

# WHAT ARE **RUSSIAN** INTERESTS IN **MONGOLIA**?





## **MONGOLIAN GEOPOLITICS #13**

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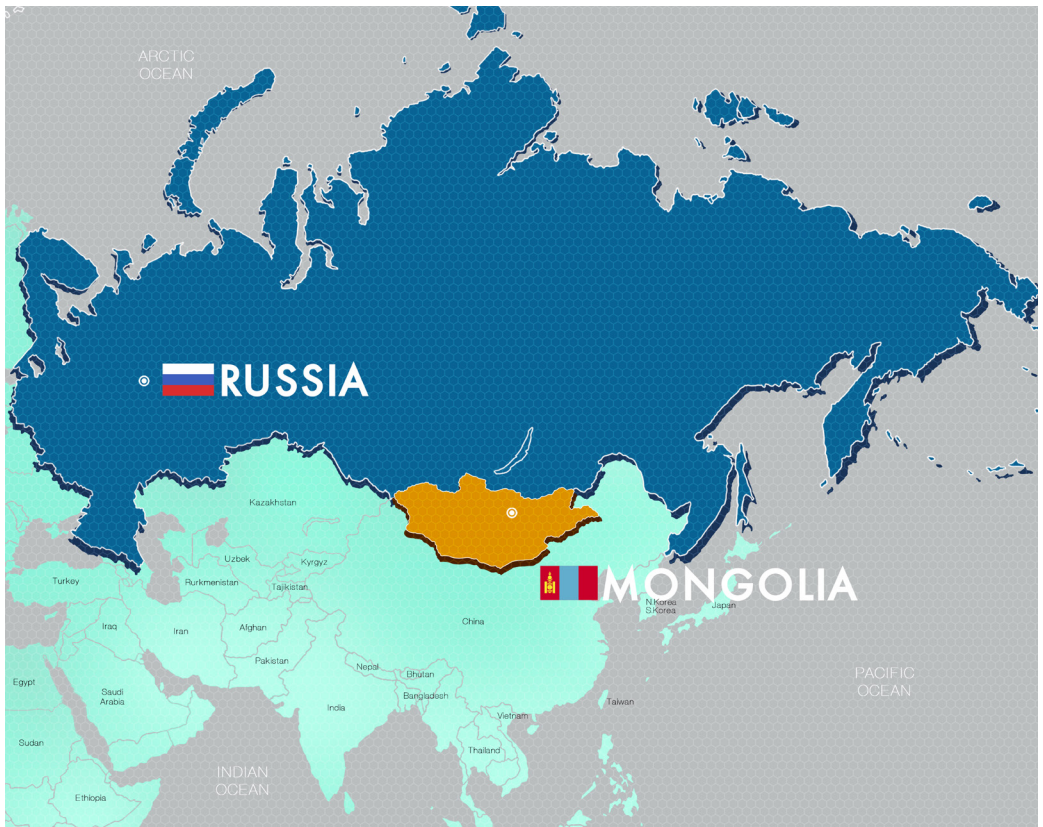
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In recent years, Mongolia emerged on the Kremlin's foreign policy agenda for the first time. Mongolia was included in its 2013 and 2016 foreign policy concept. The aim was simple to strengthen strengthen the "traditionally friendly ties with Mongolia".<sup>1</sup> Then, in 2020, the Russian government concluded a permanent treaty on the comprehensive strategic partnership with Mongolia.<sup>2</sup> Following the treaty, a long-overdue visit of the Mongolian prime minister to Mongolia was organized, and since then, intergovernmental consultations, especially between the foreign and defence ministries, have been on the rise. In early 2021, Gazprom, the Russian state-majority-owned multinational energy corporation, along with Russian officials, declared its intention to build a gas pipeline through Mongolia to China. Surprisingly, there were no official statements from Chinese buyers.

The pipeline project certainly serves Mongolia's dream of becoming an economic bridge between the two major economies through rail, road, pipe and grid connections. But some analysts have expressed doubts and even concerns over the increased Russian interest in Mongolia. From an international relations perspective, Russia's behaviour is simply explained by the great power's long-running behaviour. Russia's makes moves to assert its influence in Mongolia as a traditional buffer State and to respond to its geopolitical competitors, such as China and the United States. For example, Russia's declaration of the permanent comprehensive strategic partnership followed immediately after the United States declared its strategic partnership with Mongolia and after China upgraded its strategic partnership with Mongolia to a comprehensive strategic partnership. Russia has also increased its pressure on Mongolia to join its regional initiatives (such as the Eurasian Economic Union) and to use its far eastern ports rather than the

Chinese Belt and Road Initiative and Chinese ports.

This paper looks at the Russian interests in Mongolia in three aspects—geostrategic, economic and cultural—and argues that the geostrategic interest is more prominent than the other two. The Russian economic interests are weak and the cultural ties are on the decline. And despite the difficulties, Mongolia needs to find ways to accommodate the Russian geostrategic interests. The most realistic option would be to increase cross-border trade and economic cooperation while avoiding getting caught up in the Russian game against its geopolitical competitors, China and the United States.

### *Geostrategic interests—Keeping its buffer zone*

For now, armed conflict or even tension between Russia and China is unthinkable. Both possess nuclear weapons, which should deter an all-out war. Current leaders are committed to a stable partnership, mostly in economic terms, but there is some convergence of interests at the international stage and cautious military collaboration. This amicable scenario does not stop natural and traditional geopolitical contests between the two great powers over their spheres of influence. And we cannot be certain what will be the intentions of the next generations of leaders in Moscow and Beijing or how future global or domestic crises will change the behaviours of these great powers. Therefore, Mongolia remains geostrategically important for both: Russian strategic and military thinkers want to keep Mongolia as a friendly or allied buffer State in defence of Siberia and the Russian Far East, whereas Chinese counterparts worry that Mongolia may become a military stronghold for China's geopolitical competitors.

Mongolia's importance is historic. From 1921, the Soviet Union then / Russia used Mongolia as a buffer State on three occasions.<sup>3</sup> From 1921 to 1925, the Soviet military operated in the Mongolian territory to destroy the fleeing White Army units before they could gain strength and establish a communist regime, which would then serve as a model and a base for spreading communist internationalism into Tibet and China. From 1936 to 1945, the Soviet Union deployed its military to fight against the Japanese in defence of Siberia and the Russian Far East and made Mongolia a geostrategic buffer State. From 1961 to 1989, the Soviet Union's political and military presence was large in scale in Mongolia to prevent a potential war between the great powers. On all three occasions, Mongolia came under the complete control of the Kremlin, and then the Soviet military was withdrawn due to Chinese demand. It is interesting to remember that military leaders in the Kremlin were quite reluctant to abandon their key geostrategic buffer. After the sudden decision made by Soviet leader Mikhail Gorbachev to complete the withdrawal from Mongolia, the Soviet military leaders initially opposed him and tried to keep some forces and infrastructure.<sup>4</sup> It became impossible because of Chinese persistence for the complete withdrawal, along with the new Soviet foreign policy and economic rationale and Mongolia's desire to join the Non-Aligned Movement.

Starting from its 1992 Constitution, Mongolia quickly institutionalized its neutrality and maintained it from then on. Even though its military neutrality serves the security needs of the two neighbours, the Mongolians and the Russian military share interest in maintaining close collaboration based on their traditional ties. Throughout the 1990s, the Mongolian military requested a revival of military and technical cooperation, mostly to maintain and upgrade its Soviet-era weaponry

and to continue training its personnel.

The resumption of military and technical cooperation came back gradually but only at a small scale around 2003. This was connected to the Russian leaders' renewed geopolitical ambitions after a decade of the country's weakness. As tension with NATO and the United States began rising over the importance of Central Asia in 2005, the Georgian conflict in 2008, the takeover of Crimea in 2015 and the ongoing conflict in the Ukraine, the Russian leaders increased their focus on buffer States. At the moment, the Russia is concentrating its efforts in Eastern Europe, the Caucasus region and Central Asia. It maintains a sizable force in Tajikistan, re-opened its bases in the Kyrgyz Republic and strengthened its security alliance with Kazakhstan.<sup>5</sup>

Surely, Mongolia is included in this overarching geostrategic calculation of the Kremlin. Yet, Mongolia's importance remains low due to the current amicable setting between Moscow and Beijing. This provides opportunity for Mongolia to avoid any political or security type of alignment with Russia while welcoming economic projects connecting the Sino-Russian economies. The only way for Mongolia to avoid falling into the Kremlin's control again is to respect the traditional Russian geostrategic concerns while maintaining a neutral position over the great power competition, much like Finland did during the Cold War.

### ***Weak economic interests, strong leverage***

Despite the trans-Mongolian railway and the impending gas pipeline, as named the Second Power of Siberia, Russia has little economic interests in Mongolia.

The Soviets built the trans-Mongolian railway in the 1950s when all three States—China, Mongolia and the Soviet Union—dreamed of a peaceful communist neighbourhood. This railway was part of the broad gauge (1,520 mm) rail network of the Soviet Union then /Russia, uses former Soviet now Russian locomotives, trains, technology and engineering and requires a gauge change at the Sino–Mongolian border. Russia inherited 50 per cent ownership of the trans-Mongolian railroad, which gave it strong leverage in Mongolia’s railroad politics. In fact, any railroad development project in Mongolia cannot go forward without Russian involvement or, frankly, approval. For instance, the Kremlin stopped the Mongolian government’s decision to use US\$185 million of American development aid to improve the transit capacity of the trans-Mongolian railroad in 2005.<sup>6</sup> Later, the Russian railroad authority explicitly sided with Mongolian political and business factions to reject the introduction of the Chinese standard gauge to connect major mining deposits in the southern region with Chinese rail networks. As a result, the Mongolian parliament in 2010 adopted the Mongolian State Policy of Railway Transportation treaty, which adopted the Russian standard gauge over the Chinese gauge for any new railway extensions.<sup>7</sup> Then in 2020, Russian secured the Mongolian government’s commitment to its standard gauge in that treaty. However, when it comes to railroad development, Russia prioritizes its Far Eastern railroads over the trans-Mongolian railway. Thus, Russian involvement in Mongolia’s railroad politics could be explained by the Kremlin’s geopolitics to maintain its control over key infrastructure in the former Soviet sphere of influence.

The gas pipeline will have a similar fate. The discussions about routing of Russia’s Second Power of Siberia gas pipeline through Mongo-



lia began in September 2021.<sup>8</sup> This is not because Russia considered Mongolia's long-running request for a gas pipeline. Rather, the Kremlin changed its mind because the initial plan of building a pipeline that bypassed the Mongolian western region to Xinjiang, China, was deemed economically and socially costly. But now it seems a win-win solution for all three States and a boost to the China–Mongolia–Russia Economic Corridor.<sup>9</sup>

It is clear that Russia, which has been experiencing all types of transit challenges in Eastern and Central Europe, is seeking all possible options to protect its key economic interests. This may tempt the Kremlin to use its strong leverage within Mongolian politics with railroad development. Russia also used its leverage on the uranium mine in Mongolia. In July 2009, after the Mongolian prime minister's visit to Moscow, the Mongolian parliament quickly passed the Nuclear Energy Law, which stipulated the establishment of a joint uranium venture with Russia and revoked the Canadian Khan Resources' mining license to develop a uranium mine that the Soviets had abandoned in the 1990s.<sup>10</sup> Successive cash-strained Mongolian governments have struggled to compensate the Canadian company following an international arbitral tribunal decision. The railroad and uranium mine experiences demonstrate that Russia has the ability to influence Mongolia's domestic politics if it wants—even if that action triggers a backlash from Mongolian society and political leaders.

Except for two noticeable but unsuccessful surges—the development of the Tavan Tolgoi coal deposit and establishment of 100 gas stations, Russian economic interest in Mongolia is on a downward trend. The clearest sign of decline was Russian Rostec selling its 49 per cent share

of Erdenet, the largest copper-molybdenum factory, and in Mongol-rostsvetmet, a joint mining company (fluorspar, iron ore and gold) in 2016.<sup>11</sup> The Russian employees went from more than 3,000 in 1990 to fewer than 200 by the time of the sale. According to the Mongolian government, there are 904 ventures with Russian investment currently, but they constitute only 6 per cent of all economic entities with foreign investment.

And yet, Russia holds two strong leverage points over the Mongolian economy: One is fuel, the other is electricity. Mongolia relies heavily on Russian fuel exports. Although Mongolia's fuel consumption is a small fraction of the Chinese market, its consumption is on the rise due to increased industrial activities (mining, construction, agriculture), its growing number of cars and potential expansion of flights as the new airport begins operating as a logistical hub. A shortage of or a price increase on fuel products would easily trigger political and socio-economic instability in Mongolia. In 2014, Russian Rosneft Chairman Igor Sechin made a quick visit to secure the Russian interest in providing crude oil to the new refinery in Darkhan, Mongolia.<sup>12</sup> However, when the Mongolian government shifted the refinery location to Dornogobi, a southern Mongolian *aimag* in 2018, the Russian interest, or confidence, in Mongolia's refinery project waned.

Mongolia, especially its northern parts, including where the Erdenet copper factory is located, is dependent on electricity imports from Russia. Although the electricity dependency on its neighbour has been in decline as Mongolia develops its own energy sources, the country still imports up to 300 million kWt per hour of Russian electricity, and its main power stations (No. 3 and No. 4) are dependent on Russian

technology and supply.<sup>13</sup> Russia boycotted Mongolia's plan to build a hydropower plant on its northern Eg River due to environmental impact concerns over the Russian Baikal Lake. Even though a Chinese bank (China Export-Import Bank) approved a US\$1 billion loan package for the plant in 2015, it is withholding the funds until Mongolia and Russia reach a compromise. Mongolians, however, suspect the Russian move is intended to maintain its volume of electricity exports to Mongolia.

### *Decline of cultural ties*

The cultural ties have declined substantially since the 1980s. From the 1960s to the 1980s, studying in the Soviet Union was the most competitive and desirable option and Mongolian parents searched all ways to enrol their children in Soviet schools; knowing the Russian language was an important criterion for career and status in Mongolia; Russian literature, journals and newspapers were widely read among Mongolian intellectuals; and Russian TV programmes and movies had strong impact on cultural trends and styles in Mongolia. Although it is not openly debated, Mongolians were on the cultural spectrum that seemed to span from a nomadic tradition at one end and Sovietization at the other end. Today, the Russian cultural influence has been marginalized for several reasons.

It began when the geostrategically motivated Russian presence ended in 1992. All Soviet specialists, military personnel and accompanying family members left Mongolia. Only a handful of Russians chose to remain in Mongolia, a place most Russians considered a foreign land with little hope for their future. After the Russian state-owned Rostec

sold its shares of the Erdenet copper factory and the Mongolroostvetmet mining company in 2016, the number of Russians in the country drastically reduced to around 1,000, which included Russians working at the only remaining joint venture, the UB Railroad, and the diplomatic and trade missions. Only one Russian Orthodox Church (Trinity Church) remains functioning. The Russian Cultural Center operates in Ulaanbaatar to bridge the cultural ties between the two nations.

Declining Russian educational influence has been another factor. As Mongolia opened up, so too did the educational choices available to its people, far more than during the socialist period. Just like Russians, many Mongolian parents now want their children to study in North America and Europe, which requires they learn English, German or French. Nowadays, Mongolian parents seek all ways for their children to study at the international schools, public schools with the Cambridge programmes or specialized language schools. A few Russian schools or university programmes remain, but they are just one among many choices. Mongolians have been fortunate to receive generous grants and scholarships from many countries, including China, Taiwan, South Korea, Japan, Turkey and Germany. Again, Russian government grants and scholarships are now one of many options. Following a gap period from 1990 to 2000, the Russian government has been slowly increasing its scholarships for Mongolian students, with around 3,500 of them currently studying on a Russian scholarship.

The other reason for the declining Russian cultural influence is the reduced people-to-people interactions. Unlike Central Asian or other countries that border Russia, Mongolia does not export a significant number of migrant workers to its neighbour, who would otherwise

nurture cultural ties. Rather, Mongolian migrant workers have headed to South Korea, Japan, North America and Europe, where they have had a crucial role in bridging Mongolia with those cultures and societies. Until Russia finally agreed to introduce a visa-free regime with Mongolia in 2014, Mongolian businesses and tourists were discouraged by a complicated and tiring visa process and unfriendly customs procedures.<sup>14</sup> Instead, they chose Beijing, Seoul and Berlin as a gateway for their business or travel adventures. Many Mongolians have enjoyed China's visa-free regime that was established in 1989.

In a nutshell, the Russian cultural influence no longer has a strong natural basis in Mongolia. It dominated during a certain period of time, when the Russians had strong geostrategic interests and its culture dominated the Soviet bloc and when Mongolia was closed off to East Asia and the world. In today's openness, Russian culture is one of many choices for Mongolians, whose cultural spectrum now seems to stretch between nomadism and globalism.

### Concluding thoughts

Unarguably, the key Russian interest in Mongolia is geostrategic in nature. It waxes as the Kremlin feels challenged by its geopolitical competitors and wanes as it becomes geopolitically distracted elsewhere. For Mongolia, it is vital to maintain close defence and security ties.

Despite the Kremlin's recent statements of strengthening new types of economic partnerships in areas of infrastructure, agriculture and atomic energy, Russian businesses are not so interested in Mongolia, or what they see as a small, complicated and little-connected market.

However, Russian enterprises are interested in businesses and projects reaching out to Chinese markets through Mongolia, be it through pipelines, rails, roads or grids.

The cultural ties between the two nations have weakened in the absence of cultural similarity, a large Russian diaspora, migrant workers and government-funded initiatives. Like Russia, Mongolia is open to a variety of cultural waves or soft powers. As the generations of Mongolians who grew up in the 1950s and 1960s, who were fascinated with Russian culture, are losing their political and social influence, new generations of open-minded leaders are unlikely to advocate one foreign culture over another. Instead, they appear to pursue more cosmopolitan and nationalistic stances.

Within this environment, the most practical collaboration for Mongolia is to promote cross-border relations in all regions. These cross-border relations, including joint ventures, trade and tourism, would at least re-nurture people-to-people ties and promote good neighbourly relationships.

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