



**RELATIONS BETWEEN MONGOLIA AND GERMANY:
A LONG-STANDING FRIENDSHIP
IN CHANGING TIMES**





MONGOLIAN GEOPOLITICS #24

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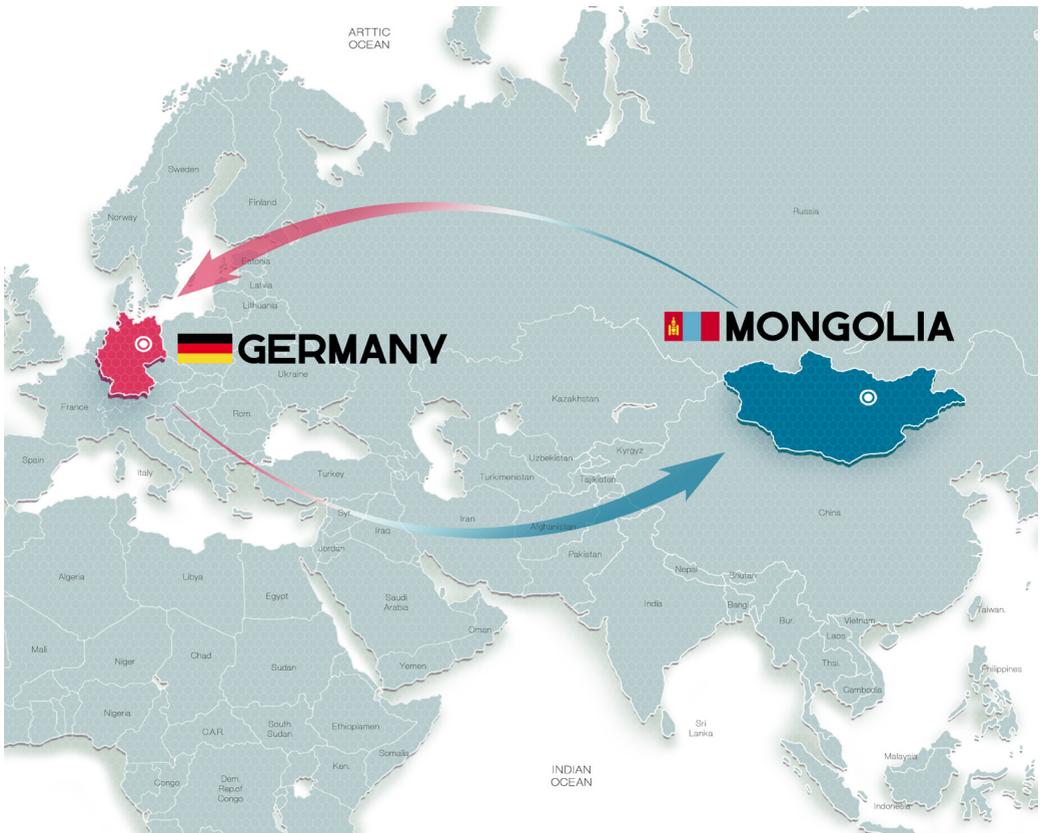
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Relations between Mongolia and Germany: A long-standing friendship in changing times



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Even though divided by massive landmasses, Germany and Mongolia share a particular friendship. For almost a century, both countries have expanded their relations over periods of changing governments and political systems. Nowadays, they share democratic values, work to strengthen the international rules-based order, and try to facilitate many encounters on the people-to-people level.

In June 2022, the current Traffic-Light Coalition in Germany overturned the decision of the previous government to strike Mongolia off the list of bilateral development cooperation partners. The decision to keep Mongolia as a bilateral development cooperation partner constitutes a good moment to reflect on the bilateral ties of the two countries.

Why is Germany important for Mongolia at this time of geopolitical turmoil? And what can Mongolia's contribution be to Germany's major adjustments to its foreign and security policy?

Past and present

The bilateral ties go back a century and span the socialist era. For more than 100 years, the geopolitical context has always had an influence on the relationship between the two countries. The first group of students, including the founder of modern Mongolian literature, Natsagdorj Dashdorj, went to the German Democratic Republic in 1924. More than 20,000 other Mongolian students also went there for an education, and many of them have had a key role in the building of Mongolia over the past century. The People's Republic of Mongolia and the German Democratic Republic had close relations within the socialist world, including political and economic ties and scientific, cultural and educational exchanges. In

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1974, the two countries established diplomatic relations.

In 1995, Mongolia signed a declaration of bilateral relations with Germany, a first in the Western world for such an agreement. The comprehensive partnership status was achieved in 2008, formalized by the Joint Declaration issued by then-President Horst Köhler. The umbrella framework of comprehensive partnership covers bilateral and multilateral relations in politics, the economy, defence, culture and the arts.¹ Today, around 30,000 Mongolians, representing 1 per cent of the population, speak German and have ties with Germany due to the close relations established in previous generations, making it the largest German-speaking community in Asia.

Value-based relationship

The historical reunification of Germany and Mongolia's transition to democracy occurred in parallel. The relationship between the two countries thus began to develop within a new context, with democracy as a common value.

Germany was the first country from the European Union to engage in helping Mongolia choose the path to a democratic society and economy. Since 1996, German development cooperation has operated on the principles of human rights, democracy and sustainable development. During its democratic revolution, from 1990 to 2018, Mongolia received 360 million euros in development aid and 170 million euros in grants through that cooperation.² Germany is the third-largest donor to Mongolia, after Japan and South Korea, and the largest donor in the European Union.³

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Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) began as the German implementing agency in Mongolia in 1991, establishing representation throughout the country. It is one of the longest-operating development cooperation organizations in Mongolia, predominantly in biodiversity, sustainable economic development and energy efficiency.

In addition, German political foundations have engaged with reforming and strengthening political parties in Mongolia. This is unique support—no other development programme works with political parties. It includes the Friedrich - Ebert Foundation, which promotes the democratic and socially fair design of the transformation process; the Konrad - Adenauer Foundation, which focuses on democratic development, advocating the rule of law and promoting the principles of the social market economy; and the Hanns - Seidel Foundation, which also promotes the rule of law in governance and society and sustainable development, particularly through the development of environmental legislation.

Both countries collaborate in areas of defence, education, culture and science. Defence cooperation between the two countries developed rapidly after 1995, with Mongolian and German troops cooperating in international peacekeeping operations. The Mongolian military, for example, participated in the International Security Assistance Force operation in northern Afghanistan in 2009 under the German Regional Command. The two armed forces have been conducting joint military exercises annually since 1995.

Collaborative archaeological research between the two countries also has been important, and the Mongolian–German cooperation projects in archaeology are one of the most successful and multifaceted activities of

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the comprehensive partnership. Mongolian and German partners conducted archaeological excavations in the ancient capital of Kharkhorum, with the Mongolian–German Kharkhorum Expedition successfully carried out under the auspices of the presidents of both countries.

As of 2020, Germany accounted for 0.8 per cent (US\$232,918) of foreign direct investment coming into Mongolia.⁴ According to Germany's Federal Statistical Office, the country imported 11.1 million euros worth of goods⁵ from Mongolia, while exports⁶ to Mongolia totalled 148.7 million euros in 2021. Of the 239 trading partners that Germany traded within 2021, Mongolia ranked 150th in terms of imports and 110th in exports.⁷ Compared with other European countries, the value of trade and investment is rather high, although considering the bilateral relations and the various opportunities, it is still low. Yet, considering the long-standing bilateral partnership, the conditions for increased trade are favourable.

Development of trade, 2019–2021 (million euros, deviation due to rounding)

	2019	%	2020	%	2021*	%
German imports	17.7	66.1	13.8	-21.9	11.1	-19.5
German exports	149.1	11.1	157.0	-5.3	148.7	-5.3
Balance	131.5		143.2		137.6	

Source: GTAI, "Economic Data of Mongolia" (Mai 2022), Available at www.gtai.de/resource/blob/18360/bd1bddb46f81cbe8961757f262cfd34c/GTAI-Wirtschaftsdaten_Mai_2022_Mongolei.pdf

* preliminary information

Several major projects have been considered, especially in the past ten years, but only one has materialized. Even though there are complications related to Mongolia's geographically isolated and landlocked location, they do not preclude developing more of an economic relationship with Germany.

Sustainable economic development: Mineral resources sector and governance

Its location between two authoritarian powers, attracting responsible investment and leveraging that investment to create mutual value are important concerns for Mongolia. Mineral developments are the catalyst for its sustainable future. A future direction of the Mongolia–Germany relationship is mineral extraction while providing critical minerals for current and future development needs. Plus, efforts expand value creation in Mongolia. An undertaking for which Germany has always been perceived as an honest broker of Mongolian interests.

Projects in raw materials, industry and technology could have a significant role in taking the two countries' economic, trade and investment cooperation to the next level. In 2010, Germany developed a strategic policy to ensure the security of its supply of minerals and raw materials. As part of that strategy, it established partnership agreements with a few resource-rich countries, including Mongolia.⁸ German Chancellor Angela Merkel signed the agreement during her first visit to Mongolia in October 2011.⁹ It was the first strategic partnership agreement in the resources sector for Germany, which followed with agreements with Kazakhstan and Peru.

Under the partnership agreement, the two countries agreed to deepen mutually beneficial and complementary economic relations using their respective advantages, such as Mongolia's natural resources and Germany's advanced technology. This highly anticipated agreement remains important because it opened up new opportunities for cooperation between the two economies in the exploration, mining, extraction and processing of

minerals. It also created conditions for a new level of dialogue.

The most successful project so far as a result of that partnership agreement is the German–Mongolian Institute for Resources and Technology. The university offers a foundation for further development of cooperation between the two countries, not only in education and science but also in mining and minerals. An important precondition is establishing a working group or intergovernmental commission to conduct regular partnership meetings; organize and monitor the implementation of the agreement; and exchange information on mineral exploration, research, analysis, mining and processing. With establishment of the university, Mongolian youth can receive world-class engineering education in their home country and find work in these fields. Many students can access internships at German and European companies at home and abroad. Employment of graduates is 100 per cent.¹⁰ This is an important step in training Mongolia’s human resources for the mining sector, which is a priority.

With such a foundation and mutual understanding, there is opportunity to further strengthen the mineral-based economic relationship within the framework of the agreement. The German government approved a second Raw Materials Strategy in January 2020 to support companies in providing reliable and responsible minerals, and an action plan was adopted to increase the competitiveness of the German industrial sector and the rational use of primary raw materials.

The German government has reaffirmed its commitment to working with partner countries to meet the growing demand for minerals (such as lithium, cobalt, rare earth, tantalum, magnesium and titanium). At the same time, there is much discussion in Mongolia on creating a legal environ-

ment to support and use the policy of exploration and development of new minerals, raw materials or critical minerals, which are in demand for energy transition and technological evolution.

An important part of the new mineral strategy is united financial loans and credit. The German government has pledged policy instruments to promote business activities, foreign trade and investment in partnering countries. These instruments include investment guarantees, financial loan guarantees and export credit insurance. In other words, the German government will provide a loan guarantee for mineral projects.¹¹ The policy support of the two countries in the Agreement on Cooperation in Minerals, Industry and technology is being strengthened.

European Union Regulation No. 2017/821 on critical minerals (such as tin, tantalum, wolfram and gold) imported into the region took effect on 1 January 2021.¹² The regulation obliges importing companies to ensure that the countries supplying these raw materials do not have internal conflicts or human rights violations caused by war. Mongolia is a country that definitely meets this requirement.

This coincides with Mongolia's desire to develop other sectors of the economy based on its natural resources, commodity demand and its goal of diversifying income sources, which opens up opportunities for deepening cooperation in the mineral sector. The importance of the Agreement on Cooperation in Minerals, Industry and Technology is becoming more relevant. It is time for Mongolia and Germany to make deliberate effort to use their resources in a targeted manner within the framework of the agreement and to implement effective cooperation and actual projects.

The future of Mongolia–Germany development collaboration

Renewed development cooperation is an opportunity for both countries to reflect on the past assistance and strategize for positive impact on democratic progress, contributions towards the Sustainable Development Goals and developing mutually beneficial economic relations. Many of the existing programmes are of considerable importance—the contribution of German political foundations in Mongolia for the continuation of development policy cooperation should not be overlooked. Mongolia is a free country surrounded by unfree neighbours. And the deep contribution of the German political foundations to the development of democratic values remains an important contribution to the overall persistence of democratic development in Mongolia. In addition to the existing collaboration, the following areas are proposed for expansion of the relationship:

1. Collaboration on technological development and information technology
2. Collaboration on climate change mitigation efforts
3. Support for inclusive public policy in Mongolia, taking account of gender and disability.

Establishing a technology centre based on high technology will expand development opportunities beyond the mineral sector. With information technology solutions becoming such an integral part of everyday life, artificial intelligence has become a dominant trend. Digital technology enables remote working and makes operations and services geographically independent. Mongolia has been losing development opportunities due to the limitations of its infrastructure and market and human resources. A technology centre for the mineral resources industry is needed to cre-

ate advantages and development solutions that are independent of geographical location. If it can be organized by finding the right types of public and private partnership (external and domestic), there will be opportunity to develop Mongolia as the “Silicon Valley of Eastern Asia”.

In addition, support is needed in Mongolia to achieve its contribution towards the Sustainable Development Goals and combat climate change in its urban and rural areas, especially as climate change challenges, such as carbon emissions, global warming and desertification are being magnified globally. Further studies and agreement from both governments are needed, but Mongolia has committed to work towards mitigation of climate change through the Paris Agreement, which includes a pledge to reduce carbon emissions by 45 per cent by 2030. Mongolia is at risk of desertification and global warming impacts due to unsustainable farming practices that have led to overgrazing. The country has the highest level of greenhouse gas emissions per capita in the world.

The establishment of an inclusive public policy that engages and serves all people and ensures that gender and disabilities are considered is crucial to the country's development progress and to strengthening its human rights situation. There is no development programme that focuses on inclusive public policies, nor is there investment in this area. The lack of funding to implement inclusive public policy is a major obstacle that prevents people with disabilities from being able to fully participate in society. Although the government has adopted a number of policies and plans, they are not always implemented or enforced. This area aligns with the goal to promote democracy in the authoritarian region.

In conclusion, Mongolia–Germany development cooperation has been

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successful in supporting Mongolia's democratic development. But the country struggles with the maturing of its democracy and its extractive-dependent economy. Without the previous support in the good governance of mining and the strengthening of democratic values and political institutions, the country would not have come this far. Such support and mutual beneficial cooperation are even more valuable in the current ever-changing world. To develop these relations at a deeper level, parties need to make new efforts in a broader area of cooperation.

Mongolia and Germany have always been trusted partners and both sides remain equally committed to this strategic cooperation.

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Endnotes

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- 4 Ministry of Economic Development of Mongolia, “Foreign Direct Investment in Mongolia” (unpublished).
- 5 Textiles/clothing: 51.8 per cent; raw materials (except fuel): 37.4 per cent; measurement/control technology: 1,6 per cent; plumbing, heating, lighting: 0.9 per cent; machines: 0.8 per cent; gold: 0.5 per cent; chemical products: 0.2 per cent; iron and steel: 0.2; shoes: 0.2 per cent; other: 2.0 per cent. According to GTAI, “Economic Data of Mongolia” (Mai 2022), Available at www.gtai.de/resource/blob/18360/bd1bddb46f81cbe-8961757f262cfd34c/GTAI-Wirtschaftsdaten_Mai_2022_Mongolei.pdf.
- 6 Food: 23.0 per cent; chemical products: 20.2 per cent; machines: 13.2 per cent; motor vehicles/parts: 6.3 per cent; electro-technics: 6.3 per cent; measurement/control technology: 5.9 per cent; matekware: 3.4 per cent; other: 21.7 per cent. According to GTAI, “Economic Data of Mongolia” (Mai 2022), Available at www.gtai.de/resource/blob/18360/bd1bddb46f81cbe-8961757f262cfd34c/GTAI-Wirtschaftsdaten_Mai_2022_Mongolei.pdf.
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