

INNER MONGOLIA SHOULD TAKE THE OPPORTUNITY OF “ONE BELT AND ONE ROAD” STRATEGY TO BOOST THE CONSTRUCTION OF CHINA-MONGOLIA THOROUGHFARE

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Abstract

In recent two years, the implementation of China's "One Belt and One Road " strategy, the building of the comprehensive strategic partnership between China and Mongolia, the establishment of a mechanism for the meeting between state heads of China, Russia and Mongolia and the China-Russia-Mongolia economic corridor becoming clear lay a solid foundation for cooperation and development in Northeast-Asia region and also provide an unprecedented opportunity for the acceleration of building China-Mongolia thoroughfares. As China's important area involved in the integration process of regional economies in Northeast Asia, Inner Mongolia Autonomous Region should actively take the initiative to seize the opportunity to play its particular bridge and link role in the multilateral cooperation between China, Russia and Mongolia and to push forward the cooperation.

Key words: Relation between China and Mongolia, One Belt and One Road, China-Mongolia thoroughfares

1. The economic and trade cooperation between inner Mongolia and Mongolia lays good foundation for the construction of China-Mongolia thoroughfares

With a long and narrow terrain between the east and the west of China, Inner Mongolia Autonomous Region, outside China, borders on Mongolia and Russia and has a border line of more than 4200 kilometers; within China, it is adjacent to 8 provinces and regions in northeast China, North China and northwest China. Because of the unique geographical position, Inner Mongolia has unique geographical superiority in participation in the regional cooperation in Northeast Asia, including the regional cooperation in Tumen River. Particularly it plays a vital role in the economic and trade cooperation between China, Mongolia and Russia.

Mongolia has long been Inner Mongolia's major trading partner due to the geographical relationship. The volume of trade between Inner Mongolia and Mongolia has exceeded that between Inner Mongolia and Russia. Mongolia has become Inner Mongolia's biggest trade partner. In

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2014, the volume of trade between Inner Mongolia Autonomous Region and Mongolia was \$4.097 billion, accounting for 55.3% of the volume of trade between China and Mongolia, which was \$7.31 billion, and increasing by 2.3 percentage points compared with the previous year. Among which, the volume of imports was \$3.17 billion, accounting for 62.3% of China's volume of imports from Mongolia, which was \$5.09 billion, and increasing by 5 percentage points compared with the previous year; the volume of exports was \$0.927 billion, accounting for 41.8% of China's volume of exports to Mongolia, which was \$2.22 billion (Song Zhenqing, Yang Zhijun 2015). Particularly in terms of the coal trade, in 2012 the volume of coal trade between Inner Mongolia and Mongolia reached \$1.79 billion, accounting for about 47.2% of the volume of trade between China and Mongolia. Coal has become the first major trading goods. Influenced by the price fluctuation of mineral products in international market, the volume of coal trade declined slightly after 2013, while still remained stable as a whole.

As for the structure of imports and exports, the main export commodities from Mongolia to China are resource products, such as coal, copper concentration powder, iron ore, iron powder and crude oil. The main export commodities from China to Mongolia are steel products, building materials, heavy-duty trucks and mining equipment.

Since the economic cooperation between China and Mongolia was restored in 1989, the economic cooperation between Inner Mongolia and Mongolia has gradually been enhanced and the investment scale has gradually been expanded. The investment field primarily involves exploitation of mineral resources, construction and decoration, plush processing, transportation, cement products, agricultural planting and breeding and processing, etc. In 2014, the number of Inner Mongolia Autonomous Region's investment projects in Mongolia was registered at 19. The contracted foreign investment at the Chinese side was \$0.35 billion, which increased more than fourfold on a year-on-year basis, accounting for 31% of the contracted foreign investment of the entire district (Hong Yan 2015).

It can be seen from the data above that Inner Mongolia plays a major role in the economic and trade cooperation between China and Mongolia, which also lays a solid foundation for the future expansion of the exchange and cooperation between China and Mongolia in various fields.

2. The status quo of Inner Mongolia's participation in the building of Tumen River thoroughfares and the development of Arxan port

Since China's reform and opening up, driven by the national strategy of opening to the north, Inner Mongolia via its geographical advantages has been constantly deepening its economic and trade cooperation and cultural exchange with Mongolia and Russia, which laid a good foundation for its participation in Northeast-Asia regional cooperation. As an important bridgehead for China's strategy of opening to the north, led and driven by the central government, Inner Mongolia Autonomous Region in recent years has built close partnership with local governments of various countries in Northeast Asia through forms such as exchanging delegations, economic and trade negotiation, holding exhibitions and signing cooperative agreements, with the policies of regional trade, investment and tourism constantly becoming consummate, exchanging visits and exchanges at all levels being constantly deepened, border and regional economic and trade cooperation constantly being enhanced. In recent years, Inner Mongolia has realized the strategic significance of China-Mongolia thoroughfares for the opening up and development of the eastern area of Inner Mongolia. It has included the construction of the "two mountain" (Arxan in China-Choibalsan in Mongolia) railway in the *Mid-Long Term Planning for Inner Mongolia's Railway Network* (Yang Chenhua, Huang Zhanbing 2008).

The communication and collaboration with Jilin Province have begun to enter the operation stage. At the beginning of 2014, the *Request for Instructions about Asking for Support for the Construction of the "Two Mountain" Railway between China and Mongolia*, which was countersigned by the chief executives of Inner Mongolia and Jilin Province, was reported to the State Council.

Currently, the two provinces and region have reached many consensuses in terms of soliciting the central government's support, enhancing local cooperation and deepening the exchange and negotiation with Mongolia, with the joint forces to advance the construction of "two mountain" railway being constantly increasing.

Inner Mongolia has built a relatively complete port system opening to the outside world through many years of construction. It now has 16 open ports, including 11 highway ports, 2 railway ports and 3 aviation ports.

These ports are the platform and vector for Inner Mongolia's development and opening up. In Inner Mongolia's regional cooperation with Tumen River, the ports to Mongolia in this area include Arxan port, Ebu Duge port and Ari Harsha Te port. Also, the exchange and cooperation between Hulunbuir City, Hinggan League and Mongolia have been increasingly closer in recent years. In August, 2015 the Chairman of Inner

Mongolia Autonomous Region, Barta, visited Mongolia and attended the third provincial-governor conference of Local Governments in Northeast Asia Cooperation Committee of "Great Tumen Initiative", which was held in Mongolia's Choybalsan City. During the conference, Hulunbuir City signed memorandum of understanding on the cooperation and development of border tourism and the building of cross-border highway and cross-border economic cooperation zone with Eastern Province of Mongolia. Hinggan League signed memorandum on the building of cross-border tourist area and economic cooperation with Eastern Province (Inner Mongolia Daily 2015).

The building of the important node of China-Mongolia thoroughfares, the "two mountain" railway, was advocated by United Nations Development Programme in the early 1990s. The "two mountain" railway being conceived will be the nearest access to the Sea of Japan for Mongolia and the Far-East region of Russia. It will also be the important "supply line" for the future development of Jilin Province and Hinggan League of Inner Mongolia, and still more be the supporting project for the strategy of entering the east and linking the west proposed in the national Changchun-Jilin-Tumen Planning. If the railway is constructed, a new Eurasia bridge from Huichun through Changchun, Ulanhot, Arxan and Mongolia's Choybalsan to Russia's Chita and connected with the Far-East railway of Russia will be formed, which can effectively make up for the short slab in the cooperation and development in Tumen-River region, thus facilitating the progress of regional cooperation of Northeast China with surrounding countries in Northeast Asia. Therefore, Arxan port receives close attentions because it is situated at the hinterland of Northeast-Asia economic circle and the key node of Tumen-River thoroughfare. Currently Arxan port has opened the highway port, the nature of which is international seasonally opened highway passenger-and-goods transport port. As the only port in Hinggan League, Arxan port, driven by the national strategy of "One Belt and One Road", Inner Mongolia Autonomous Region's development strategy and a series of reform measures, is accelerating its development and construction, prompting the port economy to become a new engine driving the regional growth. In recent years, all levels of government in Inner Mongolia have been constantly making greater efforts to build the Arxan port, with transportation, power supply, water supply, telecommunication and full coverage of internet and wireless network of broadcast television being achieved. As of 2014, accumulative investment of ¥0.231 billion in port highway, port site and non-site infrastructure had been completed (Hinggan Daily 2015: 2). On July 15th, 2013, the Arxan-Sombert highway port between China and Mongolia was formally opened.

At present, the “two-mountain highway” whose building is being accelerated, particularly the building of high-grade tourist highway between Sombert port and the Halhbol County in Mongolia, are actively preparing for the building of China-Mongolia cross-border tourism cooperation zone. As for the railway port, Arxan City seizes the opportunity of building the China-Russia-Mongolia economic corridor and Inner Mongolia Autonomous Region innovating the mechanism of cooperation with Russia, Mongolia and takes the initiative to establish liaison with relevant departments in Inner Mongolia Autonomous Region and “Changchun-Jilin-Tumen” office in Jilin Province. It plans to begin the earlier-stage works of building the “two mountain” railway this year and complete it by 2020 (Hinggan Daily 2015: 2), thus creating conditions for the building of Port Park and the development of import-and-export processing industry and international logistics industry. The kick-off works of building aviation port and water-transport port are also under way.

3. The opportunity in pushing forward the building of China-Mongolia thoroughfare and Inner Mongolia's role in it

Although the building of “two-mountain railway” is at the beginning stage, the establishment of comprehensive strategic partnership between China and Mongolia, the implementation of China’s strategy of “One Belt and One Road” and the execution of the plan for building the China-Russia-Mongolia economic corridor will greatly accelerate the pace of regional cooperation and will provide unprecedented opportunity for the construction of China-Mongolia thoroughfare.

3.1. Opportunities brought by the establishment of the comprehensive strategic partnership between China and Mongolia

In August, 2014 the president of China, Xi Jinping, paid a state visit to Mongolia. Leaders of the two countries reached numerous consensus, signed a series of cooperative agreements, issued joint declaration and announced the establishment of comprehensive strategic partnership between China and Mongolia, marking that China-Mongolia relation enters a new stage of development. China and Mongolia pointed out in the joint declaration that the two countries should “accelerate the cooperation between China and Mongolia on industrial investment in infrastructures and large projects of mines and energy resources such as railway, highway, port, coal, electric power, oil, chemical industry, copper ore, iron ore, uranium ore, lead-zinc ore, automobile manufacturing, real estate and light industry, to comprehensively improve the quality and scale of pragmatic cooperation between both sides”. Mongolia is rich in mineral resources.

Only in Eastern Province the total coal reserves of 5 billion tons and oil reserves of 1.5 billion tons have been ascertained (Changchun, Jilin and Tumen Call 2014). Mongolia holds a positive attitude toward developing the market in China, Korea, South Korea and Japan through the “two mountain” railway. In addition, China and Mongolia have a very high degree of complementarity in their cooperation on the development of mineral resources and construction of infrastructures. As a result, the general direction of economic cooperation in the comprehensive strategic partnership between China and Mongolia is: following the principle of “integrating the development of mineral resources, the construction of infrastructures and the financial cooperation to push them forward as a whole”. During the period of president Xi Jinping's visit to Mongolia, China and Mongolia signed 26 cooperative agreements, 19 of which involved the cooperation in economic fields such as financial cooperation, mineral exploitation, trade and transportation, infrastructural construction, offering a brighter prospect for the cooperation between the two countries on the construction of infrastructures.

3.2. Opportunities provided by the implementation of China's strategy of “one belt and one road”

In 2013, China proposed the strategic conception of “One Belt and One Road”. In 2014, the Silk Road Fund was set up and contract was signed to set up the Asian Infrastructure Investment Bank. In 2015, the building of “One Belt and One Road” entered the practical implementation stage. Mongolia was an important node of the “Silk Road on the Prairie” in history and is now one of the more than 60 countries along the “One Belt and One Road”. Its economy is showing an upward trend, thus offering a bright prospect for mutually beneficial cooperation between the two countries. China's State Councilor, Yang Jiechi, announced at the Boao Forum for Asia held in 2014 that in the future 5 years China would import commodities worth \$10 trillion, make investment of more than \$500 billion abroad and have outbound tourists of 0.5 billion person times (Xinhua Net 2015), surrounding countries around China and countries along the Silk Road Economic Belt will take the lead benefiting from these. On March 28th, 2015 the Chinese government authorized the National Development and Reform Commission, the Ministry of Foreign Affairs and the Ministry of Commerce to publish Vision and Proposed Actions Outlined on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road. China will enhance cooperation with countries along the route in eight areas, the first of which is to promote the connectivity between infrastructures. Therefore, as an important neighboring country in north China, Mongolia will certainly benefit from China's strategy of “One Belt

and One Road”, which will also provide an unprecedented opportunity for the acceleration of the construction of “two mountain” railway, which is a key node of China-Mongolia thoroughfare.

3.3. Opportunities in building “prairie road” by Mongolia

Mongolia gives positive response to the initiative of “One Belt and One Road” proposed by China. Based on the geographical advantage of being situated between Europe and Asia and combined with its own national conditions, Mongolia come up with the plan of “prairie road”, whose aim is to revitalize Mongolia's economy through transit trade. The “prairie road” plan consists of 5 projects that require a total investment of about \$50 billion, specifically including building 997 kilometers of expressway and 1100 kilometers of electrical line which link China and Russia, expanding the railway, natural-gas pipeline and petroleum pipeline across Mongolia. The Mongolian government believes that the implementation of this plan will bring the country more investments and drive the upgrading of its industries, and thereby Mongolia's energy and mineral industry will be promoted to a new level as well. According to its estimation, Mongolia will receive an income of 200 billion MNT by 2020 by operating the transit transport of natural gas and oil between China and Russia (World Wide Web 2014). Therefore it can be seen that the national development strategies of China and Mongolia are connected closely and have a very high degree of complementarity. Mongolia has a strong demand for infrastructures, whereas China has the advantages of vast foreign exchange reserves, advanced technologies and high-quality construction teams. If they are connected very well, the economic development in both countries will benefit a lot from that.

4. Opportunities for construction of China-Mongolia-Russia economic corridor

The cooperation between China and Mongolia in different fields is not enough just between the two countries, it needs three-party cooperation among China, Mongolia and Russia or multi-lateral cooperation. This is the inevitable trend of international economic cooperation. On September 11, 2014, Chinese President Xi Jinping held a China-Russia-Mongolia Summit Meeting with Russian President Vladimir Putin and Mongolian President Elbegdorg in Dushanbe. Xi Jinping put forward the suggestion of building China-Mongolia-Russia Economic Corridor. On July 9, 2015, the heads of the three countries of China, Russia and Mongolia held a meeting again in Ufa City of Russia. President Xi Jinping stressed: In economy, each country should connect to its own development strategy and promote the process

of regional economic cooperation. This fully reflects that the countries attach great importance to the development of regional economic development. The heads of the three countries approved "Mid-term Route Map for the Three-party Cooperation of China-Russia-Mongolia Development." The relevant departments of the three countries signed "Memorandum of Understanding on Compiling the Planning Outline for Construction of China-Russia-Mongolia Economic Corridor", "Cooperation Framework Agreement on Creating Convenient Conditions to Promote the Trade Development among China, Russia and Mongolia", "Framework Agreement on Development of Field Cooperation in the Ports along the Boundaries of China, Russia and Mongolia" respectively. President Xi's speech and the signing of these important documents have far-reaching significance to the close cooperation between the three parties of China, Russia and Mongolia. Due to the influence of historical factors, Russia holds almost half of the shares in Mongolian railway departments, and considering that Russia owns part of the road rights of Mongolian railway, it is the most feasible method to cooperate in constructing and operating the Two Mountains Railway among China, Mongolia and Russia. Therefore, it is a good opportunity once in a blue moon to build "Two Mountain" Railway within the framework of China-Russia-Mongolia Economic Corridor and then build China-Mongolia thoroughfare.

The above opportunity creates good chance for further deepening China-Russia-Mongolia economic and trade cooperation, realizing the construction of China-Russia Economic Corridor, hence to propel Regional Economic Integration in Northeast Asia. As China's important region to participate in the progress of Regional Economic Integration in Northeast Asia, Inner Mongolia should actively seize the opportunity and play the unique role of bridge and ligament in the multilateral cooperation among China, Russia and Mongolia, and do more work in the following aspects.

1. To play due role in deepening China-Mongolia comprehensive strategic partnership

The establishment of China-Mongolia comprehensive strategic partnership makes the relationship of the two countries come onto a new step. Although there are frequent high-level visits between the two countries, political relations have reached the best level in history, civil exchanges lags behind relatively, and mutual trust is still the greatest resistance to the cooperation between the two countries. As for the construction of "Belt and Road Initiative" put forward by China, there exist both expectance and misgivings from the reaction of domestic media of Mongolia. As the area with unique advantage in geography, humanity, port and other aspects similar to Mongolia, Inner Mongolia should do more

work in dispelling doubt and confusion and enhancing mutual trust, and make good preparation for the future "Two Mountains" Railway construction.

2. To play a role in upgrading the level of economic and trade cooperation

For China, it is in the middle and later periods of industrialization, the process of urbanization has not completed, and has booming demand for energy and resources in economic development. Mongolia is rich in mineral resources and has a supporting role in the development of China's economy in the future. For Mongolia, it needs external force in exploring mineral resources, especially lacks necessary funds for infrastructure, while Inner Mongolia not only has accumulated lot of experience in the construction of infrastructure but also has plenty of funds, therefore it should play an active role in upgrading the level of China-Mongolia economic cooperation. Mongolia has passed the construction plan for using the standard rail in two feeding lines of the railway line, and this not only brings convenience for the cooperation in the construction of infrastructure and exploration and transportation of mineral resources, but also has demonstrative effect in "Two Mountains" Railway construction. Currently, when Mongolian economy is in the difficult period, as a close neighbor, Inner Mongolia should take more responsibility and try to lend a helping hand and lay a good foundation for deepening bilateral economic and trade cooperation.

3. To give full play to its own advantages in the China-Mongolia-Russia cooperation

Although China-Mongolia and Russia has reached consensus on the construction of "China-Mongolia-Russia Economic Corridor", but it needs to go a long way from the start to the substance cooperation of the three parties. The trade scale of the countries along "Belt and Road Initiative" is enlarging constantly, but it also faces the problems of customs clearance, poor logistics, more barrier and so on. It needs the common effort from the people and governments to get through the barriers and channels among the three parties and form mutually beneficial and win-win cooperation. Inner Mongolia has accumulated extensive experience in economic and trade cooperation with Mongolia and Russia. It should make full use of the geographical, humanistic and port advantages and play a role in guiding internally and collaborating externally, thus making contributions to the construction of China-Mongolia thoroughfare.

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