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COVERING GUANGXI, YUNNAN, GUIZHOU, SICHUAN

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Executive Summary

1. The Third Pan-PRD Regional Cooperation and Development Forum and the Third Pan-PRD Economic and Trade Cooperation Fair
 - 1.1 From 5th June to 10th June, the Third Pan-PRD Regional Cooperation and Development Forum and the Third Pan-PRD Economic and Trade Cooperation Fair were held in Yunnan. Based on the number of contracts signed and the amount of investment involved, Guangdong continued to assume a driving role in Pan-PRD regional cooperation. Projects focusing on infrastructure investment, especially energy and transport, were among the most popular. Projects relating to manufacturing and cultural tourism also showed an increase when compared with the last conference.
 - 1.2 Two problems in Pan-PRD regional cooperation remain unresolved:
 - The first involves the relocation of industrial enterprises. Three years ago when Guangdong proposed Pan-PRD regional cooperation, the idea was greeted positively by other Pan-PRD provinces / regions, who were hopeful of hosting manufacturing enterprises relocating from Guangdong. However, the recently released 11th Five-Year Plan of Guangdong suggested a transfer of industry not to the Pan-PRD region, but to the hilly areas and the eastern and western regions of Guangdong. Local governments are also reluctant to see their leading industries moving out of the PRD region.
 - Secondly, the optimal allocation of energy resources. Yunnan, Guizhou and Sichuan are rich in energy resources. Deeper integration in the energy sector could be mutually beneficial to both the eastern and the western parts of the Pan-PRD region. Yet the planned economy in the energy sector remains an obstacle to more cooperation and improved allocation of energy resources within the region. There is conflict between electricity generation and grid transmission in the Pan-PRD. In addition, electricity prices are not yet capable of reflecting market demand and supply. These factors inhibit the optimal allocation of power resources and weaken the incentive for provincial cooperation.

- 1.3 The Third Pan-PRD Economic and Trade Fair and the 14th Kunming Import and Export Commodities Fair were held concurrently in Kunming. For the first time, a direct dialogue session was set up between Pan-PRD officials and trade ministers from the member states of the Association of South East Asian Nations (ASEAN). Ideas for increasing cooperation between the Pan-PRD region and the vast Southeast Asian region were keenly suggested and discussed.
- 1.4 The Third Pan-PRD Economic and Trade Fair released the “*Plan for Pan-PRD Comprehensive Transportation Network Cooperation*”. It suggested that major transportation infrastructure projects such as the “7-radiation, 6-vertical and 5-horizontal” railway and highway networks together with an inter-cities transportation network and the Hong Kong-Zhuhai-Macao Bridge should be fully integrated with coastal ports, river transport and aviation. The “*Plan for Pan-PRD Cooperation in the Energy Sector*” forecasts energy production and demand in the region from 2006 to 2020, evaluates the potential of energy cooperation, and provides policy suggestions for the development of power, coal and natural gas resources.
- 1.5 Hong Kong should place a high value on cooperation in the tourism industry with the four south-western provinces / regions. With comparative advantages on both sides, a global brand name associated with diversified tourism could be developed. Hong Kong could also enhance its status as an international financial centre by financing Pan-PRD infrastructure projects in natural resources, energy and transportation. With the help of the Closer Economic Partnership Arrangement (CEPA), Hong Kong could court ASEAN investments and act as a middleman between businesses from ASEAN and the Pan-PRD region.

2. Trends and Updates on the Four Provinces / Region

2.1 Sichuan

- Sichuan is modifying its cadre system as well as its performance appraisal indicators. In early June, the provincial Party Committee issued an “*Announcement on Conscientiously Handling the*

Appointment of Rural Area Cadres for the New Term". It suggested that the majority of rural government officials should be around the age of 40, and that younger cadres should be recruited. To emphasise the strategic importance of environmental protection, the Sichuan Government has listed environmental protection as a criterion in the appraisal of local official performance. It was suggested that cadre training should be more structured in order to improve efficiency and administrative capabilities. In regard to this change of policy, Hong Kong may develop itself into a cadre training centre for the Pan-PRD region.

- On 10th June, archaeologists carefully excavated the Jinsha Relic Site (金沙遺址) in Chengdu. The newly unearthed relics could extend the history of the ancient Shu Kingdom (古蜀國) by a further 500 years to over 3,000. The State Administration of Cultural Heritage announced earlier this year that a representative relic found in the Jinsha Ruins, the "Si Niao Rao Ri" (四鳥繞日) figure, would be adopted as the logo for Chinese Cultural Heritage. With the further promotion of these Chinese relics, Hong Kong could equip the society with a better understanding of Chinese culture and develop a stronger sense of cultural and national identity.

2.2 Guangxi

- In June, a proposal for establishing a cassava-based ethanol production base in Guangxi was passed. By the second half of 2007, ethanol will make up 10% of automobile fuels in Guangxi. In its 11th Five-Year Plan, Guangxi set the production target of cassava ethanol at one million tonnes, to be achieved in five phases. The ethanol output is expected to be made available in markets in Yunnan, Guizhou, Guangdong, Hong Kong and Macao. In doing so, Guangxi hopes to become the "green oil field" of southern China. Hong Kong could import US vehicles compatible with cassava ethanol, or cooperate with Mainland auto-manufacturers to reduce dependence on imported oil. These developments could also enhance competition in the fuel market, as well as mitigate air pollution caused by vehicle emission in Hong Kong. Hong Kong could encourage research on oil substitutes, and assist with this latest development. It could also make good use of its global

network to evolve into the R&D centre for this industry in the Pan-PRD region, or even for the whole of China.

2.3 Yunnan

- Under the “dual-control of tobacco” (controlling both the farming area and output) policy of the Central Government, the tobacco industry of Yunnan has suffered from a fall in cigarette output and profits since 1999. One of the top tobacco brand names, Hong Ta Shan (紅塔山) has suffered from a fall in the value of its brand name and is in the midst of a brand crisis. Therefore, in 1997, the Yunnan Government initiated a joint venture of the Hongta Group (紅塔集團) and the First Automotive Works Corp (FAW, 一汽集團). The newly established company, the FAW-Hongta Yunnan Automotive Manufacturing Co. Ltd. is a fusion of “Strong-Strong” enterprises and specialises in the production of light-duty trucks. It is now one of the fourth largest light-duty truck producers in China. It serves the domestic market and exports to countries such as Myanmar, Laos, Vietnam and Peru. The diversification by the Hongta Group to the automobile industry proves that a tobacco company can successfully diversify.

2.4 Guizhou

- The Japan National Tourist Organisation and some major Japanese travel agencies have visited Guizhou and decided to list Guizhou in their travel guides. Hong Kong could team up with Guizhou to develop a one-stop Hong Kong-Guizhou travel experience and together launch a tourist promotion campaign.
- In June, Guiyang, the capital of Guizhou, started organising a training programme for its rural cadres. The Guizhou Government set up a pilot project, providing vocational training to the unemployed in deprived villages free of charge. Earlier this year, the Central Government launched a “building the new countryside” programme, with the intention of drawing useful experiences from South Korea. In the next three years, 30,000 agriculture officials, including a fraction from the south-western four provinces / regions, will undertake training courses

in South Korea. Training programmes such as these help retain rural workers in their provinces, thereby lessening the outflow of workers to the PRD region and wage inflation in local areas. As for Hong Kong, vocational training institutions could cooperate with Mainland institutions. Representatives from various industrial associations could also contribute state-of-the-art technology and financial support. An advantage of being involved in these training programmes is that Hong Kong manufacturers could recruit the most talented workers to work in their plants in the PRD or elsewhere, and relocate their PRD plants to these inner provinces.

3. Reforms of the cadre and personnel system are taking place in the south-western four provinces / regions. Starting this year, the terms of appointment expired for a large portion of cadres, and many government officials were promoted or re-appointed to other positions.

4. Regional cooperation

The ongoing joint project on the Nanning-Lang Son-Hanoi-Haiphong-Quang Ninh Economic Corridor between Guangxi and Vietnam has led to greater cooperation and both sides have agreed to extend the cooperation in 10 areas. Vietnam has been the biggest trading partner of Guangxi for seven years in a row and economic and social interaction between them has been very strong. Guangxi hopes to speed up the construction of the Hanoi-Nanning economic corridor thereby creating the foundation of the transportation network between China, Vietnam and Southeast Asia. Since 2004, communication between leading officials in Guangxi and Vietnam has increased. Guangxi could benefit from cooperation with Vietnam and take a leading role in the upcoming China-ASEAN economic and trade initiatives. In the future, products exported from Hong Kong over land will have to go through Guangxi before they enter the Southeast Asian market. This might put Hong Kong and the PRD at a disadvantage compared with Guangxi in the ASEAN market. Hong Kong should therefore step up economic cooperation with Guangxi in order to develop a stake in the Vietnamese market. This would also help Hong Kong to maintain its connection, and integration, with multinational corporations (MNCs) with respect to markets and technology, thus preserving Hong Kong's status as an international trading and services centre.

1. The Third Pan-PRD Regional Cooperation and Development Forum and the Third Pan-PRD Economic and Trade Cooperation Fair

From 5th June to 10th June, the Third Pan-PRD Regional Cooperation and Development Forum (hereafter known as ‘the Forum’) and the Third Pan-PRD Economic and Trade Cooperation Fair (hereafter referred to as ‘the Trade Fair’) were held in Yunnan. The Forum and the Trade Fair are two major platforms for Pan-PRD regional cooperation. These platforms not only enhance regional cooperation, but also reflect current issues and trends of Pan-PRD regional cooperation.

1.1 The Third Pan-PRD Economic and Trade Cooperation Fair

1.1.1 The five-day Trade Fair wrapped up on 10th June, with a total of 1,019 agreements reached, representing investment worth RMB 198.17 billion¹. Table 1.1 shows more details by region.

Table 1.1: The number of agreements and investment values in the three Pan-PRD Economic and Trade Cooperation Fairs

Region	The First Trade Fair		The Second Trade Fair		The Third Trade Fair		Total (of the three fairs)	
	No. of agreements	Value (RMB 100 million)	No. of agreements	Value (RMB 100 million)	No. of agreements	Value (RMB 100 million)	No. of agreements	Value (RMB 100 million)
Guangdong	710	1,630	131	338	458	789	1,299	2,757
Yunnan	39	133	15	98	297	1,065	351	1,296
Hainan	60	190	44	157	23	62	127	409
Hunan	111	180	50	46	131	165	292	391
Guizhou	86	232	40	33	31	86	157	351
Jiangxi	77	150	50	77	81	76	208	303
Guangxi	128	182	29	42	56	69	213	293
Sichuan	59	48	133	147	62	92	254	287
Fujian	69	118	19	26	46	37	134	181
HKSAR	313	563	90	144	-	-	-	-
Macao SAR	28	23	8	9	13	21	49	53

Note: HKSAR data for the Third Trade Fair is not available.

Sources:

¹ “The Third Pan-PRD Trade Fair was closed, 1,019 agreements were signed, totalling RMB 198.17 billion (in Chinese)”, Pan-Pearl River Delta Cooperation Website, 11th June, 2006, http://www.pprd.org.cn/pprd/third/news/photo/200606/t20060611_9160.htm.

1. “The Third Pan-PRD Trade Fair was closed, 1,019 agreements were signed, totalling RMB 198.17 billion (in Chinese)”, Pan-Pearl River Delta Cooperation Website, 11th June, 2006, http://www.pprd.org.cn/pprd/third/news/photo/200606/t20060611_9160.htm.
2. “The Trade Fair completed successfully: 4,473 agreements were signed, totalling RMB 453.5 billion (in Chinese)”, Pan- PRD Website, 28th July, 2005, <http://www.pprd.org.cn/pprd/second/photo/200507280049.htm>
3. “ ‘9+2’ Trade Fair completed successfully, ushering in a new era of Pan-Pearl River Delta regional cooperation (in Chinese)”, The Southern Website, 17th July, 2004. <http://www.southcn.com/panprd/qth/yc/200407170471.htm>.

Three Trade Fairs have been held so far (basic information on each fair is listed in Table 1.2). The First Trade Fair was peculiar in a number of ways. Firstly, the member expectations were high. They wanted to speed up economic development in their own province/region by embracing Pan-PRD cooperation which received a boost from the conclusion of this fair. Government involvement was also a feature of the First Trade Fair. Of the RMB 292.6 billion of investments agreed at the Fair, RMB 120.2 billion was committed or promised by provincial/regional governments². Secondly, prior to the Trade Fair, there had not been a platform for promoting Pan-PRD regional cooperation. Not surprisingly, the results of the First Trade Fair were exceptionally good. Subsequent fairs are unlikely to be comparable to the first in terms of the numbers of agreements and the value of investment.

Table 1.2: Basic information on the Trade Fairs

Session	Venue	Date	No. of agreements	No. of agreements on the first day	Average No. of agreements signed per day after the first day	Investment value (RMB, 100 million)	Average Investment value per project (RMB, 100 million)
First	Guangzhou	14 th -17 th July, 2004	847	472	125	2,926	3.45
Second	Chengdu	26 th -28 th July, 2005	703	519	92	1,150	1.64
Third	Kunming	6 th -10 th June, 2006	1,019	608	103	1,982	1.95

Sources:

1. “Contracts amounting to RMB 240 billion were signed on the first day of the Pan-Pearl River Delta Trade Fair (in Chinese)”, The South Website, 15th July, 2004, quoted from *Ta Kung Pao*. <http://www.southcn.com/panprd/qth/mt/200407150568.htm>.
2. “More than 40 agreements were signed in Pan-PRD cooperation (in Chinese)”, Macao Express, 15th July, 2004,

² “ ‘9+2’ Trade Fair ended successfully, Pan-PRD cooperation turns to new page (in Chinese)”, The South Website, 17th July, 2004, <http://www.southcn.com/panprd/qth/yc/200407170471.htm>.

<http://www.avl-macau.com.cn/manbu/news/sishixieyi>.

3. “Total 608 agreements were signed on the opening day of the Third Pan-PRD Trade Fair (in Chinese)”, Pan-Pearl River Delta Cooperation Website, 6th June, 2006.

<http://www.pprd.org.cn/pprd/third/business/results/200606070012.htm>.

4. “Two major platform of Pan-PRD cooperation (in Chinese)”, Pan-PRD Cooperation Website, 13th April, 2005. http://www.pprd.org.cn/ziliao/jieshao/200504/t20050413_1326.htm.

The Third Trade Fair was characterised by the following features:

1. Based on the number of agreements signed and the amount of investment involved, Guangdong continued to assume a driving role in Pan-PRD regional cooperation. At the First Trade Fair, the number of agreements signed by Guangdong and the amount of investment involved amounted to 42% and 47% of the total respectively³. At the Second Trade Fair, according to the secretary-general of the Guangdong delegation, Mr Liu Xiaojie (劉曉捷), who was also the deputy director of the Guangdong Economic and Trade Commission, 910 agreements were signed, involving RMB 115.7 billion. They accounted for 25% of the total⁴. At the Third Trade Fair, the number of agreements signed by Guangdong and the amount of investment involved stood at 38% and 32% of the total respectively⁵.
2. Projects focusing on infrastructure investment, especially in the energy and transportation sectors, were among the most popular. In the Third Trade Fair, the number of agreements involving transportation, resource development, and infrastructure related investment constituted 28% of the total investment value⁶.
3. The number of projects relating to manufacturing and cultural tourism also rose relative to the last fair. The number of agreements involving industrial manufacturing constituted 37.6% (mainly from industries such as chemical, mechanical, building equipment and light industries)⁷ of the total investment value, which was 4.6 percentage points higher

³ The ratios are calculated from the article in footnote no. 2.

⁴ The data for the Second Trade Fair corresponds to a longer time span, from the end of the First to the end of the Second Trade Fair. Source: “The Second Pan-PRD Fair signed RMB 453.5 billion (in Chinese)”, Yangtze Hotline. http://news.yzonline.cn/Article_Print.asp?ArticleID=18406

⁵ The ratios are calculated from the article in footnote 1.

⁶ Ibid.

⁷ Ibid.

than that of the second fair⁸. Also, the development of cultural tourism resources was a hot topic among investors and the number of related agreements made up 8.5% of the total investment value⁹.

1.1.2 Current problems of Pan-PRD Regional Cooperation

Judging from the three Trade Fairs, regional cooperation across the Pan-PRD region seems to be heading in the right direction. However, such optimism may not be warranted on deeper reflection as there are two problems that remain unresolved during the Third Trade Fair:

1. Three years ago when Guangdong first put forward the idea of Pan-PRD regional cooperation, it was greeted positively by other Pan-PRD provinces, which were hopeful of hosting manufacturing enterprises relocating from Guangdong. However, now that the Trade Fair has been organized three times, relocation of industrial enterprises remains far from settled.

Without detailed statistics, we can only base our estimate on the fragmentary information available. It is estimated that at the Second Trade Fair, the number of agreements involving industrial manufacturing constituted at most 27% of the total investment value¹⁰, and the actual ratio may be far less. Though this ratio increased at the Third Trade Fair, it was doubtful if such an increase reflected the relocation of industry out of Guangdong. In 2005, the GDP of Guangdong reached RMB 2,170 billion, of which the nine cities in the PRD accounted for RMB 1,800 billion (Zhaoqing and Huizhou contributed only a minute portion), and the remaining 12 cities accounted for only RMB 370 billion¹¹. Although the PRD region in

⁸ See footnote 4.

⁹ See footnote 5.

¹⁰ This estimate is based on two articles from the Pan-PRD Cooperation Website:

“Private enterprises become new force, Guangdong commits RMB 95.5 billion to various cooperation projects (in Chinese)”, 26th May, 2006.

<http://www.pprd.org.cn/pprd/third/business/results/200605260021.htm>.

“Sichuan Dazhou to be a natural gas energy and chemical industry base, contracts amounting to more than 10 billion were signed (in Chinese)”, 27th July, 2005,

<http://www.pprd.org.cn/pprd/second/report/200507270091.htm>

¹¹ “Pan-PRD cooperation: Industry transfer and interest distribution are still tough questions (in Chinese)”, *First Financial News*, 9th June, 2006. <http://data.cnfol.com/060609/104,1299,1875294,00.shtml>.

Guangdong has experienced the latter phases of industrial development, the eastern, western and northern parts of Guangdong are stuck in the early stages. Therefore, these parts of Guangdong were also hoping to be recipients of industrial enterprises relocating out of the PRD. In addition, for fear of hollowing the manufacturing industries, Guangdong officials have been very cautious about relocating. The deputy director of the Bureau of Economics and Trade in Dongguan city, Mr Ye Baohua (葉葆華), once said that “though we are looking for LCD, integrated circuits and bio-engineering industries, it does not imply a quick relocation of the existing advantageous enterprises out of Dongguan”¹².

Guangdong suggested in its recently released 11th Five-Year Plan that it would “promote interactive development among the hilly areas, the eastern and western regions, and the PRD region. It will practice differential industrial policy in these areas, and the PRD region can form reasonably specialised industries of their own. It will also advocate the transfer of the PRD industrial enterprises to the hilly areas and the eastern and western regions of Guangdong.” Local governments in the hilly areas have set up a development zone to systematically recruit labour-intensive and low-value-added manufacturers from the PRD. As for Pan-PRD regional cooperation, the 11th Five-Year Plan of Guangdong does not mention the issue of industrial transfer at all. Obviously, Guangdong’s industrial policy for the next five years concentrates on activities within the province, instead of external transference of its industries. This is different from what other Pan-PRD provinces/region might have expected.

On the other hand, though higher production costs such as labour costs and land rental in the PRD tend to drive those relatively low-skilled and labour-intensive industries out of the region, production cost is only one of the many factors to consider in a manufacturer’s location choice. Other factors include availability of producer services, transportation, cluster effects and so on. Most Guangdong enterprises are export-oriented. Transportation costs and distance to target markets are particularly important. In this regard, other than the Fujian province, other Pan-PRD provinces/region (especially the four south-western provinces / region) do not possess any apparent advantage over the less-developed regions of Guangdong.

¹² Ibid.

2. Energy was one of the most popular sectors for investment in the Trade Fair this year, indicating the complementary features between eastern and western parts of the Pan-PRD region. The optimal allocation of energy resources will likely result from deeper regional cooperation. However, there exist some undesirable factors that cannot be overlooked.

The energy sector is heavily regulated in China. Energy prices and supply and demand fall under the state central plan, this will hamper optimal allocation of energy resources. Yunnan, Guizhou and Sichuan are rich in energy resources. The planned economy in the energy sector prevents energy price increases, thereby hurting suppliers' incentives and posing an obstacle to greater cooperation and allocation of energy resources within the Pan-PRD region.

Take electricity as an example. According to an insider from the State Grid Corporation of China (SGCC), the transmission and sales of electricity is basically monopolised by SGCC and China Southern Power Grid Co. Ltd. (CSG). The ownership form of power generating enterprises is diversified. Electricity prices and the amount of electricity to be transmitted by SGCC and CSG are determined by the National Development and Reform Commission. Under such institutional arrangements, there exists a number of conflicts among electricity industry players. For instance, the conflict between power generating capacity and grid transmission capacity; the conflict between electricity surplus in production peaks and electricity shortages in production troughs; and the problem of electricity price being incapable of reflecting market demand and supply. In 2005, Yunnan suffered from a shortage of electricity. Yunnan-generated electricity was sold at RMB 0.26 and RMB 0.33 per kilowatt-hour (kWh) to Guangdong and Yunnan respectively. Note that in the presence of a shortage, the price to Guangdong users was even cheaper, by RMB 0.07 per kWh, than the price to local users¹³. These factors hurt the optimal allocation of power resources and weaken the incentive for provincial cooperation.

¹³ “Electricity on the economic map of China – Yunnan chapter (in Chinese)”, Sina Website, 5th June, 2006; quoted from Chinese Electricity News Website, <http://finance.sina.com.cn/chanjing/b/20060605/1104728115.shtml>.

1.2 The Third Pan-PRD Regional Cooperation and Development Forum

1.2.1 Introduction

The third annual Forum was opened on 5th June 2006 in the city of Qujing in Yunnan, under the principle of “cooperation and development for a better tomorrow”. It featured a meeting of trade ministers from ASEAN member states and Pan-PRD officials for the first time. The Forum adopted the following plans: “*Plan for Pan-PRD Comprehensive Transportation Network Cooperation*”, “*Plan for Pan-PRD Cooperation in the Energy Sector*” and “*Guidelines of Pan-PRD Cooperation on Tourism*”.

First Direct Dialogue Between Pan-PRD and ASEAN

The Third Pan-PRD Economic and Trade Fair and the 14th Kunming Import and Export Commodities Fair (hereafter the Kunming Fair) were held concurrently in Kunming. For the first time, a direct dialogue session was set up between the Pan-PRD officials and trade ministers from the member states of ASEAN. Under the framework of the free-trade agreement between China and ASEAN, suggestions to increase cooperation between the Pan-PRD region and the vast Southeast Asian region were keenly discussed.

“Plan for Pan-PRD Comprehensive Transportation Network Cooperation”

The “*Plan for Pan-PRD Comprehensive Transportation Network Cooperation*” (hereafter the *Plan*) was formulated upon the consideration of ten factors, including the establishment of a comprehensive transportation network featuring transportation hubs, major ports, airports and highway networks. The *Plan* also identified important areas for regional cooperation on transportation infrastructure during the 11th Five-Year Plan.

According to the *Plan*, it is estimated that in the next five years, the investment for the Pan-PRD comprehensive transportation network will add

up to RMB 920 billion. Of this RMB 350 billion will be spent on railways, RMB 450 billion on highways, RMB 50 billion on ports, RMB 50 billion on airports and RMB 20 billion on pipelines. The *Plan* proposes the development of other major transport infrastructure projects such as the “7-radial, 6-vertical and 5-horizontal” (七射、六縱、五橫) railway and highway networks (see Table 1.3 for more details), an inter-PRD cities transportation network, the Hong Kong-Zhuhai-Macao Bridge, the infrastructure construction of big PRD region, as well as the integration of five airports, coastal ports, river transport and air services.

Relative to other Pan-PRD regions, the transportation infrastructure of Yunnan, Guizhou and Sichuan (the three south-western provinces) is underdeveloped. At the end of 2004, the railway and road network density of the three south-western provinces represented only 71% and 86% respectively of the Pan-PRD averages. These ratios fell further to 56% and 42%¹⁴ when compared to the PRD. The “7-radial, 6-vertical and 5-horizontal” railway and highway networks in the *Plan* will greatly improve transportation infrastructure in these south-western provinces / region.

Table 1.3: Key projects for Pan-PRD cooperation on transportation infrastructure during the 11th Five-Year Plan

Type	Nature	Project	Details
Railway	Radial	Liuzhou – Guangzhou railway	New line
		Wuhan – Guangzhou railway	Special line for passenger transport
		Ningbo – Fuzhou – Xiamen – Shenzhen – Guangzhou railway	Special line for passenger transport
		Shaoguan – Ganzhou railway	New line
		Hechun – Hepu railway	New line
		Nanning – Kunming railway	Upgrade of multiple track
		Guizhou – Guangxi railway	Line upgrade
	Vertical	Sino – Vietnamese corridor: Kunming – Hekou railway	New line
		Sino – Laotian corridor: Kunming – Mohan railway	New line
		Longchang – Baise railway	New line
		Luoyang – Zhanjiang railway	New line
		Xiangtang – Putian railway	New line

¹⁴ See *The Plan for Pan-PRD Comprehensive Transportation Network Cooperation*.

Type	Nature	Project	Details	
		Chengdu – Kunming railway	Upgrade of multiple track	
	Horizontal	Guizhou – Kunming railway, Zhejiang – Jiangxi railway	Upgrade of multiple track	
		Longyan – Xiamen railway	New line	
		Jiujiang – Jingdezhen – Quzhou railway	New line	
		Emeishan – Yibin railway	New line	
		Sino – Myanmar corridor: Kunming – Dali – Ruili railway	New line	
	Road	Radial	Guangzhou, Shenzhen, Zhuhai, Hong Kong, Macao – Kaiping – Yangjiang – Maoming – Zhanjiang – Haian – Haikou – Sanya	Highway
			Guangzhou, Shenzhen, Zhuhai, Hong Kong, Macao – Zhaoqing – Yunfu – Yulin – Nanning – Baise – Xingyi – Kunming	Highway
			Guangzhou, Shenzhen, Zhuhai, Hong Kong, Macao – Wuzhou – Liuzhou – Douyun – Guiyang – Zunyi – (Chongqing) – Neijiang – Chengdu	Highway
			Guangzhou, Shenzhen, Zhuhai, Hong Kong, Macao – Shaoguan – Chenzhou – Hengyang – Changsha (Completed)	Highway
			Guangzhou, Shenzhen, Zhuhai, Hong Kong, Macao – Longnan – Ganzhou – Ji’an – Nanchang – Jiujiang	Highway
Guangzhou, Shenzhen, Zhuhai, Hong Kong, Macao – Shenzhen – Shanwei – Xiamen – Fuzhou – Ningde (Completed)			Highway	
Guangzhou, Shenzhen, Zhuhai, Hong Kong, Macao – Heyuan – Meizhou – Longyan – Sanming – Nanping			Highway	
Vertical		Guangyuan – Mianyang – Chengdu – Xichang – Panzhihua – Kunming – Kaiyuan – Hekou	Highway	
		Bazhong – Suining – Neijiang – Luzhou – Bijie section is finished	Highway	
		Jishou – Huaihua – Guilin – Liuzhou – Nanning – Qinbeifang	Highway	
		Changde – Loudi – Shaoyang – Yongzhou – Hezhou – Wuzhou – Cenxi – Maoming – Zhanjiang	Highway	
		Nanchang – Yingtan – Laizhou – Nanping – Fuzhou	Highway	
		Nanchang – Nancheng – Nanfeng – Ninghua – Yonggan – Dehua – Nanchang	Highway	
Horizontal		Kunming – Qujing – Anshun – Guiyang – Huaihua – Loudi – Zhuzhou – Yichun – Nanchang – Yingtan	Highway	

Type	Nature	Project	Details
		Leshan – Yibin – Luzhou – Bijie – Guiyang – Libo – Guilin – Chenzhou – Ganzhou – Ruijin – Longyan – Zhangzhou – Xiamen	Highway
		(Baoshan – Lincang – Simao – Kaiyuan session under construction) – Yanshan – Funing – Baise – Nanning – Qinzhou – Beihai – Hepu – Zhanjiang finished	Highway
		Baise – Hechi – Liuzhou – Lipu – Hezhou – Lianping – Meizhou – Jieyang - Shantou	Highway
		Zunyi – Jishou – Changde – Yueyang – Jiujiang – Jingdezhen	Highway

In addition to railway and highway construction, the *Plan* suggests a series of vital projects on river transport because of the geographical features of some Pan-PRD provinces like Guangxi. Such projects include the building of five major ports in Nanning, Guigang, Wuzhou, Zhaoqing and Foshan. The *Plan* also suggests building ten regional ports in Baiceng, Baise, Laibin, Qingyuan, Yunfu, Huizhou, Funing, Jinghong and Nanping. These infrastructure projects will greatly enhance the transportation capacity of Guangxi.

“Plan for Pan-PRD Cooperation in the Energy Sector”

Energy is one of the most important areas for Pan-PRD regional cooperation. Such cooperation has developed at a relatively fast pace. However, some problems still exist. Firstly, profit distribution is uneven. Players may have different expectations of future profits from their joint projects, thereby affecting their incentives to cooperate. Secondly, the regional energy market is not yet well developed. Administrative interferences persist in some areas to different extents. Thirdly, the lack of professional project feasibility assessments has undermined profits. The *“Plan for Pan-PRD Cooperation in the Energy Sector”* forecasts energy production and demand in the region from 2006 to 2020, evaluates the potential for energy cooperation, and provides policy suggestions for the development of power, coal and natural gas resources during the 11th Five-Year Plan. Six specific measures were identified to enhance energy cooperation: 1. inviting more support from the Central Government on Pan-PRD energy cooperation; 2. setting up a coordination mechanism for energy cooperation; 3. establishing a unified regional energy market; 4. improving the business environment to attract investments; 5. widening the

forms and scope of energy cooperation; 6. reinforcing major projects on energy cooperation. The “*Plan for Pan-PRD Cooperation in the Energy Sector*” also identified key projects for energy cooperation in the next five years (see Table 1.4).

Table 1.4: Selected projects for Pan-PRD energy cooperation in the 11th Five-Year Plan

	Project	Details
	Electricity (7 projects)	
1	500kV West-to-East DC transmission project	2005 – 2007: Construction of Guizhou-Guangdong DC transmission line II, with a capacity of 3 million kW, up to 1,225 km of transmission line, at a cost of RMB 6.5 billion.
2	500kV West-to-East AC transmission and substation project	2005 – 2008: Construction of Longtan AC transmission, with a capacity of 3.75 million kVA, up to 1,359 km of transmission line, at a cost of RMB 3.18 billion; 2006 – 2007: Construction of Luoping – Baise AC transmission line II, up to 300 km of transmission line, at a cost of RMB 0.74 billion; 2007 – 2009: Construction of Shibing - Qingyuan AC transmission, with a capacity of 750,000 kVA, up to 1,214 km of transmission line, at a cost of RMB 4.35 billion; 2006 – 2008: Construction of Honghe – Wenshan – Baise AC transmission, with a capacity of 750,000 kVA, up to 380 km of transmission line, at a cost of RMB 0.72 billion.
3	800kV Ultra-High-Voltage DC transmission project	2006 – 2009: Construction of Yunnan – Guangdong ±800kV DC transmission, with a capacity of 5 million kW, up to 1,438 km of transmission line, at a cost of RMB 13.8 billion.
4	Inter-province (region) network project	2005-2007 construct Guangdong-Hainan network project, with a capacity of 750,000kVA, up to 178.1 km., at a cost of RMB 1.2 billion; strengthen transmission capacity of the Macao-Guangdong network.
5	Large-scale hydropower stations in the west	Develop hydropower stations in the four south-western provinces of Yunnan, Guizhou, Guangxi and Sichuan. Yunnan: at Lan Cang Jiang, Jin Sha Jiang, and Nu Jiang; construct large-scale stations at Xiao Wan, Jing Hong, Jin An Qiao and ordinary stations at Nuo Zha Du, Man Wan, Hu Tiao Xia; Guizhou: at Wu Jiang, Bei Pan Jiang, construct large-scale stations at Gou Pi Tan, Sha Tua, Guang Zhao, Silin (of Wu Jiang), and

	Project	Details
		Guang Zhao, Ma Ya, Deng Jing (of Bei Pan Jiang); Guangxi: at Hong Sui He, construct stations at Long Tan, Chang Zhou, Qiao Gong, Yan Tan; Border of Sichuan and Yunnan: jointly construct stations at Xi Luo Du, Xiang Jia Ba, Guan Yin Yan, Bai He Tan, Wu Dong De; Sichuan: at Da De He, Ya Long Jiang.
6	Inter-province (region) electricity cooperation	2006-2010 Guizhou sell to Guangdong 180 billion kilowatt hours of electricity; 2006-2010 Yunnan sell to Guangdong 110-118.3 billion kilowatt hours of electricity (excluding Xiao Wan station); Guizhou and Hunan jointly construct Qian Dong (Guizhou East) Power Plant (2 x 600,000 kilowatt), put into Hunan network; Guizhou and Guangxi jointly construct Xing Yi Power Plant (2 x 600,000 kilowatt), put into Guangxi network.
7	Nuclear power	Cooperate on the following aspects of nuclear plants: planning, location choice, design, engineering control, building and operation, safety control, equipment manufacturing etc.
	Coal (5 projects)	
8	Coal mining centres	Identify nine priorities in Guizhou (Pan Xian, Shui Cheng, Zhi Na, Qian Bei), Yunnan (En Hong, Guang Yun, Lao Chang) and Sichuan (Gu Xu, Jun Lian) for construction.
9	Set up regional coal trading centres	Set up regional coal trading centres in production and consumption areas of coal.
10	Water transport for coal	Reconstruct Xi Jiang channel, improve channel reconstruction and gateway construction, increase capacity of shipping capacity; Connect Nan and Bei Pan Jiang and Hong Sui He; reconstruct river channel of Hong Sui He, Cao Du He Kuo to E Tan, and Lai Bin to Gui Ping; Construct large-scale wharf facilities for coal loading and unloading.
11	Railway transport for coal	Reconstruct Guizhou-Guangxi railway, Sansui-Maoming railway lines to upgrade capacity to transport coal; construct special railway lines for coal transport, and modernize loading and unloading facilities.
12	Regional cooperation for coal import	Coordinate coal import lines, lower transport cost; strengthen information exchange with coal exporting countries and monitor

	Project	Details
		closely price fluctuations.
	Oil and natural gas	
13	Oil refinery	Expand of Guangzhou Petroleum and Chemical, and Maoming Petroleum and Chemical; Construct oil refineries in Guangdong – Huizhou, Guangxi – Qinzhou, Hainan – Yangpu, Fujian – Fuzhou, and Hunan – Yueyang.
14	Oil Pipeline network	Enlarge pipeline network of Lanzhou-Chengdu-Chongqing line, to be elongated to Yunnan and Guizhou by 2010; Enlarge pipeline network of Maoming-Litang-Liuzhou-Guiyang-Kunming line, to reach 8 million ton by 2010, and 10 million tons in the long run; construct a Litang-Nanning-Kunming-Dali sub-line, of about 495 km.; Construct Quanzhou-Ganzhou-Changsha pipeline, about 800 km., with oil transmission capacity of 3 million tons in the beginning, and 5 million tons in the long run.
15	Exploration of oil and gas resources	Extract Sichuan natural gas, up to 34 billion cubic metre in 2010; strengthen effort to explore Nanhai seabed oil and gas resources; explore oil and gas resources in Yunnan and Zhang Jia Jie of Hunan.
16	LNG import cooperation of Guangdong-Hong Kong Macao	2006, complete Guangdong (Shenzhen) LNG Phase I construction, annual gas supply 3,700,000 tons, of which 630,000 tons to supply to Hong Kong; Early completion of Zhuhai LNG project and Guangdong (Shenzhen) Phase II construction.
17	Regional natural gas pipeline network and inter-connection	Speed up and improve Sichuan-Chongqing, Southwest, Hunan-Hubei, and PRD natural gas pipeline network, and further study the feasibility of connecting different regional networks.

1.2.2 Achievements of the Third Pan-PRD Regional Cooperation and Development Forum

The analysis above shows that a clear framework for Pan-PRD regional cooperation has yet to emerge. Conflicts of interests are present among the

Pan-PRD regions. In particular, Guangdong's heavy investment in non-manufacturing sectors such as energy and trade is contradictory to the hopes of other less-developed Pan-PRD regions who are seeking to host manufacturing enterprises relocating out of Guangdong. It might take some time to resolve this discrepancy, but the forum has brought forth new opportunities as well.

1. For the Pan-PRD Region, cooperating with the ASEAN countries is a short-cut to the international market. ASEAN possesses a huge market and rich natural resources. Geographically speaking, ASEAN is close to the south-western part of the Pan-PRD. Some member states of ASEAN share land-borders with the south-western provinces/region. The Pan-PRD Region could exploit their main advantages which include the geographic proximity of Yunnan and Guangxi to ASEAN, a wide spectrum of industrial and agricultural products in the Pan-PRD, the service sector strength of the Hong Kong and Macao Special Administrative Regions, and so on, to catch the attention of ASEAN investors and to promote Pan-PRD to the global business community as well.
2. In the past three years, although the transfer of industrial enterprises (out of Guangdong) did not make much progress, the administrative barriers between Pan-PRD provinces did fade away gradually, leading to more cooperation within the region. By adopting the "*Plan for Pan-PRD Comprehensive Transportation Network Cooperation*", "*Plan for Pan-PRD Cooperation in the Energy Sector*" and "*Viewpoints of Pan-PRD Cooperation on Tourism*", the Forum will be able to generate further cooperation. Such change is particularly welcomed by Yunnan, Guizhou and Sichuan, who are rich in tourism, mineral and energy resources yet are crippled with inadequate transportation. The infrastructural development plans will definitely facilitate economic progress in these three provinces.

1.3 Implications for Hong Kong

On 2nd June, prior to the commencement of the Trade Fair and the Forum, Mr Donald Tsang, Chief Executive of the HKSAR Government, led a delegation of 80 Hong Kong businesspersons to visit Guangxi and Yunnan. The delegates were looking for investment opportunities within the two provinces and bought with them a wealth of expertise, experience and

capital. In this way, Hong Kong can take part in Pan-PRD-ASEAN cooperation, profit from the enormous market of ASEAN and avoid becoming marginalised. The HKSAR Government is enthusiastic when it comes to embracing regional economic cooperation. The Trade Fair and the Forum were enlightening experiences for Hong Kong.

1. The four south-western provinces / region have abundant tourism resources and the Hong Kong business community has already stepped up cooperation with these provinces in the tourist industry. However, tourism markets on the Mainland and in Hong Kong are still not conforming to a high enough standard, thus harming the development of the tourism industry. Hong Kong needs to cooperate with the four south-western provinces / region to standardise the tourism markets. The four south-western provinces / region have beautiful and peculiar landscape, with striking cultural, historical and ethnic characteristics. Hong Kong should place a high importance on cooperating with the four south-western provinces / region in the tourist industry. With its access to and experience in the international market, Hong Kong could upgrade the quality of tourism products and promote the tourism resources of the four south-western provinces / region to the world. Moreover, Hong Kong enjoys a comparative advantage with respect to theme parks and shopping facilities. With strengths on both sides, a global brand of diversified tourism could be put together.
2. In the near future, the most popular projects for cooperation in the Pan-PRD region concern resources, energy and transport infrastructure. They share a common feature in that massive amounts of financial investment are required. Both the “*Plan for Pan-PRD Comprehensive Transportation Network Cooperation*” and the “*Plan for Pan-PRD Cooperation in the Energy Sector*” have not specified their funding source, although they do propose “the breakdown of regional obstacles for a unified environment of investment financing”. They also maintain that “on the premise of ‘one country, two systems’ in Hong Kong and Macao, a development fund for regional transportation infrastructure projects could be established, lending strong support to sustaining regional transportation cooperation”. With its advantages in project financing, Hong Kong could participate in the PRD’s infrastructure sector or project investment funds, thereby enhancing its status as an international financial centre.

3. The unprecedented meeting of trade ministers from member states of ASEAN and Pan-PRD officials at the Forum opened up more opportunities for Pan-PRD cooperation. Yunnan and Guangxi feature two Sino-ASEAN corridors. The logistics industry in both provinces, however, is relatively outdated, thereby creating business opportunities for their counterparts in Hong Kong. When the Hong Kong delegate visited Guangxi in early June, Guangxi specifically promoted the Fangcheng Port to prospective investors. There are three ports in the Beibu Gulf of Guangxi, namely Fangcheng, Qinzhou and Beihai which are close to one another. However, the Guangxi Government has not yet figured out a framework regarding cooperation and competition among these ports. Hong Kong investors should therefore be wary and conduct detailed planning and feasibility studies before committing themselves.

4. Hong Kong has close and long-term ties with ASEAN. Currently ASEAN is Hong Kong's third largest trading partner. Hong Kong can serve as a bridge between ASEAN and Pan-PRD businesses. ASEAN enterprises will show more and more interest in investing in the Pan-PRD region with the development of the China-ASEAN free trade area and Pan-PRD Sino-ASEAN cooperation. With the help of CEPA, Hong Kong could encourage ASEAN businesses to set up their Pan-PRD regional headquarters in Hong Kong. This calls for Hong Kong to improve its research capacity on Pan-PRD regional economic development and build closer ties with various sectors in the Pan-PRD region. In particular, Hong Kong could launch a research centre and a human resources training centre for Pan-PRD and ASEAN issues.

At the Kunming meeting, the Thai Government expressed an interest in hosting the first annual “9+2 and ASEAN cooperation forum”¹⁵, indicating Thai enthusiasm (and ASEAN countries in general) for Pan-PRD and China-ASEAN business cooperation. Hong Kong would prove a more effective centre between Pan-PRD and ASEAN businesses than Thailand or other ASEAN countries (or even Guangdong). The research network could be initiated by Hong Kong universities, and eventually involve the government and business sector think-tanks.

¹⁵ “ASEAN and Pan-PRD links together, both are benefited (in Chinese)”, Sino-Vietnamese Business Information Website, 7th June, 2006, quoted from *First Financial News*.
<http://www.cvtrade.com.cn/zxjjdt/jjdt/20060607100821.htm>.

2. Trends and Updates on the Four Provinces / Region

2.1 Economic Performance of the Four Provinces / Region

The first five months of 2006 saw remarkable economic growth in Sichuan, which outperformed not only the other three provinces / region, but also the national average in terms of industrial value-added growth and urban investment growth. Though Guangxi outperformed the national average in its industrial value-added growth, its sales ratio of manufactured products lagged behind the other three provinces in both April and May, ranging from 89% to 92%. The growth in industrial output may have been fueled by over-production and excess supply. Guizhou showed stable economic growth but as its urban investment growth still lagged behind the national average and the other three provinces, its development potential might be adversely affected. Yunnan registered a relatively slow growth in industrial output, which could be attributed to its weaker industrial foundation. A breakthrough is unlikely in the near future (see Table 2.1).

Table 2.1: Economic performance of the four provinces / region (January to May 2006, in current prices)

Region	Industrial Value-added (RMB 100 million)		Sales of manufactured products (%)		Urban investment (RMB 100 million)		Urban disposable income per capita in May (RMB)
	Jan – May total	Year-on-year-growth (%)	Jan – May total	Change (% points)	Jan – May total	Year-on-year-growth (%)	
National Total	31,748	17.0%	97.45%	-0.03	25,443	30.3%	913
Guangdong	3,939	18.1%	97.11%	-0.74	1,972	19.6%	1,232
Sichuan	1,007	23.9%	96.70%	-1.20	1,292	36.3%	729
Guangxi	417	21.2%	91.69%	-3.73	495	31.3%	765
Yunnan	463	12.0%	96.24%	-0.42	571	29.3%	808
Guizhou	256	17.5%	96.41%	-0.87	313	20.9%	727

Note: Local data are preliminary and subject to adjustments.

Source: National Bureau of Statistics Website. <http://www.stats.gov.cn/tjsj/>.

In the first four months of 2006, with the help of its large population, Sichuan registered the largest total retail sales of consumer goods among the four provinces / region, proving a spur to local economic development. Guangxi lagged behind the other three provinces in total retail sales of

consumer goods, growth in urban consumption expenditure per capita, and inflation rate. Insufficient consumption demand also dragged down the sales of manufactured products. Among the four provinces / region, Sichuan yielded the best comprehensive performance in industrial production, investment expenditure and retail markets, benefiting from an obvious economies of scale (see Table 2.2).

Table 2.2: Consumption in the four south-western provinces / region (January to April 2006, in current prices)

Region	Total retail sales of consumer goods		Urban disposable income per capita		Urban consumption expenditure per capita		Consumer price index (Jan – Apr)
	Jan – Apr total (RMB 100 million)	Year-on-year-growth (%)	Jan – Apr total (RMB)	Year-on-year-growth (%)	Jan – Apr total (RMB)	Year-on-year-growth (%)	
Sichuan	1,055	14.2%	3,316	9.9%	2,461	9.2%	101.5
Guangxi	512	13.1%	3,569	8.8%	2,303	5.5%	100.5
Yunnan	346	14.8%	3,433	10.3%	2,608	11.6%	101.8
Guizhou	227	13.6%	3,215	10.8%	2,360	11.9%	100.9

Note: Local data are preliminary and subject to adjustments.

Source: National Bureau of Statistics Website.

http://www.stats.gov.cn/tjsj/qtsj/xbdqsjbj/t20060608_402328739.htm.

2.2 Trends and Updates on Sichuan

2.2.1 Economic Performance of Sichuan

In May 2006, Sichuan reported sizable growth for the following indicators: industrial production, investment in fixed assets, total retail sales of consumer goods, exports, government revenue and urban household income (see Table 2.3). It is worth noting that:

- Industrial output of new products reported a significant growth and grew by 35.9% during the first five months of 2006. Growth in new products accounted for 37.1% of the total industrial output growth¹⁶. This was largely due to technology advances made by mechanical

¹⁶ “In the first five months of 2006, Sichuan’s value-added of industry of enterprises above designated size grows by 23.93%, compared with the same period of preceding year (in Chinese)”, National Bureau of Statistics Website, 15th June, 2006. <http://www.stats.gov.cn/was40/detail?record=34&channelid=57792>

equipment suppliers, which in turn led to industrial and product upgrades. The industrial growth of Sichuan is second in China, much of which is sustainable.

- Investment in fixed assets grew by 36.6%, of which large-scale projects (above RMB 5 million) rose by 46.5%, industrial investment by 38.2% and investment in transportation infrastructure by an astonishing 82.5%. Sichuan has invested a good deal in its industry especially large-scale projects and infrastructure, thus creating a momentum for sustainable development.
- However, output of durable consumption goods declined. In the first five months of 2006, output of colour television sets was 2.45 million units, representing a fall of 18.2% compared with the previous year. Sichuan Changhong Electronic Group, the largest television producer in China, reported a mild growth of 6.02% in its industrial output (amounting to RMB 5.74 billion). It shows that traditional industrial products are subject to keen competition and require constant technology upgrades.

Table 2.3: Economic performance of Sichuan (May 2006)

Indicators	Value (RMB 100 million)	Year-on-year growth (%)
Value-added in state-owned and large-scale non-state-owned industrial enterprises	226.4	25.9%
Investment in fixed assets	417.3	36.6%
Total retail sales of consumer goods	269.5	15.5%
Foreign trade	USD 840 million	38.4%
- exports	USD 510 million	38.9%
- imports	USD 340 million	37.7%
- trade surplus	USD 170 million	261.0%

Note: Local data are preliminary and subject to adjustments.

Source: “A brief analysis of Sichuan economic condition and its trend in May (in Chinese)”, Sichuan Bureau of Statistics Website, 19th June, 2006.

http://www.sc.stats.gov.cn/stats_sc/zxtjxx/200606200023.htm

2.2.2 Updates on Sichuan

2.2.2.1 Sichuan to have more young and professional cadres and assessment needed

Simplifying Rural Communist Party Organisation

In early June, the Sichuan Communist Party of China (CPC) committee issued a “*Notice on Conscientiously Handling the Appointment of Rural Cadres for the New Term*” (hereafter the *Notice*), stating the cadre selection policy and the allowances permitted for senior rural cadres. Starting from the third quarter, senior rural cadres throughout Sichuan will start a new term. The township CPC committee will be entitled to have only one deputy secretary but there will be no full-time CPC committee member at rank of deputy head of township administration.

According to the *Notice*, the majority of rural government chief officials should be around the age of 40, with a good portion around 30, and younger cadres need to be recruited. Leading local officials should be educated to at least undergraduate level. Remote areas or those with ethnic minorities could be carefully exempted from these selection criteria. More channels should be open up for cadre nomination and selection. Capable cadres in small villages, especially younger ones, should be promoted to be rural government chief officials at a faster pace¹⁷.

Senior officials to be assessed more rigorously

On 17th June, Deputy Governor Mr Ke Zunping (柯尊平) emphasised the strategic importance of environmental protection. The Sichuan provincial government has accordingly listed environmental protection as a crucial criterion in the appraisal of cadre performance. Local officials who fail to

¹⁷ “Sichuan: only one position of deputy secretary be allowed (in Chinese)”, Sichuan Government Public Information Website, <http://www.sc.gov.cn/news/news.asp?id=8128>.

meet environmental protection targets will not be promoted and malpractice resulting in environment pollution will be severely punished¹⁸.

Cadre training to be more structured

Sichuan is in the fourth year of expanding its cadre training programme, and this year the Sichuan Government issued its “*Regulations on Education and Training of Cadres*”. In 2003, Sichuan started a large-scale cadre training programme at the request of the Central Government. Since then, 1.56 million cadres (in person-times, similarly hereafter) have been trained. Of these 587,000 were cadres of above county level, 699,000 were business managers and 276,000 were professionals. To improve the motivation of cadres in training programmes, more attention will be drawn to the structural design of personnel nominations, selection, and appointment. Leaders above county level will undertake examinations to assess their abilities. A new mechanism of cadre appointment will be implemented under the principles of “training, examining, assessing and improving”. Newly-appointed leaders will take part in on-the-job training to increase their accountability and improve their administrative capacity¹⁹.

The development of the Sichuan cadre system represents the implementation of the Central Government’s institutional reform at the provincial level. New measures in Sichuan are consistent with this national policy. In particular, environmental protection is now a principal assessment criterion for cadre performance. It is the result of an increasing emphasis on sustainable development, which is one of the underlying principles of the 11th Five-Year Plan. Sichuan and other inner provinces previously lagged behind coastal provinces for cadre training. Cadres in the inner provinces may be less familiar with the policy requirements of a harmonious society, the mechanism of a market economy and global business practices. At the same time it emphasises the benefits and rewards to be gained from vigorous cadre training. Hong Kong’s universities and institutions have been playing an important role in this training sector. In recent years, the four provinces / region followed the practice of coastal

¹⁸ “Sichuan: Assessment criterion of cadres, no promotion if environmental protection is not strongly enforced (in Chinese)”, Sichuan Environment Protection Website, June 21, 2006, [http://www.schj.gov.cn/\(S\(hztq0xjd5di5sj45xt5ezurd\)\)/NewShow.aspx?id=11626](http://www.schj.gov.cn/(S(hztq0xjd5di5sj45xt5ezurd))/NewShow.aspx?id=11626).

¹⁹ “Cadre training to be more instituted, 1.56 million trained in 3 years (in Chinese)”, Chengdu Website, 22nd May, 2006, quoted from *Sichuan Daily*. <http://www.chengdu.gov.cn/moban/detail.jsp?id=72485&ClassID=02060103>

regions, and dispatched more officials to Hong Kong for training. Hong Kong could develop itself into a cadre training centre for the Pan-PRD region. This might enable it to catch up with Singapore which is currently ahead of Hong Kong in this area.

2.2.2.2 The mystery of the ancient Shu Civilisation

On 10th June, Chinese archaeologists started another round of excavations at the Jinsha Relic Site in Chengdu. This is widely regarded as the most important and valuable excavation work for 20 years. The Jinsha site was discovered in Chengdu in 2001. Many valuable relics, mainly bronze, jade and gold wares, were found buried there in sacrificial pits. These relics look very similar to those unearthed in the Sanxingdui Ruins, strongly indicating that the Jinsha and Sanxingdui cultures shared similar rites and forms in their sacrificial rituals. Most of the relics date back to the late Shang and Zhou periods and a few even to the early Spring and Autumn period. Jinsha, in addition to Sanxingdui, may have been another political, economical and cultural centre of the ancient Shu Kingdom²⁰. It might even have served as the capital. These new findings have extended the history of the lost Shu civilization in Chengdu from 2,500 years old to more than 3,000²¹.

Located in Guanghan (a city 40 km north of Chengdu), the Sanxingdui Ruins were discovered in 1929. The most important artefacts were found in 1986. Numerous bronze ware, jade ware and pottery were excavated in the sacrificial pits. The bronze relics included bronze zuns (ancient drinking jugs), bronze images of human heads, sculptures of human faces, vertical-eyed masks, gold masks, images of human heads with gold masks and sacred trees. All of the artifacts provided evidence of a sophisticated ancient Shu bronze civilisation located in the Chengdu Plain near the Yangtze River. These discoveries provide plenty of evidence to support the theory that parallel and multi-origin civilisations developed along the Yangtze River and Yellow River.

²⁰ The ancient Shu Kingdom peaked sometime in the Spring and Autumn period, around 387-377 BC. See the chapter of “Huayang guozhi ‘Shushan’”.

²¹ “Jinsha and Sanxingdui Relic Sites strikingly similar or stemmed from one source (in Chinese)”, Xinhua Net, 12th June, 2006. http://news3.xinhuanet.com/st/2006-06/12/content_4683478.htm

The Jinsha and Sanxingdui Relic Sites are believed to have their cultural origins in the ancient Shu Kingdom. The artefacts unearthed at Jinsha bear astoundingly close resemblance to those at Sanxingdui and could provide complementary evidence useful to those researching the mysteries of the Ancient Shu Kingdom. However, findings in these sites also pose some interesting questions. For example, oracle inscriptions were found in Sanxingdui, without any writings on them²². Another controversy surrounds the existence of words and writings in the Ancient Shu Kingdom. The word-less oracle inscriptions could provide evidence to neither ways²³.

Studies of ancient Chinese history have often focused on the drainage area along the Yellow River and the middle and down stream areas of the Yangtze River, whilst the upstream area of the Yangtze River has received much less attention. Indeed, historians and archaeologists have proven that a series of amazing civilisations, He-mu-du Culture, Majiabang Culture, Songze Culture and Liangzhu Culture, had developed in down-stream areas of the Yangtze River; whilst Daxi Culture and Qujialing Culture were found in the middle-stream areas of the Yangtze River. Both the Yellow River and the Yangtze River played special roles in the origins of Chinese civilisation. Could the upper reaches of the Yangtze River, with Chengdu at the centre, be another source of these origins? Sanxingdui and Jinsha Relic Sites may provide some critical clues²⁴.

This year, the State Administration of Cultural Heritage decided to use golden decoration of “Si Niao Rao Ri (four birds around the sun)” (四鳥繞日) from the Jinsha Relic to be the official logo of the China Cultural Heritage. “Si Niao Rao Ri” was founded in 2001, the archaeological expert named it as “Tai Yang Shen Niao (deity bird from the sun)” (太陽神鳥). All these demonstrated archaeological significance of the Jinsha Relic.

Lately “archaeology fever” has broken out in China. It shows that an appreciation of the country’s cultural origins improves the nation’s self-esteem and confidence. Bestselling books now include those dedicated to history and archaeology, and TV programmes with archaeological content

²² “Jinsha Relic Site: a mysterious civilization of ancient Shu (in Chinese)”, Takungpao Website, 11th June, 2006. <http://www.takungpao.com/news/06/06/11/ZM-578153.htm>

²³ The *History of Huayang State* says ancient Shu people “wrote beautiful scripts”. The *Shu Ruler* says otherwise and claims that there was neither writing nor music (both documents in Chinese).

²⁴ “Jinsha Relic Site and Ancient Shu Civilization (in Chinese)”, 10th June, 2006, Sichuan Zhengxie Bao. <http://www.newssc.org/gb/Newssc/meiti/sczxb/ssxw/userobject10ai1004632.html>

are becoming more and more popular. The Sanxingdui Relic Site is famous around the world, partly because of the mysteries of the Ancient Shu Kingdom. Exhibitions of Sanxingdui relics have been held abroad and the exhibition in Taiwan was particularly successful.

Hong Kong is said to lack a national and cultural identity. With the exhibition and promotion of Chinese relics such as those found in Jinsha and Sanxingdui, Hong Kong could equip the society with a better understanding of Chinese culture and reinforce cultural and national identity.

2.3 Trends and Updates on Guangxi

2.3.1 Economic Performance of Guangxi

Guangxi maintained upward trends in economic development in the first five months of 2006. Most economic indicators recorded a faster pace of growth, except for the output of heavy industries and foreign trade, which grew at a slower pace. It is worth noting that:

- Investments in fixed assets showed healthy growth. Industrial investment was the largest item in terms of size and grew by 51.6%, amounting to RMB 21.45 billion. Investment in real estate development totalled RMB 10.84 billion, up by 38.2%. The development of the real estate sector was driven by rapid industrialisation and economic growth²⁵.
- The efficiency index for industrial enterprises (above designated scale) reached RMB 172.2 billion, showing a monthly rise of 20.5 points. It signified the largest monthly increase for 2006. Five out of seven economic efficiency indicators reported growth while the

²⁵ “Guangxi economy grew at a nice pace in the first 5 months (in Chinese)”, Guangxi Bureau of Statistics Website, 26th June, 2006. http://www.gxtj.gov.cn/economy_news/news_display.asp?sendid=10732

remaining two declined²⁶, signifying higher efficiencies in terms of input-output ratio and profitability.

- Industrial enterprise profits (for those above the designated size) increased significantly by 37.8% compared with the previous year. The source of growth came mainly from sugar production. Losses from industrial enterprises, above the designated size, grew by 21.9% and a total of 15 out of the 38 industries reported profit falls or an increase in loss. Those with the largest losses were in the following industries: smelting and pressing of ferrous metals, medical and pharmaceutical products manufacturing, and petroleum processing. Such losses reveal Guangxi's weak industrial foundation and relatively low efficiency²⁷.
- Guangxi's major export markets include ASEAN (USD 370 million, 29.1%), the European Union (USD 210 million, 17.3%), the USA (USD 150 million, 9.2%), Japan (USD 117 million, 9.2%) and Hong Kong (USD 1.16 million, 9.1%). Of these markets, exports to ASEAN grew by the greatest margin of 25.1%. Exports to Hong Kong, on the contrary, fell by 4.5%²⁸. This was the result of more direct trade with ASEAN rather than re-exporting via Hong Kong.

Table 2.4: Economic performance of Guangxi (May 2006)

Indicators	Total (Jan – May, RMB 100 million)	Year-on-year growth (%)
First quarter GDP	965.3	13.5%
Budgetary revenue	212.4	22.2%
Value-added of industrial enterprises above designated size	416.6	21.2%
Total retail sales of consumer goods	645.6	13.5%
Trade (USD 100 million)	23.6	17.9%
Consumer price index (%)	100.6	0.6

Note: Local data are preliminary and subject to adjustments.

Source: Guangxi Statistics and Information Net <http://www.gxtj.gov.cn/>

²⁶ The seven efficiency indicators are: ratio of capital gain retention, turn-over ratio of liquid assets, total factor productivity, output-sales ratio, cost-profit ratio, return to gross asset and asset-liability ratio.

²⁷ “In the first 5 months, profit of Guangxi industrial enterprises above designated scale up by 37.8% (in Chinese)”, National Bureau of Statistics Website, 27th June, 2006.
<http://www.stats.gov.cn/was40/detail?record=4&channelid=57792>

²⁸ “In the first 5 months Guangxi trade surplus reached US\$ 180 million (in Chinese)”, Provinces and Municipality Information Website. <http://provincedata.mofcom.gov.cn/hotdate/disp.asp?pid=2387>

2.3.2 Updates on Guangxi

Environmental-friendly Cassava Saves Energy for Guangxi

Conservation is one of the guiding principles of the 11th Five-Year Plan, especially with regard to the energy sector. Renewable energy therefore receives special attention in terms of research and business applications. Developing ethanol fuel for cars stands out as one of the most exciting new industries. The National Development and Reform Commission is working on a “*Medium- and Long-Term Plan on Renewable Energy*”. By the year 2020, renewable energy will account for 16% of total energy output in China and the annual production capacity of ethanol fuel should reach 10 million tonnes. On 16th June, the Ministry of Finance issued “*Temporary Measures on Special Project Funds for Renewable Energy*” (hereafter referred to as the *Measures*). The *Measures* identified areas that required support and listed the details in application procedures, selection and assessment criteria. According to the *Measures*, non-grain bio-fuels such as ethanol fuel and bio-diesel fuels will play the most important role. Bio-ethanol is refined from sugar cane, cassava and sorghum²⁹.

Ethanol fuel is a blend of ethanol and gasoline. In the right combination it burns more completely and releases less harmful emissions relative to gasoline. Hence, it is energy-saving, environmental friendly and a good substitute for fossil fuels. If 10% of ethanol fuel is used, carbon bisulphide emissions can be reduced by 30%³⁰.

Ethanol fuel is widely used in countries like Brazil and the USA³¹. In China, a pilot project for ethanol fuel was launched in 2000, concentrating in the three north-eastern provinces of Liaoning, Jilin and Heilongjiang. In

²⁹ Sunlei: “The Ministry of Finance issues *Temporary Measures on Special Project Funds for Renewable Energy* (in Chinese)”, *21st Century Economic Reporter*, 19th June, 2006.

<http://www.nanfangdaily.com.cn/jj/20060619/zj/200606190020.asp>

³⁰ Tang Haibo: “Guangxi to use ethanol fuel, build ‘green oil field’ in 2007 (in Chinese)”, 14th June, 2006, quoted from Guangxi News Website. http://www.gx.xinhuanet.com/newscenter/2006-06/14/content_7254725.htm

³¹ There are 6 million US vehicles that can run on gasoline or ethanol fuel (up to E85 which contains 85% ethanol). There are 730 US state-owned ethanol fuel stations. General Motors will launch a number of new models compatible with ethanol fuel. See Betsy Mason, “Fueled by ethanol, California is coming from behind”, *Contra Costa Times*, 24th June, 2006.

November 2003, Jilin became the first in the nation to run a pilot scheme for ethanol fuel consumption throughout the province. In 2004, the scheme was extended to nine provinces, including Henan, Anhui, Hubei, Hebei, Shandong, Zhejiang and so on. The experiment started in the northeast partly because of an excess supply of corn in that vicinity (the northeast is the chief producer of corn in China). In Jilin, it is estimated that two million tonnes of corn are used as raw materials for every 600,000 tonnes of ethanol fuel production. Hence, ethanol fuel projects will stimulate demand for corn in the northeast³².

In June, a proposal for a cassava-based ethanol production based in Guangxi was discussed. By the second half of 2007, 10% of automobile fuels will consist of ethanol in Guangxi. Instead of corn or sugar cane, Guangxi uses cassava to produce ethanol. The Guangxi Commission of Development and Reform forecasts that an annual output of 200,000 tonnes of ethanol will be sufficient. These output levels are based on an annual consumption of 1.2 million tonnes of automobile fuel in 2005 (implying a demand for 120,000 tonnes of ethanol if gasoline is mixed with 10% ethanol), plus some room for future growth.

In its 11th Five-Year Plan, Guangxi set the production target for cassava-based ethanol at one million tonnes, to be achieved in five phases. Starting from a base output of 200,000 tonnes, and an annual increase of 200,000 tonnes, it will be easy to achieve the target. By the second half of 2007, ethanol fuel will be available in all fuel stations in Guangxi, and traded with Yunnan, Guizhou, Guangdong, Hong Kong and Macao. In other words, Guangxi is striving to become the “green oil field” of southern China³³.

Fuel prices in Hong Kong have been exceptionally high, even more so than Japan which shares other similar features to Hong Kong such as heavy gasoline taxes and lofty property prices. These problems can be mitigated by importing ethanol fuel from the Mainland. Competition in the fuel market can be increased whilst dependence on imported oil is lowered. Most importantly, ethanol fuel is more environmental friendly and reduces

³² Ren Pengfei, Sun Yingwei, Chu Yelai: “Ethanol fuel to enter the northeast, one stone captured three birds (in Chinese)”, Xinhua Website, 15th April, 2005.

http://big5.xinhuanet.com/gate/big5/news.xinhuanet.com/newscenter/2005-04/15/content_2833964.htm

³³ “Guangxi to use ethanol fuel in 2007, Nanning be the base (in Chinese)”, China Bio-technology Website, 14th June, 2006, quoted from Contemporary Life.

<http://www.biotech.org.cn/news/news/show.php?id=35079>

vehicle emissions. Hong Kong could import US vehicles compatible with cassava ethanol (so-called flex fuel models) or Mainland suppliers could set up ethanol fuel stations along the Hong Kong – Shenzhen border, so that the lack of appropriate sites for new stations would not pose a problem.

The National Development and Reform Commission established a research committee in May to explore energy substitutes, including bio-fuels, methanol fuels, and coal-to-liquid fuels³⁴. Sichuan, Guizhou and Yunnan have abundant coal reserves. Yunnan and Guizhou enterprises are investing in Vietnamese coal mines as well, resulting in excellent prospects for bio-fuel development in the four south-western provinces / regions. Hong Kong could encourage research on fuel substitutes, and meet the challenges of the latest development initiative pushed forward by the Central Government and the four south-western provinces / region. It could also make good use of its global network to evolve into the R&D centre for the industry in the Pan-PRD region, or even for China as a whole.

2.4 Trends and Updates on Yunnan

2.4.1 Economic Performance of Yunnan

Yunnan benefited from the rise in international metal (primarily copper) prices and some of its intermediate industrial products recorded their highest prices ever. As a result, in the first five months of 2006, industrial value-added rose by 12% over the same period last year. The growth rate reached double digits for the first time since the second half of 2005. Yunnan industries lack the momentum for development because the province relies too heavily on the tobacco industry. In the first five months of 2006, the tobacco industry alone accounted for 44% (RMB 20.376 billion) of the total industrial value-added. However, being constrained by market demand and state control (via economic planning, for instance), the tobacco industry is unlikely to see extensive growth. Other notable industries include electricity, ferrous metals, sugar manufacturing, raw chemical products and the pharmaceutical industry. These traditional industries lack the necessary momentum for growth. So, Yunnan

³⁴ “Liquid substitution-fuel to be main theme and develop at accelerating pace (in Chinese)”, *First Financial Times* (Shanghai), 21st June, 2006.

consistently experiences rather low industrial growth. In May, the tobacco industry underwent structural product adjustment which resulted in higher growth³⁵. However, such initiatives only occasionally occur and cannot generate a sustainable push for industrial development by themselves.

From January to May, investment in fixed assets surged by 30.8%, reaching RMB 5,780.4 million. Yunnan has invested heavily in the electricity, highways, building materials, and ferrous metal industries. Its industrial development is practically resource-led and there is no sign of structural advancement yet.

Table 2.5: Urban investment in Yunnan by industry

	Industry	Investment Realised (RMB 100 million)	Year-on-year growth (%)
1	Electricity	143.5	41.5 %
2	Road construction	116.2	21.8%
3	Manufacturing	66.6	20.5%
	- raw chemical materials and chemical products	18.8	58.6%
	- ferrous metals	11.7	63.5%
	- non-metal mineral products	8.4	120.0%
4	Municipal works	35.7	95.6%
5	Mining	20.9	39.2%
6	Education	11.9	19.8%
7	Irrigation	10.7	35.8%
Total:		405.5	33.7%
Ratio to Yunnan urban investment		70.2%	

Note: Local data are preliminary and subject to adjustments.

Source: “From January to May, Yunnan’s urban fixed investment grows by 30.8%, compared to the same period of preceding year (in Chinese)”, National Bureau of Statistics Website, 13th June, 2006. <http://www.stats.gov.cn/was40/detail?record=40&channelid=57792>

³⁵ “In the first 5 months, Yunnan picked up industrial growth, tobacco production grows steadily (in Chinese)”, National Bureau of Statistics Website, 19th June, 2006. <http://www.stats.gov.cn/was40/detail?record=27&channelid=57792>

2.4.2 Updates on Yunnan

Electric cars exported to the USA

According to a report from the *Daily Economic News*, a lot of 58 FAW-Hongta MPV electric passenger cars for the U.S. based Miles Automotive Group (MAG) was prepared for shipment to California on 25th May, 2006³⁶. FAW-Hongta is a joint venture of the Hongta Group (紅塔集團), a leading tobacco producer in Yunnan (as well as in China), and the First Automotive Works Corp (FAW, 一汽集團). As a low-speed vehicle, the cars marketed in the U.S. by MAG under the ZX40 nameplate are catered for sport, golf and stadium transportation. MAG has already expressed their satisfaction with the performance of the cars and intends to place more orders subject to US market demands³⁷.

Based on the popular FAW "Jiaxing" MPV, these electric vehicles are the result of a joint development between FAW-Hongta and Tianjin Qingyuan, who is a market leader in developing electric vehicles. FAW-Hongta supplies finished vehicles less the conventional engine to Tianjin Qingyuan where the final assembly of the advanced electric engine takes place. The vehicles employ revolutionary technology developed under the Ministry of Science and Technology's No. 863 electric vehicle research programme³⁸, a cutting edge national level high technology R&D initiative. It has fulfilled stringent US requirements for road safety and environmental protection³⁹.

³⁶ Yu Linglin: "Electric cars of FAW MPV to be exported to US (in Chinese)", China Passenger Cars Website, 26th May, 2006, quoted from *Daily Economic News*,

<http://www.chinapcars.com/mpv/shownew.asp?NewsId=958&name=MPV>

³⁷ "FAW-Hongta exporting electric cars to US (in Chinese)", E-government of Yunnan Website, 26th May, 2006. <http://www.yn.gov.cn/yunnan,china/73466068433108992/20060526/1072899.html>

³⁸ In 1986, to enhance the global competitiveness of China, four renowned and well-respected scientists, Wang Daheng, Wang Ganchang, Yang Jiachi, Chen Fangyun, put forward proposals to speed up technology progress in China. Deng Xiaoping agreed and initiated the *High Tech R&D Project* (the so-called *863 Project*). In April 2001, the State Council approved the continual implementation of the *863 Project*. It was one of the three core programmes in technology development under the 10th Five-Year Plan.

³⁹ "FAW-Hongta MPV exported to US (in Chinese)", China Passenger Cars Website, 31st May, 2006. Quoted from *FAW News*. <http://www.chinapcars.com/mpv/shownew.asp?name=MPV&newsid=963>

Fusion of “Strong-Strong” enterprises

In 1997, the Yunnan Government initiated a joint venture of Hongta Group and the First Automotive Works Corp. The newly established company, the FAW-Hongta Yunnan Automotive Manufacturing Co. Ltd. is a fusion of “Strong-Strong” enterprises, and specialises in the production of light-duty trucks. It is now one of the four most dominant light-duty truck producers in China⁴⁰, with production lines with an annual capacity of 100,000 units. It produces different types and models of vehicles, bearing the nameplates of Jiefang, Lanjian, Jiefang Xiaoka, Xiaocaishen, Xinan Wushiling, of which Xiaojiefang and Lanjian has become famous brands in the Mainland market. It serves not only the domestic market but also exports to Myanmar, Laos, Vietnam and Peru as well⁴¹.

Hongta Group to become more diversified

In November 2003, China signed the World Health Organisation’s (WHO) “*Framework Convention on Tobacco Control (FCTC)*” which requires signatories to introduce stricter tobacco legislation. According to the State Tobacco Monopoly Administration, China is the largest tobacco producer and consumer in the world. Its tobacco output is approximately 30% of the global output. Tax from the tobacco industry also accounts for 10% of the budgetary revenue of China⁴². As the tobacco industry assumes a certain role in the economy, tobacco control in China is a complicated issue. In the long run, however, the tobacco industry will be subject to tighter control.

Since 1999, Yunnan’s tobacco industry has witnessed a fall in cigarette output and profits for three years in a row. Under the “dual-control” (controlling both the farming area and output of tobacco) policy of the Central Government, the output of flue-cured tobacco has fallen by more than 50%, decreased from 460 tonnes to 220 tonnes. Though the Yunnan tobacco industry is still a dominant player in China (accounting for one

⁴⁰ “Tobacco tycoon becomes car manufacturer: upgrade to light-duty truck, invest RMB 400 million in saloon (in Chinese)”, Sina.com, 12th November, 2003, quoted from *China Management News*. <http://chanye.finance.sina.com.cn/qc/2003-11-12/187842.shtml>

⁴¹ “FAW-Hongta Yunnan Automotive Manufacturing Co. Ltd. (in Chinese)”, Chinese Automobile News website. <http://www.autonews.net.cn/cjzt/info.asp?id=136>

⁴² Yang Mo: “Tax from tobacco industry accounts for 10% of budgetary revenue, tobacco control is not an easy task in China (in Chinese)”, Anhui News Online, 28th February, 2005. <http://finance.big5.anhuinews.com/system/2005/02/28/001144766.shtml>

third of tax revenues, and 18% of national output in 2005), market share and competitiveness are subject to downward trends⁴³.

As the largest Chinese tobacco manufacturer, the Hongta Group is more than forty years old. Hong Ta Shan (紅塔山) has been rated as the number one (tobacco) brand in China for 7 years consecutively. Its brand name once had a value of more than RMB 40 billion. Since 2001, the value of its brand name has been on the decline and fell to sixth place in 2004. Also in 2004, a year-end quality survey by the State Tobacco Monopoly Administration revealed rather astonishingly that the quality of Mount Hongtashan was not up to standard (its tar content exceeded the limit). Production was suspended until January 2005, and the former number-one brand found itself in the midst of a brand crisis⁴⁴.

Changchun-based FAW expanding to the south

FAW sees FAW-Hongta as its southern production base and the annual production capacity is expected to reach 150,000 by 2007. FAW-Hongta is a well-known light-duty truck manufacturer. However, with the production of FAW-Hongta MPV electric passenger cars under nameplate of “Xingfu Shizhe” (幸福使者), FAW-Hongta has successfully entered the passenger car market. As the automobile industry is facing more intense competition, profit margins are bound to shrink. Consequently, production and sales of automobiles will be more localised in order to reduce transportation and transaction costs. The southward relocation of FAW-Hongta MPV production plants to Qujing of Yunnan serves as a good example. The electric passenger car will be a core FAW-Hongta product for years to come.

The diversification by the Hongta Group into the automobile industry is a smart move. The tobacco industry has probably already past its prime. The automobile industry, on the contrary, is growing. For FAW, it has incentives to cooperate with the Hongta Group because of the popular brand name of the Hongta Group, its abundant capital and exceptional sales network not only in China, but also across Southeast Asia.

⁴³ “Yunnan tobacco industry faces difficulties (in Chinese)”, Xinhua Net – Economics Reference News, 17th February, 2005. <http://jjckb.xinhuanet.com/www/Article/200521785425-1.shtml>

⁴⁴ “Who hacks the Hongtashan brand? (in Chinese)”, People Website, 16th February, 2005. <http://culture.people.com.cn/GB/40489/40490/3179972.html>

In all, the diversification by the Hongta Group in the automobile industry represents a relatively successful transformation of a tobacco enterprise.

2.5 Trends and Updates on Guizhou

2.5.1 Economic Performance of Guizhou

In April 2006, Guizhou saw a steady growth in industrial output. The urban investment in fixed assets, however, grew at a slower rate. The retail sales of consumer goods maintained a respectable growth and trade volumes rebounded upwards. Living standards also rose accordingly. The core industries that contributed the most to Guizhou's industrial growth were electricity, chemicals, beverages, pharmaceuticals and the tobacco industries. In April, the electricity industry accounted for most of industrial growth, at a growth rate of 28.5%. It is followed by the chemicals (19.7%), beverages (28.2%), pharmaceuticals (35.6%) and tobacco (7.7%) industries. In the first four months of the year, investment growth in infrastructure, technology upgrades and real estate development dropped respectively by 5.4%, 6.1%, and 3.3% over the first quarter. Moreover, the real estate development investment market experienced the lowest growth rate for six years⁴⁵. Sluggish investment growth and mediocre industrial growth may create a bottleneck for economic development in Guizhou.

Guizhou was hit by a number of natural disasters this year, including snow storms, freezing temperatures, droughts, flooding, mud-rock flows and landslides. As of 5th June, the direct economic loss incurred added up to RMB 960 million. A total of 531,000 hectares of agricultural land was destroyed and Guizhou spent RMB 95.25 million on compensation. Meteorologists forecast a slightly rainy summer, but alternating droughts and flooding are expected⁴⁶. Agricultural output and rural incomes may be adversely affected later in the year.

⁴⁵ "Economic performance of Guizhou in April 2006 (in Chinese)", Guizhou Bureau of Statistics Website, 31st May, 2006. http://210.72.41.100/wenjian/newssee.php?s_number=878

⁴⁶ "Natural disasters in Guizhou incurs RMB 1 billion loss this year (in Chinese)", *Guiyang Daily*, 7th June, 2006. <http://guizhou.mofcom.gov.cn/aarticle/sjshangwudt/200606/20060602379942.html>

Table 2.6: Economic performance of Guizhou (January to April 2006)

Indicators	Value	Year-on-year growth (%)
Total retail sales of consumer goods (Apr)	RMB 54.8 hundred million	13.5%
Retail sales of urban consumer goods (Apr)	RMB 43.3 hundred million	13.2%
Retail sales of rural consumer goods (Apr)	RMB 11.5 hundred million	14.6%
Sales of wholesale and retail enterprises (Apr)	RMB 11.7 hundred million	26.3%
Per capita disposable income of urban households (Jan to Apr)	RMB 3,215	10.8% (real growth of 9.7%)
Per capita consumption expenditure of urban households (Jan to Apr)	RMB 2,360	11.9% (real growth of 10.8%)
Foreign trade (Jan to May)	USD 5.9 hundred million	7.6%
- exports	USD 2.4 hundred million	15.1%
- imports	USD 3.5 hundred million	3.1%
- trade surplus	USD 1.1 hundred million	-

Note: Local data are preliminary and subject to adjustments.

Sources:

1. “The basic condition of Guizhou urban households’ income and expenditure from January to April (in Chinese)”, Guizhou survey team, 26th June, 2006.
2. “In April, the growth of the province’s consumable market accelerating (in Chinese)”, Guizhou Bureau of Foreign Trade, 19th June, 2006.
3. “The foreign trade condition of Guizhou Province between January and May (in Chinese)”, People’s Government of Guizhou, 29th June, 2006.

2.5.2 Updates on Guizhou

2.5.2.1 Guizhou appealing to Japanese tourists

The Japan National Tourist Organisation and some major Japanese travel agencies visited Guizhou and decided to list Guizhou in their travel guides. Among them was JTB, the largest travel agency in Japan. JTB representatives are scheduled to go to Guizhou in July to discuss the details of Guiyang - Japan charter flight service.

Upon visiting Guizhou, Mr Toshihiro Nikai, President of the Japan National Tourist Organisation and the Minister for Economy, Trade and Industry, asked his assistant to draft a marketing proposal for Guizhou’s tourist attractions. Guizhou can offer the following advantages: 1. proximity to the popular destinations of Guilin and Guangzhou; 2. beautiful forests and other natural resources; 3. ethnic minority communities; 4. good

quality tourism services such as knowledgeable tour guides, comfortable hotels and entertainment facilities⁴⁷.

Japan has been a major source of in-bound tourists to Guizhou. In 2005, the number of Japanese visitors reached 16,000, up by 20% from 2004⁴⁸. Consequently, the training of tourist professionals in Guizhou has been expanded. However, it should be pointed out that in 2005, outbound tourists from Japan reached 17 million. Of these 3.4 million visited China but only a tiny portion of them (16,000) headed for Guizhou⁴⁹.

In recent years, Guizhou's tourist industry has grown rapidly. In May this year, the number of inbound tourists reached 6.5 million, and revenues from tourism added up to RMB 3.063 billion, up by 88% and 185% respectively over the previous year. In the first five months of this year, the number of inbound tourists reached 17.9 million and tourism revenues amounted to RMB 9.467 billion. These represented increases of 62% and 86% respectively. The peak tourist season arrived earlier this year and the Guizhou CPC committee and People's Government stepped up the marketing of Guizhou. For instance, senior officials have been inviting overseas delegates to attend promotional events. Travel agencies from around the world have also expressed an interest in the Guizhou tourist market. Agencies from Korea, Thailand, and Malaysia have discussed various forms of cooperation, such as the development of new international charter flight services⁵⁰.

Hong Kong has a great deal of experience in developing the tourist industry, attracting visitors and packaging and marketing. It could team up with Guizhou to develop a one-stop Hong Kong-Guizhou travel experience in order to exploit their tourist resources, for instance, overseas visitors may firstly visit Hong Kong, then be re-directed to Guizhou.

⁴⁷ "Seven travel agencies from Japan discuss cooperation in tourism and charter flights (in Chinese)", Golden Guizhou Online, 16th June, 2006. <http://www.gog.com.cn/gzrb/g0602/ca986032.htm>

⁴⁸ "Promotion is key to Japan-Guizhou tour, says Japan travel agencies (in Chinese)", Golden Guizhou Online, 16th June, 2006. <http://www.gog.com.cn/jq/j0603/ca986226.htm>

⁴⁹ See footnote no. 49.

⁵⁰ "Guizhou tourism: peak season arrives earlier this year, RMB 9.48 billion of revenue in the first 5 months (in Chinese)", Golden Guizhou Online, 21st June, 2006. <http://www.gog.com.cn/jq/j0603/ca987766.htm>

2.5.2.2 Rural cadre training

In June, 200 rural cadres attended a 7-day training programme organised by the Municipal Committee of Guiyang, the provincial capital of Guizhou. They studied new socialist village policies, village planning, and the encouragement of new farmers. The aim was to raise both the quality and capability of rural cadres. Guizhou plans to train up to 1,000 village cadres in 2006. Since the second half of 2003, more than 440,000 cadres have attended various kinds of training; of which 5,000 were bureau-level and 35,000 were county-level officials⁵¹. Half of them were released from work, and participated in training for periods of longer than 3 months.

Early this year, the Central Government launched a “building the new countryside” programme, with the intention of drawing useful experiences from South Korea. In February, the Central Government organised a seminar specifically for this purpose. Attentive provincial-level officials discussed how to apply the South Korean experiences to Chinese villages. The Korean “new village” programme was drawn up in the 1970s with the dual aims of raising rural incomes and coordinating urban and rural development. In 2005, the ratio of rural to urban income per capita was 84% in South Korea. There exists a larger discrepancy in China, where the ratio of urban to rural income per capita stands at 3.2 to 1. South Korea will provide training to Chinese officials regarding the new countryside initiative. In the next three years, 30,000 agricultural officials, including a few from the four south-western provinces, will undertake training courses in South Korea. According to the most conservative estimates, training costs per official will be around USD 100-300, with the total costs between USD 35 and 52.5 million. Commencing from July, officials from Dalian, Chongqing, Shanghai, Hunan and Jilin have been sent to Korea for training⁵². Officials from the four south-western provinces / regions will also join this programme.

⁵¹ “Two hundred Guiyang cadres enter classroom (in Chinese)”, People’s Government of Guizhou Website, 21st June, 2006. http://www.gzgov.gov.cn/shouye_tc/showzwxx.asp?id=24425; and

“Cadre training in Guizhou into a new phase (in Chinese)”, People’s Government of Guizhou Website, 23rd June, 2006. http://www.gzgov.gov.cn/shouye_tc/showzwxx.asp?id=24487

⁵² “New countryside building initiates a fever of studying tour abroad, 30,000 cadres to study in South Korea (in Chinese)”, Guangxi News Website, 10th June, 2006.

<http://news.gxnews.com.cn/staticpages/20060610/newgx448a2cca-625859.shtml>

“China to learn from South Korean villages (in Chinese)”, Mingpao – Chinese News Website, 10th June, 2006. http://news.sina.com.hk/cgi-bin/news/show_news.int.cgi?id=190850&date=2006-06-10&ct=instan

In addition to cadre training, other forms of training will also be provided to people in the rural areas. The Guizhou Government will contribute more than RMB 500,000 to set up the Qiannan State Vocational Training Centre for Construction Workers, which is the first training centre dedicated to construction skills. The prefecture-level project will also provide vocational training to surplus labour in deprived villages at no cost. Currently there are 70,000 construction workers in Qiannan State, 58,000 of who are from the countryside, and they account for 89.2% of the total workforce. The centre will provide construction training to all surplus rural workers at no charge, as well as operate a job referral service. On 2nd June, the first batch of 150 peasant workers will receive systematic skills training⁵³.

The policy of training surplus rural labour is not limited to Guizhou and similar programmes have been initiated in other areas. Sichuan launched a business start-up programme in February this year. It plans to serve 200,000 clients from 2006 to 2010, achieve a pass rate (for start-up training) of 80% and a 50% survival rate for business start-ups. It is anticipated that every successful business start-up will go on to create three jobs. Such training programmes illustrate a new direction for local employment and career development in the south-western provinces⁵⁴.

The training programmes above indicate that governments at various levels have been focusing on the development of rural cadres and workers.

- China is modifying its development strategy in order to shift more resources to the countryside. Training and “human capital” are of vital importance. In the past, training programmes were restricted to urban officials and they were often only conducted in industrialised regions like Hong Kong and Singapore. Training programmes in Guizhou and Sichuan show that the dissemination and expansion of cadre training is taking place. Besides, vocational training in the countryside proved intention of the provincial government in enlargement scope of economic activities. It also helps retain rural workers in their neighbourhood, thereby lessening the outflow of

⁵³ “Qiannan Prefecture provides free vocational training centre for construction workers (in Chinese)” Prefecture vocational training centre for construction workers (in Chinese)”, People’s Government of Guizhou Website, 14th June, 2006. http://www.gzgov.gov.cn/shouye_tc/showzwx.asp?id=24255

⁵⁴ “Sichuan begins business start-up training to serve 200 thousand people (in Chinese)”, Chinese Labour Website, 25th May, 2006, quoted from Sichuan News Website. <http://www.labournet.com.cn/ldnews/fileview.asp?fileno=56176>

workers to the PRD region and local wage inflation. However, the labour supply in the PRD may be adversely affected and wages may experience some inflationary pressures.

- The new countryside building programme is consistent with the rural development strategy in the *11th Five-Year Plan*. Industrialisation remains an obvious objective for rural areas which should gradually reduce the urban-rural discrepancy over time, and thus also achieve the goal of creating a more “harmonious society” in the long term.

- Hong Kong may find it relatively difficult to participate in rural development due to the dominance of its service sector economy. Nevertheless, Hong Kong has vocational training expertise, such as the Institute of Vocational Education and Re-employment Training Programme, and a global perspective. Vocational training institutions in Hong Kong could cooperate with mainland parties, firstly to improve local training quality, and secondly to expand manufacture skills training. Representatives from various industrial associations could also chip in state-of-the-art technology and financial support. An advantage of being involved in these training programmes is that Hong Kong manufacturers could recruit outstanding students to work in their plants in the PRD or elsewhere. They could even relocate their PRD plants to these inner provinces without worrying about staff training.

3. Senior Appointments in the Four Provinces / Region

Tables 3.1 to 3.4 list the personnel appointments for senior cadres (at or above municipal level) in the four south-western provinces / region.

Table 3.1: Senior appointments in Sichuan in 2006

Personnel arrangements (at provincial, bureau and municipal level)	Date of announcement
Liu Daoping (劉道平) appointed as Head of Bureau of Justice of Sichuan Provincial People's Government	2 nd April, 2006
Tang Jian (唐堅) appointed as Head of Bureau of Science and Technology of Sichuan Provincial People's Government	2 nd April, 2006
Fang Xiaofang (方小方) appointed as Secretary of CPC Committee of Deyang City	19 th June, 2006
Xu Mengjia (徐孟加) appointed as Secretary of CPC Committee of Ya'an City	16 th June, 2006
Yuan Benpu (袁本朴) appointed as Secretary of CPC Committee of Luzhou City	15 th June, 2006
Cui Baohua (崔保華) appointed as Secretary of CPC Committee of Suining City	15 th June, 2006
Liu Jie (劉捷) appointed as Secretary of CPC Committee of Zigong City	24 th March, 2006
Wu Guanglei (吳光鐺) elected as Mayor of Yibin City	19 th March, 2006
Zhu Yizhuang (朱以莊) elected as Mayor of Luzhou City	3 rd March, 2006
Luo Qiang (羅強) elected as Mayor of Dazhou City	2 nd March, 2006
Li Zhongbin (李仲彬) elected as Mayor of Bazhong City	25 th February, 2006
Yao Sidan (堯斯丹) appointed as Secretary of CPC Committee of Ganzi Zang Nationality Autonomous State	25 th February, 2006
Gao Xianhai (高先海) elected as Mayor of Nanchong City	2 nd February, 2006
Zhai Zhanyi (翟占一) elected as Mayor of Ziyang City	15 th February, 2006
Guo Jianping (郭建平) elected as Mayor of Chongzhou City	17 th January, 2006

Source: Xinhua.net Sichuan Channel <http://www.sc.xinhuanet.com/home/rs.htm>

Table 3.2: Senior appointments in Guangxi in 2006

Personnel arrangements (at provincial, bureau and municipal level)	Date of announcement
Liu Qibao (劉奇葆) appointed as Secretary of CPC committee of Guangxi Zhuang Nationality Autonomous Region	29 th June, 2006
Mu Hong (穆虹) and Chen Wu (陳武) appointed as Vice-chairpersons of People's Government of Guangxi Zhuang Nationality Autonomous Region	January 2006
Wang Yuefei (王躍飛) appointed as Secretary-general of People's Government of Guangxi Zhuang Nationality Autonomous Region	30 th March, 2006
Zhong Xiangting (鍾想廷) appointed as Head of Bureau of Audit of People's Government of Guangxi Zhuang Nationality Autonomous Region	30 th March, 2006
Zhou Teng (周騰) appointed as Head of Baise People's Procuratorate	30 th March, 2006
Liu Zhiyong (劉志勇) appointed as Secretary of the leading party group at Bureau of Agricultural Affairs of People's Government of Guangxi Zhuang Nationality Autonomous Region	January 2006
Jiang Jixiong (蔣濟雄) appointed as Secretary of CPC Committee of Liuzhou City	January 2006
Liu Zhengdong (劉正東) appointed as Deputy Secretary of CPC Committee of Baise City	January 2006
Chen Qihua (陳秋華) appointed as Mayor of Fangchenggang City	January 2006
Xiao Hua (蕭化) appointed as Mayor of Chongzuo City	January 2006
Zhang Xiulong (張秀隆) appointed as Mayor of Guilin City	January 2006
Yu Yuanhui (餘遠輝) appointed as Mayor of Wuzhou City	January 2006

Sources:

1. The Central People's Government of the PRC Website
http://www.gov.cn/test/2006-06/02/content_298700.htm
2. Xinhua Net – Regional Affairs and Personnel Arrangements Website
<http://www3.xinhuanet.com/politics/dfzw/rebd.htm>
3. People's Government of Guangxi Zhuang Nationality Autonomous Region – Personnel Arrangements Website <http://www.gxi.gov.cn/feature/zzrs/gxrs/index1.htm>
4. Xinhua Net Yunnan Channel
<http://big5.xinhuanet.com/gate/big5/www.gx.xinhuanet.com/gxzw/rsrm.htm>

Table 3.3: Senior appointments in Yunnan in 2006

Personnel arrangements (at provincial, bureau and municipal level)	Date of announcement
Long Jiang (龍江) appointed as Head of Bureau of Science and Technology of Yunnan Provincial People's Government	3 rd April, 2006
Li Xi (李喜) elected appointed as Secretary of CPC Committee of Anning City	11 th June, 2006
Dao Linyin (刀林蔭) elected as Governor of the People's Government of Xishuangbanna Dai Nationality Autonomous State	2 nd April, 2006
Wang Chengcai (王承才) elected as Governor of the People's Government of Wenshan Miao Nationality Autonomous State	31 st March, 2006
Luo Yingguang (羅應光) elected as Mayor of Zhaotong City	30 th March, 2006
Yang Fusheng (楊福生) (Hani Nationality) elected as Governor of the People's Government of Honghe Hani and Yi Nationality Autonomous State	27 th February, 2006
Hou Xinhua (侯新華) (Lisu Nationality) elected as Governor of the People's Government of Nujiang Lisu Nationality Autonomous State	27 th February, 2006
Zhang Zulin (張祖林) elected as Mayor of Lijiang City	11 th January, 2006

Source:

Xinhua Net Yunnan Channel

<http://www.yn.xinhuanet.com/gov/rsrm.htm>

Table 3.4: Senior appointments in Guizhou in 2006

Personnel arrangements (at provincial, bureau and municipal level)	Date of announcement
Lin Shusen (林樹森) appointed as Deputy Secretary of CPC Committee of Guizhou Province	30 th June, 2006
Sun Guoqiang (孫國強) appointed as Deputy Governor of the Guizhou Provincial People's Government	30 th April, 2006
Wang Wenyang (王文陽) appointed as Deputy Secretary-general of the Guizhou Provincial People's Government	23 rd February, 2006
Wang Yang (王揚) appointed as Head of the Bureau of Water Resources	30 th May, 2006
Zou Wei (鄒偉) appointed as Director of the Office of Maladministration Appeal of Guizhou Provincial People's Government	31 st March, 2006
Zhou Chuanliang (周傳亮) and Liu Kefei (劉克飛) appointed as Chairmen of Guizhou Provincial Supervisory Committee of State-owned Enterprises	16 th March, 2006

Sources:

The People's Government of Guizhou Website <http://www.gzgov.gov.cn/pages/bzgg/rsrm.asp>

Xinhua Net Guizhou Channel – E-Government Website

<http://www.gz.xinhuanet.com/ztpd/zfzx/rsrm.htm>

4. Regional Cooperation

Deeper cooperation between Guangxi and Vietnam

In the beginning of June 2006, Head of Department of Commerce, Guangxi Province, Mr Liu Shu-sen (劉樹森) indicated that the joint China-Vietnam “Two Corridors, One Ring”⁵⁵ project would lead both areas to a new stage of cooperation. Both agreed to strengthen cooperation in ten areas, namely, easier cross-border procedure, agriculture, fisheries, poultry and animal husbandry, transport infrastructure, resources development, tourism, industry, subcontracting projects, and educational cooperation⁵⁶.

Vietnam has been Guangxi’s largest trading partner for seven years in a row and economic and social relations between them have increased. In 2004, trade volumes between Guangxi and Vietnam reached USD 753 million and rose to USD 987 million in the following year⁵⁷. In the first quarter of this year, the trade volume between Guangxi and ASEAN stood at USD 244 million, and accounted for 17.6% of Guangxi’s total trade volume. Petty-trade over the China-ASEAN border has also increased, over 90% of which is transported in the form of vehicle or river transport⁵⁸. Residents near the border enjoy a 50% customs tariff discount, with permission to carry tax-free goods valued RMB 3,000 “by hand or on shoulder” across the border. Daily trade at Dong Xing border exceeds RMB four million. The Chinese side exports goods such as fruits, cloth and paper, to exchange for Vietnamese local products and tea. Interactions between people of the two sides are intense⁵⁹.

⁵⁵ “Two Corridors, One Ring” refers to the two cross-border economic corridors and one economic circle. Specifically, the corridors are “Kunming-Lao Cai-Hanoi-Haiphong-Quang Ninh” and “Nanning-Lang Son-Hanoi-Haiphong-Quang Ninh”. The “Ring” refers to the Economic Ring of the Gulf of Tonkin.

⁵⁶ “Guangxi-Vietnam strengthen cooperation in ten areas (in Chinese)”, Guangxi Department of Commerce Website, 9th June, 2006. http://www.gxdoftec.gov.cn/news_view.asp?id=22187

⁵⁷ “Vietnam’s accession to World Trade Organisation (WTO), Sino-Vietnamese trade to prosper (in Chinese)”, *Guangxi Daily*, 14th June, 2006. <http://www.nn.gx.cei.gov.cn/04/nb06061403.htm>

⁵⁸ “Guangxi-ASEAN trade grew rapidly in the first quarter (in Chinese)”, Guangxi Department of Commerce Website, 17th April, 2006. http://www.gxdoftec.gov.cn/news_view.asp?id=22001

⁵⁹ “Trade at the Dongxing border thriving, daily trade amounting to four million yuan (in Chinese)”, Xinhua Net – Guangxi Channel Website, 23rd April, 2006. http://www.gx.xinhuanet.com/newscenter/2006-04/23/content_6819047.htm

Sino-Vietnamese cooperation over transport infrastructure projects has proceeded smoothly. Besides the “Two Corridors, One Ring” strategy, Guangxi hopes to build a highway, instead of the road at present, along the Hanoi-Nanning economic corridor, thereby forming the foundations for a transportation network between China, Vietnam and Southeast Asia⁶⁰.

Vietnam has emerged as the largest source of tourists to Guangxi. In the first eight months of 2005, tourist arrivals from Vietnam reached 105,900, up by nearly 50%⁶¹. Furthermore, Vietnam and Guangxi complement each other well in the agriculture sector. Guangxi specialists have taken part in experimental projects in northern Vietnam examining new grains and fruits. Both sides have set up ventures involving agricultural machinery and chemical fertilisers.

From 2004, leading officials in Guangxi and Vietnam have been increasing communication ties and Vietnam highly values Guangxi as a regional partner. The Vietnamese Ministry of Foreign Affairs intends to issue a letter of invitation to Guangxi leaders when the latter visit Vietnam. Other provincial Chinese leaders do not enjoy similar privileges. In April 2006, Mr Cao Bochun (曹伯純), Party Secretary of CPC Committee of Guangxi Zhuang Nationality Autonomous Region visited Vietnam. He met with Vietnamese leaders from the Ministry of Planning & Investment, Ministry of Trade and Industry, Ministry of Transportation and the secretaries of the Party Municipal Committee in Hanoi and Ho Chi Minh City⁶². When Guangxi held a commodities fair in Hanoi on 15th April 2006, Mr Vu Khoan, Deputy Prime Minister of the Socialist Republic of Vietnam, attended the opening ceremony⁶³. Mr Tran Duy Hai, Consul-General of Socialist Republic of Vietnam in Nanning, was invited by the Guangxi Government to attend Guangxi’s Political Consultative and the People’s Congress Conference. The Guangxi and Vietnamese Governments are intent on further strengthening economic cooperation.

⁶⁰ “Sino-Vietnamese agrees to strengthen cooperation in the energy, trade and tourism sector (in Chinese)”, China News Network, 17th April, 2006. <http://www.cns.com.cn/news/2006/2006-04-17/8/718417.shtml>

⁶¹ “Vietnam thinks highly of Guangxi in China-ASEAN FTA (in Chinese)”, Duowei News Network, 14th January, 2006. http://www5.chinesenewsnet.com/MainNews/SocDigest/Economy/zxs_2006-01-14_678238.shtml

⁶² “Mr Tran Duy Hai, Consul-General of Socialist Republic of Vietnam in Nanning: Vietnam and Guangxi are close as relatives (in Chinese)”, Nanning Information Network, 10th April, 2006. http://219.159.80.235:82/gate/big5/www.nanning.gov.cn/1428/2006_4_10/1428_116996_1144644279927.html

⁶³ “2006 Guangxi (Vietnam) commodities fair held in Hanoi (in Chinese)”, *Guangxi Daily*, 16th April, 2006. <http://www.gxnews.com.cn/staticpages/20060416/newgx44415976-588282.shtml>

The economy of Vietnam has been growing fast. Between 2000 and 2005, the average annual GDP growth rate was 7.4%, second only to China (within Asia). Sino-Vietnamese trade grew at an average annual rate of 37.7%, from USD 2.47 billion in 2000 to USD 8.2 billion in 2005. China has since become Vietnam's largest trading partner and the Vietnamese Ministry of Trade has identified China as a key market for exports. By 2010, exports from Vietnam to China should be worth between USD 5.5 to 6.2 billion. If alumina projects in Vietnam's Dang Cong Sane and Lam Dong provinces could successfully increase export volumes, total exports might surge to USD 6.2 billion⁶⁴. Furthermore, with the forthcoming accession of Vietnam to the World Trade Organisation (WTO), Guangxi-Vietnam trade will likely flourish⁶⁵.

Guangxi could benefit from closer cooperation with Vietnam and take a leading role in upcoming China-ASEAN economic and trade initiatives. What are the implications for Hong Kong and Guangdong?

In future, overland exports from Hong Kong will have to go through the economic corridors of Guangxi before they can enter the Southeast Asian market, this might affect the product and service competitiveness of Hong Kong and the PRD against that of Guangxi. It might also place Hong Kong and the PRD at risk of substitution by Guangxi in the ASEAN market.

Guangxi and Vietnam practice a "province"-to-nation type of cooperation, at the micro level, in comparison to the more traditional nation-to-nation partnership. This represents a new mode of Chinese regional cooperation. Up until now, Pan-PRD cooperation has mostly concentrated on infrastructure construction, and such other macroscopic arrangements. However, there will be further production specialisation between Pan-PRD and ASEAN members. As a result, regional cooperation will be based more on industries, and more at the provincial, or even municipal level. The functions of the Provincial and Municipal economy will be greatly strengthened as a result.

⁶⁴ "Vietnam's plan to export to China, and its analysis on China export market (in Chinese)", 8th June, 2006. Guizhou Ministry of Finance Website.

<http://guizhou.mofcom.gov.cn/aarticle/sjshangwudt/200606/20060602398304.html>

⁶⁵ "Vietnam's accession to World Trade Organisation (WTO), Sino-Vietnamese trade to prosper (in Chinese)", *Guangxi Daily*, 14th June, 2006. <http://www.nn.gx.cei.gov.cn/04/nb06061403.htm>

After having witnessed strong economic growth in Vietnam, Taiwan enterprises have started relocating to Vietnam in recent years. Taiwan is now the largest foreign investor in Vietnam. In September 2005, Taiwan and Vietnam signed a bilateral agreement on foreign trade, which opened up the Vietnamese market to Taiwan enterprises⁶⁶. American purchasers have also shifted some of their orders from the PRD to Vietnamese manufacturers. Vietnam's development strategy is likely to resemble that of the PRD and will be export-oriented. In view of this development, Hong Kong could step up economic cooperation with Guangxi and develop a stake in the Vietnamese market. By maintaining connections and integration with MNCs (multinational corporations) in both markets and technology, Hong Kong could preserve its status as an international trading and services centre.

⁶⁶ “Taiwan and Vietnam sign a ‘Taiwan-Vietnam Bilateral Trading Agreement’ and ‘WTO Accession of Vietnam: Taiwan-Vietnam Bilateral Agreement’ (in Chinese)”, Taiwan WTO Website. <http://cwto.trade.gov.tw/content.asp?CuItem=12403&baseDSD=5&CtUnit=185>

Appendix I : Statistical Data of the Pan-PRD Provinces/Region**Major Economic Indicators of Guangdong and the Four South-Western Provinces/Region****Table 1 : Economic Performance of the Four South-Western Provinces/Region Between January–May 2006**

Province/Region	Value-Added of Industry (RMB 100 million)		Sales Ratio of Manufactured Products %		Investment (RMB 100 million)		Per Capita Disposable Income of Urban Households in May (RMB)
	Jan - May	Growth Rate	Jan - May	Growth Rate	Jan - May	Growth Rate	
National Total	31,748	17.0%	97.45%	-0.03	25,443	30.3%	913
Guangdong	3,939	18.1%	97.11%	-0.74	1,972	19.6%	1,232
Sichuan	1,007	23.9%	96.70%	-1.20	1,292	36.3%	729
Guangxi	417	21.2%	91.69%	-3.73	495	31.3%	765
Yunnan	463	12.0%	96.24%	-0.42	571	29.3%	808
Guizhou	256	17.5%	96.41%	-0.87	313	20.9%	727

Source : National Bureau of Statistics of China, <http://www.stats.gov.cn/tjsj/>.

Table 2 : Fiscal Indicators of the Four South-Western Provinces/Region Between January–April 2006

Province/Region	Government Revenue (Funds Excluded) (RMB 100 million)		Government Expenditure (Funds Excluded) (RMB 100 million)	
	Jan - Apr	Growth Rate	Jan - Apr	Growth Rate
Sichuan	188	28.8%	286	27.0%
Guangxi	101	23.7%	186	19.1%
Yunnan	124	24.4%	175	6.3%
Guizhou	74	28.0%	120	22.1%

Source : National Bureau of Statistics of China, <http://www.stats.gov.cn/tjsj/>.

Table 3 : Social and Households Consumption of the Four South-Western Provinces/Region Between January–April 2006

Province/Region	Total Retail Sales of Consumer Goods (RMB 100 million)		Per Capita Disposable Income of Urban Households (RMB)		Per Capita Consumption Expenditure of Urban Households (RMB)		Consumer Price Index
	Jan - Apr	Growth Rate	Jan - Apr	Growth Rate	Jan - Apr	Growth Rate	
Sichuan	1,055	14.2%	3,316	9.9%	2,461	9.2%	101.5
Guangxi	512	13.1%	3,569	8.8%	2,303	5.5%	100.5
Yunnan	346	14.8%	3,433	10.3%	2,608	11.6%	101.8
Guizhou	227	13.6%	3,215	10.8%	2,360	11.9%	100.9

Source : National Bureau of Statistics of China, <http://www.stats.gov.cn/tjsj/>.

Table 4 : Total Value of Exports and Imports of the Four South-Western Provinces/Region Between January–April 2006

Province/Region	Total Value of Exports and Imports (USD 100 million)				Total Value of Exports and Imports by Foreign-Invested Enterprises (USD 100 million)	
	Jan - Apr	Growth Rate	Proportion to National Total	Balance	Jan - Apr	Proportion to Regional Total
Sichuan	30.0	36.5%	0.6%	4.0	6.9	23.0%
Guangxi	18.8	20.9%	0.4%	1.4	5.9	31.4%
Yunnan	18.0	17.9%	0.3%	0.2	1.4	8.0%
Guizhou	4.6	9.3%	0.2%	0.8	0.7	15.2%

Source : China's Customs Statistics (Monthly Exports & Imports), Series No. 200, April 2006.

Appendix II : English-Chinese Glossary of Terms

Achievement-Based Points Test	成就計分制
Association of Southeast Asian Nations, ASEAN	東南亞國家聯盟
Beibu Gulf / Gulf of Tonkin	北部灣 / 東京灣
Building of a New Socialist Countryside	社會主義新農村建設
Cadre	幹部
Cassava / Manioc	木薯
Closer Economic Partnership Arrangement, CEPA	更緊密經貿合作關係安排
Department of Commerce	商務廳
Economic Circle	經濟圈
Economic Corridor	經濟走廊
Ethanol Fuel	乙醇燃料
General Points Test	綜合計分制
Haiphong	海防
Hanoi	河內
Jinsha Relic Site	金沙遺址
Lang Son	諒山

Lao Cai	老街
Marginalization	邊緣化
“Measures”	《辦法》
Ministry of Finance	財政部
Mong Cai	芒街
National Development and Reform Commission	國家發展和改革委員會 (發改委)
“Notice”	《通知》
“Provisions”	《規定》
Quang Ninh	廣寧
“Regulations”	《條例》
Sanxingdui	三星堆
Sorghum	高粱
Sugar Cane	甘蔗
The Third Pan-Pearl River Delta Regional Cooperation and Development Forum	第三屆泛珠三角區域合作發展論壇
The Third Pan-Pearl River Delta Regional Economic and Trade Cooperation Fair	第三屆泛珠三角區域經貿合作洽談會
The China Kunming Import and Export Commodities Fair 2006	2006 中國昆明進出口商品交易會 (昆交會)

The Eleventh Five-Year Plan for National Economic and Social Development 國民經濟和社會發展第十一個五年規劃

The Greater Mekong Sub - Region 大湄公河次區域

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