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蒙古的「第三鄰國」政策：以對歐盟關係為例

Mongolia's Third Neighbor Policy with Special Reference of

Mongolia-EU Relations



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ABSTRACT

Following seven decades of communist rule, with the democratic revolution, Mongolia adopted new security and foreign policy in the beginning of 1990ies. Mongolia's Foreign Policy concept is to maintain friendly relations with two immediate neighbors the superpowers China and Russia and develop equal and balanced relations with both of them and good-neighborly cooperation. The concept further stated Mongolia's foreign policy shall be developing friendly relations with developed countries that do not border it, but which serve as metaphorical "third neighbors". In order to do that Mongolia adopted Third Neighbor Policy - a facet of foreign policy of Mongolia.

Mongolian relations with the EU have been developing positively and comprehensively since 1989 and in 2019 Mongolia and the EU to commemorate the 30th anniversary of the establishment of diplomatic relations. The EU regards Mongolia as an important partner and involved in national and regional cooperation activities. Mongolia regards EU as one of its "third neighbors". This study examines EU-Mongolian relations since 1989 and concurrent changes and development in their policy and why the third neighbor policy has been pursued. This study also considers the effect of the third neighbor policy on EU-Mongolian relations in 30 years of bilateral relations and especially how EU's role has been as a "third neighbor" to Mongolia.

Keywords: Foreign policy, Mongolia, Third Neighbor Policy, Mongolia-EU relations

摘要

在 1970 年的共產主義統治之後，隨著民主革命的推展，蒙古在 1990 年代初採取了新的安全和外交政策。蒙古川統的外交政策理念，是同兩個近鄰、中俄保持友好關係，發展平等互利的關係和睦鄰友好合作關係，進而提出「第三鄰國」外交的政策理念，這一概念指出了蒙古的外交政策應該是與已開發國家發展友好關係，這些國家不與鄰國接壤，而是充當第三鄰國的隱喻。而自 1989 年以來，蒙古與歐盟的關係一直積極、全面地發展，2019 年蒙古與歐盟為紀念建交 30 周年，歐盟亦視蒙古為重要的夥伴，共同參與國家和區域合作活動，歐盟因而被視為重要的「第三鄰國」之一。本研究檢視 1989 年以來歐盟與蒙古的關係及其政策同時的變化和發展，以及為什麼奉行「第三鄰國」政策，特別是歐盟作為蒙古「第三鄰國」對歐盟與蒙古 30 年雙邊關係中的影響。

關鍵字: 外交政策、蒙古、第三鄰國政策、蒙古 - 歐盟關係

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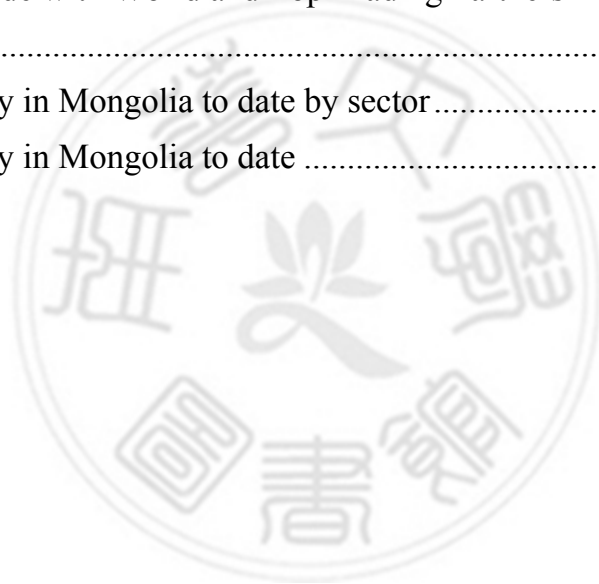
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LIST OF ABBREVIATIONS

APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of South East Asian Nations
ADB	Asian Development Bank
AIF	Asian Investment Facility
COMECON	Council for Mutual Economic Assistance
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ETIAS	European Institute for Asian Studies
EIDHR	European Initiative for Democracy and Human Rights
EU	European Union
GSP+ Scheme	EU Special Incentive Arrangement Sustainable Development, Governance
ILO	International Labor Organization
IMF	The International Monetary Fund
INSC	Instrument for Nuclear Safety Cooperation
MEUR	Million Euros
MIC	Middle income country
MPRP	Mongolian People's Revolutionary Party
NATO	North Atlantic Treaty Organization
NSA and LA	Non State Actors and Local Authorities
ODA Japan	Official Development Assistance
OSCE	Organization for Security and Cooperation in Europe
SME	Small and medium-sized enterprises
TASIC	Technical Assistance to the Common Wealth of Independent States

TEU	Treaty of Lisbon
TIKA	Turkish International Cooperation and Development Agency
TNP	Third Neighbor Policy
TRAM	Trade Related Assistance for Mongolia
USA	United States of America
USSR	The Union of Soviet Socialist Republics
WITCH-Asia Instrument	A grant program funded by Development Cooperation
WTO	The World Trade Organization



CHAPTER ONE INTRODUCTION

1.1 Research Background

Mongolia's 70-year alliance with the Soviet Union concluded with the Union's disintegration in 1990s. During the period of Soviet influence Mongolia acted in accordance with Soviet model policy and economy and also modeled its foreign policy according to the Soviet. With the Democratic revolution, Mongolia approved a peaceful, open, independent and multi-pillar foreign policy preserved in the 1992 Constitution and the Concepts of National Security and Foreign Policy in 1994.¹ The 70-years old unilateral foreign policy was eliminated that was based on ideological relations and close comprehensive cooperation with the Soviet Union and the other COMECON countries.²

Foreign policy of Mongolia is highly influenced by a need of securing its economic independence and sovereignty. Mongolia is land-locked between two political, economic, and military powerful nations Russia and China and must balance its foreign and security policies with these two countries. One might get curious why Mongolia's foreign policy is so much focused on the doctrine of non-alignment to either of its two neighbors. It is as a result of Mongolia's history and its momentous lessons taught the country. Mongolia was under the Manchu rule from 18th to the beginning of 20th centuries. When the Manchu Empire collapsed, Mongolia came under influence of the Soviet Union. From 1921 until 1990, Mongolia was a close ally of the Soviet. During the period of Sino-Soviet tension from the mid-1960s to 1989, the Soviet Union even placed troops and military.³ Therefore, Mongolia determined all very well that in order to exist it should maintain balanced relations the both neighbors, not aligning to either. If Mongolia were to align too closely to one of them, it would surely spark alarm for one the other.

In this regard with the democratic revolution, Mongolia adopted a peaceful, open, independent and multi-pillar foreign policy in the 1992 Constitution and the Concepts of National Security and Foreign Policy and very new the Third Neighbor Policy aiming at broadening its foreign relations outside of China and Russia. The 1994 Mongolia's Foreign Policy concept is to maintain friendly relations with two immediate neighbors the superpowers China and Russia and develop equal and balanced relations with both of them and good-neighborly cooperation. The concept further stated that the second priority of

¹ Batbayar Tsedendamba, "The Third Neighbor" Concept: Historical Continuity and New Reality, 2nd Open Conference on Mongolian studies, Canberra 2013.

² Sanders. A, "Foreign Relations and Foreign Policy," in Bruun, O and Odgaard, O. eds. Mongolia in Transition: Old Patterns, New Challenges, Routledge Curzon p.219.

³ Batbayar Tsedendamba, "Mongolian-Russian Relations in the Past Decade," Asian Survey. Vol. XLIII, 6.

Mongolia's foreign policy shall be developing friendly relations with developed countries in the East and West.⁴

This was a clear implication of Mongolia's Third neighbor Policy, which this study hopes to contribute to current researches and how this third neighbor policy conduct in 30 years of Mongolia and the EU, which is one of Mongolian third neighbor, relations in the following chapters.

As the national interests of a country keep changing, their foreign policies also go through change⁵. The turn of the 21st century witnessed changes both at the domestic as well as foreign front which motivated Mongolian leadership to rethink about revising its existing foreign policy in order to attract foreign partners not only in the politico-strategic field but also in the economic and trade sphere. By its very nature the Mongolian Parliament approved an updated National Security Concept in July 2010⁶ and a revised Foreign Policy Concept in February 2011.⁷ Both the documents redefined the new strategic direction of Mongolia's security and foreign policy.⁸ Although the 2010 Concept does retain relations with China and Russia as a key plank of foreign policy, it dilutes the original importance placed on these relations by affording them on equal footing with the need to maintain relations with 'strategically important states' and the need to develop closer relations with the country's third neighbors.⁹

Since the Third Neighbor Policy was adopted, various countries have been considered suitable partners, including, among others, the United States, EU, Canada, Australia, India, Turkey, South Korea and Japan. However, the Third Neighbor Policy is likely to prove successful only if diplomatic relations are strengthened with closer economic ties.

The choice of Mongolia-EU relations as the subject of a case study on Mongolia's Third Neighbor Policy was not random but carefully selected. There is evidence to suggest that EU is the third biggest trading partner and EU actively encourage Mongolia politically and economically. The motivation of this study to examine the Mongolian third neighbor policy and its influence on Mongolia-EU relations over the 30 years of relations. Mongolia-

⁴ The Mongolian Journal of International Affairs, No.2, 1995.

<https://www.mongolajol.info/index.php/MJIA/issue/archive>

⁵ Krishna, Vaishali, "Mongolia's Foreign Policy: Profiling Fundamental Aspects," International Journal of Applied Social Science Volume 4 (9&10), September & October 2017, pp.402-414.

⁶ National Security Concept of Mongolia 2010.

<http://www.nsc.gov.mn/sites/default/files/images/National%20Security%20Concept%20of%20Mongolia%20EN.pdf>

⁷ Монгол Улсын гадаад бодлогын үзэл баримтлал; State Khural of Mongolia

http://www.mfa.gov.mn/?page_id=26263&lang=en

⁸ Krishna, "Mongolia's Foreign Policy: Profiling Fundamental Aspects," International Journal of Applied Social Science Volume 4 (9&10), September & October 2017, pp.402-414.

⁹ Jeffrey Reeves, "Mongolia's evolving security strategy: Omni-enmeshment and Balance of Influence," The Pacific Review Journal, Volume 25, 2012 Issue 5, pp.589-612.

EU relations have been developing positively and comprehensively since 1989. Mongolia regards EU as its “third neighbor”. The EU regards Mongolia as an important partner and is involved in national and regional cooperation activities on the ground.¹⁰

EU supported Mongolia from the beginning of its democratic revolution. Mongolia-EC cooperation started essentially with the entry into force of the Trade and Cooperation Agreement in 1993. Since then, Mongolia has received about EUR 70 million of EC development aid, primarily under the TACIS program (Technical Assistance to the Commonwealth of Independent States) and under the ALA program (for Asian and Latin American developing countries). Aid was focused on the transition towards a market economy, including human resources, support to SMEs (Small and Medium Enterprise), institutional and infrastructural development and mitigate the social consequences of transition. EU support Mongolia under the program such as 2007-2014 DCI Strategic Paper¹¹ as well as on going 2014 – 2020 Multi Indicative Program.



¹⁰ Mongolia and the EU, EEAS, 2016

https://eeas.europa.eu/delegations/mongolia_en/1548/Mongolia%20and%20the%20EU

¹¹ European External Action Service (EEAS), Mongolia - European Community, Strategy Paper 2007-2013.

1.2 Literature Review

In international relations literature, there are numerous researches and studies in connection with Mongolia's third neighbor policy and relations with its "third neighbors" including EU member states individually but not many in EU as a whole. Many Mongolian and foreign researchers have studied Mongolia's unique geographical location, the issues related to Mongolian history how Mongolia's with the two immediate neighbors have shaped Mongolia's foreign policy. The researchers pointed out that Mongolia has adopted its new Third Neighbor Policy after the democratic revolution as a result of a dramatic change in socio-political and economic change as well as lessons learnt from its complicated history with the two neighbors. Researchers also wrote Mongolia's economic dependence on its two neighbors.

There are handful of studies on the Third Neighbor Policy by international and national scholars. Madeleine E. Bailey¹² in her master's thesis focused on the effectiveness of Mongolia's third neighbor policy- evidence from trade data. In her work she found out that Russia and China have a significant impact on Mongolia's trade. Mongolia's border effects with China and Russia are much lower than for any other country, even after controlling for distance and contiguity. Among other countries, only Korea has border effects that are close to those by Mongolia's two neighbors. Director General of the Department of Policy Planning and Policy Analysis Batbayar Tsedendamba pointed out in his paper¹³ that: "Third Neighbor Policy of Mongolia surely will attract regional and the international attention and promote Mongolia's stability in international context by adhering to policy". Batbayar further stated that The Third Neighbor Policy was not a new idea that come up by Mongolians in 1990s. After the Mongolia's liberation from the Manchu in 1911, Mongolians declared independence and the new government and leaders tried to establish relations with the western developed countries. This was the clear indication of Mongolia's quest for third neighbor by then.

Tuvshintugs mentioned in his article¹⁴ that The Third Neighbor Policy of Mongolia is not only a political phenomenon it also focuses on increasing foreign trade and investment. Mongolian not only names internationally influential countries as its third neighbor, it also choose international community, organizations as its third neighbor as well. He described

¹² Madeleine E. Bailey, *The Effectiveness of Mongolia's Third Neighbor Policy: Evidence from Trade Data*, 2016

¹³ Batbayar Tsedendamba, "The Third Neighbour Policy and Australia," presented for the Second Open Conference on Mongolian Studies (Sydney: Australian National University, Nov 4, 2013).

¹⁴ A. Tuvshintugs, in K. Warikoo and Sharad K. Soni, eds. *Mongolia in the 21st Century: Society, Culture and International Relations*, (New Delhi: Pentagon Press, 2010) p.76.

the Third Neighbor Policy as a success in past two decades of Mongolia's achievement in international relations. From early 1990 Mongolia started reforming its political system. In this process the U.S., United Nations, European countries encouraged its transition to democracy significantly. The third neighbor policy was also an economic success. Those countries supported and acted as donors as Mongolia to transit from its difficult times after the Soviet collapse and its investment and subsidies stopped. The countries guided Mongolia to overcome its economic hardship moving into market economy.

Most scholars mentioned Mongolia's recent boom in mineral sector brought an opportunity to lure economic interest from its third neighbor countries. Mongolia also seeks matching economic interests.

In her series of European Institute of Asian Study Briefing Papers 2013, Kateryna Rolle¹⁵ wrote Mongolia and its relationship with the European Union (EU) as well as Country Strategy Paper (CSP) 2007-2013 and the success of EU-Mongolia relations, the development of the relationship from 1989 until 2013 and the prospects for further areas of development cooperation between the two parties.

Jargalsaikhan Mendee¹⁶ wrote in briefing paper of Europe-Central Asian Monitoring that EU is the third largest trade partner of Mongolia, which means there are advantages for both sides in economic collaboration. Mongolia to strengthen its relations with its third neighbor means its aim to balance the influence its two physical neighbors. Most of smaller states in western countries also experienced suffering as a result of the geopolitical interests of their neighbors like Mongolia. He further stated that EU include Mongolia in its Central Asia Strategy means help the EU in its aim of promoting democracy. Mongolia was the first the post-communist Asian country to adopt electoral democracy along with Central and Eastern European countries. Mongolia's democracy rates higher from the other former Soviet republic's Central Asian countries including Kazakhstan, Kyrgyzstan, Turkmenistan, Tajikistan and Uzbekistan and its two neighbors.

Among few more studies on Third Neighbor Policy Sharad K, Soni explained the Mongolian foreign policy and the Third Neighbor Policy its impact on India and Mongolia's relations. He questioned that if the policy is just to attract more foreign investment and trade partners or is it actually gives due importance to the third neighbors.

¹⁵ Kateryna Rolle, EIAS Briefing Paper , April 2014.

¹⁶ Jargalsaikhan Mendee, Mongolia's Quest for Third Neighbours: Why the European Union? , EUCAM, 2012,
http://www.eucentralasia.eu/uploads/tx_icticontent/MONGOLIA_QUEST_FOR_THIRD_NEIGHBOURS_WHY_THE_EU.

Most of the materials on the relationship between Mongolia and the European Union have been obtained from the official website of the European Union and European Commission project and reports.

Based on the review of literatures on the Third Neighbor Policy, Mongolia's Third Neighbor Policy is achieving success. There was limited Mongolian language research papers and reports. More research the specific facets on Mongolia-EU relations needed.

1.3 Research Data and Methodology

The purpose of this study is to examine Mongolia-EU relations success in frame of the third Neighbor policy over the period 1989-2018. For this purpose, I use Mongolia-EU economic, political and development cooperation as subject to my study. The time frame covers mainly the period from Mongolia's crucial turning point-the democratic revolution to 2018. In 2019 Mongolia and the EU to commemorate the 30th anniversary of the establishment of diplomatic relations. This study hopes to contribute to current research in updated way by examining recent development of Mongolia-EU relations. Based on the research background and literature there are questions that this study raises:

- Has the Mongolia's third neighbor policy been successful in breaking the country's economic dependence from its two neighbors?
- How the EU can be the Ideal third neighbor to Mongolia?

The study is methodologically designed to be a documentary research. The research for this study is based on primary and secondary sources, such as academic articles, official documents and newspaper reviews. Most of the articles in this research are taken from electronic data. I use literature analysis method in order to answer the research questions by comparing the nominated "Third Neighbors" relations with Mongolia briefly but mostly focusing on EU with is proved to be an ideal "third neighbor" of Mongolia. The following institutions were very relevant and important resources: Delegation of the European Union to Mongolia, the Ministry of Foreign Affairs and the National Statistics Office of Mongolia. As far as the most recent developments of Mongolia-EU relations are concerned, internet sources have been very useful in writing this thesis providing helpful links to corresponding sources.

1.4 Research Structure

This thesis will examine these research questions in the following four chapters:

The first chapter researches the background of Mongolia's foreign policy and brief introduce the Third Neighbor Policy and why EU was chosen specifically. The chapter is divided into four sections: Research Background and motivation, Literature Review, Research Data and Methodology and Research Structure.

Chapter two will look into Mongolian foreign policy. Part one looks specifically at the historical approach of Mongolian foreign policy how the country framed its foreign policy during historical period as a small state. This chapter also focuses on emergence of the Third Neighbor Policy.

In Chapter three emphasis will be put on the Mongolia's relations with its "third neighbors" USA, Japan, Korea, India, Turkey, Canada, Australia and EU and the primary drivers of bilateral relations with the countries. Summary will be written at the end of this chapter and explain why EU is worth looking further in the next chapter.

Chapter four look at Mongolia-EU political, trade and development cooperation relations and key the findings from the previous chapters.

Conclusions will be drawn in chapter five based on the previous four chapters. Furthermore, answers to the research questions stated at the beginning of this thesis will be written.

CHAPTER TWO FOREIGN POLICY OF MONGOLIA

2.1 Foreign Policy of Mongolia

Stretching along the Central Asian plateau, with a landmass of 1,564,116 square kilometers and populated by a mere 3,256,176¹⁷ people is second largest landlocked country bordered by Russia to the north and China to the south. Its landlocked position, surrounded completely by Russia and China is illustrated in Figure one.

Figure 1: Mongolia and its neighbors



Source: Alabama Maps <http://alabamamaps.ua.edu/historicalmaps/index.html>

¹⁷ National Statistics Office of Mongolia, Population 2018. http://1212.mn/stat.aspx?LIST_ID=976_L03

Throughout history it has been the issue of small states surrounded by larger neighbors either to be split or occupied by the larger nations, or survives as buffer states by grasping balance of power politics and smart diplomacy.¹⁸ As said before Mongolia is landlocked between Russia and China one of the most powerful nations. In this circumstances Mongolia has necessity to balance its foreign and security policies with its two neighbors and countries beyond.¹⁹ Mongolia is often known as in the history as the conquerors of the world in the 13th century, have had complicated relations with its immediate two neighbors-China and Russia which they had control of each other.

Mongolia and China Relations

Mongolia and China had complicated relations throughout history. The Great Wall was built to keep off the attacks of northern nomads, from the Huns during the Qin Dynasty and later in 13th century Mongols under Kublai Khan conquered all of China by establishing the Yuan Dynasty in 1279 until 1388.

In 16th century Mongolia was scaled down to Manchu Empire from 1691 to 1911. After the fall of the Manchus in 1911, Mongolia declared independence. After the fall of the Qing dynasty the Republic of China was established. During this time, the Beiyang government claimed Mongolia as Chinese territory, but did not have any major control over the region due to civil wars in the south China and the soar of regional warlords in the Warlord Era. As a consequence, Outer Mongolia sought Russian support to claim its independence. In 1919 Chinese general Xu Shuzheng invaded into Mongolia and voided its independence. In 1921, Chinese forces defeated by White Russian forces.²⁰ After short period of time they expelled out by the Red Army and pro-Soviet Mongolian forces. The Mongolian People's Republic was declared in 1924.

Mongolia's involvement in World War two strengthened Mongolia's foreign policy objectives and national interests. In 1939 the Japanese invasion of Manchuria allowed Soviet Russia and Mongolia to strengthen its military co-operations and confronted the Japanese intervention in East Asia, which Mongolian and Soviet Russian army fought the Japanese army in the Khalkh River. Following this battle The Yalta Conference²¹ was a

¹⁸ Eric Her, "The Great Game: Mongolia between Russia and China," *The Mongolian Journal of International Affairs*, No 4, 1997.

¹⁹ Bolor Lkhaajav, "The Significance of Mongolia's Foreign Policy and Security Apparatus on a Global and Regional Scale," 2018

²⁰ Kuzmin, S.L. *History of Baron Ungern: An Experience of Reconstruction*, Moscow, KMK Sci. Pres, pp.156-293.

²¹ The Yalta Conference, also known as the Crimea Conference held from February 4th to the 11th 1945, was the World War II meeting of the heads of government of the United States, the United Kingdom and the Soviet Union for the purpose of discussing Germany and Europe's postwar reorganization. The three states were represented by President Franklin D. Roosevelt, Prime Minister Winston Churchill and Premier

turning point in Mongolia's history. The Yalta Conference ended China's recognition of Outer Mongolia as its part.²² The People's Republic of China established diplomatic relations with Mongolia in 1949 and both sides opened their embassies in Ulaanbaatar and Beijing in 1950 later signed a border treaty in 1962.²³

During the cold war era and Sino-Soviet tension Mongolia China bilateral relations almost froze mostly due to Mongolian alignment with Soviet Union. The Soviets even stationed military troops in Mongolia that lead security concerns for China.²⁴

Mongolia-Chinese relations drastically improved from the 1990s from where a state of invisible to mutual cooperation, by establishing the 'Treaty on Friendship and Cooperation in 1994.²⁵ The bilateral relations have brought a rapid development between the countries in the last two decades. Mongolia and China upgraded the level of its partnership in 2014 from Strategic to the level of Comprehensive Strategic Partnership. The main driving force in Mongolian-Chinese relations are trade and economic cooperation. Today, China is the biggest trading partner of Mongolia.²⁶ Trade with China composes 61.7% of Mongolia's total foreign trade by 2017 and is increasing. In every passing year, Chinese investment in Mongolia is also increasing.²⁷ Two countries are developing cooperation mostly in the mining, energy and infrastructure sectors. It's accurate to say that in the period from the 1990s to 2005, Chinese investment was small and irrational in many fields, mostly criticized as destroying the environment and the economy rather than creating beneficial outcome. Since 2005, especially during the world financial crisis in 2008, China successfully survived the recession and large-scale spending by the Chinese government granted its businesses to save funds for investment in rich mineral deposit in Mongolia.

Joseph Stalin, respectively. At the Yalta Conference in February 1945, it was agreed that the Soviet Union would enter the war against Japan in exchange for recovering territory in the Far East previously lost to Japan and the understanding that the status quo in Mongolia's "independent" status (i.e., Soviet control) would be preserved.

²² Bayarkhuu.D, "Ялтын бага хурал: Монголын тусгаар тогтнол ба Сталин багшийн гавьяа," (The Yalta Conference: Mongolia's Sovereignty and Master Stalin's Accomplishments), *Baabar.mn*, February 13, 2015, <http://baabar.mn/article/6773>

²³ China-Mongolia Boundary: International Boundary Study. The Geographer, Bureau of Intelligence and Research (173): 2–6. Aug 1984.

²⁴ Mongolia-China relations: Library of Congress. Archived from the original on 2013-09-05. Retrieved June 15, 2008

²⁵ It is interesting to note that, although the PRC has recognized Mongolia as sovereign since 1946, the Kuomintang (KMT) Government on Taiwan did not recognize Mongolia as an independent nation until as recently as February 2002.

²⁶ Yurou, "Mongolia's foreign trade turnover up," *Xinhua News* January 15, 2019, http://www.xinhuanet.com/english/2019-01/15/c_137745746.htm

²⁷ Dilek Polat, Foreign Policy of Mongolia, *Foreign Policy Analysis* INRL 309, Yasar University of Turkey, 2017.

Rising China also definitely concerns world, mostly in Asia particularly those countries neighboring China.²⁸

Mongolia –Russia Relations

With the Soviet Russia help Mongolia established a Communist regime in 1921. Since then Mongolia closely allied Soviet Union. During the period of Sino-Soviet warm relations from 1950 to 1959-Mongolia had relatively equal friendship with both neighbors. In 1959, after China and the Soviet Union relations began to cool off, Mongolia started siding the Soviet Union.²⁹ The country remained closely allied and dependent with the Soviet Union for the seventy years. One-party rule by the Mongolian People's Revolutionary Party (MPRP) ruled the country with guidance of Soviets by controlling all aspects of public life. In other words Mongolia was 'ideologically, militarily, and economically annexed to the Soviet Union'.³⁰

During the Soviet control Mongolia acted in accordance with Soviet political and economic model also formed its foreign policy according to Moscow. Mongolian foreign policy instructed from Moscow was based on ideological relations and close comprehensive cooperation with the Soviets and other COMECON countries.³¹ Like any other soviet republics the country also received large amount of financial support from Soviet Union. As Sanders says³² 'Starting almost much from near zero, the Soviet Union built a miniature model of itself in Mongolia. He further writes: A complete Soviet country which has soviet-style apparatus and parliament to make decision at the highest point, total soviet style military and civilian workers. Their stated reason of involvement in Mongolia was to protect Mongolia from Chinese territorial ambitions. In reality they were the main reason of the Sino-Soviet conflict. Soviet troops and military bases were positioned in Mongolia between 1924 and 1956 and again between 1966 and 1992.'³³

Mongolia's seven decades of alliance with the Soviet came to an end with the Unions break down in 1990. Soon after mass public protest was held demanding political and economic reform. First ever multi-party general elections held and announced that the

²⁸ Yufang Hao, Bill K.P. Chou, "China's borderland and their international implications," (World Scientific Publishing 2010).

²⁹ R.Rahul, Asian Survey Vol. 18, No. 7, University of California Press, Jul 1978, pp. 659-665

³⁰ Batbayar Tsedendamba, "Geopolitics and Mongolia's Search for Post-Soviet Identity, Eurasian Geography and Economics," in The Routledge Atlas of Central Eurasian Affairs Vol.51, No.4, pp.323-35.

³¹ Alan J. K. Sanders, "Historical Dictionary of Mongolia," (The Scarecrow Press, 1996), p.219.

³² Ibid p. 239.

³³ T.Ginsburg, "Nationalism, Elites and Mongolia's Rapid Transformation," in Kotkin, S. and Elleman, B. eds. "Mongolia in the Twentieth Century, Landlocked Cosmopolitan," 1999, pp. 258.

People's Republic of Mongolia had renamed itself to Mongolia.³⁴ The disintegration of the Soviet Union provided Mongolia an opportunity to come out of Soviet dependence and act on the international stage.³⁵

Friendship and good-neighborly cooperation declaration signed in 1991 between Russia and Mongolia which was the first confirmation of their bilateral relations as sovereign states. However relations with Russia were in decline for much of the 1990's because of Russia's internal economic and social problems.³⁶ It was not until Putin's visit to Mongolia at the end of 2000 that relations began to revitalize. Extensive relations later on let Russia to become the first strategic partner for Mongolia in 2009.³⁷

Considering Mongolia's geographic position, it is obvious that our relationship with China and Russia is Mongolia's top foreign policy concern. Moreover, landlocked by China and Russia makes it dependent on them by land access to the global markets. Tianjin Port of China is Mongolia's main route to the Asia Pacific and Russia is our main route to Europe.³⁸

Today Mongolia is heavily dependent in terms of foreign trade on both neighbors. That is why I'd like to describe an event that took place in Mongolia on 18 Nov 2016. Then President of Mongolia, Ts. Elbegdorj, unofficially 'invited' the Dalai Lama to visit Mongolia. This would have been the Dalai Lama's ninth visit to Mongolia but unlike previous visits, this one was well known in advance of his arrival, and China quite publicly and strictly warned Mongolia not to let it progress. The visit took place anyway.³⁹ Mongolian coal exports to China, an important part of the national economy, were held up at the border.⁴⁰

³⁴ S.Telford, "To What Extend does Post-1990 Mongolia Pursue an Independent foreign Policy?," Unisci Discussion Papers, 2004.

³⁵ N. Enkhbayar, "Mongolia's Foreign Policy: Efforts towards Regional Peace and Security," Mongolian Journal of Strategic Studies 2008, pp.6-7.

³⁶ Batbayar Tsedendamba, "Mongolian-Russian Relations in the Past Decade". *Asian Survey*, Vol. XLIII, 6, 2003, pp. 965.

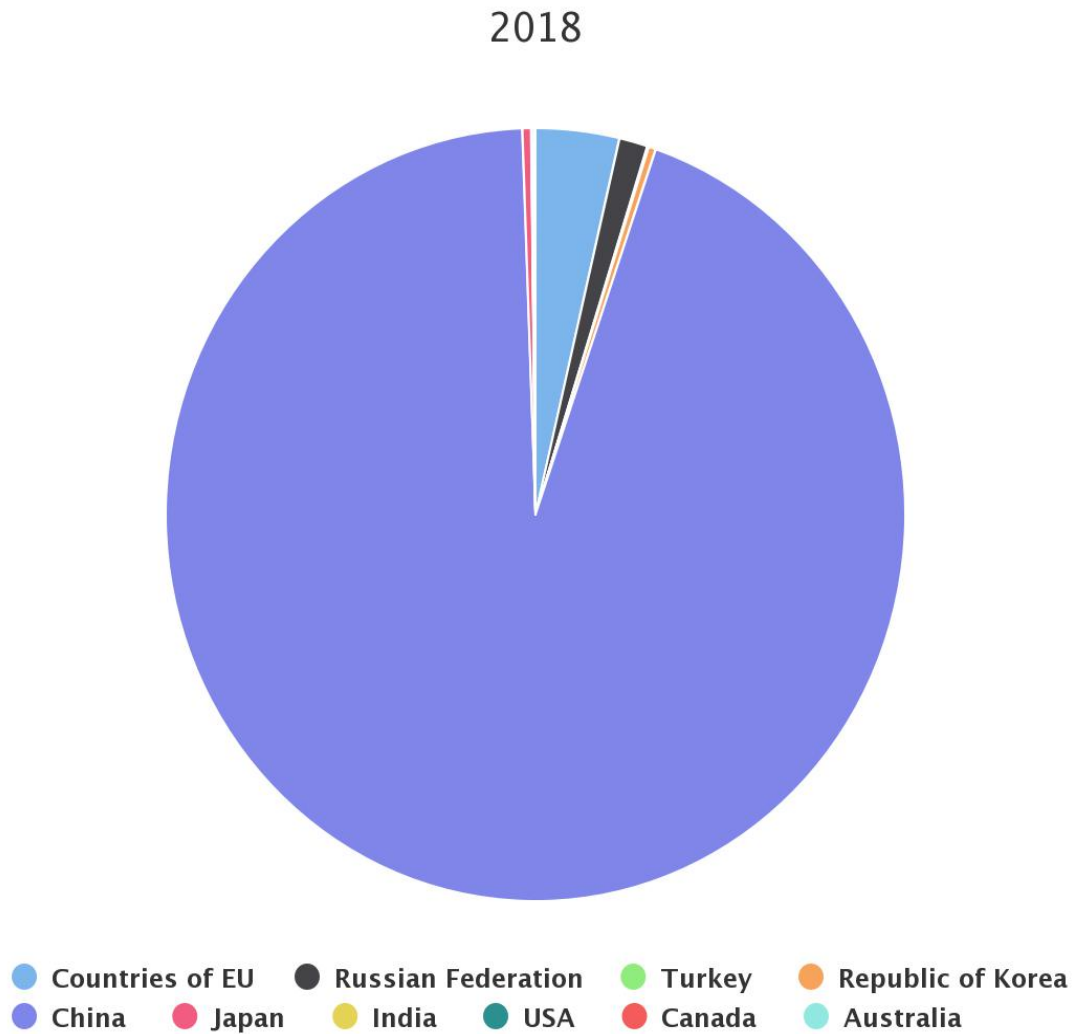
³⁷ Mongolia Russia Relations, Ministry of Foreign Affair
<http://www.mfa.gov.mn/?p=29543>

³⁸ E.Vorshilov and N.Ulzii-Ochir, "Analyzing Mongolia's Trade Cost," *The Northeast Asian Economic Review*, Vol.4, No.2, 2016.

³⁹ Associated Press, "Dalai Lama's Visit to Mongolia Could Fray Its Ties to China," *The New York Times*, https://www.nytimes.com/2016/11/20/world/asia/mongolia-dalai-lama-china.html?_r=0

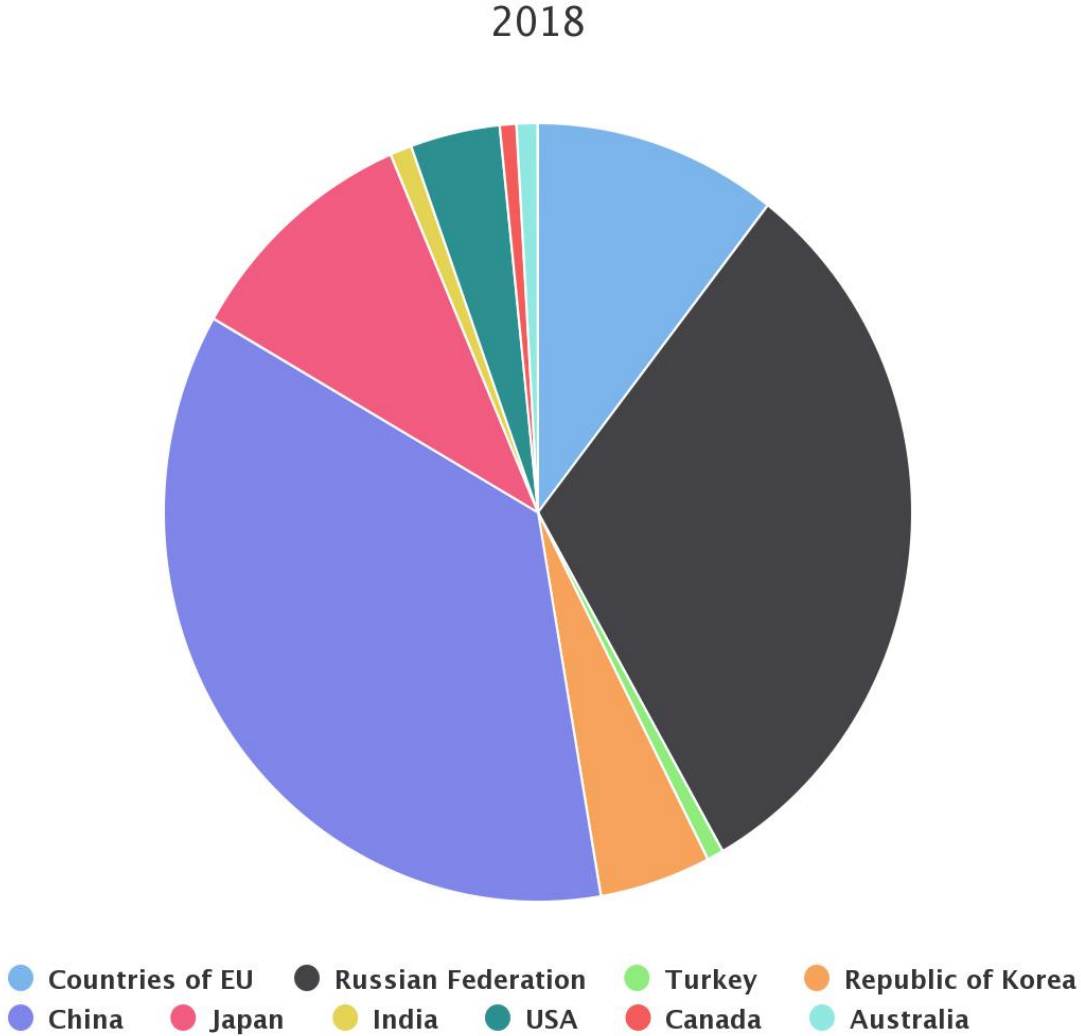
⁴⁰ Al Jazeera, "China 'blocks' Mongolia border after Dalai Lama visit
Mongolia says hundreds of trucks stuck at the border after move seen as a response to Dalai Lama's visit to Ulaanbaatar" *Al Jazeera News*, Dec 10, 2016.
<https://www.aljazeera.com/news/2016/12/china-blocks-mongolia-border-dalai-lama-visit-161210060313417.html?xif=%C3%82%C2%A0%20%C3%82%C2%A0also%C3%82%C2%A0%20%C3%82%>

Figure 2 Mongolia's Export by Country (2018)



Source: Mongolian Statistical Information Service
https://1212.mn/tables.aspx?TBL_ID=DT_NSO_1400_010V3

Figure 3 Mongolia's Import by Country (2018)



Source: Mongolian Statistical Information Service
https://1212.mn/tables.aspx?TBL_ID=DT_NSO_1400_010V3

With this challenging landscape, the effects of the neighbors have shaped Mongolia's foreign policy and national security objectives; to face the challenges of the future, the governments of Mongolia has pursued an outward-thrust in order to strengthen and modernize. With the Democratic revolution, Mongolia adopted a peaceful, open, independent and multi-pillar foreign policy.

The first major change in government policy took place after the democratic revolution in 1992 when a new constitution was introduced. The constitution stressed on the adoption of political democracy and the market economy as well as foreign policy concept. Article 1 of the 1992 constitution clearly stated that “the fundamental purpose of the State activities is the ensurance of democracy, justice, freedom, equality, national unity and respect for law”⁴¹,but also stipulated that “Mongolia shall adhere to the universally recognized norms and principles of international law and pursue a peaceful foreign policy.”⁴² It also indicates that Mongolian policy-makers realized that Mongolia's national security could only be ensured by securing international guarantees “through a combination of unilateral, bilateral and multilateral measures.”⁴³ This combination of measures adopted as multi-pillar foreign policy of Mongolia.

The key factors that contributed to adopting what is termed ‘multi-pillar’ foreign policy included the following:

- Lessons learnt from over-reliance on single state
- Pursuing a policy of balanced and good neighborly relations with China and Russia In Mongolia's Concept of National Security (Point 27, 2.2) is top priority of Mongolian Foreign Policy
- maintaining and strengthening trust and developing all-round good neighborly, mutually beneficial cooperation and balanced relations with Russia and China
- Expanding relations with developed and influential countries and organizations
- Growing regional and international independence
- Increasing importance of multilateral systems
- Importance of developing its own economic and trade relations.

⁴¹ The Constitution of Mongolia, Ulaanbaatar (1992),
https://www.conscourt.gov.mn/?page_id=842&lang=en

⁴² This has been mentioned in Article 10 of the 1992 constitution which exclusively deals with the foreign policy matters

⁴³ Ministry of Defence of Mongolia, Government of Mongolia, “*Mongolian Defence White Paper*,” 1997-1998, Ulaanbaatar, p.29.

In 1994, the Mongolian Parliament introduced an array of internal and external policies and concerned into adoption of two fundamental documents – Concept of National Security and Concept of Foreign Policy. Adopting such document based on pragmatic approach and described as an ‘independent, non-aligned, multi-pillar, open foreign policy’.⁴⁴

Mongolia’s foreign policy deliberates the national interests to the core. As pointed out in the Foreign Policy Concept, Mongolia’s foreign policy priority concentrates on ‘safeguarding its security and important national interests by political and diplomatic approach, and creating an appropriate external environment for economic, scientific and technological development’.⁴⁵

Mongolia’s foreign policy, thus, focus on to ensure the security and benefit of the country’s internal and external relations by forming good relations with influential neighboring and regional countries and in the world by a network of relationships based on the interdependence of political, economic and other interests.⁴⁶ In this regard, pragmatism is core to Mongolia’s foreign policy and it entrust on international political reality as well as the trends of international economic. Overall, the Foreign Policy Concept provides core principles as follows.⁴⁷

- Mongolia shall pursue an open and non-aligned foreign policy
- Mongolia follows a policy of creating realistic interest of developed countries, it will pursue to avoid becoming overly reliant on any particular country
- Mongolia will not contradict in the disputes between its neighboring countries unless the act affect Mongolia’s national interests
- Mongolia shall pursue a policy to avoid to join any military alliance or grouping to use of its territory or air space countering any other country and the positioning their troops or weapons, including nuclear or any sorts of weapons of mass destruction in its terror.

In essence Mongolia began focusing its attention towards developing political and economic cooperation with United States, European Union, Canada Turkey and other western countries. At the same time in order to make its presence perceived in Asia, Mongolia focused on creating close relations with other Asian countries such as Japan, Republic of Korea India and other ASEAN member countries.

⁴⁴ Ravdan Bold, “What is the Purpose in Tearing down Foreign Policies that Work Just Fine?” *Mongolian observer*, Edition: No. 8, Apr, 2016. <https://mongolianobserver.mn/purpose-tearing-foreign-policies-work-just-fine/>

⁴⁵ “Concept of Mongolia’s Foreign Policy,” *Strategic Digest* 26.no.2 (1996), p.188.

⁴⁶ *Ibid*, p.188.

⁴⁷ *Ibid*, p.189.

Mongolia's foreign policy imperatives were all duly reflected when Mongolia updated its Foreign Policy Concept in 2011⁴⁸ in light of the fundamental changes the world and Mongolia itself have undergone since 1994. The second foreign policy concept is not completely a new one, but largely the same old concept but adapted to today's world realities. However, it leaves intact the same priorities of cultivating closer relations with Mongolia's two physical neighbors and 'third neighbors'- which I will look in the next section. In a nutshell Mongolian foreign policy articulated a policy of balance.



⁴⁸ Government of Mongolia, Concept of Mongolia's Foreign Policy, Feb 21, 2011, http://www.mfa.gov.mn/?page_id=16259

2.2 Third Neighbor Policy

Ever since it adopted an independent foreign policy in the 1990s, Mongolia tried to establish an active and balanced relations with its two physical neighbors, Mongolia has focused on developing close relations with countries that do not border it, but which serve as metaphorical ‘third neighbors’.⁴⁹ Mongolian foreign policy had by then already affirmed that Mongolia will focus its attention on developing friendly relations with state beyond its geographic neighbors. This policy was then titled as the Third Neighbor Policy under which Mongolia could strive to overcome its physical geographical location and increase its security internationally. The Third Neighbor Policy easily explains the “multi-pillarity, complexity and openness of Mongolia’s foreign policy which undoubtedly attracted attention of the regional and world community, and the country’s position on the international arena has been strengthened substantially”.⁵⁰

The purpose of the Third Neighbor Policy is to maintain national security of Mongolia with the support of not only its two mighty neighbors but some other influential states. It is a policy of coexistent and lateral development of cooperation with its two super power neighbors and other friendly developed countries. It is also a policy that encourage Mongolia not to be dependent on any particular country or countries. ‘Third neighbor’ concept was first brought up by James Baker, then U.S. Secretary of State, when he was visiting Mongolia, by saying that the US possibly be Mongolia’s ‘third neighbor’ in 1990. Mongolian policymakers picked up the concept and ultimately became characterized in its foreign policy and legislation. Third Neighbor Policy is not only about politics but also helps to boost its foreign trade and investment.⁵¹

Another thing here must be mentioned is that Third Neighbor Policy is not entirely new term for Mongolia. Mongolian leaders tried to make connection with western countries just after the Mongolia’s liberation from the Manchu rule. They sent letters to the US, the United Kingdom, Germany, France and the Netherlands and Japan in hope for getting their support in encouraging their restored sovereignty. Mongolian Government also tried to send official delegation to those countries to seek formal recognition of Mongolia’s independence. This was Mongolia’s early search of their ‘third neighbors’.⁵²

Mongolia’s revised National Security Concept pointed the Third Neighbor Policy is to develop bilateral and multilateral cooperation with developed countries in the areas of

⁴⁹ Batbayar Tsedendamba, “The Third Neighbour Policy and Australia,” presented for the Second Open Conference on Mongolian Studies (Sydney: Australian National University, Nov 4, 2013).

⁵⁰ A. Tuvshintugs, in K. Warikoo and Sharad K. Soni, eds. *Mongolia in the 21st Century: Society, Culture and International Relations*, (New Delhi: Pentagon Press, 2010) p.76.

⁵¹ Batbayar Tsedendamba, “The Third Neighbour Policy and Australia,” presented for the Second Open Conference on Mongolian Studies (Sydney: Australian National University, Nov 4, 2013).

⁵² Batbayar Tsedendamba, “The Third Neighbour Policy and Australia,” presented for the Second Open Conference on Mongolian Studies (Sydney: Australian National University, Nov 4, 2013).

politics, economy, culture and security.⁵³ Munk-Ochir Dorjjugder stated in his report published on Brookings Institution that Mongolia's the Third Neighbor Policy is a "socio-psychological consensus"⁵⁴ that arose from the country's identity as a small state, located between two major powers and subservient to its neighbors.⁵⁵ The third neighbor policy emerged as a policy to balance Mongolia's two big neighbors, resulting from the country's internal and external objectives as stated in the Concept of National Security and Concept of Foreign Policy. Mongolia is looking way beyond its physical neighbors and "today Mongolian foreign policy is certainly characterized by the 'third neighbor' policy".⁵⁶ Moreover, Mongolia's Third Neighbor Policy does not only refer to countries, but it also includes international organizations. In this regard, international organizations as for Asia-Pacific Economic Cooperation (APEC), Association of Southeast Asian Nations (ASEAN) and (NATO) and European Union (EU).

The Foreign Policy Concept names the U.S., Japan, the European Union, India, South Korea Turkey and Australia and Canada (expanded) as Mongolia's desired third partners.⁵⁷ This official interpretation is Mongolia's diplomatic efforts to find third neighbors since the democratic revolution. Most of these states have positively responded Mongolia's request, but both they and Mongolia are aware of the restraint of third neighbor status.⁵⁸

⁵³ National Security Concept of Mongolia, 2010, ҮНДЭСНИЙ АЮУЛГҮЙ БАЙДЛЫН ЗӨВЛӨЛ, <http://www.nsc.gov.mn/?q=en/home>, accessed Jul 3, 2012.

⁵⁴ Socio-psychology is the scientific study of how people's thoughts, feelings and behaviors are influenced by the actual, imagined or implied presence of others.

⁵⁵ M.Dorjjugder, "Mongolia's "Third Neighbor" Doctrine and North Korea," Brookings Institution, Jan 28, 2011.

⁵⁶ Sharad K.Soni, "Looking beyond Geographic Neighbours", p.489.

⁵⁷ The revised Foreign Policy Concept was approved by the Parliament on February 10, 2011.

⁵⁸ Jargalsaikhan Mendee, "Mongolia's Quest for Third Neighbours," EUCAM, 2012.

CHAPTER THREE MONGOLIA'S RELATIONS WITH ITS THIRD NEIGHBORS

As I already pointed out that despite China and Russia being heavyweights in the region, Mongolia has indeed succeeded in growing relationships with list of third neighbor countries to insure a portion of Mongolia's development, invest, and encourage the democratic transition and consolidation that is underway.⁵⁹ To this end, Mongolia enjoys very close relations with the EU, USA, Japan, South Korea, India, Turkey Australia and Canada. In this chapter I will briefly look at those third neighbor countries relations with Mongolia.

3.1 Asia and Pacific

Mongolia-Japan Relations

Diplomatic relations between Japan and Mongolia was not active until 1972 since end of World War II. In 1972 Mongolia and Japan established diplomatic relations. They remained not in cooperative way until Democratic Revolution in Mongolia in 1990s. Economic cooperations were finite at the beginning but later Japan has become the largest Official Development Assistance (ODA) donor country to Mongolia for following economic growth and the active cultural relations the countries built. It could be seen through pro-Japanese attitude of Mongolians.⁶⁰ He Liangliang, a commentator for Hong Kong-based Phoenix Television, writes that “after the disintegration of the Soviet Union, United States and Japan—notably Japan has had a keen interest in Mongolia willing to cooperate in the development of the mining industry in Mongolia and trying to hold back Chinese participation”.⁶¹ Chinese attitude towards Japan is also implies in their anxieties about Mongolia. Zhang Lijun, Deputy Director of the Department for Information and Contingencies Analysis of the China Institute of International Studies (CIIS), writes that Japan's interest in boosting relations with Mongolia arises from Japan's geostrategic objectives. He states Japan has been looking a depot for its extension on the continent,

⁵⁹ Sharad K. Soni, “Looking Beyond Geographical Neighbors” 2010, p.491.

⁶⁰ M.Dorjjugder, “Mongolia's “Third Neighbor” Doctrine and North Korea,” Brookings Institution, Jan 28, 2011.

⁶¹ Alan M. Wachman, “Mongolia's Geopolitical Gambit: Preserving a Precarious Independence While Resisting “Soft Colonialism”,” EAI Fellows Program Working Paper Series No.18, May 2009.

aiming to expand its influence in Asia and ensure its raw material necessity. Mongolia is the best fit for Japan.⁶²

In 2010 Mongolia and Japan signed an agreement to build a strategic partnership. The strategic partnership comes from a need to deal with global and regional political and security issues, concerning issues such as the rising China, North Korea's nuclear plan, security concerns in the South and East China Sea etc. Japan has become an important "third neighbor" for Mongolia in Asia Pacific simply because of economic and security realm. Revised 2011 foreign policy, the Third Neighbor Policy concept clearly pointed that Japan is Mongolia's third neighbor.⁶³

Mongolia-Republic of Korea Relations

After the establishment of diplomatic relations in 1990, Korea and Mongolia maintained friendly relations, and extended their cooperation in areas of politics, economy, society, and culture. However, economic cooperation is still not enough developed compared to other fields. The main cause is views by Korea that Mongolia is a small market with underdeveloped industry and a landlocked position by China and Russia.⁶⁴ But attitude is changing in recent years in the light of Eurasian strategic importance. In this regard Mongolia's strategic value for Korea risen. Since the establishment of diplomatic relations, trade between Korea and Mongolia is gradually increasing and since 2000s trade flows have been rapidly increasing.

Mongolia maintains good friendly relations with both north and South Korea which is a good position to promote inter-Korean peaceful relations and strengthen regional peace and stability. Business activities, educational and work force immigrants have been rapidly increasing year by year including marriage immigrants, migrant workers and students to Korea. Mongolians in South Korea are the largest population of Mongolian nationals abroad.⁶⁵

⁶² Zhang Lijun, "Strategic Nuances: Mongolians bask in the spotlight and cement their bonds with Japanese "neighbors," No.38, Sep 21, 2006, http://www.bjreview.com/expert/txt/2006-12/10/content_50394.htm

⁶³ Bolor Lkhaajav, "Far East Affairs: Mongolia and Japan," *The Diplomat*, Mar 10, 2017, <https://thediplomat.com/2017/03/far-east-affairs-mongolia-and-japan/>

⁶⁴ Lee Jae Young, "Korea-Mongolia Economic Relations: Current Status and cooperation Measures," Korea Economic Institute (KEI), 2015, http://keia.org/sites/default/files/publications/koreaseconomy_ch5_korea-mongolia_economic_relations.pdf

⁶⁵ "Mongolians, Koreans Share Ancient Bonds", *Taipei Times*, Oct 13, 2003, <http://www.taipeitimes.com/News/world/archives/2003/10/13/2003071505>

Mongolia-India Relations

Mongolia established diplomatic relations with India in 1955 which was the first country other than the Soviet bloc countries to establish diplomatic relations with Mongolia. Ever since numerous treaties of friendship and cooperation have been signed between the two countries. Mongolia encourage India for its membership of the United Nations Security Council and India supports Mongolia's Non-Aligned Movement position. It Mongolia-India relations could be described as it is based on cultural connection grown from Buddhism so that they are 'spiritual' neighbors.⁶⁶

In 2016 Mongolia asked for financial help from India when the Mongolia's border with China was halted by China.⁶⁷ In the result of Indian External affairs minister Sushma Swaraj's visit to Mongolia in 2018, India & Mongolia signed to establish an air-corridor to boost bilateral trade.⁶⁸

Mongolia-Australia relations

Mongolia-Australia bilateral relations were established in 1972 focusing on educational, mining, and developmental assistance.⁶⁹ Moreover Mongolia and Australia cooperate on global and regional defense and security especially international peacekeeping and security is particular point of their cooperation. Mongolians have served UN peacekeeping operations with Australians.⁷⁰

Bilateral trade between the countries is limited. Australia's major exports to Mongolia included electrical machinery, civil engineering equipment and other mechanical

⁶⁶ Shard K. Soni, "The Third Neighbour' Approach of Mongolia's Diplomacy of External Relations; Effects on Relations between India and Mongolia," *India Quarterly: A Journal of International Affairs*, Vol.71, Issue 1, pp.37-52.

⁶⁷ "India responds to Mongolia's call for help," *Indo-Asian News Service (IANS)*, December 8, 2016, https://www.business-standard.com/article/news-ians/india-responds-to-mongolia-s-call-for-help-116120801289_1.html

⁶⁸ "India to Establish Air Corridor with Landlocked Mongolia to Boost Trade," *Sputnik International*, April 25, 2018, <https://sputniknews.com/asia/201804251063889817-india-mongolia-boost-trade/>

⁶⁹ Australian Embassy Mongolia, *Australia-Mongolia Diplomatic Relations*, August 21, 2017, <https://mongolia.embassy.gov.au/ulnb/factsheet.html>

⁷⁰ Mongolia and the United Nations has successfully expanded in certain key areas aimed at increasing its contribution to the United Nations' peacekeeping, ensuring social and economic development and improving the state of landlocked developing countries among others. Since 2003, more than 14,000 Mongolian peacekeepers to the United Nations peacekeeping in Iraq, Afghanistan, Kosovo, Sierra Leone, Chad, Sudan, West Sahara, Congo, Ethiopia and Georgia. At present, several military observers are working in Congo, West Sahara and South Sudan.

Source: UN News, Service and Sacrifice: Mongolia continues to strengthen its contribution to UN peacekeeping, <https://news.un.org/en/story/2018/03/1004552>

equipment and parts used in Mongolia's mining industry.⁷¹ Over 60 Australian companies have offices in Mongolia and around 200 Australian companies provided services to the Oyu Tolgoi project which is copper and gold mine in the South Gobi desert by Australia's mining giant Rio-Tinto.⁷²

Mongolia-Turkey Relations

Diplomatic relations between Mongolia and Turkey were established in 1969. The relations boosted in 1990s and opened embassies in Ulaanbaatar and in Ankara.⁷³ Mongolia named Turkey as its “Third Neighbor”.⁷⁴ Economic and trade relations are important part of the bilateral relations between the two countries and in the future willing to advance the relationship to a partnership level. The two governments cooperate in agriculture, construction, environment, small- and medium-sized enterprises (SME), tourism, mining, and logistics fields. Mongolia and Turkey signed a visa-free system in 2013.

Since 2000s the two countries strengthening their defense cooperation by various joint agreements. Turkey is one of the largest donor to Mongolian defense, military development and assists to Mongolia's police forces.⁷⁵

3.2 North America

Mongolia-US Relations

In 1986 Soviet gave Mongolia the permission to establish diplomatic relations with the US and Mongolia established diplomatic relations with the United States of America in 1987. Mongolia names the United States as its important “third neighbor” .The two countries signed agreement on cooperation and comprehensive partnership based on shared values and common interests. The US assists Mongolia on market reforms and political, cultural, educational, and defense cooperation is expanding. In 2018 Total bilateral trade was 131million. English language became compulsory in schools since 2005 and interest in learning English and the number of students to study in the United States increased. By

⁷¹ Department of Foreign Affairs and Trade of Australia, Mongolia country brief, Australia-Mongolia Relations

⁷² Martin Foo, A New Chapter in Australia-Mongolia Relations; Australian Institute of International Affairs, Apr 04, 2016.

⁷³ Ministry of Foreign Affairs Republic of Turkey, Relations between Turkey and Mongolia,

⁷⁴ Ministry of Foreign Affairs Republic of Turkey, Relations between Turkey and Mongolia, <http://www.mfa.gov.tr/relations-between-turkey-and-mongolia.en.mfa>

⁷⁵ Embassy of Mongolia to Republic of Turkey, Bilateral Relations, http://www.mongolianembassy.com.tr/pg_16_bilateral-relations

the Fulbright master program and in addition government and private funded over 1,500 Mongolian students study in American colleges and universities every year.

Both countries successfully have achieved economic and educational cooperation and has promising opportunities to deepen their cooperation in the fields of mining, defense. Aside from the general development of relations between the two countries, there has been increase in military cooperation. Historical lessons taught from Cold War era China will not reticence Mongolia to become military base in use to treat China. In this case China and Russia response could be the same. For the regional geo-strategic facet Russia also wants Mongolia to set back from United States and its military influence. According to the National Statistics Office of Mongolia's data shown on the summary of this chapter, USA is Mongolia's 5th biggest trading partner by 2018.

With Mongolia's recent mining upturn Canada and Australia started to get involved in trade and investment of Mongolia. Mongolia added Canada and Australia on its third neighbor countries list.⁷⁶ Mongolia's GDP reached astonishing 17% in 2011. Thanks to the project of a major copper and gold mine, Oyu Tolgoi, with investment of Rio Tinto of Australia.⁷⁷

Mongolia-Canada Relations

Mongolia Canada bilateral relations were established in 1973. Mongolia opened its embassy to Canada in 2001 and Canada opened its embassy in Mongolia in 2008. Minister of mining and heavy industry of Mongolia D.Sumiyabazar highlighted that Canada supports Mongolia's democracy and transition and the country is one of the Mongolia's main investors. He also highlighted importance of Canada's role in country's Third Neighbor Policy.⁷⁸

Trade flows between Canada and Mongolia is limited but Canadian investment to Mongolian mining industry is the main factor of bilateral relations. Canadian foreign direct investment in Mongolia was approximately \$6.7 billion in 2017. This listed Canada the second largest foreign investor after China. The countries mutually agreed that mining sector would remain as important factor of bilateral relations and highlighted the importance of diversifying economic cooperation. The sides agreed to expand agricultural

⁷⁶ The revised Foreign Policy Concept; was approved by the Parliament on Feb 10, 2011

⁷⁷ Sergey Radchenko, "Mongolia's Shrinking Foreign Policy Space," The Asian forum, May - Jun 2019, Vol.7, No.3.

⁷⁸ Mongolia-Canada roundtable meeting held in Ulaanbaatar; *MONTSAME*, 05 June 2019, <https://montsame.mn/en/read/191720>

cooperation and two-way trade, education, environmental friendly technology, infrastructure and wood construction.

3.3 Europe

During the Soviet influence Mongolia had good friendly bilateral ties with former communist European countries as well as other European countries. After the break of the Soviet Union Mongolia started to establish cooperation with most of European countries now EU member countries. Mongolia's bilateral ties with former communist countries and new partners of Europe played significant role to bring support for Mongolia in Europe. In this regard I will not focus on particular country in Europe but take EU as a whole to take a look as Mongolia's third neighbor. By pursuing Third Neighbor Policy as its diplomacy Mongolia has been able to attract key partners including EU, USA, Japan, Korea, Turkey, Canada, Australia and other countries and bilateral relations with its third neighbors are rapidly developing.

Since trade and economic relation is the main driving force of foreign relations, it is fair to say trade relations define countries relations. Foreign trade and investment policies are traditionally regarded in the category of low foreign policy-the same is true of monetary and financial relations among countries.⁷⁹ In this sense here I look at Mongolia export and import by country to see Mongolia's metaphorical third neighbor's trade with Mongolia.

⁷⁹ Richard N. Cooper, "Trade Policy Is Foreign Policy," *Foreign Policy*, No. 9 (Winter, 1972-1973), pp. 18-36.

Table 1 Export by countries 2018 (Unit: USD Thousands)

Countries	
Countries of EU	252,958.8
Japan	26,468.5
Republic of Korea	21,200.4
India	995.1
USA	7,603.3
Turkey	4,474.8
Canada	2,313.4
Australia	1,273.9

Source: National Statistics Office of Mongolia

http://1212.mn/tables.aspx?tbl_id=DT_NSO_1400_006V3&COUNTRY_select_all=0&COUNTRYSingleSelect=_111_11206_11208_12102_12103_12105_12322_1401_1407_1501&YearY_select_all=0&YearYSingleSelect=_2018&viewtype=piechart

Table 2 Import by country 2018 (Unit: USD Thousands)

Countries	
Countries of EU	575,751.5
Japan	561,042.6
Republic of Korea	262,365.9
USA	211,463.8
India	51,751.6
Australia	49,912.9
Turkey	39,155
Canada	38,989.2

Source: National Statistics Office of Mongolia

http://1212.mn/tables.aspx?tbl_id=DT_NSO_1400_006V3&COUNTRY_select_all=0&COUNTRYSingleSelect=_111_11206_11208_12102_12103_12105_12322_1401_1407_1501&YearY_select_all=0&YearYSingleSelect=_2018&viewtype=piechart

Mongolia is landlocked between China and Russia which means goods must be shipped through ports of its bordering country. This results increase of transport costs and also time consumption during transportations.⁸⁰ Landlocked countries have serious disadvantages as they have to depend on transit corridors to access the goods when doing international trade.⁸¹ For landlocked countries efficient trade policy is important factor for economic performance. However many landlocked countries fierce relations with neighbors and trade negotiations often result to less favorable effects. This is the main reason why bilateral trade between distant countries and Mongolia are not reached to the desired outcome. This result can be explained and tested by Gravity Model.⁸²

According to National Statistical Office of Mongolia's data shown above the EU is the third largest trading partner after China and Russia by 2018 despite the distance compared to regional "third neighbors" Japan and Korea.



⁸⁰ Sharad K. Soni, "The Third Neighbor Approach of Mongolia's External Relations," *India Quarterly*, 2015

⁸¹ Fabrizio Carmignani, "The Curse of Being Landlocked: Institutions Rather than Trade," *The world Economy*, Volume38, Issue10, Oct 2015,

⁸²Gravity Model of Trade - Trends in world of Global Trade, International Economic Trade smakes predictions on the bilateral trade flows and these predictions are based on the distance within two units as well as their respective economic dimensions. The Gravity Model of Trade has been used in a wide number of areas like international relations for example. In the area of international relations the Gravity Model of Trade has been used in order to judge the effect of alliances and treaties on the trade activities. The model has also been used to analyze the efficiency of the trade agreements and organizations such as the World Trade Organization and the North American Free Trade Agreement.

CHAPTER FOUR MONGOLIA'S THIRD NEIGHBOR POLICY ON EU AND MONGOLIA-EU RELATIONS

Since established diplomatic relations in 1989, EU supported Mongolia in many sectors and cooperation with EU has played an important role on Mongolia's transition to democracy, especially in the field of politics, democracy and the rule of law. Mongolia is keen on further developing relations with the EU and expanding the current cooperation beyond development cooperation. Mongolia-EU relations based on shared doctrine equally equality, shared benefit, democracy, the rule of law and human rights, and open possibility to develop new fields of cooperation in fields only trade and business, rural development, agriculture, environment, energy, modernization, but also education, culture and tourism. In addition Mongolian government made decision to adopt and implement EU norm and standard which will be the key factor to benefit from EU market if implemented successfully.

In return EU recognizes as important partner also sees Mongolia in regional and global context agrees Mongolia's pivotal role that can play between the powerful economies such as China, Russia, South Korea and Japan and the Central Asian countries, and also as a negotiator between Europe and the East Asian region.⁸³

4.1 Mongolia-EU Political Relations

The bilateral relations between Mongolia and EU have been firmly developing since 1989. Mongolia and the European Union established diplomatic relations on August 1st, 1989 and in this year Mongolia and the EU to commemorate the 30th anniversary of the establishment of diplomatic relations. Mongolia regards EU as its third neighbor and EU regards Mongolia as an important partner and EU is involved in national and regional cooperation activities.

Since then, sides signed a numerous of trade and political agreements and established several of the newer Member States. EU countries traditionally maintain close relations with Mongolia and have permanent embassies and offices in Mongolia. The year of 2013 was particularly successful for EU-Mongolia relations. The signature of the EU-Mongolia Partnership Cooperation Agreement was signed on 30 April 2013 which was a historical event in the bilateral relationship. It also followed by the first high level visit from the EU. High Representative of Foreign Affairs of the EU, Catherine Ashton, signed the documents

⁸³ European Parliament, "Conclusion of the Framework Agreement on Partnership and Cooperation between the European Union and its Member States," Feb 15, 2017, http://www.europarl.europa.eu/doceo/document/TA-8-2017-0033_EN.html

before the Union. She mentioned that it was a historic day in EU-Mongolia relations and the economic growth of Mongolia achieved over the past decade is significant efforts to change Mongolia and maintain democracy in a challenging geostrategic position are very impressive.

Bilateral ties with former communist countries and new partners of Europe have played an important role in bringing out support for Mongolia in Europe. Mongolia's commitment to democracy has made the EU look more favorably on the country's attempts to build relations. And Mongolia's mining boom and economic growth have captured the attention of political and business interests in Europe.⁸⁴

In 2015, President Elbegdorj visited the European Parliament in Strasbourg and delivered a speech on Mongolia's transition to democracy and its position in the region as EU partner. In this event President Elbegdorj also made talk with the President of the European Commission Jean-Claude Juncker. The EU also strongly supported Mongolia in hosting the ASEM Summit in Ulaanbaatar in 2016. The President of the European Council D.Tusk, the President of the European Commission JC Juncker and the EU High representative and Vice President F. Mogherini visited Mongolia during the ASEM Summit and met Mongolian leaders.

During the visit of then High Representative and Vice President C.Ashton of the EU Partnership and Cooperation Agreement was signed in 2013 which included legal framework of further strengthening of EU-Mongolia relations in political, trade, development cooperation sectors. It also included assistance in agriculture, urban, rural development, renewable energy, climate change, research, innovation, education and cultural cooperation objectives.⁸⁵

The Mongolia-EU Framework Agreement negotiations started in 2010 and completed in 2013. The European Parliament gave its acquiescence in February 2017 and the approval procedures ended in October 2017 and the Agreement entered into force in November same year. It took place of the 1993 Agreement on Trade and Economic Cooperation of Mongolia and European Economic Community. In 2017 with a decision of the High Representative for Foreign Affairs and Security Policy and Vice-President of the European Commission (EC) Federica Mogherini EU come to the decision to open a Delegation to Mongolia. The High Representative and Vice-President, Federica Mogherini declared that Mongolia has an important role in a composite part of the continent with unique geostrategic location. She continued that the Delegation will serve as an investor for the European Union to strengthen relationship with Mongolia and relations with the people of the country. Also we are coming to closer timing to sign a new Partnership and

⁸⁴ Jargalsaikhan Mendee, "Mongolia's Quest for Third Neighbors," EUCAM, 2012.

⁸⁵ EU External Actions, "EU Projects with Mongolia" May 12, 2016, https://eeas.europa.eu/headquarters/headquarters-homepage/1549/eu-projects-mongolia_en

Cooperation Agreement to further presentation on deepening our close friendly relations with Mongolia.⁸⁶

The EC President Jean-Claude Juncker said that The EU is keeping its promise to open a delegation in democratic Mongolia which has a complex location and is an important partner for EU. He continued that he has visited the country three times during his career and the country's great progress of democratization and development are entitled to earn EU's regards and absolutely deserves a presence and permanent delegation of the union.⁸⁷ The EU Delegation to Mongolia was serving from Beijing until when the EU opened its Delegation in Mongolia. The new Delegation in Mongolia makes one of EU's 140 Delegations across the globe.⁸⁸



⁸⁶EU to open Delegation to Mongolia, Algemeen Nederlands Persbureau ANP, Jul 24, 2017, https://www.parlementairemonitor.nl/9353000/1/j9vvij5epmj1ey0/vkg6fchxoazn?ctx=vg9piqcfmzzz&v=1&tab=1&start_tab0=520

⁸⁷EU to open Delegation to Mongolia, Algemeen Nederlands Persbureau ANP, Jul 24, 2017, https://www.parlementairemonitor.nl/9353000/1/j9vvij5epmj1ey0/vkg6fchxoazn?ctx=vg9piqcfmzzz&v=1&tab=1&start_tab0=520

⁸⁸ European Union External Action, Factsheet on the EU-Mongolia Framework Agreement on Partnership and Cooperation, Feb 17, 2017, https://eeas.europa.eu/headquarters/headquarters-homepage/area/geo_en

4.2 Mongolia-EU Trade Relations

Economic relations between Mongolia and EU are extensively considered to be the main driving force of the bilateral relations. The EU assist Mongolia to form essential European norms and helps to achieve economic reform mainly because Mongolia is still on the list of the EU's non market economy. In WTO regulations if the investigation finds out that the products enter the EU at dumping prices which are causing damage to the EU market, the EU can allocate anti-dumping tax on products from third countries. According to the of normal market standard rules, dumping is calculated by comparing the product price exported to the EU and the domestic price or cost of the product of the exporting country. On the contrary, due to the influence of the state, in the non-market economy, prices and costs are assumed low so they cannot reflect normal market forces. As a result for those non-market economy countries domestic prices are not used as a benchmark for comparing export prices. Instead, the WTO (and EU anti-dumping) rules allow the use of information from another market economy country an analogue country as the standard base for calculations. This is called the "non-market economy" method⁸⁹. Despite the fact that EU considers Mongolia as nonmarket economy the World Bank, International Monetary Fund (IMF), World Trade Organization (WTO) and Asian Development Bank (ADB) consider the country as free market economy.

Mongolia's one of most welcomed investor in the mineral deposit mining and infrastructure field is indeed EU. EU presents technological advance and high standards and also encourage Mongolia with economic ties with important European partners. From the democratic revolution years up until beginning of 2000s Mongolia EU economic relations mostly based on financial aid and support from EU. European investment in Mongolia has so far remained limited, owing to the insecure business environment and lack of information. Takes note of the decline in foreign direct investment (FDI) related to the mining sector that dominates the economy, which remains a key divisive factor⁹⁰. The EU urges Mongolia, with the help of foreign investment and a more transparent legal environment, to diversify its economy in order to help avoid vulnerability to volatile mineral markets. It also encourages further integration of Mongolia into the global and regional economy, within frameworks such as the Prairie Road, the Silk Road/One Belt One Road or the Trans-Eurasian Belt, in accordance with the strategic interests and priorities of the country. Mongolia asks the EU to consider participation in infrastructural and investment programs, including in the mining sector.

⁸⁹ European Commission, Anti-Dumping Regulations, <https://ec.europa.eu/trade/policy/accessing-markets/trade-defence/actions-against-imports-into-the-eu/anti-dumping/>

⁹⁰ The European Investment Bank (EIB), <https://www.adb.org/sites/default/files/publication/159921/cofinancing-eib.pdf>

Mongolia-EU trade relations are regulated by Agreement on Trade and Economic Cooperation (1993) and Mongolia was accepted as recipient of Technical Assistance to the Commonwealth of Independent States (TACIS) program from 1994.

Mongolia under TACIS program 1994-2003

EC introduced the TACIS program in 1991 and agreed to support financial technical assistance to the former Soviet Union countries including Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan and Mongolia with an aim to increase process of those countries' the economic and political transition from socialism to democracy.

During the TACIS program, from 1994 to 2003, Mongolia received assistance of 50 million EUR from EU.⁹¹ EC granted Mongolia aid to support democracy and human rights. Projects focused on to support outnumbered group and civil community as well as be role model of fundamental infrastructure of democracy. The two parties agreed to expand each other's exports favorably and expand trade and economic relations. Mongolia inducted the Asia-Europe Meeting (ASEM) in 2006 and the EU Technical Office was launched. Also in that year the European Bank for Reconstruction and Development (EBRD) started to bank in Mongolia.⁹²

EU is one of Mongolia's leading trading partners despite the two sides distance. The total trade between Mongolia and EU was 523 million EUR. Mongolia's exports to the EU were 75 million EUR and EU exported goods to Mongolia total of 449 million EUR. The main product exported from Mongolia to EU were natural resources and textiles which most of them are cashmere in return Mongolia imported technical products, chemicals and food products from EU. In the year of 2018 EU listed as the 3rd largest trading partner under China and Russia.

⁹¹ Embassy of Czech Republic, Development Cooperation between Mongolia and EU, Nov 10, 2010, https://www.mzv.cz/ulaanbaatar/en/political_relations/european_union/index.html

⁹² EBRD provides fund for Mongolia's infrastructure development, *Xinhua*, Apr 10, 2019 http://www.xinhuanet.com/english/2019-04/10/c_137965971.htm

Figure 4 Mongolia Trade with World and Top Trading Partners



Mongolia, Trade with World

Total Goods: Trade flows and balance

Source: MF

Period	Imports		Exports		Balance		Total trade	
	Value Mio €	% Growth	Value Mio €	% Growth	Value Mio €	% Growth	Value Mio €	% Growth
2008	2,206		1,723		-482		3,929	
2009	2,256	2.3	1,225	-28.9	-1,031	113.8	3,480	-11.4
2010	3,262	44.6	2,226	81.8	-1,036	0.5	5,488	57.7
2011	5,783	77.3	3,065	37.7	-2,718	162.3	8,848	61.2
2012	6,433	11.2	3,614	17.9	-2,819	3.7	10,047	13.6
2013	4,817	-25.1	3,214	-11.1	-1,604	-43.1	8,031	-20.1
2014	3,886	-19.3	4,346	35.2	461	-128.7	8,232	2.5
2015	3,441	-11.5	4,208	-3.2	767	66.5	7,648	-7.1
2016	3,027	-12.0	4,434	5.4	1,408	83.6	7,461	-2.5
2017	3,838	26.8	5,489	23.8	1,651	17.3	9,327	25.0
2018	4,974	29.6	5,937	8.2	963	-41.7	10,912	17.0

Total Goods: Top trading partners 2018

Source: MF

Imports			Exports			Total trade		
Partner	Value Mio €	% World	Partner	Value Mio €	% World	Partner	Value Mio €	% World
World	4,974	100.0	World	5,937	100.0	World	10,912	100.0
1 China	1,667	33.5	1 China	5,508	92.8	1 China	7,176	65.8
2 Russia	1,448	29.1	2 EU 28	214	3.6	2 Russia	1,521	13.9
3 EU 28	488	9.8	3 Russia	73	1.2	3 EU 28	702	6.4
4 Japan	475	9.6	4 Singapore	25	0.4	4 Japan	497	4.6
5 South Korea	222	4.5	5 Japan	22	0.4	5 South Korea	240	2.2
6 USA	179	3.6	6 Taiwan	22	0.4	6 USA	186	1.7
7 India	44	0.9	7 South Korea	18	0.3	7 Vietnam	50	0.5
8 Malaysia	43	0.9	8 Hong Kong	10	0.2	8 Singapore	49	0.4
9 Australia	42	0.9	9 Vietnam	8	0.1	9 India	45	0.4
10 Vietnam	41	0.8	10 Iran	8	0.1	10 Malaysia	44	0.4
3 EU 28	488	9.8	2 EU 28	214	3.6	3 EU 28	702	6.4

Source: European Commission, EU Trade in goods with Mongolia 2018,
https://eeas.europa.eu/delegations/mongolia_en/1548/Mongolia%20and%20the%20EU

EU is supporting Mongolia's intension of forming a favorable business setting, diversify products and improve its quality. By doing so, the value of Mongolian goods will increase and become more competitive. Some of Mongolian products are entering the EU duty-free. Twenty percent of Mongolian goods are entering EU market duty-free covered by the Generalized System of Preferences (GSP+) which is a distinguished inducement composition for sustainable development and good governance⁹³. This helps Mongolian business to have better access to markets and contribute to Mongolia's growth and sustainable development.⁹⁴ Mongolia has been privileged in the EU market under the GSP + scheme, but Mongolian exporters have not fully utilized these advantages.



⁹³ EU's Special Incentive Arrangement for Sustainable Development and Good Governance, GSP+, is part of EU's unilateral tariff preferences in favor of developing countries, the Generalized Scheme of Preferences, GSP, which was revamped as of 1 January 2014. The GSP+ scheme is designed to help developing countries assume the special burdens and responsibilities resulting from the ratification of 27 core international conventions on human and labor rights, environmental protection and good governance as well as from the effective implementation. It does so by granting full removal of tariffs on over 66% of tariff lines covering a very wide array of products including, for example, textiles and fisheries. Source: Regulation (EU) No 978/2012 of the European Parliament and of the Council of 25 Oct 2012 applying a scheme of generalized tariff preferences (“GSP Regulation”),

http://trade.ec.europa.eu/doclib/docs/2017/january/tradoc_155235.pdf

⁹⁴Delegation of the European Union to China, Trade Related Assistance for Mongolia (EU TRAM), Mar 29, 2018,

[https://eeas.europa.eu/delegations/china_en/42280/Trade%20Related%20Assistance%20for%20Mongolia%20\(EU%20TRAM\)](https://eeas.europa.eu/delegations/china_en/42280/Trade%20Related%20Assistance%20for%20Mongolia%20(EU%20TRAM))

4.3 Mongolia-EU Development Cooperation

Since bilateral relations between the European Union and Mongolia started cooperation development has always been increased by successful cooperation. Development assistance is a substantial part of bilateral relations between Mongolia and EU. EU supports Mongolian people and government by assisting financially to abolish distress by improving sustainable development under the sphere of the Millennium Development Goals.

As stated in the Treaty of Lisbon (TEU), EU is compulsory to protect its own environment and also recommended to protect non-Member States. In Article 3/5/ of TEU, EU to assist to developing countries on sustainable development. According to article 21 of TEU, EU will make general policies and plans to cooperate in all sorts of international relations in order to boost the sustainable development stable economic growth, civil development of those developing countries in the goal of alleviating poverty.⁹⁵

EU successfully assisted Mongolia by following programs:

- 2002- 2006 TACIS National Indicative Program for Mongolia-MEUR 15
- 2007 – 2013 DCI Country Strategy Paper-MEUR: EU's support for Mongolia to improve living conditions of nomadic herders and countryside people and decrease their migration from steppes to the capital.
- 2014 – 2020 Multi Indicative Program-MEUR 65.

Ongoing Multi Indicative Program 2014-2020 of EU is with the objectives of assisting Mongolia by its norms and standards to enrich Mongolia's democratic framework, promote sustainable development and help to boost economy for the country's goal to become middle income country(MIC) by 2021. With Mongolia's rich mineral deposit and its economic dependence on the neighboring countries EU concentrates on two areas. One is to improve revenue and sustainable growth, another one is to assist for better chance of employment by increasing number of trained and skilled workers and work place other than mining industry.

A new project called Support to Employment Creation in Mongolia (SECiM, MEUR 8.2) which stemmed out of MIC program has started and working together with the related government ministries and agencies.

⁹⁵ The Treaty of Lisbon <https://eur-lex.europa.eu/eli/treaty/lis/sign>

There are numerous more programs and assistance projects including:

- EU facilitates Mongolia's regional integration and economic through MEUR 5 (TRAM)\
- Provided by MEUR grants from the European Bank for Reconstruction and Development (EBRD) granting loans from Asian Investment Fund (AIF) to facilitate access to finance for small and medium enterprises (SMEs) to local commercial banks and up to 100 SMEs.

There are also EU funded projects aimed to assist Civil Society Organizations including:

- European Initiative for Democracy and Human Rights (EIDHR);
- Support to Non State Actors and Local Authorities (NSA-LA);
- Sustainable production and Consumption practices, by the SWITCH-Asia program.

Mongolia and EU have common values in protecting human rights and democracy. Mongolia's passion to adopt EU's norms and standards inasmuch as EU's has prominent experience proficiency of assisting countries similitude with Mongolia. EU developed a long term cooperation plan to assist in the implementation of European norms and standards by the official request of Mongolian government.⁹⁶

⁹⁶ Embassy of the Czech Republic in Ulaanbaatar, "Multiannual indicative plan of cooperation between European Union and Mongolia for years 2011-2013," Nov 5, 2011, http://www.mzv.cz/ulaanbaatar/en/political_relations/european_union/multiannual_indicative_plan_of.html

4.4 Research and Innovation

Cooperation on research and innovation is an important sector of the EU-Mongolia bilateralism. Mongolian and European scientists collaborated on a number of programs and projects in the framework of shared interests and collaborative assets over other EU programs. Mongolian institutions, scholars and researchers participated in many EU programs and are partaking in research and innovative programs.

EU countries are the main partner in technology, innovation and science of Mongolia and a leading research and innovation hub of the world. HORIZON 2020, an ongoing program which is the EU-funded program for Research and Innovation, is carrying out from 2014-2020 with a budget of 80 billion EUR. It is a best opportunity for Mongolian scholars, researchers, businesses and institutions to be welcomed to collaborate with EU scientists and institutions to benefit from European high developed research and innovation sectors. One example of collaboration of Mongolian and EU scientists is a 1.1 million EUR project. The project was funded by the EU's Instrument for Nuclear Safety Cooperation (INSC). In this context, the EU has delivered a broad knowledge such as workplace training, methods, know-how and best practices of partnership with the executive branch of the Nuclear Energy Commission for 32 months.⁹⁷ In the framework of the EU Horizon 2020 program, Mongolian universities and professors and students participate in international projects and professional development at European universities. Moreover, faculty members publish their research papers in scientific journals and organize joint summer workshops among young researchers.⁹⁸ The European Union project "Support to Mongolia's Technical and Vocational Education and Training Sector (STVET-1)" is a 5-year national project implemented by GOPA Worldwide Consultants. The project team works very closely with the Vocational Education and Training Policy Coordination Department within the Ministry of Labor. The STVET-1 project runs from 1 July 2014 and will be operational until 30 June 2019.⁹⁹

⁹⁷ EU and Mongolia complete nuclear safety project, European External Action Service Journal, Ulaanbaatar, /Jun 17, 2019, <http://eueuropaeas.fpfis.slb.ec.europa.eu:8084/delegations/mongolia/64187/eu-and-mongolia-complete-nuclear-safety-project/en>

⁹⁸ Mongolian University of Science and Technology, "Regenerative Medicine Innovation Crossing-Research and Innovation Staff Exchange in Regenerative Medicine" project launches in cooperation with Trento University in the framework of EU Horizon 2020 program, Dec 11, 2017, <https://www.must.edu.mn/eng/content/show/id/7352>

⁹⁹ Support of Mongolia's Technical and Vocational and Education Training Sector, National Council on Vocational Education and Training (NCVET) Meeting convened in June 27, 2016, <http://mcut.mn/category/news/>

4.5 European Bank for Reconstruction and Development (EBRD)

EU member countries hold about 60 percent of EBRD shares. Furthermore EU and the European Investment Bank have shares in the EBRD and are represents head decision-making individuals of the EBRD.¹⁰⁰ EBRD started banking in Mongolia from 2006. EBRD supports Mongolia's ambition to become market economy and is one of the main foreign investor of it. Almost all projects that are carried out by EBRD were in the private sector and most of them are local businesses and banks.¹⁰¹ EBRD focus on Mongolia's sustainable development, liable mining industry, construction and private business development. In addition, the parties are interested in improving mining sector governance, infrastructure, agricultural processing, livestock breeding, energy, heating and tourism field.

On the meeting of Prime Minister Mongolia Khurelsukh Ukhnaa and Vice President of the European Bank for Reconstruction and Development (EBRD) Alain Pilloux in June 2019, Mr Khurelsukh Ukhnaa thanked the EBRD for spending over 1.7 billion EUR for the private sector of Mongolia in the past more than 20 years. EBRD has financed 70 million euros in Mongolia from the beginning of 2019 and will implement several projects and programs in rural areas, said EBRD Vice-President Alain Pilloux.¹⁰² Moreover environmental commitments set forth in the Bank's Agreement provide three broad objectives: environmentally friendly and sustainable development; democracy; and market economy.¹⁰³ EBRD's investments have been mostly used natural resource extraction projects.

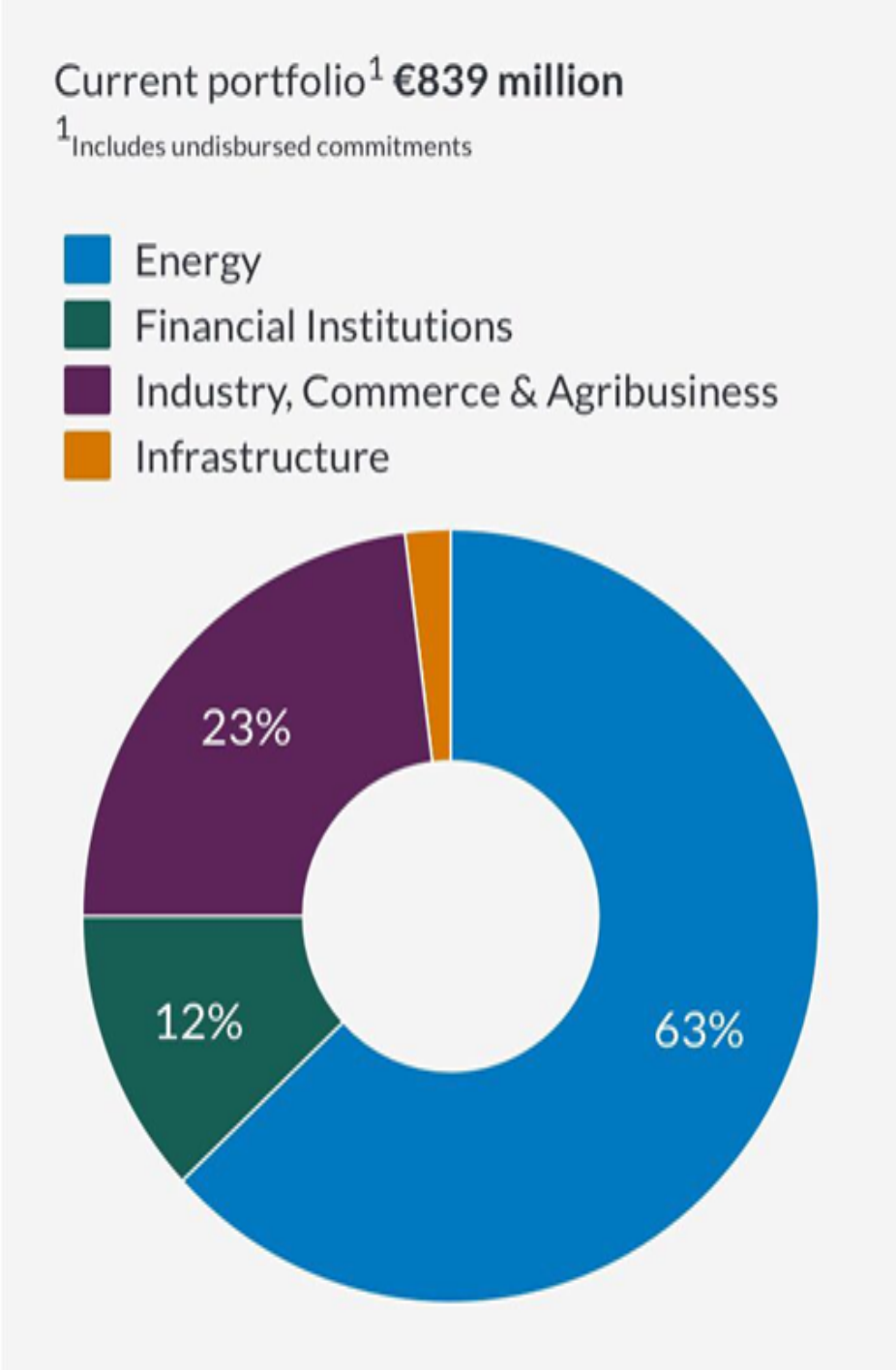
¹⁰⁰ European Bank for Reconstruction and Development, EBRD Shareholders and Board of Governors, <http://www.ebrd.com/shareholders-and-board-of-governors.html>

¹⁰¹ European Bank for Reconstruction and Development, Mongolia Overview, <https://www.ebrd.com/where-we-are/mongolia/overview.html>

¹⁰² EBRD spends EUR 70 million this year, *MONTSAME* May 27, 2019, <https://montsame.mn/jp/read/190765>

¹⁰³ Agreement Establishing the European Bank for Reconstruction and Development 'Article 2'

Fig 5 EBRD Activity in Mongolia to Date by Sector



Source: European Bank for Reconstruction and Development, EBRD Projects in Mongolia, <https://www.ebrd.com/mongolia.html>

Fig 6 EBRD Activity in Mongolia to Date



Source: European Bank for Reconstruction and Development EBRD Projects in Mongolia, <https://www.ebrd.com/mongolia.html>

CHAPTER FIVE CONCLUSION

The basic direction of any country's foreign policy is to have the most favorable benefit from foreign relations. Mongolia also complies its national interests in the same way. The long-term objective of Mongolia is to develop into a middle income country. The Third Neighbor Policy of Mongolia attracted some key partners for the country. The post-Soviet democratic reform and economic restructuring gave Mongolia the best opportunity to implement its "Multi-pillar" foreign policy from the early 1990's. The influence of neighboring countries on Mongolian foreign policy was a new strategy for balancing relations with Russia and China. The concept of the updated foreign policy has resulted in a new core issue in relation to Mongolia's foreign relations. However, despite the strong changes in Mongolia's foreign policy country's focus on developing friendly and mutually beneficial relationships with other countries is beyond its strong neighbors.

As a result of the Third Neighbor Policy of Mongolia, Mongolia has expanded its relationship with its third neighbors. Mongolia select third neighbor countries according to their contribution to the economy and general values. It also seeks to promote sustainable investment in these countries to attract investment and meet their economic interests. Among these, the European Union has reached a high level of interest of Mongolia and since the democratization of Mongolia, the EU has been a reliable partner in the political and economic sectors. The European Union Mongolia has been active partners from 1989 and has signed the Partnership and Cooperation Agreement in 2013 and European Union opened its Delegation office in Mongolia in 2017. Although Mongolia is geographically distanced from the EU, it has been a major trade and economic partner after China and Russia. Mongolia is distanced from EU countries and is a major obstacle to the prosperity of bilateral relations not reached the desired mass.

In the framework of the Third Neighbor Policy, Mongolia has been working actively and passionately towards expanding relations between Mongolia and the European Union. Mongolia has a friendly relationship with the former socialist Eastern European countries, which has played an important role in Mongolia's cooperation with the European Union. The European Union supports the development of Mongolia's democracy. Mongolia's economic growth started in the 2000s and attracted foreign politics and business interests, and the European Union was one of them. One example is that the European Bank of Reconstruction and Development is committed to investing heavily in Mongolia's mining sector.

The reason why European Union is one of Mongolia's "Ideal Third Neighbor" is EUs norms and standards which Mongolia is aiming to establish in Mongolia, the European Union's support on democracy and human rights.

Compared to other Mongolia's third neighbors Japan, Korea, India or the United States, Mongolia and the European Union close ties will not conflict with policies of the neighboring two countries. However Mongolia has been a "Donor Receiver" from the European Union, in recent year attitude is changing and with the new partnership and cooperation agreement the two parties are cooperation in a mutually beneficial way. This can be proved by the statement of High Representative of the Union for Foreign Affairs and Security Policy and Vice-President of the European Commission Federica Mogherini saying that "Mongolia is in a unique geospatial area and plays an important role in the region. The partnership of EU and Mongolia is an important with common values, mutually beneficial economic activity and contribution to global and regional peace and security".

Based on the European Union's influence on Mongolia, Mongolia concludes that the sides are possible to advance their relations with EU to strategic partnership for mutually beneficial cooperation. This will help to balance the political and economic influence of China and Russia- objective of the Third Neighbor Policy of Mongolia. Mongolia is a country based on mining and agricultural raw materials and low energy, infrastructure, transportation and logistics development. The Government of Mongolia signed a treaty with the EU to export raw materials and finished products without added value. In this way, EU support the industry and support the production of domestic producers to the international market. Mongolia is heavily dependent on the mining sector as it affects long-term economic development and sustained growth, thus Mongolia pursues a policy of diversifying its relations with the EU.

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