

TRILATERAL COOPERATION RUSSIA, MONGOLIA AND CHINA: IN CASE OF RAILWAY PROJECT

Urantsetseg Enkhbaatar⁵

Abstract

The President of the China Xi Jinping announced the initiative "One Belt & One Road" in the world in 2013. This initiative is the Chinese foreign economic policy of the nearest 10 years. As part of this initiative, China has started to cooperate with many countries, including the countries of the Eurasian continent. In line with this, our country wants to cooperate with China in the framework of the initiative. Mongolia wants to become a transit country between Russia and China. Thus, the heads of the three countries agreed to create an "economic corridor". However, the question remains of what Mongolia is in a political and economic crisis can I participate in the initiative "One belt one way" and its railway modernized.

Keywords: trilateral cooperation, Russia, Mongolia and China, New Silk Road, Steppe Road

At the beginning XX century railway came into existence in the world transportation system. In the past century world powers used the railway as a vehicle for one's own political sphere of influence. Russia was able to use themselves in favor of the historical time. Thus, Russia became "the territory of the superpower" with a combination of sea and land transport.

However after from the XXI century, crucial strategic importance of Central Asia grew. Because, world and regional powers strongly compete with each other in the space of the region to take control over the energy and strategic resources. But infrastructure and roads of the region directed to only Russia (Bor, Ulambayar 2013: 431).

So, world and regional powers implement many railway projects: "CAREC", "International transport corridor", "TRACEKA", "TAPI" etc.

However the president of Chinese People's Republic Xi Jinping announced about initiative "Economic belt of the Silk Road", which focuses on infrastructure projects in the Eurasian direction, in Astana in September 2013. So, the railway is again to attract a lot of attention in the XXI century. Analysts said that China has two reasons in order to re-establish "Silk Road", which connect to Asia and Europe.

⁵Urantsetseg Enkhbaatar, master of National University of Mongolia, 976-94999598, enkhbaatarurantsetseg@gmail.com,

Firstly, China wants to be independent maritime transport routes controlled by Americans and reduce the time of delivery of goods from China to Europe. Currently, the average time of delivery of containerized cargo from China to Europe by maritime transport is 45-60 days. In case of successful realization of the project "Silk Road" goods from China to Europe will be delivered within 10 days (TASS Russian News Agency 2016).

The second reason - to implement the initiative "Economic belt of the Silk Road" is that opportunity to expand the Chinese domestic market. China is directing the special attention to the north-western, eastern and south-western and central provinces within of implement the initiative "Economic belt of the Silk Road" (TASS Russian News Agency 2016).

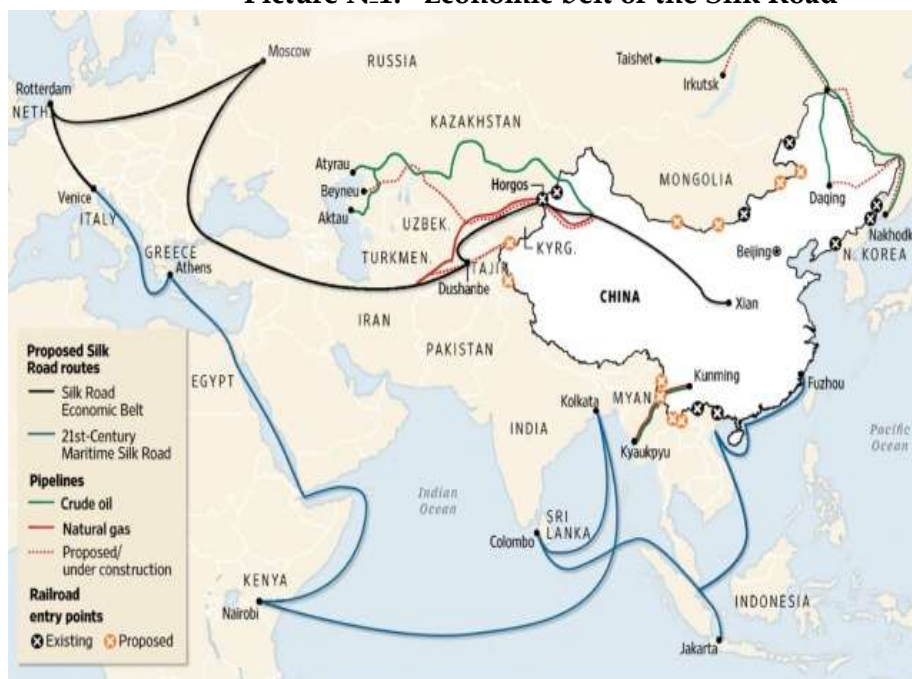
The initiative "Economic belt of the Silk Road" involves the creation of a vast area of economic cooperation from China to Europe with a population of 3 billion populations. Country from Central Asia plays a leading role in implement the initiative "Economic belt of the Silk Road".

Reporter of Italian newspaper "La Repubblica" Jampaolo Vizetty said that project "Economic belt of the Silk Road" is project of the XXI century and China gives an important signal to The Western countries. Moreover, the reporter said that Beijing takes an important position in the strategic region in the world, which covered the Pacific Ocean (Как Китай отвоевывает 2015).

China has concluded free trade agreement with countries, which are in economic belt of the Silk Road. Nowadays, 40 countries want to conclude free trade agreement with China.

Analyst from "Royal United Services Institute" Raffaello Pantuchchy considered that China will be an important player on the geopolitical stage of this region in the world.

Picture №1: "Economic belt of the Silk Road"



Source: *Путешествие на Запад": зачем Китаю новый путь в Европу*
<http://tass.ru/ekonomika/3503810>

After announcing this project, Russia began work immediately on the development potential of Russia-China cooperation. As one of these formats in the internal working level considered the so-called concept of "Eurasian belt of growth", whose purpose - to enter the Chinese initiative in the existing institutional framework of the Eurasian Economic Union.

Moreover, Russia is directing the attention to infrastructure development and activating trade-economic cooperation of Eurasian countries in order to don't lose sphere of influence in this region.

Therefore, Russia has created a "Eurasian Economic Union". One of the most important issues of integration "Eurasian Economic Union" is to increase the freedom of movement of goods.

Today the "Eurasian Economic Union" provides for the establishment of zero rates of customs duties between the member countries and the abolition of customs borders and a common external tariff for third countries. However, there are some sectors where there is still no single market have harmonized rules: the markets oil and oil products, alcohol, cars and gas.

It is important for Russia that interest of Russian businessmen accords with objective of the initiative "Economic belt of the Silk Road".

Also, Russia interests project that focuses on built modern transportation corridors, which includes Eurasian region.

At the same time, an important project for the Russian Railways is to build lines of high-speed rail in the central region of Russia. In particular, this project is currently being developed, with the support of foreign investors, including those from China, who intend to take part in the project "Moscow – Kazan".

In addition, Russia wants to implement the project of connecting the Trans-Siberian Railway with the Trans-Korean Railway.

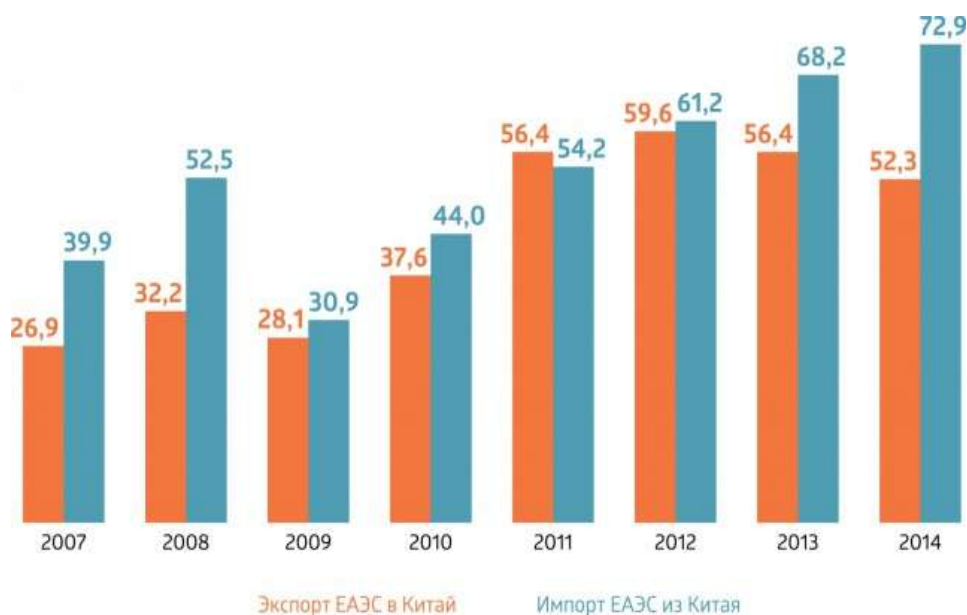
Picture №2: The project of connecting the Trans-Siberian Railway with the Trans-Korean Railway



Source: Mongolian railway

For Russia, China is one of the trade partners from countries of "Eurasian Economic Union". For the period 2011-2014, China's investment in Russia increased from \$ 125.9 million to \$ 1271 million. If so, export of Eurasian Economic Union to China increased from \$ 26.9 billion to \$ 59.6 billion from 2007 to 2012. But these exports decreased by \$ 52.3 billion in 2014.

Chinese investors interested in Kyrgyzstan. But they aren't interested in Armenia and Belarus.



Source: Владимир Саламатов "Экономический пояс евразийской интеграции"
<http://www.vestifinance.ru/articles/71847>

Thus, cooperation Russia and China makes more active, beginning Eurasian region movement and planning to build large-scale railways, which will be connect Asia with Europe.

Nowadays, external environment of Mongolia changes. So, Mongolia wants to deepen cooperation with Russia and China and interested in become trustworthy bridge between Russia and China.

Nowadays, "Ulaanbaatar railway" executes the majority of goods in transit in Mongolia. The "Ulaanbaatar railway" is one of the corridor in Central Asia Economic Cooperation. Therefore, Russian and Mongolian parties was agreed augment goods in transit in 2014. The two parties approved the "Ulaanbaatar Railway" development strategy, in order to update the "Ulaanbaatar Railway. To this end, Russian and Mongolian parties will finance "Ulaanbaatar Railway" \$ 890 million until 2020.

The president of Mongolia Elbegdorj Tsahia innovated mechanism trilateral meeting of heads of Russia, Mongolia and China in 2014. So, three heads of state agreed "Economic corridor" in 2016, which consists of three projects: Mongolian "Steppe route", Russian "Eurasian railway" and Chinese "Silk road".

Russia-Mongolia-China corridor consists of 32 projects, 13 are focused on transportation infrastructure (Program of Russia, Mongolia, China economic corridor).

1. Conduct a feasibility study for comprehensively redeveloping the main railway links of the economic corridor (UlaanUde-Naushki-Sukhbaatar-Ulaanbaatar-Zamiin Uud-Erenhot-Ulaan Tsav-Zhangjiakou-Beijing-Tianjin), constructing a double-track railway, and distributing electricity to it.
2. Conduct studies on northern railway links of the economic corridor (Kurangino-Kyzyl-Tsagaan Tolgoi-Arts Suuri-Ovoot-Erdenet-Salkhit- Zamiin Uud-Erenhot-Ulaan Tsav-Zhangjiakou-Beijing-Tianjin). In the case of a positive feasibility study result, the construction work will start immediately.
3. Conduct studies on western railway links of the economic corridor (Kurangino-Kyzyl-Tsagaan Tolgoi-Arts Suuri-Khovd-Takashiken-Haxi Prefecture-Urumqi). In the case of a positive feasibility study result, the construction work will start immediately.
4. Conduct studies on eastern railway links of the economic corridor (Borzya-Solovevsk-Ereen Tsav-Choibalsan-Khuut-Bichigt-Zuun Khatavch-Ulaan Khad-Chifeng-Jinzhou). In the case of a positive feasibility study result, the construction work will start immediately.
5. Conduct studies on Tumen River Transportation Corridor project, also referred as “Coast-2” corridor, (Choibalsan-Sumber-Rashaan-Ulanhot-Changchun-Yanji-Zarubino). In the case of a positive feasibility study result, the construction work will start immediately.
6. Conduct studies on “Coast-1” railway corridor (Choibalsan-Sumber-Rashaan-Manchuria-Qiqihar-Harbin-Mudanjiang-Suifenhe-Vladivostok-Nakhodka). In the case of a positive feasibility study result, the construction work will start immediately.
7. Study opportunities to connect Mongolia with the superhighway between Moscow and Beijing.
8. Organize a joint discussion session on establish a trilateral logistics company.
9. Actively use Asian Highway Networks AH-3 (Ulaan Ude-Kyakhta, Altanbulag-Darkhan-Ulaanbaatar-Sainshand-Zamiin Uud, and Erenhot-Beijing-Tianjin) for transportation, and conduct feasibility study for building a highway joining Mongolia to AH-3.
10. Construct AH-3 routes Novosibirsk-Barnaul-Gorno-Altaysk - Tashanta, UlaanBaishint-Khovd-Yarantai, and route Takashiken-Urumqi-Kashi-Honqiraf.
11. Conduct a study on East Highway Corridor (Borzya Borzya-Solovevsk-Ereen Tsav-Choibalsan-Baruun Urt-Bichigt-Zuun Khatavch-Xi Ujimqin-Ulaan had; routes between Zuun Khatavch

and Chaoyang, between Chengde and Jinzhou) and begin construction if feasibility study shows positive result.

12. Establish an Intergovernmental Agreement on the Asian Highway Network between governments of Mongolia, Russia and China.
13. Ramp up construction of communications infrastructure, manage technological operations and ensure safety of transportation corridors running from Ulaan Ude to Kyakhta, as well as on routes Altanbulag-Darkhan-Ulaan-baatar-Sainshand-Zamiin Uud and Erenhot-Ulaan Tsav-Beijing-Tianjin.

Picture 5: Mongolian Railway project



Source: The ministry of transportation and development of Mongolia

Thus, Mongolia has developed its proposal to join the movement of the Eurasian region. In addition, two neighboring expressed their support. However, they have to discuss with any project, which should begin. This question will meet the Vice-Ministers of Transport of the three countries in the October 20, 2016.

The economic corridor is intended to strengthen the three countries' mutual cooperation and support win-win economic development, as well as to increase the countries' competitiveness in international market. Multiple channels will be used for financing, such as government investment, public-private partnerships and investment from international

financial institutions such as the Asian Infrastructure Investment Bank, the New Development Bank and BRICS.

However, it is unclear how we will receive funding of these projects. The reason is that today China produces in the form of loans more than 70 billion dollars. Countries of the region's economic belt of the Silk Road. Researchers refer to this concept as the Chinese soft intervention (Рыжова, Экономический пояс Шёлкового).

In any case, the new government has included these projects in its program, which will be implemented during 2016-2020. However, the Ministry of transport development plans to finish building these projects in 2026. If we are able to implement these projects, then our country will not be landlocked. It can restore our economy. Specifically,

- The Ulan Bator Railway will increase the freight transportation by 10 Million Tons, then Mongolia will have more opportunity to participate in the regional economy
- Countries, which carry transit goods by railway via Mongolia, will open their office in Mongolia. So, Mongolia has opportunity to execute role transferor.
- Russia and China railway's gauge vary. So, it's bring Mongolia to benefit
- The "Ulaanbaatar railway" plans to transit 34 million tons in 2018, 48 million tons in 2020, and 76 million tons in 2030.
- The "Ulaanbaatar railway" will have tax haven in region.

Creating new railway is one hand Mongolia has a few export gateways and develop infrastructure in urban areas. Other hand Mongolia needs to computing foreign residents. Because, this issue is related to national security.

The "railway" sector is subject of an economic "war" and of hot debates of the political representatives. So, our country has made efforts to elaborate an integrated policy, which is based on facts and exploration. An important fact is that Mongolia needs to enter into balanced relationships with Russia and China. In other words, Mongolia needs to have a specialized institute, which will study questions related to transport geopolitics.

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