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# MONGOLIAN ECONOMY

SEPTEMBER 2016 №15 (117)

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A world of possibilities

To the sea

Interviews with current and former leaders in rail transport

# Mongolia: The shortest link between Asia and Europe





**XXV**

**Plenary meeting of the  
Coordinating Council on  
Transsiberian Transportation,**

14-15 September, 2016  
ULAANBAATAR, MONGOLIA



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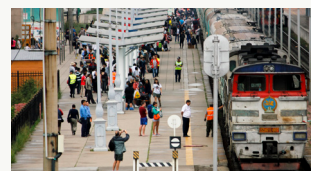
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“...we see the development of transit transportation through the territory of Mongolia as one of the key objectives of Russia, Mongolia and China.” *page 14*



**Interview with G.I. Bessonov**

“Since its establishment, it has expanded to become a fully authorised intermodal organisation.” *page 16*



**To the sea**

On the Mongolian side, poor infrastructure, lack of highways, weak border and railway transportation capacity, road capacity and high tariffs and taxes can be mentioned. *page 22*

## Mongolia

### DECISIONS

The Minister of Roads and Transportation Development was appointed as the main shareholder of the Mongolian side of the Mongolian-Russian joint venture Ulaanbaatar Railway JSC.

Mongolia owns 50 percent of the joint venture, and the Cabinet Secretariat of Mongolia and the Ministry of Finance previously worked as the main shareholder of the Mongolian side. The government concluded that the entire Mongolian half of the company must be in the possession of its relevant ministry.

### TRANSIT TRANSPORT

The first tests of the Tianjin Port-Ulaanbaatar-Ulan Ude freight line was completed successfully on August 13-24. This comes a year after the signing of an agreement to establish an economic corridor between Russia, Mongolia and China in Tashkent, Uzbekistan last June.

In accordance with the undertaking, ministries in charge of transportation of the three countries organised the work within the framework of a trilateral agreement establishment between the governments of Russia, China and Mongolia on international auto-transportation via the Asian Highway Network. The first test freight line had about 60 people and nine vehicles including conductors and official representatives from the three countries.

### VISIT



A delegation led by D. J. Pandian, Vice President of the Asian Infrastructure Investment Bank (AIIB), held a meeting with officials of Mongolian Railway SOE at their headquarters on August 10 during an official visit. During the meeting, the delegation was introduced to the "New Railway" project and expressed further interest in cooperation with the bank on the financing of the Ereentsav-Choibalsan-Khuut-Bichigt (eastern Mongolia) route.

"The AIIB's technical experts can study the railway project and give technical support to Mongolian Railway on the development of documents meeting specific criteria of the bank to further the cooperation," stated D.J. Pandian.

In addition, Pandian met with the Minister of Roads and Transportation Development of Mongolia at the beginning of his visit and announced that the bank will study and cooperate on railway and road development projects within the framework of the programme to establish a China-Mongolia-Russia economic corridor.

### TRAINING



Lawyers, engineers and technical and legal staff of Mongolian Railway SOE attended a "Project Risk Management" training. The training was meant to provide comprehensive understanding on how to identify, manage, transfer and insure risk during each phase of project management, with an emphasis on the importance of insurance.

Ian Brown, Managing Director at Marsh and McLennan responsible for Asian Infrastructure Practice, organised the training at the invitation of Mongolian Railway. Marsh and McLennan Companies is a global professional services firm providing consulting services in 130 countries with businesses in insurance brokerage and risk management.

### PROJECT

Also on August 5, Minister D.Ganbat received Cao Hanjun, Deputy Director of the Foreign Affairs Office of Tianjin Municipality, China. During the meeting, they discussed issues facing the implementation of the "Freight Logistics Centre" project in Tianjin and possible solutions.

The Chinese government has issued 10 hectares of land near the Tianjin port on discount to Mongolia, and Minister Ganbat noted the importance of the project at a time



when multilateral relations are developing rapidly.

### COOPERATION

Transport Minister D.Ganbat received Russian Ambassador to Mongolia Iskander Azizov August 5, exchanging views on potential Russian-Mongolian cooperation in the transportation sector.

Mongolia and Russia are neighbours with historically friendly relations, and the transportation sector has played an important role in the expanding trade and economic relations of the two countries, noted Minister Ganbat. With transit transportation being a vital issue for landlocked Mongolia, the minister suggested active cooperation on implementation of the proposed China-Mongolia-Russia economic corridor.

"Expressing broad-scoped views on cooperation in the sector and suggesting business-like proposals of importance will determine future cooperation," stressed Ambassador Azizov. In addition, the Ambassador expressed that he would convey Mongolia's policies to be implemented in the roads and transportation sector and its position to the Russian Ministry of Transportation and administration of railways.

### STANDARDS

The Director of the Railway and Sea Transport Policy Implementation Department of Ministry of Roads and Transportation Development and Chairman of Railway and Maritime Operation and Maritime Transportation Standardisation Technical Committee, B.Artur, inspected and evaluated the 482 provisions of 23 national standards administered in the railway transportation sector in January and February 2013 and organised the work to introduce European standards.

The railway sector had 23 national standards in 2012, while it now has 120 as an outcome of the programme. Members of the ▶

- ▶ Railway, Maritime Operation and Maritime Transportation Standardisation Technical Committee and engineers of the sector's organisations have been working to improve the legal framework of the railway sector.

### TECHNOLOGY

The Director of Ulaanbaatar Railway JSC has ordered that cooperation between Ulaanbaatar Railway and Transtelekom be taken to new levels. In accordance with the order, relevant personnel are studying the possibility of installing internet on trains. According to Ts.Boldbaatar, Head of the Telecommunications and Energy Department of Ulaanbaatar Railway JSC, other countries have enabled internet access by placing cables along rail routes. Two to three projects to provide internet access in trains are being developed and studied.

In addition, the mobile carrier G-Mobile relayed that it believes that it is possible and that they are working together to study the technical necessities.

### SERVICES



The cabinet has decided to submit draft laws to parliament on a regional project to improve border services and additional financing for a project to develop cities in the south-eastern Gobi near the border, a project to be implemented in cooperation with the Asian Development Bank. The "regional project to improve border services" includes works to renovate infrastructure and equipment at the ports of Altanbulag, Bichigt and Zamyn-Uud and update the customs automated information system.

In addition, preparation works for a one-stop foreign trade electronic system will be carried out. Trade will become smoother and more understandable, and the one-stop service point will also be able to handle permits and licensing. It is part of the regional integration effort to have an integrated system for customs, taxes and information.

## World News

### LATVIA-CHINA CONNECTION

Latvia's state-owned national rail company Latvijas Dzelzceļš (LDz) and its subsidiary LDz Cargo Logistika LLC, along with the Russian, Belarusian and Kazakh rail joint venture OTLK and a Belarusian railway logistics company BTLC, have developed a common tariff for railway cargo transportation from the Chinese border to three Latvian ports.

In addition, together with companies of the Latvian transit industry, LDz has developed a uniform tariff for transport to Scandinavian countries as well. This common tariff is the first step to developing a complete uniform offer for the transit corridor from China to Scandinavia via Latvia.

### MOSCOW RING RAILWAY



On Saturday, September 10, Russian President Vladimir Putin inaugurated the USD 2 billion railway project connecting Moscow suburbs. As a result of lower oil export revenues and Western sanctions, completion of the project was postponed from 2015. The new line will ease the

burden on Moscow's metro, which is one of the world's busiest.

Russia will hold elections for its lower house of parliament on September 18, with Putin's United Russia party expected to win comfortably.

### SOUTH KOREA MARINE TRANSPORT

South Korea's second largest liner operator Hyundai Merchant Marine (HMM) will form an intra-Asia alliance with local feeder operators Korea Marine Transport, Sinokor Merchant Marine, and Heung-A Shipping. A "feeder" is a type of sea vessel which collects shipping containers from different ports and transports them to central container terminals where they are loaded onto bigger vessels or taken by truck or rail inland.

Although a formal contract is being signed

at the end of November, the four-company endeavour (named Mini Alliance) will deploy a total of 15 ships with the cooperation to begin this month. The alliance will start joint services on routes as far as Indonesia, travelling along nations such as Malaysia, Singapore, Vietnam and China.

Hyundai Merchant Marine recently narrowly avoided bankruptcy by successfully lowering charter costs and rescheduling bond repayments. ■

## Spotlight

# The shortest link between Asia and Europe

BY S. OTGONTSETSEG

The XXV Plenary Meeting of the Coordinating Council on the Trans-Siberian Transportation (CCTT), which has the goal of increasing the volume of transit freight of Trans-Siberian corridor and strengthening Eurasian transportation connections, is taking place in Ulaanbaatar on September 14-15.

It is an important meeting that will introduce the works being done by the Mongolian side as the entire world is paying attention to the corridor's strategic importance. Therefore, the President of Mongolia supports the meeting being held in Ulaanbaatar and organising it under his auspices.

Plenary meetings, held once or twice a year, consider issues related to transit and cargo transportation via the Trans-Siberian Route (TSR) and sets criteria on a country's or member organisation's role in railway transport. Such meetings have usually been held in Europe, starting with the very first meeting held in Moscow in November 1993 to the most recent 24th meeting held in Vienna, Austria in November 2015.

The last meeting was attended by more than 220 delegates from 25 countries and addressed matters related to the operation of the Trans-Siberian transport corridor. Other issues discussed included prospects of further harmonisation of legal regulations for international freight transport and feasible measures to improve the efficiency of container transport between Europe, the Baltic States, Central Asia and the Asia-Pacific Region using the

main Trans-Siberian line.

As for the meeting being held in Ulaanbaatar, it will be attended by more than 280 delegates from 20 countries. It will also see in attendance Oleg Belozarov, President of Russian Railways OJSC; Hans Reinhard, President of GETO (Association of European Trans-Siberian Operators and Forwarders); Kenjiro Masuda, President of the Trans-Siberian Intermodal Operators Association of Japan; and G.I. Bessonov, Secretary General of the CCTT.

The two-day meeting includes a key report by Oleg Belozarov on the topic of "Trans-Siberian transport corridor in the international transportation system: Economy and business." G.I. Bessonov will present the CCTT Secretariat report on the implementation of decisions of the 24th Plenary Meeting. From the Mongolian side, the Chairman of Ulaanbaatar Railway JSC, L.Purevbaatar, will present a speech on the topic of increasing the capacity of Ulaanbaatar Railway's main rail.

Organising this meeting in Mongolia, the most opportune shortcut connecting the two continents, will raise the status of the meeting at a time when the volume of freight transport between Asia and Europe is increasing. In addition, it has the significance of defining Northeast Asian participation in Eurasia, attracting the attention of investors and freight senders and attracting the freight passing through competing countries to Mongolia. Furthermore, it is considered that the meeting will contribute to the implementation of Mongolian President Ts.Elbegdorj's initiative to bolster railway transportation, including transit



Photo by "Gan zam" newspaper

transportation, which was proposed during the trilateral meeting between China, Russia and Mongolia held in Ufa, Russia in 2015.

## The Coordinating Council on Trans-Siberian Transportation

The CCTT is a non-commercial transport association. Registered in Switzerland on February 21, 1997, the CCTT was founded by the Ministry of Transport and Communications of the Russian Federation, Deutsche Bahn (DB AG), Association of European Trans-Siberian Operators (GETO) and the Korean International Freight Forwarders Association (KIFFA). Presently, the CCTT comprises more than 100 member societies from 23 countries.

In its 20-year history, the CCTT has achieved a high international



▶ standing and has become an efficient international forum for networking and cooperation between all parties involved in Trans-Siberian freight transportation. The CCTT contributes to introducing advanced technologies, which increase the capacities of border crossing points and international freight volumes.

The council participates in efforts to create new technological norms and harmonise transport law, aimed at reducing barriers to freight transportation between Asia and Europe.

The major goals of the Coordinating Council on Trans-Siberian Transportation are:

- attracting transit and foreign trade cargo to the Trans-Siberian route;
- coordinating activities of companies that participate in international cargo transportation in order to provide reliable

delivery of goods and develop economic relations between the countries of Asia and Europe using the infrastructure of Russian railways.

#### **CCTT - Mongolian railway industry cooperation**

The Organisation for Cooperation of Railways (OSJD) and International Union of Railways described the Trans-Mongolian corridor as being an integral part of the Trans-Siberian corridor, and it is considered the southernmost intersection of broad (1520mm) and narrow (1435mm) gauge railways. Accordingly, Mongolia connects the CCTT with China as Ulaanbaatar Railway is the shortest path connecting Asia and Europe.

Ulaanbaatar Railway JSC, a

Mongolian-Russian joint venture, is organising this reputable meeting in its home country to promote the potential of Mongolia's transit transportation sector. There are also opportunities for the development of the tourism industry. For example, the list of projects to be implemented within the framework of the programme to establish an economic corridor includes the issues of developing regional cross-border tourism routes; establishing a "Great Lakes Triangle" comprising Mongolia's Lake Khuvsgul, Russia's Lake Baikal and China's Lake Hulunbuir; and a Mongolia-Russia-China tourism circle.

Currently, nearly 90 percent of freight between Asia and Europe passes through Kazakhstan. "A part of the above-mentioned freight cargo can pass through Mongolia from central China by using our ▶

▶ country's geographical advantage. In this case, Mongolia's position in regional trade and transportation will strengthen and the economy will be diversified," said L. Purevbaatar, Chairman of Ulaanbaatar Railway JSC.

In addition, the Mongolian side believes that this meeting held in Ulaanbaatar will facilitate the resolution of several domestic, bilateral and trilateral strategic issues previously discussed.

Russia has developed a project to expand its broad gauge railway route by building 430 km of rail from Kosice, Slovakia to Vienna, Austria, and the developmental works of the project are ready to begin now as the partner countries have given their support.

Thus, the longest railway corridor of around 11,000 kilometres connecting Asia-Europe will be established, and freight delivery periods are projected to be no longer than 15 days at the moment. Currently, it takes 35 days. Mongolia's active participation in this developmental work and cooperation of the CCTT will bolster the volume of freight coming from the centre of Europe to Mongolia and transit freight to China via Mongolia. ■

### Organisation for Cooperation between Railways



- Border-crossing facilitation
- Asia-Europe transportation organization
- CIM/SMGS unified consignment note implementation

### International Union of Railways



- Global Team Experts (GTE)
- Security BIRC (CCTT/UIC common memo on MMNC)

### International Rail Transport Committee



- Legal harmonisation
- Multimodality

### UN Economic Commission for Europe



- The Euro-Asian Transport Links (EATL) project
- Common transportation Law
- Trans-European Railway (TER) Project



Ulaanbaatar Main Station

## Spotlight

# A world of possibilities



*Eurasian transport corridors*

BY I. OTGONJARGAL

Mongolia's main railway policy was aimed at expanding the integrated domestic network, utilising major mineral deposits and increasing exports thereof. However, now it has become necessary to broaden its scope. In other words, we must give higher priority to developing transit-oriented policies rather than mining based railways.

"Countries with coastlines trade with the world, while landlocked countries only trade with their neighbours," wrote Paul Collier in his book *The Bottom Billion*. Although Mongolia is a landlocked country, it is no longer just implementing projects involving two or

a few countries. Mongolia is considered the shortest route connecting Asia and Europe. As such, Ulaanbaatar Railway JSC has developed a new policy to build transit-oriented railways under a build-use concept.

The policy of the newly formed government's Ministry of Road and Transportation Development is also giving unprecedented attention to this potential. "We have established a working group to review implementation of every article and provision of the old policy and will not hesitate to amend the policy within 2016 if necessary," stated Transport Minister D. Ganbat in his interview with our magazine.

Experts say that Mongolia had almost abandoned cooperation with other countries' railway organisations by the time the current State Policy on Railway Transportation was adopted in 2010. The above mentioned work to produce a new a transit-oriented railway policy will begin with correcting this mistake and making changes to the law. There is real potential for Mongolia to earn additional revenue by increasing the amount of transit transports. It would also have the added benefit of being better connected to industrialised parts of China and Russia. If the volume of transit transportation rises, Ulaanbaatar Railway JSC will also be able to improve its capacity. ▶



L. Purevbaatar: The advantage of Mongolia's geographical location is related to its existence in the intersection between the Silk Road and the route connecting Eurasia.

► "We will have three north-south railways in the eastern, central and western regions if we develop a transit-oriented railway policy," said L. Purevbaatar, Chairman of Ulaanbaatar Railway JSC. "Mongolia needs to set an objective to build these strategically important routes within the next 10-20 years. In doing so, mining companies of our three neighbouring countries can reach each other easily. The essence of transit railway development is based on these possibilities." Mongolia will be presented with an opportunity to open a gateway to trade and communicate with the rest of the world and change its mind-set about railways.

The advantage of Mongolia's geographical location is related to its existence in the intersection between the Silk Road and the route connecting Eurasia. The justification on the efficiency of the transit-oriented railway is such.

#### Location, location, location

What will be the next step after the transit-oriented development policy? The international transportation sector will certainly ask this question. It means that other countries will be concerned about the service

terms and opportunities provided by Mongolia and Ulaanbaatar Railway. Experts are saying that Mongolia needs to create tariffs and service conditions that are as favourable as possible in this regard.

Mongolia will always occupy a central position in the economic corridor. L. Purevbaatar suggested establishing a Northeast Asian transportation association in Ulaanbaatar. By doing so, tariffs can be harmonised regionally. Currently, transit transportation tariffs vary across countries.

The following railways will be included should the proposed Northeast Asian transportation association be established in Mongolia:

- East Siberia railway (3876km, headquartered in Irkutsk)
- Far Eastern Railway (6800km, headquartered in Khabarovsk)
- Trans-Baikal Railway (3336km, headquartered in Chita)
- Yakutian Railway (808km, headquartered in Yakutsk)
- Mongolian Railway (1110km, headquartered in Ulaanbaatar)
- North Korean State Railway (5235 km, headquartered in Pyongyang)

In relation to this, the Zamyn-Uud railway will be announced as an international intersection, not just an intersection between China and Mongolia. Furthermore, Ulaanbaatar Railway JSC plans to organise a major transportation forum at the Zamyn-Uud intersection in 2017. Currently, major railway development works are underway in Zamyn-Uud. A loading and transfer terminal is being built in Zamyn-Uud with help from the Asian Development Bank. The first phase of this development work has been finished and the second phase is set to go.

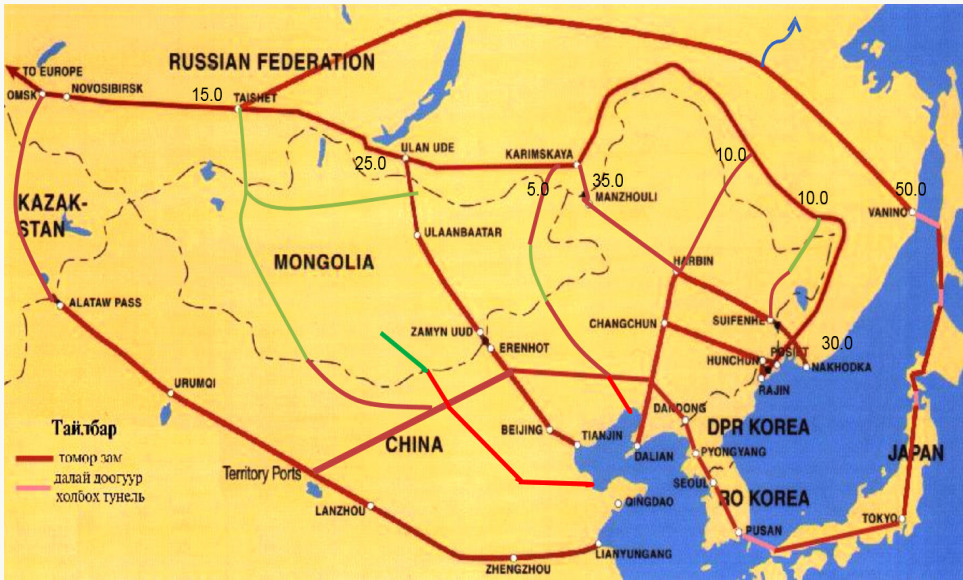
#### Ulaanbaatar Railway 2020-2030

Six projects included in the economic corridor programme have to do with Ulaanbaatar Railway JSC. This year, Ulaanbaatar Railway is working under the slogan "A year to develop the business environment," and it established a new unit called the "Transport Service Centre."

According to Ulaanbaatar Railway JSC's agenda until 2020 and programme until 2030, it is planning to implement sweeping technological updates. For example, all rails will have concrete railroad ties by 2020, and twin track and electrification works are going to continue until 2030.

It will expand to six directions and its capacity will reach 34 million tonnes in 2018, 48 million tonnes in 2020 and 76 million tonnes in 2030. ►

Northeast Asian transport association based on transport corridors



Railways connecting to Trans-Siberia and Baikal-Amur main lines  
 planning line  
 undersea  
 rail

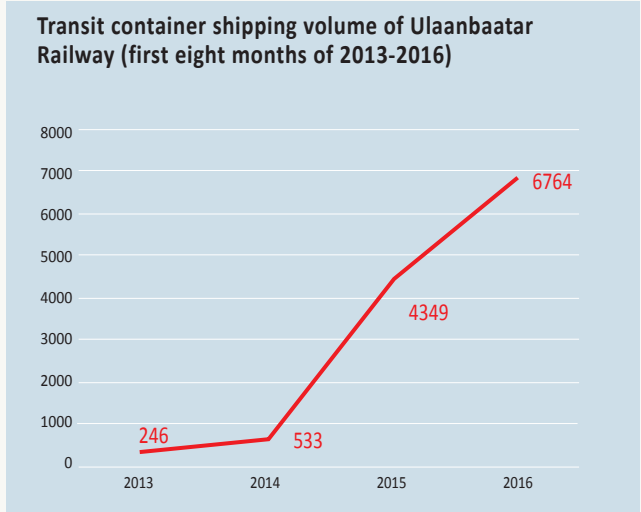
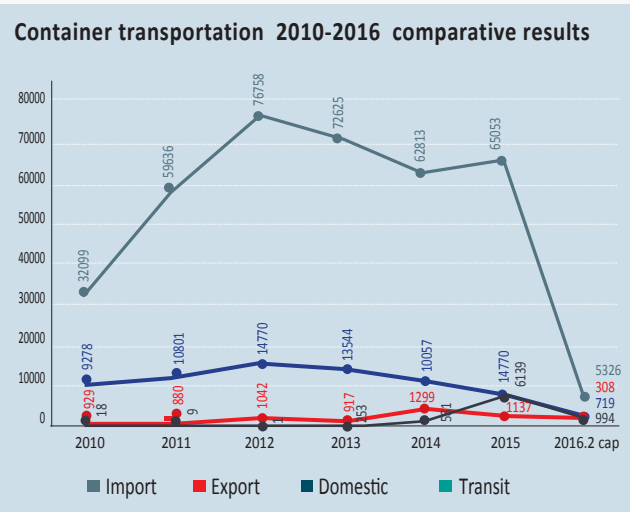
Statistics

As of the first eight months of 2016, a total of 88 transit container trains made trips. Of those 88, 31 trains went to even directions while 57 to odd. It included: 2,810 wagons, 3036x40 tonnes (2540x40tn of loaded container and 496x40tn of empty containers), 700x20 tonnes (654x20tn of loaded containers and 46x20tn empty containers).

Note: Compared to the same period of 2015, the number of trains doubled.

Transit container data shown in chart and in diagram.

Direction/TEU	2013	2014	2015	2016/8
even	40	41	1028	1094
odd	40	211	1786	1942
TEU even/odd	82/164	82/451	2183/2166	2390/4374
TEU Total	246	533	4349	6764
Train even/odd	1/2	1/6	27/46	31/57
Total trains	3	7	73	88
wagon	123	258	2511	2810



Source: Ulaanbaatar Railway JSC

# On Ulaanbaatar Railway JSC

Between 1953 and 1955, 700 km of railway from Ulaanbaatar to Zamyn-Uud was built. Mongolia started to connect the Soviet Union and China by rail after its commissioning in 1956.

On June 6, 1949, Marshall Kh.Choibalsan and Ambassador of the Soviet Union to Mongolia, Y.K. Prikhodov, signed an agree-

ment to establish Ulaanbaatar Railway JSC.

The Naushki-Ulaanbaatar railway schedule opened after the first train took off from Sukhbaatar station on November 6, 1949 and arrived in Ulaanbaatar in 2 hours 15 minutes in the afternoon on November 7, 1949.

## The shortest link connecting Asia and Europe

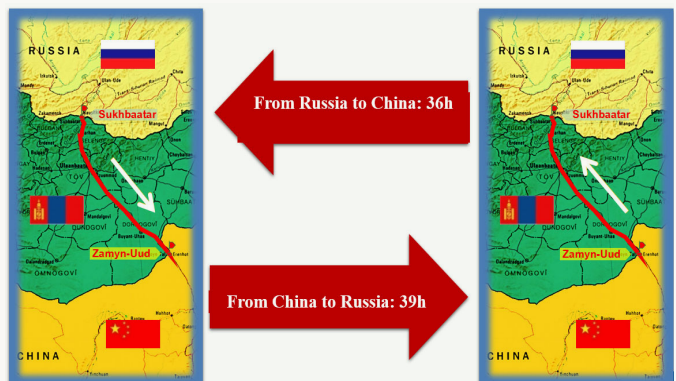


Line No. 1B approved by the Organisation for Cooperation of Railways is the shortest path connecting Asia and Europe, and this corridor 513 km shorter than corridor line No. 2 and 748 km shorter than line No. 1D.

### Төмөр замын өнөөгийн байдал

<b>RAILWAY CATEGORY</b>	<b>TOP SPEED</b>
Grade III	-Passenger: 90 km/h
<b>FREIGHT CAPACITY</b>	<b>TECHNICAL SPEED</b>
28 million tonnes	-52.4 km/h
<b>SERVICE SPEED</b>	<b>TRANSPORTED IN 2015</b>
-45.6 km/h	Freight: 19,150.8 thou. tonnes
<b>TRAIN TURNOVER</b>	Passengers: 2,794.7 thou. people
-2.9 days	

### Freight travel duration between Russia and China



Source: Ulaanbaatar Railway JSC

## Policies and decisions

# D.Ganbat: Development of transport infrastructure is the foremost issue

BY O.TSETSEG

*We sat down with a member of the cabinet and Minister of Roads and Transportation Development, D.Ganbat, before he attends the XXV Plenary Meeting of the Coordinating Council on Trans-Siberian Transportation (CCTT) to be held on September 14-15 in Ulaanbaatar.*



Siberian railway freights and shipments, developing member countries' transit transportation sector and providing substantial contributions to the region and its economy.

Mongolia aims to make freight traffic pass through Mongolian territory and actively participate in regional logistics networks. On the other hand, the Trans-Mongolian railway is an important part of the Trans-Siberian route, so organising this meeting in Mongolia will advertise Mongolian railways and the operation of Ulaanbaatar Railway JSC in particular. Furthermore, it is considered that this event will be an important impetus to increasing the volume of freight that will pass through Mongolia.

**- What is the reason behind the poor implementation of the State Policy on Rail Transport adopted in 2010? Export revenue of mining products will surely be related to railway policy over the next four years. As such, what should be reconsidered or changed regarding this policy?**

**- How significant is the fact that the XXV Plenary Meeting of the CCTT is to be held in Mongolia?**

- Everyone knows that the heads of Mongolia, Russia and China met and approved the "Programme on the Establishment of an Economic Corridor" during the Shanghai Cooperation Organisation Summit held in Tashkent, Uzbekistan in June of this year. The CCTT plenary meeting is going to be held in Mongolia for the first time. This plenary meeting is to be organised for the 25th time since 1993, with the objective of increasing the competitiveness of Trans-

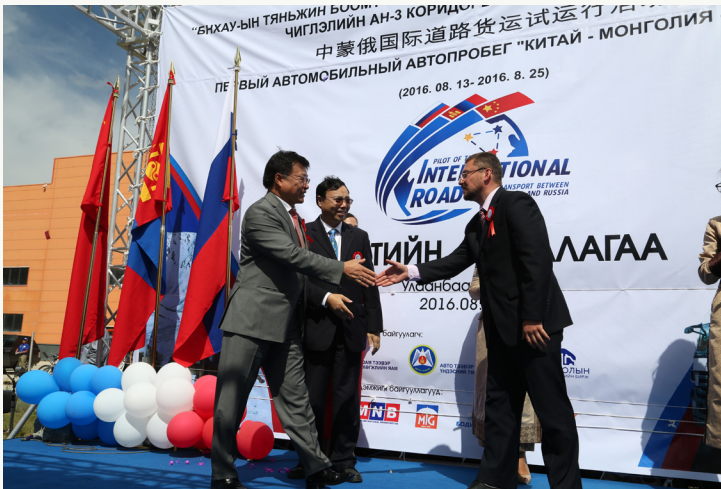
- Parliament adopted the State Policy in Rail Transport in 2010. This policy set objectives to expand the domestic railway network by about 5,600 km, improve the transit capacity of Mongolia, exploit major mineral deposits, accelerate the socio-economic development of the country through the export of mineral products and ensure sustainable development for the future.

First of all, the years after the adoption of the policy saw many achievements, as we established agreements with our neighbouring countries on areas such as supporting exports, developing railway transit corridors connecting the two countries and ▶

- ▶ using Chinese sea ports given that Mongolia is a landlocked country.

Our ministry will focus on getting the mega-projects moving, increasing freight flows and improving circulation of mining products. As such, the development of rail transport was reflected as a top priority in the 2016-2020 government action plan.

**- In 2012, the Mongolian government granted the “build-operate-transfer” concession rights to build the foundational structure of the first and second phase railways, specified in the State Policy on Rail Transport adopted in 2010, to the Mongolian Railway state-owned enterprise. What were the results?**



- In 2013, the government of Mongolia made the decision to allocate USD 455 million in funding to this railway project. The Ministry of Finance, Ministry of Roads and Transportation, Development Bank of Mongolia and Mongolian Railway agreed that USD 255 million of the USD 455 million would be financed through the Development Bank of Mongolia.

Development of the Ukhaa Khudag-Gashuunsukhait route started in 2013 and the progress of earthmoving works was at 51 percent as of 2015. However, financing of merely USD 197 million was provided for the task, which is about 15 percent of the USD 1.3 billion required for the foundational structure of the railways. The contractors that performed the earthmoving work still have not received money owed to them.

Construction of the railway has stalled for two years due to unresolved financing issues, as the

foreign debt and instability of the state hindered foreign investment. Furthermore, the project has not been successfully implemented to this day because it was related to the issue of putting large mineral deposits of strategic importance in economic circulation.

We are putting forth much effort into building railways on routes reflected in the State Policy on Rail Transport and continue the unfinished works over the next four years. This includes construction of the 225 km Tavan Tolgoi-Gashuunsukhait railway, the 40 km railway to connect Oyu Tolgoi to the main railway network and the 14 km railway to Shiveekhuren port. We also have plans to start construction of the 150 km Bogd Khan railway, 550 km Erdenet-Ovoot railway and the 222 km Khuut-Bichigt railway.

We are looking back at the implementation of the State Policy on Rail Transport. We have established a working group to review implementation of every article and provision of the old policy and will not hesitate to amend the policy within 2016 if necessary.

**- Routes and regions of railway projects have been reflected in precisely 32 projects within the scope of the Russia-Mongolia-China economic corridor programme. Which of these projects has the most significance for the economy?**

- A trilateral meeting of the heads of Mongolia, Russia and China in Dushanbe, Tajikistan was organised for the first time in 2014 by the initiative of Mongolian President Ts. Elbegdorj and for the second time in Ufa, Russia in 2015. During the second trilateral meeting, the parties signed a memorandum agreeing to establish an economic corridor between Mongolia, Russia and China. This corridor will play a key role in Mongolia's "Steppe Road", Russia's "Eurasian Economic Union" and China's "One Belt, One Road" initiative. In accordance with the memorandum, a joint working group to develop the programme to establish this economic corridor connecting Europe and Asia was established.

The third trilateral meeting was held in Tashkent, Uzbekistan on June 23-24 of this year, and plans for the Russia-Mongolia-China economic corridor were approved as a result of the successful year-long cooperation of the joint working group. Cooperation issues of all socio-economic sectors of the three nations have been reflected in this programme, and the issue of developing transportation infrastructure is emphasised.

This includes projects to build central, northern, eastern, south-eastern and western corridors ▶

- ▶ connecting the territories of the three countries and developing them cooperatively. The parties plan to discuss the implementation procedure, phases and economic significance of these plans during the third trilateral Transportation Deputy Ministerial level meeting on railway sector cooperation to be held in Ulaanbaatar in October.

First of all, issues concerning the expansion and restructuring of Ulaanbaatar Railway, among other topics, will be discussed during the third trilateral Transportation Deputy Ministers' meeting. In 2007, the First Design Institute of the China Railway Construction Corporation developed the research and the technical and economic feasibility study for the second rail line besides Ulaanbaatar Railway, in relation to the upgrading of the Ulaanbaatar Railway corridor.

In addition, works for the Erdenet-Ovoot railway is reflected. It was decided that the Erdenet-Ovoot railway would be implemented by concessions, and the concessionaire is responsible for developing the technical and economic feasibility study and construction plans for the railway this year. By building the Erdenet-Ovoot railway, Ulaanbaatar Railway JSC's volume of freight is expected to increase by 10 million tonnes at first and then eventually by 25 million tonnes by further expanding the development work.

Within the framework of the eastern railway corridor project, we are also planning to renovate the Ereentsav-Choibalsan route of Ulaanbaatar Railway after the appropriate technical and economic research has been done.

**- A trilateral agreement on international transportation via the Asian Highway Network is planned to be approved within this year in order to ensure the sustainable development of transportation activities. How is the progress on this work?**

- The draft agreement and annex was approved during the fourth consultative meeting held in Moscow between March 29 and April 1. During the organising of the first tests of the Tianjin Port-Ulaanbaatar-Ulan Ude freight line, department heads of Mongolian, Russian and Chinese ministries of transportation announced that they all agree that the agreement to carry out international transportation by the Asian Highway Network should be finalised within 2016.

**- What is the significance of this agreement?**

- As for Mongolia, the legal framework to

transport freight via the AH3 and AH4 routes of the Asian Highway Network to the Tianjin Port will be established. In addition, the legal framework for carrying out freight transport with Mongolia will be provided to Russian and Chinese transport organisations. By doing so, trade volume between Russia, Mongolia and China will increase, and we will be able to transport freight by utilising the international TIR system. It takes seven days to transport freight cargo by train from Tianjin Port, while it will be reduced to 2-3 days by auto transportation.

By setting the tolls of AH3 and AH4 routes in accordance with international averages, a certain amount of fees will be collected. For example, a vehicle passing through the AH3 road might pay, say, MNT 150,000. If we 5000 Russian and Chinese vehicles pass through this road per year, MNT 7.5 billion will go into the road fund. Russian and Chinese transporters will of course need certain services along the way, so there is the potential to establish service businesses along the route.

**- The first tests of the Tianjin Port-Ulaanbaatar-Ulan Ude freight line was completed successfully on August 13-24. On August 29, you said that transit transport must be taken to new levels. Thus, what obstacles might arise in the process of developing transit transport? What measures should be taken in order to create favourable conditions in this area?**

- In order to develop transit transportation, road conditions of the AH3 road (Altanbulag-Zamyn Uud route) must be improved. The construction of the AH4 road (Tsagaannuur-Yarantai route) must be finished, and service centres need to be built every 150km along these routes. At the same time, it is necessary to reflect regulations related to transit transportation in domestic laws and legislation.

In addition, the Chinese and Russian language ability and other skills of employees working in border control, traffic control and transportation organisations must be improved. According to international transport relations agreements between the governments of Mongolia and Russia, our transporters are carrying out freight to other countries such as Kazakhstan, Kyrgyzstan, Belarus, Ukraine, Turkey and Latvia through the territory of Russia. When problems arise, it is solved then and there. But in order to transport freight to Chinese ports such as the Tianjin Port, we need to diligently study China's domestic transportation, trade, border control, roads and transportation laws and the improve Chinese language ability of our transporters. ■



Guest

## Russian Railways Senior VP: Any change must ensure stable operations

BY S.OTGONTSETSEG

*Our magazine sat down with Anatoly Krasnoshyok, Senior Vice President of Russian Railways OJSC (open joint-stock company) and Chairman of the Joint Community Board invested in Ulaanbaatar Railway.*

- Russia and Mongolia each own 50 percent of the Ulaanbaatar Railway joint venture corporation. Russia has often come up with an initiative for a railway corridor linking Asia and Europe. How do you see Ulaanbaatar Railway fitting into Russia's railway strategy? ▶

► - The development of Ulaanbaatar Railway is definitely an important branch that will increase the opportunities for Eurasian transit freight. Russian Railways OJSC was directly involved in the development of many documents defining the infrastructure development strategy of Ulaanbaatar Railway. Some examples include the "Ulaanbaatar Railway infrastructure development and technical update programme until 2020," directed at increasing the network transmission of the company, and implementing renovation in the main entities and moving component parks. These will assist Mongolia's railways to reach new technological levels.

Furthermore, freight volume and technological indicators have been defined in the development scheme of Russian Railways in order to develop the program. In other words, development of railways in Mongolia and Russia are consistent with each other.

**- Ulaanbaatar Railway has been using outdated equipment and infrastructure for the last 20 years, whereas Russian Railways has successfully implemented major changes in the industry. Would you please explain some of these changes to our readers? What can Ulaanbaatar Railway learn from the changes and reforms made in Russia?**

- The first priority in improving Russia's railway sector is to improve competitiveness and the efficiency of processes. Russian Railways, which conducts business activities, was established with this objective in October 2003, and its state regulatory responsibilities were transferred to the Russian Ministry of Transport. During the restructuring process, about 110 subsidiaries and associate companies capable of competing in various sectors, such as train functions, passenger transportation, research, resort services and food, were established. Major works have been carried out in order to stop cross-subsidisation between freight and passenger transportation.

Federal Passenger Company JSC, a subsidiary of the Russian Railways, is now working as the long-distance passenger carrier through the national network. At the same time, its share in total transportation is low, although many private passenger carriers were established. Russian Railways has established 26 urban passenger transport companies on the basis of equality to other subjects.

The development of high-speed freight trains has strategic importance. A programme to establish high-speed train routes that will create more than 50 new routes in Russia was adopted in November 2015, and we were able to attract a significant flow of rail passengers.

Major changes were also made in the freight and shipment sector during the restructuring process. Private freight train operators were established, train fleets were renewed, operators started to have more respect for the customer,

and competition is high in the freight train sector. In 2016, independent private companies' share of the national train fleet reached about 84 percent. The main objective during the restructuring process was to establish proper management mechanisms that will see over train fleets and operations of the operators.

The main basis of any changes in the railway sector is ensuring stable rail operations.

**- What is your assessment of the proposal to establish a Tianjin-Ulaanbaatar-Brest route?**

- Today, it is without a doubt that container freight transportation is increasing. It means we must improve the quality of transportation services for freight owners and increase the volume of high-income finished products. Development of container freight management service plays an important role in bolstering the advantages and benefits of container freight and reducing freight costs and delivery time. The number of international container freight trains passing through the China-Mongolia-Russia-Belarus route is expanding due to the growing demand.

In 2014, a new container train route called Mongolian Vector was established, and it has been operating successfully. In 2015, container train freight volume was 3.9 thousand TEU (twenty-foot equivalent unit), while it is estimated to increase 1.7 times in 2016.

Russian Railways OJSC is ready to attract transit container freight to the main Trans-Siberian rails in the future. By doing so, it will be possible to deliver freight cargo safely in a shorter amount of time via permanent routes.

**- What are your thoughts on the significance of railway corridors in the implementation of projects such as the Asia-Europe Economic Corridor, the Silk Road and Steppe Road? What will be the role of Mongolian railways?**

- Trade and economic cooperation between Asia-Pacific countries and European countries will expand. Things seem quite promising. For example, it is expected that supply of raw materials, forestry, oil, metallurgy and chemical industries' finished products from Russia to China will increase.

In this context, Russia is closely observing the infrastructure development of freight forwarding services in eastern China as well as the establishment of new ground routes that will deliver transit freights. It is not possible to implement this without the cooperation of our colleagues abroad.

Hence, we see the development of transit transportation through the territory of Mongolia as one of the key objectives of Russia, Mongolia and China. Ulaanbaatar Railway's infrastructure development has to be the foundation on which the economic corridor between the three countries is based. ■

Guest

## G.I. Bessonov: The scope of the main Trans-Siberian route is unparalleled

BY S. OTGONTSETSEG

*Mongolian Economy magazine sat down with the Secretary General of the Coordinating Council on Trans-Siberian Transportation, Bessonov Gennadiy Ivanovich, to talk about the operations of this prestigious international organisation and the upcoming annual meeting.*

- First of all, would you please give a brief introduction to the Coordinating Council on Trans-Siberian Transportation to our readers?

- The CCTT is a non-commercial transport association. The goals of the CCTT are coordinating activities of companies that participate in international cargo transportation on the Trans-Siberian Route (TSR) in order to provide reliable delivery of goods between countries in Asia and Europe using the infrastructure of Russian railways and attracting transit and foreign trade cargo to the TSR in order to develop good economic relations between those countries.

Since its establishment, it has expanded to become a fully authorised intermodal organisation that coordinates the delivery of railway freight services on the TSR and is also responsible resolving many other issues. The CCTT is striving to be an integrated platform that provides its member countries with services such as developing cooperation between railway companies, ports, sea carriers, port carries and stevedoring companies, exchanging useful information and developing competitive transportation intermodal products. ►



► - **What is the significance of organising the plenary meeting of the CCTT in Ulaanbaatar? What are the issues to be discussed during this upcoming meeting?**

- Mongolia is an important overland logistics gateway connecting the European Union (EU) with Asian and Asia-Pacific countries through Russia. Mongolia's geographic location and potential for railway infrastructure development are seen as the basis for attracting, creating and concentrating Asia-Europe freight turnover. Of course, our organisation's meeting taking place in Mongolia will provide support to strengthen Eurasian transport relations.

We hope that the volume of TSR transit freight and transportation through the territory of Mongolia will significantly increase as a result of the meeting.

The plenary meeting of the CCTT is being organised under the auspices of President Ts. Elbegdorj, and Ulaanbaatar Railway JSC is working as the main organiser. A total of 160 delegates from 18 countries are participating in the XXV Plenary Meeting of the CCTT. It will include authorities and full-fledged delegates of: ministries of transportation and its affiliated organisations; railways, sea ports and maritime transportation companies; international transportation organisations; national and international freight forwarding organisations and associations; and transportation logistics, insurance, communications and security companies.

The meeting will discuss operational issues of the Trans-Siberian international corridor; harmonisation of international freight transportation regulations; possible measures to improve the efficiency of cargo transportation between European, Baltic, Central Asian and Asia-Pacific countries by using the main TSR. Administrations of CCTT member organisations, major freight forwarding companies and operators will report the results of organised intermodal transportations and will exchange views on development trends in logistics in Europe and Asia and future growth and development of the integrated logistics service sector.

A large composition of highly specialised experts will discuss and resolve the main issues concerning Trans-Siberian transportation, which are: railway and sea transport cooperation, comprehensive coherence between the TSR and European-Asian transportation systems in the current economic conditions and development of services along the TSR.

The plenary meeting of the CCTT being held in Mongolia can be considered a tangible step towards the implementation of the roadmap for developing

China-Mongolia-Russia trilateral trade and economic cooperation over the medium term, as discussed in July of last year.

- **What policy should CCTT member countries administer regarding competition between sea transport and rail transport in order to achieve results?**

- Railway freight transportation by the TSR is becoming the main transportation route between Asia and Europe, similar to the role the Suez Canal plays in sea transportation.

Theoretical and actual practice in international container transportation showed us that the narrow sections of Trans-Siberia need to be located and loosened up, and the efforts of all the participants in the transportation process need to be harmonised in order to successfully implement innovations and other projects.

In this regard, the role and effect of the CCTT is becoming more important than ever for railway organisations, sea transport companies, ports, state regulatory organisations in charge of transportation, freight forwarding companies, insurance and communications organisations, regardless of whether an organisation is public or private.

Furthermore, a unified policy for all members of the CCTT will be directed at harnessing the undeniable advantages of railway transportation over sea transport and further developing it. These advantages are speed of delivery and shipping costs. In other words, cooperation is critical in reaching favourable results such as reducing transport tariffs, simplifying customs inspections, improving international transportation laws, introducing electronic circulation of documents, exchanging cross-border transportation information, using the most advanced transportation security technologies and developing transportation products designed for the customer.

- **When the former President of Russian Railways OJSC Vladimir Ivanovich Yakunin put forth a proposal to connect Asia and Europe by rail in 2006, it seemed like a distant dream. But today, this dream is being realised. In general, how do you see the development of the main TSR?**

- Developing the main TSR was one of the priority objectives of the Russian railway authorities as it is a component of the transit transportation corridor between the Eastern and Western continents. As of ►



- ▶ today, Russian Railways OJSC is taking comprehensive measures to improve the competitiveness of the East-West international transport corridor by building powerful transportation and logistics infrastructure along all Trans-Siberian routes.

The company is actively working to develop railway infrastructure in eastern Siberia and the Far East. Completion of the renovation of Trans-Siberian and Baikal-Amur railways is expected by 2018. In doing so, infrastructure potential will be significantly expanded, narrow sections of the railways will be shortened and freight shipping speed and efficiency will improve. On top of that, an additional 66 million tonnes of freight capacity will be added. However, the current capacity of the railway is also capable of handling implementation of the “Trans-Siberia in 7 days” project, which, as the name suggests, will provide the opportunity to cross the Trans-Siberian railway in seven days. In the future, we are planning

major works to introduce high-speed service.

The CCTT is working to introduce many new transportation products in order to improve the competitiveness of the main TSR. For example, the “Baikal Shuttle” can be mentioned. In addition, we are working to implement new projects such as “Security Train”, “Electronic Train” and “Guaranteed transport and logistics product” – these are related to cargo storage, security, simplification of documentation process and management of supply chains.

Furthermore, we are also developing a project to organise a China-Europe-China e-commerce container transportation and postal items service.

Geographically, the scope of the Trans-Siberian railway is unparalleled, and the projects and programmes to further expand it and integrate it with other transportation systems will present an opportunity to create complex transportation products the world has never seen before. ■

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Strategy

# To the sea

BY TS.BUYAN

Seas and oceans play a crucial role in global trade. Access to the sea means access to the world. Although Mongolia is a landlocked country, bordering the world's second and 14th largest economies provides a great opportunity.

Trade between China and Russia has been steadily growing over the last decade. As of the first half of this year, total trade turnover between the two was at USD 6.1 billion, which is almost 10 percent higher compared to the same period of the previous year.

It is quite clear that this trend will continue for some time. Russia's foreign trade started to focus on the Mediterranean Sea and the Pacific Ocean, and east to the Atlantic Ocean due to the global economy and its own current conditions. Transportation is one of the key factors that will have a significant impact on the growth of China-Russia trade turnover. Sea transportation is cheap but takes longer than alternatives. Hence, China and Russia are looking for opportunities to conduct transportation by cheaper and quicker means – by land.



That shortcut is Mongolia.

Yet, none of this huge amount of freight passes through Mongolia for several reasons. On the Mongolian side, poor infrastructure, lack of highways, weak border and railway transportation capacity, road capacity and high tariffs and taxes can be mentioned.

It would be difficult to estimate how much trade turnover between China and Russia will grow and how much revenue Mongolia can earn from it. However, there is an estimate that distance between European and Asian sea ports will be shortened by 2,700 km and that freight and passenger transportation time will decrease by 45 and 34 hours

respectively, if only one road project is implemented successfully.

Current freight capacity will increase three-fold if the main railway lines were electrified and become two-track. Thus, establishing integrated regional infrastructure connecting Asia and Europe is becoming the intersection between our two neighbors' trade interests and Mongolia's desire for regional integration.

The agreement signed by the heads of Mongolia, Russia and China during the Shanghai Cooperation Organisation meeting held in Tashkent, Uzbekistan has 32 projects in it. Of those 32, 13 are related to transportation and ▶



► infrastructure sectors. During the trilateral meeting, President of Mongolia Ts.Elbgedorj put forth a proposal to establish a joint investment centre to implement these projects, with Russian President Vladimir Putin supporting the move.

Currently, the parties are exchanging views on the establishment of a joint research centre that will develop technical and economic feasibility studies as well as project designs. Mongolia proposed that the centre be established in Ulaanbaatar.

The first reason for this is that the majority of the developmental works will take place on the territory of Mongolia.

Secondly, the Mongolian side was the one to propose the idea initially. Director of the Foreign Trade and Economic Cooperation Department of the Ministry of Foreign Relations, B.Enkhbold, said Mongolia needs to put forth extra effort as the benefit to Mongolia is much higher than to others with the implementation of these projects.

According to Enkhbold, the interests of the three nations must be reflected in a mutually profitable way to implement the projects. Thus, trilateral participation must be ensured in the preparation of schematics and feasibility studies. Of course, this will take time, holding consultations and exchanging views. In

addition, financing for the development of schematics and feasibility studies must be raised.

Last June, after the signing of the agreement, the previous Minister of Foreign Affairs, L.Purevsuren, said that the three sides agreed to make the same amount of investment in the developmental works. Also during the decision-making process in Tashkent, President Putin submitted a proposal to seek project financing from international banks and financial institutions based in Asia and Europe.

In addition, the importance of establishing an economic corridor is not just an issue of expanding trade between Russia and China through Mongolia. Huge markets in Europe and Asia lie beyond Mongolia's northern and southern neighbours. Europe and East Asia as a bloc are the second and third biggest economies in the world. On top of this new gateway, successfully implementing the economic corridor projects means that landlocked Mongolia is paving its road to the sea.

Mongolians have been dreaming of this for a long time. Mongolia has taken significant steps to gaining access to the sea, starting from the Greater Tumen Initiative supported by United Nations Development Programme in 1995. This initiative became the foundation of economic cooperation between Russia, Mongolia, China and South Korea and contributes to the regional peace, stability and economic development in Northeast Asia. This goal will be fulfilled with the establishment of the economic corridor.

The issue of establishing such a corridor is going to be realised after many years of talk. If such projects have the economic feasibility and its benefits to international trade are clear, the number of projects planned may even become more than 32. Officials said that the number of projects proposed in this negotiation was actually 190. "The government is giving special priority to this issue and will continue the work that was started," stated Director Enkhbold. ■

## Projects

# List of projects to be implemented within the framework of the economic corridor programme

The heads of state of China, Mongolia and Russia sealed the agreement to establish an economic corridor programme on June 23-24, 2016 in Tashkent, Uzbekistan. Over 190 projects were proposed in the programme that will enrich trilateral cooperation. The Mongolian side selected 32 projects considered beneficial to the nation and will implement them over the next five years.

Infrastructure mega-projects part of the Economic Corridor:

- Mongolia's "Steppe Road"

- China's "Silk Road"

- Russia's Eurasian Economic Union

No	PROJECT
<b>Transportation infrastructure</b>	
1.	Conduct a feasibility study for comprehensively redeveloping the main railway links of the economic corridor (Ulaan Ude-Naushki-Sukhbaatar-Ulaanbaatar-Zamiin Uud-Erenhot-Ulaan Tsav-Zhangjiakou-Beijing-Tianjin), constructing a double-track railway, and transmitting electricity to it.
2.	Conduct studies on northern railway links of the economic corridor (Kurangino-Kyzyl-Tsagaan Tolgoi-Arts Suuri-Ovoot-Erdenet-Salkhit Zamiin Uud-Erenhot-Ulaan Tsav-Zhangjiakou-Beijing-Tianjin). In the case of a positive feasibility study result, the construction work will start immediately.
3.	Conduct studies on western railway links of the economic corridor (Kurangino-Kyzyl-Tsagaan Tolgoi-Arts Suuri-Khovd-Takashiken-Haxi Prefecture-Urumqi). In the case of a positive feasibility study result, the construction work will start immediately.
4.	Conduct studies on eastern railway links of the economic corridor (Borzya-Solovevsk-Ereen Tsav-Choibalsan-Khuut-Bichigt-Zuun Khataavch-Ulaan Khad-Chifeng-Jinzhou). In the case of a positive feasibility study result, the construction work will start immediately.
5.	Conduct studies on the Tumen River Transportation Corridor project, also referred to as the "Coast-2" corridor, (Choibalsan-Sumber-Rashaan-Ulanhot-Changchun-Yanji-Zarubino). In the case of a positive feasibility study result, the construction work will start immediately.
6.	Conduct studies on the "Coast-1" railway corridor (Choibalsan-Sumber-Rashaan-Manchuria-Qiqihar-Harbin-Mudanjiang-Suifenhe-Vladivostok-Nakhodka). In the case of a positive feasibility study result, the construction work will start immediately.
7.	Study opportunities to connect Mongolia with the super highway between Moscow and Beijing.
8.	Organise a joint discussion session on establishment a trilateral logistics company.
9.	Actively use the Asian Highway Network's AH-3 (Ulaan Ude-Kyakhta, Altanbulag-Darkhan-Ulaanbaatar-Sainshand-Zamiin Uud, and Erenhot-Beijing-Tianjin) for transportation, and conduct feasibility study for building a highway connecting Mongolia to AH-3.
10.	Construct AH-3 routes Novosibirsk-Barnaul-Gorno-Altaysk-Tashanta, Ulaan Baishint-Khovd-Yarantai, and Takashiken-Urumqi-Kashi-Honqiraf routes.
11.	Conduct a study on the East Highway Corridor (Borzya-Solovevsk-Ereen Tsav-Choibalsan-Baruun Urt-Bichigt-Zuun Khataavch-Xi Ujimqin-Ulaan had; routes between Zuun Khataavch and Chaoyang, between Chengde and Jinzhou) and begin construction if feasibility study shows positive result.
12.	Establish an intergovernmental agreement on the Asian Highway Network between the governments of Mongolia, Russia and China.
13.	Ramp up construction of communications infrastructure, manage technological operations and ensure safety of transportation corridors running from Ulaan Ude to Kyakhta, as well as on routes Altanbulag-Darkhan-Ulaanbaatar-Sainshand-Zamiin Uud and Erenhot-Ulaan Tsav-Beijing-Tianjin.
<b>Industry</b>	
14.	Boost construction of the main part of the Mongolia-Russia-China economic corridor and study opportunities for establishing an industrial cooperation agreement between the three nations.

15.	Conduct a feasibility study on building an economic cooperation zone between Heilongjiang Province in China, Inner Mongolia Autonomous Region of China, Mongolia and Russia.	23.	Strengthen tripartite cooperation on protection of wild animals, plants and migrating birds, and on scientific exploration and inspection related to wild plants, animals and bodies of water.
<b>Border checkpoint reform:</b>			
16.	Repair Russian border checkpoints in Zabaikalsk, Pogranichny, Kraskino and Mondy; Chinese border checkpoints in Manchuria, Suifenhe, Hunchun and Erenhot; as well as Mongolian border checkpoints.	24.	Study opportunities for creating information exchange system between authorities, and collaboration on environmental protection and ecology sectors.
<b>Energy</b>		<b>Scientific and technological cooperation</b>	
17.	Research cooperation opportunities with Chinese companies on renewing Mongolian and Russian electricity distribution networks.	25.	Science and technological parks and innovative companies of Mongolia, Russia and China will boost cooperation in transportation, environmental protection, rational use of natural resources, science and technology for sustainable livelihood, information and communication technology, nano technology, energy, energy conservation and waste reduction, agricultural science, new industrial technologies, and natural and technological disasters.
<b>Trade, customs, specialised inspection, and quarantine</b>		26.	All sides will expand scientific and technological development of information exchange and promote exchange and training of academics.
18.	Carry out the Framework Agreement on Cooperation in Development of Ports of Entry and Framework Agreement on Cooperation in Creating Favourable Conditions to Facilitate Trade Development among China, Russia and Mongolia, established July 9, 2015.	27.	Expand the scope of international student exchange and advance educational exchanges for young people based on the available resources of educational organisations.
19.	Approve and support the implementation of agreements between Russia's Federal Customs Service, China's General Administration of Customs, and Mongolia's General Taxation and Customs Administration, which calls for mutual recognition of the result of custom control inspections of certain goods.	<b>Humanitarian cooperation</b>	
20.	Implement the joint declaration of Mongolia, Russia and China on food security cooperation made on October 3, 2015, strengthen cross-border trade control on food products, and improve trade conditions.	28.	Develop cross-border tourism destinations, including Mongolia's Lake Khuvsgul, Russia's Lake Baikal, and China's Hulunbuir Grassland. The three sides will co-establish a tourism circle spanning Mongolia, Russia and China.
21.	Provide support for the agreement signed between customs authorities of Mongolia, Russia and China on June 23, 2016 through cooperation on bolstering customs control inspections of products of animal and plant origin, preventing spread of animal and plant diseases and harmful biological outbreaks, as well as ensure trade security controls on products of animal and plant origin.	29.	Produce the "Great Tea Road" brand for Mongolia-Russia-China tourism.
<b>Environmental protection and ecology</b>		30.	Enhance film trade and exchanges among the three nations and develop a joint film industry.
22.	Boost practical cooperation on special protection areas that are beneficial to all sides, and strengthen relevant communication. Mongolia, Russia and China will organise consultative meetings and improve mutually beneficial cooperation within the scope of Mongolia's Daguur Strictly Protected Area measures.	<b>Agriculture</b>	
		31.	Carry out the protocol signed on September 12, 2015 between Mongolia's Department of Veterinary and Animal Breeding, Russia's Federal Service for Veterinary and Phytosanitary Supervision, and China's Veterinary Bureau of the Ministry of Agriculture.
		<b>Medical science</b>	
		32.	The three sides will co-organise international seminars on medical science and health, and cooperate in the public health sector.

## Opinion

# Former PM Mendsaikhan: Mongolian railway policy ineffective, myopic

BY S. OTGONTSETSEG

*Enkhsaikhan Mendsaikhan is an experienced politician who served as Prime Minister, Member of the Cabinet and Deputy Prime Minister of Mongolia in the past. Mongolian Economy magazine sat down with Enkhsaikhan, a former Director of the Mongolian Railway SOE and a strong voice for the sector, to ask his opinion on the Trans-Siberian economic corridor.*



**- Mongolia is one of the 48 landlocked countries in the world. According to Article 25 of the UN Convention on Maritime Law, landlocked countries have the right to access the sea as it is considered a collective heritage of mankind. There are no good examples of countries using this right other than those of the EU. Thus, what measures should Mongolia take in order to increase its access to the sea in your opinion?**

- The world is globalising and increasingly becoming one large market. Regional integration is especially improving. Almost 90 percent of international and regional trade is conducted by sea.

Sea transportation is five times cheaper than rail and road transportation. An economy has an immense advantage if it is close to a means of sea transport. Hence, countries with access to the sea, and coastal cities in particular, are more likely to be better developed.

Compared to such countries, development in landlocked countries tends to be weaker. Landlocked countries raise this issue by saying they are in a disadvantaged situation and that the issue is an economic matter, not a question of geography.

As for Mongolia, it has to cross about 3,900 km to reach Vanino Port in eastern Russia from ►

► Sukhbaatar station through Ulan-Ude, Russia. There are similarly long stretches to cross to get to ports in China and other countries. Therefore, for Mongolia, transporting freight to a sea port is more expensive than for others, so I think that we need to try to get transit transportation discounts from our neighbours Russia and China.

**- Mongolia made a sea transit agreement with China in 1990 and with Russia in 1991. The agreement with the Chinese side was renewed in 2014. This agreement is still in effect. Mongolia has difficulty conducting trade freely, of its mining products for example, through the ports of our two neighbours. How can this issue be resolved? In general, what is your opinion on the development of railways purposed for transit freight? How can we create value in our economy from this?**

- Russia and China are definitely great railroad empires. However, they face the key issue of differing rail track standards. Although Russia's rail volume is relatively lower, the cost is much higher, and freight time gets prolonged as the length of the broad-gauge rails to ports are much longer, making our exports uncompetitive. Although narrow-gauge tracks are cheaper since it takes a shorter time for cargo to reach ports, China's railway transportation volume is very high domestically, making it difficult to transport large quantities of goods, particularly mining products. Naturally, it is difficult to transport others' goods while they have problems with their own domestic transportation of goods.

Russia and China can give transit freight discounts on today's small volume goods from Mongolia. Indeed, they already do to a certain degree. Many issues must be resolved through bilateral and trilateral decisions if we would want to transport large volumes of freight. In addition, we must remember that Russian and Chinese railway ownership and management have significant differences.

In my opinion, Mongolia must pay attention to dedicated rails of companies such as Shenhua Group operating within the China's railway network and create the conditions to attract their interest, so that Mongolia can get its mining products to sea ports.

**- It is considered that Mongolia's railway system developed as a result of friendly relations and cooperation between Mongolia, China and Russia. Exactly what steps should Mongolia take now within the scope of the economic corridor developed by our three countries as an outcome of Shanghai Cooperation Organisation meetings? What is the significance of the six projects to be implemented in association with Ulaanbaatar Railway JSC?**

- The trans-Mongolian railway was initially established with board-gauge rails from Ulan-Ude, Russia to Jining, China. Afterwards, China renovated the rail, transforming the tracks into the international standard gauge and into an electric two-track rail. Due to the changes to the gauge, trains travelling between Mongolia and China began having to change wheels. Today, Ulaanbaatar Railway JSC's shipping capacity has reached its maximum level given the infrastructure. In the future, there needs to be technological upgrades such as increasing the capacity of freight and transit freight, introducing twin two-track rails and making them electric. On this issue, the three countries need to cooperate on a major project.

**- In 2010, the "State Policy on Railway" was ratified by parliament. But no new rails have been built, and implementation of the policy is quite unsatisfactory. Do we need a change in the policy? If so, in what way?**

- I hope that now we understand that the railway policy adopted in 2010 was ineffective, costly, inconsistent and myopic. Although everyone now knows that rail is important, we need to realise that it is a complex engineering undertaking similar to other mega-projects, requiring a great amount of capital and scientific knowledge. The new policy must be formed by understanding the mistakes of the past. Today, Mongolia lacks an outward-looking railway policy focusing on regional integration.

**- Looking at the overall history of railways, most countries, including the US and Japan, built their railroads through private sector initiatives and investments. Mongolia had no such opportunity during the socialist era, so what we got were state-owned railways. How should the private sector participate in the privatisation of railways? Should the state own the base structure? What should the role of the state be in terms of development of railways?**

- If the state had the money and ability, no one would be opposed to it owning, building and expanding rail networks. However, many countries utilise private companies in railway development as they consider the former method ineffective. There is no need to talk about privatisation of Ulaanbaatar Railway JSC. It is not an idea on the table. But I think the state needs to show more initiative to the private sector on extension rails connected to the infrastructure of Ulaanbaatar Railway JSC used for direct transportation to special-purpose consumers and work more on security and attracting investment. ■

## Transit transport

# B.Purevchuluun: Mongolia using just 60 percent of its potential

BY TS.ELBEGSAIKHAN

**W**e have sat down with Vice President in Charge of Continental Transportation at Tuushin LLC, a pioneer of Mongolian freight forwarders. The development of Mongolia's transit transport is inextricably connected to this company.



**- Your company established the transit transportation train called the "Mongolian Express" for the first time in Mongolia. How successful is the endeavour today?**

- It used to come from Europe via Russia as it is a traditional means of transport. There was a period of disorder in Mongolia as well as in Russia during the transition period of the 90s, so cargo theft was increasing for freight coming from or going to Europe. As a result, we started transporting via the sea. At the time, sea transport took at least 70 days to reach its destination. However, it took only 15 days by rail from Brest, Belarus.

Hence, we began sending the "Mongolian Vector" container transport train starting from March 2002 after coming to an agreement with partner companies in Russia and Belarus. We collect goods from European countries at the hub in Brest and transport them by a protected train to Mongolia by charging certain tariffs. Our customers appreciated the new initiative. At the beginning, it was carried out just twice a month, and now it is three times a month.

In addition, we launched an initiative to extend the route and transport goods from China. We started transporting goods from Hohhot, China to Germany after negotiating with companies in China, Belarus, Russia, Germany, Poland and the Czech Republic. In 2005, we performed six freight shipments. However, we were not able to dissuade Chinese companies' traditional way of favouring cheaper sea transportation. On the other hand, we have stopped the operation because Ulaanbaatar Railway wanted to focus more on iron ore transportation as China's demand for iron ore was increasing and Bold Tumor Eruu Gol LLC's iron ore mine's operations were starting out.

Later in 2008, Kazakhstan has started to implement an initiative similar to ours. Since we did not abandon our own initiative, we requested that they perform freight shipping through Mongolia by using the ready schedule of the Mongolian Vector trains. Then, transit transportation restarted in 2014. Six freight shipment were made in 2014, and in 2015, 16 from China to Europe and 19 from Europe to China were made. This year, 27 trains performed freight shipments to Europe and 15 to China.

Firstly, it is an effort to show Mongolia's transit transport capacity to the world. Secondly, it is an effort to export one type of service product to the global market. Chinese companies received it positively. In recent years, more proposals have come from several places. We expect shipping services to increase this year and the years to come.

**- How much is the volume of freight passing through Kazakhstan compared to Mongolia?**

- Let me give you a few statistics. Last year, 47,500 TEU were shipped through Kazakhstan. As of the first seven months of this year, 44,000 TEU were shipped. They are working to achieve 90,000 by the end of the year. Thus, Mongolia's figures will equal just 0.1 percent of this. This number needs to be increased.

If it reaches at least its five percent, one or two trains will pass through Mongolia per day. Our goal is ▶

► such. Other Mongolian companies are also working on this. Ulaanbaatar Railway JSC paid noticed this and provided tariff concessions. In the past, it took 40 hours to pass through Mongolia, whereas now it takes 28 hours.

**- How is the capacity of Ulaanbaatar Railway JSC compared to Kazakhstan's railways? Is the low volume of transportation through Mongolia related to lack of capacity?**

- The capacity of railways in Mongolia is lower than in Kazakhstan, but the number of stations and junctions has increased in recent years. According to the Director of Ulaanbaatar Railway JSC, L.Purevbaatar, our railway will have a capacity of 45 million tonnes by 2020. In turn, Ulaanbaatar Railway will be able to invest in itself from its own revenues if this can be achieved. Currently, one freight train arrives per week. This needs to become at least one per day, and freight forwarders must take on the burden of finding freight.

Mongolian rails are the shortest path for the central part of China to conduct shipping, but China also wants to use its domestic railways as much as possible. The distance will be shortest for them if they choose to ship through the Erenhot Port. Therefore, tariffs imposed are low. Their domestic railways through Manchuria and up to Kazakhstan are long so more money will remain. Thus, China has little interest in passing through Mongolia. However,

President Xi Jinping said that goods should still be passed through Mongolia and Manchuria so as not to put all their eggs in one basket by relying solely on Kazakhstan.

On the other hand, Russia, Belarus and Kazakhstan have made agreements and created tariff advantages for Kazakhstan's transit transport. In other words, Kazakhstan's transit tariff is lower than Mongolia's. This issue has been raised to the cabinet by the Ministry of Roads and Transportation Development. However, there has been no response yet, though Belarus did say it is possible if Mongolia joins above-mentioned agreement.

**- The establishment of an economic corridor and new railways are being discussed. Do you expect the situation to improve with the implementation of these projects?**

- The concept of establishing an economic corridor is not about just building new railways. It is possible to expand trade by using the existing rail network. Mongolia's rail capacity will fall if million tonnes of freight go through it. Therefore, the issues of electrifying and establishing twin tracks have been discussed during the meeting of the heads of state held in Tashkent. Hopefully these issues will be resolved soon.

**- How is the capacity of transit transport in Mongolia? Are we adequately harnessing our potential? ►**



► - It is not about Ulaanbaatar Railway's capacity to deliver, but rather Erenhot's capacity to receive. In March 2016, a meeting to adjust the volume of freight shipping was held. During this meeting, the issue of transporting 3.5 million tonnes of oil was discussed. Although it was five million tonnes initially, Erenhot's capacity can only handle the previously mentioned amount of oil. If it exceeds that number, there would be a need to change wheels. During these times of economic downturn, buyers and sellers are not establishing contracts exceeding that amount due to the costs involved. In general, nothing was limited due to the railway. Even now, we are using only 60 percent of our potential.

**- What solutions can there be in the future? Mongolia has just one line connecting our two neighbours, and there are Southeast Asian markets past China. We have been talking about reaching those markets for many years. Is this feasible?**

- Of course we have the ambition of forwarding Southeast Asian freight via China and Mongolia to Europe. We always let it be known that we have the Mongolian Vector container train which can ship freight relatively quickly, especially when we meet with our Chinese partners and Japanese and South Korean companies. It is completely possible.

A container train that carries South Korean electronics from the Yingkou Port in China to Europe through Manchuria began its shipping testing last June. Hearing this, I wondered why cannot do that.

We need promote ourselves better in this area and show our competence. A Russian company wrote on its website that they are going to send trains from Moscow to Tianjin starting from this October. Why can't we deliver to Europe when we are already shipping to Moscow? We are researching the possibility of Mongolian companies getting involved in that business.

Our company joined the Coordinated Council on Trans-Siberian Transportation as a member in 2002 and has actively participated since then. This time we are giving special importance to the meeting again. Mongolia has only two members in this council: Ulaanbaatar Railway JSC and Tuushin LLC.

The council will organise its annual meeting in Ulaanbaatar this year and in Beijing next year. It is expanding its scope, and we expect Mongolia to reap the benefits. The meeting will include Japanese and South Korean Trans-Siberian operators. We will also put forth some of our own proposals to the council.

**- How active are private enterprises in the transportation sector? How involved is the state?**

- Tuushin LLC was established in 1990 by a decree of the Ministry of Road and Transportation and the Ministry of Foreign Relations. Before 1990, Mongolia was a socialist commonwealth county. Russian companies decided the transportation of technologies coming from Europe, and we had no gateway to other countries. Even if freight had to go to another country, just two Russian companies were available as options.

Hence, our company has become the first freight forwarding company in Mongolia on the assumption that Mongolia can conduct trade with third-neighbour countries such as Japan, Germany and the US if we establish our own domestic company. Then the company was privatised in 1992. Now there are no state-owned freight forwarding companies. There is just a railway freight forwarding centre. But it is not appropriate for a carrier to do freight forwarding itself. Customers are aware of this, so the centre's volume of freight has decreased.

The state must be responsible for the infrastructure, legislation and policy-level agreements. The private sector should then be responsible for handling how to organise it quickly, efficiently and cost-effectively.

As for auto-transportation, there are just a few companies with large hubs. Therefore, 18 companies came together in 2008 in order to establish the "Mongol Teever" consortium. Our company's subsidiaries Montransavto Co., Ltd and Tuushin Avto Teever LLC are members. This consortium organised Tianjin-Ulaanbaatar-Ulan Ude freight line in cooperation with the Auto Transportation Agency of Mongolia.

Now, we are working on the development of regulations and discussing which vehicles to choose. Hopefully we will start transporting next year. Likewise, the private sector's role and activities are high. The state is also conducting other necessary works. For example, the Ministry of Road and Transportation Development is receiving advice from the Czech Republic in order to make the legal framework for auto-transportation consistent with European standards.

Today, there are more than 200 freight forwarding companies. Tuushin LLC's point of pride is that it has always been a pioneer of transportation and logistics in Mongolia. Our company is striving to be a pioneer of further endeavours and open new gateways for the transportation sector. ■



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