

ИСТОРИЧЕСКАЯ РЕТРОСПЕКТИВА И СОВРЕМЕННОСТЬ  
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# Китайские инвестиции и инициатива «Один пояс – один путь» в Монголии (Кейс международных инвестиций)

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**Аннотация:** В этой статье мы попытаемся представить текущие обстоятельства для китайских инвестиций, определить условия взаимного доверия и последовательного сотрудничества, взаимопонимания между двумя странами в новый период инициатив Китая «Один пояс – один путь». Мы стремились глубоко, с учетом темы исследования, рассмотреть обстоятельства взаимного доверия и доверительного понимания граждан, служащих и политиков, призванные подчеркнуть человеческий потенциал и человеческий капитал. Рассмотрено влияние нынешней структуры двух стран (Китай – Монголия) и уровень ее согласованности, а также эффективность взаимной экономики и ценность ее условий. Мы хотим отметить, что за любой экономической политикой всегда должны стоять соглашения, обязательства и реальное сотрудничество. Мы считаем, что международные отношения и сотрудничество между двумя странами измеряются не только инвестициями, но и национальными ценностями, нормами, практикой, традициями, взглядами и мотивами принимающей страны. Поэтому мы подчеркиваем, что сотрудничество и инвестиции не могут существовать без учета упомянутых обстоятельств. Другими словами, мы отметили ослабление отношений между отдельными лицами, организациями, сообществами и правительством, которые являются основными факторами, сохраняющими на сегодняшний день свое влияние, и предлагаем обратить внимание на отсутствие механизмов коммуникации с двух сторон. Мы попытаемся подвести итоги инвестиций Китая в Монголию, включая текущие инвестиционные тенденции и будущие перспективы,

которые будут реализованы в рамках проекта-инициативы «Один пояс – один путь».

*Ключевые слова:* китайские инвестиции, инициатива «Один пояс – один путь», Монголия, внутренние инвесторы, человеческий потенциал, китайская модель развития

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# Chinese Investment and the «Belt & Road» Initiatives in Mongolia (Case of international investment)

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*Abstract:* In this article we attempt to introduce the current circumstances for the Chinese investment, a basis for mutual trust and coherent cooperation as well as mutual understanding between the two countries in the new period of the Belt and Road Initiatives. In addition, we aimed to investigate thoroughly the above-mentioned circumstances of mutual trust and trustful understanding among citizens, servants and policy makers as called upon to emphasize the human potential and human capital. The article considers the impact of the present structure of the two countries (China-Mongolia) and its level of coherence, efficiency of mutual economy and the value of its conditions. We would like to emphasize that behind any economic policy there must always be agreements, commitments and real cooperation. We believe that foreign relations and cooperation between the two countries are not only measured by investments, but also by the national values, norms, practices, traditions, views and motives of the host country. Therefore, we emphasize that mutual cooperation and investment cannot exist without due account of those mentioned circumstances. In other words, we keynoted the distancing in the relations between individuals, organizations, communities and the government, which are the main influencing forces today. Our proposal is to draw the attention to the lack of communication mechanisms from the two sides. Our attempt is to sum up China's investment into Mongolia, including the current investment trends and future perspectives which are to be realized within the framework of the project, «The Belt & Road Initiative».

*Keywords:* Chinese investment, «Belt & Road» initiatives, Mongolia, domestic investors, human potential Chinese developmental model.

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## Introduction

Mongolia is a landlocked country located between the Russian Federation and the People's Republic of China and thus the country's foreign policy has always been defined to certain extent by this unique geographical circumstance. Mongolia has embarked on new principles of multi-pillar foreign policy and begun to develop broader collaborations with its southern neighbor and other countries all over the world. (Ginsburg, 1998) Mongolia and China have had long history of closer ties in the fields of economy, history and culture. In recent years, cooperation between the two countries has evolved mutually beneficial in the political, economic and social spheres, especially in the areas of trade and investment. Currently, there are more than 100 active trade and investment agreements between the two countries, and bilateral relations are at an all-time high. Since the establishment of the diplomatic relations between China and Mongolia on October 16, 1949, bilateral relations have undergone some twists and turns, but the main direction maintained friendly, good-neighborly relations. The Treaty of Amity between the two countries, which was ratified in 1994 in Ulaanbaatar, was an important step in intensifying the relations between the two sides, and consequently the relationship between the two nations was defined in 2003 as a friendly, neighborly cooperation based upon mutual trust. The Joint working group on trade, economic, scientific and technical cooperation of the governments of Mongolia and the People's Republic of China has been cooperating since 1991 holding regular meetings to ensure trade and economic cooperation.

## Brief history on bilateral relations between Mongolia and China

As of today, Mongolia exports a number of raw materials, including copper-molybdenum enrichment, bitumen coal, and crude oil as well as animal husbandry products such as raw meat, wool, cashmere, and

skins and hides (Yaskina, 2009). Although the Chinese enterprises are successfully running their businesses in the Mongolian markets, there are still some conflicts and disputes between Chinese and Mongolian business entities. For example, not only the expansion of the Chinese economy into Mongolia is a threat to the national security of Mongolia, but also its growing influence on all aspects of modern society indicates the increasing global political role of financial and economic forms of socio-spatial control (Rodionov, 2009). In this sense, the expansion of China's economy can be viewed as a major challenge for Mongolia's security.

Furthermore, due to the Chinese rigorous population growth, the process of migration and settlement of the Chinese residents to Mongolia has been a major concern for the Mongolian government and ordinary citizens; however, this study cannot afford to miss the point that the realistic situation of Chinese migration contradicts with the statement enshrined in the Concept of Mongolian Foreign Policy, which articulates that 'maintaining friendly relations with Russia and China shall be priority directions of the Mongolia's foreign policy agenda. It shall not adopt the line of either country but shall uphold in principle a balanced relationship with both of them, and shall promote all-round good-neighborly cooperation.' (Ministry of Foreign Affairs of Mongolia, 2021) Thus, it is worth mentioning that diversification and integration are crucial for the country's foreign trade sectors. There are some specific reasons as to why the relations between the two countries were under strain during the twentieth century. First, Mongolia and China declared its independence from Manchu Qing in 1911 and 1912, yet, the China that inherited Manchu Qing did not accept Mongolia's independence until 1949. Due to the deterioration of the Sino-Soviet relations, the relationship between the People's Republic of Mongolia and China was virtually stagnated. Relations between the two countries became increasingly strained due to the entry of Soviet troops into Mongolia. Allowing the Soviet troops to have located them in Mongolia troubled the bilateral relations between the two neighbors. In order to ease the tense relations between the two countries, the two sides have taken diverse steps at the parliamentary level, including the official visit of Liu (Wu) Xueqian, Vice Foreign Minister of the People's Republic of China in 1986-1987 to Mongolia (Institute of Oriental Studies, RAS, 2007). Mongolia peacefully moved from a communist regime to a democracy with free market economic system and it led to increased number of high levels, reciprocal visits since the 1990s. According to the bilateral relations have witnessed a rapid and stable development in the last two decades. A new era of an intensive cooperation began with renewal of the Treaty on Friendly Relations and Cooperation in 1994. Political relations of the two countries are being strengthened with frequent exchanges of high-level visits and meetings of leaders, and

collaboration between the parliaments and political parties on the regular basis. (Ministry of Foreign Affairs of Mongolia, 2021)

We categorize official state visits from Mongolia to the PRC, and PRC to Mongolia in the following three levels. The first level is an official state visit of the Presidents and Vice-presidents of Mongolia to China in 1991, 1998, 2004, 2005, 2015, 2020. From the China, the Chairmen of the People's Republic of China and General Secretary of Chinese Communist Party are officially state visited in 1997, 1999, 2003 (2 times), 2008, 2014. (Mongolian Embassy in the People's Republic of China) The second level is an official state visit of Premiers of Mongolia to PRC in 1992, 1996, 1999, 2011, 2015, 2018 (Montsame Agency of Mongolia, 2020) and from China, Vice-chairman and Chairman of Standing Committee of the National People's Congress are officially visited in 1994, 2015. The third level is an official state visit of Ministers of Foreign Affairs in 1997, 2020, Minister of Trade in 2015, and Minister of Defence of China are officially state visited in Mongolia in 2015. (Embassy of the People's Republic of China in Mongolia) During these visits, we sought to conduct the following analysis. For example, during the state visit of Chinese President Xi Jinping to Mongolia in 2014, it was an important step for two countries have decided to develop their relations to the level of comprehensive strategic partnership.

## The Chinese investment in Mongolia

The Parliament of Mongolia (The State Great Khural) adopted the Law on Foreign investment in 1993, which is dedicated to promote foreign investment, protect rights and property of investors, regulate the investment-related relationship. The law is aimed at encouraging foreign investment in all respects and creating a favorable environment for investors, but to date it has not been able to provide sufficient economic growth. In pursuance of the principle of equality of investors, regardless of whether they are foreign or domestic, the Investment Law was revised by the Parliament of Mongolia (Parliament of Mongolia, 2020) on October 3, 2013, and it came into effect from November 1, 2013. The revised version improves the legal environment for investment in Mongolia, provides general legal guarantees to investors, protects the rights and property of investors, guarantees non-confiscation, non-discrimination, and support, stabilizes the tax environment, improves investment efficiency, and provides public services and measures to facilitate registration. As of June 2012, China was the largest investor in Mongolia with US\$3.650.9 million in direct investment since 1990, which accounts 31.7 percent of total foreign direct investment. (Davaasukh D, Tsenddorj D., 2013) As of June 2012, the

number of companies with Chinese investments registered in Mongolia was 45 percent, or the highest percentage of the total number of companies with foreign investments. For instance, China's investment in Mongolia's geological and mining sector, including exploration and mining, since 1990 reached US\$ 2.5 billion by the end of 2011, or 34.56 percent of total foreign direct investment in this sector. By 2013, China solely monopolized over 52 percent of Mongolia's total foreign trade and 26 percent of foreign investment. (Administrative Office, Parliament of Mongolia, 2014)

Today, Mongolian government holds multilateral tax exemption agreements with 29 countries, trade and economic agreements with 24 countries, and bilateral agreements with 42 countries on the mutual promotion of investment and protection. (National Development Agency of Mongolia, 2020) The above scenario reveals that the impact of the Chinese economy on Mongolia has been significantly increased between 2000-2013 indicating that Mongolia is exclusively dependent on China for its exports and imports for example, the researchers note that Chinese GDP and inflation have a direct and indirect impact on the Mongolian economy. Of these, China has continuously invested in Mongolia's geological and mining sector since 2005 and made the largest investment at the end of 2011. According to the monthly statistics released by the Mineral Resources and Petroleum Authority and Implementing Agency of the Mongolian Government, it is informed that mineral license holders own 1714 out of 2,651 licenses granted for 6.2 million hectares of land in Mongolia. (Mineral Resource and Petroleum Authority of Mongolia, 2020) Table 1 shows the distribution in detail.

Table 1

The statistics of the total number of enterprises that hold special mineral licenses  
(by investment November 30, 2020)

By types of enterprises	Holders	Special licenses	Rates	
	Numbers	Numbers	Hectares	Proportion
Total	1714	2651	6,245,542.0	100.0%
Domestic enterprises	1372	2112	4,698,084.7	75.2%
100% Foreign invested enterprises	246	398	1,238,423.0	19.8%
Joint enterprises with foreign investors	96	141	309,034.3	4.9%

Source: Department of Cadaster, Mineral Resources & Petroleum Authority,  
The Implementing Agency of Mongolian Government <https://mrpam.gov.mn/home/>

Meantime, out of 398 special mining licenses 246 have been issued to fully foreign invested enterprises in Mongolia and they are classified by investor states as follows: 133 fully Chinese invested enterprises hold 166 special mineral resource licenses in approximately 330.3 hectares of land ranking China first among the top five countries that hold the special

## mining licenses of Mongolia in the list. (Mineral Resource and Petroleum Authority of Mongolia, 2020)

Table 2

Statistics of purely foreign invested enterprises with the special mineral resource licenses (foreign investor & foreign investment in Mongolia, as of November 30, 2020)

Chinese investors in Mongolia					China's foreign investment to Mongolia				
Square			Owner	Special licenses	Square			Owner	Special licenses
Total	1,238,423.0	100.0%	246	398	Total	209.034.3	100.0%	96	141
	Hectares	Percentage	Numbers	Numbers		Hectares	Percentage	Quantity	Quantity
	330,370.6	26.68%	133	166		01,278.5	29.5%	46	64

Source: Department of Cadaster, Mineral Resources & Petroleum Authority, The Implementing Agency of Mongolian Government <https://mrpam.gov.mn/home/>

The rate of Mongolia, Chinese trade nearly comes 6.735 billion US\$ that takes up 63.92% of the total Mongolia's foreign trade by increase of 35.8%, and the trade profits reaches 3.85 billion US\$ increased by almost a billion US\$ as compared to 2017. (Institute of National Security Study, 2020) For example, Mongolia is still seeking to join the APTA to benefit favorable trade conditions such as an average of 40% discounts in the Chinese and South Korean markets (Mineral Resource and Petroleum Authority of Mongolia, 2020) In September 2018 two sides signed "the Joint Research Task for Investigating the Possibility of Free Trade Agreement between Mongolia and China" (Ministry of Foreign Affairs of Mongolia, 2020) in Ulaanbaatar. Mongolia has traded with the 163 world countries and reached US\$10.536 billion which was increased increase by 27.3% compared to previous year. The rate of trade with Mongolia reached US\$4.96 billion with an increase of 27.4%. China solely monopolized over 62.1% the Mongolia's foreign trade that increased by US\$12.5 in July, 2018 with US\$3.06 billion. (NDA, Regulatory Agency of Government of Mongolia, 2020) Specifically, Mongolia's exports to China amounted to US\$ 5.307 billion, or 85.59 percent of Mongolia's total exports, while imports from China amounted to US\$ 1.428 billion, or 32.94 percent of Mongolia's total imports. As compared to the statistics of the previous years, the following scenario emerges:

Table 3

Statistics of Mongolian and Chinese exports and imports (by year)

Mongolian & Chinese Exports (by year)					Mongolian & Chinese Imports (by year)			
2014	2016	2018	2019	2013	2015	2017	2018	2019
5,073,398.8	3,901,619.6	6,542,824.8	6,789,765.2	1,822,603.7	1,389,694.6	1,429,692.4	1,994,813.7	2,060,787.6

Source: [http://www.1212.mn/tables.aspx?tbl\\_id=DT\\_NSO\\_1400\\_006V3&COUNTRY\\_select\\_all=0&COUNTRYSingleSelect= 12103&YearYselect\\_all=0&YearYSingleSelect= \\_2014\\_2015\\_2016\\_2017\\_2018\\_2019&viewtype=columnchart](http://www.1212.mn/tables.aspx?tbl_id=DT_NSO_1400_006V3&COUNTRY_select_all=0&COUNTRYSingleSelect= 12103&YearYselect_all=0&YearYSingleSelect= _2014_2015_2016_2017_2018_2019&viewtype=columnchart)



The Chinese investment to Mongolia has steadily increased from year to year, year by year, and the bilateral agreements on the implementation of 226 projects with the amount of US\$19.52 billion contract between two parties have been signed during the forum China-Mongolia Economic Forum in Ulaantsav, Inner, Mongolia, PRC. Within the framework of the forum objectives on sharing common opportunities and seeking collaboration for “One Belt One Road” initiative China promotes further collaborative projects on policy environment and developmental trend toward regional cooperation and future progress. Within the framework of investment in this sector, Chinese and Mongolian contractors emphasized the need for close cooperation in the development of green environment, modern animal husbandry, energy and port economic cooperation. In this context, it was decided to launch 53 cooperation agreements with total investment of 41 billion RMB and 63 draft agreements with a total investment of 59.9 billion RMB. (NDA, Regulatory Agency of Government of Mongolia, 2020). It highlighted deepening political trust between the two countries and the consistent expansion of economic cooperation and humanitarian exchanges as the comprehensive strategic partnership between Mongolia and China has expanded and enriched its content. This is an important document that fully meets the interests of the both nations to safeguard a regional and global peace and stability. Thereof, the goal is to increase the total foreign trade turnover of the two countries to 10 billion USD by 2020.

As we live in a changing world, the rapid development of globalization has led to a significant expansion of cultural ties between nations and individuals in this regard, to an expansion of the range of opportunities for economic development. This would be the solid foundation for the peaceful coexistence of international societies.

## The birth of BRI in Mongolia and economic dependence from China

Between 1990 and 2001, the mining industry accounted for 31% of all foreign direct investment in Mongolia, but it is continuously increasing since then. However, for the neighbouring countries with China in Asia, it is a good opportunity for us to be part of the BRI-extensive plan initiated by the PRC in the same development pace, it is not going to happen as easier as Chinese President, Xi Jinping once mentioned in 2013. Even though, we put all our efforts to the development phase. The main reason lies the significance of getting involved in the BRI may bring many developing countries considerable number of economic pressures; in the meantime, this deeper integration may gain China more influence over those other



countries, and a stronger hand in guiding development of the international economic system. The Asian Development Bank (ADB) estimates that the developing countries of Asia collectively will require \$26 trillion (Asian Development Bank, 2020) in infrastructure investment to sustain growth. It is also a big concern for Mongolia, there is no stronger proof that we may not repeat the most recent economic integration practices of Australia, Myanmar, and India with China.

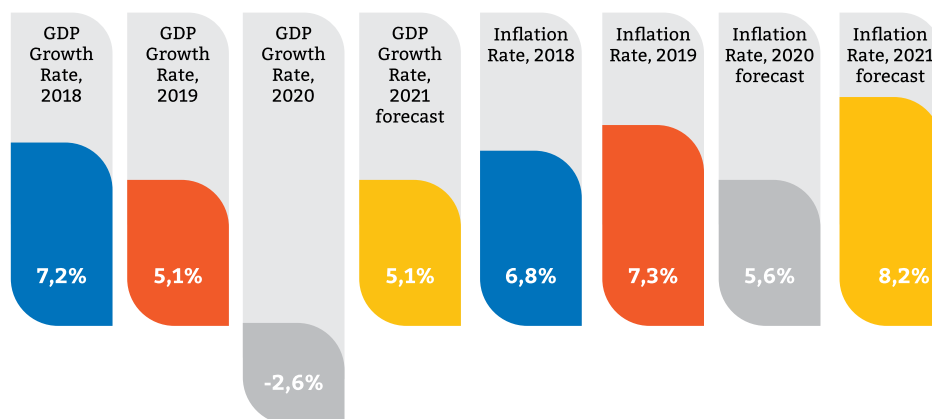
We consider this step as a historically important decision for the development of bilateral relations for many decades. In our recommendation to this circumstance, that both countries need to deepen this comprehensive strategic partnership in respecting to each other's fundamental interests and building political trust. In other words, we aimed to emphasize that, if the people of the two countries can strengthen mutual understanding, good friendship and mutual trust, then there will be created for a good circumstance for the cooperation and real economic results. Actually, this dependence is getting worse to the further survival condition of socio-economic policy and balance with the foreign investment and its conditionality. On the other hand, that radiating the hopes of relying upon Chinese investment and BRI preference and reliance on Chinese soft loans and grants. But China rethinks its Belt and Road Initiative's investment of builds roads, railways, ports and other infrastructure that was signed by the China's leader Xi Jinping that finances and in mostly cuts BRI funding significantly in the recent days. Because, the Chinese policymakers and the public have realized that China needs to invest more in its health services, which had been tested by the coronavirus pandemic (Jonathan Wheatley, James Kynge, 2020). The decline of the overall export and import trade turnover in the past year has led to a decline in the percentage of the two countries' total trade and supply over the past year due to the COVID-19 outbreak. The Belt and Road initiative is not a perfect fit with Mongolia's current economic priorities. Mongolian leaders want to diversify the country's economy by building a manufacturing base and reducing its near total dependence on the exports of natural resources (Kenderdine, 2017). Hereof, we want to emphasize one specificity. It's a new globalized connection between neighbor countries in sharing with our own initiatives and future targets to investigate the brief historical heritage. In this framework, socio-economic investment from the PRC such connected with the "Belt and Road Initiatives" has inherited by the ancient Silk Road's spirit of being open, inclusive and accommodating. According to this global leading program corresponds to the coherent development policy of the countries that located in the border of the ancient Silk Road Trade route.

We believe that, this initiative is an integrated platform for international cooperation with the aim of creating new opportunities for

the development by expanding cooperation between Mongolia and China, as well as the principles of socio-economic trust and equality that actually bind it. In these circumstances, we approached to present the perspective argument of responding the challenges and clarified opportunities to the successful development in the socio-economic conditionality as fundamental specters of the sustainable government responsiveness and accountabilities which is reflected as negative and positive effects (Khatanbold, 2017). We also focus on the capacity-building, calculating the development benefits and the ability of social organization to achieve the goals that are institutionally set up. According to the capacity building goes well beyond the provision of basic needs, in regarding the matter of development at all levels of society and includes institutional development, community development and economic development.

A key example is the ability to fully manage the reasons of the dozens of agreements and treaties as signed between the countries of China and Mongolia is uncertain. This indicates the joint committee on Mongolia-Chinese economic, trade, and technological collaboration aims to intensify partners, to expand the frame of bilateral trade, to investigate mineral resources, and to cooperate on urbanization reforms and humanitarian field based on the mineral resources and energy related relationship. In order to achieve it, we have to improve trade structure and extend the trade of mining and agricultural goods. It is also mandatory for us to believe that 'One Belt One Road Initiative' plays an important role in resolving these issues upon the mutual support and improvement of cooperative mechanism. Based on the 'perpetual neighbors' friendly and mutually beneficial relations the parties shall deepen the further collaboration in overall economic and social development sectors by positively utilizing the success of the Chinese developmental model in advancing further development policy of Mongolia in consistence with the impact of Chinese economic development pace that should be our new challenge for the state and people.

In the last decade Mongolia has seen a substantial labour shift propelled by the mining boom from the agricultural sector to the mining, manufacturing and construction sectors. Since 2017, Mongolia's economy has partially recovered to the capital have shifted from pastoral occupations to service and construction job, especially mining sectors around the capital. Thereof, global commodity prices surged again, particularly in coal and copper in 2018. Although not at the double-digit growth of early 2010, the economy grew at a strong 6.9 percent in 2018 and the mining sector has continued to expand at numerous sites across the country. Growing of Chinese demand for coal has powered growth and government proceeds, pulling the landlocked economy back from the border of a classic

**Figure 1.** GDP Growth and Inflation Rate in Mongolia (by percent, year)

Source: Asian Development Bank. Asian Development Outlook (ADO) 2020 Update (September 2020).

emerging market crisis. In 2018, Mongolia's top exports were consisted of two possessions such as coal briquettes worth \$2.8 billion and copper ore worth \$2 billion (Muller, 2019). According to the Asian Development Bank, Mongolia's GDP is expected to grow at 6.1 percent in 2020, the highest in Asia, 0.1 percent higher than China (ADB., 2020). Mongolia's inflation rates are forecasted at 7.5 percent in 2020, nearly three times more than Hong Kong at 2.3 and China at 2.2 percent.

China's coal imports reached 2.75 billion in 2018, according to UN Comtrade data (Database, 2020). Coal exports generate about 35 percent of Mongolia's total export revenues currently. After growing close to 6 percent on average in 2017-19, the economy is likely to contract in 2020 amid adverse impacts of the COVID-19 global pandemic and pre-existing macro-economic vulnerabilities (World Bank, 2020). Despite progress in the banking sector, continuing bank fragility poses a risk to economic health. China accounts for more than half of Mongolia's exports. It's about 90 percent of Mongolia's trade currently passes through China. According to the country's statistics office, Mongolia's export earnings from coal over the first three months of the year reached \$644 million, up 25 percent compared to a year earlier (NSO Mongolia, 2020). In 2018, China accounted for more than 60 percent of the world's industrial coal consumption, but its share falls to a little more than 40 percent in 2050 because of consumption growth in other countries and China's policies to reduce coal use in the industrial sector. In respect to coal, according to the National Statistics Office of Mongolia, Mongolia produced a record high of 50 million tons of coal in 2018, surging 6.2 percent compared to the previous year.

Over the past 30 years, Sino-Mongolian relations have undergone significant changes, and the two countries, which had had relatively weak relations, have resumed cooperation and gradually enriched with good-neighbourly friendship and cooperation ultimately culminating in a strategic partnership. We are concerned that a strong impact on China's economic boom and its potential to be caused by some problems in Mongolia. The following pictures express that extraordinary and super-amount of costed project from China's government via Mongolia and Russia

From the above-shown pictures have been expressed by the current circumstances of China's initiatives in the framework of the super amount of project. In other words, we do not deny that the possibility which excessive dependence on China could have a negative impact on the country's socio-economic situation and national security. The following comparison of trade and economic relations between China and Mongolia are currently undergoing rapid and active growth. The statistical compilation of trade and economic relations between China and Mongolia (1994-2014) is concerned with the total foreign trade turnover of the two countries that has been growing rapidly over the same period, while the total export-import turnover is steadily growing, and bringing the total trade turnover between the two governments to US\$10 billion by 2020. The total trade turnover between Mongolia and China is relatively higher compared to other countries such as Russia. For instance, Mongolia's export to China increased to 88% and import increased to 42% in 2014. In addition, China's exports to Mongolia averaged US \$ 136,683. 31 in total trade between 2014-2020, reaching a record high of US \$ 287,567 in September 2014 and then falling to a record low of US \$ 44,118 in February 2016. The chart underneath shows the total export turnover from China to Mongolia updated as of December 2020 (Trading Economics, 2020). Total trade turnover (ST) of exports from China to Mongolia in September 2020 reached US\$192,211 and then fell to US\$169,008 in October. In our view, strengthening the dominant position of one country in the field of investment and foreign trade in Mongolia is neither a good thing nor a real opportunity. But we think it would be more effective to pursue a policy of equality in investment and foreign trade in other countries. China and Mongolia share a border stretching 4,710 km. Trade volume through the crossing between Erenhot and Zamyn-Uud accounts for more than 70 percent of cross-border trade between the two countries (XinhuaNet, 2020).

Thereof, we recommend that we have to bring trade and investment with Russia closer to an investment agreement with our southern neighbor. The following figures has been emphasized that compared to the export volume from Russia to China not only the former's import from the

latter exceeded but also the average share of Russian exports in the Sino-Mongolian trade turnover reached 63.8 percent, and the share of imports reached 63.8 percent. However, Russia's exports to China are on average 1.7 times higher than China's imports. As for Mongolia, its imports from China averaged US\$ 428,351.55 between 2014-2020 reaching a record high of US\$ 760,493 in September 2014. In March 2020, however, it reached US\$ 185,037. As the details in the table underneath illustrate, the total trade turnover imported from China in September 2020 was US \$ 643,223 and this figure decreased to US\$ 597,694 in October (Trading Economics, 2020).

Of the 32 projects included in the Mongolia, Russia and China Economic Corridor Program, 18 are current and ongoing projects. However, 14 projects have not been implemented or are lagging behind. The overall project implementation rate is 56.25 percent (National Institute for Security Studies, 2020). In addition to the 7 projects for the reconstruction of the Central Railway Corridor, there are 10 projects that are successfully implemented within the framework of trilateral cooperation, and 4 more projects are in the process of implementation. However, there are 11 projects that are lagging behind. Projects in the fields of road transport, tourism and science with the trilateral mechanism have been successful, while industrial and quarantine projects with the trilateral meeting mechanism have not yet been implemented and are based solely on bilateral relations. Thus, the three parties should work more closely on coordinated projects, especially in soft infrastructure areas such as telecommunications, customs, inspections, and quarantine standards.

Currently, the main goals of the above-mentioned projects and programs are to increase the trade turnover of Mongolia, Russia and China, ensure the competitiveness of goods, facilitate cross-border transport and develop infrastructure. It follows down: transport infrastructure – 13; railway – 6; rail road – 4; industry – 2; modernize border crossings – 1; energy – 1; trade, customs, professional inspection and quarantine – 4; environment – 3; scientific and technology – 3; agricultural project – 1; protection of medicine and health project – 1 have been planned. The implementation of the economic corridor projects has not yet yielded tangible results. The implementation of the projects included in the Economic Corridor Program has been going on for four years, but no direct impact on the Mongolian economy has yet been observed. This is due to the fact that we are in the early stages of creating a mechanism, negotiating, and then launching our projects. Hard infrastructure projects are moving forward, while soft infrastructure projects are lagging behind. Legacy projects often include soft infrastructure projects such as communications, professional inspections, and quarantine

standards. Consequently, the parties need to focus on promoting their soft infrastructure projects alongside hard infrastructure projects and cooperate more closely in this area.

## Conclusion

We understand, that development as freedom, we must recognize it that may go beyond the limited concept of human capital. (Amartya, 2014) What we are trying to say is we have to focus on where the fundamental Chinese philosophy in the economic cooperation project-BRI lies. Similarly, to other Asian countries, China maintains the collectivism as a fundamentality of the state policy. In terms of the BRI project the first fundamental ideology of moving forward together is also based on collectivism and win-win diplomacy that all are benefitted. The second fundamental concept is mutual trust between partners. The above-mentioned documents and contracts signed between Mongolian and Chinese governments are all somewhat characteristically declarative so that main fundamental ideology still relies on mutual trust. This is correlated with a philosophical concept of the materialized condition on the conjunction of the Ying and Yang.

This indicates the joint committee on Mongolia-Chinese economic, trade, and technological collaboration aims to intensify partners, to expand the frame of bilateral trade, to investigate mineral resources, and to cooperate on urbanization reforms and humanitarian field based on the mineral resources and energy related relationship. In order to achieve it, we have to improve trade structure and extend the trade of mining and agricultural goods. It is also mandatory for us to believe that 'One Belt One Road' initiative plays an important role in resolving these issues upon the mutual support and improvement of cooperative mechanism. Based on the 'perpetual neighbors' friendly and mutually beneficial relations the parties shall deepen the further collaboration in overall economic and social development sectors by positively utilizing the success of the Chinese developmental model in advancing further development policy of Mongolia in consistence with the impact of Chinese economic development pace that should be our new challenge for the state and people.

By doing this, the emphasis on a special attention to an economic reason for the limitations on foreign investment shall be put in regard to the policy of certain sectors. Foreign investment shall be limited in a way if the state holds a policy for the promotion of the domestic investors in support of sectors. In addition, it is necessary to implement policies aimed



at developing the domestic business sector, to limit foreign investment companies from monopolizing the domestic market, and to limit foreign investment to a certain extent, to provide opportunities for domestic companies to grow and develop.

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