



저작자표시-비영리-변경금지 2.0 대한민국

이용자는 아래의 조건을 따르는 경우에 한하여 자유롭게

- 이 저작물을 복제, 배포, 전송, 전시, 공연 및 방송할 수 있습니다.

다음과 같은 조건을 따라야 합니다:



저작자표시. 귀하는 원저작자를 표시하여야 합니다.



비영리. 귀하는 이 저작물을 영리 목적으로 이용할 수 없습니다.



변경금지. 귀하는 이 저작물을 개작, 변형 또는 가공할 수 없습니다.

- 귀하는, 이 저작물의 재이용이나 배포의 경우, 이 저작물에 적용된 이용허락조건을 명확하게 나타내어야 합니다.
- 저작권자로부터 별도의 허가를 받으면 이러한 조건들은 적용되지 않습니다.

저작권법에 따른 이용자의 권리는 위의 내용에 의하여 영향을 받지 않습니다.

이것은 [이용허락규약\(Legal Code\)](#)을 이해하기 쉽게 요약한 것입니다.

[Disclaimer](#)

August, 2013

Ph.D. Dissertation

# Internationalization and Democratization

Mongolian Developmental State and Foreign Energy  
Policy

Uuganbayar Tumorkhuu

Department of Political Science and

International Relations

Chosun University

# Internationalization and Democratization

Mongolian Developmental State and Foreign Energy  
Policy

국제화와 민주화: 몽골의 발전국가와 대외 에너지 정책

August 23, 2013

Uuganbayar Tumurkhuu  
Department of Political Science and  
International Relations  
Graduate School of Chosun  
University

# Internationalization and Democratization

Mongolian Developmental State and Foreign Energy  
Policy

국제화와 민주화: 몽골의 발전국가와 대외 에너지 정책

Advisor: Prof. Mi-Kyung Kim, Ph.D.

Submitted for the degree of Doctor of  
Philosophy in Political Science

April, 2013

Uuganbayar Tumorkhuu  
Department of Political Science and  
International Relations  
Graduate School of Chosun  
University

투무루쿠 오간바야르의 박사학위논문을  
인준함

위원장 기광서 조선대학교 교수 ( \_\_\_\_\_ (인)

위원 김재관 전남대학교 교수 ( \_\_\_\_\_ (인)

위원 강인호 조선대학교 교수 ( \_\_\_\_\_ (인)

위원 지병근 조선대학교 교수 ( \_\_\_\_\_ (인)

위원 김미경 조선대학교 교수 ( \_\_\_\_\_ (인)

2013년 06월

조선대학교 대학원

## Table of Contents

Introduction: Internationalization and Democratization .....	1
I. Research Question.....	1
II. The Second Image Reversed Perspective: Why does it need a State-centric Realism?.....	7
III. Literature Review.....	13
IV. The Central Analytic Model: Hypotheses and Concepts.....	19
Internationalization and State Autonomy.....	19
Democracy and State Autonomy.....	22
Weak and Strong States in Democracies.....	25
Internationalization and Democracy.....	28
Hypotheses.....	41
Chapter I: Two Neighbors' New Strategies and Internationalization of Mongolia's Mineral Resources.....	50
I. No Economic Stability and No Big Ambition.....	52
II. Weak State and Weak Vision.....	55

III.	China’s New Strategy towards the Developing World and its Impact on Mongolia.....	62
1.	Beijing’s Grand New Strategy in the Post-Cold War World Order.....	62
2.	New Policy on the Developing World and Internationalization of Mongolia’s Mineral Resources.....	65
IV.	Russian New Ambition and its Impact on Mongolia.....	71
1.	Putin’s Arrival and Moscow’s Ambitious Energy Politics.....	71
2.	Russia’s Eye over the Asian-Pacific Market: Mongolian Challenge and Opportunity.....	77

## Chapter II: Historical Lessons and Mongolian Public Belief in Democracy .....90

I.	Why the Last Two Decades?.....	95
II.	Collapse of Communism and Mongolian Public Opinion .....	97
III.	Internationalization and Public Behavioral Change:The Public Wants a Strong State.....	102
IV.	Mongolians Want a Strong State, not a Communist State.....	113

Chapter III: Internationalization, Democracy, and State Autonomy in a Developmental State.....	116
I. The Challenges of Internationalization and Elbegdorj’s Strong Presidency.....	125
II. Three Different Contexts and Three Different Presidential Behaviors.....	131
MPRP Dominance and Weak Presidency.....	131
Strong Veto Power and Political Crisis.....	134
Effective in Foreign Affairs, but Weak in Domestic Reforms.....	136
III. Three Decisive Steps and Resurging Democracy.....	139
Suspension of Mining Licenses’ Issuance.....	139
Irgenii Tankhim (Citizen Hall) and the Rise of Direct Democracy.....	142
Judiciary and IAAC Reforms.....	144
IV. Democracy and the Strong State Autonomy.....	149
Democratic Consolidation and State Autonomy.....	149
Strong State and Democratic Consolidation.....	151
Evidence of Democratic Consolidation.....	161



Chapter IV: The More Democracy, the Stronger Foreign Policy Autonomy.....	165
I.    The Advantage of Democracy and the Failure of Russian Energy Pressure.....	175
II.   Democratic Consolidation and Negotiations with Multinational Firms.....	179
III.  Democracy Resurging and Defense of National Interest over Private Interests.....	187
IV.  Democracy and Mongolia’s Diplomacy in the face of Internationalization.....	194
“Third Neighbor” Strategy without Internationalization.....	194
“Third Neighbor” Strategy with Internationalization.....	197
Conclusion.....	204
References.....	216

## List of Tables

Table 1.....	195
Table 2.....	195

## List of Figures

Figure 1.....	40
Figure 2.....	69
Figure 3.....	70
Figure 4.....	73
Figure 5.....	104
Figure 6.....	105
Figure 7.....	106
Figure 8.....	107
Figure 9.....	112
Figure 10.....	115
Figure 11.....	127
Figure 12.....	128
Figure 13.....	143
Figure 14.....	154
Figure 15.....	163
Figure 16.....	164
Figure 17.....	189
Figure 18.....	201

## List of Acronyms and Abbreviations

ARMZ	AtomRedMetZoloto
BAIRs	bureaucratic-authoritarian industrializing regimes
BBC	British Broadcasting Corporation
CAUC	Central Asian Uranium Co.Ltd
Comecon	Council of Mutual Economic Assistance
CRS	Congressional Research Service
DU	Democratic Union
GDP	Gross Domestic Product
ESPO pipeline	Eastern Siberia-Pacific Ocean oil pipeline
ERI	Economic Research Institute
EU	European Union
FDI	Foreign Direct Investment
IAAC	Independent Agency against Corruption
IMF	International Monetary Fund
IPE	International Political Economy
IRI	International Republican Institute
MAP	Membership Action Plan
MITI	Ministry of International Trade and Industry
MMC	Mongolian Mining Corporation
MPP	Mongolian People's Party
MPRP	Mongolian People's Revolutionary Party
NATO	North Atlantic Treaty Organization
NGO	Non-government organization
PKN Orlen	Polski Koncern Naftowy Orlen
PRC	People's Republic of China
UB	Ulaanbaatar
UK	The United Kingdom
U.N.	The United Nation
UNEP	United Nations Environment Programme
U.S.	The United States
USA	The United States of America
USSR	The Union of Soviet Socialist Republics
WB	World Bank
WHO	World Health Organization

# 초록

## 국제화와 민주화

### 몽골의 발전국가와 대외 에너지 정책

투무루쿠 오간바야르

지도교수: 김미경

정치외교학과

조선대학교 대학원

경제적 국제화의 정치적 영향을 연구하는 많은 학자들은 국제화가 국내사회와 국내정치에 미치는 영향을 분석해왔다. 이 연구는 이와 같은 국제화의 정치경제학의 기본적인 문제의식을 공유하면서 몽골사례를 통해 어떻게 국제화의 확대가 국내정치에서 민주화를 공고화하는 지를 분석하고자 한다. 기존 연구들은 경제적 국제화의 국내정치적 영향을 분석함에 있어 국가를 특수이익집단의 압력에 포획된 존재로 보는 이론적 경향을 공유하고 있는 반면, 이 연구는 국익 혹은 사회 공동이익을 실현하기 위해 독립적 행위자로서 역할과 선호를 갖는 행위자로서 국가를 인식한다. 이점에서 이 연구는 기존의 “역전된 제 2 이미지” 가설을 대외경제정책의 국내정치에 관한 다양한 이론과 가설들 특히, “국가중심주의적 현실주의” 와 결합시켜 보다 정교화하는 분석을 수행하고자 한다. 이 연구는 광산자원의 국제화를 핵심으로 하는 몽골의 국제화의 확대가 몽골의 신생민주주의 공고화에 어떤 영향을 미치는 지를 분석한다. 몽골 신생민주주의에 대한 기존 연구는 대부분 몽골이 민주주의

국가로의 이행에는 성공했지만, 민주화의 공고화에는 심각한 어려움에 직면하고 있다고 주장한다. 그러나 이 연구는 국제화가 몽골 민주화의 공고화를 강화시키는 구조적 효과를 갖는다는 가설을 제기하고자 한다. 제기된 가설을 검증하기 위해 이 연구는 국제화와 민주화의 인과관계를 분석함에 있어 국제화 시기 몽골의 민주화가 공고화되었는지를 측정하기 위해 먼저, 프리덤 하우스(Freedom House), 국제투명성기구 (Transparency International), Polity IV 에서 제공된 데이터를 통해 몽골의 민주화와 민주주의에 대한 평가를 살펴보았다. 또한 몽골의 시민사회수준에서 민주화 공고화가 진행되었는지를 측정하기 위해 국제공화연구원 (International Republican Institute)과 아시아 바로미터 (Asia barometer)의 여론 조사들을 분석했다. 보다 핵심적으로 정부 수준에서 민주화의 공고화를 분석하기 위해 2008 년 이후 정부에 의해 주도된 세 가지 정치개혁들과 몽골의 국가 행태 변화를 다양한 일차자료와 경험적 준거들을 통해 분석했다. 본 연구의 중요한 경험적 발견은 국제화가 두 단계를 통해 몽골의 민주화의 공고화에 긍정적인 영향을 미쳤다는 것이다. 첫번째 단계에서 국제화는 몽골의 경제 성장률을 증대시켰고, 국제화의 경제적 효과와 더불어 몽골의 국민 소득도 늘어났지만, 신생민주주의 국가인 몽골에서 국제화의 경제적 영향은 또한 후견주의 정치를 강화시켰다. 그런데, 후견주의 정치는 높은 물가 상승률과 빈부격차의 확대등을 포함한 사회적 문제를 야기했을 뿐만 아니라, 국가 자율성을 위협하는 강한 친-국제화이익집단 및 압력집단들의 사회적 정치적 영향력을 강화시켰다. 몽골의 연성국가는 민주화의 공고화 과정에서 그들의 영향력을 통제하는 데 실패하여, 정치 부패와 환경 악화 등 심각한 정치적 그리고 사회적 문제들에 직면하게 되었다. 그러나 국제화의 두 번째 단계는 첫번째 단계에서 발생한 국제화의 부정적인 영향에 대하여 몽골 시민사회가 정치개혁을 요구하고 이를 실행할 수 있는 강한 국가의 형성에 대한 시민적 공감대가 마련되었다. 이러한 정치경제적 맥락하에서 정치엘리트와 여당을 국제화의 부정적 효과와 후견주의에 의한 정치부패와 사회경제적 문제를 해결할 수 있는 국가능력을 강화시키는 것이 자신들의 재선 가능성과 직결됨을 인식하게 되었다. 이에 민주당 출신 대통령과

민주당의 정치엘리트들은 몽골 시민사회의 정치적 지지를 동원하면서 약한 국가에서 강한 국가로의 국가 행태 변화를 통해 국제화의 다양한 도전들과 국내정치 개혁을 나아간다. 이 연구는 이와 같은 국제화와 민주적 공고화 사이의 상호작용의 두 단계를 몽골의 대외에너지정책 및 광산자원의 국제화를 중심으로 분석하고자 했다. 결론적으로 이 연구는 몽골 사례를 광산자원의 국제화를 핵심으로 하는 국제화의 도전들이 국가 그리고 시민사회의 수준에서 민주화의 공고화에 긍정적인 구조적 영향을 낳았으며, 국제화에 의해 제기된 다양한 도전들을 극복하기 위한 국가-시민사회의 정치적 협력을 통해 민주화의 공고화에 성공한 대표적인 사례로서 평가할 수 있다는 주장을 제기한다.

# Abstract

## Internationalization and Democratization:

### Mongolian Developmental State and Foreign Energy Policy

Uuganbayar Tumurkhuu

Advisor: Prof. Mi-Kyung Kim, Ph.D

Department of Political Science  
and International Relations

Graduate School of Chosun  
University

Many scholars have studied the political and economic effects of internationalization on domestic society and politics. This research also addresses these common issues of political and economic sciences to observe whether the expansion of internationalization leads to a democratic consolidation in a domestic politics on the basis of Mongolia's case. According to the common understanding of extant literature on the effects of internationalization on a domestic politics, a state is captured by specific pressure groups. However, this research argues that the state functions as an independent actor in order to further its own goal to defend national interest or general societal interest. Therefore, it attempts to update the theoretical tradition of the "second image reversed" with the various theories that address the domestic politics on the issues of foreign trade policy, especially a state-centric realism to conduct an analysis.

This research analyzes how the internationalization of Mongolia's mineral resources affects the consolidation of Mongolia's new democracy. Most existing theories on the Mongolia's new



democracy claim that Mongolia made a democratic transition successfully, but it has encountered a serious problem in consolidating the democracy. However, it raises a central hypothesis arguing that the internationalization is having a structural cause that is strengthening Mongolia's democratic consolidation. It first examined the evaluations on the Mongolia's democratization or democracy based on the data of Freedom House, Transparency International, and Polity IV in order to measure whether the Mongolia's democratization is consolidating in connection with the causal effects of the expansion of internationalization. Moreover, it analyzed the public opinion surveys of International Republican Institute and Asia barometer in order to measure the democratic consolidation is occurring in the level of Mongolia's society. Most importantly, it used various primary data and empirical evidence to observe the three major reforms of government and the state behavioral change since 2008 in order to analyze the democratic consolidation in the level of the state. The most important empirical finding of this research is that the internationalization has had positive effects on the Mongolia's democratic consolidation through two stages. In the first stage, the internationalization has increased the economic growth of Mongolia and as a result, Mongolia's national income has also increased, but the economic effects of internationalization created clientelism in the Mongolia's new democracy. Besides the social problems such as inflation and the widening of rich-poor gap, clientelism strengthened the influence of strong pro-internationalization interest groups and specific pressure groups that threat the state autonomy. As a result, the Mongolia's weak state had failed to deal with the influences of those interest groups and serious political and social problems such as political corruption in the domestic politics and environmental degradation

emerged in a Mongolia. However in the second stage of the interactions between the internationalization and the democratic consolidation, Mongolia's new societal demand on political reforms and strong state which are able to realize the democratic consolidation has appeared in association with the negative effects of internationalization that occurred during the first stage. Due to the combined effects of the new societal demand and the institutional advantage of electoral democracy, the political elites and ruling party realized that they would be able to increase the probability of their reelection and the strength of their reputations if they succeed in strengthening the state capacity so that the state is able to solve the political corruption and socioeconomic problems which had emerged because of the negative effects of internationalization and clientelism. In the framework of this influence, the president who was elected from the Democratic Party and the political elites of Democratic Party succeeded in dealing with the challenges of internationalization and realizing the domestic political reforms by making the state's behavioral change from a weak state to a strong state based on the societal political support. This research focused on the Mongolia's foreign trade policy and the internationalization of Mongolia's mineral resources when it analyzes these two stages of the interactions between the internationalization and the democratic consolidation. In conclusion, this research argues that the Mongolia's case typifies a successful democracy which has been succeeding in strengthening the democratic consolidation in both state's and societal levels in the face of the structural effects of internationalization.

# Introduction:

## Internationalization and Democratization

### I. Research Question

This research is devoted to study internationalization and its correlation with democracy, state behavior, and state autonomy. Internationalization and globalization are widely used terms to describe international trade and various world political phenomena. However, they both describe different economic and political activities. Daly clearly demonstrated the difference between internationalization and globalization in 1999.<sup>1</sup>

Mongolia has actively opened its politics and economy since the 1990 Democratic Revolution. It has been very effective for participating in world economic integration and became a member of the WTO in 1997. However, Mongolian trade still depends greatly on trade with its two large neighbors: China and Russia rather than the overall world market. Therefore, internationalization is the most appropriate term for this research which investigates the

---

<sup>1</sup>“Internationalization refers to the increasing importance of international trade, international relations, treaties, alliances, etc. Inter-national, of course, means between or among nations. The basic unit remains the nation, even as relations among nations become increasingly necessary and important (Daly 1999, 31).” “Globalization refers to global economic integration of many formerly national economies into one global economy, mainly by free trade and free capital mobility, but also by easy or uncontrolled migration. It is the effective erasure of national boundaries for economic purposes. International trade (governed by comparative advantage) becomes interregional trade (governed by absolute advantage). What was many becomes one (Daly 1999, 31).”

extraordinary foreign trade expansion in Mongolian energy and mineral resources sectors and its political impact on Mongolian domestic politics and foreign policy strategy.

Most internationalization analyses have been dedicated to explore how internationalization affects domestic politics, how it leads to political conflicts, how it shapes domestic political coalitions on foreign trade policy options, how it opens national economies, how it influences state autonomy, and how it determines macroeconomic policy. The main analytical assumption of this research is that the challenges of internationalization prove the advantage of democracy in national sovereignty and it causes the consolidation of democracy in a developmental state. This assumption we raise in this study differs very much with the views of scholars who have studied the effects of internationalization on domestic politics, national sovereignty, and national policies.

Mostly, the scholars of international political economics (IPE) view that internationalization undermines state autonomy and the insulation of policy-making process. They believe that internationalization creates external and domestic pressure threatening state political autonomy and state policy efficacy concerning the national economy. For them, foreign governments' effective mobilizations for internationalization often pose political challenges and external pressures to the sovereignty of national governments in determining their foreign strategy and foreign trade policy independently. Internationalization enables multinational firms to be main societal actors who attempt to expand their political power over host-country governments by using their vast economic promise. Large private national firms also effectively influence their national government for ensuring their personal gain. It could be interpreted

that IPE scholars have a negative view of the effects of internationalization over national government autonomy.

The negative opinion of the world's intellectual community on internationalization effects over domestic politics has often led me to consider one theoretical question. Are we to understand that internationalization undermines democratic governing due to foreign governments and private interest groups having more advantage to influence the host-country's government or central decision-makers by exploiting their political and economic powers? During this research, I have found the answer to this question. I have learned that it isn't so. On the contrary, I realized that internationalization leads to the increased public demand of democratic consolidation in host-countries because internationalization makes host-country government, central decision-makers, and citizens appreciate the protection of democratic governing against external and domestic pressures and the danger that are created by internationalization. Most interestingly, this observation on the internationalization of Mongolia's mineral resources suggests that the "second image reversed" theoretical tradition needs to be modified to include the "statist image paradigm"<sup>2</sup> to explain how internationalization positively affects the democratic consolidation and the strengthening of state autonomy.

There are two central analytic tasks to determine the main purpose of this research which focuses on studying the causal effect between the expansion internationalization and democratic consolidation as well as revealing why the "second image reversed" tradition should be updated with the "statist image paradigm". The first task is to elucidate how democratic consolidation is promoted by

---

<sup>2</sup> Steven D. Krasner, *Defending the National Interest: Raw Materials Investments and U.S. Foreign Policy* (Princeton, New Jersey: Princeton University Press, 1978).

decision-makers and the mass public when internationalization expands. New dangers as well as new opportunities often follow internationalization. Those dangers involve the power politics of foreign governments as well as the policy preferences, lobbies, and opportunism of social and economic actors. They target state foreign trade policy choice, foreign policy ideological strategy, and national interests to secure their favorite policy options and have their interests reflected as a principle content of national interest. As a result, government and decision-makers are challenged to defend the genuine national interest of the whole nation over external and private interests of foreign governments, multinational firms, and national private firms.

Defending the genuine national interest depends significantly on the state's capacity to secure its autonomy or insulate the decision-making process from external coercive power and specific private desires. Two conditions cause politicians and voters to cease ignoring the advantage of democracy against external coercive power and the private interests which threaten genuine national interest and state sovereignty: state desire to ensure stronger state autonomy as well as the presence of internationalization induced external and domestic dangers on state autonomy. Rapid consolidation of democracy in Mongolia confirms that internationalization-related foreign government's power politics, vulnerability to political corruption in external and domestic challenges, multinational firm's vast political power in the national economy, the illegitimate business of large private entities, and weak state regulation over internationalization have effectively mobilized mass public demand and will for democratic consolidation that would further Mongolian traditional broad foreign policy and national interest over external and internal influences under the effective initiatives and plays of the

ruling political party, decision-makers, and government. The increased public demand for democratic consolidation has taught Mongolian decision-makers, and ruling political parties that they could maintain their office safety and survive politically as well as increase their partisan power in domestic political competitions when they pursue active, meaningful initiatives, campaigns, and policies for strengthening democracy and developing transparent governing behavior in order to further Mongolia's traditional broad foreign policy ambitions, and defend state policy autonomy against internationalization driven external and domestic dangers.

The second central analytical task of this research is to elaborate how the democratic consolidation improves state sovereignty and national interest defense against a foreign government's power politics, multinational firm's pressure, and national large private firm's desire. On one hand, the democratic consolidation improves domestic political safety and stability between the ruling party and society. When democratization consolidates, voters provide politicians with the guarantee to keep their offices for successfully defending national interest against foreign government's pressures and the private desires of particular interest groups. If public high demand requiring the democratic consolidation against external and domestic illegitimate pressures emerges in connection with the expansion of internationalization, the increased public demand for democratic consolidation in society causes the ruling political party and central decision-makers to become more concerned with developing strong state behavior that can produce effective democratic consolidation. Effective democratic governing and its realization have great rewards. Central decision-makers and the ruling political party obtain public high political support as well as expanding their partisan power in return for boosting democratic

consolidation. As their success in advancing democratic consolidation ensures their political safety, stability, and longevity in the domestic political environment, ruling decision-makers and ruling party gain political confidence to pursue diplomacy and foreign trade policies that meet national interest and societal broad foreign policy strategy beyond external and domestic illegitimate pressures generated by the negative effects of internationalization. Such democratic policy feedback between the ruling political force and voters creates a higher appreciation of democracy in a host country that faces the dangers of internationalization and leads democratic consolidation in that country.

On the other hand, democratic consolidation provides government and central decision-makers with the power to exploit the full opportunities of internationalization in realizing national broad foreign policy and furthering national interest while it provides them with immune against external and internal influences. Democratic consolidation insulates decision-makers from external and domestic private interests due to the advantage of power distribution in democracy. Political power is distributed among political institutions in consolidated democratic regime. As a result, political institutions achieve veto powers to control each other. As authoritarian regimes lack these veto powers, they are easily influenced by external pressures and specific private lobby groups, but the veto power among state bodies in consolidated democracies provide state with a system of protection to prevent illegitimate coercive influences and lobbies of external, transnational, and domestic pressure actors. Therefore, democracy allows the state to realize its broad foreign policy by overcoming external and domestic pressures, and channeling the increasing inflow of capital and the growing foreign exchange into the consolidation of national sovereignty in terms of



economic security. In general, internationalization provides consolidated democracies with the opportunity to play with their own cards in their own fashion beyond the cards and fashion of foreign governments, multinational firms, and national private interest groups.

Recent political events and changes in Mongolia suggest that this logic is right. The Mongolian state's effective involvement in the national economy, active mineral resources diplomacy, and successive campaigns against corruption and external/internal pressures are good examples how consolidating democracy is efficient and useful for exploiting the full political and economic opportunities of internationalization as well as increasing state bargaining power when state deals with the external pressures and specific private desires which threaten national interest.

## II. The Second Image Reversed Tradition: Why does it need a State-centric Realism?

The "second image reversed" is a main theoretical tradition that has addressed the issue we raise in this research. The tradition certainly arose as a new theoretical concept during the late 1970s. Gourevitch (1978) reversed Waltz's second image.<sup>3</sup> He argued that theories regarding international systems as a consequence of domestic politics are problematic, because international forces decisively affect "an entire range of domestic political behaviors, from policy decisions to political forms." His theoretical contribution made the political scholars' community see differently the links between international relations and domestic politics.

---

<sup>3</sup> Peter Gourevitch, "The Second Image Reversed: The International Sources of Domestic Politics," *International Organization* 32, no. 4 (1978): 881-912.

During the late 1980s and early 1990s, the "second image reversed" tradition was extended with economic models (Rogowski 1989; Frieden 1991; Hiscox 2002; Keohane and Helen 1996). This update demonstrates that changes in international trade differently influence the interests within a country and consequently, they shape conflicting policy preferences among them. Rogowski's (1989) book, "Commerce and Coalitions", created a standard framework of the economic model of the "second image reversed" tradition on the basis of Stolper-Samuelson theorem and Heckscher-Ohlon approach.<sup>4</sup> According to his theory, changes in international trade create different distributional effects to the factors of production and hence, the winners and losers from those changes create conflicting cleavages and distinct political coalitions within a country.

Besides Stolper-Samuelson model of trade, Ricardo-Viner approach came out in the "second image reversed" tradition as an alternative economic approach. The Ricardo-Viner trade theory emphasizes factor specificity to demonstrate the formation of political coalitions due to the effects of changes in international trade. The scholars using Ricardo-Viner theory argue that the factors of production are tied to a particular industry or specific sector and thus, coalitions are formed according to the sector rather than according to factors of production despite the difference of their class position (Frieden 1991; Hiscox 2002).

Some other works published in the 1990s of the "second image reversed" tradition assume that "we can no longer understand politics within countries without comprehending the nature of the linkages between national economies and the world economy, and changes in

---

<sup>4</sup>Ronald Rogowski, *Commerce and Coalitions: How to Trade Affects Domestic Political Alignments* (Princeton, New Jersey: Princeton University Press, 1989).

such linkages (Keohane and Milner 1996).<sup>5</sup> Their works focus on the effects of internationalization on domestic politics. Keohane and Helen argue that exogenous easing of international exchange, and vast increases in international capital movement have made countries more susceptible to world market, price trends, and shocks from abroad and consequently, the government macroeconomic policy autonomy and efficacy have become more sensitive to the impact of internationalization.

Frieden and Rogowski (1996)<sup>6</sup> in the volume of Keohane and Milner clearly demonstrate that internationalization (an exogenous easing of international trade) affects the policy preferences of social and economic actors within countries concerning their choices about which policies will best benefit their fundamental goals. They also claim that as the aggregate welfare of countries becomes more vulnerable or sensitive to external changes under the effects of internationalization, the incentive changes by internationalization lead to changes in economic policies and in political institutions. In general, they concluded that political institutions reflect the policy preferences of social and economic actors, but “they also have independent effect, because they create rules for decision making, help to structure agendas, and offer advantages to certain groups while disadvantaging others.” Moreover, according to their argument, “over time strong institutions may even shape actor’s policy preferences, and since institutions have effects, people have preferences about institutions as well as about policies and these preferences”.

---

<sup>5</sup> Robert O. Keohane and Helen V. Milner, *Internationalization and Domestic Politics* (New York: Cambridge University Press, 1996)

<sup>6</sup> Jeffrey A. Frieden and Ronald Rogowski, “The Impact of the International Economy on National Policies: An Analytical Overview,” In *Internationalization and Domestic Politics*, ed. Robert O. Keohane and Helen V. Milner. New York: Cambridge University Press, 1996, 25-47.

Garret and Lange (1996)<sup>7</sup> argue that extant domestic institutions perform mediating effects in the relationship between internationally driven changes in the preferences of domestic actors and public policy outcomes. According to their model, internationally induced changes in the preferences of domestic actors are filtered through political systems through the different attributes of socioeconomic institutions and formal institutions to affect the policy choices of national governments.

In my opinion, existing theories of the “second image reversed” tradition generally lack the “statist image paradigm”<sup>8</sup> and as a result, they ignore the independent actor role and independent goal of state and its relationship with the public for describing the effects of international forces and internationalization over domestic politics. According to the general description of those theories, state policy autonomy is greatly undermined by the internationally driven changes in preferences of social and economic actors and the state doesn’t function as an independent actor with independent goals, because the state’s goal is to reflect the goals and preferences of various competing social and economic groups. However, according to the theories of statist image theoretical tradition, the state is an independent entity in domestic politics that defend the general societal and ideological goals that historically “persist over time, and have a consistent ranking of importance.” Therefore, states compete and actively function to defend their national interest when they encounter internationally driven political influences or when they

---

<sup>7</sup> Geoffrey Garrett and Peter Lange, “Internationalization, Institutions, and Political Change,” In *Internationalization and Domestic Politics*, ed. Robert O. Keohane and Helen V. Milner. New York:Cambridge University Press, 1996, 48-75.

<sup>8</sup> Steven D. Krasner, *Defending the National Interest: Raw Materials Investments and U.S. Foreign Policy* (Princeton, New Jersey: Princeton University Press, 1978).

function in international system (Krasner 1978; Gilpin 2001). In my opinion, the statist image of state has full explanatory power to describe how state autonomy and democracy have been strengthening in Mongolia at such a rapid pace and in such short time under the effects of mineral resources' internationalization.

The phenomena or the political phenomena that have been occurring in Mongolia's domestic politics during the last decade suggest that international forces, especially economic internationalization have power to strengthen state autonomy and democracy. The internationalization-related pressures and problems over state autonomy and general societal interest have made Mongolian decision makers, state bodies, and the public appreciate the statist image of state.

We could compare the consolidation process of state autonomy and democracy under the effects of internationalization or international forces with an immune system. "The most basic requirement of any immune system is distinguishing the cells, tissues, and organs that are a legitimate part of the host body from foreign things, called "nonself," that might be present(Beck and Habicht 1996, 60)."<sup>9</sup> "The second job is to eliminate those nonself invaders, which are often dangerous bacteria or virus".<sup>10</sup> In terms of international effects over domestic politics, the state performs the same function in domestic politics as the immune system does in biology. International forces provide state autonomy and national security with both opportunities and dangers. If the immune system of domestic politics (the state) doesn't work properly because of some political disease, the state autonomy, national interest, and national security are threatened by the negative effects and dangers of international forces

---

<sup>9</sup> Gregory Beck and Gail S. Habicht, "Immunity and Invertebrates," *Scientific American* 275 no. 5 (1996): 60:66.

<sup>10</sup> *Ibid.*, p. 61.

or internationalization. If the immune system of domestic politics functions well and effectively due to the insulation power of the democracy, the bargaining power of domestic level in "two-level games"<sup>11</sup> increases.

This research shows that democratic consolidation provides the state with power to improve its immune system functioning against the threats and challenges from international forces. The research compares the advantage of democracy with foods that is rich in certain acids which foster a healthy immune system. In politics, democratic consolidation fosters the bargaining power of the state at the domestic level. In the biological environment, a human being sometimes understands the power of healthy foods when they overcome the threats of a disease due to their regular and efficient intake of healthy foods, compared to the people who lack that intake. In the political environment, decision makers and the public understand the advantage of democratic consolidation to insulate the domestic immune system (the state) from external and internal threats when the national interest and community security encounter new dangers and threats because of international forces driven by foreign government's "power politics' influence"<sup>12</sup>, multinational firms' vast economic power in the national economy, and opportunism of some social and economic actors.

This research observation on Mongolia's mineral resources' internationalization helped us explore the power of internationalization or international forces to enable decision makers and the public of host-countries to appreciate the advantage of democratic consolidation against internationally induced dangers if

---

<sup>11</sup> Robert D. Putnam, "Diplomacy and Domestic Politics: The Logic of Two-Level Games," *International Organization* 42 no. 3 (1998):427-460.

<sup>12</sup> Rawi Abdelal and Jonthan Kirshner, "Strategy, Economic Relations and the Definition of National Interests," *Security Studies* 9 no. 1/2 (1999):119-56.

they at least have basic democratic institutions regardless of whether their democracy has reached a high level of democratic consolidation. As a result, the higher appreciation for democracy leads to the consolidation of democracy and state autonomy.

In sum, during the observation and analyses of this research, we found that the "second image reversed" theory needs to be updated to include the "statist paradigm view" to explain the political phenomena elaborating that internationalization improves state autonomy and consolidates democracy while it also brings some dangers to state autonomy and democracy. This means that the general view of the "statist image paradigm" on state role and goals in a sovereign society is theoretically and practically confirmed by the positive effects of internationalization on state autonomy and national interest of the host country.

Moreover, internationalization causes state decision makers, policy-makers, and the voting public in a democratic regime conceive the advantage of democracy to insulate host-country's government, central decision makers, and policy makers from internationally-driven illegitimate interests, pressures, and lobbies of foreign governments, multinational firms, and private actors. As a result, that perception of democratic advantage leads to democratic consolidation. Generally, it could be summed up that there is a causal correlation between internationalization and democracy.

### III. Literature Review

Mongolian democracy refers to the "third wave of democratization". The term "third wave" was first introduced by Samuel Huntington.<sup>13</sup> Democracy made a tremendous expansion in

---

<sup>13</sup> Samuel P. Huntington, *The Third Wave: Democratization in the Late of Twentieth Century* (Norman: University of Oklahoma Press, 1991).

the late 1980s and early 1990s. Huntington argues that there are five main causative factors which caused the "Third Wave" including the decrease of legitimacy of authoritarian regimes, the effects of global economic growth on the modernization of many less developed economies, the changes in the Catholic Church by Vatican II, regional contingency factor, and the external factors by the European Union and the United States.<sup>14</sup> The peak point of the third wave of democratization was due to the major collapse of the communist bloc throughout the world. As a result, the massive regime changes from an authoritarian system to democracy have greatly attracted the interests of scholars of the political science community since those years. Some of those countries that made regime change have succeeded while some have been failing in developing their democratization. The successes and failures of new democracies have posed a new challenge to scholars. The challenge involves how to conceptualize and measure democratization.

Generally, scholars define democratization as a regime change from an authoritarian or totalitarian rule to a new democratic system through successful transition and consolidation process (Pridham 2000; Shin 1994). Over the past three decades, two major concepts called "transitology" and "consolidology" have appeared as new sub-disciplines in political science (Pridham 2000).<sup>15</sup> Many scholars emphasize the dynamics of transition and consolidation to measure democratization (Diamond 1997; Ganbat 2004; Inglehart and Welzel

---

Huntington argues that there are three waves of democratization. The first wave refers to the long period of 1828 to 1926. The second wave refers to post-World War II from 1943-1964. The third wave refers to the democratization wave from 1974 to present.

<sup>14</sup> Samuel P. Huntington, "Democracy's Third Wave," *The Journal of Democracy* 2, no. 2 (1991):12-34.

<sup>15</sup> Geoffrey Pridham, *The Dynamics of Democratization: A Comparative Approach* ( London and New York: Continuum, 2000).



2009; Kaldor and Vejnova 1997; Karl 1990; Munck and Leff 1997; Pridham 2000; Shin 1994).

According to Pridham (2000), "democratic transition refers to that first major stage of regime change commencing at the point when the previous authoritarian system/ totalitarian system begins to collapse and leading to a situation when, with the new constitution in place, the operation of the new political structures can start to be routinized."<sup>16</sup> He argues that the transition task also involves dismantling authoritarian agencies and abolishing laws against democracy.

Since transition is the initial institutional settlement or beginning stage of democratization, transition doesn't provide new democracies with the guarantee of a stable and mature democracy. The maturity and survival of democracy depends on consolidation. Doh Chull Shin (1994, 144) notes that "a successful transition to procedural democracy does not guarantee stability and survival."<sup>17</sup> He argues that military coups and other violent events could terminate new democratic regimes (Shin 1994). Democratic consolidation is a longer process than democratic transition and it involves "the full institutionalization of a new democracy, the internationalization of its rules, and the dissemination of democratic values."<sup>18</sup> Larry Diamond (1997) claims that "consolidation is most usefully construed as the process of achieving broad and deep legitimation, such that all significant political actors, at both the elite and mass levels, believe that the democratic regime is the most right

---

<sup>16</sup> Pridham, p.19.

<sup>17</sup> Doh Chull Shin, "On the Third Wave of Democratization: A Synthesis and Evaluation of Recent Theory and Research," *World Politics* 47, no. 1 (1994): 135-170.

<sup>18</sup> Pridham, p.20

and appropriate for their society, better than any other realistic alternative they can imagine."<sup>19</sup>

Most third wave scholars see the prospects of new democracies in negative ways. Larry Diamond (1997) stresses ten challenges that confront new democracies.<sup>20</sup> Doh Chull Shin argues that "a majority of new democracies are likely to drift as "frozen" or "delegative" democracies, due mainly to their sustained inability to transform basic economic and welfare structure."<sup>21</sup>

This research focuses on the consolidation issue of Mongolian new democracy rather than the transition period of Mongolian democracy. Most scholars that have studied Mongolian democratization argue that Mongolia successfully made regime transition from an authoritarian regime to a democratic system (Batbayar 2003; Ginsburg 1998; Fish 1998; Fritz 2008; Fritz 2002). Fish (2001) claims that although Mongolian new democracy has not reached the democratic success of the Czech Republic, Hungary, or Poland yet, Mongolian new democratic consolidation is relatively successful in comparison with other post communist inner Asian countries: Kazakhstan, Kyrgyzstan, Turkmenistan, Uzbekistan, as well as some East European countries such as Belarus and Russia.<sup>22</sup>

However, some scholars claim that Mongolian new democracy has not been successful in terms of democratic consolidation (Ganbat 2004; Shin 1994). Ganbat (2004) argues that "Mongolia typifies a

---

<sup>19</sup> Larry Diamond, "Is the Third Wave Democracy over?: The Imperative of Consolidation," Kellogg Institute. The Helen Kellogg Institute for International Studies. Working Paper #237, 1997.

<sup>20</sup> Ibid., p.10.

<sup>21</sup> Doh Chull Shin, p. 170

<sup>22</sup> Steven Fish, "The Inner Asian anomaly: Mongolia's Democratization in Comparative Perspective," *Communist and Post-Communist Studies* 34 (2001): 323-338.

nation whose citizenry is far from being deeply and unconditionally committed to the ideals and practices of democratic politics."<sup>23</sup>

It seems that both Ganbat and Fish are right. On one hand "none of Inner Asia, nor Russia or China, rated anywhere near Mongolia according to the evaluations of the Freedom House (Fish, 2001)."<sup>24</sup> On the other hand the consolidation of Mongolian new democracy was in difficult situation in 2004 in association with state weakness and a lack of public voting education. Ruling elites and party didn't perform well so that the public could feel the value of the democratic institution. In other words, during those years, ruling elites, decision-makers, and politicians were not effective enough to lead mass publics through their efforts and initiatives to further the institutional consolidation of democratization.

Fritz (2008) argues that the electoral democracy of Mongolian deviant democracy is still not able to generate the consolidation of democracy itself, because Mongolia is still vulnerable to socioeconomic shocks and has encountered an increase in corruption and rent-seeking.<sup>25</sup> At that time, Mongolia was really vulnerable to any external shocks and changes because of the problems of political corruption and rent-seeking. Therefore, internationally-induced internationalization first frustrated Mongolian new democracy rather than benefiting it, because of the political corruption, and state weakness. Internationalization flourished the political corruption, opportunism, the increase of rich-poor gap, and environmental degradation. I argue that the internationalization-related frustration caused both the public and ruling elites. Internationalization taught

---

<sup>23</sup> Damba Ganbat, "The Mass Public and Democratic Politics in Mongolia," Asia Barometer Project Office, National Taiwan University and Academia Sinica, Working Paper Series: No. 29. 2004.

<sup>24</sup> Fish, p. 324.

<sup>25</sup> Verena Fritz, "Mongolia: The Rise and Travails of a Deviant Democracy," *Democratization* 15 no. 4 (2008): 766-788.

them the value of democratic consolidation. The frustration caused the high societal demand of strong state that is able to generate the democratic consolidation. The recent data show that the Democratic Party learned why Mongolia's society was frustrated by internationalization and what Mongolia's society wanted. Therefore, the President Ts. Elbegdorj began radical reforms for democratic consolidation. The evidence of this research present that his reforms have aimed to meet the Mongolia's societal demand. He has successfully mediated in the relationship between the structural cause of internationalization and Mongolian democratic consolidation. He caused Mongolian mass publics appreciate or learn the values of democratization.

Most importantly, this research found that a state behavior plays an important role in mediating in the causal relationship between the internationalization induced changes in domestic politics and the onset of democratic consolidation in both state's and public levels. The findings of this research show that a weak state is not able to drive the democratic consolidation in new democracies, like Mongolia, who needs a state's leadership and strong state autonomy in consolidating democracy and modernizing its own economy in order to deal with the increased pressures of special interest groups in the face of internationalization which threat the democratic consolidation and state autonomy as well as take the full benefits of internationalizaion. The effects of internationalization on the Mongolia's democratic consolidation taught us that the state behavior is important for a new democracy to generate the democratic consolidation successfully after the successful democratic transition.

In brief, in this research, we argue that the optimistic orientation of democratic consolidation began in Mongolia in 2009 due to the structural cause of democratization, the radical reforms of

President Ts. Elbegdorj and the public recognition of democratic institutional value. Generally, there has been little research among the third wave democracy literature on the causal correlations between the internationalization and the democratic consolidation. This is one advantage of this research. Another important part of this research is to investigate the effects of weak and strong states in new democracies and their effects on the democratic consolidation. This research shows that a strong state looks more suitable and useful to a new democracy whose consolidation process has come to a standstill.

#### IV. The Central Analytic Model: Hypotheses and Concepts

This research focuses on demonstrating how internationalization consolidates both democracy and state autonomy as well as why we should see the impact of internationalization consolidating democracy and state autonomy through the view of the “statist paradigm”. Our model relies on a central logic arguing that internationalization-related socioeconomic problems and challenges have made both Mongolian ruling elites and the public significantly realize the values of democracy and the importance of state behavior in consolidating democracy, so that the state can defend general societal interest from the pressures of special interest groups.

##### Internationalization and State Autonomy

We assume that internationalization significantly increases the pressures of three groups of international and domestic actors who bring dangers to the host-country’s state autonomy and national interest. They are foreign governments, multinational firms, and large

private national firms which want to benefit from internationalization. At times, their desires conflict with host-country government policy because government is a societal independent actor with a goal to defend national interest against private interests and external pressures in the face of internationalization. Here in this research, we rely on Steven Krasner's description of state and national interest (Krasner 1978, 13).<sup>26</sup> He argues that the state is an independent actor with its own general material objectives that are related to general societal goals, persist over time, and have a consistent ranking of importance as well as ambitious ideological goals that are distinct from the interests of any special societal group and the goals are labeled as a national interest. However, our research doesn't focus on demonstrating national interest and state role in politics. In this research, one part of our objectives is to examine how internationalization brings dangers to the national interest (general societal interest) which is considered to be the goal of government. Thus, this analysis covers international and domestic actors whose goals are sometimes in conflict with governmental goals.

Among the three types of actors, the most powerful one is foreign governments as internationalization is always associated with ambitious foreign policy strategy of any great power or regional power. The great powers or regional powers generate internationalization in connection with their specific political and economic missions. That's why great powers or regional powers sometimes exploit power politics over a host-country government to further their foreign policy goals. Therefore, foreign governments must certainly be considered as one of the central pressure actors of internationalization.

---

<sup>26</sup> Stephen D. Krasner, *Defending the National Interest: Raw Materials Investments and U.S. Foreign Policy* (Princeton, New Jersey: Princeton University, 1978)

In the Mongolia's case, Mongolia often conflicts with Russian petroleum fuel pressures in association with Russia's foreign policy strategy to be an energy superpower.<sup>27</sup> The evidences in chapter I, II, and III show that Russian fuel pressure is related to Russia's interest in Mongolia's energy resources and fuel retail market. China's effective foreign soft power policy and infrastructure investment for Mongolian energy and mineral resources make Mongolian mining industry overdependent on the China's market. Mongolian economic overdependence on China's single market and export route has been the major challenge for Mongolian foreign policy strategy that aims to reduce Mongolia's overdependence on the single market and export route. This involves China's grand new foreign strategy to be the Third World superpower to secure future raw material supply and export markets as well as create its own international faction for increasing its influence in the international community.<sup>28</sup>

Governmental goals often encounter the resistance of domestic actors as well as the resistance of international actors. Internationalization is occurring in Mongolia's mineral resources sector. Mineral resources exploitation is an expensive business that requires vast investment of large private firms. Therefore, it is common that a few large national corporations own a large part of national mining businesses. As they make huge investment and run big business, they want to secure their big business safety and profit by expanding their political power. They try to create political coalition with politicians to influence decision-makers, so that government would

---

<sup>27</sup> Soichi Itoh, "Russia's Energy Diplomacy toward the Asia-Pacific: Is Moscow's Ambition Dashed?," In *Energy and Environment in Slavic Eurasia: Toward the Establishment of the Network of Environment Studies in the Pan-Okhotsk Region*, ed. Tabata Shinichiro, 21<sup>st</sup> Century COE Program Slavic Eurasian Studies, no. 19. Slavic Research Center, Hokkaido University, 2008.

<sup>28</sup> Carrie Liu Currier and Dorraj Manochehr, *China's Energy Relations with the Developing World* (New York: Continuum, 2001).

pursue favored policies that match their private interests. Thus, large private national firms with vast economic and political resources in domestic politics are other central pressure actors whose goal at times conflict with the government's goals. According to one view, multinational corporations have a vast capacity to determine the effects of internationalization due to their risks, size, and roles in host-country's national economy (Krasner 1978). Multinational firms provide host-country with both economic opportunities and dangers. That's why host-country governments pay special attention to multinational corporations. Multinational firms are interested in their long-term business safety and profit security. They often exploit their many-years international business experience and economic promises to persuade and influence host-country government policy-making processes. There have been many cases in world political history showing that multinational firms tend to exploit their dominance in host-country national economic growth and aggregate well-being to pressure host-country governments or central decision-makers. Therefore, the host-country governments consider multinational firms as significant and powerful international actors as foreign governments, because they possess vast economic power and political resources that may be transferred into power to create serious dangers and pressures to the government's autonomy.

## Democracy and State Autonomy

The preceding part extensively described how internationalization threatens government autonomy through three sets of pressure actors. However, in my opinion, government still has an option to insulate it from the specific constraints of those pressure actors. The option is democratic consolidation. I think that there are three advantages of democracy that are able to increase state



autonomy. The first one is that political power is equally distributed among state political institutions in consolidated democracies. Democratic legal environment provides state political institutions with veto powers to control each other. In consolidating and consolidated democratic countries, political power is distributed among president, government, and parliament.

In Mongolia, power distribution proved its insulation advantage against the external dangers over government autonomy. Parliament denied approving the law amendment proposal submitted by the Prime Minister S. Bayar to allow Russian Rosneft's proposal to enter the Mongolian petroleum retail market because the parliamentary members of Democratic Party considered the action to be illegitimate external pressure and denied to discuss the law amendment proposal, Rosneft failed to further its interest. The incident is clearly described in chapter III.

Another advantage of democracy is that the survival of decision-makers and the ruling party in political competition is not in control of particular interest groups. The control of re-election and retention of decision-makers and the ruling party are in the hand of voters or citizens in a consolidated democratic country. Citizens give their political support for a ruling party and ruling decision-makers by considering how they have furthered national ideology and societal values as well as evaluating their political and economic policy performance. Therefore, in this research, we define democracy as a government form that serves general societal interest and will (general public interest), not for the interests of a specific group. This definition relies on the original meaning of the term "democracy", Abraham Lincoln's description on the nature of democracy, and Shin's theoretical definition.<sup>29</sup> The term "democracy" comes from the Greek

---

<sup>29</sup>Andrew Heywood, *Key Concepts in Politics* (Palgrave Macmillan, 2000).

words "demos" meaning "people" and "kratos" meaning power, or rule. Thus democracy means "the rule of the people". Abraham Lincoln defined the nature of democracy as "government of the people, by the people, and for the people" when he made the description in his Gettysburg Address. On the literature basis of major democracy scholars, Doh Chull Shin (1994, 137) defined "theoretically, democracy, as government by the demos or people, can survive and advance only when the mass public is committed to it."<sup>30</sup> This research argues that there are three major societal interests that determine Mongolian societal goal. Firstly, Mongolian society demands democratic consolidation that will be able to provide them with political environment to take advantage of the full benefits of internationalization. Secondly, Mongolian society has often lacked strong state leadership that will be able to secure democratic consolidation and create social justice. Thirdly, undisturbed nature and land are the most precious interest for Mongolian citizens. They want to preserve Mongolian relatively healthy ecology under democratic, effective, and strong state regulatory that is able to successfully deal with any internationalization-induced egoistic and opportunistic problems that have seriously threatened ecological, environmental, and social safety.

The third advantage of democratic regime is freedom of the press. The media sector always warns and demands that the government, government organizations, and central decision-makers be loyal to their goals and roles to defend national interest in the political system. They could be considered as police protecting the government loyalty to national interest. They often criticize any

---

<sup>30</sup> Doh Chull Shin, "On the Third Wave of Democratization: A Synthesis and Evaluation of Recent Theory and Research," *World Politics* 47 no. 1 (1994): 135-170.

government decisions and actions that are against the general societal interest (national interest). They are quite effective in revealing any events that relate to the illegitimate lobby and constraint of any particular interest group and any foreign government. They praise government policy and performance that match national interest. However, this role of media sector is available only in a democratic country.

### Weak and Strong States in Democracies

The third main assumption of this research is that state-centric realism is able to explain why Mongolian society demands a strong state that can consolidate democracy and increase state resistance against the specific pressures of external and internal pressure actors. This research emphasizes Krasner's description of weak and strong states in democracies in order to explain how the expansion of internationalization has been creating the high demand for a strong state in Mongolian society.

According to Steven A. Krasner, "the strength of the state in relationship to its own society can be envisioned along a continuum ranging from weak to strong".<sup>31</sup> "The weakest kind of state is one that is completely permeated by pressure groups."<sup>32</sup> "Central government institutions serve specific interests within the country, rather than the general aims of the citizenry as a whole". A "strong state is one that is able to remake the society and culture in which it exists that is, to change economic institutions, values, and patterns of interaction among private groups."

---

<sup>31</sup> Steven D. Krasner, *Defending the National Interest: Raw Materials Investments and U.S. Foreign Policy* (Princeton, New Jersey: Princeton University Press, 1978), 55.

<sup>32</sup> *Ibid.*, p.56

Krasner argues that there are “three ideal-typical relationships” between the state and society in capitalist economies.<sup>33</sup> The first one is that although the state can’t change the behavior of private actors, state can resist societal pressure. The second one is that it can resist private pressure as well as persuade them to follow policies that meet and further national interest. However, in this type of relationship, the state can’t create structural transformation in its domestic environment. The final one is that a state could have power to change the behavior of existing private actors and cause economic structure change over a period of time.

In addition, Krasner’s work clearly describes that both weak and strong states exist in democracies.<sup>34</sup> He highlights French and Japanese democracies as good examples of strong states in democracies. He claims that the USA is the perfect image of a weak state.<sup>35</sup> His work also shows that even a weak state is able to maintain some autonomy from the society in which it exists. For example, the U.S government has ignored the specific pressures of private actors to defend national interest when it has been faced with making important foreign policy decisions that involve the USA’s ideological interests and national security.

Krasner also argues that there are three reasons explaining what causes the weak state in the USA.<sup>36</sup> First, the USA has not been confronted with constant foreign invasion. Second, American social value has often met with the needs of modern economy. Third, the U.S. economy has not needed direct government intervention to perform well. In my opinion, those three reasons could be replicated to explain how internationalization causes the change of state

---

<sup>33</sup> Ibid., p.57

<sup>34</sup> Ibid., pp. 58-60

<sup>35</sup> Ibid., pp. 61-66

<sup>36</sup> Ibid pp. 66-67

behavior from weak state to strong state in Mongolia's new democracy in order to meet societal demands requiring democratic consolidation.

First, in the most recent decade, due to the expansion of internationalization, Mongolian state autonomy has confronted the significantly increased pressures of external and internal actors in association with the conflicting interests of those actors to use public power for their private goals and the weak state has been too vulnerable to defend general societal interest over the negative effects of those inflated pressures. Second, during the last decade, it has been proved that for Mongolia's new democracy, a weak state is not appropriate to consolidate democracy, so that the state is able to further general societal interest (national interest), and take advantage of the full benefits of internationalization as well as successfully deal with internationalization-related problems including political corruption, opportunism, and environmental problems. Third, the Mongolian economy has not performed well enough to benefit fully from internationalization, so that the state is able to use the economic growth from the effects of internationalization for creating meaningful economic growth that benefits the whole nation, not just for governing elites and a few large private actors. This situation has generated within Mongolian society a high demand for state behavioral change from a weak state to a strong state, so that the state is able to exercise public power over the opportunistic activities of private actors as well as intervene in critical sectors for using the benefits of internationalization in order to further national interest in terms of foreign policy strategy.

## Internationalization and Democracy

We draw the assumption that there are three stages of democratic consolidation because of internationalization expansion.

1. *Internationalization reveals how new democracy whose consolidation process has come to a standstill is weak to the aggressive effects of opportunism<sup>37</sup>, and extremely biased view of individualism.*

Due to internationalization, both decision-makers and voters conceive how consolidated democracy with powerful government leadership and electorates' effective judgment is important to insulate state autonomy and national interest against the interests, constraints and pressures of any specific domestic pressure actor or any international pressure actor. As international and domestic pressure actors see internationalization in their own interests, they want to exploit the opportunities of internationalization, so that their private interests benefit.

The principle private interest groups in internationalization are multinational corporations and large private domestic firms. They often stress their individual interests and business freedom as the most significant factors that are useful for successful internationalization. They claim that government should protect individual

---

<sup>37</sup> Kasper and Streit demonstrate opportunism as "the short-term maximization of human satisfaction without regard to the impact of such behavior on others and without regard to the accepted norms of behavior in a community". See Wolfgang Kasper and Manfred E. Streit, *Institutional Economics: Social Order and Public Policy* (the Locke Institute, Edward Elgar, 1998), 64.

business interest or individualism<sup>38</sup> at the expense of societal collective interest or collectivism<sup>39</sup>.

Government's weak policy regulatory and control over opportunism and high political corruption level in host-countries allow private interest groups with opportunities to bribe influential politicians, and decision-makers to further their private desires. This leads to moral hazard among political and business actors, especially the condition is much worse when it relates to big government policy and big business. When democratic state control is low in society, business actors tend to ignore social safety and national interest. They just concentrate on how to increase their profit and reduce their costs while conducting their business. They are used to bribing politicians and decision-makers in exchange for protecting their cheap and profitable business. They began to rely on their political resources to influence government autonomy by buying influential politicians and decision-makers. They began to believe that they can influence any decision-maker and their money will help them prevent anti-opportunism laws and regulations limiting their illegal and opportunistic actions. Such opportunistic and illegitimate behavior of private actors becomes more aggressive when they see the vast business opportunities of internationalization.

---

<sup>38</sup> "Individualism is a belief in the primacy, or supreme importance of the individual over any social group or collective body". See Andrew Heywood, *Key Concepts in Politics* (Cheltenham and Northampton: Palgrave, 2000), 133.

<sup>39</sup> Heywood broadly describes collectivism as "the belief that collective human endeavor is of greater practical and moral value than individual self-striving." "It reflects the idea that human nature has a social core, and implies that social groups, whether social classes, nations, races or whatever are meaningful political entities."

For Mongolia, although it has succeeded in democratic transition, Mongolia still has not been successful in democratic consolidation in connection with political corruption, and voter's low political education. The internationalization of mineral resources has brought serious damages to Mongolian ecology and democracy, because of the lack of government strong regulatory policy and control over undemocratic practices and expansion of opportunism in the business sector. According to the ecology survey, thousands of rivers and lakes have disappeared in association with irresponsible mining development. The Mongolian government determined that hundreds of mining licenses were issued despite violating Mongolian related laws. Mongolian corruption benchmarking surveys always present that mining and land utilization have been the most corrupted sectors in Mongolia. Even multinational mining corporations from western democracies were involved in the corruption incidents. This suggests that even western multinational firms don't follow the good business ethics that they use in their home country if the host-country has weak policy regulation against opportunism.

In sum, host-country government, central decision-makers, and voters realize that they should be effective in consolidating democracy and increasing democratic control to eliminate and prevent opportunistic behavior of private actors. The government conceives that the opportunistic behavior of the private sector has the powerful capacity to challenge the government autonomy if the government continues pursuing weak regulation and doesn't make any



meaningful reform to consolidate strong democratic governing in society. The voters who recognized the weakness of weak democratic institutions against private sector opportunism and foreign pressures gradually become ready to politically support any government efforts that refer to democratic consolidation. In general, internationalization enables both central decision-makers and voters to appreciate the importance of democratic consolidation in guiding internationalization in the right way, so that internationalization benefits general collective interest.

2. *Internationalization stimulates voters' concern on their role in maintaining democratic consolidation.*

Democratic governing autonomy is greatly challenged by the internal and external special interest groups if host-country voters are not good at evaluating the ruling party and central decision-makers according to their performance in defending the national interest, increasing national aggregate well-being, and maintaining democratic governing. When society is dominated by voters who have low democracy education in judging, rewarding, and punishing government and central decision-makers through their voting right and deciding who will rule on their behalf, special interest groups gain opportunities to shape the behavior of domestic politics in their preferred fashion.

Above mentioned voting weakness is quite popular in new democracies and produces inappropriate democracy orientations such as clientelism and regionalism in electoral democracies. The decrease of voting judgment toward government and rulers allows politicians and decision-

makers become less responsible for defending national interest and have less concern for the national aggregate well-being. It allows corrupted, opportunistic, and egoistic politicians who are vulnerable to the lobbies, pressures, and interests of internal and external interest groups to come out in decision-making power and retain their office. Such politicians and decision-makers easily make coalitions with special interest groups and work effectively to lobby other decision-makers and policy-makers to defend the interest of those special interest groups. Such conditions create internationalization that is beneficial only to politically corrupted elites, a few large private actors, and multinational firms, but not to the people. It leads to the outrage of citizens and causes voters to have more extensive concern to the domestic politics and internationalization. Most importantly, voters become more responsible in casting their votes and become ready to support political parties and politicians who work actively against undemocratic habits and practices in domestic politics as well as for consolidating democratic governing.

In Mongolia, voters have been very weak at effectively evaluating government performance through their votes. Clientelism determined the Mongolian political parties' political campaigns and voters' behavior in the 2004 and 2008 parliamentary elections.<sup>40</sup> As there was low control by voters because of clientelist voting behavior, internationalization began to develop in the wrong direction

---

<sup>40</sup> Tumurkhuu Uuganbayar, "Interest Groups and Political Parties in Mongolian Democracy," *the Journal of Northeast Asia Research* 27 no. 1 (2012): 281-305.

against general societal interest and the expectation of citizens.

The mining sector had become the most corrupted sector as some decision-makers and private actors began to influence each other in illegal ways in order to increase their private benefits from internationalization. However, the negative effects of internationalization that have created the challenges of political corruption and opportunism in domestic politics because of state weakness seems to have made both the public and ruling central decision-makers realize the importance of strong state in generating democratic consolidation. As a result of the societal demand for strong state and democratic consolidation, the state behavioral shift from weak state to strong state has appeared since the 2009 presidential election as the new president Ts. Elbegdorj enacted strong reformations to satisfy the societal demand that had been requiring strong state that is able to generate democratic consolidation that can provide Mongolian society with political and economic opportunities to benefit from internationalization by solving the problems of political corruption and opportunism that created internationalization benefiting a few ruling elites and a few oligarchs.

He has run effective policy in stopping political corruption and establishing social justice since his presidency started. He mediated successfully in the relationship between the structural cause of internationalization that frustrated unconsolidated democracy and the new societal demand that is seeking a

democratic consolidation and strong state because of their frustration on the political negative effects of internationalization. His success in generating democratic consolidation caused the increase of public belief in the importance of democratic consolidation and democracy values in solving socioeconomic problems, especially, political corruption that have undermined the well being of their societal safety. Consequently, the reputation and partisan power of Democratic Party increased a lot among Mongolian voters. As a result, his party won in the 2012 parliamentary and the 2012 local elections consecutively. The two election results show that the success of Democratic Party President and Democratic Party decision-makers changed the game rule of political campaigns in Mongolian electoral democracy from clientelism to programmatic democracy. Their successes have created a new condition of electoral competition that ruling elites are able to take the political support of Mongolian society only when they make progress in developing democratic consolidation or satisfy the societal demands. Most importantly, according to the new rule, the ruling party and the ruling central decision-makers have to determine what the society wants correctly and perform effectively to satisfy the societal demands to survive in the next election. This means that the democratic consolidation has started at both levels of mass publics and the ruling elites.

3. *Internationalization made ruling elites understand what Mongolian new democracy needs to generate democratic consolidation*

We argue that the negative effects of internationalization on Mongolian state autonomy and democratic consolidation taught the ruling elites that Mongolian new democracy had lacked strong state to consolidate democracy.

New democracies enjoy some basic advantages of successful democratic transition even though they still have failed in consolidating democracy. They are regular democratic elections, the freedom of political expression, and freedom of the press. They allow those new democracies to correct their weakness and generate democratic consolidation. Most especially, when the pressures and lobbies of specific interest groups become aggressive, the basic institutional advantage of democracy provide civil society, press sector, and voters with legal opportunities to demand the central decision-makers, the government, and the ruling political parties to implement their duties for the people and defend societal general interest against the interests of specific interest groups that want to use public power for their private gains. Consequently, the societal demand alters the behavior of state and improves its performance for democratic consolidation.

Mongolian civil society has had powerful criticisms on the opportunism of mining private enterprises, the illegitimate business practices of foreign investors, environmental degradation, and political corruption for the most recent decade in association with the irresponsible mining development. They have criticized that Mongolia has been not able to benefit from the internationalization of

mineral resources, because of government weak policy regulation. Due to their effective voice, civil society won the supports of thousands of citizens, has improved their capacity to influence Mongolian political sphere and emerged as a vital actor in Mongolian domestic politics. They have even succeeded in expanding their international cooperation in order to increase their role in the Mongolia's democratic consolidation.

Due to modern technology, the press sector and the media have emerged as the powerful voice of the public and civil society. The mining development and the trade of mineral resources have been hot topic in the Mongolia's media since mineral resources internationalization emerged explosively in Mongolia. Professional journalists, political analysts, and economic scholars have been very active in expressing their opinions and criticism about the government behavior and state's policy on the internationalization of mineral resources. They have criticized the lack of state awareness on environment issue, weak state policy regulation, dominance of oligarchs in domestic politics, unequal concession agreement to multinational firms, and networks of corruption related to mining business. At times, highly qualified intellectuals spread warning on the illegitimate dealings of some bureaucrats that are against the general interest of society through blogs and facebook. For example, Mongolian journalists, civil society, and intellectuals expressed strong criticism and opinions on Oyu Tolgoi copper and gold deposit project. Through media, they proposed many arguments that the concession agreement with Ivanhoe

Mines (current Turquoise Hill Resources) was unequal and beneficial only to the multinational firm. They succeeded in turning the attention of citizens and central decision-makers to that issue. As a result, the government decided to renew the agreement and established a new agreement with Turquoise Hill Resources (Former Ivanhoe Mines) and Rio Tinto in 2009.

The effective activities of civil society, the press sector, and the media seem to have affected the behavioral change of the ruling elites, especially the ruling elites of Democratic Party in positive way. New President Ts. Elbegdorj began to make decisive and meaningful policies in order to consolidate Mongolian democracy after his presidency started. We should see that the decisive reforms of President Ts. Elbegdorj refer to Mongolian societal frustration on the negative effects of internationalization on domestic politics. The Mongolian public expected that Mongolia would benefit from internationalization, but on the contrary, internationalization flourished political corruption, the increase of rich-poor gap, and environmental degradation. The Mongolian 2004 and 2008 parliamentary elections referred to the time when mining boom started. During those years, Democratic Party shared the executive power with the Mongolian People's Revolutionary Party (current Mongolian People's Party). They used the government income from the mining trade expansion for realizing their unrealistic money promises they made during those elections to win in the clientelist political competition they initiated, but their money welfare programs failed to improve the well being and satisfaction

of the public. Their failure caused the outrage of the public and civil society. The criticism of civil society, media, and the public became severe. They expressed that Mongolian society is not able to benefit from the expansion of mining trade, because of political corruption and the failure of democratic consolidation. The reforms of new president were exactly what Mongolian society wanted. His reformations also suggest that the negative impacts of internationalization that caused the Mongolia's societal outrage of government caused the Democratic Party's ruling elites improve their policy mistakes and correctly understand what the Mongolia's society wants from the ruling central decision-makers. The Democratic Party has been president's powerful support in the parliament. He wouldn't have realized his reforms if the ruling elites of Democratic Party haven't supported his reforms in both parliamentary and executive power levels. According to the above arguments, President Ts. Elbegdorj has successfully mediated in the relationship between the internationalization induced change in the societal demand for democratic consolidation and the state behavioral change from a weak state to a strong state to generate democratic consolidation.

The consecutive victories of Democratic Party in both the 2012 parliamentary and the 2012 local elections present that the reforms of Democratic Party President and the government behavioral change have met what the Mongolian society have wanted. Also the results of the 2012 parliamentary and local elections suggest that the clientelism that used to dominate in Mongolia's domestic



politics in 2004-2008 has been declining and programmatic democracy has been gradually winning the clientelism.

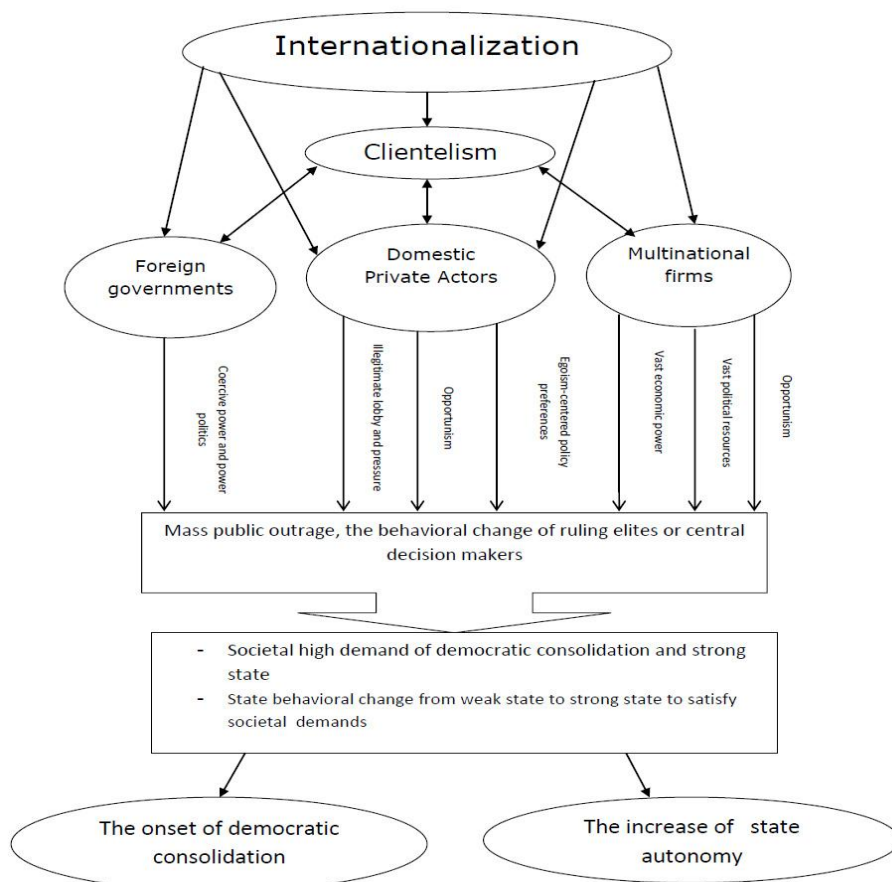
In this research, we stress three major reforms of the President Ts. Elbegdorj:

1. The suspension of mining license issuance: The president temporarily suspended the issuance of mining licenses until healthy legal environment form. He ordered the government to solve the mining-related illegal actions. As a result, the government revealed that 256 mining licenses had been obtained in illegal ways and cancelled all of them.
2. The establishment of citizen hall: It was established to provide citizens with opportunities to participate in policy-making process. The Citizen Hall invites citizens and civil society to open discussion on important law proposals. If a citizen is not able to participate in person. They express their opinion through email and forum. Even it sometimes uses TV to make open discussion if it is necessary. Most, importantly, all Mongolian local governments have opened citizen halls.
3. The reforms in judiciary system and IAAC: The president introduced merit-based system to insulate judiciary system from the pressures of specific interest groups. He stimulated the performance of the IAAC by making reform in the human resources of that agency and changing the Community Council of IAAC.

In conclusion, according to our analytic model, mining internationalization made Mongolian decision-makers and the public

conceive the importance of democratic consolidation that is necessary to improve state autonomy and secure national interest while state autonomy and general societal goals confronts with the threats of external and internal illegitimate coercive influences, pressures, and lobbies in connection with the internationalization expansion. As a result, the perception of the public and ruling elites on the values of democracy leads to the consolidation of democracy and state autonomy (see figure 1).

Figure 1: How do the internationalization related challenges consolidate democracy and state autonomy?



## Hypotheses

The central hypotheses of this research were made while I was analyzing how the internationalization of mineral resources has affected Mongolian state sovereignty, state behavior, domestic politics, and foreign policy. Most importantly, I found that there is an interesting causal correlation among internationalization, state sovereignty, and democracy when I observed last two decades at international and domestic Mongolian politics. Mongolia is a relatively young democracy with 23 years of history and it has been experiencing the political and economic effects of internationalization for only one decade due to China and Russia's new foreign strategy over Mongolian mineral and energy raw materials. The internationally induced internationalization of mineral resources has produced new external and domestic dangers and challenges to Mongolian state sovereignty or autonomy. Most especially, foreign governments and new societal actors including multinational firms and large national firms have been very effective in efforts to influence Mongolian government policy for ensuring their own interests. Recent political events in Mongolia show that democracy has been emerging as the most appropriate political regime to secure Mongolian state autonomy and broad foreign policy strategy against external and domestic negative pressures and private interests. Therefore, the assumptions and hypotheses of this research are drawn from analyses concerning how internationalization affects Mongolian state autonomy and how democratic consolidation helps Mongolian government and central decision-makers protect government autonomy from powerful pressure actors including foreign governments, multinational firms,

and national large private firms when the internationalization of mineral resources expands.

Chapter one presents that Mongolian internationalization is internationally motivated rather than from national government initiatives. China's grand new foreign strategy after the end of the Cold War and Russia's ambition to be a world energy superpower under Putin's strong leadership have generated the internationalization of mineral resources in Mongolia since the beginning of the 2000s. The data and events that are presented in chapter I demonstrate that Russia and China's competition and their effective policies over Mongolian mineral resources had been creating challenges and dangers to Mongolia rather than benefits and opportunities at the beginning of internationalization because during those years, Mongolia lacked strong state behavior with excellent policy regulation and foreign strategy in order to benefit from internationalization. Furthermore, vast political corruption threatening Mongolian democratic consolidation was disabling the Mongolian government's capacity to filter the negative effects of internationalization. Most significantly, the chapter is full of evidence showing that weak state behavior, weak policy regulation and political corruption made Mongolian politicians, political parties, and voters understand that democracy and democratic consolidation are the most critical factors to benefit from internationalization and prevent internationalization-related dangers that could threaten and undermine Mongolian national interest and economic security. Generally, the chapter presents that Mongolia lacked an effective state position, well-intentioned leadership, and motivation to consolidate democracy, so that Mongolia could exploit the advantages of internationalization and successfully deal with the negative influences of internationalization of mineral resources. In other words,

the evidence in chapter I show us the effects of internationalization over domestic politics in the view of the “statist image paradigm”.

## Hypothesis I

Chapter II elaborates the first core hypothesis of this research. According to hypothesis I, internationally-induced internationalization of mineral resources affects the change of Mongolian public opinion on state behavior, and creates a high societal demand for democratic consolidation among voters or within a Mongolian society. Most obviously, the dangers and challenges created by the internationalization of mineral resources have caused various social problems including unbalanced wealth distribution among the total population, a higher inflation rate, economic overdependence on a single country, the expansion of private firms’ political power over government policy, and environmental degradation.

The 1992 new democratic constitution of Mongolia built a strong national ideology among the Mongolian population claiming that underground natural wealth is the whole nation’s wealth and property. Therefore, the Mongolian population has argued that mineral resources’ exploitation should be developed, so that it would improve national aggregate well-being. However, the internationalization of mineral resources that emerged in Mongolia in the early 2000s under the leadership of Mongolia’s two powerful neighbors began to develop against the common will of the citizens, because of weak state regulation and growing political corruption in Mongolian state organizations. Mongolia’s natural wealth began to go into the control of a few private firms and politicians through illegal means. Due to mining development, the overall national income has increased dramatically, but the general public average income has not improved significantly because of inflation. Internationalization-

induced mining exploration has caused very serious environmental degradation which has reached harmful enough level to damage the ecological balance as well as threaten human and many biological species' environmental safety.

The internationalization-related social problems have caused citizens' outrage on government weak policy regulation, and behavior. Recent surveys suggest that Mongolian public opinion on government behavior and the national developmental model changed in association with citizen's disappointment on weak state performance against internationalization-related dangers. According to the results of recent public opinion surveys, the majority of the population considers democratic strong state that exists in French and Japanese democracies as an appropriate government type for Mongolia when internationalization dominantly determines national political and economic trends. This can be interpreted that internationally-induced mineral resources' internationalization has caused a high public demand for strong state behavior and democratic consolidation under the state's well-democratic leadership.

## Hypotheses II and III

Chapter III focuses on elucidating the second core hypothesis of this research arguing that internationally induced explosive internationalization caused the onset of democratic consolidation that had come to a standstill and the state behavioral change from a weak state to a strong state. The data and facts in the third chapter present that a strong state and effective state involvement in the national economy are not enough to build a good developmental state benefiting from internationalization and preventing internationalization-related dangers over government policy sovereignty, because democracy provides developmental states with

the power to mobilize internationalization in the right way by preventing internationalization from benefitting only political and oligarch elites who control national wealth and exploit them for their private desires.

Democracy insulates government and state policy institutions from private actors' constraints and political corruption. That's why Mongolian president Ts. Elbegdorj started his presidency with four core operations: the suspension of unconscientious mining license issuing, the opening citizen hall for direct democracy, the reform in the Independent Agency against Corruption (IAAC), and judiciary reform. Chapter III has many facts and data presenting that these four operations are involved with the president's four strategies 1) to stop and prevent growing political corruption in state organizations and government agencies who are in charge of developing internationalization in a democratic and legitimate way, 2) to remove illegal practices from decision-making process, 3) to provide citizens, private actors, and foreign investors with transparent democratic governing, and 4) to develop an effective state mechanism protecting national interest and security over corrupted oligarchs and politicians.

The President's operations have been quite successful. His efforts have significantly increased the efficiency and effects of government policy and measures against corruption and illegal actions in the growing mineral resources' business. According to recent evidences, Mongolia has been quite successful in stopping mining license-related political corruption networks and cancelling mining licenses that had been obtained in illegal ways by violating Mongolian environmental and mineral resources' laws. The work of IAAC has greatly improved in revealing large corruption crimes involved with mineral resources business. A new merit-based system under the initiative of the president has provided the Mongolian

judiciary sector with insulation power from the constraints of politicians and specific private interest groups. Citizen Hall provides citizens with an opportunity to participate in policy-making processes in person and through modern information means including forum, email, and TV.

The 2012 parliamentary and local elections show that voters have been very satisfied with the president's operations and government measures for improving and increasing their efforts in working toward nationally beneficial internationalization through policies and actions for consolidating democratic governing and strengthening the state's role in national economy. The Democratic Party, the president's incumbent party, won in those two elections. The surveys of international organizations show that Mongolia has been very successful in strengthening democracy in the very short period from the 2009 president election to the 2012 parliamentary election. Freedom House announced in 2013 that Mongolia made great progress in developing representative democracy by jumping to a higher category of political rights from 2 to 1.<sup>41</sup> The 2012 corruption index of Transparency International shows that Mongolia is considered to be a country where corruption is significantly reducing by jumping from 96<sup>th</sup> rank to 120<sup>th</sup> rank.<sup>42</sup> These achievements can be interpreted that Mongolian central decision-makers, the president and government, have been quite successful in satisfying the societal demand for democratic consolidation as a weapon to fight against the negative effects of internationalization and increase state effective

---

<sup>41</sup> Freedom House, "Freedom in the World 2013: Democratic Breakthroughs in the Balance," Freedom House's Annual Survey of Political Rights and Civil Liberties, 2013, <http://www.freedomhouse.org> (February 02, 2013).

<sup>42</sup> Transparency International, "Mongolia's Corruption Perception Index-2012," 2012, <http://www.transparency.org/home/search/a267301167628c90d7bf28488e9beb72/> (February 15, 2013).



leadership that is able to generate democratic consolidation that will produce beneficial internationalization. Therefore, we generated two testable and genuine hypotheses in chapter III arguing that 1) the expansion of internationalization affects the onset of democratic consolidation and 2) the expansion of internationalization leads to the state behavioral change from a weak state to a strong state that provides harmonic coherent development between democratic consolidation and developmental state.

## Hypothesis IV

We seek in chapter IV to carefully examine how the expansion of internationalization is causing Mongolian broad foreign policy. Therefore, we draw a hypothesis claiming that the more internationalization expands the more Mongolian broad foreign policy become feasible.

Mongolian broad foreign policy is related to Mongolian historical background. Historically, Mongolia has been economically overdependent on each of two powerful neighbors. Mongolia's geographical location, landlocked between only two neighbors has somewhat influenced the overdependence. Overdependence on a single neighbor generates the risk of becoming the victim of coercive power in terms of international politics and becoming vulnerable to the pressure and constraints of an economically dominating neighbor when the overdependent country makes bilateral negotiations with its powerful neighbor. Mongolia has learned enough about overdependence risks through experience. That's why Mongolia formulated the so-called "third neighbor" strategy.<sup>43</sup>

---

<sup>43</sup> The State Great Khural of Mongolia, 2010, *National Security Concept of Mongolia*, July 15. Decree No. 48.

The central idea behind the “third neighbor” strategy is that Mongolia should pursue an effective “multi-pillared foreign policy” to develop political and economic relations with as many countries as it can while maintaining equal balanced political and economic relations with Russia and China and preventing returning to be overdependent on either of them. Depending on multiple international markets and suppliers will provide Mongolia with the ability to increase Mongolian bargaining power with its two powerful neighbors. Diversifying export markets, export routes, and suppliers is a significant mission, not only for Mongolia. This foreign policy priority is common everywhere in the world.

Although Mongolian mineral resources internationalization was induced by its two neighbors, Mongolia has faced opportunity to diversify from a single export route through China’s territory with a Russian export route, diversify Chinese and Russia’s foreign investments with western countries’ investments, and reduce its overdependence on China’s raw material market by reaching Asia-Pacific markets through Russia’s Far Eastern seaports. However, the research facts that I observed while systematically examining how internationalization affects Mongolian foreign policy behavior revealed another interesting argument. The argument is that the values of democracy are quite helpful for host-countries to insulate them from the internationalization-related constraints of foreign governments, multinational firms, and national large private actors that sometimes want to reshape broad foreign policy to their own desires. Moreover, democracy provides host-country governments with the power to exploit the positive effects of internationalization in realizing their

---

[http://www.embassyofmongolia.co.uk/index.php?option=com\\_content&view=article&id=60&Itemid=75&lang=mn](http://www.embassyofmongolia.co.uk/index.php?option=com_content&view=article&id=60&Itemid=75&lang=mn) (January 15, 2012).

broad foreign policy strategy in their own fashion. These facts motivated me to generate two hypotheses arguing that 1) the more internationalization expands, the more feasible Mongolian broad foreign policy becomes under the effects of democratic consolidation and 2) the more that democracy consolidates in a host-country, the more beneficial internationalization appears for the host-country's broad foreign policy strategy.

# Chapter I

## Two Neighbors' New Strategies and Internationalization of Mongolia's Mineral Resources

The previous introductory chapter demonstrated the influence of China and Russia's new energy and raw material strategies on the tendency of Mongolia's state behavior and domestic politics which is the main theme and question of this research. It is impossible to assess how regional energy internationalization has affected Mongolia's state behavior and domestic politics without estimating whether Chinese and Russian new strategies have created, generated, and accelerated Mongolian energy internationalization. Therefore, this chapter focuses on determining whether China and Russia's new energy strategies and their investments correlate with the Mongolian mineral internationalization. This chapter suggests that Mongolia is perfect evidence presenting that regional energy internationalization has been developing as the prime example of central and north East Asian trade integration under the strong energy and raw materials' competitions and big energy ambitions of China and Russia.

Due to the regional energy trade integration, the content of Mongolian mineral resources' export has changed a lot in the last decade. Energy has become the largest export in Mongolia, overtaking copper and precious stones, so that mineral resources now occupy 91 percent of total Mongolian exports since the last decade. According to the annual report of the Mongolian government

(2011)<sup>44</sup>, Mongolian coking and thermal coal occupies 40 percent of Mongolian total exports. Mongolia's total exports are \$4.8 billion dollars and \$2.25 billion dollars refers to the coal sector. Mongolia became the largest coal supplier for China in 2011 by overtaking Australia. As China is the largest coal consumer in the world, the 2011 results mean that Mongolia has already become Asia's main coal supplier. China purchased 43 percent of its imported coal from Mongolia and 21 percent from Australia in 2011.

Oil occupies the fourth place among Mongolia's mineral resources exports. As mineral resources occupy 91 percent of Mongolia's total exports, oil is now considered to be one of Mongolia's main export products (*The Mongolian Economy 2012*)<sup>45</sup>. The coal and oil export statistical data suggest clearly that energy and mineral resources' sectors have already become the largest and the most important sectors in Mongolian foreign trade.

The change of Mongolian export content is the result of energy and mineral resources' trade internationalization in Mongolian foreign trade. We argue that regional powers' energy-centered foreign policy and the extraordinary rise of their energy investments have affected the nature of Mongolian foreign trade. The influence of their policies and investments have already shown obvious results in Mongolia. For instance, coking and thermal coal exports have been the most important and hottest business for Mongolian government and largest domestic corporations. Mongolian energy deposits have already become a competitive target for the world's top multinational mining corporations. Most of them have already opened big businesses with big investments in Mongolia. This chapter attempts to define regional

---

<sup>44</sup>Монгол улсын засгийн газрын бүрэн эрхт төлөөлөгч. Ажлын алба, 2011 оны Ажлын тайлан, Улаанбаатар. 2011 он.

<sup>45</sup> Монголын эдийн засгийн сэтгүүл. 2012.06.30. Нүүрс өнгөлсөөр. <http://mongolianeconomy.mn/mn/i/2519> (2012.08.20).

powers' energy-centered foreign policy as an explanatory variable and establish the development of energy and mineral resources internationalization in Mongolia as the dependent variable to propose a useful hypothesis for our research.

Sections I and II centers on providing evidence why Mongolian domestic factors haven't led to energy and mineral resources internationalization to elucidate that regional powers have played a principal role to generate and accelerate Mongolian energy internationalization rather than Mongolian government policy and institutional changes. Section III contends that China's new grand strategy on the Third World has affected the internationalization of Mongolia's energy sector. Section IV argues that Russia's new ambition for being an energy superpower has created both new business opportunities and pressure for Mongolia and that the new opportunities have been more influential than the pressure and have tended to accelerate the pace of Mongolian energy and mineral resources internationalization which had precisely started. Section V summerizes the findings of this chapter.

## I. No Economic Stability and No Big Ambition

Mongolia had been a socialist country until 1990. During the communist period, Mongolian foreign trade had increased greatly however, trade internationalization had not developed between 1924 and 1990. Mongolian foreign trade had been limited to only to socialist camp countries and a few capitalist countries: Japan, Great Britain, and Italy. Mongolia traded with 25 countries in the 1980s. The Soviet Union used to dominate Mongolian foreign trade. It

occupied 78.6% in exports and 77.9% in imports<sup>46</sup>.

As democratic revolution broke out in Mongolia in 1990, Mongolia opened its doors to trade with all countries, not considering the political system of the partner country. Mongolia made institutional reforms and declared to the world that Mongolia was now a country which had selected democracy and market economy. It was a wonderful change which provided comfortable conditions to develop trade internationalization.

However, Mongolia wasn't able to develop meaningful trade internationalization in the 1990s which would affect the entire tendency of Mongolian foreign trade. Economic crisis was a principal reason for that failure. By 1995, there had been 116 percent rise in the number of foreign trade partners. It had increased from 25 countries in the 1980s to 54 in the 1990s, but the total foreign trade turnover reduced almost 50 percent in 1991-2000 in comparison with 1981-1990. It declined from \$16 297.6 million dollars to \$8 775.2 million dollars. These statistics show that according to the number of trade partners, there was an achievement in foreign trade in the first decade after Mongolia transferred to market economy, but according to the value measurement, there was a serious decline in foreign trade turnover. This means that there were no meaningful achievements in Mongolian foreign trade, so that foreign trade could push national economic and social development. The development tendency of foreign trade without nationwide fruitful achievements was related to Mongolian financial weakness and overdependence on the Soviet Union which developed during the communist history of Mongolia.

After Mongolia adopted a market economy instead of a

---

<sup>46</sup> Монгол улсын үндэсний статистикийн хороо. Гадаад худалдааны барааны статистикийн эмхтгэл. Улаанбаатар. 2011 он.

command economy, economic crisis occurred throughout entire country. Mongolia had no financial resources or capacity to exploit political openness for mobilizing its domestic economy, so that Mongolia could benefit from the collapse of the Cold War, and the economic opening of the 1990s. It happened because of Mongolia's overdependence on trade with the Soviet Union. As the Soviet Union collapsed in 1991 and Russia arrived at the edge of bankruptcy, the Mongolian economy sank into a deep depression in the 1990s because Mongolia lacked the Soviet Union's trade and economic support. As imports from Russia became impossible, primary product deficiency occurred in Mongolia. Domestic factories often lacked Russian spare parts for their equipment and as Russian purchasing ability declined, Mongolian factories lost their market.

In the 1990s, Mongolia's priority was to prevent mass famine by increasing food and primary products' supplies rather than thinking about big projects to develop meaningful foreign trade. There was nothing on the store shelves besides salt. Citizens used to buy a designated small amount of food and primary products with a government food ration each month. Management mistakes in privatization made the conditions much worse. Privatization without fruitful bids led to the domestic factories' bankruptcy and mass unemployment. Mongolia's government policy was to seek aid from the international community, and seek opportunities to take out loans to improve and mobilize its national economy.

However, due to the Mongolian government's open economic policy and rapid economic reform, the Mongolian economy began to stabilize in the middle of 1990s. A private sector appeared at a rapid pace. As the private sector began to supply products into the domestic market, food and goods deficiency disappeared in Mongolia. The national economy began to revive slowly, but Mongolia remained



in economic crisis in the 1990s. Citizens had low buying capacity. Salary increase was too low in comparison with inflation. Therefore, the Mongolian government focused on policies to stabilize its national economy while ignoring bigger economic and foreign policy ambitions. Thus, in the 1990s, there were not any signs of trade internationalization in Mongolia.

## II. Weak State and Weak Vision

Mongolian domestic politics within the 15 years following 1990 shows that the state role was too weak and lacked effective initiatives to channel growing foreign investment and mining sector opportunity into the improvement of the whole national industry and national security. Mongolia lacked effective and efficient state involvement in the national economy, like France and Japan's development model rather than Russia and China's model.

International organizations' inappropriate recommendations and donors' pressures were the principal factors in Mongolia's weak state behavior and ineffective state regulations on national economic policy. International organizations like the IMF and World Bank ignored Mongolia's unique and economic background. The IMF and World Bank advised to adopt Western style economic institutions without adjusting the Western economic model to the Mongolian condition. It was a terrible mistake. Jeffrey Reeves (2010, 25)<sup>47</sup> described the IMF and World Bank experts' advice for their conditional aid as "ill conceived and ill advised".

Under the pressure and inappropriate guidance of the IMF and

---

<sup>47</sup>Jeffrey Reeves, "Mongolian State Weakness, Foreign Policy, and Dependency on the People's Republic of China" (Ph. D. diss., London School of Economics, 2010).

World Bank, the Mongolian government adopted a free trade policy without any tariff controls. It was a very harmful policy for Mongolia. There should have at least been some tariffs and trade quotes to protect Mongolia's vulnerable industries until they became strong enough to survive market competition. The reform destroyed weak domestic industries and made Mongolia overdependent on China. The reform produced two negative outcomes.

Firstly, it created extremely negative conditions to the Mongolian foreign policy ambition to maintain an appropriate balance of power between its giant neighbors by implementing the "third neighbor" policy<sup>48</sup>. According to Li Narangoa (2009, 359)<sup>49</sup>, "as a newly democratized state, Mongolia's foremost foreign policy concern is to preserve its sovereignty, territorial integrity, and national security and to avoid a return to its previous status of dependence on a powerful neighbor". However, Mongolia just changed its economic overdependence from one neighbor to another one.

Secondly, the domestic industry collapse led to mass unemployment. It created a serious gap between the rich and the poor which was a new phenomenon for former socialist Mongolia. Chaos occurred and crime increased. Mongolia was close to mass famine. The government faced new challenges to prevent a famine crisis and restore domestic industries as well as continue political and economic reforms.

At the same time, the extremely open economic policy had

---

<sup>48</sup>"Third Neighbor" policy is Mongolian foreign policy strategy to reduce overdependency on its giant neighbors, Russia and China by diversifying its neighbors with non-border neighbors as well as maintaining good relationship with its two border neighbors.

<sup>49</sup> Li Narangoa, "Mongolia and Preventive Diplomacy: Haunted by History and Becoming Cosmopolitan," *Asian Survey* 49 no. 2 (2009):358-379.

some positive results. One obvious positive outcome was that the food supply improved from the middle of the 1990s as the government eliminated tariffs. Mongolia managed to escape from mass famine and limited mass chaos. Private stores, full of food products and goods appeared. It became possible for consumers to buy what they wanted if they had money. However, the policy raised another serious problem.

The Mongolian market was flooded with extremely low quality and unsafe Chinese products. Extremely cheap and low quality Chinese products weakened the competitive capacity of high quality but expensive Mongolian domestic products. It led to the bankruptcy of Mongolia's agricultural sector which had full capacity to provide for the national demand and it could even export excess products to the international market. Citizens wanted to buy safe and high quality domestic food products but they couldn't afford to buy them because their income was too low as domestic industries collapsed and unemployment reached serious levels. Such situation created very serious food safety problem. The problem with the agricultural sector did not improve until the middle of the 2000s.

Another problem was air pollution and ecological disaster due to a free market system without ecological controls and aggressive capitalism without effective and appropriate state involvement. Most Mongolian governments since the first democratic election have worked to increase tax income, and expand business, but they ignored another important function of government. They didn't work effectively to protect the environment, and provide citizens with safe and healthy living conditions. Perhaps international community experts forgot to warn Mongolia that there must be appropriate and effective state involvement and efficient democratic institutions to successfully build a modern and more humanistic capitalism which

exists in Western countries and prevent the old aggressive capitalism which could emerge because of egoistic profit-seeking behavior. We argue that there must be sufficient and balanced state involvement and control for developing a safe and ecologically friendly capitalism.

After the free trade policy without any tariff controls, the amount of joint private factors increased to a greater degree, and foreign trade increased at a rapid pace. However, the free trade policy without sufficient controls against human egoistic character enabled the old aggressive style of capitalism which was clearly described at the opening ceremony of the London Olympics 2012<sup>50</sup>.

Mongolia began to issue licences of mineral resources since 1990, but without any quotas or controls, Mongolia has faced serious environmental issue since 2000. Free trade policy without any export strategy or control has been a principal motivation for the rapid aggressive development of the mining business. According to the minister of Mineral Resources and Energy's report 2008-2012<sup>51</sup>, the special licences of mining minerals had occupied 44.5% of Mongolia's total territory by 2005. This report shows how then mining sector had become a terrible threat to Mongolia's ecosystem at that time, as mining exploration is the most harmful human activity against environment. This is obvious evidence how Mongolian governments had been weak to protect the environment and develop responsible mining and an environmentally friendly market economy until the

---

<sup>50</sup>The London Olympic 2012 opening ceremony demonstrated clearly how industrial revolution during the old aggressive capitalism destroyed the nature and ecosystem of the island, because of human egoistic behavior for money. I think that the play was a good tip to distinguish old aggressive capitalism and modern capitalism in democratic countries.

<sup>51</sup> Эрдэс баялаг, эрчим хүчний яам. Засгийн газрын 2008-2012 оны үйл ажиллагааны хөтөлбөрт эрдэс баялаг, эрчим хүчний сайдын дангаар хэргэжүүлэх арга хэмжээний төлөвлөгөөний хэрэгжилт. 2012 он. <http://mmre.energy.mn/activity/class/105/detail/1203230002/> (2012.11.12).

government began to improve its policy on ecology and the mining industry under the impacts of external and internal positive contexts since the middle of the second decade. Fortunately, due to the government policy changes, Mongolia's government has canceled the majority of those special mineral resources licences. Now, special mining licenses occupy 16% of Mongolia's total territory.

Mongolian non-government organizations' forum's analysis<sup>52</sup> on environment, mining, and human rights profile (2010) shows a very tragic profile. Mining exploration had damaged 14, 565 hectares of land between 1992 and 2010. Restoration was made only on 3.708 hectares of land. 53. 5 hectares of land and 203.508 m<sup>3</sup> of soil in 120 points in 10 soums in 4 aimags (Khongor soum, Darkhan Uul aimag, Zaamar, Jargalant, and Bornuur soums, Tuv aimag, Mandal and Eruu soums, Selenge aimag, Bayan-Ovoo and Bumbergur soums, Bayankhongor aimag, and Mandal-Ovoo and Khanbogd soums, Umnugobi aimag) were poisoned with cyanide and mercury because of unfriendly mining exploration technology and weak barriers for toxic substance control. In addition, plans have been made to use underground water resources for Oyu Tolgoi copper and gold deposit project which is the largest copper and gold deposit in the world. The project will operate its exploration for 30 to 60 years in the gobi desert region which is deficient of water resources.

The analysis also shows that the state gold program, without efficient environmental institutions and government control, brought very harmful impacts to the environment. It has motivated serious environmental damage rather than produce economic benefits since 1993 when the gold program passed. Russian media writes that lake Baikal is threatened by Mongolian environmental problems as

---

<sup>52</sup>Монголын төрийн бус байгуулагуудын форум. Байгал орчин-уул уурхай-хүний эрхийн төлөв байдал. 2010 он.  
<http://www.infomine.mn/upload/pdf/Baigalorchin.pdf> (2012.11.12).

Mongolian gold exploration, using old technology contaminates Mongolian rivers which flow into Lake Baikal<sup>53</sup>.

Moreover, on the basis of their surveys from 1988 to 1999, a Mongolian and Russian joint expedition concluded that it is harmful for the ecosystem of Khuvsgul lake, which contains 74% of Mongolian fresh water, to exploit phosphorite deposit in Burenkhaan, Kuvsgul aimag. However, the exploitation licence was issued despite experts' conclusions.

The negative impacts of mineral resources' explorations on the environment suggest how state control and legal regulations on mining exploration and environmental protection have been weak for the last two decades since the 1990 democratic revolution. The Mongolian case suggests that it is important to establish legal protections and limits for protecting the environment and wildlife if small and economically vulnerable countries, which are located next to giant dynamic markets like China, decide to adopt a free trade policy.

If there are no legal limits, it is clear that giant markets would automatically absorb vulnerable neighbors' resources at low cost and without special intended policy due to their huge dynamic market capacities. Jeffrey Reeves (2011, 453)<sup>54</sup> explained such phenomenon with the concept of "unconscious power"<sup>55</sup>. He said that "Mongolia's

---

<sup>53</sup> <<Ученые определили главные источники загрязнения Байкала>>, РИА Новости, 16.08.2011, [http://ria.ru/danger/20110816/418461278.html?id=?id=\(2012.12.25\)](http://ria.ru/danger/20110816/418461278.html?id=?id=(2012.12.25)).

<sup>54</sup> Jeffrey Reeves, "Mongolia's Environmental Security: Chinese Unconscious Power and Ulaanbaatar's State Weakness," *Asian Survey* 51 no. 3 (2011): 453-471.

<sup>55</sup> Ibid., p. 453. Strange (1996) describes "unconscious power as the ability to exercise power "by 'being there' without intending the creation of exploitation of privilege or the transfer of costs or risks from oneself to others."(cited from Jeffrey Reeves, 2011). See Susan Strange. 1996. *The Retreat of the State*. Cambridge, U.K: Cambridge University Press.

state weakness and China's "unconscious power" constitute a mutually reinforcing threat to Mongolia's environmental security". For example, Reeves (2011, 456)<sup>56</sup> claims that "Chinese demand for raw cashmere is driving the increase of goat populations in Mongolia" and the extraordinary growth of goats is the principle cause of desertification. Reeves also mentioned that Mongolia has had no proper policy to control goat populations even while Beijing announced measures to reduce in sheep and goat populations to control progressive desertification in China's Inner Mongolian Autonomous Region (Reeves 2011, 456-457)<sup>57</sup>.

The evidence mentioned in the above paragraphs suggest that Mongolia's governments had not been active to reduce economic over-dependency and lacked initiatives to pass influential regulations to coordinate free trade conditions in more useful ways, so that Mongolia would benefit from the advantage of free trade policy. Most especially, while China's huge market had been creating business opportunities for Mongolia as well as causing environmental problems, in most cases, Mongolian governments had not realized effective plans to develop environmentally friendly and meaningful trade internationalization on the basis of Mongolian natural resources' advantage until the end of the second decade.

In sum, all data and evidence in this section allows us to conclude that Mongolian weak state behaviour blocked trade internationalization rather than develop meaningful trade internationalization. This section confirms our argument that Mongolian domestic factors did not lead to Mongolian energy internationalization.

---

<sup>56</sup>Ibid., p.456.

<sup>57</sup>Jeffrey Reeves, pp.456-457.

### III. China's New Strategy towards the Developing World and its Impact on Mongolia

#### 1. Beijing's Grand New Strategy in the Post-Cold War World Order

The collapse of the world communist block in the late 1980s created a new challenge to the People's Republic of China (hereinafter Beijing). Most communist countries liberalized and opened their politics and economics during those years. However, Chinese political leaders decided to continue their communist political regime under the label "Socialism with Chinese Characteristics". Beijing political choice led to its isolation in the international community. According to one view (Currier and Dorraj 2011)<sup>58</sup>, due to its political choice, China (PRP) has become "America's new primary antagonist and chief challenger to its hegemonic status in the post-Cold War world order."

Besides isolation in the international community, Beijing faced a challenge to control its domestic politics to maintain and enforce the legitimacy of its current communist political authority, and not to repeat the history of former communist countries. Beijing highlighted its economic reform and achievement as a key solution to overcome its domestic challenges. Also it stressed integration into the world economy and politics as another key solution to solve both domestic and international challenges.

Beijing has been experiencing extraordinary achievements and success from its wide-open economic policy under the government guided market economy which is similar to strongest state types in

---

<sup>58</sup>Carrie Liu Currier and Manochehr Dorraj, *China's Energy Relations with the Developing Countries* (New York-London: Continuum, 2001).



France and Japan(Krasner 1978, 58-61)<sup>59</sup> since the end of 20th century. Economic success has been expanding Beijing's point of view regarding its standing in the world order. I am confident that everyone would agree that Beijing's current ambition is to be a world superpower rather than a regional power.

Recent data on Beijing's diplomatic and economic policies suggest that Beijing considers its economic security and growth as a foundation for its ambition. For example, Beijing has run an effective diplomatic policy for the last two decades to build its own international faction in the world order to consolidate the security of energy and raw materials' supplies which are important for China's rapid economic growth. The most evident outcome of the Beijing's new diplomatic policy is the Shanghai Cooperation Organization.

Initially, the Shanghai Cooperation Organization was founded as Shanghai Five grouping in 1996. The first members<sup>60</sup> stated that the main purpose of the organization was to improve the military trust of those countries in bordering regions. Later it became clear that the organization was established by Beijing's effective initiative and involvement to develop close political and economic partnerships among member states, so that members would support each other and defend their collective interest and security in the international political and economic order. Later, the organization expanded with the membership of Uzbekistan in 2001 and transformed into the Shanghai Six. It was reorganized as the Shanghai Cooperation Organization in 2005 to develop a much higher level of cooperation among member countries.

---

<sup>59</sup> Stephen D. Krasner, *Defending the National Interest: Raw Materials Investment and U.S. Foreign Policy* (Princeton: Princeton University Press, 1978), 58-61.

<sup>60</sup>Shanghai Five grouping was established by the heads of states of Kazakhstan, the People's Republic of China, Kyrgyzstan, Russia, and Tajikistan.

After the expansion with six members, the Shanghai Cooperation Organization has become an important topic in the world order for its sphere of influence and size. The organization covers 60% of Euroasian land mass and a quarter of the world's population. Most importantly, the organization includes two giant powers; China, and Russia, and central Asian countries who are rich in energy reserves, and natural resources. Thus, other Asian countries began to become interested in the organization.

Mongolia's position (hereinafter Ulaanbaatar) on the organization presents that Ulaanbaatar considers the organization as an important international subject to which Mongolia should pay attention. We think that there are three reasons for Mongolia to be interested in the Shanghai Cooperation Organization. Firstly, Ulaanbaatar has been carrying out strategy to maintain good neighbor's relationships with its giant neighbors Russia and China, since 1990. Ulaanbaatar has been running "preventive diplomacy" to avoid any conflicts with its neighbors. Secondly, Ulaanbaatar has to have good relations with its neighbors as Mongolia connects to world markets through its neighbors' territories. Thirdly, if Shanghai Cooperation Organization expands, and its influence becomes stronger, it is obvious that its policies would affect Mongolian diplomacy and economy as Mongolia is located in central Asia which is the home region of the organization. I think that these three reasons could have motivated Ulaanbaatar to apply for observer status in the organization. Ulaanbaatar obtained observer status in 2005 during the fifth summit of the organization. Mongolia was the first country with observer status in the organization. Currently Afghanistan, India, Iran, and Pakistan have obtained observer status as well.

The another outcome of Beijing's new grand strategy is effective economic cooperation and soft power diplomacy which

target the “Third World”. It is obvious that such policies relate to Beijing’s ambition to ensure its future markets, energy supplies, and imports of raw materials’ import. Some scholars believe that the new grand strategy reflects Mao’s vision considering that the “Third World would help with China’s aspirations to become a global superpower by validating the Middle Kingdom’s economic development model” (Currier, Carrie Liu and Manochehr Dorraj 2011, 32)<sup>61</sup>.

## 2. New Policy on the Developing World and Internationalization of Mongolia’s Mineral Resources

We argue that the Beijing’s economic policy mentioned above and soft power diplomacy generated Mongolia’s energy and mineral resources’ internationalization. Today, Mongolia’s largest export partner is China (89% of total exports). China is the largest investor country in Mongolia. It makes up 50.99% of foreign investment<sup>62</sup> and 49.52% of foreign invested companies in Mongolia are Chinese companies<sup>63</sup>. Within the last two decades, China has become the largest importer of Mongolian mineral resources. According to the report of the Mongolian Ministry of Mineral Resources and Energy, mineral resources’ sector exports reached 84.6% of total national exports<sup>64</sup>. Almost 100% of Mongolian mineral exports refer to China. Now Mongolia has become one of the key suppliers of China’s coking coal import. It was the second biggest supplier in 2010 (32% of total

---

<sup>61</sup> Carrie Liu Currier and Manochehr Dorraj 2011, pp. 32.

<sup>62</sup> U.S. Department of State, “Mongolia Investment Climate Statement,” Economic and Commercial Section of the U.S. Embassy in Ulaanbaatar, 2011, p. 79.

<sup>63</sup> Ibid., p. 84.

<sup>64</sup> Эрдэс баялаг, эрчим хүчний яам .2010. Өнөөгийн байдал, ЭБЭХЯ-ны цахим хуудас, <http://www.mm.gov.mn/branch/now/102/detail/1004120001/> (2012 он 11-р сарын 25).

Chinese coking coal import). In 2011, Mongolia overtook Australia and became China's biggest coking coal supplier. In that year, Mongolia supplied 50% of Chinese coking coal import<sup>65</sup>. Currently Chinese invested oil companies dominate Mongolian oil exploration. PetroChina Daqing Tamsag, and Dongshin compromise almost 100% of Mongolian oil exploration. PetroChina Daqing conducts 86% of oil exploration. Dongshin explores 10%. Golden Sea and other companies explore 4% percent<sup>66</sup>. These companies supply 100% of their products to China. Current conditions and trends suggest that Beijing's policy for raw materials and energy supplies has been working well in Mongolia since Beijing's new grand strategy on the "Third World" started after the collapse of the communist system in the late 1980s.

In addition to the economic data, diplomatic events and bilateral agreements between China and Mongolia show that Beijing has developed effective diplomatic policies to successfully realize its new strategy for raw materials and energy supplies in Mongolia. The policy has become more effective since 2000. In November, 2004, MOU on the cooperation of mineral resources between Mongolia and the People's Republic of China (hereinafter PRC) was established by the Ministry of Industry and Trade of Mongolia, and the Ministry of Land and Resources of PRC<sup>67</sup>. Later, the Mongolian Nuclear Energy

---

<sup>65</sup> "Chinese Coal Markets and Mongolia's Exports," South Gobi's news releases, 2011, <http://www.discovermongoliaforum.com/ppts/Mr%20Alex%20Molyneux.pdf> (August 20, 2012).

<sup>66</sup> Эрдэс баялаг, эрчим хүчний яам. 2010 он. Монгол улсын газрын тосны салбарын өнөөгийн байдал, цаашдын зорилт. Мэдээлэлийн алба, [http://www.infomine.mn/pages/research/\(2012 он 11-р сарын 25\)](http://www.infomine.mn/pages/research/(2012%20он%2011-р%20сарын%2025)).

<sup>67</sup> The Ministry of Foreign Affairs of Mongolia. 2006. *Agreement of Cooperative Project between mineral Resources and Petroleum Authority of Mongolia and China Geological Survey*, November, the Electronic Archive of Central Archive of International Relations.

Agency and the PRC National Nuclear Corporation signed MOU to cooperate in the field of radioactive minerals and nuclear energy on June 1, 2010<sup>68</sup>.

Besides MOU and agreements, high level official visits and talks began to widen in the last decade under the PRC effective initiatives. Mongolian Prime Minister Batbold Sukhbaatar paid an official visit to the PRC on June 16-17, 2011 at the invitation of the Prime Minister of the PRC. During the visit, both sides stressed infrastructure building for natural resources' exploitation as the primary direction of economic cooperation and emphasized mining, energy, and agricultural sectors' cooperation as the most significant fields. Especially, both sides agreed to deepen their cooperation on infrastructure development for energy resource exploitation by improving mutual financial coordination. At the end of the official visit, China and Mongolia made a joint declaration that the two countries will develop a close strategic partnership, especially in the field of energy and mineral resources. In the framework of the visit, the two countries signed the agreement with a 500 million US dollar loan from China to Mongolia<sup>69</sup>. After the visit, the Mongolian government and the PRC government had a government level talk on economic and technical cooperation between these two countries on August 24, 2011 in Mongolia. During the talk, Beijing decided to grant ¥40 million yuan in aid to Mongolia for the joint projects between the

---

<sup>68</sup> The Ministry of Foreign Affairs of Mongolia. 2010. *MOU between the Nuclear Energy Agency of Mongolia and China National Nuclear Corporation of the People's Republic of China on the Cooperation in Radioactive Minerals and Nuclear Energy*, 1 June 1. Electronic Archive of Central Archive of International Relations.

<sup>69</sup> Монгол улсын гадаад харилцааны яам. 2011 он. Монгол улс, Бүгд Найрамдлах Хятад Ард Улсын Хооронд Стратегийн Түншлэлийн Харилцаа Тогтоох Тухай Хамтарсан Мэдэгдэл. Гадаад харилцааны төв архив. (2012 он 1-р сарын 11).

two countries<sup>70</sup>.

Beijing's active economic and diplomatic policies for Mongolia's mineral and energy resources have interested world class multinational investors in Mongolia which is located in close proximity to the huge growing Chinese market as well as having vast reserves of high quality coking coal and copper which are required by the rapidly growing Chinese economy. Today, the world's largest mining firms have already started their big projects in Mongolia. They believe that their world class projects in Mongolia will obtain superior benefits from the huge Chinese demand for energy and mineral resources.

Rio Tinto and Canadian Turquoise Hill Resources are the largest foreign investors in Mongolia's mineral resources sector. They jointly own Oyu Tolgoi project with the Mongolian government. Oyu Tolgoi is the largest copper-gold project in the world located in the Southern Gobi region of Mongolia 80 km closer from the Mongolia-China border. The deposit has approximately 41 billion pounds of copper reserves and 21 million ounces of gold reserves<sup>71</sup>. These two companies are confident that the Oyu Tolgoi project will profit from the rapidly increasing Chinese demand which is the world's biggest market for commodities (see figure 2).

---

<sup>70</sup> Монгол улсын гадаад харилцааны яам .2011 он. Эдийн засаг, Техникийн Хамтын Ажиллагааны Тухай Монгол Улсын Засгийн Газар, Бүгд Найрамдах Хятад Ард Улсын Засгийн Газар Хоорондын Хэлэлцээр. Гадаад харилцааны төв архив (2012 он 1-р сарын 11).

<sup>71</sup> "Oyu Tolgoi (copper-gold), Mongolia," Turquoise Hill Resources's official website, [http://www.turquoisehill.com/s/oyu\\_tolgoi.asp?ReportID=379189](http://www.turquoisehill.com/s/oyu_tolgoi.asp?ReportID=379189) (January 11. 2012).

Figure 2: Oyu Tolgoi's proximity to China market and infrastructure



Source: Turquoise Hill, 2012

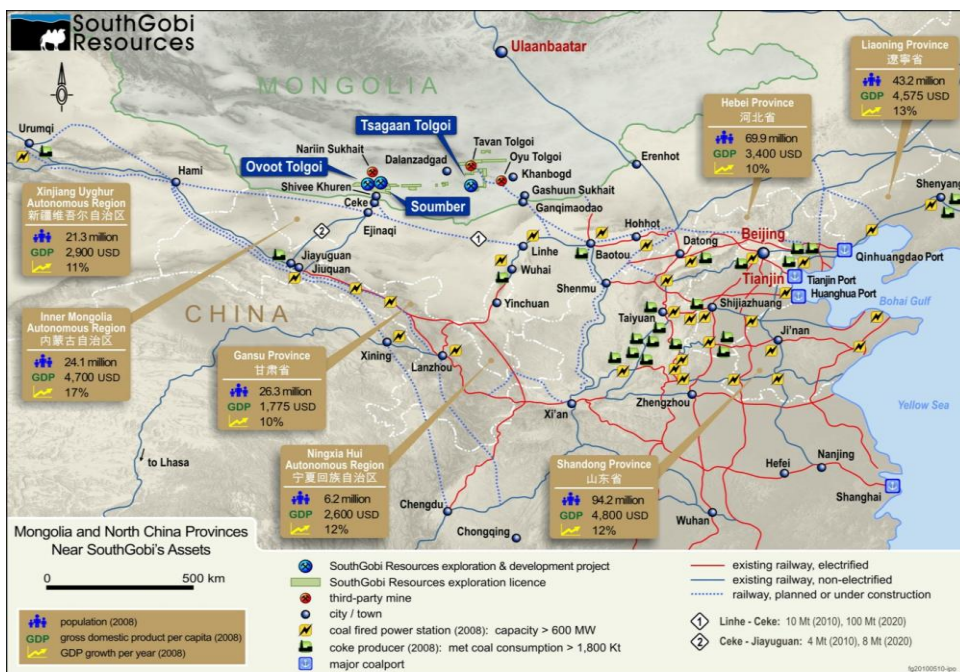
[http://www.turquoisehill.com/s/oyu\\_tolgoi.asp?ReportID=379189](http://www.turquoisehill.com/s/oyu_tolgoi.asp?ReportID=379189)

Turquoise Hill Resources also owns 58% of SouthGobi Resources located in the South Gobi region of Mongolia. SouthGobi Resources focuses on the exploration of coking and thermal coal. The company considers China, the world's biggest consumer of coal as its main consumer. According to the analysis of the company, "China's economy is growing at approximately 10% annually and Chinese demand for "coking coals" also has risen substantially with imports likely to exceed 30 million tonnes this year as domestic supplies can't keep pace demand from steel mills"<sup>72</sup>. SouthGobi Resources also expects that it will greatly benefit from Beijing's infrastructure investments to access Mongolian coal. For example, recently, China built a new railway line to the Geke border point which is located at the Mongolia-China border. The railway line was also connected to

<sup>72</sup> "Strategically Located-Closest Coal to China," SouthGobi Resources, 2012, <http://www.southgobi.com/s/OvootTolgoi.asp> (January 11, 2012).

the industrial city of Linhe, PRC<sup>73</sup> (see figure 3). These facts present that Beijing’s new grand strategy on developing countries generated Mongolia mineral resources’ or energy internationalization by attracting the world’s biggest mining multinational corporations to its northern neighbor and increasing its mining and infrastructure investments in and near Mongolia.

Figure 3: Mongolia’s Major Mineral Resources Deposits near the Mongolia- China’s border and China’s Infrastructure for Mongolia’s Raw Materials



Source: SouthGobi Resources, 2012

<http://www.southgobi.com/s/OvootTolgoi.asp>

In sum, both diplomatic and economic data suggest that Beijing’s grand strategy for energy and other mineral resources has been functioning as a major driving factor which accelerates Mongolia’s economic internationalization in the field of energy and

<sup>73</sup> Ibid



mineral resources.

## IV. Russian New Ambition and its Impact on Mongolia

### 1. Putin's Arrival and Moscow's Ambitious Energy Politics

Scholars think that new Russia has come out as a resurging power in the world order under the strong presidency of Vladimir Putin after the previously unknown Putin suddenly appeared in Russian politics with the support of Russian President Boris Yeltsin<sup>74</sup>. Putin won great public support while he was working as the acting president after Yeltsin's unexpected resignation. According to one view, Putin's success involves post Soviet Russian citizens' behavior in which they evaluate their president through retrospective assessment rather than a prospective position according to his performance and concrete achievements in the field of economy, society, and peace. It is associated with the severity of Russia's economic distress in the 1990s that caused them to support a strong leader according to Russian traditional political culture (Mishler and Willerton 2003, 134-135)<sup>75</sup>. One scholar wrote that today's Russia is completely different and unrecognizable compared to the Soviet Union or Russia in the 1990s and that Russia has grown wealthier

---

<sup>74</sup> Vladimir Putin was appointed as First Deputy Prime Minister and acting Prime Minister of the Government of Russian Federation consequently in 1999. President Boris Yeltsin stated that he wanted Putin to be his successor.

<sup>75</sup>William Mishler and John P. Willerton, "The Dynamics of Presidential Popularity in Post-Communist Russia: Cultural Imperative versus Neo-institutional Choice?," *the Journal of Politics* 65 no. 1 (2003): 111-141.

over the last decade and less democratic (Oliker, Olga 2009, 1)<sup>76</sup>.

As Russia has become much wealthier and much powerful in economic terms during the last decade, its traditional nationalist ambition to be a superpower has been reviving more progressively. In the 2000s, Russia realized that it had already lost its influence in Eastern Europe and Central Asia where the Soviet Union used to have strong presence and influence. In Eastern Europe, the European Union's effective policies and NATO's effective partnership dialogues with Post-Soviet states in East Europe are clear evidence how Russian soft power and reputation have waned in that region. In Central Asia, the People's Republic of China has been overtaking Russia in both economic and diplomatic terms.

As Moscow considers NATO's "eastward expansion" as a threat to Russian security, it has been strongly opposing Ukraine and Georgia's membership to NATO. In 2008, Russia criticized the plan of the Ukrainian Government to join NATO's Membership Action Plan. Even Russian President Vladimir Putin stated that "Russia may target its missiles at Ukraine if its neighbor joins NATO and accepts the deployment of the US missile defence shield"(BBC, 2008)<sup>77</sup>. Later in 2010, the "Ukrainian new governing coalition announced its intention to pass a law against joining military alliance (Pew Global Attitude Project, 2010)"<sup>78</sup>.

Recent evidence show that Russia has been greatly stressing its advantage in energy supply and infrastructure that dominantly

---

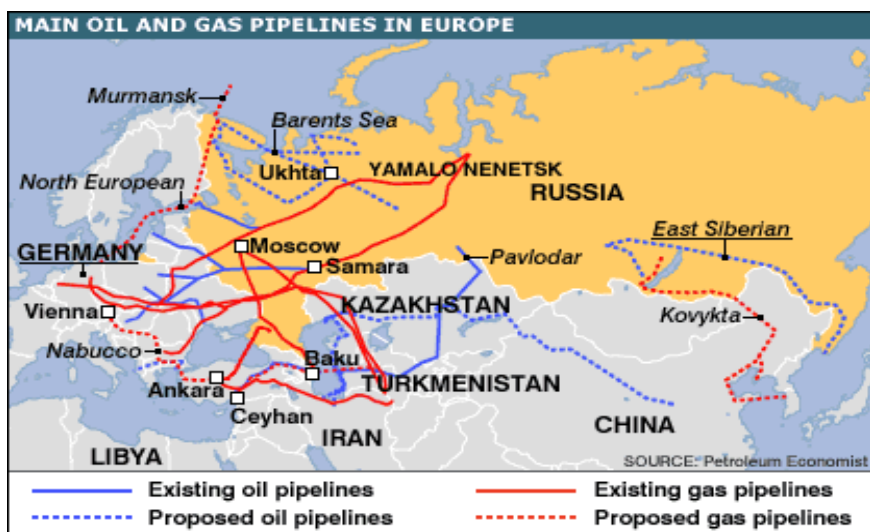
<sup>76</sup>Olga Oliker, *Russian Foreign Policy: Sources and Implications*, Rand Corporation monograph series (RAND Project Air Force, 2009) electron source: EBSCO Publishing: eBook collection-printed via Chosun university account.

<sup>77</sup>"Russia in Ukraine Missile Threat," *BBC News*, February 12, 2008, <http://news.bbc.co.uk/2/hi/europe/7241470.stm> (January 15, 2012).

<sup>78</sup>"Ukraine Says 'No' to NATO," *Pew Global Attitude Project*, March 29, 2010, <http://pewresearch.org/pubs/1542/ukrainie-president-blocks-nato-membership-russia-influence> (January 15, 2012).

controls the energy trade in Eastern Europe, the Caucasus, and Central Asia as a key opportunity to regain its status as an energy superpower in the world order as well as restoring its influence in the Soviet Union sphere. Although most Eastern European, Caucasus, and Central Asian countries are rich in their own energy resources, they are greatly overdependent on Russia's cheap energy supply, and energy infrastructure (see figure 4).

Figure 4: Russian Oil and Gas Infrastructure Dominance in Eastern Europe and the Caucasus



Source: BBC News, 2006

In the framework of its foreign policy strategy to be an energy superpower, the Russian government expanded government ownership in strategically important energy firms in order to realize its energy-related foreign policy goals. For example, the Russian government owns 50.1% of Gazprom, the largest natural gas company in the world, and 75% of Rosneft, the leading Russian oil extraction and Refinery Company. As Russia began to enact ambitious foreign energy policies, Eastern European countries have often conflicted with Russian power politics or energy pressures in

association with energy trade-related disputes between those countries and Russia.

For instance, during Russia and Belarus's talk on gas problems in 2006, Moscow expressed its interest to buy Beltransgas for \$4 billion U.S dollars, but Minsk claimed that the business was valued at four times Moscow's offer. Gazprom said "this will decrease to \$200 early next year unless Belarus's cedes control of its distribution network, including a valuable transit pipeline which supplies gas to Poland and Germany."<sup>79</sup> Moscow also made similar pressures on Moldova in September, 2012. Moscow warned Moldova to choose Russian cheap gas or its promise to adopt European energy liberalization measures (EurActive, 2012)<sup>80</sup>.

Although the Baltic states of Lithuania, Latvia, and Estonia have already joined NATO and the EU and have already begun to pay world level prices for the Russian energy supply, they still have faced Russian energy pressure in association with the goals of Russian companies to expand their dominant energy control over the Baltic region. For instance, in Lithuania, Mažeikių Nafta problem occurred after Poland's PKN Orlen bought Mažeikių Nafta beating at other potential buyers from Russia, Kazakhstan, and Poland in 2006. After the sale result, the Vice President of the Russian government owned Transneft made a statement saying that he supposed that PKN should have met with Russian producers about crude supply, but that they had never done so (Baran 2006)<sup>81</sup>. Also Moscow's chief staff Modest

---

<sup>79</sup> "Russian gas demands irk Belarus," *BBC News*, December 18, 2006, <http://news.bbc.co.uk/2/hi/business/6189379.stm> (January 15, 2012).

<sup>80</sup> "Russia to Moldova: Choose cheap gas or EU integration," *EurActiv*, September 13, 2012, <http://www.euractiv.com/europes-east/russia-moldova-chose-cheap-gas-e-news-514769> (October 15, 2012).

<sup>81</sup> Zeyno Baran, *Lithuanian Energy Security: Challenges and Choices* (Hudson Institute, Center of Strategic Studies 2006) <http://www.hudson.org/files/publications/LithuanianEnergySecurityDecember06.pdf> (January 15, 2012).

Kolerov said that Moscow was dissatisfied with the new owner of Mažeikių Nafta (Baran, 2006)<sup>82</sup>. Even now, Polish PKN Orlen hasn't started their production in Mažeikių Nafta, because Russian Transneft Company stopped its supply in association with technical problems, and often says that they can't repair the old pipeline.

Latvia faced similar Transneft pressure in 2003. Russia stated that Latvia should sell the oil facility at Port Ventspils to Russia. Moscow then cut off its oil supply to Latvia. Transneft's Sergei Grigorev said "Oil can flow only from Russia. You can of course sell the port to Westerners. But what are they going to do with it? Turn it into a beach?"(Radio Free Europe/Radio Liberty, Interfax 2003).<sup>83</sup> Transneft employee's statement shows that Russian oil cut off Latvia is another good example of energy exploitation as a bargaining power.

In 2006, Gazprom also announced that it could continue to supply its low priced gas to Armenia only when Armenia sold a 24 mile section of pipe which connects Armenia to Iran. The 24 mile pipeline is economically not beneficial and useful for giant Gazprom who dominates in Eurasian natural gas trade infrastructure. This looks like a Gazprom policy to hold strategically important pipelines in Eurasia (The New York Times, 2006)<sup>84</sup>.

The Central Asian countries of Kazakhstan, Uzbekistan, and Turkmenistan are rich for natural gas and oil resources. They are potential producers and exporters. However, they lack pipeline infrastructure and depend on the Russian railway to export oil. Their

---

<sup>82</sup> Ibid., p. 15.

<sup>83</sup> "Russia: Moscow Takes over of Latvian Oil Port," Radio Free Europe/Radio Liberty, February 12, 2003, <http://www.rferl.org/content/article/1102205.html> (January 15, 2012).

<sup>84</sup> "Resolving a Supply Dispute, Armenia to buy Russian Gas," the New York Times, April 07, 2006, [http://www.nytimes.com/2006/04/07/business/worldbusiness/07gas.html?\\_r=0](http://www.nytimes.com/2006/04/07/business/worldbusiness/07gas.html?_r=0) (October 15, 2012).

infrastructure weakness has made them cooperate with Russia. Thus, Russia still has a great advantage to make efficient deals with those countries to buy natural gas at quiet cheap prices and re-export it to the huge European market at higher price.

Positive new events for central Asian energy export have occurred in recent years. They are events that have greatly reduced dependency on Russian infrastructure for energy export such as the full completion of the construction of the Kazakhstan-China oil pipeline in July 2009. The launch ceremony of new gas pipeline from Turkmenistan to China was also held in December, 2009<sup>85</sup>. Uzbekistan and China signed an agreement to build the third stage of the China-Turkmenstan gas pipeline project in April, 2011<sup>86</sup> and Uzbekistan began to supply gas to China in August 2012<sup>87</sup>. These are great historical events for central Asian countries to diversify their export routes and infrastructure.

Recent data show that Moscow has run effective diplomatic and economic policies to diversify its energy exports towards the Asia Pacific region while it runs effective diplomatic and investment policies to maintain its energy dominance in Eastern Europe, the Caucasus, and Central Asia.

---

<sup>85</sup> Kevin Rosner, "China Scores Again in Energy: Russia & Central Asia," *Journal of Energy Security*, January 12, 2010 [http://www.ensec.org/index.php?option=com\\_content&view=article&id=230:china-scores-again-in-energy-russia-aamp-central-asia&catid=102:issuecontent&Itemid=355](http://www.ensec.org/index.php?option=com_content&view=article&id=230:china-scores-again-in-energy-russia-aamp-central-asia&catid=102:issuecontent&Itemid=355) (October 15, 2012).

<sup>86</sup> "Uzbekistan and China sign agreement for pipeline construction," *Pipelines International*, April 27, 2011 [http://pipelinesinternational.com/news/uzbekistan\\_and\\_china\\_to\\_commence\\_pipeline\\_construction/056420/](http://pipelinesinternational.com/news/uzbekistan_and_china_to_commence_pipeline_construction/056420/) (October 15, 2012).

<sup>87</sup> "Uzbekistan begins supplying gas to China through pipeline," *Platts*, September 13, 2012, <http://www.platts.com/RSSFeedDetailedNews/RSSFeed/NaturalGas/7062155> (October 15, 2012).

## 2. Russia's Eye over the Asian-Pacific Market: Mongolian Challenge and Opportunity

Recent evidences show that Russia has run effective policies to diversify its energy trade with the Asia Pacific Region and become an energy hub of that region to further its goals to be an energy superpower. In connection with Moscow's interest in Asia-Pacific, Moscow has run very effective diplomacy towards Mongolia to further its goal on Mongolian energy resources.

As Russia has a strong ambition to keep its dominance in the world nuclear energy market within the framework of its priority to be a world energy superpower, Moscow is greatly interested to increase its involvement in Mongolia's uranium sector. Moscow's interest in Mongolian uranium is related to the Russian goal of securing a uranium ore supply in order to increase uranium fuel production thereby maintaining its dominant status in the world market.

Today, Russia is the largest and most important player in commercial nuclear business due to its high capacity to refine uranium ore into fuel. Russian refining capacity is four to five times greater than the United States of America. It refines almost half of the world's uranium fuel<sup>88</sup>(the Asia Times 2011). Even the United States is itself dependent on Russia for nuclear fuel. Now "approximately half of the fuel in U.S. nuclear power plants comes from ex-Soviet warheads"<sup>89</sup>. However, the weak point of the Russian nuclear energy industry is that Russia doesn't have a lot of domestic uranium ore. Russian uranium mining venture ARMZ accounts for 7%

---

<sup>88</sup> "Mongolian core to Russia's nuclear bid," *the Asia Times*, October 29, 2011, <http://www.atimes.com/atimes/China/MJ29Ad02.html> (October 15, 2012).

<sup>89</sup> "Global Uranium Supply and Demand," *Council on Foreign Relations*, January 14, 2010, <http://www.cfr.org/energy/global-uranium-supply-demand/p14705> (October 15, 2012).

percent of the world's uranium production<sup>90</sup>. On one hand, it is not enough for Russia which produces half of the world's uranium nuclear energy fuel. On the other hand, the current world uranium industry sometimes fails to supply world demand. For instance, the uranium industry supplied half of the global demand in 2000 in association with no significant uranium discoveries in a decade according to the Brinkley mining report<sup>91</sup>. These conditions motivate Moscow to find a reliable uranium supplier for cheap uranium ore. In connection with this challenge, Moscow became interested in increasing its involvement in Mongolian uranium reserves which rank among the top ten in the world at about 80. 000 tons of uranium reserves and were used to supply uranium ore to the Soviet Union.

Russian ambition for becoming a world energy superpower has affected Mongolia in both negative and positive ways during the last decade. Firstly, Moscow energy pressure has been more aggressive toward Mongolia (hereinafter Ulaanbaatar) on the basis of Russian dominance in petroleum fuel. Secondly, Russian investment, aids, and cooperation recommendations have greatly increased in comparison with the first decade after the 1990 Mongolian democratic revolution. Most importantly, Russian investments and offers have induced Mongolian energy trade internationalization, and have been creating a good environment for Mongolia to participate in North East Asian energy trade integration.

Mongolia is rich in coal and uranium energy resources, but Mongolia is fully dependent on Russian petroleum fuel supplies as it has no refinery to process its limited domestic crude oil and there is no alternative fuel supplier due to infrastructure deficiency and Mongolia's geographical location; sandwiched between two giant

---

<sup>90</sup> *The Asia Times*, 2011.

<sup>91</sup> *Council on Foreign Relations*, 2010.



neighbors Russia and China. Mongolia's domestic crude oil resource are enough to greatly reduce Mongolian overdependence on Russian fuel but Mongolia currently has no other choice than to export all domestically explored crude oil to China, because Mongolia has no refinery.

Historically, fuel overdependence on Russia began to form during the socialist period. During that time, Mongolian industrialization and agricultural development greatly depended on the Soviet Union and the Council of Mutual Economic Assistance (Comecon). Most especially, the Soviet Union's economic and technical assistance played the most significant role in Mongolian industrialization and agricultural development. According to the data of the National Statistical Office of Mongolia (2011)<sup>92</sup>, during the socialist period Mongolia had foreign trade with 25 countries and 98.7% of foreign trade referred to socialist countries. The Soviet Union used to supply 80.2% of Mongolian total import between 1955 and 1990 and exports to the Soviet Union was 75.5% of total exports between 1955 and 1990. These data suggest that Mongolian industrialization and industry used to rely on the equipment and technology of the Soviet Union.

Mongolian and Russian geologists discovered an oilfield in Zuunbayan. Mongolneft trust was opened in 1947 and the first Mongolian refinery began to produce oil products in 1950. However, the refinery closed its doors because of fire. After that, Mongolia attempted to develop oil exploration and refining industry several times, but Mongolia failed to get the economic and technical support from the Soviet Union. The Soviet Union experts used to say that economically, it would be useful to import cheap fuel from the Soviet

---

<sup>92</sup> Монгол улсын үндэсний статистикийн хороо. *Гадаад худалдааны барааны статистикийн эмхтгэл*. Улаанбаатар. 2011 он.

Union, as a huge oil field was discovered in Siberia rather than running geological expedition, to discover oil field in Mongolia where there was low possibility to find oil<sup>93</sup>. Even Moscow neglected to help Mongolia build a refinery. Due to that Soviet Union's refusal and its experts' advice, today, although Mongolia has some domestic oil resources to diversify its petroleum fuel, it is almost 100% dependent on Russia for petroleum fuel in association with the lack of a refinery.

Since the last decade Mongolia began to encounter Moscow's energy pressure like Eastern European and Caucasus countries, as Russia has intensified its energy policy towards its neighbors in connection with its ambition to be a world energy superpower. On January 30, 2008, Rosneft, an integrated oil company majority owned by the Russian government, recommended the Mongolian government to accept Moscow's request to supply petroleum at a lower price if the Mongolian government allows the company to build 100 gasoline stations in Ulaanbaatar, Darkhan, and along the Mongolian Millennium Road<sup>94</sup>. Rosneft brought up its offer again in May, 2008 when they introduced their price offer to Mongolia and stated that the company can't supply petroleum fuel at a lower price if Mongolia doesn't accept the previous request. Rosneft warned the Mongolian government to reply by May 04, 2008. At that time, Mongolia had only 20 days of reserve fuel.<sup>95</sup>

Rosneft's offer was too aggressive and could have been realized only if the Mongolian parliament had approved the Rosneft option. Parliament, especially Democratic Party members strongly

---

<sup>93</sup> "Own Oil Refinery Only Way Out of Russian Pressure," *the Mongolian Mining Journal*, September 12, 2011, [www.en.mongolianminingjournal.com](http://www.en.mongolianminingjournal.com) (2012.08.01).

<sup>94</sup> Нийгмийн толь. 2008.05.03. "ОХУ-с хараат байхыг хүсдэг хүмүүс засгийн газарт байна", <http://news.gogo.mn/r/2593> (2012.08.01).

<sup>95</sup> Ibid.

opposed the suggestion of S. Bayar, Prime Minister of Mongolia, to accept the proposal of Rosneft and amend the Mongolian law on oil products<sup>96</sup>. Fortunately, the State Great Khural denied discussing the proposal of the Prime Minister as the Prime Minister didn't follow the Mongolian parliamentary legal procedure to introduce a new law project at least seven days before the parliamentary discussion. They criticized both the Speaker of Great Khural and the Prime Minister for violating parliament procedure laws. Parliament members denied discussing the proposal as they had no data or survey to analyze.

Another Rosneft related another scandal erupted in July in Mongolia after Mineral Resources and Power minister had discussions on fuel supply on June 02, 2011 in Russia. Mongolian media claimed that Mongolia's Mineral Resources and Power Minister D. Zorig received a pressure letter from Rosneft. After the Minister explained the letter content at a government meeting, the Minister explained to journalists that I received a letter from Rosneft, but it was not a pressure letter. He stated that Rosneft just expressed their proposal to build gasoline stations and wholesale trade bases in Mongolia and that was a typical event which often occurred in the relations between these two countries. He also noted that it was a Mongolian domestic affair to decide whether to accept the Russian side's request<sup>97</sup>.

---

<sup>96</sup> "Statement by S. Bayar, Prime Minister of Mongolia at the Parliament Session," *Business-Mongolia*, May 06, 2008, <http://www.business-mongolia.com/mongolia/2008/05/06/statement-by-sbayar-prime-minister-of-mongolia-at-the-parliament-session/> (2012.08.20).

<sup>97</sup> Монгол улсын засгийн газар. ХМА. 2011. "Засгийн газрын хуралдаан: "РОСНЕФТЬ"-с Эрдэс баялаг, эрчим хүчний сайдад захидал ирүүлсэн нь үнэн. [http://news.gogo.mn/r/89724?utm\\_source=twitterfeed&utm\\_medium=twitter](http://news.gogo.mn/r/89724?utm_source=twitterfeed&utm_medium=twitter) (2012 он 11-р сарын 25).

Some news sources explained the letter scandal in connection with Moscow energy ambition, because 40% rise of Russian duties on fuel export in May, 2011 led to fuel shortages in Mongolia and the price doubled overnight. Therefore, "many observers suspected that Moscow was playing a game on the basis of its energy advantage, and Russian pressure may be related to Tavan Tolgoi, the largest coking coal deposit"<sup>98</sup>. "Luvsandendev Sumati, political analyst and director of Sant Maral Foundation, a polling agency said that Russia has a very clear geopolitical strategy here. They are not hiding their interest in local energy resources and they will do whatever they can to uphold their stronghold here" (cited from EurasiaNet.org, 2011)<sup>99</sup>.

Besides energy pressure and tariff problems, there have been many positive influences of Moscow's new ambition on Mongolia's energy sector since the last decade. As Moscow has expanded its soft power and persuasive diplomacy as well as used energy advantage pressure for realizing its energy superpower ambition, Mongolia began to enjoy the benefits of the soft power policy. There are two types of benefit. Firstly, Mongolian-Russian relations reactivated after political and economic relations between these two countries almost stopped for one decade after the collapse of the Soviet Union. Secondly, Moscow's policies and investments for its Asia Pacific energy project have had a positive influence on Mongolian energy internationalization.

Mongolian statistical data suggests that Mongolian trade with Russia declined and reached extremely low levels in the 1990s after the collapse of the Soviet Union. During the socialist period, the Soviet Union used to make up 80% of Mongolian international

---

<sup>98</sup> "Mongolia: Ulaanbaatar Subjected to Moscow's Energy Army Twisting," *EURASIANET.org*, July 22, 2011, <http://www.eurasianet.org/node/63933> (January 20, 2012)

<sup>99</sup> *Ibid.*

trade<sup>100</sup>. According to the 2011 pamphlet of Goods Statistics of Foreign Trade<sup>101</sup>, Mongolia's exports to the Soviet Union were 77.0% to 78.6% between 1985 and 1990, but the export volume declined to 14.6% between 1991 and 1995. These facts show that Mongolian-Russian relations and cooperation weakened greatly in the 1990s.

However, due to Moscow's extraordinarily growing ambition concerning regional energy politics, Mongolian-Russian relations have revived at a rapid pace since the last decade. Russian President Vladimir Putin paid a historical state visit to Mongolia in 2000. He was the first Russian President to visit Mongolia since Leonid Brezhnev's visit in 1974. Russian President Dmitry Medvedev also visited Mongolia in 2009. Two close visits by Russian Presidents to their small neighbor within a decade is obvious evidence that Moscow has a strong interest in rebuilding its strong relations with Mongolia. Many visible positive outcomes have occurred due to Moscow's policy to reverse the decline of relations with Mongolia.

The most remarkable outcome is that the Russian government wrote off 98% percent of Mongolia's state debt (about \$11 billion<sup>102</sup>) on December 31, 2003. Six Mongolian governments had attempted to solve the state debt problem in the 14 years from 1990 to 2003, but they had failed. The failure might have been because there was no interest from Moscow to consolidate its relations with Ulaanbaatar in the 1990s.

---

<sup>100</sup> Д. Дашпүрэв, Д. Маргад-Эрдэнэ. Ардчилал, зах зээлийн нөхцөл дахь монгол улсын гадаад харилцаа, хамтын ажиллагаа. Олон улс судлалын дээд сургууль. Бэмби Сан хэвлэлийн газар. Улаанбаатар. 2006 он.

<sup>101</sup> Монгол улсын үндэсний статистикийн хороо, 2011 он, хуудас-16-21.

<sup>102</sup> "Russia writes off \$20 billion for African companies," *the Pravda*, October 12, 2012, [http://english.pravda.ru/russia/economics/19-10-2012/122511-russia\\_africa-0/n](http://english.pravda.ru/russia/economics/19-10-2012/122511-russia_africa-0/n) (November 15, 2012).

The last decade of political events show that Moscow's new policy has had a positive influence on the balance of Mongolian-Russian relations. For instance, the Mongolian President Tsakhiagyn Elbegdorj visited the Russian Federation at the invitation of Russian President from May 30 to June 03, 2011. The state visit suggested that a new trend had appeared in the relations between these two countries<sup>103</sup>. A personal meeting between the two Presidents exceeded the scheduled time. During the meeting, both presidents called on related ministers one by one and the ministers provided detailed explanations on related issues. This obviously shows that the two sides gave extraordinary significance to improving their understanding and trust on the close partnership in both political and economic relations. Also Russian President Dmitry Medvedev's answer to the question of the Bloomberg agency on the cooperation of railway and mineral resources<sup>104</sup> suggested that Moscow has selected softer power diplomacy to rebuild a close and strong relationship with Mongolia in the field of energy. "The Russian President said that we had a fundamental agreement on railway which was established in 1949, but there is no everlasting agreement. The agreement should be changed. We agreed with the Mongolian partners to increase the property of Ulaanbaatar railway. We also discussed to change the structure of railway share completely. The railway issue will continue. While we were discussing the joint railway issue, we also expressed Russian proposals on other possible joint projects including Tavan Tolgoi deposit and uranium exploration in Mongolian Dornod region."

---

<sup>103</sup> Б. Долзодмаа. 2011 он. Монгол, Оросын харилцааны шинэ үе. Өдрийн сонин, 6-р сарын 6. <http://www.dnn.mn/publish/?vpage=13&vt=item&user=5ryv59g8i197> (2012 он 11-р сарын 30).

<sup>104</sup>Б. Долзодмаа, 2011 он.

The statement of the Russian President could be interpreted that Moscow would change the railway agreement and allow Mongolia to hold 51 percent of the Mongolian-Russian joint railway line if Mongolia allows Russia to join Tavan Tolgoi project which is the largest coking and thermal coal deposit, and implement joint uranium exploration in Dornod region. In brief, the statement shows that Moscow has a plan to expand its standing in Mongolia's energy sector by exploiting its current advantages on railway infrastructure and petroleum fuel supply, so that Moscow would benefit from Mongolia's energy internationalization by mobilizing some part of Mongolia's energy trade flow into Russia and through its Asia Pacific ports.

The Mongolian President Tsakhiagyn Elbegdorj's address at the Russian-Mongolian Business Forum also presented that Moscow needs to change its approach on Mongolian-Russian relations<sup>105</sup>. The Mongolian President said that "Russia and China are world great powers. You do business. We would like to have business with our north neighbor; there could be a big interest to do business with a great power. Mongolia is small. 1 million tons of oil products are enough for our one-year demand. Agricultural, mining, and other work often stops because we can't take 50% of the demand. Normally, oil fuel supply should be sustainable. There could be dispute in business. If we fail in one business, we have to succeed in another business. We can't move to another location. We make new friends and partners, but there is a saying that one old friend is better than two new friends. The old friend is Russia. Our previous generations built Erdenet<sup>106</sup>. There are many new opportunities for

---

<sup>105</sup> Монгол улсын ерөнхийлөгчийн тамгын газар. Ерөнхийлөгч Ц.Элбэгдорж:Бид хүнд үедээ нэг л сонголт хийдэг, энэ бол хойд хөрш. 2011 он. <http://www.president.mn/mongolian/node/1796> (2012.01.20).

<sup>106</sup> Erdenet is the second largest city in Mongolia which was established due to the foundation of Mongolian-Russian joint copper venture Erdenet

us. We should use them. Our priority is to develop the trade relations between Russia and Mongolia. I would like to invite you to visit Mongolia.”

Articles in the Russian media also showed that Moscow pressure policy is not effective on Mongolia, as Mongolia has other options for international trade due to its mining internationalization in connection with Beijing’s policy on central Asian energy internationalization. According to one article of *the Kommersant*, a famous Russian newspaper in reference to the talk between Russian President Dimitry Medvedev and his Mongolian counterpart Tsakhiagyn Elbegdorj, presented that Ulaanbaatar always listens to Moscow’s offer carefully, but decides in its own fashion.<sup>107</sup> During the talk, Moscow stated that it is ready to make a \$1.5 billion dollar investment in Mongolian infrastructure, but Ulaanbaatar ignored the investment offer and didn’t offer any guarantee that it would allow Russian companies to participate in Tavan-Tolgoi coking and thermal deposit project. This fact shows that in political term, Ulaanbaatar benefits from Moscow and Beijing’s ambitions and competition for regional energy internationalization, so that it can negotiate with its giant northern neighbor in more balanced position.

In economic terms, Moscow’s new strategy for the Asia Pacific Energy project began to provide Ulaanbaatar with good opportunities to diversify its energy export since the last decade. Today, it has become obvious that Mongolia will exploit its uranium deposit in Dornod region in cooperation with Russia. Now, Russian ARMZ, one of the top five uranium mining companies in the world, owns 21 percent

---

to exploit the largest deposit of copper ore in Asia. The venture is the fourth largest mine in the world and accounts for a majority of Mongolia’s hard currency income.

<sup>107</sup> Александр Габуев, <<Монголия ищет объездные рельсы>>, *Коммерсантъ*, 01.06.2011. №97 (4638).

<http://www.kommersant.ru/doc/1651283> (2012.12.25).



of Central Asian Uranium Co.Ltd (CAUC) which develops Dornod Uranium Deposit in Mongolia.<sup>108</sup> This shows that Mongolia began to join the world nuclear energy market through the Russian market which is the largest and dominant supplier in the world.

Ulaanbaatar's recent position on railway lines presents that Moscow's strategy for energy infrastructure for its Asia Pacific Energy Project has affected Ulaanbaatar's view towards energy trade. The State Great Khural of Mongolia (Mongolian Parliament) passed N. 32 resolution regarding the state's policy on railways in 2010. In the framework of the policy, "Mongolia's Railway's" SOSC was established in 2011 and received a license to build a new Mongolian railway line (1100 km) which would connect Mongolia's new industrial region and world class mineral resources' deposits including coking coal, uranium, and copper deposits to both China and Russia's ports. On the one hand, this project suggests that Ulaanbaatar also has interest to diversify its energy internationalization by connecting its new line to the Russian rail system which reaches both the Russian market and Russia's Asia Pacific energy ports like Nakhodka. On the other hand, Moscow's energy diversification policy and investments, which target its infrastructure for energy industry expansion in Siberia and ports for future energy export markets in Asia Pacific region, has affected Ulaanbaatar in a positive way. Mongolia has had opportunity to build a new railway line which would connect Mongolia to the Asia Pacific market through the Russian railway infrastructure through an alternative way. In brief, Moscow's new energy ambition has been accelerating Mongolia's energy internationalization since the end of the last decade.

---

<sup>108</sup>ARMZ, "Brochure of ARMZ Uranium Holding Co., Ltd., 2011, [http://www.armz.ru/media/File/facts/2011/booklet/BookletARMZ\\_2011%20Eng.pdf](http://www.armz.ru/media/File/facts/2011/booklet/BookletARMZ_2011%20Eng.pdf) (January 20, 2012).

In sum, it can be concluded that Moscow's pressure on Ulaanbaatar has increased in the last decade in connection with Moscow's energy superpower ambition, but opportunities are greater than the Moscow pressure. The data and facts mentioned in this section present that Ulaanbaatar has some advantages to resist Moscow pressure. Firstly, Mongolia has already explored its own crude oil due to its active attempts to discover oil deposits in its territory. According to Ulaanbaatar's plan, Mongolia will have opened a Mongolian-Japanese joint refinery by 2015 which "would be sufficient to supply Mongolia's entire demand of gasoline, diesel, and jet fuel"<sup>109</sup>. Secondly, Mongolia's energy internationalization has already started due to Beijing's grand strategy for energy supply. The world's multinational mining corporations dominate in Mongolia's energy sector rather than Russian companies. Mongolia benefits from investments of Australian, Canadian, American, and Chinese multinational corporations. Now, Mongolia doesn't depend on Russian investment and economic aid which existed during the Soviet period. Thirdly, Mongolia doesn't depend on Russian infrastructure in comparison with central Asian and Caucasus countries, to export its energy products to the world market. These advantages of Ulaanbaatar show that Moscow's pressure based on petroleum fuel can not last for a long time.

The most important finding of this section is that Moscow's energy ambition has provided Ulaanbaatar with opportunities to realize its foreign policy ambitions. Firstly, Moscow's investments and

---

<sup>109</sup> "Construction on First Mongolian Oil Refinery Postponed to 2015," *the Mongolia-Briefing*, July 23, 2012, <http://mongolia-briefing.com/news/2012/07/construction-on-first-mongolian-oil-refinery-postponed-to-2015.html> (August 20, 2012).

policies in Siberia for the Asia Pacific market have made it possible for Ulaanbaatar reach the North East Asian market by connecting its new railroad project to the Russian railroad. Secondly, Ulaanbaatar has obtained a chance to develop the uranium exploration industry in cooperation with Russia. This also creates the possibility for Ulaanbaatar to develop a nuclear energy sector as well as joining the world nuclear energy market through the Russian nuclear industry.

The influence of Moscow's policies on Mongolian energy internationalization has started late in comparison with Beijing's influence, but recent data and events indicate that Moscow energy ambition is generally expected to affect Mongolian energy internationalization to an extraordinary degree in the near future. Currently, Moscow's energy business steps towards North East Asia have already enabled Ulaanbaatar to diversify its routes for exporting energy and mineral resources as well as developing good balanced trade relations between the two giant neighbors. We think that international trade with multiple partners and markets can create sustainable and long term energy and mineral resources internationalization in Mongolia. According to this point, we argue that Moscow's energy superpower ambition has been affecting Ulaanbaatar's energy and mineral resources' goal positively, and accelerating Mongolian energy internationalization to a much stronger degree.

## Chapter II

# Historical Lessons and Mongolian Public Belief in Democracy

In the previous chapter, we focused on demonstrating which one among international contexts, and domestic contexts, has prompted energy and mineral resources' internationalization in Mongolia. Our finding presents that regional powers' new grand strategies on Mongolian energy and mineral resources have generated energy and mineral resources' internationalization in Mongolia. Thus, this chapter aims to assess how the mineral resources' foreign trade expansion that is generated by regional powers has affected Mongolian public opinion on state behavior and democracy over the last decade.

Energy and mineral resources' internationalization has produced vast economic and political opportunities for Mongolian society in the last decade. As a result, the mineral resources' sector has become the most important and hottest business in Mongolia. Now the influences of mineral resources' internationalization are not limited to the economic interests of national capitalists and foreign investors who have started their big business projects in that field and have made vast investments. It has appeared as a nationwide big business which has been influencing the political interests of major domestic social and economic actors including state, political parties, capitalists, civil society, and citizens. However, in this chapter, my analysis focuses mainly on investigating whether public opinion on political regime and government behavior has changed in association with the political and economic impacts of foreign trade expansion in the field of mineral resources.

The previous chapter demonstrates that extraordinary foreign trade expansion has erupted in Mongolia because of China and Russia's strategy on energy raw material and mineral resources' supply and the internationalization has created a completely new context that has been changing the dull nature of Mongolian domestic politics. IRI and Asian barometer public opinion surveys show that due to the change in the context of domestic politics, the political voice of the public and civil society on the performance of government and central decision makers has significantly increased and produced new societal demand requiring strong state behavior and democracy consolidation at the ruling level that would provide society with the political foundation to take full advantage of internationalization. Therefore, the new dynamic context of domestic politics that has been generated by mineral resources' internationalization is the explanatory variable of this chapter and the new societal demand or public opinion change on a strong state is the dependent variable in this chapter.

The foreign trade expansion of mineral resources, especially coking coal, uranium, and copper has become the most important subject for Mongolian government interests and attention in the last decade. Recent Mongolian government policies and projects have shown that the Mongolian government has been attempting to guide energy and mineral resources' internationalization in its own fashion, so that society can enjoy the internationalization of mineral resources, Mongolia's overdependence on its two powerful neighbors would reduce, and "third neighbor" diplomacy would be realized. Mongolian government talks with its two powerful neighbors, international partners, private actors, and multinational corporations suggest that Mongolian state behaviour has been moving from weak state to strong state to fully exploit internationalization. In this chapter, I

attempt to demonstrate that public opinion change and new societal demand that occurred because of internationalization explains the state behavioral change from weak state to strong state.

Mongolian citizens' voices and demands on the mining sector's internationalization have been becoming very strong during the last few years. They often criticize that the entire society should benefit from mining sector development rather than a few private sector actors. Citizens demand the government effectively defend general societal interest. They often say that the government has to guide the market, so that democratic consolidation, social safety, citizen's well-being conditions, and environmental safety could be secured and provided at a high level during the rapid expansion of foreign trade in the mineral resources' field.

Civil society has often criticized that the expansion of foreign mining trade or the internationalization of mineral resources has been developing unacceptably and with unfriendly technology. They often complain that mining companies rarely comply with environmental and international trade related laws and regulations in association with state weakness. They often debate that private mining actors play a crucial role in flourishing political corruption in Mongolia, because the government lacks democracy consolidation and meaningful reforms to stop the corruption network in the mining sector. They always argue that Mongolian ecology and environment have been seriously damaged by mining sector expansion in association with the lack of democratic and active government involvement. They also complain that private mining actors ignore the environmental safety and human rights of local residents. Besides criticism, the actions of civil society have been becoming extraordinary effective and strong in influencing the government.

It should be noted that beyond the criticism of civil society and citizens, neither citizens nor civil society demand protectionism. Existing literature theoretically argues that society is often divided into two conflicting sides between free trade and protectionism when foreign trade expands. They claim that such division is compulsory when foreign trade expands, because some endowment owners lose from free trade while others win. However, on the contrary, in the Mongolian case, it doesn't seem so. Mongolian society entirely believes that free trade policy would help them improve their well-being, because due to mineral resources' internationalization, Mongolia has been becoming fast growing world economy. The public and civil society argue that Mongolia lacks democratic consolidation and strong government regulation to exploit the historical chance of internationalization and to develop fruitful free trade policy that would generate balanced healthy growth in society and create ecologically friendly mining foreign trade expansion, not the type of internationalization benefiting only a few political and economic interest groups.

I think that such societal belief led to the change in public opinion on state's behavior and created high societal demand for democratic consolidation and strong state. Most citizens believe that a strong and democratic state can build a rich, modernized, and democratic society. They think that the weak state behavior and weak democratic consolidation that have existed in the past 20 years are responsible for current political, economic, and environmental problems that have emerged in parallel with internationalization.

The current situation of Mongolian domestic politics presents that citizens and civil society believe in strong state for regulating internationalization in the right direction, so that the whole nation would benefit and build a democratic society. Thus, the second side of

the dependent variable of this chapter refers to why society demands strong state. In the extant literature, there has been little research arguing that foreign trade expansion could consolidate high support for strong state behavior among a population. On the basis of the Mongolian case, this chapter argues that the expansion of foreign trade could prompt high support for strong state among a majority of the population.

Another interesting phenomenon which has been developing in Mongolian domestic politics during the last decade is that democracy has been emerging as the most preferred developmental model in Mongolia. Developmental literature is rich in theoretical findings claiming that authoritarianism and iron fisted leaders, rather than democracy are very useful to boost national economic growth. However, the Mongolia's fast growing economy shows that democracy is a compulsory foundation for creating a strong state that can generate politically and economically healthy growth that meets general societal interest, and prevents economic growth that is useful only for politicians and a few oligarchs. In brief, this chapter concentrates on demonstrating how the internationalization of mineral resources has created a high demand for democratic consolidation and a strong state. This is the second main theme of this chapter.

The following three sections will deal with the two major themes of this chapter, but before elucidating how high demands for democratic consolidation and a strong state have emerged in Mongolian society, I will explain why I decided to choose the last two decades as significant periods for my research to assess the public opinion change on political regime and government behavior.



## I. Why the Last Two Decades?

Two decades have already passed since the Mongolian Democratic revolution occurred in 1990. Democratic protests erupted in Mongolia under the leadership of the Mongolian Democratic Union since March, 1990, demanding the resignation of Political Bureau of MPRP. The democratic protests continued with a hunger strike as MPRP rejected the demand of the Democratic Union (hereinafter DU). Due to the hunger strike, the Political Bureau accepted the DU demand and resigned. It was the beginning of a new democratic history for Mongolia. It was also the first chapter in the history of public opinion. Therefore, I decided to select 1992 as the starting point for my assessment on Mongolian public opinion change on government policy, government behavior, and political regime.

I consider that the main domestic and external events which have built the current public opinion in Mongolia have occurred during the last two decades after the 1990 Democratic Revolution because before that revolution, public opinion on political regime, government performance, and the economic developmental model was a closed topic. The Mongolian communist party-determined collective interest used to dominate as the sole common interest and mission of communist Mongolia for all citizens at the expense of society's collective interest. The most important priority of communist Mongolia was to build a perfect communist society with no class conflict and build a material base for a socialist economy as it was written in Marxism and Leninism. Citizens had no freedom to express their individual opinions. According to communist ideology, citizens should think, struggle, and work for the interest of the communist community as an inseparable member of communist society. Citizen's individual criticisms and opinions on communist leaders, communist

politics, and socialist economy were considered as an enemy action or antiparty operation.

There were elections in communist Mongolia, but they were symbolic elections. Public opinion wasn't important for the election. Citizens had no choice to elect a political party or representative who could represent their voice in the People's Great Khural, the top legislative organ in communist Mongolia, because there was a single party system and while there were candidates with various profession, and jobs, but they were not professional politicians who differed from each other in their political ideology and election promises. They had a sole common interest to ensure socialist economic development and work honestly for MPRP and the communist government. However, some MPRP politicians attempted to correct the symbolic representative system in the 1960s, but they were removed from their offices for criticizing the work of communist leaders, and they were named as Lookhuuz-Nyambuud-Surmaajav "anti-party"<sup>110</sup> group in December 1964, but they were not just removed from their office. They and their families began to live under the heavy pressure and control of the communist party and government. Since that incident, there had been no brave representatives to criticize communist leaders and MPRP missions. In brief, there was no public opinion in Mongolian domestic politics. The domestic politics of communist Mongolia were determined by the communist interests and ambitions of elite MPRP politicians.

Due to the hunger strike strategy of the Mongolian Democratic Union in 1990, the People's Great Khural passed the Law on Political Parties. Consequently, Mongolian citizens obtained for the first time,

---

<sup>110</sup> Sergey S. Radchenko , "The Soviet's Best Friend in Asia: The Mongolian Dimension of the Sino-Soviet Split," Cold War International History Project, Woodrow Wilson International Center for Scholars, Washington.D.C Working Paper No 42, 2003.

a chance to make free political choices in an election. Following the approval of the Law on Political Parties, the first multi-party free general election was held on July 29, 1990. The People's Great Khural passed a new constitution<sup>111</sup> in 1992. "The 23<sup>rd</sup> article of chapter III of the new constitution indicates that a member of the State Great Khural shall be an envoy of the people and shall represent and uphold the interests of all the citizens and the State."<sup>112</sup> Through the provisions of its third chapter, the new constitution adopted in 1992 allowed Mongolian citizens to elect representatives who will represent their interest and voice in the state highest legislative organ. Since that time, citizens or voters' opinion on government policy and political regime have gradually become important agent in Mongolian domestic politics. Therefore, I chose the political events which have occurred outside and inside Mongolia during the last two decades since the Democratic Revolution in 1990 and the events that have influenced the attitudes, and values of Mongolian voters as main objects for our analysis on Mongolian public opinion change on a good government.

## II. Collapse of Communism and Mongolian Public Opinion

The first wave survey of Asian Barometer (2001-2003) which refers to Mongolian public opinion on political regime suggests that in the first decade after the collapse of the communist regime in

---

<sup>111</sup> The new constitution was adopted on January 13, 1992, and put into force on February 12. It was the first democratic constitution of Mongolia. The constitution is still used as a fundamental law of Mongolia.

<sup>112</sup> БНМАУ-ын Ардын их хурал. 1992 он. Монгол улсын үндсэн хууль. Монгол улсын хууль тогтоомжын сан. МУИС-Хууль зүйн сургууль.<http://www.mongolianlaws.com/index.php?lid=LW1992011300&action=show>(2012 он 11-р сарын 26).

Mongolia in 1992, a democratic regime was considered by the majority of the population as the most appropriate political regime for Mongolia to ensure national survival and solve economic problems.<sup>113</sup> According to the survey, 75.3 percent of respondents answered that democracy was capable of solving their problems while only 20.5 percent of respondents answered that democracy couldn't solve their problems.

In the first decade, Mongolia encountered economic stagnation as chapter II describes. Massive unemployment, high inflation rate, crime rise, and an increase in corruption must have frustrated society's belief in democracy, but the Asian barometer data in the above paragraph suggests that Mongolian citizens still trusted in the capacity of a democratic political regime throughout the difficult years in the first decade since democratic regime was introduced in Mongolia under the 1992 new constitution. The historical experience Mongolians underwent during the communist period might have influenced Mongolians to remain loyal to democratic regime rather than an authoritarian regime, but I have a different opinion. I think that external agents had a more powerful explanation as to why Mongolians were still loyal to democracy in difficult economic situations.

The political reform in the Soviet Union under the name "perestroika"<sup>114</sup> was very influential to the Mongolian democratic revolution, because most Mongolian elites had been educated in the Soviet Union and it was the dominant window to obtain information and assess world politics. Russian media was the only international media for Mongols to get world news and information in a foreign

---

<sup>113</sup> Asian Barometer, 2003, "First Wave Survey 2001-2003," Department of Political Science, National Taiwan University, SPSS formatted data on Mongolian public opinion

<sup>114</sup> Perestroika is a political reform within the Communist Party of the Soviet Union by the Soviet leader Mikhail Gorbachev.

language in the 1980s. The duration of Russian TV was longer than the duration of Mongolian TV. Most of the Mongolian population liked watching Russian TV programs. The education of the Russian language was excellent and powerful in Mongolia. Mongols liked reading Russian magazines and newspapers. Soviet soft power was very influential in Mongolia. The strong soft power automatically influenced Mongolian citizens' imaginations about a type of state. Therefore, it was obvious that Mongolia's new generation, who used to rely on information from Soviet sources was strongly influenced by the "perestroika" and reform started by the new Soviet leader Mikhail Gorbachev.

In the late of 1980s, Mongolia's new generation started the rumblings of reform and democracy. Political unions for openness and democracy were established by the new generation, most of whom were young and were educated in the Soviet Union. As a result, democracy and political openness began in Mongolia. Therefore, we can say that the Mongolian democratic revolution was the result of change in the younger generation's opinion about a political regime due to the perestroika in the Soviet Union in the 1980s. I think that as Mongolian citizens had obtained enough negative information about authoritarian systems and the weakness of the communist system through Russian media, the majority of Mongolia's population didn't want to return to a closed authoritarian system.

The second major influence of the external world in the first decade was that political openness meant that new information about the countries of capitalist bloc become available at Mongolian citizens. During the communist period, Mongolian citizens imagined capitalist countries as hellish countries where citizens lived in poor and difficult situations with dark future under the pressures of rich capitalists. According to the general understanding of communist

Mongolian citizens, citizens' voice was stifled by the brutal and aggressive control of capitalist leaders and politicians in the USA and Western countries. However, after political openness, Mongolian masses realized how their communist society was a closed artificial world with no freedom in political terms, how their rights were violated by the old regime, how their country was economically backward in comparison with capitalist North East Asian countries, and how they misunderstood democratic regime. I think that although citizens were in difficult conditions, full of economic problems, Mongolian society preferred a democratic regime and didn't desire to return to a totalitarian regime again as they realized the dark side of the communist world due to new political and press openness. Asian barometer survey results support my argument. For instance, 55.3 percent of survey respondents answered that democracy was better than another kind of government and 27.5 percent answered that an authoritarian government would be preferable to a democratic government. Only 15.9 percent said that it didn't matter whether they had a democratic or non-democratic regime. The arguments and Asian barometer survey data in this paragraph present that Mongolian political openness which happened due to the collapse of communist bloc and the disappearance of Cold War "iron curtain" helped Mongolian citizens to not lose their trust in a democratic regime.

The third influence of the external world was the expansion of nationalism. During the communist regime, nationalism was a closed topic for Mongolia. Citizens were not even allowed to talk about Chinggis Khaan, the founder of Mongolia. Mongolian secondary school students had no chance to get basic information about Chinggis Khaan from their textbooks. There was only a short story about Chinggis Khaan in the history textbooks. Instead there were in-

depth descriptions about communist leaders in the history textbooks of secondary education. MPRP considered nationalism as anticommunist ideology. It was the influence of Soviet communism. The communist government used to punish citizens who preferred nationalism. Due to the democratic revolution, Mongolian nationalism revived at a rapid pace in Mongolia since 1990. Li Narangoa (2009) noted that the main priority of Mongolian new diplomacy is to avoid returning to overdependence on one of its powerful neighbor. I think that the priority to prevent overdependence is involved with newly revived Mongolian nationalism because Mongolian national identity, tradition, philosophy, pride, and culture were undermined in connection with the influence of Soviet leaders for 70 years until the 1990 democratic revolution. The collapse of the Soviet Union enabled Mongolia to break its totalitarian regime and revive its national ideology by building a democratic regime. Therefore, I think that because democracy presented Mongolian citizens a freedom to restore their national culture, philosophy and identity, a democratic political regime and weak state type, did not lose their status as the most admired political regime and state form among Mongolian citizens over the hard years of economic stagnations during the first decade after the 1990 Democratic Revolution.

I think that as the first wave survey of Asian Barometer was carried out in 2001-2003, which refer to final years of the first decade, it has a powerful reliability to correctly describe how Mongolian citizens preferred democratic regime. According to the survey, the majority of the population was satisfied with the benefits of democracy. 69.6 percent of respondents were satisfied with the way democracy works. 29.9 percent was dissatisfied with democracy. Moreover, 66.4% of survey respondents answered that the current form of government was still best for them and 31.8 percent

answered that it was not still best for them. 60 percent of respondents trusted in the parliamentary system. 29.9 percent answered that they didn't trust it. These above survey results could be interpreted that a democratic regime was preferred at higher level as they didn't want to lose the advantages which had arrived with the democratic regime and repeat the past historical tragedy. Higher preference of parliament indicates that Mongolian masses supported the state form of dividing power and authority among the parliament, government, and president as well as preventing the concentration of power in a single leader. It also shows that there was a higher preference for weak public power among Mongolian citizens.

### III. Internationalization and Public Behavioral Change: The Public Wants a Strong State

In the beginning of the second decade, a tremendous new trend appeared in Mongolian democratic history. It was the sign of rapid economic growth. Of course it was a sign that Mongolia had successfully replaced a command economy with a capitalist economy. Over the second decade, the Mongolian economy grew at a rapid rate due to the exploitation of its rich mineral resources. The GDP growth was 6.4 percent in 2010, and it grew by 17.3 percent in 2011. The economy grew by 17.2 percent in 2012.<sup>115</sup> The GDP growth is expected to continue growing at a double digit rate from 2013 to 2017.<sup>116</sup>

I described in chapter II that the tremendous rapid growth of Mongolia's domestic economy is the result of foreign investments and government's big projects in the sector of mineral resources.

---

<sup>115</sup> World Bank, "Mongolia Overview," 2013, <http://www.worldbank.org/en/country/mongolia/overview> (January 15, 2013).

<sup>116</sup> Ibid.



Citizens expect a lot as the government has announced its plans to start largest national mining projects. Most of them are under construction and haven't started their full production. So far, they have only been building their factories, but just their construction works have lifted Mongolian GDP growth by 17 percent in 2011. It shows how Mongolian economy would expand if they start their full production. The World Bank stated that "the Mongolian economy is at the start of a huge expansion as it begins to develop its wealth."<sup>117</sup> Tavan Tolgoi coking coal project has not begun its full production, but Mongolia has already become the second largest coal supplier to China, the world's largest coal consumer.

In this section, I elaborate how the internationalization-induced economic growth has affected the public opinion on the state behavior and the developmental model during the second decade. As I observe, Mongolian voters prefer strong public power or a strong state type to a weak state type in the second decade as compared to the high support of weak state in the first decade. Recent surveys present that citizens believe that the strong state is the most perfect developmental model for Mongolia, because Mongolia has lacked strong and meaningful state interventions to negotiate with large foreign investors, prevent mining industry related environmental problems, prevent windfall income related to a high inflation rate, stop mining sector corruption, and channel the revenue of the mining industry into national economic prosperity. International Republican

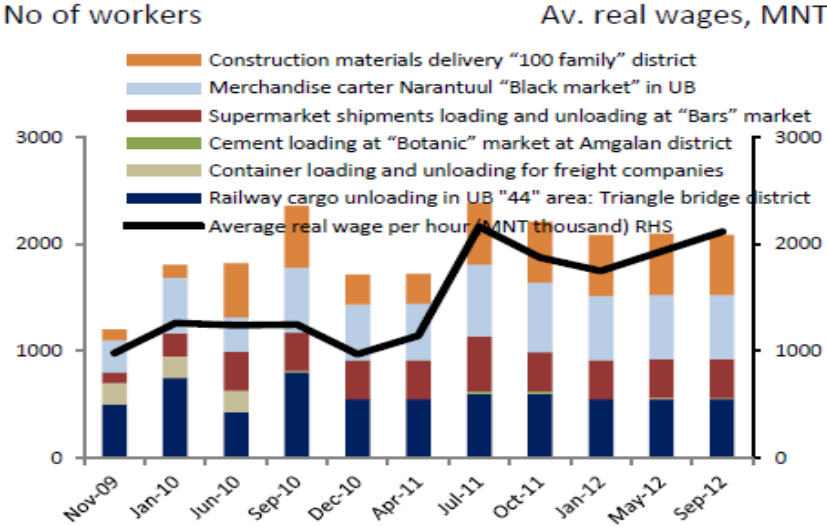
---

<sup>117</sup> World Bank, "Mongolia Quarterly Economic Update," 2012, [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2012/11/02/000356161\\_20121102021034/Rendered/PDF/734460WP0Box37001002401200ASh0final.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2012/11/02/000356161_20121102021034/Rendered/PDF/734460WP0Box37001002401200ASh0final.pdf) (January 15, 2013).

Institute (IRI) survey on Mongolian public opinion (2011)<sup>118</sup> suggests that Mongolian citizens demand strong state intervention in foreign trade expansion in the field of mineral resources to take full advantage of internationalization. 53 percent of survey respondents answered that the level of regulations on mining is too lax, 9 percent answered the regulation is too strict, 14 percent consider the regulation is about right, and 14 percent answered that they don't know.

One evaluation of the World Bank shows that the Mongolian government has had opportunities to increase the level of average salary due to the increased revenue from the rapidly growing internationalization of mineral resources and has done it in order to improve public social satisfaction (see figure 5).

Figure 5: The Rise of the real wage in the informal market in Ulaanbaatar



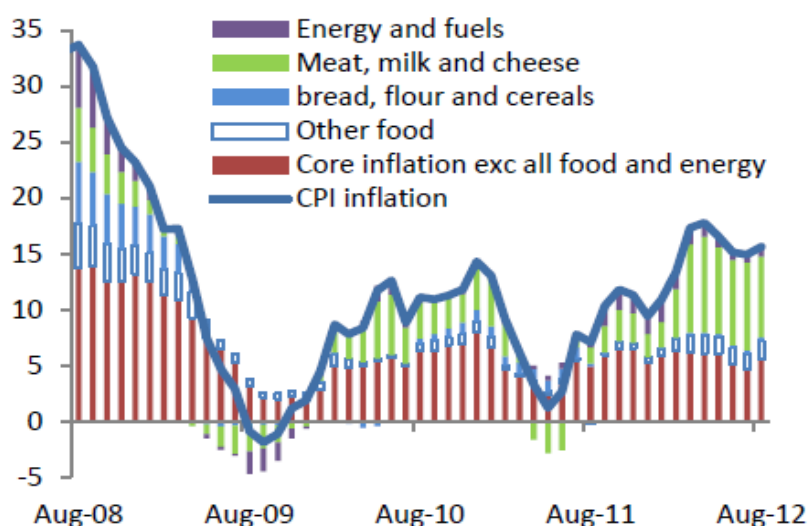
Source: "Mongolia Quarterly Economic Update", the World Bank, October, 2012, p.8

<sup>118</sup> International Republican Institute, "Survey of Mongolian Public Opinion," American View Point, Inc, October 12-November 12, 2011: p. 8.

However, another survey of the World Bank shows that the government has failed to improve the purchase capacity of citizens because of the inflation of food products.<sup>119</sup> According to the survey of the World Bank, the inflation has reduced gradually, but it is still high. Most especially, meat and food prices have risen to high levels in the last two years. The inflation of food products has put heavy pressure on citizens' income (see figure 6).

Figure 6: Inflation rate from 2008 to 2012

Percentage point cont'ns, % yoy, UB

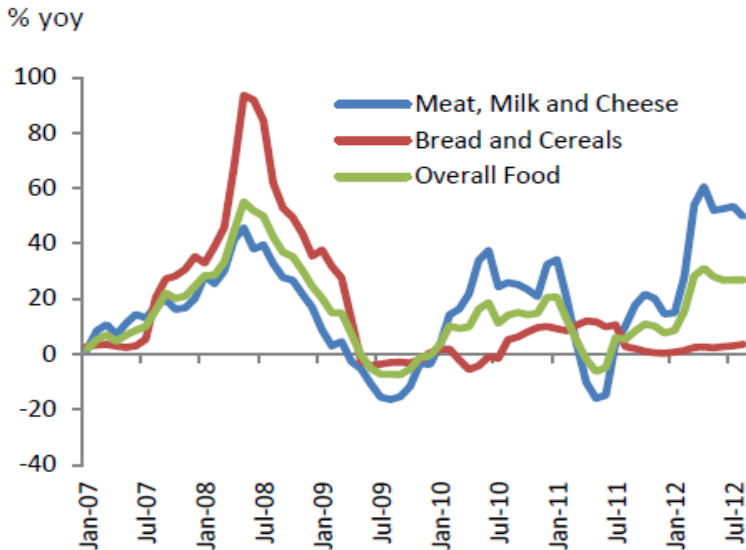


Source: "Mongolia Quarterly Economic Update", the World Bank, October, 2012, p.8

Citizens often complain that although Mongolia is rich in meat resources. They pay a high price for meat. They say that wage level has increased, but food and meat prices have increased faster than the wage rise (see figure 7).

<sup>119</sup> The World Bank , 2012, p. 8.

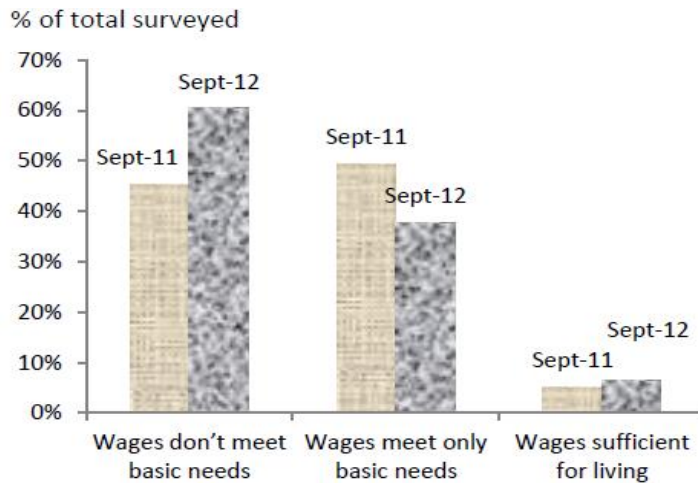
Figure 7. Food price rise, especially meat price



Source: "Mongolia Quarterly Economic Update",  
the World Bank, October, 2012, p.8

The above two data show that the Mongolian government has been becoming effective to redistribute the social wealth or revenue that come from the effective exploitation of mineral resources within its own society to solve the unequal distribution of economic opportunities of internationalization, reduce the rapidly growing widening of the rich-poor gap, and pacify the outrage of the public on the previously stated social problems that emerged with the expansion of internationalization, but the state needs to improve its management to mobilize the national economy. The other report of the World Bank also suggests that the real wage in the informal market of Ulaanbaatar has increased, but the rise of the real wage in the capital city hasn't influenced the income of citizens positively (see figure 8).

Figure 8: Survey Showing Wage sufficiency to meet basic needs



Source: "Mongolia Quarterly Economic Update", the World Bank, October, 2012

On one hand, the above figure clearly shows that the economic challenges and opportunities of internationalization of mineral resources have been driving the high public demand for strong state that is able to deal with the economic challenges that has occurred in the face of growing internationalization and take the full economic advantage of internationalization. On the other hand, it shows that the state's behavior is moving toward a strong state that intervenes actively in the national economy to solve economic and social problems when the economy doesn't perform well itself, but the government needs to improve its management to succeed in economic terms.

Besides the above demonstrated new economic demand of the public, the IRI survey shows that the political interest of the Mongolia's public has increased a lot in association with the socioeconomic challenges that have appeared because of the

economic effects of internationalization.<sup>120</sup> The data of IRI survey present that Mongolian citizens think that their representatives in the State Great Khural don't work effective in reflecting citizens' interest in passing mineral resources' exploitation related laws and regulations. According to the survey, the 49 percent of respondents answered that their voice is not influential on decisions related to mining. 18 percent answered that their voice is not very influential. 11 percent replied that their voice is somewhat influential. Only 5 percent said that their voice is very influential. IRI survey asked survey participants how they are satisfied with the concession agreements with mining multinational agreements. The IRI survey also indicates that citizens are not satisfied with the results of government negotiations with multinational corporations to cooperate on mineral exploration projects.<sup>121</sup> 31 percent of survey participants answered that they don't know how to answer. 38 percent of them answered that they are dissatisfied with the conditions of the agreement. 23 percent responded that they are satisfied with the agreement. On one hand, these answers are obvious evidence that the high societal demand for the strong state which is able to defend national interest over the interests of special interest groups is the result of their outrage that occurred in connection with the weak state's failure in taking the advantage of internationalization and dealing with the challenges of internationalization. On the other hand, these data don't mean that there was still weak state in Mongolia. On the contrary, it means that due to such high societal demand, the state's behavior had been changing from a weak state to a strong state during those years. 2011 was the year when the President Ts. Elbegdorj had already started his reforms to fight against the political corruption, especially

---

<sup>120</sup> IRI survey 2011. p. 55.

<sup>121</sup> IRI survey 2011. p. 53.

the illegal businesses in the field of mining, reduce the environmental degradation which occurred in connection with the unconscious mining development, and the judiciary reforms. As a result, his reforms had already started to affect the behavioral change of the government. The chapter III clearly elaborates how the new societal demand affected such state behavioral change from a weak state to a strong state. Therefore, this chapter aims to elaborate how the internationalization affected the change of attitude of societal demand. The state behavioral changes are not able to solve all problems at once. Therefore, IRI survey shows that there was still high demand for a state's behavioral change from the weak state to the strong state. The most important information of the above mentioned data shows that the state's behavioral changes from the presidential level was the result of the new societal demand for the strong state which is able to satisfy the societal demand.

Another IRI survey also shows that citizens contend that the government should guide mining internationalization through its leadership role, so that the whole national economy would prosper and the whole Mongolian society would modernize based on the capital accumulation which would occur due to the development of mining internationalization.<sup>122</sup> Most survey participants (17%) answered that the best use of mining revenue is to create employment opportunities, reduce poverty, and increase salaries. The second largest percentage (14%) is to develop industry, mining, and agriculture. 13% of respondent answered that it is better to improve infrastructure, and mega development projects. 10% answered that better quality education, more schools and kindergardens, and paying school tuitions are the fourth best use. The top four answers could be interpreted to mean that the majority of the population demands that

---

<sup>122</sup> Ibid., p.60.

the government should mobilize societal modernization by fully exploiting the internationalization of mineral resources, so that Mongolia could repeat the miraculous success stories of East Asian countries such as Japan, Korea, and Taiwan.

Another data of IRI survey also presents that Mongolian citizens demand the strong state because they think that the state intervention is required for preventing from the emergence of negative effects of internationalization that would undermine the broad foreign policy of Mongolia.<sup>123</sup> According to the IRI survey data, 52 percent of survey participants answered that the government should put Russia first in future foreign policy. In economic terms, China should have been the most important country in Mongolia's future international relations as it is the largest consumer of Mongolian energy and mineral resources' exports. The world largest multinational mining corporations have opened their ventures in Mongolia because of China. They expect to make huge profits from the China's huge market. In my opinion, the IRI survey respondents selected Russia as the most important country in the foreign policy of Mongolia, because they are afraid that Mongolia could become overdependent on China.

Historically, Mongolia has had a greater dependency on each of its neighbors in both political and economic terms. Before the communist revolution in 1921, China had been the most important country for Mongolian foreign and economic affairs. Mongolia used to be overdependent on China's products and trade to provide its market needs. After the 1921 revolution, Mongolia became overdependent on Russian equipment and product supplies to sustain domestic productions and needs. After the democratic revolution in 1990, Mongolia saw the change of the world's political order as a

---

<sup>123</sup> Ibid., p. 61.



great chance to deal with its historical weakness by diversifying its trade partners, but Mongolia returned to an economic overdependency on China contrary to their expectations.

However, the IRI survey suggests that Mongolians still expect that they can realize their foreign policy dream to keep a balance between the two powerful neighbors due to Beijing and Moscow's visible and invisible competitions and cooperations for energy and mineral resources. That's why, the survey respondents stressed the importance of Mongolia's relations with the Russian Federation as they think that Mongolia needs to expand its trade with Russia to correct China's domination in foreign trade.

Moreover, the IRI survey shows that the public believe that Mongolia can reduce its overdependence on its two neighbors by diversifying its international relations with developed countries other than its two neighbors. IRI survey respondents answered that the United States is the second most important power in Mongolian future international relations

The results of the third wave survey of Asian barometer matches the IRI survey results. According to the third wave survey of Asian barometer, most survey participants answered that the United States and Japan are the most appropriate models for Mongolia's future development (see figure 9).<sup>124</sup> For these survey results, I highlight three double digit results for my analysis as I considered them as the most statistically significant results.

When asked about the most appropriate model for Mongolia's development, the 28.2 percent of respondents answered that we should follow our national own model. I think that this result could be

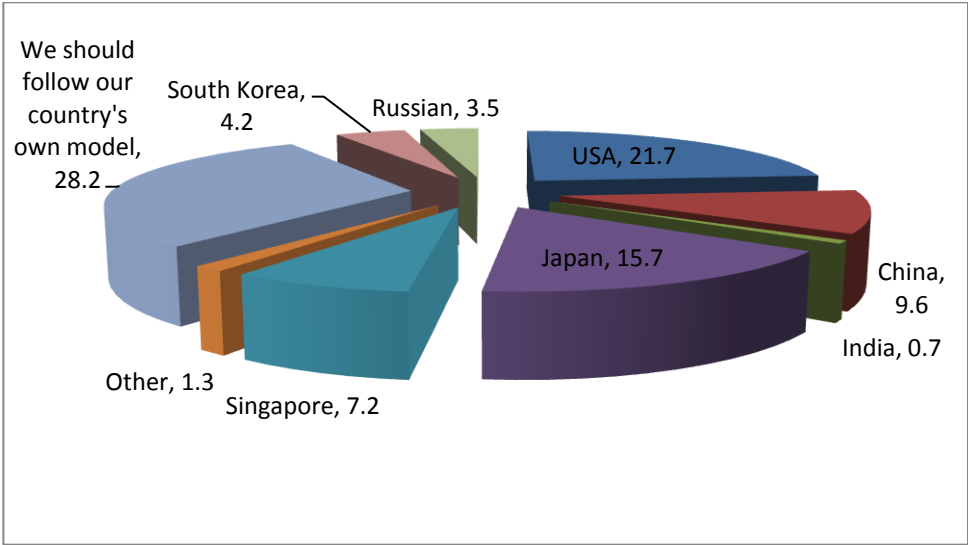
---

<sup>124</sup> Asian Barometer, "Third Wave Survey," Program for East Asia Democratic Studies Data Release, Institute of Political Science, Academia Sinica and the Institute for the Advanced Studies of Humanities and Social Sciences, National Taiwan University, 2010.

interpreted that the public think that a developmental model should fit Mongolia’s unique political and cultural features. 21.7 percent considered the model of United States is appropriate for Mongolia. This means that the public consider that the democracy and democratic consolidation are important conditions for creating democratic economic development that is able to benefit the whole nation, not ruling elites and special interest groups. 15.7 percent answered that we should follow the model of Japan. This indicate that the majority of the population wants the strong state which exists in some consolidated democracies, like Japan and France. The failure of weak state affected them select the strong state model, as they felt that the weak state is not suitable for Mongolia to deal with the opportunities and challenges of internationalization.

Figure 9: Mongolian Public Opinion on the Most Appropriate Model for Mongolia’s Development

Question: Which country should be a model for our own country’s future development?



Source: Asian Barometer Third Wave Survey, 2010.

## IV. Mongolians Want a Strong State, not a Communist State

We shouldn't interpret the high demand for strong state among the Mongolian public as a public attitude longing for an authoritarian regime or communist regime. This is a societal high demand of strong state behavior as if exists in some democratic countries such as France and Japan.<sup>125</sup> It means that Mongolian voters want a strong state which exercises public control over critical sectors like mineral resources, possesses a wide range of policy instruments to alter the behavior of private actors, and acts as a well intentioned guide<sup>126</sup>.

The third wave survey of Asian barometer (2010) presents that the societal demand for democratic consolidation is higher than the demand for an authoritarian regime. 67.1% of respondents agreed that the government should listen to people's opinion about what needs to be done. 31.7% agrees that the government should decide what is good for the people. These data indicate that the majority of the population believes that the state should act as a full democratic government.

Other data of Asian Barometer Survey matches the above mentioned data. Accordingly, 75.1 percent of survey participants believe that political leaders should be chosen through open and competitive elections. 78.8 percent agrees that multiple party competition must exist to ensure effective representation of the political interests of citizens. Only 19.6 percent think that one party should represent the political interest of citizens. These data suggest

---

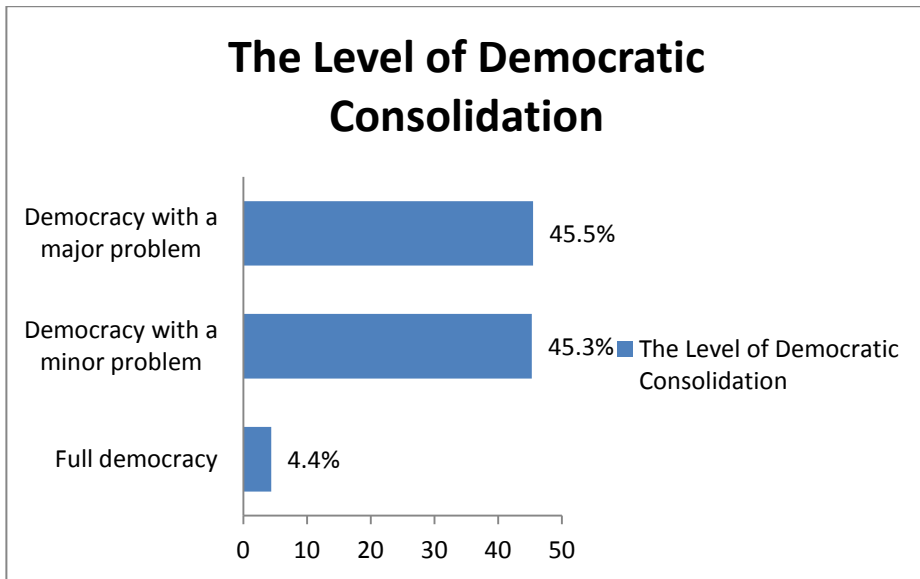
<sup>125</sup> Stephen D. Krasner. 1978. "Defending the National Interest: Raw Materials Investments and U.S. Foreign Policy." Princeton, New Jersey: Princeton University Press. p. 53-61

<sup>126</sup> Ibid., p. 60.

that Mongolian electoral democracy has strong legitimacy according to public opinion criteria. In other words, this means that Mongolian voters believe that a free, open, and representative democracy can ensure economic growth.

Asian barometer survey presents that the 40.3 percent of survey participants think that the existing system needs major change. The 32 percent answered that it needs minor change. 19.3 percent claimed that the system should be replaced. Only 5 percent answered that it works fine, not needing to change. These results shouldn't be interpreted to mean that the majority want to change the existing regime with an authoritarian regime. In my opinion, the data should be interpreted to mean that they think that weak state behavior should be replaced with strong state behavior to consolidate democracy and stimulate economic growth because other data of Asian barometer survey show that the majority of the Mongolian population prefers democracy. According to other data, 44.5 percent of respondents answered that they are not very satisfied with the way democracy works in Mongolia. 41.3 percent think that they are fairly satisfied. These two answers show that Mongolian citizens think that the existing state behavior doesn't work well for strengthening democratic consolidation. Our interpretation matches with another data which measures the level of democracy in Mongolia (see figure 10). Only 4.4 percent answered that there is full democracy, 45.3 percent considered that there is a democracy, but with minor problems, and 45.5 percent claimed that there is a democracy, but with major problem. These findings show that there is a high societal demand for democratic consolidation and the majority of the population believe that there must be state behavioral change to strengthen the democratic consolidation.

Figure 10: The Mongolia's public evaluation on the democratic consolidation in Mongolia



Source: Asian Barometer Third Wave Survey, 2010

Besides Asian barometer survey, the IRI survey also confirms that a high demand for democratic consolidation has appeared in Mongolian society. 81.1 percent of survey participants answered that they want their country to be completely democratic in the future. In sum, the above all data indicate that the majority of the population believes that their economic dream can be realized best in a democratic regime.

## Chapter III

# Internationalization, Democracy, and State Autonomy in a Developmental State

In the previous chapter, I focused on showing how the high societal demand for democracy, strong state, and economic nationalism have emerged and developed together as one complex in one country and in one time period, because of the influence of foreign trade expansion. In this chapter, my work concentrates on assessing whether the internationally-motivated extraordinary foreign trade expansion is involved with the consolidation of democratic governing, state behavioral shift from weak state to strong state, and the development of economic nationalism at the governing level of the political system. According to my belief, the explosive internationalization of the mineral resources' industry has brought about a strong state in Mongolia, but it is a strong state that relies on the ideology of democratic governing, developmental state, and economic nationalism.

In recent years, there have been many observable signs indicating a higher consolidation of democracy in the Mongolian political system. The most recent and significant sign has become known to the world with the Freedom House report 2013.<sup>127</sup> Mongolia has jumped to a higher rank in the Freedom House political rights rating after the 2012 parliamentary election. Mongolia's political rights' rating has improved from 2 to 1. According to the Freedom

---

<sup>127</sup> Freedom House, "Freedom in the World 2013: Democratic Breakthroughs in the Balance," Selected Data from Freedom House's Annual Survey of Political Rights and Civil Liberties, 2013, p.16, <http://www.freedomhouse.org/sites/default/files/FIW%202013%20Booklet%20-%20for%20Web.pdf> (February 08, 2013).

House, this is a tremendous success indicating that Mongolia has made great progress in developing a free and fair representative democracy by the 2012 parliamentary election, compared to the 2008 parliamentary election.

In addition to Mongolia's success in strengthening democracy, Mongolia's President and the government have been enacting powerful policies, and making meaningful and decisive measures to channel mineral resources development in the right way. President Ts. Elbegdorj's works and policies have shown that strong state behavior with a democratic image has been developing in Mongolia since his presidency began after the 2009 President Election. He opened Citizen's Hall at the President's Office on October 15, 2009 to provide citizens and civil society with opportunities to participate and express their voice in the law making process.<sup>128</sup> The President also suspended mineral license issuance through the National Security Council of Mongolia on April 20, 2010.<sup>129</sup> It was a wonderful initiative step to regulate irresponsible mining related environmental and socioeconomic problems which had emerged because of weak state control and regulations on mining development and foreign investments in the mineral resources sector. The President's policy influenced mining related government policies in positive way. In November, 2010, D. Zorigt, Minister of Mineral Resources and Energy stated that 254 gold mining licenses would be suspended for violating Mongolia's environmental laws while 1700 licenses would be reviewed. It was a sign that government behavior began to move towards

---

<sup>128</sup> Монгол улсын ерөнхийлөгчийн тамгын газар. 2012 он. Монгол Улсын Ерөнхийлөгчийн дэргэдэх "Иргэний Танхим"-ын үйл ажиллагааны тайлан.

<http://www.president.mn> (2012 он 10-р сарын 05).

<sup>129</sup> "Mongolia will have Law on Mineral License," *Business-Mongolia.com*, April, 28, 2010, <http://www.business-mongolia.com/mongolia/2010/04/28/mongolia-will-have-law-on-mineral-license/> (October 05, 2012).

strong state orientation under the influence of the powerful new policy of President Ts. Elbegdorj.

In the last five years, the Mongolian government and parliament have passed significant national development strategy related laws, policies, and projects to exploit internationally motivated mineral resources opportunities. For instance, in June 2010, the government approved the decision to build 1100 km of new railroad which would connect Mongolian strategic mineral resources deposits to Russia, China, and Sainshand Industrial Complex.<sup>130</sup> Mongolia expects multiple benefits from the rail project.<sup>131</sup> Firstly, it would allow Mongolia to diversify its route to reach North East Asian markets with routes through Russia's North East pacific ports (currently. the sole route is a Chinese port). Secondly, it will provide Sainshand Industrial Complex with infrastructure to move its raw materials from strategic Mongolian deposits, and export its value added products to foreign markets. Sainshand complex is considered to be the most important national project which would develop the current internationalization of mineral resources into a national industry, create a new industrial city, and offer thousands of employment opportunities.<sup>132</sup> Thirdly, the railroad will stop citizens' migration to the capital city and central region by offering new job

---

<sup>130</sup> Монгол улсын УИХ. 2010 он.Төрөөс төмөр замын тээврийн талаар баримтлах бодлого батлах тухай, УИХ-ын тогтоол №32. [http://www.minegolia.com/wp-content/uploads/2010/06/Railway-Policy\\_MON.pdf](http://www.minegolia.com/wp-content/uploads/2010/06/Railway-Policy_MON.pdf) (2012 он 10-р сарын 05).

<sup>131</sup> Хөөрөх цэг. 2012.01.23. Шинэ төмөр зам экспортын шинэ гарцуудыг бий болгоно. <http://www.mtz.mn/index.php> (2012 он 10-р сарын 05).

<sup>132</sup> Development Bank of Mongolia, "Sainshand Industrial Complex Project,"Development Bank of Mongolia, 2012, <http://www.dbm.mn/en/34/Sainshand-Industrial-Complex-Project> (October 05, 2012).



opportunities while supporting urbanization along its route. Besides these two projects, the government has already started Oyut Tolgoi and Tavan Tolgoi, the world's largest mining projects, in cooperation with multinational corporations in the south Gobi region which will be connected to world markets and the Sainshand Complex through the new railroad. These big governmental projects indicate that a developmental state, relying on economic nationalism has been emerging as the new image of Mongolian development.

Is there a specific difference in Mongolia's developmental state in comparison with the developmental states which developed in North East Asian countries during the Cold War? This is a theoretically significant question. According to the prevailing literature, the term "development state" emerged in connection with scholars' attempts to explain the successful history of East Asian economic growth.

Chalmers Johnson made a great contribution to conceptualize a "developmental state" through his book "MITI and the Japanese Miracle".<sup>133</sup> Johnson (1982, 6) demonstrated that in developmental states, developmental orientation predominates as the state's ideal role and intervention with a rational capitalist development plan and well-intentioned guidance for conjoining private ownership. Johnson's work is a powerful account of how development state functioned as a "binding agent"<sup>134</sup> for miraculous economic development in Japan and ensured Japan's national survival against the domination of Western Powers. Johnson also stressed the context of "late development" or "latecomer" like Hirschman as a historical advantage of East Asian countries to build developmental state model.<sup>135</sup>

---

<sup>133</sup> Chalmers Johnson, *MITI and the Japanese Miracle* (Stanford, CA: Stanford University Press, 1982).

<sup>134</sup> Albert O. Hirschman, *The Strategy of Economic Development* (New Haven: Yale University Press, 1958), p. 6.

<sup>135</sup> *Ibid.*, p. 7-9.

Woo-Cumings (1999, 1) described the “developmental state” in little different way than Johnson. According to her definition, “developmental state is shorthand for the seamless web of political, bureaucratic, and moneyed influences that structures economic life in capitalist Northeast Asia”.<sup>136</sup>

Scholars of the developmental state often highlight that big business partnership between state and the business sector lead to more oligopolistic authoritarian regime (Woo-Cumings 1999, and Guillermo O’ Donnell, 1973). Johnson has argued that “authoritarianism sometimes solves the main political problem of economic development using market forces-namely, how to mobilize overwhelming majority of the population to work and sacrifice for development projects...”<sup>137</sup> Also Bruce Cumings named East Asian “developmental states” as “bureaucratic-authoritarian industrializing regimes, ” or BAIRs.<sup>138</sup> In brief, existing literature indicates that authoritarianism is popular among “developmental states”.

The features of the Mongolian developmental state present an alternative image of political regime; on the contrary to the popular image of authoritarianism of “developmental states”. In the Mongolian case, rather than authoritarianism, a democratic regime functions as a foundation for motivating developmental state model. How does democracy survive, and consolidate in the Mongolian developmental state? This is a critical and interesting question for theoretical debate. This chapter focuses on finding an explanation for this question. In my opinion, the historical experience of democratic transition and the explosive internationalization of mineral resources

---

<sup>136</sup> Meredith Woo-Cumings, *The Developmental State* ( Ithaca and London: Cornell University Press,1999), p.1.

<sup>137</sup> Ibid., p. 20.

<sup>138</sup> Bruce Cumings, “Webs with No Spiders, Spiders with no Webs,” In *The Developmental State*, ed. Meredith Woo-Cumings. Ithaca and London: Connell University Press, 1999, p.70.

have led to the survival and consolidation of democracy in the Mongolian developmental state model which relies on economic nationalism.

Two decades have passed since Mongolia adopted a democratic regime according to the new 1992 constitution. Through the first decade, Mongolia faced a lot of troubles and challenges in association with a lack of capital resources, economic overdependence on the Soviet Union supply, and a lack of experience with capitalist economy. As it is described in the second chapter, the most difficult challenges were to create a private sector and invite foreign investors to overcome food deficiency, and financial crisis.

In the 1990s, Mongolian policy makers made weak policy regulations on the exploitation of mineral resources for supporting mining business and attracting foreign investors. Mongolia considered the expansion of mineral resources business as the means with the most potential to recover the national economy. Weak regulatory policies caused the weak control of mining license issuance. As a result, mining licenses had covered 44.5% of Mongolia's total territory. It was a tragic sign indicating that Mongolia had arrived at the edge of ecological disaster. It was later confirmed that most of those licenses were issued by violating Mongolian environmental laws prohibiting mineral resources exploration near water basins and forest areas. Fortunately, due to the new policy of President Ts. Elbegdorj, most of the mining licenses were canceled by the government. According to 2011 data, mining licenses now cover 14.6% of the total territory. This is apparent evidence that strong state behavior has been developing towards democratic orientation in Mongolia under Mongolian citizens' will to strengthen mining regulations, protect the environment, and eliminate the network of corruption related to mining licenses.

I think that the history of strong state behavior reflecting general societal interest on mining related environment and social problems began with the President Ts. Elbegdorj's strong campaign against illegal mining license issuance and the foundation of Citizen Hall at the President's Office. Therefore, one side of the dependent variable of this chapter is a powerful presidency against mining related environmental problems and corruption, a democratic presidency for expanding citizens' direct participation in policy making processes on major policy issues, and a strong presidency for exploiting the internationalization of mineral resources to increase Mongolia's role in regional economic integration, and develop balanced foreign relations.

In the level of executive power, strong state behavior began to appear in a similar time period with a strong presidency against mining related problems. Recent facts and data suggest that like the President's policy attitudes, the last two governments after 2008 and 2012 parliamentary elections have focused on defending Mongolian societal general interest, and realizing historical Mongolian foreign policy ambitions in making policies and regulations on the foreign trade of mineral resources. Over the last few years, Mongolian governments have exercised powerful state intervention over strategic deposits and have preferred to establish concession agreements with large world class foreign investors who can promise responsible and sustainable mineral resource exploration as Mongolia enjoys enough foreign investments due to China's rapidly expanding industrial market. Today responsible mining and value added mining products have become the main concern of the Mongolian government. These changes of state policies and regulations confirm how economic nationalism-centered state intervention in the national economy has expanded in Mongolia. This new state-led image of

Mongolian executive power is the second side of our dependent variable in this chapter.

Over the past few years, the last two Mongolian parliaments (State Great Khural) have also been dominated with debates on state intervention in the national economy in connection with extraordinary expansion in the role of the mineral resources sector and its influence on the national economy and domestic politics. The most significant debates have involved government policies and regulations on rail route strategy, strategic deposits, and the Oyu Tolgoi project agreement with Rio Tinto.

Another new tendency in the debate of Mongolian parliament was a change in election debate from clientelist political competition to programmatic political competition. Clientelist promises were common among political parties in the 2004 and 2008 parliamentary elections<sup>139</sup> but state intervention, responsible mining, anti oligarchic policies, anti-corruption campaign, economic nationalism, and democracy consolidation were the most important issues in the 2012 parliamentary election. The above two major changes in the debate of Mongolian representative democracy suggest that the internationally induced foreign trade expansion in the Mongolian mineral resources sector has created positive circumstance for the emergence and domination of pro developmental state laws and regulations which consolidate strong state behavior, economic nationalism, and democracy at the level of parliament during the last two parliamentary terms. This is the third side of our dependent variable.

---

<sup>139</sup> Tumurkhoo Uuganbayar, "Interest Groups and Political parties in Mongolian Democracy," *the Journal of Northeast Asia Research* 27 no.1 (2012): 281-305.

In my opinion, foreign trade expansion related opportunities and challenges have caused the state behavioral change and developmental model change in Mongolia. Mongolian weak state behavior failed to exploit the economic opportunities which have emerged due to the extraordinary rise in demand for mineral resources in China's industrial market. Rather than benefits, the high demand for raw materials in China's huge market created negative conditions in Mongolia. Exploring and selling more minerals has been the main goal of both domestic and foreign mining companies in Mongolia. They have had little concern for environmental protection. Mongolia lacked powerful and effective policy instruments to prevent mining related environmental degradation, and the development of corruption network. Consequently, by 2009, Mongolia had faced critical challenges which were threatening Mongolian democracy, ecology, and citizens' safety. These problems have caused mass outrage toward weak state policy failure on mining development in Mongolia. As a result, the disappointment of the majority of Mongolia's population in the weak state was the main concern of Mongolian politicians and political parties during the 2009 presidential election. President Ts. Elbegdorj's strong policies and effective campaigns against illegal and disorganized mining license issuance, ecology degradation, and corruption should be explained in connection with mass outrage toward weak policy regulatory on the negative influences of mining internationalization. The expansion of state intervention in the mineral resources sector is the result of a policy change of political parties, to ensure their survival in political competition by reflecting citizens' desires on foreign trade in their election promises.

Besides China's influence, it should be stated that citizens' outrage over Russian petrol fuel pressure in connection with

Mongolia's explorations of mineral resources also has caused state intervention and investment expansion in the fuel business. New government policies and investments are expected to bring about valuable positive results in the near future to improve Mongolia's economic security and state autonomy against foreign pressure to a greater degree. In brief, internationally induced opportunities, challenges, and pressures in mineral resources have caused the consolidation of democracy, strong state power, and economic nationalism at the state level. Therefore, these internationally motivated opportunities and challenges are the explanatory variable or independent variable of this chapter.

In the following three sections, I will compare President Ts. Elbegdorj's policies with the policies of the previous three Presidents as well as assessing the world and regional circumstances during their presidencies to understand how the internationalization of mineral resources has influenced the current President's political positions and policies on mining policy regulation, judiciary reform, and corruption networks.

## I. The Challenges of Internationalization and Elbegdorj's Strong Presidency

This section focuses on assessing whether the internationalization of mineral resources really has caused President Ts. Elbegdorj's strong presidency against corruption, environmental degradation and a weak judiciary system. According to quick observation and conclusion, weak state policy and its failure caused President Ts. Elbegdorj's strong policies against corruption and environmental degradation. Thus, the current President has been pursuing effective policies to correct the failures and resulting consequences of previous governments or state policies, however, in

my opinion, the previous policy failures and weak state behavior are not enough to explain his strong push for radical judiciary reform, campaign against corruption, and his active operation for human rights. I think that we have to observe how both state weak policy and foreign trade expansion of the mining sector have caused the President Elbegdorj's strong and well-intentioned leadership in altering the behavior of judiciary system, stimulating the efficiency of Independent Authority against Corruption (IAAC), and strengthening state regulations on mining license issuance and environmental control.

Over the past decades, corruption has expanded at a rapid pace in Mongolia in connection with various political and business factors: privatization, land utilization, and prosperity of the mining business. I think that the corruption factors have changed according to what business is considered the most beneficial and profitable. On one hand, as high demand in rising Chinese and insurgent Russian ambitions over Mongolian mineral resources have gradually made mineral resources as the most important, attractive and fruitful business in Mongolia over the past decade, mining related corruption, which involves with big mining business projects, mining license issuance, and mining land utilization, has expanded as the most serious and major political corruption type in Mongolia. On the other hand, as the internationalization of mineral resources sector has caused extraordinary economic growth in Mongolia over past years, land capital related corruption has emerged as another serious problem in Mongolia. According to the Mongolian Corruption Benchmarking Survey before the Ts. Elbegdorj's presidency,<sup>140</sup> the

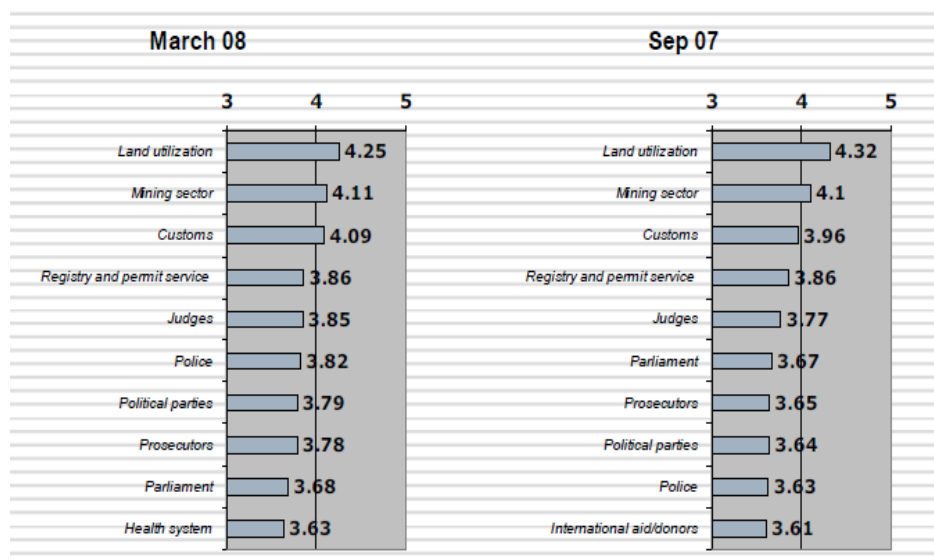
---

<sup>140</sup>Asia Foundation, "Mongolia Corruption Benchmarking Survey 2006-2008," 2008.



top two most corrupt sectors were Land Utilization and the Mining Sector (see figure 11).

Figure 11: Citizen Perceptions of the Most Corrupt Sectors



Source: Mongolia Corruption Benchmarking Survey 2006-2008, Asia Foundation, p.9.

In my opinion, weak state institutions, weak state policy, and a weak judiciary system were convenient backgrounds to stimulate the rapid expansion of mining related corruption in Mongolia. The 2009 Corruption Benchmarking Survey shows that the most corrupt sector was land authority, next were mining and customs, then judges and registry/permit services (see figure 12). This data tells us that the state institutions which have to control and prevent corruption in Mongolia were on the list of the most corrupt sectors according to the survey. This is an apparent fact that Mongolia's state institutions were too weak to fight against corruption. This also suggests that Mongolia has lacked effective state policy instruments to prevent corruption. This picture demonstrates why President Ts. Elbergdorj is paying more attention to the campaign against corruption and judiciary system reform.

Figure 12. How Mongolian citizens perceive how these sectors are affected by corruption

	1 rank	2 rank	3 rank	4 rank	5 rank
<b>Mar 06</b>	Land authority	Customs	Mining	Judges	Police
<b>Sep 06</b>	Land authority	Customs	Mining	Judges	Police
<b>Mar 07</b>	Land authority	Customs	Mining	Judges	Registry and permit service
<b>Sep 07</b>	Land authority	Mining	Customs	Registry and permit service	Judges
<b>Mar 08</b>	Land authority	Mining	Customs	Registry and permit service	Judges
<b>Sep 08</b>	Land authority	Mining	Customs	Judges	Prosecutors
<b>Mar 09</b>	Land authority	Mining	Judges	Customs	Prosecutors
<b>Sep 09</b>	Land authority	Judges	Police	Prosecutors	Mining

Source: Mongolia Corruption Benchmarking Survey, Asia Foundation, 2009, p. 10

Another impact of mining internationalization which affects President Ts. Elbegdorj's policy is the Mongolian environmental degradation which involves the profound expansion of mineral resources trade internationalization over the last decade. Mongolia has encountered serious environmental degradation now. A recent survey revealed that gold mining technology and non-standard transportation of coal have had the most harmful impact on the environment. Today, there are 784 enterprises run mining businesses in Mongolia. They cover 22.3 million hectares of land (14.5 percent of the total territory). 204 of them are gold mining companies. Mongolian gold mining companies use placer mines involving water technology which have caused the disappearance of hundreds of streams and small rivers. Surface water related surveys indicate that

gold mining activity affects the quality of 28 rivers in 8 provinces of Mongolia (World Health Organization 2005).<sup>141</sup>

Some mining companies have been reported to use mercury in gold extraction. Mercury pollution surveys by ILO (2002) and JICA (2003) determined the cause of soil and water contamination with mercury was Boroo Gold mining company owned by Canadian Centerra Gold. Inc which is considered to be one of the largest gold mines in Mongolia using advanced technology.<sup>142</sup> This is only one example. Besides the negative impacts of officially permitted gold mines on the environment, 1000s hectares of land have become the victim of illegal artisanal miners who use mercury substances.<sup>143</sup> According to the 2010 report of the Ministry of Environment and Tourism,<sup>144</sup> there were 10000 hectares of land leased by mining companies where mining companies hadn't made any environmental restoration operations.

Inadequate coal transportation has caused serious soil damage along coal routes. For instance, recent records show that 32250 hectares of land were greatly damaged by coal transportation along the 235 km road from Tavan Tolgoi to Tsagaan Khad.<sup>145</sup> Besides mercury and transportation negative influences, many mining related environmental problems have emerged in Mongolia. Therefore, the

---

<sup>141</sup> World Health Organization, "Mongolia: Environmental Health Country Profile." February 14, 2005.

<sup>142</sup> Ibid.

<sup>143</sup> Байгаль орчин, аялал жуулчлалын яам. 2010 он. Уул уурхайн салбар дахь байгаль орчны бодлого.  
<http://mne.mn/v3/?p=2091#.UaTdJJyM8Sk> (2012 он 11-р сарын 25).

<sup>144</sup> Ibid.

<sup>145</sup> Өглөөний сонин. № 1213081, 2012 он 10-р сарын 12. Нөхөн сэргээлт хийгээгүйн улмаас 17.9 мянган га талбай өгөршжээ.  
<http://www.oloo.mn/modules.php?name=News&file=article&sid=1213081> (2012 он 11-р сарын 05).

current President Ts. Elbegdorj is fighting effectively against environmental problems and pursues a strict policy of cancelling illegally obtained mining licenses violating Mongolian environmental laws and regulations.

In sum, we can come to the conclusion that President Elbegdorj's strong policies against corruption, a weak judiciary, and environmental degradation focuses mainly on stopping and preventing corruption problems and environmental degradation which have been stimulated by extraordinary foreign trade expansion in the mining sector. The data presented in this section match this conclusion. As mentioned, land authority and mining sectors are the most corrupted sectors in Mongolia. Of course, it has been impossible for the President to solve the mining corruption and environmental issues without strengthening state power institutions which function as state apparatus to stop, control, and prevent corruption and environmental degradation. His effective campaigns against political and large business corruption, covering high ranking state officials and oligarchs is good evidence that democratic and strong public power has arrived in Mongolia due to the indirect effect of foreign trade expansion in the mineral resources sector.

In this section, our work focused on describing why we want to link the extraordinary internationalization of Mongolian mineral resources sector to President Ts. Elbegdorj's strong policy for democracy, judiciary reform, and powerful campaigns against corruption and environmental challenges. Existing data and surveys present that our argument is true. Therefore, our next problem is to find evidence or data which would confirm that President Ts. Elbegdorj's policy ambitions or his presidential behavior is completely different than the previous three Mongolian Presidents:

Punsalmaagiin Ochirbat, Natsagiin Bagabandi, and Nambariin Enkhbayar.

## II. Three Different Contexts and Three Different Presidential Behaviors

Historical facts and data suggest that there had been three different world, regional, and domestic contexts, opportunities and challenges during the presidencies of the previous three Mongolian presidents: Punsalmaagiin Ochirbat, Natsagiin Bagabandi, and Nambariin Enkhbayar. I think that these three different contexts determined the behavior of their presidencies. P. Ochirbat was president at the end of Cold War (1990-1997), the period which enabled Mongolia to develop cooperation with all countries without distinguishing them according to their political system, despite losing the financial support of the Soviet Union. Natsagiin Bagabandi's presidency belongs to the period of Mongolian constitutional dispute and imbalanced relations between China and Russia. President Nambariin Enkhbayar's period covers the period which it was necessary to increase Mongolia's reputation and role in the world and regional community as well as expand Mongolian-USA relations in the framework of the "Third Neighbor" policy.

### MPRP Dominance and Weak Presidency

After the authoritarian government resigned in 1990 under the pressure of the peaceful democratic movement, the first free parliamentary election was held in July 1990. The People's Great Khural elected MPRP candidate P.Ochirbat as the first President of People's Republic of Mongolia in 1990. After the 1992 new constitution, the first Mongolian presidential election was held in 1993,

and P. Ochibat was re-elected as the President of Mongolia, but he was nominated by the coalition of Mongolian National Democratic Party (MNDP) and Mongolian Social Democratic Party (MSDP).

P. Ochirbat's presidency occurred during the 1990-1997 transition period from command economy to a market economy. The transition period was harsh and continued with economic crisis because of Mongolian state budget overdependence on Soviet aid and loans. As the Soviet Union disappeared, Mongolia encountered economic problems: food stuff deficiency and inflation rise. The Mongolian government adopted a ration system in the early 1990s to overcome food deficiency. President P. Ochirbat's work focused on finding a solution to the economic problem as the first and last President of People's Republic of Mongolia. President P. Ochirbat initiated an idea to rely on expanding gold exploration to improve the state's budget situation in short term.<sup>146</sup> The "Gold program" started under the government decree 304 on January 01, 1991.

The initiative was useful for solving Mongolia's financial crisis, but Mongolian policy makers didn't predict that strong state control, quote limit and regulation had to follow the "Gold program" to prevent aggressive gold exploration, old harmful technology, and mining exploration related environmental degradation. There were 6 gold exploration companies in Mongolia in 1991 and it had reached 130 companies by 2005. Hundreds of rivers and lakes have disappeared because of excessive gold exploration. According to the water survey by the Ministry of Nature and Environment in 2007, 900 streams and small rivers disappeared in association with placer gold

---

<sup>146</sup> Б. Долзодмаа. 2011 он. "П.Очирбат: Би "өвөө" нь юм бол олигархийн "эцэг" нь Намбарын Энхбаяр юм байлгүй дээ." Өдрийн сонин, 5-р сарын 16. <http://chuhai.mn/r/22125> <http://mongolianeconomy.mn/mn/i/251> (2012 он 11-р сарын 30).

mines which use outdated water based gold extraction method.<sup>147</sup> These data showed that the “Gold program” inflicted serious fresh water degradation in Mongolia rather than contribute to economic development. Recent surveys show that a weak state institution and environmentally unfriendly mining technology must be responsible for the health degradation of Mongolia’s fresh water system.<sup>148</sup>

President P. Ochirbat had no legal opportunity to use presidential veto power on parliamentary legislations to control and correct policies of the ruling party and cabinet because of constitutional weakness. According to the new 1992 constitution, two-thirds vote of parliament can override the president’s veto.<sup>149</sup> MPRP won 70 seats from 76 seats of State Great Khural in the 1992 Mongolian parliamentary election. The MNDP and MSDP President had no chance to get support from the majority of party members in parliament. Therefore, President P. Ochirbat wasn’t able to participate effectively in domestic economic affairs. As state foreign policy affairs refer to President according to the constitution, the President P. Ochirbat ran effective diplomacy.

After the collapse of the communist bloc in late 1980s and early 1990s, Mongolia faced a demand to create new foreign partners, and continue Mongolian-Russian close relations by developing partnership with newly established Russian Federation, a successor

---

<sup>147</sup> B. Byambaa and Y. Todo, “Technological Impact of Placer Gold Mine on Water Quality: Case of Tuul River Valley in the Zaamar Goldfield, Mongolia,” *World Academy of Science, Engineering, and Technology* 51 (2011), p. 167.

<sup>148</sup> Batnasan. N, “Freshwater Issues in Mongolia,” Proceeding of the National Seminar on IRBM in Mongolia, 24-25 Sept. 2003, Ulaanbaatar, p.53-61.

<sup>149</sup> БНМАУ-ын Ардын их хурал. 1992 он. Монгол улсын үндсэн хууль. Монгол улсын Хууль тогтоомжын сан. МУИС-Хууль зүйн сургууль. [http://www.mongolian laws.com/index.php?lid=LW1992011300&action=show\(2012 он 11-р сарын 26\)](http://www.mongolianlaws.com/index.php?lid=LW1992011300&action=show(2012%20он%2011-р%20сарын%2026)).

country of the Soviet Union. It would also ensure Mongolia's new international image in the world community as a country who supports democracy and world peace. For these reasons, P. Ochirbat started effective diplomacy by taking extensive trips to Eurasia as well as visiting Australia and New Zealand to find new trade partners and donors for developing economic cooperation which was the most important challenge for Mongolia to overcome its economic crisis.<sup>150</sup> President Ochirbat made a great contribution to the creation of Mongolia's new international image. As head of the National Security Council, he declared Mongolia as a nuclear weapon free zone and expressed Mongolia's will to obtain international recognition for its new status in the 47<sup>th</sup> session of the U.N. General Assembly in September 1992.<sup>151</sup>

In brief, the constitutional ambiguity on political institutions disabled a strong presidency concerning domestic affairs, but the first president managed to run effective diplomacy to build Mongolia's new international image and build Mongolia's international partners and donors' community, which would help Mongolia to succeed in the new global economic order. Historical facts show that the changes in world and regional circumstances, especially the dissolution of Soviet Union determined the domestic and foreign policy preferences of Ochirbat's presidency in the 1990s.

### Strong Veto Power and Political Crisis

Constitutional weakness caused serious disputes between president and ruling party during the Natsagiin Bagabandi's presidency. According to the new 1992 constitution, the President of

---

<sup>150</sup>Tsedendamba Batbayar, "Foreign Policy and Domestic Reform in Mongolia," *Central Asian Survey* 22 no.1, 2003, p. 48-49.

<sup>151</sup> *Ibid.*, p.49.



Mongolia has limited power while most political power concentrates on the State Great Khural, but the 1996-2000 political crises showed that the president's veto power could be stronger than parliamentary power in association with constitutional weakness.<sup>152</sup> During the 1996 parliamentary election, the Democratic coalition became the ruling party by winning 50 seats in parliament, but it still needed more vote to override presidential vetoes. This weakness led to the political crisis between parliament and president. The Democratic Coalition spent a lot effort and a lot of time to take approval for its Prime Minister candidate as a result of President Bagabandi's vetoes. "President Bagabandi vetoed the Democratic Coalition candidate for Prime Minister seven times consecutively".<sup>153</sup> Facts related to the 1996-2000 Mongolian parliament suggest that constitutional weakness caused weak government performance over both domestic and foreign policies.<sup>154</sup>

President Bagabandi was also strong president in diplomatic terms. His diplomacy focused on developing balanced relations between Mongolia's two powerful neighbors; China and Russia. There was an imbalanced condition in Mongolian relations with its two neighbors when his presidency began in 1997. President Bagabandi paid state visits to China in 1998 and Russia in 1999. Most importantly, his effective diplomacy towards neighbors played an important role in restoring close relations with Russia which, like Mongolia, was ineffective in connection with economic crisis in the

---

<sup>152</sup> БНМАУ-ын Ардын их хурал.1992 он. Монгол улсын үндсэн хууль. Монгол улсын Хууль тогтоомжын сан. МУИС-Хууль зүйн сургууль, <http://www.mongolianlaws.com/index.php?lid=LW1992011300&action=show>(2012 он 11-р сарын 26).

<sup>153</sup> Ibid., p. 48.

<sup>154</sup> Kerry Dumbaugh and Wayne Morrison, "Mongolia and U.S. Policy: Political and Economic Relations," CRS Report for Congress, Order Code RL34056, 2007.

1990s. Russian President Putin's visit to Mongolia is considered to be the success of his tremendous diplomacy.<sup>155</sup>

## Effective in Foreign Affairs, but Weak in Domestic Reforms

During the presidency of Nambariin Enkhbayar (2005-2009), Mongolia had three important challenges. The Mongolian economy had recovered to a great degree. Mongolia had achieved steady economic growth 7.3% GDP growth in 2005, 8.6% in 2006, 10.2% in 2007, 8.9% in 2008, and -1.3% in 2009,<sup>156</sup> but Mongolia still needed more foreign investment and international financial support to improve its infrastructure for stimulating its future industrial development. Other issues facing Mongolia were a weak judiciary and rapid expansion of corruption.

During those years, Mongolia had made progress with its "third neighbor" policy, but it was difficult to imagine the realization of the foreign policy ambition without the expansion of Mongolia-USA foreign relations. Therefore, Mongolia was seeking effective ways to develop a close political and economic partnership with the USA. At that time, U.S. investment and concern in Mongolia was relatively weak and low in comparison with Russia's soft power and China's extensive investment in Mongolia. Mongolia was still lacking effective involvement in world peacekeeping initiatives and international democracy development as active diplomacy to ensure Mongolian national security. President Enkhbayar focused on settling these challenges.

President Enkhbayar pursued active diplomacy to expand Mongolia's collaboration with the United Nations, by advancing its

---

<sup>155</sup> Tsedendamba Batbayar, 2003, p. 49.

<sup>156</sup> Golomt Bank, "Mongolian Growth Story." February, 2012, p. 4.

nuclear-weapon-free zone, and increases its peacekeeping involvement. "Mongolia hosted United Nations efforts aimed at better addressing human security."<sup>157</sup> The nuclear-weapons-free zone and hosting the United Nations urges were one part of Mongolia's effective diplomacy to increase its reputation in the international community. It can also be considered as one aspect of Mongolia's "third neighbor" policy.

Besides the reputation in the international community, President Enkhbayar ran effective foreign policy to expand Mongolia's role in regional peacekeeping initiatives and security. He considered that Mongolia could contribute to the Korean peninsula's security challenge due to its good relations with both North and South Korea. During his presidency, "Mongolia offered itself as a site for dialogue on easing tensions on the Korean peninsula."<sup>158</sup> I think that these actions involved Mongolia's "preventive diplomacy" (Li Narangoa, 2009)<sup>159</sup>. According to Narangoa's view, Mongolia runs preventive diplomacy to prevent joining any regional and international conflicts and disputes in its framework of national security policy. It is clear that any regional conflict or dispute would influence Mongolian economic life and security as Mongolia depends greatly on the economy and security of its two powerful neighbors. Therefore, effectively participating in regional peacekeeping initiatives is very important for Mongolia.

Another of President Enkhbayar's highly scored acts of diplomacy was to expand Mongolia-U.S. relations. President

---

<sup>157</sup> Noerper, Stephen, "Mongolia Matters," *Brookings Northeast Asia Commentary*, October, 2007, <http://www.brookings.edu/research/opinions/2007/10/mongolia> (January 15, 2012).

<sup>158</sup> Ibid.

<sup>159</sup> Li Narangoa, "Mongolia and Preventive Diplomacy: Haunted by History and Becoming Cosmopolitan," *Asian Survey* 49 no. 2 (2009):358-379.

Enkhbayar made great efforts on realizing his initiative to bring the Millennium Challenge Compact to Mongolia. He initiated it when he was the Prime Minister in 2000. Due to many years' efforts and lobby, he realized his initiative during his presidency. USA and Mongolian Presidents signed the Millennium Challenge Compact for Mongolia during President Enkhbayar's visit to USA in October 2007.<sup>160</sup> During the signing ceremony, U.S. President George W. Bush highlighted two things.<sup>161</sup> Firstly, he stated that he loved his visit to Mongolia. Secondly, he stated that "he also wanted to thank President Enkhbayar for his strong support in the war against radicals and extremists." President George W. Bush noted that "thank you and the Mongolian people for supporting the young democracies in Iraq and Afghanistan". This statement by U.S. President George W. Bush clearly demonstrated how the active and fruitful diplomacy of President Enkhbayar had to expand Mongolian-U.S. relations. It was the result of President Enkhbayar's diplomacy to maintain the continued rotation of Mongolian troops in Iraq and Afghanistan. Although the Millennium Challenge was evidence showing that Mongolian-U.S. relations expanded one step, it is still early to conclude that the USA has become a real third neighbor of Mongolia in both political and economic terms.

President Enkhbayar was an active president on foreign policy, but his campaigns and efforts against corruption and a weak judiciary achieved lower results than the citizens expected. He initiated and established Independent Authority against Corruption (IAAC), but citizens were dissatisfied with the achievements of the IAAC. The

---

<sup>160</sup> "President Bush and President Enkhbayar of Mongolia Sign the Millennium Challenge Corporation Compact," Office of the Press Secretary, the White House, October 22, 2007, the White House Official Website: <http://georgewbush-whitehouse.archives.gov/news/releases/2007/10/20071022-3.html> (January 15, 2012).

<sup>161</sup> Ibid.

IAAC focused on investigating petty corruptions. According to the corruption benchmarking survey (2006-2008), citizens belief on whether corruption law makes a difference reduced from 40% in 2007 to 29.3% in 2008. The low belief may indicate that the IAAC's efforts against corruption were not as powerful as the citizens had expected.

### III. Three Decisive Steps and Resurging Democracy

#### Suspension of Mining Licenses' Issuance

President Ts. Elbegdorj temporarily suspended all activities related to mining license issuance in April 2010 until the adoption of fresh and democratic legal regulations.<sup>162</sup> In my opinion, it was a tremendous step toward a democratic, but strong state with well-intentioned guide for mobilizing national wealth through right policies and building a democratic state reflecting citizen's collective interest. His statement in the press conference presents that he is a real democratic president who represents and defends the collective interest of citizens, local governments, bureaucrats, and officials. He highlighted that the mining licensing issue has been threatening and damaging national security by evolving as organized crime and violating Mongolian laws.

National security, balanced economic development, development and protection of natural resources have always been under my concerted attention. I have been providing concrete orders and directions to

---

<sup>162</sup> "President Elbegdorj Orders to Temporarily Suspend the Allocation of Mineral Licenses and Provides Directives for Actions," Public Relations and Communications Division, the Office of the President of Mongolia, April 23, 2010, <http://www.president.mn/eng/newsCenter/viewNews.php?newsId=194> (January 15, 2010).

pertinent organizations and officials. One of the subjects of these orders was the issue of minerals licenses. When I meet with citizens, when I hold meetings, while working in the rural areas, practically all soums, all local governments, all local people are talking about this very issue. Over the last 5 years we have talked about ensuring that our people become the true owners of our natural wealth, that our peoples right to be the owners are violated, yet nothing has changed, violations persist. The problems around the mineral licenses are not mere violations, they evolve as organized crimes, threatening and damaging our national security. The matter is truly serious, and this is being noted by certain officials too. I will cite just one example. Almost half of exploration license holders neglect their legal duty to provide their annual exploration reports. Ignorant of their main duty to explore for minerals, the license holders have turned mineral licenses into a money-making tool for foreign and national groups. It is possible that corruption and bribery are committed in those circles. According to a report by the authorized institution, as of April 2 this year there were 4706 valid mineral licenses of which 3610 are exploration and 1096 are mining licenses. Most of these titles are kept in violation with law.<sup>163</sup>

President Ts. Elbegdorj strongly criticized state irresponsibility and weak behavior on this matter. He warned that related bureaucrats, officials, and lawyers should do their duty and work to control whether licenses holders implement their legal duty to provide the annual exploration report, demand them to implement their legal duty, and cancel licenses which have been granted through illegal ways. He also noted that state shouldn't allow this disorder expanding with attempts to influence our sovereign policies through illegitimate pressure. Finally, he stated that he will hold public discussions on this matter at the citizen's hall to hear public opinion.

This disorder leads to eventual deprivation of the Mongolian people of their property, and to situations whereby attempts are made to exert pressure on and influence our sovereign policies. Certain state

---

<sup>163</sup> Ibid.

institutions, certain officials are charged by law with a duty to halt such practices. And this lawful and legal duty must be practiced. At times we do lose time, we do not act promptly, and eventually we might fall victims of illegitimate pressures of others. The situation must be rectified.<sup>164</sup>

Although the Prime Minister and his cabinet is a quite independent subject on economic issues, according to the Mongolian constitution, President Ts. Elbegdorj's suspension on mining license issuance and transfer played a significant role in improving the government policy and regulations satisfactorily. This measure gave a boost to the Mongolian government's attempts to correct its weak behavior which had not achieved significant progress against law violating practices in critical sectors and had adjusted to the disorder. In late 2010, Mongolia's Minister of Mineral Resources and Energy Dashdorj Zorigt stated that the government would suspend 254 licenses in connection with violating Mongolian environmental laws and 1,700 licenses would be put under review.<sup>165</sup> The Minister also made another significant statement in 2012 which indicates that the President Ts. Elbegdorj suspension caused the shift in government behavior from weak state to strong state policy. Minister D. Zorigt stated that "the issuance of new special mining licenses are banned for 5 years in some areas of 326 soums in 21 provinces and the total area of special mining licenses had been decreased from 44.5 percent of total Mongolian territory to 14.2 percent according to the plan of the Ministry of Mineral Resources and Energy to protect environment."<sup>166</sup>

---

<sup>164</sup> Ibid .

<sup>165</sup> "Mongolian mining bans could deter speculators –investor," *Thomson Reuters*, November 25, 2010, <http://www.reuters.com/article/2010/11/25/mongolia-mining-idUSTOE6AM03X20101125> (January 15, 2012).

<sup>166</sup> "Special mining licenses will not be issued for 5 years," *Business-Mongolia.com*, June 5, 2012, <http://www.business->

Data referring to President Elbegdorj's suspension on mining licenses issuance reveal that his reform was democratic, not authoritarian, and it was a strong policy reform for responsible mining with eco-friendly technology, supporting a democratic society without corruption, and saving unrenewable resources for the future generations. The World community also supported his achievement on saving the environment. The United Nations Environment Programme awarded him with the United Nations' award 'Champions of the Earth' in 2012.<sup>167</sup>

### Irgenii Tankhim (Citizen Hall) and the Rise of Direct Democracy

The second step President Ts. Elbegdorj initiated was Irgenii Tankhim (hereinafter Citizen Hall). He established Citizen Hall in 2009 after his presidency began to offer citizens opportunities to participate in the policy-making process. I think that the foundation of Citizen Hall was a great contribution to the arrival of strong and democratic public power defending the nations' collective interest in domestic and foreign affairs instead of defending the interests of specific interest groups. According to its general procedures, Citizen Hall aims to improve state policy making through public and civil society input.

Citizen Hall's general rule of organizing discussion is quite open, democratic, and efficient. Any Mongolian citizen or representatives of legal entities or organizations are allowed to participate in open

---

mongolia.com/mongolia/2012/06/05/special-mining-licenses-will-not-be-issued-for-5-years/ (August 18, 2012).

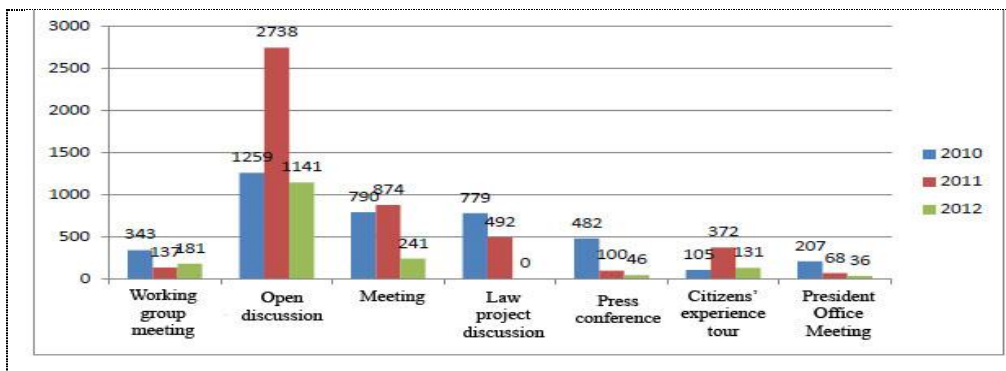
<sup>167</sup> "Mongolian President among Six 'Champions of the Earth' Named in 2012 UNEP Awards," United Nations Environment Programme, June 04, 2012, <http://www.unep.org/champions/champions2012.asp> (August 18, 2012) .



discussions organized by Citizen Hall. Even the chairperson of Citizen Hall can invite representatives of foreign and international organizations and foreign business entities operating in Mongolia for the open discussion.<sup>168</sup> Citizen Hall administrates and organizes open discussion through all means: email, forum, website, and TV if it is necessary.

Most importantly, Citizen Hall has been effective to realize its mission and formal duty over the past years since it opened its operation in 2009 under the initiative of President Ts. Elbegdorj. For instance, according to the 2012 report of Citizen Hall, it organized 78 open discussions totally 195 hours and 3418 citizens participated (see figure 13).<sup>169</sup> Citizen Hall always reports the results of each open discussion and provides their annual report to citizens. This is a good example of democratic and transparent governing.

Figure 13. Meeting Report of Open Discussions in 2009-2012



Source: Citizen Hall at the Office of President of Mongolia <http://www.irgen.org>

<sup>168</sup> The Office of the President of Mongolia, *Procedures for the Citizen Hall under the President of Mongolia*. attachment to the Decree #20 of the Head of the Office of the President of Mongolia, August 31, 2009, <http://www.president.mn/eng/civilHall/civil-hall-procedures.php> (January 15, 2012).

<sup>169</sup> Монгол улсын ерөнхийлөгчийн тамгын газар .2012. Монгол Улсын Ерөнхийлөгчийн дэргэдэх "Иргэний Танхим"-ын үйл ажиллагааны тайлан. <http://www.president.mn> (2012 он 10-р сарын 05).

The most important achievement of Citizen Hall at the Office of the President is that it has caused similar behavior at the local government level. By January 11, 2013, local governments of 21 aimags (provinces) and 9 districts of the capital city have opened Citizen Hall.<sup>170</sup> On one hand, this means that local governments have also began to effectively hear the opinions of their local residents and to reflect the opinions and will of local residents in their policies. On the other hand, this means that democratic governance has been expanding equally in both rural and urban areas throughout the country.

As critical issues which involve Mongolian development have been key discussion topics at Citizen Hall, the foreign trade expansion and internationalization of the mineral resources sector has been the main concern of Citizen Halls in Mongolia. Therefore, I am confident that Citizen Halls will help Mongolia greatly in building good institutions and working out good policies for regulating mineral resources internationalization in a more efficient and dynamic way. The most recent example is that there was open discussion on the draft of Mineral Resources' Law in Citizen Hall at the Office of the President on January 24, 2013. This shows that Citizen Hall can function as a democratic mediator which maintains effective and direct feedback between state and citizens on domestic and foreign policy issues.

## Judiciary and IAAC Reforms

Data and facts on President Ts. Elbegdorj's position on the international opportunities in the mining sector present that judiciary reform and fight against corruption have been designed to make a good state that can benefit from the internationally induced foreign

---

<sup>170</sup> Ibid

trade expansion in mineral resources. The president expressed his position clearly in his interview with Radio Free Asia after he was elected as the President of Mongolia in October 2009. He stated that improper government behavior and corruption could block the opportunities of the mining sector.

“Now we have some profit, some money from mining,” he said.  
“If you have bad government, it’s going to be a curse.”<sup>171</sup>

During his interview, he also noted that reform in the judicial system and the IAAC are the most significant measures, because “corruption is deep-rooted in Mongolia”.<sup>172</sup> This interview shows clearly that his effective policy and reforms in the judicial system and the IAAC are involved with his position on state behavior what state or government can exploit the gains from the internationalization of the mining sector.

President Ts. Elbegdorj has made his reforms in the judiciary system step by step effectively in a democratic way. Firstly, he organized the national forum “Judiciary Reform and Justice” on April 14-15 to take comments from legal organizations’ representatives, and citizens on judiciary reform and challenges. Then, the National Security Council supported the national judiciary reform program initiated by the president on April 15, 2010. Next, an open discussion on new law projects related to judiciary reform was held on July 01, 2011 in Mongolia at Citizen Hall to take comments and hear opinions of citizens and civil society. Finally, the State Great Khural passed the related new laws in March-May 2012. The procedure presents that judiciary legal reform projects succeeded in being democratic reform,

---

<sup>171</sup> Dan Southerland, “Mongolia: a Democratic breakthrough,” Radio Free Asia, December 24, 2009, <http://www.rfa.org/english/commentaries/mongolia/12242009153047.html> (January 15, 2012).

<sup>172</sup> Ibid.

developing a transparent state policymaking process, and reflecting citizens and experts' real wills on judiciary reform.

Most importantly, President Elbegdorj's judiciary reform introduced merit-based system to the Mongolian judiciary system to ensure political, economic and legal security for the judiciary. As it is written in the Laws of Mongolia on Court, Court Administration, and Judge, a merit-based system is fully designed to prevent political and economic influence on the judiciary system.<sup>173</sup> Article #8 in the Law on Court clearly indicates that each court must have websites and provide information on their processes, judge procedures, and trial decisions regularly to the public if the information doesn't refer to state or private secrets.<sup>174</sup>

President Ts. Elbegdorj concluded in October 2010 that the achievements of the Independent Authority against Corruption (IAAC) don't meet citizens' expectation. He highlighted that the IAAC must focus on fighting political corruptions instead of concentrating on petty corruption.<sup>175</sup> He decided to change the Community Council of the IAAC which consisted of sport and music stars and high ranking bureaucrats who were selected during the presidency of the former

---

<sup>173</sup> Монгол улсын УИХ. 2012 он. Монгол улсын шүүхийн тухай хууль. [http://www.president.mn/mongolian/node/1944#\\_ftnref1](http://www.president.mn/mongolian/node/1944#_ftnref1) (2012 он 12-р сарын 20); Шүүгчийн эрх зүйн байдлын тухай хууль. <http://www.president.mn/mongolian/node/2593> (2012 он 12-р сарын 20); Монгол улсын УИХ. 2012 он. Шүүхийн захиргааны тухай хууль. <http://www.president.mn/mongolian/node/2592> (2012 он 12-р сарын 20); Монгол улсын УИХ. 2012 он. Монгол улсын шүүхийн тухай хууль. [http://www.president.mn/mongolian/node/1944#\\_ftnref1](http://www.president.mn/mongolian/node/1944#_ftnref1) (2012 он 12-р сарын 20).

<sup>175</sup> Монгол улсын ерөнхийлөгчийн тамгын газар. 2009. "Ц.Элбэгдорж: АТГ-ыг хангалтгүй ажиллаж байна гэж дүгнэж байна." <http://www.president.mn/mongolian/node/224> (2012 он 10-р сарын 05).

President N. Enkhbayar. He reorganized the Community Council to one which consists of professional lawyers and civil society under the decree #121 on September 29, 2009.<sup>176</sup> After the president made changes in the IAAC, state combat against corruption has become more powerful and effective. The assessments of international organizations suggest that Mongolia's state fight against corruption is quite successful. According to the measurement of Transparency International, the Mongolian corruption index has improved a lot in 2012. Mongolia ranked 94<sup>th</sup> out of 174 countries, compared to its rank of 120<sup>th</sup> place in 2011. I think that President Elbegdorj's judiciary institutional changes and the recent achievements of the IAAC might play a significant role in the corruption index improvement.<sup>177</sup>

The results of effective IAAC works, under the positive influence of President Ts. Elbegdorj, present that the mineral resources sector has been the most dangerous corrupted sector which has threatened Mongolia's national security. For instance, the IAAC investigation and Mongolian court revealed that D. Batkhuyag, former Chairman of Mineral Resources' Authority, issued 107 mining licenses illegally without announcing bids. The IAAC announced in a press conference after his trial that D. Batkhuyag received a \$1.2 billion U.S. dollar coal deposit as a bribe for issuing mining license illegally and 107 illegal mining licenses covering several soums and

---

<sup>176</sup> Монгол улсын ерөнхийлөгчийн тамгын газар .2009. "Авлигатайтэмцэх газрын дэргэдэх Олон нийтийн зөвлөлийн бүрэлдэхүүнийг томилох тухай." Ерөнхийлөгчийн зарлиг №121 [http://www.iaac.mn/pdf/onz/ONZuvlul\\_bureldehuun.pdf](http://www.iaac.mn/pdf/onz/ONZuvlul_bureldehuun.pdf) (2012 он 10-р сарын 05).

<sup>177</sup> Transparency International, "Corruption Perceptions Index 2012," 2012, <http://www.transparency.org/country#MNG> (January 10, 2013).

provinces were cancelled by the court.<sup>178</sup> On one hand, this incident shows that judiciary reform and effective fight against corruption are important to develop safe and healthy mining business without environmental degradation and illegal actions. On the other hand, corruption incidents in the Mongolian mining sector tell us why a strong and democratic state is important in consolidating democracy, while the economy is flourishing.

Theoretically, President Ts. Elbegdorj's strong presidency and effective public representation suggest that the coexistence of strong public power and democracy can lead to miracle economic development which benefits all citizens equally throughout a country. Existing literature argues that an authoritarian state has a positive impact on economic development and thus, the success stories of developmental states depend on the advantage of authoritarian rule. This is true, but this doesn't mean that democracy has a negative impact on economic development. A democratic regime provides all citizens with equal opportunities to benefit from economic development, but a non-democratic regime provides political and economic elites to benefit from economic development. Therefore, a democratic regime needs strong public power to resist the lobby and influence of powerful political and economic groups and to reflect citizens' collective will.

According to existing literature, a weak state is good to consolidate and maintain a democratic political regime. This is also true, but this also doesn't mean that a weak state model is suitable for all countries in the world to develop democracy. A weak state could help the USA develop a democratic regime with a strong society

---

<sup>178</sup> NEWS агентлаг. 2013.02.01. "Д.Батхуягийн хахуульд авсан орд 1.2 тэрбум доллар хүрнэ. <http://video.news.mn/video/10181.shtml> (2013 оны 2-р сарын 15).

in its sovereign territory, but Mongolia's experience presents that a weak state model could have a negative impact on some countries.

## IV. Democracy and the Strong State Autonomy

### Democratic Consolidation and State Autonomy

The last decade of Mongolian history shows that a democratic regime with strong state behavior saves state autonomy from internationally induced pressures. How does it happen? This is an interesting puzzle. According to the predominant view of existing literature, foreign trade expansion lowers state role in national economy. I disagree with this statement. Instead, foreign trade expansion requires an effective state role and a strong guide to maintain good foreign trade expansion, because both good and bad business entrepreneurs appear in the domestic market along with foreign trade expansion. Both opportunism and egoism related problems appear in the domestic environment under the label of foreign trade expansion. I don't mean that foreign trade expansion is not good. I mean that a strong state's democratic role and intervention could build immunity against the negative effects of foreign trade expansion and build a good mechanism to exploit the positive effects of foreign trade expansion. Generally, I mean that foreign trade expansion is important for national economic growth, but a democratic political regime with strong public power has the capacity to take full advantage of foreign trade expansion.

Authoritarian system and corruption undermine or weaken state autonomy against internationally induced illegal pressures and influences. An authoritarian or corrupted state is greatly vulnerable

to the negative effects of foreign trade expansion, because national and foreign entrepreneurs can easily lobby and corrupt politicians or policy makers. Mining licenses issuance related corruption incidents and environmental degradation in the Mongolian case, present how weak state policy and bad government policy allow foreign trade expansion to function as a mechanism of flourishing political corruption, widening the gap between the rich and the poor, and increasing egoistical ambitions in society. The incidents also suggest that a weak and undemocratic government benefits the corrupted political elites and corruption inducing national and foreign entrepreneurs when foreign trade expands.

Recent changes in Mongolian government or state behavior present that a democratic political regime and a strong state have the power to control the corruption and elite-centered benefits from foreign trade expansion. On one hand, democracy allows the government to be strong and confident to fight against corruption and overcome internationally induced pressures, because a democratic government is fully confident that citizens support it and will continue their political support by reelecting the democratic political party. On the other hand, democracy makes a political regime safe as there are no violent rebellions and struggles for freedom and economic justice. For instance, during the 2012 parliamentary and local elections, the majority of the Mongolian population supported the Democratic Party<sup>179</sup>. These results could be interpreted that Mongolian citizens highly appreciate the Democratic Party President's effective policy for judiciary reform and active fight against corruption and

---

<sup>179</sup> Democratic Party (Ардчилсан нам, *Ardchilsan Nam*) is a right-centered party. This party was founded on December 6, 2000 by the politicians and political forces including Mongolian National Democratic Party and Mongolian Social Democratic Party who pioneered the Mongolia's 1990 democratic revolution (quoted from <http://www.demparty.mn/index.php>).



environmental degradation. The political support in last two elections prove that citizens highly support the coalition government's previous behavioral changes from a weak state to a strong state under the president's effective influence on government policy in regulating mining-related environment problems, improving government policy, and exploiting foreign trade expansion in mineral resources for recovering and stimulating the national economy and increasing Mongolia's role in regional politics and trade integration.

In this part, we focused on describing why democracy and a strong state are useful for securing state autonomy. In the next part, we decided to answer the following two questions. Did government behavior really change from weak state to strong state in Mongolia under the President's effective influence on government policy? Why does democracy need strong state behavior? These debates are discussed in the following part.

## Strong State and Democratic Consolidation

Recent events in Mongolian domestic politics suggest that the government's position predominates over the interest of private mining actors to defend the collective interest of Mongolia. This is clear evidence showing that there has been a real government behavioral change from weak image to strong image. Domestic political events in the Mongolian case present that the state should have the capacity to alter the behavior of private actors if their behavior opposes societal collective interest or threatens democracy when foreign trade influences their behavior in a negative way.

There are enough facts showing that foreign trade expansion in Mongolian energy and mineral resources has affected Mongolia's private mining actors negatively rather than positively over the past decade. Both domestic and foreign private actors had come to the

understanding that bribery is important to lobby or influence bureaucrats and politicians for their business favors. They had been used to bribing officials to obtain and extend their mining licenses in illegal ways as well as hiding their law violations which occurred during their mining extraction. The clearest evidence of this is that by 2005, the area of mining licenses had covered 44.5 percent of Mongolian territory and later the Ministry of Mineral Resources and Energy confirmed that most of those licenses had been obtained and retained by violating Mongolian environmental and mineral resources' laws. The most recent event is that the IAAC determined that D. Batkhuyag, former head of the Mineral Resources Authority, got \$1.2 billion coal deposit for extending four expired mining licenses of SouthGobi Sands illegally.

The above incidents suggest that strong public power is required to alter the negative behavior of private actor into positive behavior. The Mongolian government has been effective in developing responsible mining in Mongolia since President Elbegdorj suspended mining license issuance until the adoption of new laws. During those years, the government cancelled mining licenses which had violated Mongolian mineral resources and environmental laws. Due to these measures, licensed mining areas reduced to 14.6 percent of Mongolia's total territory.

The Mongolian government has effectively demanded national and foreign mining entrepreneurs to comply with Mongolian environmental laws and mineral resources regulations as well as applying the best international mining practices. As a result, mining companies began to pay greater concern to their responsibility to protect the environment and comply with laws. For example, Mongolian Mining Corporation (MMC), which runs coking coal exploration in Ukhaa Khutag area of the Mongolian flagship deposit

Tavan Tolgoi, has built 240km of hard surface paved road to export its extracted coking coal to China according to its agreement with the government of Mongolia. "MMC also entered into a Build-Operate-Transfer Concession agreement with the Government of Mongolia to build 240km rail road to transport coal."<sup>180</sup> Most importantly, MMC changed its plan to use Chinese gauge for its rail road. It decided to use Russian gauge according to the Mongolian government railway policy to use Russian gauge. 51 percent of the base infrastructure of the railroad will be transferred back to the Government of Mongolia after 19 years free of charge.

Besides legal requirements, the government of Mongolia has been effectively intervening in the national economy by investing in mining infrastructure, mining processing industry, and big national mining projects for fully exploiting the historical chance of foreign trade expansion in the energy and mineral resources' sector. The Government of Mongolia released \$1.5 billion USD in bonds under the name "Chinggis Bond" on November 28, 2012 to the international stock market under the approval of State Great Khural.<sup>181</sup> The government is using the money in large scale infrastructure development, new railroads, up-buildings and high-end mining industries. Most importantly, the Prime Minister of Mongolia stated that the money will be used in building a new 1800km railroad.<sup>182</sup> The railroad will connect strategic flagship coal, copper mines, and Sainshand industrial complex to both Russian and Chinese markets.

---

<sup>180</sup> Mongolian Mining Corporation, "Interim Results 2012," August 08, 2012.

<sup>181</sup> "The \$1.5 billion USD will be Deposited into the Government Account of Mongolia on December 05, 2012," *InfoMongolia.com*, December 04, 2012. <http://www.infomongolia.com/ct/ci/5302> (December 20, 2012).

<sup>182</sup> Монгол улсын засгийн газар, ХМА. 2013 он. Ерөнхий сайд УИХ-ын чуулганд мэдээлэл хийлээ. <http://www.zasag.mn/news/id/423> (2013 оны 2-р сарын 15).

The Mongolian government expects several achievements from the rail road project. Firstly, this project will allow Mongolia to diversify its export routes with a new route through Russia. Currently, Mongolia connects to world coal and copper markets only through China's Pacific ports. Depending on only one export route has made Mongolia more vulnerable to Chinese pressure. If Mongolia successfully completes the project, it would be a great contribution to Mongolia's state sovereignty (see figure 14). Secondly, the rail road will reduce the negative effects of coal transportation on the environment. Currently, Mongolian mining companies transport coal on both paved and unpaved roads, but current coal transportation is damaging land along the coal roads. Thirdly, the rail road would increase the income of domestic and foreign mining companies by reducing transportation cost. Moreover, the cabinet has planned to use the money for building mining processing industries. The government expects that high-end mining industries would allow Mongolia to export value added products to the world market.

Figure 14: Mongolian New Railway



Source: Mongolian Railway, 2012

<http://www.mtz.mn/index.php?sel=newsmore&id=3&more=2>

One major internationally induced pressure on state autonomy has been Russian petroleum fuel pressure. As foreign trade in Mongolia's mineral resources sector has expanded a lot, Russian fuel pressure has been becoming more aggressive. Mongolia's Vice Minister of Mining O. Erdenebulgan and other delegates visited the Russian Federation on January 9-11, 2013 to discuss the petroleum fuel issue with the Russian side. The Russian position suggested that Russia is applying petroleum fuel pressure as a diplomatic tool to defend Russian interest over Mongolian mineral resources business and Mongolia's petroleum retail market.

During the discussion, Russia's Vice Minister of Mining A. B. Yanovski stated that the Russian side regrets and is disappointed that Russian offers on Tavan Tolgoi deposit and Mongolia's petroleum retail market haven't been resolved over the last decade.<sup>183</sup> The Mongolian delegation highlighted that it is open for the Russian side to participate in Mongolia's mining business by buying stocks and that Rosneft sells petroleum fuel to Mongolia at a much higher price than it does to other countries (\$300 USD higher).<sup>184</sup> In other words, the Mongolian side stated that Russian fuel price doesn't match the world fuel price.

The Mongolian side also expressed that Russian fuel quality doesn't match its price policy. Mongolia imports 65 percent of its petroleum fuel from Russia and Russian Euro-2 standard fuel quality is lower than fuel from other suppliers. Key consumers in the mining sector prefer to use Euro 4-5 standard high quality fuel, because high

---

<sup>183</sup> Уул уурхан яам. 2013 он. "О.Эрдэнэбулган: Роснефть шатахууныхаа үнийг эргэн харахаа амласан". <http://www.mm.gov.mn/index.php/interview/158-o-erdenebulgan-rosneft-shatakhuykhay-uunijg-ergen-kharakhaa-amlasan> (2013 оны 2-р сарын 15).

<sup>184</sup> Ibid.

quality fuel allows Mongolian mining companies to exploit the energy saving technology of advanced Western European machines. Mongolia buys Euro 2 standard fuel at Euro 5 standard fuel prices. The Mongolian delegation therefore stated that Mongolia wants to buy high quality fuel. As the Mongolian-Russian joint company offers expensive airplane fuel, Mongolian airlines buy their fuel from other countries. Refueling price is \$1100 USD in Seoul and \$1350 USD in Moscow, but it is \$1740 USD in Ulaanbaatar. Finally the Mongolian side offered to change its fuel purchase agreement and expressed its will to establish an agreement ensuring the retention of fuel price levels retaining for 3-6 months.<sup>185</sup>

This meeting shows that although Russia has pressured Mongolia with high prices, the Mongolian government hasn't changed its strong position on Russian offers over the last decade. This means that Mongolian state autonomy has improved in comparison with the Mongolia's past, when during the socialist period when an authoritarian system existed in Mongolia, it used to cave to Moscow's pressure without any resistance. This is one significant advantage of the democratic revolution brought to Mongolia.

The Russian side hasn't managed to enter into Mongolia's petroleum fuel retail market, because of Mongolia's petroleum law. In 2008, the Prime Minister introduced his proposal to make amendments to the petroleum law in association with Russian fuel pressure, but he didn't get the support of parliament. Mongolian parliament has denied changing the petroleum law as parliament members consider that the Russian offer is threatening Mongolian economic security. This is a good example how a democratic political regime improves state sovereignty. If Mongolia had been under one

---

<sup>185</sup> Ibid.

powerful authoritarian leader as it was in socialist Mongolia, Mongolia would not have been able to resist the Russian pressure and would have changed the petroleum law. Over the past two decades, Russia has often applied pressure on the petroleum market by increasing its fuel price suddenly and altogether stopping its fuel supply. They have often offered a sustainable supply and stable price in exchange for allowing them to enter into the Mongolian petroleum fuel retail market, but they have always failed. During the past decade, there have been three parliaments with various majority parties. They have all denied accepting Russian offers. This shows how democracy insulates the state sovereignty of small countries from powerful external pressure.

In recent years, the Government of Mongolia has been pursuing effective diplomacy and policies to overcome Moscow petroleum fuel pressure. According to the statement by the State Secretary of the Ministry of Mining, P. Jigjid, Mongolia has been diversifying import sources with South Korea, Kuwait, and Belarus. Another policy is to build oil refineries in Mongolia.<sup>186</sup> The Ministry of Mining has permitted six Mongolian companies to build refineries in Mongolia. The Ministry of Mining has selected the Darkhan-Refinery project as the best project and decided to provide government support. Moreover, the State Secretary noted that it is possible for the other five companies to build oil refineries as they have official permission, and that the government selected one of the six companies to support based on project quality.

---

<sup>186</sup> Монгол улсын Уул уурхайн яам. 2013. "Р.Жигжид: Нефтийн үйлдвэр 2016 оны хавар ашиглалтад орох боломжтой [http://www.mm.gov.mn /index.php /interview/156-r-zhigzhid-neftijn-uujldver-2016-ony-khavar-ashiglaltad-orokh-bolomzhtoj](http://www.mm.gov.mn/index.php/interview/156-r-zhigzhid-neftijn-uujldver-2016-ony-khavar-ashiglaltad-orokh-bolomzhtoj) (2013 он 2-р сарын 05).

Now the government is working on improving the selected project. The Japanese company which will build the refinery promised the government that they will have finished their construction by 2016. As Mongolia's domestic crude oil extraction has been increasing, the government expects that Mongolia would rely on the domestic crude oil supply in the future. The government has planned to import crude oil from Russia to supply the oil refinery until Mongolian domestic crude oil extraction reaches a satisfactory high level. The government is now confident that crude oil extraction will reach the satisfactory level in the near future. As Kuwait has promised to supply 2-3 tons of crude oil to Mongolia, Mongolia has an alternative option to provide its domestic oil refinery with crude oil. The government has also stated that it is ready to support the other five Mongolian companies if they improve their project plans and meet government requirements.<sup>187</sup>

The government support of oil refinery projects suggests that the Mongolian government has been effectively functioning as a well-intentioned guide and leader in developing critical sectors in Mongolia. This is also a good example of why democracy and market economy need efficient state intervention. On one hand, if the government succeeds in developing an oil refining industry and diversifying petroleum fuel import sources, it will be a great contribution to the improvement of state autonomy against internationally induced pressure. On the other hand, if Mongolia resolves the petroleum fuel pressure, Mongolia will be a good position to defend national collective interest in developing mining internationalization in fruitful and meaningful ways for the national economy over internationally induced foreign and domestic pressures.

---

<sup>187</sup> Ibid



The third recent evidence proving that a strong state is good for securing state sovereignty and ensuring democracy occurred in January 2013. It was then that the Mongolian government warned Rio Tinto to comply with Mongolian laws and respect Mongolia's government. The Mongolian government encouraged Rio Tinto to show that the company is a good company which operates its business in transparent and legal ways. The Prime Minister and the President of Mongolia stated that they believed that Rio Tinto wouldn't take advantage of any opportunism. The government's statement is a result of the Rio Tinto's statement that it has increased its initial investment expense in Oyu Tolgoi project twice from \$5.1 billion USD to \$7.1 billion USD. It was really bad news for Mongolia. If their initial investment increases, then the stake of the Mongolian government will reduce significantly. The Mongolian government has expected to benefit from its stake from 2019, but if Rio Tinto's investment increases, Mongolia will not benefit from its stake until 2033. The Mongolian government decided to realize the Oyu Tolgoi project in order to benefit from internationally induced foreign trade expansion in mineral resources. When Rio Tinto signed the initial agreement with the Mongolian government, they confirmed that the initial investment expense would be \$5.1 billion USD. The recent incident shows that Rio Tinto is not keeping its promise.

During the stakeholder's meeting on February 06, 2013, Prime Minister N. Altankhuyag demanded that Rio Tinto explain why it has increased its investment expense twice. Besides the challenge of investment expense increase, the prime minister noted that the government will discuss concerns with Rio Tinto concerning Mongolian employees' salaries and welfare in Oyut Tolgoi. During the Prime Minister's introduction on the issue of Rio Tinto in the State Great Khural, President Ts. Elbegdorj stated that Mongolia is a country with

laws on finance and accounting and Rio Tinto must comply with Mongolian laws. The president's statement is result of some irresponsibility on the side of Rio Tinto. According to prime minister and the minister of mining, Rio Tinto hasn't provided reports related to the investment expense change to the necessary government offices according to the agreement with the Mongolian government. Therefore, the President highlighted that Rio Tinto should show how it implements and respects laws, and work in an open and transparent way.

Most importantly, Prime Minister N. Altankhuyag's introduction on the issues of Oyu Tolgoi to parliament suggests that a strong, responsible, and democratic state behavior that pursues transparent and open policy on critical economic issues and other affairs is developing in Mongolia. This interpretation includes parliament members' response to the prime minister's open discussion. Parliament members stated that they appreciate the prime minister's work ethic of providing parliament members with clear information on the critical issue. Parliament members highlighted that they reached the same position on the Oyu Tolgoi issue due to broad information. They also noted that they should inform citizens on the issue. Generally, the discussion shows that strong policy regulations but responsible and democratic governing behavior in hearing citizens voices in parliament and reporting their actions on critical issues to representatives in parliament, has been developing as the image of Mongolia's successful young democracy.

In sum, the Mongolian case suggests that the good harmony of strong public power and democratic regime has a positive impact on state sovereignty. In other words, although it is natural that foreign trade expansion undermines state sovereignty, strong and democratic state behavior consolidates the state's sovereignty.

## Evidence of Democratic Consolidation

This part focuses on determining whether the emergence of strong state behavior in Mongolian domestic politics moves to democratic orientation or authoritarian orientation. We have decided to use Freedom House measurement and Polity IV data to make the assessment.

According to the Freedom House measurement in 2013, Mongolia is making great strides in consolidating representative democracy. Mongolia's political rights rating jumped from 2 to 1 due to its significant progress in conducting parliamentary elections as free and fair.<sup>188</sup> On one hand, this evaluation refers to work results of both previous and current governments, because previous parliament approved the election law project for the 2012 parliamentary election submitted by the Mongolian election committee. On the other hand, the current coalition government is the result of the 2012 parliament. Therefore, we conclude that the current government is a legitimate democratic government which was formed due to the results of genuine democratic elections, meeting the higher category requirements of Freedom House measurement. Generally, Freedom House assessment indicates that genuine democracy has been developing together with strong state behavior in Mongolia. This could be interpreted that both strong state and democracy consolidate each other in Mongolian democracy. I think that we also can conclude that Mongolia has made significant progress since the 2008 parliamentary election.

---

<sup>188</sup> Freedom House, "Freedom in the World 2013: Democratic Breakthroughs in the Balance," *Freedom House's Annual Survey of Political Rights and Civil Liberties*, 2013, <http://www.freedomhouse.org/report/freedom-world/freedom-world-2013> (February 24, 2013).

The 2004 and 2008 Mongolian parliamentary elections were clientelism predominated elections in Mongolia.<sup>189</sup> During those elections, clientelist promises, which relied on excessively expensive money welfare programs, determined the campaigns of Mongolian political parties and behavior of coalition governments. The 2012 parliamentary election showed a completely different picture of political campaigns. According to the general tendency in election programs of Mongolia's major political parties, effective state intervention and industrial policy in the national economy especially in the mineral resources sector, ecology and environmental protection policies, employment and citizens' income rise, citizens' health safety, and education were the campaign topics determining competitions among political parties in the 2012 parliamentary election and 2012 local election.<sup>190</sup> This was significant progress towards programmatic democracy from clientelist democracy.

Although there has not been an available Polity IV survey on Mongolian authority trends and democracy since 2010, Polity IV projects' analyses until 2010 are somewhat useful to assess how democratic orientation has changed in Mongolia since the 2008

---

<sup>189</sup> Tumorkhuu Uuganbayar, "Interest Groups and Political parties in Mongolian Democracy," *the Journal of Northeast Asia Research* 27 no. 1 (2012): 281-305.

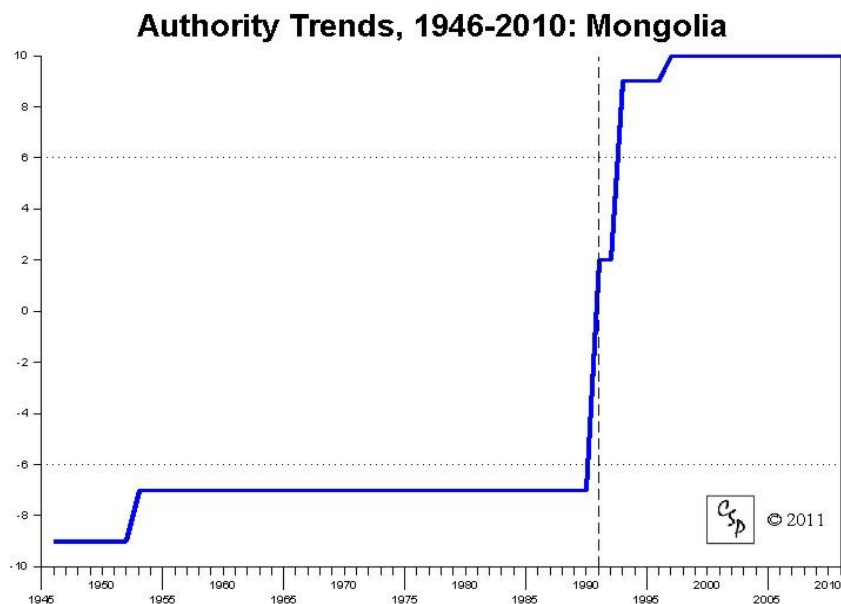
<sup>190</sup> Ардчилсан Нам .2012. "Ардчилсан Нам УИХ-ын 2012 оны сонгуульд дэвшүүлсэн мөрийн хөтөлбөр." АН-ын цахим хуудас. <http://www.democrats.mn/index.php?coid=284&cid=90> (2012 он 11-р сарын 06).

МАН. УИХ-ын 2012 оны сонгуульд оролцох МАН-ын мөрийн хөтөлбөр. Нээлттэй нийгэм форум. [http://forum.mn/projects/Election2012/МАН\\_muriinhutulbur.pdf](http://forum.mn/projects/Election2012/МАН_muriinhutulbur.pdf) МАН-ын мөрийн хөтөлбөр(2012 он 11-р сарын 06).

МАХН-МҮАН-ын шударга ёс эвсэл. "УИХ-ын 2012 оны сонгуулийн мөрийн хөтөлбөр. [http://forum.mn/index.php?sel=news&obj\\_id=4149](http://forum.mn/index.php?sel=news&obj_id=4149) (2012 он 11-р сарын 06).

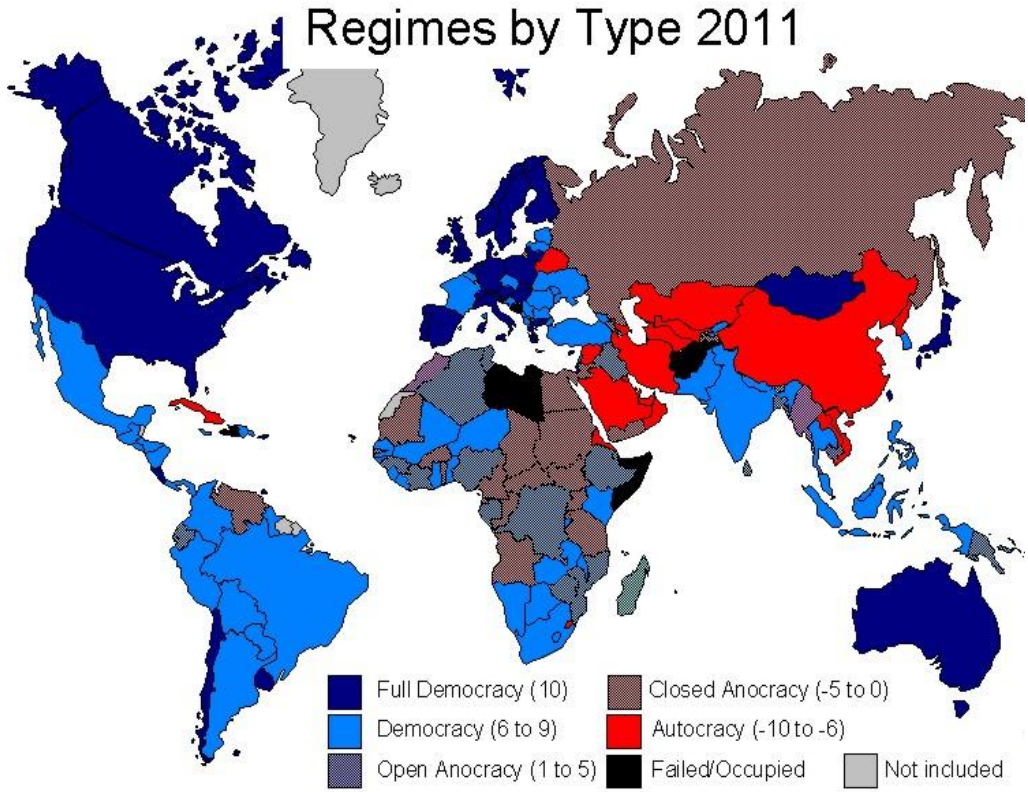
parliamentary elections and how the new President's actions and policies have influenced the consolidation of democracy. Moreover, as our research analysis covers the last two decades, and our assessment especially concentrates on the last decade, we decided to use the survey of Polity IV Project together with Freedom House survey. The survey of Polity IV presents that democracy orientation has been strong and stable in higher democratic level over the last decade in Mongolia (see figure 15). The assessment of Polity IV also indicates that Mongolia refers to the category of full democracy (see figure 16). These results suggest that democratic orientation has been consolidating at satisfactory stable level in Mongolia.

Figure 15: Democracy Trends



Source: Polity IV Project, 2010

Figure 16. Democracy orientation



Source: Polity IV Project, 2010

## Chapter IV

### The More Democracy, the Stronger Foreign Policy Autonomy

In the preceding chapter, our work focused on assessing how the foreign trade expansion in mineral resources has influenced the behavior of political institutions of Mongolian domestic politics. This chapter aims to analyze how the mineral resources internationalization has affected the foreign policy behavior of Mongolia. Most importantly, Mongolia has obtained a diplomatic instrument or tool to realize its foreign policy strategies over the last decade. We think that the internationally induced extraordinary expansion of foreign trade in mineral resources has created convenient domestic and international contexts making Mongolian foreign policy strategies feasible.

The general characteristics of Mongolia's foreign policy strategies are related to Mongolian historical and geographical challenges. Mongolia has always been confronted with its powerful neighbors' diplomatic, political, military, and economic influence and challenges from its early history until the present day. However, we will concentrate only on historical facts and data referring to significant international and regional political events that have shaped modern Mongolian foreign policy behavior after the Post-Cold War, because this chapter is interested in observing how the mineral resources' internationalization over the last decade has affected the new Post-Cold War Mongolian foreign policy strategies.

Political and historical scholars highlight three important new concepts which describe modern Mongolian foreign policy strategies:

“multi-pillared” foreign policy, “third neighbor” strategy, and preventive diplomacy. According to the most recent view (Batchimeg. M 2012, 26), “third neighbor” strategy refers to a concept claiming that as the nature of possible dangers change because of growing international interdependence and trade integration, the international guarantee of Mongolian security shouldn’t be limited to its two neighbors. Creating third neighbors doesn’t mean that Mongolia aims to establish a military alliance with the countries which are included in the “third neighbor” category. Military alliances don’t meet Mongolia’s foreign policy priority.<sup>191</sup> There are many provisions in the 2010 Renewed National Security Concept of Mongolia demonstrating that Mongolia pursues a policy not to join or create any international military alliance unless it faces a serious conflict.

- ✓ 3.1.1.2. The basic methods for ensuring Mongolia’s independence and sovereignty shall be political and diplomatic actions. Accordingly a multi-pillared foreign policy directed towards building active relationships and cooperation with foreign states and international institutions shall be implemented.
- ✓ 3.1.1.4 Good neighbor friendly relations and wide-ranging cooperation with the Russian Federation and the People’s Republic of China shall be developed. More specifically, national interests and the history of bilateral relationships shall be taken into account while regional peace and stability as well as a general balance of relations with neighbors shall be sought.
- ✓ 3.1.1.5. Pursuant to a “third neighbor” strategy, bilateral and multilateral cooperation with highly developed democracies in political, economic, cultural and humanitarian affairs shall be undertaken(National Security Concept of Mongolia, 2010).<sup>192</sup>

---

<sup>191</sup> Мигэддоржийн Батчимэг. Шатрын өрөг дэх монгол: Олон улсын улс төр. НЭПКО паблишинг компани. Улаанбаатар. 2012 он.

<sup>192</sup> State Great Khural, *National Security Concept of Mongolia*. Decree 48, July 15, 2010,



According to the view of Li Narangoa (2009),<sup>193</sup> preventive diplomacy is the most central concept of Post-Cold War Mongolian foreign policy strategy. She claims that Mongolia deems that preventing international conflict is a better strategy than dealing with or settling conflicts after they emerge. Therefore, Mongolia has a strong foreign policy rule not to join any military alliance. She argues that past historical experience and new world political context made Mongolia choose the preventive diplomacy strategy. The Mongolian constitution and foreign policy concept clearly reflect obvious characters of preventive diplomacy

- ✓ 9. In its foreign policy Mongolia shall uphold peace, strive to avoid confrontation with other countries and pursue a multi-base policy. While always championing its national interests, it will at the same time respect the legitimate interests of other countries and its partners. Mongolia will not interfere in the disputes between its two neighboring countries unless the disputes affect Mongolia's national interests. It shall pursue a policy of refraining from joining any military alliance or grouping, allowing the use of its territory or air space against any other country, and the stationing of foreign troops or weapons, including nuclear or any other type of mass destruction weapons in its territory (Concept of Foreign Policy of Mongolia, 2011).<sup>194</sup>

Such concepts like the "third neighbor policy" and "preventive diplomacy" emerged in Mongolian diplomacy after the bipolar system collapsed in the world political order. Democracy enabled Mongolia to pursue a more sovereign foreign policy in the new world order. During the Cold War, small countries like Mongolia had to join either

---

[http://www.embassyofmongolia.co.uk/index.php?option=com\\_content&view=article&id=60&Itemid=75&lang=mn](http://www.embassyofmongolia.co.uk/index.php?option=com_content&view=article&id=60&Itemid=75&lang=mn) (January 15, 2012).

<sup>193</sup> Li Narangoa, "Mongolia and Preventive Diplomacy: Haunted by History and Becoming Cosmopolitan," *Asian Survey* 49 no. 2 (200): 358-379.

<sup>194</sup> State Great Khural, *Concept of Foreign Policy of Mongolia*, State Great Decree#10, February 10, 2010, [http://www.embassyofmongolia.co.uk/index.php?option=com\\_content&view=article&id=59&Itemid=76&lang=mn](http://www.embassyofmongolia.co.uk/index.php?option=com_content&view=article&id=59&Itemid=76&lang=mn) (January 15, 2012).

the socialist or capitalist camp's hegemonies (the Soviet Union and the United States of America) to survive and guarantee their national security. During that period, communist Mongolia was an honest ally of the Soviet Union because it was over dependent on the Soviet Union in both political and economic terms. Thus, modern Mongolian concept of foreign policy contains provision against becoming over dependent on any great power. Most especially, Mongolia carries out active policies to build self-sustained economic capacity, diversify trade partners, and develop a multi-pillared economic structure which will be competitive in certain areas of the world market to prevent over dependence on any one country in both political and economic terms.

- ✓ Maintaining friendly relations with the Russian Federation, People's Republic of China shall be priority directions of Mongolia's foreign policy activity. It shall not adopt the line of either country but shall maintain in principle a balanced relationship with both of them and shall promote all-round neighborly cooperation. In doing so, the traditional relations as well as the specific natures of our economic cooperation with these two countries will be taken into account (Concept of National Security of Mongolia, 2010).<sup>195</sup>
- ✓ The second direction of Mongolia's foreign policy activity shall be developing friendly relations with highly developed countries of the West and East such as the United States of America, Japan and the Federal Republic of Germany. At the same time it will also pursue a policy aimed at promoting friendly relations with such countries as India, the Republic of Korea, Thailand, Singapore, Turkey, Denmark, the Netherlands, Finland, and Austria. Sweden, Switzerland and at creating and bringing to an appropriate level their economic and other interests in Mongolia (Concept of Foreign Policy of Mongolia, 2010).<sup>196</sup>

---

<sup>195</sup> Ibid.

<sup>196</sup> Ibid.

In conventional theoretical tradition, many scholars often rely on power politics theory and its impact on domestic politics to explain the factors that shape national interest and foreign policy. According to the theory, Mongolia's "third neighbor strategy" could be the result of historical experience and the challenges Mongolia had experienced during the Cold War because of Mongolia's two powerful neighbors' power politics. Throughout the last century, the Soviet Union had been predominantly influential over Mongolian domestic politics. Most especially, the Soviet Union soft power was very strong in Mongolia. Almost all Mongolian political leaders, party staffs, and bureaucrats were educated in Soviet universities and there were many Russian advisors in Mongolian state institutions. As a result, the Soviet Union had full power to shape the behavior of communist Mongolian leaders and government for over 70 years. Therefore, Mongolia copied Soviet style political and economic systems such as politburo and command economy. Pro-Soviet Mongolian communist leaders made Mongolia function as the most honest ally for the Soviet Union in the Far East. Mongolia was more loyal to the Soviet Union than the People's Republic of China or North Korea.

During the communist period, Mongolia had to follow the direction of the Soviet Union to determine its foreign policies. Most especially, Mongolia had been the best friend and the closest ally of the Soviet Union and effectively supported any foreign initiatives of the Soviet Union and used to express its strong voice at the international level for defending the Soviet Union's position on international disputes (Radchenko, 2003).<sup>197</sup> For instance, during the Sino-Soviet Rift, Beijing offered Ulaanbaatar economic partnership

---

<sup>197</sup>Sergey S. Radchenko, "The Soviet's Best Friend in Asia: The Mongolian Dimension of the Sino-Soviet Split," Cold War International History Project, Woodrow Wilson International Center for Scholars. Working Paper No. 42, 2003.

and used active soft power diplomacy including a border agreement with Mongolia to show China's friendship and peace loving policy. China also used economic pressure by lending its labor supply advantage to Mongolia in building modern factories and building infrastructure still Beijing failed to get Ulaanbaatar's support.<sup>198</sup>

There are three factors that influenced Ulaanbaatar's strong position in siding with the Soviet Union. Firstly, Mongolia had greater historical mistrust on China in connection with China's colonial legacy in Mongolia and the long history of Sino-Mongolian confrontation"<sup>199</sup>. Secondly, it was 100 percent certain that Mongolia would not risk its alliance relations with the Soviet Union which comprised more than 95 percent of Mongolia's export and import as well as helping Mongolia secure its national security and survival at both the international and domestic levels.<sup>200</sup> Thirdly, in the foreign policy terms, Mongolia generally used to follow the behavior of Moscow's foreign policy line. Mongolian policy makers liked imitating Soviet Union politics and strategies.

The heavy influence of the Soviet Union over Mongolia's domestic politics and foreign policy continued with harmful political guidance and pressure that had undermined Mongolia's state autonomy and threatened Mongolian national security until the collapse of Soviet Union in 1991. For instance, under the guidance and pressure of Stalin, the Mongolian government performed severe purges of Buddhist monks and Mongolian political figures who opposed over dependence on Soviet Union politics and economy in the the 1930s. During that purge, at least 22000 people were killed

---

<sup>198</sup> Ibid., p. 5-6.

<sup>199</sup> Ibid., p. 3-5.

<sup>200</sup> Монгол улсын үндэсний статистикийн хороо. *Гадаад худалдаа 2009 он*. Улаанбаатар хот. 2009 он.

and 18.000 of which were Buddhist lamas (Kaplonski, 2002).<sup>201</sup> Throughout the Cold War, the Soviet Union made Mongolia a buffer zone under its Far Eastern defense policy. The unfriendly relations between Ulaanbaatar and Beijing improved only after Sino-Soviet relations began to improve in the 1980s. Mongolia had diplomatic and economic relations with a limited number of capitalist camp countries including the Great Britain, Japan, and Italy. Mongolia had a questionable capacity to conduct effective foreign policy beyond the influence and pressure of the Soviet Union in association with the Soviet Union's predominant power and economic assistance over Mongolia's foreign trade and state budget during the communist period. Generally, on one hand, communist Mongolia is a perfect historical case for the influence of power politics in the practice of international relations. On the other hand, it is also a perfect example of how one-party headed authoritarian government is weak against foreign pressures and lobby policies. These two historical experiences made Mongolian politicians and policy makers adopt "third neighbor strategy" and preventive diplomacy after the 1990 Democratic Revolution.

Explaining why Mongolia chose "third neighbor" strategy and "preventive diplomacy" is not the purpose of this chapter. As this chapter aims to elucidate how the extraordinary expansion of foreign trade in mineral resources has influenced the "third neighbor policy" and "preventive diplomacy" strategies, I briefly described how these two strategies appeared in Mongolian modern diplomacy. Most especially, this chapter focuses on analyzing how the explosive foreign trade expansion affects the behavior of Mongolian societal

---

<sup>201</sup> Christopher Kaplonski, "Thirty Thousand Bullets: Remembering Political Repression in Mongolia." In *Historical Injustice and Democratic Transition in Eastern Asia and Northern Europe: Ghosts at the table of democracy*, ed. Kenneth Christie and Robert Cribb, Routledge Curzon (London and New York: Taylor & Frances Group. 2002) pp. 157-168.

actors in foreign trade terms, how the state deals with the pressures of societal actors in foreign policy terms, and how the Mongolian government responds to the international political influence of mineral resources internationalization.

We rely on two theoretical traditions of international politics emphasizing the role of both international context and domestic politics in understanding international relations to realize the theoretical purpose of this chapter. The literature which highlights the importance of international relations in understanding domestic politics has expanded widely since the late 1970s. Gourevitch's scientific paper, "The Second Image Reversed: The International Sources of Domestic Politics", made us think differently about the causal linkage between the impact of international forces and the reaction of domestic politics which in return, influence of international relations (1978).<sup>202</sup> The second influential research work highlighting the role of domestic politics in international relations is Putnam's theory of two-level games (1988).<sup>203</sup> He shows how the support of domestic interest groups and coalitions are important to the decision maker's foreign policy behavior towards international relations and international negotiations. Mainly the existing literature tells us that there are interpenetrating and interacting relations between international politics and domestic politics (Krasner, 1978, Rogowski, 1989, Hiscox, 2002, and Koehane and Milner, 1996).

The research works in the 1990s and 2000s concentrated on how Post-Cold War explosive trade expansion and internationalization have influenced the behavior of domestic politics and decision making

---

<sup>202</sup> Peter Gourevitch, "The Second Image Reversed: The International Sources of Domestic Politics," *International Organization* 32 no. 4 (1978): 881-912.

<sup>203</sup> Robert D. Putnam. 1988. "Diplomacy and Domestic Politics: The Logic of Two-Level Games." *International Organization* (42) 3: 427-46.

processes by affecting the policy preferences of domestic political interest groups and reshaping national interest within a country. Their research works suggest that the explosive internationalization of the world economy have had profound effects on domestic politics worldwide throughout the last three decades (Gilpin 2001, Milner and Keohane, 1996, Frieden and Rogowski, 1996). Therefore, modern international political economy scholars have been interested in how states or national governments have responded to external political and economic pressures in connection with international trade integration and expanding economic interdependence. Most scholars argue that states or national governments' foreign policy and autonomy in economic policy have been becoming more vulnerable to external political and economic pressures and influences (Gruber, 2001, Milner and Keohane, 1996). However, there has been little research describing the probability that democracy could help states or governments secure their foreign policy autonomy and insulate state to defend national interest from external pressures and lobbies of special interest groups.

Firstly, in this chapter, I concentrate on studying how democracy helps states or governments strengthen the autonomy of their foreign policy and build powerful immune system against external and internal permanent pressures and lobbies that expand in connection with foreign trade integration or expansion. I argue that democracy is the most reliable political regime in preventing the illegitimate lobby of domestic private desires, the pressures of multinational corporations and political pressures of powers to undermine or reduce a state's role to defend national interest over particular private group's desire or any external pressure.

Secondly, this chapter tries to demonstrate that Mongolian decision makers and policy makers have encountered the pressures

of new societal actors: foreign multinational corporations and large national corporations, as well as facing the pressures of traditional actors (foreign governments) in terms of foreign policy since Mongolia adopted an open economic policy and especially since the explosive foreign trade expansion in mineral resources in the last decade. Historical experiences over the last decade present that a democratic regime is the most powerful tool to overcome the pressures of new emerged actors. The emergence of newly societal actors, their pressures on the state, the state's reaction and evolution against new actors' pressures and the democratic regime's advantage against external pressures are presented in the following three sections.

The third central research task of this chapter is to analyze how the foreign trade expansion or explosive internationalization in mineral resources has helped Mongolia realize its foreign policy strategies: "third neighbor policy" and "preventive policy". As foreign trade expansion provided Mongolia with the opportunity to increase its role in regional trade integration, it provides Mongolia with the opportunity to run a multi-pillared economic policy. As mineral resources internationalization has increased foreign direct investment and capital flow, it has enabled Mongolia to implement national industrial projects to strengthen Mongolian economic sovereignty in terms of national security. Regional powers active leadership and foreign policy over mineral resources has also provided Mongolia with opportunities to improve its trade route weakness with a Russian rail route that will connect Mongolia with Asia Pacific markets, and develop a balanced political and economical partnership with the two powerful neighbors. As multinational corporations from various countries have allowed Mongolia to develop close partnership with their home countries, Mongolia has gained a tremendous chance to realize multi-pillared international relations that prevent Mongolia



from becoming over dependent on the two powerful neighbors in economic relations. These economic and political opportunities have enabled Mongolia to realize its Post-Cold War new foreign policy strategies or ambitions in terms of economics and politics due to the extraordinary foreign trade expansion in mineral resources. The positive influences of mineral resources trade expansion on national interest and foreign policy strategies are elaborated in section IV.

## I. The Advantage of Democracy and the Failure of Russian Energy Pressure

Over the last decade, aggressive Russian energy pressure over Mongolia has frequently reoccurred in connection with Russian concern over Mongolia's mineral resources and fuel retail market, especially Mongolian coal and uranium deposits. As I clearly demonstrated in chapter I, Russian energy pressure involves Mongolia's over dependence on Russia's petroleum fuel supply. The first most sensational event happened in May 2008. Mongolian Prime Minister S. Bayar introduced Russian Rosneft's proposal to supply fuel Mongolia at an affordable price to Mongolia if Mongolia allowed Rosneft build 100 gas stations in Ulaanbaatar and Darkhan as well as along the Millenium Road. The Rosneft demand could be considered aggressive pressure. The demand required amendment to Mongolian Law on Oil Products, which was ratified on July 1, 2005. According to the law, Rosneft is not allowed to run retail business in the Mongolian local market, because Rosneft supplies more than 90 percent of oil products to Mongolia

- ✓ "a foreign legal body procuring more than 30 percent of oil products to Mongolia alone shall be prohibited to sell its products at the domestic market through its legal body with its own investments and its units and

branches under its authority and control.”(Clause 7.2, Law on Oil Products, translation quoted from Business-Mongolia.com)<sup>204</sup>

Prime Minister S. Bayar’s statement suggested that if Mongolia had been under the control of a single strong leader or a few powerful political leaders, such as in an authoritarian or communist state, the Mongolian government would have been too weak against a foreign government or a large foreign company. The attitude of the Prime Minister’s statement showed that the Prime Minister S. Bayar was greatly influenced by the pressure of Rosneft.

- ✓ It is impossible to discuss proposals of Russian Rosnefti company in accordance with Mongolian effective legislations today because it is provided in the Clause 7.2 of the Law on Oil Products of Mongolia, ratified on July 1, 2005, “A foreign legal body procuring more than 30 percent of oil products to Mongolia alone shall be prohibited to sell its products at the domestic market through its legal body with its own investments and its units and branches under its authority and control.” Since Rosnefti Company alone supplies over 90 percent of oil products to Mongolia, it is subject to this legal restriction (Statement of Prime Minister at Parliament Session, 2008).<sup>205</sup>
- ✓ The above legislative restriction was of significance in preventing foreign suppliers to set monopoly over domestic market of oil products, maintaining retail sales price stable, preventing rapid increase and supporting domestic oil product importers, however we have to look back this clause today (Statement of Prime Minister at Parliament Session, 2008).<sup>206</sup>
- ✓ Dear Speaker and Dear Members of the Parliament,  
I kindly ask you to discuss and solve the draft law on modifications to the

---

<sup>204</sup> Монгол улсын УИХ .2005 он. Газрын тосны бүтээгдэхүүний тухай хууль. <http://www.mongolianlaws.com/#> (2012 он 11-р сарын 26).

<sup>205</sup> “Statement by S.Bayar, Prime Minister of Mongolia at the Parliament Session,” *Business-Mongolia.com*, May 06, 2008, <http://www.business-mongolia.com/mongolia/2008/05/06/statement-by-sbayar-prime-minister-of-mongolia-at-the-parliament-session/> (January 20, 2012).

<sup>206</sup> Ibid.

Law on oil products, submitted by the Government and draft resolution on some measures to be taken to improve supply of oil products(Statement of Prime Minister at Parliament Session, 2008).<sup>207</sup>

Fortunately, parliament members of the Democratic Party opposed the request of Prime Minister S. Bayar. The Democratic Party group in parliament criticized that the Prime Minister's submission of the proposal to amend the Law on Oil Products violated the legal process by submitting the law to the Mongolian State Great Khural before 27 issues that had been planned to be discussed parliament session.<sup>208</sup> The Prime Minister and Speaker of State Great Khural truly violated the rule of State Great Khural. According to the rule, a law project should be discussed one week after the project is submitted, but the Prime Minister didn't follow the process. This is apparent evidence that the Prime Minister and his cabinet were certainly influenced by the pressure of the foreign company. Rosneft pressure could also be considered to be Russian pressure; because Rosneft is a 100 percent state owned company.

The Democratic Party's parliament members noted that there were several reasons to deny discussing the law amendment project proposed by the Prime Minister.<sup>209</sup> Firstly, they stated that Mongolia is a sovereign state and that the parliament is not a provincial parliament of any country. Therefore, they shouldn't follow the pressure of a foreign company. Parliament member E. Bat-Uul stressed that this was an illegal process. Parliament member S. Lambaa said that they should reach an agreement without external pressure, because this was not only a fuel problem; it could be efforts

---

<sup>207</sup> Ibid.

<sup>208</sup> Нийгмийн толь. 2008.05.03. ОХУ-с хараат байхыг хүсдэг хүмүүс Засгийн газарт байна. <http://news.gogo.mn/r/25930> (2012 он 11-р сарын 25).

<sup>209</sup> Ibid.

to gain control of Oyu Tolgoi and Tavantolgoi deposit through this incident. Parliament members denied to discuss the law amendment project and warned that this incident was against national security. That parliamentary denial against Russian state owned Rosneft pressure suggests that democratic state structure, democratic parliament, and democratic legacy are greatly powerful against external pressure, insulate policy makers from effective external pressure, and help the state pursue foreign policy in a more sovereign way.

The words of high ranking Russian executives also show that Rosneft pressure doesn't involve only private company desire, but Russian government concern over energy raw materials in Mongolia; Tavan Tolgoi coking coal deposit and uranium resources in Mongolia relate to Rosneft pressure. I also demonstrated in chapter one how the Russian Federation has effectively exploited energy supply and infrastructure advantage as a diplomatic tool or leverage over the last two decades against countries who used to be in the Soviet sphere of influence, in connection with its foreign policy strategy to be an energy super power. During the talk with the Mongolian government delegation headed by the Deputy Minister of Mining, O. Erdenebulgan, Russian Energy Deputy Minister of Mining, Anatoly Borisovich Yanovsky noted that he regrets and is dissatisfied that Mongolia has not been responsive to, Russian offers on Mongolian petroleum fuel retail market and Tavan Tolgoi project over the last decade.<sup>210</sup> The

---

<sup>210</sup> Монгол улсын Уул уурхайн яам .2013. О.Эрдэнэбулган: Роснефть шатахууныхаа үнийг эргэн харахаа амласан <http://www.mm.gov.mn/index.php/interview/158-o-erdenebulgan-rosneft-shatakhuykhaha-uynijg-ergen-kharakhaa-amlasan> (2013 он 2-р сарын 05).

words of Russian Deputy Minister of Energy presents that Russia hasn't succeeded in realizing their proposals on Mongolian fuel retail market and energy raw material over the last decade. This is obvious evidence that Mongolian democratic policy-making process has been quite successful in strengthening and insulating Mongolian state foreign policy sovereignty. The Mongolian case also suggests that Putnam's two-level game works well in a democratic regime in terms of diplomacy. In other words, this shows that democratic policy-making institution defends national interest well in terms of foreign policy.

## II. Democratic Consolidation and Negotiations with Multinational Firms

As large powerful multinational corporations have entered into the Mongolian mineral resources market during the last decade, the exploitation of mineral resources has become the main concern of Mongolian state policy-makers for political and economic reasons. The government's growing concern involves both the economic benefits and dangers which have been created by multinational corporations' vast economic role in Mongolia's national economy and their capacity to influence over Mongolian domestic politics.

As it is written in the work of Steven Krasner, the discovery, transportation, processing, and marketing of natural raw materials require large investment of large private firms, especially multinational firms which have worldwide mining industry networks and have many years experience in establishing concession agreements with host-country governments. The financial power and many years negotiation experience of multinational firms often create economic risk and political dangers to the host-country government.

All multinational firms strive to carry out their business at the lowest costs, and ensure their long-term profit and growth. They often want to exploit their many years lobby experience and use their vast economic power in the host-country's economy to expand their political influence over the host-country's government for securing their long-term profit and establishing concession agreements which are more beneficial to them rather than the host-country. Most especially, there is a high probability that multinational firms would establish unequal concession agreements which are not beneficial to the host-country's economy when the host-country's government lacks experience with foreign trade strategies to negotiate with highly experienced multinational firms. Furthermore, host-country governments and policy-makers are vulnerable to corruption and illegal lobby by multinational firms. It is a common phenomenon that multinational firms sometimes aggressively exploit their vast influential economic power in the host-country's gross national product and economic growth to pressure the less developed host-country's government to acquiesce to their desires. Such bad practice and illegal lobby of multinational firms lead to mistrust and conflict between multinational firms and host-country government. Therefore, foreign direct investment in natural wealth has always been accompanied by the great concern of host-country governments. The Mongolian government also pays great attention to the foreign direct investment and large foreign multinational firms in Mongolian mineral resources field for the same reason.

Over the last decade, multinational firms have become the largest economic enterprises in Mongolia's national economy. Oyu Tolgoi project in the Southern Gobi region of Mongolia now is now the world's largest copper and gold project. As of 2013, 96 percent of phase-one construction of Oyu Tolgoi has been completed and test

production has already started. It will start full production this year. It is expected that Oyu Tolgoi will account for more than 30 percent of Mongolia's gross domestic product. Turquoise Hill Resources and Rio Tinto control 66 percent interest in Oyu Tolgoi while the Mongolian government acquires 34 percent interest. Coal export occupies 40 percent of Mongolian total export. Mongolia's fourth and fifth largest coal producers and exporters are Mongolian-Chinese Joint Venture Qinhua-Mak- Naryn Sukhait LLC and SouthGobi Resources. Turquoise Hill owns 59 percent stake in SouthGobi Resources. These few data present that foreign multinational firms have already become the major societal actors who determine Mongolia's foreign trade and they account for the largest part of Mongolian gross national product. In other words, a few large foreign multinational firms have controlled a large part of Mongolian mineral resources' exploration.

Multinational firms have brought some positive effects to Mongolia. They have introduced new modern technology and management skills into the Mongolian mining sector. Their investments and construction have boosted Mongolian economic growth. Mongolia is now considered to be one of the most rapidly developing economies in Asia. Mongolia has shown more than 17 percent GDP growth results in the last two years. They have expanded Mongolia's foreign trade and have created real trade internationalization. Mongolia has become the 7<sup>th</sup> largest coal producer and exporter in the world. They have advertized Mongolia's mineral resources advantages to the world mining business community. We can find a great deal of information about the advantages and opportunities of Mongolian mineral resources business from various world famous media including Bloomberg and Reuters.

The Mongolian government and large private domestic firms have been effectively learning how to run big mining business projects from multinational firms. Due to the new experience and knowledge, the Mongolian government has started big national mining industry projects like Tavan Tolgoi, the world's largest coking coal project and Sainshand Industrial Complex. It has been effectively inviting international partners to cooperate on those projects. Large private Mongolian firms have opened big coking coal mines in cooperation with foreign multinational firms or by creating investment money through the world stock market. Today, Mongolian Mining Corporation (former Energy Resources LLC.) has become Mongolia's largest high-quality coking coal producer and exporter.

Besides positive effects, multinational firms have also brought new challenges and dangers to Mongolian state autonomy, national interest, national security, environment protection, foreign trade policy, and domestic politics. Unfortunately, multinational corporations in Mongolian mineral resources began to involve undemocratic activities and illegal practices to ensure their desires in profit growth, cheaper resources, and lower costs. As weak state behavior and looser environment control predominated in Mongolia in early years of the last decade, multinational corporations had become accustomed operating habits and ignoring Mongolian environmental regulations and mining exploration related laws. Mongolia's government revoked 254 mining licenses for violating Mongolian environmental laws including Canadian-based Centerra Gold's license for the Gatsuert project in 2010. Centerra Gold owns 100 percent equity interest in Mongolia's largest hard rock gold mine Boroo Gold LLC. Canadian and Mongolian NGO organizations also filed a complaint with the Canadian government on aggressive violations of Mongolian law and international corporate responsibility guidelines by



Centerra Gold Inc in its mining operations in Mongolia. They alleged that Centerra Gold Inc continued its operations in Gatsuurt deposit after the Mongolian government revoked its license for the project for violating Mongolian Law on Prohibition of Mineral Exploration, and Mining Activities in areas in the Headwaters of Rivers, Protected Water Reservoir Zones and Forested Areas (MiningWatch Canada, 2012).<sup>211</sup>

- ✓ The Guidelines clearly state that "obeying domestic laws is the first obligation of enterprises." Centerra's proposed mine is situated in a forested area in the headwater of the Gatsuurt River, where mineral exploration and mining operations are prohibited. The law protecting the forests and rivers was passed in July 2009. In 2010 the Mongolian Cabinet issued a list of 254 licences to be revoked, among them Centerra Gold's licences for the Gatsuurt project. By the end of that year the company had already completed extensive mine working and a 55-kilometre haulage road from Boroo to Gatsuurt (MiningWatch Canada, 2012).
- ✓ Herders complain that the forest cutting and use of explosives have released arsenic and other heavy metals into the Gatsuurt River, which is now too contaminated to be safe to drink. Livestock have developed lesions and local people suffer from skin disorders that they attribute to the company's activities (MiningWatch Canada, 2012).
- ✓ The Gatsuurt ore has high concentrations of arsenic, according to a Centerra technical report, raising pollution concerns. Paul Robinson, an environmental expert based at Southwest Research and Information Center, explains: "If Gatsuurt proceeds, groundwater contamination problems will only get worse. Centerra plans to dispose of the spent ore

---

<sup>211</sup> "Centerra Gold Inc. Flouting Mongolia's Environmental Protection Laws: Organizations File Complaint with Canadian Government." 2012. *MiningWatch Canada*, March 15. <http://www.miningwatch.ca/news/centerra-gold-inc-flouting-mongolia-s-environmental-protection-laws-organizations-file> (December 12, 2012).

at the existing tailings pile at Boroo where the arsenic release to groundwater has already been detected (MiningWatch Canada, 2012)."

- ✓ The NGOs warn that Centerra Gold's practices, in addition to flouting international guidelines, augment the risk of increasing social tension and conflict in Mongolia as a result of the rapid expansion of mining activities and weak regulation. Their petition calls on the Canadian NCP to intervene to resolve the problems with Centerra Gold (MiningWatch Canada, 2012).

The Centerra Gold incident suggests that multinational corporations tend to exploit low environmental standards when the host-country country has loose environmental regulations and weak government policy on FDI and trade integration. The Mongolian case shows that democratic political regime with strong state foreign trade strategy and effective civil society successfully manage to prevent opportunism and illegal practices of multinational firms, and maintain balance in both political and economic relations between host-country government and multinational firms.

Recently Rio Tinto's pressure shows that multinational corporations could exploit their strong impact on the economy and their crucial role in the national gross domestic product as a pressure tool or political leverage to realize their desire in negotiation with the host-country government. In February 2013, the Mongolian government demanded that Rio Tinto explain why Oyu Tolgoi project needs additional financing and why it exceeded Oyu Tolgoi project's budget by 47 percent from an estimated 4.4 billion USD to 6.6 billion USD. Mongolia required Rio Tinto to run its business in a more transparent way and show how they respect and comply with Mongolian related laws and regulations.<sup>212</sup> The Mongolian

---

<sup>212</sup> The Public Relations & Communications Division, the Office of President of Mongolia, " President Ts. Elbegdorj Made a Statement at the

government's demand was quite reasonable, because the dividend payment to the Mongolian side's 34 percent stake in Oyu Tolgoi would be postponed for an additional seven years from 2019 if the financing increases to 24.4 billion USD. Rio Tinto had planned to raise additional financing without informing the Mongolian side which has 34 percent interest stakes in Oyu Tolgoi project. Rio Tinto should have informed share holders and gotten permission from the Mongolian side according to the concession agreement between the Mongolian government and Rio Tinto.

However, after the criticism and demands of the Mongolian government, Rio Tinto announced that "Rio is considering a temporary halt to work to protest government demands for a greater share of profit".<sup>213</sup> Rio Tinto didn't announce that the dispute involves the Mongolian government's criticism and demand requiring why Rio Tinto exceeded the planned initial financing without informing the Mongolian side according to the agreement between the Mongolian government and Rio Tinto. They also didn't mention that Rio Tinto hadn't paid tax to the Mongolian government in 2012. This could be interpreted that Rio Tinto spreads biased information about the reality of Oyu Tolgoi project to influence public opinion. Rio Tinto has tried to pressure the Mongolian government negotiators by announcing through the media that they would reconsider a temporary halt at the biggest Mongolian mining project. A halt is not useful for either Rio Tinto or the Mongolian government. This looks like Rio Tinto's effort

---

Plenary Session of the State Great Khural." February 01, 2013, <http://www.president.mn/eng/newsCenter/viewNews.php?newsId=888> (February 10, 2013)

<sup>213</sup> "Rio Says Mongolian Project's Start Depends on End to Dispute," *Bloomberg*, February 14, 2013, <http://www.bloomberg.com/news/2013-02-14/rio-says-mongolia-copper-mine-start-depends-on-resolving-dispute.html> (February 15, 2013).

to influence Mongolian decision makers by exploiting Oyu Tolgoi major role in Mongolia's gross national product.

The Mongolian government also criticized that during talks on the financial dispute between the two sides; Rio Tinto stated that the Mongolian government should express an apology for undermining Rio Tinto's reputation through an open discussion at the Mongolian parliamentary session. This could be considered to be brutal effort of a multinational firm to influence Mongolian government autonomy and undermine the autonomy of democratic governing. Open discussion on critical national issues is a normal operation of democratic and transparent governing. The Mongolian government's high requirements and demanding more control over Rio Tinto's policy behavior and management is a natural demand of a democratic country for several reasons. Firstly, as Mongolia sacrifices the unrenewable natural wealth of the Mongolian people for mutual economic benefits, Mongolian government should work effectively to monitor whether the nation's wealth is extracted in legal and mutually beneficial ways. Secondly, as the Mongolian government owns 34 percent stake in Oyu Tolgoi project, Rio Tinto has to provide the Mongolian side with transparent information on management and spending. Thirdly, as Mongolia is a sovereign state which has the authority to use its own legal institutions in its own territory, this is a natural process for Mongolia's government to demand that Rio Tinto to comply with Mongolian laws and regulations. The financial dispute with Rio Tinto presents that the democratic governing style provides the host-country government with a powerful institutional immune system to disable multinational firms' illegal pressure by using their economic power on the host-country's national economy to realize their biased economic desires.

The above facts on multinational corporations' positive and negative impacts suggest that multinational corporations have already become major societal actors having vast political and economic resources to create new challenges and dangers to Mongolian national security and foreign policy sovereignty. Recent Mongolian government negotiations with multinational corporations and policy on foreign direct investment in mineral resources present that the Mongolian government relies on democratic governing and policy transparency to prevent and control international trade disputes and political dangers threatening state foreign trade policy autonomy and national economic security which occur because of opportunism and illegitimate pressures of multinational corporations. Therefore, creating Mongolia's new image as a strong democratic state appears to be the most appropriate strategy to deal with challenges and dangers created by multinational corporations and make multinational corporations apply the same good business practice they use at home in Mongolia's business environment. The arguments in this section also show that Mongolia has been successfully learning how to use the advantages of the democratic political institution in overcoming external pressures, challenges, and dangers which emerge in association with explosive trade integration.

### III. Democracy Resurging and Defense of National Interest over Private Interests

The Mongolian government focused on creating a powerful private sector in Mongolia to build a capitalist economy after adopting a market economy in 1992. Policy-makers succeeded in creating a private sector in a short period. Today, the private sector has become the dominant player in the national economy. 90 percent of domestic enterprises refer to the private sector (Asian Development Bank,

2004).<sup>214</sup> The Private sector shares over 80 percent of Mongolia's national economy according to the result of 2008. Even large domestic firms with vast economic power have appeared as powerful societal actors who like expanding their political power to ensure their business security and expansion.

As the mining sector has emerged as the most important industry in Mongolia's national economy and foreign trade, many private enterprises have joined the mining business. In the first decade, Mongolian national private enterprises concentrated on gold exploration. Between 1993 and 2003, Mongolian gold exploration has reached 11.1 metric tons of gold and 11200 kg in 2003.<sup>215</sup> The second mining rush of private enterprises involved the coking coal boom in Mongolian mineral resources' export. The PRC's high demand for coking coal motivated Mongolia's large private enterprises to rush into coal exploration since the second decade. Today, six coal mines dominate in Mongolia's international coal trade by exporting 96 percent of the total coal export. Currently, the largest one and most of them are privately owned enterprises. The largest one is Mongolian Energy Corporation LLC (formal Energy Resources). Due to China's high demand and massive exploration and export, coal export has become one of most crucial mining businesses that boosts the Mongolian national economy (see figure 17). According to the market research of Economic Research Institute (ERI, 2012), coking coal foreign trade covers 46 percent of total exports, 11 percent of

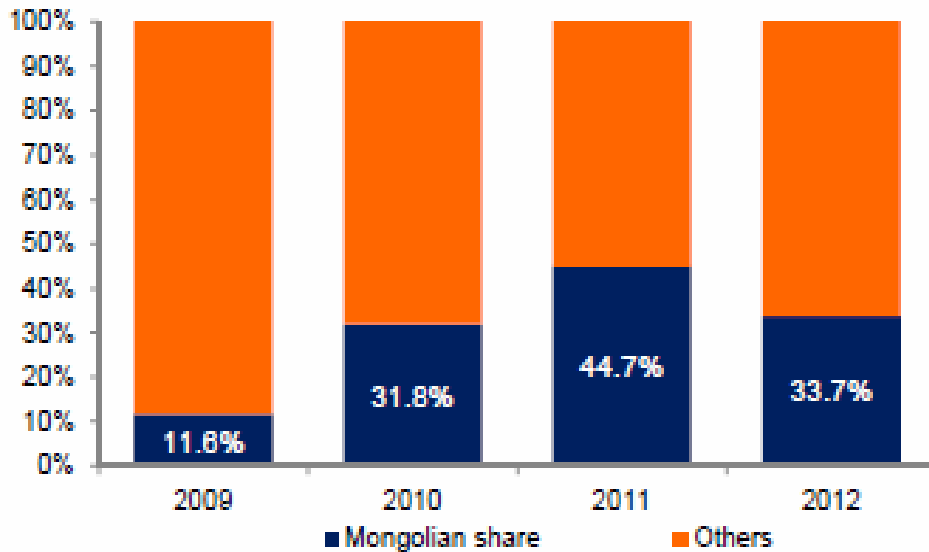
---

<sup>214</sup> "Private Sector Assessment for Mongolia," Asian Development Bank, September, 2004.

<sup>215</sup> "Gold Mining in Mongolia: Overview," *Mbendi Information Services*, 2013, <http://www.mbendi.com/indy/ming/gold/as/mn/p0005.htm> (February 22, 2013).

general budget revenue, and 80% of total foreign direct investment in Mongolia .<sup>216</sup>

Figure 17: Mongolian export in China's import



Source: Mongolian Mining Corporation, 2012

The above statistical data present that those mining rushes among Mongolia's private enterprises have had many positive impacts in Mongolia's national economy. The rush has increased the Mongolian total foreign export. It increased Mongolian role in regional trade integration by increasing Mongolia's export to China. It increased foreign direct investment in Mongolia's mining sector. However, several risks have emerged in Mongolian national security in connection with the extensive coking coal export where private enterprises dominate.

<sup>216</sup> Economic Research Institute. 2012. "Mongolia: Coking Coal Export Analysis." <http://www.eri.mn/index.php/en/news/42-nws/149-coal> (November 25, 2012).

The first risk involves Mongolia's overdependence on export to China's sole market. Secondly, the environmental issue has been a serious problem for Mongolia, because of extensive mining exploration. The experience of the last decade shows that private domestic firms can't settle these two challenges Mongolia has been facing in connection with excessive mining exploration for the following reasons. Firstly, private firms don't focus on national interest. Their preference concentrates on their individual private interests to make a profit in the easiest and cheapest way. This is natural according to the business internal institution which is designed to increase the businessman's private income. Therefore, the Mongolian government has encountered an historical, political, and economic challenge to lead, alter, and guide the behavior of private actors into appropriate practices without undermining either private or community collective interests.

According to quick observation and general business philosophy, the current export method that relies on China's sole market and ports could be beneficial, but depending on a single country's market and seaport-travel routes through a single partner country undermines Mongolian bargaining power and increases Mongolia's political and economic risks in both short and long term contexts. These political and economic reasons explain why Mongolian parliament approved the government project to build the 5700 km railroad that will connect Mongolian strategic deposits to Asia Pacific market while there is already 3000 km railway link to reach the Chinese nearest seaport in Tianjin.

Politically, Mongolia's choice may involve Mongolian foreign strategy in preventing possible Chinese pressure that may occur because of China's predomination in Mongolian export, import, and national gross welfare. For instance, China closed its border with



Mongolia in 2002. Although Chinese officials denied linking the border close with any political reasons, some international media explained it in connection with the exiled Tibetan spiritual leader Dalai Lama's visit to Mongolia at the invitation of Mongolian Buddhists and Mongolian officials stated that China didn't inform the Mongolian side of the border closing (Reuters, 2002). As the majority of Mongolia's foreign trade concentrates on China's markets, Mongolian foreign trade directly became the victim of political misunderstanding between Ulaanbaatar and Beijing when China closed its border. There has not been any guarantee that China would not repeat its political pressure tactics by exploiting its superior power in the trade relations with Mongolia, and its monopoly in the Mongolian export route if Mongolia doesn't diversify its export route and foreign trade markets.

Economically, Mongolian bureaucrats highlight that Mongolian private enterprises sell coking coal at a much lower price to China in comparison with the world price level, because seaports offer the world market price, but border land ports along Mongolia and China's borders do not. They argue that selling unrenovable national wealth at a lower price is not useful for Mongolia. Currently, Mongolian firms sell their coal at border land ports which are located at the border between Mongolia and China. Consequently, Mongolians have not been able to sell coal at seaport price level. Besides the difference in price level between border ports and seaports, there is another reason explaining why Mongolian enterprises lack bargaining power. Their sole consumer is China. They rely on China's infrastructure to enter other Asian markets. Russian infrastructure and seaports are expensive for them to use as an alternative route to reach Asia-Pacific markets.

Mongolian private enterprises ignore the political and economic weakness of being reliant on China's market, because they prefer

mining business projects which benefit them quickly, easily at the lowest cost. They don't want to pay expensive transportation tariffs and cover the long distance to reach Asian-Pacific markets through Russian railroad and ports. They claim that China's seaports are more useful for them to sell coal to East Asian economies such as Japan and Korea, because the distance is much closer in comparison with Russian ports, and therefore, the transportation fee through Chinese ports is cheaper. They also argue that China's market is currently more important than the Japanese or Korean market, because China determines the world's raw materials demand and price, despite the fact that China offers lower price to Mongolian suppliers, compared to other Asian-Pacific countries.

In the last three years, the Mongolian government has been carrying out active leadership policies, pursuing effective diplomacy, and implementing railway infrastructure projects to alter the attitude of national private enterprises by providing them with favorable cost and infrastructure conditions to direct their attention to alternative export market while they are supplying coal to China's market. Policy-makers believe that modern railway technology, Russian discount for Mongolian freight, and seaports price level will make Mongolian coking coal competitive in Asian-Pacific markets. In 2010, Russian trial shipment of 2000 ton coal from Tavan Tolgoi to Vostochny port presented that they could take Mongolian coking coal to the Russian Vostochny seaport within six days. It is also written in the research of Renaissance Capital that the "Russian side has reportedly agreed to a massive ~50% discount on rates for Mongolian coal travelling east, offering rates comparable with domestic tariffs. This favorable tariff is however linked to the Russian/Korean/Japanese consortium's bid for Erdenes Tavan Tolgoi's

Tsankhi West coal deposit.”<sup>217</sup> The Russian offer shows that there is obviously rapidly increasing competition between Russia and China over Mongolian mineral resources, and the competition is enabling Mongolia to realize its foreign policy strategy to maintain balance between its two neighbors, diversify its foreign trade markets, diversify export route, and to alter the behavior of its domestic private enterprises.

In sum, the Mongolian government seems to enact meaningful and successful measures to correct the weakness of private domestic firms. This is the Mongolian government’s leadership role, not coercive regulation, to diversify export routes and provide national, joint, and foreign mining companies with the opportunity to sell their coking coal to Asian-Pacific market at the higher world level price through Russian seaports. It is obvious that higher seaport price, 50 percent discount, and new railway infrastructure will allow domestic joint and foreign coal firms to sell their coal to both China and Asian-Pacific markets. Thus, the new railway policy of the Mongolian government looks to be a government’s perfect leadership mobilization to improve Mongolia’s national security by altering the behavior of private actors whose business mission currently focuses on China’s market because of high raw material demands in China as well as making them see the business opportunities of Asian-Pacific markets and the seaport price advantage of the national railway infrastructure project and effective diplomacy with the Russian Federation.

---

<sup>217</sup> Renaissance Capital, “Moncoalia: Mongolian Coal and Infrastructure,” 2011, p. 25.

## IV. Democracy and Mongolia's Diplomacy in the face of Internationalization

### "Third Neighbor" Strategy without Internationalization

According to the Blue Book of Mongolia's Foreign Policy (2007-2011), the "third neighbor policy" involves the Mongolian government strategy to develop mutually balanced relations and close partnership with more countries so Mongolia can prevent becoming overdependent on any single country in both political and economic terms.<sup>218</sup>

The "Third neighbor policy" concept is included in the 1992 new Mongolian constitution and the 1994 Concept of Foreign Policy of Mongolia. Over the first decade after democratic revolution, Mongolia succeeded in changing Mongolia's international image from a closed country to an open democratic country. However, the "third neighbor policy" had far to go. The failure to realize the "third neighbor policy" involves the weak expansion of foreign trade relations with other countries besides its two neighbors. Mongolia lacked new big trade partners in the 1990s. Of course, Mongolia has increased the number of countries with which it has trade relations but trade relations with those countries had been small and ineffective. Mongolia's foreign trade relations had increased from 23 countries to 69 countries in 2000, but the People's Republic of China and the Russian Federation continued to dominate in Mongolian foreign trade during the first decade (see table 1 and table 2).

---

<sup>218</sup> Монгол улсын гадаад харилцааны яам. Монгол улсын гадаад бодлогын хөх ном 2007-2011. Адмон. Улаанбаатар. 2011 он.

Table 1: Major Countries in Mongolian Export

Years	Russia	PRC (China)	Canada	Japan	UK	Italy
1990	78.6	1.7	-	0.0	0.5	0.8
1995	14.6	17.1	0.0	9.9	3.9	2.4
2000	8.4	51.2	0.1	1.5	3.3	2.7

Source: National Statistical Office of Mongolia, 2011, p. 15.

Table 2: Major Countries in Mongolian Import

Years	Russia	PRC (China)	South Korea	USA	Japan	France	Singapore
1990	77.9	2.7	-	0.0	1.1	0.3	0.1
1995	50.1	12.2	5.2	3.5	10.9	0.4	1.8
2000	33.6	20.5	9.0	4.6	11.9	1.4	1.7

Source: National Statistical Office of Mongolia, 2011, p. 19.

The second significant task of the “third neighbor policy” is to develop balanced and good neighborly relations between the two powerful neighbors. However, it was impossible to develop balanced relations between them in connection with Russia’s economic stagnation for the first decade in both political and economic terms. The period could be named as the historical period in which Russia had forgot about Mongolia in its foreign policy strategy. As Mongolia

imports almost 100 percent of its petroleum fuel from Russia, Russia remained dominant in Mongolian imports. In export terms, Russia completely lost its dominant influence in Mongolian foreign trade. During those years, Mongolia's overdependence on a single power transferred from Russia to China in the terms of foreign trade. Therefore, Mongolia faced the demand to seek opportunities to multiply its foreign trade partners.

Throughout the first decade, Mongolia had pursued an effective policy to make the USA the third neighbor of Mongolia, but Mongolian-U.S. foreign trade remained small in comparison with other countries. U.S. economic concern with Mongolia had been small but Mongolia enjoyed good relations and cooperation with the USA in the political terms, without a military alliance. The success of Mongolian-U.S. relations contributed to democracy development. Washington has always supported the development of democracy in Mongolia since the 1990 Mongolian democratic revolution. U.S. political, economic, and humanitarian support and assistance have been designed to strengthen the values of democracy in Mongolia. The USA also benefits from its political support for Mongolian democratization. According to the assessment of Freedom House and Polity IV, Mongolia has been making great success in developing democracy.

Moreover, Mongolia's fast economic growth in the last two years gives another benefit to Washington's strong ambition to support the spread of democracy throughout the world. Now, the USA can say that democracy and economic development can exist together in a developmental state against conventional wisdom. Today, Mongolia is the most successful former communist country in Asia democracy while it has been succeeding in economic growth.

The general picture of Mongolia's foreign affairs in the first decade suggests that the Mongolian government didn't succeed in realizing its new foreign policy strategies to a satisfactory degree as it had expected for several reasons. Firstly, Mongolia failed to keep a balance in political and economic relations between Russia and China because of Russian economic stagnation. Secondly, the PRC (China) began to solely dominate in Mongolian foreign trade and Mongolia became overdependent on foreign trade with the PRC, because Mongolia didn't have extensive trade with other countries besides the PRC and Mongolia lacked the capacity to expand its trade partners. Thirdly, Mongolia lacked foreign investment and big international projects which would reduce Mongolia's overdependence on the PRC in foreign exchanges and foreign investment terms. In brief, Mongolia lacked economic resources to realize "the third neighbor strategy" in the first decade.

### "Third Neighbor" Strategy with Internationalization

One of the most significant objectives of the "third neighbor policy" is to prevent a return to overdependence on one single market and one single trade route. Beijing and Moscow new strategies over regional energy and mineral resources trade integration have provided Mongolia with new opportunities to diversify foreign investors and trade route. Besides diversification advantages, Mongolia has gained the opportunity to build more balanced relations between its two powerful neighbors.

As Moscow's concern over Mongolian energy raw materials including coking coal deposit in southern Mongolian region and uranium resources in eastern Mongolian region has been greatly increasing, Mongolian-Russian relations have been progressively recovering over the last decade since 2000. This enabled Mongolia to

realize its foreign policy strategy to maintain balance in relations between its two neighbors. Historically, Mongolia has always lacked political and economic chances to develop equal good relations with both Russia and China. During the Cold War, Mongolia had to develop biased relations between the two neighbors because of the Sino-Soviet Rift in the 1950s.

Russian President Vladimir Putin's new policy over Asian energy resources played a significant role in reviving the seriously weakened relations between Mongolia and Russia in the 1990s. Dr. Sharad K. Soni (2011) noted that "the revival of relationship between the two sides began to take a definite shape when Russian President Vladimir Putin visited Mongolia in 2000, the first since the 1974 visit of Soviet President Leonid Brezhnev. P." <sup>219</sup> Recent events in diplomatic relations between these two countries over the last decade indicate that Moscow pays great attention to Mongolia's mineral resources, especially energy raw materials (coking coal and uranium) and pursues effective diplomacy to develop a close strategic partnership with Mongolia. The Russian government wrote off 98 percent of Mongolia's Soviet-period debt, the equivalent \$11 billion USD, in 2003. The Mongolian side tried to solve the debt problem in the 1990s, but Mongolia hadn't succeeded by 2003. Putin's increased concern over Mongolian mineral resources certainly might have influenced the Russian decision to write off the debt. Consecutive visits by high ranking Russian state officials in 2009 confirm how Russian diplomacy towards Mongolia has expanded in the last decade. That year both the Russian President Dmitry Medvedev and Prime Minister Vladimir Putin paid state visits to Mongolia. Visits by both the president and the prime minister in the same year to small Mongolia

---

<sup>219</sup> Sharad K. Soni, "Russia and Mongolia: Recent Upsurge in Ties," *Defense and Security Alert* 2 no. 5 (2011): 46-49.



are apparent evidence that Moscow has already turned its eyes to Mongolia.

The talks and agreements established between the two countries in 2009 suggest that Russian active diplomacy involves the Russian strategy to become an energy superpower. When Mongolian Prime Minister S. Bayar visited Russia on an official trip in 2009, the Rosatom State Nuclear Energy Corporation and the Mongolian Department of Nuclear Energy established an agreement to develop MonAtom and ARMZ joint venture to implement two uranium projects in Mongolia.<sup>220</sup> Another opportunity that emerged in connection with expanded Russian interest over Mongolian mineral resources development is Mongolia's new opportunity to diversify mineral resources export routes through the Russian railroad in Siberia to the Russian Far Eastern port of Vostochny (see figure 18). In November 2010, Russian railways showed, through a trial coal shipment, that Russia could offer Mongolia an affordable alternative export route.

- ✓ During the first nine months of 2010, the volume of export freight between the countries totalled 846,500 tons (up 1% on the same period of last year), import freight reached 223,200 tons (up 100%), and transit freight totalled 78,500 tons (down 18.1%). External trade freight between Russia and Mongolia passes through the Naushki – Sukhe-Bator and Solovyovsk – Eneertsav border crossings. As previously reported, on 28 October the first goods train left Mongolia carrying coal via Russia to the Vostochny port, for export to Asia-Pacific countries. Up to this point, all freight routes from Mongolia via Russia went only to the West. In line with the Agreement on International Goods Transport by Rail (SMGS) rules, the estimated period for the delivery of the cargo, including time on both the Mongolian and Russian railway networks, was 22 days.

---

<sup>220</sup> "Uranium in Mongolia, " World Nuclear Association, December, 2012, <http://www.world-nuclear.org/info/inf125-mongolia.html> (August 08, 2012).

However, the train completed the route in just six days, delivering the cargo to the Vostochny port on 3 November (Russian Railways, 2010).<sup>221</sup>

Through the one-time trial train shipment carrying 2000 tons of coal from Tavan Tolgoi to Vostochny port, Russia managed to demonstrate that it could carry Mongolian coal to the markets of Asian-Pacific countries within a short time and at a cheaper cost offering 52% discount according to the Russian agreement with the Mongolian government in September 2009.<sup>222</sup> "After a year of talks Russian Railway has agreed on a 52% discount on freight tariff, making it three times cheaper than the rates charged by China (Minegolia, 2010)."<sup>223</sup> This event shows that the Russian side has an interest in transporting Mongolian coal to Asian-Pacific markets and is attempting to prove that they can be Mongolia's alternative trade route. This option could be considered as a chance to diversify its international trade routes and mineral resources markets beyond China, because depending on a sole country transit route and market is risky and doesn't match Mongolian preventive diplomacy not to depend on a single country. Therefore, Russian concern over Mongolia's mineral resources and alternative train shipment route allows Mongolia to develop more balanced relations between China and Russia.

---

<sup>221</sup> "New Route Launched for Mongolian Coal by Russian Railways Takes Only 6 Days to Reach Eastern Seaports Compared to Estimate of 22 days," Minegolia, December 06, 2010, <http://www.minegolia.com/?p=540> (August 08, 2012).

<sup>222</sup> Монгол улсын гадаад харилцааны яам. Монгол улсын гадаад бодлогын хөх ном 2007-2011. Адмон. Улаанбаатар. 2011 он.

<sup>223</sup> "New Route Launched for Mongolian Coal by Russian Railways Takes Only 6 Days to Reach Eastern Seaports Compared to Estimate of 22 days," December 06, 2010, <http://www.minegolia.com/?p=540> (December 20, 2012)

Figure 18: Mongolian Current and Future Railroad Profile



Source: mongoliaview.com

Besides maintaining balance in relations between Russia and China, another important part of the “third neighbor policy” is to diversify foreign trade markets and foreign investors through countries other than its two neighbor countries in order to improve limited foreign exchanges and markets which are dominated by Russia and China. Historically, Mongolia has been greatly dependent on export market and supply of its two powerful neighbors. Such economic dependence on them has been the most crucial weak point for Mongolia to encounter pressure from its two neighbors. However, this geopolitical situation has been transformed into an advantage due to increased Chinese and Russian concerns over Mongolian mineral resources. On one hand, China’s big demand for mineral resources has made mineral rich Mongolia a country which greatly attracts the interest of foreign investors from various developed

countries. On the other hand increased Russian concern over Mongolian energy raw materials has opened its own and Asian-Pacific markets to Mongolian mineral resources export via its railroad and Far Eastern ports.

According to the data of foreign investment, the People's Republic of China occupies the largest majority (48.8%) in Mongolian foreign investment in the last decade. Western countries occupy the next largest part after China, but their size is smaller compared to that of China: the Netherlands (9.8%), Canada (7%), and UK Virgin Islands (6.8%).<sup>224</sup> However, the investments of Western countries refer to Mongolia's largest and strategically most important projects. UK-Australian Rio Tinto and Canadian Turquoise Hill Resources own 66 percent stakes of Oyu Tolgoi project which will determine 30 percent of Mongolia's gross domestic product when it starts its full production in 2013. Canadian Turquoise Hill Resources also owns 58% of SouthGobi resources which is one of the largest coal producers in Mongolia. Canadian Centerra Gold owns 100% of Boroo Gold LLC which is the Mongolian largest hard rock gold mine in Mongolia. Russia is also in discussions with Mongolia to cooperate over energy raw material projects. Mongolian and Russian state-owned firms: Mongolia's Mon-Atom LLC and Russia's Rosatom Corporation formed a joint venture to run uranium exploration in the Dornod Uranium deposit. The joint venture will supply raw material for nuclear fuel production in Russia.<sup>225</sup> Russia has been effectively expressing its interest to cooperate with Mongolia in Tavan Tolgoi deposit. Growing

---

<sup>224</sup> Монгол улсын гадаад харилцааны яам. Монгол улсын гадаад бодлогын хөх ном 2007-2011. Адмон. Улаанбаатар. 2011 он, хуудас-92-94.

<sup>225</sup> "Russia, Mongolia form Dornod uranium joint venture", Thomson Reuters, August 25, 2009, <http://www.reuters.com/assets/print?aid=USPEK4421720090825> (January 15, 2012)

Western and Russian investments have been providing Mongolia with the opportunity to reduce its overdependence on Chinese investment.

Besides the reduction of Mongolian over-dependence on China, the comfortable new conditions of those investments and offers have been allowing Mongolia to reduce its dependence on the investment and economic aid of its two neighbors as well as develop balanced political and economic relations between China and Russia. As I mentioned at the beginning of this part, the Mongolian economy had depended only on trade with Russia and China until the present day. During the socialist period, Mongolia had been fully overdependent on trade with the Soviet Union and Soviet economic aid until 1990. Then, the Mongolian economy became greatly dependent on China for the two decades since 1990 as Mongolian and Russian trade had declined seriously. However, Mongolia's weakness of overdependence on its two powerful neighbors has been improving slowly as Western and East Asian investors began to increasingly enter into the Mongolian mineral resources sector since the 2000s. Due to the mining internationalization in the 2000s, increasing investments from western and Asian countries other than its two neighbors have allowed Mongolia to lessen its dependence on Chinese and Russian investment and economic aid. Alternative foreign investors have also been providing Mongolia with both political and financial opportunities to realize its foreign policy strategies beyond the pressure of its two neighbors.

## Conclusion

This chapter aims to systematically summarize what we learned from this research by answering the questions raised in the introductory chapter according to the evidence of the empirical chapters. How does internationalization affect democratization? How does internationalization influence state autonomy? How does internationalization affect state behavior? How has the political impact of internationalization on domestic politics influenced the Mongolian foreign policy strategy? How has the political impact of internationalization on domestic politics impacted on Mongolian mass public opinion? These are the central questions addressed in this research. Generally, in this conclusion, we review four major findings of this research that refer to democratic consolidation.

The first one is that internationalization generates pressure actors that threaten state autonomy. The Mongolian case has shown that unconsolidated democracy is not able to deal with the illegitimate pressures and influences of specific pressure actors. As a result, various political and economic challenges and problems that threaten state autonomy and societal general interest emerge in association with the weakness of unconsolidated democracy. These political and economic challenges causes mass public outrage.

The second one is that the Mongolian mass public outrage has affected the high societal demand for a strong state that is able to promote the democratic consolidation that had been elusive for at least a decade after the successful transition to democracy in the 1990s. This finding shows that due to internationalization, the value of democracy improves at the mass public level or societal level.

The third one is that due to the high societal demand for a democratic consolidation, state behavioral change from weak state to strong state has been occurring in Mongolia and consequently, state autonomy and capacity have been increasing, so that it can generate the democratic consolidation that had been frozen for many years. This also suggests that the value of democracy consolidates at the level of the ruling central decision-makers and government.

The fourth one is that under the general effects of internationalization, democratic consolidation at both the state and mass public levels has been affecting the development of an immune system for Mongolian foreign policy in a positive way.

Another major finding of this research is that the conventional literature of "second image reversed" tradition needs update of "state-centric realism" to explain how the political impact of internationalization expansion has been boosting Mongolian democratic consolidation, state autonomy, and the immune system for foreign policy.

These research results present that the major weakness of the second-image reversed tradition is that it has ignored the state's role as an independent societal actor. Therefore, the second image reversed tradition needs the update of "state-centric realism" to gain full explanatory power to explain the causal effect between internationalization and democratic consolidation in the Mongolian case. According to the evidence in our empirical chapters, a state plays a principal and independent actor role in both internationalization's impact on domestic politics and democratic consolidation.

Firstly, the Mongolian mineral resources' internationalization case shows that internationalization has brought new dangers to Mongolian state autonomy. Since special interest groups and foreign

governments see internationalization benefits according to their own ambitions, their political preferences often target the state to alter state policy behavior for their own best interest. As a result, their pressures and lobbies pose a serious challenge to state autonomy and national interest. However, the finding of this study suggests that it doesn't mean that state completely lost its independent actor status.

On the contrary, the negative effects of internationalization have caused the evolution of Mongolian state behavior. Mongolian state behavior has evolved into the appropriate behavior for Mongolia's new democracy, so that it is able to resist the pressures of special interest groups and maintain its independent actor behavior. In the Mongolian case, central decision-makers and government have been becoming more and more effective in furthering democratic consolidation in order to resist the illegitimate pressures and lobbies of external and internal interest groups that have increased a lot in connection with internationalization.

The second finding of this research suggests that internationalization-related challenges and opportunities have made the Mongolian mass publics understand who and what are important for them in order to take the full benefit of internationalization and prevent any negative effects of internationalization. On one hand, due to mineral resources' internationalization, they have realized that they must be politically effective, especially during parliamentary and local elections to make sure that the state will be loyal to its function to defend general societal goals that will provide the host-country with democratic consolidation and transparent governing. On the other hand, the public found that a democratic regime is the most appropriate government form in that it is able to provide them with comfortable political and economic conditions to benefit from internationalization opportunities.



The third finding shows that mineral resources' internationalization has revealed the economic benefit of democratic consolidation. On one hand, democracy creates meaningful economic growth or a developmental state benefiting a whole nation's aggregate well being, not serving for political and economic oligarchs or the elite class. On the other hand, democracy prevents the emergence of aggressive capitalism in which opportunistic and egoistic attitude predominate at the expense of general societal interest.

In brief, we conclude that the political impact of internationalization has created two significant developments that have created new domestic political contexts that have been driving the democratic consolidation of Mongolia. They are the change of societal interest and transformation of state behavior.

In the introductory chapter, it is clearly described that scholars have claimed that the lack of democracy education and experience of the Mongolian public should be considered as one of the major obstacles to Mongolian democratic consolidation (Ganbat, 2004, and Shin, 1994). The evidence in chapter II suggests that the domestic political impact of internationalization has functioned as a practical lesson that has taught Mongolian public or society the values of democracy. It has made them explore democratic consolidation and has shown them that strong state is exactly what they have wanted.

Mineral resources' internationalization has boosted Mongolian economic growth for the last decade. The GDP growth was 6.4 percent in 2010, and it grew by 17.3 percent in 2011. The economy

grew by 17.2 percent in 2012.<sup>226</sup> The GDP growth is expected to continue growing at a double digit rate from 2013 to 2017.<sup>227</sup>

However, in connection with state weakness and weak democracy, political corruption in the mining sector, environmental degradation, and an increase in the wealth gap have appeared as very serious social problems that have significantly threatened Mongolian new democracy, state autonomy, societal safety, and state foreign policy strategy as well as greatly reducing the benefits of internationalization. In other words, these social problems have revealed that Mongolian democracy still hasn't been mature enough to prevent negative effects of internationalization. The experience of these social problems has produced a high societal demand for democratic consolidation in Mongolia.

For instance, the IRI survey<sup>228</sup> shows that Mongolian citizens think that their representatives in State Great Khural don't work effective in reflecting citizens' interest in passing mineral resources' exploitation related laws and regulations. According to the survey, 49 percent of respondents answered that their voice is not influential on decisions related to mining. 18 percent answered that their voice is not very influential. 11 percent replied that their voice is somewhat influential. Only 5 percent said that their voice is very influential. The IRI survey also indicates that citizens are not satisfied with the results of government negotiations with multinational corporations to cooperate on mineral extraction projects<sup>229</sup>. 31 percent of survey participants answered that they don't know how to

---

<sup>226</sup> World Bank, "Mongolia Overview," 2013, <http://www.worldbank.org/en/country/mongolia/overview> (January 28, 2013).

<sup>227</sup> Ibid.

<sup>228</sup> International Republican Institute, "Survey of Mongolian Public Opinion," IRI Releases, 2011, p. 55.

<sup>229</sup> Ibid., p. 53.

answer. 38 percent answered that they are dissatisfied with the conditions of the agreement. 23 percent responded that they are satisfied with the agreement. These answers are obvious evidence that the public thinks that government intervention in defending citizens' collective interest is dissatisfactory.

The third wave of the Asian barometer survey (2010) matches the IRI survey results. The Asian barometer survey also presents that 40.3 percent of survey participants think that the existing system needs a major change. 32 percent answered that it needs minor change. 19.3 percent claimed that the system should be replaced. Only 5 percent answered that it works fine, not needing to change. Another Asian barometer survey suggests that the public has been dissatisfied with democracy consolidation in Mongolia. According to that data, 44.5 percent of respondents answered that they are not very satisfied with the way democracy works in Mongolia. 41.3 percent think that they are fairly satisfied. These two answers show that Mongolian citizens think that existing government behavior doesn't work well for strengthening democracy and mobilizing economic growth as they expected. Other IRI survey questions confirm that the Mongolian population wants a strong state that can boost democracy. 81.1 percent of survey participants answered that they want their country to be a completely democratic country in the future.

In sum, the IRI and Asian barometer surveys suggest that the challenges of internationalization have caused high societal demand for democratic consolidation at the government level.

Mostly, the scholars of the "second image reversed" tradition view that internationalization undermines state autonomy and state policy efficacy. They believe that internationalization creates external and domestic dangers threatening state political autonomy as well as

state policy efficacy in national economy. During this research, we found that this logic of existing literature is partially right. Most interestingly, we also found that such dangers could affect the evolution of state behavior in positive ways if the value of democracy consolidates at both the ruling elite and mass public levels.

As internationalization-related challenges against the state's independent actor status have appeared in Mongolian domestic politics in association with mineral resources internationalization, the state has encountered a challenge to make evolve in its behavior. The evidence in empirical chapter III shows that Mongolia's state behavior evolved from weak state to strong state to boost democratic consolidation in order to overcome the illegitimate pressure, lobby, influence, and opportunism of external and internal interest groups.

Mineral resources' internationalization has functioned as a warning signal in the end of 2000s. It made Mongolian central decision-makers, and politicians realize that the Mongolian state had previously been too weak to meaningfully regulate internationalization benefits and filter dangers of internationalization. In other words, they came to understand that a strong state is required for Mongolia to use the economic benefits of mineral resources' internationalization for improving national aggregate well-being, negotiate with multinational firms for preventing any opportunism, regulate private actors so that they can respect general societal interest, and prevent environmental degradation.

The data and evidence in empirical chapters I, II, III, and IV show that many serious political, economic, and ecological problems have appeared in Mongolian society in association with the emergence of mineral resources' internationalization. They have reached a very harmful level which central-decision-makers and

policy-makers can't ignore. Those dangers could be divided into three categories: political, economical, and environmental dangers.

In general, the most important finding of this research is that as the political, economic, and environmental dangers mentioned above have appeared and have worsened to become the most dangerous problems in Mongolia in connection with mineral resources' internationalization. Mongolian society has been deficient with strong democratic governing that can improve state weakness and strengthen state autonomy against external and internal pressures. Due to the high demand for democracy and strong state in society, there have been two major shifts in the general behavior of Mongolian domestic politics that have been consolidating democracy and strengthening state autonomy in the last decade. One is the voting behavior and opinion change of the Mongolian public. The second one is the rapid democratic consolidation under the state behavioral change from weak state to strong state.

The result of public opinion surveys from various years covered in chapter II suggest that there have been changes in the Mongolian public's opinions on state behavior and their voting behavior. Those findings suggest that in recent years, strong state behavior that is able to boost democracy under its effective leadership and guide has revealed itself to be the most preferred state model among the Mongolian public. According to the survey results, the public seems to believe that such a state model would allow the whole nation to benefit from mineral resources' internationalization as well as provide state autonomy with insulation power to resist the opportunistic illegitimate political activities of private actors who want to use public power for their private goals at the expense of national interest.

The evidence in chapter II presents that the high public demand for a strong state has not been a sign indicating that the

Mongolian public wants the revival of an authoritarian or communist regime that existed in communist Mongolia. For instance, according to the Asian barometer survey (2010), the preference for democracy is higher than the preference for an authoritarian regime. 67.1% of respondents agreed that the government should listen to people's opinions about what needs to be done. 31.7% agreed that the government should decide what is good for the people. These results could be interpreted that Mongolian state behavioral change from weak state to strong state appears to satisfy societal interest that demand a strong state and democratic consolidation.

This research observed Mongolian trade internationalization and its impact on Mongolian domestic politics, state autonomy, state behavior, mass public behavior, and Mongolian foreign policy strategy. The Mongolian case is a very unique and special among other cases of internationalization and democratization. Mongolian democracy is a new democracy that has only 23 years of history, but the evidences in this research shows that Mongolian new democracy has been making tremendous radical progress in democratic consolidation in recent few years especially since 2009. For instance, the assessments of international organizations suggest that Mongolia looks like a rapidly consolidating democracy. According to the measurement of Transparency International, the Mongolian corruption index has improved a lot in 2012. Mongolia ranked 94<sup>th</sup> out of 174 countries, compared to its rank at 120<sup>th</sup> place in 2011. The Freedom House report confirms that the new behavior of Mongolia's president and government has been very successful in boosting democracy. According to the evaluation of the Freedom House report 2013,<sup>230</sup>

---

<sup>230</sup> Freedom House, "Freedom in the World 2013: Democratic Breakthroughs in the Balance," Selected Data from Freedom House's Annual Survey of Political Rights and Civil Liberties, 2013, p.16,

Mongolia has jumped to a higher rank in Freedom House's political rights rating from 2 to 1. According to the specification of Freedom House, this is a tremendous success indicating that Mongolia has made great progress in developing democracy.

In my opinion, the democratic consolidation in Mongolia greatly depends on Mongolia's special features. Firstly, Mongolia is one of the most scarcely populated countries in the world. Its population is approximately 2.9 million people. The small size is also one advantage of Mongolia. For example, the Mongolian case shows that direct democracy is quite effective and more feasible to be introduced into small country like Mongolia. President Ts. Elbegdorj established the Citizen Hall in 2009 after his presidency started in order to offer citizens opportunities to participate in the policy-making process. I think that the foundation of Citizen Hall (Irgenii Tankhim) was a great contribution to the onset of democratic consolidation and the development of a strong state that has been improving the state autonomy and capacity, so that state autonomy is strong enough to defend societal general goals beyond the illegitimate pressures and influences of specific interest groups.

Mongolia is small, but a mineral resources rich landlocked country that is sandwiched between two very powerful neighbors who are able to influence world politics and have strong authoritarian traditions. According to the evidences in chapter I, III, and IV, the democratic regime has been emerging in Mongolia in recent years under the effects of internationalization as the most appropriate government form that is able to secure Mongolian state autonomy from powerful external pressures and influences. One good example is that Russian petroleum fuel pressure, which involves with Moscow's

---

<http://www.freedomhouse.org/sites/default/files/FIW%202013%20Booklet%20-%20for%20Web.pdf> (February 05, 2013).

interest in Mongolian uranium and Tavan Tolgoi's coking coal deposit, has failed to influence Mongolian government foreign policy autonomy. The arguments in this research clearly show that Russian energy coercive pressures have failed because of the inherent advantage of democracy that distributes state power among various state bodies, so that they can control each other with veto powers. Mongolian case shows that Putnam's two level game works more well in consolidated democracies.

Another important finding of this research is that Mongolia is a special case of a new democracy with special geographical and historical features that needs strong state to consolidate democracy. Firstly, Mongolian economy is vulnerable to the external and internal pressures because it is still overdependent on trade with its two powerful neighbors. Secondly, the Mongolian economy is not able to perform well without effective government intervention. Thirdly, Mongolian society has often lacked a strong state mobilization to be modern, because Mongolian society has often lacked knowledge and experience on the value of democracy. The evidence in chapters II and III present that internationalization has helped Mongolia's ruling central decision-makers and the public discover what is necessary to build a democratic country or develop democratic consolidation. As a result of this discovery, Mongolian state behavior has been shifting from weak state to strong state to satisfy its high societal demand for democratic consolidation.

Recent evidence in Mongolian domestic politics present that there have been several important political reforms showing that state behavioral change and democratic consolidation have started in Mongolia under the effective initiatives and leadership of the Democratic Party president and his policy effects on the government's behavioral change in order to meet high societal demand for effective



performance of democratic consolidation. In this research, we stress three important reforms of President Ts. Elbegdorj and their impacts on government behavioral change and Mongolian democratic consolidation. They are the temporary suspension of mining license issuance, the establishment of Citizen Hall, and the reforms of the judiciary sector and the IAAC.

Most importantly, those reforms and state behavioral changes have been showing Mongolian society or the public the advantages and benefits of the values of democracy. They also seem to have influenced the voting behavior of the public. The last 2012 parliamentary and local elections show that clientelism is declining and programmatic democracy is emerging in Mongolian new democracy.

In conclusion, the findings in empirical chapters clearly demonstrate that in weak democracies, the negative effects of internationalization could predominate rather than the benefits; especially the host country lacks effective democratic governing performance to resist egoistic and opportunistic interests of specific political and economic interest groups. As a result, state weakness favors political corruptions and environmental degradation that threaten societal safety, democratic consolidation, and national aggregate well-being. Such problems caused Mongolia's high societal demand for democracy consolidation, and consequently the demand affected state behavioral change that brought about democratic consolidation of the presidential and government level. As a result, democracy consolidation at the state level has been increasing Mongolian state autonomy to resist external and internal illegitimate pressures when it formulates domestic and foreign policy.

# References

## 1. Books and Articles

- Abdelal, Rawi and Jonathan Kirshner. 1999/2000. "Strategy, Economic Relations, and the Definition of National Interests." *Security Studies* 9 (1/2): 119-56.
- Batnasan. N. 2003. "Freshwater Issues in Mongolia." Proceeding of the National Seminar on IRBM in Mongolia. 24-25 Sept. Ulaanbaatar.
- Batbayar, Tsedendamba. 2003. "Foreign Policy and Domestic Reform in Mongolia." *Central Asian Survey* 22 (March):45-59.
- Byambaa. B and Y. Todo. 2011. "Technological Impact of Placer Gold Mine on Water Quality: Case of Tuul River Valley in the Zaamar Goldfield, Mongolia." *World Academy of Science. Engineering and Technology* 75 (June): 167-171.
- Currier, Carrie Liu and Manojchhr Dorraj, eds. 2001. *China's Energy Relations with the Developing World*. New York: Continuum.
- Daly, Herman E. 1999. "Globalization versus internationalization – some Implications." *Ecological Economics* 31: 31-37.
- Diamond, Larry. 1997. "Is the Third Wave Democracy over?: The Imperative of Consolidation ." Kellogg Institute. The Helen Kellogg Institute for International Studies. Working Paper #237, March.
- Fish. Steven. 2001. "The Inner Asian anomaly: Mongolia's Democratization in Comparative Perspective." *Communist and Post-Communist Studies* 34: 323-338.
- Frieden, Jeffry and Rogowski, Ronald. 1996. "The Impact of the International Economy on National Policies: An Analytical Overview." In *Internationalization and Domestic Politics*, ed.

- Robert Keohane and Helen Milner. New York: Cambridge University Press, 25-47.
- Fritz, Verena .2008. "Mongolia: The Rise and Travails of a Deviant Democracy." *Democratization* 15 (4): 766-788.
- Ganbat, Damba. 2004. "The Mass Public and Democratic Politics in Mongolia." Asia Barometer Project Office. National Taiwan University and Academia Sinica. Working Paper Series: No. 29.
- Garrett, Geoffrey and Lange, Peter. 1996. "Internationalization, Institutions, and Political Change." In *Internationalization and Domestic Politics*, ed. Robert Keohane and Helen Milner. New York: Cambridge University Press, 48-75.
- Gilpin Robert. 2001. *Global Political Economy: Understanding the International Economic Order*. Princeton and Oxford: Princeton University Press.
- Ginsburg, Tom. 1998. "Mongolia in 1997: Deepening Democracy." *Asian Survey* 38(1): 64-68.
- Gourevitch, Peter. 1978. "The Second Image Reversed: The International Sources of Domestic Politics." *International Organization* 32 (4) (Autumn), 881-912.
- Heywood, Andrew. 2000. *Key Concepts in Politics*. Palgrave Macmillan Limited.
- Hirschman, Albert O. 1958. *The Strategy of Economic Development*. New Haven: Yale University Press.
- Hiscox, Michael J. 2002. *International Trade and Political Conflict: Commerce, Coalitions, and Mobility*. Princeton and Oxford: Princeton University Press.
- Huntington, Samuel P. 1991. *The Third Wave: Democratization in the Late of Twentieth Century*. Norman: University of Oklahoma Press.
- Huntington, Samuel P. 1991. "Democracy's Third Wave." *The Journal of Democracy*, 2(2):12-34.
- Inglehart, Ronald and Welzel, Christian. 2009. "Development and

- Democracy: What We Know about Modernization Today." *Foreign Affairs* ( March): 33-41.
- Johnson, Chalmers. 1982. *MITI and the Japanese Miracle*. Stanford, CA: Stanford University Press.
- Kaplonski, Christopher. 2002. "Thirty Thousand Bullets: Remembering Political Repression in Mongolia." In *Historical Injustice and Democratic Transition in Eastern Asia and Northern Europe: Ghosts at the table of democracy*, ed. Kenneth Christie and Robert Cribb, Routledge Curzon. London and New York: Taylor & Frances Group, 155-168.
- Karl, Terry Lynn. 1990. "Dilemmas of Democratization in Latin America." *Comparative Politics* 23 (1): 1-21.
- Kasper, Wolfgang & Manfred E. Streit. 1996. *Institutional Economics: Social Order and Public Policy*. the Locke Institute and Edward Elgar, Cheltenham.
- Keohane, Robert O. and Helen V. Milner, eds. 1996. *Internationalization and Domestic Politics*. New York: Cambridge University Press.
- Krasner, Steven D. 1978. *Defending the National Interest: Raw Materials Investments and U.S. Foreign Policy*. Princeton: Princeton University Press.
- Mishler, William and John P. Willerton. 2003. "The Dynamics of Presidential Popularity in Post-Communist Russia: Cultural Imperative versus Neo-institutional Choice?" *the Journal of Politics* 65 (1): 111-141.
- Munck, Gerardo L and Leff, Carol Skalnik. 1997. "Modes of Transition and Democratization: South Africa and Eastern Europe in Comparative Perspective." *Comparative Politics* 29 (April): 343-362.
- Narangoa, Li. 2009. "Mongolia and Preventive Diplomacy: Haunted by

- History and Becoming Cosmopolitan." *Asian Survey* 49 (2):358-379.
- Oliker, Olga, Keith Crane, Lowell H. Schwartz, Catherine Yusupov. 2009. *Russian Foreign Policy: Sources and Implications. Rand Corporation monograph series.* RAND Project Air Force.
- Pridham, Geoffrey. 2000. *The Dynamics of Democratization: A Comparative Approach.* London and New York: Continuum.
- Putnam, Robert D. 1988. "Diplomacy and Domestic Politics: The Logic of Two-Level Games." *International Organization* 42 (3): 427-460.
- Radchenko, Sergey S. 2003. "The Soviet's Best Friend in Asia: the Mongolian Dimension of the Sino-Soviet Split." Cold World International History Project, Working Paper Series, ed. Christian F. Ostermann. Woodrow Wilson International Center for Scholars. Washington D.C. (November), 1-30.
- Reeves, Jeffrey. 2010. "Mongolia State Weakness, Foreign Policy, and Dependency on the People's Republic of China." Ph.D. diss., London School of Economics.
- Reeves, Jeffrey. 2011. "Mongolia's Environmental Security: Chinese Unconscious Power and Ulaanbaatar's State Weakness." *Asian Survey* 51 (3): 453-471.
- Renaissance Capital. 2011. *Moncoalia: Mongolian Coal and Infrastructure.* Renaissance Capital.
- Rogowski, Ronald. 1989. *Commerce and Coalitions: How to Trade Affects Domestic Political Alignments,* Princeton, New Jersey: Princeton University Press.
- Shin, Doh Chull. 1994. "On the Third Wave of Democratization: A Synthesis and Evaluation of Recent Theory and Research." *World Politics* 47 (1): 135-170.
- Soichi Itoh. 2008. "Russia's Energy Diplomacy toward the Asia-Pacific:

- Is Moscow's Ambition Dashed?" In *Energy and Environment in Slavic Eurasia: Toward the Establishment of the Network of Environment Studies in the Pan-Okhotsk Region*, ed. Tabata Shinichiro. Slavic Research Center. Hokkaido University. 21<sup>st</sup> Century COE Program Slavic Eurasian Studies. No. 19.
- Soni, Sharad K. 2011. "Russia and Mongolia: Recent Upsurge in Ties", *Defense and Security Alert* (February):2-5.
- Uuganbayar, Tumurkhoo. 2012. "Interest Groups and Political Parties in Mongolian Democracy", *the Journal of Northeast Asia Research* 27 (1): 281-306.
- Weiss, Linda. 2003. *States in the Global Economy: Bringing Domestic Institutions Back in*. New York: Cambridge University Press.
- Woo-Cumings, Meredith. 1999. "Introduction: Chalmers Johnson and the Politics of Nationalism and Development." In *the Developmental State*, ed. Meredith Woo-Cumings. Ithaca and London: Cornell University Press.
- Zeyno Baran. 2006. "Lithuanian Energy Security: Challenges and Choices." *Hudson Institute, Center of Strategic Studies*.  
<http://www.hudson.org/files/publications/LithuanianEnergySecurityDecember06.pdf> (December 01, 2012).

## 2. Data Sources

- Asia Barometer. 2003. "First Wave Survey." Department of Political Science, National Taiwan University. SPSS data on Mongolian public opinion.
- Asia Barometer. 2010. "Third Wave Survey." Department of Political Science. National Taiwan University. SPSS data on Mongolian public opinion.
- Asia Foundation. 2009. "Mongolia: Voter Education Survey." *Library*

*Resources-Mongolia.*

- <http://asiafoundation.org/publications/pdf/48> (June 15, 2011).
- Asia Foundation. 2008. "Mongolian Corruption Benchmarking Survey 2006-2008." Library-Resources. <http://asiafoundation.org/publications/pdf/298> (January 11, 2012).
- Asian Development Bank. 2004. "Private Sector Assessment for Mongolia." September.
- Freedom House. 2013. "Freedom in the World 2013: Democratic Breakthroughs in the Balance." *Freedom House's Annual Survey of Political Rights and Civil Liberties*.  
<http://www.freedomhouse.org/report/freedom-world/freedom-world-2013> (February 05, 2013).
- International Republican Institute. 2011. "Survey of Mongolian Public Opinion." *IRI News Releases*. <http://www.iri.org/news-events-press-center/news/iri-releases-survey-mongolian-public-opinion> (April 10, 2012).
- Mongolian Economic Research Institute. 2012. Mongolia: Coking Coal Export Analysis, August 31. <http://www.eri.mn/index.php/en/news/42-nws/149-coal> (December 12, 2012).
- Transparency International. 2012. "Mongolia: Corruption Perception Index-2012." [http://www.transparency.org/country#MNG\\_DataResearch\\_SurveysIndices](http://www.transparency.org/country#MNG_DataResearch_SurveysIndices).
- U.S. Department of State. 2011. "Mongolia Investment Climate Statement." *Economic and Commercial Section of the U.S. Embassy in Ulaanbaatar, Mongolia*. <http://mongolia.usembassy.gov/root/media/pdf/mongolia-ics-2011.pdf>(February 28, 2012).
- World Bank. 2010. "Mongolia Quarterly Economic Update"  
[http://www.worldbank.org/en/news/feature/2012/10/30/mongolia\\_quarterlyeconomicupdate-october-2012](http://www.worldbank.org/en/news/feature/2012/10/30/mongolia_quarterlyeconomicupdate-october-2012)  
(October 01, 2012).

World Health Organization. 2005. "Mongolia: Environmental Health Country Profile", <http://www.environment-health.asia/fileupload/MongoliaEHCP14205.pdf>, (January 12, 2012).

### 3. Agreements

Ministry of Foreign Affairs of Mongolia. 2006. *Agreement of Cooperative Project between Mineral Resources and Petroleum Authority of Mongolia and China Geological Survey*. Central Archive of International Relations of Mongolia. <http://mfa-archives.mn/>(January 11, 2012).

Ministry of Foreign Affairs of Mongolia. 2010. *MOU between the Nuclear Energy Agency of Mongolia and China National Nuclear Corporation of the People's Republic of China on the Cooperation in Radioactive Minerals*. Central Archive of International Relations. <http://mfa-archives.mn/> (January 11, 2012).

### 4. Newspapers

Bold-Erdene, S. 2011. "Own Oil Refinery Only Way Out of Russian Pressure." *The Mongolian Mining Journal*, September 12. <http://en.mongolianminingjournal.com/content/16844.shtml> (March 14, 2012).

"Construction on First Mongolian Oil Refinery Postponed to 2015." 2012. *The Mongolia-Briefing*, July 23. <http://mongoliambriefing.com/news/2012/07/construction-on-first-mongolian-oil-refinery-postponed-to-2015.htm> (March 14, 2012).

"Mongolian core to Russia's nuclear bid." 2011. *The Asia Times*, October 29. <http://www.atimes.com/atimes/China/MJ29Ad02.html> (February 02, 2012).



- "Mongolian mining bans could deter speculators –investor." 2010. *Thomson Reuters*, November 25. <http://www.reuters.com/article/2010/11/25/mongolia-miningidUSTOE6AM03X20101125> (August 24, 2012).
- "Mongolia: Ulaanbaatar Subjected to Moscow's Energy Army Twisting." 2011. *EURASIANET.org*, March 15. <http://www.miningwatch.ca/news/centerra-gold-inc-flouting-mongolia-s-environmental-protection-laws-organizations-file>. (August 24, 2012).
- "New Route Launched for Mongolian Coal by Russian Railways Takes Only 6 Days to Reach Eastern Seaports Compared to Estimate of 22 days." 2010. *Minegolia*, December 06. <http://www.minegolia.com/?p=540> (August 08, 2012).
- Noerper, Stephen. 2007. "Mongolia Matters." *Brookings Northeast Asia Commentary*, October. <http://www.brookings.edu/research/opinions/2007/10/mongolia> (March 01, 2012).
- Permatasari, Soraya, Elisabeth Behrmann and Thomas Biesheuvel. 2013. "Rio Says Mongolian Project's Start Depends on End to Dispute." *Bloomberg*, February 14. <http://www.bloomberg.com/news/2013-02-14/rio-says-mongolia-copper-mine-start-depends-on-resolving-dispute.html> (March 01, 2013).
- Southerland, Dan. 2009. "Mongolia: a Democratic breakthrough." *Radio Free Asia*, December 24. <http://www.rfa.org/english/commentaries/mongolia-12242009153047.html>. (January 15, 2012).
- "Special mining licenses will not be issued for 5 years." 2012. *Business-Mongolia.com*, June 5. <http://www.business-mongolia.com/mongolia/2012/06/05/special-mining-licenses-will-not-be-issued-for-5-years/d-zorigt-8/>(July 07, 2012).

- "Statement by S.Bayar, Prime Minister of Mongolia at the Parliament Session." 2008. *Business-Mongolia*, May 06. <http://www.business-mongolia.com/Mongolia/2008/05/06/statement-by-sbayar-prime-minister-of-mongolia-at-the-parliament-session/> (March 03, 2012).
- "The \$1.5 billion USD will be Deposited into the Government Account of Mongolia on December 05, 2012." 2012. *InfoMongolia.com*, December 04. <http://www.infomongolia.com/ct/ci/5302> (February 04, 2013).
- "Uzbekistan and China sign agreement for pipeline construction." 2011. *Pipelines International*, April 27. [http://pipelinesinternational.com/news/construction\\_on\\_third\\_line\\_begins\\_for\\_central\\_asia-china\\_gas\\_pipeline/066998/](http://pipelinesinternational.com/news/construction_on_third_line_begins_for_central_asia-china_gas_pipeline/066998/) (October 05, 2012).
- "Uzbekistan begins supplying gas to China through pipeline." 2012. *Platts*, September 13. <http://www.platts.com/RSSFeedDetailedNews/RSSFeed/NaturalGas/7062155> (October 05, 2012).
- "Resolving a Supply Dispute, Armenia to buy Russian Gas." 2006. *The New York Times*, April 07. [http://www.nytimes.com/2006/04/07/business/worldbusiness/07gas.html?\\_r=0](http://www.nytimes.com/2006/04/07/business/worldbusiness/07gas.html?_r=0) (December 22, 2012).
- "Russia, Mongolia form Dornod Uranium Joint Venture." 2009. *Thomson Reuters*, August 25. <http://www.reuters.com/article/2009/08/25/mongolia-uranium-idUSPEK4421720090825> (May 05, 2012).
- "Russia in Ukraine Missile Threat." 2008. *BBC News*, February 12. <http://news.bbc.co.uk/2/hi/europe/7241470.stm> (December 01, 2012).
- "Russian gas demands irk Belarus." 2006. *BBC News*, December 18, <http://news.bbc.co.uk/2/hi/business/6189379.stm> (December

01, 2012).

"Russia to Moldova: Choose cheap gas or EU integration." 2012.

*EurActiv*, September 13. <http://www.euractiv.com/europes-east/russia-moldova-chose-cheap-gas-e-news-514769>

(December 01, 2012).

"Russia: Moscow Takes over of Latvian Oil Port." 2003. *Radio Free*

*Europe/Radio*, February 12. <http://www.rferl.org/content/article/1102205.html> (December 01, 2012).

"Russia writes off \$20 billion for African companies." 2012. *The*

*Pravda*, October 12. [http://english.pravda.ru/russia/economics/19-10-2012/122511russia\\_africa0/](http://english.pravda.ru/russia/economics/19-10-2012/122511russia_africa0/) (December 01, 2012).

## 5. Books in Mongolian language

Д. Дашпүрэв, Д. Маргад-Эрдэнэ. Ардчилал, зах зээлийн нөхцөл

дахь монгол улсын гадаад харилцаа, хамтын ажиллагаа.

Олон улс судлалын дээд сургууль. Бэмби Сан хэвлэлийн газар. 2006 он.

Монгол улсын гадаад харилцааны яам. Монгол улсын гадаад

бодлогын хөх ном 2007-2011. Адмон. Улаанбаатар. 2011 он.

Монгол улсын үндэсний статистикийн хороо. Гадаад худалдааны

барааны статистикийн эмхтгэл. Улаанбаатар. 2011 он.

Монгол улсын үндэсний статистикийн хороо. Монгол улсын

статистикийн эмхтгэл, Улаанбаатар хот. 2010 он.

Монгол улсын үндэсний статистикийн хороо. Гадаад худалдаа

2009 онд. Улаанбаатар хот. 2009 он.

Мигэйдоржийн Батчимэг. Шатрын өрөг дэх монгол: Олон улсын

улс төр. НЭПКО паблишинг компани. Улаанбаатар. 2012 он.

## 6. The Laws of Mongolia

БНМАУ-ын Ардын их хурал. 1992 он. Монгол улсын үндсэн хууль.

МУИС, Хууль зүйн сургууль, Монгол улсын хууль тогтоомжын сан. <http://www.mongolianlaws.com/index.php?lid=LW1992011300&action=show> (2012 он 12-р сарын 20).

Монгол улсын УИХ. 2012 он. Монгол улсын шүүхийн тухай хууль. [http://www.president.mn/mongolian/node/1944#\\_ftnref1](http://www.president.mn/mongolian/node/1944#_ftnref1) (2012 он 12-р сарын 20).

Монгол улсын УИХ. 2012 он. Шүүгчийн эрх зүйн байдлын тухай хууль. <http://www.president.mn/mongolian/node/2593> (2012 он 12-р сарын 20).

Монгол улсын УИХ .2012 он. Шүүхийн захиргааны тухай хууль. <http://www.president.mn/mongolian/node/2592> (2012 он 12-р сарын 20).

Монгол улсын УИХ .2005 он. Газрын тосны бүтээгдэхүүний тухай хууль. <http://www.mongolianlaws.com/#> (2012 он 11-р сарын 26).

## 7. Mongolian Government's Reports

Засгийн газрын хэрэг эрхлэх газар. 2011 он. Ажлын Тайлан. Бүрэн эрхт төлөөлөгчийн ажлын алба. <http://cabinet.gov.mn/files/fileres/12030001.pdf> (2012 он 11-р сарын 25).

Эрдэс баялаг, эрчим хүчний яам. 2010 он. Засгийн газрын 2008-2012 оны үйл ажиллагааны хөтөлбөрт эрдэс баялаг, эрчим хүчний сайдын дангаар хэргэжүүлэх арга хэмжээний төлөвлөгөөний хэрэгжилт. <http://mmre.energy.mn/activity/class/105/detail/1203230002/> (2012 он 11-р сарын 25).

## 8. Agreements in Mongolian Language

Монгол улсын гадаад харилцааны яам. 2011 он. Монгол улс, Бүгд Найрамдах Хятад Ард Улсын Хооронд Стратегийн Түншлэлийн Харилцаа Тогтоох

Тухай Хамтарсан Мэдэгдэл. Гадаад харилцааны төв архив (2012 он 1-р сарын 11).

Монгол улсын гадаад харилцааны яам. 2011 он. Эдийн засаг, Техникийн Хамтын Ажиллагааны Тухай Монгол Улсын Засгийн Газар, Бүгд Найрамдах Хятад Ард Улсын Засгийн Газар Хоорондын Хэлэлцээр. Гадаад харилцааны төв архив (2012 он 1-р сарын 11).

## 9. Internet Data in Mongolian Language

Б. Алтай. "Нүүрс өнгөлсөөр." Монголын эдийн засаг, санхүү бизнесийн сэтгүүл, 2012 оны 10-р сарын 30. <http://mongolianeconomy.mn/mn/i/251> (2012 оны 11-р сарын 30).

Б. Долгодмаа. "П.Очирбат: Би "өвөө" нь юм бол олигархийн "эцэг" нь Намбарын Энхбаяр юм байлгүй дээ." Өдрийн сонин, 2011 оны 5-р сарын 16. <http://chuhai.mn/r/22125> <http://mongolianeconomy.mn/mn/i/251> (2012 оны 11-р сарын 30).

Б. Долгодмаа. "Монгол, Оросын харилцааны шинэ үе." Өдрийн сонин, 2011 оны 6-р сарын 6. <http://www.dnn.mn/publish/?vpage=13&vt=item&user=5ryv59g8i197> (2012 он 11-р сарын 30).

NEWS агентлаг. "Д.Батхуягийн хахуульд авсан орд 1.2 тэрбум доллар хүрнэ". 2013 оны 2-р сарын 1. <http://video.news.mn/video/10181.shtml> (2012 он 2-р сарын 30).

Монгол улсын засгийн газар. ХМА. 2011 он. "Засгийн газрын хуралдаан: РОСНЕФТЬ"-с Эрдэс баялаг, эрчим хүчний сайдад захидал ирүүлсэн нь үнэн. [http://news.gogo.mn/r/89724?utm\\_source=twitterfeed&utm\\_medium=twitter](http://news.gogo.mn/r/89724?utm_source=twitterfeed&utm_medium=twitter) (2012 он 11-р сарын 25).

- Монгол улсын засгийн газар. ХМА. 2013 он. Ерөнхий сайд УИХ-ын чуулганд мэдээлэл хийлээ. <http://www.zasag.mn/news/id/423> (2013 он 2-р сарын 25)
- Монгол улсын ерөнхийлөгчийн тамгын газар. 2011 он.  
Ерөнхийлөгч Ц.Элбэгдорж:Бид хүнд үедээ нэг л сонголт хийдэг, энэ бол хойд хөрш. <http://www.president.mn/mongolian/node/1796> (2012 он 10-р сарын 05).
- Монгол улсын ерөнхийлөгчийн тамгын газар. 2012 он. Нээлттэй сонсгол, хэлэлцүүлэгийн жагсаалт. [http://www.irgen.org/index.php?option=com\\_content&view=article&id=117:2012-10-23-08-03-54&catid=4:procuror&Itemid=3](http://www.irgen.org/index.php?option=com_content&view=article&id=117:2012-10-23-08-03-54&catid=4:procuror&Itemid=3) (2012 он 10-р сарын 05).
- Монгол улсын ерөнхийлөгчийн тамгын газар. 2012 он. Монгол Улсын Ерөнхийлөгчийн дэргэдэх "Иргэний Танхим"-ын үйл ажиллагааны тайлан. <http://www.president.mn>(2012 он 10-р сарын 05).
- Монгол улсын ерөнхийлөгчийн тамгын газар. 2009 он.  
"Ц.Элбэгдорж: АТГ-ыг хангалтгүй ажиллаж байна гэж дүгнэж байна." <http://www.president.mn/mongolian/node/224> (2012 он 10-р сарын 05).
- Монгол улсын ерөнхийлөгчийн тамгын газар. 2009 он. "Авлигатай тэмцэх газрын дэргэдэх Олон нийтийн зөвлөлийн бүрэлдэхүүнийг томилох тухай." Ерөнхийлөгчийн зарлиг №121. [http://www.iaac.mn/pdf/onz/ONZuvlul\\_bureldehuun.pdf](http://www.iaac.mn/pdf/onz/ONZuvlul_bureldehuun.pdf) (2012 он 10-р сарын 05).
- Монголын төрийн бус байгуулагуудын форум. 2010 он. "Байгал орчин-уул уурхай-хүний эрхийн төлөв байдал." Цахим эх сурвалж.<http://www.infomine.mn/upload/pdf/Baigalorchin.pdf> (2012 он 10-р сарын 03).

Монгол улсын УИХ. 2010 он. "Төрөөс төмөр замын тээврийн талаар баримтлах бодлого батлах тухай", УИХ-ын тогтоол №32. [http://www.minegolia.com/wp-content/uploads/2010/06/Railway-Policy\\_MON.pdf](http://www.minegolia.com/wp-content/uploads/2010/06/Railway-Policy_MON.pdf)(2012 он 10-р сарын 05).

Өглөөний сонин. № 1213081. 2012 он 10-р сарын 12. "Нөхөн сэргээлт хийгээгүйн улмаас 17.9 мянган га талбай өгөршжээ." <http://www.olloo.mn/modules.php?name=News&file=article&sid=1213081> (2012 он 11-р сарын 05).

Нийгмийн толь. 2008 оны 5-р сарын 03. "ОХУ-с хараат байхыг хүсдэг хүмүүс Засгийн газарт байна". <http://news.gogo.mn/r/25930>(2012 он 11-р сарын 25).

Хөөрөх цэг сэтгүүл. 2012 оны 1-р сарын 23. "Шинэ төмөр зам экспортын шинэ гарцуудыг бий болгоно." <http://www.mtz.mn/index.php> (2012 он 10-р сарын 05).

#### 10. Data in Russian Language.

Александр Габуев, <<Монголия ищет объездные рельсы>>, *Коммерсантъ*, 01.06.2011, №97 (4638) <http://www.kommer sant.ru/doc/1651283> (2012.12.25).

<<Ученые определили главные источники загрязнения Байкала.>> РИА Новости, 16.08.2011, <http://ria.ru/danger/20110816/418461278.html?id=?id=> (2012.12.25).

## Acknowledgement

I would like to express my deepest gratitude to my advisor Prof. Mi-Kyung Kim, Ph.D for her frequent support and help for the success of my Ph.D study and research. I can honestly say that without her immense knowledge, great patience, effective guidance, and constant care for my family I would not have completed this study which has been the hardest challenge for my academic life.

Furthermore I would like to thank my committee members, Professor Gwan-Seo, Ki, Professor Jae Gwan Kim, Professor In-Ho Kang, and Professor Byung-Geun Ji for their insightful comments, encouragement, useful criticisms, and hard questions that helped me improve my dissertation a lot. I also would like to acknowledge all the professors of the Department of Political Science and International Relations for advancing my knowledge in the fields of international relations, international political economics, comparative politics, and social science research.

I must thank the Korean government, especially NIIED for offering me very meaningful and beneficial scholarship and frequent cares that provided me with opportunity to study without financial problems and helped me adjust to a new academic life quickly, learn Korean language, and adjust to a new culture easily.

I would like to express my sincere gratitude to my grandmother Janchiv Puntsag for her wisdom that has inspired me throughout my life and my parents, Tumurkhoo Lkhamkhoo and Nyamsuren Damdinjav who have always encouraged me, supported me, loved me, and believed in me. Most especially, my sincere thank must go to my lovely mother for taking care of and loving my family and children so lovingly and unselfishly. Finally, I would like to



express my deepest thank to my beautiful wife Bolormaa Baatar for her great love, wonderful care, and great patience, my mother-in-law Alimaa Danzandorj for bringing up my children when I was very busy with my study, and my lovely daughters, Bideriya, Enkhluun, and Enkhriilen for making my life happy and giving me power.