



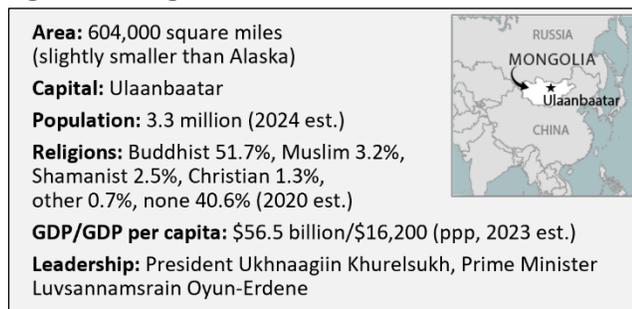
Mongolia

Overview

Mongolia is a landlocked country that shares borders with two powerful neighbors, Russia and the People’s Republic of China (PRC, or China). With a population of about 3.3 million and a land area slightly smaller than Alaska, Mongolia is the most sparsely inhabited country in the world. About half of the country’s population lives in the capital, Ulaanbaatar. While Mongolians traditionally have been nomadic pastoralists, the country’s economy is now highly dependent on its extensive mineral resources, with extractive industries accounting for over 90% of Mongolian exports.

For almost 70 years after it gained independence from the Republic of China in 1921, Mongolia was a satellite state of the Soviet Union, under the one-party rule of the communist Mongolian People’s Revolutionary Party (MPP). Following a peaceful revolution in 1990, Mongolia embarked on a successful democratic transition. Mongolia’s foreign relations reflect a desire to balance PRC and Russian influence by engaging with a range of other partners, including the United States, South Korea, Japan, and others. Some Members of Congress have expressed support for expanding U.S. engagement with Mongolia.

Figure 1. Mongolia at a Glance



Sources: CIA World Factbook. Map created by CRS.

Political Background

Mongolia’s political system is “semi-presidential,” with a parliament and prime minister as well as a popularly elected president. The prime minister is the head of government with primary responsibility for executive ministries, while the president plays the lead role in foreign policy and serves as the commander in chief of the armed forces.

Although Mongolia has a multiparty system, since the country’s 1990 democratization political power has alternated between the two major parties, the Mongolian People’s Party (MPP, the successor to the MPRP) and the Democratic Party (DP). The DP and the MPP have established a track record of peaceful transitions of power. For most of its democratic history, Mongolia had a divided government, with the presidency and the parliamentary

majority held by different parties. That changed in 2021, when the MPP won the presidency after having secured a supermajority in parliament in 2020. Mongolia’s June 2021 presidential election delivered a decisive victory for MPP candidate Ukhnaagiin Khurelsukh. Constitutional changes introduced in 2023 expanded the size of parliament from 76 directly-elected seats to 126, 78 directly-elected and 48 proportionally elected from nation-wide party lists. The MPP maintained its majority in 2024 parliamentary elections, winning 68 seats to the DP’s 42; three smaller parties also won seats in parliament.

Mongolia is the only formerly communist country in Asia classified as “free” by the U.S. non-governmental organization Freedom House. According to Freedom House, political rights and civil liberties in Mongolia “have been firmly institutionalized.” The State Department calls Mongolia’s achievements in terms of democratization and market reforms “considerable,” but describes institutional weakness and widespread corruption as enduring challenges. According to the State Department and other observers, corruption remains widespread at all levels of government, and the politicization of anticorruption efforts hampers their effectiveness. Following large anti-corruption protests in 2022, in 2023 Mongolia’s government announced a new anti-corruption strategy intended to increase transparency and bolster cooperation with civil society and international organizations.

Economy

Mongolia has extensive deposits of minerals including copper, gold, coal, molybdenum, uranium, tin, and tungsten. While Mongolia’s economy traditionally was based on herding and agriculture, the mining sector now accounts for over 25% of the country’s gross domestic product (GDP). China accounted for 91% of Mongolian exports and 41% of Mongolian imports as of 2023. Russia is Mongolia’s second-largest source of imports, accounting for 26% of the total as of 2023, and provides over 90% of Mongolia’s petroleum imports. In 2022, the government of Mongolia settled a long-running dispute with Anglo-Australian mining company Rio Tinto over the expansion of the Oyu Tolgoi copper and gold mining project, the largest foreign investment in Mongolia. The World Bank estimates 5.3% GDP growth in 2024, moderated from 7.2% in 2023 by slower coal exports to China and a contraction in the agricultural sector stemming from harsh weather conditions. Average growth in 2025-2026 is projected at 6.3%, driven primarily by the mining sector.

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.

Mongolia's International Relations

Mongolia has long sought to maintain good relations with Russia and China, while pursuing a "third neighbor" policy that emphasizes developing relationships outside of its immediate neighborhood. Prime Minister Luvsannamsrain Oyun-Erdene has described the United States as "one of [Mongolia's] most important third neighbors." The United States and Mongolia upgraded their bilateral relationship to a Strategic Partnership in 2019. The House of Representatives and the Senate passed resolutions reaffirming the strategic partnership between the United States and Mongolia in the 116th (H.Res. 1100) and 117th (S.Res. 36) Congresses. The United States was the fifth country with which Mongolia established a strategic partnership, following Russia (2006), Japan (2010), China (2014), and India (2015).

Mongolia's foreign military relations complement the country's "third neighbor" policy, and participation in global peacekeeping operations is part of the country's multilateral diplomacy. Mongolia actively cooperates with NATO on issues including counterterrorism, non-proliferation, and cybersecurity through an Individual Partnership and Cooperation Programme. Mongolia also is an observer in the Russia- and PRC-led Shanghai Cooperation Organization. Since 2003, Mongolia has hosted the annual Khaan Quest multinational military exercise, co-sponsored by U.S. Indo-Pacific Command and designed to promote regional peace and security in Northeast Asia. Since 2002, Mongolia has sent more than 18,000 troops to UN peacekeeping operations around the world, a contribution the United Nations terms "significant." As of 2021, Mongolia was the 23rd largest contributor of troops to UN peacekeeping operations.

Analysts see Russia's ongoing war against Ukraine as placing Mongolia in a difficult diplomatic position, and some Mongolian officials have expressed frustration at the economic impact on Mongolia of international sanctions against Russia. Mongolia has abstained on UN resolutions condemning Russia's invasion of Ukraine. In September 2024, Mongolia became the first International Criminal Court (ICC) member country to host Russian President Vladimir Putin since the ICC issued an arrest warrant for him in March 2023. Mongolia's government has continued to pursue multilateralism, however, and has sought to diversify its economic and diplomatic relationships.

Some analysts assess that Mongolia's economic dependence on China constrains Mongolian foreign policy. Mongolians are predominantly Buddhist, and Mongolia has deep historical ties to the institution of the Dalai Lama. Following a visit to Mongolia by the Dalai Lama in 2016, China criticized the Mongolian government, cancelled meetings with high-level Mongolian officials, and introduced tariffs on Mongolian commodity exports. Some speculate that the next Dalai Lama may be born outside of Tibet, possibly in Mongolia. The PRC government asserts that it alone should control the selection of a successor to the 14th Dalai Lama; PRC involvement in the selection of a

15th Dalai Lama could potentially create new frictions between the PRC and other countries with significant Tibetan Buddhist populations, including Mongolia.

U.S. Assistance

U.S. assistance to Mongolia has supported a range of programs whose aims have included strengthening democratic institutions, reforming the country's energy sector, promoting economic diversification, reducing vulnerability to climate change, building the capacity of law enforcement agencies, and combatting corruption. The Biden Administration regarded Mongolia as a "priority" recipient in East Asia for Foreign Military Financing and International Military Education Training programs. Its foreign operations budget request for FY2025 included \$13.25 million in total assistance to Mongolia, compared to an estimated \$12.5 million allocated in FY2023.

Between 2008 and 2013, the Millennium Challenge Corporation implemented a five-year, \$285 million compact with Mongolia targeting property rights, transportation, energy, education, and health. A second, five-year \$350 million compact to build critical water infrastructure in Ulaanbaatar entered into force in 2021.

Mongolia is one of 21 countries whose legislatures participate in the House Democracy Partnership, a bipartisan commission of the U.S. House of Representatives that seeks to support the development of effective, independent, and responsive legislative institutions.

U.S.-Mongolia Trade

U.S. trade in goods with Mongolia totaled \$175.1 million in 2022, including \$26.4 million in Mongolian exports to the United States. Mongolia has been a beneficiary of the U.S. Generalized System of Preferences (GSP) program, which expired on December 31, 2020 and has not been reauthorized. Major Mongolian exports eligible for GSP benefits include tungsten, one of Mongolia's top export items to the United States; certain handmade or handcraft textile products; and some non-apparel items that use cashmere or furs.

The U.S. government has sought to assist Mongolia in diversifying its economy in order to decrease dependence on China. The Mongolia Third Neighbor Trade Act, first introduced in the 115th Congress and reintroduced in the 116th, 117th, and 118th Congresses, would have facilitated the export of cashmere from Mongolia to the United States, enabling Mongolia to diversify its exports. While Mongolia is the world's second-largest cashmere producer after China, most of its cashmere is exported in raw form and processed in, and then re-exported from, China. Mongolia's Ministry of Foreign Affairs states that, if passed, the bill would "support the Mongolian economy by creating jobs, diversifying export, and contribute to expanding trade and economic cooperation between Mongolia and the United States." In response to concerns about the environmental impacts of cashmere production, particularly land degradation and desertification, the United States, the United Nations, and others have supported sustainable cashmere initiatives in Mongolia.

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