



## CURRENT ECONOMIC STRUCTURE OF THE XINJIANG UYGHUR AUTONOMOUS REGION

The economic development of the Xinjiang Uyghur Autonomous Region (XUAR), also known as East Turkestan, which is China's gateway to Eurasia, has significant importance not only for China, but also for the neighboring countries in the region. The XUAR is located on the important route of the Silk Road Economic Belt Project, which China gives great importance to with the promise of investing \$40 billion. Indeed, the Central Asia – China natural gas and oil pipelines and Western China – Western Europe pipeline pass through the XUAR. This region is not only an important international route but also has rich mineral resources, which makes it to be one of China's most important sources of raw materials.

According to the data, oil reserves and natural gas reserves in the region are estimated to be approximately 5.6 billion tons and 1.4 trillion cubic feet respectively. These reserves constitute 30% of China's total oil reserves and 34% of natural gas reserves. The XUAR is a step ahead from the other regions in China due to its abundance of uranium, coal, copper, iron, gold and silver. For instance, 142 mineral types were found in the region, including 33 kinds of metallic minerals, 60 kinds of non-metallic minerals and 6 kinds of energy minerals. The coal reserves of the region are estimated at 2.19 trillion tons, which correspond to 40% of the total coal reserves in the country.

Currently, in the XUAR there are 74 industrial cities and counties (their rate in the country is 8.14%), Kaska and Horgos Special Economic Zone (their rate in the country is 28.57%), 29 national ports (their rate in the country is 10.11%), 2 international airports used only for international freight transportation (their rate in the country is 4.44%). There are 94 industrial parks (23 national and 71 regional level parks), 2,707 industrial companies, 11,862 agricultural companies and cooperatives, 3,656 bank branches and 102 private financial institutions.

The year of 2009 can be regarded as an important turning point in the economy of the XUAR. Because its economy which has grown at a rate of about 10-12% since 2000s, faced a lower growth rate (8.1%) in 2009. Some of the main reasons for this lower growth rate include the slowdown in the growth rate of the Chinese economy after 2008 global financial crisis and the effects of global financial crisis on the neighboring countries in the region. The ethnic conflict, which took place in Urumqi on July 5, 2009 as a key point, can also be counted as a reason for this lower growth.

A series of important measures were taken to ensure the stable growth of foreign trade by putting forward export-oriented economic development policies in the XUAR. For instance, the Chinese government strengthened the China – Pakistan Economic Corridor and Southwest Asia and Eurasia trade routes and logistics channels

and tried to build a new development model for its economy. In this context, Urumqi Export Processing Zone, Alatav Free Trade Zone, Kaska Special Economic Zone, China – Kazakhstan Horgos Border Cooperation Center were established. In September 2010, the Chinese government allowed the XUAR to make cross-border direct investments with yuan. Foreign direct investments of this region are spread over a large area of Hong Kong, Georgia and the U.S. For instance in 2014-2015, the direct investments of the XUAR increased to 41.8%. In fact, the Silk Road Economic Belt Project, which came up in 2013, brought new opportunities for the economic development of the region.

The XUAR's GDP reached 5.427 billion yuan (about \$805 million) showing an increase of 10.6% in 2010 compared to 4.274 billion yuan (about \$634 million) with 8.1% increase in 2009. Its GDP which was 6.6 billion yuan (about \$979.5 million) (with 12% increase) in 2011, became 7.505 billion yuan (about \$1.113 billion) (with 12% increase) in 2012, 8.444 billion yuan (about \$1.252 billion) (with 11% increase) in 2013 and 9.273 billion yuan (about \$1.375 billion) (with 10% increase) in 2014, reached 9.4 billion yuan (about \$1.394 billion) with 8.6% increase in 2015. However, the XUAR ranked eighth in the country in terms of GDP growth rate and was the first among the five regions of Northwest China (Shanxi, Gansu, Qinghai, Ningxia and the XUAR). According to China's 13th Five-Year Development Plan of October 29, 2015, the economic growth rate of the region is aimed to reach around 7% in the next five years. Moreover, according to 2015 data, the value added created by the agricultural sector in the region amounted to 1.559 billion yuan (about \$231.4 million and 16.7% of its GDP) with 5.8% increase, whereas the value added created by the industrial sector increased by 6.9% to 3.565 billion yuan (about \$529.05 million, 38.2% of GDP) and value added created by the services sector increased by 12.7% to 4.2 billion yuan (about \$622.86 million, 45.1% of GDP).

Another important issue that should be emphasized here is that the increase in the value added of the services sector in the region has taken first place in the country. Today, 10 major sectors of the economy of the XUAR can be counted as oil industry, non-ferrous metals industry, power industry, chemical industry, iron and steel industry, coal industry, textile industry, machinery and equipment manufacturing, agro food industry and construction materials industry.

The disposable income per capita in the XUAR that has a population of 22.98 million people, increased by 11.7% to 16,859 yuan in 2015 compared to the previous year. This growth rate was 2.8 points higher than the increase of disposable income per capita in China and ranked second in the country. Besides, its CPI increased by 0.6% in 2015. According to the statistics, in

the first 6 months of 2016 CPI increased by 1.2% compared to the same period in the previous year.

In recent years, within the framework of the Open Door Policy implemented by China to improve the foreign trade of the XUAR, the region's foreign trade volume with Central Asia, Russia and other countries has increased. The role of this region is significantly important for China's economic relations with Eurasia in general and with Central Asia in particular. Because over half of China's trade with only Central Asia is carried out through the XUAR. Its foreign trade volume totaled \$22.2 billion in 2008, while in 2009 it was only \$13.8 billion with a decrease of 37.9%. Since 2010, its foreign trade volume started to increase again and amounted to \$17.1 billion (with 24.1% increase) in 2010, \$22.8 billion (with 33.2% increase) in 2011, \$25.2 billion (with 10.4% increase) in 2012 and \$27.6 billion (with 9.5% increase) in 2013, while in 2014 it was recorded as \$27.7 billion (with 0.4% increase). In 2015, total foreign trade volume of the XUAR was \$19.7 billion showing a decrease of 28.9%. The exports constitute \$17.506 billion (with 25.4% decrease compared to 2014) and imports constitute \$2.172 billion (with 48.2% decrease).

In 2015, its foreign trade volume with the U.S. (among its 172 trade partners) amounted to \$2.072 billion and increased by 1.7 times compared to the previous year. Whereas, its foreign trade volume with Kazakhstan decreased by 43.3% to \$5.748 billion; with Kyrgyzstan – by 21% to \$3.237 billion; with Tajikistan – by 30.7% to \$1.393 billion and with Russia – by 56.4% to \$938 million. Its total foreign trade volume in the first 6 months of 2016 increased by 10.1% to 47.61 billion yuan (about \$7.061 billion) compared to the first 6 months of the previous year. Exports increased by 11.6% to 41.23 billion yuan (about \$6.114 billion), while imports increased by 1.3% to 6.38 billion yuan (about \$946.154 million).

As a result, it can be stated that the recent economic development of the XUAR, which is significantly important for China's national security, economic and strategic interests, makes the region more valuable for China. China has also making various investments in the region regarding its national security, economic and strategic interests. However, the region's economic development model, which is based on foreign trade, has been negatively affected by both global and regional crisis. It can be claimed that not only the effects of the Eurasian Economic Union on the economies of the member countries but also the contraction of some Central Asian economies due to falling of oil prices and the Russian financial crisis had negative effects on the XUAR's foreign trade.

## Politics, Foreign Affairs and Security

- During his Central Asia Tour, the Minister of Foreign Affairs of Turkey, Mevlut Cavusoglu, and his Kazakh counterpart, Erlan Idrissov, took part in the third Joint Strategic Planning Group Meeting held in Astana. During the meeting, the parties agreed to improve cooperation, especially in the education field. Following his visit to Kazakhstan, the Turkish Foreign Minister visited Dushanbe and met with the Minister of Foreign Affairs of Tajikistan, Sirodjidin Aslov. As a result of the meeting, the parties signed a Cooperation Program for 2017-2020.
- During his official visit to the United Arab Emirates, the President of Kazakhstan, Nursultan Nazarbayev, and the Crown Prince of Abu Dhabi, Deputy Supreme Commander of the UAE Armed Forces, Sheikh Mohammed bin Zayed Al-Nahyan, discussed bilateral cooperation focusing on boosting inter-state relations.
- During the meeting between the Minister of Foreign Affairs of Uzbekistan, Abdulaziz Kamilov, and the Minister of Foreign Affairs of Kyrgyzstan, Erlan Abdyl daev, the parties expressed mutual interest in intensifying bilateral contacts at various levels and signed a Cooperation Program for 2016-2017.
- During his official visit to Astana, the Minister of Foreign Affairs of Kyrgyzstan, Erlan Abdyl daev, and his Kazakh counterpart, Erlan Idrissov signed a Protocol on amendments to the Agreement on the residence of Kazakh and Kyrgyz citizens in their territories, Agreement on readmission and cooperation program between the two countries' Foreign Ministries for 2017-2018.
- The President of Brazil, Michel Temer, the President of Russia, Vladimir Putin, the Prime Minister of India, Narendra Modi, the President of China, Xi Jinping, and the President of South Africa, Jacob Zuma attended the 8<sup>th</sup> BRICS Summit which was held in Goa. The parties celebrated the 10th anniversary of the BRICS co-operation mechanism and adopted the Goa Declaration.
- During the Summit in the Normandy Four Format held in Berlin, the Chancellor of Germany, Angela Merkel, the President of Ukraine, Petro Poroshenko, the President of France, Francois Hollande, and the President of Russia, Vladimir Putin, reviewed the progress in implementation of the Minsk Accords since the previous meeting in 2015 and discussed further steps for conflict settlement in Ukraine.
- During the 43rd Session of the Organization of Islamic Cooperation (OIC) Council of Foreign Ministers held in Tashkent, the parties adopted the Tashkent Declaration, which reflected the political, economic, cultural and humanitarian issues of the OIC member states cooperation, as well as the priorities of the forthcoming presidency of Uzbekistan in the organization.
- During the Regular Board meeting on cooperation with the Organization for Economic Cooperation and Development Council (OECD), which took place under the chairmanship of the Prime Minister of Kazakhstan, Bakytzhan Sagintayev, the Roadmap for development issues for the implementation of the OECD recommendations and future mechanisms of interaction within the organization were discussed.
- During the 14<sup>th</sup> Cooperation Committee meeting between the EU and Kyrgyzstan held in Brussels, the parties discussed further strengthening of cooperation in areas such as governance reforms, struggling security threats and ensuring internal stability.
- The Ministry of Defense of Azerbaijan reported that Iran's Damavand destroyer and Joshan missile-launching warship, which was carrying 200 navy personnel aboard, entered the Baku port within the framework of the three-day visit.

## Economy, Finance and Energy

- According to the monthly oil market report of OPEC, Azerbaijan's oil supply is anticipated to average 0.87 million barrels per day indicating a slight increase of 10,000 barrels in 2016. Azerbaijan's oil production is expected to stand at 0.9 million barrels per day in the first quarter of 2017 and 0.8 million barrels per day in the second, third and fourth quarters of 2017 respectively.
- The Far East Development Fund of Russia reported that within the framework of the agreement signed by the Fund with companies from Brazil, Russia, India, China and South Africa the mining companies from BRICS countries would invest up to \$500 million in the development of the gold ore field Klyuchevskoye in the Zabaikalye Territory.
- During the Joint Business Forum held in Baku, representatives from Azerbaijan and the United Arab Emirates discussed opportunities to deepen the bilateral trade focusing on investments in non-oil sector, mutual tourism opportunities, imports and exports. It was noted that in January-September 2016 the trade turnover between the two countries amounted to \$58 million, which is 24% increase compared to the same period of 2015.
- The Head of the National Bank of Kazakhstan, Daniyar Akishev, reported that the country could achieve economic growth in 2016 despite economic slowdown in the world and falling commodity prices. The GDP growth in January-September 2016 reached 0.4%. During the first half of 2016, the inflow of foreign direct investments to Kazakhstan amounted to \$9.3 billion, which is 26% increase compared to the same period last year.
- The Ministry of Economy and State Statistics Committee of Uzbekistan reported that about 835 new enterprises were attracted to export activities in Uz-

bekistan in 2016. Exports of 246 new types of goods to 52 new markets were launched. It was also stated that the exports of goods and services rose by 1.4% year-on-year in January-September 2016. Moreover, the service sector of Uzbekistan recorded 12.4% growth in January-September 2016 and its share in the country's GDP rose from 51.2% in January-September 2015 to 51.7% in the same period of 2016.

- The Fitch Ratings Agency announced that the Russia's inflation rate measured on the consumer price index would reach 6% in 2017 and decrease to 5.5% in 2018. The Agency reported that Russia's GDP growth is expected to amount to 1.3% and 2% in 2017 and 2018 respectively.
- According to Kazakhstan's Committee on Statistics, in September 2016 the country's grain export increased by 13% to 436.7 kilometric tons (KMT) compared to 386.1 KMT in September 2015. This was the largest volume exported since record 458.8 KMT observed in September 2010.
- The Ministry of Finance of Russia reported that the non-oil and gas revenues are expected to increase by almost 900 billion rubles (\$14.2 billion) in 2016 owing to the purchase of Rosneft stake.

## Society and Culture

- The United Nations Development Program and National Human Rights Center of Uzbekistan signed a Memorandum of Understanding, within which the sides would exchange legislative acts, information-analytical materials, publications and information on activities in protecting human rights and freedoms.
- In order to ensure the security on the border during the celebration of 25 years of Turkmenistan's independence, local authorities suspended the visa-free travel for residents of bordering regions of Kazakhstan, namely, the Atyrau and the Mangystau regions, until October 27, 2016.
- The Ambassador Extraordinary and Plenipotentiary of Japan to Uzbekistan, Nobuaki Ito, and the Regional Representative for Central Asia of the United Nations Office on Drugs and Crime (UNODC), Ashita Mittal, signed the Exchange of Note, according to which the Government of Japan would provide a new funding in the amount of 263 million yens (approximately \$2.5 million) to the UNODC Program titled "Countering Trafficking of Afghan Narcotics in Uzbekistan through the Establishment of Interagency Mobile Teams".
- The Russian Soyuz MS-02 spacecraft carrying two cosmonauts and a NASA shuttle veteran, namely, vehicle commander Sergey Rzhikhov, flight engineer Andrey Borisenko and astronaut Shane Kimbrough, blasted off from the Baikonur Cosmodrome in Kazakhstan nearly a month later than planned because of difficulties with repairing a damaged cable in the Soyuz MS-02 command module.