

## Xinjiang Uygur Autonomous Region



Source: Fiducia Management Consultants

### Introduction

The Xinjiang Uygur Autonomous Region is located in China's far west. Xinjiang is predominately occupied by an ethnically Turkish Muslim group called the Uygur. Other ethnic groups in Xinjiang include:

- Kazakh
- Hui (Chinese Muslim minority)
- Kirghiz
- Momgol
- Tajik

- Uzbek
- Russian
- Tibetan

Xinjiang is the largest province of China in terms of land area. It covers one-sixth of China's territory and is bordered by the Tibet Autonomous Region in the south, Russia in the north, Gansu and Qinghai provinces in the southeast, Mongolia in the east and Kazakhstan, Kyrgyzstan, Tajikistan, Afghanistan, India and Pakistani occupied Kashmir in the west. Xinjiang lacks much of the modern infrastructure compared to other developed parts of the country.

Economically, Xinjiang is a center of agriculture and is particularly famous for pears, grapes, melons and walnuts. There are also vibrant sheep herding and silk industries in the region. In recent years, oil and gas have become a big industry with the establishment of the West-East Gas Pipeline that transports natural gas from Xinjiang all the way to Shanghai to meet the natural gas needs of the more developed east. Tourism is also a key industry here.

Things are improving in the region since the Chinese government started the policy of "Western China Development" project in 1999. It involved large investment in modern infrastructure and development projects by domestic and foreign investors. The goal of the



initiative is to help boost the economy, create jobs and improve the living standard in the 12 provinces and autonomous regions and the Chongqing municipality. This includes Xinjiang.

## Industries

### Agriculture

Agriculture is one of major economic activities in Xinjiang. It accounts for about 3.4% of the region's industrial output. Major crops include:

- Sugar beets
- Yili apples
- Korla pears
- Seedless white grapes
- Hami melons
- Cotton
- Grain
- Tomatoes

Yili, Korla and Hami cities in Xinjiang are famous for fruits and their names are commonly used to describe the fruits. Many of the crops grown in Xinjiang are of the best quality. This has created a very strong niche for agricultural industry in province to help it develop.

Xinjiang has very fertile farmland, which is concentrated in specific areas – mostly around the Tianshan Mountain area. That makes it easy to carry out large scale farming projects. Advance irrigation systems have been developed around the Tianshan Mountain area with the help of water from various rivers like Yerqiang River, Khotan River, Aral, Weigan River, Tiekanklik, Manas River, Yili River, Ta'er, Beitun, Qitan and Toutun Rivers.

Hot days and cool nights are advantageous for crops as it gives them maximum amount of time necessary to grow. An example of this is the grape crop that is grown around the city of Turpan. The grapes are grown in gullies in area near the famous Flaming Mountain. The river water is used for irrigation and the cool breeze from the river ensures that the crops grow against the stifling heat. The results are very sweet tasting grapes that are known through out the region. The production methods for farming in Xinjiang are also changing. There is a move to change small-scale individual family farming to large community or company-owned operations.

### Cotton

Hot days and cool nights also offer an excellent environment for cotton production in Xinjiang. The China Cotton Association estimated that the cotton crop for the 2007-08 season was 7.5 million tons, forty percent of which came from Xinjiang alone.

The cotton industry in Xinjiang is so strong that it attracted 1 million migrant farmers in 2007 from inland provinces such as Gansu to pick cotton on local farms. Most of these migrants are women who have time to spare, as the cotton harvesting period in Xinjiang falls after the harvesting period of China's other traditional crops. There are 11 cotton production bases in Xinjiang. They are located in areas such as Turpan, Bachu and Maigaiti. The migrant farmers may lose their additional income as the cotton-picking machines have begun to appear in Xinjiang. A machine can pick as much cotton as 600 farmers can at a cost of just RMB 0.4 (US\$ 0.05) per kilogram, which is 60% less than the cost of a human cotton picker. Whether these machines will completely replace the migrant cotton workers remains to be seen.



## Border/Foreign Trade

One of the advantages of geographical location of Xinjiang is that it is considered as a gateway to Central Asia. The province currently has 27 land ports along its international border to promote border trade.

Xinjiang's main exports currently include:

- Textiles and garments
- Building materials
- Farm products
- Machinery
- Electronics products

Developing infrastructure is not the only way the provincial government is encouraging to promote the border trade. Xinjiang government has been organizing Trade Fairs since 1992 every year to promote border trade and help local businesses grow into successful enterprises to trade with companies in Central Asia and expand their market share. Xinjiang government believes that without border trade no sustainable market can be established. It has benefited the Xinjiang province and the businessmen. Xinjiang's border trade reached US\$ 13.7 billion with an increase of 50% in 2007, second among all of China's provinces. Of this, around 70% border trade was with Kazakhstan.

One of the key differences between the border trade of Xinjiang and other provinces, such as Yunnan or Guangxi, is the payment method used for trading. Yunnan and Guangxi have strong border trade connections with Vietnam. In Vietnam, the Chinese currency, the Renminbi, has a strong reputation and is widely accepted. In Xinjiang, most of the trading is still done in local Central Asian currencies making currency settlement a major issue for the region. The local branches of state owned banks of China offer

currency settlement services for Central Asian currencies.

Companies in Xinjiang have also been able to set up a number of joint ventures in the region with companies of the countries on its borders. These companies usually operate in the mining, food and farm product processing, building materials, communications, logistics and petrochemical sectors.

## Oil and Natural Gas

Xinjiang is China's most important source of oil and natural gas. Its oil and natural gas reserves make up 30% and 34% of China's total land reserves. With the pace of industrial growth that is taking place in China, these reserves have become more important than ever before. The West-East Pipeline that pumps gas from Xinjiang to Shanghai is an important source of energy for coastal region of China.

Work on the construction of China-Kazakhstan gas pipeline has begun recently. As a part of the China-Central Asia gas pipeline project, the China-Kazakhstan gas pipeline, extending 1,300 km, is a joint venture between China and Kazakhstan. This gas pipeline runs from Turkmenistan, passing through Uzbekistan and Kazakhstan, and finally reaches Central, East and South China, with a total length of approximately 10,000 km. After its completion, Turkmenistan will deliver 30 billion cubic metres of natural gas every year to China within 30 years. There is also a third gas pipeline from the Puguang Gas Field in Sichuan province to the Yangtze River delta that began production in August 2007.

According to China Radio International, Xinjiang has approximately 20 billion tons of oil and 10 trillion cubic meters of natural gas reserves. Such



a large supply has brought China's major oil refiners such as China National Petroleum Company (CNPC), the country's largest oil and gas producer to the province. They currently have a refinery in Xinjiang and plan to increase their annual output of natural gas to 5 billion cubic meters by 2010. After 2010, CNPC would double the output in three to five years in Xinjiang. CNPC also plans to invest RMB 12 billion in 2008 in the Dushanzi refinery, the largest oil and gas project in Western China. The company has already invested RMB 18.6 billion in the project. This is a part of China's efforts to raise the production of as it is seen as a cleaner fuel for heating homes compared to coal. The central government hopes to raise the share of natural gas used in its total energy consumption to 5.3% by 2010 from 2.8% in 2005.

The oil and natural gas industry has been a boom to Xinjiang's economy. Currently oil and gas refining counts for approximately two-thirds of the increase in Xinjiang's industrial output.

As Xinjiang autonomous region and the region beyond Xinjiang are also very rich in oil, gas and other minerals, China's central government is encouraging the Xinjiang government to make production of oil and gas one of its priorities.

### Renewable/Clean Energy

The government in Xinjiang is also looking at clean energy alternatives such as clean coal technology. This involves using coal and water to make hydrogen. The hydrogen is then burnt for energy and the CO<sub>2</sub> by-product is buried providing for an emissions-free energy source. The clean coal technology is not only environment friendly but can also provide a high yield of electricity. This is an ideal technology for Xinjiang as the province wants to maintain an

environment conducive for agriculture and attractive for the tourists.

### Tourism

Xinjiang is considered as one of the best places in China for landscape tourism. There are natural landforms created by wind, such as the Yadan landforms and "stone mushrooms". Most famous in Xinjiang is the western end of the Great Wall of China.

The historical Silk Road that used to make its way through Xinjiang from Central Asia to Xi'an, ancient capital of China, is also a major attraction for tourists who want to visit Xinjiang and experience the road that used to connect east and west. There are more than 200 historical sites in China that are connected to the Silk Road. These include ancient oasis towns and sites of religious worship that show the spread of Buddhism and Islam across the Silk Road and in China.

The domestic and foreign tourists also come to Xinjiang to see the unique Turkish culture of the Uygurs, which is not replicated anywhere else in China.

To make sure that the tourism continues to grow, the government of Xinjiang is working on the development of infrastructure in the province and completion of the tourism projects under construction on time. It is also working on regulating the tourism industry to eliminate the sale of fake goods to tourists or over payment for goods.

In May of 2008, the government also added following three new 4A grade tourist attractions:

- The Kumutage Desert Scenic Area located in the Shanshan area of the city of Tulufan



- The Museum of Xinjiang Uygur Autonomous Region in Urumqi
- The Dushi Traveling Vacation and Changji Hui Autonomous Prefecture

## Transportation



Source: Fiducia Management Consultants

### Rail

Transportation to Xinjiang is very good. There is the Lanzhou-Xinjiang Railway that helps connect the province to China's national rail network. Inside Xinjiang there is also the Southern Xinjiang Railway in the south of the province and the Wusu-Ala Railway in the north of the province. At the end of May 2008, a new passenger railway line began operation between Urumqi, the capital of Xinjiang, and Astana, the capital of Kazakhstan. This train leaves Astana every

Tuesday evening and reaches Urumqi in the early hours of Thursday morning. The return trip from Urumqi to Astana starts in the same evening. The only hitch in the trip is that the passengers have to transfer at the Alatau Pass on the Kazakhstan-Chinese border, as there are separate tracks on the two sides. The new railway line is expected to improve business and tourism between Kazakhstan and China substantively. The Chinese government has also announced in June that a new railway line will connect Kashgar and Hotan in Xinjiang.

### Road

Xinjiang is connected to China's national highway system. Route 312, a trans-China highway, covering most of the country also runs through Xinjiang to its border with Kazakhstan. There is also a network of 62 regional trunk highways that links Urumqi with other parts of Xinjiang as well as Gansu province.

In 2008, infrastructure priorities mainly include construction of roadways in Xinjiang. This includes State Road 314, Alar-Hotan Desert Highway, State Road 218, Qingshui River Line - Yining Highway, and State Road 217.

One of the most important roads that is currently under construction is the first expressway in a mountainous region of Xinjiang. It would connect Sayram Lake and the Guozi Valley. The purpose of the project is to allow better traffic flow along the section of Route 312 that runs through that particular section of Xinjiang. Route 312 is considered as a significant factor in increasing Xinjiang's GDP. Forty percent of population of Xinjiang lives in the area it covers.



## Air

Urumqi International Airport is one of the best-connected airports of China with flights to Central Asia and Europe. Inside China there are flights to Beijing, Shanghai, Lanzhou and Xi'an. There are also flights within Xinjiang to Hami, Korla, Kuqa, Hetian, Kashi, Aksu, Yining, Karamay, Fuyun, and Altay.

Flight services in Xinjiang are expected to improve in the next few years as the Chinese government plans to construct airports in all cities with a population of over 200,000 people. This will allow more people and businessmen from various parts of Xinjiang to travel and transport goods to other parts of the country and other countries directly.

## Industrial Parks

Industrial parks have been set up in Xinjiang for the modernization. Urumqi High and New Technology Industry Development Zone is one such park. Presently, it is the only state-level industrial park in Xinjiang. The zone was founded in 1992 over an area of 18.75km<sup>2</sup>. It is just 10km away from both the Urumqi International Airport and railway station. The park focuses on the following areas:

- Bioengineering
- Building materials
- Chemicals
- Information technology
- Pharmaceuticals
- Textiles
- Alternative energy and energy-saving technology
- Photoelectric technology

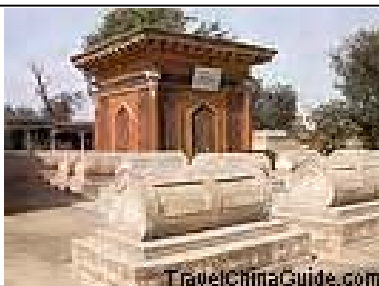
- Sensors and measuring equipment
- Resource-processing technology
- Food storage equipment

There are currently 679 businesses that operate inside the zone. Of these, about 51 are foreign invested enterprises. In order to attract new businesses to the zone, the authorities are promising to grant the approval for construction of a new factory within seven days. Factory construction can also begin immediately after the approval process has begun.

## Areas for Improvement

Through out this report, descriptions have been given of industries that are modernizing in Xinjiang. The tourism sector is the priority sector. People come to Xinjiang to see not only the region's natural beauty but also to know about its unique and distinct cultures. Modernization can help to improve the tourism industry with better infrastructure and facilities such as modern hotels without affecting the indigenous culture of the region. Doing so not only would create the possibility for political and social unrest in the region, but could also lead to economic problems as well.

Tourists do not want to come to an area that has been turned into a Disneyland version of its former self. Therefore, there is need to construct hotels and hostels. This would allow those tourists who are looking for comfort to stay in modern hotels with all conveniences. Those who look for a bit more rugged adventure, can stay in much more traditional tents and live in the traditional ways of the native population. However, the need for balance and respect for the indigenous culture should be respected by foreigners. This would not only help foreign businesses to maintain good relations with the



local people but also would encourage the locals to work with foreign businesses.

## Conclusion

Xinjiang is experiencing rapid development in a number of key industries, which includes niche industries in agriculture and natural resources where it already enjoys a slight advantage and is now continuously progressing. The other area where Xinjiang has huge potential is tourism. It is expected to help greatly in the modernization of Xinjiang. But it can also be affected adversely by the modernization, as the industry relies heavily on the province's indigenous culture for its success. Therefore it is important to establish a balance between modernization and region's unique culture and traditions to sustain the economic growth of Xinjiang.



**Confederation of Indian Industry**



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