

Comments for the Session 1:

Grand Design for Future Development in Northeast Asia

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Since Mongolia is a small developing country, its active participation in Northeast Asia's integration is vital. At present, due to its economic structure and development level, Mongolia cannot participate in the NEA regional integration to the full extent. Particularly, weak development of infrastructure, roads and transportation networks causes extensive barriers and problems, which in combination with Mongolia being landlocked, negatively influences its competitiveness.

Therefore, if transportation infrastructure is improved in connection with the needs of regionalization, Mongolia can become the most convenient transport corridor and transit port connecting the NEA with Europe and Central Asia. As pointed out in the "Grand design," in order to build the industrial network and economic bloc of Northeast Asia, the improvement of a regional transport network is important.

Recognizing this problem, Mongolia is gradually improving its transportation infrastructure. Mongolia has been building paved roads following the UNESCAP Asian Highway project. 200 km of paved road is expected to be completed this year through AH3 and another 454 km in the coming 3-4 years. In this case, the Mongolian portion of AH3 will be paved fully and road transportation from Mongolia to Beijing or the seaport of Tianjin will become possible.

AH32 is most important for Mongolia's integration into Northeast Asia. This horizontal line starts from Sonbong and passes through Northeast China and ends in the western part of Mongolia. The length of its Mongolian portion is 2325 km. AH32 crosses the Mongolian border from the Chinese border city of Arxan across the Nomrog river. Relevant government officials from two sides agreed to build a bridge on the river and open an international port. If the border can be opened up to the passage of foreigners, both countries can gain from this.

It is important to continue building paved roads eastward in Mongolia following AH32, since it would facilitate cross-border tourism. Arxan city in Xinganmeng prefecture of China, which is located 40 km from the Mongolian border, is steadily growing as one of the main tourist attractions in Northeast China. The number of visitors to this prefecture has grown to about 600,000 a year.

The easternmost province of Mongolia - Dornod and Xinganmeng prefecture of the PRC have much in common in the development of their tourism sectors. Both have world-class attractions. On one hand, Xinganmeng prefecture has pristine lakes, beautiful rivers and hot springs. The Mongolian side, on the other hand, has virgin steppes that abound with wildlife. Every effort should be made to protect this environment, but there is potential to

use appropriate tourism development to generate the financial resources that will ensure this protection can be sustained.

There is an opportunity to take advantage of the travel market of Northeast Asian countries and, by adopting a cross-border approach, establish a much stronger presence in the market. The region lacks the resources to develop tourism, and to the maximum extent the transport projects should complement tourism development. In addition, every effort should be made to attract the private sector to invest in accommodation, restaurants, tour operations, and other services. And likely this will require investment from outside the region.

Also, Dornod province of Mongolia has 300,000 hectares of land, suitable for cultivation. It is possible to grow wheat, potatoes, vegetables, soba and soya in this area. Besides that, there is a potential for "green food" production. The products from this region can be marketed under a special label and sold at premium prices. This business tends to be dominated by large, global firms that can devote resources to research, product development, supply chain management and marketing. Therefore, the potential of the "green food" industry in this region and to attract the interest of one or more of these global companies to invest in the region should be investigated.

Also, there is a high probability that there are large reserves of natural resources in Mongolia, especially in its eastern part. Gold and copper deposits to be considered among the largest in the world are being discovered. Potential oil, uranium, brilliant, zinc and other reserves are not significantly evidential, but are highly anticipated. There is potential for Mongolia to become one of the largest suppliers of some selected minerals to the fast-growing Chinese market and other NEA countries. Thus, investment in the Mongolian mining sector will bring potentially high returns for NEA investors.

In brief, Arxan – Sumber cross-border area can be added to the present cross-border regions, if the transportation infrastructure and links are improved. To summarize the potential advantages of this region:

- Important tourism area in the region
- Opens Mongolia's shortest access to the sea
- AH32 starts in this area, which will connect Mongolia with the Tumen river area.
- Great potential for agricultural development
- Proximity to possible large reserves of oil and minerals, which can supply NEA countries, especially Northeast China, Japan and South Korea

In order to use all these opportunities, investment in AH32 is necessary, especially in the portion from the Mongolian-Chinese border to the Mongolian capital Ulaanbaatar. This portion is about 1100 km, of which 330 km (almost until Undurkhaan, the center of Khentii province) is paved. The Mongolian government is looking for private investors to pave another 320 km in this route from Undurkhaan to Choybalsan, center of Dornod province. Therefore, about 450 km should be paved from Choybalsan to Nomrog River. In this case, Mongolia would have its shortest sea access.

Upgrading Choybalsan (Mongolia) and Ulanhot (China) airports for processing foreign arrivals and departures is also necessary. There is potential for direct flights from Japan, the Russian Federation, and South Korea. It would significantly reduce travel time and the budget of tourists, from those countries. To do that, small-sized aircrafts and flexible flights could be a good option. Especially, the Choybalsan airport has appropriate facilities for this, including a concrete runway capable of handling even large aircraft.