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Mongolia and the World

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十年來蒙古的政經發展 及未來展望學術會議論文集

Mongolian Political and Economic
Development During the Past Ten
Years and Future Prospect

蒙古與世界

MONGOLIA AND THE WORLD

Henry Schwarz

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蒙古與世界

Henry Schwarz

摘要

本報告重點在於陳述蒙古過去十年來的幾項重大的外交發展。蒙古自放棄 1990 年前的外交型態與手段後，即在強調政治獨立的理想與面臨經濟依賴的相關困境下徘徊，本文並簡述其近十年來的成就及其長、短期發展。

MONGOLIA AND THE WORLD

Some General Remarks¹

Henry G. Schwarz*

abstract

This paper will endeavor to present a brief survey of the most significant developments in Mongolia's foreign relations during the past decade. Centered around the interplay between the ideal of political independence and the practice of economic interdependence, the paper's main foci will be on departures from pre-1990 patterns and practices, present problems and achievements, and prospects for the short and long term.

Preface

This paper will endeavor to present a brief survey of the most significant developments in Mongolia foreign relations during the past decade.² Centered around the interplay between political and economic forces, the paper will touch on the most salient aspects of pre-1990 Mongolia, the present state of affairs, and prospects for the short and long term.

The Situation Before 1990

Before we look at Mongolia experiences in the 1990s, we must consider what preceded them in order to establish a baseline by which to evaluate the country experiences. This is good advice for the study of any country, but is absolutely essential for Mongolia because that country has arguably undergone more profound changes in a shorter period of time than any other country in recent history. In addition, its international position faces a challenge that cannot

¹ The views expressed in this paper are the author's and do not in any way reflect views held by any organization with which the author is associated.

* President, The Mongolia Society.

² Unless otherwise noted, the term Mongolia denotes only that part presently called the Mongolian Republic (Monggol Ulus or Mongol Uls).

be fully appreciated without at least the mention of some pertinent facts prior to 1990.

If pressed for a thumbnail description of Mongolia international position prior to the so-called democratic revolution, one might be tempted to call it a colony of the Soviet Union. Mongolia utter dependence on its northern neighbor did in fact resemble some aspects of Western colonialism, but such characterization would also be woefully inadequate and quite unhelpful to an assessment of Mongolia present problems. Mongolia dependence began as early as 1921 with the arrival of Bolshevik troops in what is now Ulaanbaatar and became stronger with each successive year. We can, therefore, say that the modern Mongolian state began at about the same time the new Soviet state was born and that in the ensuing years and decades, Mongolia political culture was being shaped in tandem with that of the Soviet Union. Soviet policies in Mongolia were implemented by Soviet advisors at every level of the central government, a situation quite analogous to that in Manchukuo between 1933 and 1945 where Japanese advisors in fact ran all government affairs.³

Mongolia foreign economic relations were shaped by the same source. Until shortly after the second world war, Mongolia economy was almost totally linked to the Soviet Union, and during the war, Mongolia was hard pressed to supply huge quantities of materials (but not troops) in the effort to defeat Germany. When in 1949 COMECON, the Moscowbased Council of Economic Cooperation came into existence, Mongolia was included along with Eastern Europe and later joined by Vietnam and Cuba. This marked a new qualitative step in the development of Mongolia economic relations with the world. The organization attempted to maximize economic development by reducing duplication of effort and assigning to each member country certain economic activities. While some East European countries reportedly had occasional misgivings because this division of labor reminded them of practices Western countries had formerly engaged in toward their colonies, in point of fact Mongolia, on the whole, benefited from its membership in COMECON.

As one would expect, there were several facets to this new interdependence.

³ Another feature common to both Mongolia, at least until after the end of the second world war, and Manchukuo was that their respective foreign masters carefully maintained all the trappings of an independent state, but in fact only they and later some of their other client states extended diplomatic recognition.

On one hand, Mongolia position did seem to resemble that of former Western colonies: its main exports were animals, animal products and raw materials, and it imported most manufactured goods. What might be termed the classic colonial patterns was most pronounced in the extractive industries. With the exception of coal, which was mined exclusively by Mongols and was consumed within Mongolia, the Soviet Union ruled supreme. Mongolia industrial flagship, the Erdenet combine, extracting copper and molybdenum, was built and administered by Russians, with Mongols playing only subsidiary roles. This dominance was even more extreme in gold and uranium mining. On the other hand, a closer look reveals a pattern not frequently found in the history of Western colonialism. Starting as early as the 1930s, Mongolia was encouraged to develop a fairly sizable manufacturing base which allowed the country to add value to its animal products by processing them into carpets, sausages and so forth. Equally importantly, COMECON guaranteed a ready market for these Mongolian manufactured goods.⁴

In summary, Mongolia experience prior to 1990 contained some facets generally associated with colonialism but also significantly diverged from it. Moreover, the country shared with East-ern Europe some but not all of the attributes of a satellite nation. But if we truly want to understand the Mongolia between 1921 and 1990 within the context of the entire century, two other factors are of far greater importance: (1) in light of what was going to happen after 1990, a relatively high standard of living and a good quality of material life; and (2) in light of what preceded 1921 and might have happened had relations with Russia, and later the Soviet Union, not developed the way they did, the maintenance of formal sovereignty which ultimately was recognized by many different countries and which allowed Mongolia to participate in international organizations, such as the United Nations. We will get back to the last factor in a moment.

⁴ The diversification of its economy was not an isolated event in twentieth-century Mongolia but was accompanied by universal education and health care open to and affordable by all citizens, as well as provisions for adequate living standards in postretirement years. The net result of these policies was a very high literacy rate, a large number of highly competent scholars and technicians, the virtual elimination of several epidemic diseases, a very sharp rise in life expectancy in a population that at the start of the twentieth century had been widely predicted to become extinct, and an equally sharp rise in population, the latter actively encouraged by the government.

The Nineties

The reforms attempted by Gorbachev ultimately led to the dissolution of the Soviet Union which in turn caused dramatic changes in Mongolia, particularly in its economy and society. Their consequences are still felt today by every citizen of that country. Virtually overnight, the substantial subsidies paid over a long period of time by the Soviet Union stopped, with neither the Mongolian nor the Russian government being able to continue even a small portion of these subsidies. As COMECON ceased to function at about the same time, it tore apart the web of trade patterns that had allowed Mongolia manufacturing sector to flourish and to provide full employment to tens of thousands of Mongols.⁵ These two events triggered the catastrophic fall in the standard of living from which the people of Mongolia have still not fully recovered.⁶

When compared with the disastrous decline in the standard of living, changes since 1990 in Mongolia relations to the rest of the world appear less dramatic. While prior to 1990, 95% of Mongolia trade was with COMECON members; since then Russia share has declined while China, South Korea, Japan, and Switzerland have become major trading partners. Russian dominance is still quite strong in the energy sector. Not only does Mongolia depend on Russia for virtually all its petroleum needs, but the entire western part of the country is linked to one or two power grids inside Russia.⁷ There has, however, been a sharp shift in most other areas of the economy, and nowhere is it more pronounced than in the so-called new economy, as exemplified by wireless

⁵ To make matters worse, the last decade of the COMECON trade network also witnessed the growing obsolescence of most of Mongolia's manufacturing sector. When the trade network died in 1991, so did Mongolian manufacturing plants whose products became unsaleable on the world market.

⁶ By 1998, the latest year for which complete figures are available, more people lived below the poverty line than at the beginning of the decade. Official statistics show that the proportion of poor households increased from 19.6% in 1994 to 29% in 1998. Worse still, about one-third of these poor households, officially dubbed very poor, live at least 40% below the poverty line. See "Poverty in Mongolia," in *Seminar on Poverty Statistics*, UNESCO for Asia and the Pacific, Bangkok, 21-13 June 1999. These appalling conditions are made worse by the collapse of the social security net that existed before 1990. One of the most dangerous consequences of poverty has been the decline in literacy, health, and birth rates.

⁷ If current plans for building hydroelectric dams in several western aymags come to fruition, this dependency will lessen over time. There have been discoveries of new oil fields and some oil has already been trucked to China for refining, but Mongolia's dependency on oil imports will continue for a long time. Some Mongols have high hopes that a planned natural gas pipe from Siberia to China will traverse Mongolia, but it is far from certain that their hopes will come true.

technology and other sectors. Products in these new fields have been imported in ever larger quantities from Japan, South Korea, Europe, and the United States but virtually nothing from Mongolia former trade partners. It is also noteworthy that so far none of these new products are being manufactured or assembled in Mongolia, thus further delaying a rejuvenation or modernization of Mongolia manufacturing sector.

While much has been made in the West of the influx of goods and capital from Europe, the United States, Japan, and South Korea, attention ought to be centered on China. A comparison of Mongolia two neighbors is most revealing. Trade with China soared from 69.1 million USD in 1991 to 143.3 million USD in 1998,⁸ while trade with Russia during the same period plummeted from 472.1 to 183 million USD,⁹ much of which reflects Mongolia continued dependence on Russian gasoline and electricity. The unofficial figures for 1999 show China share of Mongolia total exports at 83.5%. Moreover, during the first three months of 2000, China took all of the copper concentrate, Mongolia main export item, all raw hides and skins, all raw cashmere, and 14% of the combed cashmere.¹⁰ Chinese traders, many of them illegally in the country, offer herd-ers prices for raw cashmere, hides and skins so high that the once thriving wool processing and leather industries limp along well below capacity. Repeated demands to impose export duties on unprocessed animal products have so far been in vain.

At the same time, Chinese products, particularly food, have established an ever greater presence in the lives of most Mongols. Unofficial statistics for 1999 suggest that one-fourth of an average Mongol food budget was spent on Chinese imports, with rice, vegetables, and fruit accounting for 80-100% of Mongolia food consumption.¹¹ This sharp increase in food imports has been paralleled by a continuous shrinkage of Mongolia farming sector. An indication of how dominant China has already become in Mongolia economy is, oddly

⁸ See *BNKhaU-yn дэрчлэлт шинэчлэл, нээлттэй бодлого* (Ulaanbaatar : Academy of Sciences, 1999), p. 147.

⁹ See *Mongolyn tusgaar тогтнол ба Орос, Кhyatadын khüchin зүйл* (Ulaanbaatar : Academy of Sciences, 1999), p. 123.

¹⁰ See "Is China becoming 'dangerously' important in Mongolia's foreign trade?" *Mongolia This Week*, May 26-June 1, 2000.

¹¹ *Ibid.*

enough, the recent decline in value of the American dollar vis-à-vis the tugrig. As the economist and former prime minister B. Byambas uren recently explained it, the more China share of Mongolian trade increases, the more foreign transactions are being conducted in renminbi which, in turn, lessens the demand for dollars.¹²

The decline of Russia presence in Mongolia economy was paralleled by a similar decline in that country influence in Mongolia foreign affairs, but the changes have been more incremental. Since 1990 Mongolia has established formal diplomatic relations with more countries, but this trend was already present well before 1990. What is new and more important than mere numbers is the quality of Mongolia foreign relations. Four aspects should be mentioned. First, Mongolia former diplomatic partners now constitute but a small fraction of the total number of countries that have formal relations with Mongolia. Second, more countries have permanent representation in Ulaanbaatar, and conversely the old practice of concurrent accreditation of ambassadors permanently stationed in either Moscow or Beijing is on the decline. Third, Mongolia is now a member of far more international governmental and non-governmental¹³ organizations than before 1990. Fourth, and arguably most importantly, Mongolia is conducting its foreign relations free from the yoke that had been imposed by its northern neighbor for seventy years. This is not to ignore the cardinal fact of diplomacy that like all small countries, Mongolia is obliged to shape its foreign policies more closely to the wishes of other countries than larger states have to, but so far these external pressures have been diffuse and no single country has yet emerged as a *primus inter pares*.

The Central Problem

This brief summary of events would not be complete without placing them within a geopolitical context. In fact, Mongolia geopolitical situation is crucial to an understanding of its position before, during and since the 1990s. Of course, geopolitics is something worth considering anywhere, and being landlocked and

¹²See Email Daily News, May 24, 2000. It should be added that the demand for dollars or any other currency is dependent on many factors, and any future rise in the dollar's value cannot be simplistically assigned to a decrease in the Chinese share of Mongolia's foreign trade.

¹³The very concept of truly non-governmental organizations is a global phenomenon that became noticeable not until the 1990s.

having only two neighbors is a condition shared by Nepal and Bhutan, not to mention certain mini-states in Europe and Africa. But, as I hope my subsequent remarks will demonstrate, these characteristics take on far greater importance in Mongolia than anywhere else.¹⁴

The crux of the problem lies in the fact that at the beginning of this century Mongolia was twice as large as it is today and was one of three countries (the other two being China and Tibet) that had been conquered by the Manchus in the seventeenth century.¹⁵ When the Manchu dynasty ended in 1911, each of the three countries declared its independence. However, one of them, China, unilaterally decided that it had the right to annex the other two countries. It was too weak at the time to do anything about Tibet, but Mongolia, lying close to the political and military center Beijing, was another matter. China forcefully annexed the southern and eastern portions of Mongolia in the early 1910s and at the end of that decade also tried to subjugate the northern part of the country but there China was stopped and forced to retreat south of the Gobi. Since then, the relentless influx of Chinese settlers into the southern portion of Mongolia, that had already begun during the Manchu empire, has accelerated. Every Chinese government since 1911, especially the present administration, has encouraged this migration. As a result, Mongols now constitute between five and fifteen percent, depending on definition, of the total population of the so-called Inner Mongolian autonomous region.

What forced China to stay south of the Gobi was Mongolia northern neighbor. Both White and Red Russian forces, while engaged in their civil war, spilled across the border into Mongolia and while there chased out the Chinese invasion force. After the creation of the world first people republic in 1924, the Soviet Union saw to it that foreigners -- be they European traders, American paleontologists, Japanese of every description, and especially Chinese -- be kept out of Mongolia.¹⁶ As part of their efforts to isolating Mongolia from China and

¹⁴Given this paper's limited focus on the 1990s, only the most crucial facts can be mentioned here. For a more detailed discussion of this subject, see Henry G. Schwarz, "The security of Mongolia," *The Mongolian Journal of International Affairs* 3 (1996), 77-87.

¹⁵Unlike the other two countries, Mongolia lacked a central government at that time, but it does not negate the fact that Mongols and their local leaders shared a strong sense of common identity via-a-vis its foreign neighbors like the Chinese.

¹⁶Although anti-foreign propaganda was most severe against the Japanese between 1935 and 1945 (and was used,

particularly from its Mongolian population in Inner Mongolia, Stalin and his successors in the Kremlin dictated a menu of political socialization for generations of Mongols that fostered the myth that the only real Mongols were the citizens of the Mongolian People Republic and that all other Mongols were foreigners. Subsequent events showed that, with certain exceptions, this indoctrination was successful.¹⁷ One of the important changes since 1990 has been a new attitude, as expressed in school curricula and public discussions, that once again acknowledges, albeit so far rather cautiously, the ethnic, cultural and religious ties with Mongols in China and elsewhere. The Concept of National Security of Mongolia states that Mongolia shall ... expand relations and ties with Mongols living in other countries, help them maintain and develop Mongolian culture and traditions ... [but] shall particularly eschew the injection of any political intent in these relations.”¹⁸

Prospects

Formal political independence is likely to be maintained for some time to come. Barring a cataclysmic event, it is difficult to imagine Mongolia not remaining a sovereign member of international organizations nor having full diplomatic relations with a large number of countries. Notwithstanding China well-practiced ambiguity toward Mongolia,¹⁹ I see only a remote chance in the near future for a political-administrative absorption by the country southern neighbor.

As for Mongolia economy, it seems that the change from dependency on one foreign power to an assortment of donors, international financial institutions and trading partners will save Mongolia from the kind of cataclysm it suffered around 1990. I think that in purely economic terms, this particular risk has indeed been reduced, but it would be rash to predict that it has been eliminated. China share of Mongolia trade is likely to increase as long as China economy

inter alia, as a pretext for the murder of monks and others), the anti-Chinese bias lasted much longer. As late as the 1980s, ethnic Chinese who lived most of their lives in Mongolia were expelled.

¹⁷The brief Soviet-Mongolian incursion into Inner Mongolia in 1945 suggests that in extreme circumstances, such as Soviet looting of Mongolian monasteries, this indoctrination broke down and older feelings of ethnic kinship among the Mongolian troops came to the fore.

¹⁸ See *The Mongolian Journal of International Affairs* 2 (1995), p. 98.

¹⁹Vague intimations of irredentism are not confined to Mongolia. At different times since 1949, textbooks and maps used in schools spoke of lost territories in Central Asia and the Russian Far East as well.

increases. If due to a number of events, China economic dominance should increase to the same extent as Soviet dominance once was, its impact on Mongolia economy and statehood could manifest itself in at least three possible ways. A sharp downturn in China economic fortunes could result in similar if not quite so severe consequences for Mongolia as the demise of COMECON had. Another, and in my opinion less likely, consequence of a Chinese economic collapse might be the emergence of serious centrifugal forces, particularly in Inner Mongolia, which could well spell the end of Mongolia political independence. Conversely, if the current boom in the Chinese economy continues much longer, it could engender, within a certain combination of circumstances, a consensus among Mongolia population that would favor, or at least be far averse to than at present, a closer administrative association in order to raise the standard of living. One of those circumstances could arise in the event that the Mongol population of Inner Mongolia were to become particularly prosperous.