

Xinjiang and the Greater Central Asia Regional Economic Cooperation

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Increased cooperation will produce big gains for the people of Central Asia and neighboring countries. Bringing down trade barriers, more efficient development and use of water and energy resources, and other forms of regional cooperation could result in doubling of per capita incomes over the next decade. The price of non-cooperation could also be large. Lost economic opportunities and difficult access to markets would mean poor employment prospects, and slow progress in reducing poverty. A heavy toll would also be extracted from the spread of disease, lack of joint preparedness against natural disasters and environmental destruction, as well as conflict and insecurity. Central Asia and neighboring countries are strategically located, rich in natural resources and at the cross-roads of commerce between some of the most dynamic of the world's economies. New avenues for trade and access to world markets and knowledge are opening up, reenergizing the enterprise of Silk Road legend. Regional organizations have been created and are gaining in strength, reflecting the shared conviction that borders that divide are borders lacking a human face.

Paraphrased from United Nations Development Program, Central Asia Human Development Report: Bringing Down Barriers: Regional Cooperation for Human Development and Human Security, 2005

INTRODUCTION

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

The regional economic cooperation in the greater central Asia¹ started relatively late due to the all year round war in Afghanistan and the regional conflicts in the central Asia after the

¹ The greater Asia region includes the five Central Asia countries, Afghanistan and Xinjiang in China (Starr, 2008).

independence of the countries. Since the 1990's the central Asian countries have shown great interests in regional economic cooperation and established certain mechanisms. The regional cooperation started with the signing of "Agreement on Economic, Scientific and Technological and Cultural Cooperation" by the five central Asian countries, and developed to the establishment of "Central Asia Cooperative Organization" in 2002. But generally speaking, there are no substantial contents in these agreements, with the efforts in regional cooperation having resulted in little achievements (Chai, 2006; Yao, 2005).

In recent years, with the war in Afghanistan becoming subsided and the economic development of the central Asia, the greater central Asian regional economic cooperation has become a hot topic. According to the statistics of Asia Development Bank, there are more than 20 regional cooperative development projects and programs in the central Asia for 2005-2008. The sponsor countries 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, TPCC – Trade Policy Coordinating Committee (Asia Development Bank, 2000, 2005). These cooperation mechanisms have different targets, different ranges of scopes and hence different areas of priorities.

Xinjiang is in a unique place in these regional cooperation programs and is a dynamic developing region whose economy is at the take-off state now. Although it does not belong to central Asia in a strict sense, as a minority autonomous region, it is closely related to central Asia, with a border line of as long as 3500 kilometers with Kazakhstan, Kyrgyzstan, Tajikistan and Afghanistan; plus the closeness in culture and religions between Xinjiang and the central Asian region, they have always been having close economic ties. The well-known Silk Road was passing through Xinjiang and central Asia. In recent years the economic development in Xinjiang has been widely recognized and is destined to become the future economic highland of China's western region and Central Asia. Since the collapse of the USSR as well as the reforming and opening to the outside world of China, the economic and trade relationships between Xinjiang and the central Asian countries have been expanding sharply, and there is no doubt that the role of Xinjiang in the greater Central Asia regional economic cooperation will become very important in the near future (Clarke, 2008; Zhao, 2003).

THE RELATIONSHIPS BETWEEN XINJIANG AND CENTRAL ASIA

Xinjiang and central Asian countries have a long history of relationships, yet substantial regional economic cooperation started only after the foundation of the People's Republic of China. At the time, the USSR and China had jointly promoted remarkably the economic and trade development of the region. Both countries had highly centralized planned economies, thus the regional economic cooperation between central Asia was mainly in the form of Soviet aids and foreign trade between the two countries, which had once promoted the economic

development of Xinjiang. The cooperation of the two countries was almost completely broken off due to the tense relationship between China and USSR in the 1960's, and it was not until the late 1980's that the economic relationship between the two sides recovered gradually.

Domestically, the achievement of economic development in Xinjiang assumed national importance with the central government's launching of the "Great Western Development Plan" initiated in the very beginning of 21st century. This plan envisages the creation of Xinjiang as an industrial and agricultural base as well as a trade and energy corridor for the national economy (Becquelin, 2004). This goal can only be achieved with the development of greater interaction and cooperation between China, particularly Xinjiang, and the Central Asian states, a point underlined by Chinese rhetoric and policy since 2001 with ongoing references to the mutual benefits of developing a "Continental Eurasian land-bridge" that will link the major economies of Europe, East Asia and South Asia (Garver, 2006).

China has clearly signaled the importance of the western regions of the country, and in particular Xinjiang, for the Chinese economy as a whole. For China to pull back at this stage from the regional relationship with Central Asia would prove extremely problematic, not only for China, but also for the regional states (McMillan, 2004). More importantly, Sino-Central Asian trade and economic relations since 2001 have experienced a "boom" according to a number of observers. In fact, Sino-Central Asia trade flows have more than tripled from US\$1.5 billion in 2001 to US\$5.8 billion in 2005 (Clarke, 2008). According to Ann McMillan, China has been investing in Central Asian countries in recent years, with the majority of the investment funds going chiefly to Kazakhstan, and lesser amounts but still substantial investment funds are flowing into Kyrgyzstan and Tajikistan. The predominantly economic interdependent relationship established in the region encompassing Xinjiang and the Central Asian countries has assumed an ever increasing importance to all of the states involved. This interdependency is not solely based on any one factor, although the supply and processing of oil and gas is dominant (McMillan, 2004).

Currently, the economic cooperation between the five central Asian countries and Xinjiang are in a variety of forms, including border trade, formal trade, mutual governmental or enterprise visiting delegates, mutual holding of product fairs, economic and technological cooperation fairs (for instance, the total amount of import and export transactions on the ten Urumqi Fairs from 1992-2001 was USD10.87 billion, the total transaction amount of foreign economic and technological cooperation was USD3.8 billion, in which the transaction amounts with Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan were above USD10 million respectively), the establishment of joint-invested, cooperative or solely owned enterprises, and mutually sending experts, technicians, teachers and students and so on (Chai, 2006).

In 2006 these countries accounted for some 80 percent of Xinjiang's trade, up from about 75 percent in 2005 and around 60 percent in 2003 (Table 1), mostly in export. Yet, while Central Asia plays a major role in Xinjiang's foreign trade, the Chinese (mainly Xinjiang) share in Central Asia's trade is less impressive. China (mainly Xinjiang) lags behind Russia in all parameters (Table 2) and, if China wanted to become the main economic power in Central Asia, it must enhance Xinjiang's role in its trade with these countries. At this moment from the international trade perspective we can see that Central Asia has been far more important for China (predominantly for Xinjiang), than the other way around (Schicor, 2008).

TABLE 1
THE SHARE OF CENTRAL ASIA SCO MEMBERS IN XINJIANG'S TRADE*

Year	Total	Import	Export
2006	80.8	81.4	78.8
2005	74.3	75.6	75.1
2004	68.5	71.4	66.3
2003	59.2	56.9	61.6

* In percent.

Source: *Xinjiang Statistical Yearbook*, various years.

The demonstrated reserves of Mortuk oil field is about 5 hundred million barrels, resulting oil reserves are 85 million barrels accordance with a report of Kazakhstan. Some Chinese state-owned oil companies have cooperated with Kazakhstan in recovering petroleum and tapping natural gas, building petroleum pipelines, both cooperative enterprises have obtained a great of “win-win” situation. For example, Xinjiang Zhong-Xin Limited Liability Company spent \$ 250 million USD purchased a Kazakhstan private oil company located in Aktobe in July of 2007 (Tian, 2007).

TABLE 2
CHINA'S SHARE IN CENTRL AISA SCO MEMBERS' TRADE (2006) *

Country	Export		Import	
	Russia	China	Russia	China
Kazakhstan	10.9	11.6	19.3	36.4
Kyrgyzstan	4.8	19.3	14.4	38.1
Tajikistan	0.7	4.7	8.6	24.6
Uzbekistan	10.4	23.4	10.3	27.6

* In percentage, compared with Russia. For China most trade with these countries is done by Xinjiang.

Source: CIA, *The World Fact Book 2007*.

A great upsurge in export of Chinese various products to the Central Asia has occurred in recent years, taking footwear products as an example, it generated a total trade volume of \$ 9.63 hundred million USD in 2006 which is 8.9 % more than that of footwear products export in 2005, passed the front every trading port of northwest Xinjiang to central Asian market. Chinese footwear products have held import share of 80% in the market of five central Asian countries. The level and scale of the economic and technological cooperation have been increasingly raised, 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 and light industrial and food products, project contracting, transfer of patents and manufacturing, and large scale investments on infrastructure and production projects etc. (Shi, 2007).

Xinjiang has held Urumqi International Trade Talks Conference for 16 times up to now. This kind of the conference is the biggest party of international business and economy in northwestern China. The economic actions including talks, industrial and agriculture exhibitions, and

investment opportunities have attracted many merchants everywhere especially businessmen coming from central Asian. For example, total sum of money of signing contracts was \$ 2.82 billions USD in the fifteenth Urumqi International Trade Talks Conference in 2006, increased by 5.7% comparing with the last one. Among the contracts, central Asian was top. The firms and companies of Xinjiang closed the volume deal of \$ 1.19 billions USD of Kazakhstan, they closed the volume deal of \$ 0.17 billions USD of Kyrgyzstan and closed the volume deal of \$ 0.16 billions USD of Uzbekistan (Xinjiang Statistical Yearbook, 2006).

The autonomous government had newly had approved the 52 firms of foreign investment during the first half year of 2007, increased by 10.64% comparing with the same that of 2006; contract foreign capital were \$ 2.37 hundred million USD, increased by 152.76% with last year and making actually use of foreign capital were \$ 87.02 million USD increased by 68.12%. Afghanistan and South Africa invested capital Xinjiang firstly. There were the biggest money invested of contract foreign capital \$52.12 million USD that divided 11 projects coming from among those investments (Zeng, 2007). Meanwhile, according to the measure set by the Food and Agricultural Organization of the United Nations, the Engel's coefficient (proportion of income that goes into food) in urban Xinjiang has dropped to 35 percent a few years ago, indicating that the lifestyle of residents in urban Xinjiang has entered a well-to-do society.

THE ADVANTAGEOUS CONDITIONS FOR XINJIANG TO PARTICIPATE

The Strongly Complementary Conditions to Both in Economy

Xinjiang is a link of connecting central Asian counties. To search for an access to the sea for the landlocked countries of central Asian, both of China and Pakistan sponsored in 1995 to set up a combined transport item, in which drew Kyrgyzstan and Kazakhstan to take part gradually. But there are different opinions among the four countries on two issues which are (1) the numbers of drivers' licenses to be allowed for international driving, and (2) how to coordinate the international train-and-bus transportations. Undergoing a long process consultation and negotiations of 9 years, the governments of four countries jointed a signature of "Transit Conveyance Agreement" on April 13, 2004. Transit haulage vehicles of every member state are enjoyed in exemption from the conscription of transit duty and tolls provided by government accordance with the agreement. The international trade of the four countries' transit started formally at in May of 2007. By this good transport service, for example, Kyrgyzstan exported abandoned aluminum materials to Pakistan, Kazakhstan exported spinning and weaving goods to Kyrgyzstan, and so on. This kind of transportation not only give an impetus to trade but also further mutual understanding and promote unity among the four counties (Xinjiang Economy and Trade Commission, 2007).

China and the five central Asian countries have obvious complementary economic relationships. In the natural resources, the five central Asian countries have abundant energy reserves. Kazakhstan has a petroleum energy reserve up to 26.9 billion tons of oil equivalent; Uzbekistan 4.41 billion tons of oil equivalent, Kyrgyzstan 590 million tons, Tajikistan 510 million tons and Turkmenistan 33 billion tons. Kyrgyzstan and Tajikistan also have rich hydraulic power potentials, with their annual power capacity reaching as high as 14 million tons and 27.30 million tons of oil equivalents. China has rich coal reserves up to as high as 450 billion oil equivalent, but a sheer of 1.72 billion tons of petroleum reserve. In 2003 China imported as high as 95 million tons of crude oil, only next to the United States. Because of the rapid

development of its auto industry, China needs plenty of liquid fuels to guarantee the sound development of its transportation industry. According to analysis of International Energy Agency, China will import half of its petroleum by 2010 and 80% by 2020. The difference between China and the five central countries in energy resources demonstrates a huge potential of economic cooperation between the two sides (Tang 2002, Tian, 2007).

In the planned economic ages, the five central Asian countries were dependent to USSR in the economic chain, therefore suffered comprehensive economic recessions after the collapse of USSR. On one hand, the abundant energy resources and agricultural products of the five countries lost their markets, on the other hand, the five countries were in severe shortages of capital and consumer goods. Kazakhstan had an energy output of 80 million tons in 1992, but reduced by half to 40.3 million tons in 2001; Tajikistan suffered a loss by 2/3 of the energy output, from 9.1 million tons in 1992 to 3 million in 2001. While in the side of China, it was a net exporter of petroleum in 1992, but has turned into a net importer of petroleum since 1993. Obviously, China is in demand of the petroleum and gas from central Asia for the geological preference. And reversely, the five central Asian countries are in demand of China's home appliances and daily consumer goods, so that the broken chain with the former USSR can be re-linked to the China ring (Asia Development Bank, 2000, 2005).

Viewed from the point of economic development level, China is similar to that of Kazakhstan and Turkmenistan. The other three countries are the least developed countries as per the standards of the World Bank, their GDP per capita are not half or even 1/5 of that of China. Viewed from a dynamic point, almost all the five countries suffered economic recessions after their independence. In which Kazakhstan as the largest economic entity had suffered a dramatic decline in its economic aggregate from USD32.5 billion in 1990 (in terms of fixed prices of 1995, the same hereinafter) to USD25.5 billion in 2001 (Du, 2004). China has witnessed a world wide recognized GDP increase rate in terms of gross volume. Judged from the gross volume and the development trend, China is likely to become an exporter of capital and technologies to the central Asian countries. The economic recovery and development in the central Asia has laid a good foundation for the mutual beneficial economic and trade cooperation between and Xinjiang of China and the central Asian countries.

What's more, central Asia is a consumption market yet to be fully developed. The central five 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, in which Uzbekistan has a population of 25 million, Kazakhstan 15.5 million, and the rest three countries each has about 5 million respectively. As a commodity distribution center and ethnic market in the Euro-Asian continent, Xinjiang provides a large potential to constantly absorb products of the central Asian countries.

The complementary relationship between geological advantages and economic strength make the outward economic cooperation of the central countries highly dependent on Xinjiang of China. And the countries are strongly feeling that the potential of mutual economic and trade cooperation between Xinjiang and central Asia has been far from being fully explored, and urgently hope to upgrade the mutual regional economic cooperation to a higher level.

Good Foundation of Regional Economic Cooperation

The regional economic cooperation between China and the central countries has a relatively good foundation which is much likely to become a regional economic unity after further

expansion and stable development. On the hardware, some of regional infrastructures have been constructed and some are under plan. As early as in the 1960's, the plan of building a railway network through the Asian continent had been proposed: the northern passage: connecting the railway network in China, Kazakhstan, Mongolia, Russia and Korea; the southern passage: connecting Yunnan of China, Thailand and Turkey, and the east Asia Union railway networks; the north and south passage: connecting Russia, central Asia, Caucasus, northern Europe and the Persian Gulf.

Although the plan shall need a long time to be completed, the framework of the Euro-Asian land bridge has been formed, most parts of railways have been constructed and put into commercial operation. Apart from the railway networks, a blueprint for the construction of Asian expressway network was discussed on the 2002 seminar held by the United Nations Development Program and the United Nations Economic and Social Commission of Asia and the Pacific, the network was planned to be built along the Silk Road to promote the regional integration.

Also the infrastructures for energy production has been built up in a rather scale though in separate conditions, which created good conditions for regional cooperation. In central Asia, a network of natural gas pipelines has been built up to transport natural gas from Turkmenistan and Uzbekistan to south Kazakhstan, Kyrgyzstan and Tajikistan. Oil refineries have been constructed in Kazakhstan, Uzbekistan and Turkmenistan. In addition, a power network in central Asia has been formed, and there is the power network, oil refineries and the gas transportation from west to east project in Xinjiang. All these networks of oil, gas and power can all be connected into a whole in the framework of regional cooperation for mutual benefits and common development.

Now let's turn to the software, a number of framework agreements have been signed between the central Asian countries and between China and the central Asian countries, which laid a foundation for regional bilateral or multilateral economic cooperation. As members of the former USSR, 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, She has signed Transit Transport Agreement respectively with Kazakhstan and Kyrgyzstan. Actually China and the five countries have become signing parties of the Transit Transport Framework Agreement. 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. Shanghai Cooperation Organization has been playing increasingly important roles in ensuring security of central Asia, in promoting regional economic development. Another important target of SCO is to establish a central Asian free trade region.

Xinjiang has at present a relatively large volume of border trade and transit transport with central Asian countries. Geologically 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 passing through countries such as Afghanistan. So far, this passage to the sea has played fundamentally not any function. The main passage to sea for the central Asian countries is passing through Xinjiang, Gansu to Lianyungang port in China. For example, both Kazakhstan and Uzbekistan export goods through Lianyungang port in China. Today, Chinese goods can be seen even in the most remote places in the central Asia. Since central Asia lies in the hinterland

of the Euro-Asia continent, the transit trade will become an important part of the economic relationship between China and central Asia after the land bridge is completed.

Xinjiang has a great potential to become a cotton product basis for the central Asian country although Uzbekistan is a bigger country in cotton production, which has an advantage comparing with the same as that of Xinjiang's, e.g. lower price, better quality, and stronger competitive capacity of export (Li, 2005). According to official statistics, the cultivated areas of cotton in 2003 were 1026 thousands hectare, which of expanded reproduction was 8.7% more than that of last year in Xinjiang Uygur Autonomous Region of China, and a total cotton quantity was 1.6 million tons. The area that growing cotton were 1272 thousands hectare in 2006 in Xinjiang, it is 24% more than that of the area in 2003, which making up the 30% quantity of Chinese same cultivated areas. And that total cotton quantity was 2.18 million ton, holding 40% of full yield of the whole country's output. Average per unit area yield of the lint cotton in Xinjiang was 114 kilogram that year, more than 42% of the average per unit area yield of Chinese, and 1.3 times higher than average per unit area yield of the world (Xinjiang Statistics Year Book, various years).

There is a huge supremacy in tomato processing and planting in Xinjiang which produced nearly 90% of the total country quantity of freshly processing tomato goods and the export of the tomato processing goods was 1/4 of the whole world trade volume. In 2006 more than 300 producers, purchasing managers and equipment suppliers of tomato processing industry coming from all of the world visited processing tomato goods and tomato plantations of Xinjiang. Because of the contribution of Xinjiang China became the third largest country of tomato industries in the world in year 2006 (He & Liu, 2007).

Social Environment for Further Development in Economic Cooperation

When it comes into the 21st century, the economic development in the central Asian countries has entered a new stage, which brought larger demands for investment than 10 years ago. Since the inner investment within the countries is far from being sufficient for the economic development, the shortage of investment has become a key factor that limiting the further economic development and substantial growth. Therefore, all the central Asian countries are increasingly paying more attention to attract foreign investment and improve investment environment. Kazakhstan, Kyrgyzstan, Tajikistan etc. have successively published *International Investment Protection Law*, and signed *Agreement on Encouragement and Mutual Protection of Investment with China* respectively. The *National Support of Direct Investment Law* published by Kazakhstan, the *Investment Activity Law* by Uzbekistan, the *Foreign Investment Law* by Kyrgyzstan, the *Foreign Investment Law* and the *Investment Law* by Turkmenistan all encourage foreign investment. The countries all have formulated preferential policies to attract foreign investment (Asia Development Bank, 2000, 2005; CAREC Program, 2006).

Several countries such as Kazakhstan and Kyrgyzstan learned from the experiences of China to have set up free economic zones and special economic zones in which to carry out a series of preferential policies, to strengthen the hardware and software infrastructure construction so as to improve investment environment. As to the foreign direct investment (FDI), the central Asian countries are receptive countries of FDI due to the long lasting recession and low technological level after the collapse of USSR. So, in a rather long period of time, the central Asian countries will be unlikely to invest in foreign countries in large scale. The situation for China is different. Although the GDP per capita of China has just exceeded USD 1,000, the country has a strong comprehensive strength, and several large scale enterprises have already made large scale

investment in foreign countries. The gap between China and the central Asia in economic development has expanded over the past more than 10 years, indicating that China is likely to become an important source of foreign investment to central Asia (Asia Development Bank, 2000, 2005; CAREC Program, 2006).

Culture is a bridge to expand economical cooperation between Xinjiang and the central Asian countries. So, educational exchange and technical interchange should be widened largely more and more. There are prosperous cultural exchange between China and central Asian countries. Because ethnics of Kazaks, Kirghizia, and so on, within Chinese borders of Xinjiang are belong to mix-nationalities who live across both areas of China and Kazakhstan, China and Kyrgyzstan. Those ethnic groups share the same language and are similar to habitude. So there is a solid historical foundation between the countries each other and the friendships have been deepening more than before during several recent years. The colleges and universities of Xinjiang in last several years, because of above reasons and Chinese open-door policies, in recent year recruit 2000 new students yearly who came mostly from central Asian countries to learn Chinese language and culture. Meanwhile, there are more 3000 citizens who have been studying Chinese in Kyrgyzstan accordance with a report of Chinese Embassy in Kyrgyzstan (He, 2007).

The Limiting Factors to the Cooperation between Xinjiang and Central Asia

Irregular Market Environment

Except Kyrgyzstan, all the other central Asian countries are not members of WTO. Although these countries all claimed to have implemented market economy for more than ten years, they commonly have weak senses of market economy, that the employees are reluctant to accept modern enterprise management. Especially people in these countries are very sensitive to national sovereign rights. The governmental officials and enterprise executives dislike the foreign investors to make money, considering that the foreign entrepreneurs have come to invest for seizing properties from their countries, although they claimed to welcome foreign investment at the same time (Zhao, 2004).

The governments often altered or failed to execute contracts by accusing the projects to damage their national interests, which caused difficulties to the business operations of investors. In addition, the law systems in these countries are yet to be sound and complete or the laws are not observed. And some laws are not compactable with international rules, so that the foreign investors often felt confused.

The Limited Economic Strengths and Market Capacities of the central Asian

In 2003, Kazakhstan had only a GDP of USD24.25 billion and a GDP per capita of USD1,991 as the highest in the central Asian countries, and Tajikistan had only a GDP of USD1.55 billion a GDP per capita of USD260 as the lowest. And some of the central Asian countries are closed totalitarian countries with very high threshold for market access (Asia Development Bank, 2005).

Policy Risks

Most of the central Asian countries remain totalitarian after independence, without effective democratic systems. More often than not the policies, including the policies for foreign economic cooperation are dependent on minds of leaders. That was an important reason that some of the regional economic cooperation projects were not successful.

Prospects

All the Greater Central Asian countries experienced rapid economic growth in 2004, as a result of sharply increased energy exports, high commodity prices (for gold as well, but not for cotton), increased foreign investment, improved macroeconomic management, and other factors. Growth rates were 9.4% in Kazakhstan, 7.1% in Kyrgyz Republic, 1, 10.6% in Tajikistan, and 7.7% in Uzbekistan (Asia Development Bank, 2005).

Some Recent Progress

In the background of the overall rapid economic development of China, Xinjiang have also witnessed rapid economic development as a leading autonomous region in the country, which provides a strong economic strength for it to take part in the regional economic cooperation with the central Asia. Xinjiang had a economic growth rate of 10.5% and an increase of completed industrial added value of 16.5% over the previous year in 2005. The outputs of petroleum and natural gas in 2005 were 24.08 million tons and 10 billion cubic meters respectively, with a 30% and two folds increases as compared to 2000. The average increase of crude oil output has been 1.10 million tons (See Table 3).

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. In the list of the export destination countries or regions of Xinjiang in 2004, Kazakhstan and Kyrgyzstan were the first places countries with the largest volumes; and in the list of the import source countries or regions of Xinjiang in terms of import volumes in 2004, Kazakhstan was in the first place, Tajikistan the fifth and Uzbekistan the sixth. The exports to Kazakhstan, Kyrgyzstan and Uzbekistan account for 71.48% of the total export volume of Xinjiang in 2004; the imports from Kazakhstan, Kyrgyzstan and Uzbekistan account for 64.81% of the total import volume of Xinjiang in 2004. Viewed from the point of increase trend dynamically, the import and export of Xinjiang with these countries have been increasing fast. The export to Kazakhstan increased by 40% in 2004 over the previous year, to Kyrgyzstan by 1.2 times, to Tajikistan by 5.9 times and to Uzbekistan by 93.2%. Meanwhile the import in year 2004 increased by 18.2% from Kazakhstan, by 52.8% from Kyrgyzstan and by 130% from Uzbekistan. The stable but high speed increase of import and export has increasingly brought closer economic relationships between Xinjiang and the central Asian countries (Xinjiang Statistics Year Book, various years).

TABLE 3
XINJIANG: CRUDE OIL PRODUCTION AND COSUMPTION (1985-2005)*

Items	1985	1990	1995	2000	2005
Output	4.9938	7.0126	12.9983	18.4843	24.0832
Consumption	2.1588	3.4767	4.5020	5.6305	8.8260
Outflow	2.8350	3.5359	8.4963	12.8538	15.2572
% of Surplus	56.8	50.4	65.4	69.6	63.4

* In million tons and percent

Source: *Xinjiang Statistical Yearbook*, various years.

China and its central Asian neighbors have been carrying out feasibility studies to improve their railway network amid growing trade in recent years. In an announcement by the Xinjiang Government, a 6.2-billion-yuan (US\$861 million) railway construction was launched in 2008 to connect Xinjiang with Central Asia. Upon its completion in 2010, the railway will provide a faster link between western China and central Asia and improve the southern passageway of the new Euroasia continental bridge (Xinhua News Reporter, 2008).

With the rapid economic development of Xinjiang, the economic recovery of central Asia and the reconstruction of Afghanistan, the demand and impetus for the greater central Asian regional economic cooperation have become increasingly stronger. The fast expanding trade also added vitality to the cooperation for the region. What's more, more regional cooperation projects will be carried out during 2006 to 2008, which will bring plenty of investment and development opportunities to the region. We have a good reason to predict that the greater central Asia regional economic cooperation will develop fast and steadily, and the role of Xinjiang will become increasingly active and important (Asia Development Bank, 2005).

CONCLUSION AND SUGGESTIONS

Xinjiang enjoys many advantageous conditions in its participation in the greater central Asia regional economic cooperation. Its role as an advancing force for the economic development of the whole region is inestimable if it is able to fully use those advantages to promote the economic integration of the region. Just as McMillan concludes, an economic interdependency relationship has formed in the Xinjiang-Central Asian region. This economic interdependency is not only contributing to economic development in the western regions of China, in particular, Xinjiang, but also in several Central Asian states (McMillan, 2004). The successful development of the regional economic cooperation has significantly changed the situation that the economy of central Asia had been long dependent on Russia economy. It is expected that the living standard of the numerous Muslims shall be improved, which would be helpful to the democratic advancement of the greater central Asia including Xinjiang, and would also have profound long term influences on the world wide anti-terrorist war and the future political pattern of the world (Zhang, 2005).

To promote the greater central Asia regional economic cooperation, the geological 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, and Xinjiang is indispensable in the regional cooperation. Xinjiang enjoys many advantageous conditions in its participation in the greater central Asia regional economic cooperation. Its role as an advancing force for the economic development of the whole region is inestimable if it is able to fully use those advantages to promote the economic integration of the region. The successful development of the regional economic cooperation will significantly change the situation that the economy of central Asia have been long dependent on Russia economy, and the living standard of the numerous Muslims shall be improved, which shall be helpful to the democratic advancement of the greater central Asia including Xinjiang, and will also have profound long term influences on the world wide anti-terrorist war and the future political pattern of the world.

The period of trade efflorescence between Xinjiang Uygur Autonomous Region of China and central Asian countries has come. Surging foreign investment are now flowing 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 a great

number of profits for foreign countries, and there are attracted forces very much. Although the task of accomplishing an expanded trade goal is not easy as there have been some economic shortcomings in Xinjiang and in the five central Asian countries, both sides should make their best efforts to reach an objective of “win-win” in friendship and economy. The bright future to develop the peaceful relations and to facilitate the growth is deeply relied on both sides of China and central Asian. To expand the turn-over in central Asian, the first task of Xinjiang is to remain cool-minded at a time when the region is promoted by a feeling of gaining export achievement. It is clear that adjusting or making some new policies of the regional administrative departments are necessary and sufficient condition to develop the regional cooperation.

To promote the greater central Asia regional economic cooperation, the geological 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, and Xinjiang is indispensable in the regional cooperation. It is necessary and a sufficient condition for Xinjiang to regulate the arrangement of industry in the province and to setup of production and the regional commercial management system that is unsuitable for international trade in certain degrees. A new international economic order of two-way trade and multilateral co-operation should be established accordance with the current trade practice throughout the world such as multilateral technical assistance, multilateral system of settlement, and multilateral tax treaty and so on.

The necessary rules and regulations of market in free port, fair trade should be improved, and this kind of legal environment is very useful to expand the turn-over. Xinjiang regional government needs to emphasize the important role of commercial legal framework and safeguard the interests of both international individual operators and multi-national corporations. It is necessary for Xinjiang regional government to simplify organization and reduce administrative levels in dealing with the affairs of international commercial cooperation, and reduce the working-days of examined and approved on economic transactions. Increase service items and provides good reception for promoting economic and technical interchange among China and central Asia.

Xinjiang autonomous government should create favorable conditions of international business further, offer good service for foreign businessmen, improve service quality in economic information, a great distance transportation of goods, and fiduciary loan, and so on. Further, though the transport capacity of Xinjiang will improve substantially with the opening of the some new railway, the region must increase continuously transport capacity and energy supply accordance with market demand of foreign businessmen's for building a favorable investment environment. It is necessary to make an investment to build and renovate commercial ports, roads, and other infrastructure in backcountry. A comprehensive marketing plan of the trade need be drawn.

Last but not the least the Xinjiang government should realize the environment condition influences the regional cooperation, and the task of protecting environment is hard and we are pressed for time. To protect the environment against desertification and pollution, we should reinforce planting trees and grasses, tighten up the management of allocating water resources, and bring rivers and lakes under control continuously. To add to the infrastructure of recovering desert expansion, diversified financial channels also should make score points in planting trees. The problems concerning overload grazing and cultivating excessively should be tackled in a comprehensive way.

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