

PAPER • OPEN ACCESS

The routes of the Mongolian economic corridor: development prospects, transport and logistics constraints

To cite this article: A B Andreev and A V Makarov 2019 *IOP Conf. Ser.: Earth Environ. Sci.* **320** 012014

View the [article online](#) for updates and enhancements.



IOP | ebooks™

Bringing you innovative digital publishing with leading voices to create your essential collection of books in STEM research.

Start exploring the collection - download the first chapter of every title for free.

The routes of the Mongolian economic corridor: development prospects, transport and logistics constraints

A B Andreev¹ and A V Makarov¹

¹ Baikal Institute of Nature Management SB RAS, Ulan-Ude, 670047, Russia

E-mail: true2008@yandex.ru

Abstract. The article discusses the transport and logistics restrictions of the economic corridor China – Mongolia – Russia, the prospects for trade and economic cooperation. The analysis of foreign trade and investment cooperation of Mongolia is carried out. The main directions of improving the transport and logistics system of Buryatia are highlighted.

1. Introduction

The construction of an economic corridor could become a locomotive for deepening trade and economic cooperation between China, Mongolia and Russia. The development of various routes of the Mongolian corridor is associated with the implementation of a set of development strategies [1, 2].

According to the China-Mongolia-Russia Economic Corridor Development Program (Program), new mechanisms of transboundary interaction will combine existing and new infrastructure, resource and production projects [3]. The main purpose of the corridor is the integrated development of the largest mineral deposits in Eastern Siberia and Mongolia. New transport routes to the industrial centers of China are regarded as the basis for the development of trilateral cooperation.

The central route Ulaanbaatar - Zamyn-Ud - Beijing - Tianjin and the actual port of Tianjin are the main trade links with third countries (Korea, Japan, the USA and European countries).

The eastern route through Chinese territory to the seaports of the China (Jinzhou) and Russia (Zarubino, Vladivostok, Nakhodka) is a shorter alternative to access to the sea.

In the transport strategy of Mongolia, the western, eastern and northern railway routes are aimed at developing the mineral resources of the respective regions.

The idea of developing the Western route through Mongolia (Kuragino - Kyzyl - Tsagan-Tolgoi - Kobdo - So eshkin - khami - Urumqi) as the shortest way of transporting coal from the largest deposits of Eastern Siberia to the interior of China is very interesting.

The main among all routes (northern, western, eastern, central) is the central route. Construction of railway lines from the southern regions of Mongolia is also relevant [3, 4]. Transfer metallurgy and energy enterprises in Mongolia are the next stage in the development of the Mongolian corridor [5]. Northeastern provinces of China (Inner Mongolia, Heilongjiang) are most interested in the development of these routes, which can cause their commodity promotion and commodity security.

2. Mongolia

Rich resource potential, favorable conditions on the minerals market and an advantageous position in relation to China brought Mongolia among the five most dynamically developing countries in the world. Annual GDP growth in 2010-2014 averaged 12.0% per year [6].



The mining industry provided up to 30% of GDP, about 1/3 of state budget revenues and almost 90% of exports. From 2002 to 2014, average per capita income increased almost six times, approaching 4.5 thousand USD / year.

The high concentration of Mongolian exports on a narrow group of mineral products of the lowest complexity and one foreign market makes the economy of Mongolia extremely vulnerable to fluctuations in world prices for minerals, demand from China and investment in the mining sector. Industrial production in Mongolia remains underdeveloped. The country has to import the bulk of its petroleum products and industrial goods. The economy is also very open (foreign trade turnover reaches 90.0% of GDP, including imports - 35.0%).

In the structure of imports, the main part is accounted for petroleum products, machinery and equipment, vehicles and food. Since the beginning of the development of fields in the Southern region, the volume of electricity imports has also increased dramatically.

China is the main foreign economic partner of Mongolia, consuming more than 80.0% of Mongolian exports and a source of about 1/3 of total imports. In recent years, state-owned banks and Chinese companies have also provided the Government of Mongolia with a number of loans guaranteed by the supply of minerals and the purchase of Chinese equipment. The strategic partnership agreement in 2014 creates the basis for economic growth due to large-scale Chinese investment and an increase in the export of mineral resources from Mongolia.

The bulk of foreign direct investment (FDI) attracted in the Mongolian economy during the period 2002–2017 was secured by the mining sector. The average annual inflow of FDI increased from 0.3 billion USD in 2005–2006 to 4.5 billion USD in 2011–2012 (15 times). The largest amount of FDI was attracted to the Oyu-Tolgoi mine (6.2 billion USD for 2010-2012). The main investors were companies from Australia, Canada and the United States. For them, in fact, was set the most favored.

The current law on foreign investment in 2013 limits investments by state-owned companies in strategic sectors of the economy (mining and finance, transport and media).

Entry into strategic sectors for foreign state-owned companies, including from the PRC, is quite feasible through the creation of joint ventures in which the controlling stake will belong to Mongolian companies.

The recovery of previous volumes of FDI at the 2011-2012 level is projected from 2019 due to the start of full-scale development of the Tavan-Tolgoi and Oyu-Tolgoi fields, as well as the launch of new resource and infrastructure megaprojects. It is expected that only investments in Tavan-Tolgoi and Oy-Tolgoi projects in the years 2018-2022 will be 4.0 and 6.0 billion USD, respectively [7].

3. Russia

Economic cooperation between Russia and Mongolia is due to Mongolia's continuing need to import petroleum products and electricity. There is no reason to expect a significant expansion or a qualitatively new level of economic cooperation between Russia and Mongolia. The resource-oriented nature, different scales and lack of mutual complementarity of the economies of both countries do not create prerequisites for deepening cooperation.

In the near future, it is likely that the volume of Russian energy exports to Mongolia will be reduced many times. Therefore, the need to maintain good relations requires a serious rethinking of the main directions of further development of the economic base of Russian-Mongolian cooperation.

The largest Siberian deposits of interest to Chinese investors are the Berezovsky siderite Deposit (Zabaikalsky kray), the Bakchar iron ore Deposit (Tomsk region) and the Elegest coal Deposit (the Republic of Tyva). We estimate that these areas have average potential. They have a high natural resource potential, but have low values of economic (credit) and demographic potential. This potential is significantly reduced due to the underdevelopment of transport infrastructure and weak transboundary interaction [8].

The main obstacle to further expansion of cooperation is infrastructure constraints. These are transport and logistics restrictions (transshipment of raw materials and goods along the route).

The calculation of the geo-economic potential of these territories allows us to quantify the potential of the economic corridor. The general assessment of geo-economic potential of frontier regions includes assessment of transport infrastructure, positive and negative aspects of transboundary cooperation [9].

In this regard, the creation of the federal transport and logistics center is the most important in the Republic of Buryatia. It has a rich natural resource potential and a successful geo-economic situation in the national and international transport systems. The preferred location for its placement is to Onokhoy station, in the suburbs of Ulan-Ude. However, the construction and reconstruction of the railway line can not cause significant changes. It is necessary to develop the logistics infrastructure, as well as to connect to the Eurasian transport and logistics network, to deepen transboundary industrial cooperation.

4. Conclusion

China is committed to a balanced development. It eliminates the difference between inland regions and maritime provinces. To this end, subsidies are being provided for rail transportation, as well as the expansion of the transport and logistics infrastructure. It stimulates transport links to the west.

In Mongolia, the expansion of access of mineral raw materials to the world market, as well as the associated implementation of the transport strategy, are coming to the fore. Restrictions on the development of transport and energy infrastructure hinders the multiple growth of exports of mineral raw materials. Credits and infrastructure development plans offer opportunities for deep economic integration of China and Mongolia.

Partner countries cooperate and coordinate efforts to resolve differences of a different nature. This is a necessary condition for the successful implementation of plans for the development and construction of the Mongolian corridor.

Acknowledgments

The article was prepared as part of the Integrated Basic Research Program of the Siberian Branch of the Russian Academy of Sciences "Interdisciplinary Integration Research for 2018-2020" (the project "The Mongolian Corridor in the Eurasian Interaction: History and Modernity").

References

- [1] Otgonsuren B 2015 Mongolia–China–Russia Economic Corridor Infrastructure Cooperation *Erina Report* **127** 3-6
- [2] Kumagai S, Gokan T and Keola S 2018 Economic impacts of economic corridors in Mongolia: an application of IDE-GSM *IDE Discussion Paper* **701** 1-20
- [3] The China-Mongolia-Russia Economic Corridor Program, <http://minpromtorg.govrb.ru/rus-ch-mn.pdf>
- [4] Asian Development Bank 2011 *Mongolia: Road Sector Development to 2016* (Mandaluyong City, Philippines. Asian Development Bank) p 110
- [5] Sharad S K 2018 China–Mongolia–Russia Economic Corridor: Opportunities and Challenges *China's Global Rebalancing and the New Silk Road, ed B Deepak* (Singapore: Springer) pp 101-17 DOI: 10.1007/978-981-10-5972-8_9
- [6] Zhang H 2015 Building the Silk Road Economic Belt. Problems and Priorities in Central Asia *Cambridge Journal of China Studies* **10 (3)** 17 DOI: 1710.17863/CAM.1523
- [7] Gupta P, Li B G and Yu J 2015 From Natural Resource Boom to Sustainable Economic Growth: Lessons for Mongolia *International Economics* **151** 7-25 DOI: doi.org/10.1016/j.inteco.2017.03.001
- [8] World Bank 2018 *Mongolia Economic Update: Fiscal space for growth - the role of public investment spending efficiency: main report* (Washington: World Bank) p 52
- [9] Andreev A B and Andreeva T V 2016 *Strategic development of transboundary regions (Republic of Buryatia - Mongolia - Autonomous Region of Inner Mongolia)* (Ulan-Ude: Buryat State University) p 158
- [10] Andreev A B and Andreeva T V 2015 Methods for assessing the potential of the frontier region of the transboundary territory *Bulletin of Buryat State University* **2S** 229-34