

Please check against delivery



UN-OHRLLS

Statement by

**Mr. Sandagdorj Erdenebileg, Chief of Policy Development,
Coordination, and Reporting Service, UN-OHRLLS**

at

**Capacity building workshop on strengthening connectivity
along the China-Mongolia-Russian Federation Economic
Corridor**

02:00 am NY time 21 October 2021

- Distinguished participants,
- Colleagues, and
- Ladies and gentlemen,

My name is Sandagdorj Erdenebileg, I am the Chief for Policy Development, Coordination and Reporting Service in the United Nations Office for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States. Please accept my warm greetings from the Headquarters of the United Nations, in New York. I welcome you to this workshop that my Office is organizing jointly with the UN-ESCAP.

Dear Participants, The disruption caused by pandemic further emphasized the importance of strengthening our connectivity. As pointed out in the recent report of the Secretary-General on the Vienna Programme of Action, border restrictions had a significant impact on timely delivery of essential goods, including food, medical supply and fuel and increased the already high trade and transportation costs in landlocked countries, such as Mongolia. China and the Russian Federation have also been severely impacted by the pandemic with economic slowdown and supply chain disruptions.

The development of the China-Mongolia-Russian economic corridor is therefore of utmost importance. Today's event on strengthening connectivity along this Economic Corridor could not have been organized at a better time.

The foremost impact of the China-Mongolia-Russian Federation Economic Corridor will be on trade. The project can transform Mongolia from a landlocked to a land-linked country to serve as a transit corridor between Russia and China. Bilateral trade of

Mongolia with China and the Russian Federation increased by 20% and 30% on average annually between 2016 and 2019, respectively. Similarly, bilateral trade between China and the Russian Federation increased by 15% on average every year during the same period. This is unprecedented expansion. The trilateral trade needs to recover soon, but better. The completion of the corridor will significantly accelerate the rapid growth of trade among the three countries. The importance of the project for trade is further enhanced by its central place in the Asian Highway and Asian Rail Network, which will enable it to benefit other countries in the region as well.

Second, the corridor project can lead to higher foreign direct investment in all three countries, particularly in Mongolia. It will also increase their participation in global and regional value chains. Currently China's GVC related trade is \$960 billion per year. Similarly, Russia also has high GVC related trade, reaching to \$227 billion. On the other hand, Mongolia's contribution to GVC related trade is only \$1.2 billion. The completion of the corridor will encourage higher efficiency- and market-seeking foreign investment in Mongolia by firms that seek to capitalize on its central location between two major GVC intensive economies and markets. Mongolia can also expect higher investment from both China and the Russian Federation.

As China moves to higher value-added activities, some industries are seeking lower cost alternatives and may consider investing in Mongolia. Similarly, the deepening of economic links with Russia may lead to the offshoring of firms to Mongolia that seek proximity to natural resources or want to benefit from labor cost arbitrage opportunities. One investment promotion policy option is to develop special economic zones along the corridor that seek to actively promote economic links between the three countries.

Third, the successful project can also lead to expansion of their cooperation to a new sector, including possible development of transit gas pipeline from Russia to China along the shortest route. Similarly, the development of the tripartite economic corridor can facilitate the tourism sector. Before the pandemic, China reported the highest numbers of tourists in the world amounting to 155 million people. Similarly, the Russian Federation also has high tourism inflows. The corridor by improving the connectivity of Mongolia with these two important tourist destinations will undoubtedly increase the number of tourists to the country and bring sizeable economic dividends.

OHRLLS and ESCAP are currently preparing a study on Promoting Transport Connectivity along the China-Mongolia-Russian Federation Economic Corridor. Initial findings will be presented at this meeting. The report underscores how the corridor will boost trilateral cooperation and will serve more as an economic corridor rather than only a transport corridor.

In light of the facts that I just presented; we believe that it is crucial to work on the realization of this tripartite economic corridor. We know that there is strong political will by the three countries and 32 projects have already been identified for feasibility studies.

Our office is actively conducting training programmes in cooperation with other stakeholders. Recently, for example, we conducted training on the development of bankable transport infrastructure projects for policymakers from several Asian countries.

Today's workshop will encompass some key topics related to corridor development, including how regulatory and institutional reforms can support infrastructure development.

We will also hear experiences from other regions that would enlighten us on ways to developing the China-Mongolia-Russian Federation Economic Corridor in an efficient and timely manner.

I am grateful to representatives of United Nations system organizations and other partners for their active involvement in supporting this training workshop.

The United Nations system, and UN-OHRLLS, will continue to support your efforts to enhance transport and connectivity, and to implement the 2030 Agenda for Sustainable Development.

I thank you all.