



CHINA-MONGOLIA-RUSSIA ECONOMIC CORRIDOR: INTERESTS OF THE PARTIES

On June 24, 2016, during the Shanghai Cooperation Organization (SCO) Summit in Tashkent, the presidents of China, Mongolia and Russia agreed on the China-Mongolia-Russia Economic Corridor (CMREC), which is an important project of Beijing's Belt and Road Initiative (BRI). The project aims at realizing joint projects in areas such as trade, competitiveness of goods and services, cross-border transportation security, and infrastructure development. President of China Xi Jinping first proposed the idea of the project during the first China-Russia-Mongolia Summit, which took place in Dushanbe on September 11, 2014. President of Russia Vladimir Putin and President of Mongolia Tsakhiagiin Elbegdorj also supported the idea. Then, in 2015, during the SCO summit in Ufa, the issue was placed on the agenda again.

The corridor is planned to pass through two main routes: one extends from the Beijing-Tianjin-Hebei region in northern China to Hohhot and on to Mongolia and Russia; the other extends from China's Dalian, Shenyang, Changchun, Harbin and Manzhouli to Russia's Chita. Seven major areas of cooperation are envisaged between the parties on this route, which include the development of transport infrastructure and connectivity, the construction of border crossings (along with customs and sanitary controls, etc.), enhanced cooperation in the field of industry and investment, trade and economic relations, close interaction in the humanitarian field, partnership in the field of environmental protection, and strengthened cross-border cooperation. The main focus of cooperation is transportation infrastructure. The construction of the corridor aims to connect the BRI project with Russia-led Eurasian Economic Union (EEU) project and Mongolia's Steppe Road project. A five-year program has been prepared for the project to start, and after its expiration the parties can extend the program period, regardless of its results. The program consists of 32 projects, and the majority of them envisage the restructuring of existing railways and roads and the construction of new ones.

The CMREC project is drawing intense interest from the three participating states. Through the project, China, Mongolia, and Russia aim to achieve common success in the global market. As noted above, this will enable more intensive cooperation between

the participating countries in transport and communication, the development of the industrial sector in the border regions, as well as cooperation in cultural and social areas, and environmental security. In this context, it is worth looking at what the project means for each of the participating countries.

First of all, for Mongolia, two free trade zones are to be established near the corridor. The first of these zones will be established at the Gashuun Sukhait border crossing on the Sino-Mongolian border and will contribute to the operation and export activity of Mongolia's Tavan-Tolgoi coal deposit. The second one will be established in the province of Altanbulag on the Russian-Mongolian border and will lead to the development of ecotourism in the region. Launched with China's initiative, the project aims to transform Mongolia into an active participant of the BRI project. In this respect, it is important to underline the importance of Mongolia's Steppe Road program, which was launched in 2014 and is aimed at the strategic development of the country. The Mongolian government is seeking foreign investments of \$50 billion for the project, which envisages the construction of roads and railways that run from the Chinese border to the Russian border through the territory of Mongolia. China wants to make the program a major route of the BRI project and aims to invest \$30 billion in the next 5-10 years and then \$90 billion by 2035. Today, China is Mongolia's main foreign trade partner, since it receives 90% of Mongolian exports and provides 30% of its imports. In 2018, the trade volume between China and Mongolia was \$8.4 billion, which is 26.8% higher compared to 2017. According to the Foreign Trade and Economic Cooperation Department of the Ministry of Foreign Affairs of Mongolia, Mongolia and China aim to expand trade volume to \$10 billion by 2020.

On the other hand, China's rapidly developing economic cooperation with Russia is helping Mongolia to contribute to their bilateral relations. According to the Department of Statistics and Analysis of the Chinese General Administration of Customs, China's trade volume with Russia amounted to \$107 billion in 2018, which is an increase of 21.7% compared to 2017. This figure was \$84.07 billion (20.8%) in 2017 and \$69.52 billion (2.2%) in 2016. Considering that the

trade volume between China and Russia is expected to reach \$200 billion in the coming years, it is clear that Mongolia has a great advantage in this way. One of other advantages of the trilateral corridor for Mongolia, which is geographically constrained between Russia and China, is to increase its geopolitical capacity and try to take its share in the market of the neighboring countries. Understanding the importance of the integration process initiated by China and Russia in Eurasia (the BRI and EEU projects) and keeping up with it, Mongolia's Steppe Road project also helps the country to take its place in the integration process. On the one hand, the development of the mining industry in Mongolia and the purpose of increasing exports of mineral resources would improve the quality of the existing transportation infrastructure in Mongolia, while the country's transit potential could serve as an alternative for both Russia and China. For example, according to the statistics, in 2016, China transported 1,700 container trains through Kazakhstan, 1,200 container trains via the Manzhouli Railway and only 170 container trains via Mongolia. Although the transit route of Mongolia is 1,135 km shorter than the Manzhouli railway linking China with Europe and 1,600 km shorter than the transit route through Kazakhstan, the low volume of cargo transportation is due to the undeveloped transport infrastructure in Mongolia and the poor quality of existing railways.

For China, the CMREC is an important step in the process of implementing the BRI project. In addition, it will have a positive impact on China's move towards the North and the West and the economic development in Eurasia. As mentioned above, the operation of this corridor leading to Russia and Europe through Mongolia would be in the interest of China in terms of transportation time and cost. In its turn, Russia expects the CMREC to contribute to the development of Siberia and the Far East. It will also have a positive effect on the economic situation in the EEU. As a result, the existing development strategies of Russia, Mongolia and China (the EEU, Steppe Road, and BRI) provide the necessary infrastructure for the China-Mongolia-Russia corridor to start operating in the near future.

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Politics, Foreign Affairs, and Security

- President of Turkey Recep Tayyip Erdogan met with Russian President Vladimir Putin in Moscow to discuss issues related to the settlement of the Syrian crisis. The negotiation agenda included the situation in the Idlib province, the U.S. withdrawal decision, the status of a U.N.-backed constitutional committee for Syria, and a planned safe zone along the Turkish-Syrian border.
- President of Azerbaijan Ilham Aliyev and Prime Minister of Armenia Nikol Pashinyan held informal talks on the sidelines of the 49th annual meeting of the World Economic Forum in Davos. They exchanged views on the current state of bilateral negotiations on the settlement of the Nagorno-Karabakh conflict and existing conditions for achieving peace.
- During his official visit to Germany, President of Uzbekistan Shavkat Mirziyoyev met with German Chancellor Angela Merkel, President Frank-Walter Steinmeier and Bundestag President Wolfgang Schauble. The parties signed a number of agreements related to economy, trade, investment, finances, innovations, culture, education, science, and tourism, and agreed to expand bilateral trade from €700 million to €1 billion.
- The U.S. guided-missile destroyer Donald Cook arrived in the coastal city of Batumi in western Georgia for a scheduled port visit. The military ship entered the Black Sea to strengthen interoperability with U.S. NATO allies and regional partners. During its stay in Batumi, Donald Cook participated in joint training exercises with the Georgian Coast Guard.
- The Shanghai Cooperation Organization (SCO) Council of National Coordinators met at the SCO Secretariat based in Beijing. During the meeting, the participants discussed issues related to the preparation of the SCO Summit in Bishkek and the meeting of the SCO Heads of Government Council in Tashkent, as well as other activities planned as part of the Kyrgyz Republic's SCO Presidency.
- An official ceremony on the occasion of the inauguration of Vladimir Norov as the SCO Secretary General took place in Beijing. The event was attended by high-ranking Chinese diplomats, representatives of other SCO member countries, the SCO Regional Anti-Terrorist Structure and the diplomatic corps accredited to China, as well as reporters from Chinese and foreign news agencies.
- A group of 120 Azerbaijani peacekeepers, including two military doctors and six staff officers, was sent to Afghanistan to serve as part of the NATO-led Resolute Support Mission. The peacekeeping contingent of Azerbaijan's Armed Forces has been serving in Afghanistan on a rotating basis since November 20, 2002. In addition, two Azerbaijani officers were sent to South Sudan as observers to participate in the UN peacekeeping mission.

Economy, Finance, and Energy

- The Asian Development Bank approved a grant of \$2 million for the development of railways in the countries participating in the Central Asian Regional Economic Cooperation (CAREC) program. The grant will be used to support the research of the CAREC railway market and the development of an efficient and accessible regional model of railway traffic.
- The working groups of Kazakhstan and Kyrgyzstan began negotiations on duty-free deliveries of Kazakh crude oil and petroleum products. According to a relevant draft intergovernmental agreement, Kazakhstan will not charge export customs duties on certain volumes of oil and related products intended for domestic consumption in Kyrgyzstan.
- Uzbekistan, which is the world's seventh-ranking uranium supplier, plans to create a unified enterprise for extraction and processing of uranium in the near future. A government-owned enterprise will be organized on the basis of the Navoi Mining and Metallurgical Combine, the country's sole producer and exporter of uranium.
- Uzbekistan reduced exports of cotton fiber from 278,900 tons in 2017 to 115,600 tons in 2018, or by 2.4 times, decreasing the share of cotton in the country's total exports from 3.8% to 1.6% (\$222.1 million). Instead, Uzbek exports of textile products (cotton yarn, knitwear and garments) increased by 1.4 times and amounted to \$1.603 billion, which is 11.2% of total exports.
- Turkmenistan and Uzbekistan will create a joint business council in accordance with the agreement between the chambers of commerce and industry of the two countries signed during the state visit of Turkmen President Gurbanguly Berdimuhamedov to Uzbekistan in April 2018. The council's main goal will be to strengthen fruitful cooperation between the Turkmen and Uzbek business communities, promote mutual trade and develop collaborative economic projects.
- In 2018, Tajikistan's external trade amounted to about \$4.223 billion, which is 6.3%, or \$250 million, higher than in 2017. Tajik exports equaled \$1.073 billion, while imports reached almost \$3.150 billion, with the trade deficit exceeding \$2.076 billion. Tajikistan conducted trade operations with 110 states, and 10 CIS countries accounted for 55.6%, or nearly \$2.347 billion, of Tajikistan's trade turnover, with Russia, Kazakhstan and China being the major trade partners.
- The European Commission (EC) is ready to support three transport projects in Azerbaijan, worth €1.1 billion, in accordance with the Indicative trans-European Transport Network Investment Action Plan, co-authored by the EC and the World Bank. These projects include the construction of five logistics centers (€369 million), the creation of a free trade zone in the township of Alat (€410 million) and the modernization of the East-West Railway (€328 million).

Society and Culture

- The Sixth European Union – Central Asia High-Level Conference on Environment and Water Cooperation focusing on climate change and the promotion of green economy in the region was held in Tashkent. High-ranking government officials and diplomats responsible for environment, climate change and water policies of the Central Asian countries and the European Union participated in the event to define the priority areas for future cooperation.
- Uzbekistan's Republican Higher School of Business and Management and South Korea's Koba Group signed a memorandum to create the first blockchain academy in Central Asia. The academy will provide training and professional development in the field of blockchain technologies and cryptoassets to interested individuals and IT specialists from banks and financial organizations.
- The Kyrgyz government will form an interagency working group that will be tasked with creating an electronic database of children in difficult life situations, such as orphanhood, parental neglect, disabilities, domestic violence, and child abuse. The integrated database will allow social services to keep relevant records and intervene in a timely manner to assist children and address their problems.
- According to the Solo Travel Safety Report 2019 based on a survey of residents of 142 countries, Uzbekistan is ranked fifth in the list of the safest countries for single tourists, following Singapore, Iceland, Norway and Finland. In 2018, the number of foreign visitors to Uzbekistan doubled compared with the previous year and amounted to 5.35 million people.
- According to the Turkish government agency of land Registry and cadaster, over the past four years, Kazakh nationals purchased 1,796 real estate objects in Turkey, including 540 in 2015, 380 in 2016, 334 in 2017, and 542 in 2018. In general, about 39,600 properties were sold to foreigners in Turkey in 2018, which is 78.4% more compared to 2017.
- The Scouts of the Great Steppe nongovernmental organization announced that about 1,000 scout youth teams would be created in Kazakhstan by the end of 2023. The project implemented as part of the Spiritual Revival state program will cover more than 30,000 teenagers aged from seven to 17 years in all regions of the country who will be trained in interpersonal communication, team building, creativity and critical thinking through outdoor activities and tourism.
- The Georgian Ministry of Justice and the International Criminal Court (ICC) in The Hague signed an agreement on Georgia's participation in the ICC justice enforcement system that enables the country to place individuals convicted by the court in its prisons. As the number of ICC convicts is not high, this may remain a distant perspective for the Georgian penitentiary system.