



Mongolia

Overview

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

Mongolia's foreign relations are driven by a desire to preserve its autonomy by balancing relations between major partners, including the United States, China, and Russia, and also Japan and South Korea. U.S. policy has aimed to help Mongolia maintain an independent foreign policy. In July 2019, Mongolian President Khaltmaagiin Battulga met with President Trump in Washington, DC, and the two governments agreed to establish a Strategic Partnership. In August 2019, Secretary of Defense Mark Esper traveled to the Mongolian capital of Ulaanbaatar and met with senior defense and other government leaders.

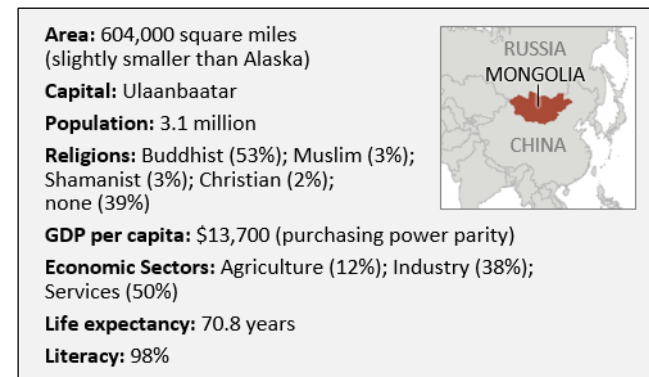
Mongolia's International Relations

The United States established diplomatic relations with Mongolia in 1987, and Mongolian leaders describe the United States as Mongolia's most important "third neighbor"—a country that does not border Mongolia but has close relations with it. Mongolia's relations with Russia, including military ties, remain close, and many Mongolians regard Russia with some affection. At the same time, they remain wary of China, their largest economic partner. Mongolia's official relations with China largely have been amicable, with the exception of periods of tension and pressure from Beijing following visits to Mongolia, a traditionally Tibetan Buddhist country, by the Dalai Lama, the exiled Tibetan spiritual leader whom the PRC government asserts aims to split Tibet from China. In addition to the United States, Mongolia has strategic partnerships with Russia (established in 2006), Japan (2010), China (2014), and India (2015).

Mongolia participates in United Nations global peacekeeping operations and has over 1,000 peacekeepers deployed in Africa. Mongolia sent troops to Iraq from 2003 to 2008 and currently has over 200 troops in Afghanistan supporting Coalition operations. U.S. Indo-Pacific Command and the Mongolian Armed Forces (MAF) hold an annual multinational peacekeeping exercise in Mongolia known as Khaan Quest. Khaan Quest 2019, the 17th such event, focused on peacekeeping and stability operations and involved 900 MAF personnel, 220 U.S. military personnel, and participants from 29 other countries including China.

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

Figure 1. Mongolia at a Glance



Sources: Central Intelligence Agency, *The World Factbook*, 2020. Map created by CRS, 2020.

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

Politics

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

In November 2019, President Battulga approved constitutional amendments that had been passed by the legislature. The amendments strengthen the power of the Prime Minister with the aim of making the government more effective, and change the term of the presidency from up to two four-year terms to one six-year term.

Since 1990, Mongolia has alternated between coalitions led by the MPRP (now Mongolian People's Party or MPP) and Democratic Union (now dominated by the Democratic Party). In 2016, the MPP won a large majority of seats in

the 76-member unicameral legislature, the State Great Khural in part because many voters blamed the DP for an economic slump that began in 2013. In the June 2020 parliamentary elections, the MPP retained its majority, the first time a single party has retained an absolute majority in consecutive elections. The MPP holds 62 seats, the DP has 11, and independents and coalitions have 3. Many voters reportedly approved of the MPP's general performance and measures to combat Coronavirus Disease 2019 (COVID-19).

Ukhnaagiin Khurelsukh of the MPP was elected Prime Minister by the Great Khural in October 2017 and he was reelected in July 2020. Mongolian voters elected President Battulga, who is affiliated with the Democratic Party, in July 2017 by a 55%-45% margin. In June 2020, a Mongolian court sentenced former Prime Minister Jargaltulgyn Erdenebat of the MPP, who served in 2016-2017, to six years in prison for abuse of power.

Economics

Mongolia's economy is supported by extensive mineral resources, but growth remains uneven, driven by fluctuations in mineral and petroleum prices. The economy has been recovering from a slump that began in 2013 due to falling commodities prices, government mismanagement and unsustainable expansionary policies, and a drop in foreign investment. In 2017, the International Monetary Fund (IMF) sponsored a three-year program of fiscal reforms and a \$5.5 billion bail-out package for Mongolia that included support from the IMF, the Asian Development Bank, Japan, Korea, China, and other aid donors.

The COVID-19 pandemic is expected to negatively impact demand and prices for Mongolia's commodities exports, and public debt is expected to rise. The Economist Intelligence Unit forecasts economic growth of 2.7% in 2020 compared to 4.9% in 2019. Mongolia has reported 220 cases of COVID-19 and zero deaths as of July 2, 2020.

Exports, which are primarily commodities, account for 40% of Mongolia's GDP. China buys over 85% of Mongolian exports, while Russia supplies Mongolia with 90% of its energy (refined oil). Mongolia's trade with China, with which it has a large trade surplus, totaled \$8.1 billion in 2019. Leading Mongolian exports to China include coal, copper and other ores, crude oil, and unprocessed cashmere. Mongolia produces over a third of the world's raw cashmere, most of which is exported to China and turned into garments by Chinese manufacturers.

As Mongolia has developed economically, Ulaanbaatar has become one of the world's cities with the highest levels of air pollution, fueled by coal-heated dwellings (*gers* or *yurts*), coal-fired power plants, and automotive exhaust. The growing number of cashmere goats, coupled with persistent drought, has contributed to overgrazing and the degradation or reduction of Mongolia's grasslands.

The Mongolian government has entered into agreements with China and Russia to jointly develop roads, railways, and power grids that link the three countries. Plans include a Mongolia-China-Russia economic corridor and free trade

zones on both borders. Mongolia and China envision integrating Mongolia's road and development plans with China's Belt and Road Initiative.

U.S. Assistance

In recent years, U.S. foreign assistance to Mongolia has consisted largely of security assistance, and Mongolia is one of five "priority recipients" of International Military Education and Training (IMET) assistance in the East Asia-Pacific region. Development assistance includes programs that aim to reduce corruption, increase transparency, promote citizen participation in government, and support citizen monitoring and oversight of government through bolstering civil society. The Department of State's *Congressional Budget Justification for Foreign Operations, FY2020, Appendix 2*, states, "Strengthening and nurturing Mongolia's democracy is crucial to the successful implementation of a free and open Indo-Pacific strategy." In FY2019, Mongolia received nearly \$10.0 million in total U.S. bilateral assistance. Japan is the largest provider of bilateral assistance to Mongolia, according to the Organisation for Economic Cooperation and Development.

The Peace Corps in Mongolia, suspended in 2020 due to COVID-19, was involved in English language and health education. A USAID-supported Leaders Advancing Democracy (LEAD) Mongolia program brings young Mongolians to the United States to learn about how to engage in civic action.

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

U.S.-Mongolia Trade

U.S. total trade with Mongolia was valued at \$217.4 million in 2019, including \$24.6 million in Mongolian exports to the United States. Mongolia is a beneficiary of the U.S. Generalized System of Preferences (GSP) program. Eligible products include tungsten, one of Mongolia's top export items to the United States; certain handmade or handicraft textile products; and some non-apparel items that use cashmere or furs.

In April 2019, the Mongolia Third Neighbor Trade Act was introduced in the House (H.R. 2219) and Senate (S. 1188). The act would authorize certain textile and apparel items made of cashmere in Mongolia to be imported duty-free. Supporters of the bill argue that it would help reduce Mongolia's economic dependence upon China and help Mongolia to develop its own garment industry.

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