

The Status Quo and Prospects of Regional Economic Cooperation between China's Xinjiang and Neighboring Countries under the Framework of the Shanghai Cooperation Organization

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Abstract

Because of unique geopolitical advantages of China's Xinjiang, it gradually becomes forward positions among China and member states and observer countries of Shanghai Cooperation Organization for developing regional economic cooperation. The article begins with the status quo of regional economic cooperation between China's Xinjiang and neighboring countries under framework of the Shanghai Cooperation Organization, and analyses prospects of regional economic cooperation, at last points out priority fields in regional economic cooperation.

Keywords: China's Xinjiang and neighboring countries, Regional Economic Cooperation, Prospects

Xinjiang locates in the northwest border of China, its land border is more than 5,600 km, which is bordering with Russia, Kazakhstan, Kirghiziatan, Tajikistan, Pakistan, Mongolia, India, and Afghanistan eight countries, Uzbekistan and Turkmenistan are Xinjiang's another two neighboring countries, xinjiang is the important bridge and channels connecting China with the Central Asia, West Asia, South Asia and East and West Europe. Since ancient times, Xinjiang has economic trade relations with the neighboring countries, especially in recent years, along with the increasingly expanded and developed of Shanghai Cooperation Organization (SCO), Xinjiang's unique geographical advantages and resources advantages are even appeared, which propel the process of the regional economic cooperation between Xinjiang and neighboring countries.

1. The Status Quo of Regional Economic Cooperation between China's Xinjiang and Neighboring Countries under the framework of SCO

Faced with the trend of economic globalization and regional economic cooperation, Xinjiang developed actively regional economic cooperation with 10 neighboring countries by using its own geopolitical, and port advantages, cultural advantages and historical advantages, and has achieved some success. Especially in recent years, the levels of the regional economic cooperation was continuously enhanced, the fields were continuously expanded, the models were also innovated, the principal part were continuously enriched, the scale was expanded, the pattern of regional economic cooperation of multi-levels and multi-directional, multi-forms and multi-channels is gradually forming.

1.1 The levels of regional economic cooperation was continuously boosted

After 10 years of development, the levels of regional economic cooperation between Xinjiang and neighboring countries have been boosted. The regional economic cooperation is no longer a small-scale regional cooperation, which becomes an abroad one that Asian and world pay close attention to, its radiation regions of regional economic cooperation was continuously expanded, from a small regional cooperation that only contains Xinjiang and Central Asian countries to the abroad region that now includes some Asian economical body, such as China, Russia, India and Kazakhstan, etc.. Especially since the establishment of SCO, the regional economic cooperation is aroused more extensive attention, which is from the initial low level that is the border areas of trade, to the multi-levels cooperation that relates to the current international organization and coordination, the central government to promote the autonomous regional government-led implementation of the government's border area.

The level of regional economic cooperation has developed into a high-level which includes the level of border area (border trade), the regional level (Urumqi Frontier Economic & Trading Fair) and the international organizations or national level (in the Kazakhstan border free trade center) etc. In addition, the level of regional economic cooperation also manifests in trade forms, which has developed the flexible and diverse methods of trading that include the cash trade, border trade, small border trade, compensation trade, tourism and shopping trade, etc.

1.2 The fields of regional economic cooperation was continuously expanded

China's Xinjiang and neighboring countries belong to rich resources regions, their natural resources are very abundant, such as oil, gas, minerals etc., and they have strong advantages in resources.

With the development of the regional economic cooperation process among Xinjiang and neighboring countries, their advantages of economic cooperation have been apparent, the fields of economic cooperation have been expanded constantly. From the relations of the establishment of economic cooperation, the fields have expanded to most areas of the national economy from the initial areas, that is to say, from energy, agriculture, animal husbandry, health care, and several other traditional areas to minerals industry, electric industry, the supplies industry, the food industry, tourism, transport, bio-technology, light industry, environmental protection, education, and other areas. Moreover, with the impulse of every national government and related organization, the scopes of regional economic cooperation are developing in depth.

1.3 The models of regional economic cooperation were constantly innovated

With the trends of economic globalization and regional economic cooperation, China's Xinjiang draws lessons from the successful experiences in aspects of models of regional economic cooperation, combining with Xinjiang's actual situation (such as economic development, geographic conditions, ports advantages) and the choice of China's economic security strategy, it innovates and creates new models of regional economic cooperation that are suitable for Xinjiang's actual conditions.

Now, there are many models of regional economic cooperation which include forum-driven or meeting-driven model, the border trade zone model, the cross-border cooperation zone model, border economic cooperation zone model etc. Although these models have just begun to implement, their practicality is comparatively strong. If we consider others successful models in the world and the prospects of regional economic cooperation between Xinjiang and neighboring countries, Xinjiang also can choose the triangle model, the model of relying on border ports, the border trade zone model, and golden foursquare mode as well as SCO mode.

1.4 The principal part of regional economic cooperation was continuously enriched

With the appearance of Xinjiang's geographical location advantages, there are great changes in the principal part of regional economic cooperation. Xinjiang's all grades governments have taken part in the process of regional economic cooperation between Xinjiang and neighboring countries, from autonomous regional government to the state, counties and cities town government. Especially, Xinjiang's border states participate actively in regional economic cooperation with the neighboring countries, such as Lli Kazak Autonomous Prefecture with Kazakhstan, Kashgar Administrative Offices and kirghizia as well as Pakistan, Altay Administrative Offices with Russia, and Mongolia.

In recent years, the principal part of foreign trade of Xinjiang and its neighboring countries changed a lot. In 1978, Xinjiang had few enterprises in Xinjiang that have foreign trade rights, and these enterprises were basically state-owned. With the decentralization of China's foreign trade independence, China broadened restrictions to the business enterprises that engaged foreign trade gradually, so a growing number of collective, private and foreign funded enterprises participated in the process of Xinjiang's foreign trade, the patterns of the principal part is diversified, multi-levels, multi-channels, all-round which includes various economic sectors, such as the state-owned, collective, private and foreign funded enterprises. At the end of 2006, Xinjiang has 3500 enterprises that has the

right of operating foreign trade, of which including 62 enterprises that their amount of imports and exports is 10-50 million dollars, 17 enterprises is 50-100 million dollars, 24 enterprises is 100-400 million dollars, two enterprises is 400 million dollars. Although Xinjiang's 105 foreign trade enterprises account for 3 percent of the total number of enterprises of Xinjiang, the amount of imports and exports of these enterprises account for 86% of the import and export volume of Xinjiang.

We can also look the changes from the companies' registration types, in 2006, Xinjiang's Customs House completed the total amount of import and export 9.10327 billion dollars, of which includes, the state-owned economy 3.37642 billion dollars, accounting for 37.09% of the total amount of imports and exports; The collective economy is 763.59 million dollars, accounting for 8.39%; The private economy is 4.77959 billion dollars, accounting for 52.51%; Three-capital enterprises to 182.42 million dollars, accounting for 2.00% ; The rest is 1.25 million dollars, accounting for 0.01%. It fully shows that non-state-owned enterprises which contain the mixed-ownership enterprises, private enterprises, foreign-funded enterprises etc., are becoming the main force in the import and export of Xinjiang.

1.5 The scale of regional economic cooperation was continuously expanded

In recent years, the social order of neighboring countries has gradually become stable; their economy has also begun to the right path, which provides a good environmental conditions for developing the inter-regional economic cooperation. Xinjiang develops actively regional economic cooperation with the neighboring countries by using its unique advantages and China's economic advantages. The scale of regional economic cooperation is expanding, which mainly embodies two aspects, one is the increasing in trade amount, another is optimizing of trade structure of commodities.

1.5.1 The value of imports and exports

With the accelerate of process of regional economic cooperation between Xinjiang and neighboring countries , the value of trade has increased year by year, from 855.58 million dollars in 1998 to 7.95228 billion dollars in 2006, the annual increase rate is 35.8 percent points. In 2006, Xinjiang's total value of imports and exports is 9.10327 billion dollars, and total value of imports and exports with the neighboring is 7.95228 billion dollars, accounting for 87.36 percentage of Xinjiang's total amount of import and export, which shows that the vast majority of Xinjiang's trade was concentrated in these neighboring countries such as Kazakhstan, Kyrgyzstan, Tajikistan and Pakistan, and others. In 2006, Kazakhstan, Kyrgyzstan, Pakistan, Uzbekistan and Tajikistan are located the first, second, third, fourth and fifth place in the Xinjiang's foreign trade, the value between Xinjiang and these countries is respectively 5014.72, 1857.29, 343.30, 266.31 and 218.1 million dollars, accounting for 55.09%, 20.4%, 3.77%, 2.93% and 2.40% respectively. (Table 2)

1.5.2 The optimization of trade structure of commodities

After 10 years development, the structure of import and export commodities between Xinjiang and neighboring countries has changed a lot. Xinjiang's structure of import and export commodities has constantly improved, the proportion of exports of industrial products has gradually increased, and the proportion of exports of high value-added products has also increased. The proportion exports of industrial products account for the total value of exports of Xinjiang from 27.2% in 1985 to 90.2% in 2005, increased 63%, while the proportion of primary products from 72.8% in 1985 to 9.8% in 2005.

The export commodities of foreign trade between Xinjiang and neighboring countries were gradually changed, from the low-end materials to the high-end finished products, the structure of trade has been further optimized. The commodities of import and export changed a lot, from several initial primary materials to products in various fields such as the chemical industry, textile, agricultural machinery, construction machinery and equipment, fabricated metal products, agricultural products, home appliances, food, daily necessities, electronics and machinery etc., even including high-tech products such as biological preparation etc. For example, in 1992, the commodities Xinjiang exported to the neighboring countries were sugar, rice, live goats, stallion and frozen meat, caustic soda, flour, alcohol, etc; The major commodities Xinjiang's imports from neighboring countries were steel, fertilizers, timber, electrolytic copper, automobiles and their components, non-ferrous metals, bulldozers, excavators, etc.. But during the 5 years (from 2000 to 2005), The commodities Xinjiang exported to the neighboring countries were mainly food, daily commodities, alcoholic products, refined oil, machinery and electronic products, cereals, oil and soil mechanical products, petrochemical products, pharmaceuticals, farm machinery and equipment, clothing and textiles, paint, leather, etc.; The major commodities Xinjiang's imports from neighboring countries were crude oil, cotton, copper, timber, paper, aluminum ingots, chromium ore, iron ore, ferrous metal mining, fur, cotton picking machines, chemicals and other raw materials etc.

2. The prospects of regional economic cooperation between China's Xinjiang and neighboring countries under the framework of SCO

China's Xinjiang should take full advantage of their geographical location advantages and China's economic and technical advantages, develop the regional economic cooperation actively, develop preferential cooperation fields such as transportation, energy minerals, light industry, tourism etc under the framework of SCO.

2.1 The traffic fields

Traffic field can offer the prerequisite conditions that exploiting economy and trade cooperation potential between Xinjiang and neighboring countries, that promoting the development of regional economic cooperation. Xinjiang is an important transport hinge and channel that linking China with the South Asia, Europe. Because Xinjiang and neighboring countries in South Asia are located in the Asia-Europe inland, they completed their economy and trade cooperation depending mainly on highways and railways, so the traffic fields plays a very important role in the regional economic cooperation between Xinjiang and neighboring countries, especially road transport, rail transport etc. Xinjiang should develop the cooperation of highway construction with Russia, Mongolia, Kazakhstan, and Kyrgyzstan etc actively, expand actively the railway cooperation with Kazakhstan, Tajikistan, and Kyrgyzstan etc under the framework of SCO.

2.2 The energy and mineral fields

As China's demand for energy resources is increasing, particularly oil, energy fields has become preferential and key field in the regional economic cooperation between Xinjiang and neighboring countries. Xinjiang's neighboring countries, such as Russia, Kazakhstan, Turkmenistan and Uzbekistan, have abundant oil and natural gas resources, which accounting for a large proportion in the world. Take Russia and Kazakhstan for example, Russia is the world's largest country in oil and gas resources, its oil proved reserves amount to 6.5 billion tons, which accounting for 12-13% of the world's proved reserves, and natural gas reserves amount to 48 trillion cubic meters, which accounting for 1 / 3 of the world's proved reserves.

In addition, according to the data provided by *the Journal of Oil and Gas*, Russia's remaining recoverable reserves of oil reach 8.22 billion tons, which accounting for 4.6% of the world's remaining recoverable reserves of oil; The natural gas reserves reach 47.6 trillion cubic meters, which accounting for 27.2% of the world. Moreover, according to the data from United States USGS52000, Russia's undiscovered oil resources reach 10.6 billion tons, undiscovered natural gas resources reach 33.1 trillion cubic meters; Kazakhstan has overland exploitable oil reserves 40 billion tons, and natural gas 3 trillion cubic meters. Kazakhstan's Caspian region has oil recoverable reserves 8 billion tons, of which only the largest exploitable oil reserves of Kashagan oilfield amount to 1.6 billion tons, natural gas recoverable reserves more than 1 trillion cubic meters.

Xinjiang is not only an important energy base of China, but also a replacement district in China's future energy import strategy. It establishes natural prerequisite conditions for participating in cooperation in oil and gas field between Xinjiang and neighboring countries under framework of SCO. In addition, the proposition of energy club under framework of SCO has entered the substantive phase, advocated by Russia, and the majority of member countries and observer countries show positive attitudes towards the establishment of energy club universally, they hope to benefit from the relationship between energy supply and demand by participating in energy club. It establishes the material foundation and environmental conditions for developing cooperation in the oil and gas fields between Xinjiang and neighboring countries, especially with Russia, Kazakhstan and other countries under the framework of SCO.

Apart from cooperation in oil and gas fields, Xinjiang also develops others fields cooperation such as power, coal, mineral, with neighboring countries. The most possible fields is power. The power field is the most promising one between Xinjiang and Kazakhstan, Tajikistan, Kyrgyzstan in the future, and it is most effective and of opportunity.

In addition, Xinjiang can develop cooperation in the field of metal mineral with Kazakhstan, Kyrgyzstan, Uzbekistan, Mongolia etc, carry actively out cooperation in aspects of mineral exploration, development, process, etc.

2.3 The light industry fields

According to the economic complementarities between Xinjiang and neighboring countries, we can arrive at the conclusion that China and Xinjiang have strong comparative advantages in textile industries, industrial supplies and the food industry, and that the industrial system of neighboring countries is not perfect, the light industry products are short of, such as supplies, food etc. Xinjiang can develop cooperation in light industry fields in order to seize the market actively in Central and South Asia by relying on China's technological advantages and price advantages in these fields. This fields include light industrial and textile industry (cotton, wool spinning, spinning, weaving share,

cotton knit, wool knitting, printing and dyeing, chemical fiber, etc.), the supplies industry (household appliances, cosmetic supplies, hardware, small articles of daily use, telecommunications and office supplies, etc.), the plastic and paper industry, the food industry (casing industry, the dairy industry, the sugar industry, tobacco, fisheries, the tobacco industry, etc.).

2.4 The tourism fields

Xinjiang and neighboring countries have abundant tourism resources, The unique natural sight and scenic sight, unique folk customs make the level of cooperation complementary is higher in this field.

Currently, the neighboring countries have some problems such as exploitation of tourism resources is not enough, basic establishments are weak, and tourism facilities are outdated in the development of tourism, which results in the development of tourism industry of neighboring countries is slow. They have abundant exploitation potential in aspects of tourism, its prospects is relatively broad. Xinjiang can develop cooperation in these fields with Russia, Mongolia, Kyrgyzstan, Kazakhstan etc.

3. The Conclusion

Via analyzing of the status quo of regional economic cooperation between China's Xinjiang and neighboring countries, we can see that the regional economic cooperation located in the initial stage, which origins from the economic development , economic complementarily and some non-economic factors etc. However, we not only see these disadvantages, but also some irreplaceable advantages, such as Xinjiang's geographical advantages, port advantages, China's economic and technological advantages and resources advantages of neighboring countries etc. Especially, in recent years, with the impulse of SCO and other international organizations, this regional economic cooperation shows strong vitality and developmental potential; its prospects are relatively broad. We can foresee, with the rapid economy development of China and neighboring countries, their economy complementary is bound to deepen further in aspects of regional economic cooperation, cooperation fields will be further expanded, after several years, this region will become the most influential region in the world.

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Table 1. Total Imports and Exports by Registration (Customs Statistics) (USD10 000)

Item	1998			2006		
	Total Imports and Exports	Total Exports	Total Imports	Total Imports and Exports	Total Exports	Total Imports
State-owned Units	129809	59898	69911	337642	209667	127975
Collective-owned Units	11138	6341	4797	76359	58485	17874
Private-owned Units				477959	431508	46451
Three Kinds of Ventures	11558	8499	3059	18242	14260	3982
Other Types of Ownership	41	37	4	125	3	122
Total	152546	74775	77771	910327	713923	196404

Table 2. Total Value of Xinjiang's Imports and Exports with neighboring Countries (USD10 000)

Country	1998	1999	2000	2001	2002	2003	2004	2005	2006
Russia	11958	8939	6765	12253	21540	27453	22325	23400	16926
Kazakhstan	48820	92624	117932	90356	136552	254613	328607	501563	501472
Tajikistan	1083	487	1028	706	475	873	3088	9931	21810
Uzbekistan	2469	369	952	555	1913	3773	8576	13832	26631
Turkmenistan	24	57	243	96	993	2472	359	1355	4328
Kirgizistan	19344	13186	17137	9900	15386	23094	46206	74686	185729
Afghanistan	11	37	2	24	11	127	286	594	107
India	238	409	1750	194	1097	2260	1087	1536	2557
Pakistan	1043	3064	2128	873	6937	25539	16315	34275	34330
Mongolia	568	518	711	860	420	878	1644	2833	1338
Total	85558	119690	148648	115817	185324	341082	428493	664005	795228

Table 3. Xinjiang's Imports and Exports by Category of Commodities (USD10 000)

Years	Exports			Imports		
	Total	Primary Goods	Manufactured Goods	Total	Primary Goods	Manufactured Goods
1985	18020	13117	4903	11177	158	11019
1995	76880	38678	38202	65918	27515	38403
2000	120408	36002	84406	105991	46502	59489
2005	504024	49432	454592	290165	117075	173090