“RESEARCH ON ECONOMIC CORRIDOR MONGOLIA-RUSSIA-CHINA”

Possibility to advance the economic corridor program implementation
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2020

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EU Disclaimer

The content of this publication is the sole responsibility of the Consultant and in no way be taken to reflect the views of the European Union.
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Abbreviations

United States - United States of America
Korea - Republic of Korea
China - People's Republic of China
MOF - Ministry of Foreign Affairs
EAEA - Eurasian Economic Association
NEA - Northeast Asia
MRW SOSC - “Mongolian Railway” state-owned joint stock company
Russia - Russian Federation
IMAR - Inner Mongolia Autonomous Region
BoD - Board of Directors
FS - Feasibility study
“UBRW” JSC - “Ulaanbaatar Tumurzam” Joint Stock Company
GB – Governing Board
MAS - Mongolian Academy of Sciences
XUAR - Xinjiang Uyghur Autonomous Region
SCO - Shanghai Cooperation Organization
EC - Economic Corridor
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Introduction

The principal channel to coordinate and link the Mongolia’s “Development Road” program, China’s “One Region, One Road” initiative, and Russia’s “Eurasian Economic Association” policy is the Economic Corridor Program embodied in its 32 main projects. The Mongolia-Russia-China Economic Corridor Program has been implemented in its fourth year since its launch in 2016. In the past, the foundation for trilateral cooperation has been laid. This research report has been prepared for further cooperation.

Purpose and rationale of the research report: clarification of the progress made in the implementation of the 32 projects agreed in the Economic Corridor Program, evaluation of the implementation of the Economic Corridor Program, shedding light on the issues to be taken into account for further cooperation, and making a proposal on measures to be taken.

Objective of the research report: In order to achieve the above-mentioned purpose of the research report, SWOT analysis will be conducted to monitor the implementation of the Economic Corridor Program, sort out the successfully implemented projects and delayed projects, clarify the causes and identify weaknesses, strengths, opportunities, and risks of the projects concerned.

Significance: The above-mentioned analysis will help to further successfully implement the Economic Corridor Program projects and advance the construction of the corridor. Successful implementation of Economic Corridor Program projects will assist to promote the wider involvement of the Mongolian economy in regional economic integration.
One. Program progress and recent developments

The Mongolia-Russia-China Economic Corridor Program was signed by the relevant ministers of the three countries during the third meeting of the Heads of State of Mongolia, Russia and China on June 23, 2016 in Tashkent.

The Economic Corridor Program program consists of a main part and an annex part and the main part outlines the program's objective, areas of cooperation, principles, project funding, and implementation mechanisms. The annex includes a total of 32 projects. These include:

- Road and transport sector projects - 13
- Industrial sector projects - 2
- Border, customs and quarantine projects - 5
- Energy sector project - 1
- Environmental sector projects - 3
- Science, technology and education sub-projects - 3
- Humanitarian projects - 3
- Agricultural sector project - 1
- Health sector project - 1.

The purpose of the Economic Corridor Program: extension of trilateral cooperation between Mongolia, Russia and China through joint projects aimed at increasing trade turnover, ensuring the competitiveness of goods, facilitating cross-border transportation and infrastructure development.

Economic Corridor Program Mechanism: Since 2016, the three Parties have focused on establishing a mechanism to implement the program. It is important to establish a tripartite mechanism to ensure coordination between the relevant agencies of the three countries, to agree on methods and principles for the implementation of cooperation projects, and to monitor their implementation.
In September 2018, a Memorandum of Understanding was signed between the Ministry of Foreign Affairs of Mongolia, the Ministry of Economic Development of the Russian Federation and the Development and Reform Commission of the People's Republic of China to establish a joint mechanism to push forward the implementation of the Economic Corridor Program. The tripartite cooperation mechanism was formally established. Under the Memorandum of Understanding, a working group has been set up by three countries to oversee the implementation of the program. The working group is chaired by the Deputy Foreign Minister of Mongolia, the Deputy Minister of Economic Development of Russia and the Deputy Chairman of the Development and Reform Commission of China. A meeting of the heads of the tripartite working groups has not yet taken place.

**Discussed and agreed issues:** The issues discussed and agreed upon by the Economic Corridor Program mechanisms are in the process of being implemented.

**Expert-level meeting and results:** The parties conducted the first expert-level meeting chaired by the Department Heads of the relevant ministries of the three countries in Beijing on March 24, 2017, the second meeting in Moscow on August 29, 2017, and the third meeting in the form of a video conference on May 30, 2018.

The third expert-level meeting focused on establishment of a tripartite cooperation mechanism and agreeing on priority projects.

Out of 32 projects included in the annex to the Program, the three Parties agreed to implement the following three projects as a matter of top priority.

1. Study of the economic feasibility of renovation of the Central Railway Corridor (Ulan-Ude - Naushki - Sukhbaatar - Ulaanbaatar - Zamyn-Uud - Erlian - Ulaantsav - Zhangkhuu - Beijing - Tianjin), construction of dual carriageways and electrification;

2. Active use of the Asian road network AN-3 (Ulan-Ude - Khiagt / Altanbulag - Darkhan - Ulaanbaatar - Sainshand - Zamyn-Uud / Erlian - Beijing outer circle - Tianjin) for transit transportation, construction of highways in this direction and study of the economic feasibility;
3. Exploring the possibility of involvement of Chinese companies in the modernization of the Mongolian and Russian power grids.¹

The fourth expert-level meeting was held on December 10, 2018 in Ulaanbaatar. During the meeting, the current state of cooperation within the framework of the Program was discussed and further measures were agreed.

For example, it was agreed to establish a joint working group to develop the feasibility study for the phased renovation of the Central Railway Corridor and to intensify the implementation of the intergovernmental agreement on international road transport along the Asian road network.²

**Meeting of the Deputy Foreign Ministers:** In addition to the tripartite expert-level meeting, the meeting of the Deputy Foreign Ministers and the meeting of the Heads of State of the three countries discussed the implementation of the Program. The meeting of the Deputy Foreign Ministers was held on May 28, 2018 and May 28, 2019 in Beijing, respectively. The main purpose of the Deputy Foreign Ministers’ Meeting was to accomplish preparations for the meeting of the Heads of State of the three countries.

**Meeting of Heads of State of the three countries and its Outcomes:** The fourth meeting of the Heads of State of Mongolia, Russia and China was held on June 9, 2018 in Qingdao, China. In his speech at the meeting, Kh.Battulga, the President of Mongolia said, “I call for more efforts to make the implementation of the priority projects’s a reality including the projects aimed at the renovation of the Central Railway Corridor, the construction of dual carriageways and electrification, the active use of the Asian Road Network AN-3 for transit transportation, and the construction of highways. Calls for. I propose for example, to ensure the direct and equal participation of the governments of the three countries in the construction of a highway on the Asian road network AN-3, to discuss and resolve the issue of project funding and to start construction in the near future. In the future, it is necessary to speed up

¹The third tripartite expert-level meeting for implementation of the “Economic Corridor Program”  http://www.mfa.gov.mn/?p=41629
²A consultative meeting was held on the implementation of the "Mongolia-Russia-China Economic Corridor Program". http://www.mfa.gov.mn/?p=49264
the establishment of a joint investment design center in order to conduct a detailed research of the projects included in the Economic Corridor Program and to develop a feasibility study.”

He also mentioned that he hopes Mongolia’s proposal to construct the oil and gas transmission pipelines connecting Russia and China through the territory of Mongolia will be accepted and responded positively.

In his speech, Russian President Vladimir Putin underlined the significant increase in container traffic to Europe via the China-Mongolia-Russia route, and the need to improve the implementation of the of the intergovernmental agreement on cooperation in the road transport sector and the agreement the mutual recognition of the customs control and to intensify trilpartite cooperation in the tourism sector. Noting that there are good opportunities for cooperation in the energy sector, he added that the proposal made by our Mongolian partners to build major oil and gas pipelines from Russia to China through the territory of Mongolian territory has been supported in general. However, in this case, the feasibility study needs to be carefully considered.

In his speech, Chinese President Xi Jinping noted that the trilateral cooperation is gradually moving forward and achieving tangible results. He proposed firstly, to deepen political trust and strategic coordination, and secondly, to promote all-round cooperation, and in this context to boost the Economic Corridor Program, promote interconnectedness through the infrastructure and strengthen transport and local cooperation, and thirdly, to expand coordination within the framework of the SCO.

In his speech at the Fifth Meeting of the Heads of State of the three countries in Bishkek on June 14, 2019, President Kh. Battulga said, “The progress and current situation of trilateral cooperation is not as good as we would like, and in the three years since the establishment of the Economic Corridor Program no specific projects have been launched to contribute to the livelihoods of the people and the economic development of the three countries and it is really unsatisfactory. There is no single project that has a feasibility study acceptable to three parties. ” He made proposals aimed at intensification of the trilateral cooperation. These are:

- First, to increase the volume of transit traffic in accordance with the annually agreed figures, and to solve in the near future the problem of
uneven transmission and receiving capacity of the required road and railway ports,

- Second, to intensify and improve the implementation of the intergovernmental agreement on international road transport along the Asian road network;

- Third, to approve the “Action plan on development of the feasibility study of the Central Railway Corridor” agreed to be implemented as a matter of priority in the near future, to complete the research work at the earliest opportunity, and to start the construction work as soon as possible;

- Fourth, to establish a Joint Working Group to conduct the feasibility study for the construction of a gas supply pipeline from Russia to China through the territory of Mongolia, with the participation of representatives of relevant tripartite organizations and companies, and to present the results to the next meeting of Heads of State;

- Fifth, to propose in the near future to discuss the concept of establishing an “Investment Design Center” based in Ulaanbaatar and the Center’s Charter.

Speaking at the meeting, Russian President Vladimir Putin said, “We believe that the plan to renovate the Ulaanbaatar railway-based transport corridor is particularly important. Together with our Chinese and Mongolian partners, we are interested in increasing the capacity of this main transportation line extensively, and as a result, increasing the volume of cargo transported from China to the European market and reverse at the same time. Implementing the Tripartite Agreement on International Road Transport will help to make full use of the transit potential of the countries.” He underlined “I would like to receive specific proposals from Chinese and Mongolian partners on potential projects for cooperation in the energy sector. In the current volatile global financial markets, increasing the number of transactions paid in national currencies is becoming an progressively important task.”

In his speech, Chinese President Xi Jinping stated, “In order to advance trilateral cooperation first, we need to guide trilateral cooperation from a political and strategic point of view. A proverb says it is better to a close neighbor rather than a distant relative. Friendly relations between
neighboring countries and political relations with a high level of mutual trust are the basis for the development of trilateral cooperation. Adhering to the principles set out in the Medium-Term Roadmap, we will develop and enhance trilateral political and strategic cooperation by deepening political mutual trust, respecting each other’s core interests, and strengthening coordination and cooperation on international and regional issues. We must set the standard for effective and mutually beneficial cooperation. Second, we have to advance trilateral cooperation through major joint projects. The Economic Corridor is the most important outcome of our cooperation. First of all we have to implement projects that are mutually agreed upon, well-founded, and have a significant impact on cooperation, in support of the Economic Corridor Program Mechanism. Renovation of the Central Railway Corridor is considered to be a top priority project within the Economic Corridor Program. It is hoped that the parties will gradually develop a feasibility study to lay the groundwork for this project. China supports trilateral cooperation aimed at creating favorable conditions for customs clearance of goods. In this context, we support the modernization and upgrading of key border crossing points. Local cooperation is an important area of tripartite cooperation. China’s Inner Mongolia Autonomous Region, Xinjiang Uyghur Autonomous Region, Gansu Province and Heilongjiang Province have a long tradition of developing cooperation with the Mongolian and Russian bordering regions. It is possible to strengthen the ties of local governments between the bordering regions and support the development of trade, economic, tourism and humanitarian cooperation. The President of Mongolia has just talked about his proposal to build an energy super network in Northeast Asia. In principle, the Chinese side supports the study of a project to build a cross-border energy network covering Northeast Asia by regulating all countries in the region based on their energy supply and needs. The Mongolian side’s proposal to build an oil and gas pipeline connecting China and Russia through the territory of Mongolia is also important. It is proposed that the three parties continue to discuss this issue and thoroughly study the economic feasibility for the project.

Third, we propose to expand cooperation and coordination within the SCO.
Sector-level meetings and results: The establishment of a dialogue mechanism at the level of the management and working groups of some relevant ministries and organizations has to some extent contributed to the implementation of the Economic Corridor Program. For example, the meeting of the Ministers of Tourism of the three countries was held in July 2016 in Hohhot, the second meeting in 2017 in Ulan-Ude, the third meeting in 2018 in Ulaanbaatar and in 2019 in Manchuria. Meetings of the Deputy Minister of Transport and the Minister of Transport have been held in previous years, but have not been held since the program was approved. Our party has proposed to hold a meeting at the level of deputy ministers and ministers. The meeting of the Joint Working Group on Customs Cooperation between the three countries has been held annually since 2016.

Establishment of a joint investment design center: Our country has proposed to establish a joint investment design center in Ulaanbaatar to develop a feasibility study for projects to push forward the implementation of the Economic Corridor Program projects. As a result of discussions with other parties, the Memorandum of Understanding on the Establishment of a Joint Mechanism to Promote the Implementation of the Economic Corridor Program states that the center will be established after the implementation of the top priority railway corridor project.\(^4\)

It was agreed during the fourth tripartite Expert Level Meeting held in December 2018 to intensify the establishment of the Joint Center. Our party has developed a concept for the establishment of a joint center and a draft charter for the center, and has presented its proposals to the other two parties.\(^5\)

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3 Meeting with the President of the People’s Republic of China Xi Jinping and the President of Mongolia Battulgoi Khatma
http://kremlin.ru/events/president/news/60753
4 Ministry of Foreign Affairs: The second tripartite expert-level meeting on the implementation of the Economic Corridor Program was successfully held in Moscow, Russia http://www.mfa.gov.mn/?p=41629
5 Ministry of Foreign Affairs: Consultative meeting on implementation of “Mongolia-Russia-China Economic Corridor Program”
http://www.mfa.gov.mn/?p=49264

As the establishment of a joint center has not been finalized yet, in order to push forward the implementation of the program, our party has established an Investment Research Center under the Ministry of Foreign Affairs in 2019.
**Economic and Trade Cooperation Forum:** The Mongolia-China-Russia Economic and Trade Cooperation Forum is held annually in Erlian, Inner Mongolia, China. The forum is a mechanism established before the adoption of the Economic Corridor Program, but it plays an important role in the Economic Corridor Program. The main organizers of the forum are the People’s Government of Inner Mongolia Autonomous Region, China, the Governor’s Office of the Capital City and Dornogovi Aimag of Mongolia, the Government of Buryatia, the Government of Irkutsk Oblast of the Russian Federation, the Chamber of Commerce of Inner Mongolia Autonomous Region, and the Inner Mongolia Chamber of Commerce, the association of trade promotion of Inner Mongolia Autonomous Region and the People’s Government of Erlian, China. The forum includes meetings of business entities and companies of the three countries, cities along the three countries 'economic corridors, presentations of companies' projects, cooperation agreements between cities and companies along the economic corridors, and exhibitions and fair of business entities and companies of the three countries. The 11th forum was held in August 2019 and was attended by 66 representatives from more than 20 companies in more than 10 provinces and cities in China, 24 companies from Mongolia and 4 companies from Russia. During the forum cities and business entities and companies along the Economic Corridor presented the potential projects for implementation and signed cooperation agreements with a total investment of 9 billion yuan. In addition, Dornogovi aimag and Zamyn-Uud soum signed an agreement to expand cooperation with Erlian, Inner Mongolia, to intensify cooperation between local governments, to organize joint exhibitions, to exchange experiences in education, health and tourism, and to implement and promote joint projects.6

**National Working Group:** In order to coordinate the activities of domestic organizations on the implementation of the program, our party has established a National Working Group chaired by the Deputy

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6 Governor’s Office of Dornogovi aimag: https://www.dornogovi.gov.mn/home/17?id=44

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Minister of Foreign Affairs by the order of the Prime Minister. In addition to the Ministry of Foreign Affairs, the National Working Group includes representatives from the Ministry of Roads and Transportation,
the Ministry of Energy, the National Development Agency, and the Ministry of Environment and Tourism.\textsuperscript{7}

Thus, the establishment of a step-by-step mechanism at the level of the Head of State from the tripartite working group level of implementation of the Economic Corridor Program, as well as the establishment of a structure to coordinate and harmonize the activities of domestic organizations are important conditions for advancing projects. Currently, there are around 10 mechanisms for trilateral cooperation.

\textit{Table 1. Mechanisms of Mongolia, Russia and China}

<table>
<thead>
<tr>
<th>№</th>
<th>Mechanism</th>
<th>Frequency</th>
<th>Main role</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Meeting of Heads of State</td>
<td>Once a Year</td>
<td>Achieve High Level Agreements</td>
</tr>
<tr>
<td>2.</td>
<td>Tripartite Working Group</td>
<td>Once a year</td>
<td>to push forward the implementation of the Economic Corridor Program</td>
</tr>
<tr>
<td>3.</td>
<td>Meeting of the Deputy Ministers of Foreign Affairs</td>
<td>Once a year</td>
<td>to discuss the meeting of the Heads of State and the implementation of the Economic Corridor Program</td>
</tr>
<tr>
<td>4.</td>
<td>Expert level meeting/At the level of the Director of the Ministry of Foreign Affairs/</td>
<td>1-2 times a year</td>
<td>to discuss the implementation of projects</td>
</tr>
<tr>
<td>5.</td>
<td>Investment Research Center</td>
<td>permanent</td>
<td>to conduct Feasibility Study and Investment Research of the Project</td>
</tr>
<tr>
<td>6.</td>
<td>Meeting of the Ministers of Road and Transportation</td>
<td></td>
<td>to discuss cooperation in the sector</td>
</tr>
<tr>
<td>7.</td>
<td>Meeting of Tourism Ministers</td>
<td>Once a year</td>
<td>to discuss cooperation in the sector</td>
</tr>
<tr>
<td>8.</td>
<td>Customs Cooperation Working Group Meeting</td>
<td>Once a year</td>
<td>to discuss sector cooperation</td>
</tr>
</tbody>
</table>
Two. Results of the implementation of the Economic Corridor Program

Our two neighboring countries account for 77 percent of our foreign trade. If the Economic Corridor Program is implemented successfully, it will have an important impact on expanding our overall economy, increasing foreign trade, and joining the regional economic integration. Domestic transport infrastructure development will have a positive impact, such as improving transportation capacity and allowing business entities and companies to participate and benefit from construction of the Economic Corridor. Therefore, we have tried to determine the results by considering the changes that have taken place in Mongolia since the approval of the Economic Corridor Program in terms of Mongolia’s foreign trade, transportation and logistics indicators, project funding, and enterprise participation.

**Foreign trade indicators:** Mongolia’s total foreign trade turnover increased by 67% from USD 8.2 billion in 2016 to USD 13.7 billion in 2019, when the Economic Corridor Program was approved.

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V. Enkhbold: Three issues have been agreed in the framework of the economic corridor in Moscow, http://itoim.mn/article/10341

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Figure 1. Growth of Mongolia’s foreign trade in 2016-2019 /USD/
Exports increased from US$ 4.9 billion to US$ 7.6 billion and imports from US$ 3.3 billion to US$ 6.1 billion.

Table 2. Foreign Trade of Mongolia, 2016-2019 / thous. US dollars/

<table>
<thead>
<tr>
<th>Foreign trade</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade turnover</td>
<td>8,274.48</td>
<td>10,537.90</td>
<td>12,886.80</td>
<td>13,747.20</td>
</tr>
<tr>
<td>Export</td>
<td>4,916.34</td>
<td>6,200.60</td>
<td>7,011.80</td>
<td>7,619.80</td>
</tr>
<tr>
<td>Import</td>
<td>3,358.14</td>
<td>4,337.30</td>
<td>5,875.00</td>
<td>6,127.40</td>
</tr>
</tbody>
</table>

Source: Integrated Statistical Database

As of 2019, Mongolia accounted for 77% of its total foreign trade with its two neighboring countries as follows: 64 percent is with China and 13 percent with Russia.\(^8\)
Table 3. Volume of foreign trade of Mongolia with the People’s Republic of China and the Russian Federation /US$ thous. /

<table>
<thead>
<tr>
<th>Country</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russian Federation</td>
<td>55,769</td>
<td>67,661.07</td>
<td>85,936</td>
<td>68,093.3</td>
</tr>
<tr>
<td>People’s Republic of China</td>
<td>3,901,619.6</td>
<td>5,307,431.8</td>
<td>6,542,824.8</td>
<td>6,789,765.2</td>
</tr>
</tbody>
</table>

Source: Integrated Statistical Database

Mongolia’s total foreign trade increased by 67 percent in 2016-2019. The main reason for the increase in foreign trade turnover can be explained by the increase in trade with China and coal exports. Exports of other goods are increasing, but in small volumes. Trade with Russia has not increased, while trade with China has doubled. (Table 3).

Logistics Performance Index: The Economic Corridor Program has the largest number of infrastructure projects totaling to 13. The implementation of three projects out of these 13 projects is insufficient, and the rest are progressing to some extent. However, according to the World Bank’s Logistics Performance Index (LPI), Mongolia ranked 133rd out of 163 countries in 2018, down from 108th in 2016.

Table 4. Logistics Performance Index LPI) of Mongolia

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2012</th>
<th>2014</th>
<th>2016</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>LPI general indicators</td>
<td>score</td>
<td>2.25</td>
<td>2.25</td>
<td>2.36</td>
<td>2.51</td>
</tr>
<tr>
<td>LPI rank</td>
<td>rank</td>
<td>141</td>
<td>140</td>
<td>135</td>
<td>108</td>
</tr>
<tr>
<td>Customs</td>
<td>score</td>
<td>1.81</td>
<td>1.98</td>
<td>2.2</td>
<td>2.39</td>
</tr>
<tr>
<td></td>
<td>rank</td>
<td>149</td>
<td>144</td>
<td>132</td>
<td>100</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>score</td>
<td>1.94</td>
<td>2.22</td>
<td>2.29</td>
<td>2.05</td>
</tr>
<tr>
<td></td>
<td>rank</td>
<td>133</td>
<td>125</td>
<td>120</td>
<td>140</td>
</tr>
<tr>
<td></td>
<td>score</td>
<td>2.46</td>
<td>2.13</td>
<td>2.62</td>
<td>2.37</td>
</tr>
<tr>
<td></td>
<td>rank</td>
<td>119</td>
<td>142</td>
<td>110</td>
<td>129</td>
</tr>
<tr>
<td>--------------------------</td>
<td>------</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>International freight</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Logistics competitiveness</td>
<td>score</td>
<td>2.24</td>
<td>1.88</td>
<td>2.33</td>
<td>2.31</td>
</tr>
<tr>
<td></td>
<td>rank</td>
<td>128</td>
<td>152</td>
<td>126</td>
<td>129</td>
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<tr>
<td>Freight information</td>
<td>score</td>
<td>2.42</td>
<td>2.29</td>
<td>2.13</td>
<td>2.47</td>
</tr>
<tr>
<td></td>
<td>rank</td>
<td>122</td>
<td>134</td>
<td>149</td>
<td>108</td>
</tr>
<tr>
<td>Timeliness</td>
<td>score</td>
<td>2.55</td>
<td>2.99</td>
<td>2.51</td>
<td>3.4</td>
</tr>
<tr>
<td></td>
<td>rank</td>
<td>147</td>
<td>97</td>
<td>147</td>
<td>65</td>
</tr>
</tbody>
</table>

Source: World Bank’s Logistics Performance Index (LPI)

The Logistics Performance Index, which was ranked 108th in 2016 when the Economic Corridor Program was approved, has dropped to 133 in 2018 due to the fact that Economic Corridor Program infrastructure projects have been launched but have not yet been commissioned. Therefore, the above indicators were affected. However, in detail, Mongolia has outperformed 2016 in terms of infrastructure and international freight, and has declined in all other indicators. As these indicators display, it can be concluded that the support for Economic Corridor Program projects has contributed to the improvement of these two indicators.

**Funding and involvement of business entities and companies and companies:** The Economic Corridor Agreement sets out the sources of funding. Corridor projects and activities are to be funded by the government, the private sector, public-private partnerships, as well as sources from international financial institutions, including the Asian Infrastructure Investment Bank (with a capital of US$ 100 billion) and the Silk Road Fund (with a capital of US$ 40 billion), the Asian Development Bank (with a capital of US$ 55 billion), the BRICS New Development Bank, and the SCO Banking Group.

If we look at the funding of projects currently being implemented under the Economic Corridor program the following sources are used for implementation:

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*Mongolia Foreign Trade Overview As of the end of December 2019*
- Budget of Mongolia,
- International financial institutions: Asian Development Bank, European Bank for Reconstruction and Development,
- Bank of China: Export and Import Bank
- Soft loans and aid from China.

Certain examples are given below.

Road projects:

- Renovation of the Ulaanbaatar-Altanbulag international road with funding from the Asian Development Bank and the European Bank for Reconstruction and Development.
- 20.9 km road from Gachuurt junction to Nalaikh-Choir junction with a soft loan from the People's Republic of China.
- AN-4 road on the territory of Mongolia or 743.1 km long road from Yarant border checkpoint bordering with China to Ulaanbaishint border checkpoint bordering with Russia Part 1: 110.8 km road of Camel Neck-Baga Ulaan Davaa route, Part 2: 103.3 km road of Baga Ulaan Davaa-Mankhan soum road with a total of 214.1 km of asphalt-concrete paved road with a loan and grant from the Asian Development Bank. The contractor is China Jiangsu Jiangda Construction of the People’s Republic of China and the consulting company is Korea Consultant International.
- 60 km road of Ulgii-Khashaat Davaa route, 85.3 km road of Khovd-Mankhan route, a total of 145.3 km of asphalt paved road with a soft loan from the Export-Import Bank of China. Contractor is China Gezouba Group, People’s Republic of China.
- ADB loan for the construction of the remaining roads along the vertical axis. The contractor is China Huashi Enterprise, HKB International, Xinjiang Road and Bridge Company.
- The following energy projects have been implemented with the participation of Chinese business entities and companies with soft loans from the People’s Republic of China and Mongolia’s own funding. These include:
  - Amgalan Thermal Power Plant with a capacity of 348 MW in Ulaanbaatar
  - 50 MW expansion of Ulaanbaatar TPP-3 SOSC
  - 35 MW expansion of Darkhan TPP
• 35 MW expansion of Erdenet TPP
• 50 MW expansion of Dornod TPP
• Ulaanbaatar - Mandalgobi 330 kV 249 km power transmission line with substation

In the field of border renovation:

- A project to increase the capacity of Zamyn-Uud port with a grant of 201 million yuan (75 billion MNT) from the People’s Republic of China. The contractor is Zhongmei Engineering Group of China and the management team is China IPPR International Engineering Corporation.
- Renovation of Altanbulag port with a soft loan of 13.6 million USD (36.2 billion MNT) from the Asian Development Bank.
- Renovation of Gashuunsukhait port with state budget funding and 148 million yuan (55.3 billion MNT) grant from the Government of the People’s Republic of China.

Funding for the projects has not yet been provided by the China Silk Road Fund, the Asian Infrastructure Investment Bank, and the public-private partnership model. In addition, 32 projects were approved in 2016, but some projects have already started and funding has been decided. Therefore, further work is needed to fully utilize the various sources of funding.

Current infrastructure and port development projects are mainly carried out by Chinese business entities and companies. This is due to the fact that Chinese business entities and companies have a privileged position based on their technology, experience and skills in accordance with the requirements of Chinese banks, soft loans and grants. Mongolian companies are participating in some projects as subcontractors. Therefore, it is necessary to support Mongolian business entities and companies to be more involved, benefit and gain experience in the future Economic Corridor Program projects implemented in Mongolia. The use of the public-private model in project funding will provide an incentive to increase the participation and ownership of Mongolian business entities and companies.

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Since the adoption of the Economic Corridor Program by Mongolia, Russia and China, trilateral cooperation has been intensified, around 10 mechanisms have been established and cooperation has been expanded. However, the outcomes of trade and economic cooperation display that it is currently based on bilateral relations rather than trilateral cooperation. As a result of bilateral cooperation between Mongolia and China, our country’s foreign trade has increased and the overall economy has expanded. Therefore, it is necessary to further develop economic cooperation between Mongolia and Russia and support cross-border trade.

The funding of existing projects is mainly in the form of loans, grants from China and international financial institutions, and the state budget, so there is a need to diversify and make better use of the public-private partnership model. Otherwise, the direct participation and benefits of Mongolian business entities and companies will remain insufficient.
Chapter two: RENOVATION OF THE CENTRAL RAILWAY CORRIDOR

One. Railway corridor projects and implementation process

7 projects out of the 32 projects included in the Economic Corridor Program, cover the area of railway transport infrastructure. The implementation process of these 7 projects is discussed in detail below.

1. Study of the economic feasibility of comprehensive renovation of the Central Railway Corridor (Ulan-Ude-Naushki-Sukhbaatar-Ulaanbaatar-Zamyn Uud-Ereen-Ulaantsav-Janch-khuu-Beijing-Tianjin), construction of dual carriageways and electrification;

Project implementation process: The three parties agreed that the phased renovation of the Central Railway Corridor will be a top priority project under the Economic Corridor Program. They also agreed on the need to increase the capacity of the corridor in line with current and future growth in traffic, and discussed the establishment of a joint working group in December 2018 to develop the feasibility study for the phased renovation of the corridor.  

Currently, a comprehensive renovation of the Central Railway Corridor is underway at the stage of study. The plan to renovate the Mongolian part of the corridor until 2030 was commissioned by Russia’s Mosgiprotrans upon the order of the UBRW association and it was mentioned in the speech of Kh. Battulga, President of Mongolia at the meeting of Heads of State held in Bishkek on 17 June 2019. In his speech, he noted that the “Work plan for the development of the feasibility study for the Central Railway Corridor” will be approved in the near future, and proposed to start the construction as soon as possible when research work is completed in a short period of time.

Among the transport infrastructure works, the renovation of the central railway corridor is supported by the two neighboring countries. In their speeches at the meeting, Russian President Vladimir Putin and Chinese President Xi Jinping reaffirmed their priority in renovating the Central Railway Corridor. The Ulaanbaatar Railway, a

9 Information made by Prime Minister U.Khurelsukh to the Parliament, file: ///C:/Users/Dell/AppData/Local/Temp/medeelel-1.pdf
Mongolian-Russian joint venture, intends to actively use the 1,110-kilometer Sukhbaatar-Zamyn-Uud road for transit.

A plan to renovate the Mongolian part of the corridor has been completed. According to UBRW’s technical modernization and development program until 2030, it is planned to transport 25.76 million tons of cargo in 2018, 31.72 million tons in 2020, 41.06 million tons in 2025 and 51.76 million tons in 2030 respectively. The main purpose of the program is to gradually increase the capacity of the carriageways and transportation of the Ulaanbaatar railway infrastructure in accordance with the Mongolia’s development plan and preliminary conclusions. The program is composed of the following:

- Determining the targeted maximum volume of railway transportation in 2025 and 2030 respectively;
- Analysis of the current technical condition of railway infrastructure;
- Assessing the need for pulling and rolling stock renovation;
- Determining the amount of traffic in 2025 and 2030 respectively;
- Development of measures to increase the capacity of UBRW sections, with or without the construction of the Zuunbayan-Khangi line;
- Determining the investment required for the development and modernization of railway infrastructure;
- UBRW’s economic efficiency indicators to be achieved by implementing the technical modernization and development program until 2030.

Ulaanbaatar Railway transported 3.37 million tons of transit cargo in 2018 and it is expected to reach 6 million tons in 2025 and 8.3 million tons in 2030 respectively.

Use and Significance of the Central Corridor: It is expected that the comprehensive renovation of the Central Railway Corridor will bring different positive results to the economy, each in Mongolia, Russia and China respectively.

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11 IV Mitsuk, General Director of Mosgiprotrans, Technical Reform and Development Program of UBTZ until 2030, https://ubtz.mn/details/1694
For Mongolia, a complete renovation of the central railway corridor is more important than revenue to be generated from transit freight. In terms of significance, at first, it will be a key factor in the creation of value chains in the industrial sector and in the development of existing networks. At second, it will increase the competitiveness of Mongolian products by reducing the cost of transporting goods originating in Mongolia, and at third, it will enable to generate revenue from transit freight. As the experience of other countries display, the highest benefit to be generated from economic corridors is to improve the domestic economic situation rather than the revenue gained from transit freight fees.

The high cost of transportation reduces the competitiveness of Mongolian products and reduces foreign direct investment. Today, the cost per ton of freight to Mongolia is 40% to 100% higher than in other landlocked countries in Central Asia (Table 5). As a result, the competitiveness of Mongolian products has declined, and there has been no “efficiency seeking FDI or foreign direct investment since 2012 in the industrial sector.

Table 5: Comparison of costs to reach the seaports from Mongolia and Central Asia

<table>
<thead>
<tr>
<th>Variables</th>
<th>Alma-Ata, Kazakhstan</th>
<th>Tashkent, Uzbekistan</th>
<th>Dushanbe, Tajikistan</th>
<th>Bishkek, Republic of Kyrgyz</th>
<th>Ulaanbaatar, Mongolia Export</th>
<th>Ulaanbaatar, Mongolia Import</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distance to the closest seaport (km)</td>
<td>3.380</td>
<td>2.720</td>
<td>2.040</td>
<td>3.100</td>
<td>1.700</td>
<td>1.700</td>
</tr>
<tr>
<td>Cost/TEU/km (USD)</td>
<td>0.37</td>
<td>0.35</td>
<td>0.59</td>
<td>0.34</td>
<td>0.61</td>
<td>0.87</td>
</tr>
</tbody>
</table>

The central corridor is expected to provide the highest economic benefits. According to CAREC or Central Asian Regional

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13 Clarke and Piatkowski.

Economic Cooperation’s estimate conducted by the Asian Development Bank regarding the Western, Eastern and Central Economic Corridors, the corridor most profitable for Mongolia is the Central Corridor or Corridor 4b (Figure 2) and (Figure 3)\textsuperscript{15, 16}

\textit{Figure 1: CAREC Corridor 4, a map of the corridor to be established in Mongolia}

\textbf{Source: Asian Development Bank}


On the one hand, Russia is interested in supplying raw materials from the Siberian region and other regions to China in a shorter way. Russia’s industrial zone is located 1,500 km from Moscow. Therefore, if highly processed and finished products are to be shipped to China, it is possible to ship them by sea and from Yekaterinburg to China via Nursultan. Mining raw materials, on the other hand, are less expensive to transport from mines in Siberia and the Eastern region of Russian through the territory of Mongolia. In the case of transit through the territory of Mongolia to Erlian, transportation costs to the Inner Mongolian cities of China (Figure 4) and to factories in other central parts are the lowest.
Figure 3: Cities and distance between cities in Inner Mongolia - Erlian is located in the center.

There is also the possibility of transporting it through the territory of Kazakhstan, but if it is transported to central China, it will be more expensive than through the territory of Mongolia. Russian raw materials can be transported to other industrial cities at low cost via the Chinese railway network (Figure 5).
In the case of short-distance rail transport, the competitiveness of raw materials exported from Russia will increase in comparison with the prices of similar goods imported by sea from other countries. Sea transport of raw materials other than oil and natural gas is the cheapest, but if the source is the closer to Mongolia and farther from the sea, the more likely it is to be transported by rail.

**Russia is also interested in transporting goods from China to Europe in transit.** This route was tried not only by rail, but also by a sea icebreaker to transport the goods along the Arctic Ocean. As for the freight transported by the main railroad, Russian President Vladimir Putin has said that the Ulaanbaatar Railway can increase its freight turnover to 100 million tons, which shows that there is a huge potential to increase transit traffic.

**China’s main interest is in the European Union market rather than in Russia, which is smaller in comparison with the EU and has less purchasing power than the EU.** Russia has a population of 145 million and a per capita GDP of US$ 11,500,\(^\text{17}\) while the EU has a

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population of 447 million and a per capita GDP of US$ 35,600. According to the "China-Europe Container Train Development Plan for 2016-2020" approved by the Development and Reform Commission of the People's Republic of China, 5,000 container express trains will run from China to Europe annually by 2020. During this journey, the corridor passing through the territory of Mongolia was defined as the main corridor of the China-Europe container express train.

2. Study of the Northern Railway Corridor (Kurangino-Kyzyl-Tsagaantolgoi-Arts Suuri-Ovoot-Erdenet-Salkhit-Zamiin Uud-Ereen-Ulaantsav-Janchkhuu-Beijing-Tianjin) project and start implementing it if economically justified

We have proposed to include the Northern and Eastern Corridor projects in the list of top priority projects to be implemented under the Economic Corridor Program. In June 2018, the Parliament amended the “State Policy on Railway Transportation” to include a project to build a new railway from Erdenet station to the Ovoot coal deposit in Tsetserleg soum, Khuvsgul aimag, and to the border crossing point Artssuuri. The 786 km long railway with the gauge of 1520 mm will be a major boost to Mongolia's economic and social development by bringing the mining products of the Khuvsgul, Bulgan and Orkhon aimags into economic circulation and facilitating trade and transport in the region.

Use and Significance of the Northern Corridor: Transportation of mining products is considered to be the most important, and it will boost the development being used for industry, agriculture, livestock, and citizens and tourism.

If the northern corridor is commissioned, the use of the central corridor will increase and efficiency will improve. In 2018, the Northern Railways company, a subsidiary of Australian-listed Aspire Mining, entered into a 30-year concession agreement with the National Development Agency to implement the Erdenet-Ovoot railway project. With the renovation of the Ulaanbaatar Railway's main line, UBRW's main line will be able to receive additional cargo coming from the Erdenet-Ovoot railway. Therefore, the Northern Railways company and UBRW jointly established a working group to discuss issues such as UBRW tariffs. The Northern Railways company has agreed with the UBRW on a carriageway
capacity guarantee and plans to launch it in the spring of 2019 if it can attract the required investment.\textsuperscript{18}

**Turning the construction of the Northern Corridor into a concession makes the implementation of the corridor dependent on the prices of mining products on the international market.** During Prime Minister U.Khurelsukh’s visit to China in 2018, the Northern Railways company signed a Memorandum of Understanding with China’s Gezhouba Group to complete the feasibility study and attract required investment.\textsuperscript{19} Subsequently, the two companies submitted the feasibility study for the Erdenet-Ovoot railway to our Ministry of Transport for final review. It is estimated that the construction of the Erdenet-Ovoot railway will cost about US$ 1.25 billion. However, if the private sector implements this in the form of a concession, it will depend on the level of prices for mining products to be transported by this railway.

**The importance of the Northern Corridor is highest in the Siberian Federal District (Сибирский федеральный округ).** In the future, the railway in this region will be connected to Russia’s Kyzyl railway, which will be more than 1,000 kilometers shorter than the existing railway.\textsuperscript{20} As a result, transportation from mines in the Siberian Federal District (Сибирский федеральный округ) in the Russian Federation to China is to be shortened, and it will increase the competitiveness of these mining products, and will allow the formerly unprofitable mines and the mining sector in the region to grow rapidly. It is clear that the profitability of a number of existing mines, including coal mines, will increase. (Figure 6)

\textsuperscript{18} David Poll: Erdenet-Ovoot railway investment $ 1.25 billion, mongolianminingjournal.com
\textsuperscript{19} When will the Ovoot-Arts railway start? http://www.uurhai.mn/news/view/3951
\textsuperscript{20} Zuunbayan-Khangi and Erdenet-Ovoot-Artssuuri railway projects included in state policy, https://montsame.mn/mn/read/94342

*Figure 5: Location of a coal mine in the Siberian region of Russia*
The opening of the Northern Corridor will intensify foreign cooperation with Mongolia in the cities and provinces of the Siberian region. According to the head of the Russian state of Tuva Sh.V. Kara-Ool, the project implemented by the government of the Russian Federation includes the Kyzyl-Kuragino railway project, and the parties agreed that it will definitely contribute to the development of the Russian remote area (Tuva) and the western part of Mongolia. The President of Mongolia, Kh.Battulga, expressed his hope that the project would contribute to the development of the Northern Corridor, which is included in the Mongolia-Russia-China Economic Corridor program, and that the parties would actively cooperate because they all have the same interest in this issue.

3. Study of the Eastern Railway Corridor (Borzya-Solovievsk-Ereentsav-ChoiBalsan-Huut-Bichigt-Shiliin Gol (Eastern Khatavch) -Ulaankhad-Chaoyang-Jinzhou / Panjin) project and start of implementation if it is economically justified and feasible;

In January 2018, Mongolia, Russia and China hosted an international consultation meeting on the Eastern Railway Corridor-Regional and Mining Development.21

The Eastern Railway Corridor is considered to be second to the Central Corridor in terms of economic significance for Mongolia. The
The competitiveness of the Eastern Corridor is not limited to short distance for freight alone. For short-distance rail transport, 320 km is less expensive, but there are other factors that determine transportation costs and time. These other factors include cargo control, border crossing times, narrow-gauge transitions, and, if necessary, transshipment. Shipping time depends on these factors. In addition to

the time and cost of transportation, the decision on whether to transport goods through the territory of Mongolia will be influenced by the appropriateness of tariff and non-tariff regulations. Therefore, increase the competitiveness of the eastern corridor will be enhanced when the other factors are improved.
In 2017, Mongolian Railway state-owned enterprise was selected to carry out the first and second phases of construction. It will take 2.5-3 years to build the railway, which was acquired by the Mongolian Railway under a concession. The feasibility study was conducted by Nippon Koei company, Japan. The economic calculations for the eastern region were made by China's Baishin Railway. Investment issues are unclear. Mongolia needs to attract investment due to financial difficulties in construction of the railway. With the construction of this railway, it will be possible to transport 12 million tons of freight per year, and there will be an opportunity to be connected to the sea port of Panzin.

Prior to the signing of the three-nation Economic Corridor Program, the issue of the eastern corridor's railway gauge was discussed and approved by Parliament. In 2014, the issue of railway gauges was discussed by the Parliament, and it was decided to construct the Khuut-Choibalsan railway with wide gauge and build the Khuut-Bichigt railway with narrow-gauge. In addition the transshipment facility is planned to be built at Khuut station. These provisions can be reconsidered if the economic justification for the eastern corridor changes.

4. Study of the project of the Western Railway Corridor (Kurangino-Kyzyl-Tsagaantolgoi-Arts Suuri-Khovd-Takashiken-Hami Province-Tsonjiin Khoton Autonomous Okrug-Urumqi) and start implementing it it is economically justified and feasible;

22 Eastern Corridor Railway Breaks in Mongolia https://news.mn/r/769789/

The Western Railway Corridor is considered to be the second largest economic corridor in Mongolia besides the Central Corridor in terms its significance. At present a detailed economic study of the Western Corridor has not yet been conducted.

Due to the economic importance of the corridor for Mongolia, the issue of the Western Corridor needs to be re-discussed in the Government and the Parliament in order to consolidate the proposals and opinions. In terms of importance, the benefits of economic corridors
are, first, to increase domestic economic activity and expand the value chain. This is followed by a reduction in the cost of transporting the goods produced in Mongolia, as well as revenue to be generated from transit. Ulaanbaatar, Erdenet, Darkhan, or three cities connected to the central corridor are some of the places where economic activity can increase rapidly.

The Mongolian side has little economic justification for the construction of the Western Corridor railway. Despite the western region has extensive mining potential, less than 5 percent of the raw materials currently used and exported come from this region. It is unclear at this time whether large deposits will be discovered in the future and large-scale development is possible in the area. Looking at the development in Umnugovi Aimag, the economy is growing rapidly along with the large mine, but the infrastructure needed for the residents to live in is extremely underdeveloped and lagging behind compared to the development of this mine.

It is proposed that the return on investment in Mongolia will be low with the commissioning of the West-West Corridor. First, because of the small population of the aimags, soums and the surrounding areas that pass through the Western Corridor, the economic benefits generated by freight of cargo and movement these people are trivial. Second, with the opening of the corridor, the capacity or know-how of these rural people to expand the value chain is comparatively low. The know-how is as a rule followed by the human factor. Given the current infrastructure and population density, it is doubtful that there will be any rapid progress in the next 10 years, making it difficult for highly skilled people possessing the know-how to move to the region. Third, given the existing industrial and mining base in the region, it is not expected to be large enough to expand the value chain.

However, considering the internal and external benefits, the following conclusions can be drawn. First, Mongolia’s economic activity is poor: economically, Ulaanbaatar alone accounts for more than 60 percent of Mongolia’s GDP. As half of the population are residing in Ulaanbaatar, economic activity is based on the size of the population and the “know-how” of these inhabitants. Although there is an opportunity to increase economic activity from now on, it can be built at a lower cost in other regions (including the Ulaanbaatar-Darkhan-Erdenet region).
Secondly, the amount of transportation from Russia is unknown. If you want to supply natural raw materials or industrial products from Russia to the Xinjiang Uyghur Autonomous Region of China, it is possible to pass through Nursultan. This is because the central industrial zone of Russia is located in the northern part of Kazakhstan (Figure 7).

Figure 6: Mineral and industrial zone of Russia

Major Natural Resources and Industrial Zones (Fig. 9.30)

If Russia wants to export from mines and factories along the northern border of Mongolia, there are options to select: roads and railways. The first option is an road project funded by the Asian Development Bank. The next option is to transport raw materials from the area along the central and northern corridors. The reason for this is that Russia’s supply of raw materials from the northern part of Mongolia to the northwestern part of the People’s Republic of China is not substantial. This is because the main raw materials currently transported are timber, coal and chemicals (Figure 8), which are more concentrated in northern
China's Inner Mongolia and the southern provinces of Inner Mongolia. Mongolia's coal exports today also go to these regions.

*Figure 7: Transit freight*


Third, in terms of economic density, the southern and eastern regions of China have the highest rates (Table 6). Given that the region with the highest economic density has the highest exports, exports to Europe often originate in southern China, the most active part of the economy. Therefore, if Chinese exports to Europe are transported by rail, they can be transported via Nursultan or the Central Corridor.
Table 6: Economic density in billion/sq.m

For the Western Corridor, funding for this corridor may be more difficult than the issues to be resolved between the countries. If Mongolia decides to build this corridor it is necessary to seek for required funding in the form of loans or equity investments, and if the project returns are less economically the issue where to get this fund will be more difficult. Also, in today's world of high debt pressures, the loan option is likely to be detrimental in the medium to long term (Figure 9).
5. Other transport corridor projects

The other three railway projects are included in the program to establish Economic Corridor between Mongolia, Russia and China. One of them is the Choibalsan-Sumber-Rashaan-Manzhouli-Tsitsikhar-Harbin-Mudanjian-Suifenho-Vladivostok-Nakhodka railway corridor. The other is the “Ocean shore-2” route (Choibalsan-Sumber-Rashaan-Ulaankhot-Changchun-Yanji-Huntsun-Zarubino). These projects are under research.

There is also a project to study the prospects of building a high-speed railway line Moscow-Beijing through the territory of Mongolia. The project is also in the research phase.

Two. Possible options for moving the project forward and potential challenges

During the signing of the Economic Corridor Program in 2016, the list of projects approved in the annex stated that it would “study the economic feasibility of a comprehensive renovation of the Central Corridor, construction of dual carriageways, and electrification”. At the Expert Level Meeting held in December 2018, it was agreed to establish a joint working group to conduct the feasibility study for the phased renovation of the
central corridor. It is understood that the scope of the corridor renovation has changed to some extent, and the parties have agreed not to discuss the construction of dual carriageways and electrification in the first place.

In this context, the Ministry of Transport and Communications and the Ulaanbaatar Railway are paying special attention to the development of transit transportation taking many measures, such as providing tariff concessions, facilitating border crossings, and reducing transportation time.\(^\text{23}\) As a result, 167 trains passed in transit from China to Europe and from Europe to China in 2016, while in 2018 this number reached 954.

In any case, it is clear that the three parties will set up a working group to conduct the feasibility study of the project. However, the fact that a joint working group has not yet been established so far and the feasibility study has not yet begun shows that it is not easy to reconcile the interests of the three parties. On the other hand, it gives the impression that the parties do not give equal importance to the project. Therefore, the Mongolian side emphasizes that the implementation of projects is not as expected and there are no projects with a feasibility study ready.

In order to make some progress in the project implementation, it is necessary to establish a tripartite working group and start developing a comprehensive feasibility study for the entire length of the railway in the territories of the three countries. As the technical reform program of UBRW until 2030 was developed by Mosgiprotrans, it can be considered that a preliminary feasibility study for the Russian and Mongolian parties is ready. As only the projects are being discussed by three parties for joint implementation, the issues concerning whether the China party would accept the content of the program and how the program would be coordinated with the plan and program of the entire corridor in China can be resolved with the establishment of a joint working group.

A working group will be established to develop a feasibility study

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\(^\text{23}\) B.Arthur: The regional logistics center will be commissioned in November, http://www.mtz.mn/content/show/id/926

and decide whether to consider the Zuunbayan-Khangi line together in the Central Corridor. Annex to Parliament Resolution No. 32 of 2010 on
“Approval of the State Policy on Railway Transportation” was amended in June 2018 to include the construction of a railway line from Zuunbayan station in Dornogovi aimag to the border port of Khangi.

Continuing the Sainshand-Zuunbayan railway line, a approximately 281 km railway to the Hangi-Mandal border crossing on the Mongolian-Chinese border will be constructed and connected to the railway being constructed across the Chinese border. The transportation distance on the Sainshand-Zuunbayan-Khangi-Mandal-Baotou route will be 590 km, which is 318 km shorter than the Sainshand-Zamiin Uud-Erlian-Baotou route. The construction of the Zuunbayan-Khangi railway will improve the competitiveness of Mongolia's exports of raw materials and products to the Chinese industrial center of Inner Mongolia, Baotou, as well as increase revenue from the export units of iron ore and copper concentrate and lower costs. It is expected to be a new railway that will make a significant contribution to the country's economy.

The main cargo to be transported by the Zuunbayan-Khangiin railway will be iron ore, but also a certain amount of coking coal and copper concentrate, as well as 1-6 million tons of oil, 1 million tons of timber, which can be transited from Russia to Baotou, China. It is possible to transport by this railway 1.5 million tons of cargo exported to China through the Khangi port, around 1 million tons of goods supplied to Bugat and Hohhot through UBRW network, 1-2 million tons of construction materials, metal structures, petroleum products, equipment, devices, heavy machinery and other goods and products to be transported to Baotou-Zuunbayan. The construction cost of the railway infrastructure is estimated at more than US$ 1 billion, based on the construction cost of the Tavan Tolgoi-Gashuunsukhait railway infrastructure.

In connection with the “State Policy on Railway Transport”, the program developed by Mosgiprotrans has calculated the costs in two

24 Zuunbayan-Khangi and Erdenet-Ovoot-Artssuuri railway projects included in state policy, https://montsame.mn/mn/read/94342

versions including and not including the Zuunbayan-Khangi line for the development of the Central Corridor. During a meeting held in Bishkek, President Kh. Battulga expressed his intention to combine the
construction of the Zuunbayan-Khangi-Mandal railway with the renovation of the Central Corridor.

Although we have proposed a comprehensive feasibility study for the Zuunbayan-Khangi line together with the Central Corridor, no final agreement with Russia and China have not been yet reached. Speaking at a meeting of the Heads of State of the three countries in Bishkek, the President of the Russian Federation said that “the construction of the new Zuunbayan-Khang line is an important project, the construction of which will help redistribute freight traffic and reduce the current load on the Mongolian-Chinese border.” It can be understood that the Russian side supports this option in principle.

In order to reduce the load on the port of Erlian, we have been discussing the construction of the Hangi-Mandal port with the Chinese side through bilateral talks. For example, the Ministers of Road and Transport Development of Mongolia discussed this issue during the meeting with the Minister of Transport of the People's Republic of China Li Xiaoping in 2018 and 2019.25

The construction of the railway is economically viable for China, so it is possible to support the line. The construction of a railway from Baotou to the port of Mandal is an indication that the Chinese side has long considered the possibility of building this line. Chinese companies have been involved in the construction of the line in a certain way. For example, the “China Railway 20th Bureau” group has prepared a feasibility study for the Zuunbayan-Khangi railway at the request of the “Dornin Tumur Zam” LLC, but it has not been officially presented to our side yet. “Dornin Tumur Zam” LLC has reached a preliminary agreement with “ETT” JSC and “China Railway 20th Bureau” group to start the construction work in cooperation with “China Railway 20th

25 B.Enkh-Amgalan: Special attention should be paid to increasing transit traffic through the territory of Mongolia, https://updown.mn/83550.html
Bureau” group with the funding from the Development Bank of China upon the conditions of the pre-sale of coal. 26 (Figure 10)

Figure 10: Mongolian-Chinese border and border railway

The analysis suggests that there may be more challenges likely originated from the Russian side. If we look at the most populous cities in Russia, there are only 10 cities with a population of more than 400,000 within 3,300 km from Ulaanbaatar. The farthest is Omsk, with a population of 1.16 million. Excluding Khabarovsky, the remaining nine cities have a combined population of 7.3 million. Thus, these 10 Russian cities cannot be a potential market for China. These cities can not attract interests of Chinese manufacturers. The problem for small towns is that there are no large-scale industries, but the prices of products produced in these cities are not competitive in the world market, making them

26 MTZ: New Railway Project http://www.mtz.mn/content/show/id/1015
difficult to export. Therefore, there is no expectation that these Russian cities will export to China. Russia's exports are more raw materials and mining products.

Excluding January and February of the year, or seasonal fluctuations, it can be said that the railway is operating at maximum load capacity (Figure 11).

*Figure 81: Railway freight index for 2018*

This capacity limitation depends on many factors. These include: no double tracks, slow speeds, many stations, etc. There are many stations on the 1,100 km road (Table 7) and few crossings.
Therefore, the most profitable option for Mongolia is the Central Corridor, which has the highest economic benefits. In order to increase the capacity of the Central Corridor, a double track will be built. The construction of the double track was said to be funded by the United States.
Millennium Challenge Corporation, but the Russian side transferred the grant money to the road and other projects at the time, claiming that the Ulaanbaatar Railway would build it itself. Today, the construction of the double track on the Ulaanbaatar Railway is not progressing at all due to funding and other factors, which is also related to the position of the Russian side. It is necessary to look for opportunities to solve this problem by building new crossings in the short term and to reduce transportation costs and travel time.

Differences of interest: Although the parties agreed that the Central Railway Corridor project is the top priority project, the lack of progress in the corridor renovation, as noted above, is primarily due to differences in the interests of the parties. Although the Mongolian side is interested in moving the project forward as soon as possible, the main problem is that it is not possible to decide on the funding needed to implement the reforms on its own.

Russia, as a shareholder in UBRW, is interested in increasing its profits by enhancing the corridor’s transport capacity, but is not interested in providing the necessary funding for the renovation alone. At the same time, it does not want to attract Chinese funding by changing the shareholding ratio of Mongolian-Russian joint ventures, especially by giving the shares to the Chinese side. Although China has an economic interest in participating in the project, it may be looking for opportunities to advance its geopolitical interests to some extent, based on the potential advantages of funding. Although there are opportunities to address funding issues, which are the main obstacles to the project, with the participation of international banks, financial institutions and third-party companies, but there may not be many banks, financial institutions and third-party companies interested in the project. This is because UBRW faces a constant loss in domestic transportation and many internal problems, such as the social welfare of thousands of employees, which reduces the effectiveness of the Central Corridor renovation project. At the same time, it is clear that geopolitical factors, rather than economic ones, will affect the implementation of the project.

Therefore, our country faces the difficult task of finding and agreeing on funding and operational options that take into account the economic and geopolitical interests of Russia and China, that are acceptable to the Russian side, and that are attractive to the Chinese side.
Chapter Three: OTHER PROJECTS

Monitoring has been done concerning the implementation of 25 projects, except for 7 projects on renovation of the Central Railway Corridor. The projects are classified as follows. These include:

- Ongoing projects
- Projects possible to be implemented
- Projects lagging behind the schedule in terms of implementation.

Currently, there are 10 projects successfully implemented through trilateral cooperation. There are 4 potential projects that are in the process of implementation. However, there are 11 projects that are lagging behind the schedule in terms of implementation.

One. Ongoing projects

In the field of transport infrastructure:

1. Support of the conclusion and implementation of the Agreement between the Governments of Mongolia, Russia and the People's Republic of China on the implementation of international road transport through the Asian road network (ESCAP),

Conclusion of an Agreement:

In December 2016, the “Agreement between the Governments of Mongolia, Russia and China on International Road Transport on the Asian Road Network” was signed. Within the framework of the task reflected in the “Mongolia-Russia-China Economic Corridor Program” and the Government of Mongolia's Action Plan for 2016-2020 which aims at the “development international cooperation in the transport sector and expansion of transit transport by joining regional infrastructure and transport integration”, the representatives of the three countries signed and ratified the "Intergovernmental Agreement on International Road Transport on the Asian Road Network" in Moscow, Russia.

The agreement consists of 20 articles and 3 appendices and contains the matters such as scope of the agreement, definition of terms, rights and responsibilities of the parties, conditions of transportation, general requirements, weight and size of the means of transport,

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responsibilities of the carrier, tax and insurance related matters, regulations governing the carriers and drivers, requirements and conditions for transportation activities, such as liabilities, establishment of a joint committee, guidelines and functions of the committee and other transportation related procedures, requirements and regulations.

The main content and principles of the Agreement aim at development of trade, transport and economic relations with neighboring and third countries, facilitation of trade and transportation, ensuring the interconnection of modes of transport, promotion of cooperation in the road transport sector, compliance with international standards and recommendations and creation of a legal framework for implementation of the Agreement by the Parties in a unified manner.

On April 18, 2018, the Parliament of Mongolia passed a law ratifying the Agreement on International Road Transportation through the Asian Road Network of the three countries.28

Implementation of the Agreement:

In July 2019, the first meeting of the Joint Committee for the Implementation of the Intergovernmental Agreement on International Road Transport on the Asian Road Network was held in Manchuria, Inner Mongolia, China.29 The first meeting of the Tripartite Joint Committee discussed the issues concerning the approval of representatives of the Joint Committee to implement the “Intergovernmental Agreement on International Road Transport on the Asian Road Network”, agreeing on the number of permits to be used in 2020, and opening a transport route along the Asian Road Network AN-4 and the possibility of launching non-scheduled passenger services. The next meeting of the Joint Committee will be held in Mongolia in the first half of 2020.30

Within the framework of the Agreement, the Chinese side handed over a permit for international road transport to Mongolia and Russia in 2019, and the Agreement started its full implemented. Thus, there is a

28 An agreement between the governments of the three countries on international transportation through the Asian road network has been ratified http://www.parliament.mn/n/stey
30 Mongolian carriers have the opportunity to reach the seaport by their own vehicles. https://www.inews.mn/a/9161
real opportunity for Mongolian truckers use their vehicles to transport the freight along the AN-3 network of the Asian highway or Tianjin, China -Ulaanbaatar-Ulan-Ude, Russia and the AN-4 network of the Asian highway, Hongiraf -Urumqi, China -Khovd-Bayan-Ulgii-Barnaul-Novosibirsk, Russia.

2. Active use of the Asian road network AN-3 (Ulan-Ude-Khiagt/Altanbulag-Darkhan-Ulaanbaatar-Sainshand-Zamiin Uud/Erlian-Beijing outer circle-Tianjin) for transit transportation, and study of the economic feasibility of building a highway in this direction;

Concerning the study of the economic feasibility of highway construction:

Our government is focusing on expansion and renovation work due to the deteriorating road conditions, which are classified as 3rd grade or lower in some areas although about 990 km of the AN-3 network in our country is completely paved.31

For example, the 220 km Ulaanbaatar-Darkhan road is being expanded and upgraded to a four-lane road, and the Ulaanbaatar-Altanbulag international road is being upgraded with the funding from the Asian Development Bank and the European Bank for Reconstruction and Development. In 2019, the 20.9 km road from Gachuurt junction to Nalaikh-Choir junction was expanded and renovated into a two-direction, four-lane road with a soft loan from the People's Republic of China.

In 2018, the Mongolian side proposed to “ensure the direct and equal participation of the governments of the three countries in the construction of the AN-3 highway of the Asian road network, discuss and resolve the issue of project funding and start construction in the near future”. However, there is no clear discussion at the working level between the three countries on the construction of the highway. This is highly likely that was caused primarily due to the delay in the operation of Chinggis Land Development Group-New Development Road LLC, which was terminated in June 2019 due to non-compliance with the

31 Information made by Prime Minister U.Khurelsukh to the Parliament, file: /// C: /Users/Dell/AppData/Local/Temp/medeelel-1.pdf
concession agreement to build the Altanbulag-Zamyn-Uud highway.

**Suggestion:** The feasibility study for the construction of the Ulaanbaatar-Zamiin Uud highway needs to be reviewed in more detail. In particular, it is necessary to review traffic intensity projections and economic assessments. In the medium term, it is required to make the existing road four-lane and to establish service centers along the road. In general, the benefits of this road corridor to Mongolia should be considered and appropriate decisions made. For example, there is a need to increase tolls, establish toll collection points, and establish a system for controlling axle loads of means of transport.

**Concerning the active use in transit transportation:** In August 2016, Mongolia-Russia-China transit transport was inaugurated in Tianjin, China, and the three-nation road transport test was officially launched.\(^{32}\)


The AN-4 road in Mongolia is 743.1 km long from the Yarant border crossing point with China to the Ulaanbaishint border crossing point with Russia. The Government of Mongolia has been building the road in stages with foreign and domestic funding. For example, with a loan and grant from the Asian Development Bank, 110.8 km of the Package 1: Camel Neck-Baga Ulaan Davaa route, 103.3 km of the Package 2: Baga Ulaan Davaa-Mankhan soum route, and a total of 214.1 km of asphalt concrete road were built and commissioned in 2015. The road construction contractor was China Jiangsu Jiangda Construction and the consulting company was Korea Consultant International.

In 2014, China Gezouba Group, a Chinese contractor, built 60 km of Ulgii-Khashaat Davaa road, 85.3 km of Khovd-Mankhan road and a total of 145.3 km of asphalt concrete road with a soft loan from the Export-Import Bank of China.

\(^{32}\) 蒙 俄 货运 试运行 打造国际道路运输示范
http://www.xinhuanet.com/world/2016-08/18/c_129240216.htm
Within the framework of the above two projects, a total of 359.4 km of roads were fully commissioned with ADB loans, assistance and loans from the People's Republic of China.

A paved road to Ulgii-Tsagaannuur was built, but it was severely damaged and not maintained. There is a 26 km unpaved road from Tsagaannuur to Ulaanbaishin. No test shipment has been provided.

ADB’s next loan, the Tranchi 2 project, completed the construction of the following roads that remained unbuilt along the vertical axis. These include:

- Package CW1-1: 50 km from Khashaat Davaa to Shurag bridge,
- Package CW1-2: 56.6 km of Shurag Bridge-Khovd route,
- Package CW1-3: 60 km from Khashaat Davaa-Tolbo soum.

The Ministry of Roads and Transportation signed a contract with China Huashi Enterprise and HKB International and Xinjiang Roads and Bridges company in 2015 to complete the construction of a total of 166.6 km of roads. As of June 6:

- Package CW1-1: 100% completion of 50 km road from Khashaat Davaa to Shurag bridge,
- Package CW1-2: 100% completion of 56.6 km road from Shuragin Guur to Khovd route,
- Package CW1-3: 100% completion of 60 km road construction from Khashaat Davaa to Tolbo soum. The work is 100% completed and handed over to the state.\(^{33}\)

According to the "Intergovernmental Agreement on International Road Transport on the Asian Road Network" of the three countries, the Asian road network AN-4 (Novosibirsk - Barnaul - Gorno - Altaisk - Tashanta - Khovd - Yarantai/Takashiken - Urumqi - Kashi - Honkiraf) the sides exchanged views on conducting test shipments within 2019 and agreed to start test shipments if possible.\(^{34}\) However, there are no

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33 Ministry of Road and Transport Development https://mrtd.gov.mn/p/75
34 Ministry of Road and Transportation http://mrtd.gov.mn/i/2060
reports of a test shipment. This issue was discussed at a meeting of the Joint Committee for the Implementation of the Intergovernmental Agreement on International Road Transport on the Asian Road Network in July 2019.  

**In the field of energy:**

**4. Study of the possibility of involvement of Chinese companies in the modernization of the Mongolian and Russian power grids;**

*Possibility study:* The following power plant projects involving Mongolian and Chinese companies have been approved as a feasibility study in 2019 and a sale and purchase agreement has been signed and approved. These include:

- Baganuur TPP 700 MW, Baganuur Power LLC, Baganuur coal mine.
- Booroljuut TPP 600 MW, Tsetsens Mining and Energy LLC and Booroljuut Tal will be based on coal mine.
- Telmen TPP of Zavkhan aimag 100 MW and will be based on Telmen coal mine.

In addition, the Parties are proposing joint initiatives under the Northeast Asia Integrated Network project, but no formal work has yet begun. At the research level, the North China School of Energy in Beijing, China and the School of Energy of the Mongolian University of Science and Technology are conducting a study on “Sustainable Wind Energy Resources in the South Gobi Region of Mongolia and China-Mongolia Wind Energy Cooperation”.

The above-mentioned works are in the process of research and technical documentation preparation.

The following projects with the participation of Chinese business entities and companies have been implemented with soft loans from the People’s Republic of China and Mongolia’s own funding. These include:

- Amgalan Thermal Power Plant with a capacity of 348 MW in Ulaanbaatar
- 50 MW expansion of Ulaanbaatar TPP-3 SOE

35 中蒙俄国际道路运输正式启动 支撑中蒙俄经济走廊建设
- 35 MW expansion of Darkhan TPP
- 35 MW expansion of Erdenet TPP
- 50 MW expansion of Dornod TPP
- Ulaanbaatar - Mandalgobi 330 kV 249 km power transmission line with substation

“Shivee Energy” project: “Shivee Energy” complex project based on Shivee-Ovoo coal mine is being implemented within the framework of the Agreement between the two governments and the installed capacity will be 5280 MW. In 2016, the Shivee Energy project was introduced and a power plant with a capacity of 9,240 MW, a 2,800 MW wind farm and a 1,200 MW solar power plant will be built, with a total length of 1,300 km and a high capacity of 10,000 MW. It was agreed to build an overhead transmission line and implement a total of USD 11 billion worth of projects. The State Grid Corporation of China has prepared a feasibility study for the project, and a Government working group consisting of representatives from the Ministry of Energy and Erdenes Mongol company was working in 2019 to evaluate the feasibility study. The project is being implemented by China’s State Grid Corporation (电网公司) and Mongolia’s state-owned Erdenes Mongol company.

In the field of border crossing points’ modernization:

5. Modernization of Zabaikalsk, Pogranichny, Kraskino and Mond border crossings of the Russian Federation, Manchuria, Suifenhe, Hongchun and Erlian border crossings of the People’s Republic of China, renovation and construction of Mongolian railway and road crossings;

The Government of Mongolia is implementing the Customs Modernization program and the Implementation Unit of the “Development Guide-Infrastructure” project established by the Government Resolution No. 196 of 2016 is responsible for the

36 辛保安会见蒙古国能源部长达瓦苏伦加强中蒙能源合作推进“一带一路”建设
modernization of the border crossing points. The Unit is working to increase the capacity of border crossing points and develop infrastructure in Ulaanbaatar, aimags and large settlements.

**Modernization of the Zamyn-Uud port:**

The Zamyn-Uud border crossing port is the largest border crossing point, handling 70-80% of Mongolia’s total imports. Modernization of the Zamyn-Uud port in accordance with international standards and capacity building began in October 2019. The project will be funded by a grant of 201 million yuan (MNT 75 billion) from the People’s Republic of China to build 30 passenger and 28 freight buildings, infrastructure and green areas. It will also be equipped with smart exits and high-capacity X-ray screening equipment to automatically register vehicles with modern tele-monitoring systems connected to the operational control center. Construction of the port is scheduled to be completed in October 2020.37

From the Mongolian side the border unit of the General Border Protection Agency will be involved in the modernization of the port, the internationally renowned Zhongmei Engineering Group of China and the management team of China IPPR International Engineering Corporation were selected as the construction contractors.38

**Modernization of the Altanbulag port:**

Altanbulag is the main northern border crossing port where 14.5% of passengers and 16% of means of transport cross the border. The modernization of the port will be carried out in two stages. Initially, the construction of a four-lane 1.7 km long road and parking lot with a dividing line began on September 26, 2019. The Asian Development Bank (ADB) provided a soft loan of USD 13.6 million (MNT 36.2 billion) for construction of 19 buildings for transport of passengers, 18 buildings for transport of freight, 5 infrastructure buildings, a complete engineering network, 6,000 square meters of green space, and 4 lanes with a dividing strip. It is planned to build a 7 km long road, 7,000 sq.m. parking lot and 30,000 sq.m area. State-funded allocations will be used.

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to install smart gateways and high-capacity X-ray screening equipment to automatically register means of transport with modern tele-monitoring systems connected to the operational control center.

The second phase of the port's modernization, the expansion of the port's facilities and the construction of utilities, will begin in the first quarter of 2020, and the port's modernization is expected to be completed in 2021.39 As a result of the modernization, the number of passengers passing through Altanbulag port is expected to increase threefold, and the number of trucks and cars will increase fourfold.

Modernization of the Gashuunsukhait port:

The Gashuunsukhait port handles 51.4 percent of coal exports and 55 percent of copper concentrate exports. On October 15, 2019, the construction of the Gashuunsukhait port upgrading to meet international standards and capacity building project was launched. The project is funded by a 148 million yuan (55.3 billion MNT) grant agreed between the Government of Mongolia and the Government of the People's Republic of China and aims to construct two-lane and ten-lane roads to export copper concentrate and coal respectively for heavy trucks, squares, buildings, infrastructure and a complex of facilities with greenery. In addition, advanced equipment for automatic determination of sample content and quality, high-capacity X-rays, and smart gateways for automatic vehicle registration connected to an operational control center with a modern telecontrol system will be installed. Construction of the port is expected to be completed in October 2020.

As a result of the port modernization, the coal export capacity will be tripled, the passenger and freight capacity will be doubled, vehicles will be able to enter the border quickly, passengers will be able to travel comfortably, the quality and quantity of exported natural resources will be precisely determined and taxes will be fully collected. It is important for the country's economy, foreign trade growth, and the health and safety of its citizens.40

39 Renovation of the checkpoint in Altanbulag will start soon
http://undesten.mn/103518.html
40 Ministry of Finance: http
Ministry of Finance: https://mof.gov.mn/article/entry/news-gashuunsuhait
Modernization of the Bichigt port:

The current location of the Bichigt border crossing point is to be changed due to limited access and further expansion. It is the closest port of Mongolia to reach seaports. It is planned to upgrade the port’s customs control equipment and increase its capacity. These include self-moving X-ray equipment for inspection of large trucks, drug and explosives testing equipment, vehicle inspection mirrors, surveillance cameras, screens and other equipment.41

In the field of trade, customs, professional inspection and quarantine:

6. Implementation of the General Agreement on Cooperation in the field of border crossing port development between Mongolia, Russia and China signed on July 9, 2015 and the Memorandum of Understanding on cooperation between the customs services of Mongolia, Russian Federation and the People’s Republic of China on creation of favorable conditions for promotion of trade between the three countries,

In July 2015, in Ufa, Russia, a Memorandum of Understanding was signed between the Customs General Administration of Mongolia, the Customs Administration of the Russian Federation and the Customs Administration of the People’s Republic of China on cooperation in creation of favorable conditions for promotion of trade between Mongolia, Russia and China.

Implementation process of the Memorandum of Understanding:

On December 17, 2015, a meeting of the Heads of Customs services of Mongolia, Russia and China was held in Beijing, China, and it was agreed to establish a working group to ensure the implementation of the documents in order to establish a tripartite cooperation coordination mechanism.

The first meeting of the tripartite working group was held in Ulaanbaatar on May 12-13, 2016, and the following issues were discussed. These include:

41 Customs General Administration: http://customs.gov.mn/2018-03-30-06-41-34
- exchange views and reach solutions on priority activities under the Memorandum of Understanding.
- finalize the draft Agreement between the General Administration of Customs and Taxation of Mongolia, the Federal Customs Service of the Russian Federation and the General Administration of Customs of the People's Republic of China on mutual recognition of the results of customs inspections of certain types of goods.
- discussed issues such as the establishment of a Secretariat of the Customs Administrations of Mongolia, the Russian Federation and the People's Republic of China.\(^{42}\)

During the SCO Summit in Tashkent, Uzbekistan, in June 2016, the Customs Administrations of three Parties agreed to mutually recognize the results of customs control of goods (《中华人民共和国 海关 总署 、蒙古国 海关 与税务 总局 和 俄罗斯 联邦 海关 署 关于 特定 商品 海关 监管 结果 互认 协定》).\(^{43}\)

7. Support and implementation of the conclusion of an Agreement between the General Administration of Customs and Taxation of Mongolia, the Customs Service of the Russian Federation and the General Administration of Customs of the People's Republic of China on mutual recognition of the results of customs inspections of certain types of goods;

On June 23, 2016, in Tashkent, the capital of Uzbekistan, the General Administration of Customs and Taxation of Mongolia, the Customs Service of the Russian Federation and the General Administration of Customs of the People's Republic of China signed a Memorandum of Understanding. The agreement was signed by S. Purev, Head of the General Administration of Customs and Taxation of Mongolia, A. Belyaninov, Head of the Federal Customs Service of the Russian Federation, and Yu Guangzhou, Head of the General Administration of Customs of the People's Republic of China.\(^{44}\)

The agreement allows the Mongolian-Russian-Chinese Customs


Administrations to exchange and transfer information on certain types of goods transported between the three countries. In addition, Mongolian companies and organizations are able to transport goods from China to Russia and from Russia to China without any obstacles as quickly as possible.

**In the field of scientific and technical cooperation:**

8. Strengthening cooperation between the three countries in the fields of the science and technology parks and innovation as well as cooperation between scientific and educational institutions concerning transport, environmental protection and rational use of natural resources, life sciences, information and communication technologies, nanosystems and materials, as well as energy, energy conservation and waste reduction, agricultural science, new industrial technologies, natural and technological disasters, etc.

The International Scientific Conference of the Think Tank Association of Mongolia, China and Russia has been held regularly since 2015. It was held in 2015 in Ulaanbaatar, Mongolia, in 2016 in Hohhot, China, in 2017 in Ulan-Ude, Russia, in 2018 in Ulaanbaatar, Mongolia and in 2019 in Hohhot, China.

The China-Mongolia-Russia Think Tank Association signed and ratified the Strategic Agreement on Further Cooperation, the Charter and the Declaration.45

The China-Mongolia-Russia Think Tank Association comprises the Mongolian Academy of Sciences, the National University of Mongolia, the Inner Mongolia Development Research Center of the People’s Republic of China, the Development Research Center of the State Council of the People’s Republic of China, the Far Eastern Institute of the Russian Academy of Sciences, and The Siberian branch of the Russian Academy of Sciences, Mongol Studies, Buddhism, and the Institute of Tibetan Studies.

Mongolia-China Technology Transfer Conference: In October 2015, Mongolia and China agreed to hold the first Mongolia-China Technology Transfer Conference.


45 NUM: The 4th International Tank Tank Forum of China, Mongolia and Russia was held https://news.num.edu.mn/?p=52410
Transfer Innovation Cooperation Conference and establish a Mongolian-Chinese Science and Technology Transfer Center and a Mongolian-Chinese Joint Biological High-Molecular Application Testing Department.\(^{46}\)

In September 2019, the second Mongolia-China Technology Transfer and Innovation Cooperation Conference was held in Inner Mongolia, China. The parties signed 18 cooperation Agreements and Memoranda of Understanding in the fields of medicine, biotechnology, information and technology, modern agriculture, energy saving and environmental protection. As of 2019, more than 120 science and technology cooperation projects between Mongolia and China are being implemented.

**In the field of humanitarian cooperation:**


In 2013, the Chinese side proposed to restore the Tea Road, and made the same proposal to Mongolia and Russia. In October 2019, the Mongolian Academy of Sciences organized an international conference on “Tea Roads and Nomads” in Ulaanbaatar to raise awareness about the “Tea Road”.

During the meeting of the Ministers of Tourism of the three countries, the “Tea Road” cultural and tourism development reform forum, bilateral meetings and branch meetings are organized, and the “Tea Road” cultural and tourism exhibition is held. Ulaanbaatar, Dornogovi, Dornod, 11 provinces of China, and five provinces and cities of Russia are members of the Tea Road International Tourism Association.

The “Tea Road” art festival for children and youth of the three countries is organized. In November 2018, the second “Tea Road” China-

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\(^{46}\) China-Mongolia Technology Transfer Innovation Conference http://www.solongonews.mn/content/read/4215.htm

Mongolia-Russia Children and Youth Culture and Arts Festival was held in Erlian, China. The event was attended by more than 400 children from Mongolia and Russia, and more than 200 children from China.48

10. Development of cross-border tourism routes, including the Great Lakes Triangle, which includes Lake Huvsgul in Mongolia, Lake Baikal in Russia, and Lake Hulunbuir in China, as well as the creation of the Mongolia-Russia-China Tourism Circle.

A mechanism for conducting the annual meeting of Ministers of Tourism of three countries has been set up. The first meeting of the Ministers of Tourism of Mongolia, China and Russia was held in July 2016 in Hohhot, China, within the framework of developing the Tea Road tourism brand between Mongolia, China and Russia and a Memorandum of Understanding on cooperation between three countries was signed. In October of the same year, the Secretariat of the Tea Road International Tourism Association was established in accordance with the Beijing Declaration of Cooperation of the Tea Road International Tourism Association. The Chamber of Culture and Tourism of the Inner Mongolia Autonomous Region of the People's Republic of China acts as the Secretariat of the International Tea Road Tourism Association.

The Fourth Meeting of the Ministers of Tourism of Mongolia, Russia and China was held in June 2019 in Ulaantsav, Inner Mongolia, the People's Republic of China. The meeting proposals for the implementation of joint marketing activities promoting the variety and quality of the “Tea Road” tourism brand, which is being developed jointly by the three parties, effectively directing the state policies of the three countries, improving and facilitating the conditions and security of mutual tourism, and offering joint tourism products to third countries.


In May 2019, a special tourist train called “Traveling Again on the Tea Road” moved from Moscow to Ulaanbaatar to Beijing, carrying 278 tourists from 15 countries.49
Russia and China lead the tourist market in Mongolia. In 2018, 129,094 tourists from Russia visited Mongolia, an increase of 20.7 percent from the previous year, and 163,991 tourists from China, an increase of 13.8 percent from the previous year.50

Two. Projects possible to be implemented

In the field of transport infrastructure:

11. Studying the project of the Eastern Road Corridor (Borzya-Solovievsk-Ereentsav-Choibalsan-Baruun Urt-Bichigt-Zuun Khatavch-Baruun Uzemchin-Ulaankhad /Shiliin Gol Chaoyan /Chende-Jinzhou/Panjin/Tianjin) and starting to implement it if economically justified

Our party has expressed its intention to include the Northern and Eastern corridor projects in the list of priority projects under the Economic Corridor Program. However, little has been done so far. The Mongolian Academy of Sciences conducted a study on “Socio-Economic Spatial Analysis and Transport Corridor in the Eastern Region of Mongolia” and concluded that in 2018 it is possible to establish an industrial park in Dornod aimag and the eastern region of Mongolia.

In the field of environmental protection and ecology:

12. Intensifying the practical collaboration to ensure mutually beneficial trilateral cooperation in the field of specially protected areas, strengthening the relevant ties, organizing consultative meetings, and mutually beneficial cooperation within the framework of the joint Mongolian-Russian-Chinese Daurian Strictly Protected Area.

A meeting of the three working groups of the International Daurian Strictly Protected Area was held on July 4 and 5, 2017 in Choibalsan.

49 今年首列中蒙俄“重走茶叶之路”旅游专列抵达中国
http://www.nmg.xinhuanet.com/xwzx/2019-05/16/c_1124502124.htm
50 Байгаль орчин, аялал жуулчлалын яам: https://www.mne.mn/?p=8776
Mongolia. Representatives of the Daursky Strictly Protected Area of the Russian Federation, the Hulun Lake Nature Reserve of the People's Republic of China, and the heads and officials of the protected areas of Mongolia participated in the meeting and discussed the preparations for the UNESCO World Heritage List.\textsuperscript{51}

Subsequently, the Daurian landscape, nominated by Mongolia and Russia at the 41st Regular Session of the UNESCO World Heritage Committee on July 2-12, 2017, was inscribed on the UNESCO World Heritage List by decision 41 COM 8B.6.\textsuperscript{52} Nowadays, the International Daurian Strictly Protected Area conducts research and publicity every year.

**In the field of humanitarian cooperation:**

**13. Promotion of film trade and exchanges between the three countries and development of joint film production,**

In 2016, Chinese, Mongolian and Russian television companies signed an Agreement to jointly shoot a documentary series on the Tea Road. In addition to the 30-episode series, the Parties plan to make three films, publish an "Encyclopedia of Chinese Culture" in Mongolian, and create an online translation platform for Chinese characters, Mongolian script and Cyrillic.

**In the field of scientific and technical cooperation:**

**14. Promotion of the exchange of information on scientific and technological development of the Parties, support of the exchange and training of researchers,**

The Ministry of Education, Culture and Science of Mongolia and the Science and Technology Foundation fund joint projects with Russia and China, and conduct research on a contract basis. A joint technology

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\textsuperscript{51} The Mongol Daurian Strictly Protected Area will be inscribed on the UNESCO World Heritage List. https://news.mn/r/764527/

\textsuperscript{52} The Mongol Daurian Strictly Protected Area is a World Heritage Site. http://www.olloo.mn/n/44818.html
testing and refining project with China and Russia are being implemented.\textsuperscript{53}

\textbf{In the field of transport infrastructure:}

\textbf{15. Launch of joint negotiations on the establishment of a tripartite logistics company,}

There are no joint talks on establishing a tripartite logistics company. However the process of establishing a Mongolian-Chinese joint venture has begun.

\textbf{Mongolia-China Logistics Company:} In April 2019, the Government decided to set up a transportation and logistics company in the Dongjiang Free Trade Port area of Tianjin, China, and to establish a 49 percent Mongolian-owned company with a southern neighbor. Accordingly, B.Tsengel, CEO of Mongolian Railways, signed an agreement with China’s Tianjin Port Economic and Technological Cooperation to establish a China-Mongolia International Logistics Zone. In 2009, the People’s Republic of China signed a Memorandum of Understanding with the People’s Government of Tianjin and the then Ministry of Roads, Transportation, Construction and Urban Development to provide 10 hectares of land in the Dongjiang Port Economic Zone for 50 years on concessional terms. Four years later, in 2013, an official decision was made to jointly own and use the 10 hectares of land with the Chinese side.

\textbf{16. Intensification of the construction of communication infrastructure, establishment of a platform to manage the technological operations and ensure security of the Ulan-Ude-Khiaigt/Altanbulag-Darkhan-Ulaanbaatar-Sainshand-Zamiin Uud/Erlian-Ulaantsav-Beijing-Tianjin transit transport corridors;}

The Communications and Information Technology Agency of Mongolia prepares and provides information on international transit services to the relevant people of the Ministry of Foreign Affairs as part of the Russia-Mongolia-China Trilateral Economic Corridor. The Mongolian working group also includes the Head of the Department.\textsuperscript{54}

\begin{flushright}
\textsuperscript{53} Science fund: http://www.stf.mn/home/c/30780
\end{flushright}
In the field of industry:

17. Intensification of the establishment of a benchmark zone for the Mongolia-Russia-China Economic Corridor and explore the possibility of establishing an industrial cooperation cluster between the three countries.

In September 2016, a Memorandum of Understanding on Production Capacity Cooperation between Mongolia, Russia and China was signed.55

18. Studying the grounds for establishing a model zone of economic cooperation between Heilongjiang Province (China), relevant subjects of Russia, Inner Mongolia Autonomous Region (China) and Mongolia;

The three sides have not yet held any talks in this regard. At home in 2013, China approved China's "Heilongjiang Province and Inner Mongolia Eastern Region Open Development Program 2013-2020"56, and the two provinces agreed to work closely with Mongolia in 10 areas to improve coordination and enhance internal integration. It could be a step towards the establishment of a zone.

In the field of trade, customs, professional inspection and quarantine:

19. Implementation of the Joint Statement of Mongolia, Russia and China on Cooperation in the Field of Food Security under the “Regions and Roads” Initiative of November 3, 2015, support of the strengthening of cross-border food trade cooperation and improvement of trade conditions,

Bilateral cooperation on food trade control with the two neighbors is now more advanced than trilateral. In the first quarter of 2016, the eligibility for opening of two factories was given in accordance with the negotiations on the export of meat and meat products from Mongolia to Russia and the submission of all relevant information such as Mongolia's

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55 China Central Television: mn.cctv.com/2016/09/06/ARTIV1dRZivryHwgAenwJAEQ160906.shtml
meat reserves, export opportunities, information and capacity of meat factories. The Ministry of Agriculture and Food of China agreed to issue a “road map to support cooperation with the General Administration of Customs of the People's Republic of China to facilitate trade in healthy and safe agricultural products between the two countries, develop cooperation in the food industry and organic product certification, and export organic food from Mongolia to China.

20. Facilitation of the signing of General Cooperation Agreements between the competent authorities of Mongolia and the Russian Federation and the General Administration of Quality Supervision, Inspection and Quarantine of the People’s Republic of China, including entry and exit of animals, plants and their origin, strengthening the cooperation in the field of product quarantine, prevention of the spread of contagious animal and plant diseases and harmful biological infections and ensuring trade security of livestock and plant products,

On August 29, 2016, the “Mongolia-China Border Hygiene and Quarantine Cooperation Agreement” was signed. Memorandum of Understanding between the State Inspection Agency and the State Inspection Agency of the People’s Republic of China on exchange of information in the event of a public health emergency was signed in Manzhouli on August 29, 2017. Memorandum of Understanding on border hygiene and quarantine between Khavirga-Arkhashaat, Bayankhoshuu-Uvdug and Sumber-Rashaant ports, a total of 4 memorandums were signed by both parties. This established a mechanism to prevent human-to-human transmission of cross-border diseases and other infections, and created a legal environment to support capacity building at border crossings, such as exchange of experience, training of personnel, joint surveillance, information exchange, and technical assistance.

At the meeting of the Mongolian-Chinese CCC in September 2018, it was agreed to develop a mechanism for cooperation between veterinary organizations of the two countries and to study the fight against transboundary animal diseases. By the order approved by the Minister of

57BIA: A memorandum of cooperation was signed in the field of border hygiene and quarantine.
Food, Agriculture and Light Industry, three working groups for inspection of rye, wheat flour, animal by-products, milk and dairy products to be exported from Mongolia to China were received by the State Inspection Agency and relevant authority. Of these, the legal document for the export of rye and wheat flour was agreed.

**In the field of environmental protection and ecology:**

21. Establishment of cross-border ecological corridors between Mongolia, Russia and China, conducting research and monitoring of wildlife and fauna, water and wetlands, and strengthening cooperation in the field of protection of wildlife, flora and migratory birds;

There is currently no cooperation in this area.

22. Study of the possibility of establishing a joint management and information exchange system in the field of environmental protection and ecology, as well as conducting a seminar on environmental protection;

The Ministry of Nature, Environment and Tourism is implementing a project on “Joint Monitoring and Evaluation of Desertification and Dust Storms in the Mongolian-Chinese Border Desert”. There is no project is being implemented regarding the environmental protection with Russia.

23. Expanding the scope of pupil exchanges and mutual exchange of students abroad, promotion of youth educational exchange programs based on the resources of educational institutions,

There are more than Mongolian 10,200 students studying in China. In 2015-2019, a Chinese government scholarship program was implemented to train 1,000 students and a total of 5,000 students. During the same period, a youth program was implemented to allow 100 young Mongolians to visit China each year. More than 5,000 Mongolian students study in Russia.

**In the field of agriculture:**

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58 Ministry of Nature, Environment and Tourism
https://www.mne.mn/?page_id=570

In the field of medicine:

25. Co-chairing international seminars on medicine and public health, and implementing cooperation in the field of public health.

So far, no work has been done in this area.

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The implementation of projects included in the Economic Corridor Program shows that trilateral projects in the transport, tourism and science sectors are progressing, while industrial, customs and quarantine projects, which have not yet established a tripartite meeting mechanism, are moving forward only on a bilateral basis. Therefore, the three parties need to work more closely on projects that are already agreed upon, especially in the areas of soft infrastructure, such as telecommunications, customs, professional inspections, and quarantine standards.
Chapter four: CONSTRUCTION OF NATURAL GAS TRANSMISSION PIPELINES

Of the 32 projects in the three-nation economic corridor program, no oil or gas transmission pipeline projects were included. However, in the last two years, it has become a topic of discussion between the Heads of State of Mongolia, Russia and China. Therefore, it is necessary to include this issue in the study of economic corridors, and we have considered the issue of the crossing of a natural gas transmission pipeline connecting Russia and China through the territory of Mongolia.

The issue of crossing of oil and gas transmission pipelines through the territory of Mongolia has been an open topic in Mongolia for 30 years. It can be considered that the issue has been developed in three stages so far.

The first stage. 1990-2000: In order to overcome its economic difficulties, Mongolia has proposed to build an oil pipeline in order to make transit transportation one of the main sources of budget revenue and conducted required studies. However, the two neighbors did not pay attention to it because they were focused on internal economic issues. As Russia's main oil and gas market was Europe it focused on developing the transportation network only in that direction and there was no need to develop oil and gas trade with Asia. In China, on the other hand, energy consumption was comparatively lower than it is now, largely due to domestic production.

The second stage. 2000-2010. Political and economic relations between Russia and China have intensified, and the two countries have begun to discuss the construction of oil and gas pipelines and to develop specific projects. Our country made a proposal during a high-level visit. However, Mongolia's proposal was still rejected because the two neighbors had a policy of bypassing Mongolia's eastern and western borders. Russia and China have agreed to increase the number of suppliers, increase the volume of oil imports from Russia, and build pipelines for importation and transmission, as energy consumption increases with China's rapid economic growth. The parties intensified negotiations and specific projects. Mongolia's proposal to cross the eastern and western borders of Mongolia for pipeline construction was insignificant during this period, as the parties remained committed to establishing a transport route connecting the two countries by land rather than through a third country.
The third stage. 2010-2020: Both China and Russia focus on regional influence and cooperation. Multilateral cooperation has been established within the framework of political and economic cooperation organizations such as the SCO, "One Region, One Road" and the Eurasian Economic Union. In this context, Mongolia has begun to develop trilateral cooperation with its two neighbors. With the beginning of the tripartite cooperation, the Mongolian side has actively raised the issue of infrastructure connections, including the construction of gas pipelines.

Since 2010, China has become the world’s second largest economy, reducing energy consumption, reducing air pollution, and developing electric vehicles to increase demand for natural gas, a clean fuel. Since 2014 and 2016, relations China and Russia with the United States of America have deteriorated sharply, and Mongolia's importance has increased due to China’s active policy on the Eurasian continent and Russia's active policy towards Asia. Russia needs to find another way to export Yamal excess gas and make up for its financial losses, as the United States of America has recently halted construction of the North Stream-2 pipeline as part of a policy to pump large amounts of liquefied natural gas to Europe and squeeze Russia out of the European gas market and the volume transmitted through Ukraine reduced twofold. As a result, Russia is interested in increasing gas supplies to China. Thus, the issue of harmonizing the tripartite mechanism of Mongolia, Russia and China with the energy transport policies of Russia and China, and the construction of a gas pipeline between the two neighbors through the territory of Mongolia has become more active.

In late 2019, Russia began to raise the issue of laying a gas pipeline through the territory of Mongolia, but China has not yet commented. In accordance with the Memorandum of Understanding signed with Russia’s Gazprom, a working group was established on February 18, 2020 to be in charge of the issues regarding the construction of a pipeline through the territory of Mongolia.

One. Current gas supply projects between Russia and China

There are three major gas pipeline projects connecting Russia and China. Russia plans to supply about 38 billion cubic meters of natural gas a year, a total of 76 billion cubic meters, through the Siberian Power 1 and Siberian Power 2 pipelines. However, both are planned to bypass Mongolia to the east and west. The third is a pipeline project to transport 8-10 billion
cubic meters of gas from Sakhalin. Projects to transport liquefied natural gas by sea and rail will not reach the scope of these two projects and will not be directly related to the construction of pipelines in Mongolia. Therefore, let's take a closer look at "Siberian Power 1" and "Siberian Power 2" in this study.

Figure 12. Gas pipeline route from Russia to China

"Siberian Power 1":

The Sila Siberia 1 or Siberian Power 1 route originates in the Chayandin deposit and travels to China via Skovorodino and Blagoveshchensk. China has been negotiating for more than 10 years to buy natural gas from Russia and signed a formal agreement in May 2014. With the commissioning of the Siberian Power 1 gas pipeline on December 1, 2019, it would be possible to supply 38 billion cubic meters of gas a year by 2023. At its peak, the Chayandin field has the capacity to produce only 25 billion cubic meters of natural gas a year. Therefore, the Russians need additional deposits to supply the planned gas. Therefore, there is a need to build an additional 800 km line from the Kovykta deposit in the northwestern part of Lake Baikal in Irkutsk Oblast to Chayandin.
**Construction:** After five years of construction, the pipeline started exporting to China in December 2019. Under the agreement, Russia will supply 38 billion cubic meters of natural gas to China annually for 30 years. As exports are just beginning, Deputy Prime Minister Dmitry Kozak, Russia said, “In the first half of the year, the gas pipeline will be adjusted and will not work at full capacity. The parties will gradually increase the preparations for the supply of natural gas within 4-6 years and complete the technological procedures and agreements.”

**Figure 13. Gas pipeline route from Russia to China**

![Gas pipeline route from Russia to China](image)

*Source: gazprom.com/projects/east-programm/

**Price:** The total contract value is $400 billion. In terms of unit price, Gazprom sold 1,000 cubic meters of natural gas to Europe in 2018 for $380.5, while in the agreement with China it agreed on a price of

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59 Promising licensed areas of Eastern Siberia and the Republic of Sakha (Yakutia), JSC "Rosgeologiya", 2017

more than $350 per 1,000 cubic meters, according to Interfax. Gazprom share rose by 0.8 percent to 146.6 rubles after falling amid concerns over gas supplies.
**Customer**: This pipeline originates in Russia's Eastern Siberia and will supply natural gas to China's most populous and most developed cities, such as Harbin, Dalian, Beijing, Tianjin, Nanjing and Shanghai, for 30 years. The pipeline is also a strategic and economically viable network for Russia to connect to North Korea, South Korea and Japan, and to export its natural gas to other major Asian economies. Therefore, there is a need to increase the capacity of the eastern gas pipeline and increase the economic turnover.

The consumer country, the Chinese government, will be responsible for building a natural gas pipeline on its territory, for which it will invest $20 billion. However, the goal is to reach 30 percent by 2030. There is a need to reduce air pollution with natural gas and supply it to regions with high economic consumption. China's existing domestic gas and oil pipeline network will be expanded. (Figure 14). Siberian Power 1 will supply natural gas to China's east coast. The Siberian Power 2 project is planned to connect central China with natural gas, but the issue has become less important due to the construction of a pipeline from Central Asia.

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60 [https://www.eia.gov/international/analysis/country/CHN](https://www.eia.gov/international/analysis/country/CHN)
"Siberian Power 2" or Altai Pipeline:

The second line, originally from the Yamal Peninsula, was planned to be 50 km from the Russian-Chinese border, but it took many years to complete. In 2015, Gazprom and CNPC signed an agreement to supply natural gas, a line that would extend the western line from Western Siberia to Novosibirsk to the Russian-Chinese border, dubbed "Siberian Power 2" in 2019. The issue of transit through the territory of Mongolia has been actively discussed since September. A natural gas pipeline through the territory of Mongolia could replace the Siberian Power 2 pipeline.

Project progress: The issue of the Altai or "Siberian Power 2" pipeline was first raised during Russian President Vladimir Putin's visit to Beijing in 2006. Alexei Miller, Gazprom's chief executive, and Cheng Geng,
chief executive of China's CNPC, have signed an agreement to build the Altai Pipeline. The Russian-Chinese natural gas pipeline, the second largest in the world in northern Siberia, diverts gas from the Zapolarnoye deposit in the Yamal Peninsula to western Europe and southeast Asia, then through the cities of Nizhnevartovsk, Tomsk, Novosibirsk, and through the 50-kilometer corridor connecting Russia and China on the Kazakh-Mongolian border to reach the Xinjiang Uyghur Autonomous Region, supplying China's central, western, and northern provinces with natural gas. A. Miller, the head of Gazprom, said that "Except for the price agreement on the supply of natural gas to China in the west, the issue has been resolved," but it is still stagnant. Russia is proposing to pump 30-38 billion cubic meters of gas a year through the pipeline for 30 years.

However, the line is facing strong opposition from local residents. The "Siberian Power 2" line was planned to connect Western Siberia with China and cross the Ukok plateau in the Altai Mountains and the Golden Mountains in the Altai Mountains. However, there is a UNESCO World Heritage Site, a local place of worship, and locals strongly oppose the destruction of the sputum. The plan is now at the negotiating stage between the two countries and has stalled for some time.

*Figure 15. Gas pipeline route from Russia to China*

**Reasons for the project's delay:** The pipeline will run from the People's Republic of China to the central and eastern regions, and through the Tibetan Autonomous Region to markets such as Nepal and India, according to a recent report by JBC Energy, an Austrian consulting firm. The top management of two state-owned companies, Russia and China,
have agreed to complete the construction of the Eastern Pipeline (Siberian Power 1) in 2013, based on economic benefits and needs. At the APEC summit in 2014, the Parties agreed to intensify the construction of the western or Altai Pipeline, and in 2015 Gazprom signed a Memorandum of Understanding with China’s CNPC outlining the basic conditions for the construction of the pipeline. Russia’s Gazprom’s focus on completing the construction of the eastern Siberian Power 1 gas pipeline as soon as possible may have led to the suspension of the Altai project.

In 2016, Wang Yilin, the director of CNPC, said that gas supply through the pipeline to China has not been resolved and the amount and price of the pipeline are unknown. If China builds the pipeline with a capacity of 30 billion cubic meters a year, it will buy only 8-10 billion cubic meters a year to compensate for the seasonal fluctuations in gas from Central Asia. If so, the pipeline will not operate at full capacity and will not be economically viable. If the Altai Pipeline is laid in western China, a 2,700-kilometer Vostok-Zapad III pipeline will need to be built to bring it to the east of the country. In order to transport gas from Central Asia through its territory, it is not possible to transmit two additional pipelines, I and II, from the Northeast to the Central and Eastern regions, which are overloaded and will carry 85 billion cubic meters per year. It is required to build an additional extension line. /Picture 5/

New situation: Russia’s gas supply through Ukraine will decrease by 50 percent by 2020, and the construction of the North Stream-2 pipeline across the Baltic Sea will be halted due to sanctions, which will lead to underutilization of the Yamal and Urengoy gas fields. Therefore, Gazprom’s management may resume talks with China on the Altai project. Gazprom Export Director Elena Burmistrova said on February 14, 2020 that she was continuing talks with China on the Altai Pipeline issue.

61 China refutes Gazprom’s statement. There is no place for Russian gas in the Chinese market http://ehorussia.com/new/node/12499
Supply and demand forecast for Russia and China: In 2020, China’s gas consumption will reach 319 billion cubic meters, an increase of 10 percent over the previous year. The country will import 80 billion cubic meters of gas. Russia could become a major supplier if 70 percent of its imports come from Turkmenistan, while Siberia Power 1 and the planned Siberian Power 2, or Altai gas pipelines, start operating at full capacity.

Russia is the largest exporter of natural gas. China is the world’s largest importer. In the first half of 2018, China’s imports surpassed Japan’s to become the world’s largest importer of natural gas. Compared to the same period of the last year, natural gas exports to China increased by 35 percent or 58.4 billion cubic meters. As part of its efforts to combat air pollution, China plans to intensify its efforts to replace coal with natural gas. According to a study by China’s state-owned CNPC in August 2019, China’s natural gas consumption increased to 238 billion cubic meters in 2018, compared to 610 billion cubic meters in 2035 and 30 years between Russia and China in 2050. At the end of the contract, annual consumption is expected to increase steadily to 690 billion cubic meters. At the same time, China’s domestic gas supply is projected to grow at a relatively slow rate of 161 billion cubic meters in 2018, 300 billion cubic meters in 2035 and 350 cubic meters in 2050. Therefore, the Chinese authorities need to start work on the western pipeline immediately.
recent years, the country has also increased its gas imports from Southeast Asian countries, led by Myanmar.

Russia exported 200 billion cubic meters of natural gas to the world market last year. China's natural gas demand is over 300 billion cubic meters. China imports natural gas from the Asia-Pacific region, but current European consumption is projected to reach 600 billion cubic meters by 2030. That's why it was started.

If China's relations with the United States deteriorate, it will be impossible to attract liquefied natural gas from Qatar and Australia by sea, so the initiative from Russia is considered strategically important.

**Competing options:**

**Kazakhstan’s proposal:** Kazakhstan’s Energy Minister Nurlan Nogayev proposed the possibility of crossing the Siberian Power 2 pipeline through the territory of Kazakhstan on February 12, 2020 during a meeting with Russian Energy Minister Alexander Novak. Earlier, in November 2019, Kazakhstan made a proposal to build a pipeline “Siberian Power 2” or a separate pipeline from Barnaul to supply gas to the Eastern region. Russian experts say the laying a pipeline through Kazakhstan is risky. They point out that the country is supplying its natural gas to China, that the political situation has changed, that the new president Tokayev is expanding relations with the West, and that there have been a number of ethnic conflicts.

Russia has repeatedly stated that it will supply natural gas directly from Russia to China without crossing any country. This means that it will not pass through the territory of Mongolia or Kazakhstan, but it is noteworthy that in 2017 the Russian Ministry of Natural Resources announced that Gazprom’s Altai pipeline would not pass through the Altai Mountains in the Ukok Valley.

62 Kazakhstan offered Russia to lay the gas pipeline “Force of Siberia-2” on its territory https://www.kommersant.ru/doc/4252028
63 Kazakhstan considers the possibility of joining the “Siberian Force-2” https://www.kommersant.ru/doc/4171666

**Other gas pipelines:** include the Iran-Pakistan-China gas pipeline project, which competes with the Siberian Power 2 pipeline, the pipeline
from Myanmar to central China, and cheap liquefied natural gas from Australia and the United States to the east and south. It is also possible to supply 8 billion cubic meters a year from the Sakhalin deposits, the third line from Russia to China. Recently, there has been talk of a supply of natural gas through the territory of Mongolia.

Two. Talks and discussions held between the three countries on the construction of a gas pipeline

For the past 30 years, the issue of supplying oil and natural gas from Russia to China via Mongolia has been discussed between two or three countries. Our high-ranking officials have always expressed their position, but Russia and China have been inactive. However, their position is beginning to change due to the recent political, economic and international situation. As mentioned above, the talks on construction of an oil and gas pipeline through the territory of Mongolia have been in three stages for 30 years. In each of these three stages, the positions of the parties and the status of the discussions are described below. It also covers not only natural gas pipelines, but also oil pipelines and supply.

The first stage. 1990-2000: In order to overcome the economic difficulties, to develop economic relations with neighboring countries, and to make transit transportation the main source of budget revenue, Mongolia proposed to build an oil pipeline and conducted related research. Mongolia has repeatedly raised the issue of oil and natural gas pipelines at the political level since 1990, but China and Russia have not responded.

The second stage. 2000-2010. Russia has shifted its foreign policy to Asia and the Far East, developing a strategic partnership with China and expanding political and economic ties between the SCO and the two countries. Since then, the issue of oil and gas pipelines between the two countries has been discussed and steps have been taken to implement certain projects, so our country has made proposals to our neighboring

Kazakhstan is ready to put "transport shoulder"
China to Build Pipeline from Iran to Pakistan
https://www.wsj.com/articles/china-to-build-pipeline-from-iran-to-pakistan-1428515277
countries within the framework of bilateral cooperation. However, Mongolia's proposal was rejected because neighboring countries had decided to bypass the eastern and western borders of Mongolia.

In connection with the discovery of a large Kovykta deposit in the northwestern part of Lake Baikal, the issue of laying a natural gas pipeline through the territory of Mongolia was raised and discussed at level of the feasibility study development need in 2000. At the time, the company was involved with British Petroleum, which owned a strategically important gas field in the Irkutsk region, and was interested in building a gas pipeline through the territory of Mongolia. Gazprom currently owns the deposit, but has not yet begun production. At the time, there were plans to build the current version, which would follow the Trans-Mongolian Railway and the steppe along the road. Russia Petroleum, which holds the license for the Kovykta deposit, developed a preliminary feasibility study for the construction of the pipeline 20 years ago in 2000, which was expected to employ more than 2,000 people in a short period of time using the Ulaanbaatar railway. CNPC of China and Korean Gas of South Korea participated in this feasibility study of the project, and the results of this study are still relevant.

Prior to the construction of the pipeline to China, Russia began supplying to China via two Trans-Siberian railways. This is still going on. Yukos used to supply a small amount of oil, about 6 million tons a year, through the territory of Mongolia, but due to problems with the company’s management in Russia, transit through the territory of Mongolia was completely stopped. In general, supplies are not channeled through the territory of Mongolia, but through the Zabaikalsk region, which borders with China.

The third stage. 2010-2019: China and Russia have established multilateral cooperation within the framework of political and economic cooperation organizations such as the SCO, "One Region, One Road" and the Eurasian Economic Union, focusing on regional influence and cooperation. In this context, Mongolia has begun to develop trilateral cooperation with its two neighbors. Our country has launched the “Steppe Road”/“Development Road” initiative and has actively raised the issue of laying gas pipelines through the territory of Mongolia.

In addition to the issue of transit through the territory of Mongolia, the issue of laying a crude oil pipeline to China began to be discussed in
2013. Two oil companies, Petro China Daqing Tamsag and Dongsheng Oil, are operating by truck, and such proposals have been submitted to the Petroleum Authority and the Ministry of Mining. Oil production and exports are increasing, and the issue of pipeline transportation is being raised. In addition to the pipeline, in 2012 the Ulaanbaatar railway again raised the issue of transit of 7 million tons of oil per year, but at that time Kazakhstan was actively pursuing the transit of oil through its territory.

Events in Ukraine, geo-economic competition, and geopolitical factors have begun to create a favorable environment for Mongolia. In 2014, Russia’s policy toward Asia was intensified due to the embargo by western countries on the Russian economy caused by the Crimean conflict. President of Russia’s Rosneft I. I. Sechin visited Mongolia on March 17, 2014. He met with the Prime Minister and the Minister of Mining. Our side proposed to use the railway for the transit of oil between Russia and China, but I. I. Sechin said that "It is cheaper to transport the oil by pipeline than by rail." The possibility of construction of a pipeline has been discussed since the 17th meeting of the Intergovernmental Commission on Trade and Economic Relations between the two countries.

M.Zorigt, former Minister of Roads and Transportation underlined that “The issue of laying gas and oil pipelines in the economic corridor has been raised and included in the program. Gazprom came and met. At a recent meeting of the Mongolian-Russian Intergovernmental Commission in Chita, Russia, Gazprom agreed to make a joint proposal to China on the gas pipeline and discuss the economic feasibility of a gas pipeline through the three countries. The Prime Minister of Mongolia N. Altankhuyag met with the President of the Russian Federation V. Putin in May 2014 during the St. Petersburg International Economic Forum in St. Petersburg, Russia. The Government of Mongolia is ready to support the construction of the pipeline.”

The construction of an oil and gas pipeline through the territory of Mongolia can be resolved within the cooperation between the three countries. The three countries are committed to developing cooperation within the SCO. Russia and China have proposed to implement this cooperation within the framework of the SCO, and in connection with this, suggested our country to become a member of the organization. In 2014, President Elbegdorj attended a meeting of the Heads of State of the three countries within the framework of the SCO summit in Dushanbe, and also
raised the issue of laying a gas pipeline. In 2016, the Russian Embassy stated that "Russia is interested in cooperation in the fields of gas, oil and electricity."

Since 2016, China's relations with the United States have deteriorated sharply, and Mongolia's importance has increased due to China's active policy on the Eurasian continent and Russia's active policy toward Asia. Currently, there is a possibility to build a natural gas pipeline through the territory of Mongolia within the Economic Corridor of the three countries. During the fourth meeting of the Heads of State of three countries in Qingdao, China, on June 9, 2018, President Kh. Battulga said, "We hope that the Chinese side will accept and respond positively." During the meeting, Russian President Vladimir Putin said, “Our Mongolian partners have proposed to build an oil and gas pipeline from Russia to China through the territory of Mongolia. That’s a good idea and a favorable opportunity to cooperate in the energy sector. We will support. However, as this is a large project, the feasibility study must be well thought out and developed. ” President Kh. Battulga said, “I thank President Putin for supporting our proposal. I hope that Chinese President Xi Jinping will support it. We are ready to create a strong legal environment for the implementation of this project. ” In this regard, Foreign Minister D. Tsogtbaatar said, “Russian President Vladimir Putin expressed his position on possibility of building a gas pipeline through the territory of Mongolia in a positive manner. The main thing is to develop a good feasibility study. ”

China launched the “One Region, One Road” initiative in 2013, and the country's long-term and short-term development plans do not specify whether to build a gas pipeline through the territory of Mongolia. The issue of the gas pipeline was not included in the list of 32 projects to be implemented within the framework of the tripartite working group meeting and the Mongolian Economic Corridor. During the summits and high-level meetings between Mongolia and China, our side expressed its interest in implementing the project, but the Chinese leadership did not make a clear proposal.

During the fifth meeting of the Heads of State of three countries in 2019, Chinese President Xi Jinping said, “We attach great importance to Mongolia's proposal to build an oil and gas pipeline connecting China and Russia through the territory of Mongolia. It is proposed that the three
parties continue to discuss this issue and thoroughly study the feasibility of the project.”

On August 24, 2018, during the visit of Chinese Foreign Minister Wang Yi to Mongolia, a Memorandum of Understanding was signed between some private companies to implement gas pipelines between Russia, Mongolia and China. The agreement was signed by Wang Gu, Chairman of the Board of Directors, on behalf of the Chinese investor, and Zhang Jianguo, Chairman of the Board of Directors of the 25th Railway Committee of the People's Republic of China, on behalf of the subcontractor. However, in September 2018, Foreign Minister D. Tsogtbaatar stated that the agreement was not reached within the framework of an intergovernmental agreement and did not reflect the official position of the two countries.

**New circumstances:** From 2019, competition in the European gas market has intensified, the US has supplied natural gas to Europe in large quantities, political pressure has increased, and the construction of the North Stream-2 pipeline, which was completed in the Baltic Sea, has stopped. In December 2019, Gazprom's new transit agreement for gas through Ukraine failed to renew a 10-year contract that provided the supply of 86 billion cubic meters of gas a year, making it less profitable for Russia. Instead, a five-year contract to supply half that amount, or 45 billion cubic meters a year, has put Russia in a difficult position. If the surplus of Yamal gas supplied to Europe is not exported, budget revenues will be cut. In this regard, Russia needs to increase gas supplies to China. As a result, Russia's position has changed and the issue of construction of a pipeline through the territory of Mongolia has been raised.

During Russian President Vladimir Putin's official visit to Mongolia in September 2019 at the invitation of Mongolian President Kh. Battulga, the two Heads of State discussed the possibility of construction of a natural gas pipeline through the territory of Mongolia. The Mongolian President Kh. Battulga expressed his gratitude for the support at the highest levels of management and proposed the establishment of a joint bilateral working group responsible for issues on construction of a pipeline via Mongolia. In response, Russian President Vladimir Putin instructed the relevant officials to make a decision on the issue and conduct a study and estimate. Russian Energy Minister Alexander Novak announced the establishment of a joint working group between the two countries during a meeting with
Mongolian Energy Minister Ts. Davaasuren during the International Energy Conference held in Abu Dhabi. Russia and China have begun exploring the possibility of building a "Siberian Power 2" gas pipeline through the territory of Mongolia as part of talks to supply 30 billion cubic meters of natural gas a year to China, Russian Energy Minister Alexander Novak said.

According to the Russian magazine Energeticheskaya Politika, Russia and China are discussing a number of options for the construction of the pipeline, including the possibility of placing it through the territory of Mongolia, which has expressed interest in participating in the project.

During his visit to Russia in December 2019, Prime Minister U.Khurelsukh met with President Vladimir Putin and Prime Minister Dmitry Medvedev to discuss the construction of natural gas pipeline through the territory of Mongolia. A Memorandum of Understanding was signed between the Government of Mongolia and Gazprom JSC of the Russian Federation. The Government of Mongolia and Gazprom of the Russian Federation have established a working group to conduct a feasibility study. During the meeting, Gazprom CEO A. Miller did not say that the Siberian Power 2 line would be laid through the territory of Mongolia, so it is unclear whether it will pass through the territory of Mongolia in the western part or in the central part of Mongolia, combining the Yamal and Kovykt resources.

In an interview with the mass media on November 5, 2019, Russian Deputy Prime Minister Alexei Gordeyev said that Gazprom must calculate the efficiency of gas transmission through the territory of Mongolia within six months. Gazprom also said it was exploring a number of options for an additional gas pipeline to reach China. Experts believe that whether it will pass through the territory of Mongolia depends on how gas prices can be negotiated with China. It is said that gas consumption is almost non-existent in Mongolia and the population is small, but concerning the construction, it is less expensive in terms of mining equipment, costs and finances.

On February 18, 2020, the Ambassador of Mongolia to the Russian Federation D.Davaa met with A.B. Miller, Chairman of the Board and Deputy Chairman of the Board of Directors of Gazprom. During the meeting, A.B. Miller, Chairman of the Board of Gazprom, said that in order to implement the agreement reached at the level of the two Heads of State
and Prime Ministers, they are studying the possibility of establishing a subsidiary of Gazprom in Mongolia. The Parties agreed that the construction of the natural gas pipeline through the territory of Mongolia would provide a safe and stable supply to the central region of China by the shortest route, and that this development could be a good example of economic cooperation between Mongolia, Russia and China.

Mongolia actively participates in the development of cooperation at the regional level and held a regular meeting of the Northeast Asia Gas and Gas Pipeline (NAGPF) Forum in September 2019 in Ulaanbaatar, Mongolia to discuss the construction of a gas pipeline connecting Russia and China through the territory of Mongolia. Mongolian side called on the scholars and experts from China, South Korea, Russia and Japan to take the issue seriously and work closely together. Subsequently, the “Executive Committee Meeting” of the Northeast Asia Gas and Pipeline Forum was held on November 4-5, 2019 at the Ministry of Foreign Affairs in cooperation with the Energy Economics Institute and the Investment Research Center under the Ministry of Foreign Affairs.

Elena Burmistrova, head of Gazprom Export, said that despite the delay in negotiations due to the outbreak of coronavirus in China in early 2020, the sides are working in the form of a video conference. There are reports that the Russian side is talking about establishing a Gazprom subsidiary in Mongolia as part of the study of the option of pipeline crossing through the territory of Mongolia.

Three. Possible options for building a gas pipeline through the territory of Mongolia

There are may be two main options for transmission of a pipeline through the territory of Mongolia. These include:

M1. Kovykta-Irkutsk-Ulan-Ude-Ulaanbaatar-Zamyn Uud along the railway line in the central part of Mongolia.

M2. Yamal-Novosibirsk-Biysk-Tsagaan Lake, Bayan-Ulgii, Novosibirsk- Biysk-Tsagaan Lake in the western provinces.

In terms of sources, the two options are different, one is the Kovykta and the other is the Yamal and Urengoy gas pipelines. However, there may
be an extended version of M1.2 that will run from both of these two large sources to Irkutsk via Mongolia.

**Option M1:**

The option M 1.1 to be installed along the Kovykta-Irkutsk-Ulan-Ude-Ulaanbaatar or along the central part of Mongolia and the railway line. Its feasibility study was first conducted in 2000. It was said to develop an updated feasibility study for this scenario. The source, the Kovykta deposit, is a large field with 1,900 billion cubic meters of natural gas reserves. To the south, an 800 km pipeline will be built to Irkutsk, Angarsk and Sayansk, and then to Ulan-Ude, and 38 billion cubic meters of gas a year will be exported to China through the territory of Mongolia. There may be another option M1.2 making it also possible that the Yamal and Urengoi gas will be piped to Krasnoyarsk, and then the West and East Siberian integrated gas pipelines will be built to connect the four deposits to Irkutsk and Krasnoyarsk, and then transmit the gas through the territory of Mongolia.

**Profits and revenues:** It is important to get cheap gas domestically through the gas pipeline, to build gas and gas turbine stations near large industries and settlements, to provide heat and electricity, to reduce air pollution, to create more jobs, and to increase the tax base.

The construction of oil and gas pipelines from Siberia through the territory of Mongolia is relatively inexpensive because most of them run on flat land, and it is the shortest way to reach Beijing, China, and other major cities, including Central Asia or Manchuria. The investment in the construction of 1,000 km of pipelines and ten pumping stations in Mongolia is estimated at 246 million rubles (5.3 billion MNT) for the construction of a single pipeline (Gazprom 2015 data) with a diameter of 1.4 meters, according to the Siberian Power project. The pipeline will cost 5.3 trillion MNT. It is not clear who will build and invest in the pipeline in Mongolia. With a capacity of 38 billion cubic meters per year and $ 1.09 per thousand cubic meters of gas per 100 km, compared to other projects, Mongolia will receive $ 4.18 billion per year as transmission revenue.

**Gas resources:** In 2017, the policy and plan of the “Eastern Gas Program”/Восточная газовая программа/to implement the state policy of the Russian Federation on the exploitation and transfer of natural gas resources and deposits in Siberia was approved. This includes the
development, transportation and distribution of gas resources in Eastern Siberia and the Far East, and the development of natural gas fields for export to the Northeast Asia and China. However, the Mongolian option was not included. The plan included the following deposits. These include:

1. The deposit of Kovykt. Irkutsk region. Reserves: 1900 billion cubic meters
2. Chayandin deposit. Yakut. Reserves: 1240 billion cubic meters
3. Yurubchene-Tokhomsky deposit. Krasnoyarsk husband. Reserves: 700 billion cubic meters
5. Sakhalin I-II. Reserves: 900 billion cubic meters
6. Shelf deposits off the coast of Sakhalin.

The first two deposits are owned by Gazprom. The Siberian power line began to supply gas from the Chayandin deposit to China. There are plans to build a pipeline from the Kovykta deposit to the Chayandin deposit. The other two are owned by Rosneft and Irkutsk Petroleum Inc., which can produce a maximum of 7 billion cubic meters of gas a year. Gazprom signed a Memorandum of Understanding on October 4, 2019 to exploit these deposits. The "Eastern Gas Program" envisages the construction of a unified West and East Siberian gas pipeline system to connect the Yamal and Urengoi gas to Krasnoyarsk, and then to pump the gas from these four fields to Irkutsk and Krasnoyarsk. If a pipeline is to be laid through central Mongolia, there will be a significant supply of gas from this integrated system.
During a meeting with Gazprom CEO A. Miller, Russian President Vladimir Putin instructed him to study the Yamal, Krasnoyarsk and Eastern Siberia reserves and the possibility of transmitting the gas through the territory of Mongolia. It is more possible to combine the resources of the Yamal and Kovykta deposits and build two lines, Yamal-Novosibirsk-Krasnoyarsk-Irkutsk on the one hand and Kovykta-Irkutsk on the other and use the Option 1 to bring the gas to Mongolia via Ulan-Ude. Capacity and efficiency will also increase.

However, the Yamal-Novosibirsk-Biysk-Gorno-Altaisk line has already been built near the northwestern border of Mongolia and is ready to be built and exported to China,. Although the Novosibirsk-Biysk-Gorno-Altaisk pipeline is small in diameter and able to supply the local area, it is not difficult to expand the existing pipeline infrastructure and pipeline diameter. It will be costly to build a route from Novosibirsk to Krasnoyarsk to the east, and from Krasnoyarsk to Irkutsk through the new taiga, and to build infrastructure and pipelines. If this option is implemented, additional gas can be used from the Yurubchено-Tokhomsky and Sobinsko-Paigin deposits in the northern part of Krasnoyarsk (Figure 18).
Rosneft, which holds the licenses for the deposits, is interested in this option. However, these fields have limited resources, are too remote, costly to build additional pipelines, Rosneft, the licensee, has the right to export oil only for domestic use, and Gazprom has a monopoly on gas exports.

Figure 18. Construction of three lines: Yamal-Novosibirsk-Krasnoyarsk-Irkutsk, Yurubchens-Tochomsk, Sobinsko-Paigin-Irkutsk, and Kovykta-Irkutsk and bring the gas to Mongolia via Irkutsk.

In the case of a gas pipeline going through the territory of Mongolia, the question arises as to which deposit’s resources will be used. It depends on whether it will be implemented or not. These options are not included in the Eastern Gas Program, which is the main policy document for the development of Russia’s natural gas sector, and the program allocates resources and exploitation of deposits. It’s not easy to make changes, but you can make changes if necessary. The Chayandin deposit, the source of Siberian Power 1, has a peak annual capacity of 25 billion cubic meters of natural gas. If these reserves are not enough, a pipeline will be built from the Kovykta deposit to the Chayandin deposit and additional supplies will be provided. Although Kovykta’s reserves are large, it is unclear whether Siberian Power 1 will be able to increase production to the extent that it can supply the Mongolian line. Therefore, in order to supply the planned
gas through the Siberian Power 1 pipeline and increase the capacity of the pipeline and build an additional line, an additional deposit will be needed, so a pipeline will be laid from the Kovykta deposit to the Chayandin deposit. In this case, the Kovykta-Irkutsk-Mongolia pipeline will have no reserves.

**Negative factors:** The following factors may disturb the option of the project which enables construction of a pipeline through the territory of Mongolia. These include:

1. Option M1 will not be implemented if Kovykta gas is pumped to the Chayandin deposit in the northeast, not Irkutsk, and the capacity of the Siberian Power 1 pipeline is increased and a double line is built to supply it to China.
2. Option M2 will not be implemented if Russia agrees to implement the Altai project and build it along the Russian-Chinese border in the Ukok Valley.
3. Option M2 will not be implemented if the Altai Pipeline passes through the eastern part of Kazakhstan.
4. Option M1 will not be implemented if the long-discussed option of exporting to China via Yamal-Krasnoyarsk-Irkutsk-Ulan-Ude-Chita-Zabaikalsk-Harbin (V) or “southern way”, not through the territory of Mongolia is revived.

Many years ago, there was talk of a “southern way” option for Yamal-Krasnoyarsk-Irkutsk-Ulan-Ude-Chita-Zabaikalsk-Harbin (V) to export gas to China without passing through the territory of Mongolia. This option came to an end with the discovery of the Kovykta and Chayandin deposits and the construction of the pipeline Siberian power. The study of this option was conducted by the LA Melentyev Institute of Energy Systems of the Siberian Branch of the Russian Academy of Sciences. This version is called “southern way” - "южный ход" (Figure 19). The study covered two sub-options such as Irkutsk region - Republic of Buryatia (branch to Mongolia) - Zabaikalsk - China which bypasses Mongolia in the north and northeast or goes through the territory of Mongolia or Irkutsk region - Republic of Buryatia (branch to Zabaikalsk) - Mongolia – China. The main economic benefit will come from the supply to China, and the Institute estimates that the total gas consumption of the Baikal region is 3-3.5 billion cubic meters, Buryatia - 700-800 million cubic meters, Mongolia -
600-700 million cubic meters. It is considered unprofitable to build a pipeline to this region and Mongolia alone.\(^{65}\)

It was supported by the people and government of the Republic of Buryatia, Zabaikalsk, and Chita region, but was not supported due to economic efficiency, coal deposits of these areas, and the interests of coal-based electricity and heat producers. In Russia's case, it would be more efficient to build a pipeline from the Kovyktka deposit to the Chayandin deposit, and then to expand the existing Siberian Power 1 pipeline and lay additional pipelines along the tunnel. If this option is implemented, the option of building of a pipeline through the territory of Mongolia will not be implemented.

Figure 19. Yamal-Krasnoyarsk-Irkutsk-Ulan-Ude-Chita-Zabaikalsk-Harbin (V) “southern way” option to bypass Mongolia in the north and northeast

Source: http://www.morvesti.ru/analitika/1687/74917/

Option M2:

An option of gas transmission through the western region of

Mongolia. It could also be a backup version of the Altai project. The option of exporting Yamal and Urengoy gas to China via the Altai Mountains is likely to be constructed in the western provinces due to political, environmental, technical and economic reasons.

China is supplied by gas from the west, Kazakhstan and Turkmenistan, but now it considers it is safer to transport Russian natural gas through the territory of Mongolia. In the past, China was wary of passing the gas through the territory of our country. The Siberian Power 2 project was also rejected because it began to receive enough gas from Central Asia, which has no gas consumers in the northwest.

On the one hand, in the event of instability in the Xinjiang Uyghur Autonomous Region, Russia and China may be less likely to be interested in extending through the western provinces of Mongolia to central and eastern China without being supplied by a pipeline from Turkmenistan. Beijing did not support the option because of the long pipeline route through the high-risk region to the Altai Pipeline, which could increase the cost of consumption of natural gas.

**Probability of implementation:** There is another issue that will increase the probability of implementation of this option. Although China buys cheap gas from Turkmenistan\(^66\), there have been recent reports that the country's gas resources and political position are in doubt. In 2017, Turkmenistan's gas supply was disrupted due to reserves. Although the country is investing heavily in gas exploration and production, it is likely to be inefficient. In addition, Turkmenistan's revenue from the sector is not visible, it supplies gas to China at a very low price (the price is unknown and secret), and the Chinese are likely to raise prices, demand changes to the agreement, and anticipate difficulties.

Russia has started talking about the possibility of transmission of gas through the territory of Mongolia, however it is not clear from which deposit and where. Russian President V. Putin mentioned the need to

\(^66\) Therefore, the issue of the Altai Pipeline has been going on for 10-15 years, mainly depending on the price of gas to be agreed with Russia.
explore this option during his meeting with Gazprom CEO Alexander Miller. He said "I urge you to return to the issues we have repeatedly discussed with our Chinese comrades. I am talking about the possibility of using the resources of the Irkutsk region and the Krasnoyarsk area. Please take into consideration also the Yamal Reserve to build up the resources needed to supply China through the western provinces of Mongolia. This is not an easy direction, but preliminary research suggests that it may be realistic. China's partners hold the same opinion." It could be option M1.1 through the central part of Mongolia, Option M2 via the western provinces, or Option M 1.2 combining the deposits of Yamal, Kovykta, and Krasnoyarsk for export to People’s Republic of China.

**Gas sources and reserves:** There are many uncertainties in the issue of possible transmission of gas through the territory of our country, including the issues concerning the reserves. The Siberian Power 1 pipeline will be supplied from the Kovykta deposit. However, it is unclear whether the capacity of the deposit will be sufficient if an additional line is built to reach Irkutsk and a pipeline is laid along the railway in central Mongolia. In addition to the Kovykta deposit, several other deposits in the northern part of Krasnoyarsk have small reserves. Russian President Vladimir Putin stated that "There is a need to export the reserves of Irkutsk, Krasnoyarsk and Yamal to China." It indicates that he intends to consolidate the reserves explored in these three regions. However, since the Yamal and Urengoi gas is expected to be exported to China through the Altai project, it will be delivered to the Altai area and Uul-Altai. There are opportunities to build 800 km of pipeline from the deposit and export it through the territory of Mongolia. In this case, the reserves will be sufficient.

Building a gas transmission pipeline through the territory Mongolia would be economically viable for both Russia and China, especially for supplier Russia. For Russia, building a natural gas pipeline through the territory of Mongolia would be faster and easier than the construction of the 2,800-kilometer western route through the Altai Mountains. If the issue of building a pipeline through the territory of Mongolia is resolved, the price of gas will be lower, which will be beneficial for both China and Russia and easier to negotiate.

**Negative factors:** There are fears that the construction of the Altai pipeline could adversely affect the efficiency of the Central Asian natural
gas pipeline. Kazakhstan's pipeline is still not operating at full capacity. Therefore, Kazakhstan, one of the main members of the Eurasian Economic Union, is unhappy with the issue, and now lobbying for the pipeline to pass through its territory may invalidate one of our options. Moscow is forced to consider the interests of Kazakhstan, a key partner of the Eurasian Economic Union, and at least Gazprom’s decision to choose a transport route may be delayed, leading to a decision making not to cross through the territory of Mongolia. In recent years, Moscow has been "intimidated" by the fact that the Kazakhstan government will leave the Eurasian Economic Union, an important geopolitical project in Russia, if Russia it does not support its interests.

In addition, in construction of transport routes connecting Russia and China, such as paved roads and railways, including the construction of natural gas pipelines, often the parties themselves bear the costs related to construction on their territories and in many cases Russian investment in comparison to that of China lags behind due to limited economic resources. Therefore, if the decision to build the Siberian Power 2 pipeline crossing the territory of Mongolia is finalized, it is not clear how quickly the Russians will build and put it into operation, and it is likely to take as many years as Siberian Power 2. In particular, the timing will depend on who finances the construction of a pipeline laid through the territory of Mongolia. Finally, one of the most important factors to consider is the fact that negotiations on the price of natural gas supplied to China take the most time. According to Russian experts, China is a very difficult partner to negotiate, and continue the talks until they agree the prices proposed by them. It is said that political decision-making at the level of the leaders of the two countries is very different from the implementation of the project. Russia and China have linked trilateral relations and the construction of railways, oil, gas and energy pipelines to be laid through the territory of Mongolia to the issue of becoming a member of the SCO. Mongolia is cautious of the issue with joining the SCO, as it has many negative and positive consequences.

Apart from this, the question arises as to how the decision to impose

67 The parties agreed that the 10-year plan for the development of the Russian-Chinese border region, which ended in 2019, has not been implemented at all. Analysts say political decisions are less likely to work.
sanctions by the USA will affect the implementation of the pipeline if Russia's participation in foreign mineral projects exceeds 30 percent. As a result, Nord Stream-2, which runs through the Baltic Sea, has stopped.

"Although there has been no change in the talks, China may not prefer the Altai project," said Edward Chow, an energy and security expert at the Center for Strategic and International Studies in Washington. "While the supply route through the territory of Mongolia would be more efficient in terms of transportation and other conditions, the supply through the Altai project would not be able to deliver natural gas to China's highest consumer market and would be cost-effective." The project is more profitable, because the Altai project is the source of Russia's largest deposit in Western Siberia, and if the gas supply to Europe is at risk for political reasons, the Altai project will be able to make up for the loss. Then Russian gas competitiveness will increase.

Edward Chow concluded that the Altai project is useless for China. The option to build a gas pipeline through Mongolian is beneficial for China. Because it will be possible to supply natural gas to the eastern provinces. Western China does not need natural gas. It would be economically unprofitable to extend the line from the western provinces to all of China and to Beijing and the eastern provinces. However, if it passes through the territory of Mongolia, it will be able to deliver natural gas directly to Beijing. Gas consumption is rising in China, but there is no alternative but to buy from Russia. Therefore, I think that the agreement to build a gas pipeline through the territory of Mongolia will be signed soon.

Four. The parties' positions and interests on possible options and challenges faced in implementation

SWOT ANALYSIS.

Strength.

1. Building a pipeline through the territory of Mongolia would be economically viable for both Russia and China, especially for supplier Russia.
2. In the case of Russia, the construction of a natural gas pipeline through the territory of Mongolia is 1,500 km shorter than the 2,800 km long western route through the Altai Mountains.
3. Pipelines laid through the territory of Mongolia are less expensive than other project pipelines, saving construction and transmission time and costs, making gas prices lower and profits more profitable for Russia and China.

4. Gas transmission fee through the territory of Mongolia is USD 1-3.5 billion and it will increase budget and tax revenues.

5. There will be an opportunity to get cheap gas for the domestic needs of our country, to supply nearby factories and settlements with gas and gas-generated electricity and heat, to reduce air pollution, to create more jobs, and to increase the tax base.

6. It is relatively cheap to build a pipeline in Mongolia due to good technical conditions and landscape, most of which are on flat land.

7. It will enable to reach Beijing, China and other major cities in the central and eastern regions.

8. Combining the Yamal, Krasnoyarsk, and Eastern Siberian reserves will provide guaranteed reserves for the M1 option.

9. There will be additional use of gas from the Yurubchensko-Tokhomsky and Sobinsko-Paigin deposits in the northern part of Krasnoyarsk.

**Weakness.**

1. Russia and China have agreed to build a natural gas pipeline bypassing Mongolia, and have begun to implement this policy.

2. The “One Region, One Road” initiative of the People’s Republic of China does not specify the construction of a natural gas pipeline to be laid through the territory of Mongolia.

3. The Chinese leadership did not respond to our proposals during the summit and high-level meetings between Mongolia and China.

4. Plans to build a natural gas pipeline through the territory of Mongolia are not included in Russia’s Eastern Gas Plan for the Use of Natural Gas in Siberia or in Gazprom’s operational plans.

5. “Siberian Power 1” pipeline was completed and put into operation in December 2019, so there was no urgent need to build a gas pipeline through the territory of Mongolia.

6. Gazprom and China’s CNPC have signed a Memorandum of Understanding to build the Altai Pipeline.
7. The importance of the Altai pipeline project has diminished as China has been importing gas from Turkmenistan and Kazakhstan to meet current needs.

8. In late 2019, Russia began to raise the issue of laying a gas pipeline through the territory of Mongolia, but China has not yet expressed its position.

9. If the pipeline is laid in the western part of Mongolia, there will be less consumers on the Chinese side and in the western provinces.

10. Long pipelines need to be laid through the western provinces or from the western part of China to the central and eastern regions.

11. When building a pipeline in central Mongolia, the Russian side has uncertain resources to supply the pipeline, and no gas pipelines have been laid from potential deposits.

12. It will be costly to build a new pipeline from Novosibirsk to Krasnoyarsk to the east and further from Krasnoyarsk to Irkutsk.

Opportunity.

1. China and Russia are focusing on regional influence and cooperation.

2. Geopolitical factors, geo-economic competition, and the events in Ukraine began to create a favorable conditions for Mongolia, and in late 2019, the Russian side began to raise the issue of laying a gas pipeline through the territory of Mongolia.

3. Russia is the largest exporter of natural gas. China has become the world’s largest importer.

4. China imports natural gas from countries in the Asia-Pacific region, but current European consumption is projected to reach 600 billion cubic meters by 2030, so additional sources are needed.

5. Mongolia has developed multilateral cooperation within the framework of political and economic cooperation organizations such as the SCO, “One Region, One Road” and the Eurasian Economic Union, and in this context, Mongolia has started to develop trilateral cooperation with its two neighboring countries.

6. Mongolia has launched initiatives such as the “Steppe Road”/“Development Road” and the “Mongolian Economic
Corridor” to connect the two countries, and has begun to actively raise the issue of gas pipelines.

7. China is interested in reducing air and environmental pollution, increasing the use of electric vehicles, and enhancing the capacity of natural gas-based power plants.

8. China considers the initiative from Russia to be of strategic importance, as the deterioration of relations of China with the United States will make it impossible to attract liquefied natural gas from Qatar and Australia by sea.

9. From 2014 to 2016, China’s relations with the United States deteriorated sharply, and Mongolia’s importance increased due to China’s active policy on the Eurasian continent and Russia’s active policy towards Asia.

10. The United States is increasingly interested in supplying natural gas to Europe, pushing Russia out of the European gas market and reducing its supply, making it necessary to increase gas supplies to China.

11. Gazprom failed to extend a new gas supply agreement with Ukraine for 10 years, the volume of which id to be reduced by 50 percent by 2020, and the construction of the North Stream-2 pipeline across the Baltic Sea has been suspended due to sanctions, leading to underutilization of the Yamal and Urengoy gas fields and creating a surplus.

12. As a result, Gazprom’s management may resume talks with China on the Altai project. In this context, the issue of gas transit through the territory of Mongolia has started to be discussed.

13. Due to the political situation and security in Xinjiang, the Chinese side is interested in building the Altai Pipeline directly passing on the territory of Mongolia and connecting it with the central and eastern regions.

14. Changes in the political situation in Turkmenistan and Kazakhstan, instability, and disruptions in Turkmenistan’s deposits have increased China’s interest in the Altai project.

15. The Altai Pipeline is located in the Ukok Valley, a UNESCO World Heritage Site on the Russian-Chinese border, and has been the site of local protests and environmental concerns.

16. Russian experts consider the laying a pipeline through the eastern part of Kazakhstan risky. The country is supplying its natural gas to China, the political situation has changed, the new
President Tokayev is expanding relations with the West, and there have been ethnic conflicts.

**Risk.**

1. Neighboring countries seek to increase their political, social and economic influence in Mongolia, participate in internal affairs, and obstruct multilateral foreign relations and “third neighbor policy”.
2. Increased interest of Russia and China in Mongolia’s accession to the SCO as a prerequisite for the construction of a gas pipeline through the territory of Mongolia.
3. With the construction of the natural gas pipeline, the pipeline may become a target of extremism and terrorism.
4. Increased construction and operating costs due to severe weather conditions, loss of profit from the project, and inability to recover the related costs.
5. If Kovykta’s gas is pumped to the Chayandin deposit in the northeast, not to Irkutsk, and the capacity of the Siberian Power 1 pipeline is increased and a double line is built to supply it to China, the option to transport it through central Mongolia will not be implemented.
6. Implementation of the Altai project to draw the Ukok Valley along the Russian-Chinese border.
7. If the gas is to be transmitted through the eastern part of Kazakhstan, the option of transmission through the western part of Mongolia will not be implemented.
8. The so-called “Southern Way” - “Южный ход” including Irkutsk region - Republic of Buryatia – Zabaikalsk area-China will bypass Mongolia in the north and northeast.
9. Decreased project competitiveness and dominance of other projects and proposals. Other competitive gas supply projects to China, the Iran-Pakistan-China gas pipeline project, the pipeline from Myanmar to central China, Australia and Qatar as well as reduction of the price of liquefied natural gas from the United States, and becoming the pipeline transportation unprofitable.
10. Suspension of construction and operation due to natural disasters such as infectious diseases, earthquakes and forest fires.
11. The gas pipeline is not working at full capacity.
12. Delays in project funding and commissioning.
13. Political relations between Russia and China are deteriorating and high-level agreements and projects are not being implemented.\(^6^8\)
14. The investment in the pipeline through the territory of Mongolia does not match the amount of funding and costs.
15. Neighboring countries do not agree on gas prices for a long time, and as a result, the project is stopped,
16. Under the US sanctions against Russia, the project and Mongolia will be subject to US sanctions.

\(^6^8\) The parties agreed that the 10-year plan for the development of the Russian-Chinese border region, which ended in 2019, has not been implemented at all. Analysts say political decisions are less likely to work
CONCLUSIONS AND COMMENTS

Mongolia, Russia, and China have agreed, and 18 of the 32 projects included in the 2016 Economic Corridor Program have been implemented or are in progress. However, 14 projects have not been implemented or are lagging behind the schedule of implementation. The total project implementation rate is 56.25 percent. During the implementation of the Economic Corridor Program project, the following conclusions were made. These include:

A tripartite mechanism is emerging and playing a key role. Currently, there are around 10 mechanisms for trilateral cooperation. The implementation of projects shows that projects in the transport, tourism and science sectors, which have a tripartite mechanism, are progressing, while projects in the industrial, agriculture, health and quarantine sectors, which have not yet established a tripartite meeting mechanism, are moving forward only on a bilateral basis. The establishment of a tripartite mechanism is a key driver of cooperation. Therefore, a tripartite mechanism for cooperation in industry, quarantine, agriculture and health should be established.

The implementation of Economic Corridor Program projects has not yet yielded outcomes. The implementation of the projects included in the Economic Corridor Program has been going on for the first four years, but the direct impact on the Mongolian economy has not yet been seen. This is believed to be due to the fact that we are in the early stages of establishing a mechanism, negotiating and then launching our projects. Based on the current progress of the projects, we can expect positive outcomes in the next four years. This is especially true for infrastructure projects.

Current projects show that the direct benefits to business entities and companies are poor. The main contractor for infrastructure projects in Mongolia is a Chinese company in terms of funding and technological advantages. In the future, Mongolian business entities and companies need to be encouraged to become more involved, benefit and gain experience.

Hard infrastructure projects are moving forward, while soft infrastructure projects are lagging behind. Transport infrastructure projects of the Economic Corridor Program are progressing well. There are
two projects in the transport infrastructure project which are lagging behind the schedule, both related to soft infrastructure, namely 1) the establishment of a tripartite joint logistics company and 2) the improvement of communication infrastructure. Other projects that are lagging behind the schedule include projects related to soft infrastructure, such as communications, professional inspections, and quarantine standards. Therefore, the three parties need to work more closely together to move forward with soft infrastructure projects as well as hard infrastructure projects.

**There is a need to diversify funding sources.** Funding for projects under the Economic Corridor Program is mainly provided by the budget of Mongolia, international financial institutions, Chinese banks, and Chinese soft loans and grants. It has been four years since the Economic Corridor Program project was approved, but so far there have been no projects funded by the China Silk Road Fund, the Asian Infrastructure Investment Bank or the public-private partnership model. Therefore, further work is needed to fully utilize the various sources of funding. The use of the public-private model in project funding will provide an incentive to increase the participation and ownership of Mongolian business entities and companies.

**Along the Economic Corridors the potential for new large-scale projects is increasing.** There is one major project that has been raised at the level of heads of state in the last two years is the study of the possibility of building a natural gas pipeline connecting Russia and China through the territory of Mongolia despite it was not included in the Economic Corridor Program’s 32 projects in 2016. In the last two years, the positions of the two neighbors have changed for the better. This is due to the dual effect of internal and external stimuli, such as the competition of the superpowers in international relations and the internal economic situation of the two neighboring countries.

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SWOT analysis of Economic Corridor Program projects and their implementation has been done. The scope of this analysis is limited to the construction content of the Economic Corridor Program.

**SWOT analysis:**
**Strength**

- Mongolia has launched the “Development Road” program, Russia has proposed the EAEC, and China has proposed the “One Region, One Road” initiative. The three sides have common interests in harmonizing these proposals.
- An agreement was reached at the level of the Heads of State of Mongolia, Russia and China to establish an Economic Corridor on such a basis.
- The Economic Corridor Program was approved and 32 projects were proposed.
- Gradually, a phased cooperation mechanism began to emerge.
- The development of the Economic Corridor Program is not limited to 32 projects, and there is ample room for content enrichment.
- The establishment of Economic Corridors through the territory of Mongolia will be economically viable as it will be less expensive, save construction and transmission time and related costs.
- It will help to develop our country's transit transportation and domestic infrastructure, put natural resources into circulation, and develop industry and economy.
- Infrastructure construction in Mongolia is relatively inexpensive due to its good mining conditions and most of it comes to go through flat land.
- It is possible to connect industrial centers, markets and consumers of Russia and China directly with suppliers.
- It has the advantage of transporting Siberian natural resources to the industrial center of China.

**Weakness:**

- Mechanisms to monitor and promote implementation at the middle and lower levels of the three countries appear to be weak.
- Lack or insufficiency of funding. Currently, only international financial institutions decide on investments. The public-private partnership model was not used.
• Feasibility studies for projects are delayed due to the lack of a joint investment design center.
• There are few tripartite cooperation mechanisms. Weak cooperation mechanisms, especially in the area of soft infrastructure, has negatively affected project implementation.
• Although political and policy decisions have been made to develop railway and road corridors between Mongolia and China, the requirements for standards are different. In particular, no concrete work has been done to harmonize railway gauges and river loading capacity.

**Opportunity:**

*Opportunities to be created with implementation:*

• Support Mongolia’s economic growth through the implementation of projects within the Economic Corridor Program.
• There will be a multi-pillar export structure for Mongolia.
• Mongolia is expected to join regional economic integration.
• Countries will enjoy full advantage of transit under the Economic Corridor Program.
• Multilateral cooperation will be developed, and in this context, Mongolia should develop trilateral cooperation with two neighboring countries.
• Mongolia will be connected to third markets.
• The possibility of three major projects other than those included in the Economic Corridor Program program will be increased.

*Possibilities of having a positive impact on implementation:*

• China and Russia, two neighboring countries, are focusing on regional influence and cooperation.
• Geopolitical factors, geo-economic competition, and Russia’s policy toward Asia were intensified.
• Increased trade and commodity turnover between Russia and China.
• The interests of the “One Region, One Road” and the Eurasian Economic Union are in line with our “Development Road” policy.

**Risk:**

• Neighboring countries seek to increase their political, social and economic influence in Mongolia, interfere in the internal affairs, and obstruct multilateral foreign relations and “third neighbor policy”.
• Increased interest of Russia and China in Mongolia’s accession to the SCO as a prerequisite for political interests to influence the Economic Corridor and the construction of a gas pipeline through the territory of Mongolia.
• Increased construction and operating costs due to severe weather conditions, loss of profit from the project, and inability to recoup costs.
• The construction of fragile infrastructure such as natural gas pipelines and power lines can become a target for extremism and terrorism.
• Mongolia is under political and diplomatic pressure from its two neighbors.
• Decreased competitiveness of Economic Corridor Programs and dominance of other projects and proposals.
• Suspension of construction and operation due to natural disasters such as infectious diseases, earthquakes and forest fires.
• The Economic Corridor Program infrastructure is not operating at full capacity.
• Delays in funding and delaying the commissioning of the Economic Corridor Program.
• Conflicts of interest between Russia and China, deteriorating political relations, and non-implementation of high-level agreements and projects.\(^69\)
• Inadequate investment, funding and cost of pipelines to be laid through the territory of Mongolia.
• Economic Corridor projects and Mongolia can be subjected to sanctions against Russia and China imposed by the third country.
The parties agreed that the 10-year plan for the development of the Russian-Chinese border region, which ended in 2019, has not been implemented at all. Analysts say political decisions are less likely to work.

SWOT analysis shows that it is possible to remedy the weakness replacing with the strength. We need to address the weaknesses by deepening trilateral cooperation and work in this direction.

Opportunities in SWOT analysis will follow the successful construction of the Economic Corridor Program. However, even if we take our opportunities well, it is difficult to mitigate the risks that may arise and it is not up to the Mongolian side.

The best way to take into account potential risks and minimize the impact of these risks is to have a good political dialogue. Over the past four years, the implementation of the Economic Corridor Program has provided a good basis for dialogue at the political level, which has made it important to avoid risks and seize opportunities. Strengthening the mechanism of the trilateral summit and dialogue will be the cornerstone of further creating opportunities relying on the strengths, overcoming weaknesses and preventing risks.
Annex 1. SWOT analysis and research methodology

The research report, entitled “Opportunities to push forward the implementation of the Economic Corridor Program of Mongolia, Russia and China”, used two research methods.

In order to evaluate the outcomes of the program implemented over a period of time, monitoring was carried out and the implementation of each project was evaluated.

The SWOT analysis was conducted to provide an opportunity to move the projects forward based on an ongoing assessment of the implementation of the Economic Corridor Program. The SWOT analysis has the advantage of identifying strengths, weaknesses, opportunities, and risks, and of making clear roadmaps on how to make the most of opportunities, overcome weaknesses, and mitigate risks.

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SWOT analysis model
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