CHINA'S ECONOMIC DIPLOMACY TOWARD MONGOLIA: BELT AND ROAD, CURRENCY SWAPS, AND THE POLITICS OF VULNERABILITY

Nasanbat Enkhtugs*[*], Munkh-Ulzii Batmunkh (Corresponding author)[*],
***Tsend-Ayush Unenchimeg*[*]**

Abstract: *This study examines China's contemporary economic diplomacy and its implications for Mongolia, with a particular focus on renminbi currency swap agreements, development financing, and the China–Mongolia–Russia Economic Corridor under the Belt and Road Initiative (BRI). Drawing on historical and contemporary developments, the paper argues that although Chinese financial instruments—especially the People's Bank of China (PBoC) swap line—have provided Mongolia with short-term liquidity support, exchange-rate stability, and crisis-management capacity, they have simultaneously contributed to Mongolia's mounting foreign-currency liabilities and structural vulnerabilities. Mongolia's persistent dependence on mineral exports, heavy import reliance, high external debt, and fragile financial sector place it in the "high vulnerability" category according to international assessment frameworks. The analysis demonstrates that the swap agreement is less an instrument of "debt-trap diplomacy" and more an extension of China's broader strategy to internationalize the renminbi and expand regional financial influence. For Mongolia, the swap serves as a temporary stabilizing tool rather than a sustainable solution. Long-term economic security requires deeper structural reforms, improved debt management, diversification beyond mining, and a balanced, transparent approach in cooperation with China.*

Keywords: *Economic diplomacy, currency swap, Mongolia–China relations, Belt and Road Initiative, China–Mongolia–Russia Economic Corridor, renminbi internationalization, external debt, economic vulnerability, small-state strategy*

1. Introduction

1.1. Economic diplomacy

Scholars define economic diplomacy from multiple perspectives. In general terms, it refers to the process through which states use economic and political instruments in international negotiations and decision-making to protect economic interests, ensure political stability, and safeguard national security (Bayne & Woolcock, 2017; Okano-Heijmans, 2011; Zhao, 2011). Thus, economic diplomacy involves, on the one hand, inserting national interests into global economic decision-making structures and, on the other hand, using economic capabilities as leverage to achieve political objectives (Uyanga, 2019).

It includes a broad array of tools: trade diplomacy (export and import promotion, investment, free trade agreements, economic partnership agreements), financial diplomacy (currency swaps, exchange-rate policy, sovereign bonds, payment arrangements), as well as incentives and sanctions (aid, debt relief, humanitarian assistance, embargoes, blacklists) (Bayne & Woolcock, 2017; Okano-Heijmans, 2011). Among these, central-bank currency swap agreements have become particularly important for small and vulnerable economies, as they help stabilize balance-of-payments pressures, increase foreign exchange stability, and integrate countries into regional financial safety nets (Zhao, 2011; Uyanga, 2019).

[*] Department of Finance, Business School, National University of Mongolia
[*] Department of International Relations, School of Political Science, International Relations, and Public Administration, National University of Mongolia Email: ulzii03@num.edu.mn

[*] Department of International Relations, School of Political Science, International Relations, and Public Administration, National University of Mongolia

1.2. Mongolia's economic policy and diplomacy

Due to its geography—landlocked, sparsely populated, and heavily dependent on mining—Mongolia faces persistently high trade and transportation costs, limited diversification, and structural vulnerability (World Bank, 2018). Most exports consist of primary raw materials, while food and consumer goods rely heavily on imports from China, making the economy highly exposed to external shocks (Helble et al., 2020).

Landlocked developing countries typically have higher export costs and lower GDP performance than coastal economies. Studies indicate that Central Asian landlocked economies' GDP averages only 57% of their coastal neighbors' GDP, reflecting structural disadvantages (CACI Analyst, 2018). In Mongolia's case, transit tariffs, railway/road dependency, standards, and capacity limitations raise export costs by up to 40%, according to calculations by Lakshmi Boojoo, Director General of the Economic Policy and Competitiveness Research Center (Boojoo 2020, interview).

To mitigate these constraints, Mongolia's economic diplomacy prioritizes deepening economic cooperation with its neighbors, especially in transport, logistics, and infrastructure. In 2016, Mongolia–Russia–China adopted the Economic Corridor (EC) program, a trilateral framework of 32 projects covering transportation, logistics, industrial cooperation, border modernization, and trade facilitation (GIA Mongolia, EC Implementation Report). The EC links Mongolia's "Steppe Road," China's Silk Road Economic Belt, and Russia's Eurasian Economic Union—making it a key platform for regional integration.

However, despite Mongolia's foreign trade increasing by 67% between 2016 and 2019, most of this growth stems from rising coal exports to China, not from trilateral EC progress (World Bank, 2018; Helble et al., 2020). Trade with Russia and transit volumes remain modest, underscoring that Mongolia–China bilateral trade, rather than trilateral cooperation, has driven recent economic gains (GIA of Mongolia).

EC projects are currently financed through the Mongolian state budget, ADB, EBRD, China's Exim Bank, and Chinese concessional loans. Consequently, most project contractors are Chinese firms, while Mongolian companies participate only as subcontractors (Helble et al., 2020). Increasing domestic firms' participation will require expanding public–private partnerships and improving project selection and institutional capacity.

Ensuring macroeconomic stability also requires Mongolia to participate in regional financial safety mechanisms. Similar to the ASEAN+3 framework, Mongolia seeks to strengthen cooperation under the Chiang Mai Initiative, expand bilateral currency swap arrangements, and enhance its financial resilience (Uyanga, 2019; Helble et al., 2020). Currency swaps, IMF and World Bank structural programs, and debt-management reforms are essential for maintaining macroeconomic stability (World Bank, 2018).

Thus, Mongolia's economic diplomacy operates along two tracks:
(1) enhancing connectivity through the trilateral economic corridor;
(2) reducing dependence on mining and improving economic and financial stability through multilateral and bilateral cooperation (Helble et al., 2020; Uyanga, 2019).

1.3. China's economic policy and diplomacy

Over the past two decades, China has become a major global provider of development finance, supporting large-scale infrastructure, transportation, and energy projects across the developing world. The Belt and Road Initiative (BRI) is the centerpiece of China's external economic strategy and its ambition to expand its role in global governance (Horn et al., 2019; Mark Green, 2019). A central debate concerns “debt-trap diplomacy”—the idea that China provides large loans to developing countries, which later struggle to repay, enabling Beijing to extract political or strategic concessions. Some researchers argue that certain BRI projects increase debt risks, lack transparency, and may be strategically motivated (Mark Green, 2019; Niambi, 2019; Rajah et al., 2019). Cases such as Sri Lanka’s Hambantota port or China’s military base in Djibouti are frequently cited as examples (Niambi, 2019; Rajah et al., 2019).

Other scholars strongly disagree, arguing that the “debt-trap” narrative is exaggerated or misleading. They claim that China’s development financing often responds to infrastructure deficits, and that debt distress usually stems from recipient countries’ domestic governance problems rather than intentional Chinese policy (Singh, 2020; Sharma & Lin 2021; Carmody, 2020). Nevertheless, empirical analysis by Horn, Reinhart, and Trebesch (2019) shows that a large portion of China’s overseas lending is “hidden debt”—loans not fully captured in national or international debt statistics. Such opacity complicates risk assessment, debt sustainability analysis, and macroeconomic forecasting, increasing vulnerabilities for developing countries (Horn et al., 2019; Niambi, 2019).

Furthermore, China’s use of economic pressure to influence foreign policy—termed coercive economic diplomacy—has been noted as a strategic trend, raising concerns about Beijing’s growing ability to shape political decisions of partner states (Glaser, 2012; Mark Green, 2019). For developing and small economies, Chinese financing offers opportunities for infrastructure development, but also potential risks relating to debt sustainability, transparency, and political dependence (Singh, 2020; Carmody, 2020; Rajah et al., 2019).

For Mongolia, China’s swap lines, development financing, and BRI-linked cooperation are valuable tools. Yet they must be integrated carefully into long-term national strategies on diversification, debt management, and institutional strengthening.

Economic diplomacy is a multidimensional policy practice combining trade, investment, finance, incentives, and sanctions. Each state uses these tools according to its circumstances, capabilities, and geopolitical context (Bayne & Woolcock, 2017; Okano-Heijmans, 2011; Uyanga, 2019). For Mongolia, economic diplomacy focuses on enhancing transport and infrastructure connectivity with neighbors, joining regional financial safety nets, diversifying the economy, and reducing vulnerability to raw-material dependence (Helble et al., 2020; World Bank, 2018).

For China, economic diplomacy is broad and powerful, centered on the Belt and Road Initiative, overseas development finance, and strategic economic leverage. Yet concerns about debt risks, opaque lending, and coercive economic statecraft continue to shape global debates (Singh, 2020; Horn et al., 2019; Niambi, 2019; Rajah et al., 2019; Glaser, 2012). Therefore, Mongolia must approach external economic cooperation—particularly with its immediate neighbors—with a balanced long-term strategy that carefully evaluates opportunities and risks, strengthens institutional capacity, and aligns all initiatives with national development priorities.

2. China’s Economic Policy and Diplomacy toward Mongolia

2.1. Mongolia–China economic relations and China’s economic policy toward Mongolia

2.1.1. Mongolia–China economic relations, 1949–1990

During the socialist period, Mongolia consolidated its independence in close cooperation with the Soviet Union, and Soviet–Mongolian relations were framed as “fraternal” ties. After the establishment of the PRC, Beijing accepted the USSR as the leading socialist power, and its foreign policy line, including its approach to Mongolia, largely mirrored the pattern of Soviet–Mongolian relations (Begzjav, 1999; Altantögs, 2019). At the same time, China sought to expand friendly relations with the socialist bloc and the "Third World," to raise its international standing and, within this context, to increase its influence in Mongolia (Lan Meihui, 2019).

From the 1960s, however, China's nationalist orientation intensified, the slogan of "socialism with Chinese characteristics" emerged, and as Sino–Soviet relations deteriorated, Mongolia was drawn into the conflict between the two major socialist powers (Kalb, 1962; Begzjav, 1999). Given that the USSR was Mongolia's only key partner and security guarantor, Ulaanbaatar had little choice but to align with Moscow. After the 1962 meeting between Zhou Enlai and Yu. Tsedenbal, relations between Mongolia and China sharply worsened, party-to-party ties were severed for more than twenty years, and bilateral trade declined dramatically (Lan Meihui, 2019). Only from the 1980s, when Sino–Soviet relations began to normalize, did Mongolian–Chinese relations gradually recover.

Commented [EV1]: Re-check 1962 ?

Yet the early 1950s to early 1960s were in many ways a "golden decade" of rapid growth in Mongolian–Chinese economic and cultural exchanges. The 1952 "Agreement on Economic and Cultural Cooperation" and the 1953 "Agreement on Commodity Turnover and Payments" created the legal basis for cooperation, and between 1951 and 1961, bilateral trade increased by a factor of 24 (Begzjav, 1999). With Soviet financing, technology, and labor, the construction of the Naushki–Ulaanbaatar–Zamiin-Uud railway opened the shortest route linking Eurasia. The PRC used Mongolian territory as a transit corridor for a large share of its exports and imports, paying transit fees that became an important source of revenue for Mongolia (Altantögs, 2019).

Between 1956 and 1960, China provided Mongolia with its first large-scale grants and concessional loans, marking the start of Chinese economic diplomacy toward Mongolia. During this period, total support amounted to 460 million rubles, including 160 million in grants and 300 million in concessional loans, mainly for roads, bridges, factories, and construction projects that helped diversify the Mongolian economy (Begzjav, 1999; Lan Meihui, 2019). Mao Zedong characterized this assistance as "China repaying its historical debt for oppressing the Mongols in the past," giving it strong symbolic and political meaning (Altantögs, 2019).

From the 1960s, as Sino–Soviet tensions intensified, Mongolian–Chinese relations cooled; Chinese-financed construction projects were halted. Between the 1960s and 1980s, Mongolia sought to restore ties, but China, facing its own economic and political difficulties, steadily reduced its exports to Mongolia (Altantögs, 2019; Lan Meihui, 2019). Only in the mid-1980s, in parallel with the normalization of Sino–Soviet relations, did the relationship begin to recover. The 1989 "Agreement on the Establishment of the Mongolian–Chinese Commission on Economic, Trade, Scientific and Technical Cooperation" laid the foundation for a new phase (Begzjav, 1999).

Thus, although Mongolian–Chinese economic relations during the socialist period were heavily influenced by the USSR, the aid, loans, and rail projects of the 1950s–1960s represented the first significant steps in China's economic diplomacy toward Mongolia (Altantögs, 2019; Begzjav, 1999).

2.1.2. Mongolia–China economic relations since 1990

After the democratic changes of 1990, Mongolia radically revised its foreign policy and economic strategy. Moving away from a model of near-total dependence on the Soviet Union, it adopted an "Open Door" policy, normalized and expanded relations with China, the United States, and other partners, and sought to anchor simultaneous political and economic liberalization (Altantögs, 2019). During PRC President Yang Shangkun's official visit to Mongolia in August 1991, the two sides signed key agreements on Mongolia's right to sea access and transit through Chinese territory, avoidance of double taxation and tax evasion, Chinese government loans, and mutual promotion and protection of investments, as well as on rescheduling past Chinese loans. These instruments underpinned Mongolia's new open foreign policy and helped expand its engagement with other Asian countries (Begzjav, 1999).

The 1994 "Treaty of Friendly Relations and Cooperation between Mongolia and the PRC" became the basic framework document for twenty-first century bilateral relations. Subsequently, the two sides announced a "Good-Neighbourly and Mutual Trust Partnership" in 2003, upgraded it to a "Strategic Partnership" in 2011, and then to a "Comprehensive Strategic Partnership" in 2014 (Altantögs, 2019). Between 1949 and 2015, more than 450 agreements related to Mongolian–Chinese cooperation were signed, over 200 of which remain in force, covering trade, investment, transport, infrastructure, and other sectors (L. Begzjav 1999; Altantögs 2019). Since the 1990s, China's share in Mongolia's foreign trade has steadily increased, and by 1998 China had become Mongolia's leading source of foreign direct investment (Battör, lecture).

The 2014 Ulaanbaatar Joint Declaration on the Development of the Comprehensive Strategic Partnership not only strengthened bilateral ties but also explicitly encouraged the expansion of trilateral cooperation among Mongolia, Russia, and China, thereby reaffirming Mongolia's regional role and its "non-alignment with either side" policy (Gölgöö & Indra, 2017).

2.1.3. The Belt and Road Initiative and Mongolia

China's rapid economic growth has enabled it to prioritize the development of its western and northern regions and to build infrastructure corridors linking Northeast Asia and Europe. Within this framework, Beijing launched the "Silk Road Economic Belt" and the "21st-Century Maritime Silk Road," now combined under the Belt and Road Initiative (BRI) (一带一路规划, 2015). In 2015, the Chinese government published the policy document "Vision and Actions on Jointly Building the Silk Road Economic Belt and 21st-Century Maritime Silk Road," which laid out the principles and scope of BRI and identified five priority areas: policy coordination, infrastructure connectivity, trade facilitation, financial integration, and people-to-people ties (一带一路规划, 2015).

The six overland economic corridors envisaged under BRI include the "Northern Corridor," which consists of a Mongolia–Russia branch and a Manzhouli branch. According to Chinese studies, this route can deliver cargo from eastern China to western Europe in about 14 days—three times faster than sea transport. Many Chinese analysts consider the Northern Corridor a priority direction for development (Gölgöö & Indra, 2017). The Mongolian route has clear advantages: it is the shortest path connecting China's industrial heartland (Beijing, Hebei, Henan) with Russia's resource-rich regions; it allows China to import copper, iron, molybdenum, tungsten, zinc, coal, oil, and electricity from Mongolia at relatively low cost; and Mongolia's vast, sparsely populated southern regions offer a favorable location for some energy-intensive and environmentally burdensome industries (Gölgöö & Indra, 2017).

Compared to other corridors, the "China–Mongolia–Russia Economic Corridor" (CMREC) has few participating countries, relatively low transit costs, a stable internal political environment in Mongolia and Russia, and relatively low terrorism risks. Overall, the corridor offers a more secure investment environment (Helble et al., 2020; Gölgöö & Indra, 2017). For Mongolia, CMREC and BRI symbolically demonstrate that both neighboring great powers support its new foreign policy orientation of deepening economic interdependence while preserving political autonomy.

At the same time, completing CMREC and BRI-related projects will require large-scale infrastructure investment in Mongolia and will significantly increase its already high external debt, which stands at over 200 percent of nominal GDP. In this context, there is a clear risk that Mongolia could face "debt trap" type vulnerabilities similar to those observed in Sri Lanka and other BRI countries if projects are not carefully selected and managed (World Bank, 2018; Helble et al., 2020; Niambi, 2019).

2.2. China's economic diplomacy toward Mongolia

China's economic diplomacy toward Mongolia is built around trade diplomacy, investment, loans, aid, and financial instruments. The PRC is Mongolia's largest trading partner and one of its principal investors, and under BRI and CMREC Chinese investments and loans are likely to further increase (Helble et al., 2020; Gölgöö & Indra, 2017).

A key pillar of China's financial diplomacy toward Mongolia is the bilateral local-currency swap agreement between the People's Bank of China (PBoC) and the Bank of Mongolia, which supports Mongolia's balance of payments, exchange rate stability, and China's broader strategy to internationalize the renminbi (yuan) (Bank of Mongolia, 2022; Zhitao et al., 2016; Handwerker, 2020).

2.2.1. Features of China's swap agreements and the Mongolia–China swap

A currency swap is a two-step transaction in which one central bank purchases a foreign currency at the current market rate and agrees to reverse the transaction at a pre-agreed future exchange rate. In practice, it operates as a credit line between the two currencies (Bank of Mongolia, "Currency Swap and Forward Transactions").

The main objectives of the Mongolia–China swap are:

1. to ensure timely settlement of trade payments with China in yuan;
2. to support stability in Mongolia's domestic foreign-exchange market and exchange rate;
3. to provide a contingency mechanism for short-term external debt and payments in the context of limited foreign reserves (Bataa, 2011; Batdavaa, 2017).

After the global financial crisis, the PRC began concluding bilateral currency swap agreements with other central banks to promote the use of the yuan in international payments and settlements (Zhitao et al., 2016; Handwerker, 2020).

Table 1. Early PBoC Swap Agreements with Other Central Banks (Billion Yuan).

№	Central banks	Date	Amount quantity
1	Bank of Korea	12/12/2008	180
2	Hong Kong Monetary Authority	12/12/2008	200
3	Bank Negara Malaysia	2/8/2009	80
4	National Bank of the Republic of Belarus	3/11/2009	20
5	Bank Indonesia	3/23/2009	100
6	Central Bank of Argentina	4/2/2009	70
7	Central Bank of Iceland	6/9/2010	3.5
8	Monetary Authority of Singapore	7/23/2010	150
9	Reserve Bank of New Zealand	4/18/2011	25
10	Central Bank of Uzbekistan	4/19/2011	0.7
11	Bank of Mongolia	5/6/2011	5
12	National Bank of Kazakhstan	6/13/2011	7

	Total		841.2

Source: Bank of Mongolia.

As Table 1 shows, China's swap network expanded rapidly in both the number of partners and total volume (Zhitao et al. 2016). When the Bank of Mongolia concluded its first swap agreement with the PBoC in 2011 for 5 billion yuan over three years, this represented only about 0.6 percent of China's then total swap commitments. Nonetheless, for Mongolia it was the only such agreement with a foreign financial institution and of major strategic importance (Bank of Mongolia, 2022). By 2014, China had signed swap agreements totaling 2.4 trillion yuan with 23 countries, and by 2020 the network had expanded to 35 partners with an aggregate volume exceeding 3 trillion yuan (Handwerker, 2020).

Figure 1. PBoC Swap lines with central banks by country.

Table 1 (as on January 31, 2020)

Across nations

Central bank swap lines by the People's Bank of China

Countries	Date of 1st agreement	Initial Authorised Value (RMB bn)	Countries	Date of 1st agreement	Initial Authorised Value (RMB bn)
Hong Kong	9-Jan	200	Hungary	13-Sep	10
Malaysia	9-Feb	80	Albania	13-Sep	2
Indonesia	9-Mar	100	Eurozone	13-Oct	350
Argentina	9-Apr	70	Switzerland	14-Jul	150
Korea	9-Apr	180	Sri Lanka	14-Sep	10
Belarus	10-Mar	20	Russia	14-Oct	150
Iceland	10-Jun	3.5	Qatar	14-Nov	35
Singapore	10-Jul	150	Canada	14-Nov	200
New Zealand	11-Apr	25	Suriname	15-Mar	1
Uzbekistan	11-Apr	0.7	Armenia	15-Mar	1
Mongolia	11-May	5	South Africa	15-Apr	30
Kazakhstan	11-Jun	7	Chile	15-May	22
Thailand	11-Dec	70	Tajikistan	15-Sep	3
Pakistan	11-Dec	10	Georgia	15-Sep	n.a.
UAE	12-Jan	35	Morocco	16-May	10
Turkey	12-Feb	12	Serbia	16-Jun	1.5
Australia	12-Mar	200	Egypt	16-Dec	18
Ukraine	12-Jun	15	Nigeria	18-May	15
Brazil	13-Mar	190	Japan	18-Oct	200
UK	13-Jun	350	Macao	19-Dec	30
			Laos	20-Jan	n.a.

Source: thehindubusinessline.com

Interestingly, some countries (such as Argentina and Pakistan) did not use the yuan obtained via swaps solely for trade with China but converted it into US dollars to bolster their foreign-exchange reserves and meet external debt obligations. Rather than objecting, China highlighted these cases as evidence of how swap lines can help stabilize partner economies in times of crisis (Handwerker, 2020). In this way, Beijing strengthened its image as a "reliable financial partner" while advancing renminbi internationalization (Zhitao et al., 2016).

When Mongolia approached several countries about possible swap agreements after 2008, the PBoC was the first to respond positively. On 5 May 2011, the two central banks signed a three-year swap agreement worth 5 billion yuan. Interest rates were linked to SHIBOR and the Mongolian interbank rate, while exchange rates were based on CFETS and the Bank of Mongolia's official USD rate. The Bank of Mongolia emphasized that the agreement would allow Mongolian importers and exporters to settle trade with China directly in yuan and tugrik, reducing dependence on a single key currency (Bataa, 2011; Bank of Mongolia, 2023). As the initial agreement approached expiry, Mongolia sought to extend and expand the swap to 20 billion yuan; ultimately, the two sides agreed to extend it for three more years and increase the size to 15 billion yuan. During this period, bilateral trade and investment continued to grow, and the central bank assessed that the swap had helped support external trade finance (Bank of Mongolia, 2023; Zhitao et al., 2016).

Negotiations to extend the swap again began in 2016, but due to the Buddist religious divergent views, and Beijing initially adopted a tough position, reportedly resisting an extension (Amina, 2019). Amid a severe economic slowdown and rising external debt, Mongolia joined the IMF's Extended Fund Facility (EFF). The 5.5 billion USD donor package under the EFF included the roll-over of the swap, and in February 2017 the PBoC and the Bank of Mongolia agreed to extend the swap for another three years (Batdavaa, 2017; Lkhagvasüren, 2019). This alleviated immediate pressure on reserves and facilitated the successful refinancing of government bonds. In 2020, Mongolia lacked the financial capacity to repay the 15 billion yuan swap (around 2 billion USD) in full. After intensive negotiations, the agreement was renewed for another three years on 31 July 2020, pushing back a major external payment and easing pressure on foreign-exchange reserves (Bank of Mongolia, 2023; Lkhagvasüren, 2019).

PBoC Governor Yi Gang has noted that cross-border yuan receipts and payments reached 12.7 trillion yuan in the first half of the year, up 36.7 percent year-on-year, making the RMB the second-largest currency in cross-border settlement for eight consecutive years. The RMB's share in global foreign-exchange reserves also exceeded 2 percent in early 2020—double its share in 2016—indicating steady progress in renminbi internationalization (Handwerker, 2020).

Table 2. Selected PBoC swap agreements and their extensions as of 2014.

Indonesia	RMB 100 bn/IDR 175,000 bn	23 Mar. 2009	Mar. 2012	3
renewed	RMB 100 bn/IDR 175,000 bn	1 Oct. 2013	Oct. 2016	3
Argentina	RMB 70 bn/ARS 38 bn	2 Apr. 2009	Apr. 2012	3
renewed	RMB 70 bn/ARS 90 bn	18 Jul. 2014	Jul. 2017	3
Iceland	RMB 3.5 bn	10 Jun. 2010	Jun. 2013	3
renewed	RMB 3.5 bn/ISK 66 bn	30 Sep. 2013	Sep. 2016	3
Singapore	RMB 150 bn/SGD 30 bn	23 Jul. 2010	Jul. 2013	3
renewed	RMB 300 bn/SGD 60 bn	7 Mar. 2013	Mar. 2016	3
New Zealand	RMB 25 bn/NZD 5bn	18 Apr. 2011	Apr. 2014	3
renewed	RMB 25 bn/NZD 5bn	25 Apr. 2014	Apr. 2017	3
Uzbekistan	RMB 0.7 bn	19 Apr. 2011	Apr. 2014	3
Mongolia	RMB 5 bn	6 May 2011	May 2014	3
renewed	RMB 10 bn	20 Mar. 2012	Mar. 2015	3
renewed	RMB 15 bn/MNT 4.5 tn	21 Aug. 2014	Aug. 2017	3
Kazakhstan	RMB 7 bn	13 Jun. 2011	Jun. 2014	3
renewed	RMB 7 bn/KZT 200 bn	14 Dec. 2014	Dec. 2017	3
Thailand	RMB 70 bn/THB 320 bn	22 Dec. 2011	Dec. 2014	3
renewed	RMB 70 bn/THB 370 bn	22Dec. 2014	Dec. 2017	3
Pakistan	RMB 10 bn/PKR 140 bn	23 Dec. 2011	Dec. 2014	3
renewed	RMB 10 bn/PKR 165 bn	23 Dec. 2014	Dec. 2017	3
UAE	RMB 35 bn/AED 20 bn	17 Jan. 2012	Jan. 2015	3
Turkey	RMB 10 bn/TRY 3 bn	21 Feb. 2012	Feb. 2015	3

Source: PBoC.

Table 2 shows that Mongolia is not the only country repeatedly extending and expanding its swap line with China. For example, China and Singapore signed an initial 150-billion-yuan swap in 2010 and doubled it to 300 billion yuan in 2013, again for three years (Zhitao et al., 2016; Handwerker, 2020). As long as Mongolia covers fiscal deficits and urgent external obligations primarily through foreign borrowing, it will almost certainly seek to maintain its swap line with the PBoC. For its part, China is likely to continue expanding swap agreements with Mongolia and other partners as a key tool for promoting global use of the yuan. From Beijing's perspective, the nominal size of the Mongolian swap is small within its global network, but Mongolia's fragile debt position and political sensitivity have led China to proceed cautiously, as the 2017 and 2020 extensions made evident (Amina, 2019; Lkhagvasüren, 2019).

In conclusion, China's economic diplomacy toward Mongolia began in the socialist era through trade, investment, and aid under strong Soviet influence. Since 1990, the relationship has expanded into a multi-layered structure encompassing strategic partnership, BRI and CMREC projects, investment, loans, and currency swaps (Begzjav, 1999; Altantögs, 2019; Gölgöö & Indra, 2017). The Belt and Road Initiative and the China–Mongolia–Russia Economic Corridor offer Mongolia opportunities to upgrade infrastructure, improve logistics, and deepen its integration into Eurasian transport networks, but they also carry risks of higher external debt and potential constraints on sovereignty (World Bank, 2018; Niambi, 2019).

The bilateral swap agreement, while accounting for only a small share of China's global swap portfolio, has become a crucial "safety cushion" for Mongolia's balance of payments, exchange rate, and debt management (Bank of Mongolia, 2023; Zhitao et al., 2016; Handwerker, 2020). At the same time, through this and other instruments, China is steadily expanding its financial presence in Mongolia, underscoring the need for careful long-term assessment of the economic and political implications of Chinese economic diplomacy.

3. Currency Swap Agreements and the Mongolian Economy

3.1. Mongolia's economic security

According to the Constitution of Mongolia and the Law on National Security, economic security is treated as an integral component of national security. These laws define the state's responsibility to regulate the economy in a manner that ensures economic independence, sustainable development, and improved quality of life for citizens (National Statistics Office of Mongolia, 2020). The National Security Concept emphasizes that "existential, economic, domestic, human, environmental, and information security" must be mutually reinforcing.

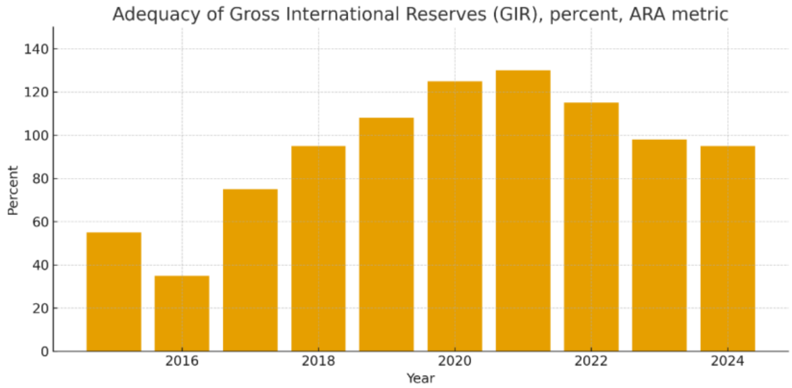
It also notes that globalization simultaneously increases vulnerability to external shocks while creating new opportunities to safeguard national interests through external resources and cooperation. Ensuring economic security requires establishing a diversified and resilient economic structure, promoting environmentally friendly and human-centered sustainable development, pursuing balanced investment policies, strengthening the financial sector, and implementing effective policies in energy, mineral resources, foreign trade, and integration (National Statistics Office of Mongolia, 2020).

Under the 2011 Foreign Policy Concept, Mongolia's external economic relations aim to support stable growth, safeguard economic security, and improve living standards. The Concept prioritizes avoiding excessive dependence on any single country, aligning special economic zones and large-scale projects with national security, enhancing export competitiveness, attracting balanced foreign direct investment, promoting "green" and "blue" economic initiatives, and protecting the interests of landlocked developing countries in international forums (Introduction to the Draft Law on the 2021 Budget). Consequently, maintaining balanced investment policies, ensuring the safety of the financial sector, and aligning monetary policy have become strategic priorities on par with energy and mining (Bayardavaa, 2020).

3.1.1. Mongolia's foreign exchange reserves

Official foreign exchange reserves (FX reserves) consist of monetary gold, liquid foreign currency assets, and internationally recognized reserve securities held by the Bank of Mongolia. These serve as the foundation of confidence in the national currency, provide coverage for external debt obligations, finance balance-of-payments deficits, and help mitigate instability in the external sector (Bank of Mongolia, 2019 Annual Report).

Figure 2. Official foreign exchange reserves according to IMF recommendations.

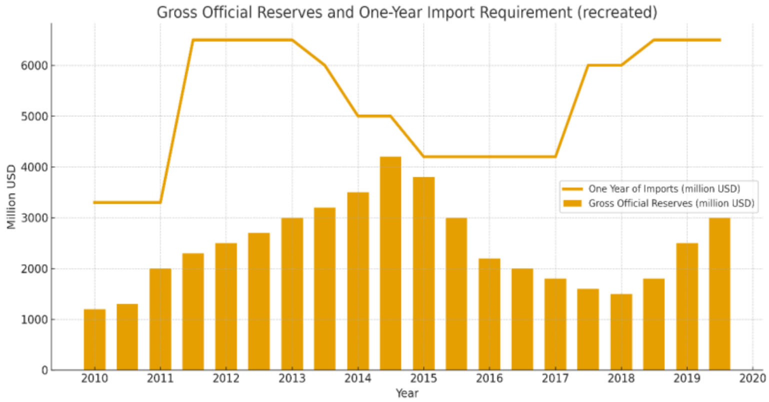


Source: Bank of Mongolia.

The National Security Concept requires maintaining FX reserves at or above one year's worth of imports. However, Mongolia's reserves have often fluctuated below that threshold (National Statistics Office of Mongolia, 2020). In 2010, reserves covered 8.6 months of imports, dropping to a low of 4.2 months in 2015. Following the economic downturn, the Government and the Bank of Mongolia implemented the "Economic Recovery Program" and joined the IMF's Extended Fund Facility (EFF), securing long-term low-interest financing. As a result, by 2019 FX reserves had risen to the equivalent of 8.5 months of imports (Bank of Mongolia Operational Reports, 2016–2019; Bayardavaa, 2020).

During the initial phase of the COVID-19 pandemic, exports plummeted and the current account deficit widened. However, in the latter half of the year, coal exports, gold purchases, and donor financing increased. FX reserves surpassed USD 4.5 billion, reaching a level sufficient for roughly 11 months of imports (Bank of Mongolia, 2019 Annual Report).

Figure 3. Foreign exchange reserves and import levels.



Source: National Statistics Office of Mongolia.

Despite this, the tugrik has significantly depreciated since 2010—its exchange rate against the US dollar has weakened by a factor of two, and against the yuan by 1.9 times. This trend is closely linked to persistent trade deficits and chronically high current account deficits (National Statistics Office of Mongolia, 2020).

3.1.2. Mongolia's public debt

Between 2010 and 2019, Mongolia received a total of MNT 8.3 trillion in concessional loans and MNT 1.2 trillion in grants from development partners and international organizations. These became a major source of investment financing, reaching levels comparable to the state budget's capital expenditure by 2016–2017 (National Statistics Office of Mongolia, 2020).

Government debt rose from MNT 3.9 trillion in 2011 to MNT 22.3 trillion in 2016 and MNT 23.9 trillion in 2019—an increase of 1.7 times—after budgetary and quasi-budgetary spending was financed through borrowing. The debt-to-GDP ratio reached 93 percent in 2016, far exceeding the original statutory ceiling of 40 percent (Introduction to the Draft Law on the 2021 Budget). This reflects the weak implementation of the Fiscal Stability Law and pro-cyclical expansionary policies (Gan-Ochir, 2012).

Table 3. External Debt Repayment Schedule.

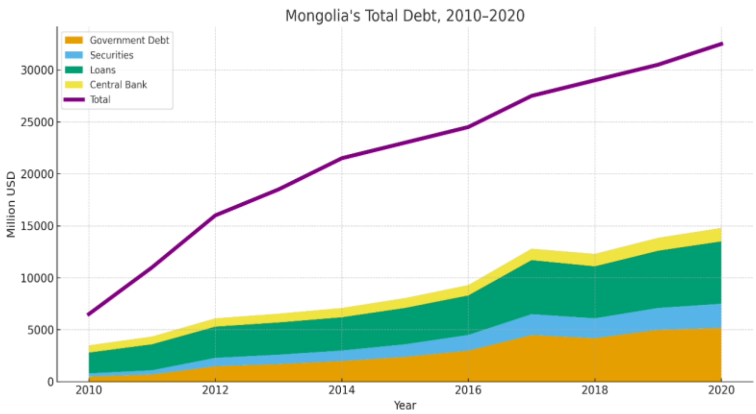
Bond Name	Amount	Maturity Date
Mazaalai	USD 500 million	4/6/2021
Chinggis 10-year	USD 1 billion	12/5/2022
Gerege	USD 800 million	5/1/2023
Khuraldai	USD 600 million	3/9/2024

PBoC Swap (Bank of Mongolia)	CNY 12 billion	2023

Source: National Statistics Office of Mongolia.

By 2016, Mongolia faced USD 2.5 billion in external debt repayments due within nine months but lacked sufficient reserves, creating a risk of default. The country subsequently joined the IMF EFF, securing USD 5.5 billion in external financing for refinancing (Bank of Mongolia Operational Reports, 2016–2019; Bayartsaihan, 2017). By 2019, total external debt reached USD 29.5 billion—over 220 percent of GDP and 430 percent of export earnings—exceeding sustainability thresholds (Bank of Mongolia, 2019 Statistical Data).

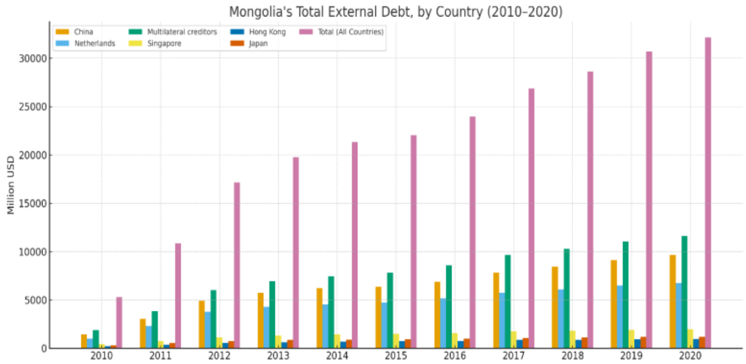
Figure 4. Mongolia's total external debt by structure.



Source: Bank of Mongolia, Statistical Data

In 2020, total external debt stood at USD 32.16 billion, of which USD 8.65 billion was government debt and USD 2.22 billion Bank of Mongolia debt, including the utilized portion of the PBoC swap (Bank of Mongolia, 2019 Annual Report).

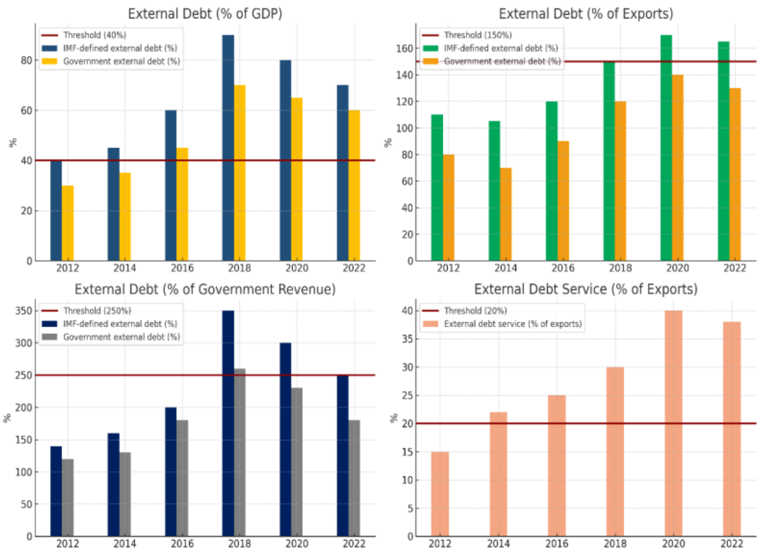
Figure 5. Mongolia's Total External Debt by Creditor Country, 2010–2020.



Source: Bank of Mongolia

China accounts for approximately 11.5 percent of Mongolia's total external debt, with more than half of that amount arising from the swap agreement—raising concerns regarding over-dependence on a single country ("Önöödör" newspaper, 2011).

Figure 6. Debt Sustainability Analysis



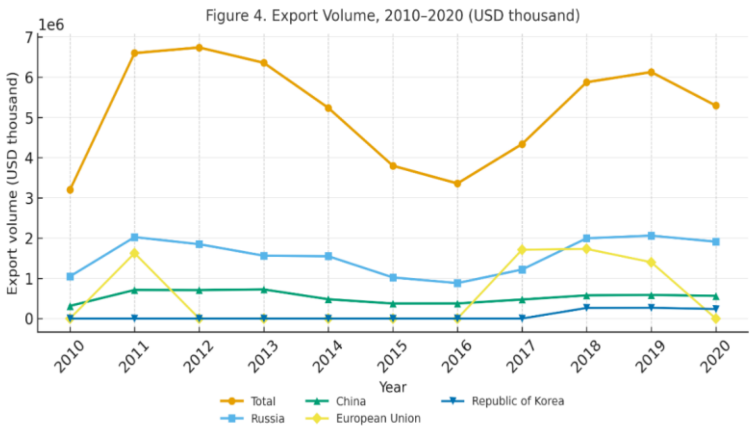
Source: Bank of Mongolia.

3.2. Currency swap agreements and Mongolia's economic security

3.2.1. Rationale and importance of the swap agreement

Mongolia's foreign trade ran persistent deficits from the 1980s through the early 2000s. During 2008–2012, global commodity price declines pushed the trade balance to –USD 2.3 billion, reflecting an import-dependent structure highly reliant on its two neighbors (National Statistics Office of Mongolia, 2020). In 2019, exports to China accounted for roughly 90 percent of Mongolia's total exports, including coal, which alone made up 45 percent—yet Mongolian coal represents only 0.5–0.6 percent of China's total coal consumption.

Figure 7. Export Volume, 2010–2020 (USD thousand)

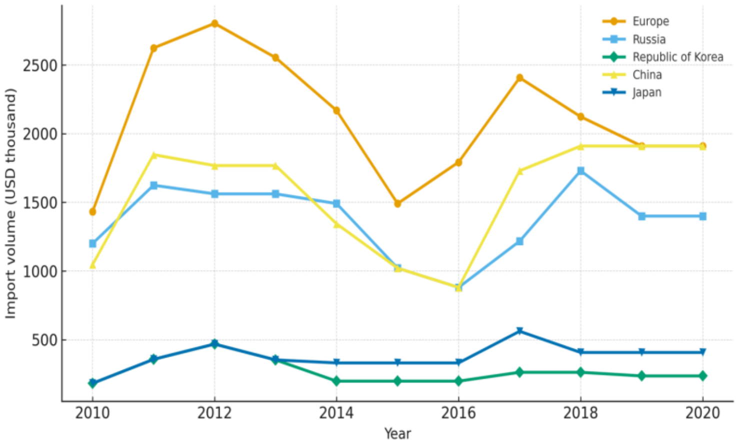


Source: National Statistics Office of Mongolia.

Most imports consist of consumer goods, and Granger causality tests and structural VAR models confirm that China's inflation transmits directly to Mongolia's inflation. Moreover, increases in China's GDP and inflation tend to raise global coal prices, which temporarily benefits Mongolia's economy (Davaasükh & Tsenddorj).

Under these conditions, the yuan–tugrik swap agreement with the People's Bank of China enables Mongolia to finance a share of bilateral trade in yuan instead of US dollars, reducing dollar dependence, supporting tugrik stability, and conserving FX reserves (Bataa, 2011; Bank of Mongolia Operational Reports, 2016–2019). Since 2010, China has become Mongolia's second-largest import source, and yuan-denominated settlement has gradually increased to 30–35 percent of bilateral trade (Bank of Mongolia, 2019 Annual Report).

Figure 8. Import Volume, 2010–2020 (USD thousand)



Source: National Statistics Office of Mongolia

However, during 2014–2015 the Bank of Mongolia attempted to artificially stabilize the exchange rate by depleting reserves and taking expensive non-market loans. These measures, combined with aggressive monetary expansion and exchange rate intervention, resulted in significant losses and heightened macro-financial vulnerabilities (Bank of Mongolia Operational Reports, 2016–2019; Garyd, 2019).

3.2.2. Qualitative and quantitative analysis

Beginning in 2020, Mongolia faces large repayments for the Chinggis, Gerege, Samurai, and Development Bank bonds, syndicate loans, and the swap agreement—placing pressure on the financial account and requiring focused reserve-building (Bank of Mongolia, 2019; Bayartsaihan, 2017). Yuan appreciation driven by improved economic sentiment in China, domestic FX market uncertainty after FATF's grey-list decision, and seasonal import demand all raise the risk of exchange-rate losses when repaying the swap (Garyd, 2019).

The Bank of Mongolia's prolonged use of unconventional monetary policies—excessive tugrik liquidity injection, heavy FX interventions, below-market interest rate lending, long-term domestic swap facilities, and assumption of private sector FX risks—led to negative equity positions and magnified systemic vulnerabilities (Bank of Mongolia Operational Reports, 2016–2019; Garyd, 2019).

The PBoC swap agreement has an upper limit of CNY 15 billion, of which CNY 12 billion (approx. MNT 4.7 trillion) has been used. Interest is calculated at SHIBOR plus a spread; as of 2017, cumulative interest payments totaled USD 180 million (Bank of Mongolia, 2019 Annual Report).

Table 4. Structure of Mongolia's External Debt (2020 preliminary).

Indicator	**Amount (USD million)**
Foreign currency debt	32,068.34

– Short-term	1,037.56
– Long-term	31,030.77
Local currency debt	93.58
– Short-term	40.74
– Long-term	52.84
Total external debt	**32,161.91**

Source: Bank of Mongolia.

Foreign-currency-denominated debt accounts for 99.7 percent of total external debt, of which 96.7 percent is long-term. The utilized portion of the swap is equivalent to roughly 16 percent of GDP (Bank of Mongolia, 2019 Statistical Data).

Table 5. Payment Obligations Related to Loans (MNT million).

Item	**2018**	**2019**
Import letters of credit (contingent liabilities)	77,387	90,565
Unused PBoC credit line (obligation)	5,400,000	5,400,000
Total	**5,477,387**	**5,490,565**

Source: Bank of Mongolia, 2019 annual report.

While the swap agreement supports short-term financial stability, liquidity, yuan-based trade settlement, and tugrik usage, inefficient use of borrowed yuan can increase debt burdens and even lead to default risk (Bank of Mongolia Operational Reports, 2016–2019; Garyd, 2019).

3.3. Mongolia's economic vulnerability

Assessments of macroeconomic vulnerability in developing economies focus on (1) imbalances that may trigger financial or currency crises and (2) structural characteristics that determine sensitivity to external shocks (Kaminsky et al., 1998; Seth & Ragab, 2012). Gan-Ochir (2012) adapted models from the World Bank and UNDP to the Mongolian context. Mongolia is highly vulnerable due to export concentration in a few raw commodities, dependence on its two neighbors for trade, heavy import reliance on fuel, electricity, and food, and external debt levels exceeding GDP and budget revenues (Seth & Ragab, 2012; Gan-Ochir, 2012).

Table 6. Indicators for Assessing Economic Vulnerability (World Bank Model).

Category	Indicator	Low Vulnerability	Medium Vulnerability	High Vulnerability
External Sector	Commodity exports / Total exports	<25%	(25%–50%)	>50%
	Exports / GDP	<20%	(20%–30%)	>30%
	Remittances / GDP	<2%	(2%–8%)	>8%
	Gross international reserves / Total external financing needs or Import coverage	>1 year	(6 months – 1 year)	<1 year
	Trade balance / GDP	>0%	(0 to –3%)	<–3%
Fiscal Sector	Primary fiscal balance / GDP*	>1.5%	(1.5% to –1%)	<–1%
	Government debt / GDP	<25%	(25%–60%)	>60%
	Gross financing needs / GDP	<5%	(5%–12%)	>12%
	Mandatory (non-discretionary) expenditures / Total expenditures	<50%	(50%–70%)	>70%
	Commodity revenues / Total revenues	<10%	(10%–20%)	>20%
Monetary & Exchange Rate	Inflation	<3.5%	(3.5%–7%)	>7%
	Inflation expectations	<3.5%	(3.5%–7%)	>7%
	Real interest rate	>1.5%	(0%–1.5%)	<0%
	Exchange rate flexibility	Independently floating	Managed float	Fixed
	Foreign exchange reserves / GDP	>15%	(10%–15%)	<10%
Financial Sector	Foreign-currency denominated debt / Total debt service	<10%	(10%–25%)	>25%
	Capital adequacy ratio (Equity / Total assets)	>8%	(6%–8%)	<6%

	Non-performing loans / Total loans	<3%	(3%–6%)	>6%
	Loans / Deposits ratio	<70%	(70%–100%)	>100%
	Growth of credit-to-GDP ratio	(0%–5%)	(5%–10%) or (–5% to –10%)	>10% or <–10%
Social Sector	Poverty sensitivity**	Low	Medium	High
	Unemployment rate	<7%	(7%–10%)	>10%
	Population below $1.25/day poverty line	<10%	(10%–30%)	>30%
	Gini coefficient	<0.3	(0.3–0.5)	>0.5
	Anti-poverty programs	Strongly aligned with responses	Moderately aligned	Weakly aligned

Notes:

- Primary fiscal balance excludes interest payments.
- Poverty sensitivity is measured as how strongly poverty increases when economic growth declines:
  - Low: A 1 percentage-point drop in growth increases poverty by <0.5 percentage points.
  - Medium: A 1 percentage-point drop in growth increases poverty by 0.5–1 percentage points.
  - High: A 1 percentage-point drop in growth increases poverty by >1 percentage point.

The methodology evaluates vulnerability in five categories—external sector, fiscal sector, monetary/exchange-rate conditions, financial sector, and social indicators—across 25 metrics rated as "low," "medium," or "high" (Seth & Ragab, 2012).

Table 7. Mongolia's Economic Vulnerability Assessment (Q4 2019).

Category	Indicator	Low Vulnerability	Medium Vulnerability	High Vulnerability (Actual Value)
External Sector	Commodity exports / Total exports	<25%	(25%–50%)	**69%**
	Exports / GDP	<20%	(20%–30%)	**58%**
	Remittances / GDP	<2%	**2.40%**	>8%
	Gross international reserves / Total external financing	>1 year	**8.9 months**	<1 year

	needs (Import coverage)			
	Trade balance / GDP	>0%	**1.90%**	<–3%
Fiscal Sector	Primary fiscal balance / GDP*	>1.5%	(1.5% to –1%)	**–1.7%**
	Government debt / GDP	<25%	(25%–60%)	**64%**
	Gross financing needs / GDP	<5%	(5%–12%)	>12%
	Mandatory (non-discretionary) expenditure / Total expenditure	<50%	(50%–70%)	>70%
	Commodity revenues / Total revenue	<10%	(10%–20%)	>20%
Monetary & Exchange Rate	Inflation	<3.5%	(3.5%–7%)	**7.30%**
	Inflation expectations	<3.5%	(3.5%–7%)	>7%
	Real interest rate	>1.5%	(0%–1.5%)	**–2.42%**
	Exchange rate flexibility	Independently floating	Managed float	Fixed
	Foreign exchange reserves / GDP	>15%	**11.60%**	<10%
Financial Sector	Foreign-currency denominated debt / Total debt service	<10%	(10%–25%)	**99.70%**
	Capital adequacy ratio (Equity / Total assets)	>8%	(6%–8%)	<6%
	Non-performing loans / Total loans	<3%	(3%–6%)	**10.10%**
	Loans / Deposits ratio	<70%	(70%–100%)	>100%

	Growth of credit-to-GDP ratio	(0%–5%)	(5%–10%) or (–5% to –10%)	**15.50%**
Social Sector	Poverty sensitivity**	Low	Medium	High
	Unemployment rate	<7%	**10%**	>10%
	Population below $1.25/day poverty line	<10%	(10%–30%)	>30%
	Gini index	<0.3	**0.33**	>0.5
	Anti-poverty programs	Strongly aligned with responses	Moderately aligned	Weakly aligned

Notes:

- Primary fiscal balance is calculated excluding interest payments.
- Poverty sensitivity indicates how much poverty increases when economic growth declines:
    - Low: A 1-percentage-point decline in growth raises poverty by <0.5 percentage points.
    - Medium: A 1-percentage-point decline raises poverty by 0.5–1 percentage points.
    - High: A 1-percentage-point decline raises poverty by >1 percentage point.

As of Q4 2019, Mongolia is classified as highly vulnerable in the external, monetary/exchange-rate, financial, and social categories, and moderately vulnerable in the fiscal category (D. Gan-Ochir, 2012; Bank of Mongolia, 2019 Statistical Data). With raw materials comprising 69 percent of exports, exports accounting for 58 percent of GDP, government debt at 64 percent of GDP, and FX reserves sufficient for 8.9 months of imports, Mongolia's economy is highly sensitive to commodity price declines and reductions in capital inflows (Seth & Ragab, 2012).

Most indicators fall into the "high vulnerability" category due to:

- extreme dependence on global commodity price cycles,
- growth driven by capital accumulation rather than productivity,
- 99.7 percent of debt denominated in foreign currency,
- deteriorating banking sector indicators such as non-performing loans and high loan-to-deposit ratios (Kaminsky et al., 1998; Gan-Ochir, 2012).

Long-term protection requires reducing dependence on mining, diversifying the economy, investing in human capital and technology, improving infrastructure, and strengthening institutional capacity (Seth & Ragab, 2012; Gan-Ochir, 2012).

In conclusion, first, Mongolia's FX reserves and debt structure indicate heightened economic vulnerability, with refinancing remaining the only viable option before major repayment peaks (Bank of Mongolia Operational Reports, 2016–2019; Introduction to the 2021 Budget Draft). Second, the yuan–tugrik swap agreement with the PBoC offers benefits—reduced dollar dependence, strengthened

FX reserves, and improved trade settlement—but weak management of utilization, exchange-rate risk, and interest costs has resulted in the swap comprising a large share of the Bank of Mongolia's liabilities, creating repayment-related pressure (Bank of Mongolia, 2019 Annual Report; Garyd, 2019).

Third, both the World Bank model and domestic assessments confirm that Mongolia's economy is highly vulnerable to external shocks due to structural dependence on raw-commodity exports, high foreign-currency denominated debt, financial-sector fragility, and institutional weaknesses (Seth & Ragab, 2012; Kaminsky et al., 1998; Gan-Ochir, 2012). Addressing these issues requires integrated policies supporting macroeconomic stability, debt sustainability, disciplined monetary policy, economic diversification, and institutional reform.

4. Conclusion and Policy Recommendations

China's contemporary economic diplomacy combines large-scale development finance, the Belt and Road Initiative, and an expanding network of renminbi swap agreements to broaden its global influence and promote RMB internationalization. Mongolia, meanwhile, employs economic diplomacy to overcome structural constraints of geography, heavy dependence on mineral exports, and reliance on a single trading partner. Its priorities focus on improving regional connectivity, diversifying external relations, and strengthening participation in financial safety nets to enhance economic resilience.

Historically, Mongolia–China economic relations evolved from Soviet-influenced cooperation in the 1950s–1960s to a comprehensive strategic partnership embedded in BRI and the China–Mongolia–Russia Economic Corridor. These initiatives provide opportunities for infrastructure development and regional integration but also increase external debt and exposure to geopolitical asymmetry.

The Mongolia–China currency swap, first signed in 2011 and later expanded to CNY 15 billion, has played an important stabilizing role by supporting trade settlement, foreign-exchange liquidity, and short-term macroeconomic stability. It has been crucial during crises such as the 2016 balance-of-payments shock and the COVID-19 downturn. Yet the swap also contributes to Mongolia's already high foreign-currency debt burden and poses repayment and exchange-rate risks. Confidential terms, limited transparency, and past use of swap resources for non-productive purposes have further heightened vulnerabilities.

Mongolia's broader macroeconomic indicators—including commodity dependence, a high share of foreign-currency debt, banking-sector fragility, and limited economic diversification—place it firmly in the "high vulnerability" category of international assessments. These structural weaknesses amplify external shocks and underscore the limits of financial instruments like swaps as substitutes for long-term reforms.

Overall, the swap agreement is not an instrument of "debt-trap diplomacy" in Mongolia's case, but rather part of China's broader financial strategy. For Mongolia, its significance lies in short-term crisis support rather than long-term sustainability. Ensuring economic security requires addressing deep-rooted structural vulnerabilities while managing relations with China through a balanced and transparent approach.

Policy recommendations:

1. Improve transparency and research on swap agreements and external borrowing to strengthen public understanding and risk assessment.

2. Provide accurate information on debt composition, highlighting balanced perspectives on Mongolia–China financial relations.

3. Regularly update and harmonize economic data to enhance policy evaluation and academic analysis.

4. Increase openness of international financial agreements, reducing unnecessary confidentiality while maintaining essential safeguards.

5. Strengthen debt management and ensure swap resources are used productively, not for short-term stabilization that worsens long-term vulnerabilities.

By pursuing these measures, Mongolia can better leverage economic cooperation with China, reduce structural risks, and build a more resilient and secure economic future.

References:

1. Amina, A. (2019). *Issues surrounding the extension of the Mongolia–China swap agreement*. Ulaanbaatar: Research Notes.
2. Altantögs, D. (2019). *Historical development of Mongolia–China relations*. Ulaanbaatar: Admon Press.
3. Bank of Mongolia. (n.d.). *Currency swap and forward transactions*. Bank of Mongolia Publications.
4. Bank of Mongolia. (2016–2019). *Operational report of the Bank of Mongolia (July 2016 – April 2019).*
5. Bank of Mongolia. (2019). *Annual report 2019*.
6. Bank of Mongolia. (2019). *Statistical bulletin*.
7. Bataa, J. (2011). *The importance of the yuan–tugrik swap agreement*. Ulaanbaatar: Research Department, Bank of Mongolia.
8. Batdavaa, B. (2017). *The IMF program and the Mongolian economy*. Ulaanbaatar: Economic Research.
9. Bayardavaa, B. (2020). *Draft of the main directions of the State's monetary policy for 2020*. Ulaanbaatar: MONTSAME.
10. Bayartsaihan, N. (2017). *Speech delivered to the State Great Khural (Parliament).*
11. Beijing University of International Business and Economics. (2017). *Analysis of construction pathways for the China–Mongolia–Russia Economic Corridor*.
12. Begzjav, L. (1999). *Mongolia–China relations (1949–1996)*. Ulaanbaatar: State Publishing House.
13. CACI Analyst. (2018, April 30). *Landlocked economies in Central Asia*.
14. Carmody, P. (2020). Dependence, not debt-trap diplomacy. *Area Development and Policy*, *5*(1), 23–30. https://doi.org/10.1080/23792949.2019.1702471
15. Davaasukh, D., & Tsenddorj, D. (n.d.). *The impact of China's economy on Mongolia*.
16. Gan-Ochir, D. (2012). *Assessment of Mongolia's economic vulnerability*.
17. Gardi, Ts. (2019, March 13). *The central bank's prolonged losses risk impairing its ability to perform its core functions*.
18. Glaser, B. (2012, August 6). *China's coercive economic diplomacy: A new and worrying trend*. Center for Strategic and International Studies.
19. Gölgöö, J., & Indra, B. (2017). *Characteristics of the China–Mongolia–Russia Economic Corridor*. Ulaanbaatar: National University of Mongolia.
20. Government of Mongolia. (n.d.). *Introduction to the Draft Law on the 2021 State Budget of Mongolia*.

21. Handwerker, J. (2020). *China's central bank swap lines and renminbi internationalization*. Center for New American Security.
22. Helble, M., Hill, H., & Magi, D. (2020). *The economic prospects of Mongolia: A resource-rich country between two giants*. Asian Development Bank.
23. Horn, S., Reinhart, C., & Trebesch, C. (2019). *China's overseas lending* (NBER Working Paper No. 26050). National Bureau of Economic Research.
24. Kalb, M. (1962). The China–Soviet conflict and implications for Mongolia. *Foreign Affairs, 40*(4), 641–659.
25. Kaminsky, G. L., Lizondo, S., & Reinhart, C. M. (1998). Leading indicators of currency crises. *IMF Staff Papers, 45*(1), 1–48.
26. Lan, M. (2019). *Mongolia–China relations: Past and present*. Beijing: Xinhua Publishing House.
27. Lkhagvasüren, B. (2019). *Current state of Mongolia–China financial relations*. Bank of Mongolia Research Department.
28. National Statistics Office of Mongolia. (2020). *Economic security of Mongolia 2020*.
29. Önöödör Newspaper. (2011, May 12). J. Bataa: *Not giving export-earned US dollars for imports means purchasing imported goods with Mongolian tugriks*. *Önöödör Daily*.
30. Rajah, R., Dayant, A., & Pryke, J. (2019). *Ocean of debt? Belt and Road and debt diplomacy in the Pacific*. Lowy Institute Report.
31. Seth, A., & Ragab, A. (2012). *Macroeconomic vulnerability in developing countries: Approaches and issues* (Working Paper No. 94). International Policy Centre for Inclusive Growth, UNDP.
32. Sharma, S., & Lin, X. (2021). *Does China engage in debt-trap diplomacy?* Institute of Policy Studies Working Paper Series.
33. Singh, A. (2020). The myth of debt-trap diplomacy and realities of Chinese development finance. *Third World Quarterly*. https://doi.org/10.1080/01436597.2020.1807318
34. State Council of the People's Republic of China. (2015). *Vision and actions on jointly building the Silk Road Economic Belt and 21st-Century Maritime Silk Road*.
35. Uyanga, T. (2019). *Economic diplomacy: Theory, methodology, and new trends*. Ulaanbaatar: Soyombo Press.
36. World Bank. (2018). *Mongolia economic update*. World Bank Group.
37. Zhitao, Z., Zhan, Y., & Cheung, Y. (2016). China's central bank swap agreements and the internationalization of the renminbi. *Journal of International Money and Finance, 60*, 53–72.