

“One Belt One Union”: Cooperation of Russia and China, and Mongolia’s Foreign Policy

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Abstract: *The “2015 Joint Statement on Cooperation between Eurasian Economic Union (EAEU) and the Silk Road Projects” signed by Russia and China opened the bilateral cooperation among “Eurasian Economic Union” which consists of Russia, Belarus, Kazakhstan, Armenia, and Kyrgyzstan, and “One Belt One Union” of China (5+1). “One belt One Union” and “Eurasian Economic Union” separately, are the Political projects of Vladimir Putin and Xi Jinping, acting as a new form of cooperative mechanism, and considered to have great impact on regional economic integration. The world is now watching whether these two nations are partners or rivals. For Mongolia, every action and decision made by the “One Belt One Union” is important as it influences our future development. This article intends to identify the cooperation of the two great nations which has major influence on Mongolia, and Mongolia’s foreign policy towards the cooperation.*

Keywords: *Eurasian economic cooperation, cooperation, integration*

Russia’s Ambition to Integrate Former Soviet Union’s Space

¹Vladimir Putin, President of Russia, initiated to establish EAEU in 2011 for the purpose of strengthening former Soviet Union’s power as well as showing the importance of Greater Eurasian ideology in Russia’s foreign policy. However, it is also believed that this initiative was first introduced by Nursultan Nazarbayev, the

president of Kazakhstan, in 1994 while he was meeting with students at Moscow State University.

According to Sergey Karaganov, a Russian famous researcher on international affairs, the concept of Eurasia has several meanings. First, it is an understanding formed during the

¹ Евразийскому проекту – 20 лет
https://eec.eaeunion.org/upload/iblock/fff/EEK_2020_20years.pdf

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beginning of 20th century; Russia is neither Europe nor Asia and has to create its own unique path of development. Also, Eurasia is a political experiment of Putin's "Two Headed Eagle" foreign policy; a balanced observation of West and East. In general, Eurasia is the name for Russia and the former Soviet Union. Greater Eurasia is a geopolitical strategy promoted by Kremlin think-tank and a common space for economic and security of "Non-Western" countries.²

Chinese leader Xi Jinping first introduced the "Silk Road Economic Belt" initiative in September 2013, in Kazakhstan stating that Eurasian continent would be connected through 6 major economic corridors.

It is obvious that Xi's initiative has caught Russia's attention because Central Asia is part of its sphere of influence. Number of researchers considered that their competition to lead Eurasian integration is inevitable. Professor Rozman of Princeton University has once stated that EAEU and Silk Road Economic Belt respectively contain Russocentrism of Russia and Sinocentrism of China; which unavoidably causes conflict.³

Putin first expressed his promotion to "Silk Road Economic Belt" during his state visit to Shanghai in May 2014, and after a year, the two nations made statement mentioned above.

Another reason behind Russia's approach to establish EAEU was directly related to the European Union; a regional organization showing best

integration example in the world. After collapse of the Soviet Union, Russia has implemented foreign policy pursued for West in order to gain political and economic support from Western countries and aimed at re-establishing its relations with Europe. At the same time, Russia was afraid of National Security risks which may be caused by secession of former Soviet Union countries (Armenia, Azerbaijan, Ukraine, Moldavia, Belarus, Georgia) from Russia as a result of European Union's Eastern Partnership policy. In essence, the EAEU's political ambition far exceeded its economic capability and content. In other words, the priority of Russia had to be establishment of international organization which ensures regional integration and competency with EU.⁴

Further issue encountered for Russia was the Ukraine crisis, a major obstacle to relations between Russia and EU, and Ukraine's integration to EAEU. Without Ukraine, it was impossible to imagine the geopolitical significance of EAEU. In 1998, Zbigniew Brzezinski, Counselor for National Security Agency of USA, clearly indicated the importance of Ukraine's influence in EAEU, stating "Without Ukraine, Russia ceases to be a Eurasian empire". Ukraine is the second largest European power after Russia in terms of territory, has advantages as being located between EU and Russia and attracted EU; who aimed at separating Ukraine from Russia through "European neighborhood policy" and "Eastern partnership policy".

² Sergey Karaganov, The new Cold War and the emerging Greater Eurasia, *Journal of Eurasian Studies* Volume 9, Issue 2, July 2018, Pages 85-93

³ Rozman. G Asia for the Asians: Why Chinese-Russian friendship is here to stay. *Foreign Affairs* 2014.10.31

⁴ Российско-китайский саммит-2014: новый этап стратегии взаимодействия
<https://www.ifes-ras.ru/publications/online/911-rossijsko-kitajskij-sammit-2014-novyj-etap-strategii-vzaimodejstviya>

In addition to this, as the natural gas pipeline connecting Russia and Europe passes through Ukraine, Ukraine was doing its best gain from this situation with the help of its geopolitical advantage. More clearly, Ukraine was attempting to strengthen its energy security and geopolitical advantage by increasing its tax for gas transition. Russia and Ukraine have been in a long-running dispute over natural gas and transit costs since the Ukrainian Orange revolution of late 2004 where western Viktor Yushchenko was elected as a president of Ukraine. The conflict of two nations led Russia to stop its natural gas supply to Central and Eastern Europe between 2006 and 2009.⁵

Putin’s statement of “Greater Eurasia Initiative” during “Saint Petersburg International Economic Forum-2016”

was based on geopolitical purpose as well as being a symbolic statement. Although “Greater Eurasia”, first initiated by Russia’s former foreign policy counselor Sergey Karaganov, is concerned as Russia’s major strategy, China is reacting to this in two opponent ways. “Non-Western” countries and organizations according to Sergey Karaganov are EAEU, Shanghai Cooperation Organization, ASEAN, Turkey, Iran, and Israel who may put Russia in a position to become a former of “One belt, one road” and an initiator of Eurasian integration. Russia, has been encouraging regional players such as Turkey and India to join to “Greater Eurasia”. Many scholars believe that EAEU emphasized and will further emphasize Russia’s “Great power” status within region of Russia’s sphere of influence created by Russia itself.

Table 1: Rankings and Scores of Nations along the Belt and Road in terms of Five Connectivity (Table 1)

Category	Ranking	Nation	Policy coordination	Facilities connectivity	Unimpeded trade	Financial integration	People-to-people bond	Total Score
Smooth cooperation nation	1	Russia	18.07	18.52	15.47	16.11	18.07	86.24
	2	Singapore	13.18	11.72	19.83	18.86	16.33	79.94
	3	Malaysia	12.02	11.57	18.40	16.28	16.31	74.59
	4	Kazakhstan	17.00	12.42	15.78	15.31	14.00	74.52
	5	Germany	11.09	14.16	17.50	13.41	18.24	74.40
	6	Thailand	13.74	10.30	14.57	16.63	18.31	73.56
	7	UK	10.66	11.00	13.57	18.44	18.17	71.84
	8	Mongolia	15.68	12.49	14.32	15.17	13.77	71.43
	9	New Zealand	12.60	9.26	16.50	16.64	15.91	70.91
	10	Australia	7.07	9.18	17.50	18.72	18.16	70.63
	11	Indonesia	11.69	9.60	14.18	18.13	16.73	70.33

⁵ Rilka Dragneva and Kataryna Wolczuk; Russia, the Eurasian Customs Union and the EU: Cooperation, Stagnation or Rivalry? August 2012

Russia concerns Central Asia, East Europe and South Caucasia as its region of influence. How Kremlin sees the participation of “small countries” in the “Silk Road Economic Belt” has been in attention of Beijing. Central Asian five countries are aimed at developing their infrastructure and expanding their partnership with world economic powers and their ambition aligns with the main purpose of “Silk Road Economic Belt”.

On September 7th, 2018, Peking University published the index report

showed the connectivity possibility of countries along “One belt, one road”. The integration possibilities were stated as “policy coordination”, “facilities connectivity” “unimpeded trade”, “financial integration” and “people-to-people bond”. According to the report, Russia, Malaysia and Singapore were leading the index among 94 countries and this clearly indicated that they became the most influential partners of the “Silk Road Economic Belt”.⁶

Change in Russian Federation’s Official Status

“One belt, one road” initiative can fully fulfill the interest of China and Russia. China announced that it is accepting EAEU’s official status and will cooperate with the five member countries only in accordance with “EAEU” legislation. For instance, Ministry of Commerce of China and EAEU commission has signed “Agreement on Trade and Economic Cooperation between EAEU and People’s Republic of China” in May 2015 in Astana (current Nur-sultan) which came in force since October 25th, 2019.⁷

Now let’s see how Russia’s official status has changed. During the opening ceremony of Sochi Winter Olympics, the two leaders of Russia and China met on February 6th, 2014 where president Putin.V expressed his promotion to “Silk Road Economic Belt” and “Maritime Silk Road Initiative” by China. He stated that “Connecting Eurasian transcontinental

railroad with One belt on road will bring much more benefit”.

Russia’s president Putin.V made a state visit to People’s Republic of China between May 20-21st, 2014 and signed on “Joint statement of the Russian Federation and the People’s Republic of China on a new stage of relations of comprehensive partnership and strategic interaction” during “Fourth Summit of the conference on interaction and confidence Building measures in Asia”.⁸ In the statement, the two countries determined the importance of cooperation on EAEU and the economic development of Silk Road.

“The two parties believe that the EAEU meeting of January 1st, 2015 will intensify regional stability and deepen the partnership between the two countries. Also, the parties highlighted the effectiveness of complementarity of the

⁶ for more details: <http://ocean.pku.edu.cn/info/1165/3077.htm>

⁷ 六国总理共同宣布经贸合作协定生效——“一带一路”与欧亚经济联盟对接合作迈出坚实一步
<http://www.mofcom.gov.cn/article/i/jyj/e/201910/20191002908338.shtml>

⁸ <http://kremlin.ru/supplement/1642>

Asia-Eurasia and European integration processes.”

“China’s initiative to establish Silk Road economic region is vastly important. Russia is highly appreciating the fact that the interests of the Russian side are taken into account by China in the development and implementation stages. The two parties will be seeking for potential collaborations on Silk road project during the process of EAEU establishment. In order to do this, the two countries have to deepen their cooperation, especially on structural improvement of the region, by

implementing joint projects focusing on main fields.⁹

China’s president Xi Jinping signed on the “Joint Statement for cooperating in the construction alignment between the Silk Road Economic Belt and EAEU” on May 8th 2015.¹⁰ The main contexts of the statement were to enable alignment between the Silk Road Economic Belt and EAEU, ensure the stable development of the region, intensify the economic integration and develop regional cooperation on: logistics, transportation and infrastructure to make improvement on regional production network.

EAEU Member States’ Actions Towards the “Silk Road Economic Belt”

The EAEU was established on the political space of former Soviet Union 2 years after its collapse. Although the 5 member countries have different perspectives about their views, methods, time and future prospects, they have united under mutual benefit to strengthen their political, economic and financial status and save their unique culture. Alignment means the intersection point of all parties’ interests of which EAEU is defined as below.^{9 10}

Market: EAEU is intended to export traditional energy raw materials, food and livestock products, electronic and high technology products to China. As for China, it is interested in entering the EAEU’s market of almost 200 million (183 952 788 as of January 1st, 2021) population and 20 million square

kilometer land which enables them to invest in the integrated economy with less expenses.

New opportunities: EAEU member countries are aimed at improving their transportation and logistics with the help of their geographical advantages. On the other hand, for China, EAEU is vast a space for Eurasian logistic network.

Manufacturing: EAEU member countries want to attract foreign investment based on their natural resources, develop their end-user production and manufacturing, expand their economy by creating new fields and diversify their economy. China sees EAEU as the possibility to sell their equipment and make industrial modernization.

Financial capability: For EAEU

⁹ 中俄关于全面战略协作伙伴关系新阶段的联合声明 http://www.xinhuanet.com/world/2014-05/20/c_1110779577.htm

¹⁰ 中华人民共和国与俄罗斯联邦关于丝绸之路经济带建设和欧亚经济联盟建设对接合作的联合声明 https://www.fmprc.gov.cn/web/gjhdq_676201/gj_676203/oz_678770/1206_679110/1207_679122/t1262143.shtml

countries, money is the most demanded resource. In order to fulfill the financial needs, Asian Investment Bank, Silk Road Fund and Eurasian Development Fund were established by China's initiation.

Geopolitical security: The Union will bring geopolitical significance to Russia's ambition to expand its power in the east. For China, cooperation with EAEU will benefit them to create convenient foreign environment through establishment of united interest and development approach. Other member countries consider the alignment as economic and security guarantee as well as becoming leverage to develop.

After China's announcement of "Silk road economic belt" initiation, countries alongside the Silk Road have expressed their interest to join it. Among these countries, actions of EAEU members towards "Belt and Road" are specifically mentioned further in this paper.

One. Kazakhstan and "Silk Road Economic Belt"

Kazakhstan, borders with People's Republic of China through 1770 km border line, is one of the EAEU leading countries and an active supporter to "Silk road economic belt". At the same time of President Nazerbev.N's approval of "Bright Road Plan" in November 2014, he stated that Kazakhstan will change its economic structure and ensure its economic growth through investment.

Kazakhstan and China signed on the cooperative plan to align "Bright road plan" with "Silk road economic

belt" while participating in the G20 Summit Forum of 2016.¹¹ The main goal of "Bright Road Plan" is the infrastructure development which will lead to development of port and capability improvement of auto, rail and air transportation. Currently, there are 3 international transportation corridors that enables access from China to Kazakhstan. First one is Eurasian land bridge from China to Europe, transiting through Kazakhstan; Second one is China-Kazakhstan-Turkmenistan-Iran-Persian Gulf; Third one is China-Kazakhstan-North Caucasus.

Between 2015 and 2017, Kazakhstan spent 9 billion US dollars on "Bright road" plan. Around 1000 Chinese companies have been investing in oil and natural gas sectors and holding 20% share of the mining sector of Kazakhstan since the two countries established diplomatic relationship in 1992.

One of the important cooperation of the 2 countries is cross border transportation. At present, Zhetygen Khorgos railroad, construction of an international transportation corridor of West Europe-China's west region, is running its operation. Railroad between China and Kazakhstan has lessened the length of railroad from China to Central Asia by 550km.¹² As of 2020, transportation between the 2 countries has reached 25 million ton. Kazakhstan has repeatedly stated that it can partner with China in infrastructure, logistics, and communication sectors in the framework of "Silk road economic belt".

¹¹ https://lenta.inform.kz/kz/article_a3033160

¹² <http://www.china-ofdi.org/ourService/0/658>

Two. Kyrgyzstan and “Silk Road Economic Belt”

Kyrgyzstan, borders with People’s Republic of China through over 1000 km border line, acts as an access to west side of the “One belt, one road”. In recent years, internal political situation of Kyrgyzstan is unstable with frequent strikes against China. Kyrgyzstan has influence in China’s defense and security issues as becoming the main station where China can transact and launch its goods in the Central Asian market and bordering with Xinjiang Uygur.

The 300 million US dollar logistic center which was planned to be constructed in Naryn district of Central Kyrgyz as part of “Free economic zone of Kyrgyzstan and China” plan, signed during the Xi Jinping’s visit to Kyrgyzstan in June 2019, has stopped in February 2020 due to strike against China.¹³

There are several reasons of Kyrgyz’s opposition against China, according to Marianne Kamp, professor of Central Eurasian studies department, Indiana University. There are “China threat” ideology, Kyrgyz’s external debt of which 41.3% is for China and profound impact of human right violations in Xinjiang for public psychology.¹⁴

“Silk road economic belt” initiation by China, the largest trade partner and investor of Kyrgyzstan, attracts its interest. Kyrgyzstan welcomes cooperation with EAEU because of its benefit to improve economic capability,

transportation, and infrastructure. Poor transportation infrastructure is one of the affective issues encountered by Kyrgyzstan’s society, economy and industry. On 2018 World Bank Logistics Performance Index, Kyrgyzstan was at 108th among 160 countries¹⁵

Kyrgyz’s think-tank organization “Center for Political and Legal Studies” has made analyze on a project initiated in the late 20th century.¹⁶ This is a Railroad project to connect China and Uzbekistan initiated by China in 1997, which covers three transition areas of Kyrgyzstan. On the other hand, the project is an effective intensifier of “One belt, one road”. Unfortunately, although the project was discussed for last 24 years, it has not implemented yet due to various reasons of which one is Kyrgyzstan’s passive participation. Two sides of the railroad in China and Uzbekistan has constructed and is currently waiting for the connection between them.

According to the research of the think-tank, Kyrgyzstan has not progressed the Railroad project. During the years of independence, Kyrgyzstan has not moved on the project at all and has been using 400 km railroad built during the Soviet Union era, which is the end of the railroad network of neighboring countries.

This railroad construction project is a part of the - Central Asia Regional Economic Cooperation (CAREC) CAREC 2020 strategy, which aimed at building Corridor-2, connecting Caucasia and Mediterranean Sea with

¹³ <https://ec.ltn.com.tw/article/breakingnews/3608800>

¹⁴ same as above

¹⁵ <https://lpi.worldbank.org/international/global>

¹⁶ <https://www.akchabar.kg/ru/news/Zheleznay-doroga-Kitay-Kyrgyzstan-Uzbekistan/>

East Asia. However, Kyrgyzstan considered that this project is possible to be implemented in long term because it has to be approved by determining financial and economic rationale. The railroad network constructed during the Soviet era is directed inly to Russia and Kazakhstan, blocking the opportunity to enter into other markets. With the help of transportation improvement with other countries, Kyrgyzstan's economy will recover significantly, particularly in remote areas of China-Kyrgyzstan-Uzbekistan railway.¹⁷

<https://www.akchabar.kg/ru/news/Zheleznay-doroga-Kitay-Kyrgyzstan-Uzbekistan/>

Three. Belarus and "Silk Road Economic Belt"

Belarus, neighboring with huge market with 170 million population of Russia and Kazakhstan in the east side and bordering with EU countries such as Lithuania and Polish on the west side, is an East Europe's landlocked country and a gateway from the Eurasia to the EU and the Atlantic, with access to the Black Sea via Ukraine. Belarus is one of the active supporters for "Silk road economic belt".

Due to Russia-Ukraine conflict of 2014, China has changed its plan of improving status in East Europe through relationship with Ukraine into improving its relationship with Belarus. This became the main fundamental to implement "Belt and road" initiation.¹⁸

In January 2014, Belarus's Prime

Minister Myasnikovich.M visited in China and signed on the "Strategic development plan of China and Belarus 2014-2018". Belarus has high technological and research capacity as well as being potential to supply Agricultural equipment, machines and products to China. China, on the other hand, is interested in partnering with Belarus through investment, manufacturing, technique and management.

China and Belarus's partnership has been intensified since 2014; making number of contracts on economic, political and military fields, high level visits and commencing the "Great Stone China-Belarus industrial park" development project which is one of the main projects in Belarus in the framework of "Belt and Road".¹⁹

Great Stone project, covering 112 km square, is the largest strategic project of China and Belarus and an important component of "Silk road economic belt". During his visit to Belarus on May 12th, 2015, Xi Jinping was introduced to the construction process of the Park and named it as "The bright pearl on the Silk Road".²⁰

The industrial park has commenced its operation in 2017 and 68 companies from 16 countries have been working at it as of 2019, of which half of them are China's large companies such as Huawei. China's investment to Belarus since 2013 is 3.3 billion USD and investment to "Great Stone" constitutes 2.5 billion USD of it.

¹⁷ same as above

¹⁸ <https://forstrategy.org/ru/posts/20201215>

¹⁹ same as above

²⁰ <https://www.belarus.by/cn/business/business-environment/industrial-park-great-stone>

Belarus’s economy is directly dependent on Russia, especially 70-80% of natural gas and oil is supplied from Russia. In order to reduce dependency from only one country, Belarus is proceeding its economic relation with EU, Asia, South America and Middle East as well as maintaining the traditional market to Russia. Particularly, Minsk is expanding its military cooperation with China actively through such as joint military exercises. Although Belarus’s president Alexander Lukashenko joined the EAEU for the purpose of joining the Eurasian integration, he activates cooperation with western countries through such as entering to EU’s “Eastern partnership” plan and enabling western countries to access without visa whenever he disputes with Russia on the matter of energy. Lukashenko did not favor Russia’s actions such as Crimea’s annex and invasion to Donbass. Today, Belarus is acting as a trade mediator by transporting EU products to Russia. Belarus has chances to sale these products to EAEU’s land by processing the goods at certain extent and changing the label as “Made in Belarus”. However, Russia is protecting its market through its “Veterinary and Phytosanitary Surveillance” which prohibits meat and dairy products import from Belarus.

At the end of 2019, Belarus solved its domestic economic crisis by 500 million USD loan from China Development Bank. Also, Belarus received 11 million USD grant and 7 billion USD loan from China in 2011 and 2015. Nikolai Lukashenko, the third son of

Alexander Lukashenko, has repeatedly participated in events organized in China and even made 2018 Lunar New Year Greeting in Chinese.²¹ Based on these cases, researches analyze that Belarus is intensifying its policy to the west and east while maintaining its relation with Russia.

Four. Armenia and “Silk Road Economic Belt”

The fifth country of EAEU, Armenia, is one of the 3 South Caucasian countries. Armenian president Serzh Sargsyan paid an official visit to China and signed on “Memorandum to intensify cooperation of Silk Road economic belt in scope of Central Asian Cooperation Union” with China²²

South Caucasian has geographical advantage because it locates at the northern and southern transportation corridor which connects east and west side of the Eurasian land. If China constructs infrastructure to reach Europe, transaction through Russian Siberian railroad is not necessary. China has purpose to build a railroad in Armenia to substitute Russia and for further, to build a railroad between Armenia and Iran. Delivery of Chinese goods to Europe and the Middle East via the Central Asia-Caspian Sea-Inner Caucasus region is a relatively short route.

Armenia has been in conflict with Azerbaijan since 1988 due to territorial disputes (has reached a peace agreement). Russia has close relation with both Armenia and Azerbaijan and

²¹ <https://kknews.cc/zh-tw/other/v2aanaa.html>

²² <http://opinion.people.com.cn/n/2015/0814/c1003-27461942.html>

is a country that supplies arms for the war conflict between them, other than Russia. Both Russia and China has huge interest in Armenia. According to an Azerbaijani researcher, Russia does not want to Armenia-Azerbaijan war. Even after Soviet Union's dissolution, Russia has had a decisive status on Nagorno-Karabakh conflict. However, the status may be moved to Turkey.²³

There are external and internal factors that may affect successful cooperation of China and Armenia. For instance:

First, Armenia has been in a war with Azerbaijan on Nagorno-Karabakh conflict for years. Also, it has closed its border with Turkey due to historical genocide issues and has not established diplomatic relations with Turkey. Again, USA's economic sanctions against Iran made Armenia to communicate to the world through its northern neighbor Georgia. Because Armenia's external environment is unfavorable and unstable, Georgia signed a contract to host Russia's military base until 2044.

Second, Armenia is rich of metals such as gold, copper, iron and aluminum,

and minerals such as volcanic rock, perlite, basalt and granite which are the main exporting products. The largest investor Russia supplies energy to Armenia as well as importing the mining products and holding major shares of energy, road and mining companies. The second largest investor in Armenia is Germany, who holds 51% shares of "Pure Iron"; the largest metallurgy company of Armenia. It is clear that China has very little space in the fields mentioned of Armenia.²⁴ However, China has intention to invest in Armenia's road transportation, infrastructure, communication, construction, mining and manufacturing fields.

Although there is little space for cooperation, Heilongjiang Province Thermal Power First Engineering Company of China has aimed at implementing projects such as 40 million USD project to improve 110KV substation and technical renovation project of natural gas company of Heilongjiang Province Thermal Power Third Engineering Company.

²³ <https://tw.appledaily.com/international/20201018/VNJQ7UE2YFAGPLYBGDCSU2OUDI/>

²⁴ http://pdf.dfcfw.com/pdf/H3_AP202001021373399299_1.pdf 细说丝路：中国-亚美尼亚

“One Belt, One Union” the Process of the Joint Project

As a result of agreement between EAEC Commission (EEC) and Ministry of Commission of China in October 2017, EEC has made agreement with Silk Road economic belt to implement about 40 projects with China in transportation and infrastructure field in the framework of Eurasian integration.²⁵ The projects involved all countries of Eurasia which 11 of them were initiated by Russia. 39 of these projects are related to construction of new road, reconstruction of roads, establishment of transportation and logistics centers and development of main logistics centers. Among them, Eurasian highway, Northern Deepwater Site of Arkhangelsk seaport and Belkomur railroad projects are included.

Also, “Western Europe-Western China Highway” project to build 8445 km highway (Meridian Highway) and Moscow-Kazan high speed railroad projects were planned to be implemented as part of “One belt, one union”. The high speed railroad construction shortens the time spent from Moscow to Kazan to 3.5 hours with 400km/h speed. According to International discussion club Valdai, Armenia is working to build investment mechanism from China.²⁶ (International discussion club Valdai)

Speaking of the Meridian Highway, the highway project to connect south and north part of Russia will start from Tambov province in the late of this year, directing to Belarus and Kazakhstan as

stated by the deputy of the State Duma Vyacheslav Volodin on July 21st 2020.²⁷

Private companies of Russia will invest in the roads of Russian part and the received their approval from the Prime Minister in July 2019. 1982 km long road of the Silk road economic belt will become Russia’s part that will connect China, Kazakhstan, Belarus and EU countries. The project will cost 9.4 billion USD.

Russian part of Europe-China’s western international transportation corridor has 2 directions. North-South part is invested by private company while Moscow-Kazan paid road is financed by the state and will be constructed by Avtador; a state owned company.

Europe-China western road is a huge investment project to intersect Russia (Saint Petersburg, Moscow, Kazan, Orenburg), Kazakhstan (Aktobe, Kyzylorda, Shymkent, Alma-Ata) and China (Urumqi, Lanzhou, Zhengzhou, Lianyungang). Out of 8500km road, 2192km is for Russia, 2787km is for Kazakhstan and 3181km is for China.²⁸

Although Moscow-Kazan high speed railroad was first initiated in 2009, it is still being postponed. As stated by Kremlin’s press, Putin.V has decided to estimate the effectiveness of the project once again. This is because Russian economy is in difficult situation, ticket price for high speed train is high which follows the issue of recouping and inflation is affective to the project cost.

²⁵ <https://ru.valdaiclub.com/a/highlights/rossiya-kitay-eeek/>

²⁶ дээрхийн адил

²⁷ <https://www.seetao.com/details/32309.html>

²⁸ <https://www.seetao.com/details/32309.html>

Mongolia's New Cooperation Policy

It has been years since Mongolia has lost its balance of trade and economic relations with its two neighbors. As of 2019, Mongolia's export to Russia was 0.9% while to China was 88.9%. On one hand, the imbalance is relevant to the Russia's cooperation only in "Ulaanbaatar railroad" since "Mongolian copper corporation" bought Russia's share of "Erdenet Factory" in 2017. Although trade between Mongolia and Russia reached 2 billion USD, 90% of them is spent for importing oil, consumer goods and technology from Russia to Mongolia. For Mongolia, it is important to diminish this unequal relation and maintain the balance between the two neighbors. Signing free trade agreement with EAEU can solve problems encountered for trade and economic relations between Russia and Mongolia.

While Mongolia's president Khurelsukh.U was participating in the "Eastern Economic Forum" in Vladivostok on September 3rd, 2021, he stated "Mongolia has concerned in expanding its cooperation with EAEU. Currently, we are searching for possibilities to make free trade agreement with EAEU. This free trade agreement will mitigate the issues of foreign trade as well as enabling Mongolia's participation in regional economic integration".²⁹

In September 2020, joint group to study and analyze if it is good to sign free trade agreement with EAEU and will introduce its result within this

year. Exporting agricultural goods from Mongolia to Russia requires 20-40% tax (inclusive of VAT) which is too high. Therefore, signing free trade agreement with EAEU can allow tax credits on some named products. In order to create such favorable condition, Mongolia's goods and products have to fulfill EAEU's standards and requirements. Mongolian entities' years of dream to export raw materials, goods and products to Russia fails in front of high custom tax. Free trade agreement open gates to not only Russia, but also the other 4 members of the Union.

Another issue is gas line which has been activating discussions recently. Building gas line that connects 3 countries was first mentioned in "The Ulaanbaatar Declaration" when Russia's president Putin paid visit to Mongolia in November 2000. Furthermore, during his meeting with President Putin in Sochi within his visit in November 2019, Prime Minister Khurelsukh officially agreed on commencing the gas pipeline project through the territory of Mongolia and signed on Memorandum to pass gas pipeline through Mongolian territory.³⁰

This mega project will be implemented by Russia's Gazprom, Mongolia's state owned "Erdenes Mongol" and China National Petroleum Corporation (CNPC). Gazprom named the part of "Siberian power-2", which is a pipeline to transact gas from Russia to China, to be passed through Mongolia as

²⁹ <https://tass.ru/ekonomika/12294333>

³⁰ <https://www.montsame.mn/en/read/277122>

“Soyuz Vostok gas pipeline”. The special purposed company is established and registered in Mongolia in January 2021. The pipeline has a capacity of 1.3 times that of the Siberian Power-1 gas pipeline.

“Siberian power-2” gas pipeline to be passed through Mongolia is estimated to have capacity to supply 50 cube meter gas per year. Operation of the gas pipeline will create possibility for Mongolia to have additional transaction income.

Mongolia is planning discuss and approve the law project “Mongolian law on gas pipeline project” during autumn session of the 2021 parliament and it will

create legal environment to implement the project. When Mongolia’s president Khurelsukh.U made a phone call with China’s president Xi Jinping on July 16th, 2021, they highlighted the progress of “The project to build economic corridor between Mongolia, Russia and China” and expressed that they will support the entities who are involved in the project to pass gas pipeline from Russia to China through Mongolian territory. The parties reaffirmed the statement again while Battsetseg.B, Minister of Foreign Affairs of Mongolia, paid a visit to China in the late July of 2021 by the invitation of Wang Yi, Chinese Foreign Minister.³¹

Conclusion

American economist Bela A.Balass mentioned in her book “Theory of economic integration” (1961) that economic integration is a process and a state of affairs and defined 5 processes of integration (preferential trade stage, free trade zone, custom union, public market and economic union).

EAEU integration is at its highest peak at present. It is not secret that China and Russia have not only economic interests, but also political and geopolitical interests individually. It is clearly seen that promises are more important than works and trust and cooperation are more important than carefulness and mistrust for “Belt, union”, which requires long period of time.

Russia’s GDP accounts for 87% in the EAEU which means that Russia is main decision maker, holding the right to

make official statement. Other member countries are interested in joining the Silk Road project, improving their infrastructure, and reconstructing their economy, following Russia. Also, the leaders of these countries may see this project as an opportunity to maintain their political position. Mongolia connects with the Belt through the Steppe Road project and has an observer status in the Belt. The project of the 3 neighboring countries has already started to move forward. Thus, Mongolia should maintain their interest by contributing at its best and wisely. China is urgently required to cooperate with above countries who were within the former Soviet Union in order to proceed the development of “Belt, road”. Russia, on the other hand, is still leading and directing the member countries of EAEU within the framework of China’s initiation which made Russia

³¹ <https://www.polit.mn/a/91659>

to cooperate for “Belt, union”.

Due to the geographical position, Mongolia’s geopolitical duty as bridge to connect Russia and China is effective to keep balance the influence of the North East Asian two countries. Mongolia is paying more attention to Eurasian economic integration and avoiding

from political and military initiatives. Mongolia is seeking to increase the transportation capacity to connect the two neighbors because it will improve Mongolia’s economic status and strengthen “Third neighbor policy” and the principle of Neutrality of Mongolia.