Regional trade and economic cooperation along the China-Mongolia-Russia Economic Corridor

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Abstract. We analysed the characteristics of foreign trade for the China-Mongolia-Russia Economic Corridor regions. We also examined the commodity and geographic structure of exports and imports of the Economic Corridor regions: the Inner Mongolia Autonomous Region, Mongolia, and the Baikal region of Russia. A large share of Russian and Mongolian exports is made up of raw materials, such as minerals, metals and their low value-added products. Products of the chemical industry, ferrous metals and their products prevail in the commodity structure of the export of Inner Mongolia. The priority in cooperation of these regions is to upgrade transport and cross-border infrastructure to increase transit potential in freight transportation along the planned China-Mongolia-Russia Economic Corridor. Through the Economic Corridor project, these regions can significantly strengthen foreign economic cooperation.

1. Introduction
In the past few decades, globalisation processes have intensified, and the external economic environment has become increasingly important for regional development. The economic, geographic and geopolitical location of Mongolia, the Inner Mongolia Autonomous Region (Inner Mongolia) – a landlocked autonomous region of China, and the Russian constituent entities that belong to the Baikal Region (Irkutsk oblast, the Republic of Buryatia and Zabaikalsky krai) is favourable to the development of foreign economic activities.

The countries have put a lot of effort into developing the China-Mongolia-Russia Economic Corridor project, aimed at increasing trade turnover and developing cross-border transportation [1]. It is expected that the successful implementation of this project can become an impetus for socio-economic development of the regions, as well as increase their foreign trade relations with neighbouring regions and countries. The purpose of this study is to identify features and trends in the development of foreign trade relations of neighbouring regions of the China-Mongolia-Russia Economic Corridor.

2. Models and Methods
In this study, we used Russian and foreign research in this field [2-4], as well as data from the national statistical services of the considered regions for 2000-2019 [5-7]. We applied systemic, statistical, and comparative-geographical research methods.

The study focuses on foreign trade relations between the neighbouring regions of China, Mongolia and Russia: Inner Mongolia, Mongolia, and the Baikal region (Irkutsk oblast, the Republic of Buryatia and Zabaikalsky krai). These regions have long common borders: the Baikal Region’s border with Mongolia is over two thousand km long, and with China – over one thousand km.
The border between Mongolia and Inner Mongolia has a length of over 4,500 km. The total area of these regions is 4,303.0 thousand km² with a population of 32.4 mln people. The economic potential of the regions studied is very differentiated. Thus, the gross product in Inner Mongolia is USD 249.09 bln; in the Baikal region – USD 35.47 bln; in Mongolia – USD 13.85 bln (as of 2019).

3. Results and Discussion

The trade turnover of the regions is comparable: the highest value is in Inner Mongolia – USD 15.94 bln, in Mongolia – USD 13.75 bln, and in the Baikal Region – USD 10.68 bln [5-10]. Per capita foreign trade turnover: the highest value was in Mongolia – USD 4,168.7, in the Baikal Region – USD 2,407.2, and in Inner Mongolia – USD 645.3. The structure of the foreign trade balance is positive for the Baikal region – at USD 6.44 bln, for Mongolia – at USD 1.49 bln, and for Inner Mongolia imports exceed exports, and the balance is negative at USD 5.00 bln.

The share of exports in the region’s GRP characterises the export orientation of the economy: Mongolia has an export share of 39.5%, the Baikal region – 24.1% and Inner Mongolia – 2.2%. Export values: the Baikal region – USD 8.56 bln, Mongolia – USD 7.62 bln, and Inner Mongolia – USD 5.47 bln. In imports, Inner Mongolia stands out at USD 10.47 bln, Mongolia – USD 6.13 bln, and the Baikal region – USD 2.12 bln.

### Table 1. Key foreign trade indicators for the China-Mongolia-Russia Economic Corridor regions in 2019 [5-10].

|                      | Foreign trade turnover | Export       | Import       | Balance      | trade turnover per capita |
|----------------------|-----------------------|--------------|--------------|--------------|--------------------------|
|                      | bln USD               | bln USD      | bln USD      | bln USD      | USD                      |
| Mongolia             | 13.75                 | 7.62         | 6.13         | 1.49         | 4,168.7                  |
| China                | 4,577.89              | 2,499.48     | 2,078.41     | 421.07       | 3,269.8                  |
| Inner Mongolia       | 15.94                 | 5.47         | 10.48        | −5.01        | 645.3                    |
| Russia               | 668.82                | 424.47       | 244.35       | 180.12       | 4,557.6                  |
| Baikal region        | 10.68                 | 8.56         | 2.12         | 6.44         | 2,407.2                  |

The foreign trade dynamics of these regions are characterised by high positive growth between 2000 and 2019. Over the past 18 years, Mongolia’s foreign trade turnover has grown 12.0 times, Inner Mongolia’ – 7.8 times, and the Baikal region’ – 2.8 times. The largest increase was in Mongolia’s exports – at 1,422.1%. Imports are highest for Inner Mongolia – at 1,032.9%, and for the Baikal region – at 338.2%.

The commodity structure of exports of the Russian and Mongolian regions is dominated by commodities: minerals, metals, and products made from them (Table 2). The Inner Mongolia exports are dominated by chemical products, metals and their processed products.

Mongolia’s export commodity structure comprises mainly mineral products – 83.7%, metals and metal products – 6.5%, and textiles and textile products – 5.7%. The main export commodities are shown below. Mineral fuels: coal – USD 3.08 bln (36.60 mln t), crude oil – USD 366.7 mln (6.54 mln barrels). Ores and concentrates: copper concentrate – USD 1.79 bln (1.40 mln t), iron ore – USD 576.6 mln (8.45 mln t), fluorspar ore and concentrate – USD 205.3 mln (699.4 hrs t), zinc concentrate – USD 189.0 mln (134.8 hrs t). Metals: gold – USD 418.4 mln (9.1 t), copper – USD 68.9 mln (11.9 hrs t). Textile materials: Unprocessed cashmere – USD 283.3 mln (5.69 hrs t), processed cashmere – USD 45.3 mln (507.2 hrs t), unprocessed sheep wool – USD 20.4 mln (14.76 hrs t). Food and agricultural products: horsemeat – USD 57.7 mln (30.83 hrs t). Imports are dominated by fuels and lubricants – USD 1.03 bln (4.64 hrs t), motor vehicles – USD 854.6 mln, construction machinery – USD 334.9 mln.

The main commodity groups in the exports of Inner Mongolia are: chemical products – 29.4%, metals and its products – 19.9%, food products and agricultural raw materials – 16.7%, machinery, equipment and vehicles – 15.0%. In 2019, the main export commodities were: steel and its products – USD 1.09 bln, organic chemical products – USD 1.08 bln, fruits – USD 474.0 mln, electrical machinery and equipment – USD 256.7 mln, plastics – USD 233.0 mln. In imports, the main commodity groups are
mineral products – 57.1%, timber, pulp and paper products – 24.3%. Main import commodities: mineral fuel (coal, oil) – USD 3.49 bln, metal ores – USD 3.34 bln, timber – USD 1.50 bln.

The main exports from the Baikal region are mineral products are – 42.0%; timber, pulp and paper products – 27.8%, metals and its products – 22.5%. The main export commodities are mineral fuel (oil, coal) – USD 3.09 bln; aluminium – USD 1.87 bln; timber – USD 1.57 bln; pulp, paper and paperboard – USD 807.8 mln; copper ores – USD 495.0 mln; helicopters – USD 93.9 mln. In imports, the main commodity groups are chemical products – 49.8%, food products and agricultural raw materials – 11.3%. Imports include inorganic chemical products (aluminium oxide) – USD 834.8 mln, machinery and equipment – USD 393.9 mln, fruit and vegetables USD 201.8 mln, and organic chemical compounds USD 118.9 mln.

**Table 2.** Export and import patterns of the Economic Corridor’ regions in 2019, in % [5-10].

| Categories                        | Mongolia Export | Mongolia Import | Inner Mongolia Export | Inner Mongolia Import | Baikal region Export | Baikal region Import |
|-----------------------------------|-----------------|----------------|-----------------------|-----------------------|----------------------|---------------------|
| Foodstuffs and agricultural raw materials | 2.3             | 10.5           | 11.0                  | 6.7                   | 1.0                  | 11.3                |
| Mineral products                  | 83.7            | 24.7           | 2.6                   | 66.0                  | 42.0                 | 2.2                 |
| Chemical products                 | 0.0             | 10.2           | 29.1                  | 2.6                   | 1.5                  | 49.8                |
| Wood and paper products           | 0.0             | 1.6            | 0.6                   | 15.3                  | 27.8                 | 0.4                 |
| Textiles, textiles and footwear   | 5.7             | 1.7            | 4.7                   | 0.0                   | 0.0                  | 0.8                 |
| Metals and related products       | 6.5             | 8.9            | 22.1                  | 0.5                   | 22.5                 | 4.7                 |
| Machinery, equipment and transport vehicles | 1.5          | 40.7           | 10.6                  | 4.9                   | 4.5                  | 24.7                |
| Other goods                       | 0.3             | 1.7            | 19.3                  | 4.1                   | 0.7                  | 6.1                 |

According to the analysis of the geographical structure of foreign trade, the main trading partners for the studied regions are neighbouring countries (Table 3). For example, China accounts for 64.4% of Mongolia’s foreign trade, while Russia accounts for 13.1%. China accounts for 89.1% of Mongolia’s total exports, and 33.6% of its imports; while Russia accounts for 0.9% of its exports and 28.2% of its imports.

Inner Mongolia occupies an important place in cooperation between China and Mongolia, with its share in foreign trade being 62.9 percent (USD 5.13 bln), in exports – 23.1 percent (USD 422.0 mln), and in imports – 74.3 percent (4.71 bln USD). In Russian-Chinese trade, the share of Inner Mongolia is much smaller and accounts for 2.4% (USD 2.69 bln), in exports 0.8% (USD 386.7 mln) and in imports 3.8% (USD 2.31 bln).

**Table 3.** Top exporting and importing countries for Economic Corridor regions in 2019, % [5-10].

| Export              | Mongolia | Inner Mongolia | Baikal region |
|---------------------|----------|----------------|---------------|
| China               | 89.1     | 8.3            | 48.0          |
| UK                  | 3.8      | 7.7            | 9.9           |
| Singapore           | 2.0      | 7.3            | 6.1           |
| Switzerland         | 1.0      | 7.2            | 5.0           |
| Russia              | 0.9      | 7.1            | 3.3           |

| Import              | Mongolia | Inner Mongolia | Baikal region |
|---------------------|----------|----------------|---------------|
| China               | 33.6     | 44.9           | 37.0          |
| Russia              | 28.2     | 22.0           | 22.0          |
| Japan               | 9.6      | 11.5           | 6.5           |
| USA                 | 4.7      | 6.5            | 4.6           |
| Republic of Korea   | 4.4      | 1.3            | 3.4           |
The share of Baikal region in Russian-Chinese trade is 4.4% (USD 4.89 bln), in export – 6.7% (USD 4.11 bln), in import – 1.6% (USD 784.2 mln). The Baikal region exports the following goods to China: mineral fuel (oil, coal) – USD 1.79 bln, processed and unprocessed timber – USD 1.08 bln, pulp – USD 643.7 mln, paper and cardboard – USD 61.3 mln, helicopters – USD 36.6 mln. Imports consist of machinery and equipment – USD 180.9 mln, vegetables – USD 114.2 mln, fruits – USD 80.9 mln, organic chemical compounds – USD 52.0 mln, rolled steel – USD 50.6 mln, vehicles – USD 27.9 mln. In Russian-Mongolian trade, share of the Baikal region is 4.1% (USD 73.3 mln), in export – 4.1% (USD 70.4 mln), in import – 4.2% (USD 2.9 mln). Main export commodities are food products – USD 35.9 mln, fertilizers – USD 17.3 mln, mineral fuel – USD 10.5 mln, machinery and equipment – USD 9.1 mln, transport facilities – USD 6.6 mln. Imports consisted of the following goods: knitwear – USD 0.8 mln, meat and meat products – USD 0.8 mln.

The studied regions cooperate closely, due to their mutually beneficial geographical location. The significant natural resource potential has led to the export specialisation of the Baikal region and Mongolia in mineral resources that are in demand in China. It is important for the studied regions to create industries that process natural resources into value-added products.

4. Conclusion
In addition to increasing trade turnover, the development of joint projects is an important point of growth for these neighbouring regions. One such area could be the improvement of transport and energy infrastructure, such as the use of the region’s transit potential in freight transportation within the China-Mongolia-Russia Economic Corridor. In the long term this would create an alternative to the future TRACECA transport corridor for Euro-Asian freight traffic. In order to match the transit loads of such major projects, timely modernisation of the region’s transport and logistics complex is important.

The China-Mongolia-Russia Economic Corridor has considerable external economic potential due to its favourable economic and geographical location and significant export opportunities. For Mongolia and the Baikal region, linked by trade relations with China, export diversification is important, especially for high value-added goods. Implementing new transit projects and improving transport and cross-border infrastructure will contribute to the further socio-economic development of these regions.

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