



Research on the Utilization of Foreign Direct Investment in Xinjiang Uygur Autonomous Region of China

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Abstract

With the implement of economic reform and opening-up policy over 30 years, the utilization of foreign direct investment (FDI) in Xinjiang has been developing fast. FDI increased obviously in scale with great achievements of outstanding effects, however, there are still some problems in the utilization of FDI in Xinjiang. The paper summarizes the basic situation about using FDI in Xinjiang and proposes strategies and suggestions to optimize using FDI, extend the source of FDI, improve the scale and quality of foreign investment with perfect supporting system of Xinjiang government.

Keywords: Foreign Direct Investment; FDI; Xinjiang; China.

1. The Situation of Utilizing FDI in Xinjiang

1.1 Utilization of FDI by Scale

With the implement of economic reform and opening-up policy over 30 years, economic performance of Xinjiang has improved thoroughly. Table 1 shows the process of using FDI of Xinjiang. Xinjiang follows Chinese government policy actively to attract foreign direct investment. From January to April of 2015, there were more than 15 FDI projects being launched one by one. With the continuous expansion of the scale of foreign capital, optimizing the utilization of FDI and improving the quality of FDI have become an important issue.

Table 1: The Amount of Utilization of FDI in Xinjiang, 1980-2013. (USD 10000)					
Year	Contractual FDI				Actually Used FDI
	Total Amount	Foreign Loans	Contractual Amount	Other Foreign Investment	Amount
1980	601		492	109	109
1985	4804	1096	3588	120	518
1986	1370	570	318	482	2822
1987	8616	8000	616		3617
1988	3405	2415	966	24	2805
1989	10550	9826	267	457	7796
1990	4463	3500	881	82	7629
1991	8368	5312	3056		12193
1992	81090	70509	8795	1786	65684
1993	36737	10643	25744	350	13051
1994	19122	10549	8547	26	14543
1995	42039	29402	9245	3392	54699
1996	18106	4162	10104	3840	26568
1997	39787	34707	4127	953	8691
1998	50133	6514	13827	29792	16225
1999	21600	15449	6151		14022
2000	9212		9212		13800
2001	12590		12590		16335
2002	15443		15443		16834
2003	16147		16147		17916
2004	25786		25786		20690
2005	27237		27237		4749
2006	36439		36439		10366
2007	45679		45679		12484
2008	64555		64555		18984
2009	47000		47000		21570
2010	30091		30091		23742
2011	55834		55834		33485
2012	61056		61056		40795
2013	36034		36034		48102

Source: Xinjiang Statistical Yearbook 2014

1.2 Utilization of FDI by Country or Territory

In term of foreign investment in Xinjiang by region, the actual FDI from Hong Kong is at the top. A series of favorable policies was introduced by Chinese government to encourage and support the foreign direct investment. The contractual foreign direct investment is led by Singapore, but the actual investment volume is far less than that of Hong Kong, from which we can also find that Hong Kong is optimistic about the development of Xinjiang.

Item	Signed Agreements		Used Amount of Foreign Investment	Number of Enterprises at Year-end
	Number of Contracts	Actually Used Amount of Region Investment		
Hong Kong, China	7	3382	26645	195
Taiwan, China		-362	189	21
Japan		181		10
America	1	9	376	26
Canada	1	8		8
Germany			167	5
Turkey	3	16	83	
UK	2	65	106	6
Singapore	1	4550	903	
Australia		245	11	13
The Commonwealth of the Independent States	18	890	378	26
Malaysia	1	997		
Republic of Korea	1	-244	11	22

Source: *Xinjiang Statistical Yearbook 2014*

1.3 Utilization of FDI by Form

As to utilization FDI by form, the amount of FDI projects decreased and the contractual amount of FDI decreased by 50% in 2013, but the amount of actually utilized FDI increased in Xinjiang. Comparing the actually used FDI in 2012 with that of 2013, under the circumstances of the sharply decreased contractual FDI, the amount of actually used FDI of wholly foreign-owned enterprises tent to be doubled and equity joint ventures were close behind. It is predictable that wholly foreign-owned enterprises and equity joint ventures will become the most important power in foreign investment in Xinjiang with the active policies of encouraging foreign investment and west development policy introduced by Chinese government. In term of the form of utilization of FDI in 2014, grouped by form of registration, the import and export volume of stated owned enterprises was USD 5.522 billion, decreasing by 23.2%; collectively-owned enterprises, USD 0.204 billion, increasing by 74.9%; foreign-invested enterprises, USD 0.212 billion, decreasing by 15.6%; private enterprises, USD 21.731 billion, increasing by 8.6%. 49 foreign direct investment enterprises were newly permitted to establish, increasing by 16.7%. There were 49 contractual FDI projects approved. The amount of contractual FDI was USD 0.526 billion, increasing by 46% and actually used FDI, USD 0.417 billion, decreasing by 13.3%.

Table 3: Utilization of FDI in Xinjiang by Form, 2012-2013. (USD 10000)

Item	2012			2013		
	Number of Project	Contractual Value	Used Value	Number of Project	Contractual Value	Used Value
Total	55	61056	40795	42	36034	48102
Foreign Investment Enterprises	32	22841	13536	30	2941	26446
Joint Venture Enterprises	22	23419	12413	12	12094	12221
Cooperative Operation Enterprises	1	2734	13		7340	109
Share-holding Corporations Ltd.		12062	14833		13659	9326

Source: *Xinjiang Statistical Yearbook 2014*

1.4 Utilization of FDI by Industry

At the beginning of reform and opening-up, foreign invested industries were limited to manufacturing and services sectors. After the development of 20 years, FDI has covered agriculture, construction, transportation, post and telecommunications, wholesale and retail trade, real estate, public utilities, resident service and other sectors. Mining industry and manufacturing account the largest proportion of FDI due to the predominant geological location and unique excellent resource conditions of Xinjiang. In the past few years, wholesale and retail trade, manufacturing and mining industry have been developing fast, but the development of secondary industry and the lag of the tertiary industry of Xinjiang led to the unbalanced development of using FDI in Xinjiang.

Table 4: Actually Used Amount of FDI in Xinjiang by Sector, 2013 (USD 10000)

Item	Signed Agreements		Used Amount of Foreign Investment	Number of Enterprises at Year-end
	Number of Contracts	Actually Used Amount of Region Investment		
Farming, Forestry, Fishery and Animal Husbandry	5	2071	3786	36
Mining and Quarrying	1	5523	6045	28
Manufacturing	12	16366	10648	227
Production and Distribution of Electricity, Gas and Water			288	29
Construction			266	15
Transport, Storage, Post and Telecommunications	1	13121	14610	49
Information Transmission,				320

Computer Services and Software Industry				
Wholesale and Retail Trade	22	13593	2644	360
Accommodation and Catering Service	3	9	10	67
Financial Intermediation	1	1112		33
Real Estate			257	19
Leasing and Business Services	8	9067	1572	67
Scientific Research, Technical Services and Geological Prospecting	2	162	620	29
Water Conservancy, Environment and Public Facility Management				6
Service to Households and Other Services Industries		32	49	20
Education				2
Culture, Sports and Entertainment				3

Source: Xinjiang Statistical Yearbook 2014

1.5 Utilization of FDI by Region

Cities that developed fast in utilizing FDI among 13 cities of Xinjiang in 2014 are Shihezi City, Aksu Administrative Offices, Bayangol Mongol Autonomous Prefecture, the growth rates were respectively 62.1%, 14.15% and 9.6%. Among 13 cities in Xinjiang, the first five cities of using FDI were respectively: Urumqi City (USD 177.92 million), Shihezi City (USD 34.04 million); Changji Hui Autonomous Prefecture (USD 44.77 million); Ili Kazak Autonomous Prefecture (USD 36.16 million); Aksu Administrative Offices (USD 34.04 million). The amount of above top five cities was USD 409.24 million which accounted for 85% of the amount of actually used FDI in Xinjiang of that year.

Table 5 : Actually Used Amount of FDI in Xinjiang by Region, 2012-2013 (USD 10000)

Region	2012			2013		
	Number of Contracts	Contract Value	Amount of Foreign Capital Actually Used	Number of Contracts	Contract Value	Amount of Foreign Capital Actually Used
Total	55	61056	40795	42	36035	48102
Urumqi City	35	24166	17572	25	20015	17792
Karamay City	1	52	1720		-5	1741
Shihezi City	5	14393	4406	3	-370	11635

Turpan Administrative Offices	1	545	300	1	8	345
Kumul Administrative Offices		583	2333		2877	1648
Changji Hui Autonomous Prefecture	4	7850	4174	3	5905	4477
Ili Kazak Autonomous Prefecture	3	2525	3819	3	2830	3616
Bortala Mongol Autonomous Prefecture	1	2393			20	
Bayangol Mongol Autonomous Prefecture	2	4784	2858	2	-289	3160
Aksu Administrative Offices	2	1273	2922	3	4332	3404
Kizilsu Kirghiz Autonomous Prefecture		2323	11			
Kashgar Administrative Offices	1	169	680	2	712	284
Hotan Administrative Offices						

Source: *Xinjiang Statistical Yearbook 2014*

2. Recommended Policy for Improving the Utilization of FDI in Xinjiang

2.1 Optimizing the Structure of Utilization of FDI

Firstly, Xinjiang should promote textile and clothing industry with the help from textile and clothing enterprises from Eastern China and Southern China, including Zhejiang provinces, Shanghai, Anhui provinces, to investigate for investment in Xinjiang to promote the development of textile and clothing industry with high starting point, high level and high efficiency. Secondly, Xinjiang should introduce engineering machinery, wind power equipment, rail transportation equipment, new energy equipment from the high-quality enterprises that own intellectual property rights to Xinjiang. Thirdly, new energy, new materials, bio-pharmaceuticals and energy conservation are all new starting points of inviting investment recently. At the same time, information technique and electronic business are developing fast in Xinjiang. Forth, Xinjiang should promote the development of agriculture processing and light industry and support the development of handicraft industries with national features in Southern Xinjiang. Fifth, Xinjiang should introduce silk road industrial projects and construct silk road economic belt and transfer some industries faced to middle Asia and Europe as to bring new opportunities and take good advantages of differentiate industry strategy and low prices of electricity to create perfect investment environment. Xinjiang should improve the cooperation of industries and guide the enterprises especially the inland Chinese enterprises to establish high-tech industrial park and logistics center, and introduce inland Chinese enterprises to take advantage of Xinjiang priorities to develop import and export processing projects that faced to neighboring markets. Xinjiang need introduce modern service enterprises, devote more effort to transform and improve traditional service industry, promote productive services, develop industries that attract foreign investment, and construct energetic, sociable modern service system. Xinjiang need actively promote the healthy development of real estate market to increase investment of real estate, and develop traveling new products, new routes to promote the tourism for further development.

2.2 Improving Service Supporting System of Government

Xinjiang should improve perfect statistics system of inviting investment and comprehensive assessing system to make statistic analysis of industry mode, investment density, technical content and environment conservation in details for the improvement of operational monitoring and risks assessing and issue risk warnings in time.

Xinjiang should strengthen the coordinated service of key project for strengthening communication, finding problems and solving problems of the difficulties of promoting the FDI project, and ensure the implement of significant FDI projects especially focusing on the following important events: the Asia and Europe Expo, the Investment & Trade Forum for Cooperation Between East & West of China, the Western China International Economy and Trade Fair and etc.

Xinjiang should actively create perfect investment environment and organize all kinds of inviting investment introduction and promoting activities according to different features of industries, unify the local private enterprises tightly through various platforms, form encouraging mechanism and social atmosphere that are strongly supported by government.

Acknowledgement

This research is supported by the Fundamental Research Funds for the Central Universities of China (20150429).

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