

**POLICY RECOMMENDATIONS ON ENHANCING THE ROLE
OF MONGOLIA IN NORTHEAST ASIA**

Mongolian Development Research Center (MDRC)

Current role and profile of Mongolia in Northeast Asia

1. The Mongolian Development Research Center (MDRC) has implemented a project entitled “The Role of Mongolia for the Peaceful and Stable Development of Northeast Asia” between 2001 and 2006. The Project was supported by the Sasakawa Peace Foundation of Japan. Within the framework of the Project, eight international conferences have been organized and were attended by scholars and experts, as well as government officials, parliament members from Mongolia, Japan, South Korea, Russia, China, Kazakhstan, the USA, and Singapore. Conference documentation and reports on research works were published on each occasion for policy makers and the general public. The topics of the Conferences and publications are attached. (See the attachment)

2. In recent years, the Mongolian Government has been actively seeking to expand its bilateral relations with countries in the Asia-Pacific region and engage in regional security dialogue. This is consistent with the approach set out in the Mongolia’s Foreign Policy Concept, where stronger bilateral relations are seen as the building blocks for effective regional and global strategies. In pursuing its foreign policy based on the continuity of a multi-pillar, open and pro-active policy, Mongolia continues to develop and expand its friendly relations with neighbouring countries as well as with major industrialized nations, including the United States of America, Japan, other Asian and Pacific countries, and members of the European Union.

3. The Government of Mongolia is committed to developing mutually beneficial bilateral relations and cooperation with all the countries in the region. Mongolia has been pursuing bilateral consultations on ways and means to promote the regional security initiative with the relevant countries in Northeast Asia. As its contribution to enhancing stability and confidence building in the region, Mongolia declared its territory a nuclear-weapon-free zone back in 1992. The adoption of the resolution (53/77/D) by the General Assembly at its 53th session on “Mongolia’s International Security and Nuclear- Weapon-Free Status” and the 2000 Joint Statement by the P-5 providing security assurances to Mongolia in connection with its nuclear-weapon-free status represented

important steps along the road to institutionalizing it at the international level. As a follow-up to its declaration, the Parliament of Mongolia adopted in February 2000 a law on Mongolia's nuclear-weapon-free status. Mongolia is party to the Treaty on Nonproliferation of Nuclear Weapons as well as one of the first countries to have ratified the Comprehensive Test Ban Treaty.

4. Mongolia is gaining importance due to its strategic location between Russia and China, Northeast and Central Asia, and the Islamic and non-Islamic East. Its rich natural resources and ready access to Siberia and Northern China make Mongolia a renewed focal point for Russia and China, both of whom are interested in the minerals and energy sources of Mongolia. Moscow and Beijing both have encouraged Mongolia to be an observer in the Shanghai Cooperation Organization (SCO), which focuses on counter-terrorism and, increasingly, economic cooperation. To diversify its strategic reliance, Mongolia has maintained a strong third neighbour policy toward the U.S. and others.

5. Mongolia, with a decade of transitional experience from a command economic system, may offer Central Asia, the Russian Far East, and perhaps most importantly, the DPRK, "lessons learned" on the path of transition. The U.S., ROK, Japan, China, and others have noted Mongolia's unique positioning toward the Korean Peninsula. As a state with universally accepted nuclear-weapon-free status, Mongolia provides an example of the possibility of creation of a single-State nuclear-weapon-free zone with all the necessary security assurances from the nuclear-weapon States. This example of ensuring national security by political and legal means, through regional cooperation could be of relevance and use for other States.

6. There are no political, economic, territory, and boundary conflicts between Mongolia and the countries of the Northeast Asia. Mongolia is eager to develop friendly relations with all the countries of the Region. Mongolia is an active participant in the activities of the ASEAN Regional Forum. For this reason, Mongolia is in a unique position to offer itself as either the focal point or ideal location for an official or informal organization for Regional Security and Multilateral Cooperation.

7. Mongolia, a land-locked country, pays special attention to the development of the transit transport infrastructure as an essential component of its policy to pursue active international cooperation. UNDP recently issued the special report on Mongolia's economic and environmental vulnerability as a land-locked developing country.

8. Despite a low per capita income and land-locked geography, Mongolia could be a foreign policy model for Northeast Asia. It has pursued a “non-aligned policy” since democratization in 1990 by continuously improving relations with its immediate neighbours and beyond. Mongolia has also distinguished itself in foreign policy. Mongolia’s peaceful and constructive diplomatic relations can be a positive example for its Central and Northeast Asian neighbours.

9. The regional security issues are important not only for Mongolia, but they are primary vital for economic and social development of all countries in the region. Therefore, Mongolia has put forward a proposal to the 55th session of the UN General Assembly to establish a permanent mechanism of dialogue at the Government level on issues related to the security of the Northeast Asian Region.

10. The term of the Tumen River Development Program has been extended by an additional decade starting from September 2005 to provide more time to facilitate the multilateral collaboration and integration processes of Northeast Asia. In this connection, more activities must be carried out for:

- the expansion of cooperation among international experts,
- the implementation of necessary projects,
- the accession to the Regional Research Network,
- the establishment of an independent research unit to coordinate these activities.

11. Rural and business organizations and NGOs of Mongolia have important roles to perform in various regional activities. The Mongolian Development Research Center is one of the prime examples of active NGO network in Mongolia and beyond.

12. The recommendations below are primarily intended to be submitted to the Government of Mongolia, but it is only possible to implement in collaboration with neighbouring and other countries, international organizations, NGOs and private sector.

Based on the above conclusions, the following policy recommendations were submitted to the Government of Mongolia.

One. On Issues of Security of Northeast Asia

1.1. All possible measures need to be taken to promote and further develop the idea expressed by Mongolia at the 55th session of the United Nations General Assembly to establish a permanent mechanism of dialogue at the

Government level on issues related to the security of the Northeast Asian Region.

1.2 Mongolia must take further steps to institutionalize the country's nuclear-weapon-free status at the international level. The Government of Mongolia should make, either alone or together with its neighbours, a study on the radiological external environment of Mongolia and develop practical relations with its neighbours to keep the environment safe from radiological contamination threat. Monitoring must be undertaken of the implementation of the Law on Mongolia's nuclear-weapon-free status and the result be made available for the Mongolian people as well as for others.

1.3 Concrete measures need to be taken to hold an informal meeting of representatives of think tanks of Northeast Asian Region to discuss the feasibility as well as ways and means to promote the idea mentioned in para.

1.4 The Government should support new venues like "Ulaanbaatar Forum for East Asia" to engage further Mongolia in the region.

1.5 Mongolia should share its experience of introducing market reforms and broadening its international contacts by diversifying its foreign relations with the countries that are contemplating to do so.

1.6 Mongolia needs to be fully engaged in international affairs, including open flows of goods and services, IT, as well as people and to join related UN conventions and strengthen its coordination with regional and foreign organizations dealing with the globalization problems.

1.7 Mongolia must embrace the international conventions and related treaties defining and protecting the rights of migrations and join the 1951 Convention relating to the Status of Refugees.

Two. On Issues of Development Strategy of Mongolia

2.1. It is important that Mongolia set up an economic model for the regional integration process in order to participate actively in economic cooperation. It would also be beneficial for Mongolia to become one of the organizers and more energetic supporters of various proposals made towards this model;

2.2. Mongolia needs a realistic concept and model of long-term, comprehensive and sustainable development and to establish institutions dealing with them;

2.3. All the political parties in Mongolia need to join together for the sake of the national interest, overcome all obstacles and embrace the long-term Grand Development Strategy ;

2.4. Mongolia must put more efforts and resources into educating the people to change their attitudes towards development issues;

2.5. Mongolia should make every effort to advance technological innovations and value-added of export products;

2.6. With economic development, Mongolia should play a more important role in regional cooperation for building of the transportation and communications network in Eurasia by finding the financing, formulating policy mechanisms for smoothing movement of merchandise across borders, standardization of transport tariffs, etc.

2.7. The Mongolian Government must make decisions on the priorities of foreign economic assistance (ODA) after careful consideration of the country's long-term needs and with coordination of different domestic interests.

2.8. Mongolia needs to develop a cluster network economy through an optimal cooperation between big and SMEs.

Three. The Goals of Integration and Regional Cooperation

3.1. For the active participation in the integration of Northeast Asia, Mongolia is required to host Summit Meetings of the Regional countries, strengthen mutual trust, and make wide ranging and significant proposals to advance the integration process.

3.2. Mongolia needs to make every effort for joining the APEC as full member, when APEC's moratorium on intake of new members expires.

3.3. Mongolia must make efforts to establish a science and technology park in framework of Tumen River Area Development Program in collaboration with its member countries;

3.4. To support the Mongolian National Chamber of Trade and Industry in order to develop collaboration with similar bodies in Regional countries;

3.5. To scrutinize and be more involved in negotiations and talks on the structure of the organization of free trade in East Asia through the bilateral relations, regional and world sessions and forums, and to maximize attendance and participation of Mongolian delegates in relevant organizations, events and channels;

3.6. To broaden Mongolia's external markets, and to be involved in mutual networks by promoting and supporting mutual investments and joint ventures with the regional countries, with the goal of concluding free trade agreements with regional partners;

3.7. Mongolia is required to make greater effort to expand mutual understanding among the countries of Northeast Asia on finance and monetary policies based on mechanisms for the organization of meetings of the Directors of the Central Banks of Northeast Asia and East Asia. For this goal, Mongolia needs to develop close cooperation with the Stock Exchanges of the Regional countries, to continuously exchange information, and hold consultative meetings;

3.8. To provide possibilities for carrying out joint bilateral and multilateral projects in both the state and private sectors for the development of infrastructure and support of Mongolia as a transit point for greater movement of goods, services, transportation, and banking activities, to create a logistics network, and to pay more attention to the above activities;

3.9. To develop mutually beneficial cooperation with regional countries in the energy sector to create a safe and guaranteed energy supply, to introduce renewable energy sources including bio-gas, wind, and solar energy; and to make efforts to join the united energy network for the region;

3.10. To provide food safety through intensive collaboration with the Northeast Asian Regional countries in agriculture, food production, green technologies, and the industrial sector. In order to intensify collaboration with regional countries in agriculture and agriculture-oriented industry, Mongolia must make proposals and forward initiatives in this direction;

3.11. To render state support for development of relations and cooperation between Mongolia and Regional countries in diplomatic, people-to-people, and cultural exchanges and tourism. For this, Mongolia needs to propose initiatives for the creation of an efficient and beneficial network of exchanges and communications, and to expand involvement in international projects concerning the Dialogue between Civilizations;

3.12. To support all activities for conducting joint scientific research, and experimental works and educational exchanges with the Regional countries and to find ways for implementing international projects for the involvement of Mongolia in the activities of the Regional scientific networks such as biotechnology and new materials;

Four. On Infrastructure Development

4.1. Mongolia should make every effort to promote the construction of transportation and communication facilities, so as to merge itself into international society and markets, Mongolia must work hard and persuade the

NEA countries to establish international consortium called “Mongolia Infrastructure Support Fund”;

4.2. Northeast Asian cooperation should be directed to create the conditions to use the potential deposit resources of Mongolia’s Gobi and Eastern region such as Nariin sukhait coal, Tavan tolgoi coking coal, Oyu tolgoi copper and Tsagaan suvrag copper, oil, poly-metals and uranium by constructing the infrastructure including roads and railways. For this purpose, alternative road connections should be studied consistent with Asian high-way network plan and the horizontal and vertical road connections of Mongolian Millennium road. In addition, also alternative railways should be considered to connect with Northeast Asian corridors. In order to develop independent and sustainable energy system in Mongolia, it should be actively involved in regional energy cooperation activities in Northeast and Central Asia, especially to use renewable energy resources. Efforts should be given to develop tourism network with neighbouring countries. Mongolia should also cooperate with Northeast Asian countries to implement the programs to develop the IT industry in Mongolia.

4.3. The land suitable for crop production in the Dornod region of Mongolia should be utilized jointly with Northeast Asian regional countries;

4.4. There is a need to study the possible exploration of deposits in Eastern and Gobi *aimags* close to Chinese border, such as a number of coal deposits, magnetic ore, bauxite of South Gobi, and the rare mineral deposits in Dornogobi.

Five. On Issues of Attracting Foreign Investments

5.1. According to UNCTAD’s survey, Mongolia has been included in the list of high potential FDI category countries. Therefore, it is important to use this internationally recognized comparative advantage for attracting FDI into key development sectors of the country (mining, tourism, and agro-processing), and to transfer and adapt innovation technologies for increasing competitiveness of local products and services;

5.2. to make special efforts to attract export-oriented TNCs which are already active in developing countries;

5.3. to attract medium-size investments in high-technology manufacturing, high-value products and skill-intensive services.

5.4. Training mid-level and senior-level government officials on providing basic, practical knowledge about investment promotion and investor targeting.

5.5. Online financial services to SME s will help enhance their ability to participate in the knowledge-based global economy;

Six. On issues of Supporting Industry and Business

6.1. Create an enabling legal and economic environment to establish a Mongolian industrial sector to produce ecologically clean, final products based on a relatively qualified labor force, rich mineral resources and other raw materials;

6.2. Shut down the business activities of environment polluters and stop the import of outdated technology, equipment and machinery into Mongolia.

6.3. Create a favourable legal environment for the development of leasing, venture capital, and provide opportunities to utilise new technology, new invention and establish industrial technological parks and business incubators to support entrepreneurs;

6.4. Government should support national producers, national brand name products through mechanisms such as government's credit guarantee based on Mongolia's comparative advantage.

6.5. Government has to work consistently to open markets of neighbouring countries and other NEA countries for ecologically clean products produced in Mongolia.

6.6. Restructure the activity of Mongolian Stock Exchange as well as introduce more properly the "Corporate Governance" understanding awareness to shareholding companies;

6.7. Urgently set the proper criteria for Small and Medium enterprises;

6.8. Reduce the bureaucracy of Government institutions; and increase the transparency of Government policy by involving the private sector stakeholders;

6.9. Simplify licensing and registration, and reduce the number of licenses;

6.10. Reduce the tax burden of businesses and promote business through financial and credit policies;

6.11. In order to support SMEs, consolidate Government policy for supporting the SMEs, establish business incubators in accordance with regional development policy, create a technological database for SME, enhance the system of training professional staff and establish consultancy centers for entrepreneurs in rural centers.

ATTACHMENT

Conferences organized in framework of the project entitled “The Role of Mongolia for the Peaceful and Stable Development of Northeast Asia”

1. “Northeast Asian Regionalism and Role of Mongolia for Peaceful and Stable Development of Northeast Asia”, Ulaanbaatar, March 2001
2. “China and Mongolia Cooperation in the Context of Northeast Asia”, Huh-hot, China, August 2001
3. “The Russia (East Siberia)-Mongolia-China- Eurasian Transport Corridors”, Irkutsk, Russia, August 2002
4. “Peace and Development issues in the Northeast Asia”, Ulaanbaatar, March 2003
5. “Free Trade Areas in Mongolia and the Engagement of Neighbouring Countries”, Ulaanbaatar, August 2003
6. “Foreign Trade and Investment: Shifting Attitudes in Northeast Asia”, Ulaanbaatar, February 2004
7. “Entrepreneurship and Enterprise Management in Northeast Asian Countries”, Ulaanbaatar, August 2004
8. “Private Sector Development in Northeast Asian Countries: Opportunities and Challenges”, Ulaanbaatar, March 2005
9. “Towards Building and Strengthening the Role of Mongolia in Northeast Asia”, Ulaanbaatar, February 2006

Publications on Result of Conferences:

1. Role of Mongolia for Peaceful and Stable Development of NEA, 2001
2. Factors of Economic Cooperation in NEA, 2003
3. Latest Economic Development Issues in NEA and Mongolia, 2004
4. Internal and External Factors on Economic Cooperation in Mongolia and NEA, 2005
5. East Asian Economies: Private sector, Growth Strategy and Poverty Reduction, 2006