The Development of the “Pan-Pearl River Delta Region” and the Interaction Between the Region and Taiwan

LIN, Yuh Jiun
Associate Research Fellow, Mainland China Division, CIER

This paper is divided into five sections: (1) The Background to the Emergence of the Pan-Pearl River Delta Region Concept; (2) The Scope of the Pan-Pearl River Delta Region and the Strategic Objectives Behind its Formation; (3) The Current State of Development of the Pan-Pearl River Delta Region and the Extent of Collaboration Between its Constituent Parts; (4) Investment and Trade Links Between the Pan-Pearl River Delta Region and Taiwan; (5) Conclusion.

1. The Background to the Emergence of the Pan-Pearl River Delta Region Concept

The “Pan-Pearl River Delta Region” concept was first proposed by Zhang Dejiang, Secretary of the CPC Committee of Guangdong Province, at the 2003 International Conference on the Economic Development of Guangdong Province. The proposal received a positive response from the provincial governments of Fujian, Jiangxi, Hunan, Guangxi, Hainan, Sichuan, Guizhou and Yunnan. When the plan was submitted to China’s central government, the central government decided that Hong Kong and Macao should be included in the regional grouping, leading to the adoption of the “9+2” structure (9 provinces plus 2 special administrative regions).

On June 3, 2004, the governments of the nine provinces and the two special administrative regions (Hong Kong and Macao) signed the Pan-Pearl River Delta Regional Co-operation Framework Agreement in Guangzhou.
2. The Scope of the Pan-Pearl River Delta Region and the Strategic Objectives Behind its Formation

(1) Scope

- The narrow definition of the Pearl River Delta region includes ten cities (of which the most important are Guangzhou, Shenzhen, Zhuhai, Dongguan, Zhongshan and Huizhou), with a population of just over 30 million, covering an area of 42,000 km².
- A broader definition of the Pearl River Delta region (the “Greater Pearl River Delta”) would also include the whole of Guangdong Province, plus Hong Kong and Macao.
- The “Pan-Pearl River Delta Region” includes nine provinces – Guangdong, Fujian, Jiangxi, Hunan, Guangxi, Hainan, Sichuan, Guizhou and Yunnan – plus two special administrative regions – Hong Kong and Macao – creating the regional structure that is sometimes referred to as “9+2”.

(2) The Importance of the Pan-Pearl River Delta Region and the Strategic Objectives Behind its Formation

- The Pan-Pearl River Delta Regional Co-operation project is the largest regional collaboration plan of its kind ever to be implemented in China.

The Pan-Pearl River Delta Region (excluding Hong Kong and Macao) has a total area of approximately 2 million km², accounting for roughly 21% of China’s total land area. The region’s population – 450 million people – represents 35% of China’s population, and the region’s GDP accounts for 40% of China’s total GDP.

- Economic performance superior to that of other regions.

During the period 2003 – 2005, while the economic performance of Hunan Province was slightly inferior to the national average in all three years, and the performance of Yunnan Province was inferior in 2003 and 2005, all of the other provinces making up the Pan-Pearl River Delta Region posted economic growth rates higher than China’s national average growth rate. The economic performance of Guangdong
Province and Jiangxi Province was particularly impressive.

- Advantageous geographical location that is conducive to balanced, well-coordinated regional economic development; promoting interaction with Hong Kong and Macao and the integration of the Chinese economy with AFTA.

  a. Geographical location:

  The Pan-Pearl River Delta Region will integrate central, eastern and western China, and also has the potential to contribute to the integration of the Chinese economy with the Association of South-East Asian Nations (ASEAN).

  b. Helping to achieve balanced, well-coordinated regional economic development:

  The Pan-Pearl River Delta Regional Co-operation Framework Agreement conforms to the Chinese government’s strategic objective of promoting economic linkages and interaction between eastern, central and western China, so that different regions can complement one another in a new era of coordinated development.

  c. Promoting interaction with Hong Kong and Macao and the integration of the Chinese economy with ASEAN:

  The formation of the Pan-Pearl River Delta Region will facilitate the implementation of the Closer Economic Partnership Arrangements (CEPA) between Hong Kong and the Central People’s Government of China and between Macao and the Central People’s Government. It will also speed up the process of integration between China, Japan and South Korea and the ASEAN member economies (the “10+3” arrangement).
3. The Current State of Development of the Pan-Pearl River Delta Region and the Extent of Collaboration Between its Constituent Parts

(1) The Model for Collaboration Between Government Authorities Within the 9+2 Framework

a. The holding of an annual Pan-Pearl River Delta Regional Co-operation Forum:

As of the end of July 2006, the Pan-Pearl River Delta Regional Co-operation Forum had been held on three occasions, in Guangdong, Sichuan and Yunnan.

b. Establishment of administrative coordination mechanisms to facilitate systematic collaboration within the 9+2 framework

c. Establishment of a system for arranging exchange visits between the heads of the local government authorities making up the Pan-Pearl River Delta Region.

(2) Speeding up the Process of Integration Within the 9+2 Framework

A series of collaborative agreements have been signed between the government departments of the provincial, autonomous region and special administrative region governments making up the Pan-Pearl River Delta Region with responsibility for customs administration, commercial affairs, industrial development, consumer protection, price supervision, intellectual property rights etc. Gradually, the collaborative mechanisms needed to create a unified “single market” within the Pan-Pearl River Delta Region have started to take shape. One objective of the Pan-Pearl River Delta Region project is to build a “Pan-Pearl River Delta Region Transportation Network” with the Guangdong – Hong Kong – Macao area as its hub.
(3) Development of “Internal / External Interaction” to Promote Integration with ASEAN


b. Participation by the Pan-Pearl River Delta Region in the Greater Mekong Sub-region collaboration mechanism.

c. Promotion of closer collaboration and interaction between the Pan-Pearl River Delta Region and ASEAN in the areas of investment and trade.

As of 2005, 37% of the ASEAN member nations’ investment in China was concentrated in the nine provinces of the Pan-Pearl River Delta Region; the annual growth rate in investment from ASEAN in the region in 2005 was 36.58%. In 2005, trade between the Pan-Pearl River Delta Region and ASEAN grew by 15.05%, with exports from the Pan-Pearl River Delta Region to ASEAN member economies growing by 20.99%.

4. Investment and Trade Links Between the Pan-Pearl River Delta Region and Taiwan

(1) Investment

a. Taiwanese investment in the Pan-Pearl River Delta Region

The last few years have seen a gradual decline in the amount of Taiwanese investment in the nine provinces that make up the Pan-Pearl River Delta Region. In 2003, Taiwanese companies invested in all nine provinces. In 2004, however, Taiwanese investment in Guizhou Province fell to zero, and the rate of growth in Taiwanese investment in Hunan and Sichuan fell; in 2005, the investment growth rate turned to negative in six of the nine provinces.
b. Taiwanese investment in Southeast Asia

❖ Trends

In the last few years, overseas investment by Taiwanese companies has tended to fall. However, 2005 saw an increase in Taiwanese investment in several ASEAN member nations; the annual rate of growth in Taiwanese investment exceeded 100% in Indonesia, the Philippines and Thailand. There is a dramatic contrast here with the falling growth rates for Taiwanese investment in most of the provinces making up the Pan-Pearl River Delta Region.

❖ Possible reasons for the trends

It is possible that rising operating costs in the Pan-Pearl River Delta Region, or the uncertain level of political risk that accompanies investment in China, has encouraged Taiwanese companies to reduce their investment away from China, but increasingly towards Southeast Asia.

❖ The process of integration in the Pan-Pearl River Delta Region is still underway, so it is still too early to say with any certainty how the development of the Pan-Pearl River Delta Region grouping will affect Taiwanese investment.

(2) Trade

Based on statistics compiled by the provincial governments making up the Pan-Pearl River Delta Region grouping, the following changes can be seen in the volume of trade between Taiwan and the Pan-Pearl River Delta Region.

a. Individual provinces exports’ to Taiwan: In 2004, all of the provinces for which data was available reported positive growth in exports to Taiwan, with Sichuan reporting the highest growth rate (95.99%). However, in 2005, Jiangxi, Guangxi and Sichuan all reported negative growth in exports to Taiwan. Only Guangdong was able to maintain double-digit growth (26.67%); the positive growth rate for Hunan was 3.02%.
b. Individual provinces’ imports from Taiwan: In 2004, only Yunnan saw a decline in imports from Taiwan; all of the other provinces reported double-digit growth. In 2005, Hunan and Sichuan reported negative growth, but Jiangxi, Guangdong and Guangxi all had positive growth rates. The growth rate for Jiangxi was particularly high, at 56.31%.

Whether in terms of exports to Taiwan or imports to Taiwan, Guangdong Province comes top of the provincial rankings. For all of the provinces in the Pan-Pearl River Delta Region, imports from Taiwan far exceed exports to Taiwan.

5. Conclusion

- It is anticipated that China’s 11th Five-year Plan will attach more importance to the internationalization of the Pan-Pearl River Delta Region project.
- The Pan-Pearl River Delta Region is set to develop into an economic powerhouse that cannot be ignored. Beginning with South China – including Guangdong, Guangxi, Fujian, Hainan, Hong Kong and Macao – the process of regional integration will gradually expand to incorporate southwest China, creating a large South China economic zone. The synergy created between the nine provinces, Hong Kong and Macao through the integration of resources and markets will make the region a force to be reckoned with in economic terms.
- The development of the Pan-Pearl River Delta Region will help to speed up the process of economic integration between China and ASEAN.
- Currently, Taiwanese companies are showing more enthusiasm for investing in Southeast Asia than for investing in the Pan-Pearl River Delta Region. However, it is still too early to say for sure how the emergence of the Pan-Pearl River Delta Region will affect investment patterns in Asia.