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IMPACT OF THE “THE BELT AND ROAD INITIATIVE” ON MONGOLIA

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ABSTRACT
Mongolia, a critical neighbor to China with the longest shared border, joined the Belt and Road Initiative and agreed to build a Mongolia-Russia-China economic corridor, connecting three countries by new trails of railways and highways. As a landlocked country nestled deep within heart of Eurasia, Mongolia sees this as an opportunity to reshape its destiny, aspiring to escape from the “Landlockedness” by improving its connectivity and eventually gaining access to sea through Chinese and Russian ports. This article delves into an analysis of Mongolia’s involvement in the Belt and Road Initiative and its geopolitical implications. It argues that while Mongolia might gain some benefits from economic opportunities made available by its participation in the Belt and Road Initiative, it may also increase its dependence on its immediate neighbors, limiting its potentials to cultivate relations with “third neighbors”. Mongolia therefore faces strategic dilemma, where it must carefully weigh its economic needs against security risks associated with the BRI.

KEYWORDS
Border, Railways, Highways, Geopolitical Implications, Road Initiative, Georgia.

Introduction.
Chinese President Xi Jinping’s colossal infrastructure project - Belt and Road Initiative (BRI) plans to create a vast network of roadways, railways, oil and gas pipelines, and streamlined border crossings stretched from East Asia to Europe. Although Xi launched BRI in 2013, it has been devised on decades of experience to expand China’s global strategic footprint. Within BRI, China-Mongolia-Russia Economic Corridor (CMREC hereafter) is the shortest land corridor between Mongolia and its neighbors that opens up alternative transit routes to facilitate trade and investment in the Eurasian region. Moreover, CMREC involves China, Mongolia, and Russia, all of whom have comprehensive strategic partnerships with each other.

On 11th September 2014, Xi proposed a trilateral regional initiative to link China’s BRI, Mongolia’s Development Road Initiative (referred to as Steppe Road), and Russia’s Trans-Eurasian Railway Network. As a buffer state between China and Russia, Mongolia’s geostrategic location is crucial for linking the BRI, Steppe Road, and Trans-Eurasian Railway network to provide economically viable export routes for three countries – for Chinese manufactured items; for Russian oil and gas; and
for Mongolian natural resources such as coal, iron, silver, copper, crude oil, and gold. On 23rd June 2016, China, Mongolia, and Russia signed a tripartite agreement in Tashkent to build CMREC projects, which aim to improve transport connectivity through road, rail, and port construction; and cooperation in trade, investment, energy, agribusiness, communication technology, environment and ecological protection.\(^1\)

The One Belt, One Road initiative aims to connect Asia, Europe, and Africa in five directions. The Silk Road Economic Zone includes:
1. Connecting China to Europe through Central Asia and Russia.
2. Connecting China to the Middle East through Central Asia.
3. Connecting China, Southeast Asia, South Asia, and the Indian Ocean.

The 21st Century Maritime Silk Road includes China's coastal ports:
4. Connecting China to Europe, the South China Sea, and India by sea.
5. Connecting China to the Pacific Ocean through the South China Sea.

With the successful development of the aforementioned five directions, the One Belt, One Road initiative will create advantages by connecting international transportation, major cities, and ports, and establish six corridors for international economic cooperation. These corridors are:
1. New Eurasian Landbridge.
2. China-Mongolia-Russia.
5. China-Pakistan.

The New Eurasian Landbridge is an international railway line connecting Lianyungang in China to Rotterdam in the Netherlands via Alas Hankou in Xinjiang. It includes the Lanzhou-Lianyungang Railway and the Lanzhou-Xinjiang Railway in China, crossing the eastern, central, and western regions. The line extends through Kazakhstan, Russia, Belarus, Poland, and reaches various European coastal ports.

China, Mongolia, and Russia have a history of economic cooperation linked by land. In September 2014, the leaders of the three countries met for the first time at the Dushanbe meeting of the Shanghai Cooperation Organization (SCO) to discuss trilateral cooperation based on their bilateral relations. The meeting outlined the main areas and directions of tripartite cooperation.

The China-Central Asia-West Asia Economic Corridor will connect Alashankou in Xinjiang, China to Central Asia and West Asia via railway networks. It will extend to the Mediterranean Sea and the Arabian Peninsula, passing through Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Turkmenistan, Iran, and Turkey.

In December 2014, at the 5th Inter-Regional Economic Cooperation Meeting in Bangkok, three initiatives were launched to enhance cooperation between China and five countries on the Chinese Peninsula. These initiatives focus on joint planning and construction of transportation networks and industrial projects, new financing models, and improving socio-economic indicators.

The China-Pakistan Economic Corridor was proposed by Chinese President Li Keqiang in May 2013 during his visit to Pakistan. The corridor aims to connect Kashgar in China to the port of Gwadar in Pakistan. The governments have a long-term plan to construct highways, railways, oil and gas pipelines, and fiber optic cables along this route.

During Chinese President Li Keqiang's visit to India in May 2013, the construction of the Bangladesh-China-India-Myanmar Economic Corridor was discussed. The first working group meeting took place in Kunming in December 2013, where representatives from the four countries discussed transport infrastructure, investment, trade, and people-to-people cooperation.

As of 2023, 152 countries and 32 international organizations have joined the "Belt and Road" initiative. By 2024, China aims to establish a high-standard free trade zone network in countries along the Belt and Road, Baltic Sea, and Mediterranean Sea. The development plan for the strategic routes of the Indian Ocean under the "Belt and Road" initiative is expected to be fulfilled.

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**Mongolia-Russia-China Economic Corridor.**

Mongolia-Russia-China Economic Corridor is one of the six corridors planned under the Belt and Road Initiative (BRI), along with the New Eurasian Land Bridge, the China-Central Asia-West Asia Corridor, the China-Pakistan Corridor, the Bangladesh-China-Myanmar Corridor, and the China-Indochina Peninsula Corridor. Mongolia, Russia, and China signed an agreement to build the trilateral economic corridor during the trilateral summit, on the sideline of the meeting of the Council of Heads of State of the Shanghai Cooperation Organization in Tashkent, Uzbekistan in June 2016.\(^1\) According to Mongolia’s Ministry of Foreign Affairs, the economic corridor between the three countries is aimed at advancing the economic cooperation between Mongolia, Russia and China by increasing trade turnovers, developing infrastructure and facilitating cross-border transportation. Within the framework of the Mongolia-Russia-China Economic Corridor, three countries have agreed to implement 32 projects, and eight of them have been prioritized as infrastructure connectivity.\(^2\)

Table 1. 32 projects of Mongolia-Russia-China Economic Corridor.

<table>
<thead>
<tr>
<th>Fields</th>
<th>Number of projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Road and Transport Sector projects</td>
<td>13</td>
</tr>
<tr>
<td>Cooperation in industrial sector</td>
<td>2</td>
</tr>
<tr>
<td>Development of Border Crossing points</td>
<td>5</td>
</tr>
<tr>
<td>Cooperation in Energy sector</td>
<td>1</td>
</tr>
<tr>
<td>Environment and Ecology</td>
<td>3</td>
</tr>
<tr>
<td>Education, science and technology cooperation</td>
<td>3</td>
</tr>
<tr>
<td>Humanitarian</td>
<td>3</td>
</tr>
<tr>
<td>Agriculture</td>
<td>1</td>
</tr>
<tr>
<td>Health</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total 32 projects</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Ministry of Foreign Affairs of Mongolia.

The infrastructure connectivity projects include both the upgrade of the existing routes and the construction of new ones. Specifically, the railway projects involve the development of four corridors: the western, eastern, northern, and central routes (refer to map 1). The routes for each corridor are depicted as follows:

4. Eastern railway corridor: Borzya-Solovevsk-Ereentsav-Choibalsan-Khuut-Bichigt-Zuun Khatavch(Shiliin Gol)-Chifen-Ulaankhad-Jinzhou.\(^3\)

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As part of the BRI, Mongolia intends to enhance its transportation infrastructure by upgrading the existing central route and constructing new routes for the northern, eastern, and western corridors. This strategic development will enable Mongolia to connect to Russian and Chinese ports, thereby gaining access to the sea (refer to map 2). The central route currently serves as Mongolia’s sole railway system, and runs in a north-south direction, linking Mongolian railway to the Russian Trans-Siberian railway in the north, and Chinese railway in the south. In accordance with Mongolia’s State Policy on Railways Transport, the country aims to construct new routes to facilitate trade and transportation to third-party markets while also establishing access to the sea through the Russian and Chinese railway networks.¹

Of particular significance is the corridor leading to the port of Tianjin, which would serve as the main routes for Mongolia to connect to the third markets such as Korean, Japan, the US, and Europe (refer to picture 2). Thus, the upgrading of central railway corridor spanning from Ulan-Ude to Naushki, Sukhbaatar, Ulaanbaatar, Zamiin Uud, Erlian, Wulanchabu, Zhangjiakou, Beijing, and finally Tianjin has been designated as one of the priority projects since the second Mongolia-Russia-China trilateral meeting held in Moscow, August 2017.²

Mongolia’s developing plan an integrated railway network. 2014

However, the Covid-19 pandemic has significantly hindered the implementation of the infrastructure connectivity projects. In addition to the pandemic, various other factors might have contributed to the slowdown of these projects. In an analysis by the National Institute of Security Studies, it is highlighted that diverging interests among the parties, coupled with certain financing issues, may be the primary reasons for this stagnation.\(^1\) While Chinese side seems to be critical of Mongolia’s perceived lack of initiative in advancing the infrastructure projects, a research conducted by a scholar at the Center for Mongolian studies, Inner Mongolian University, suggests that main reason for Mongolia’s inactivity could be a psychological factor: its suspicion or historically negative attitude towards China.\(^2\) In other words, Mongolia’s apprehension of China’s ulterior motives behind the development of infrastructure connectivity and its overall negative perception of China, deep-rooted in historical contexts, serve as significant impediments to the progress of the economic corridor projects. While this view may have some merit, we could say that Mongolia’s reservations may be better characterized as security concerns rather than mere suspicions. Thus, it’s worth exploring that what concerns Mongolia might have about joining China’s ambitions mega-infrastructure project, the Belt and Road Initiative.

‘Mongolia feels the squeeze’.

Mongolia is a country with unique geographic situation, sandwiched between two major powers: Russia and China. However, this positioning brings some disadvantages for Mongolia. Mashbat Otgonbayar Sarlagtay, an expert in Mongolia’s national security, argues that Mongolia’s sandwiched position has left the country “isolated or ‘vacuumed’ from global development, suffocating all its potentials and keeping it totally dependent on the neighbors.”\(^3\) To overcome this political and economic isolation and reduce its reliance on neighboring states, Mongolia implemented a strategy known as “Third neighbor” approach, which aims cultivate relationships with nations beyond Russia and China.

The concept of third neighbor is enshrined in Mongolia’s key strategic documents. The National Security Concept of Mongolia states that Mongolia will pursue “bilateral and multilateral cooperation with highly developed democracies in political, economic, cultural and humanitarian affairs”\(^4\) to implement the “Third Neighbor” strategy. Similarly, The Foreign Policy Concept of Mongolia echoes this sentiment, affirming that Mongolia “will establish and expand its partnership and cooperation with Western and Eastern countries such as the U.S., Japan, European Union, India, Republic of Korea and Turkey within the framework of its ‘third neighbor’ policy.”\(^5\) In essence, Mongolia seeks to identify a ‘third neighbor’, typically an outside great power, capable of countering the influence exerted by its immediate neighbors.

It is worth noting that the notion of the “Third neighbor” extends beyond nation-states, encompassing international organizations such as the United Nations and the Organization for Security and Cooperation in Europe (OSCE). Through the implementation of the Third Neighbor strategy, Mongolia also endeavors to safeguard its security with active engagement in international institutions. Over the past three decades, Mongolia worked hard to reach out to the “third neighbors” and made considerable achievements, establishing strategic partnerships with the US, India, and Japan and several other influential powers. Additionally, Mongolia has acquired membership in the OSCE, the largest regional security organization.


\(^{4}\)“National Security Concept of Mongolia], accessed April 28, 2023 ,https://legalinfo.mn/mn/detail?lawId=208070&showType=1

Unfortunately, the BRI undermines Mongolia’s pursuance of the Third Neighbor strategy as it makes the country to get much closer with China and Russia, binding by more roads and potential debts costing tens of billions. For example, China is expected to channel around $30 billion to the collection of projects related to the Mongolia-Russia-China Economic Corridor, with the total potential investment reaching $90 billion by 2035. However, Mongolia strives to strike a delicate balance in its relations with both neighbors. The National Security Concept of Mongolia stipulates that “good neighbor friendly relations and wide-ranging cooperation with the Russian Federation and the People’s Republic of China shall be developed ... as well as a general balance of relations with neighbors shall be sought.”

Balance here means the country aims not to become economically and politically dependent from either of its two neighbors while maintaining good relations and fostering mutually beneficial cooperation. Nonetheless, this objective may remain more of an ideal in policy doctrines rather than a practical reality, considering Mongolia’s relatively weaker position in this triangular relationship.

Thucydides’ dictum that “strong do what they can and the weak suffer what they must” appears to resonate even more in contemporary times. This reminds undeniable reality that states are inherently unequal in terms of power dynamics. As Russia and China forge closer ties, Mongolia finds itself with fewer strategic options and must carefully consider the positions of Moscow and Beijing, particularly when it comes to making important foreign and security policy decisions. As Sergey Radchenko aptly stated, “Mongolia feels the squeeze as Russia and China draw closer.”

Mongolia still faces strategic dilemma about whether to jump off China’s “development train”.

Taking part in the Belt and Road Initiative, Mongolia faces a strategic dilemma of whether to jump or not the so-called ‘Chinese development train’. The Chinese leader Xi Jinping, during his visit at Ulaanbaatar in 2014, warmly welcomed Mongolia to get on board “China's train of development!” He said, in a speech delivered at the State Great Hural of Mongolia, the country's parliament, "China is willing to offer opportunities and room to Mongolia and other neighbors for common development...You can take a ride on our express train or just make a hitchhike, all are welcome.”

Mongolia, at that time, was extensively discussing whether to join the China's Belt and Road Initiative. Quoting a famous Chinese proverb "A good neighbor is not to be traded for gold," Xi urged Mongolia to make a decision quickly, saying, “China has the largest number of neighboring countries in the world and sees this as a valuable asset.” Reading between lines, this might have meant if not Mongolia, other neighbors, such as probably Kazakhstan will grab the chance to become main vein of the modern Silk Road. For example, Kazakhstan has potential to compete with Mongolia for benefits from becoming a “key node in the Belt and Road Initiative.”

The Belt and Road Initiative might provide many opportunities for a landlocked country like Mongolia. The advantage of building the economic corridor is the fulfill of Mongolia’s long-awaited desire to have access to sea ports and boost its economy through developing free trade economic zones in its cross-border cities, improving infrastructure, and exporting end-products to third markets. Despite

2 National Security Concept of Mongolia], accessed April 28, 2023 ,https://legalinfo.mn/mn/detail?lawId=208070&showType=1
6 Ibid.
the fact that Beijing’s “promise” to provide access to the sea through Chinese ports sounds attractive, the worries of growing dependence on China, keeps Mongolia from getting too excited.

There is a growing suspicion that China uses economic dependence as a leverage to advance its strategic interests in the countries participating in the Belt and Road Initiative. The majority of BRI participants are developing or underdeveloped nations vulnerable to what it is commonly referred to as the “debt trap” orchestrated by China. The critics of the BRI accuse China of purposely targeting the developing or underdeveloped countries with limited capability of paying their debt and convincing them to borrow money by offering infrastructure development in return. When they experience difficulty in paying back their debt, China uses this opportunity to seize the asset, extending its strategic or military reach. Examples such as China’s lease of Sri Lanka’s port for 99 years or its establishment of a new military base in Djibouti are portrayed as attributes of its strategic interests. China built, for Sri Lankans, a port at Hambantota, that is within the BRI, and then Sri Lanka had to hand it over to China under a favorable lease of 99 years when they couldn’t pay back the debt of over $8 billion. Djibouti owed a huge amount of money to China, which is 82% of their external debt, and like Sri Lanka, it gave away a port for China to build a military base.

Mongolia, like many other developing countries that have joined the BRI, struggles against the dangers of growing economic dependency on China, which could potentially result in an the “debt trap” scenario. According to a report by Center for Global development, Mongolia is one of the eight BRI recipient countries that face a risk of debt distress. It raises concerns that in worst-case scenario, China would use the economic dependence as a leverage for political pressure to fulfill is strategic interests in Mongolia.

Furthermore, Mongolia faces some challenges beyond economic concerns. Despite its vast territory, the country has a population of merely 3 million people, compared to its neighbor China with population of 1.4 billion. This presents Mongolia with the difficult task of preserving its cultural heritage, civilization and national identity. Unfortunately, Beijing’s harsh cultural assimilation policies in neighboring Inner Mongolian Autonomous Region exacerbate Mongolia’s fears of losing its own unique culture and heritage. Chinese government’s decision to ban the usage of Mongolian language in schools within the Inner Mongolian Autonomous Region has triggered anti-China sentiments in Mongolia. In the autumn of 2020, Mongolians organized peaceful protests in the capital city of Ulaanbaatar to express their opposition to Beijing’s New Educational policy in Inner Mongolia.

Another concern pertains to the potential influx of Chinese migrant workers into Mongolia to construct roads and railways as part of the BRI infrastructure projects. The Law of Mongolia on Legal status of Foreign Nationals states that “the number of foreign national residing in Mongolia for private purpose may not exceed 3 percent of total citizens of Mongolia and among them nationals of one country may be up to 1 percent.” Exceeding this threshold is considered a potential risk to national security. According to the National Statistics for year 2020, there were 4,039 foreign workers in the

country and 2,069 of them were from China. However, unofficial sources from the same year claim the presence of 13,248 Chinese migrant workers. Due to the presence of a large number of claimed illegal or unregistered immigrants, the accuracy of statistics related to immigrants remains questionable.

Based on open-source information available, there is a lack of evidence to support the assumption that the Chinese immigrants pose the significant risk, reaching the extent to that upset the ethnic and demographic composition in Mongolia. Nonetheless, a prevalent concern raised by the local residents is that they use various methods, such as marriage, registered business ownership, and property acquisition, as a means to secure long-term residency. Considering the substantial disparity between the Chinese population, which exceeds Mongolian population by approximately 500 times, it is only natural such apprehensions to arise in this context.

However, the concerns for influx of Chinese immigrants, are not exclusive to Mongolia, but are shared by other China’s neighboring countries, including those in Central Asia. In recent years, there has been several protests against growing Chinese influence due to the Belt and Road Initiative. For example, in Bashy, Kyrgyzstan, in February 2020, hundreds of activists on horseback and on foot gathered to protest China's growing influence in the country and demanded the cancellation of a $275 million logistics center project. Similarly, in the city of Atyrau, western Kazakhstan, over 1,000 people gathered in April 2016 to protest against a law allowing foreigners to lease farmland for 25 years. Being aware of the suspicions of neighboring countries regarding growing Chinese influence, Beijing has incorporated projects aimed at enhancing people-people to ties and promoting positive image of China as an integral component of the Belt and Road Initiative.

**Conclusion and recommendation.**

The "Belt and Road" initiative is a vast development strategy connecting East Asia, Europe, and resource-rich but economically less developed countries. It spans 64 countries in regions like West Asia, the Middle East, Southeast Asia, and North Africa, with a total population of 4.4 billion and a GDP of 2.1 trillion USD. This initiative promotes regional economic integration, connecting land and sea to form a large regional cooperation network. It also aligns with the trend of multi-polar economic development by empowering developing countries and fostering a more balanced global economy.

Mongolia, joining the BRI, seeks to overcome the constraints of being landlocked by gaining access to sea through Chinese and Russian ports. The Belt and Road Initiative presents opportunities for improved connectivity, and economic growth but it also poses significant challenges for Mongolia. The country’s increasing economic dependence on China, evidenced by substantial loans from Chinese sources, raises concerns about potential security risks associated with this. This economic reliance could grant China political leverage to pursue its own strategic interests, potentially conflicting with Mongolia’s national interests.

To mitigate these risks, Mongolia needs to diversify its financing sources and attract investment from third-party nations to improve its infrastructure connectivity and reduce its reliance on a single dominant partner.

Additionally, while maintaining friendly relations with its neighbors, Mongolia should refine its Third Neighbor strategy, taking into account the changing dynamics of international relations.

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3 “The land of Chinese citizens in the Dornod Province will be confiscated”, May 2, 2018, [http://chuhal.mn/r/32988](http://chuhal.mn/r/32988)

4 How Protest is Posing a Growing Threat to the BRI,” [https://greenfde.org/how-protest-is-posing-a-growing-threat-to-the-bri/](https://greenfde.org/how-protest-is-posing-a-growing-threat-to-the-bri/)
Mongolian scholars have a crucial role to play in further developing theoretical and conceptual framework for this strategy.

Conceptualizing and theorizing the strategy at deeper level gives chance to explore alternative approaches to in dealing with its neighbors and attract the attention and support of major external powers. Without such conceptual and theoretical development, the Third Neighbor strategy would limit its implementation to mere foreign policy actions focused on bilateral and multilateral cooperation with some affluent countries other than Russia and China.

The root cause of many global issues is poor development and imbalance. The "Belt and Road" initiative aims to promote cooperation based on mutual respect, equality, and mutual benefit to foster economic development and share the resulting benefits with partner countries.

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