

of influence—fits closely with Mongolia's domestic and foreign aims of a balanced approach to foreign relations. Rather than pose a threat to Mongolian sovereignty as it does for the Ukraine, Russia's foreign policy is an impor-

tant component of Ulaanbaatar's security. For Mongolia, a strong and assertive Russia is much preferable to a weak and complacent Russia. This is good news for Moscow, as it needs all the friends it can get.

About the Author

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ANALYSIS

The Mongolian Dream

By Yury Kruchkin, Ulan Bator

Abstract

This article provides an overview of the development of Mongolia and the potential the country holds for Russian diplomacy and business. Russia has failed to take advantage of opportunities in the past, though many possibilities remain open. In particular, there would be plenty of room for Russian small and medium businesses in the country if they were interested in working in Mongolia.

Any discussion of the current situation in contemporary Mongolia should begin, in my view, by debunking stereotypes. The lack of foreign news agencies in the country and the sad state of Mongolian studies around the world make this steppe country *terra incognita* for the majority of people on the planet.

On September 3, 2014, the author of this article met with the more than 40 journalists who make up Vladimir Putin's presidential press pool and who accompanied the Russian president during his visit to Ulan Bator. It would seem reasonable that respectable professionals should have a reliable picture of the country they were visiting and about which they write extensive analyses on concerning its relationship with Russia. However, my sense was that the journalists had only scanty information about Mongolia. Needless to say, they were sincerely surprised by the skyscrapers and the European manners of the youth.

This article will try to give a short overview of the events that took place in Mongolia over the last 25 years, during a time of democratic reforms. Above all, the country has gained true independence, established a multi-party system with pluralism of opinions and ideologies, adopted a new constitution, and carried out a cashless privatization of livestock and housing (2.4 million square meters for 83,000 families). Furthermore, Mongolians now travel freely around their own country and the world. By comparison, under socialism, it was

necessary to get a permit to travel between cities within the country. Journeys abroad were extraordinarily rare and foreign passports were confiscated as soon as a citizen returned home. Now more than 180,000 Mongolians live, work, and study overseas. Another major accomplishment has been the creation of a free press: today Mongolians are world leaders in the number of television stations and newspapers per person.

A Troubled Past: Mongolia in the 20th Century

Since the beginning of the 1990s, activists have worked vigorously to rehabilitate the victims of political repression from the 1930s and 1940s. Between September 10, 1937 and April 20, 1939, 25,785 people were repressed and, of these, 20,474 were executed. At that time, the population of the country was just 800,000. More than 30,000 Mongolians emigrated in those years. The Stalinist purges so completely decimated the educated and entrepreneurial elite of society that it was not surprising when the 24-year-old Yumjaagiin Tsendenbal was elected general secretary of the Mongolian People's Revolutionary Party in 1940: there simply was no one to choose from.

After the 1990s, the Mongolians received real freedom of religion. In the 1930s, more than 700 Buddhist monasteries were destroyed, and 100,000 lamas were converted into laity, or, more frequently, imprisoned (by

custom, each family delegated one son as a lama). From 1944 to the end of the 1980s, only one Buddhist temple, Gandan, was permitted, which was located in the capital, and the number of priests did not exceed 80. The only Orthodox church was closed in 1927. Even today, Mongolia is considered a non-religious country, though there are hundreds of Buddhist temples and Christian churches, dozens of mosques, and the Mormons actively proselytize. Interestingly, the Christian missionaries are mostly led by South Koreans. New messiahs are cropping up and more people are starting to follow Zava Damdin Renbuchi, who received a religious education in a Buddhist monastery in Switzerland.

Recent Economic Growth

In 1921, there were four cars in Mongolia. By 1990, private citizens owned 4,500 vehicles. At the beginning of 2015, 400,000 automobiles filled the streets of Ulan Bator. The number, quality, and brands of the cars, to some degree, tell us something about the peculiarities of the country's economic development and the mentality of the population. For centuries, the Mongols were, and remain, nomads, always jealously observing the size of their neighbors' herds and the quality of their horses. Until the 1990s, Mongolians could only buy a car with the permission of the party and government. Since that time, thousands of Mongolians have acquired cars in Europe, usually Germany. Many of the cars were stolen. Since the 2000s, most cars come from South Korea and Japan.

Thus, the country was soon filled with old (cheap) foreign cars, among which there were almost no Soviet/Russian models. The elites went into debt to purchase prestigious BMWs, Chevrolets, and Porsches. Mongolia leads the world in the number of Hummers per capita and there is even a club for Hummer enthusiasts.

The climatic conditions in Mongolia have created a specific psychology among the population in relation to material wealth. First, the nomadic way of life does not lend itself to owning a large number of possessions or maintaining an extensive household. Second, after a cold winter, it is possible that nothing remains from a herd that once numbered in the thousands. If Chinese and Japanese farmers acquired wealth through daily hard work, for Mongols it was often by chance. In Mongol fairy tales, as with Russian versions, the main heroes often acquire everything quickly, as if a magic pike fulfilled their wish.

This perspective, therefore, probably explains how Mongolians take a philosophical view on the enormous fluctuation in the level of foreign investment in their economy. In 2008, foreign investment was at \$838.5 million, in 2011 it swelled to \$4,620 million with GDP growth of 17.5 percent, and in 2014, it dropped back to \$845 million.

The jump in 2011 was again connected with the environment, but in Australia, rather than Mongolia. A flood in that year blocked the delivery of Australian coal to China and Mongolia filled the niche, leading to the enormous jump in GNP. The government began to think about its social obligations to the population, and started to pay small allowances for children, bonuses for young people, and provide tax benefits to stockbreeders. At that time ideas about the Mongol Dream began to appear, drawing on the experiences of countries in the Persian Gulf.

Mongolia's construction sites and mines largely employ Chinese and North Korean migrant workers. The democratic elite of the country is not bothered by hiring laborers from these two countries for pennies. It is also fashionable to hire Filipino nannies and caretakers. The press even has begun to discuss whether it is possible to live well using one's natural resources and the cheap labor of foreign workers.

The waves of economic crisis spoiled this happy picture, but the visits of Chinese leader Xi Jinping and Russian President Vladimir Putin at the end of August-early September 2014 spurred hope for serious economic growth. Overall, Mongolia is reasonably successful in its foreign economic activity, enjoys good relations with its neighbors, and even acts from time to time as an intermediary in relations between Japan and North Korea. During the above-mentioned visits of the leaders of Mongolia's two major (competing) neighbors to Ulan Bator, both China and Russia promised to provide Mongolia credits and participate in mega-projects.

During these days, the sides agreed on the final set of conditions for the joint exploitation of Tavantolgoi, the world's largest coal deposit. From the Chinese side, the main participant is the state corporation China Shanxi Energy; from Japan, Sumitomo. The State Great Khural (Mongolian parliament) will most likely raise the bar for state-debt from 40 percent to 70 percent in the near future, which will make it possible for additional investments without breaking the law. The Tavantolgoi project requires a minimum of \$4 billion in investments.

The main problem in implementing the mega-projects for mining coal, copper, and iron is lack of infrastructure. For many years Mongolia discussed whether it was possible to build a narrow gauge railroad and has now finally reached a compromise decision: the tracks leading to Russia will remain the same gauge (compatible with Russian standard gauge) as exists now, while the tracks leading to China will be narrowed to meet Chinese standard gauges.

With Mongolia's compromise solution on railroad construction, the Russian state company Russian Railroads is expected to receive a share in Tavantolgoi as part

of a “coal in exchange for the construction of the railroad” deal. However, the participation, or more precisely the lack of participation, of Russian business in Mongolian projects deserves its own commentary.

The Role of Russian Business in Mongolia: Missed and Remaining Opportunities

“Our government, on one hand, wants to do something in Mongolia, but, on the other hand, does not know anything specific about Mongolia; no one is interested in it, and no one understands how it is important for Russia and for Siberia. In Russia, they do not understand that Mongolia is not Manchuria. Nevertheless, gradually, it seems, common sense is starting to appear in society.”

These words were written one hundred years ago by the famous Mongolia expert, Academic B. Ya. Vladimirtsov. They continue to be relevant today.

In various Russian agencies’ reports about cooperation with Mongolia, you will find phrases such as “Russian companies (Base Element, Severstal-Group, Renova, OAO MNPO Polimetall, RAO EES Rossii, Norilsk Nikel, VNII Zarubezhgeologiya) announce their readiness to participate in joint investment projects to develop the large mineral deposits in Mongolia.” And, yet, where is this participation?

It is possible to say that cooperation in the uranium sector and the extraction of rare earth metals has collapsed. During a meeting with then Moscow Mayor Yurii Luzhkov, the author of this article laid out the following figures: For the last 15 years, Russia has only fulfilled 4 percent of the promises made by its top leaders in terms of developing Russian-Mongolian trade. However, I was not absolutely precise in delivering this message, because the real level does not rise above 1 percent.

Unfortunately, the stagnation in ties between Russia and Mongolia goes beyond trade and economic links, it affects the spiritual sphere as well. At one time, Mongolia was the second largest importer (following Israel) of Russian books.

The former Russian ambassador to Ulan Bator, B.A. Govorin claimed there are 300,000 Russian-speakers in Mongolia, while his deputy advisor, A. Shmanevskii asserted in 2010 that there were more than one million Russian-speakers. However, according to Mongolian Russian scholars, there are now only 80,000 people in the country who speak Russian to any extent.

The situation has become so bad that there is almost no one to do simultaneous interpretation or high quality translations in Mongolia. On the Russian-side, there are no such Mongolian specialists within the Ministry of Foreign Affairs.

Against this background, the Russian press’s fantasies about future cooperation with Mongolia seem to be based on who knows what kind of sources. A glaring example is the following passage from a comment by Andrei Fediashin (RIA Novosti, July 5, 2008):

“The leadership in Ulan Bator is ready to transfer to Rosneft more than one hundred gas stations on the territory of the country on the condition that they preserve the current price for fuel. Mongolia depends on the delivery of Russian petroleum products for 90 percent of its consumption.

However, large Russian firms would like to invest in Mongolian mineral deposits that have still not been developed.

It is possible that as a result of the victory of the MNRP in the upcoming elections, Russia will acquire the Oyu-Tolgoi gold and copper mine, with an estimated deposit of 30 million tons of copper and 8,000 tons of gold. Rusal, Norilsk Nikel and other Russian companies have expressed interest.

Additionally, the fate of the Tavantolgoi coal mine will be resolved in the near future. Estimates suggest that it bears 6 billion tons of coal, 40 percent of which is good for coking. Severstal, Renova, and Basel have expressed interest”.

The Mongolians received the idea about the 100 gas stations with hostility from the very beginning and the deal for the other sites never materialized for the Russian companies.

As a former employee of the Russian foreign ministry, the author considers that, in addition to the problems of a systemic character at the highest level, another obstacle to improved Russian–Mongolian relations is the Russian foreign ministry’s exaggeration of the impact of its own work in Mongolia, which consists mainly of organizing visits for high level delegations.

The visa regime between Russia and Mongolia, which has existed for 20 years, annually costs each side a minimum of \$200–250 million. Despite this enormous loss, has anyone taken the blame?

Nonetheless, in general, it is not necessary for Russia and Russian business to do much to “work in Mongolia” in order to find success. Projects for small and medium-sized business are sufficient. Importantly, Mongolia’s legislation offers profitable concessions for foreign investors and business. Even taking into account the crisis, the \$10 billion Mongolian economy will in the next few years grow by 5–7 percent. South Korean and Chinese businessmen have occupied some niches, but there is still room left for Russians. If Ukrainian President Petro Poroshenko can sell chocolates in Mongolia

for millions of dollars, then Russians should at least be able to match his success.

At the same time, from talking to Mongolian politicians and businessmen, Russians and all foreigners should realize that in the last 20 years Mongolians have had an opportunity to earn a higher education in many countries, they are highly literate, and you will not be able to deceive them.

For foreign businesses to establish themselves, it is important that they understand the culture underlying the business, political and social landscape in Mongolia. The thought process in Mongolia differs from those in other Asian countries. It is said that natives of East Asia see things in context, while people imbued in Western culture concentrate on the near-term. The former are drawn toward holism, while the latter to analysis. Mongolian perspectives are located somewhere between these two standpoints. As nomads, they are not collectivists like the Japanese, Koreans, or Chinese, but at the same time, you cannot place them in the individualist camp of the West. In East Asia, agriculture was always a communal affair, while the West developed farms in which the farmers typically kept their distance from one another. Over the last 20 years, the Mongolians have acquired the Western desire for individual success and this separates them from other residents of East Asia. Understanding this mentality is advantageous for establishing business ties.

Mongolian Foreign Policy: Goals and Challenges

Mongolia is located on the border of three world civilizations: Confucian, Islamic, and Orthodox. In some

sense, this country connects Europe and Asia. Its natural resource wealth provides a comfortable life for its population of three million. But, Mongolia also faces challenges to resolve significant ecological, mental and foreign policy problems.

The main task of Mongolian diplomacy is correlating the geopolitical interests of China and Russia with its own interests, and to this end seeking out a “third neighbor” which could guarantee the country against any surprises from its two large neighbors. The third neighbor has been, from time to time, the USA, Japan, and the European Union. Mongolia is lucky in many ways. Nobody blocks its progress. Its neighbors are reasonable and provide some help towards its development. Hence, one can say that the Mongolians create their own problems.

In my view, one of the main systemic problems it faces is with its political institutions. Adopted in the early 1990s on the crest of diplomatic waves, the Mongolian constitution is based on a complicated parliamentary-presidential system, which, many believe, hinders social-economic development, and undermines the stability of the government. The recently collapsed government of Prime Minister Norovyn Altanhuyag lasted for more than two years, a record for Mongolia. The political life of the country is characterized by constant personnel changes. The new coalition government will constantly slip and slide due to its internal disagreements and conflicts, but, on the other hand, reasonable people see that a solution will come in just over a year, during new elections.

About the Author:

Yury Kruchkin is an expert on Mongolian affairs. He formerly worked for the Soviet/Russian embassy in Ulan-Bator, has authored 80 books and dictionaries, and is the editor of Mongolian translations of Pushkin, Esenin, Visotsky and Pandjigidze. Currently, he is the author of the majority of materials on the <mongolnow.com> website. He was awarded an Order of the Polar Star by President of Mongolia in May 2014.