

Foreign economic relations of Russia with Mongolia in the light of the concept of sustainable development

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Abstract. The article analyzes the peculiarities of Russia's foreign economic relations with Mongolia. Foreign economic relations between Russia and Mongolia are evaluated from the point of view of compliance with the provisions of the concept of sustainable development. The dynamics of Russia's foreign trade with Mongolia is traced, its place among Russian foreign trade partners is revealed. The commodity structure of mutual trade is analyzed, its raw material nature and significant impact on environmental pollution are noted. The regional geography of the Russian-Mongolian commodity exchange is considered. High concentration of Russia's foreign trade with Mongolia in certain territories is revealed. Prospects for the development of Russia's foreign economic relations with Mongolia are connected with the change of the Russian foreign economic policy, the increase in the export of products of some industries and the realization of joint investment projects that comply with ESG principles. It is concluded that Russia will not be able to take the place of China as the main foreign trade counterpart of Mongolia in the near future. The results of the study confirm the thesis that an effective foreign economic policy is necessary for the countries' foreign economic relations to become a factor contributing to the sustainable development of mankind.

1 Introduction

Due to the current geopolitical situation in the foreign economic relations of the Russian Federation (RF), a turnaround from the western direction to the east and south is underway. Priorities in the choice of partner countries are changing. The intensity of foreign economic relations with Asian countries, especially with East Asian countries, is increasing. In this regard, practical and scientific interest in Russia's foreign trade with neighboring Mongolia is increasing. There is a need to study the possibilities and prospects of restoring foreign economic relations with Mongolia to the level of the former USSR times. It is also relevant to study the foreign economic activities of both Russia and Mongolia from the point of view of their impact on the sustainable development of the planet. After all, Russia and Mongolia in the international division of labor specialize, first of all, in the export of raw materials, i.e. those industries that have the greatest impact on the environment.

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The role of foreign economic relations cannot be overemphasized for the sustainable development of a country. They can have both positive and negative impact on the sustainability of the economy and society. Foreign trade and investment contribute to economic growth and economic diversification, which is important for sustainable development. International cooperation facilitates the exchange of technology and knowledge, which can accelerate technological progress and innovation. The social component of sustainable development is realized through ensuring cultural exchange [1] and strengthening interstate relations. At the same time, dependence on external markets can increase the impact on the country's economy of world crises, changes in the terms of world trade, geopolitical crises, etc., which can lead to a reduction in the level of economic growth. Sustainable development requires a balance between openness to external relations and protection of national interests, as well as effective management of risks associated with the global economy.

2 Materials and Methods

Mongolia is located in East Asia, belongs to inland landlocked countries. It borders with Russia and China. These two countries are the main trading partners of Mongolia. There is a great scientific interest in Russia's foreign economic relations with Mongolia. As a methodological basis we used the materials of works by E.A. Shirin [2], A.V. Makarov [3], V.O. Namzhilova [4], Y.V. Demina [5], P.V. Osodoev [6] and the previous work of the authors [7, 8] concerning the foreign economic aspects of the study, and V.M. Kotlyakov [9], N.M. Mamedov [10] and others touching upon the issues of sustainable development.

The main information base was the data of the Federal Customs Service of Russia and the Federal State Statistics Service. The collected information was used to compile a database on the topic under study, which was applied for geoinformation monitoring of Russia's foreign economic relations with Mongolia. The following methods of scientific research were used in the work: systematic, comparative-geographical, statistical and cartographic. Research in the field of sustainable development of foreign economic relations involves the analysis of a large array of data reflecting various aspects of international cooperation. The main emphasis is placed on the key parameters of environmental, social and economic development.

3 Results and Discussion

Russia's foreign trade with Mongolia is gradually growing (Table 1). Russia's exports overlap imports many times, and the foreign trade balance is constantly positive. Mongolia's share in Russia's exports has slightly increased in recent years: from 0.2% to 0.4%. The growth is due to the dynamic development of the Mongolian economy in the 2010s [11].

Table 1. Russia's foreign trade with Mongolia, at current prices [12]

Year	Exports, mln USD	Imports, mln USD	Balance, mln USD	Mongolia's share in total Russian exports, %
2000	182,0	40,4	141,6	0,2
2005	443,3	22,4	420,9	0,2
2010	936,6	79,1	857,5	0,2
2015	1117,3	44,1	1073,2	0,3
2016	895,7	35,9	859,8	0,3
2017	1326,5	41,2	1285,3	0,4

2018	1609,1	43,3	1565,8	0,4
2019	1740,0	33,6	1706,4	0,4
2020	1384,8	38,3	1346,5	0,4
2021	1816,1	43,1	1773,0	0,4

Mongolia is not among Russia's main trade partners. In 2021, Mongolia's share in Russia's foreign trade turnover amounted to 0.2%, and by this indicator it ranked 52nd among Russia's foreign trade partners (Table 2).

Table 2. Foreign trade turnover of Russia with some countries of the world in 2021. [13]

Country	Foreign trade turnover, mln USD	Foreign trade turnover, %
1. China	140704,5	17,9
2. Germany	56996,0	7,3
3. Netherlands	46439,5	5,9
... 52. Mongolia	1859,1	0,2
Other countries	539001,3	68,7
Total	785000,4	100,0%

The commodity structure of Russia's foreign trade with Mongolia has a pronounced raw material orientation (Table 3, Fig. 1, Fig. 2). Both in exports and imports, the predominant commodity group is mineral products.

Table 3. Commodity structure of Russian exports to Mongolia and Russian imports from Mongolia in 2020. [13]

HS code*	Name of aggregated commodity group	Exports		Imports	
		thousand USD	%	thousand USD	%
Total		1384752	100,0	38339	100,0
01-24	Food products and agricultural raw materials	253 765	18,3	560	1,5
25-27	Mineral products	748 512	54,1	31 100	81,1
28-40	Chemical products, rubber	102 396	7,4	3	0,0
41-43	Raw leather, fur and fur products	825	0,1	-	-
44-49	Wood and pulp and paper products	13 259	1,0	2	0,0
50-67	Textiles, textile products and footwear	4 282	0,3	4 654	12,1
72-83	Metals and metal products	103 907	7,5	15	0,1
84-90	Machinery, equipment and vehicles	128 196	9,3	1 855	4,8
68-71, 91-97	Other goods	29 610	2,0	150	0,4

* HS - commodity nomenclature of foreign economic activity.

Russia's exports to Mongolia are dominated by the 27th commodity group of TN VED, primarily oil and oil products. The share of engineering products in Russia's exports is only 9.3%. Russia's imports from Mongolia are dominated by the 25th commodity group of HS, and in the 1990s copper ore and its concentrates prevailed, at present - fluor spar containing calcium fluoride [5, p. 105]. The import substitution policy also makes its adjustments to the commodity structure of Russia's imports [14]. Mining will remain the main branch of Mongolia's specialization in the international geographical division of labor in the near future [15].

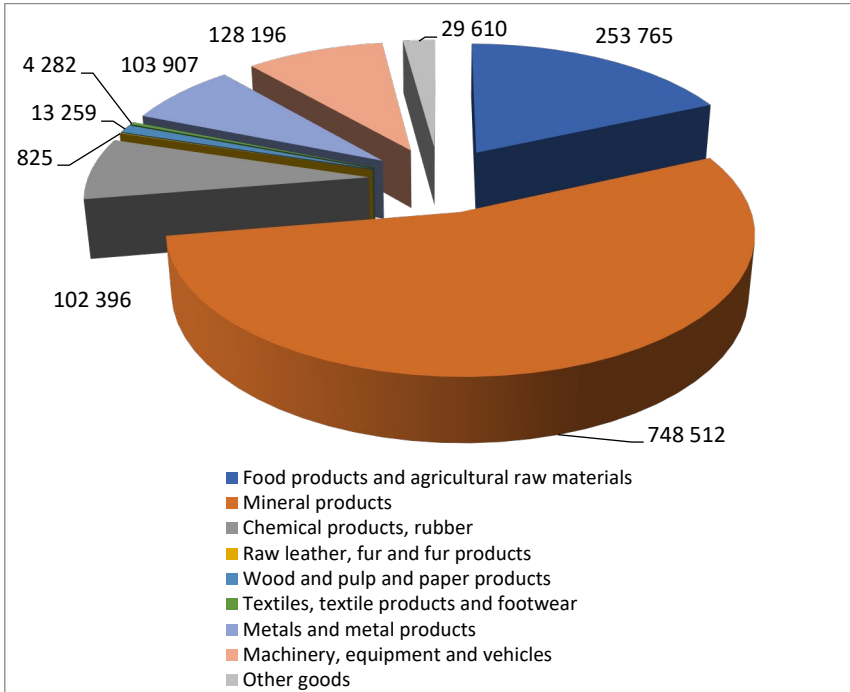


Fig. 1. Commodity structure of Russia's exports to Mongolia in 2020, thousand USD (according to Table 3)

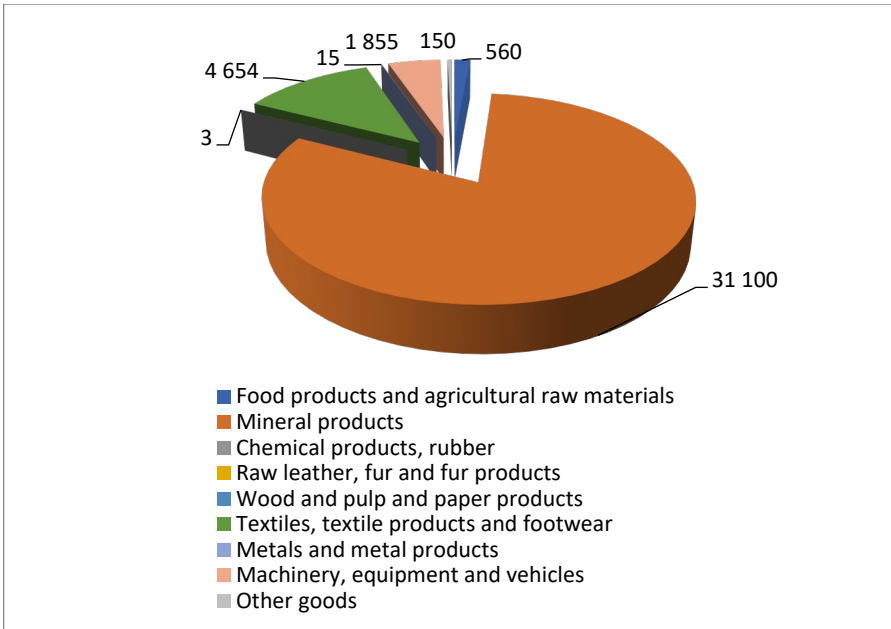


Fig. 2. Commodity structure of Russia's imports from Mongolia in 2020, thousand USD (according to Table 3)

To ensure sustainable development of Russia's foreign economic cooperation with Mongolia (including with other countries) it is necessary to comply with the ESG principles. According to these principles, companies involved in international trade should

minimize negative impact on the natural environment, improve social conditions for people and implement effective fair corporate governance.

In recent years, Mongolia is beginning to emphasize ESG models for the development of its economy. Green loans are present in the financial market. These are loans that meet the requirements of the Green Taxonomy adopted by the Financial Stability Board of Mongolia. In 2021, Mongolian banks issued \$92.4 million in green loans. In 2021, Mongolian banks issued \$92.4 million in green loans. Mongolia ratified the Paris Climate Agreement in 2016. Legal regulation of sustainable development is also well established in Mongolia. The Green Development Policy of Mongolia, adopted in 2014, states that the strategic goal is to "... to increase investment in natural capital, human development and clean technologies by introducing financing, taxes, credit and other incentives to support the green economy". Mongolia adopted its own Sustainable Development Vision 2030 in 2016, which also addressed international cooperation. Mongolia's long-term development policy "Vision 2050", adopted in 2020, lists the main objectives of sustainable development: 1) develop a low-carbon economy, 2) preferentially develop the agricultural sector adapted to climate change, 3) introduce green building, etc. [16]. An important place in solving these tasks is given to foreign economic relations with neighboring countries.

The geography of Russia's foreign trade with Mongolia (regional structure) is presented in Figure 3. Foreign trade with Mongolia in 2021 was conducted by 74 constituent entities of the Russian Federation (73 exported their products, 41 imported goods from Mongolia). However, the goods exchange between Russia and Mongolia is characterized by a high concentration in certain territories: the Samara region accounts for one third of the foreign trade turnover, the first three subjects of the Russian Federation - more than half (57%), the first ten - more than three quarters of the foreign trade turnover (tab. 4).

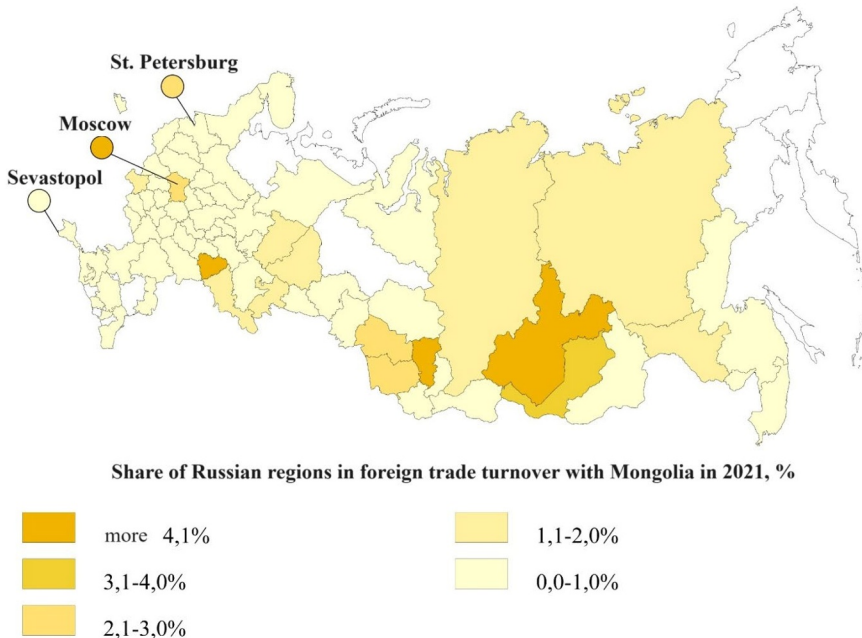


Fig. 3. Specific weight of RF subjects in foreign trade turnover with Mongolia in 2021, % [13]

In 2021, the Samara Region exported oil and oil products worth 606,773.4 thousand USD (97% of its exports) to Mongolia. The Kemerovo Region's exports of goods to

Mongolia are dominated by oil, mineral fuels - 152,932.5 thousand USD (61 % of exports) and ferrous metals - 81,075.2 thousand USD (32 %). In the export of Moscow to Mongolia, the main group of goods was also oil and mineral fuel - 75,273.9 thousand US dollars (44%).

The main type of raw materials imported by Russia from Mongolia is fluorspar. In 2021, fluorspar was imported by Perm Krai, Chelyabinsk and Sverdlovsk Oblasts and other regions. All these factors confirm the raw material specialization of Russia's foreign economic relations with Mongolia.

Table 4. Russian regions - Mongolia's most active trade partners in 2021. [13]

Subject of the Russian Federation	Turnover		Export, thousand USD	Import, thousand USD	Balance, thousand USD
	thousand USD	as % of RF			
1. Samara region	623789,2	33,6	623782,4	6,8	623775,6
2. Kemerovo region	253438,8	13,6	252178,1	1260,7	250917,4
3. Moscow	175046,3	9,4	171946,1	3100,2	168845,9
4. Irkutsk region	84951,0	4,6	83117,2	1833,8	81283,4
5. Republic of Buryatia	56756,0	3,1	54103,7	2652,3	51451,4
6. Novosibirsk region	49522,3	2,7	49003,1	519,2	48483,9
7. Moscow region	46283,1	2,5	45315,4	967,7	44347,7
8. Altai region	41698,5	2,2	41127,3	571,2	40556,1
9. St. Petersburg	39224,2	2,1	38935,0	289,2	38645,8
10. Amur region	35681,2	1,9	35354,7	326,5	35028,2
Other regions	452768,1	24,3	421218,7	31549,4	389668,3
Total for the RF	1859158,7	100,0	1816081,7	43077	1773004,7

4 Conclusions

The following results have been obtained as a result of this study:

1. the former Soviet Union was Mongolia's main trading partner and investor in its economy. In the peak years, the specific weight of the Soviet Union in Mongolian foreign trade turnover reached up to 90%, while the environmental aspects of cooperation were not considered. In the crisis years of the 1990s for both countries there was a sharp decline in mutual trade. Since 1997, China has become Mongolia's leading counterparty in foreign trade. Russia's share in Mongolian exports has fallen to 1% (China's share is about 90%), Russia is not every year among the three leading importers of Mongolian goods. In Mongolian imports Russia (share of 25-35 % in recent years) holds the 2nd place after China. The Netherlands has become the leading foreign investor in the Mongolian economy. The main reason for the transformation of Russia's foreign economic relations with Mongolia was the change in its foreign economic policy.

2. The commodity structure of Russia's exports to Mongolia is dominated by mineral fuels, especially oil and oil products. This commodity composition of Russian exports is stable. Insignificant changes occurred in the commodity structure of Russia's imports from Mongolia. The commodity group "Mineral Products" remains the main one, but within it the prevailing products have changed. Whereas in the 1990s copper ore accounted for a significant share in Russia's imports, at present it is fluorspar. The commodity structure of mutual trade is determined by the established specialization of the analyzed countries within the framework of the international geographical division of labor. This commodity

structure with the predominance of products from environmentally intensive industries does not meet the requirements of the concept of sustainable development.

3. The intra-regional geography of Russia's foreign trade with Mongolia is formed depending on several factors: 1) the level of socio-economic development of the subject of the Russian Federation, 2) the sectoral structure of the economy of the subject of the Russian Federation (for example, the predominance in the structure of the fuel industry, the products of which are exported to the neighboring country), 3) the needs of the economy of the subject of the Russian Federation in mineral resources extracted in Mongolia and other products, 4) the neighboring and transport-geographical position of the regions. The environmental factor does not particularly affect the intra-regional geography of Russia's cooperation. At the same time, the geographical proximity of Russian regions to Mongolia is not the main factor in the development of foreign trade relations. Thus, four regions - Mongolia's first-order neighbor in terms of foreign trade turnover took the following places among the subjects of the Russian Federation: the Republic of Buryatia - 5th, the Transbaikal Territory - 44th, the Republic of Altai - 47th, the Republic of Tyva - 55th. And the most active counterparty was Samara Region, which is located at a distance of more than 3 thousand kilometers from Mongolia. Samara Region has the most powerful oil refining complex in Russia, the products of which are mainly exported to Mongolia. The top ten most active trade partners also include the federal cities of Moscow and St. Petersburg, which perform the capital function and are the main foreign economic "gates" of Russia.

4. Russia's foreign economic relations with Mongolia have been growing in recent years. In the near future, it is likely that the increase in the volume of mutual foreign trade will continue [17]. This will be facilitated by the "reversal" of Russia's foreign economic relations to the east and south, changes in the Russian foreign economic policy, the possible emergence of the transport corridor Russia - Mongolia - China, investment in the Mongolian economy and the implementation of joint projects. There are prospects for growth of food, energy and educational exports to Mongolia, imports of mining products from Mongolia.

The geographical position of Mongolia determines the continuation of China and Russia as the main trade partners with the growing role of the "third partner" (the United States and Western countries). Russia will not be able to take the place of China as the main foreign trade counterpart of Mongolia in the near future due to the current socio-economic situation and geopolitical factor, and Mongolia will not be among the leading trade partners of Russia due to underdeveloped economy and structural problems in the economy.

5. The foreign economic relations of countries are closely interconnected with key environmental issues. The growth of international trade indicators currently leads to the aggravation of environmental problems and does not contribute to the sustainable development of the Earth. Prices for many types of environmentally unsafe products on world markets are high, which delays the reorganization of technological foundations and sectoral structure of production [18]. Foreign trade policy of countries often contradicts the basics of the concept of sustainable development. The introduction of ESG principles in foreign trade cooperation and the creation of favorable conditions for environmental investment are urgent tasks facing the countries specializing in international trade in the export of raw materials (including Russia and Mongolia).

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