

THE CHINESE TRIANGLE OF MAINLAND CHINA, TAIWAN, AND HONG KONG

Comparative Institutional Analyses

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FROM REGIONAL INTEGRATION TO EXPORT COMPETITION? THE EVOLUTION OF THE CHINESE ECONOMIC TRIANGLE

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INTRODUCTION

As the twenty-first century is upon us, social scientists have begun to look back to search for, and write about, significant events and developments. In the field of economic development, it can be argued that few processes in the last 20 years of the twentieth century were more significant than the emergence and evolution of the Chinese economic triangle¹ (hereafter, the CET) of Hong Kong, Taiwan, and China, particularly southern China, into an integrated, transborder regional economy with a truly global impact. The rapid growth of the three Chinese economies over the last two decades has been driven primarily by competitive exports in the world markets. The combined exports of the CET as a share of the world's total exports almost doubled from 4.8% in 1985, to 8.7% in 1995, ranking fourth behind the United States' 11.6%, Germany's 10.1%, and only slightly behind Japan's 8.8% (Mainland Affairs Council, 1996, p. 54). Despite the Asian financial crisis that began in mid-1997, the economies, currencies, and exports of China, Hong Kong, and Taiwan have remained relatively robust. The CET's combined economic strength and potential to sustain export growth could make this regional economy a legitimate fourth pole that will rival the United States or North American Free Trade Agreement (NAFTA), the European Union (EU), and Japan in the twenty-first century. Even under a less optimistic scenario, the CET may become sufficiently powerful to challenge a weakened Japan for that third pole in the tripolar world economy.

Contributing to the recent literature on the CET (see Kan, 1994; Khanna, 1995; Kwok and So, 1995; Naughton, 1997a; Shambaugh, 1995), this chapter (1) provides a synthesized conceptual framework for understanding and explaining the emergence and evolution of the CET; (2) integrates a macroanalysis of the