

The Geopolitical Dilemma of Small States in External Relations: Mongolia's Tryst with 'Immediate' and 'Third' Neighbours

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Introduction

“If we look at today’s world, we easily discover that it is a world made up of small states,” that is what Daniel Thurer points out while emphasising on the myth and reality of small states.¹ But in terms of defining such states basically three key factors are taken into consideration, i.e., a country’s geographical size, population size and its degree of influence on international affairs.² Since small states can participate in international affairs on an equal footing with middle-sized states and the major powers, it obviously has a “democratizing” effect. Therefore, the active participation in international affairs by small states, with their different geographical and varied cultural outlook, may be crucial to “the preservation and development of global democracy.” However, in terms of economy small states differ from others in a number of aspects, including the greater vulnerability to changes in the external environment. The

¹ Daniel Thurer “The Perception of Small States: Myth and Reality,” in Laurent Goetschel (ed.), *Small States Inside and Outside the European Union: Interests and Policies*. Boston: Kluwer, 1998), p.37.

² Jeane A.K. Hey, “Introducing Small State Foreign Policy,” in Jeane A.K. Hey (ed.), *Small States in World Politics: Explaining Foreign Policy Behaviour*, Boulder: Lynne Rienner Publishers, 2003, p.2.



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geopolitical dilemma of a small state is both a practical and a moral one, and has been especially severe at moments of confrontation between larger states. Experiences show that several small states have constantly faced “the ‘balance-or-bandwagon’ dilemma, often with lasting consequences for their survival”.³ Mongolia, which is situated in the very heart of Inner Asia and surrounded by the two giant ‘immediate’ neighbours- Russia and China, is an example of such states which fall in the category of small states being vulnerable to changes in the external environment in terms of geopolitics.

With a land-locked geographical location and having a population of just about 3 million, Mongolia is the smallest country in Asia at least population wise. While it has come a long way in more than 25 years of vibrant democratic development, its external geopolitical environment has impacted much the course of forging viable foreign relations with both the “immediate” and “third” neighbours on which the country’s growth trajectory depends. In this environment, Mongolia like other small states possesses a greater range of both foreign policy choices and outcomes in order to expand its room for maneuvering.⁴ No wonder then that Mongolia’s foreign policy choices revolve around its geopolitical dilemma for advancing its external relations. Yet, Mongolia’s major geopolitical dilemma is how to sustain itself as a democratic state within a secure external environment. At the core of this dilemma is to maintain a balance in its relations with the two immediate neighbours, while at the same time keeping up relations with the third neighbours to balance the potential dominance of either of the two immediate neighbours. The dilemma, thus, poses two primary questions: The first question is about how far Mongolia has been successful in achieving the optimal balance in its relations with Russia and China? The second question relates to the role of third neighbours, especially the US, Japan and India, as a balancer against Russia and China, and hence one may argue if such a role of third neighbours are working well in favour of Mongolia in the current geopolitical scenario in that part of the world? The geopolitical problem and its underlying questions, however, are not new for Mongolia, even though the paper seeks to find answers of such questions in order to hit upon a fresh perspective.

³ A. Wess Mitchell and Leah Scheunemann, “Small States and Geopolitical Change: The Case of the Czech Republic”, Prague Centre for Transatlantic Relations, Center for European Policy Analysis (CEPA), no.8, 2014, <http://cepa.org/sites/default/files/documents/Mitchell-Scheunemann_Small%20States%20and%20Geopolitical%20Change_FINAL.pdf>

⁴ Macklin Scheldrup, "Lilliputian Choice: Explaining Small State Foreign Policy Variation", Undergraduate Honors Theses, Paper 191, 2014, p.14. <http://scholar.colorado.edu/cgi/viewcontent.cgi?article=1190&context=honr_theses>

Geopolitical Factors Influencing Mongolia's Domestic and Foreign Policy

Originally, the geopolitical theories were endowed with inherent task of guiding the countries to devise best geopolitical strategies, so that they “could occupy the most advantageous position in the global political and economic pattern, and expand their survival space [as well as] create the most favorable environment for their countries’ development.”⁵ However, the geopolitical strategies cannot ignore the reality that “geopolitics is simply the analysis of the relationship between geographical facts on the one hand, and international politics on the other,” and that “these geographical facts include essentially unchanging natural features, such as rivers, mountains, and oceans, along with elements of human and political geography such as national boundaries, trade networks, and concentrations of economic or military power.”⁶ In that sense, geopolitical surroundings are the facts on the ground, which are taken into consideration before policy decisions are made. In other words, geopolitical factors play major roles in the formulation of a country’s domestic and foreign policy, and Mongolia is not an exception. From the geopolitical point of view, there are few countries with specific geographical location like Mongolia which is sandwiched between two big powers- Russia and China that have much bigger geographical size, population and economic potential than Mongolia. For a long time now, the geopolitical reach of these two powers have directly or indirectly influenced Mongolia’s internal and external affairs in very many ways. At the same time, it is also evident that due to having common boundaries only with these two powers Mongolia is more dependent on them, particularly for its foreign trade with Eurasia. On the other hand, the third neighbours like the United States, Japan and India have over the years become important partners to support Mongolia’s development besides being considered to be a force to counterbalance Russia and China. Therefore, it needs to be examined what kind of geopolitical influences Mongolia has experienced in its domestic and foreign policy since it embarked on democratization. It becomes all the more important in order to understand Mongolia’s need for sustaining its existence as a democratic state within a secure external environment that constitutes Ulaanbaatar’s main geopolitical dilemma.

⁵ Yu Huilu and others, “Evolution of Regional Geopolitical Pattern and Its Impact on the Regional Resources Cooperation in Northeast Asia”, *Journal of Resources and Ecology*, 6(2):93-100, 2015, <http://www.jorae.cn/article/2015/1674-764x-6-2-93.html#outline_anchor_7>

⁶ Colin Dueck, “Geopolitics Reborn”, Foreign Policy Research Institute, 19 July 2013, <<http://www.fpri.org/article/2013/07/geopolitics-reborn/>>

During the cold war period Soviet penetration in Mongolia represented the first instance of extension of Soviet indirect control over a neighbouring non-Russian area.⁷ China, on the other hand, failed to make its Soviet like presence in Mongolia and the Mongolian leadership remained obedient to Soviet dictum. Mongolia willingly or unwillingly always stood firmly on the side of the Russians during the years of the Sino-Soviet confrontation. That is to say, for almost 70 years Mongolia remained dependent on the former Soviet Union in its internal and external affairs, thus affecting its sovereign and independence status. This, in turn, also affected its cultural, political and regional identity. Later in 2002, commenting on “Mongolia’s New Identity and Security Dilemmas” Tsedendamba Batbayar, a veteran Mongolian academician and diplomat, emphasized on the future of Mongolia in terms of “Central Asian versus Northeast Asian identity” and “Neighbours versus a Third Power”,⁸ which became relevant in the policy discourses on domestic and foreign affairs so far as Mongolia’s geopolitical dilemma is concerned.

The initial changes that began to occur in Mongolia owe much to the democratic revolution of 1989-90 that resulted in pushing the country to change its outlook completely in terms of its identity. The task became even more crucial after the end of the cold war following the Soviet collapse in 1991. Mongolia, however, had to face a new geopolitical dilemma of being in a power vacuum, be it political, economic or ideological. But that vacuum soon enabled Mongolia to realize three major objectives:⁹ Firstly, for the first time in nearly seven decades it allowed Mongolia to open itself to the outside world and pursue an independent “multi-pillared” foreign policy. Secondly, Non-Aligned Movement (NAM) admitted Mongolia as a full-fledged member, something that could not have been possible during the Soviet time as it would have eroded the solidarity of the Socialist bloc. And thirdly, Mongolia declared to engage itself in the broad perspectives of maintaining a balance in its relations with Russia and China, rather than leaning over either of the two neighbours in terms of giving more importance as was the case during Soviet days. In fact, the democratic reforms and economic restructuring especially during 1990-1992 brought Mongolia at a crossroad where it had to consider its future development in terms of internal and external security in the framework of new geopolitical realities. Democratization, thus, became “an essential element of the country’s

⁷ Sharad K. Soni, *Mongolia-Russia Relations: Kiakhta to Vladivostok*, New Delhi: Shipra Publications, 2002, p.107.

⁸ Tsedendamba Batbayar, “Mongolia’s New identity and Security Dilemmas”, *The Mongolian Journal of International Affairs*, 8-9: 2002, pp. 3-7.

⁹ G. Tumurchuluun, “Mongolia’s Foreign Policy Revisited: Its Relations with Russia and China in the 1990s,” *The Mongolian Journal of International Affairs*, no.2, 1995, pp. 48-49.

new identity quite different from its previous Chinese and Russian overlords.”¹⁰

Mongolia made a critical reappraisal of its own policy that helped the country change many of its existing policies which were contemplated to have held back internal development. What one could witness was that a number of considerable changes to Mongolia’s political system were made in 1992 by adopting a new Constitution which replaced the 1960 Constitution.¹¹ The core elements in the new Constitution emphasised the “establishment of democracy”, a new phenomenon compared to the previous Constitutions which had stressed “building the State through socialism.” One of the most notable changes made in the new Constitution was the replacement of the two-chamber Parliament known as the *Great* and *Small Khurals* with that of a single chamber which came to be known as the *State Great Khural* comprising 76 Deputies. Besides, the President’s post became more powerful as much of the power is now vested in the President who can veto all or part of a law adopted by the Parliament, propose the dissolution of Parliament and declare a state of emergency. As part of the reform process Mongolia also conducted a major review of its foreign and security policy aimed at securing its international guarantees of national security which could be secured “through a combination of unilateral, bilateral and multilateral measures.”¹²

In order to deal with national security challenges three basic documents – National Security and Foreign Policy Concepts as well as the Military Doctrine were adopted in June 1994. The key elements in these documents delineated national goals taking into consideration geopolitical factors influenced by the perceived threats from specific internal and external situations. The new policies, in fact, marked the beginning of a radical shift from previously made commitments to strengthen international Communist order to that of the pursuit of fundamental national interests now referred to as pragmatic realism. The National Security Concept stipulates that in its foreign relations Mongolia shall exercise “political realism and consistently principled approach, accord top priority to vital national interests and other national considerations, seek to secure many partners in its international relations and promote a non-aligned policy so long as it does not threaten the country’s vital interests.”¹³ To the core, not only developing international cooperation but also enhancing the country’s strategic significance and fostering strategic interests of major powers in Mongolia remain a key national security goal. Similarly Mongolia’s foreign

¹⁰ John J. Tkacik, “Mongolia’s Democratic Identity,” 21 June 2005 at <<http://www.heritage.org/Press/Commentary/ed062205a.cfm>>

¹¹ *The Constitution of Mongolia*, Taipei: Mongolia and Tibetan Foundation, 1992, pp. 1-31.

¹² See Ministry of Defence of Mongolia, *Mongolian Defence White Paper, 1997-1998*, Ulaanbaatar, 1998, p.29.

¹³ *Ibid*, p.177.

policy too revolves around its national interests. It has been clearly mentioned in the Foreign Policy Concept that “the priority of Mongolia’s foreign policy shall be safeguarding of its security and vital national interests by political and diplomatic means, and creating a favourable external environment for its economic, scientific and technological development.”¹⁴ In the last two decades or so while trying to achieve this objective Mongolia’s foreign policy approach has been to secure maximum benefits offered by international and regional multilateral cooperation. Having a multi-pillar nature of its foreign policy Mongolia has now broadened its diplomatic outlook and the scope of its international activities by adhering to the principle of flexible priorities in foreign policy implementation with due consideration given to the geopolitical changes occurred in its external environment.

Within the framework of its “multi-pillared” and “multi-dimensional” foreign policy Mongolia has been pursuing a viable relationship with global and regional powers in order to seek their support especially in recovering the sluggish economic growth being experienced since 2012. Last year, in 2016 the economic growth was just 1.0 percent in comparison to the figure of 17.5 percent in 2011 when Mongolia was considered to be the fastest growing economy in Asia, if not in the world due to the mining boom in the country. In recent years, the geopolitical influences in Mongolia’s surroundings have only strengthened its desire of promoting cooperation with the targeted countries. In line with its national security and foreign policy objectives Mongolia has not only been trying its best to maintain balanced relations with Russia and China but also forging mutually advantageous ties with countries afar that may well be treated as “Third Neighbours”.¹⁵ However, as Alicia Campi opines, “over the years Mongolian policymakers have adjusted the content of the ‘Third Neighbour’ policy to reflect the realities faced”.¹⁶ On the subject of relations with its two neighbouring countries- Russia and China, the Concept of National Security of Mongolia clarifies that “Maintaining a balanced relationship does not mean keeping equidistance between them or taking identical positions on all issues but this policy does mean strengthening trust and developing all-round good-neighbourly relations and mutually beneficial cooperation with both of them.”¹⁷ Even Mongolia’s foreign policy too stresses that “Mongolia will not

¹⁴ See Concept of Mongolia’s Foreign Policy, *Strategic Digest*, 26 (2) : 1996, p.188.

¹⁵ Sharad K Soni, “The ‘Third Neighbour’ Approach of Mongolia’s Diplomacy of External Relations: Effects on Relations between India and Mongolia”, *India Quarterly*, 71(1):2015, p.41.

¹⁶ Alicia Campi, “Mongolia and the Dilemmas of Deepening Continentalism”, ISA Hong Kong, June 2017, <<http://web.isanet.org/Web/Conferences/HKU2017-s/Archive/23fed564-7c1e-4b05-9c5f-7198b7a3151d.pdf>>

¹⁷ See Concept of National Security of Mongolia, *Strategic Digest* (New Delhi), vol. 26, no.2,

interfere in the disputes between its two neighbouring countries unless the disputes affect Mongolia's national interests."¹⁸

Yet, it is to be noted that whereas Mongolia's foreign policy for the 1990s was formulated around what Reeves considers as 'an omni-enmeshment strategy', its foreign policy from 2000 onwards can best be conceptualized as a combination of 'omni-enmeshment and balance of influence'.¹⁹ In succinct words, while the 1994 Foreign Policy Concept categorises relations with Russia and China as the state's principal foreign policy concern, the revised 2011 Foreign Policy Concept gives equal priority to Mongolia's relations with its third neighbours. But what the realities are on the ground from the geopolitical or even geostrategic perspectives need to be looked upon.

Pursuing a Balanced Relationship with 'Immediate' Neighbours

Sandwiched between the two giant immediate neighbours-Russia and China, Mongolia has traditionally been both "blessed" and "cursed" by its geostrategic location which often became a site of Sino-Russian/Soviet rivalry for exercising their dominance. In this geopolitical rivalry Mongolia has had no choice but to align with either of the two neighbours. Traditionally Mongolia turned to Russia for support against China giving Moscow a distinct advantage over Beijing that adversely affected Sino-Mongolian relations. This continued even after Mongolia got its independence in 1921 and the years that followed led it to be nurtured under Soviet protection for almost 70 years. But collapse of the Soviet power in 1991 changed the whole scenario. While it paved the way for Mongolia to gain "real" independence, simultaneously it also left the country in a geopolitical dilemma so far as its development is concerned. No wonder then that China's entry into Mongolia at that point of time to fill the power vacuum created by the former Soviet Union, particularly in the economic realm, somehow lessened Ulaanbaatar's dilemma which was influenced by not only geopolitical but also geo-economic and geo-strategic concerns. As such the post-Cold War concepts of a "*multi-pillar foreign policy*" and a "*balanced relationship*" with regard to its two neighbours emerged from the debate among the policy planners to find a suitable option that would take into account

February 1996, p. 177.

¹⁸ See Concept of Mongolia's Foreign Policy, p.189.

¹⁹ Jeffrey Reeves, "Mongolia's evolving security strategy: Omni-enmeshment and balance of influence", *The Pacific Review*, 25(5): 2012, p.589.

Mongolia's geopolitical reality and also the interests of its neighbours without compromising Mongolia's own sovereignty.²⁰ The bilateral relations with the two neighbours, thus, began to be carried out in the foreign policy framework of a balanced relationship.

In the initial years of the post-Soviet period, Mongolia's tryst with Russia was not encouraging as it suffered a lot on the front of bilateral relationship. In his sparkling analysis Batbayar points out that the post-Soviet trends in overall relations between Mongolia and Russia went through three stages i.e., breakdown, stagnation and revival.²¹ That is to say, Mongolia's ties with Russia were all but "non-existent" at one point of time soon after the collapse of the Soviet Union.²² But Mongolia began taking serious steps toward their restoration and 1993 treaty was the result of that effort. The Treaty which was concluded on the basis of equal terms stipulated that Russia would respect Mongolia's policy of denying foreign troops to be stationed or pass through its territory, besides making it clear that neither party would participate in any military or political alliance that would be detriment to the interests of the other. However, it was undeniably the beginning of the Putin era that marked the revival of their bilateral relations as both the political-strategic as well as trade and economic interests stirred Russia to reemerge in Mongolia. Russian President Putin's visit to Mongolia in 2000 which was described as countering China's "influence" and witnessed the signing of the "Ulaanbaatar Declaration",²³ proved to be meaningful for comprehensive cooperation between the two sides in succeeding years. But the year 2006 gave a new direction when the two sides agreed to move on to a "strategic partnership". In order to give a boost to this agreement, in 2009 a 'Declaration on the Development of Strategic Partnership' was formally signed. Several critics and political analysts pointed out that, "signing of the declaration on strategic partnership development signifies the progress of vital importance scored by Russia's diplomacy towards Mongolia".²⁴

Following this Declaration the two sides had been planning to establish a

²⁰ Sharad K Soni and Vaishali Krishna, "Mongolia and China: Evaluating the Growth in Relationship", in Sharad K Soni (ed.), *Mongolia Today: Internal Changes and External Linkages*, New Delhi: Pentagon Press, 2016, p.188.

²¹ Tsedendamba Batbayar, "Mongolian-Russian Relations in the Past Decade", *Asian Survey*, 43(6): 2003, pp. 955-968.

²² See, *Country Study for Japan's Official Development Assistance to Mongolia: A Committee Report*, Based on the discussions and findings organised by Japan International Cooperation Agency, Tokyo, March 1997, p.40.

²³ Sharad K Soni, "Russian Policy towards Northeast Asia: The Mongolia Factor", *Mongolian Journal of International Affairs*, 19: 2014, p.41.

²⁴ Huo Wen and Zhang Guangzheng, "Mongolia, Russia to bolster bilateral ties", People's Daily online, 27 August 2009, <http://en.people.cn/90001/90780/91343/6741484_txt.html>

strategic partnership since September 2014, when the Russian and Mongolian Presidents met in the Mongolian capital, Ulaanbaatar. At that time, among notable economic deals Putin and Elbegdorj agreed to include a protocol that provided for visa-free travel of both Russian and Mongolian passport holders between the two countries for up to 30 days. This agreement marked the return of diplomatic relations to the level the two sides enjoyed during the Cold War years and is, as such, a remarkable and symbolic development so far as advancing strategic partnership is concerned. However, in order to reinforce the plan of establishing a strategic partnership last year in April 2016, Russia and Mongolia signed a medium-term program for the development of strategic partnership.²⁵ This document was most needed in the ongoing circumstances because under the existing regulations, the planning of bilateral relations was being carried out only on a yearly basis based on the protocol of the Russian-Mongolian Intergovernmental Commission, which was not enough to realize the full potential of the strategic partnership. Another noteworthy component of Russia-Mongolia strategic partnership has been Russia's positive posture for Mongolia's efforts of making its presence felt in the world for the simple reason of developing democratic culture in the Asia-Pacific region. The success of democratic transition has indeed taken Mongolia to the new stage of development not only at home but also at foreign front in strengthening its bilateral and multilateral relations.

Since Russia-Mongolia relations have been developing in a spirit of strategic partnership and on the basis of mutual benefit and mutual trust, it has been observed that Russia remains supportive in Mongolia's engagement with regional organizations, such as OSCE, NATO, TAC, ASEM and CICA, while at the same time seeking membership of APEC. But, Russian support to Mongolia's engagement with regional organisations is more visible in the Shanghai Cooperation Organization (SCO) where it has an observer status since 2004. Northeast Asia has been one region where both Russia and Mongolia have enduring interests. The two countries' interests in the Northeast Asian region have contributed much to strengthen their bilateral and multilateral relations of which the regional factor has its own significance. By supporting Mongolia for its involvement in the Northeast Asian regional integration process, Russia looks for an opportunity to find its own place in the region. On the other hand, Mongolia has also been playing, what Alicia Campi describes, its own "Great Game" in Northeast Asia by changing the rules for the

²⁵ *Anothony V. Rinna*, "Mongolia makes the most of the middle position", *East Asia Forum*, 30 April 2016, <<http://www.eastasiaforum.org/2016/04/30/mongolia-makes-the-most-of-the-middle-position/>>

development of its minerals and energy security.²⁶

So far as Mongolia's tryst with China is concerned the bilateral relationship in recent years has been shaped much in line with China's neighbourhood policy or what Beijing calls it as its "Periphery" policy.²⁷ But a good starting point to their bilateral relationship in the post-Soviet period can be traced back to the complete withdrawal of Soviet/Russian troops from Mongolia in 1992 that reduced any major security threat to China from its neighbours to the north and northwest for the foreseeable future. It, thus, paved the way for the full normalization of relationship between Mongolia and China that can also be described as a "by-product of global geopolitical and regional geostrategic changes".²⁸ This is more so because until the end of the Cold War Mongolia-China relations had always been influenced by the state of Sino-Russian/Soviet relations in which Mongolia had nothing but a buffer status. In other words, Mongolia was described as "A Puppet Republic" whose destiny was manipulated by its two neighbours-Russia and China for the most part of the twentieth century.²⁹ It was the year 1994 that marked the restoration of normalized relations when a new Treaty of Friendship and Cooperation was signed relatively on a new basis during Chinese Premier Li Peng's visit to Mongolia. Since the conclusion of the 1994 treaty there has been significant growth in Mongolia-China bilateral relations notwithstanding the expression of security concerns raised by Mongolian leaders time and again purely from the geopolitical point of view.

The growth of engagement between the two sides has been most visible in the expansion of bilateral economic cooperation which can be gauged from the fact that Chinese investment in Mongolia over the years has been especially impressive. With bilateral trade already booming, Chinese-backed private sector investment has increased dramatically. China also became Mongolia's largest trading partner in 2000. The decline in Mongolia's trade with Russia by 80 per cent in early 1990s was one of the main reasons for growing trade ties between the two sides.³⁰ What is important to keep in mind is that Mongolia's economy

²⁶ Alicia Campi, "Mongolia's Turn at the 'Great Game'", *Asia Pacific Bulletin*, no.184, 1 November 2012, <http://www.eastwestcenter.org/system/tdf/private/apb_184_0.pdf?file=1&type=node&id=33740>

²⁷ Sharad K Soni, "China's Periphery Policy: Implications for Sino-Mongolian Relations", *India Quarterly*, 65(3): 2009, p.254.

²⁸ Ibid.

²⁹ Bar-Erdene Batbayar, *Twentieth Century Mongolia*, Cambridge: The White Horse Press, 1999, p.244.

³⁰ NominLhagvasuren, "Russia Seeks to Restore Position in Mongolia as Most Favored Neighbor", 16 November 2000, <<http://www.eurasianet.org/departments/insight/articles/eav111700.shtml>>

today is almost entirely dependent on China. For the last over 15 years China continues to be the largest trade partner of Mongolia with a trade turnover of more than US\$ 6 billion. While Mongolia's export to China accounts for almost 80 per cent of the country's total export, its import from China accounts for 30 per cent of Mongolia's total import, though lately there has been a slump in bilateral trade due to China slowdown and a drop in Mongolia's exports income. This resulted in Mongolia going through severe economic hardship, and hence in May 2017, the International Monetary Fund (IMF) handed over a US\$5.5 billion bailout to the country.³¹ Despite such problems there is no denying that there China is still heavily visible in Mongolia's mining, energy and infrastructure sectors in addition to road and transportation.

A significant point to be highlighted here is that while Mongolia's 2011 revised foreign policy concept obliquely identifies China as the country's largest security concern which has been reflected in Ulaanbaatar's post-2000 foreign policy concerns, there has been no looking back and the two countries went beyond their strategic partnership. What they did further was upgrading the level of their partnership from Strategic to a 'Comprehensive' Strategic Partnership in 2014, thus making commitments to expand cooperation in political, economic and security fields. In 2013, the Action Plan for Mid and Long-Term Development of Strategic Partnership was signed during the official visit of the Prime Minister of Mongolia to China. But the Chinese President Xi Jinping's visit to Mongolia in August 2014 was a major breakthrough as it was for the first time in 11 years that such a high-ranking dignitary from China paid an official visit to Mongolia with high hopes on both sides. The most important achievement of Xi's visit was the signing of a joint declaration proclaiming the development of a comprehensive strategic partnership that aimed, among other things, at raising the level of mutual trust, consolidating the bilateral cooperation, and reinforcing shared trading and investment activities. The declaration outlined the principles on which Mongolia-China relations would be based: mutual respect for sovereignty, independence, the self-rule and territorial integrity of each other, non-intervention in each other's domestic affairs, peaceful coexistence, equal and mutually beneficial cooperation, and mutual respect for the path chosen by the two sides for their own development.³²

But the ground reality seems to be far from such declaration. One may find that "hungry for Mongolia's coal, metals, and other minerals, China has dominated the Mongolian economy, stoking fears in Ulaanbaatar of even greater

³¹ "Mongolia gets financial aid totalling \$5.5bn from IMF", 25 May 2017, <<http://www.bbc.com/news/business-40040511>>

³² Mark Goleman, "Mongolia and China: Segue to Comprehensive Strategic Relations", 4 October 2014, <<http://journal-neo.org/2014/10/04/rus-mongoliya-i-kitaj-perehod-k-vseob-emlyushhim-strategicheskim-otnosheniyam/>>

Chinese control.”³³ This has resulted in imposing strict new laws mandating government oversight of foreign investment, especially from foreign sources. Ulaanbaatar has created a two-tiered system of “China-phobic” resource nationalism that could alter the future trajectory of the mining industry. Oliver Backes explains a scenario appeared a little over three years ago, saying that China “looms large over the Mongolian economy and fears abound in Ulaanbaatar about the prospects of becoming Beijing’s newest natural resource appendage.”³⁴ Despite such pressure, Mongolia has become increasingly dependent on China for consumer goods and as a market for its raw materials. This is due to the fact that improbability of a huge inflow of Russian investment into Mongolia’s natural resources sector makes it very unlikely that in the near future Russia would provide a viable alternative for Ulaanbaatar either in terms of exports or foreign investment. Besides, as Alicia Campi stresses, “although Mongolia is sensitive to Chinese activity in the mineral sector, it is willing to let China become a significantly larger supplier of oil products, at least in the short term, to break the back of its dependency on more expensive Russian petroleum products”.³⁵

The ongoing geopolitical dilemma of Mongolia with regards to its immediate neighbours points to a few scenario that may appear sooner or later. Mongolia needs its engagement with Russia in the framework of strategic partnership because both the countries have distinct geopolitical needs: For Russia, Mongolia traditionally provides a strategic buffer from China, while Mongolia increases Russia’s stake in Sino-Russian relations and offers leverage for Moscow when dealing with Beijing. For Mongolia, Russia has been the only source of political, economic, and military support in the face of an assertive China. Nevertheless, advancing strategic partnership with Russia also ensures Mongolia’s importance in China’s “One Belt, One Road” project under which the three sides agreed to create a economic corridor. For Mongolia, a trilateral agreement with Russia and China on “China-Mongolia-Russia Economic Corridor” provides a far more balanced approach to regional security, economic exchange, and political affairs. Yet, China-Mongolia-Russia economic corridor is not without its challenges given that China had blocked Mongolia border in December 2016 after the Dalai Lama’s visit to Ulaanbaatar. In such event, how much Mongolia should rely on China is a matter to be seen. In the difficult geopolitical setting surrounding Mongolia the only way out for

³³ Oliver Backes, “China at the Gates: China’s Impact on Mongolian Natural Resource and Investment Policy” 6 May 2013, <<http://csis.org/blog/china-gates-chinas-impact-mongolian-natural-resource-and-investment-policy/>>

³⁴ Ibid

³⁵ Alicia J Campi, “Sino-Mongolian oil deal undercuts Russian role”, Online Asia Times, 15 May 2013, at <http://www.atimes.com/atimes/China_Business/CBIZ-01-150513.html>

the successful implementation of this planned corridor seems to be cooperation and coordination between partner countries. One must also not forget that in the democratic era the most important factor in Mongolia's foreign relationship is tied to economics not politics,³⁶ and hence China being the geographic neighbour would remain to be a key partner in Mongolia's growth trajectory but not at the cost of latter's national interest.

Seeking out a Balancer: Engagements with Third Neighbours

In terms of foreign policy implementation, as Julien Dierkes emphasizes, the dominant stated theme of Mongolia's foreign relations for quite sometimes now has been the "third neighbour" policy, i.e., "attempts by successive Mongolian administrations to build closer ties with partners other than Russia and China, its dominant neighbours."³⁷ Today Mongolian diplomacy is indeed characterized by the 'third neighbour' policy,³⁸ which has been elaborated by Alan Wachman who stresses that it "is driven most forcefully by geography."³⁹ In this context, the 'third neighbour' policy is driven by Mongolia's geopolitical, geo-economic and geostrategic concerns which have made this tiny populated country an important entity both within and outside the world. For all intents and purposes by pursuing its 'third neighbour' policy Mongolia has been seeking out a balancer to its two geographic neighbours as specified in both the original as well as revised Concepts of National Security and Foreign Policy. While the revised Concept of National Security declares that the "third neighbour" policy is aimed at developing bilateral and multilateral cooperation with developed democracies in the areas of politics, economy, culture and human security, the Concept of Foreign Policy identifies the United States, Japan, the European Union, India, South Korea and Turkey as Mongolia's preferred third neighbour partners.⁴⁰

³⁶ Alicia J Campi, "Mongolia's Strategic Views on the Roles of Russia and China in its Future Development", *Mongolian & Tibetan Quarterly*, 21(2):2012, p.92.

³⁷ Julian Dierkes, "Mongolia's 'third neighbour' policy and its impact on foreign investment", 15 February 2011, *East Asia Forum*, <<http://www.eastasiaforum.org/2011/02/15/mongolias-third-neighbour-policy-and-its-impact-on-foreign-investment/>>

³⁸ Sharad K Soni, "Looking beyond Geographic Neighbours : Post-Soviet Mongolia's "Third Neighbour Policy", in Suchandana Chatterjee, Anita Sengupta and Sushmita Bhattacharya (eds.), *Eurasia: Twenty Years After*, Delhi: Shipra Publications, 2012, p.489

³⁹ "Mongolia: Growth, Democracy, and Two Wary Neighbors": An Interview with Alan Wachman, Interview taken by Allen Wagner, The National Bureau of Asian Research, 3 May 2012, <<http://www.nbr.org/research/activity.aspx?id=245#.Uic9tzb11K0>>

⁴⁰ Jargalsaikhan Mendee, "Mongolia's Quest for Third Neighbours: Why the European Union?", *EUCAM Policy Brief*, 25(2012):2.

But how did the idea of a “third neighbour” take its root? In fact, the term “third neighbour” was put forwarded by the then US Secretary of State James A. Baker during his speech in August 1990 while he was visiting Mongolia. He referred to the United States as Mongolia’s third neighbour. It was an oratorical gesture to support the nation’s first move towards democracy as the first free elections were held in Mongolia in July of that year. However, such a fresh idea, forgotten in Washington, was quickly picked up and reinterpreted by the Mongolian elite and policy makers, who for centuries had never thought of anything beyond a pawn between the Russians and Chinese. The term began to be used in Mongolian media and scholarly works and remained so throughout the 1990s. But it was not reciprocated in the United States until the late 1990s. Alicia Campi, a renowned Mongolist, recalls that it was at the first American bilateral conference in Washington, DC in the late 1990s where American officials declared that their Mongolian counterparts could refer to the United States as a “third neighbour.”⁴¹ Moreover, as she opines, the events of 9/11, 2001 and the increased attention attached to the rise of international terrorism encouraged the US “to completely recalculate its strategic interests and embrace the Third Neighbor relationship, at least politically, with Mongolia.”

Meanwhile, Mongolian foreign policy had already affirmed that Mongolia would focus its attention on developing friendly relations with states beyond its geographic neighbours. This policy was then titled as the “third neighbour policy” under which Mongolia could strive to overcome its geopolitical dilemma by finding a balancer to the influence of either of the two neighbours. It implies that Mongolia will no longer be dependent only on one neighbour but rather on as many countries and international institutions as possible. However, in order to understand the “third neighbour” policy more substantially, it may be seen in other perspectives as well. Munkh-Ochir Dorjjugder clearly points out that the “third neighbour” policy is a “collective socio-psychological consensus” that the Mongolian state and society reached in the aftermath of the 1989-90 democratic revolution.⁴² He further argues that “it is based on the self-perception of a small state with experience of subservience to neighbouring great powers and an indigenous culture, sometimes seen as the ‘northernmost extension of the Indosphere’, flanked by three of the world’s great civilizations: Christendom, Islam, and Confucian East Asia”.⁴³ Dorjjugder opines that the “third neighbour” approach is derived from both the close historico-cultural ties as well as friendliness with other countries “which are often based on

⁴¹ Alicia J. Campi, “Mongolia’s Foreign Policy Vision for Eurasia,” Paper presented at a Jamestown Foundation Seminar, 10 November 2010, p.2.

⁴² Munkh-Ochir Dorjjugder, “Mongolia’s “Third Neighbor” Doctrine and North Korea”, 28 January 2011, <http://www.brookings.edu/papers/2011/0128_mongolia_dorjjugder.aspx>

⁴³ Ibid.

shared values, common interests or even simply societal sympathy.”⁴⁴ In this context, one could identify third neighbours like India, which has eloquently been described as Mongolia’s “spiritual neighbour” due to the fact that much of Mongolia’s intellectual and cultural heritage, particularly Buddhism stems from the subcontinent; and Japan, owing to the fact that it has been the largest Official Development Assistance (ODA) provider to Mongolia for latter’s economic growth as well as the intense cultural and humanitarian relations that the two countries have, which could be witnessed through pro-Japanese attitude of Mongolian society.

Furthermore, the United States and a bunch of Western democracies fall into this category alongside South Korea which is one of Mongolia’s largest trading partners and Canada, the second largest foreign investor in Mongolia after China. All these “third neighbours” are indeed fellow democracies and strong economies that may bring added value to Mongolia’s acts of “cautious” balancing of Russia and China and the projection of Mongolia’s place in the international arena with its “new regional identity of a Northeast Asian country”.⁴⁵ In fact, Mongolian integration into the Northeast Asian region has been described by the Mongolian policy makers and economists as the best ever opportunity for not only the country to develop and prosper but also to balance China’s economic and political influence.⁴⁶ This is more so because Northeast Asia has been considered as Mongolia’s natural economic territory, and in a more specific term, as conceived by Robert Scalapino, a “regional third neighbour.”⁴⁷ The whole idea of the “third neighbour” policy, thus, points to securing Mongolia’s overall security both economic as well as strategic.

Mongolia has indeed been able to pursue a “skillful” diplomacy that to date has functioned rather well. Allen Wachman feels that “by linking its security to a roster of states other than Russia and China, Mongolia has made its intention clear to act internationally with as much freedom as it can muster from constraints that Moscow or Beijing might wish to impose”.⁴⁸ Besides, both Russia and China are still cautious of external powers, particularly the United States, setting down roots in states along their borders. While the

⁴⁴ Ibid.

⁴⁵ Soni, “China’s Periphery Policy”, pp.254-255.

⁴⁶ Alicia Campi, “U.S. Policy towards Mongolia since Diplomatic Relations in 1987”, in K. Warikoo and Sharad K. Soni (eds.), *Mongolia in the 21st Century: Society, Culture and International Relations*, New Delhi and London: Pentagon, 2010, p. 251.

⁴⁷ Robert Scalapino, “The Political Process in Northeast Asia and Mongolia’s Challenge,” unpublished paper presented at Mongolia-U.S. Bilateral Conference, *Mongolia-U.S. Comprehensive Partnership in the Context of North East Asia: Challenges and Opportunities*, Washington, 28 February 2005, cited in Ibid.

⁴⁸ “Mongolia: Growth, Democracy, and Two Wary Neighbors”: An Interview with Alan Wachman (2012).

Chinese are vigilant about the prospect of encirclement, Russia appears to be disconcerted by the prospect of a democratic Mongolia entangled with powerful Western democracies elsewhere, the United States being the foremost among those democracies, this is what Allen Wachman describes as “the geopolitical gambit”.⁴⁹ Mongolia, as he points out, “hopes its “third neighbour” approach to security will encourage those external balancers to develop interests - economic, ideological, and strategic ... that would significantly impede the effort of either Russia or China to trample Mongolia’s independence.”⁵⁰

It is, therefore, understandable that in order to loosen the pressure of Russia and China, Mongolian leaders have developed the “third neighbour” policy, though it can be argued that this policy also aims at creating new strategic alliances abroad without causing economic and commercial issues with the Russians and Chinese. From the Mongolian perspective, “diverse foreign and trade relations are an element of broader stability”. Economic vulnerability of Mongolia largely explains the important efforts of the Mongolian authorities to convince foreign countries to invest in Mongolia particularly in the mining and infrastructure sector. The fact also remains that not only Russia and China but also other countries of the world have their eyes firmly fixed on Mongolia’s mineral wealth.

Basically, the central focus of Mongolia’s “third neighbour” policy is to develop a strategic partnership with Japan and India, as well as comprehensive partnerships with the US, Germany, the Republic of Korea and Turkey, and an expanded partnership with Canada and Australia.⁵¹ It is more so because they are geographically distant and do not present the same risks that its immediate neighbours do.⁵² Nonetheless, one crucial challenge faced by the Mongolian leadership is to achieve a balance of influence between the two neighbours - Russia and China by building on the strong economic and political competition in which they engage in Mongolia. If China, with a market share of 80 per cent of Mongolian exports, is indisputably the largest economic partner of Mongolia, Russia is definitely its largest supplier with 100 per cent of oil and gas and 80 per cent of wheat coming from Russia, which raises a serious dependence

⁴⁹ Allan M. Wachman, *Mongolia's Geopolitical Gambit: Preserving a Precarious Independence While Resisting "Soft Colonialism"*, EAI Fellows Program Working Paper Series 18, Seoul: The East Asia Institute, 2009, p.9

⁵⁰ Ibid.

⁵¹ Oxford Business Group, “A good neighbour: OBG talks to G. Zandanshatar, Minister for Foreign Affairs and Trade”, *The Report: Mongolia 2012: Country Profile*, <<http://www.oxfordbusinessgroup.com/news/good-neighbour-obg-talks-g-zandanshatar-minister-foreign-affairs-and-trade>>

⁵² Li Narangoa, “Mongolia and Preventive Diplomacy: Haunted by History and Becoming Cosmopolitan”, *Asian Survey*, 49 (2):2009, p. 376.

problem. But then Mongolia's huge mineral resources attract the appetite of many other players, and that is where Ulaanbaatar could manipulate in trapping the third neighbours to balance off Russia and China if at all dependence problem comes to the fore.

Conclusion

Since Mongolia's major geopolitical dilemma is how to sustain itself as a democratic state within a secure external environment, it indeed needs to maintain a balance in its relations with the two immediate neighbours, while at the same time keeping up relations with the third neighbours to balance off the influence of Russia and China. As of now to a large extent Mongolia has been successful in achieving the optimal balance in its relations with Russia and China despite Beijing's economic dominance. But the role of third neighbours as a balancer against Russia and China is still far from reality. For example, in any event the United States "is too far away to play as much of a role as Mongolia's close neighbours-Russia and China".⁵³ As for Japan, although it has been the poster child for Mongolia's third neighbour policy, until recently it was just confined to providing grants and financial aid, thus not reaping many tangible benefits. Now that the two countries will work on 2017-21 action plans to further economic and security ties, one may foresee Japan becoming a balancer against China. India too is a late comer which has signed a "Strategic Partnership" agreement with Mongolia only during Prime Minister Narendra Modi's visit in 2015. In fact, the relationship between India and Mongolia is growing now-a-days against the backdrop of China's increasing influence. Faced with growing Chinese pressure, Mongolia looks to India as a viable third neighbour to counteract China. Only times to come would reveal whether these third neighbours are able to counterbalance Mongolia's reliance on China and Russia for financial assistance and trade.

Notwithstanding it is also important to keep in mind that being a land-locked country and having geographical proximity only with Russia and China any future external threat to Mongolia's security by whatever means it is, could be related directly or indirectly with either or both of its two neighbours. The challenges ahead are great, but with lessons learned from its experiences with 'immediate' and 'third' neighbours in recent times, Mongolia does not have room for oversights. The geopolitical dilemma Mongolia has had in matters of its external relations will wane provided Ulaanbaatar diversify and reduce

⁵³ Morris Rossabi, "Mongolia's Mangled Politics", *Foreign Affairs*, May 30, 2016, <<https://www.foreignaffairs.com/articles/mongolia/2016-05-30/mongolias-mangled-politics>>

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overwhelming dependence on 'immediate' neighbours despite opting them by choice or by necessity. Only then the role of 'third' neighbours will be favourable to Mongolia in its political, economic and strategic realms.