



Research on the Promotion of Regional Economic Cooperation and Competitiveness of Guangdong Province and Hainan Province in China

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ABSTRACT

Under the background of economic globalization, regional cooperation has become the core of regional economic integration. Through the cross-regional flow of labor, capital, information and technology, the cooperative parties realize the increase of welfare in the optimal allocation of resources. After the specific comparison of the economic development models and paths of the Shenzhen Special Economic Zone in Guangdong province and Hainan Special Economic Zone in Hainan province, it is found that there are great differences between them in the direction of development, the orientation of export-oriented economy and the orientation of industrial structure. This paper proposes to strengthen regional cooperation between Hainan Province and Guangdong Province. To actively change the mode of economic development and achieve the promotion of Guangdong Province and Hainan Province's economic competitive strength by taking the technology innovation and the implementation of the talent strategy as the core, highlighting the complementary characteristic industrial clusters as the characteristic, perfecting the mechanism of cooperation between the two provinces as the means and the integrative development as the goal.

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KEYWORDS: Economic competitiveness; Industrial upgrading; Integrative development

I. INTRODUCTION

Since the establishment of the provincial special administrative region in 1988, Hainan Province's economy has developed rapidly and has made some achievements. But compared with Guangdong province, Hainan is still kind of an "underdeveloped region". In general, although the unique resource advantage of Hainan Province makes it have unparalleled competitive advantage in developing tropical high-efficiency agriculture, leisure tourism and marine industry which mainly develops oil and gas resources, there is still a big gap between Hainan Province and Guangdong Province in terms of total economic output under the circumstances of a relatively small economic aggregate, a weak industrial base and a less-developed science, technology, culture and education in Hainan province.

Having a regional advantage that connects external and inter area, Guangdong province becomes one of the most relevant regions in China, the first choice for Hong Kong and Macao economic investment, as well as the strategic fulcrum to promote the rational allocation of funds, technology, information, commodities, talents and so on. In contrast,

Hainan province is the southernmost province of China and is blocked by the Qiongzhou Strait, which makes economic and trade exchanges with the mainland more difficult. Relying on high-speed economic growth, Guangdong province economy, especially Guangdong industry, accounts for a rising proportion of the national economy. For instance, the total volume of its imports and exports accounts for about a quarter of China's annual average, ranking first in China for 23 consecutive years from 1985 to 2008. Also, its annual fiscal revenues accounts for about one seventh of China's total revenue. The cumulative attraction of foreign investment accounts for about a quarter of China and its GDP ranked first in China for 23 consecutive years from 1989 to 2011. In 2008, Guangdong province's GDP exceeded 3.569646 trillion Yuan. Guangdong province has maintained the first position of the economic aggregate in China for 20 years in a row, overtaking Hong Kong and Taiwan China after surpassing Singapore in the "four Little Dragons" of Asia. Guangdong Province has formed several pillar industries now and own obvious advantages in China. Nevertheless, as a secondary industry, industry has always been the weakness of Hainan province's economy. In 2011,

the GDP of Hainan Province was 251.529 billion Yuan and the full-caliber public budget revenue was 68.984 billion Yuan. Although Hainan's economy has been growing faster, it is obviously lagging behind Guangdong Province. Guangdong Province has a large working population which of high quality. Many indicators, such as the number of colleges and universities, colleges and universities students, vocational secondary schools, persons with junior college degree or above, professional and technical personnel are all among the highest in China, providing a huge human resources for the development of Guangdong province. However, due to the lack of labor force and relatively low level of science and culture, it is difficult to provide reliable human resources for the economic development of Hainan province.

The above research indicates that Hainan province has obvious disadvantages in terms of transportation, industrialization and human resources compared with Guangdong province. Next, we will further analyze the economic competitiveness of Guangdong and Hainan province from the comparison of economic development between Shenzhen Special Economic Zone and Hainan Special Economic Zone.

II. RESULT AND DISCUSSION

In 1989, the total GDP of Hainan province was only 9.132 billion Yuan and the per capita GDP was only 1420 Yuan, which was far behind the national average. In 1992 and 1993, Hainan's economic growth rate reached 40.2% and 20.9%, and the per capita GDP exceeded the national average for the first time. By 2004, the per capita GDP of Hainan province had broken through the 10,000 Yuan mark for the first time, reaching 10067 Yuan, and the total GDP of the province was 81.966 billion Yuan. By the end of 2010, the per capita GDP of Hainan province has reached 23644 Yuan, and the total GDP of the province has reached 205.212 billion Yuan, which was about 22.5 times of the initial period of the province's establishment, and the economic development has achieved relatively rapid growth. Shenzhen, located on the other side of the Qiongzhou Strait, was only a backward frontier town before the establishment of the Special Zone. In 1979, its GDP was only 196 million Yuan. By 1999, the number had risen to 143.6 billion Yuan, achieving an increase of 755-fold, making it rank No.6 among the large and medium-sized cities in China. In 2010, Shenzhen's GDP was 951.091 billion Yuan, up 12.0 percent over the previous year, and the ranking of large and medium-sized cities in China also rose to No.4. Although Shenzhen has only 30 years of history, it has maintained an average annual economic growth rate of 31.25%. "Shenzhen speed" not only is the most rapid development in Asia, but also can be rated as the most rapid development even in the large and medium-sized cities in the world today.

Statistics show that in the past 30 years, the industrial added value of Shenzhen has increased by an average of 41.8 percent a year, and the revenue of local budgets has increased by an average of 45.445 percent a year. In 1999, the per capita GDP of Shenzhen was 36000 Yuan, and the local budget revenue was 18.479 billion Yuan, respectively ranking first and third in large and medium-sized cities in China. Also, the total volume of foreign trade imports and exports amounted to \$50.4 billion, including \$28.2 billion for export. In 2005, Shenzhen became the first large city in the mainland without a rural structure. In 2007, Shenzhen became the first large city whose per capita GDP broke through the \$10,000 mark in the mainland, and its per capita disposable income of residents ranks first in the mainland cities of China. What's more, Shenzhen's total foreign trade exports ranked first in China for 15 consecutive years and the city comprehensive competitiveness also ranks first in China.

Both Hainan and Shenzhen have made great achievements. However, it is clear that there is still a large gap in economic development level between Hainan and Shenzhen. They are different in the development direction, orientation and industrial structure orientation, and it is these differences that lead to this gap.

A. *The Proportion of Industry in the Early Stage of Economic Development is Different.*

Under the preferential policies of the special economic zones, the Hainan provincial government didn't have enough understanding of the policy at the beginning of the its establishment, and did not fully realize the important role of industry in the process of economic development. Also it ignored the idea of *no industry no wealth*, and developed the short-term consumer industry represented by real estate positively instead of giving priority to the development of industry. Other industries are also hard to sustain with the occurrence of "real estate bubble" and the increase of financial risk. Foreign investment interest in Hainan has been greatly reduced, resulting in a downturn in Hainan's economy.

Under similar conditions, Shenzhen chose to give priority to industrial development. It has seized the opportunity of industrial transfer in developed countries and regions such as Hong Kong and Japan, fully utilized its advantages of low land prices, low wages, and low costs. At the same time, it exploited its own regional advantages to actively develop the "three come, one compensation" economy. The model of "front shop behind factory" which means order in Hong Kong and produced in Shenzhen has been formed, achieving the rapid development of export-oriented economy. In 1979 alone, Shenzhen identified 133 "three come, one compensation" agreements with an investment of \$11.93 million and an actual investment of \$9.89 million, which laid a good foundation for the economic development of Shenzhen.

B. The Orientation of Export-oriented Economy is Different.

There is a low position on export-oriented economy in Hainan, which hinders the development of export-oriented economy. Between 1989 and 2001, the average annual growth rate of actual utilization of foreign capital in Hainan was only about 2%. By the end of 2009, Hainan had actually utilized \$728 million of foreign capital, all of which were foreign direct investment. In recent years, Hainan's export-oriented economy has made a certain development, and the scale of foreign investment has been expanded. Of the foreign direct investment, direct investment into joint ventures amounted to \$199 million, accounting for 27.3 percent of foreign direct investment which is an increase of 40.3 percent over the same period last year. In 2010, the total value of Hainan's imports and exports was \$10.8 billion, which is an increase of 21.2 percent over the same period last year. Of which, the exports were \$2.39 billion, an increase of 25.8 percent over the same period last year and the imports were \$8.41 billion, an increase of 20 percent over the same period last year. However, the number of foreign enterprises is still too small, the amount of capital is limited, and the mode of export-oriented economy is still not formed. It can be seen that the utilization of foreign capital in Hainan is not enough, and the development of foreign trade is still slow, which hinders the rapid development of Hainan economy.

Compared with Hainan, Shenzhen's export-oriented economy has made greater achievements. At the beginning of the establishment of special economic zones, Shenzhen has established the policy of taking the road of export-oriented economy. Based on the "three come, one compensation" economy, Shenzhen vigorously develops sino-foreign joint ventures, actively explores the establishment of bonded areas and so on, which promotes the rapid development of Shenzhen's export-oriented economy. With regard to the utilization of foreign capital, by the end of 1999, the total number of foreign investment projects introduced in Shenzhen was 23608, the agreed utilization of foreign capital was \$29.84 billion, the actual utilization of foreign capital was \$20.045 billion, the number of foreign-invested enterprises was 13743, and the number of financial institutions with foreign investment was 55. Foreign investment is mainly concentrated in industry, infrastructure and tertiary industries. The proportion of investment in the primary, secondary and tertiary industries is 0.2: 63.7: 36.5, and the industrial structure tends to be reasonable. These achievements have injected new impetus to the further development of Shenzhen's economy.

C. The Industrial Structure is Different.

The low proportion of the secondary industry in GDP and the high proportion of the primary industry and the tertiary industry are the unique industrial structure of Hainan, which is called "low primary, high secondary and tertiary". In the

past 30 years, although there have been some changes in the industrial structure, the overall structure changes little. The tropical high-efficiency agriculture and leisure tourism has developed rapidly and has become the two pillars of Hainan's economy. The characteristic industry based on resources began to develop, but the short in industry is still the remarkable embodiment of this kind of characteristic. The formation of this situation is the result of the combination of natural resources and social factors in Hainan. According to the statistics of the World Tourism Council in 1992, the multiplier of tourism income to the total value of national economic output is 2.5. According to the plan of Hainan Provincial Tourism Bureau, the tourism income in 2020 will be 37.3 billion Yuan, accounting for 19% of GDP and the contribution to the national economy will be about 93.25 billion Yuan by a multiplier of 2.5, which will account for 47% of GDP.

With the development of social economy, the industrial structure will change accordingly. The succession of regional industrial structure is closely related to the development stage of regional economy. In turn, changes in industrial structure will have an impact on economic development. The international trend of industrial structure transformation is industrial upgrading, and its basic content is to develop to the direction of high added value. Since the establishment of the Shenzhen Special Zone, the rapid changes in Shenzhen's industrial structure are also in line with this trend.

The three major industrial structures of Shenzhen were adjusted from 37:21:42 in 1979 to 1.2: 50.5: 48.3 in 2000, close to the level of developed countries. The development trend of the primary industry in Shenzhen has the following two characteristics: great change in the trend of growth and unstable speed of development, which are mainly related to Shenzhen's economic development strategy. The rapid development of Shenzhen's secondary industry has laid a solid foundation for its economic development and its development situation has a direct impact on the economic situation of the whole city. Tertiary industry plays an important role in optimizing industrial structure and improving economic quality. The role of tertiary industry in regional economic development has been paid more and more attention in Shenzhen. Over the years, the proportion of GDP accounted for by the tertiary industry has been stable at between 45% and 50%. Shenzhen mainly develops industry. The primary industry and tertiary industry are developed closely around it, providing raw materials and services for industrial development. Besides, the main aspect of foreign investment is also in industry, which makes the capital be fully utilized, reproduced and converted into productivity. Its development environment and development mode can drive the sustainability of Shenzhen's economic development.

III. CONCLUSION

Through the above comparative analysis, we can see that although there are many differences between Guangdong province and Hainan province which leads to the differences in economic competitiveness between them, such as differences in economic development mode and path, in the development direction, the orientation of export-oriented economy, the orientation of industrial structure, and so on, both of them agree that industrialization is the way to sustainable economic development. Considering that the development of industry is closely related to regional cooperation, Guangdong and Hainan province already have the basic conditions for regional cooperation.

Firstly, the economic and trade changes between Guangdong and Hainan province is of long history and there are mutual promotion in their commercial relationship. Guangdong province is one of the most important group strength in Hainan province's development, and also one of the main transportation places of daily production substance in Hainan. Besides, Guangzhou city, Guangdong, has long been the most important foreign trade port in the south of China. Therefore, it has also become the main channel for trade between the mainland and Hainan province. Most of time, economic and trade exchanges between Guangdong and Hainan province have been extremely frequent, bringing about a common business culture. At present, economic and trade exchanges between Guangdong and Hainan province are still developing in depth.

Secondly, Guangdong province has the location superiority of neighboring Hainan and the access conditions adjacent to Hong Kong and Macao. The direct flight time from the main airport in the Pearl River Delta to Hainan is only about one hour. Five cities include Shantou city, Shanwei city, Chaozhou city, Jiayang city and Meizhou city are classified into the economic zone on the west side of the strait, playing the role of economic outpost in docking Hainan. What's more, the opening of the Qiongzhou Strait Project highlights Guangdong's unique geographical advantages in economic and trade exchanges with Hainan. At the same time, it is also an effective way to avoid risks by connecting Guangdong and Qiong industries with Hong Kong and Macao. So in the aspect of docking Hainan, adjacent to Hong Kong and Macao allows Guangdong has unparalleled access advantages.

Thirdly, the complementary of Guangdong and Hainan province's industry and the certain supporting ability of Hainan province are the foundation of their cooperation. By relying on Guangdong province to develop the mainland market, Hainan's manufacturing industry continuously optimizes its local industrial structure and enhances its innovation ability. Guangdong province uses the advanced nature of its industry to promote the upgrading of Hainan's industry. With the development of 30 years of reform and opening up, Hainan industry already has certain industry

supporting ability, which is advantageous for Guangdong to transfer industry and for enterprises to integrate into Hainan industrial system, shortening the production time, and producing the driving effect as soon as possible.

Fourthly, Guangdong province has the courage and institutional environment of encouraging innovation and daring to break through. Guangdong province is a pioneer in China's reform and opening up. Besides, the "Pearl River Delta Reform Plan" endows Guangdong the right to be the first one to try it, making Guangdong have the advantage of institutional environment that other regions in China don't. With the implementation of the "outline of the PRD Reform and Development Planning" and the "State Council's opinions on promoting the Construction and Development of Hainan International Tourism Island", the industrial cooperation between Guangdong and Hainan province can be promoted by taking advantage of the loose institutional environment as well as the courage of Guangdong province being the first to establish special zone.

After practice and deeply thinking, we hold that it is necessary to carry out the linkage between Guangdong and Hainan province and to promote the regional cooperation and economic competitiveness of the two provinces. The implementation of their cooperation is conducive to speeding up the pace of industrial development and enhancing the economic competitiveness of the two places. Specifically the following measures could be taken:

A. Speed up the Construction of the Capital Market System

Capital is an important part in the promotion of economic development and also plays a great role in innovation. In order to perfect the construction of capital market system, there are four things that need to be done. First of all, deepening the reform of the financial system. For example, integrating monopoly resources and breaking industry restrictions to improve investment efficiency and marketization degree in Guangdong and Hainan province. Perfecting the service system of capital market to provide efficient and high quality service for all investors. Improving the property rights trading mechanism including the formulation and improvement of the relevant property rights transaction rules, so as to comprehensively standardize and optimize the investment environment in Guangdong and Hainan province. Secondly, further developing the multi-level capital market, such as actively developing the organizational system of financial institutions in Guangdong and Hainan province, and encouraging financial enterprises to set up branches in both province. Expanding loan guarantee business and simplifying credit approval procedure. What's more, strengthening the economic cooperation and exchange between the two places and improving the effectiveness of attracting investment. Thirdly, it is necessary to intensify the opening up of Guangdong and Hainan province and liberalize the conditions for entrance. Like improving the conditions for government supervision

so as to provide more ways and guarantees for enterprises' investment or focusing on liberalizing restrictions in trade services to implement oriented investment. Finally, paying attention to the quality and safety of foreign capital utilization while actively introducing foreign capital, and raising the level of foreign investment utilization to promote the healthy, sustainable and stable development of Guangdong and Hainan's economy.

B. Vigorously Implementing the Talent Strategy of Guangdong and Hainan Province.

Considering that talent is the core factor to enhance economic competitiveness, an important source to maintain the vitality of economic development, and also the most realistic and urgent issue in the economic construction of Guangdong and Hainan province, the implementation of talent strategy is of great importance. First of all, it is necessary to actively innovate talent mechanism. For example, innovating talent evaluation standard to change the stereotype that only depends on degree and experience of the talented person. Deepening the reform of personnel system and establishing flexible employment mechanism. Establishing a convenient channel for the two-way flow of talents and creating a developing environment for talents to stand out. Secondly, it is important to introduce outstanding talents vigorously. Such as innovating the policy of introducing talents, focusing on the introduction of talents in mainstay industries. Building suitable talent concentration area of different industries to create a good working environment and then stimulate the collective innovation consciousness of high-level talents. To retain outstanding talents by the way of shareholding and to explore their innovative ability to the maximum extent. Thirdly, perfecting the policy of talent training. For instance, increasing the investment in education, widening the channels of education financing by actively encouraging enterprises, groups, private entities or other non-state-owned entities to invest. Mobilizing the enthusiasm of teachers and improving teaching quality. Speeding up the cultivation of talents in short supply, guided by market demand. Strengthening the communication between two province, and regularly sending a group of outstanding talents abroad for further study. Fourthly, pioneering new fields of talent service. Such as actively expanding the utilization of human capital and widening the management field of information consultation, and using convenient network technology to establish electronic files and store talent information base for talents' credit, work records and other information in various industries. Encouraging talent agencies to develop all kinds of paid personnel information services, and carrying out market-oriented operation. Fifthly, implementing talent reserve policy to establish talent early warning and emergency mechanism.

C. Focusing on Cultivating the Characteristic Industry Cluster of the Two Province that Could Achieve Their Integration and Complementation.

It is an effective way to strengthen the economic competitiveness of Guangdong and Hainan province by vigorously developing the characteristic industrial clusters of them. Giving full play to the driving role of dominant industries and promoting the comprehensive and coordinated development of industries in both province. Specifically, it is necessary to set up industrial parks and vigorously develop the industrial chain economy by taking the superior industries as the core. Connecting infrastructure construction, production service and industry chain to form an integrated network pattern, and further more saving costs and speeding up the economic development of the two province. Besides, highlighting the characteristics and enhancing their competitive advantage by forming a complementary industry with cluster advantages and brand effects. The integration of tourism and related industries should be accelerated and the benefit linkage should be realized by transforming the potential resource advantage of the related industry into the real economic development advantage based on the reality of economic and social development in Guangdong and Hainan province.

D. Realizing the Diversification of Industry Development.

The development of economy doesn't depend on the rapid development of one single industry, but on the coordinated development of all industries. In order to realize the sustainable and healthy economic development, Guangdong and Hainan province should pay attention to the diversification of industry development. Specifically, a focused and orderly way of development should be implemented, which means while developing complementary characteristic industries in both province, the planning and development of related industries and industries with great potential, such as port logistics industry, aquatic product deep processing industry, biotechnology and South China Sea oil and gas resources development and so on should be attached importance to. Realizing the integration and development of all functional regions. And implementing the cooperation of ports, industrial zones and urban areas. Besides, vigorously developing port business including establishing oil reserves, processing and transit base to promote the development of urban related industries and accelerate the process of urbanization. Realizing the improvement of the efficiency of economic operation between Guangdong and Hainan province by coordinating the development of primary, secondary and tertiary industries and

E. Perfecting the Industrial Cooperation Mechanism between Guangdong and Hainan Province.

In order to fully exploit the complementarities of Guangdong and Hainan industries, make them could carry

out mutual cooperation activities continuously and deeply, and achieve the goal of mutual benefit and win-win, an effective cooperation mechanism should be constantly improved so that the whole cooperation system could run better. First of all, the mechanism of resource integration should be perfected. Giving full play to the effect of successful investment of Guangdong businessmen in Hainan province and exploring the internal and external linkage mechanism of attracting located Guangdong businessmen, Hong Kong and foreign businessmen and overseas Chinese to invest. Actively unblocking cooperation and communication channels, strengthening the construction of platforms for cooperation and exchange and running major exhibitions well to promote two-way interaction between the two province. What's more, formulating special policies to attract, train and protect high-tech innovative talents, and to form a talent communication mechanism to create a virtuous circle of talents. Secondly, perfecting the constraint and guarantee mechanism. To achieve that, all kinds of policies and regulations need to be perfected. Renovating various violations and simplifying the procedures for Guangdong businessmen and to speed up work efficiency and improve service levels. Creating a good complementary environment through various guarantee measures. What's more, strengthening the law enforcement construction of intellectual property protection and protecting the innovative achievements of high-tech enterprises including Guangdong-funded enterprises to further raise the legal protection of intellectual property to a higher and more operational level.

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