

Mongolia and the United States: A Long Way in a Short Time

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This year marks the 25th anniversary of the establishment of diplomatic relations between Mongolia and the United States. Over a quarter century, interactions between our two countries have increased significantly, and our ties are now wide and deep. As Mongolia's mineral wealth transforms the country into one of the world's fastest-growing economies, our bilateral relationship is poised to become still stronger in the years ahead.

The United States established diplomatic relations with Mongolia on January 27, 1987, in a brief ceremony at the State Department. The following year, the United States opened a small Embassy in Ulaanbaatar staffed by two career officers and headed by a non-resident ambassador who spent most of the year in Washington, DC.

Initially, American diplomats might have thought that the new Embassy would provide a useful, if remote, outpost to observe developments in the region. However, within two years, the situation in both Mongolia and the Soviet Union changed dramatically. By late 1989, protests in central Ulaanbaatar launched a new national movement, one that quickly moved Mongolia away from a centralized, one-party dictatorship toward a multi-party democracy and a market economy.

The next decade was both difficult and exciting for Mongolia. It was difficult because the sudden cessation of Soviet aid resulted almost immediately in an economic collapse that required years of recovery; and exciting because the Mongolian government and the Mongolian people launched a historic experiment in parliamentary democracy.

Early on, the United States offered important support. Senior American officials applauded Mongolia's early efforts in democracy while also offering foreign aid focused first on emergency assistance and later on economic growth. United States Secretary of State James Baker visited Mongolia in 1990 and again in 1991. Other US visitors during the 1990s included First Lady Hillary Rodham Clinton and Secretary of State Madeleine Albright.

Yet, by the turn of the millennium, Mongolia was still struggling economically. Indeed, in as recently as 2001, Mongolia's gross domestic product (GDP) barely exceeded one billion dollars; the national budget was approximately \$400 million; and annual per capita income was estimated at less than \$400. In stark contrast, Mongolia's GDP in 2012 will be on the order of \$10 billion; the national budget is expected to exceed \$4 billion; and per capita GDP will approach \$5,000. According to some estimates, Mongolia's GDP growth in 2012 could surpass 20 percent, ranking among the highest in the world and moving the country even further into the ranks of middle-income states. Mongolia's known mineral wealth includes large amounts of copper, gold and high-quality coking coal and is valued in the hundreds of billions of dollars.

Today, Mongolia's foreign policy includes two important "pillars." The first pillar supports friendly ties with Mongolia's two large neighbors, Russia to the north and China to the south. The second pillar promotes a range of positive "third neighbor" relationships among countries that are also committed to democracy—Korea, Japan, India, various European countries, Canada, Australia, and the United States. Simultaneously, Mongolia also engages in a broad range of multilateral fora, including the United Nations and its agencies.

US support for Mongolia as an emerging democracy and dynamic economy focuses on five main areas. First, the United States supports development in Mongolia, primarily through the US Agency for International Development (USAID) and the Millennium Challenge Corporation (MCC). USAID support for Mongolia since 1991 exceeds \$220 million, all of it in grant funds. Over the years, programs have included support for strengthening democracy and governance, environmental protection, small business development, and financial sector reform. MCC funding has been even more significant, with the MCC compact signed at the White House in October 2007 providing \$285 million in grant assistance to Mongolia over five years. MCC programs in Mongolia focus on several high-priority areas including infrastructure, health, technical training, land titling and the environment.

Second, the United States promotes strong commercial ties with Mongolia. In recent years, Mongolia's international economic relations have shifted decisively away from foreign aid toward foreign investment and trade. In 2004, Mongolia received \$258 million in donor assistance—and only \$93 million in direct foreign investment. By 2009, the numbers were dramatically different, with aid figures slightly exceeding \$370 million dollars while foreign investment grew to \$624 million; the following year (2010), foreign direct investment in Mongolia more than doubled, approaching \$1.5 billion. Mongolia's trade figures have also increased exponentially. For example, in 2009, US exports to Mongolia were estimated at only \$40 million. In 2010, US exports to Mongolia exceeded \$115 million. For 2011, US exports to Mongolia reached \$313 million, continuing a pattern of unprecedented growth.

In a third area of US support for Mongolia, the United States applauds Mongolia's commitment to introducing democracy and playing a constructive role on the international scene. Although challenges remain, over the last two decades the Mongolian government has maintained a pattern of regularly scheduled free and fair elections. Civil society is growing, with grassroots organizations helping to shape the decision-making processes. Mongolia has also played a leading role in the Community of Democracies (COD), assuming the chairmanship of the COD in July 2011. Mongolia's next parliamentary elections—in June 2012—will be an important test and a notable milestone, as Mongolia continues on its democratic path.

Fourth, the United States assists Mongolia in its decision to strengthen its security and its international reputation through its involvement in international peacekeeping. The Mongolian Armed Forces total only 12,000 men and women. Despite its relatively small size, the Mongolian military has served with distinction in Iraq and recently doubled its

contribution to nearly 400 soldiers in Afghanistan. Mongolian peacekeepers have also deployed with UN counterparts in a number of countries, including Kosovo, Sierra Leone, Chad, and Sudan. The United States strongly supports this effort by providing training and equipment and helping to further develop Mongolia's "Five Hills" training center west of Ulaanbaatar. The high level of security cooperation and engagement between the United States and Mongolia was on display in March 2010 when Secretary of Defense Gates hosted Defense Minister Bold for a visit to the Pentagon.

In a fifth area of US support for Mongolia, the United States aims to strengthen people-to-people relations. Proportionately, the Peace Corps program in Mongolia—launched in 1991—is one of the largest US Peace Corps programs in the world. This year, more than 130 Peace Corps volunteers are teaching English and providing other assistance in some of the most remote regions of the country. The Fulbright program in Mongolia has also expanded significantly, from only three scholarships for Mongolians in 2009 to sixteen in 2011—including nine supported directly by the Government of Mongolia. We are also supporting Fulbright scholarships for Americans to experience Mongolia, including five English Teaching Assistants placed at Mongolian universities each year. More than 2,500 Mongolian students are now studying at US colleges and universities. The American Center for Mongolian Studies (ACMS) promotes scholarship and academic exchange between US and Mongolian scholars. Through the Ambassador's Fund for Cultural Preservation, the United States in 2010 provided Mongolia a \$586,000 grant to help preserve and protect the historic eighteenth-century Amarbayasgalant Monastery in a remote but beautiful valley north of Ulaanbaatar.

Over the last year, tangible support provided in these five areas has been reinforced through high-level visits. In June 2011, President Elbegdorj—who studied at Harvard's Kennedy School and is the first Mongolian president to have received a degree from a US university—met with President Obama in the White House Oval Office. In August 2011, Vice President Biden visited Mongolia, the first US Vice President to do so in 67 years.

Both visits reaffirmed positive relations while also promoting even stronger ties in the future. During President Elbegdorj's June 2011 visit to Washington, he witnessed the signing of a commercial agreement transitioning the Mongolian national airline toward an all-Boeing fleet, met wounded American soldiers at Walter Reed Army Medical Center, and placed a wreath at the Tomb of the Unknown Soldier at Arlington National Cemetery. In Mongolia, Vice President Biden met with President Elbegdorj and Prime Minister Batbold at Government House. He also attended a "mini-Naadam," a demonstration of traditional Mongolian sports and culture, outside the capital, gaining a first-hand introduction to the culture as well as the stunning landscapes that make Mongolia unique.

In the coming years, Mongolia faces significant challenges. Its massive mineral wealth may translate into economic prosperity, but this hoped-for prosperity hinges on Mongolia's ability to manage its investment and economic growth in ways that are open, transparent, and equitable. Along with other "third neighbors," the United States aspires to continue being a constructive partner as Mongolia proceeds on a path marked by both dramatic economic transformation and strengthening democracy.