

## Some Issues of Trade and Economic Cooperation Between The Mongolia and China

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### Abstract

Economic and trade cooperation is an important manifestation of global economic development and an inevitable choice for all countries to follow the trend. Since 1999, Mongolia and China have maintained close economic and trade cooperation, and China has become Mongolia's trade and investment partner. Especially in 2013, since China proposed the "OBOR" initiative, it has brought new opportunities for Mongolia China economic and trade co-operation.

Based on the research, the following conclusions are drawn: (1) The overall development trend of Mongolia China economic and trade cooperation is good, and it has experienced three stages of cooperation initial, cooperation development and cooperation deepening. (2) The policy factors, legal environment factors, international environmental factors, social factors and economic factors have impact on economic and trade cooperation. (3) Through the empirical analysis of the influencing factors of Mongolia China economic and trade cooperation, it is studied the influence of factors on each other. Among them, the level of economic development, Population size, urbanization level, degree of opening to the outside world, infrastructure construction, and railway transportation mileage a significant role in promoting the scale of Mongolia China trade, while industrial structure, import tariffs, and inflation rate indexes all have negative effects. In addition, the level of economic development, inflation rate, infrastructure and transportation volume of the two countries have promoted Mongolia China investment cooperation, but inflation rate and unemployment rate have hindered it.

## Keywords

Mongolia China economic and trade cooperation, Correlation analysis, Economic and trade cooperation mechanism, “OBOR” initiative, “Silk Road” initiative, Foreign-invested enterprises

### 1. Research background

Since the 1990s, globalization and economic integration strategies have become increasingly fierce, and countries have abandoned closed economic and trade policies and begun to pursue open trade and investment policies in bilateral and multilateral relations, such as the North American Free Trade Agreement, the European Union, and the Southeast Asian Regional Cooperation Association.

In 1978, China implemented the policy of reform and opening up, which laid the foundation for China's rapid economic development. According to the statistics, in 1999, China became Mongolia's largest trading partner; in 2004, became Mongolia's largest investment partner. Since then, China has maintained the status of Mongolia's largest trading partner, especially after the “OBOR” initiative after it was proposed, became Mongolia's largest trading and investment partner.

Mongolia is rich in resources, but it lacks human capital, has a low level of science and technology, has a late development of agricultural industries, and its economy is heavily dependent on mining and animal husbandry. After the outbreak of the global financial crisis in 2008, the role of regional integration development strategies has become increasingly prominent. Combining the needs of the economic development of Mongolia and China, it has become an inevitable trend to strengthen the development of economic and trade cooperation between the Mongolia and China. In 2011, Mongolia and China established a strategic partnership; in 2013, Mongolia and China signed the “Medium- and Long-term Comprehensive Strategic Partnership Plan”, which further strengthened Mongolia-China economic and trade cooperation and realized comprehensive cooperation between the two countries in economic, social, cultural, educational, tourism and other fields. Driven by the “OBOR” initiative, Mongolia-China economic and trade cooperation has been continuously expanded, which has also promoted the rapid development of Mongolia's economy. In addition, the construction of the economic corridor has brought greater development space to Mongolia China economic and trade cooperation.

In 2014, President Xi Jinping proposed during visit to Mongolia that “Mongolia and China should continue to be good neighbors who help each other, strengthen friendly exchanges, and promote trade development”. Since China is the largest trade and investment country in Mongolia, strengthening bilateral trade in the new era has important practical significance for the development of economic and trade cooperation between the Mongolia and China. In 2013, the two countries signed the “Outline for the Medium and Long-term Development of the Mongolia-China Strategic Partnership”, which is conducive to further expanding bilateral trade, investment and financial cooperation between Mongolia and China.

In terms of international investment, from 1978 to 2018, there were more than 14,000 foreign-invested enterprises registered in Mongolia, of which 48.3% came from China. China's direct investment in Mongolia reached US5.1 billion, accounting for 20.1% of foreign direct investment. In terms of international trade, as of 2018, the total trade between Mongolia and China reached US8.4 billion, of which Mongolia's exports reached US6.5 billion and imports reached US1.9 billion, an increase of US1.8 billion year-on-year. The trade volume between Mongolia and China accounted for 65.3% of Mongolia's foreign trade; as of 2021, the bilateral trade volume between Mongolia and China reached US9.12 billion, an increase of 35.3% year-on-year. It can be seen that Mongolia-China economic and trade cooperation has achieved remarkable results, but it is still necessary to further improve the trade structure, develop high value-added industries, improve the level of customs clearance, expand trade in mineral products and agricultural products, and give full play to the important role of the “OBOR” initiative in the Mongolia-China economic and trade cooperation mechanism.

**Research purposes.** This article complies with the trend of development and takes the “OBOR” initiative as the background to sort out the development process of economic and trade cooperation between Mongolia and China, analyzed the influencing factors of Mongolia-China economic and trade cooperation. At present, the economic and trade cooperation policies between the two countries are particularly advantageous. Based on changes in cooperation mechanisms, this article takes Mongolia and China as research objects, sorts out the evolution trend, influencing factors of Mongolia China economic and trade cooperation, deeply analyzes the reasons that hinder Mongolia China economic and trade cooperation, and finds effective ways to promote China Mongolia economic and trade co-operation.

### **1.1 Changes in the Mechanism of Mongolia China Economic and Trade Cooperation**

A. From 1949 to 1962, the bilateral relations between Mongolia and China continued to develop, and a number of agreements such as the 1960 “Agreement of Friendship and Mutual Assistance” and the 1962 “Border Agreement” were signed. In 1994, the “Friendship and Cooperation Agreement between the Mongolia and People’s Republic of China” was renewed, laying the legal foundation for economic cooperation between the two countries. In 2003, President Hu Jintao visited Mongolia, and the leaders of the two sides reached a consensus on the establishment of a mechanism for good-neighborly, friendly and mutual trust partnership. In 2011, Prime Minister S. Batbold visited to China and the two sides agreed to establish a strategic partnership for development (D. Avirmed, 2013)<sup>1</sup>.

B. The “Greater Tumen” initiative was proposed in 1995 and supported by the development plan signed by the United Nations. It is an intergovernmental regional cooperation organization jointly participated by Mongolia, China, Russia, South Korea and many other Asian countries. The initiative proposes to focus on cooperation in the fields of transportation, energy, tourism, environment, and trade facilitation to ensure the sustainable economic development of Northeast Asia. The Trade Facilitation Committee was established in 2015 to deal with trade facilitation issues. In order to ensure the smooth implementation of the approved economic operator plan by the Chinese customs and the recognition of the customs of the member states, the Trade Facilitation Committee established a working group on the “Implementation of the Approved Economic Operator Plan”, and drafted a multilateral accreditation agreement in 2016-2017 to implement the economic operator plan recognized by the customs authorities of the four countries.

C. The governments of Mongolia and China hold biennially meetings of the Economic, Trade, Science and Technology Cooperation Committee, with the aim of determining investment projects, preferential loans, grants and discussing common issues faced by the two countries in terms of economy, trade, and investment. A total of 15 meetings were held between 1991-2018. At the same time, the two countries have established Mongolia China Mineral Resources Council, Energy and Infrastructure Cooperation Committee, Mineral Resources Committee, Food Safety and Import and Export Working Group, Inner Mongolia Working Group and other organizations.

D. In 2014, President Xi Jinping was visited to Mongolia, and the leaders of two countries signed a series of cooperation documents, raising the relationship between the two countries to the level of a comprehensive strategic partnership. In the same year, the two governments issued a joint statement on the establishment of a strategic partnership, which opened up a new stage of development for the two countries and pointed out the direction of future economic and trade cooperation between the two countries. The comprehensive strategic partnership between Mongolia and China conforms to the interests of the two countries peoples and will make positive contributions to deepening regional cooperation and maintaining world peace and stability. In addition, the two sides make full use of their geopolitical and economic complementarities to promote exchanges and cooperation in various fields for the benefit of the two countries peoples.

E. Finally, Mongolia and China have cooperated and developed economic and trade cooperation under the “OBOR” initiative and the Economic Corridor mechanism, which has attracted worldwide attention. The 3<sup>th</sup> summit was held on June 23, 2016. During the meeting, Mongolia-

<sup>1</sup>D. Avirmed. “International Economic Relations”. Science and Technology Foundation, 2013:23

China-Russia signed an agreement to establish an economic corridor between the three country and reached a cooperation mechanism to ensure the implementation of the agreement, which is in line with the common interests of the 3 countries (Ts. Baatar, 2016)<sup>2</sup>.

## 1.2 China Mongolia Trade Tariff Mechanism

The Bangkok Trade Agreement was established in 1975 and updated as the Asia-Pacific Trade Agreement in 2005, which member states include Mongolia, Bangladesh, Laos, China, South Korea, Sri Lanka and India. The agreement is the first regional agreement in which Mongolia participates and has become the main driving force for regional economic and trade integration. This agreement is the first regional agreement in which Mongolia participated and has become the main driving force for regional economic and trade integration. Member states, including Mongolia and China, will participate in international trade in accordance with the provisions of the agreement. The member states of the agreement account for more than 90% of Mongolia's exporters and about 30% of its importers. Member states will receive discounts equivalent to about 40% of total imports and about 20% of international trade. Modern raw material tariff clauses cover nearly 10,000 kinds of commodities. Depending on the country of origin, some imported goods may be subject to two or more tariffs. The two sides conducted four rounds of tariff negotiations and agreed to jointly reduce tariffs on a variety of products. For example, the tariff rate for copper, molybdenum concentrate, and petroleum is zero, the tariff rate for leather is 9-14%, and the tariff rate for cashmere is 7.7-9%. After Mongolia joined the WTO, import tariffs on most commodities have also been eliminated.

**Tab1. Value Added Tax Status of Major Trading Partners**

Countries	Value Added Tax		Goods and services
	Rate	Type	
Russia	20%	Standard-ized	All taxable goods and services
	16.7%	Reduced	Food, livestock, children's products, drugs, water, books
	0%	0	Export, related services, suburban railway passenger transportation (until 2029)
China	13%、18%	Standard-ized	All taxable goods and services
	9%	Standard-ized	Retail, entertainment, hotels, restaurants, catering and other services, real estate and construction, telephone, postal, transportation, logistics
	6%	Standard-ized	Financial services and insurance, telephone and internet data, technology, consulting services
	2%~3%		Chinese nationals and local education tax
	3%		Construction Service
	1%~56 %	Luxury	Consumption tax applies to nonessential and luxury goods or resource intensive goods (including alcohol, luxury cosmetics, fuel, jewelry, motorcycles, cars, gasoline, golf products, luxury watches, disposable wooden chopsticks, tobacco, certain batteries, and coating products), mainly affecting participation in the production or import of these goods. Tax is calculated based on the sales value, sales volume, or a combination of the two of the goods. The proportion of sales revenue of goods is subject to a consumption tax rate of 1% to 56%. Exports are duty-free.

Data sources: Compiled based on information from the General Department of Customs of the Mongolia.

<sup>2</sup> Ts. Baatar. "Opportunities and challenges for developing cooperation in the border areas of Mongolia, China, and Russia". Journal of International Studies, 2016:19.

In summary, member states of the WTO, the Customs Union and other international organizations maintain industry priority status in areas of common economic development. Therefore, Mongolia needs to improve its strategic plan based on import and export measures and continuously improve customs regulations.

### **1.3 Mongolia-China Border Trade Mechanism**

Mongolia is a landlocked country. Through the development of transportation infrastructure, the expansion of border trade with neighboring countries, and the establishment of a free trade zone, Mongolia can ensure border security, support regional development, and expand foreign trade (N. Otgonsaikhan, 2018)<sup>3</sup>. On June 24, 1991, Mongolia and China signed the "Mongolia China Border Trade Agreement", and opened 8 border ports. On September 28, 2004, the two countries renewed the agreement and increased the number of border ports to 13, including perennial ports and bilateral seasonal ports. Inner Mongolia occupies an important position in Mongolia's border trade, and the trade volume between Mongolia and Inner Mongolia accounts for about 90- 95% of the total trade between Mongolia and China. The opening of ports between Mongolia and China has become a bridge for economic and trade cooperation between the two countries and a new driving force for regional economic development (N. Oyun, 2018)<sup>4</sup>. The remote geographical location of the Mongolia-China border crossing, the relatively old infrastructure, the low service capacity, and the unstable personnel are obviously not conducive to the further development of Mongolia-China economic and trade cooperation. Therefore, it is particularly important to improve existing border crossings and reopen new border crossings. After the "OBOR" initiative was launched in 2013, China's imports from Mongolia have increased significantly. In 2008, 2 countries established the Border Agreement Mechanism; in 2009, Mongolia and China held the first meeting on this mechanism in Beijing, and meeting agreed at the meeting that to transfer the Gashuunsuhait-Gantsmod-Takeshken-Bulgan port to Mongolia for permanent operation. At the same time, China handed over and opened the laoyemiao - Burgastai port, which can be operated permanently if necessary; in 2018, Mongolia and China reached an agreement on the working rules of some ports at the fifth meeting and launched a new port.

### **1.4 The initial stage of Mongolia China economic and trade cooperation**

Mongolia-China economic and trade cooperation can be roughly divided into the initial period, the development period and the cooperation period after the announcement of the new measures. Initially, the trade between the two countries was not close, Due to Mongolia's relatively backward economy and limited actual export trade capacity, the export trade was dominated by China. For example, most of the products imported by Mongolia are animal husbandry products, such as horses, cattle, goats, sheep, etc., and the export volume has increased year by year. The main imported products are automobiles, tractors, flour, rice, sugar, tea, tobacco, clothing and silk.

In the early 1980s, with the improvement of Mongolia-China relations, trade between the two countries made great strides, and cooperation in railway, trade and other fields between the two countries was restored during 1982-1983. In order to continue to deepen the level of cooperation, the two governments signed the "Agreement on the Establishment of the Mongolia China Economic, Trade and Scientific and Technological Cooperation Commission", marking the formal and comprehensive resumption of Mongolia-China economic and trade cooperation.

Since the 1990s, the trend of economic globalization and regional economic integration has continued to expand, and the relationship between various countries has continued to deepen, forming a new pattern of interdependence, mutual integration, and a highly integrated world economy. Against this background, Mongolia gradually turned to a period of market economy, established trade relations with many countries in the world, and became one of the more influential countries in Asia. Table 2 shows that since 1990, the trade volume between Mongolia and China has been growing continuously,

<sup>3</sup> N. Otgonsaikhan. "Prerequisites and opportunities for establishing a joint free trade zone between Mongolia and China". Mongolian State University, 2018: 16.

<sup>4</sup> N. Oyun. "Some issues of Mongolia-China trade and economic cooperation". Inner Mongolia University, 2018: 90-92.



increasing by 8.5 times from 1990 to 1999, and the trade volume has increased by 3.5 times and 18.4 times, respectively.

**Tab2. Trade Volume between China and Mongolia from 1990 to 1999** Unit: Million USD

Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Mongolia's total foreign trade	158.4	708.9	806.7	761.6	625.9	888.6	875.2	919.8	848.4	871.1
Mongolia and China total trade volume	33.6	69.1	127.0	186.1	97.1	122.3	147.0	164.9	176.7	285.9
Mongolia's exports to China	11.3	52.8	69.4	120.2	73.2	77.8	81.0	101.6	110.1	208.2
Imports from China to Mongolia	22.3	16.3	57.6	65.9	23.9	44.5	66.0	63.3	66.6	77.6
Position of Mongolia's foreign trade	5	2	2	2	2	2	2	2	2	1

Data sources: Compiled based on information from the Statistical Committee of Mongolia.

In 2014, Mongolia and China signed the "Mongolia-China Joint Declaration on the China Establishment and Development of a Comprehensive Strategic Partnership", reached a consensus on co-operation in major projects such as development cooperation in the mineral field, and upgraded the Mongolia-China strategic Partnership to a comprehensive strategic partnership. The establishment of the Mongolia-China comprehensive strategic partnership has laid the foundation and pointed the way for Mongolia-China economic and trade cooperation (Chen Guoxi, 2018)<sup>5</sup>.

With the rapid development of China's economy and the strengthening of economic and trade cooperation with neighboring countries, bilateral relations have developed rapidly and achieved remarkable results. Mongolia-China cooperation in political, economic, cultural and other fields has made great strides and entered the best period of development in history. Entering the 21st century, the proportion of Mongolian-Chinese trade in Mongolia's foreign trade has increased significantly. From 2000 to 2008, the trade volume between Mongolia and China increased, but due to the outbreak of the global financial crisis in 2009, the export trade volume between the two countries declined. Since 2010, through the development of mining and the improvement of the investment environment, the trade volume between Mongolia and China has recovered.

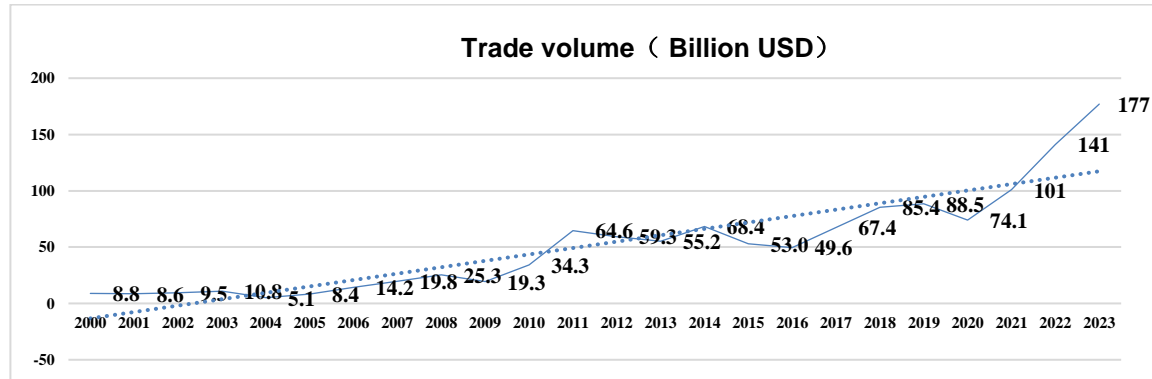


Fig.1 China Mongolia Trade Situation from 2000 to 2012

In 2013, Mongolian Prime Minister Altankhuyag visited China, and the prime ministers of the two countries jointly signed the "Outline for the Medium- and Long-term Development of the Mongolia-China Strategic Partnership". In 2014, Chinese President Xi Jinping visited Mongolia, and the two countries began to establish and develop a comprehensive strategic partnership, opening a new chapter in the history of the development of relations between the two countries, and the relations between the two countries have entered a new stage (Chen Guoxi, 2018)<sup>6</sup>. In November 2015, Elbegdorj visited China and jointly issued the "Mongolia-China Joint Statement on Deepening the Development of

<sup>5</sup> 陈国喜.“关于新时期中蒙经贸合作关系的再认识. 延边大学学报(社会科学版)”, 2018, 51(06): 76-83+142.

<sup>6</sup> 陈国喜.“关于新时期中蒙经贸合作关系的再认识”. 延边大学学报(社会科学版), 2018, 51(06): 76-83+142.

the Comprehensive Strategic Partnership". The heads of state of Mongolia, China and Russia approved the implementation of the "Medium-term Road Map for the Development of Tripartite Cooperation between Mongolia, China and Russia", and the relevant departments of the three countries signed the "Memorandum of Understanding on the Preparation of the Outline of the Mongolia-China-Russia Economic Corridor Construction Plan" and other cooperation documents, clarifying the overall framework and main content of the tripartite cooperation in the preparation of the "Outline of the Mongolia-China-Russia Economic Corridor Construction Plan".

Since 2010, Mongolia's foreign trade has increased by more than 50% on an average annual basis. Although Mongolia's foreign trade volume accounted for 47% in 2012, 2013, 2014, 2017, and 2018, respectively, 8%, 52%, 62.1%, 64% and 65.7%, but this shows that the "OBOR" initiative has created conditions for the sustainable growth of bilateral trade. China mainly exports value-added products to Mongolia, such as gasoline, clothing, textiles, industrial and mining machinery, equipment, electrical appliances, building materials and consumer goods. Mongolia exports more than 20 types of products to China, such as herbs, leather, wood, scrap metals, coal and iron ore. With China's economic growth, the demand for energy resources such as timber, coal, and petroleum has also increased. Domestic supply is far from meeting demand. Mongolia is rich in minerals and raw materials, which can provide China with energy and mineral products (T.Ayursaikhan, 2014)<sup>7</sup>.

In 2010, through the implementation of the stable mining development strategy, Mongolia's economy developed rapidly and attracted a large number of foreign direct investment. However, since 2012, Mongolia's FDI flow has declined sharply. Affected by the decline in mining prices in the international market and insufficient investor confidence, Mongolia's budget deficit and public debt have increased significantly, which has had an impact on Mongolia-China investment cooperation. First of all, China and Canada account for more than half of Mongolia's FDI, and

Mongolia's excessive dependence on FDI has increased the instability of investment. Secondly, from the perspective of the industry, the FDI structure is single, and mining accounts for 71% of the total FDI. In 2011, FDI rose to 499 million USD, of which China's total investment in Mongolia reached US\$1110 million. In 2013, Mongolia promulgated the "Investment Law", which had a positive impact on Mongolia's economy and restored investor confidence (G.Bolortuya, 2017)<sup>8</sup>.

However, affected by the decline in global mining prices, Mongolia's direct investment in China decreased from 2012 to 2013, of which China's total direct investment in Mongolia increased to 320 million and 350 million USD respectively. In 2014, the growth rate of total foreign direct investment slowed again, falling to 230 million USD in 2015, and rebounding to 330 million USD in 2018. From the analysis, it can be seen that China's Investment in Mongolia is concentrated in the fields of mining, energy, construction, banking, manufacturing, etc. But Mongolia has obvious advantages in the field of mining, mainly concentrated in precious metals, non-ferrous metals, iron ore and coal mining projects (U.Khurelsukh, 2018)<sup>9</sup>. From 2000 to 2023, Mongolia's investment in China fluctuated greatly, and the overall trend was on the rise. However, there was no investment in 2011, and investment has increased since 2012 (Ministry of Foreign Affairs of Mongolia, 2018)<sup>10</sup>. Due to the impact of the new crown epidemic, investment has declined and is slowly recovering.

**Tab.3 Situation of Investment in China and Mongolia from 2000 to 2023**  
**Unit: Ten Thousand USD**

<sup>7</sup> T.Ayursaikhan. "The Impact of Foreign Trade on the Economic Growth of Mongolia". Ministry of Education and Science of Mongolia, University of Agriculture, 2014: 22-27.

<sup>8</sup> G.Bolortuya. "Research on the Development of Border Trade between China's Erenhot Port and Mongolia's Zamyn-Uud Port". Northeast Polytechnic University, 2017: 29.

<sup>9</sup> U. Khurelsukh. "Government Works to Achieve Main Foreign Policy Goals". Government of Mongolia, 2018. <https://mongolia.gov.mn/news/view/18559>.

<sup>10</sup> State Councilor and Foreign Minister Wang Yi of the People's Republic of China paid an official visit to Mongolia. Ministry of Foreign Affairs of Mongolia, 2018. <https://mfa.gov.mn/52060>.

Year	China's investment in Mongolia	Mongolia's investment in China	Year	China's investment in Mongolia	Mongolia's investment in China
2000	3200.0	12.0	2012	32000.0	25.0
2001	3900.0	15.0	2013	35000.0	207.0
2002	4600.0	16.0	2014	8000.0	221.0
2003	5400.0	18.0	2015	23000.0	228.0
2004	6300.0	15.0	2016	22000.0	319.0
2005	2358.2	134.0	2017	26000.0	322.0
2006	2279.2	322.0	2018	33000.0	334.2
2007	1720.1	94.0	2019	31490.0	332.0
2008	3396.1	141.0	2020	26320.0	327.0
2009	4978.0	231.0	2021	27137.0	342.0
2010	5213.0	325.0	2022	34178.0	339.0
2011	11000.0	0.0	2023	35333.0	330.5

Data sources: Compiled based on information from the Foreign Investment Department of Mongolia.

## 2. An Empirical Analysis of the Influencing Factors of Mongolia China Economic and Trade Cooperation

### 2.1 Index selection

According to the research content, the quantifiability of the influencing factors, and the availability of data, this article screens the indicators of the influencing factors to measure the trade cooperation between the Mongolia and China, so as to conduct a correlation analysis on the influencing factors of Mongolia and China trade cooperation under the “OBOR” initiative, and select indicators as shown in Table 4.

**Tab.4 Influencing factors of Mongolia China trade cooperation under the “OBOR” Initiative**

Index system	Select indicators and units of measurement
Trade scale	The total trade volume between Mongolia and China measures the scale of trade between the two countries, expressed in Trade, and the unit is one million USD
Economic development scale	The GDP of Mongolia and China measures the scale of their economic development, expressed in GDP, and the unit is one million USD
Population scale	The total population of Mongolia and China measures the population scale, expressed in Pop, and the unit is one million people
Urbanization level	The total population of the city/the total population of the country, expressed in ULevel, the unit is %
Degree of openness	Total FDI in Mongolia and China /GDP of the two countries, expressed in Openness, the unit is %
Industrial structure	The total output value of the secondary industry/the total output value of the tertiary industry, expressed in Ind, the unit is %
Inflation rate	Inflation rate of Mongolia and China, expressed in Inf, unit is %
Infrastructure	The total amount of infrastructure in Mongolia and China measures infrastructure, expressed in Cons, and the unit is million USD
Transportation	The total transportation output of two countries measures the infrastructure, expressed in Trans, and the unit is million tons
Import tariffs	The percentage of tariffs imposed by the importing countries of 2 countries, expressed in Tariff, the unit is %

### 2.2 Data Sources

In this study, selection of variables is crucial to ensure the accuracy and validity of the analysis. In terms of data sources, the data of the two countries are mainly obtained from the Mongolia and China Statistics Bureau Data Yearbook and the World Bank data.



**Tab.5 Correlation Analysis Results of Influencing Factors of Mongolia and China Economic and Trade Co-operation**

		Trade	LnGD	LnPo	LnUle	Open	LnInd	Inf	LnCo	LnTra	Tariff
Trade	Pearson Corre-	1	0.299	0.037	0.552*	0.304	-	-	0.845	0.386	-
	Sig.(2-tailed)		0.006	0.742	0	0.006	0.44	0.552	0	0	0
LnGD	Pearson Corre-	0.299	1	0.937	-	-	0.622	-	0.457	-0.114	0.086
	Sig. (2-tailed)	0.006		0	0	0.358	0	0.002	0	0.31	0.444
LnPop	Pearson Corre-	0.037	0.937	1	-	-	0.764	-	0.253	-	0.306
	Sig. (2-tailed)	0.742	0		0	0.089	0	0.006	0.022	0	0.005
LnUle	Pearson Corre-	0.552	-	-	1	0.225	-	0.169	0.263	0.753	-
	Sig. (2-tailed)	0	0	0		0.043	0	0.13	0.017	0	0
Opens	Pearson Corre-	0.304	-	-	0.225*	1	-0.09	-	0.260	0.138	-0.16
	Sig. (2-tailed)	0.006	0.358	0.089	0.043		0.421	0.697	0.018	0.216	0.15
LnInd	Pearson Corre-	-	0.622	0.764	-	-0.09	1	-0.12	0.17	-	0.279
	Sig. (2-tailed)	0.44	0	0	0	0.421		0.282	0.126	0	0.011
Inf	Pearson Corre-	-	-	-	0.169	-	-0.12	1	-	-0.04	-
	Sig. (2-tailed)	0.552	0.002	0.006	0.13	0.697	0.282		0.003	0.722	0.643
LnCon	Pearson Corre-	0.845	0.457	0.253	0.263*	0.260	0.17	-	1	0.184	-
	Sig. (2-tailed)	0	0	0.022	0.017	0.018	0.126	0.003		0.098	0
LnTra	Pearson Corre-	0.386	-	-	0.753*	0.138	-	-0.04	0.184	1	-
	Sig. (2-tailed)	0	0.31	0	0	0.216	0	0.722	0.098		0
Tariff	Pearson Corre-	-	0.086	0.306	-	-0.16	0.279	-	-	-	1
	Sig. (2-tailed)	0	0.444	0.005	0	0.15	0.011	0.643	0	0	
N		82	82	82	82	82	82	82	82	82	82

**\*\* . Correlation is significant at the 0.01 level (2-tailed).**

Based on the empirical analysis, the following conclusions can be drawn.

1. As the economic scale increases, the economic and trade cooperation between the two countries also increased. It can be seen from the results for every 1 percentage increase in the GDP of Mongolia and China, the total trade volume between the two countries will increase by 0.299 %.
2. There is a positive correlation between the trade scale and population size, with a correlation coefficient of 0.037. The total population of the two countries represents the market size to a certain extent. The larger population size will great the national market demand. Since the "OBOR" initiative was put forward, it has covered 4.4 billion people in 65 countries, accounting for 63% of the world population.
3. The trade scale is positively correlated with the level of urbanization at 1%, with a correlation coefficient of 0.552. With the development of urbanization, the proportion of urban economy in GDP has grown steadily, which has a positive effect on the trade scale.
4. The trade scale is positively correlated with the degree of opening to the outside world, with a correlation coefficient of 0.304, indicating that the trade volume is enough close in trade exchanges and economic cooperation to some extent. Compared with other Western countries, China's degree of opening up to the outside world is relatively low, and its ability to absorb foreign investment is relatively low.
5. There is a significant negative correlation between the trade scale and industrial structure at the level of 1%, with a correlation coefficient of -0.086. The "OBOR" initiative has a significant negative effect on the upgrading of industrial structure. The possible reasons are implementation of the "OBOR" initiative, the region has not fully utilized level of science and technology, inter-industry

correlation, and industrial development. Therefore, the reasonable division of labor has not been realized in the region, and industrial coordination ability and the degree of correlation are not strong, which is not conducive to the rationalization of the industrial structure.

6. There is a negative correlation between the trade scale and inflation rate, with a correlation coefficient of -0.067. The inflation rate increases by 1 percentage point every year, while the total trade volume decreases by 0.067%. Possibly due to delays in budgetary investment spending and the appreciation of the Mongolian tugrik against the China renminbi. However, the increase in budget spending and its indirect effects will also increase the rate of inflation growth in 2019-2020. But supply-side effects are moderating, negatively impacting the size of Mongolia China trade, and headline inflation is expected to remain close to target.

7. There is a significant positively correlation between the trade scale and infrastructure, with a correlation coefficient of 0.845. There is a correlation between infrastructure and GDP growth, with a 1% increase in infrastructure resources leading to a 1% increase in GDP per capita. In other words, infrastructure not only provides economic growth, but also brings changes to economic growth. In addition, infrastructure services account for around 6.5% of total value added in low-income countries, 9% in middle-income countries, and 11% in high-income countries, which are important for economic growth as well as infrastructure development and poverty. Therefore, economic growth is important for infrastructure development and poverty reduction.

8. The trade scale is positively correlated with transportation, with a correlation coefficient of 0.386. The Mongolian economy, especially the role of foreign trade, the greater the role of goods in long-distance transport, transport costs become an important factor in the sale of goods. Most of the transportation to Mongolia passes through China and Russia, and the transit cost increases every year, often hurting the livelihood of Mongolians, especially for the economy. However, Mongolian government has expanded friendly cooperation with neighboring and other countries through strategic agreements, thus maintaining a certain level of transportation and other costs and making important contributions to economic development.

9. The trade scale is negatively correlated with import tariffs, and the correlation coefficient is -0.604, which is inconsistent with the assumption. Barriers to trade, such as tariffs, raise prices and reduce the quantity of goods and services available to businesses as well as consumers, leading to lower incomes, fewer jobs, and lower economic output. On the other hand, the faster the economy grows, the higher the tariffs will be, and it will be necessary to increase the number of products exempted from reciprocal import tariffs.

### Conclusion

Through analyses of Mongolia and China economic and trade cooperation, the following conclusions are drawn:

1. Mongolia and China economic and trade cooperation has achieved certain results, but there are still some constraints that affect the in-depth development of economic and trade cooperation between the two sides. Mongolia and China economic and trade cooperation has lasted for more than 70 years, and has gone through three periods: the initial stage of cooperation, the development stage of cooperation, and the deepening stage of cooperation (E.Narantungalag, 2014)<sup>11</sup>. At present, the two sides have carried out economic and trade cooperation in many fields such as economic trade, culture and education, environmental protection, and infrastructure construction, and have achieved remarkable results (Sheng Bin, 2015)<sup>12</sup>. From the long-term development of Mongolia and China economic and trade cooperation, although the trade volume between the two sides has increased year by year, the development trend is slow, and there are problems such as small total volume, restricted investment areas, and slow progress in regional cooperation.

2. Mongolia and China investment has remained basically stable and has industry differences. From the perspective of investment industry, China's investment in Mongolia is mainly concentrated

<sup>11</sup> E.Narantungalag. "Discussing about Mongolian Trade Policy". Mongolian Bloomberg Television, 2014.

<sup>12</sup> Sheng Bin. "China's Trade Development Strategy and Trade Policy Reforms: Overview and Prospects". Nankai University, 2015:5.

in the fields of mineral exploration and mining, trade and catering services, food processing, engineering and construction materials, among which mineral exploration and mining investment occupies a dominant position. Since 2008, mineral exploration and mining has accounted for more than 70% of China's total investment in Mongolia, while Mongolia's investment in China is mainly concentrated in the fields of manufacturing, wholesale and retail, leasing and business services.

3. The analysis of the factors affecting Mongolia and China economic and trade cooperation shows that the level of economic development, inflation rate, infrastructure, and total transportation volume have a certain degree of influence on the scale of Mongolia and China trade and investment. From the empirical analysis of Mongolia and China trade cooperation, the scale of Mongolia and China trade is significantly positively correlated with the scale of economic development, population size, urbanization level, degree of opening to the outside world, infrastructure, and transportation mileage, and is significantly negatively correlated with the industrial structure, import tariffs, and inflation rate index; from the empirical analysis of Mongolia and China investment cooperation, the level of economic development, inflation rate, infrastructure, and total transportation volume have a positive impact on Mongolia and China investment cooperation, while the inflation rate and unemployment rate have inhibited the expansion Mongolia and China investment.

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