



Middle powers in Mongolia: A comparative perspective





MONGOLIAN GEOPOLITICS #7

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The COVID-19 pandemic has brought Mongolia closer to Australia, one of the two important partners, the middle powers, the other is Canada. Amid the pandemic to date, a Mongolian Airline has carried out nine direct charter flights to Brisbane and Sydney to repatriate more than 1,700 Mongolian citizens as well as rotate hundreds of Australians who work at the country's largest copper and gold mine, Oyu Tolgoi.¹ In a far-away different direction, the Mongolian Embassy in Ottawa has worked hard to accommodate several hundred repatriation requests due to the lack of direct flights from Canada. Back in Ulaanbaatar, Australian and Canadian ambassadors have been engaging with Mongolian officials since the sudden government change in January 2021. For Australia and Canada, both of which are traditional middle powers and resource-based developed economies, Mongolia has represented a new frontier in terms of foreign policy and business since the 1990s. The governments in Canberra and Ottawa recognized Mongolia during the Cold War, in 1972 and 1973, respectively, to flex their independence of Washington in terms of foreign policy. They both also neglected Taiwanese dissuasion against formally recognizing Mongolia's independence.² And both governments assisted Mongolian governments in the 1990s to overcome challenges of political and economic transitions. This was followed up by a mining rush by Australian and Canadian junior companies because of Mongolia's attractive mining law (1996) and the rise of global commodity markets.

Nowadays, both Australia and Canada are experiencing strained relations with China and Russia, while Mongolia highly regards its partnership with these middle powers and advocates to deepen their bilateral ties. This policy paper reviews the existing bilateral ties Mongolia has with Australia and Canada, with a comparative perspective on the po-

litical, security, economic and cultural details. It concludes with a policy recommendation.

Political and security ties

Mongolia regards Australia and Canada as important, influential nations. Along with Mongolia, Canada is a member of Group of Twenty powerful economies as well as the Asia–Pacific Economic Forum. Canada is also a member of the Group of Seven. Since the late 1980s, Mongolia has sought to develop stronger bilateral ties, increase economic partnership and collaborate more with Canada through international organizations. Some Mongolian political leaders see Canada as a developmental model, given its geography, climate and resource-based economy. Those same political leaders also consider Australia as a key partner in the Asia–Pacific region.³

In the 1990s, Mongolia welcomed mining investors and companies from both countries and opened an embassy in Canberra in 2001 and followed in Ottawa seven years later. And yet, in contrast, Mongolia is not a foreign policy priority country for these middle powers. Canada opened an embassy in Ulaanbaatar in 2008 and Australia followed in 2015—both countries wanted to protect the interests of mining investors and related businesses in Mongolia. These days, Mongolia’s political relations with these middle powers are stuck at the level of extended or expanded partnership. Considering the distance between those countries and Mongolia, this is probably the highest level that their bilateral ties are likely ever to reach.

Nevertheless, there are interesting points to highlight. All three countries pursue somewhat similar foreign policy objectives. Despite the

distance between them (Canada in North America, Australia sea-locked in the South Pacific and Mongolia inland-locked), all have sought to move closer with the Asia–Pacific region and with members of the Association of Southeast Asian Nations Regional Forum. All three also want closer ties with Europe. Australia and Canada traditionally have strong political, economic and cultural ties with Europe, while Mongolia only first entered into a partnership with the European Union in 2013. Canada is a member of the North Atlantic Treaty Organization (NATO), whereas Australia and Mongolia are NATO partners at different levels of collaboration, with the powerful Australian military having a long-standing cooperation. Mongolia and Canada are members of the Organization for Security and Co-operation in Europe. Australia and Canada are key defence and security allies of the United States, while Mongolia maintains close but limited security cooperation with the great power. All three States want to take advantage of the growing Chinese economy, albeit at different degrees. Of them, however, Mongolia is the most vulnerable due to its dependence on China's infrastructure, money and markets.

All three nations share similar concern about China's rising economic and security clout. All three have experienced Chinese repercussions: Mongolia was penalized for hosting the Dalai Lama's visit in 2016. Canada is being penalized over the arrest of Huawei CFO Meng Wanzhou, the daughter of the company's founder and CEO, Ren Zhengfei. Australia is being penalized for its banning of Huawei 5G in Australia, calling for an inquiry into the origin of the coronavirus and siding with the United States in its recent trade war against China.⁴

Although Mongolia endorses all major foreign policy objectives of

Australia and Canada, it has remained silent on Australia's initiative on responsibility to protect its vulnerability due to its proximity with expansionist great powers and silent on Canada's initiative to ban anti-personnel landmines for security reasons. Australia and Canada likely consider Mongolia a like-minded State, sharing an identity of liberal democracy to protect and respect human rights and freedom.

Mongolia's peacekeeping commitment opened a unique opportunity for the two middle powers to participate in the annual Khaan Quest peacekeeping training and exercise (bringing numerous foreign militaries together). And Mongolian military personnel are welcomed to short-term military training educational programmes in Australia and Canada. It was these educational and training opportunities in Canada that contributed to the Mongolian military's success in capacity-building, especially in English and French language training. Since 2007, Mongolian military personnel have interacted with the Australian and Canadian militaries through the peace-support missions in Afghanistan and Iraq.⁵ Both Australia and Canada recognize peacekeeping as the most convenient approach to defence cooperation. Both are potential partners for working with Mongolia to disseminate best practices and regional cooperation in peacekeeping. The foundation for such collaboration has been laid through their participation in the peacekeeping exercises in and outside Mongolia and serving shoulder to shoulder in peace missions in Afghanistan and Africa.

From donors to partners

After Mongolia stepped into democracy in the early 1990s, it stumbled around the transition period without aid from the former Soviet Union, seeking support from developed countries, including Australia

and Canada. The two donors have much in common when it comes to development assistance. Australia and Mongolia signed a development assistance memorandum of understanding in 1993. Mongolia and Canada signed a similar memorandum of understanding on bilateral development assistance but not until 2016.

Both countries offer local community-focused assistance: in Australia, the Direct Aid Program and in Canada, the Fund for Local Initiatives programme. The Direct Aid Program, funded from the Australian aid budget, has assisted more than 130 projects since 2003.⁶ The Canada Fund has granted around US\$5 million to more than 420 small-scale projects in Mongolia since April 1997.⁷ In terms of large-scale development assistance, Canada has provided US\$20 million to strengthen Mongolian governance, particularly to manage its mining sector more effectively and to develop its civil society through the Enhancing Resource Management through Institutional Transformation (starting in 2016) and the Strengthening Extractive Sector Management (starting in 2015) projects.⁸

The Australia–Mongolia Extractives Program is a flagship partnership, reflecting Australia’s political and economic interest in Mongolia. The programme was set up in 2013 with US\$2.3 million, which expanded to US\$3.9 million. In 2019, a second phase budget of US\$6.6 million was approved for operations until 2023.⁹

The three nations collaborate closely with international organizations, especially at the United Nations. Both middle powers implement infrastructure projects through multilateral organizations, such as the United Nations Development Programme and the Asian Development

Bank. Canada has launched multiple projects with US\$11 million targeting civil service reform and gender equality with the United Nations Development Programme, the International Republican Institute and the International Development Law Organization in Mongolia.

Economic relations between Mongolia and the two middle powers are strong. Canada is the largest foreign direct investor in Mongolia, at US\$7.8 billion, equivalent to one third of Mongolia's total foreign direct investment in 2019, when Australia placed among the top-ten investors, at US\$484 million.¹⁰ In 2016, Canada and Mongolia signed the Foreign Investment Promotion and Protection Agreement to protect Canadian investors with better terms, such as providing greater transparency from the government.¹¹ Most of the Australian and Canadian investments have flowed into Mongolia's mining sector. As of early this year, four Australian companies owned four special mineral licenses, while 12 Canadian companies owned 23 such mineral licenses. One of the biggest and more successful junior companies, Ivanhoe Mines from Canada, bought the exploration license for the Oyu Tolgoi site from the Australian BHP Billiton in 2002. Oyu Tolgoi is one of the largest known copper and gold deposits in the world. In 2006, Ivanhoe Mines formed a strategic partnership with the Anglo-Australian multinational company, Rio Tinto. However, a rift erupted between the government of Mongolia and Rio Tinto early this year after Mongolia sought to renegotiate the agreement. Nothing has been concluded by the two parties, but the government of Mongolia decided to file a counterclaim regarding Rio Tinto's tax dispute at the London Court.¹² The Oyu Tolgoi flagship project also strengthened Mongolia's political and commercial ties with the United States and its allies. First, Mongolia's geopolitical location as democracy between China and Russia

intrigues the United States.¹³ Second, an American coal mining company, Peabody Energy, was interested in Tavan Tolgoi, the coal mine providing energy to the Oyu Tolgoi project. Moreover, Oyu Tolgoi was the only project that could secure financing from multiple international financial institutes backed by Western countries.

In short, within three decades, Mongolia's relationship with Australia and Canada has grown from aid recipient to economic partner.

Cultural bonding

Since 1990, more than 7,000 Mongolians have settled in Australia and 2,000 Mongolians have emigrated to Canada. Mongolian communities have been established in the major cities of both countries, where they actively celebrate the Mongolian Lunar New Year (in January or February) and Naadam, the July anniversary of independence from China. Hundreds of Australians and Canadians live and work in Mongolia. There are two strong connections: one is educational and the other is humanitarian.

Australian and Canadian schools are top destinations for Mongolian students. Australian educational institutions have been more successful in two regards: Since the 1990s, the Australian Development Scholarships programme provides opportunity for more than 500 Mongolians to pursue a graduate degree in an Australian university and has contributed to Mongolia's development through the training that these students returned home with. The Australian Development Scholarship programme has become a diversified, competitive, and inclusive scholarship that welcomes people with disabilities. It also provides a generous six-month English language qualification course

free of charge for scholarship students. In 1998, Mongolian graduates of Australian institutions established an alumni organization, the Mongolian Australia Society (known as the Mozzies Association), acting as a vivid tie between the two countries.¹⁴ Second, the visa process has become easier for Mongolian students since 2016. In addition to the annual 13–15 slots with the Australian Development Scholarship programme, more than 2,000 Mongolian students study in different levels of Australian schools, including language courses, with their own funding.

Even though Canadian schools are attractive, the visa process is slow and complicated. The Norman B. Keevil Institute of Mining Engineering, at the University of British Columbia, has developed a special tie with Mongolia, however. In 2012, it established a partnership with the Mongolian University of Science and Technology that has enabled Mongolian students to study at reduced tuition. And the Oyu Tolgoi mining project has helped 30 Mongolians obtain a master's degree, 18 of whom studied at the University of British Columbia. Most of them returned to mid-level and senior management posts at Oyu Tolgoi or other mines.

Beginning in 2011, the Australian government funded the Mongolian Studies Centre at the Australian National University, creating a model of cooperation between a think tank and research institute.¹⁵ The Centre organizes annual academic and policy workshops and has evolved as a knowledge hub for Mongolian studies.

The other important connection between the three States is their humanitarian interests. Since 1998, the Australian Volunteer Program has brought more than 300 volunteers to Mongolia to contribute to

various projects. Australian volunteers in Mongolia rank third in number, after the US Peace Corps and the Japan International Cooperation Agency volunteers. From Canada, the connections have been more individualistic. In 2015, Canadian hockey coach Nate Leslie and his brother brought used hockey gear to teach Mongolian youth to play hockey,¹⁶ at the emailed behest of an unknown Mongolian. Since then, Leslie and the Mongolian communities in Vancouver collect hockey gear on an annual basis that the business community then ships by container to Ulaanbaatar, where the Canadian Ambassador and fellow expatriates celebrate Canada–Mongolia Hockey Day. A Canadian couple established the Veloo Foundation to raise funds to construct and run kindergartens for children living at or near the garbage dumping centre in Ulaanchuluut, within the capital city. Because most of these children’s families are rural migrants, they do not have proper city residency documents to receive public services, including schooling, electricity, water or public transportation.

Conclusion

Because Australia and Canada have been caught up in the Sino–American geopolitical competition, it likely will become more difficult to increase their security and economic commitments with Mongolia. We expect Canberra and Ottawa to stress a multilateralist approach through regional organizations in Asia, de-escalate tensions with China and increase ties with like-minded States (democracies). Mongolia is a partner with shared concerns about geopolitical competition and values the role of multilateral organizations.

Mongolia surely needs political support from Australia and Canada at international organizations, from the United Nations to the Asia–Pa-

cific Economic Forum, and with international financial institutions. On the security front, Australia and Canada could jointly support Mongolia's dream of becoming the centre of excellence for peacekeeping for Central, East and Southeast Asia. Canada is a creator of the United Nations peacekeeping system, and Australia is a proven supporter of capacity-building. For example, Australia and Canada can work with Mongolia to promote the United Nations' newly adopted peacekeeping policy: *Action for Peacekeeping* (A4P), using Mongolia as a neutral platform for peacekeeping training for emerging troop contributing nations from the Asia Pacific Region. This type of multilateral cooperation would strengthen the bilateral ties with Mongolia and could help the larger foreign policy objectives of Australia and Canada to increase their profiles in the United Nations-by strengthening the regional cooperation of militaries in East, Central and South-East Asia that would benefit global peace and security. Also, jointly focusing on Mongolia's peacekeeping efforts would help ease the geopolitical sensitivity with China and Russia.

Although the two middle powers have been implementing various big-scale development assistance projects in Mongolia, most Mongolians are not aware of them. It might be because the projects from Australia and Canada chiefly centre around Mongolian mining operations. Within the economic realm, partnering with Australia and Canada in the mining and energy sectors allows Mongolia to learn from their expertise but decreases Mongolia's dependence on its more powerful neighbours. And it leaves room to manoeuvre between them. However, the two middle powers could diversify their economic cooperation with Mongolia into other areas, like agriculture and tourism.

The other area where Australia and Canada could contribute more is the educational opportunities for Mongolian youth to study in their universities and to assist Mongolian higher educational institutions to increase their profile and quality of education in Mongolia. Civil society and community empowerment projects have demonstrated good results for bilateral relations and for Mongolia's grass-roots initiatives to find local solutions for local problems. If these funds are directed at local communities in the countryside and outskirts of the capital city, where non-government organizations lack resources, it would empower rural communities. It might be mutually beneficial to facilitate communication and cooperation between Mongolian rural communities with indigenous communities in Australia and Canada.

For Mongolia, a silver lining of the COVID-19 pandemic has been the ability to carry out direct flights to far-away locations, including Australia and the United States, underscoring the country's potential to establish direct lines to North America and Australia in the future. Just as the COVID-19 pandemic has demonstrated the importance of multilateralism, it is showing Mongolia how crucial it is to expand and deepen its relations with the middle powers.

Endnotes

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