Prospects of China-Mongolia-Russia trade in the light of the COVID-19 pandemic

X. Zhang
Northeast Asian Studies, Heilongjiang Provincial Academy of Social Sciences, Harbin, China; zhangxiujie203@163.com

ABSTRACT
Relevance. China, Mongolia, and Russia are among each other’s major trade partners. The COVID-19 pandemic has had a large impact on global trade, which creates the need to analyze further prospects of the trilateral cooperation between China, Mongolia, and Russia.

Research objective. This study aims to analyze China-Mongolia-Russia trade cooperation in the context of the COVID-19 pandemic.

Data and methods. This article applies a comparative analysis method to examine the development and changes in import and export trade between China, Mongolia, and Russia before and after the beginning of the project of the China-Mongolia-Russia Economic Corridor, from 2014 to 2020. The research relies on the data from the China Trade and Foreign Economy Statistical Yearbook, Northeast Asia Economic Statistics of Sea of Japan Economic Research Institute, Ministry of Commerce of the People’s Republic of China, Russian Customs, and National Bureau of Statistics of Mongolia.

Results. Along with the realization of the medium and short-term goal of raising the volume of trade turnover within the Corridor, the three countries seek to play more and more important roles as each other’s trade partners. It is observed that the impact of the COVID-19 pandemic on the volume of trade has not been significant, and thus the fundamental premises of trilateral trade cooperation have remained largely unchanged.

Conclusions. To increase the volume of trade between China, Mongolia, and Russia, it is necessary to improve the trade structure, reduce tariffs, establish free trade areas and actively promote the diversification of trade cooperation.

KEYWORDS
China, Russia, Mongolia, China-Mongolia-Russia Economic Corridor, import and export, trade characteristics, COVID-19

FOR CITATION

 Перспективы торговли между Китаем, Монголией и Россией в свете пандемии COVID-19

С. Чжан
Институт североазиатских исследований, Академия социальных наук провинции Хэйлунцзян, Харбин, Китай; zhangxiujie203@163.com

АННОТАЦИЯ
Актуальность. Китай, Монголия и Россия являются основными торговыми партнерами друг друга. Пандемия COVID-19 оказала большое влияние на мировую торговлю, что вызывает необходимость анализа дальнейших перспектив трехстороннего сотрудничества между Китаем, Монголией и Россией.

Цель исследования. Это исследование направлено на анализ торгового сотрудничества Китая, Монголии и России в контексте пандемии COVID-19.

Данные и методы. В данной статье применяется метод сравнительного анализа для изучения развития и изменений в импортно-экспортной торговле между Китаем, Монголией и Россией до и после начала проекта экономического коридора Китай-Монголия-Россия с 2014 по 2020 гг. основывается на данных Статистического ежегодника Китая по торговле и внешней экономике, Экономической статистики Северо-Восточной Азии Института экономических исследований Японского моря, Министерства торговли Китайской Народной Республики, Российской таможни и Национального статистического бюро Монголии.

КЛЮЧЕВЫЕ СЛОВА
Китай, Россия, Монголия, экономический коридор Китай-Монголия-Россия, импорт и экспорт, торговые характеристики, COVID-19
Introduction

The China-Mongolia-Russia Economic Corridor is the first multilateral economic corridor within the framework of the ‘One Belt and One Road’. It has been more than six years since President Xi Jinping proposed to build the China-Mongolia-Russia Economic Corridor (hereinafter the Corridor) by docking the Silk Road Economic Belt with Russia’s Trans-Eurasia Railway and Mongolia’s Grassland Road initiative at the first meeting between the heads of China, Russia and Mongolia on September 11, 2014. Under the framework of the Belt and Road Initiative and the China-Mongolia-Russia Economic Corridor, the bilateral economic cooperation and trade are expanding and the foreign trade volume is increasing year by year (Li, 2019).

Since 2014, China, Mongolia and Russia have been working together to build an economic corridor. However, the three countries have also experienced various difficulties such as the economic slowdown, trade war and economic sanctions. In particular, the COVID-19 pandemic delayed some of the cooperation projects and affected the trade between China, Mongolia and Russia.

At present, China, Russia and Mongolia are all dealing with an important task of ensuring a medium and long-term economic recovery. Since foreign trade plays a crucial role in the economic development of these three countries, to meet their strategic goals, they all need to maintain productive relationships with their neighbours and economic partners under the framework of the Corridor.

Therefore, the purpose of this article is to analyze the prospects for the development of trade cooperation between China, Mongolia, and Russia while the three countries are tackling the consequences of the pandemic, in particular the trends in import and export trade.

Literature review

In general, since the Corridor has a short history, the Chinese research literature on this topic is quite scarce. The existing studies mainly focus on the background, significance, current situation and prospects of this project. With the advancement of the construction of China-Mongolia-Russia Economic Corridor and the changing international situation, the studies can lose their practical significance very quickly.

A separate group of studies deal with the trade cooperation between China, Mongolia and Russia (see, for example Wei & Yucong, 2021; Zhaoli, Yanjong & Guangwen, 2016). Most of these studies use the methods of qualitative analysis. Wei and Yibing (2016) analyzed the process of trade development and the structure of imports and exports between China, Mongolia and Russia in 1998–2014. They believe that the trade potential accumulated by China and Mongolia was significantly increased under the ‘One Belt and One Road’ initiative, but the bilateral trade potential of Russia and China had not been fully utilized, and there was still room for further expansion. They also pointed out that giving full play to trade complementarity is a great driving force for deepening cooperation between China, Mongolia and Russia, and that it has a great significance for promoting the construction of the Corridor.

Guangwei (2016) and Yanhua (2019) analyzed the economic effects of trade between China, Mongolia, and Russia. Qiaoyi (2016), Shumin & Rui (2017), Yingjing, Xuefeng & Nan (2017) believe that the trade complementarity and structural optimization of the three countries are essential for the development of the Corridor. Qun & Ge (2019) analyzed such problems as inefficient trade structure, low trade support and the capital gap in the construction of the Corridor, and formulated recommendations concerning the
measures for improving the situation. Only Jin et al. (2021) forecast the outcomes of the Corridor project in the five-year period following the project’s beginning through the combination of qualitative and quantitative methods of analysis. This is a relatively comprehensive study, but it does not provide any detailed analysis of the development of trade between China, Mongolia and Russia.

There are also studies focusing on the construction of the Corridor after the beginning of the COVID-19 pandemic. Qinglong (2020) reflects on how the Inner Mongolia Autonomous Region can cope with the situation. Zhou Yixin & Yan Nan (2021) describe the international cooperation mechanism for promoting the construction of the Corridor in the light of the pandemic and measures for containing and control of the pandemic.

Interestingly, Russian and Mongolian scholars are more optimistic about the prospects of Sino-Russian and Sino-Mongolian trade. For example, Suslov (2019) believes that trade can be driven by large project cooperation in the future while the Sino-Russian trade structure has not changed significantly in the past decade. Ostrovsky (2019) argues that although Russia is China’s main trading partner among the countries of the Belt and Road Initiative, the proportion of China-Russia trade in China’s foreign trade is not significant and Russia should seize the opportunities of China-Russia cooperation in the future. A Mongolian scholar Bulma (2021) believes that the Corridor creates great opportunities for expanding trade among the three countries. A similar view is expressed by Na (2021), who emphasizes the effects of cooperation between Mongolian and China.

Methods and Data

This article applies the method of comparative analysis to examine the development and changes in the bilateral import and export trade between China, Mongolia, and Russia before and after the construction of the Corridor began. The analysis also focuses on the impact of the pandemic and further prospects of the project. Recommendations regarding effective response strategies in dealing with the adverse effects of the pandemic are proposed.

Three stages are distinguished in the development of the bilateral import and export trade data of China, Mongolia and Russia: the first stage coincided with the beginning of the 21st century (2001–2014); the second was the period when

![Figure 1. Statistics of import and export trade between China and Russia](http://www.tjcn.org/tjnj/MMM/38498.html)
Russia is China's tenth largest trade partner. China remains Russia's top trade partner, while Russia ranks first among China's trade partners. In terms of growth in trade, the trade volume between China and Russia reached US $110.94 billion, that is, there was a 3.58% increase. Accordingly, the proportion of the trade volume between China and Russia in Russia's total foreign trade has also increased in the past two years compared with the previous period, increasing to 16.6% in 2019, by 0.9 percentage points compared with the previous year (Table 1).

In 2020, trade between China and Russia was also affected by the COVID-19, but the bilateral trade volume still reached US $107.765 billion, exceeding the level of US $100 billion in the three consecutive years. China’s exports to Russia amounted to US $50.585 billion, that is, there was a 1.7% increase. Imports from Russia were $57.181 billion, that is, they fell by 6.6%. Trade between the two countries fell by only 2.9%, which means that it remained relatively unaffected by the pandemic in comparison with other trade partners. In terms of growth in trade, Russia ranks first among China's trade partners. China remains Russia's top trade partner, while Russia is China's tenth largest trade partner.

As the two countries start to recover after the pandemic, the industrial chain and industrial structure of bilateral economic and trade cooperation will also usher in new opportunities for development. The decline in China's exports to Russia has gradually slowed, while imports of energy, mineral products and agricultural products from Russia have continued to expand. Bilateral trade between China and Russia from January to April 2021 reached US $40.21 billion, exceeding US $40 billion for the first time in the first four months, increasing by 21.2 percent compared with the same period in 2019 and doubling compared with the same period in 2016. In 2021, China-Russia trade is expected to maintain its momentum of growth, and the volume of trade is expected to hit a new high. In the complex international economic environment, China-Russia import and export trade has shown a sound momentum for development, which indicates that the fundamentals of Sino-Russian cooperation remain unchanged (Yu, 2020).

Import and Export Trade between China and Mongolia

China and Mongolia signed their first long-term trade agreement in 1986 (Nomi, 2020). China has been Mongolia's biggest trading partner since 1999, overtaking Russia. As Mongolia implements the strategy of revitalizing its mining industry and vigorously attracts foreign investment, China's direct investment in Mongolia also grows rapidly, which drives the import and export trade between the two countries (see Fig. 2). From 2005 to 2014, the trade between China and Mongolia increased more than 8 times, accounting for more than 50% of Mongolia's total foreign trade.

<p>| Table 1 Bilateral import and export between China, Mongolia and Russia from 2015 to 2019, Unit: $100 million |
|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|</p>
<table>
<thead>
<tr>
<th>Year</th>
<th>China and Russia import and export volume</th>
<th>Share of China's trade volume</th>
<th>Share of total Russia's trade volume</th>
<th>China and Mongolia imports and exports</th>
<th>Share of total China's trade volume</th>
<th>Share of total Mongolia's trade volume</th>
<th>Russia and Mongolia imports and exports</th>
<th>Share of total Russia's trade volume</th>
<th>Share of total Mongolia's trade volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>680.2</td>
<td>1.7</td>
<td>12.1</td>
<td>52.8</td>
<td>0.13</td>
<td>62.1</td>
<td>10.98</td>
<td>0.21</td>
<td>12.9</td>
</tr>
<tr>
<td>2016</td>
<td>696.2</td>
<td>1.9</td>
<td>14.1</td>
<td>49.6</td>
<td>0.13</td>
<td>60.0</td>
<td>9.36</td>
<td>0.20</td>
<td>11.3</td>
</tr>
<tr>
<td>2017</td>
<td>842.2</td>
<td>2.1</td>
<td>14.9</td>
<td>67.4</td>
<td>0.16</td>
<td>63.4</td>
<td>12.87</td>
<td>0.22</td>
<td>12.2</td>
</tr>
<tr>
<td>2018</td>
<td>1071.1</td>
<td>2.3</td>
<td>15.8</td>
<td>85.1</td>
<td>0.18</td>
<td>65.9</td>
<td>17.96</td>
<td>0.26</td>
<td>13.9</td>
</tr>
<tr>
<td>2019</td>
<td>1109.4</td>
<td>2.4</td>
<td>16.6</td>
<td>88.5</td>
<td>0.19</td>
<td>64.9</td>
<td>17.98</td>
<td>0.27</td>
<td>13.1</td>
</tr>
</tbody>
</table>

(2) The data on the import and export volume of China, Mongolia, Russia and Mongolia is based on the Northeast Asia Economic Statistics of the Sea of Japan Economic Research Institute; ‘Northeast Asia Economic Statistics,' Sea of Japan Economic Research Institute
Due to the adjustment of domestic laws and policies, the reduction of international mineral prices, the heavy debt burden and other factors, the economy of Mongolia was exhibiting downward trends for five consecutive years from 2012 to 2016, which made the trade between China and Mongolia unstable. With the help of the International Monetary Fund, China and other countries, the short-term debt problem of Mongolia was solved and the economy of Mongolia recovered. A substantial contribution to this process was made by the ‘One Belt and One Road’ and ‘Road to Development’ construction projects. In 2017 and 2018, the trade between China and Mongolia rose dramatically by 35.9% and 26.3%, respectively. From 2015 to 2019, the import and export volume of China and Mongolia accounted for more than 60% of Mongolia’s total foreign trade (Xiujie, 2019) (Table 1).

Since the outbreak of COVID-19, China and Mongolia have maintained normal import and export trade. Erenhot, the largest land port on the Chinese-Mongolian border, handled 16.1572 million tons of imports and exports in 2020, which means that there was a 9.8% increase in comparison with the previous year and a record high for the port. However, in 2020, the trade volume between China and Mongolia declined, with the total bilateral trade volume reaching 7.4 billion US dollars, there was a 16.85% decline in comparison with the same period of the previous year. The total exports to China were US $5.49 billion, that is, there was a decrease by 19.15% year-on-year. The total import volume from China was US $1.91 billion, which means a decrease by 7.28% year-on-year.

After the pandemic, as national economies will start to recover, the demand for gold, copper, oil and coking coal will increase, and the prices will also rise, which will naturally bring more development opportunities to Mongolia and also stimulate trade between China and Mongolia. Bilateral trade between Mongolia and China rose to US $2.446 billion in the first quarter of 2021, accounting for 68.9% of Mongolia’s total foreign trade. Mongolia’s exports in the first quarter were $2 billion, and exports to China were $1.85 billion, accounting for a whopping 92.5%. On January 1, 2021, China and Mongolia implemented the tariff concession arrangement under the Asia-Pacific Trade Agreement, which means that lower tariffs will be applied to goods imported by China and Mongolia to promote the growth of the import and export trade between the two countries.

**Import and Export Trade between Russia and Mongolia**

For a long time, the progress in the economic and trade relations between Russia and Mongolia have been much less significant than the progress in the political sphere (Lijun & Chao, 2016). Figure 3 shows that in 2008, for the first time, the volume of exports and imports between Russia and Mongolia reached the level of $1 billion. Since then, the volume of trade between Russia and Mongolia rose continuously, reaching nearly $2 billion in 2012. However, due to a number of external and internal reasons, the volume of exports and imports was only $936 million in 2016.

Under the framework of the Corridor, the cooperation between Russia and Mongolia has become more pragmatic and rational. As Mongolia managed to overcome some of its economic difficulties, the volume of trade between the two countries started to grow after 2016. It should be noted that Russia has long been Mongolia’s second-largest trade partner after China (Zhihong, 2021). In 2020, the bilateral trade volume...
was about $1.457 billion, which signifies a fall by 18.97% in comparison with the previous year. The volume of Mongolia’s exports to Russia was $57 million, which shows a fall by 16.7% and imports, $1.4 billion, that is, a fall by 19.02%.

**Analysis of the prospects of trade cooperation between China, Mongolia and Russia**

Based on the above analysis, we can make the following conclusions. First, the development of bilateral trade between China, Mongolia and Russia has not been stable. Driven by the construction of the Corridor, the volume of trade has increased. The bilateral trade between China and Russia and Mongolia fluctuated slightly only in 2016, which was mainly due to the mistakes in the adjustment of foreign investment policies in Mongolia and the debt crisis, resulting in a relatively large economic decline for two consecutive years. Second, the proportion of bilateral trade between China, Mongolia and Russia in the total trade volume has also increased in recent years. In particular, Mongolia’s exports to China account for more than 84% of its total exports, and Mongolia’s imports from China account for more than 32% of its total imports, which shows that Mongolia has a high degree of trade dependence on China. However, for China, the world’s largest trading country, the import and export volume of China and Russia and China and Mongolia account for a small proportion of China’s total import and export volume, and their overall efficiency is lower than that of other ‘One Belt and One Road’ countries (Piping, 2019).

There are five key aspects of trade cooperation between China, Mongolia and Russia that are worthy of interest.

First, since the outbreak of the pandemic, China, Mongolia and Russia have managed to maintain stable relations and support each other in the joint struggle against the pandemic. Phone calls and regular meetings of national leaders helped to develop practical solutions to enhancing the countries’ cooperation during the pandemic. The Sino-Russian trade relations were developing steadily in 2020. China and Mongolia have launched their first ‘green channel’ for border crossing. Thus, trade cooperation between China, Mongolia and Russia is expanding, and the construction of the Corridor is one of the major platforms of their cooperation.

Second, the further progress of the pandemic has led the three countries to increase border control and impose more rigorous customs clearance procedures, resulting in a sharp rise in transport costs. At the same time, China, Mongolia and Russia are also at risk of the rebound and mutation of the COVID-19, which would have a negative influence on trade cooperation.

Third, although national plans such as the joint construction of the Corridor have played an important role in promoting economic and trade cooperation, there are other factors such as the macro-economic environment, institutional and legal environment and infrastructure of the host countries that may impede cooperation.

Fourth, the projects between China, Mongolia and Russia will contribute to their cooperation, for example, China and Russia announced that a new natural gas pipeline will be ‘routed’ through Mongolia for ‘win-win’ results. The railway transportation network of coal across the border between China and Mongolia is gradually improved, and the coal exports from Mongolia to China will increase in the future.

Fifth, the development of the trilateral trade relations is closely related to the changes in the global economic situation or economic politics. The Sino-US trade frictions create risks as well as new opportunities (Shilo, 2020). Mongolia, surrounded by China and Russia, prioritizes the foreign policy to develop relations with these countries while looking to the United States to balance their influence.

**Conclusion**

In this paper we were looking at the dynamics of trade cooperation within the China-Mongolia-Russia Economic Corridor since the beginning of the 21st century, focusing on the impact of the COVID-19 pandemic on trade in 2020 and further prospects of this cooperation. It was found that the fundamental premises underlying the Corridor project have not been influenced significantly by the pandemic. The construction of the Corridor is expected to bring the following results: infrastructure construction and improvement; enhancement of political, economic and cultural exchanges; and improvement of the border trade management system.

To achieve the goal of increasing the volume of bilateral trade between China, Mongolia and

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Russia, first of all, we should pay attention to the respective advantages of China, Mongolia and Russia, improve the trade structure and low added value among the three countries, and actively promote the diversified development of trilateral trade cooperation to expand the scale of trade. Second, China, Mongolia and Russia should improve their own trade systems, adjust their legislation in accordance with international practices, and protect the legitimate interests of the three parties. The governments of China, Mongolia and Russia need to further discuss the policy of tariff reduction, lower trade barriers, and establish free trade areas.

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**Information about the author**

Xiujie Zhang – Researcher of Institute of Northeast Asian Studies, Heilongjiang Provincial Academy of Social Sciences (No. 1000 Shibo Road, Songbei District, 150028, Harbin, China); e-mail: zhangxiujie203@163.com

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