

## Inner Mongolia Autonomous Region-Background



### Summary

Located in the northern part of China, the vast territories of the Inner Mongolia Autonomous Region hold an extraordinary diversity of peoples, resources and geographies. Over forty-nine ethnicities reside in Inner Mongolia and the provincial-level region has an abundance of natural resources, including coal, minerals, and wind reserves that make Inner Mongolia a key player in the commodities and energy sectors. In addition, Inner Mongolia has had extremely rapid economic growth and become a top national performer in recent years following the official launching of the “Open Up the West” program by the central government in 2000. The goal of the “Go West” campaign is to promote the development of China’s interior and narrow the economic gap between the coastal and inland regions. Sectors with high potential for the participation of foreign companies in Inner Mongolia include renewable energies, clean technologies, metallurgical processes, oil and gas, infrastructure upgrades and renewable energies, especially wind power.

### Basic Statistics on Inner Mongolia

- 1) GDP
  - Nominal GDP 2009: 970 billion RMB (US\$142 billion)
  - Per capita GDP 2009: 37,287 RMB (US\$5,460)

- 2) Population: 23,000,000
  - Ethnicity: forty-nine ethnic groups live in Inner Mongolia, including the Han (79%), Mongol (17%), Manchu (2%), Hui (0.9 %) and Daur (0.3%)
- 3) Geographical Area: 1,183,000 square km, roughly 12 percent of China's total land area
- 4) Capital: Hohhot (largest city is Baotou)



## Economy

- According to a Deutsche Bank Research report, one of the interesting changes since the launching of the “Go West” campaign is that areas enjoying the highest growth rates are no longer located exclusively on the coast
  - Inner Mongolia, Tianjin, Shaanxi, Chongqing and Guangxi have all been top performers in recent years
  - Inner Mongolia enjoyed an average annual increase of 20 percent in the period 2003-2007 (one of the fastest growth rates in China)
    - growth of 16.8 percent from 2008
    - China's interior appears to be catching up with coastal regions as the economic power of non-coastal provinces such as Inner Mongolia rises gradually
    - among all the non-coastal provinces, Inner Mongolia has shown the greatest economic growth, with its economy increasing by more than 50 percent between 2000 and 2008

- **Rich Resources of Inner Mongolia**

—Development focused on six competitive industries: energy, chemicals, metallurgy, equipment manufacturing and processing of agricultural produce and high-tech products

### *Highlights*

#### **1) Coal**

- Inner Mongolia is China's second largest producer of coal after Shaanxi
- Proven coal reserves amounting to 658 billion tons, China's largest stock
- 70 percent of China's electricity comes from burning coal: Inner Mongolia therefore critical in fueling national growth
- Strong support of municipal government for promotion of clean technologies given heavy coal production
- Infrastructure upgrades to support coal industry
  - Example: Plan for construction of new port in neighbouring province officially announced in March 2010
    - to be built in Huludao, Liaoning and fully operational by 2012
    - will enable coal-rich Inner Mongolia to ship its coal from a new port to energy-hungry coastal regions
    - 300 km railway will be built to directly link the port with Xilingol, a major coal production base in Inner Mongolia
    - plans highlight dramatic improvements in Inner's Mongolia's infrastructure in recent years
      - Inner Mongolia did not have a single kilometre of expressway before 2000: now enjoy considerable stretches of highway
      - however, vast land area of interior provincial-level jurisdictions such as Inner Mongolia means that their transport networks still lag far behind coastal areas

#### **2) Minerals (including mining of rare earths)**

- Inner Mongolia has more deposits of naturally-occurring niobium, zirconium and beryllium than any other region in China
  - world's largest stock of beryllium
- Sizeable reserves of key metals including iron, tin, zinc and lead

#### **3) Wind Reserves**

- Inner Mongolia is the windiest place in China
  - Reasons: Gobi desert has no trees to block the wind, hot air rises from the vast plains, and strong winds blow in from Siberia and Mongolia
- 40 percent of China's wind reserves located in Inner Mongolia
- Involvement of Foreign Companies in Wind Power Sector

—Example: In April 2009, Denmark’s Vestas Wind Systems opened up a new facility in Inner Mongolia

- plans to produce up to 800 turbines a year specifically designed for the Chinese market

—Example: In March 2010, US-based Far East Wind Power Corp. announced it has entered into an agreement with Wuhan Guoce Nordic New Energy Co. Ltd. to acquire certain rights to a number of development stage wind power projects throughout Inner Mongolia and Jilin Province



Wind turbines in Hinggan prefecture, Inner Mongolia

## City Profiles

### 1) Baotou

- *Basic Statistics*

- Population: 2.1 million

- GDP 2005: 84 billion RMB (£8 billion)

- GDP per capita 2005: 40,400 RMB (£4,000)

- FDI Average for 2003-2005: US\$260 million (£168 million)

- Largest industrial city in Inner Mongolia, experiencing rapid economic growth
- Important logistics and distribution centre in northern China with Beijing only 550 km away

- *Strong economic sectors*: energy, chemicals, iron and steel, manufacturing, and aluminium-based smelting
- Strong support of municipal government for development of manufacturing capabilities in high-precision components, wind turbine equipment, and heavy vehicle components
- Baotou enjoys highest FDI flows of any city in Inner Mongolia: largest flows from Hong Kong, Taiwan and Japan with the rest coming from countries including the UK, Germany, France, Canada and the US
- *FDI Opportunities*: metallurgical processes, wind power, power generation (clean technologies), infrastructure upgrades, and pollution control technology

## 2) Ordos

- *Basic Statistics*
  - Population: 1.4 million
  - GDP 2005: 55 billion RMB (£5 billion)
  - GDP per capita 2005: 39,300 RMB (£3,900)
  - FDI Average for 2003-2005: US\$260 million (£168 million)
  - Located close to larger cities of Hohhot and Baotou
  - Growing extremely rapidly: according to a Chinese academic survey, Ordos has the fastest growth potential of any city in China
- *Mainstays of Ordos' economy*: coal, energy, minerals, and textile production industries
  - Ordos very well known for textile production with textiles accounting for approximately 9 percent of the city's industrial output (over 30 percent of the world's cashmere garments produced in Ordos)
  - Ordos produces the most coal among China's prefecture-level cities
- *Official promotion/support of sustainable development in Ordos*
  - Example: Official launching of the **"China Ordos Low-Carbon Valley"** in March 2010
    - Symbolic project to promote environmentally-friendly growth in city of Ordos
    - Joint project between the local and municipal governments and Tsinghua University

- Represents official efforts to promote a transformation in the mode of economic growth pursued
  - Seeks to attract high-end research institutions and hi-tech enterprises: will help accelerate the commercialization of new technologies and serve as a demonstration project for low-carbon technologies
- Example: In September 2009, US-based First Solar announced it signed a memorandum of understanding with the Chinese government to build a 2 gigawatt solar power plant in Ordos
- facility expected to be the largest solar plant in the world upon completion in 2019
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- *Development of automotive industry also occurring*
    - manufacturing base of Huatai Group located in Ordos (annual capacity of one million diesel engines and 50,000 cars)
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- *FDI Flows*
    - majority originates in Hong Kong and Japan (small levels of UK investment, mainly focused on wool textiles and metal recycling)
    - investors include two major multinationals, Mitsubishi and Shell
    - FDI opportunities: clean technologies, wind energy, logistics, oil and gas and bio-diesel

Beijing Office, April 2010

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