnessed the rise of the Tianjin Binhai new area. In five to ten years, the Beibu Gulf area will possess both the necessity and possibility to become a new growth pole in the second decade of the twenty-first century. A pattern of opening and development of “two triangles, two gulfs and two coasts” will take shape along the coast of China.

At the same time, greater development in the West of China is a significant strategic plan, first proposed in the 1990s, of China. The Beibu Gulf is the only gateway to the sea for 11 provinces in the western part of China. In addition, it is also very convenient for some provinces and cities in central China, such as Hunan and Hubei, to access the sea from the Beibu Gulf. Hence, the Beibu Gulf area will become the flagship of opening and cooperation of southwest China, perhaps even the central and western parts of China.

Jia Qinglin, a member of the Chinese Communist Party (CCP) Politburo Standing Committee, once noted: “Advancing the opening and development of Guangxi Beibu Gulf Economic Zone is an important strategic decision by the CCP Central Committee and the State Council to further implement the overall strategy for regional development, promote the greater development of West China, and accelerate coordinated regional development.”<sup>28</sup> Zeng Peiyan, former Vice-Premier of the State Council, also pointed out that the acceleration of the opening and development of the Guangxi Beibu Gulf Economic Zone is an important step in consummating the national strategy of regional development. This acceleration is of great strategic significance to the exploitation of the Beibu Gulf area’s resources and environmental advantages, driving the economic and social development of Guangxi and Southwest China, promoting the mutually interactive development of Southwest China, Guangdong, Hong Kong and Macao, developing a new economic growth belt and deepening China-ASEAN cooperation.<sup>29</sup>

This Economic Zone aims to develop itself into a hub of transportation, a bridge of communication, a platform of cooperation and a joint for industries of China and ASEAN. It is expected to become “a logistic base, a commercial base, a manufacturing and processing

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<sup>28</sup> Retrieved from *Guangxi Daily* on 29 February 2008.

<sup>29</sup> *Ibid.*

base, and a centre of information exchange, a strategic highland that can support and drive the development of West China, as well as an open and influential zone for international and regional economic cooperation that enjoys economic prosperity, social harmony and sound ecology.<sup>30</sup> The Guangxi Beibu Gulf Economic Zone, which is located at the southwest end of China's coastline, comprises of four cities (namely, Nanning, Beihai, Qinzhou and Fangcheng). It has a land area of 425,000 square kilometres and a population of 12.55 million, according to statistics at the end of 2006.<sup>31</sup>

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This zone is at the forefront of China-ASEAN cooperation. The China-ASEAN Expo<sup>32</sup> has been held there for four consecutive years since 2004. It has played a significant role in promoting exchanges and cooperation between China and ASEAN and the construction of the China-ASEAN Free Trade Area. China and ASEAN held the Commemorative Summit Marking the Fifteenth Anniversary of China-ASEAN Dialogue Relations in Nanning in 2006. Therefore, Nanning has become a platform for political, economic and cultural exchanges and cooperation between China and ASEAN.

The Beibu Gulf Economic Circle is an important part of “Two Corridors and One Circle”, to which both China and Vietnam are dedicated. In May 2004, Premier Phan Van Khai of Vietnam proposed the concept when he visited Beijing that by 2020, “Two Corridors and One Circle” be built, namely Nanning-Lang Son-Ha Noi-Haiphong Economic Corridor, Kunming-Lao Cai-Ha Noi-Haiphong Economic Corridor and Beibu Economic Circle. Premier Wen Jiabao of China responded positively to this proposal. In November 2006, at the invitation of Nong Duc Manh, Secretary General of the Vietnamese Communist Party, and Vietnamese President Nguyen Minh Triet, President Hu Jintao paid a state visit to Vietnam. Both sides issued in Hanoi the Joint Statement between the People's Republic of China and the Socialist Republic of Viet Nam, which decided to accelerate the construction of “Two Corridors and One Circle”, promote cooperation of specific projects, enhance cooperation in regional, trans-regional, and international economic mechanism, and boost the comprehensive economic cooperation between ASEAN and China. Both sides signed

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<sup>30</sup> Article retrieved from Xinhua News Agency on 21 February 2008.

<sup>31</sup> “Guangxi Beibu Gulf Economic Zone Development Plan 2006–2020”, published in *Guangxi Daily* on 22 February 2008.

<sup>32</sup> The China-ASEAN Expo's special features are as follows: First, it is held jointly with China's Ministry of Commerce and the ASEAN nations' Ministries of Trade. Second, it is held annually in Nanning. Third, the expo comprises an integrative content, including both trade and culture.

documents like MOU on Conducting Cooperation in “Two Corridors and One Circle”.<sup>33</sup> In the current stage, the cooperation mechanism and specific projects are under discussion.<sup>34</sup>

In 20–21 July 2006, a number of Chinese ministries and commissions, including the West Development Office under the State Council, together with Asian Development Bank and the Government of Guangxi Zhuang Autonomous Region, held the first Forum on Economic Cooperation of Beibu Gulf Rim in Guangxi. Present at the forum were over 160 government officials, experts and scholars from China, Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore, Vietnam, Japan and South Korea, as well as delegates from renowned businesses at home and abroad. These delegates, centring on the theme of “To co-develop a new growth pole of China and ASEAN”, made in-depth discussions about Pan-Beibu Gulf economic cooperation. Liu Qibao, then secretary of CCP Guangxi Committee, proposed the concept of Pan-Beibu Gulf Economic Cooperation. Liu noted in a speech: “We proposed the Pan Beibu Gulf economic cooperation, but the deeper consideration should be placed on conceptualising a new structure for regional economic cooperation. This new structure should be as follows, with the Pan Beibu Gulf Economic Cooperation Zone, the two plates of Great Mekong Sub-region and the Nanning-Singapore Economic Corridor linking up to form a shape that resembles the alphabet M. Since most of the content such as the Marine economic cooperation, Mainland economic cooperation and Mekong Sub-region cooperation all starts with the alphabet M, the structure can be called China-ASEAN M Region Economic Cooperation Strategy.”<sup>35</sup> Pan-Beibu Gulf (PBG) cooperation involves not only China and Vietnam but also countries such as Malaysia, Singapore, Indonesia, Brunei Darussalam and the Philippines.

The Chinese Government has made positive contribution since the inception of the concept of PBG Cooperation. As early as October 2006, Premier Wen Jiabao of the State Council of China officially proposed at the Third China-ASEAN Business & Investment

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<sup>33</sup> Retrieved from Xinhua News Agency on 11 July 2006.

<sup>34</sup> In October 2004, Chinese Prime Minister Wen Jiabao visited Vietnam under the invitation of Phan Van Khai, then Prime Minister of Vietnam. Both governments released a joint statement suggesting that both parties have agreed to establish an expert committee under the framework of bilateral trade cooperation council to look into the possibility of establishing the Kunming-Lao Cai-Hanoi-Hai Phong-Quang Ninh and Nanning-Lang Son-Hanoi-Hai Phong-Quang Ninh economic corridors and Beibu Gulf Economic Circle. On 25 March 2005, the expert committee held its first meeting in Hanoi, symbolizing the transition of the “Two Corridors and One Circle” concept into practical implementation. In August 2006, Vietnamese Communist Party Chief Secretary Nong Duc Manh visited China under the invitation of Chinese National Chairman Hu Jintao. Both parties released a joint statement in Beijing on the 24th stating that “both parties will continue to advance the establishment of the ‘Two Corridors and One Circle’ and the China-ASEAN Free Trade Zone”.

<sup>35</sup> Liu Qibao, “Pushing the Pan Beibu Gulf Development Cooperation, Conceptualizing a New Regional Development Structure – A Speech in the Pan Beibu Gulf Economical Cooperation Forum”, published on *Guangxi Daily* on 21 July 2006.

Summit: “Sub-regional development and cooperation should be accelerated. Sub-regional cooperation in BIMP-EAGA (Brunei, Indonesia, Malaysia, and the Philippines), IMT Growth Triangle (Indonesia, Malaysia, and Thailand) and GMS (Greater Mekong Sub-region) have been going quite well. The Chinese side fully supports ASEAN integration, encourages the Chinese enterprises to participate in programs of the above-mentioned sub-regional cooperation, and actively explores the feasibility of PBG Economic Cooperation, with a view to making it a new highlight in China-ASEAN economic cooperation.”<sup>36</sup> On several occasions afterwards, such as at the 2007 China-ASEAN Summit, Premier Wen reiterated the idea of exploring the feasibility of PBG Economic Cooperation. President Hu Jintao, who also attached importance to PBG Cooperation, claimed that “we should take the great opportunity brought by the promotion of PBG Cooperation and the establishment of Yangpu Bonded Zone” in April 2008 when he visited Hainan Province.<sup>37</sup>

The concept of PBG Cooperation has gained positive responses from the leaders of ASEAN states. Prime Minister Lee Hsien Loong of Singapore believed that the sub-regional economic cooperation concept of “One Axis and Two Wings” is of great strategic significance to promoting China-ASEAN relations. He expressed that Singapore fully supports and will make efforts to contribute to the implementation of the strategies for “One Axis and Two Wings”, and play a greater role in promoting regional economic cooperation.<sup>38</sup> Prime Minister Hun Sen of Cambodia held that the new concept of “One Axis and Two Wings” sub-regional economic cooperation is helpful to the exchanges and cooperation between Guangxi, Yunnan of China and the ASEAN countries.<sup>39</sup> Prime Minister Surayud Chulanot of Thailand stated that Thailand was willing to work with Guangxi to build a two-way international passageway by land, sea and air, and to lay a solid foundation for the expanded economic and trade relations between the two sides.<sup>40</sup>

In May 2007 and April 2008, the Government Delegation of Guangxi paid official visits to some ASEAN countries (Vietnam, Indonesia, the Philippines, Malaysia, Singapore, Cambodia and Brunei Darussalam), during which the leaders of these countries, the Secretary-General of ASEAN Secretariat and the delegation exchanged extensively views regarding PBG Cooperation. All re-affirmed their assent and support for PBG Cooperation.

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<sup>36</sup> Retrieved from Xinhua News Agency on 31 October 2006.

<sup>37</sup> Retrieved from Xinhua News Agency on 10 April 2008.

<sup>38</sup> Retrieved from Xinhua News Agency, Guangxi Channel, 10 November 2006.

<sup>39</sup> Retrieved from *Guangxi Daily* on 2 November 2006.

<sup>40</sup> Retrieved from Renmin Net 2006.

Secretary-general Nong Duc Manh of the Vietnam Communist Party greatly appreciated the new concept of “One Axis and Two Wings”.<sup>41</sup> Premier Nguyen Tan Dung of Vietnam expressed his support for “One Axis and Two Wings” while promoting the cooperation of “Two Corridors and One Circle”.<sup>42</sup> President Susilo of Indonesia was optimistic about Indonesia-Guangxi cooperation, and is in full support of PBG Cooperation.<sup>43</sup> President Arroyo of the Philippines supported PBG cooperation, the establishment of a transnational expert panel for PBG Cooperation and future sessions of China-ASEAN Expo. Moreover, Guangxi Delegation and the National Economic and Development Authority (NEDA) of the Philippines signed on the minutes of their talks on economic cooperation.<sup>44</sup> Secretary-general Ong Keng Yong of the ASEAN Secretariat said that the idea of PBG Cooperation heartened the ASEAN countries and that the ASEAN Secretariat would coordinate the parties concerned to set up a special expert panel and help to make future sessions of China-ASEAN Expo even more successful.<sup>45</sup>

### **Pan Beibu Gulf: Potential for China-ASEAN Cooperation**

While the Beibu Gulf has in recent years made fair developmental achievements, it is by no means measurable to the promise of its geographical location, resource endowment and environment. This area has the potential to develop into a hub of transportation, a platform for exchanges and cooperation, and a new economic growth pole. It can play an important role on China’s economic map and in its opening to the outside world. This area will surely contribute greatly to regional stability, peace and prosperity.

### ***Becoming the Transportation Hub for China and ASEAN***

As far as geographical location and environmental conditions are concerned, the Beibu Gulf has all the chances of being developed into a transportation hub, be it by water, land or air. This will certainly promote more exchanges and cooperation between China and ASEAN.

Emphasis is to be put on developing Fangcheng Port, Qinzhou Port and Beihai Port in

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<sup>41</sup> Retrieved from *Guangxi Daily* on 14 May 2007.

<sup>42</sup> Retrieved from Xinhua News Agency China-ASEAN Net on 14 May 2007.

<sup>43</sup> Retrieved from *Nanning Daily* 16 May 2007.

<sup>44</sup> Retrieved from Xinhua News Agency on 21 May 2007.

<sup>45</sup> Retrieved from Xinhua News Agency on 18 May 2007.

the coastal area of Guangxi in China, as well as Hai Phong Port and Gailing Port on the north coast of Vietnam, so as to increase the volume of imports and exports in southwest and mid-west China, and the north of the Indochina peninsula.

The Nanning-Ha Noi-Ho Chi Minh-Phnom Penh-Bangkok-Kuala Lumpur-Singapore Railway, which is over 4,000 kilometres long, is under planning. This railway, when completed, will link the railway network of China in the north all the way to Singapore in the south, forming a rail artery along the west bank of the Pacific Ocean. Not only will it have great significance to tourism, it will also facilitate greater closer economic relationship between China and ASEAN as the major railway in China-ASEAN Free Trade Area.

A modern coastal railway along the west bank of the Beibu Gulf is also being planned. This railway starts from Leizhou Peninsula in Guangdong, passes Beihai, Qinzhou and Fangchenggang City in Guangxi, moves into Ha Long, Hai Phong and Thai Binh in Vietnam, meets the Nanning-Singapore Railway at Nam Dinh, then extends south-westward until Singapore, the south end of the Nanning-Singapore Railway.

There is a plan for a 3,000-kilometre-long Nanning-Ha Noi-Vientiane-Bangkok-Kuala Lumpur-Singapore Expressway. It is the most important land passage in the Nanning-Singapore Economic Corridor. The construction of this expressway will promote land transportation cooperation between the Pan-Pearl River Delta Economic Zone and the Mekong River Sub-region, and play an important and strategic role in the cooperation of China and ASEAN. Currently, only the sections in Vietnam and Laos of this expressway need to be expanded. It can be foreseen that this expressway will become the most important transportation passage from China to the Indochina peninsula.

An expressway along the shore of the Beibu Gulf is also planned. It starts from Leizhou Peninsula in Guangdong, goes westwards through Beihai, Qinzhou and Fangchenggang in Guangxi coastal area, and moves into Ha Long and Hai Phong in Vietnam. Currently, the section of the expressway in China has been completed while the 1,000-kilometre-long section from Dongxing (in China)-Mong Cai (in Vietnam)-Halong-Hai Phong-Thai Binh-Nam Dinh-Ninh Binh-Thanh Hoa-Vinh-Ha Tinh-Hue is in dire condition and needs upgrading.

Most flight routes from China to Southeast Asia pass through the Beibu Gulf. So focus should be placed on developing Nanning Airport (in China), Beihai Airport (in China), Ha Noi Airport (in Vietnam) and Hai Phong Airport (in Vietnam) into key airports connecting

Northeast Asia to Southeast Asia. This will provide convenience for businessmen and tourists from all over the world to visit the Beibu Gulf while encouraging Mainland Chinese to visit Southeast Asia, especially the Indochina peninsula.

### ***A New Political, Economic and Cultural Link between China and ASEAN***

With the PBG area being developed into a transportation hub, it can be further developed into a centre for logistic, commerce and trade, as transportation is a crucial pre-requisite for such development. Industrial cooperation between China and ASEAN will be promoted during the course of developing logistics and commerce. By receiving the industrial transfer from the Chinese mainland, the Pearl River Delta in particular, and combining the needs of the ASEAN countries for enhanced industrialization, the Beibu Gulf area could become a connection point for China-ASEAN technological and industrial cooperation. By promoting industrial cooperation between China and ASEAN, and vigorously developing R&D, the Beibu Gulf area will become an important processing and manufacturing base.

The yearly-held China-ASEAN Expo, co-sponsored by China and ASEAN with Nanning as the permanent venue, has been successfully held for four consecutive years. With new circumstances, the Expo will be able to fully exploit its geographical advantages to bring more political, economic and cultural exchanges between China and ASEAN to the Beibu Gulf area. In this way, the Beibu Gulf area will increasingly become a platform for political, economic and cultural exchanges between China and ASEAN.

With the rise of China and Vietnam, the advancement of China's strategy of southward opening and cooperation, and the establishment of the China-ASEAN Free Trade Area, the Beibu Gulf Area will continue its momentum of development. Cooperation will enhance exchanges, mutual investment and trade, and facilitate the free flow of commodities, services, capital and people. As the transportation hub of China and ASEAN, the Beibu Gulf area will become a regional logistic base, commercial base, manufacturing and processing base, and centre of information exchange. As far as its location and environment are concerned, this area aims to become an ideal human habitat, an important tourism destination and an R&D centre in East Asia.

The opening and development of the Beibu Gulf is not just the issue of cooperation between China and Vietnam, or simply an issue for China unilaterally. Its rise and

development will definitely contribute to the balanced development of the coastal area of China and Vietnam, to China-ASEAN cooperation, and even to the cooperation in the whole East Asia. It may become an important growth pole along the west coast of the Pacific. If the current developmental speed can be maintained, the economy of the Beibu Gulf area is expected to reach the medium development level of the world by 2020.<sup>46</sup>

### ***Contributing to Regional Stability, Peace and Prosperity***

*The Report to the Seventeenth National Congress of the Communist Party of China* pointed out that China must “unswervingly follow the path of peaceful development”, and that “all countries should join hands to help build a harmonious world of lasting peace and common prosperity”.<sup>50</sup> In China’s independent foreign policy, “the neighbouring countries are the most important”. Premier Wen Jiabao of the China State Council officially claimed at the East Asian Summit held in Indonesia in October 2004 that the diplomatic policy of creating an amicable, secure and prosperous neighbourhood is an important part of China’s strategy of peaceful development. The development and cooperation of the Beibu Gulf area is a good manifestation of this policy. According to Li, the proposed Pan-Beibu Gulf economic zone will essentially turn the South China Sea into an “internal lake” of this regional economic initiative. Li added: “With this kind of economic integration, if ultimately realized, together with the Chinese expressed willingness to accept a formal code of conduct and the intention to expand the joint development scheme, we can perhaps have some reason to be optimistic about the stability in the SCS at least in the near future.”<sup>47</sup>

### **Difficulties and Challenges Ahead**

#### ***Weak Foundation and Low Starting Point***

The Beibu Gulf area has been marginalized for many years and its economic development is

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<sup>46</sup> The Guangxi Beibu Gulf Economic Zone developmental plan aims that “by 2020, the regional GDP will be above national average and will represent around 45% of Guangxi’s economy”. Vietnam aims at industrialization by 2020.

<sup>47</sup> Speech by Dr. Li Mingjiang at the China-ASEAN 10 + 1 framework Pan Beibu Gulf Regional Cooperation International Seminar organized jointly by China Academy of Social Science and Guangxi Academy of Social Science, “Pan Beizhong Gulf Cooperation and Regional Security: Focusing on Hainan”, December 2007. Also published in “Around Southeast Asia”, first issue of 2008.

still backward in comparison with other coastal areas of China. Leizhou Peninsula of Guangdong is third class in terms of development while Guangxi's Beibu Gulf Economic Zone also belongs to the area with backward industry and medium-low industrial growth in Guangxi. The leading industries in this area are primarily foodstuff (especially sugar refinery), building materials and chemical industry. The coastal industries such as the petrochemical industry, forest-pulp-paper industry, and cereals and oils processing are still in the developing stage. In 2006, the GDP of Guangxi Beibu Gulf Economic Zone (including the four cities, Nanning, Qinzhou, Beihai and Fangchenggang) was 143.8 billion RMB, or 30% of the total amount of Guangxi. The fiscal revenue was 17.12 billion RMB, 29% of the total in Guangxi.<sup>48</sup> North Vietnam's development falls behind South Vietnam.

There is not yet a leading city at the world or regional level within a distance of about 100 kilometres along the Beibu Gulf coast. Nor is there a strong and competitive industrial cluster of adequate size that has pillar industries. The level of industrialization, urbanization and modern service industry in the region is still quite low.

GDP of the Beibu Gulf region, 2007

	GDP (billion USD)	GDP per capita (USD)
China	3,378	2,500
#Guangdong	420	4,481
Hainan	17	2,000
Guangxi	80	1,700
##Nanning	15	1,900
Beihai	3	2,400
Qinzhou	4	1,811
Fangchenggang	2	2,600
Vietnam	71	835

Human resources and capital are crucial for developments. Due to relative late development, however, the Beibu Gulf area faces a problem of capital and human resource outflow. In contrast, the nearby Pearl River Delta, which is more economically developed

<sup>48</sup> Huang Xiaoqing, "Pan Beibu Gulf Cooperation Core – The Rise of Guangxi Beibu Gulf Economic Zone", in *Pan Beibu Gulf Cooperation Development Report*, edited by Gu Xiaosong, Beijing, Social Science Academic Press, 2007.

and hence has more job opportunities, is attracting lots of people. So far, there is not yet a key national university or a big international bank consortium in the Beibu Gulf area. This is disadvantageous to cooperation and development.

The transportation infrastructure in the Beibu Gulf area is developed to a certain extent but its business development, management and services are still lagging behind. The transportation charges of coastal railroads are too high. There are very few flight routes and scheduled flights from Nanning and Beihai airports to the neighbouring countries and regions. The harbour wharf structure is problematic; there are too few public wharfs but many cargo owners and special-purpose wharfs and the loading and unloading efficiency is not high. Professionals in e-commerce, electronic inspection system of containers, and international operation and management are needed for port management and technology. Relevant statistics show that, at present, 50% of imported and exported cargo in Southwest China make their entry and exit through Zhanjiang Port, in which 70% of iron ore needed by Southwest China are delivered via this port<sup>49</sup>.

The economic hinterland of the Beibu Gulf is mainly the southwest of China (an area that includes Yunnan, Guizhou, Chongqing and Sichuan) and the northern part of the Indochina Peninsula (the north area of Vietnam, Laos, Thailand and so on). They are all economically underdeveloped areas where industrialization is still at an initial stage and modern agriculture is not yet developed. The area does not have many commodities to export or the ability to accept many imported commodities. Therefore, cargo going through the Beibu Gulf harbours is basically primary product. A low import volume is disadvantageous to industrialization, urbanization and development of harbour economy in the coastal areas.

### ***From Consensus to Active International Participation***

Regional economic cooperation is a multilateral cooperation involving more than two parties. It takes time for the parties concerned to understand the cooperation concept, communicate and consult with each other, and finally be determined to promote cooperation. This is even truer in the case of international economic cooperation where the parties need to discuss about the benefits they can get before they can make up their minds. Therefore, it takes a

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<sup>49</sup> Ibid.

period of time from the proposal of the experts, to the approval of the government leaders, to the consensus of different countries and to the conclusion of agreements in the end.

The Beibu Gulf regional economic cooperation, as a mode of sub-regional economic cooperation, involves only several provinces of China and some of the ASEAN countries. Therefore, it will take more time for them to consult. It has been nearly four years since Vietnam put forward the idea of “Two Corridors and One Circle” cooperation, which includes the Beibu Gulf area. The parties concerned all agree that this region has a very advantageous location and that they should promote win-win economic cooperation. Many leaders of the central governments and local governments have proposed cooperation concepts and many experts have advanced some suggestions or even planned the specific fields and programmes of cooperation. We may say that there is a consensus for cooperation but the actual promotion of the cooperation needs to be further looked into.

### ***China Must Make More Effort***

A successful development of the Beibu Gulf is dependent on cooperation and efforts of all parties. The support of the central government and the enthusiasm and initiative of the regional governments of China, especially the Guangxi Government, are needed. Internationally speaking, we need committed coordination from the ASEAN countries, especially from Vietnam, as well as the participation of many other countries and regions.

The opening, cooperation and development of the Beibu Gulf area will have a bearing on the development layout of this region and China’s foreign policy on its neighbouring countries. As a result, China has attached special importance and made positive efforts to the opening, cooperation and development of this region. But obviously, the Chinese central government needs to make more effort.

As early as the 1990s, China started to build the Beibu Gulf area as a major passageway of Southwest China to the sea, and constructed some major projects such as the Nanning-Kunming railway and Fangcheng Port. Since the beginning of the new century, China has actively promoted the southward opening and cooperation, tried to make this region the forefront for China to go to ASEAN, and held the China-ASEAN Expo yearly in Nanning. China recently approved the Guangxi Beibu Gulf Economic Zone Development Scheme, which clearly defined this region as an important zone for international economic cooperation,

and upgraded the status of the opening and development of the Guangxi Beibu Economic Zone to national strategic level.

However, due to historical reasons, the Beibu Gulf area has been lagging behind for many years with a weak foundation and low starting point. The central government, therefore, needs to give a more powerful push to this region, especially in funding, projects arrangement, introduction of talents and opening policies to help the region cultivate the capacity for benign development and lay a good foundation for opening and cooperation. At the same time, under the framework of China-ASEAN cooperation, we should define the PBG marine economic cooperation as a sub-regional economic cooperation between China and ASEAN, just like the Greater Mekong Sub-region Economic Cooperation, establish cooperation mechanisms, including leaders' summits and ministerial meetings, in order to promote cooperation effectively.

Guangxi, as the strong pushing hand behind this grand regional economic project, has to take a lead role and accelerate its own development. In the opening, cooperation and development of the Beibu Gulf area, Guangxi has outstanding geographical advantages and important strategic status. Located at the junction of the South China Economic Circle, Southwest China Economic Circle and ASEAN Economic Circle, Guangxi is one of the two provinces of China participating in the GMS cooperation, and is an important pole in the Nanning-Singapore Economic Corridor. Guangxi is to be built into an important hub of water, land and air transportation between China and ASEAN, a regional base of logistics, commerce, processing and manufacturing, a centre for information exchange, as well as an important zone for international economic cooperation between China and ASEAN. It has attracted the concern and support of the central government and has been favoured by ASEAN countries. The key is to have a clear understanding, select a best breakthrough point and pool all resources in Guangxi to realize a rapid development.

### ***A Strategic Decision by ASEAN Countries***

Decision makers involved in this sub-regional economic integration also need to understand how to prioritize their attention and usage of resources. The foundation of a building is the determinant of its height and the foundation of a road is the determinant of its length. Transportation, talent pool, high standard plans for projects and such are important elements

of the Beibu Gulf's foundation. In particular, we should give prominence to develop it into the transportation hub for China and ASEAN so that it becomes the logistic centre, in which the coastal ports, the non-stop railway and highway through China and ASEAN are the key. We should construct the coastal ports as the main maritime gateway for the exchange between China's western region and the world, build the non-stop railway from Nanning to Hanoi, the high-speed suburban railway from Nanning to Qinzhou, the coastal high-speed expressway and the railway from Beihai to Haiphong, construct the urban cluster of Nanning-Hanoi (Haiphong)-Qinzhou (Beihai).

The Strategic International Economic Cooperation Zone requires the utilization of both domestic and foreign resources and markets, especially those of China and ASEAN, to facilitate the transfer of industries from East China and create industrial contact for China-ASEAN cooperation. We must implement some major projects and create industrial clusters. We should take the measures such as building bonded areas to support building the industrial zone such as the Dongxing Rubber Industrial Zone, which can fully utilize the resources and markets of China and ASEAN.

We should prominently upgrade the China-ASEAN Expo and build a centre of information exchange for China-ASEAN. We should increase the investment and upgrading of China-ASEAN Strategic and Southeast Asian languages research, strengthen non-governmental exchanges between China and ASEAN, and strengthen the foundation of the Beibu Gulf area as a platform for the exchanges and cooperation of the political, economic and cultural between China and ASEAN.

In the long run, the Beibu Gulf must develop its own unique competitiveness and not blindly follow others. There must be creativity and innovation and not mere production. We should build an industrial or technological park similar to Taiwan's Xinzhu Industrial Zone of Science and Technology, or Suzhou Industrial Zone. While we should aim at implementing major projects, the more important emphasis should be placed on prolonging the industrial chain to form research and development industrial clusters. We should utilize Guangxi's vast resources to meet the international market's demand by producing products such as bio-fuel, organic medicine and health supplement products.

The most attractive and most competitive element of the Beibu Gulf area is its beautiful ecological environment, which has remained unpolluted. From the perspective of sustainable development, we should learn from the experience of Singapore's cooperation with Tianjin,

and even to cooperate with Singapore to build an ecological city in South China. We should absorb the industrial shift from East China selectively with greenery and high technology as the basic standard. By building an ecological city between the nature reserve zone and the industrial zone, we can both house the industrial labour and attract high income earners from all over China with the city's excellent environment.

### ***Cooperation between China and Vietnam: 1 + 1 > 2***

Historical records since the Qin Dynasty (second century B.C.) have showed that the areas in the Beibu Gulf prosper and decline together. One of the main reasons why the Beibu Gulf area has been lagging behind the other coastal areas in China is the Vietnamese anti-France War and the subsequent Vietnam War. There is little doubt that with the support of the central government, China can accelerate the development of the Beibu Gulf. However, if China can join hands with Vietnam, the two of which are connected both by sea and by land, the effect of  $1 + 1 > 2$  will be achieved. There is already a strong foundation of project cooperation between the two states. As long as both states resolve their bureaucratic issues and continue with their opening policy to each other, significant economic benefit can be reaped without intensive investment. For example, Nanning, China, is only 300 kilometres away from Hanoi, Vietnam, with an existing railway. However, the train operates only twice a week and there is great inconvenience in transferring at the border, hence delaying the travel time over such a short distance to almost an entire day. Most travellers therefore prefer buses over the train. If the two sides agree to open the Hanoi-Nanning through train, just like the one from Guangzhou to Kowloon,<sup>50</sup> all the vehicles can go directly to these two economic centres within two or three hours, and exit and entry procedures are completed in Hanoi or Nanning.

In this way, transportation time and trade costs can be reduced and it will be more efficient for businessmen and tourists going back and forth. Some experts reckon that Guangxi receives more than 80 million tourists from outside every year. If transportation between Nanning and Hanoi is more convenient, 10% of the tourists may go farther, to Vietnam. That means Vietnam may receive eight million travellers, nearly 20 times the

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<sup>50</sup> The Guangzhou Kowloon railway starts from Guangzhou of Guangdong and ends at Kowloon of Hong Kong, a total length of 183 kilometres. The Guangzhou administration simplified custom procedures for passenger convenience.

number of Chinese travellers Vietnam is receiving at present. If each person spends 1,500 RMB, it will amount to 12 billion RMB in total. Similarly, the Vietnamese side also has a considerable amount of domestic and foreign tourists, and tens of millions of domestic consumers<sup>51</sup> and there are many tourists from countries south of Vietnam, such as Laos, Cambodia, Myanmar and Thailand, who are willing to travel to Guangxi and other parts of China. Such cooperation can bring unimaginable economic returns. Moreover, if there is an express railway from Nanning to Hanoi, this area would become a dual-core city agglomeration of China and ASEAN, which will promote local development, enhance the status of this area, and promote the exchanges and cooperation between China and ASEAN.

Vietnam and Guangxi are geographically similar. If Guangxi is the bridgehead of China in its opening to and cooperation with ASEAN, then Vietnam is also the bridgehead of ASEAN to China. Consequently, there is a huge potential of cooperation between Guangxi and Vietnam. As long as there are convenient transport links between Guangxi and Vietnam, with customs clearance facilitation, this area will become a transport hub and logistics centre of China and ASEAN, a platform for exchanges and cooperation between China and ASEAN, and the industrial connection points of China and ASEAN.

Vietnam has envisaged the concept of building the “Two Corridors and One Circle”, which can be a starting point for China-Vietnam cooperation. In fact, the construction of “Two Corridors and One Circle” and the “One Axis and Two Wings” proposed by the Chinese side complement each other. In particular, the Beibu Gulf economic circle is the starting point and keystone of the Pan-Beibu Gulf economic cooperation, which is the extension of the former. China and Vietnam can strengthen the sub-regional cooperation with “Two Corridors and One Circle” as its focus and “One Axis and Two Wings” as its extension to construct the core of comprehensive regional economic cooperation between China and ASEAN.

### ***Activism of More Developed ASEAN Countries***

The expansion of economic cooperation in the Beibu Gulf to that of Pan-Beibu Gulf area requires the participation of the other ASEAN countries like Thailand, Malaysia, Singapore, Brunei, Indonesia and the Philippines. These countries have their unique advantages. For instance, Singapore has two major advantages. Firstly, it has superior geographical location.

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<sup>51</sup> This is the number of domestic tourists in 2007. The number of international tourists is 4.23 million.

Singapore, located at the southern tip of the Indochina peninsula, clutching the throat of two oceans and two continents, is a regional and global transportation hub. It is also the southern tip of the Nanning-Singapore Economic Corridor in the “One Axis and Two Wings” cooperation between China and ASEAN. Secondly, Singapore is economically developed. Singapore, a country with the highest level of economic development in the region, has capital resources, advanced science and technology, and managerial expertise, all of which can make up for what is lacking in China’s coastal area.

The weakness of Singapore lies in its small size and economic hinterland. However, if Singapore takes part in regional economic cooperation in the neighbourhood of the Beibu Gulf, it can also use South China and the Indochina peninsula as its economic hinterland, thus expanding its own economic arena. If Singapore can promote the development of this region, it will enjoy a freer and more harmonious micro-environment for development. Singapore can participate in the cooperation in three aspects.

The first is port cooperation on the sea. By linking the ports around the Beibu Gulf with the Singapore’s port, a transportation route from West China to Singapore to the other parts of the world can be formed. It will be very beneficial to both sides to use the ready-made network and the advanced expertise of Singapore’s port.

The second is to actively promote and participate in the construction of the Nanning-Singapore Economic Corridor. The corridor is located along the west coast of the Pacific, where the Pan-Beibu Gulf economic cooperation zone is situated. The corridor runs through seven countries (China, Vietnam, Laos, Cambodia, Thailand, Malaysia and Singapore), and links eight big cities (Nanning, Hanoi, Vientiane, Ho Chi Minh City, Phnom Penh, Bangkok, Kuala Lumpur and Singapore). If extended eastward or northward, it can even connect with a broader area of China, thus forming a bigger regional economic body. This corridor is an important international gateway linking the two economic blocs of China and ASEAN, functioning as an international transportation passage, a regional economic growth pole and an economic powerhouse.

Located at the southern tip of the Malay Peninsula, Singapore is the locomotive of the corridor and the traffic hub in the south of the corridor. With big cities such as Hanoi, Vientiane, Phnom Penh, Bangkok and Kuala Lumpur as props, the small and medium-sized cities as nodes, railways and highways as carriers and bonds, the flow of people, logistics, information and capital as the basis, there can be cooperation in regional investment and trade

as well as in industry, agriculture, tourism, transportation and service industry, set up industrial clusters, town systems, port systems and border economic cooperation zones, promote the trans-regional and transnational flow of resources and production factors, and ultimately build a transnational economic corridor with economic complementarity, division of work and cooperation, well-developed transportation network, economic prosperity, common development and great vitality.

Third, the Beibu Gulf coastal areas can be developed into science and technology industrial parks and eco-cities. At present, the Beibu Gulf area has a low degree of urbanization, few industrial plants, a small population and a large expanse of wasteland. It is suitable for large-expanse development and construction of industrial parks and liveable ecological towns of about 100 to 200 square kilometres in size. Priority should be given to developing bio-medicine, healthcare products, bio-mass energy and ecological communities. Singapore has already had experiences in Suzhou and Tianjin in China. In addition, as an international financial centre with advanced technology and managerial expertise, Singapore would find it helpful to its overseas development to construct a couple of industrial parks and ecological towns in the Beibu Gulf area in the southernmost part of China, which also meets the need of China. Since the climate and ecological environment in this area is similar to that of Singapore, Singaporeans who encounter the problem of a large population and a small territory may even develop land and purchase houses here.

In addition, the participation of Thailand, which is a great economic power in the Indochina peninsula, is also very important. Its superiority lies in its location in the centre and the fork junction on the Indochina peninsula, i.e. Singapore and Malaysia in the south of Thailand, Myanmar and India to its northwest, Cambodia, Laos, Vietnam and South China to its northeast. The participation of Thailand as a key hub along the Nanning-Singapore Corridor will greatly promote the comprehensive cooperation of South China and the Indochina peninsula.

## **Conclusions**

As mentioned above, the Beibu Gulf is strategically located. During both the Han and Tang Dynasties, the Beibu Gulf prospered as the starting point of the Silk Road of the Sea, acting as the passageway of China to Southeast Asia, the Indian Ocean and even Africa. From the

Song Dynasty until the 1990s, however, the Beibu Gulf entered into a slumber and failed to live up to its location. Entering an economical integrative and regionalized twenty-first century, China proposes the concept of a “One Axis and Two Wings” regional economic cooperation between China and ASEAN, while Vietnam proposes a “Two Corridors and One Circle” cooperation between China and Vietnam. The Beibu Gulf is once again becoming the focus of regional cooperation between China and the ASEAN countries.

However, different countries may have different understanding about the potential of Beibu Gulf cooperation, and different judgment of how much benefit they can get. As a result, their degree of participation varies. Nonetheless, disregard of the difficulties and challenges, the prospect of cooperation and development is worthy of anticipation.

Among the parties involved in the development and cooperation, Guangxi of China has taken the initiative. After all, Guangxi, with its unique geographical location, has the potential and foundation to become China and ASEAN’s transportation hub. With advantages in port resources and economic hinterland, Guangxi is the bridgehead for China’s opening to and cooperation with the ASEAN countries. It has been holding the yearly China-ASEAN Expo. The recently endorsed Guangxi Beibu Gulf Economic Zone Development Scheme by the State Council has defined this area as one of the most important zones of China for international economic cooperation, and supported the further regional economic cooperation in the PBG area. PBG cooperation has also gained positive responses from the ASEAN countries. In short, Guangxi is likely to rise up to become the core of opening and cooperation in the Beibu Gulf area.

Like Guangxi in China, Vietnam also has a very advantageous location as the bridgehead of ASEAN’s opening to and cooperation with China. It has proposed the concept of building “Two Corridors and One Circle” between China and Vietnam. If Vietnam and Guangxi can utilize their strategic location via joint effort to develop the region into a transportation hub, a logistics centre and industrial connection point for China and ASEAN, the cooperation between Guangxi and Vietnam would be  $1 + 1 > 2$ . Vietnam will benefit from the development of the Beibu Gulf as much as China.

The extension of the Beibu Gulf is the Pan-Beibu Gulf (i.e. the scope of the South China Sea). The close cooperation of the Pan-Beibu Gulf area will make the South China Sea an “inland lake” of China and ASEAN. Within the China-ASEAN “10 + 1” framework, apart from China and Vietnam, the related countries such as the Philippines, Brunei, Indonesia,

Malaysia, Singapore, Thailand and Cambodia can also take part in the Pan-Beibu Gulf cooperation to advance both marine and mainland cooperation, with marine cooperation focusing on port cooperation and marine finery while the latter emphasizes on the Nanning-Singapore Economic Corridor. In this manner, the China-ASEAN free trade zone will progress steadily and both China and ASEAN will benefit from sharing the growth opportunity. The region's economy is expected to reach a moderate level of development by 2020. The economic integration between China and ASEAN will promote the economic integration of East Asia, and even contribute to the development and prosperity of Asia and the world at large.

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