

AN INTERVIEW WITH ALICIA CAMPI

The Recent Election in Mongolia and the Future of Northeast Asia

BY HENG “AMBER” QIN

Published: August 9, 2017

Landlocked between two major powers and rich with natural resources, Mongolia has actively pursued a strategy to diversify its external partnerships with countries in Northeast and Southeast Asia. As part of this “third neighbor” policy, the Mongolian Armed Forces have undergone significant restructuring and modernization and are considered a respectable partner in regional peace operations. Meanwhile, Mongolia’s economy remains weak and dependent on nonrenewable natural resources.

Following the recent election on July 9, the future trajectory of Mongolia’s foreign policy and U.S.-Mongolia relations raises many questions for U.S. policymakers and analysts. Given the increasingly close Sino-Russian relationship, Mongolia may prove to be helpful in guarding and enhancing U.S. interests in Asia. NBR spoke with Alicia Campi (Johns Hopkins SAIS) to better understand the policy and security implications of the recent Mongolian presidential election and to discuss the best course of action for the United States.

What were the main issues at stake in the Mongolian presidential election on July 9?

The presidential election this year centered around two issues: who should be Mongolia’s main trading partners going forward, and what is the appropriate role for Mongolia on the world stage.

For 70 years until 1990, Mongolia was a Soviet satellite and did not have much contact with China. The country’s move away from a close relationship with Russia in the last 25 years toward today’s economic dependence on China has produced a great deal of societal tension. Mongolia has formulated an economic development strategy that focuses on the development of large mining deposits, but this plan has been undermined by instability in its own government and uncertainty regarding the mining laws and regulations for foreign investors. All of this was compounded by the recent decline in mineral prices, which caused a number of Western investors to drop out. As a result, most of the players left in the market are Chinese investors, who are sometimes financially backed by their government for

other than economic reasons. Chinese investment has reached the point of a near total monopoly of Mongolia’s economy: in 2015, China accounted for 88% of Mongolian exports and was the top foreign investor.

Economic instability, the lack of effective regulations, and China’s increasing control and presence have caused the rise of a Mongolian nationalist movement and sometimes anti-Chinese sentiment. Mongolians have a choice—to stay with China as their main trading partner or find other available options if they are not willing to continue relying

ALICIA CAMPI is a Research Fellow in the Reischauer Center at Johns Hopkins SAIS and President of The Mongolia Society. She was a State Department foreign service officer for fourteen years, serving in Singapore, Taiwan, Japan, the UN in New York, and Mongolia. She is the author of *The Impact of China and Russia on United States–Mongolian Political Relations in the Twentieth Century* and the forthcoming *Mongolian Foreign Policy in the Democratic Era*.

solely on China. Mongolia lacks transit infrastructure, and Russia, which is its other border neighbor, has the interest but not the money to invest in a northern Mongolian transit route, which could bring Mongolia other trade partners.

Another issue is whether Mongolia should continue to focus on globalized development or return to much more domestically centered development—which is a very comparable trend to those exhibited through the Brexit vote and the election of Donald Trump. The previous president, Tsakhia Elbegdorj, had a vision of Mongolia being active on the international stage. Hence, Mongolia became very active in the Community of Democracies and World Economic Forum in Davos, and the president had plans to make Mongolia a center for international organizations, such as the United Nations, to hold conferences in Ulaanbaatar. This externally oriented perspective resulted in some backlash against Elbegdorj, with critics arguing that he was more focused on international image than working together with the parliamentary government to solve Mongolia's developmental and social problems.

Similar to Donald Trump, Khaltmaagiin Battulga campaigned on the promise of “Mongolia first,” which above all means equal partnerships and better trade deals with countries like China. What are the prospects for President Battulga to actualize his so-called Mongolia-first policy?

I believe very firmly that Mongolian politicians of all parties understand clearly that Mongolia is a landlocked country between two great powers, and that it has poor infrastructure. In the past few years under Elbegdorj, as Russia and China have grown closer to one another for energy and economic reasons, Mongolia decided that it did not want a “great game” being played around them in the region. President Elbegdorj devised a new economic corridor strategy called “trilateralism.” He insisted that Mongolia, at least publicly, be at the table negotiating with the two other presidents on an annual basis, usually on the sidelines of the Shanghai Cooperation Organisation, to devise concrete plans on how to better integrate transportation across the Northeast Asian region. From these consultations, there have been real infrastructure and transportation developments, as well as improvements in customs coordination, over the past three years.

The newly elected president, Battulga, is a successful businessman who understands that in order to diversify trade partners to include Europe, India, or Japan, Mongolia needs to get more connected through infrastructure development with its two neighbors. For twenty years in the democratic era, Mongolians understood the necessity and the importance of infrastructure development but deliberately rejected it. Infrastructure development was seen as being oriented solely toward China, which would perpetuate China's trade partner bias and monopoly of Mongolia's economy. With the recent rapprochement between China and Russia, Russia has been able to persuade China to cooperate in areas of the Russian Far East to revise and modernize Russian transit and communication infrastructure toward the maritime Pacific. That plan carries the potential for Mongolian railways and highways to go not only south but also north, as long as the rapprochement exists between the two big powers. Instead of being locked out by its neighbors, Mongolia has developed a policy of engagement and has relied on Russia to represent its point of view with China. I predict that this trilateral strategy to develop Mongolia as a transit nation in Eurasia will continue.

Further, even if President Battulga wants to pursue a Mongolia-first policy, he will be hampered because he is not very popular within his own party, the Democratic Party (DP). He was at odds with the previous president, who was also from the DP and worked against Battulga during the pre-general election campaign. In addition, the rival Mongolian People's Party (MPP) since 2016 has had full control over the parliament. The MPP is the ex-Communist party that traditionally is more pro-Russian, possibly less free-market, and less transparent. Its candidate became the favorite of certain elites in the recent election, including Western and Chinese investors. However, Mongolian politics is personality-driven, as opposed to being driven by political ideology. Personalities within the parties lead factions and attract the attention of the populace. As a former parliamentarian, President Battulga understands and will be able to work with some factions in the MPP-dominant party. He will have to court some parliamentarians and their constituents, who either didn't vote in the recent election or were with the MPP but are younger and don't

like the way the nation's policies have developed. If the economy is moving forward, members of the parliament and the public could be enticed to support his Mongolia-first policy.

What does President Battulga's victory signal for Mongolia's third-neighbor policy, as well as its foreign policy toward China and Russia for the next four years?

The Mongolian government's national security concepts of 1994 and 2010 never officially used the term "third neighbor." They list countries important for Mongolia in a prioritizing order, and most of those countries (e.g., Russia, China, the United States, Japan, the EU countries, South Korea, Turkey, and India) were the same in both documents. The term "third neighbor" has not gone out of fashion but is continually redefined or reprioritized over the years. A possible new third neighbor might be Iran, as a major client for Mongolian meat and minerals. In terms of possible reprioritizations, President Battulga is interested in India because he is a fervent Buddhist and a supporter of the Dalai Lama. Mongolia and the Dalai Lama have cultural and religious connections, and during the last 30 years the relationship between Mongolia and the Dalai Lama has been facilitated out of Delhi. This is a sore point with China.

The idea that President Battulga is a puppet of Vladimir Putin has come up in the foreign press, but that is not the case. He is a very savvy politician. He is pro-Russia but also knows it is not possible to exclude China from Mongolia's economic development. The question is the degree to which China should be represented in Mongolia's economy. Since there is not a united DP to support President Battulga's nationalist initiative, it is unclear what his relationship with Japan, South Korea, and the EU countries would be. Alternatively, he may focus mainly on Mongolia internally and less on the outside world or Mongolia's role on the global stage. It seems that until transit infrastructure is completed through the trilateralism policy, President Battulga's strategy will be to slow everything down relating to China. China is hurt by his election, but there likely won't be a major change of policy to reorient regulations and rules just to target China.

Can you elaborate on Mongolia's interests in helping solve regional security issues, such as nuclear tensions on the Korean Peninsula, given its precedent of serving as a neutral territory for dialogue?

President Elbegdorj believed that Mongolia could break out of its isolationism and its lack of voice in the international community by serving as a bridge to solve regional problems in Northeast Asia. Northeast Asia is one of the only developed regions that does not have institutional structures and frameworks, and Mongolia is the only country in this region that does not have major problems with any of its neighbors. Becoming more active in regional security is a way to raise the profile of the country in order to break out of its landlocked isolation between China and Russia and eventually expand economically. The Ulaanbaatar Dialogue on Northeast Asian Security just finished a fourth round, and North Korea attended three of the four rounds. It is the only multilateral dialogue framework today that North Korea has been participating in, which is due to Mongolia's long-standing relationship with North Korea. Mongolia was the second country after the Soviet Union to recognize the North Korean government, and it took a number of the politburo's children and grandchildren in for protection to save them during the Korean War. In reality, Mongolia is the only country that North Korea, to some extent, trusts. If President Trump were to meet with Kim Jong-un, the one place such a dialogue could take place is in Ulaanbaatar.

Mongolia has the ability and track record of helping the North Koreans. It has moved some money back and forth from other countries to North Korea, been the site for Japanese negotiations with North Korea on the return of Japanese abductees, hosted nonofficial discussions between the United States and the DPRK [Democratic People's Republic of Korea], and given North Korean ships Mongolian flags for cover so that they could enter international ports. President Battulga may not pursue Korean Peninsula security efforts at the same level of interest as his predecessor did, but in reality the only solution to Mongolia's landlocked status is to find ports for Mongolian products other than Tianjin or Vladivostok, both of which are at overcapacity. The best viable option for Mongolia to decrease its isolation is the North Korean port at Rajin-Sonbong. As long as we can have some peace and some

confidence building on the peninsula, that port is Mongolia's answer to its isolation. Mongolia has been willing to play a neutral role as a bridge to North Korea, but the window on this possibility may be closing, as tensions on the Korean Peninsula mount and military options rise in consideration. Nonetheless, it remains the best location for negotiations, and the nations participating in the six-party talks should more effectively include Mongolia in regional peacemaking efforts.

In what direction do you foresee U.S.-Mongolia relations going over the next four years? What realistically can be done to strengthen the bilateral relationship in a way that enhances U.S. interests in the region?

We must be realistic about the limited potential of bilateral economic ties, which unfortunately are not very strong in terms of direct trade, particularly in raw minerals. However, the United States and Mongolia can develop cooperation in agricultural products, small and medium enterprises, education, media, and legal services. After all, Mongolia is a flourishing democracy located between the Chinese and Russian markets. But it is not economically viable nor particularly helpful to Mongolia or U.S.-Eurasian interests for giant U.S. companies just to act as intermediaries to the Chinese market. The U.S. government should be strengthening Mongolian economic independence rather than promoting Mongolian economic dependence on the two border neighbors.

Since 2003, the United States and Mongolia have conducted joint military training exercises under the name Khaan Quest, which has grown to include 51 countries. China began as an observer and now is a full participant. In 2005, Donald Rumsfeld went to Mongolia to announce the establishment of an international peacekeeping training center, and President George W. Bush made a very successful state visit, which included a speech to the Mongolian parliament and nation. The United States initially gave \$17 million to set up the Five

Hills training center. Mongolia also has separate annual exercises with Russia, which has its own training facility close to the peacekeeping training base. Additionally, the U.S. military has a strong relationship to Mongolia through the Alaska State National Guard. Mongolia also has been active in supporting U.S. allied military efforts in Afghanistan and Iraq and has built a reputation in the Pentagon and the U.S. Congress as a reliable military partner. The military ties have been the best part of the U.S.-Mongolia relationship for the past fifteen years and likely will continue because they have grown within a multilateral framework. Our military relationship is a strong one, and both sides have been careful to develop it in a meaningful way, yet in such a manner as to not threaten Mongolia's two giant neighbors.

One should note that Mongolia's peacekeeping and democracy training activities are appealing particularly for Central Asian countries and states like Myanmar that either have been ignored or have existing problems with neighbors and don't want to rely on larger countries like India to be trained. Mongolia has been very successful in developing this role into a business. Former president Elbegdorj created an international development fund to share his nation's experiences and lessons with Myanmar, Kyrgyzstan, and Afghanistan, among other countries, in building an effective parliamentary democracy, legal reform, and training for diplomats and public servants, journalists, and other civil society members. He also promoted Mongolia as a Silk Road tourism center. It will be interesting to watch President Battulga's efforts in these areas. ◆

THE NATIONAL BUREAU OF ASIAN RESEARCH (NBR) is a nonprofit, nonpartisan research institution headquartered in Seattle, Washington, with a second office in Washington, D.C. For information on NBR's programs, please visit www.nbr.org.

Media inquiries may be directed to Dan Aum, Director, Government and Media Relations, at media@nbr.org or (202) 347-9767.



THE NATIONAL BUREAU of ASIAN RESEARCH

1414 NE 42ND STREET, SUITE 300
SEATTLE, WA 98105 • 206-632-7370

1819 L STREET NW, NINTH FLOOR
WASHINGTON, D.C. 20036 • 202-347-9767

www.nbr.org