



Research on Optimization Direction of Industrial Investment

Structure in Inner Mongolia, the West of China

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Abstract

This paper analyzes problems in Inner Mongolia's industrial development investment, illustrating the importance of reasonable optimization of investment structure. According to the real conditions of investment and output in Inner Mongolia, this paper advances the direction of general industrial investment structure optimization, and points out the investment optimization measures in perspective of three industries.

Keywords: Inner Mongolia, Investment structure, Optimization direction

1. Introduction

Investment structure refers to the proportion of fixed asset investments to national economy, social development industries, and regions during certain period. It reflects the pattern of social investments in different economic spaces or geological spaces during certain period. It is an important part of economic structure, directly affecting economic development, industrial structure, and productivity distribution. Industrial investment is an investment concept from the angle of industrial development, and has a similar economic connotation of economic investment and direct investment. It especially emphasizes on the industrial attribution of investment activity and the effect of investment on industrial development. Its result is to increase or complement the asset stock of certain industry and improve the production capacity, namely the potential output. Inner Mongolia, as an undeveloped area in the west of China, has rich resources. Therefore, in order to avoid blind investment and improve economic benefits, with the pre-condition of maintaining the dynamic balance of social supply, we can establish the investment direction correctly, and optimize the investment structure and industrial structure.

2. The Industrial Investment Structure and Problems of Industrial Development in Inner Mongolia

2.1 The Industrial Investment Structure

According to the statistical materials (Table 1) concerning the fixed asset investment in three industries from 1990 to 2007 in Inner Mongolia, analyze the proportion of three industries' fixed asset investment as follow.

From Table 1 and Figure 1, we know that the primary industry's investment proportion does not change a lot. From 2002, it begins to decrease slowly.

The secondary industry's investment proportion fluctuates obviously. Before the "Ninth Five-Year" plan, the secondary industry's investment proportion rises and in 1995 it reaches the top 64.83%. In the period of "Ninth Five-Year", the investment proportion declines seriously, and in 2000 it is the lowest 34.33%. In five years, it decreases by 30%. During the period of "Tenth Five-Year" plan, Inner Mongolia advances the industrial development strategy, focusing on cultivating special and advantage industries. The investment in secondary industry rises fast. The average annual growth rate reaches 10.87%. In "Eleventh Five-Year" plan, the secondary industry's investment proportion is declining slowly.

The tertiary industry's investment proportion fluctuates clearly. Before the "Ninth Five-Year" plan, it tends to decrease. In 1995, it reaches the lowest 26.61%. During the "Ninth Five-Year" plan, investment proportion rises fast and in 2000 it reaches the highest 54.59%. During the "Tenth Five-Year" plan, the investment proportion tends to decrease. Entering the "Eleventh Five-Year" plan, the investment proportion tends to rise along with social progress and development.

2.2 A Comparative Analysis of General Investment Structure and GDP Structure

According to Table 2 and Figure 2, the proportion of primary industry GDP decreases annually. Although the primary industry's investment proportion maintains a stable level, its productivity is far smaller than that of secondary industry and tertiary industry because of the low progress in machines. The investment in primary industry does not exert better

effect.

The proportions of secondary industry GDP and tertiary industry GDP sustain a stable rise, what have a low correlation with investment proportion. It means that changes of investment have a small effect on GDP. Changes of total investment are far larger than changes of GDP. The productivity of secondary industry and tertiary industry rises slowly. Industrial competition is insufficient. Investment does not reach an ideal state.

2.3 Problems in Industrial Development

According to real conditions of investment in Inner Mongolia, there are lots of problems in industrial development. First of all, former dominating industry faces amounts of problems in development. The “advantage industry” selected by Inner Mongolia has serious polarization problem. Technologies are lagged behind. Products are out of date. Famous and excellent products and well-known products are an absence. Secondly, because of the blind choice of dominating industry, it turns into a great waste of social resources. New dominating industry is still weak. It affects the process of western area developing toward an external economy. Thirdly, regional repetitive construction and similar industrial layout are serious, which barriers the update of industrial structure and the advancement of industrial structure.

3. The Optimization Direction of Industrial Investment Structure

3.1 Follow the Law of Investment Structure Evolvement

In developed countries, the evolvement of investment structure shows the common features: the initial origin is agriculture and associated industry. The improvement of agricultural productivity founds capital accumulation and technological basis for the growth and development of modern industry. Then, investment structure optimizes from low grade to advanced grade. It starts from the industry with lower requirements for technologies and added values, and transfers toward the industry with higher requirements for technologies and added values. The scale and the proportion keep in rising. Entering the post industrialization society, investment structure tends to be high technological. The tertiary industry becomes the dominating industry in investment.

Since the “Tenth Five-Year” plan, changes of fixed asset investment proportion in Inner Mongolia are displayed in Table 3.

In Inner Mongolia, the investment of primary industry, mainly the agricultural industry, declines fast. From 2000 to 2007 it decreases by 6.36%, and it tends to decrease annually. The decrease of primary industry investment is in accordance with the law of industrial evolvement. However, considering China’s conditions, a fast drop of primary industry investment will affect the scientific investment in agriculture. It is hard to change the low labor productivity of agriculture. Finally, it will cause a fast decrease of proportion of primary industry to GDP, restraining China’s industrialization process, and influencing the optimization and update of industrial investment structure. Therefore, with the pre- condition of guaranteeing the basic industry of national economy, increase the primary industry’s investment proportion, add more official investment, and make it match up with the level of developed countries.

Because Inner Mongolia has rich resources, including mines and animal husbandry, it steps into the industrial development from 2000, trying to enlarge the modern agglomeration effect based on internal and external resources. The secondary industry’s investment rises fast. Backbone industries develop quickly, driving the development of local economy in Inner Mongolia. The Statistics Data of World Economy shows that the investment proportion of secondary industry to tertiary industry is about 1:1.5. Along with the development of industrial agglomeration, the proportion will be enlarged further. Japan is a right example. In Inner Mongolia, the investment of primary industry is more than that of tertiary industry. Entering the “Eleventh Five-Year” plan, the distance is shortening. In future, decrease investments in secondary industry gradually and adjust the investments in different industries. Restrict the investments in manufacturing industry, and drive the rise of investment in high-tech industries.

During the “Tenth Five-Year” plan, Inner Mongolia advances the whole industrialization strategy, decreasing the importance of tertiary industry. The proportion of investment becomes small. And the development of tertiary industry is constrained. Investment structure is the base for the formation and evolvement of industrial structure. During certain period, the investment structure determines the change and the trend of industrial structure. To optimize investment structure is the main way to optimize industrial structure. In order to achieve the complete upgrade of industry and the sustaining development of economy, we should meet the world society and understand the key effect of tertiary industry in economic development. Therefore, to adjust the investment structure of tertiary industry reasonably can drive the healthy and fast development of tertiary industry in Inner Mongolia, which is the key task of Inner Mongolia adjusting economic structure at present. Meanwhile, open the tertiary industry for non-state-owned economy and introduce a competition mechanism. Increase investments in tertiary industry and adjust internal investment structure. All these measures can drive the urbanization of Inner Mongolia and the sustainable development of economy.

3.2 Help to Exert Regional Advantage and Form Different Regional Structure

The spatial distribution of fixed asset investment is the main aspect of investment regional structure. It not only affects

and determines the layout of productivity in China and the rate of economic growth, but also concerns the national economic growth rate and effect. Therefore, the optimization of investment regional structure is firstly the optimization of investment spatial distribution, namely the reasonable layout of investment in space. Apply the law of unbalanced development of regions. According to changes of key resources restricting and driving national economic development and changes of regional costs and competitive advantages, choose key regions for investment at the right time. By means of “unbalanced” development in different area, achieve the balanced development of regional economy in a long period. Shorten the distance of different areas in economic development. Take the dual goal of “improving effect” and “relative equilibrium” into consideration at the same time. Secondly, there are big differences concerning natural resources, geological locations, and humanism features. These differences determine different bases for regional development, forming the special advantages and restraining factors, and affecting the future development of fundamental industry. For example, different cities in Inner Mongolia have various resources. Ordos has rich mines and cashmere. Baotou has developed steel industry. Therefore, in arranging regional industry structure of fixed asset investment, an important rule is to make best use of regional natural resources, human resources, and sorts of economic resources. With this base, build special local industrial structure and make it tend to be different, driving the regional economy’s reasonable division and coordinative development.

3.3 Fixed Asset Investment Turns into Update and Transformation

The new construction and transformation of fixed assets are the guidance and base for production adopting new technologies. Reasonable industrial investment structure should be good for meeting challenges from world new technological revolution, emphasizing on reforming old enterprises and building new enterprises by advanced technologies and equipments. Arrange more investments in building and development high and new technologies properly. Use advanced high and new technologies to reform traditional industries. Take high and new technologies as the center and continue to reform and update traditional industries, what is not only in accordance with the objective tendency of world economic development, but also the objective requirements and effective ways for China’s industrial modernization. However, investment does not merely means to build new enterprises or enlarging present enterprises. By analyzing the fixed asset investment structure of Inner Mongolia in 2007, we know that the fixed asset investments mainly focus on newly-built projects, and seldom on enlarging or reforming projects, especially the reforming projects. The production and supply of electric power, gas, and water belong to basic industries and highly monopoly industries, which aim at satisfying people’s life and social production. Along with the development of national economy and the improvement of people’s life, the requirements for those industries are higher and higher. Therefore, those industries must update former equipments in time. And this kind of need is larger. So, the proportion of fixed asset newly-built investment is far higher than that of reforming projects. The manufacturing industry has the most industries and the competition is fiercest. It is popular to build new projects and enterprises at a large scale, which may cause unnecessary repetitive construction and investment. Therefore, we should control the proportion of fixed asset newly-built investment and focus on investments in reasonable high-tech reforming.

4. Conclusion

By a dynamic analysis of Inner Mongolia’s industrial investment structure, we find that there are some problems in industrial development. Optimize investment structure reasonably and adjust industrial investment direction. Make investments exert positive effects and achieve the goal of western development program, actualizing the healthy, coordinative, sustainable, and stable development of economy.

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Table 1. Changes of fixed asset investment structure in Inner Mongolia

Changes of investment structure of fixed assets (%)			
Year	Three industries		
	Primary industry	Secondary industry	Tertiary industry
1990	7.62	57.30	35.09
1995	8.57	64.82	26.61
1996	7.75	59.66	32.59
1997	9.36	56.28	34.35
1998	9.64	43.10	47.26
1999	12.75	34.86	52.39
2000	11.09	34.33	54.59
2001	10.19	38.18	51.63
2002	13.11	39.81	47.08
2003	8.29	46.43	45.28
2004	6.69	55.62	37.69
2005	5.22	58.92	35.86
2006	5.67	59.87	34.46
2007	4.73	57.28	37.99

Table 2. The GDP of Inner Mongolia

Changes of GDP structure (%)			
Year	Primary industry	Secondary industry	Tertiary industry
1990	35.3	32.1	27.3
1995	30.4	36.0	29.7
1996	30.6	35.7	29.8
1997	28.0	36.6	30.8
1998	27.1	36.3	30.3
1999	24.9	37.0	30.8
2000	22.8	37.9	31.5
2001	20.9	38.3	31.6
2002	19.3	38.9	31.7
2003	17.6	40.5	32.4
2004	17.2	41.0	33.4
2005	15.1	45.5	37.9
2006	13.1	49.1	41.9
2007	12.5	51.8	45.0

Table 3. Proportion of fixed asset investment from 2000 to 2007 in Inner Mongolia. (%)

Year	Primary industry	Secondary industry	Tertiary industry
2000	11.09	34.33	54.59
2001	10.19	38.18	51.63
2002	13.11	39.81	47.08
2003	8.29	46.43	45.28
2004	6.69	55.62	37.69
2005	5.22	58.92	35.86
2006	5.67	59.87	34.46
2007	4.73	57.28	37.99

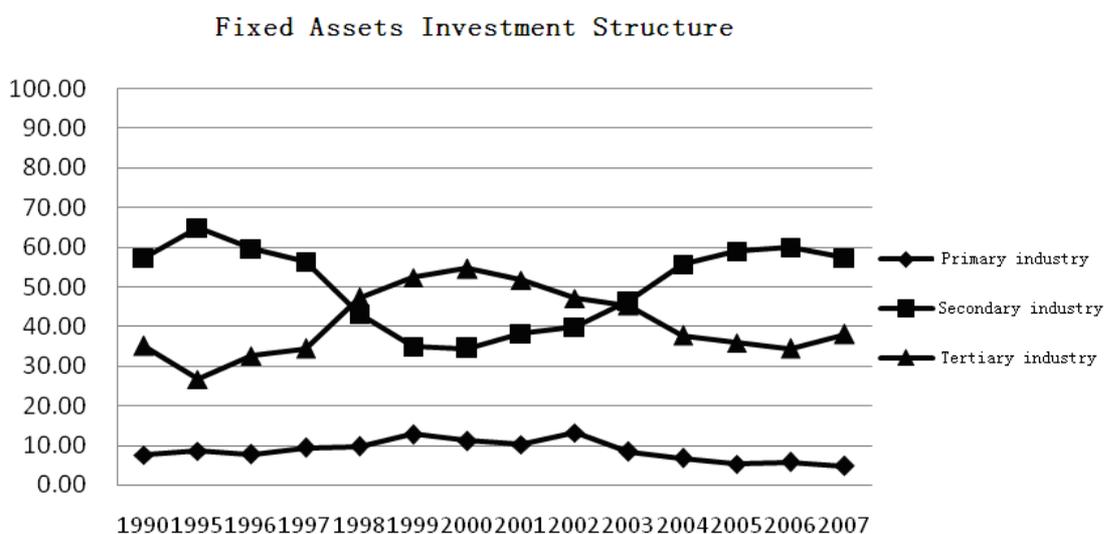


Figure 1. Changes of Fixed Asset Investment Structure in Inner Mongolia

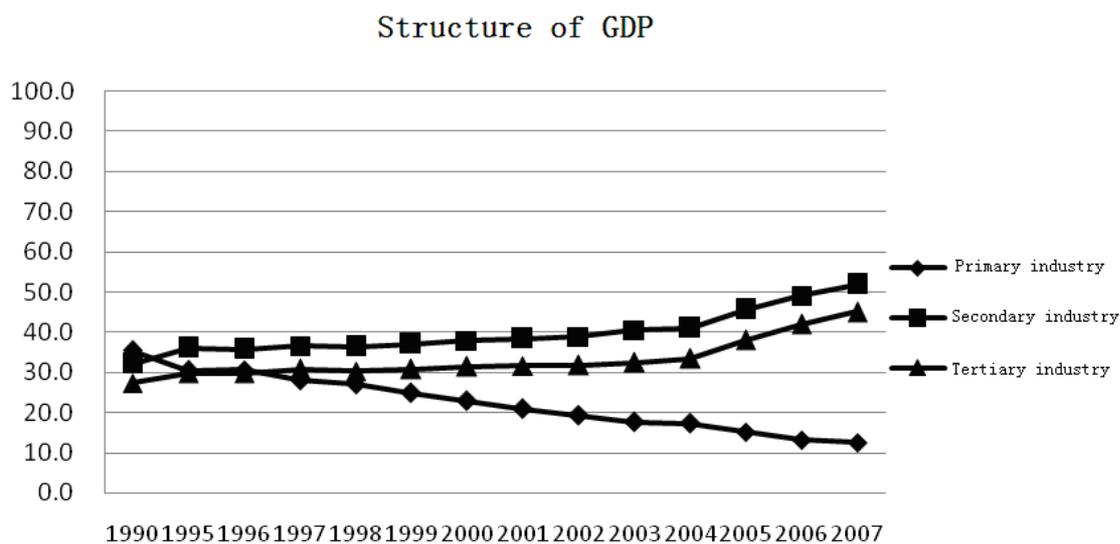


Figure 2. Changes of GDP Structure in Inner Mongolia