CHAPTER 8

Mongolia’s Immediate Security Challenges: Implication to Defense Sector and The Regional Cooperation

*Mashbat Otgonbayar Sarlagtay*

**Introduction**

2011 was a special year for the defense sector of Mongolia. This year, the MOD has celebrated the centenary of its establishment along with the first five ministries; Ministry of Foreign Affairs, Ministry of Justice, Ministry of Finance and Ministry of Home Affairs, all of which were founded in 1911, when the country declared its independence from Manchu Qing Dynasty on 29 December.

It was the year of reviewing defense concepts in relation with new National Security Concept of Mongolia adopted by State Great Hural (SGH), the parliament of Mongolia, in 2010. This document has assessed the national security environment and stated goals and objectives of national security policy including the defense policy. Military should “take active participation in international peace support operations” as a leverage of political strategy to “continuously develop bilateral and multilateral security and defense relations and cooperation with its two neighbors, the United States, NATO member nations, the European Union, and nations of the Asia Pacific (National Security Concept, 2010, p. 6).”

2011 has eventually become the year of starting point of the security sector reform. At least seventy laws should be amended to achieve the goals stated in National Security Concept (Batchimeg, Монгол Улсын үндэсний аюулгүй байдлын үзэл баримтлагал, National Security Concept of Mongolia, 2011, p. 5). As a part of this, the Ministry of Defense has submitted the draft of Basics of National Military Policy (BNMP) to the Government cabinet (Defense Minister’s Speech, 2011,
The draft of the concept is somehow unavailable to the public, which is an unusual case in Mongolian democracy. The drafts of any bill are usually available in the website of the government agencies. The only publicly accessible source about the BNMP is the Defense Minister’s annual speech so far, which widely cited from the draft. This paper will outline 2011 developments in the security sector of Mongolia and purposes;
– To express that managing rapid economic growth and the balancing of big powers’ interests are the two most immediate security challenges of Mongolia;
– To describe implications of economic growth to the defense sector and the role of the defense sector in achievements of the “Third Neighbor” Policy of Mongolia;
– To explain why Mongolian defense reform will not affect the regional security balance. Mongolia’s possible role in Korean Peninsula Issues is not discussed in this paper since it has limited direct implication to defense sector of the country.

As a part of strategy to become an active and responsible player in Northeast Asian regional security, Mongolia always welcomed the dialogue on Korean Peninsula on its soil as a neutral place for negotiation. Mongolia may also serve as a neutral mediator between the conflicting parties on this issue as some scholars pointed out and it has become one of the most actual policy debates of Mongolia’s NEA policy although it has little effect on defense sector modernization since the country enjoys two big buffers—Russia and China—to be militarily affected by the issue.

1. Security Challenges for Mongolia

Mongolia faces no immediate external or internal military threats as long as it keeps friendly relations with Russia and China. As the margin between security and development has been narrowed, for a small and underdeveloped country like Mongolia, development challenges indeed constitute the biggest security challenges. In this regard, the paper has identified two immediate security challenges, economic
and political:

– Managing the fast growing economy
– Balancing interests of big powers

To explain these challenges, advantages and disadvantages of the geostrategic location of Mongolia are briefly described, and then each challenge has been portrayed.

**Pros and cons of the location**

Thanks to our two neighbors, Mongolia is isolated and protected from many kinds of regional security challenges. No military threat will come to our land from a third nation over Russia and China. These two neighbors are capable enough to deter, neutralize and defeat the regional threats before they reach Mongolia. The fact that Mongolia was the least suffered country among the regional nations from the Korean War shows that the country has been benefited by the two big powerful buffers from the serious regional conflicts. But having no direct threat does not mean having no security challenges.

Mongolia is overwhelmingly vulnerable from the balance of power between its neighbors. The tripartite Khiagt agreement has somewhat officially declared balance of power between the two in 1915 and 20th century history has clearly shown how a change in this balance might be dangerous for the very existence of the country. Chinese troops marched to the Mongolian capital city in 1919, when Russia was going through civil war in 1917-1919 and was unable to enforce the agreement. In the 1960s, Soviet troops were stationed in Mongolia making the country the first line battle field of possible military collision between Moscow and Beijing (Galsanjamts, 2011, p. 3). Thus, Mongolia gives top priority to its neighbor policy and aims to hold a “balanced relationship” between the two.

Although keeping the balance between the two big neighbors are the foremost important concerns of Mongolia, the national security cannot be ensured by only focusing on the neighbors. Even though it successfully held the “balanced relationship,” its sandwiched location presents more security challenges. The Cold War history showed that the sandwiched geographic location politically and economically isolates Mongolia from the rest of the world, and retains the country underdeveloped and uninterested by other powers. Possible bypass of Mongolia from
the regional economic cooperation, therefore, is considered a security challenge for Ulaanbaatar because it would leave the country isolated or “vacuumed” from the world development, suffocating all its potentials and keeping it totally dependent on the neighbors.

Thus, it strives to be an active regional actor and responsible partner to prevent from isolation or vacuumed suffocation. Mongolia wants to have its role in global and regional peace and stability. For an instance, it tries to have its contribution in peace support operation for ensuring the regional stability. With the same purpose, Mongolia invites third nation’s investments in its strategically important economic sector to diversify Russian and Chinese direct influences.

**Managing the fast growing economy**

The Mongolian economy is becoming one of the fastest growing economies in the world. GDP growth in 2011 was 20 percent and is going be more than this in the coming year as the Prime Minister declared.

All world economic institutions share this optimistic hope. “On the economic front, a mining boom is predicted to make Mongolia’s economy the fastest growing in the world by 2013” says Susan Lawrence, Analyst in Asian Affairs of Congressional Research Service, citing “The World Bank’s annual GDP growth rate projection for Mongolia in 2013 is 22.9%” (Lawrence, 2011).

This rapid economic growth has its own risks as well. The U.S. assesses this growth as “non-transparent, unpredictable, and potentially ‘expropriatory’ (Lawrence, 2011).” In the last two decades, 3.26 billion USD of investment was made in Mongolia, in which China takes 53.4 percent (Davaadorj, 2011, p. 24), which fact shows dominance of one nation in all foreign direct investment (FDR). 58.4 percent of all foreign direct investment is made in the mining field only (Davaadorj, 2011, p. 24). It makes the Mongolian economy ill structured and dependent on a single sector.

The national security concept sets the goal of economic diversification to avoid the dependence of whole economy on the single sector of mining. Besides, investors’ diversification is not less important for Mongolia to keep balance between the two neighbors and engage the third partners as well. With this purpose, the National
Mongolia’s Immediate Security Challenges

Security Concept stated so-called “one third policy,” which declares “it should be the policy not to exceed investments from one nation of one third of total foreign investment (National Security Concept, 2010, p. 10).” Making the policy work is nimbly related to the strategic balancing of big powers interests as the paper will discuss in the next section.

Although economic growth is high, living standard has little sign of increase, which in fact might trigger political instability and social unrest in the country. Preventing possible social unrest requires immediate solutions to many problems; instituting a fair social wealth redistribution system, combating government and political corruption, promoting small and medium size entrepreneurs, who have literally been bankrupt by the cheap import goods from China, addressing the unemployment, the group that consider themselves as victims of cheap guest workers from China, etc. Not even mentioning security dimensions like environmental security and information security, all these socially driven factors have significantly increased the vulnerability of the national security (Batchimeg, Economic Destiny of Political Background, 2011).

NGOs and opposition parties that failed to get seats in the parliament in the last election of 2008 actively question the government statistics of economic growth against the poverty growth. It was the hottest political debate in 2011 and will be the main topic in the coming parliamentary election of 2012.

Balancing the big powers interests

In the future, the relations among the big powers will likely be defined by their competitions over the strategic resources and Mongolia faces a great challenge of how to play this strategic game with these powers using its vast mineral resources. A successful game will provide Mongolia a great opportunity and become the guarantee of the national security, while a failed game may bring the end to its very existence as an independent nation. In this regard, the margin between the development opportunity and the grave threat is significantly narrowed.

Balancing the big powers’ interests has never been so immediate for Mongolia. Since the declaration of its independence a century ago, in 1911 from Manchu Qing Dynasty, Mongolia has always strived to get the support of a third big power to
balance its two big neighbors—Russia and China. Now, it has the support of the third powers; but, Ulaanbaatar is muddling through how to create a strategically effective mechanism from those competing powers. The mechanism should balance them by each other and the outcome should be positive for Mongolia in terms of both security and development. A century long dream came true, but brought new kinds of challenges.

Government agencies are debating, sometimes competing with each other, all with the same single purpose of finding the best way to balance third neighbors’ interests against its two neighbors.’ In case of investment agreement on Tavan Tolgoi coal deposit, the National Security Council has refused to endorse the draft agreement prepared by the cabinet and criticized that the draft is not fully consistent with the National Security Concept article on “one third policy” since 40 percent of the Tavan Tolgoi has been given to Chinese company (TT issue continues to be mired in confusion, 2011). Tavan Tolgoi “is believed to contain six billion metric tons of coal, including the world’s largest untapped deposit of coking coal, which is in high demand from steelmakers in China, Japan, and South Korea (Lawrence, 2011, p. 9).” The Mongolian government likes to see more involvement of third nations like U.S., South Korea, Japan and others in large mineral deposits, which are strategically important. Ulaanbaatar wants to increase the Russian share in the Mongolian economy, but Russian responses sometimes are startling. In the case of railroad construction project, Mongolia has initially agreed to renew its existing system by U.S. financial support through Millennium Challenge Corporations in 2007 although two years later it was cancelled. The current railway system is owned by Ulaanbaatar Railway, the joint Mongol – Russian company and “Ulaanbaatar Railway’s Russian chairman refused to allow an international firm to audit the railway company’s books and withheld his approval of the MCC project (Lawrence, 2011, p. 17).” Although Russian shareholders have rejected U.S. investment in the railway system, they did nothing for reconstruction of the railway until Chinese have raised a railroad project for Mongolia in 2010 to transport mining products. Ulaanbaatar has given its preference to Russians again to increase its investment vis-à-vis China since China has already became the biggest economic partner of Mongolia (Longer rail route hands Mongolia invaluable geopolitical choices, 2010). Russian investment promise in the railroad system has again remained on paper in 2011.
2. Implication to Its Defense Sector

Although security challenges of Mongolia have no military nature, they are related to the defense sector. The prospect of the fast growing economy does not yet directly influence the defense sector although it raises hope of defense budget increase. In terms of big powers’ relations, the military was the very first available disposal to attract the third powers’ interests since Mongolian Armed Force (MAF) deployment in Iraq, and will likely be the same in the near future.

**Budget increase and strengthening capacity**

This year was the first year of serious defense investment for its modernization as Defense Minister had openly declared (Defense Minister’s Speech, 2011, p. 3). The defense sector has finally overcome two decade long nightmares of transition that began in 1990, sometimes which brought the MAF to the brink of dismantlement.

The MOD needs more budget for defense modernization and the budget will come from two sources; increase of defense budget and UN reimbursement of PKO missions. Nowadays, the defense investment mostly relies on UN reimbursements. National budget plays a lesser role yet although the BNMP demands increase of defense budget. Along with expanding national budget, increase of budget will also increase total volume of investment.

**Budget increase**

The MAF has always faced miserable difficulties to politically justify its budget in the late 1990s, sometimes even its raison d’être. Collapse of the Soviet Union ruined the MAF’s total reliance on Soviet Armed Forces’ support and it had to live on its own. The country was suffering the same sudden shortage of support. Some politicians have therefore proposed to dismantle the MAF since there was real military threat from neither our neighbors, Russia and China, nor from the third one.

By successful PKO missions, the MAF has effectively secured its raison d’être and won public and political confidence. These missions have demonstrated that the MAF is capable enough to fulfill the international duties. Regarding increase of public trust in the MAF, the political debate of dismantling it has become history. The MOD becomes even able to exert nimble political pressure over the parliament.
The Minister of Defense has declared his intention to resign in the case that the parliament refuses his bill of defense budget in 2010 (Bold, 2010). Although his personal charisma has played an important role, parliament has approved the budget.

MOD policy aims to increase the defense budget to enable the MAF armaments to keep modern world standards to fulfill UN and MNF PKO assignments. Current defense budget, which is about 1.4 percent of total GDP, is insufficient to keep the MAF modern. Therefore, the BNMP has proposed to increase defense budget up to 4 percent, the average world level (Defense Minister’s Speech, 2011, p. 8).

**Investment year**

MAF investment greatly relies on incomes that come from UN compensation for its PKO missions. It used to be the only source of MAF reform for a decade since the budget was only paid for personnel expenses. For about a decade long savings from reimbursement of PKO missions, the MOD finally has the funds to spend for modern defense equipment and has taken modest steps in this regard. In 2011, Mongolia has purchased 44 APC BTR-70M and BTR-80M and 66 units of maintenance and service vehicles from Russia as the Defense Minister has said (Defense Minister’s Speech, 2011, p. 15). There is an ongoing deal to buy Yak-130 (Defense Minister’s Speech, 2011, p. 15), jet trainer / light attack aircraft from Russia, and C-130, a transport aircraft from the USA (Defense Minister’s Speech, 2011, p. 22). Besides, MIAT, state-owned civilian airline company has transferred its Airbus A310-300 to Mongolian Air Force (Airbus Received, 2011). Those are the efforts to strengthen MAF PKO capacity, especially transport capacity to deliver MAF PKO contingents to UN and MNF assignment areas. Previously, the MAF used to rely on partner nations transport support (Defense Minister’s Speech, 2011, p. 11).

**Search for third neighbor relations**

The military has become a vital foreign policy instrument since early 2000 for winning the support from the U.S. and Europe. The political goal of joining the War against Terrorism and the U.S. led Iraqi War was to get leverage in Washington’s politics. This was the essential first step to make Third Neighbor Policy from declaration to reality. Twenty years of sustained democracy was the biggest reason for Mongolia to be recognized as a responsible partner although successful MAF
PKO missions also played a role.

Military had its own two-fold interests in joining U.S. led operations. First, it was the best way to keep combat readiness in peace time, not seriously scaring the two neighbors. Second, it was indeed an income source, which was desperately needed for MAF modernization in times of painful social and economic transition from Communism to Democracy. A decade later, it can be said that the MAF has successfully achieved both goals, which indeed helped to gain the third neighbors’ interest in broader strategic terms.

Thanks to successful MAF UN and MNF PKO missions, Mongolia has won confidence of partner nations, whom Ulaanbaatar have seen as “Third Neighbors.” The attitudes of those “neighbors” to Mongolia have also positively changed for the last decade. Throughout the 1990s, Mongolia was seeking for membership for OSCE and NATO PFP, and each and every attempt has sadly failed. In those days, West Europeans were busy with stabilization of East European transition to democracy and getting control over new-born Central Asian nations with the purpose of preventing possible instability in the region (Molomjamts, 2004, p. 88). NATO officials have frankly stated to Mongolian delegations that “We cannot closely collaborate with you (Mongolia) because of your geographic location… We don’t want irritate Russia and China because of Mongolia” as L. Galbadrakh, foreign policy adviser of Mongolian Democratic Party, witnessed (Galbadrakh, 2004, p. 82).

Two decades later, Europeans have finally changed their mind. The OSCE Ministerial Council has welcomed the Mongolian application for becoming an OSCE participating state and tasked “the incoming Chairmanship to take forward this request at the earliest (Ministerial Council, 2011).” NATO and Mongolia have begun their official talks to become one of the “partners across the globe (Defense Minister’s Speech, 2011, p. 24),” while NATO desires “to develop political dialogue and practical cooperation… based on decision of the North Atlantic Council and in a flexible and pragmatic manner (Partners across the globe).” Successful MAF missions demonstrated Mongolia as a responsible regional actor, which is willing to share the burden of keeping the peace and stability in the world. The MAF takes the lion’s share in factors that changed our partners’ attitudes. The MAF contingency served under command of different NATO nations; Polish in Iraq, Belgian in
Kosovo, and German in Afghanistan, not even mentioning U.S. It was a part of strategy of close cooperation with leading NATO nations to slowly attract NATO interest in Mongolia. The strategy was an outcome of NATO’s continued ignorance of Mongolian requests of cooperation in the late 1990 (Molomjamts, 2004, p. 95).

3. Future Prospects for NEA Defense Cooperation

Mongolia wants to not change the current balance of power between its two neighbors and will pay efforts to prevent the change of this balance.

*Regional implication of the defense budget increase and modernization*

Mongolian defense budget increase and MAF modernization will unlikely threaten the regional stability since Mongolia is too small to influence any balance of power in NEA. The very first balance of power that might be affected by MAF modernization is between Russia and China; Ulaanbaatar is continuously concerned to not change it since it is the primary condition of Mongolian existence as an independent nation.

Two neighbors feel no military threat from MAF modernization with two reasons at least. First, Mongolia is hugely dependent on the neighbors. China is the biggest trade partner and the biggest investor of Mongolia (Davaadorj, 2011, p. 24). The country is totally dependent on Russian oil exports and this dependence has become the reason of public questioning of the government concerning oil supply in summer 2011 (Jacob, 2011).

Second, Mongolia’s assurance strategy towards its two neighbors aimed to expose the goal of defense reform aimed to PKO capability building. Russian and Chinese observers always attend international military trainings taken place in Mongolia such as Khan Quest. Besides, the MAF organizes an annual bilateral military field exercise with both of its neighbors. “Darkhan,” the Mongol–Russian joint exercise has annually taken place since 2007, while a Mongol–Chinese anti-terrorism field exercise was held in China in 2010.

Due to Mongolian economic dependence and its assurance strategy aimed to strengthen military confidence building, Ulaanbaatar is sure that its defense modernization will not affect the regional balance of power, peace and stability as
well. Defense modernization will likely result nothing but the increase of Mongolian participation in international PKO missions with better weapons if the MOD secures 4 percent of national GDP since it will have more means to modernize MAF combat capability.

**Collaboration for regional PKO capacity building**

What the MAF can contribute for regional defense cooperation is its ten years of PKO experience and PKO field training center.

For the last decade Mongolia has gained significant PKO experience. 450 MAF personnel are currently serving in five countries of the world. In total 5,600 MAF personnel have served in ten different nations in the world for the last decade. For the moment, it might seem to be a small number for the big powers with strong armed forces in the region. But comparing to the total 10,000 strong MAF personnel (Military Balance, 2012, p. 267), it is half of total manpower and 100 percent of professional staff to exclude conscripts from the 10,000. Statistically, each and every NCO or officer of the MAF has combat experience in a PKO mission and may have something to learn from him.

Mongolia is building a regional PKO field training center in Tavan Tolgoi (Five Hill) military base in the vicinity of Ulaanbaatar, for which the United States has provided a significant assistance in framework of GPOI. GPOI is U.S. government promise of training 75,000 peacekeepers for the UN in the framework of the G8 adopted Action Plan on Expanding Global Capability for Peace Support Operations of 2004 (Global Peace Operations Initiative: Program History). Washington has planned to build regional PKO training centers along with Bangladesh, Cambodia, Indonesia and Thailand (Serafino, 2009, p. 8). The center annually hosts 2-3 international and bilateral trainings such as Khan Quest.

**Conclusion**

2011 was a significant year for the Mongolian defense sector in two ways; reviewing national defense policy and investing in weapon purchases.
As an advantage of the geostrategic position, Mongolia enjoyed the two big buffers of Russia and China and will remain the same way as long as the balance of power between them is kept. Thanks to the neighbors, Mongolia feels no immediate military threat so far, but the location has its own disadvantage of isolation from the rest of the world and global development.

Development challenges constitute political and economic risks for the national security of Mongolia. An immediate problem Ulaanbaatar faces is managing the fast economic growth along with balancing strategic interests of big powers on the natural resource deposits like coking coal, gold, rare earth metal and uranium. There should be an effective mechanism that ensures fair distribution of these mineral resources in a balanced way of the big powers’ interests, which should eventually become the guarantee of national security of Mongolia.

Promising economic prospects raise MOD hopes of defense budget increase. Renewal of the outdated old Soviet weapons requires a big budget compared to the poor economic condition of Mongolia in the last decade and the reform relied only on UN PKO reimbursement. In 2011, decade long saving from the reimbursement has provided a decent means to invest in partial modernization of MAF weapon stock.

The MAF was an important leverage of Ulaanbaatar’s “Third Neighbor Policy” and will likely be the same in the near future. OSCE has endorsed Mongolian membership and NATO has commenced very first official dialogue for cooperation with Mongolia in 2011. The MAF takes the lion’s share for this change of attitude of European partners along with the successful democracy in the country.

Defense modernization of Mongolia will unlikely impact the regional balance of power, first of all, the balance of power between Russia and China. The nature of “smallness” and dependence of Mongolia on them eliminate the possibility of hostile intention towards the neighbors while the assurance strategy of Ulaanbaatar builds confidence among the neighbors.
Bibliography


