

## **“REGIONAL INTEGRATION PROCESSES AND MONGOLIA”**

*By Ts. Munh-Orgil (Foreign Minister of Mongolia)*

It is a distinct honour and pleasure for me to address this esteemed institution and talk about the issues of keen interest to my country. We have chosen the topic of regional integration and Mongolia's role in it because Mongolia is searching for a regional integration and the region it looks more intently than any others is the East Asian region, and more particularly, the Northeast Asia. Regionalism and regional integration are fast becoming the key determining factors of today's and tomorrow's political and economic realities. For Mongolia, economic, trade and investment integration into a larger regional cooperation structure is perhaps the only way to accelerate its economic growth and alleviate poverty on a long-term and sustainable basis. With only 2.5 million people scattered over a vast territory and handicapped with high tariff and non-tariff barriers raised by its neighbors, our small land-locked country can not fully enjoy the fruits and promises of democracy and maximize the potential of its unique combination of assets and opportunities unless Mongolia quickly becomes a part of a wide and deep regional cooperation.

Today everywhere we look there is talk of regional dialogue, cooperation and integration gaining momentum while globalization continues its uneven march amid protests and apprehension. An incomplete list of regional programs and forums in our part of the world includes ASEAN, APEC, the search for other East Asian Community modalities, Central Asian Cooperation Organization (CACO), the Shanghai Cooperation Organization, the Eurasian Economic Community (EEC), the Asian Cooperation Dialogue (ACD), and the Economic Cooperation Organization (ECO), . The reason for regional cooperation and integration is clear as closer economic and trade cooperation brings expanded development opportunities, as well as better and faster results in selected priority areas of cooperation. The latest example of a growing regional cooperation is Central Asia where, despite national and ethnic diversity, history of violent intra- and inter-state conflicts, the Central Asian states are moving steadfastly towards greater regional cooperation with the help of the ADB within the framework of the CAREC. Their initial focus on a few key areas of cooperation, namely the transport, trade facilitation, trade policy and energy sectors, has already brought some concrete results and shall probably encourage them towards greater integration in the future.

Mongolia does not want to be left behind in this process. We believe in the potential of cooperation, we know Mongolia has much to offer to regional economic and political development, and we hope that the gains of cooperation will lead to better living standards for Mongolians. Yet Mongolia is not a party to any of the regional programs mentioned above, except the ACD, and it is today the only WTO member who does not have a FTA. It is a dubious distinction and we want to get rid of it.

I find it most paradoxical that we Mongolians are in danger of being left alone in this world of growing regional integration. After all, it was we Mongolians, who caused the first great wave of globalization when in the 13-14th centuries most of the then known world was integrated into one economic and trade empire under the protection of Mongolian rulers with single currency, open borders, free exchange of goods, ideas and people across the vast Eurasian continent. The level of openness, religious tolerance and cultural diversity enjoyed at that time was unprecedented and could still serve as a shining example for present and future generations. As for today, Mongolia is a country with most liberal trade and currency exchange regimes, complying dutifully its international obligations and duties.

The foreign policy of Mongolia focuses on creating the best possible external environment for its domestic growth and prosperity. We pose threats to nobody and nobody threatens our borders or independent existence as Mongolia enjoys good neighborly relations with its giant neighbors, Russia and China.

As stated in our basic foreign policy concept adopted in 1992 and based on historical, geographical and economic factors, Mongolia gives priority to its relations with its neighbors. Relations with Russia are dominated by good will and favorable attitude as Mongolians gratefully acknowledge Russia's important role in obtaining national independence from the Manchu dynasty and securing breakthrough achievements in social and economic development. Although never a communist state by ideology, Mongolia was forced to join the socialist camp as a satellite to the Soviet state to ensure its national sovereignty and independent existence. The years of cooperation with the Soviet Union and other socialist states helped Mongolia leap forward towards general literacy, quality public health and education, and succeed in turning a backward nation of half a million nomadic cattle-breeders into a modern social welfare state of 2.5 million in less than 70 years. Visits by Russian President Putin and Mongolian Prime Minister Enkhbayar helped bring along a settlement

of the big debt owed to Russia of close to 12 billion US dollars for the cash payment of 250 million US dollars - a discount of 98 per cent.

Mongolia's relations with China have reached new levels following President Hu Jintao's visit in 2003. China has quickly become Mongolia's largest trading partner and source of FDI. Relations with China are poised to reach levels as both countries seek ways to combine Mongolia's untapped yet potentially enormous natural resources with China's demand for them.

As a small land-locked country with powerful neighbors, Mongolia desires to strengthen its relations with "third neighbors", the collective community of democracies supporting Mongolia's transformation to a political democracy and market economy.

Relations with Japan occupy a special and, in many ways, a strategic place in Mongolia's foreign policy thinking. Japan's assistance to Mongolia's transformation to democracy and market economy remain a crucial factor as Japan alone accounts for close to 70 per cent of ODA received by Mongolia since 1991. We also recognize that grateful acknowledgement of Japan's help places a special duty on us to make good use of this generous assistance and deliver a better life for our people faster. Mongolia supports Japan's aspirations to occupy a more significant role in regional and global affairs and in particular its aspirations to become a permanent member of the UN Security Council.

Mongolia enjoys active and fruitful cooperation with both the ROK and the DPRK. The ROK is rapidly becoming an active source of FDI, and the two countries have agreed to work towards a FTA in the medium term future. The DPRK is the second country in the world which recognized Mongolia as an independent state and established diplomatic relations with us in 1948. Mongolia firmly stands for the nuclear weapon free Korean peninsula and believes that the Six Party Talks are the most appropriate forum for achieving this important objective. This position of Mongolia was confirmed by President Bagabandi during his recent visit to the DPRK at the end of the last year. At the same time we believe it is important to keep the DPRK engaged in regional economic and trade cooperation.

Mongolia also enjoys good relations with other states in the East Asian region, most notably ASEAN, although the trade and investment volume with these countries is minimal at present.

An important part in our overall democratization process was the reform of Mongolia's defense policy and military establishment. Following our independent, neutral and peaceful foreign policy, Mongolia's defense mission

is entirely one of self-defense. Having secured our national borders through a series of formal bilateral agreements with China and Russia, our military is increasingly concentrating on enhancing its international peace-keeping capabilities. Mongolia has contributed its military units to the US-led coalition efforts in Iraq, a move that was generally supported in Mongolia. Mongolia also contributed to other UN PKO -Mongolian officers completed PK duties in the DPR of Congo in 2003, and has applied to participate in other UN PKO. These efforts are mostly welcomed by the Mongolian public as the fastest and economic way to reorganize its military structures.

Successful hosting in September 2003 of the Fifth International Conference of New and Restored Democracies was Mongolia's contribution to promoting non-traditional aspects of security, global democratization and security.

With its borders secured, relations with immediate and distant neighbors stabilized, Mongolia's focus today is in pressing socio-economic issues at hand. Unemployment, poverty, rapid urbanization and the resulting social displacement pose potential threats to long-term stability and economic prosperity. Despite a decade-long program of structural reforms and painful social and economic changes, the national economy still fails to reach the pre-reform levels by many important measures. But more important than these dry economic indicators, living standards of Mongolians fail to meet the public's expectations. These expectations of the public are unusually high for a developing country because of the socialist welfare state practices of the recent past - in 1992 pre-reform Mongolia was a socialist state with universal secondary education, affordable and quality public health, and a reliable network of social protection. With a series of somewhat rushed and not always well-thought-through reforms, most of these institutions were severely damaged. To meet the public's high expectations on social security and continue with the necessary economic reforms is an arduous task indeed, and it becomes a doubly difficult task in the absence of a meaningful regional cooperation framework.

An important factor that contributes greatly to Mongolia's reform efforts is relative political stability and the firm determination of both major political parties, the Mongolian People's Revolutionary Party (MPRP) and the Democratic Party to continue with the dual transformation to a political democracy and market economy. The MPRP, which I proudly represent here today, led the national liberation struggle against Manchu occupation and brought national independence and economic and social development to Mongolia. Never a

Communist party, it is today a full-fledged member of the Socialist International and adheres to ideas of social democracy. The Democratic Party brought an end to a period of social and economic stagnation following its protests in the early 1990s against the MPRP monopoly of power. The political maturity of the young Mongolian democracy was proved last year when following inconclusive general elections in June, the two major political parties formed a government of national unity to address priority issues of national development.

How can we maintain the momentum of a 10.6 per cent economic growth achieved in 2004? How are we to preserve hard won macro-economic stability? How to take advantage of Mongolia's untapped yet potentially enormous national resources? How to improve the social protection system and improve our public health and education? How to reconcile our traditional nomadic livestock breeding economy with the vigorous demands of today's globalized world? How to restructure our existing and largely wasteful administrative division into 23 provinces and over 350 counties? How to build modern infrastructure and connect them with the growing regional infrastructure systems? These are the issues that we struggle to tackle and to do that Mongolia needs your help. Your help is needed on bilateral level and your help is needed on the level of regional cooperation and eventual integration.

Mongolians are not afraid of regional integration because we have a strong national identity, a proud history and a unique culture. Mongolia's regional identity is far less certain and the search for it shall be an important foreign policy and developmental goal for the country.

Mongolia is not and can not be satisfied with its present limited participation in the regional multilateral dialogue. Not involved in the Six Party Talks, nor a party to APEC or ASEM or the on-going talks on the modalities for the future East Asian Community, Mongolia will continue efforts for greater regional cooperation. It will continue efforts to join APEC and ASEM as well as continue to observe activities of the Shanghai Cooperation Organization. It will also continue efforts to conclude bilateral free trade agreements as well as actively engage with the ASEAN countries. Mongolia will be interested in the future East Asian Community as well as participate in the activities of the ACD.

Mongolia's search will go on because the future demands greater integration and in these efforts we shall continue to rely on the good will and support of our Japanese and other third neighbour friends.