

# Study on Level Evaluation and Development Path of the Open Economy in Ningxia

Liu Xiuling, Zhu Ruixue\*

International Business School, Dalian Minzu University, Dalian, China

\*Corresponding author: [oh-snow@dlmu.edu.cn](mailto:oh-snow@dlmu.edu.cn)

Received February 05, 2022; Revised March 07, 2022; Accepted March 15, 2022

**Abstract** The construction of the Silk Road Economic Belt has brought new opportunities for the development of Ningxia's open economy. Based on its own advantages and opening stage, Ningxia needs to accelerate the construction of Inland Opening-up Pilot Economic Zone, further promote all-round opening-up to Arab countries and regions, create a sound business environment for undertaking industrial transfer, improve customs clearance mechanism and the construction of transport channels, etc. to promote the development of its open economy.

**Keywords:** Ningxia, Silk Road Economic Belt, open economy

**Cite This Article:** Liu Xiuling, and Zhu Ruixue, "Study on Level Evaluation and Development Path of the Open Economy in Ningxia." *International Journal of Econometrics and Financial Management*, vol. 10, no. 1 (2022): 13-17. doi: 10.12691/ijefm-10-1-2.

## 1. Introduction

On September 7th, 2013, Chinese President Xi Jinping delivered an important speech in Kazakhstan, proposing to jointly build the Silk Road Economic Belt, which attracted great attention from the international community. On March 28th, 2015, China issued *Vision and proposed actions outlined on jointly building Silk Road Economic Belt and 21st-Century Maritime Silk Road*, pointing out that the Belt and Road Initiative aims to promote free flow of economic factors, efficient allocation of resources and deep market integration, promote economic policy coordination among countries and regions along the Belt and Road, carry out broader, higher-level and deeper regional cooperation, and jointly build an open, inclusive and balanced regional economic cooperation architecture that benefits all. As an important fulcrum of the Silk Road Economic Belt, Ningxia urgently needs to study how to take advantage of the opportunity to deepen its development of open economy. The purpose of the paper is to analyze the current development of Ningxia's open economy and put forward corresponding countermeasures to promote the development of open economy in Ningxia, so as to improve the economic development level of Ningxia.

## 2. Development Stages of an Open Economy

According to the theory of international division of labor by Adam Smith and David Ricardo, an open economy can realize the maximization of its wealth value

of resources and factors of production, thus to save resources and bring well-being to mankind. According to this theory, a country or region should implement opening-up policies to the maximum, so as to accelerate the local economic development.

Many scholars have given the connotation of open economy from many angles. By integrating the viewpoints of the scholars, the connotation of open economy can be explained from the static and dynamic perspectives. From a static point of view, compared with a relatively closed economy, an open economy tries to establish multi-channel, comprehensive economic ties with other countries, which covers the whole process of production, service, circulation and the whole industrial chains. An ideal open economy means an economy may establish economic ties with foreign countries without any hindrance or restriction. But out of survival instinct, a country won't build an open economy without any restrictions. It will surely propel the development of open economy gradually with certain protective policies. Even developed countries with an open economy also adopt some protective policies, such as policies that favor certain industries.

From a dynamic, or evolving point of view, open economies vary in degree according to different stages of economic development. In other words, the gradual opening-up of an economy is a dynamic, controllable and phased process. An economy will be in different development stages with continuous evolution. For example, China's eastern, middle and western regions are in different stages of open economy. Therefore, each region should not adopt the same opening-up policies and measures. The eastern region of China has reached a stage where it can export high-quality production factors such as capital, technology, management skills and market channels. It can take advantage of the competitiveness of

its production factors, extensively participate in the division of labor at home and abroad, and obtain greater development space and potential. And the production factors in western regions of China are less competitive and they are in the initial stage of open economy. It's necessary for them to attract high-quality production factors to drive its economic development, and Ningxia is in such a stage.

### 3. The Evolution and Present Situation of Ningxia's Open Economy

The stage of an open economy can be measured by a series of indicators, which include trade openness, investment openness and tourism openness. Based on these indicators, the paper measures the development level of Ningxia's open economy.

#### 3.1. Analysis of the Trade Openness of Ningxia

Since reform and opening-up, Ningxia's foreign trade has developed rapidly, expanding from 70 million Chinese Yuan in 1980 to 34.129 billion Yuan in 2017 which was the highest in history. Especially there was rapid increase

in 2014 and 2017, as shown in Table 1 and Figure 1. The rapid increase of Ningxia's foreign trade in recent years is mainly driven by the rapid increase of exports, as shown in Figure 2.

Table 1. GDP and Foreign Trade of Ningxia (1980-2020) (in One hundred million yuan)

Year	GDP	Total import and export	Export	Import
1980	15.96	0.70	0.65	0.05
1985	30.27	1.74	1.10	0.64
1990	64.84	4.06	3.67	0.39
1995	175.19	23.16	20.00	3.16
2000	295.02	36.67	27.10	9.57
2005	612.61	79.29	56.33	22.96
2010	1689.65	133.10	79.45	53.65
2011	2102.21	147.63	103.30	44.33
2012	2341.29	140.03	103.67	36.36
2013	2565.06	199.28	158.07	41.21
2014	2752.10	333.92	264.14	69.78
2015	2579.38	234.41	184.13	50.28
2016	2781.39	214.78	164.64	50.14
2017	3200.28	341.29	247.71	93.59
2018	3510.21	249.16	180.47	68.69
2019	3748.48	240.62	148.92	91.70
2020	3920.55	123.17	86.68	36.49

Source: Ningxia Economic and Social Statistical Yearbooks.

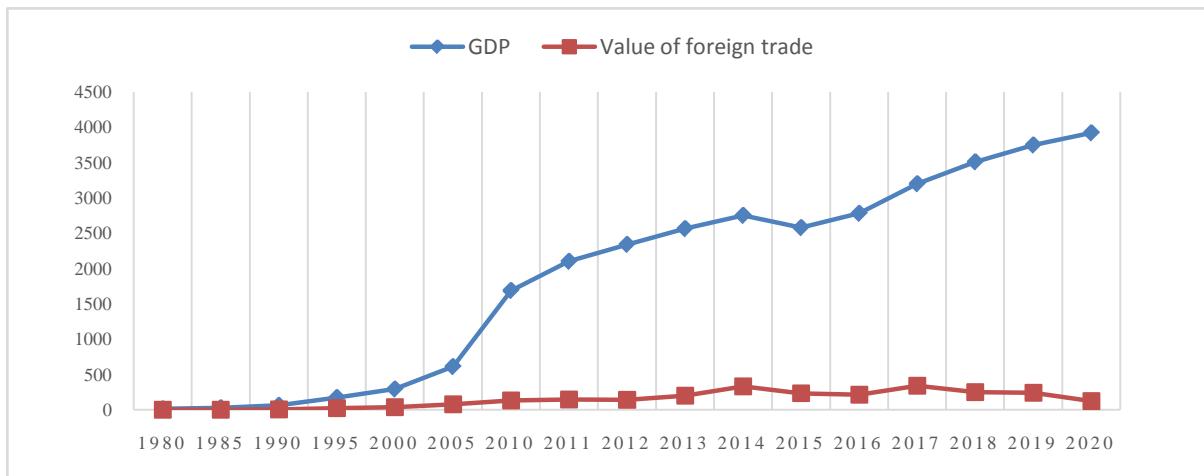


Figure 1. GDP and Foreign Trade Value of Ningxia (1980-2020) (in 100 million yuan)

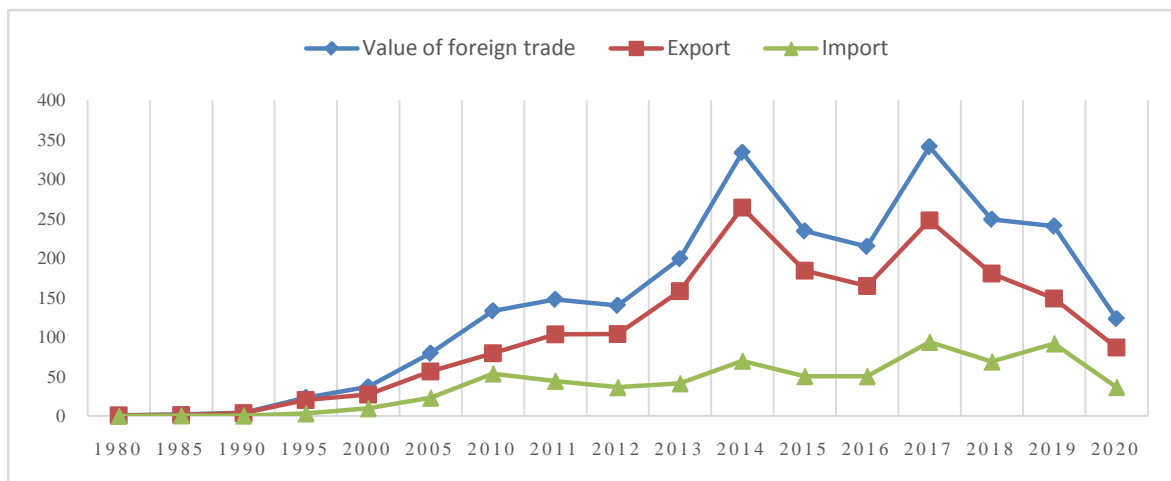


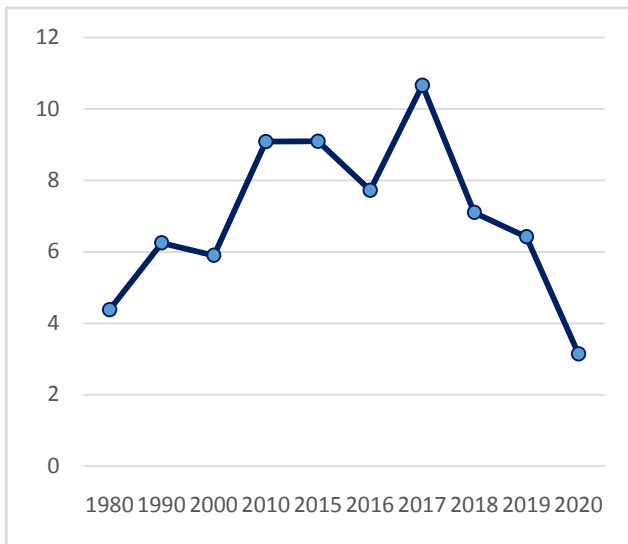
Figure 2. Export and Import Value of Ningxia (1980-2020) (in 100 million yuan)

Trade openness index is usually represented by the degree of foreign trade dependence, namely the proportion of the value of import and export to the GDP. Trade openness index of Ningxia, i.e. the degree of foreign trade dependence, is shown in Table 2. Ningxia's trade openness index has increased from 4.38 percent in 1980 to 10.66 percent in 2017, the highest year of all time. However, it was still much lower than the national average. In 2017, the national GDP was 82.7 trillion yuan, the import and export value was 27.8 trillion yuan, and the foreign trade dependence was 33.60 percent. So Ningxia is 23 percent lower than the national average level. It can be concluded that Ningxia is still in the initial development stage of open economy.

**Table 2. Trade Openness Index of Ningxia (1980-2020) (in 100 million Yuan, %)**

Year	T	G	T/G
1980	0.7	15.96	4.38
1990	4.05	64.84	6.25
2000	36.67	621.8	5.9
2010	133.09	1464.7	9.08
2015	234.41	2579.4	9.09
2016	214.78	2781.4	7.72
2017	341.29	3200.3	10.66
2018	249.16	3510.2	7.1
2019	240.62	3748.5	6.42
2020	123.17	3920.6	3.14

Source: Ningxia Economic and Social Statistical Yearbook.  
Notes: T represents the total value of import and export; G stands for GDP.



**Figure 3.** Trade openness index of Ningxia (1980-2020)

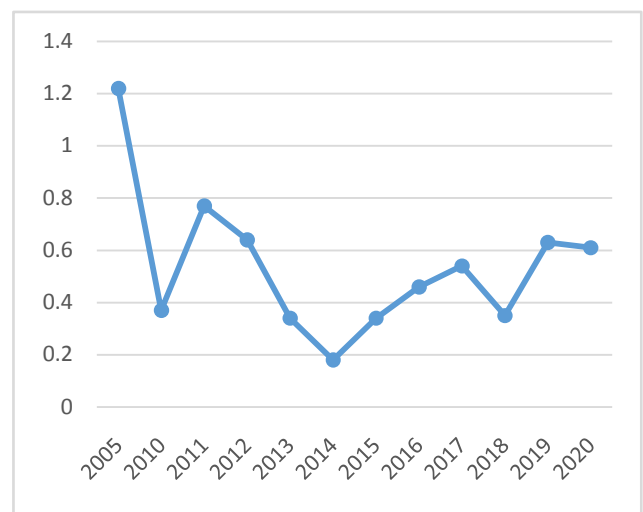
### 3.2. Analysis of the Investment Openness of Ningxia

Investment openness index can be measured by the proportion of foreign direct investment(FDI) to the local investment in fixed assets. The investment openness index of Ningxia is shown in Table 3. As can be seen from the table, the proportion of the FDI to the fixed assets investment of Ningxia was less than 1 percent in most of the years. The highest figure was 1.22 percent in 2005. So FDI has little influence on the investment in Ningxia.

**Table 3. Investment Openness Index of Ningxia (2005-2020) (in 100 million US dollars, 100 million yuan, %)**

Year	F	G	F/G
2005	0.67	444.8	1.22
2010	0.81	1465	0.37
2011	2.02	1654	0.77
2012	2.18	2109	0.64
2013	1.48	2681	0.34
2014	0.92	3201	0.18
2015	1.86	3533	0.34
2016	2.54	3835	0.46
2017	3.11	3813	0.54
2018	1.59	3119	0.35
2019	2.51	2776	0.63
2020	2.72	2909	0.61

Source: Ningxia Economic and Social Statistical Yearbook.



**Figure 4.** Investment openness index of Ningxia (2005-2020)

In 2020, China's fixed assets investment was 52727 billion yuan, and its FDI was 100 billion yuan, so the foreign investment openness index was 1.90 percent, while the foreign investment openness index of Ningxia was only 0.61 percent in the same period. It can be concluded that Ningxia still has great potential to attract FDI, and the scale and level of attracting FDI need to be greatly improved. In particular, Ningxia needs to give full play to its advantages and the role as the fulcrum of the Silk Road Economic Belt and the link between China and Arab countries, vigorously attract high-quality FDI to develop its industries, and thus to improve Ningxia's industrial competitiveness.

### 3.3. Analysis of the Tourism Openness of Ningxia

A region's tourism openness index is the proportion of its foreign exchange earnings from international tourism to its total tourism earnings. Ningxia's tourism openness index is shown in Table 4. From 2011 to 2020, Ningxia's tourism openness index reached peak in 2019, which was 1.31 percent, and got to its lowest point in 2020, which was only 0.16 percent. In 2019, China's tourism revenue was 66300 trillion yuan, and its foreign exchange earnings from international tourism was 131.254 billion US dollars. According to the conversion rate at the end of that year,

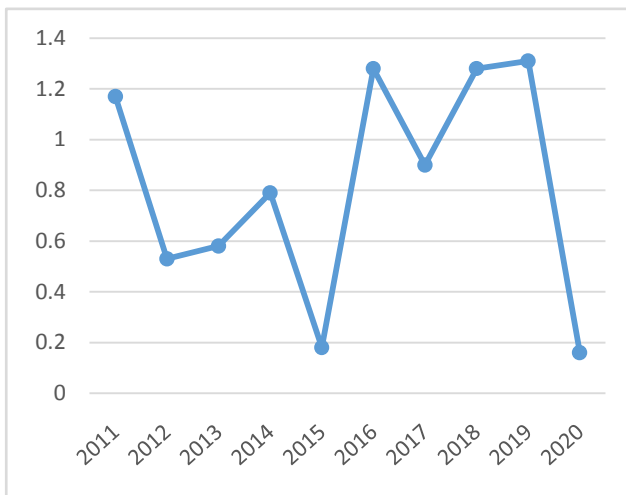
the national tourism openness index was 13.8 percent, much higher than the tourism openness level of Ningxia. Thus Ningxia needs to vigorously improve its role as foreign travelers host and make use of its cultural advantages to build Ningxia into a Muslim tourism destination.

**Table 4. Tourism Openness Index of Ningxia (2011-2014) (in 100 million yuan, percent)**

Year	Foreign exchange earnings from international tourism	Total tourism earnings	Tourism openness index
2011	0.62	84.21	1.17
2012	0.55	103.39	0.53
2013	0.74	127.30	0.58
2014	1.13	142.70	0.79
2015	0.29	161.30	0.18
2016	2.69	210.02	1.28
2017	2.50	277.72	0.90
2018	3.78	295.68	1.28
2019	4.47	340.03	1.31
2020	0.27	199.07	0.16

Source: Ningxia Economic and Social Statistical Yearbook.

Notes: the conversion rates in the table are calculated at the buying rate of USD at the end of December of the year.



**Figure 5. Tourism Openness Index of Ningxia (2011-2014)**

#### 4. Suggestions to Promote the Development of Ningxia's Open Economy

Opening-up is a sort of system arrangements. If Ningxia wants to develop its open economy, it needs to make corresponding system arrangements. The Silk Road Economic Belt has brought new opportunities for the development of Ningxia's open economy, opened up the channels for Ningxia to open to the west, reversed its geographical location disadvantage, created a sound environment for Ningxia's foreign cooperation, and further enhanced its status in China-Arab countries' cooperation. Ningxia needs to seize the opportunity and make different institutional arrangements from the form, method, approach, emphasis and direction etc. to vigorously promote the development of its open economy.

#### 4.1. To Speed up the Construction of Ningxia Inland Opening-up Pilot Economic Zone

If Ningxia wants to play its role as the fulcrum of the Silk Road Economic Belt, it needs to bring the construction of its Inland Opening-up Pilot Economic Zone in line with the overall planning and construction of the Silk Road Economic Belt, and then formulate its development plan. The construction of Ningxia Inland Opening-up Pilot Economic Zone requires further perfecting the policies of opening-up to the outside world, accelerating the construction of the opening-up platform and the window facing Arab countries and Muslim world, speeding up the construction of transport channels, exploring the cooperation mechanism with the domestic provinces and Asian and European countries along the Belt and Road, strengthening cooperation with the Middle East and central Asian countries, and playing a positive role in the construction of China-Pakistan economic corridor.

#### 4.2. To Further Promote All-Round Opening-up to Arab Countries and Regions

Ningxia needs to establish a high-level multilateral cooperation mechanism and an interactive cooperation mechanism, construct China-Arab comprehensive business portals, build authoritative, efficient and pragmatic bilateral economic and trade information platform, deepen the cooperation with Arab and Muslim regions in culture industry, strengthen Ningxia's roles as the opening-up platform, such as China-Arab expo and comprehensive bonded zones, etc., and build cooperation bridges between China and the Arab world.

#### 4.3. To Create a Sound Business Environment for Undertaking Industrial Transfer

To create a sound business environment is the key to undertaking industrial transfer from home and abroad. Ningxia needs to transform government functions, reinforce legislation, speed up credit system construction, further create a transparent, efficient and pragmatic administrative environment, a fair and just legal system environment and a civilized market environment on the principle of good faith, and create a suitable system environment for undertaking domestic and foreign industrial transfers. In particular, an appropriate business mechanism and environment for promoting economic and trade cooperation with the Arab world is of high importance.

#### 4.4. To Perfect the Customs Clearance Mechanism and the Construction of Transport Channels

Ningxia needs to improve the customs clearance mechanism, and integrate trade flow, commodity flow, capital flow, information flow and customs clearance procedures by adopting modern management concepts, information technology and high-tech means, so that the import and export process of commodities will be

standardized and smooth. All this will provide better customs clearance services to export and import enterprises. Efforts should also be made to build transport channels connecting the west, and establish a comprehensive and multi-functional communication network consisting of air transport, rail transport, road transport, electricity network, etc. with Arab countries.

## 5. Conclusion

At present, the level of Ningxia's open economy is much lower than the national average. Ningxia need to speed up the construction of the inland opening-up pilot economic zone, further promote all-round opening-up to Arab countries and regions, create a sound business environment for undertaking industrial transfer and perfect the customs clearance mechanism and the construction of transport channels, thus to continuously improve the development level of Ningxia's open economy.

## Acknowledgements

This research is supported by the National Social Science Foundation of China (20BMZ101).

## References

- [1] Wang Xiaoliang, Wang Ying. Construction of evaluation index System of regional open economy development level, *Areal Research and Development*, 3(3). 27-31. March. 2013.
- [2] Liu Tianming, Zhang Zhe, Research on the Construction of Inland Open Economy with Muslim Characteristics in Ningxia, *Summer Social Sciences*, 2(2). 37-40. Feb. 2010.
- [3] Jin Zhongjie, New Cultural Silk Road and New Economic and Trade Channel between China and Arab States from the perspective of Ningxia Inland Open Economic Pilot Zone, *Hui Studies*, 3(2). 135-139. Feb. 2013.
- [4] Li Guanghui, Huang Hua, Research on development strategy of Open economy in Border area of China during the 14th Five-year Plan Period, *International Trade*, 4(10). 66-74. Oct. 2021.
- [5] Liu Yingkui, Ren Guoping, Zhang Wenya, Research on the development strategy of open economy in Western China, *Regional Economic Review*, 6(9). 99-105. Sep. 2021.
- [6] Zhang J, The development level measurement and spatial pattern analysis of China's open economy, *Statistics and Decision*, 3(7). 100-104. July. 2021
- [7] An Liwei, Zhang Erzhen, Some Important Theoretical issues on the Development of China's open economy in the New Era, *Economist*, 4(9). 24-31. Sep. 2020.
- [8] Zhang J.Y., Research on the development path of Ningxia inland open economy, *Today's Wealth*, 9(6). 56-57. Jun. 2020.
- [9] Ding J. B., Thoughts on building a new pattern of open economy in western China, *Customs and Economic And Trade Research*, 8(12) .15-24. Dec. 2019.
- [10] Wang Dalei, Measuring the level of open economy development in western central cities, *Qinghai Social Sciences*, 10(7). 112-118. July. 2019.

