

XINJIANG AND ITS ROLE IN GREATER CENTRAL ASIAN REGIONAL ECONOMIC COOPERATION

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Introduction

The Central Asia region mainly consists of the five Central Asian republics, namely Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan. The region is located in the center of the Eurasian continent. It borders to the north on the Russian Federation, to the south on Iran and Afghanistan, and to the east on the Xinjiang Uighur Autonomous Region of the People's Republic of China (PRC). Mongolia lies in the upper portion of the PRC; while Azerbaijan, a member of the Caucasus, lies to the west of the region near Turkmenistan.

Regional economic cooperation in Greater Central Asia¹ started relatively late due to the all-year-round war in Afghanistan and the regional conflicts in Central Asia after its countries gained their independence. Since the 1990s the Central Asian countries have shown great interest in regional economic cooperation and established cer-

tain mechanisms. Regional cooperation started with the five Central Asian countries signing the Agreement on Economic, Scientific-Technological, and Cultural Cooperation and developed into the establishment of the Central Asia Cooperative Organization² in 2002. But generally speaking, these agreements have no substantial content and the efforts exerted in regional cooperation have resulted in few achievements.

In recent years, as the war in Afghanistan subsided and economic development in Central Asia gained momentum, Greater Central Asian regional economic cooperation became a hot topic. According to the statistics of the Asian Development Bank, there are more than 20 regional cooperative development projects and programs in Central Asia for 2005-2008. The sponsor coun-

¹ The Greater Asia region includes the five Central Asian countries, Afghanistan, and Xinjiang in China.

² See: Yao Daxue, "Globalization and the Economic Integration of Central Asia," *Russian, Central Asian and East European Markets*, No. 1, 2005, pp. 22-28 (in Chinese).

tries and international organizations include ADB—Asian Development Bank, CACO—Central Asia Cooperation Organization, CAREC—Central Asia Regional Economic Cooperation, CARECU—Central Asia Regional Economic Cooperation Unit, CMERF—CAREC Members Electricity Regulators Forum, EBRD—European Bank for Reconstruction and Development, ICT—information and communications technology, IMF—International Monetary Fund, MDGs—Millennium Development Goals, MI—multilateral institution, OIF—overall institutional framework, PRC—People’s Republic of China, RBR—regional business roundtable, RCSP—regional cooperation strategy and program, RCSPU—regional cooperation strategy and program update, RETA—regional technical assistance, SCO—Shanghai Cooperation Organization, SOM—senior officials’ meeting, TA—technical assistance, TIR—Transports Internationaux Routiers, and TPCC—Trade Policy Coordinating Committee.³ These cooperation mechanisms have different

³ See: *Central Asia Regional Cooperation Strategy and Program Update, 2006-2008, Development through Cooperation*, Asia Development Bank, October 2005.

targets, different scopes of activity, and hence different priority areas.

Xinjiang occupies a unique place in these regional cooperation programs and is a dynamically developing region, the economy of which is currently taking off. Although it does not strictly belong to Central Asia, as a minority autonomous region it is closely related to Central Asia and shares a total of 3,500 kilometers in common borders with Kazakhstan, Kyrgyzstan, Tajikistan, and Afghanistan. Xinjiang and the Central Asian region also have cultural and religious traditions in common and have always had close economic ties. The well-known Silk Road passed through Xinjiang and Central Asia. In recent years economic development in Xinjiang has been widely recognized and this area is destined to become the future economic outpost of China’s western region and Central Asia. Since the collapse of the U.S.S.R., as well as China’s reform and opening up to the outside world, the economic and trade relations between Xinjiang and the Central Asian countries have been expanding sharply, and there is no doubt that Xinjiang’s role in greater Central Asian regional economic cooperation will become very important in the near future.

Past and Present Relations between Xinjiang and Central Asia

Xinjiang and the Central Asian countries have a long history of relations, yet substantial regional economic cooperation did not start until the foundation of the People’s Republic of China. At that time, the U.S.S.R. and China jointly promoted the economic and trade development of the region to a significant extent. Both countries had highly centralized planned economies, thus the regional economic cooperation between Central Asia was mainly in the form of Soviet aid and foreign trade between the two countries, which also promoted the economic development of Xinjiang. Cooperation in the two countries almost completely broke down in the 1960s due to the tense relations between China and the U.S.S.R. at that time, and it was not until the late 1980s that economic relations between the two sides gradually began to recover.

Currently, economic cooperation between the five Central Asian countries and Xinjiang assumes a variety of forms, including border trade, formal trade, mutual visits by government or business delegations, holding industrial, economic, and technological cooperation fairs (for instance, the total sum of import and export transactions at the ten Urumqi fairs held between 1992 and 2001

amounted to 10.87 billion USD and the total sum of foreign economic and technological cooperation transactions amounted to 3.8 billion USD, whereby the total shares of Kazakhstan, Kyrgyzstan, Uzbekistan, and Tajikistan topped 10 million).⁴ Joint ventures, cooperatives, and individually owned enterprises were established, and exchanges of experts, technicians, teachers, students, and so on were carried out.

The proven reserves of Mortuk oil field amount to about 500 million barrels, while according to a report by Kazakhstan residual oil reserves amount to 85 million barrels. Some Chinese state-owned oil companies have been cooperating with Kazakhstan to recover oil and tap natural gas, as well as build oil pipelines, both cooperative enterprises are enjoying a “win-win” situation. For example, Xinjiang’s Zhong-Xin Ltd. spent \$250 million to purchase a Kazakhstan private oil company located in Aktobe in July 2007.⁵

There has been a great upsurge in the export of various Chinese products to Central Asia in recent years. Footwear, for example, generated a total trade volume of \$9.63 hundred million in 2006, which is 8.9% more than the footwear export volume in 2005, and passed through every trading port in northwest Xinjiang to Central Asian market. Chinese footwear products have had an import share of 80% in the market of five Central Asian countries.⁶ The level and scale of economic and technological cooperation have steadily increased, from the primary processing of products to multiple field, multiple layer, multiple form, multiple channel, and overall cooperation, including labor export, raw material processing, production of light industrial and food products, project contracting, transfer of patents and manufacturing, and large scale investments in infrastructure and production projects, etc.

Xinjiang has held the Urumqi International Trade Talks Conference 16 times to date. This kind of the conference plays a major role in international business and the economy of northwest China. Economic activity, including talks, industrial and agriculture exhibitions, and investment opportunities, have attracted many merchants from all over the place, especially businessmen from Central Asian. For example, contracts amounting to a total of \$2.82 billion were signed at the fifteenth Urumqi International Trade Talks Conference in 2006, which was 5.7% higher compared to the last one. Central Asia held first place among the contracts. Xinjiang companies made deals amounting to \$1.19 billion with Kazakhstan, to \$0.17 billion with Kyrgyzstan, and \$0.16 billion with Uzbekistan.

The autonomous government approved foreign investments from 52 companies during the first half of 2007, which was 10.64% more than in 2006; contract foreign capital amounted to \$2.37 hundred million, which constituted an increase of 152.76% compared with the previous year. It actually used \$87.02 million in foreign capital—a 68.12% increase. Afghanistan and South Africa were the main investors of capital in Xinjiang. They invested a total of \$52.12 million in foreign contract capital, which was divided among 11 projects.⁷ According to the measures implemented by the U.N. Food and Agricultural Organization, the Engel’s coefficient (proportion of income that goes into food) in urban Xinjiang dropped to 35% a few years ago, indicating that the lifestyle of residents in urban Xinjiang has reached the level of a well-to-do society.

⁴ See: *The Current Situation and Prospects for Economic Cooperation between Xinjiang and the Five Central Asian Countries*, available at [www.un-tips.org].

⁵ See: Ming Tian, “Xinjiang Zhong-Xin Company Purchased Mortuk Oil Field of Kazakhstan,” *Xinjiang Daily*, 18 July, 2007, p. 1 (in Chinese).

⁶ See: Jin Shi, “Xinjiang Becomes Export Base of Chinese Shoes and Trade Volume of \$ 9.63 Hundred Million USD,” *Chinese Management*, 9 August, 2007, p. 2 (in Chinese).

⁷ See: Suohuai Zeng, “Contract Foreign Investment Increased \$ 2.37 Hundred Million USD in Xinjiang in the First Half of the Year of 2007,” *Xinjiang Daily*, 13 July, 2007, p. 1 (in Chinese).

Xinjiang's Participation Advantages in Greater Central Asia Regional Economic Cooperation

The Two Sides Greatly Compliment Each Other in the Economy

Xinjiang is a link connecting the Central Asian countries. In order to gain access to the sea for the landlocked countries of Central Asia, both China and Pakistan sponsored a joint transportation project in 1995, gradually incorporating Kyrgyzstan and Kazakhstan. But there are different opinions among the four countries on two questions—the number of international driver's licenses to be issued and how to coordinate international train-and-bus transportation. After nine years of consultations and negotiations, the governments of the four countries jointly signed a Transit Conveyance Agreement on 13 April, 2004. Transit haulage vehicles from every member state enjoy exemption from transit fees and tolls provided by the government in compliance with the agreement. International trade of the four transit countries officially began in May 2007. By means of this good transport service, Kyrgyzstan, for example, exported abandoned aluminum products to Pakistan, Kazakhstan exported spinning and weaving goods to Kyrgyzstan, and so on. This kind of transportation not only gives an impetus to trade but also promotes further mutual understanding and unity among the four countries.⁸

China and the five Central Asian countries have clearly complementary economic relations. The five Central Asian countries have abundant natural energy reserves. Kazakhstan has oil reserves of up to 26.9 billion tons of oil equivalent; Uzbekistan has 4.41 billion tons of oil equivalent, Kyrgyzstan has 590 million tons, Tajikistan has 510 million tons, and Turkmenistan has 33 billion tons. Kyrgyzstan and Tajikistan also have high hydropower potential, with an annual power capacity reaching as high as 14 million tons and 27.30 million tons of oil equivalent. China has rich coal reserves of up to as much as 450 billion tons of oil equivalent, but only 1.72 billion tons in oil reserves. In 2003 China imported as much as 95 million tons of crude oil, yielding only to the United States. Because of the rapid development of its auto industry, China needs plenty of liquid fuels to guarantee the sustainable development of its transportation industry. According to an analysis carried out by the International Energy Agency, China will import half of its oil by 2010 and 80% by 2020.⁹ The difference between China and the five Central Asian countries in energy resources demonstrates the huge potential of economic cooperation between the two sides.

During the planned economy, the five Central Asian countries were dependent on the U.S.S.R. in the economic chain, therefore they suffered from comprehensive economic recessions after the collapse of the Soviet Union. On the one hand, the abundant energy resources and agricultural products of the five countries lost their markets, while on the other hand, the five countries experienced severe shortages of capital and consumer goods. Kazakhstan had an energy output of 80 million tons in 1992, but this fell by half to 40.3 million tons in 2001; Tajikistan suffered a 2/3 loss in energy output—from 9.1 million tons in 1992 to 3 million in 2001. As for China, it was a net oil exporter in 1992, but since 1993 it has become a net oil importer. Obviously China demands oil and gas from Central Asia

⁸ See: "Train-and-Bus Coordinated Transit of the Four Countries Marching Successfully," *Xinjiang Daily*, 19 September, 2007, p. 1 (in Chinese).

⁹ See: *An Analysis of the Current Situation and Prospects for the Supply and Demand of Petroleum in China*, available at [www.petroecon.com.cn] (in Chinese).

due to its geographical proximity. And in return, the five Central Asian countries require China's home appliances and daily consumer goods, so the broken chain with the former U.S.S.R. can be re-linked to the China ring.

From the viewpoint of economic development level, China is similar to Kazakhstan and Turkmenistan. The other three countries are the least developed countries in terms of World Bank standards, and their per capita GDP is not half or even 1/5 of China's. In terms of dynamics, almost all the five countries suffered from economic recessions after they gained their independence. Kazakhstan, as the largest economic entity, had suffered a dramatic decline in its economic aggregate from \$32.5 billion in 1990 (in terms of fixed prices of 1995, the same hereinafter) to \$25.5 billion in 2001.¹⁰ China has witnessed a worldwide GDP growth rate in terms of gross volume. Judging from the gross volume and development trend, China is likely to become an exporter of capital and technologies to the Central Asian countries. The economic recovery and development in Central Asia has laid a good foundation for mutual beneficial economic and trade cooperation between Xinjiang and the Central Asian countries.

Central Asia is also a consumption market that has yet to be fully developed. The five Central Asian countries have a total area of 3.99 million square kilometers, with the smallest, Tajikistan, covering an area of 140,000 square kilometers and the largest, Kazakhstan, 2.72 million square kilometers. The total population of the five countries is equivalent to a medium-populated province in China, whereby Uzbekistan has a population of 25 million, Kazakhstan of 15.5 million, and the other three countries about 5 million each. As a commodity distribution center and ethnic market on the Eurasian continent, Xinjiang has immense potential for constantly absorbing products from the Central Asian countries.

The complementary relationship between its geographical advantages and economic strength make Central Asia's foreign economic cooperation highly dependent on China's Xinjiang. The countries strongly feel that the potential of mutual trade and economic cooperation between Xinjiang and Central Asia has been far from fully explored and hope to upgrade mutual regional economic cooperation to a higher level.

Good Foundation of Regional Cooperation

Regional economic cooperation between China and the Central Asian countries has a relatively good foundation which could easily become a source of regional economic unity after further expansion and stable development. Some regional infrastructure has been constructed and some is being planned. As early as the 1960s, there were plans to build a railway network through the Asian continent: a northern passage connecting the railway network in China, Kazakhstan, Mongolia, Russia, and Korea; a southern passage connecting Yunnan of China, Thailand, Turkey, and the future east Asia Union railway networks; and a north and south passage connecting Russia, Central Asia, Caucasus, northern Europe, and the Persian Gulf.

Although the plan will take a long time to be completed, the framework for the Eurasian land bridge has been formed and most sections of the railways have been built and put into commercial operation. Apart from the railway networks, a blueprint for the construction of an Asian expressway network was discussed at the 2002 seminar held by the United Nations Development Program and the

¹⁰ See: Yaping Du, "An Analysis of the Prospects of the Regional Economic Cooperation between China and Central Asia," *Asia and Africa Review*, No. 4, April 2004, pp. 1-5 (in Chinese).

United Nations Economic and Social Commission of Asia and the Pacific. There are plans to build the network along the Silk Road to promote regional integration.

Also energy production infrastructure has been built in a way that creates good conditions for regional cooperation. A network of natural gas pipelines has been built in Central Asia for transporting natural gas from Turkmenistan and Uzbekistan to south Kazakhstan, Kyrgyzstan, and Tajikistan. Oil refineries have been built in Kazakhstan, Uzbekistan, and Turkmenistan. In addition, a power network has been formed in Central Asia, and there is a power network, oil refineries, and a West-East gas transportation project in Xinjiang. All of these oil, gas, and power networks can be joined into a single whole within the framework of regional cooperation for achieving mutual benefits and promoting common development.

Moreover, a number of framework agreements have been signed among the Central Asian countries and between China and the Central Asian countries, which have laid the foundation for regional bilateral and multilateral economic cooperation. As members of the former Soviet Union, the five Central Asian countries have formed the Economic Cooperation Organization (ECO) and signed the Transit Transport Framework Agreement with a view to promote transit trade. Although China is not a member of ECO, it has signed a Transit Transport Agreement with Kazakhstan and Kyrgyzstan, respectively. Actually China and the five countries have become signatories of the Transit Transport Framework Agreement. The Shanghai Cooperation Organization (SCO), which involves China, Russia, and four countries in Central Asia, is actively seeking and promoting regional economic cooperation. The total area of the member countries is more than 30 million square kilometers, and the total population accounts for 1/4 of the world population. The Shanghai Cooperation Organization has been playing an increasingly important role in ensuring security in Central Asia and in promoting regional economic development. Another important target of the SCO is to establish a Central Asian free trade area.

Xinjiang currently has a relatively large volume of border trade and transit transport with the Central Asian countries. Geographically speaking, the Central Asian countries have natural setbacks in developing international trade, the shortest distance from the sea (Indian Ocean) is 1,700 kilometers and it passes through such countries as Afghanistan. So far this passage to the sea has not performed any fundamental function. The main passage to the sea for the Central Asian countries lies through Xinjiang and Gansu to the port of Lianyungang in China. For example, both Kazakhstan and Uzbekistan export goods through the port of Lianyungang in China. Today, Chinese goods can be seen even in the most remote places of Central Asia. Since Central Asia lies in the hinterland of the Eurasian continent, transit trade will become an important part of the economic relations between China and Central Asia after the land bridge is completed.

Xinjiang has great potential for becoming a cotton product base for the Central Asian countries, although Uzbekistan plays a greater role in cotton production since it has certain advantages over Xinjiang, e.g. lower prices, better quality, and stronger competitive export capacity.¹¹ According to official statistics, cotton cultivation areas in 2003 amounted to 1,026 thousand hectares, which in terms of expanded reproduction was 8.7% more than that of the previous year in the Xinjiang Uighur Autonomous Region of China and amounted to a total of 1.6 million tons of cotton. The cotton-growing area covered 1,272 thousand hectares in 2006 in Xinjiang, which is 24% more than in 2003 and constitutes 30% of China's cultivated area for this crop. The total amount of cotton was 2.18 million tons, or 40% of the full yield of the country's entire output. The average per acre yield of lint cotton in Xinjiang amounted to 114 kilograms that year, which was more than 42% of China's average per acre yield, and 1.3-fold higher than the average world per acre yield.¹²

¹¹ See: Hui Li, "Researching Countermove of Promoting Xinjiang Cotton's Competitive Capacity in International Markets," *Chinese Cotton*, No. 4, 2005, pp. 11-13 (in Chinese).

¹² See: *Xinjiang Statistical Yearbook 2003 & 2006*, Compiled by the Bureau of the Xinjiang Uighur Autonomous Region, Chinese Statistical Press, Beijing, China.

There is huge supremacy in tomato processing and planting in Xinjiang, which produced nearly 90% of the country's total fresh tomato products, while the export of tomato products amounted to 1/4 of the world's total trade volume. In 2006 more than 300 producers, purveyors, and equipment suppliers of the tomato processing industry from all over the world visited tomato-processing plants and tomato plantations in Xinjiang. Xinjiang's contribution made China the third largest country in the world in terms of volume of the tomato industry in 2006.¹³

Social Environment for Further Development of Economic Cooperation between Xinjiang and Central Asia

At the turn of the 21st century, economic development in the Central Asian countries entered a new stage, which generated greater demand for investments than 10 years ago. Since internal investments within the countries are far from sufficient for economic development, the shortage of investment has become a key restricting factor to further economic development and substantial growth. Therefore, all the Central Asian countries are exacting increasing efforts to attract foreign investments and improve the investment environment. Kazakhstan, Kyrgyzstan, Tajikistan, etc. have successively published the International Investment Protection Law and signed the Agreement on the Encouragement and Mutual Protection of Investments with China. The National Support of Direct Investment Law published by Kazakhstan, the Investment Activity Law by Uzbekistan, the Foreign Investment Law by Kyrgyzstan, and the Foreign Investment Law and the Investment Law by Turkmenistan all encourage foreign investments. The countries have all formulated preferential policies aimed at attracting foreign investments.

Some countries, such as Kazakhstan and Kyrgyzstan, learned from China's experience how to set up free economic area and special economic zones in which to carry out a series of preferential policies and enhance infrastructure construction in order to improve the investment environment. As for foreign direct investments (FDI), the Central Asian countries are recipient countries of FDI due to the ongoing recession and low technological level after the collapse of the U.S.S.R. So the Central Asian countries are unlikely to invest in foreign countries on a large scale for a long time to come. The situation for China is different. Although China's per capita GDP is a little over \$1,000, the country has immense comprehensive potential, and several large enterprises have already made large-scale investments in foreign countries. The gap between China and Central Asia in economic development has widened over the past odd 10 years, indicating that China is likely to become an important source of foreign investments in Central Asia.

Culture is a bridge for expanding economic cooperation between Xinjiang and the Central Asian countries. So educational exchange and technical interchange should be increasingly promoted. There is immense potential for cultural exchange between China and the Central Asian countries since Xinjiang is populated by Kazakhs, Kyrgyz, and other Central Asian ethnic groups. These ethnic groups share the same language and have a similar lifestyle. So there is a solid historical foundation between the countries and friendship has been deepening more than ever during the past few years.

For this reason, the colleges and universities of Xinjiang have been practicing open-door policies, whereby 2,000 new students have been recruited yearly over the past few years, who mostly

¹³ See: Jun He, Hongpeng Liu, "The World Tomato Industry Association Inspecting Xinjiang Tomato Industry," *Xinhua News*, 9 August, 2007, available at [<http://www.csh.gov.cn/article.asp?id=75970&tab=znews&word>].

come from Central Asian countries to learn the Chinese language and culture. In addition, more than 3,000 citizens have been studying Chinese in Kyrgyzstan, according to a report by the Chinese Embassy in Kyrgyzstan.¹⁴

Factors Restricting Cooperation between Xinjiang and Central Asia

Irregular market environment. Apart from Kyrgyzstan, all the other Central Asian countries are not members of the WTO. Although these countries all claimed to have been implementing market economic principles for more than ten years, they commonly have a poor idea of a market economy and employees are reluctant to accept modern enterprise management. In particular, the people in these countries are very sensitive to national sovereign rights. Government officials and enterprise executives do not like foreign investors making money and believe that foreign entrepreneurs have come to invest in order to seize their country's property, although they also claim to welcome foreign investment.¹⁵

The governments often altered or failed to execute contracts, accusing the projects of damaging their national interests, which created obstacles for investors' business operations. In addition, the law systems in these countries are still unsophisticated and incomplete, or the laws are not observed. And some laws are not compatible with international regulations, so foreign investors often feel confused.

The economic potential of the Central Asian countries is not strong and their market capacities are limited. In 2003, Kazakhstan had a GDP of only \$24.25 billion and a per capita GDP \$1,991, which were the highest in the Central Asian countries, and Tajikistan had a GDP of \$1.55 billion and a per capita GDP of \$260, which were the lowest. Some of the Central Asian states are closed totalitarian countries with a very high threshold for market access.

Policy risks. Most of the Central Asian countries remain totalitarian after independence without effective democratic systems. More often than not their policies, including foreign economic cooperation policies, are dependent on the minds of the leaders. This was an important reason for the failure of some of the regional economic cooperation projects.

Prospects. All the Greater Central Asian countries experienced rapid economic growth in 2004 as a result of the dramatic growth in energy exports, high commodity prices (for gold as well, but not for cotton), increased foreign investments, improved macroeconomic management, and other factors. Growth rates were 9.4% in Kazakhstan, 7.1% in the Kyrgyz Republic, 10.6% in Tajikistan, and 7.7% in Uzbekistan.¹⁶

Against the background of China's overall rapid economic development, Xinjiang has also witnessed rapid economic development as the country's leading autonomous region, which provides strong economic potential for it to take part in regional economic cooperation with Central Asia. In 2005, Xinjiang had an economic growth rate of 10.5% and an increase in completed industrial added value of 16.5% over the previous year. Oil and natural gas production in 2005 were 24.08 million tons and 10 billion cubic meters, respectively, with a 30% and two-fold increase compared to 2000. The average increase in crude oil production amounted to 1.10 million tons.

In recent years, Xinjiang's traditional markets, Kazakhstan and Kyrgyzstan, etc., have been consolidated and new markets, such as Uzbekistan and Tajikistan, have been developed. Kazakhstan

¹⁴ See: Jun He, "Citizens of Central Asian Countries Like Studying in Xinjiang and 2000 Foreign Students Entering There," *People's Daily*, 6 August, 2007.

¹⁵ See: Changqing Zhao, "The Advantageous and Disadvantageous Factors for Advancement toward Central Asia," *Russian, Central Asian and East European Markets*, No. 12, 2004, pp. 1-4 (in Chinese).

¹⁶ Data given by the Asian Development Bank.

and Kyrgyzstan were in first place with the largest volumes on the list of Xinjiang's export destination countries and regions in 2004; and Kazakhstan was in first place, Tajikistan in fifth, and Uzbekistan in sixth on the list of Xinjiang's import source countries and regions in terms of import volume in 2004. Export to Kazakhstan, Kyrgyzstan, and Uzbekistan accounts for 71.48% of Xinjiang's total export volume in 2004; while import from Kazakhstan, Kyrgyzstan, and Uzbekistan accounts for 64.81% of Xinjiang's total import volume in 2004. In terms of the dynamically rising trend, Xinjiang's import and export with these countries have been rapidly increasing. Export to Kazakhstan increased by 40% in 2004 over the previous year, to Kyrgyzstan 1.2-fold, to Tajikistan 5.9-fold, and to Uzbekistan by 93.2%. Import from Kazakhstan increased by 18.2% in 2004 over the previous year, from Kyrgyzstan by 52.8%, and from Uzbekistan 1.3-fold. The stable and extremely rapid increase in import and export has created increasingly closer regional economic relations between Xinjiang and the Central Asian countries.

With Xinjiang's rapid economic development, Central Asia's economic recovery and Afghanistan's reconstruction, the demand and impetus for greater Central Asian regional economic cooperation have become increasingly stronger. Rapidly expanding trade also added vitality to cooperation in the region. In addition, more regional cooperation projects are to be carried out between 2006 and 2008, which will bring plenty of investments and development opportunities to the region. We have good reason to predict that Greater Central Asian regional economic cooperation will develop rapidly and steadily, and Xinjiang's role will become increasingly active and important.

Conclusion and Suggestions

Xinjiang enjoys many advantageous conditions in its participation in Greater Central Asian regional economic cooperation. Its role as an advancing force in the economic development of the whole region is inestimable if it is able to fully use these advantages to promote the economic integration of the region. The successful development of regional economic cooperation will significantly change the situation in which the economy of Central Asia was long dependent on the Russian economy, and the standard of living of the multitude of Muslims will improve, which shall promote the democratic advancement of Greater Central Asia, including Xinjiang, and will also have a profound long-term influence on the worldwide antiterrorist war and the future political pattern of the world.

To promote Greater Central Asia regional economic cooperation, the geographical advantage of the region, which connects the East and the West, should be fully exploited, and rapid economic development in the region, especially in China, should be fully utilized, whereby Xinjiang will play an indispensable part in regional cooperation.

A time of trade prosperity between Xinjiang Uighur Autonomous Region of China and Central Asian countries has arrived. Foreign investments are now surging into Xinjiang because the region's thriving economy stems from the local optimized industrial structure, favorable investment environment, and an influx of investment projects, which bring great profits for foreign countries, thus raising the attractiveness of the region. Although the task of accomplishing an expanded trade goal is not easy as Xinjiang and the five Central Asian countries have some economic shortcomings, both sides should exert their best efforts to achieve a "win-win" situation in friendship and the economy. China and Central Asia are both pinning their hopes on developing peaceful relations and facilitating growth to create a bright future. To expand turnover in Central Asia, Xinjiang's first task is to retain a cool head at a time when the region is being seized by export furor aimed at reaching great achievements. It is clear that adjusting some of the old or creating new policies in the regional administrative departments is a necessary and sufficient condition to develop the regional cooperation.

Xinjiang must regulate industry in the provinces and set up production and a regional commercial management system, which to a certain extent is unsuitable for international trade. A new inter-

national economic system of bilateral trade and multilateral cooperation must be established in accordance with the current trade practice throughout the world, such as multilateral technical assistance, a multilateral settlement system, multilateral tax treaty, and so on.

The necessary market rules and regulations govern vendors in the free port and fair trade should be improved, and this kind of legal environment is very helpful for expanding turnover. Xinjiang's regional government needs to emphasize the important role of the commercial legal framework and safeguard the interests of both individual international operators and multinational corporations. Xinjiang's regional government must simplify organization and lower the administrative level when dealing with international commercial cooperation, as well as reduce the number of working days required for economic transactions, increase service items, and ensure a good attitude toward promoting economic and technical exchange between China and Central Asia.

The Xinjiang autonomous government should create favorable conditions to further international business, offer good services for foreign businessmen, improve service quality in furnishing economic information, provide long-distance transportation of goods, fiduciary loan, and so on. Further, although Xinjiang's transport capacity will improve substantially with the opening of some of the new railways, the region must continuously raise its transport capacity and energy supply in accordance with the market demand of foreign businessmen in order to create a favorable investment environment. Investments must be made in the construction and renovation of commercial ports, roads, and other infrastructure in the backcountry. A comprehensive marketing plan for trade must be drawn up.

Last but not least, the Xinjiang government should realize that environmental conditions influence regional cooperation, that environmental protection is a difficult task, and that we are pressed for time. To protect the environment against desertification and pollution, we should reinforce tree and grass planting, tighten up the management of water resource allocation, and bring rivers and lakes under constant control. Diversified financial channels should provide funds for planting trees to enhance desert restoration. Problems of overload grazing and excessive cultivation should be tackled in a comprehensive way.