



“Trilateral transit transportation”

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Trilateral transit transportation

On June 23, 2016, China, Russia and Mongolia inked a development plan in Tashkent, Uzbekistan to build an economic corridor linking the three neighbors, pledging to boost transportation connectivity and economic cooperation in border regions.

The plan was signed after a meeting of Chinese President Xi Jinping, Russian President Vladimir Putin and Mongolian President Tsakhiagiin Elbegdorj in the Uzbek capital of Tashkent ahead of an annual summit of the Shanghai Cooperation Organization (SCO).



While chairing the trilateral meeting, the third of its kind, the Chinese president reviewed the achievements the three countries have made in implementing their mid-term roadmap for cooperation, saying progress and positive results have been made in such areas as trade and economy, cultural and people-to-people exchanges, transit transport, tourism and sports.

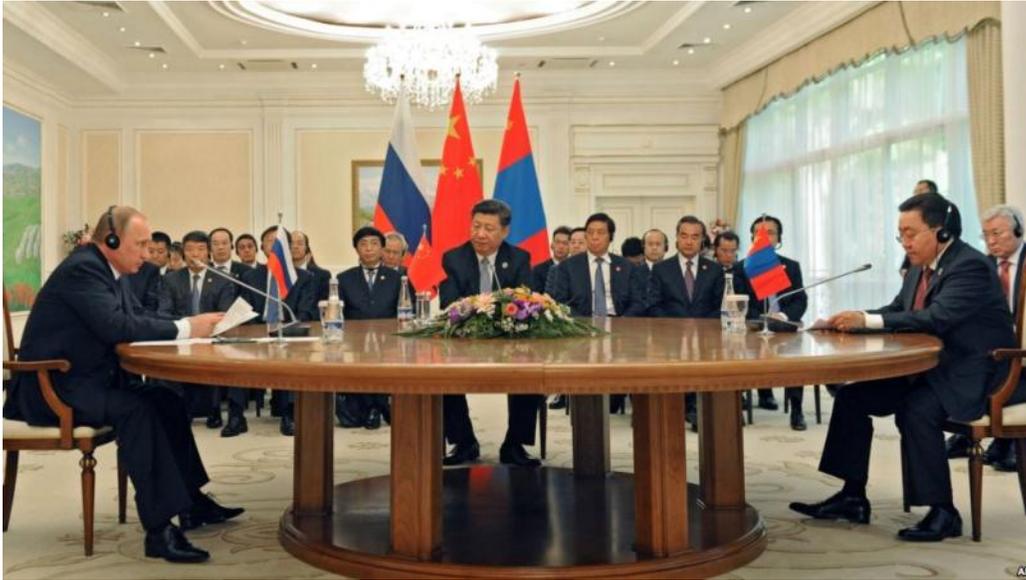
“The Chinese side is satisfied with the momentum of our trilateral cooperation,” Xi said.

He proposed that the three countries continue to center on the aligning of China’s Silk Road Economic Belt initiative, Russia’s development strategies, especially its transcontinental rail plan, and Mongolia’s Steppe Road program to actively advance the trilateral cooperation.

Xi called on the three countries to well implement the development plan to build the economic corridor and strengthen cooperation in transportation infrastructure connectivity, port construction, industrial capacity, investment, trade and economy, cultural and people-to-people exchanges, and environmental protection, thus producing outcomes at an early date.

“We three sides should actively engage in the discussion of building cross-border economic cooperation zones, enhance industrial tie-in, boost sub-regional cooperation in our adjacent areas, and promote the common development of our adjacent areas,” Xi said.

The Chinese president also urged the three countries to expand cooperation within the framework of the SCO, especially in such areas as transit transportation, food security, disaster reduction and energy.



Putin said Russia, China and Mongolia are friendly neighbors based on equality, respect and mutual benefit.

He said Russia, in light of the three countries' consensus, is committed to working with China and Mongolia to well implement the projects of transportation and infrastructure construction, speed up simplifying port procedures, and promote regional economic integration process.

Russia is also willing to increase cultural and people-to-people exchanges with the other two countries, he added.

For his part, Elbegdorj said the development plan on the economic corridor linking the three countries is very important, adding that Mongolia stands ready to join hands with China and Russia to advance the construction of transportation infrastructure and strengthen economic cooperation in border regions.

Mongolia also hopes to enhance cooperation with the other two countries in agriculture and disaster relief, he said.

After the meeting, the three heads of state also witnessed the signing of a trilateral agreement on the mutual recognition of the customs supervision results on certain commodities.

Overshadowed by the news of the British referendum on European Union (EU) membership held the same day, on June 23 Presidents Xi Jinping of China, Vladimir Putin of Russia, and Tsakhiagiin Elbegdorj of Mongolia signed a trilateral economic partnership agreement in Tashkent, Uzbekistan during the 11th meeting of the Shanghai Cooperation Organization (SCO).

The agreement consists of 32 proposed projects, and outlines the creation of a joint investment center to assess the financial requirements and feasibility of each by the end of 2016.

According to the official press release on Elbegdorj's website, a key part of the agreement involves cooperation on improving roads and other forms of transportation in the region. The agreement proposes regular consultations with third-party transport agencies, including railway companies.



The deal also affirmed that the future trilateral relationship between China, Russia, and Mongolia would not be limited to “transport and customs issues” but perhaps extend to agriculture, tourism, emergency preparedness, and more.

Mongolia plans to host the next round of talks on the implementation of the economic corridor in the fall, after the highly-anticipated Asia Europe Meeting (ASEM) in Ulaanbaatar this summer.

After a roadmap for the agreement was signed in November 2015 in Ufa, Russia, many expected an official agreement to be signed during this year’s SCO meeting.

The economic corridor, aimed at greater trade integration, is in line with the individual policies in all three countries: China’s “One Belt, One Road” (OBOR), Russia’s Trans-Eurasian Belt Development (TEPR), and Mongolia’s Prairie Road program.

The leaders of the three countries first met in September 2014 to discuss the corridor in Dushanbe, Tajikistan. Putin said in the initial meeting with his Chinese and Mongolian counterparts: “The natural geographic proximity of Mongolia, Russia and China makes it possible for us to implement good long-term projects in infrastructure, the power sector, and the mining industry. We have what to discuss with each other. Naturally, we deem it important, expedient, and useful to start a permanent dialogue.”

Yesterday, in an exclusive interview with *The Diplomat*, Mongolian Minister of Foreign Affairs Lundeg Purevsuren said that “each of the 32 projects is the most important” when asked about Mongolia’s priorities entering the agreement. Purevsuren said that the trilateral cooperation represents a new era of economic opportunity for Mongolia, which will continue to capitalize on its strategic location as an intermediary between East Asia and Europe.

Last week, also at the SCO meeting in Tashkent, Putin asked Mongolia to back down from a planned \$1 billion hydropower project on a tributary of Mongolia’s Selenge River, which flows into Russia’s Lake Baikal, the world’s oldest and deepest freshwater lake. The project, funded in part by a loan from the China Export Import Bank and in partnership with China’s National Development and Reform Commission, has been temporarily put on hold.

It is unclear if the hydroelectric project will be affected by the new trilateral partnership. Purevsuren reaffirmed Mongolia’s commitment to the Egiin Gol plant but also said his country is dedicated to acting in accordance with principles of environmental protection, which is a product of Mongolia’s nomadic culture.

Munkhsoyol Baatarjav, CEO at the Institute for National Strategy, told *The Diplomat* that the trilateral agreement “is a good start for Mongolia in terms of cooperation with two giant neighbors.” Baatarjav, who is currently running for parliament as an independent candidate, said the deal represents a valuable opportunity for Mongolia to expand its economy and solve infrastructure challenges.

Other analysts are skeptical about the future impacts of the agreement on Mongolia, which currently has the weakest economy of the three nations. Dr. Julian Dierkes, director of the Program on Inner Asia at the University of British Columbia’s Institute of Asian Research and author of the popular Mongolia Focus blog, described Mongolia’s dilemma: “Economic possibilities on the one hand, [and, on the other,] trepidation about a situation where two powerful, sometimes overbearing neighbors agree.”

Dr. Kent Calder, director of the Reischauer Center for East Asian Studies at Johns Hopkins University’s School of Advanced International Studies, called the agreement indicative of a “broad regional trend” toward deepening economic integration across the continent.



Calder argued that the region’s propensity toward increasing interdependence is “spurred by several developments including Chinese economic growth, deepening Sino-Russian diplomatic ties flowing from Euro-Russian tensions since the Ukraine crisis, the greater autonomy of Central Asia since the collapse of the Soviet Union, and technological developments in high-speed rail and communications.”

While the news was overshadowed internationally by the U.K.’s vote to leave the EU, it was covered widely by Asian news outlets including *The Japan Times* and *CCTV*.

The China-Russia pilot trade caravan has achieved its objective to successfully test the 1,400-mile overland trade route between China, Mongolia, and Russia, ahead of the upcoming implementation of the TIR System in China.

It completed its journey in Ulan-Ude, the capital of the Russian Federal Republic of Buryatia, where the caravan was welcomed at a closing ceremony by the Deputy Transport Minister of the Buryat government and delegations from Russia, China, and Mongolia.

The pilot caravan was an important milestone in preparations for the implementation of TIR in China, which will facilitate trade between Asia and Europe. The world’s only universal customs transit system, TIR has been in operation in Russia for over 30 years and in Mongolia for more than 10 years. China recently ratified the United Nations Transports Internationaux Routiers (TIR) Convention, an act which will increase the potential volume of international trade in the region and provide new trade routes with access to the sea for Mongolia and other landlocked areas in Russia and Central Asia.

The caravan, organized by the transport ministries of the three countries and supported by the International Road Transport Union (IRU), an independent organization representing the international road transportation industry, comprised of nine trucks traveling together over the so-called ancient tea route.

A roundtable in Ulan-Ude at the end of the journey brought together over 80 participants from public authorities and business to evaluate the caravan and to plan ahead for future cooperation between the three countries.

Increased collaboration and information exchange between China, Mongolia, and Russia on customs, administration, transportation, and technical needs will help continue the necessary harmonization in transportation regulations and processes that IRU has long championed to improve mobility, trade, and economic development.

It was agreed at the roundtable that the trade route is already operational and adequate for future TIR transits. Some improvements in road infrastructure in certain areas were identified and would be improved. Launching a working group comprised of representatives from the three governments and possibly private sectors would help to further develop communities and economies along the route.

Dmitry Cheltsov, who leads IRU’s work in Eurasia, highlighted during the roundtable that “IRU will work closely with the Chinese government to help make TIR operational there, supporting new efficient and faster transport routes between China, Russia and Europe.”

“TIR has been used for more than 60 years in many countries and has been proven to reduce transit time transport considerably,” said Pengcheng Qu, who leads IRU’s work in China and Southeast Asia. “We look forward to seeing these benefits in China and its regional trade partners.”

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