

# Pan-Beibu Gulf Economic Cooperation

—China's new initiative in cooperation with ASEAN<sup>1)</sup>—

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## Introduction

- I. China's diplomacy to ASEAN
  - II. Progress and Targets of Pan-Beibu Gulf Economic Cooperation and China's Intention
  - III. Vietnam's perspectives
  - IV. China's challenges
- Conclusion

Keywords: Beibu Gulf (Gulf of Tonkin), Guangxi Zhuang Autonomous Region, ASEAN-China Free Trade Agreement (ACFTA), Spratly Islands, East Asia Economic Community (EAEC)

## Introduction

A new sub-regional economic cooperation is emerging around Beibu Gulf (北部湾 in Chinese, Gulf of Tonkin in English), which is situated in south-east of China and its borders on Vietnam. This is a China's initiative to create coastal industrial areas making the most of its advantage in marine transport with neighboring countries such as Vietnam, Malaysia, Singapore, Indonesia, Philippines and Brunei.

In July 2006, People's Government of Guangxi Zhuang Autonomous Region (广西壮族自治区) held the Forum on Pan-Beibu Gulf Economic Cooperation in Nanning (南寧) and proposed the establishment of the Pan-Beibu Gulf Economic Cooperation.

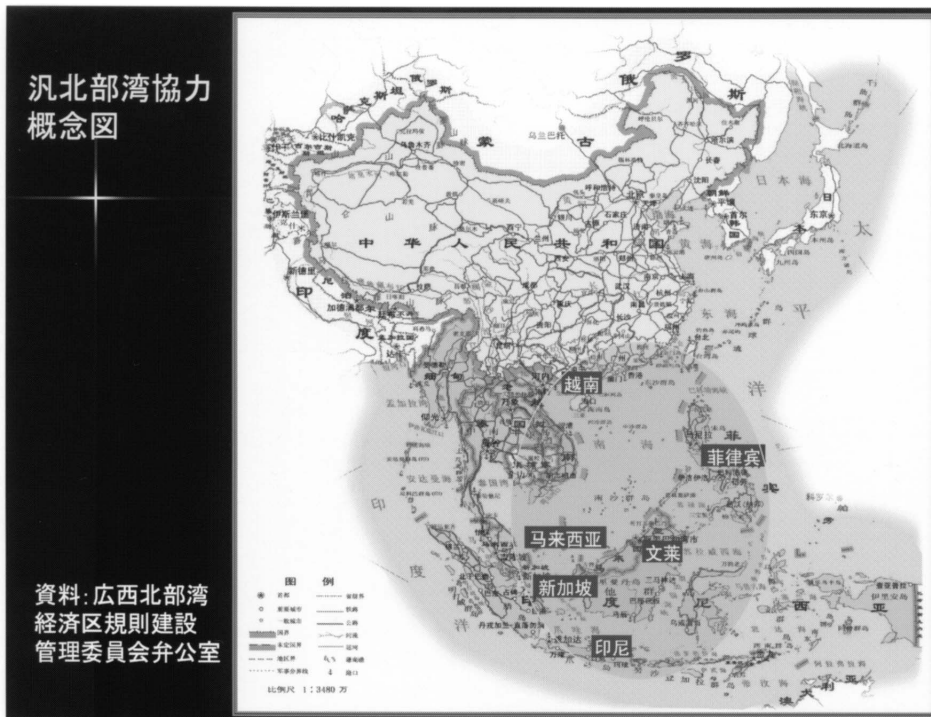
What exist behind this movement are the reconciliation and improvement in the relationship between China and ASEAN countries, especially with Vietnam. After China's invasion to Vietnam in 1979 the diplomatic relations between two countries has been disconnected. Nevertheless they achieved the normalization of the diplomatic relations in 1991 and agreed to define their borders around 2004 and 2005. At the same time the framework agreement on the oil and natural gas development in Beibu Gulf was signed and the joint development between China and Vietnam has started.

While Vietnamese wish to maintain good and stable relationship with China, they are rather prudent with Chinese proposals. Because they are concerned for overwhelming differences between two countries in population, industrial power and etc. They are also concerned for historical and security issues.

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1) This paper was based on the presentation made at Institute of Chinese Studies, Vietnamese Academy of Social Sciences, Hanoi, Vietnam on March 18, 2009.

Figure 1. Map of Pan-Beibu Gulf Economic Cooperation



In this paper, after describing the progress of Pan-Beibu Gulf Economic Cooperation in China's diplomatic framework to ASEAN, the contents of the targets and the strategic aims of this initiative are examined. Then the reaction and the perspectives of Vietnam to this China's initiative are overviewed. Finally China's challenges for pushing ahead the initiative are analyzed.

### I. China's diplomacy to ASEAN

Since July 1991 when Foreign Minister Qian Qichen (錢其琛) of China attended ASEAN Foreign Minister's meeting as an observer, China started the diplomatic relations with ASEAN. At the same time China participated in ASEAN Regional Forum (ARF), which is the mechanism to guarantee the security dialogue in the region. When the first summit meeting of ASEAN+3 (Japan, China and South Korea) in Kuala Lumpur in December 1997, the first summit meeting between China and ASEAN was also held and "Joint Declaration of ASEAN and China on Good-Neighbor and Friendship Partnership toward 21st Century" was signed.

After 2000 the China-ASEAN relationship has rapidly been closed and enlarged. In November 2002 "the Framework Agreement on Comprehensive Economic Co-operation" was signed. This agreement prescribes the comprehensive economic cooperation between China and ASEAN under the framework of ASEAN-China Free Trade Agreement (ACFTA). Good-Neighbor and Friendship Partnership Declaration of 1997 was progressed in October 2003 to

“Joint Declaration of ASEAN and China on Strategic Partnership for Peace and Prosperity”, which declares the China-ASEAN comprehensive cooperation in politics, security, economy, society and international relations in Asian Region.

Under the framework of ACFTA and Strategic Partnership Agreement, China enhanced the momentum of the regional cooperation by organizing every year in Nanning China-ASEAN Trade Fair and China-ASEAN Business & Investment Summit. Then they came to propose the Pan-Beibu Gulf Economic Cooperation at the Forum on Pan-Beibu Gulf Economic Cooperation in Nanning in July 2006.

## II. Progress and Targets of Pan-Beibu Gulf Economic Cooperation and China’s Intention

### 1. Progress of Pan-Beibu Gulf Economic Cooperation

Beibu Gulf is water surrounded by coastal area of Guangxi Zhuang Autonomous Region (广西壮族自治区), Peninsular of Leizhou (雷州半島), West of Hainan Island (海南島) and coastal area of north-east of Vietnam, with the total area of around 130,000 km<sup>2</sup>. The Pan-Beibu Gulf Economic Cooperation is an initiative pivoting Beibu Gulf to promote economic cooperation among seven countries such as China, Vietnam, Malaysia, Singapore, Indonesia, Philippines and Brunei.

On July 20 and 21, 2006 People’s Government of Guangxi Zhuang Autonomous Region held the Forum on Pan-Beibu Gulf Economic Cooperation in Nanning co-sponsored by some China’s central government offices and Asian Development Bank. The participant countries mentioned above, according to the organizer, discussed on the possible cooperation in creating a new pole of development in China-ASEAN framework and agreed to use this opportunity for study, exchange and publicity of the cooperation. They also agreed to hold the Forum once a year afterward.

The second Forum was held also in Nanning on July 26 and 27 under the theme of “Co-build a New China-ASEAN Growth Pole—New Platform, New Opportunities & New Development”. The Director of China National Tourism Bureau declared positive policies to promote the cooperation and to announce the idea that tourist industry shall be the center of the cooperation.

On the other hand, the China’s National Council ratified “Guangxi Beibu Gulf Economic Zone Development Scheme (2006—2020)” and officially positioned Guangxi Beibu Gulf in the Chinese National Development Strategy. The Scheme said 1) Beibu Gulf Economic Zone (BGEZ) is located in the conjuncture of South China Economic Circle, Southwest China Economic Circle and ASEAN Economic Circle. 2) It is the only coastal area that is included in the Western Development Program of Chinese central government. 3) BGEZ is the only important international economic cooperation zone in China.

On July 30-31, 2008 the 3<sup>rd</sup> Forum was held in Beihai (北海), Guangxi Zhuang Autonomous Region under the theme “Co-build a New China-ASEAN Growth Pole—Communication, Cooperation, and Prosperity”. The forum covered the topics as follows; 1) Pan-Beibu Gulf Economic Cooperation in the context of unbalanced and uncertain world economy; 2) Priority difficulty and trend of Pan-Beibu Gulf sub-regional cooperation; and 3) Opening and development of Guangxi BGEZ & Pan-Beibu Gulf Economic Cooperation.

According to the organizer, 2008 Forum has some significance including<sup>2)</sup>; 1) Participation of

two new joint-sponsors such as National Development and Reform Commission and Government of Hainan Province. 2) Beihai City firstly hosted the Forum. 3) 1<sup>st</sup> Working Session of Pan-Beibu Gulf Economic Cooperation Expert Panel was held.

It seems that the participation of National Development and Reform Commission is the result of the approval of Guangxi BGEZ as a national project. Participation of Hainan Government is more important because Hainan Province is an integral part of Beibu Gulf. The absence of Hainan for the 1<sup>st</sup> and 2<sup>nd</sup> forum seems rather strange. It is reported that they discussed how to cooperate in Pan-Beibu Gulf under the opaque economic environment after sub-prime loan crisis in USA and they agreed as follows<sup>3)</sup>;

1. Pan-Beibu Gulf Economic Cooperation would play an important role in future of speeding up the construction of China-ASEAN free trade area, integrate the economy and promote social and economic development in the countries involved.
2. To enhance exchange and coordination and include the new Pan-Beibu Gulf sub-regional cooperation in the framework of the construction of China-ASEAN free trade area.
3. Pan-Beibu Gulf Economic Cooperation would be a supplement of the existing sub-regional cooperation mechanism, such as the Great Mekong River Sub-regional Cooperation.

They also discussed the work plan of the Joint Expert Group and the feasibility study outline of Pan-Beibu Gulf Economic Cooperation.

In January 2009, Guangxi Zhuang Autonomous Region released the “Policies and Regulations on Promoting the Opening-up and Development of the Guangxi BGEZ”<sup>4)</sup>. Preferential policies were issued in seven major categories including as follows;

1. Industry; the government reward funds will offer rewards to major industrial projects.
2. Taxes; additional tax exempt will be applied from 2008 to 2010 to enterprises which have already enjoyed preferential tax policies.
3. Land use; major industry projects that are in line with national policies on industry, environment protection requirements and land supply policies will be prioritized in the annual land-use plan.
4. International economic cooperation and foreign trade; the Policies and Regulations permit foreign funded enterprises to expand their business scope and conduct cross-industry operations.

## 2. Targets of Pan-Beibu Gulf Economic Cooperation

According to China’s official Website, the targets of Pan-Beibu Gulf Economic Cooperation are described in short and long ones<sup>5)</sup>;

The short-term targets for 5 years (2006~2011) are;

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- 2) Nine Highlights of the Pan Beibu Gulf Economic Development and Cooperation Forum; <http://english.nanning.gov.cn/n725531/n751804/n752421/n1556201/2424244.html>, 2009/02/03
  - 3) Summary of 2008 Forum on Pan Beibu Gulf Economic Cooperation, <http://english.nanning.gov.cn/n725531/n751804/n752421/n1556201/2546895.html>, 2009/02/03
  - 4) Guangxi issues seven preferential policies for Beibu Gulf, <http://English.peopledaily.com.cn/90001/90776/90884/6572435.html>, 2009/02/03
  - 5) [http://japanese.china.org.cn/business/node\\_7025998.htm](http://japanese.china.org.cn/business/node_7025998.htm), 2009/02/03, which is translated into English

- 1) To build the regional cooperation mechanism and the platform, which are efficiently and influentially managed.
- 2) To aim to establish the basic networks of land, maritime and air traffic between China and ASEAN by improving the traffic infrastructure.
- 3) To make human traffic and trade of goods convenient between China and ASEAN.
- 4) To make efforts for establishing a mechanism in forming Beibu Gulf Economic Zone, and for getting remarkable progress and outstanding results in some concretized cooperation projects between China and Vietnam
- 5) To aim to complete a basic tourism zone in Pan-Beibu Gulf.
- 6) To plan to prior develop the Guangxi BGEZ.

The long term-targets for 10 to 20 years (2016~2026) are;

- 1) To aim to build the regional three dimensional traffic network with well-equipped land, maritime and air traffic infrastructure.
- 2) To aim to build the Pan-Beibu Gulf Port League, which has a well-developed merchant service, a good role sharing and cooperation.
- 3) To aim to build the relatively developed Pan-Beibu Gulf Tourism Zone.
- 4) To aim to build the pro-ecologic region in which the maritime resources and ecologic environment are efficiently protected, and the harmony between economy, society and natural environment are kept and sustainable development is viable.
- 5) To aim to build the logistic base, trade base, processing manufacturing base and information center for Pan-Beibu Gulf Economic Cooperation in Guangxi BGEZ.
- 6) To aim to build the harmonious, reciprocal and highly unified Pan-Beibu Economic Community and to establish a newly economic growth zone in the West bank of the Pacific Ocean.

### 3. China's Intention

China's intention of this initiative can be described as follows; First of all, China as well as Guangxi Region wishes to develop coastal area of Beibu Gulf by economic cooperation with neighboring regions and countries.

Secondly, development of Guangxi can promote Western Development of China through the fact that Guangxi is the only region which has ocean ports. Development of ports in Beibu Gulf and transport infrastructure to the ports from Chongqing or Kunming facilitate the export of products in these inner western regions.

Thirdly, this initiative serves as a platform for ASEAN-China Free Trade Area (ACFTA). China has been seeking to strengthen political and economic relationship with ASEAN countries. In economic field, it is agreed between ASEAN and China that ACFTA shall be formed by 2010 (by 2015 for Indochina countries) through abolishing customs duty. China expects to facilitate its export and investment much more. Pan—Beibu Gulf area is the place where the agreement shall be applied and its benefit shall be enjoyed.

Fourthly, Pan-Beibu Gulf Economic Cooperation is an initiative with ASEAN where China can have a leadership. Greater Mekong Subregion (GMS) cooperation is another means for China to work with ASEAN. Nevertheless GMS is lead by Asian Development Bank and China

can play the role as one participating country. China expects to create the relationship with ASEAN in its own way by Pan-Beibu Gulf Economic Cooperation.

Fifthly, China needs sources of energy and natural resources for its sustainable economic development. It is apparent that China looks for oil and mineral resources in ASEAN countries in Pan-Beibu Gulf Economic Cooperation.

Sixthly, China needs also a peaceful and friendly environment for its sustainable economic development. There still exist the disputes on sovereignty of South-China Sea, especially on Spratly Islands among China and ASEAN countries including Vietnam, the Philippines. China has been strengthening the navy to force its claim on the territorial issues. There continues to happen some collision in South-China Sea between Vietnam and China. So China expects to dissolve the perception "Threat of China" prevailing in ASEAN countries through Pan-Beibu Gulf Economic Cooperation.

Finally, China seems to try to establish East-Asia Economic Community (EAEC) by its initiative and leadership through Pan-Beibu Gulf Economic Cooperation. The basic structure of this community will be made of Chinese economic network between Chinese in China and pro-Chinese in ASEAN countries including overseas Chinese.

### III. Vietnam's perspectives

#### 1. Vietnam's reaction to China's initiative

After the normalization of diplomatic relations with China in November 1991, Mr. Le Kha Phieu, Secretary General of the Vietnamese Communist Party paid an official visit to China in February 1999. The two sides issued a joint declaration, in which they identified the 16-word principle, namely "Friendly neighborliness, comprehensive cooperation, long lasting stability and looking towards the future". Next year in 2000, Vietnamese President, Mr. Tran Duc Luong paid an official visit to China and signed "Agreement on Demarcation of Tonkin Gulf and Fisheries Cooperation".

As China accelerated to strengthen the relationship with ASEAN after 2000, the relationship between Vietnam and China has also rapidly been improved. Vietnamese Prime Minister Phan Van Khai visited China in May 2004, and proposed his counterpart Mr. Wen Jiabao (温家宝) the Vietnam-China bilateral economic cooperation plan, namely "Two Corridors and One Circle". These words represent two economic corridors, Kunming-Lao Cai-Ha Noi-Hai Phong-Quang Ninh and Nanning-Lang Son-Ha Noi-Hai Phong, and Beibu Gulf or Tonkin Gulf economic Circle. China agreed the Vietnamese proposal.

In July 2006, as described above, People's Government of Guangxi Zhuang Autonomous Region held the Forum on Pan-Beibu Gulf Economic Cooperation in Nanning and made a proposal to ASEAN countries including Vietnam of "One Axis and Two Wings". This is an initiative; 1) to develop one economic corridor Nanning-Singapore, 2) to carry out Greater Mekong Sub-region (GMS) Cooperation, which is already in practice, and 3) to develop the Pan-Beibu Gulf Economic Cooperation, which is included in "Two Corridors and One Circle" plan agreed between Vietnam and China.

Then, the deference in priorities in economic development cooperation between Vietnam and China came to the surface. While China prioritizes the Nanning-Singapore economic corri-

dor, which links Pearl River delta Economic Circle to Southern sea island nations, Vietnam prefer the development of Kunming-Lao Cai-Ha Noi-Hai Phong-Quang Ninh economic corridor to Nanning-Singapore, because the economic development of Northern part of Vietnam is the urgent issue for Vietnam to be solved.

Vietnam's government has substantially moved forward from 2007 the agreement with China "Two Corridors and One Circle". The prime Minister approved "the Development Plan in Vietnam-China Bordering Area Towards 2020 (1151/QD-TTg, 30/08/07)". The purposes of this plan are to achieve social and economic development and to maintain national security in Lai Chau, Dien Bien, Lao Cai, Ha Giang, Cao Bang, Lang Son and Quang Ninh. And as the bordering area is the most strategic in terms of social economy and national security for Vietnam, the plan also aims to connect the bordering area with Hanoi and other northern major economic area and to strengthen their relationship.

Nevertheless, unfortunately in July 2007, a Vietnamese fishing boat, which was supposed in operation inside waters of Spratly islands (南沙諸島) effectively occupied by China, was shot by a Chinese ship. In November 2007, Vietnamese government protested against Chinese maneuvers operated in waters of Paracel Islands (西沙諸島). On the other hand Chinese Government approved the establishment of "San Sha City" (三沙市), which was made by merger among Spratly, Paracel and Chun Sha Islands in spite that Vietnam had been claiming the dominum of Spratly and Paracel islands<sup>6</sup>). Next month in December, about 300 Vietnamese who claimed these islands demonstrated in front of Chinese embassy in Hanoi. One week later, about 1000 Vietnamese people also demonstrated in Ho Chi Minh City.

To matters worse, in January 2008, Chinese government protested Vietnam that an armed Vietnamese boat shot around 10 Chinese fishing boats operating in Beibu Gulf.

By the series of these collisions, the momentum of cooperation with China was chilled in Vietnam.

After diplomatic efforts by two sides, Vietnamese President Non Duc Mainh paid a visit to China in May, 2008 and met Mr. Hu Jintao (胡錦濤), General Secretary of the Chinese Communist Party. They agreed to make efforts for stabilizing the situation (in South China Sea) and to maintain the dialog mechanism between two countries. They also agreed to advance the discussion towards the joint development (of submarine resources). Moreover, as an epoch-making outcome, they agreed to enhance the relationship between Vietnam and China to "Comprehensive and Strategic Partnership". In October 2008, Mr. Nguen Tan Dung, Prime Minister of Vietnam also paid a visit to China. He met his counterpart, Mr. Wen Jiabao and agreed to mutually instruct each governmental institution to execute promptly the cooperation scheme "Two Corridors and One Circle".

In December 2008, Vietnam and China celebrated together the completion of establishing about 2000 markers on land border between two countries, and the military bases on the border were removed at the same time.

Vietnam's government has moved further by approving "the Development Plan in New Economic Corridor Towards 2020 (98/2008/QD-TTg, 11/07/08)" in July 2008. While Plan

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6) In fact these islands are claimed by 6 countries and area including Vietnam and China.

2007 was just for the development of Vietnam's bordering area, the Plan 2008 is a full dress plan taking the idea of economic cooperation with China, especially the idea of "Two Corridors and One Circle" into consideration. This is to promote the Vietnam-China economic cooperation by making Two Corridors into the loop line crossing two countries. The general purposes of Plan 2008 are; 1) to construct a modern and complete economic corridor from Nanning to Lang Son, Hanoi, Hai Phong and Quang Ninh. 2) to create favorable and competitive investment conditions in economic development and development cooperation for two governments as well as for third party firms, 3) to burden the Economic Corridors important roles in economic and trade cooperation between two countries and important part in the line from Nanning to Quang Ninh.

Although the Vietnam's official plans for Pan-Beibu Gulf Economic Cooperation with China are enacted, it is not clear how to raise funds and how to recruit human resources for realization of the Vietnam's plan. Thus the construction of industrial infrastructures such as construction of highways from Hanoi to border cities with China moves rather slowly.

## 2. Vietnam's perspectives to China's initiative

Vietnam's perception to the China's initiatives is complex. There are arguments that China's initiative for Pan-Beibu Gulf Economic Cooperation shall be positively accepted. The first reason is that by taking China's economic development potential, Vietnam can promote its own development especially in the north of Vietnam which is left behind in comparison with other regions. The second reason is that, from the point of national security, the common economic zone "is to create a buffer zone between Vietnam and China in particular, between ASEAN and China in general"<sup>7)</sup>.

Nevertheless one of the most prominent economists in Vietnam, Dr. Le Van Sang expressed his views as follows. He explains that the aims of China's initiative "One Axis and Two Wings" are<sup>8)</sup>;

1. to establish a newly economic growth circle at the West bank of the Pacific Ocean taking the content of PBG Economic Cooperation to the ASEAN-China cooperation framework.
2. to make a stable situation at the border, in both land and sea, in the whole region, expanding new development space for China through the Great Mekong Sub-region, and through Indian Ocean accessing to the world market in order to develop the Southwest of China.
3. to bring substantially and effectively the ASEAN-China cooperation into effect as well as ensure China's energy security at South China Sea.

From this argument, he continues to make several notices as follows;

1. This initiative generated from imbedded demand from China's economy as it needs a new economic space for development and ensure its energy security.

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7) Luu Hgoc Trinh, *Tonkin Gulf Economic Circle with Building ASEAN-China Free Trade Area (ACFTA)*, ASEAN-CHINA COOPERATION IN THE NEW CONTEXT, Vietnam Academy of Social Sciences, Center for ASEAN and China studies, Encyclopaedia Publishing House, September 2008

8) Le Van Sang, *Vietnam-China: "Two Corridors, One Circle" Plan in the New Context*, pp. 228-230 ASEAN-CHINA COOPERATION IN THE NEW CONTEXT, Vietnam Academy of Social Sciences, Center for ASEAN and China studies, Encyclopaedia Publishing House, September 2008



Table 1. Transition of Vietnamese Trade with China (Unit : Million USD)

	2000	2001	2002	2003	2004	2005	2006	2007p	Inc. in 8 years
Export	1,536	n.a.	n.a.	1,883	2,899	3,228	3,243	3,357	218%
Import	1,401	n.a.	n.a.	3,139	4,595	5,900	7,391	12,502	892%
Total	2,937	n.a.	n.a.	5,022	7,494	9,128	10,634	15,859	540%

(Source: Statistical Yearbook, General Statistical Office, Vietnam, 2001-2008, p: provisional)

2. This new strategic initiative shows a new vision and being proactive in opening and integrating into the world.
3. Step by step bringing initiatives suitable with linking the Vietnam's initiative of "Two Corridors and One Circle" and ASEAN-China Free Trade Area.
4. The dream of a Great China economic rim can be realized with new development trends of the times. China has quickly seized this opportunity to expand its development space with "One Axis and Two Wings" strategy.
5. China has had enough resources for this strategy after 30 years of high economic growth. China should be able to call for its cities and provinces answering, especially those at the greater Pearl River area, to this strategy.

We can find in his comments some Vietnam's deep-rooted concerns about China's advance to the south.

Another prominent researcher of China studies in Vietnam, Dr. Do Tien Sam, expressed that some obstacles exist in cooperation with China, while the relationship between ASEAN and China has progressed significantly. He argues that regarding economic benefits, China and ASEAN4 (Vietnam, Laos, Cambodia and Myanmar) bilateral trade relations are unequal with major deficits and deficiencies. With regard to security, he continues to argue, that disputes and conflicts still happen between China and some ASEAN countries, it as "Mass of dark clouds", if it is not appropriately solved, it will negatively impact the relationship between both countries<sup>9)</sup>.

As for the trade deficit of Vietnam to China, Dr. Sam's argument is right. Table 1 shows that while Vietnam increased its export to China only 218% in 8 years (2000-2007), Vietnam increased its import from China 892% in the same period. By China's statistics in Table 2, the tendency is the same. While China increased its export to Vietnam 774%, China increased its import from Vietnam only 347% in the same period.

In addition to Vietnam, other ASEAN countries participating in Pan-Beibu Economic Cooperation, though having some range of difference, are also prudent after all. While the Chinese organizer declared as a great success of the 3<sup>rd</sup> Forum, it is reported that "despite a push by the Chinese to get ASEAN to reaffirm its commitment for Beibu Gulf, ASEAN deputy secretary-general Nichlas Tandi Dammen, who met Guangxi vice-governor Li Jinzao at the

9) Do Tien Sam, *ASEAN-China Cooperation and its Impacts on the Process of Building ASEAN Community*, ASEAN-CHINA COOPERATION IN THE NEW CONTEXT, Vietnam Academy of Social Sciences, Center for ASEAN and China studies, Encyclopaedia Publishing House, September 2008

Table 2. Transition of Chinese Trade with Vietnam (Unit: Million USD)

	2000	2001	2002	2003	2004	2005	2006	2007	Inc. in 8 years
Export	1,537	1,804	2,148	3,183	4,260	5,644	7,463	11,891	774%
Import	929	1,011	1,116	1,457	2,482	2,553	2,486	3,226	347%
Total	2,466	2,815	3,264	4,639	6,742	8,197	9,949	15,118	613%

(Source: China Statistical Yearbook, 2001-2008)

forum, said that ASEAN would remain low-profile in the position on the gulf cooperation as it was waiting for the ASEAN seven to make a decision on the matter.<sup>10)</sup> This shows that ASEAN 7 leave things as they are for now to see how they are going while expressing overall agreement to China.

#### IV. China's challenges

Although Pan-Beibu Gulf Economic Cooperation seems promising and that this cooperation will promote mutual economic benefits, not only for China but also for ASEAN countries, China has some challenges to overcome which are described below in order to push ahead the project.

Firstly, ASEAN countries concerned should be persuaded that Pan-Beibu Gulf Economic Cooperation is better positioned to implement ACFTA and Strategic Partnership Agreement with ASEAN. As for the implementation of these two goals, Pearl River delta Economic Circle has already opened to ASEAN. This economic circle already has better industrial infrastructure, larger industrial cluster and bigger accumulation of capital, technology and human resources. ASEAN countries, except Vietnam which shares border lines with China, do not see any specific reason after all to choose Beibu Gulf to promote economic cooperation with China. In other words, the question why Beibu Gulf is better than others should be answered.

Secondly, the cooperation mechanism among related Provinces in China should be established or be improved. Although Hainan Province has very important presence in Beibu Gulf, we do not see any big initiative from this Province. It is just from 2008 (3<sup>rd</sup> Forum) that they participated in the Pan-Beibu Gulf Economic Cooperation Forum. It is also strange from the ASEAN's point of view that Guangdong Province does not show in the initiative. For ASEAN countries it is much more natural to see the platform of ACFTA which is consisting of Guangxi, Hainan and Guangdong.

Thirdly, China should get more positive and active commitment from Vietnam. Vietnam's reluctance, as seen before, comes from two reasons. One is their fear of being disadvantageous through full scale opening to China. So Vietnam should be persuaded Pan-Beibu Gulf Economic Cooperation is really win-win scheme, not by words but by facts. Fortunately there is recently a good sign from China. They say; "Vietnam is at the forefront for ASEAN's opening to and cooperation with China. Only when these two forefronts cooperate well, can we succeed in

10) Tailor-made for ASEAN, thestar online, <http://thestar.com.my/columnists/story.asp?file=/2008/8/2/columnists/shanghaibund/2...>, 2009/02/03

China-ASEAN exchanges and cooperation. The two passages, namely, Guangxi-Lang Son-Hanoi and Guangxi-Quang Ninh- Hai Phon should be build first. The economic corridor from Nanning-Hanoi-Bangkok-Singapore should be build in a step-by-step manner.<sup>11)</sup> The other reason is related to the next point.

Fourthly, while China advocates eagerly the benefits of this regional economic cooperation, China is intensifying the tension in the other hand with ASEAN countries on territorial issues of South China Sea. The facts of building up aircraft carriers and reinforcement of strategic nuclear submarines in South China Sea sound contradictory with its message to ASEAN of establishing a peaceful and prosperous economic cooperation zone with neighboring countries. It is desirable for China to keep consistent approach to ASEAN in all fields and levels.

### Conclusion

Since Mr. Deng Xiaoping's Reform and Opening-up policy started in 1978, the Pearl River delta economic zone firstly emerged through the economic cooperation from Hong Kong. Capital, technology and human resources necessary for economic development had been built up for years before 1987 in Hong Kong, by Chinese businessmen who were exiled from mainland China after the Communist Party's assumption of power. They returned to South China especially in Guangdong Province after Reform and Opening-up policy and they advanced recently up to Yangtze River delta.

On the other hand, before and after the fall of Ching Dynasty in early 20<sup>th</sup> century, many poor Chinese farmers exiled from Guangdong, Hainan and Fujian Provinces to South East Asia, such as Singapore, Indonesia, Thailand and so on. They worked there firstly in the plantation or mines as laborers and saved money. Then they became to brokers, traders or moneylenders and succeeded in local societies. After World War II, they played a big role of economic development in South East Asian countries. Some of them also returned to China after implementation of Reform and Opening-up policy.

Pan-Beibu Gulf Economic Cooperation can be regarded as the great project of China which calls overseas Chinese in South East Asian countries to join the mutual economic development in the region. In some years, if this cooperation takes shape, Pan-Beibu Gulf and its surrounding areas might become Greater China Economic Circle. ASEAN countries including Vietnam shall prepare now how to engage with Greater China in the context of their own strategy for prosperous future.

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