

Physical Connectivity between Asia and Europe

A MONGOLIAN PERSPECTIVE

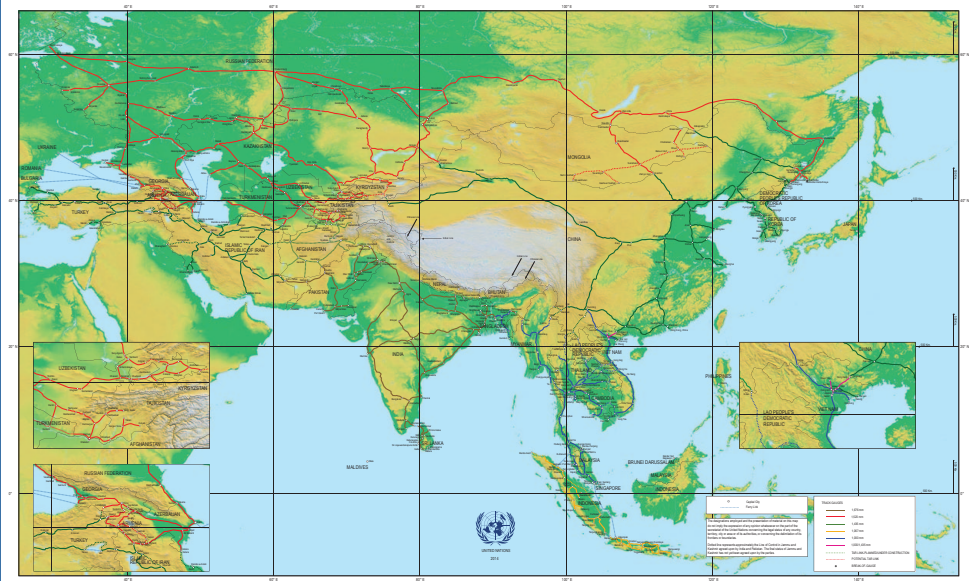
TUMURPUREV DULAMBAZAR, INSTITUTE FOR STRATEGIC STUDIES,
NATIONAL SECURITY COUNCIL OF MONGOLIA

Mongolia is a landlocked and mineral-rich country, sandwiched between two major countries: Russia and China. Currently, Mongolia's foreign trade is mainly carried with the two neighbours and is highly vulnerable to the volatility of mineral prices. It is recognised that development of key infrastructure, such as rail and roads, will contribute to Mongolia's global integration, diversification of its economy, and sustainable development. Since Mongolia's key sector is mining, transportation issues hugely influence economic efficiency. According to statistics, transportation costs alone account for 18 percent of export expenses and 11 percent of its imports. Transportation challenge hugely impacts our economy and reduces its competitiveness in the world market.

The majority of Mongolian imports and exports are carried by railway, both within the country and in neighbouring countries. The main railway section of the Mongolian Railway is a trunk line between Sukhbaatar on the Russian border, through Ulaanbaatar to Zamyn Uud on the Chinese border, and has a distance of about 1,400 kilometres (km). The Mongolian Railway company carries almost 80 percent of all freight and 30 percent of all passenger transport within Mongolia. Mongolia's railway faces difficulties in both investment and lack of competitiveness. The Mongolian-Russian Joint Venture Company 'Ulaanbaatar Railway', of which both sides equally own a 50 percent share, has devised a reform plan. The Government Implementing Agency Railway Authority is also trying to reform the 'Ulaanbaatar Railway' to fully utilise the Trans-Asian Railway network (Figure 1).

Mongolia's roadway network totals approximately 49,250 kilometres, connecting 21 major cities and towns and 160 *soums*, *baugs* (small administrative units in Mongolia). Roads are classified into state roads, which are intended to connect capital Ulaanbaatar with provinces and major cities and with important border crossings, and local roads, which are intended to connect provinces to other provinces and other small distances (Figure 2). About 13,877 km of roads are classified as state roads.

Figure 1: Trans-Asian Railway Network



Source: UNESCAP (2014a).

Table 1: Mongolia’s Road Network Extent 2000–2014

Road Type	2000	2006	2009	2014
State	11,060	11,210	11,210	13,877
Paved	1,310	1,880	2,180	5,811
Gravel	1,370	1,480	1,550	1,132
Improved earth	1,360	1,360	1,230	694
Dirt track	7,010	6,480	6,240	6,240
Local	38,180	38,030	38,030	38,150
Paved	390	390	500	650
Gravel	490	490	550	550
Improved earth	510	490	490	490
Dirt Track	36,780	36,630	36,460	36,460
Total	49,250	49,250	49,250	49,250
Paved	1,710	2,270	2,680	6,461
Gravel	1,860	1,980	2,100	1,782
Improved earth	1,870	1,860	1,730	1,184
Dirt Track	43,790	43,120	42,710	39,823

Source: ADB (2011).

Figure 2: Mongolia's Road Network

Source: ADB (2011).

According to the Asian Development Bank, the road sector of Mongolia will be expected to implement massive highway investments in a short time and then to consistently maintain the new highways at a high standard. However, Mongolia's current small-scale road sector will unlikely have the capacity to scale up and deliver upon such expectations without extensively modernising its financing mechanisms, business processes, organisation, and education systems. Mongolia's government needs to implement a comprehensive capacity development programme for the road sector for about 5 years.

Mongolia–China–Russia Economic Corridor: Infrastructure Cooperation and Regional Economic Development

The 'Millennium Development Goals–Based Comprehensive National Development Strategy of Mongolia' (Government of Mongolia, 2007) stipulated that energy exports and regional transportation services shall be developed at an entirely new level, which will connect the two neighbouring countries, and become a transportation 'bridge' between Asia and Europe. In addition, it underlined support for private sector participation in the infrastructure sector. The purpose of the policy for developing the rail transportation system pursued by the Mongolian government is intended to become independent of a single market for exporting mining products. Thus, work is under way to build a new rail route to Russia and China.

In the project ‘The Silk Road Economic Belt and 21st Century Maritime Silk Road’—developed in March 2015 by the National Development and Reform Commission of China, the Ministry of Foreign Affairs, and the Ministry of Commerce of China—from the Chinese side are roads and railroads to the north of Beijing, Tianjin, Hebei Province, the Inner Mongolia Autonomous Region, and the three Northeast provinces; the border-crossing points with Mongolia and Russia are included in the economic corridor of the three countries. It requires conducting technological cooperation with Russia in accordance with the projects named ‘Northeast Revitalization Plan’ and ‘The Development of Western China’. Also the ‘Program of Cooperation between the Far Eastern and Eastern Siberian Regions of the Russian Federation and the Northeastern Region of the People’s Republic of China (2009–2018)’ was released in 2009. This programme reflects China–Russia cooperation on infrastructure, transportation, the capacities of border checkpoints, investment, labour, technological parks, and the tourism sector, with some projects having coordination among the regions.

The ‘Eurasian Economic Zones’ forum encourages foreign investors to invest into the regions of Russia’s Far East and Siberia from where the minerals, natural gas, and coal are exported to China and Northeast China. The Far East and Siberia are a huge market for Chinese investment, technology, and labour. The ‘Federal Target Program on Economic and Social Development of the Far East and Zabaykalye up to 2013’ and the ‘Strategy for the Socio-Economic Development of the Far East, the Republic of Buryatia, Zabaykalsk Krai and Irkutsk Oblast for the Period up to 2025’ were adopted in 2007 and 2009, respectively. The Development Fund for Far East and Baikal Region and the Ministry for the Development of the Russian Far East were also established. Russian Railways has developed the ‘Strategy for Developing Rail Transport in the Russian Federation up to 2030’, which aims at using the natural resources of the Far East and Zabaykalye regions to increase the volume of domestic transportation important for socio-economic development, in order to increase transport to Mongolia, China, the Democratic People’s Republic of Korea (DPRK), and Japan. Work is ongoing on technological renovation of the Siberian and Baikal–Amur railway routes.

Mongolia’s Transport Sector Activities in the Greater Tumen Initiative

The Greater Tumen Initiative (GTI) is a regional cooperation mechanism between People’s Republic of China, Republic of Korea, Mongolia, and Russian Federation, supported by the United Nations Development Programme (UNDP) (Dulambazar, 2015). The member governments of GTI highly prioritises development options for economic cooperation in the Greater Tumen Region, aimed at developing proper transport infrastructure and a logistical network to support economic cooperation among GTI countries.

The 'One Belt, One Road' strategy initiated by China, 'Eurasia Initiative' proposed by Russia, and the 'Grassland Road' by Mongolia will be linked more closely and will effectively promote the building of the China–Russia–Mongolia transport corridor and boost the regional economic cooperation in the Greater Tumen Region.

To promote cooperation in the transport sector, the GTI Transport Board was established in 2009; it meets annually. Transport sector development efforts related to transport corridors in Northeast Asia are important for the countries of the GTI and North East Asia (NEA).

Northeast Asia Transportation Corridors

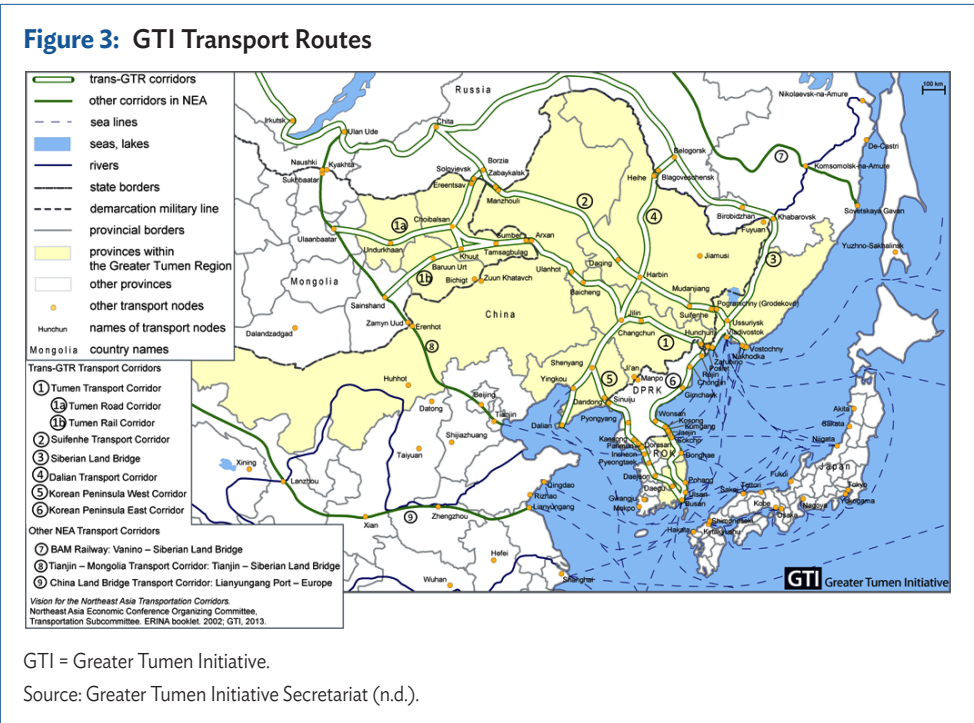
In 2001, the Transportation Subcommittee of the Northeast Asia Economic Conference Organizing Committee identified nine Northeast Asia transport corridors that all countries of the region can use as major international corridors. Six of these nine corridors have been identified in the GTI Transport Corridor Study as trans-GTR Transport Corridors:

1. Tumen Transport Corridor (TTC): Ports in Tumen River Delta–Changchun–East Mongolia–Siberian Land Bridge (SLB)
 - a. Tumen Road Corridor
 - b. Tumen Rail Corridor
2. Suifenhe Transport Corridor (STC): Ports in Primorsky Territory in Russia–Suifenhe–Harbin–Manzhouli–Zabaykalsk–SLB
3. Siberian Land Bridge (SLB): Ports in Primorsky Territory in Russia–Europe
4. Dalian Transport Corridor (DTC): Dalian–Harbin–Heihe–Blagoveshchensk–SLB
5. Korean Peninsula West Corridor (KWC): Busan–Seoul–Pyongyang–Sinuiju–Shenyang–Harbin–SLB
6. Korean Peninsula East Corridor (KEC): Busan–Ra-Son–Khasan–Ussuriysk–SLB

The other NEA transport corridors are:

1. BAM Railway: Vanino–Taishet–SLB
2. Tianjin–Mongolia Transport Corridor: Tianjin–Beijing–Ulaanbaatar–SLB
3. China Land Bridge (CLB) Transport Corridor: Lianyungang Port–Kazakhstan–Europe

In August 2013, at the Third Meeting of the Transport Board of GTI in Vladivostok, Russia, Mongolia proposed two additional transport channels in the Tumen transport corridor, to which the Board agreed to add in the Tumen transport area. These are the (1) Ulaanbaatar–Undurkhaan–Baruun–Urt–Bichigt railway, and (2) Sainshand–Baruun–Urt–Khuut–Bichigt road.



GTI researchers pointed out that these corridors are strategically important for the development of NEA. Through these channels Mongolia will gain possibility to reach Jinzhou port and the other East Asian sea ports to transport coal and other minerals.

Emphasising the importance of transit development, Mongolia organised the Transit Commission Meeting in 2015. The main constraints and problems limiting the use of the transport corridors were identified, and these included inadequate development of the infrastructure, especially missing rail and paved road sections along the corridors.

Mongolia supports the initiative of transport corridor development in the GTR, including in eastern Mongolia as this is crucial for the development of GTR and Mongolia.

China, Russia, and Mongolia have striven to strengthen cooperation with long-term strategic plans. Focusing on real development needs, the three countries look to economic cooperation for preferred and essential fields of strengthening tripartite cooperation.

The three have approved the Mid-term Roadmap for Development Trilateral Cooperation between China, Russia, and Mongolia.

Construction of the Chinese Silk Road Economic Belt Strategy (part of the One Belt, One Road Initiative), the Trans-Eurasian Belt Development proposed by Russia, and the Prairie Road by Mongolia will be linked more closely. This will effectively promote the building of the China–Russia–Mongolia economic corridor and boost the regional economic cooperation and development of the entire Eurasian continent.

Central Asian Regional Economic Cooperation's Corridors via Mongolia

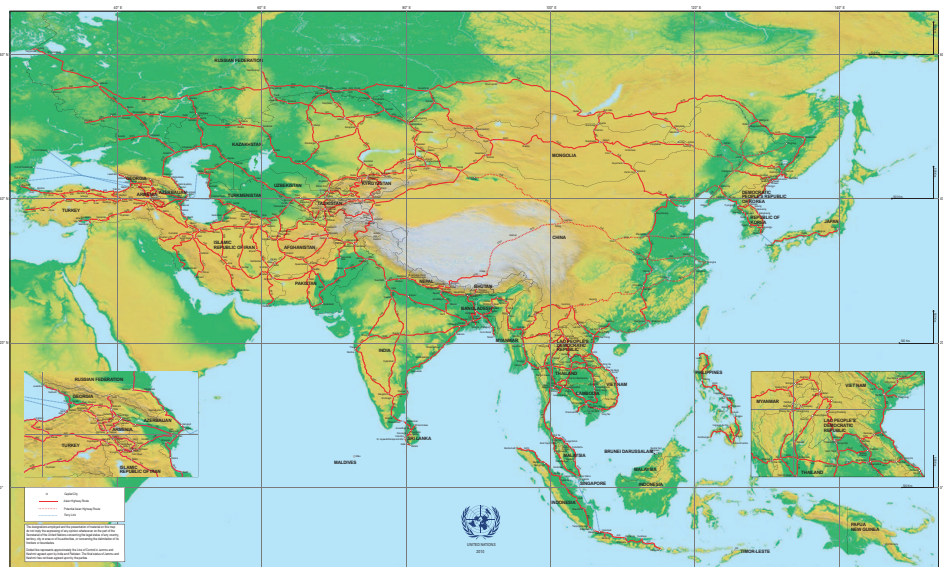
As of 2015, the 166 projects of the Central Asian Regional Economic Cooperation (CAREC), worth around US\$27.7 billion, have been implemented in the four core areas of cooperation—transport, trade facilitation, trade policy, and energy. Through CAREC, US\$560 million has been invested in Mongolia. The programme is improving Mongolia's transport and trade infrastructure and policies, and is helping make the country's economic growth more sustainable.

Mongolia connects with Central Asian counties via two main corridors as road, road/railway by following routes that overlap with Asian Highway 4 and Asian Highway 3.

1. CAREC (4a): Yarant–Khovd–Olgy–Tsagaannuur in the western region
2. CAREC (4b): Altanbulag–Darkhan–Ulaanbaatar–Nalaikh–Choir–Sainshand–Zamiin Uud in the central region

The Mongolian Asian Highway links include the following three main corridors:

1. AH-3 that links regional markets of Siberia with the hinterland markets and the international eastern seaboard ports of China via main vertical road, Altanbulag–Darkhan–Ulaanbaatar–Nalaikh–Choir–Sainshand–Zamiin Uud
2. AH-4 that links the regional markets of the Siberian region with Xinjiang Autonomous Region in China to the border with Pakistan via the western vertical main road, Tsagaannuur–Olgy–Khovd–Yarant
3. AH-32 that forms the country's principal east–west horizontal arterial corridor, Khovd–Uliastai–Ulaanbaatar–Choibalsan–Sumner–Nomrog has its eastern junction with AH31 that provides access to the Korean Peninsula and its western junction with AH-4 in the western region of Mongolia (Figure 4).

Figure 4: Asian Highway Routes

Source: UNESCAP (2014b).

The Asian Highway is a network of 141,000 km of standardised roadways criss-crossing 32 Asian countries with linkages to Europe. The Asian Highway project was initiated in 1959 to promote the development of international road transport in the region. The Intergovernmental Agreement on the Asian Highway Network was adopted on 18 November 2003 by an intergovernmental meeting held in Bangkok, was signed in April 2004 in Shanghai, and entered into force on 4 July 2005.

Mongolia Shows the Way for Asia–Europe Connectivity

Development of key transport infrastructure, such as railways and roadways, will contribute to Mongolia's global, as well as Asia–Europe, integration, diversification of economy, and sustainable development. As Mongolia's key sector of economic development is mining, transportation development will have a large influence on economic efficiency. Mongolia is planning to enhance cooperation in the ASEM region in multiple ways, including NEA, greater Tumen Region, as well as CAREC region. The 'Millennium Development Goals-based Comprehensive National Development Strategy of Mongolia' stipulated that energy exports and regional transportation services shall be developed at an entirely new level, which

will connect the two neighbouring countries, and become a transportation ‘bridge’ between Asia and Europe. Mongolia fully supports the initiative of transport corridor development in the GTR including three eastern provinces of Mongolia. Especially, connecting eastern Mongolia to East Asia via railway is crucial for the development of Mongolia as well as NEA.

China’s Silk Road Economic Belt Strategy (part of One Belt, One Road Initiative), the Trans-Eurasian Belt Development proposed by Russia, and the Prairie Road by Mongolia will be linked more closely. This will effectively promote the building of the China–Russia–Mongolia economic corridor and boost the regional economic cooperation and development of the entire Eurasian continent. Mongolia’s efforts, aided by its neighbours China and Russia, are an example of fostering physical connectivity between Asia and Europe, via Northeast Asia. Leading by example, the Mongolian chairmanship of ASEM will be a golden opportunity to bring ASEM towards a consensus on establishing formal mechanisms to foster physical connectivity under the aegis of ASEM.

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