Mongolia

Overview

Mongolia is a landlocked nation of 3 million people between Russia and the People's Republic of China (PRC). It has been viewed as a democratic success story both among former Soviet satellite states and in Asia. In 1989, democratic activists staged protests against communist rule and formed the Mongolian Democratic Union. The Mongolian People's Revolutionary Party (MPRP), which had ruled the country since 1921, allowed multiparty elections in 1990 and relinquished power in 1996, when a Democratic Party (DP)-led coalition of opposition forces won nationwide elections.

Mongolia's foreign relations are driven by a desire to preserve its autonomy by balancing relations between major partners, including the United States, China, and Russia, and also Japan and South Korea. Its economy is supported by extensive mineral resources, but growth remains uneven, driven by fluctuations in mineral and petroleum prices.

U.S.-Mongolia Relations

The United States established diplomatic relations with Mongolia in 1987, and Mongolian leaders describe the United States as Mongolia's most important "third neighbor"—countries that do not border Mongolia but have close relations with it. Polling indicates Mongolian perceptions of the United States are largely positive. Mongolia's relations with its former patron Russia remain close, and many Mongolians regard Russia with some affection. At the same time, they remain wary of China, their largest economic partner. Mongolia's official relations with China largely have been amicable, with the exception of periods of tension and pressure from Beijing following visits to Mongolia, a traditionally Tibetan Buddhist country, by the Dalai Lama, the exiled Tibetan spiritual leader whom the PRC government asserts aims to split Tibet from China.

The U.S. government views Mongolia as an "emerging partner" and as a country with which it may cooperate to achieve a "shared vision of rules-based order in the Indo-Pacific." The Department of State's Congressional Budget Justification for Foreign Operations, FY2019, states, "The primary goals of U.S. assistance to Mongolia are to ensure the United States remains a preferred partner over geographical neighbors Russia and China and to give Mongolia greater latitude to chart an independent foreign and security policy."
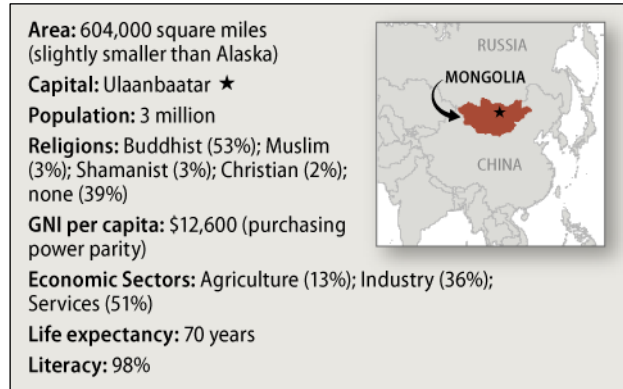
Mongolia participates in United Nations global peacekeeping operations and has over 1,000 peacekeepers deployed in Africa. Mongolia sent troops to Iraq from 2003 to 2008 and currently has over 200 troops in Afghanistan supporting Coalition operations. U.S. Indo-Pacific Command and the Mongolian Armed Forces (MAF) hold an annual multinational peacekeeping exercise in Mongolia

known as Khaan Quest. Khaan Quest 2019, the 17th such event, focused on peacekeeping and stability operations and involved 900 MAF personnel, 220 U.S. military personnel, and participants from 29 other countries including China.

In April 2019, the United States and Mongolia held bilateral consultations in the Mongolian capital of Ulaanbaatar, the first such dialogue held under the auspices of the U.S.-Mongolia Expanded Comprehensive Partnership established in 2018. The two sides discussed regional security matters, issues related to Mongolia's economic development, and bilateral cooperation on aviation and mining safety.

In April 2019, the Mongolia Third Neighbor Act, "To promote United States-Mongolia trade by authorizing duty-free treatment for certain imports from Mongolia," was introduced in the House (H.R. 2219) and Senate (S. 1188).

Figure 1. Mongolia at a Glance

Area: 604,000 square miles (slightly smaller than Alaska)
Capital: Ulaanbaatar ★
Population: 3 million
Religions: Buddhist (53%); Muslim (3%); Shamanist (3%); Christian (2%); none (39%)
GNI per capita: $12,600 (purchasing power parity)
Economic Sectors: Agriculture (13%); Industry (36%); Services (51%)
Life expectancy: 70 years
Literacy: 98%

Sources: Central Intelligence Agency, *The World Factbook*, 2018. Map created by CRS, 2018.

Mongolians participate in programs of the Open World Leadership Center, a U.S. congressional agency whose mission is to introduce rising leaders of 17 Eurasian countries to U.S. governing and free market systems. Mongolia's legislature is one of 21 parliaments worldwide that have partnered with the U.S. House Democracy Partnership, a bipartisan commission of the U.S. House of Representatives that works to "strengthen democratic institutions by assisting legislatures in emerging democracies."

The United States and Mongolia both are members of the Association of Southeast Asian Nations Regional Forum (ARF). Mongolia is one of nine NATO "partner" nations, along with Japan and South Korea in East Asia. Mongolia also is a member of the Governing Council of the Community of Democracies, established in 2000 to support democratic transitions worldwide.

U.S. Foreign Assistance

In recent years, U.S. foreign assistance to Mongolia largely has consisted of security assistance. Under the Department of State's Congressional Budget Justification for Foreign Operations, FY2020, Mongolia would receive assistance for strengthening its democracy, promoting enterprise-driven economic growth, and expanding its economic base. In FY2018, Mongolia received $4.73 million in U.S. foreign assistance, which included the following:

- **Foreign Military Financing (FMF):** $2.6 million to bolster peacekeeping and other capabilities of the MAF.

- **Nonproliferation, Antiterrorism, Demining, and Related Programs (NADR):** $0.20 million to address weapons proliferation threats along Mongolia's borders.

- **International Military Education and Training (IMET):** $1.93 million to familiarize MAF personnel with U.S. military doctrine and values, build capacity, and develop military-to-military relationships.

The Peace Corps is active in Mongolia with 99 volunteers involved in English language and health education. A USAID-supported Leaders Advancing Democracy (LEAD) Mongolia program brings young Mongolians to the United States to learn about how to engage in civic action.

The U.S.-funded Millennium Challenge Corporation (MCC) carried out an initial five-year (2008-2013), $285 million compact or aid package in Mongolia, focused on property rights, vocational education, health, road infrastructure, and energy and the environment. In July 2018, the MCC launched a second, $350 million compact in Mongolia, which focuses on providing a sustainable water supply to Ulaanbaatar.

Politics

Mongolia's political system is "semi-presidential," with a parliament and Prime Minister as well as a popularly elected President. The Mongolian Prime Minister is the head of government with primary responsibility for executive ministries, while the President plays a primary role in foreign policy, chairs the National Security Council, and serves as the Commander in Chief of the armed forces.

Since 1990, Mongolia has alternated between coalitions led by the MPRP (now MPP) and Democratic Union (now dominated by the Democratic Party). In 2016, the MPP won a large majority of seats in the 76-member unicameral legislature, the State Great Khural, gaining 39 seats in the election while the ruling Democratic Party lost 25 seats, in part because many voters blamed the DP for an economic slump that began in 2013 under its rule. The MPP now holds 64 seats while the DP has seven. Prime Minister Ukhnaagiin Khürelsükh of the MPP was elected by the Great Khural in October 2017. The President, Khaltmaagiin Battulga, who is affiliated with the Democratic Party, was elected in July 2017 by a 55%-45% margin. New elections are due in 2020 (parliamentary) and 2021 (presidential).

Consolidation of Presidential Power

Some observers are concerned about what they view as President Battulga's attempts to consolidate power. In April 2019, the Mongolian legislature passed legislation that expanded the authority of the President. Based upon this new law, Battulga dismissed the Prosecutor General, who had been investigating dozens of Members of Parliament on allegations of corruption, and the Chief Justice of the Supreme Court. Members of Battulga's own party in the legislature opposed the law as unconstitutional.

Economics

The economy is recovering from a slump that began in 2013 due to falling commodities prices, government mismanagement and unsustainable expansionary policies, and a drop in foreign investment. In 2017, Mongolia and the International Monetary Fund (IMF) reached agreement on a program of fiscal reforms and a $5.5 billion bail-out package that includes support from the IMF, the Asian Development Bank, Japan, Korea, China, and other donors.

Exports, which are primarily commodities, account for 40% of Mongolia's GDP. China buys over 85% of Mongolian exports, while Russia supplies Mongolia with 90% of its energy (refined oil). Mongolia's trade with China, with which it has a trade surplus, totaled $6.3 billion in 2017. Leading Mongolian exports to China include coal, copper and other ores, crude oil, and unprocessed cashmere. Mongolia produces over a third of the world's raw cashmere, most of which is exported to China and turned into garments by Chinese manufacturers. As Mongolia has developed economically, Ulaanbaatar has become one of the world's cities with the highest levels of air pollution, fueled by coal-heated dwellings (*gers* or yurts), coal-fired power plants, and automotive exhaust.

U.S. trade with Mongolia shrank during Mongolia's economic downturn, from $707 million in 2012 to $66.5 million in 2016; it rebounded to $131 million in 2018. This decrease in large part reflected a dramatic drop in Mongolian imports of U.S. vehicles, machinery, and aircraft. Mongolia's exports to the United States, of which the largest items are minerals, knit apparel, and art and antiques, were valued at $10.1 million in 2018. Mongolia is a beneficiary of the U.S. Generalized System of Preferences (GSP) program. Eligible products include tungsten, one of Mongolia's top export items to the United States; certain handmade or handicraft textile products; and some non-apparel items that use cashmere or furs. Cashmere sweaters are excluded.

The Mongolian government has entered into agreements with China and Russia to jointly develop roads, railways, and power grids that link the three countries. Plans include a Mongolia-China-Russia economic corridor and free trade zones on both borders. Mongolia and China envision integrating Mongolia's road and development plans with China's Belt and Road Initiative.

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