

US-Mongolia Relations: Standing Strong as Third Neighbors

By Ambassador (retired) Michael Klecheski

Michael Klecheski, a retired US Department of State Foreign Service Officer who previously served as the US Ambassador to Mongolia, a Director at the National Security Council, and held posts at US embassies in Russia and the Philippines, explains that "the current strength of US-Mongolia ties is of prime importance" as "growing Sino-Russian rapprochement raises new concerns about Mongolia's ability to continue its balancing role with those two countries."

Though it does not draw as much attention, at least in the United States, as other relationships in northeast Asia, bilateral ties with Mongolia are significant and warrant deeper exploration. Landlocked between China and Russia, Mongolia managed to maintain the independence and democracy it achieved when the Soviet bloc collapsed. It has done so primarily through a deft balancing act between those two huge and non-too-democratic physical neighbors. And its success has come, in large measure, from its equally deft handling of relationships with its "third neighbors," which gives Mongolia the ability to deal with China and Russia from a stronger bargaining position.

On the one hand, in recent years, Mongolia has expanded its third neighbor strategy; it is exploring, for instance, new linkages in Central Asia. On the other hand, growing Sino-Russian rapprochement raises new concerns about Mongolia's ability to continue its balancing role with those two countries. This has become a subject of discussion in Mongolian policy circles, and one conclusion is that relations with third neighbors are increasing in importance. Along with a few other countries, notably Japan, the United States is a pivotal third neighbor.

Thus, the current strength of US-Mongolia ties is of prime importance. The decision to elevate bilateral relations to the level of strategic partnership in 2019 provided new momentum. Around the same time, the US Agency for International Development, which had been highly active in Mongolia since 1991 but was contemplating reducing its activities due to funding considerations and Mongolia's own progress, revived its programming and funding. Progress on the US Millennium Challenge Corporation's second project in Mongolia, a \$462 million investment in Ulaanbaatar's water supply system, continues to fuel this momentum. Recent advances toward the possibility of direct flights between the United States and Mongolia offer a further boost.

US democracy promotion enjoys a high profile in Mongolia. For the United States, supporting Mongolia's democracy, including the rule of law and civil society, is important in its own right. The endeavor is also worthwhile because Mongolia's population seems genuinely committed to its democratic institutions—despite occasional indications of wavering support. The United States also is aware that a successfully democratic Mongolia can have a demonstration effect on China and Russia. Reinforcing a democratic orientation among Mongolia's large youth cohort seems a promising route to further cement the country's democratic future; the numerous Mongolian parliamentarians and other officials who have studied in the United States and elsewhere in the West fuel such hope, as does Prime Minister Oyun-Erdene's conscious effort to increase the ranks of such people in his government. Even though Mongolian officials continue to pledge their commitment to democracy, backsliding is always a danger. For example, the possibility that laws could be put in place threatening the independence of non-governmental organizations is of serious concern.

From the US perspective, resource-rich Mongolia offers the possibility of vast commercial opportunities for American companies. So far, however, shortcomings in its investment climate, including corruption and rule of law issues, have dampened US investment levels. Additionally, the Mongolian government's continued commitment to state-owned enterprises is worrisome. US investors hold a significant share in Mongolia's largest foreign direct investment project, the giant Oyu Tolgoi copper and gold mine. An end to a deadlock in the Mongolian government's contractual negotiations with the mine's owners in 2022 resulted in the long-awaited start of underground production there. But that deadlock had highlighted an unhealthy and recurring

politicization of Oyu Tolgoi; that this could re-occur gives pause to American (and other) investors about initiating new projects in Mongolia. Richard Pomfret discusses [Mongolia's resources management](#) more extensively in his contribution to this special series.

While Mongolian officials have voiced disappointment that the US Congress has not passed draft legislation to ease sales of cashmere in the United States, this has not stopped a small but growing number of Mongolian companies from laying a framework to capitalize on exports to the United States, including cashmere and other products. Mongolia's IT sector, centered around well-educated and internationally-oriented young people, also offers hope for deepening commercial ties.

Mongolia also has the potential to serve as a channel for engagement, for the United States and others, with the DPRK, with which Ulaanbaatar has long-standing diplomatic relations. This does not seem the moment for such engagement to prosper, but Mongolia's diplomatic ties with Pyongyang also make progress through back channels possible. Moreover, the annual Ulaanbaatar (UB) Dialogue on Northeast Asian Security, of which the June 2023 session will be the eighth iteration, is a potential avenue for US engagement with belligerent actors in Northeast Asia. For more on this, Bolor Lkhaajav explores the [UB Dialogue's potential as a conflict resolution platform](#) in another entry in this special series on Mongolia.

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In the battle for public opinion, China initially made inroads following the outbreak of COVID-19 in Mongolia through its pandemic diplomacy, with many Mongolians receiving their first COVID vaccines from China. The quality of those vaccines proved disappointing, and much of the public sought US-manufactured vaccines. This boosted the image of the United States and of other third neighbors, notably Japan, that donated some of those vaccines and other elements of the anti-COVID effort. Mongolian elites and the public also chafed at the economic impact of China's pandemic-related restrictions on the border transit of mineral resources.

While discussing the bilateral relationship with the United States, Mongolian officials have noted the relative dearth of recent high-level US government visits; then-National Security Advisor John Bolton and then-Secretary of Defense Mark Esper were the last US cabinet-level visitors in mid-2019. In recent months, however, the number of US government visitors has picked up, albeit not at the cabinet level. A high-level US visit would give a welcomed new boost to the relationship.

Mongolia has hewn to a careful path in its position on Russia's invasion of Ukraine. In close coordination with other like-minded governments, Washington has urged Mongolia to support condemnatory UN resolutions. Still, the United States has been understanding of Mongolia's difficult geopolitical situation, so that the invasion has not damaged the US-Mongolia relationship. Both sides realize the importance of that relationship, and though there is plenty of room to expand, it is fundamentally in strong shape and meaningfully serves both US and Mongolian interests.

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