



Mongolia's Balancing Act Between the TWO KOREAS





MONGOLIAN GEOPOLITICS #5

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Seemingly out of the blue, Mongolia made headlines in the spring of 2018 for offering to be the host of a summit between US President Donald Trump and North Korean leader Kim Jong-un. Although it was not ultimately chosen then, Mongolia could once again underline its strategic role in Northeast Asia as one of the few trusted partners of North Korea while maintaining friendly relations with the United States. Mongolian relations with North Korea have a long history, dating back to 1948, when it became the second country after the Soviet Union to recognize North Korea. Even Kim Il-sung, the founder of North Korea, visited Mongolia twice.¹

Last year marked the 30th anniversary of diplomatic relations between Mongolia and South Korea. Although its relationship with Mongolia is more recent when compared with its northern neighbour, South Korea is already Mongolia's fourth-biggest trade partner but aspires to move up. The New Northern Policy reinitiated in 2017 by South Korean President Moon Jae-in considers Mongolia a key partner, and its 9-BRIDGE Strategy includes Mongolia in the realms of power generation and railways.² In 2020, the two countries were supposed to elevate their cooperation to Strategic Partnership from the current Comprehensive Partnership for the celebration of 30 years of diplomatic relations. Due to the COVID-19 crisis, the agreement was postponed.

Maintaining diplomatic equilibrium between the two Koreas puts Mongolia in a unique position in Northeast Asia and in the world. This paper first discusses the relationship between Mongolia and North Korea, then explains how the relationship between Mongo-

lia and South Korea has expanded within a short time, followed by an examination of the opportunities and challenges for bilateral and trilateral relations.

North Korea

Historically, Mongolia and North Korea share several characteristics. Both had a similar socialist past and both gained independence with the support of the Soviet Union. After establishing diplomatic ties with Pyongyang in October 1948, Mongolia became the second nation in the world (after the Soviet Union) to recognize North Korea's sovereignty. Although Mongolia was not involved in the Korean War, the country offered humanitarian as well as ideological support for the people of North Korea. Even during the bombings in 1950, Sambuu Jamsran, the then-Mongolian Ambassador to North Korea, was the only diplomat at that level who refused to leave Pyongyang in a show of solidarity for the country. Mongolia donated 200,000 head of livestock to overcome the hardships of the war. And it took in more than 200 Korean orphans after the war. The sincere show of empathy from Ulaanbaatar garnered a positive response from Pyongyang. Kim Il-sung made his first state visit to Mongolia in 1956 to express his gratitude, which was a watershed moment in their developing relations.

After the collapse of the Soviet Union, Mongolia and North Korea followed different paths: Mongolia made political and economic reforms, demilitarized, declared itself a nuclear weapons-free zone and developed close ties with the United States and its allies.

North Korea rejected political and economic reforms, nuclearized and deepened hostile relations with the United States.

Due to Mongolia's transition to democracy, bilateral relations stagnated for several years. But Mongolia began to resume its engagement policy towards North Korea in the late 1990s, even granting food aid in 1997 despite its own economic difficulties.³ During the visit of South Korean President Kim Dae-Jung to Mongolia in May 1999, North Korea condemned Mongolia's support for the South Korean Sunshine Policy, and Pyongyang promptly closed its embassy in Ulaanbaatar, which it did not reopen until 2005.⁴ Six months later, former Mongolian Prime Minister Amargjargal Rinchinnyam visited Pyongyang to reaffirm the country's non-isolationist stance towards North Korea. Although North Korea regarded Mongolia as a traitor after its democratization and diplomatic cooperation with its adversary, South Korea, it did not cut ties.⁵

Despite the diverging trajectories, the two nations maintained their bilateral relations and attempted to further develop them, if only partially, because of their connected socialist pasts as well as their similar geopolitical circumstances.⁶ Additionally, the economic leverage between Pyongyang and Ulaanbaatar cannot be ignored: North Korea can offer its harbours to Mongolia, which has aimed to diversify its sea access beyond China, and Mongolia could offer lessons to North Korea on transitioning the economy as well as managing its natural resources.⁷ In 2003, North Korea finally agreed to let Mongolia use its Rajin–Songbon port for sea access. In 2015, Mongolia was eventually permitted to test railway

shipping of 25,000 tonnes of coal through North Korea's Rajin port, although it was stopped due to the United Nations sanctions imposed against North Korea's nuclear arms testing in 2017.⁸ The sanctions further affected around 1,200 North Korean workers in several sectors in Mongolia, including cashmere production, restaurants and construction, through a 2008 labour agreement between the two governments to send around 5,300 workers over a five-year period. The Mongolian government immediately sent them all back home.

In recent years, Mongolia has been careful in its handling of North Korean defectors. North Korean defectors typically flee to a third country after crossing the border with China to request entry to South Korea because China will forcibly repatriate them if they are discovered. Due to Mongolia's proximity to China and its reputation for the humane treatment of refugees, some North Koreans choose it as the third country, despite a long and dangerous journey over the Gobi Desert. Even though the Mongolian government has not provided an official number of North Koreans requesting entry to South Korea, 7,000–8,000 North Korean defectors reportedly were repatriated to South Korea from Mongolia as of 2008, out of a total 20,000 defectors.⁹

Mongolia's policy towards North Korea is clear and neutral. Mongolia is not a member of the six-party talks aimed at ending North Korea's nuclear programme through a dialogue, which involves China, Japan, the Russian Federation, the United States and the two Koreas. Mongolia does not have a geopolitical agenda, like the great powers, which have led a series of initiatives. Amid the

COVID-19 pandemic crisis, Japanese Foreign Minister Toshimitsu Motegi visited Mongolia in October 2020 to affirm cooperation on the swift resolution of Japanese nationals abducted by North Korea. Like many other neutral states, Mongolia took on a mediator role between North Korea and Japan over that abduction issue in 2007, 2012, and 2014.¹⁰

Holding a neutral policy helps Mongolia promote itself as a Helsinki-type dialogue mechanism when it comes to the inclusion of North Korea. In 2013, then-President of Mongolia, Elbegdorj Tsahia, created the Ulaanbaatar Dialogue Initiative on Northeast Asian Security, which established itself as a regular venue for track 1.5 interactions from 2014 to 2019. It was cancelled in 2020 due to the pandemic.

Until the start of the coronavirus pandemic and despite other difficulties, Mongolia has maintained bilateral ties with North Korea. For instance, Mongolia's Joseon Association hosted meetings of the International Institute of Juche Idea in April 2018 and the Asian Regional Institute of Juche in June 2019 with North Korean counterparts. These organizations were established to disseminate the Juche idea, meaning self-reliance, which is an official ideology of North Korea developed under former leader Kim Il-sung. Regular political, cultural and educational exchanges stopped when both countries closed their borders due to the pandemic. Resumption of bilateral relations as they were before the pandemic is presumed in the post-COVID-19 outlook for Mongolia and North Korea.

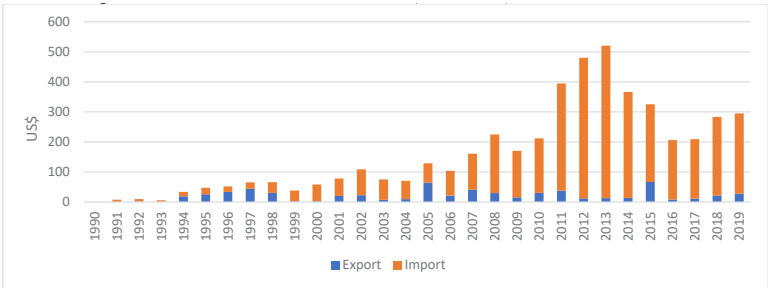
South Korea

All external affairs of Ulaanbaatar were dictated by the Kremlin until 1990. When Ulaanbaatar decided to establish diplomatic relations with Seoul in March 1990, it was the first foreign policy decision made independently of the Kremlin. After establishing diplomatic ties, Mongolia sought economic aid for several years from its new partner for structural reforms. In 1994, Mongolia adopted a foreign policy that highlighted “third neighbours” in addition to the two giant neighbours (China and the Russian Federation).¹¹ South Korea was among the developed third-neighbour countries, which reaffirmed its importance to Mongolian foreign policy. Since then, the third-neighbours outlook has prevailed in Mongolia's foreign policy towards South Korea to avoid the dominance of China and the Russian Federation. Also, the geographic proximity, a lower cultural barrier for learning each other's languages and Mongolia's transition to democracy have helped to fast-forward bilateral relations between them. Ulaanbaatar and Seoul have thus achieved a new momentum in bilateral relations within a little more than 30 years of diplomacy.

Despite the small size of the Mongolian economy, South Korea always saw Mongolia as having a complementary value: South Korea is an energy-importing country with advanced technologies while Mongolia has abundant natural resources. Today, South Korea is Mongolia's fourth-biggest trade partner but aspires to be its third-biggest partner, after China and the Russian Federation. In 2019, bilateral trade between Mongolia and South Korea was worth \$295 million, whereas the trade flow in 1990 was merely

\$900,000. Although Mongolia faces trade deficits (as depicted in the following chart), South Korea is its second-biggest donor country. As of 2018, Mongolia received nearly \$239 million in grant aid and \$143 million in loans and equity investments from South Korea.¹² After onset of the COVID-19 pandemic, South Korea donated 10,000 test kits to Mongolia. The South Korean outbound investment to Mongolia is not negligible, accounting for 2.1 per cent (nearly \$437 million) of the total foreign direct investment stock in Mongolia as of 2019, according to the National Statistics Office of Mongolia.

Chart 1: Mongolia's trade with South Korea, 1990–2019 (US\$ million)

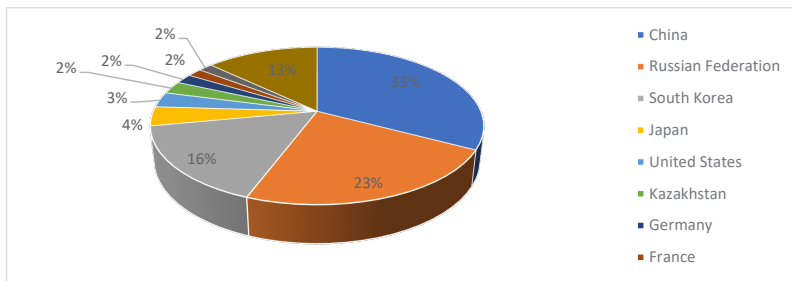


Source: National Statistics Office of Mongolia.

The human interactions between Mongolia and South Korea are the most manifested cultural aspect of their bilateral relations. After Mongolia stepped into a free market economy, Mongolians started searching for employment in South Korea to support their families back home. According to unofficial sources, there were more than 50,000 Mongolian nationals in South Korea in 2019, forming the biggest Mongolian diaspora in the world. The year

before onset of the COVID-19 pandemic, 113,599 Mongolians entered South Korea, while 103,379 Koreans entered Mongolia, making up 16 per cent of all foreigners who arrived in 2019 (as depicted in the following chart).

Chart 2: Foreign nationals entering Mongolia, 2019



Source: National Statistics Office of Mongolia.

There are several reasons why South Korea became the top destination for Mongolians. First, Mongolian youths pursue higher education there because it is not as expensive as other developed countries, like Australia, Canada and the United States. As of 2019, there were 7,381 Mongolian students in South Korea, making it the top education destination for Mongolians. Second, medical tourism to South Korea is common for Mongolians because it is considered one of the best medical providers in the world. In 2018, 4,042 Mongolians travelled to South Korea for medical purposes, putting it in the top-five such destinations, after China, the United States, Japan and the Russian Federation. Now, Korean tourism into Mongolia is increasing because it is considered one of the closest tourism destinations.

Following the strong exchange of people, Korean businesses have been flourishing in Mongolia. The airline route between the two countries was monopolized by Korean Air and Mongolian Airlines (MIAT) for nearly 30 years due to the 1991 aeronautical agreement allowing only one carrier from each country to provide air travel service. The monopoly was lost eventually after criticism mounted over the expensive tickets and lack of seats. Mongolia's remoteness turned South Korea's Incheon airport into a layover hub to Mongolia; before the pandemic, the Mongolian and South Korean airlines operated 27 flights per week.¹³ Additionally, Korean chains have expanded rigorously into Mongolia, including a cell phone carrier, retailers, hotels, restaurants and coffee shops. The success of Korean businesses in Mongolia is also partially rooted in South Korean pop culture. From the 1990s, a phenomenon known as the "Korean wave" (Hallyu) emerged as Korean dramas and K-pop gained popularity across Asia. Mongolia was no exception. Before the COVID-19 pandemic, South Korea actively promoted a positive image to Mongolia by annually organizing Korea Week in Ulaanbaatar and inviting Korean artists.

Government-backed Korean institutes in Mongolia, such as the Korea International Cooperation Agency, the Korea Trade-Investment Promotion Agency, the Korea Tourism Organization and the Korea Chamber of Commerce and Industry, have helped Korean businesses by providing market research and development assistance. With Korean churches and religious communities prevalent in Mongolian Christianity, South Korean pastors have established educational institutes (universities, secondary schools and language centres) in the country. The Mongolia Mission was first

organized by Koreans back in 1992, while the first Salvation Army church opened in 2010 with Korean support.

Last but not least, South Korean President Moon Jae-in's ambitious strategy towards Eurasia is the New Northern Policy, with which the country aims to bring peace to the Korean Peninsula and promote South Korea's long-term economic opportunities. To carry out this new policy, the 9-BRIDGE strategy was introduced in 2017 to connect the Korean Peninsula to the Eurasian landmass via transportation, logistics and energy infrastructure, after China and the Russian Federation agreed to synergize their (respectively) Belt and Road Initiative and Eurasian Economic Union to create a common space in Eurasia in 2015. Seoul's approach to this ambition is to collaborate with the great powers in the region—China and the Russian Federation. As an energy-importing nation, South Korea hopes to secure energy sources from mineral-rich Eurasian countries and expand its exports of manufactured goods in return. However, peace and stability in the Korean Peninsula have been a top priority for South Korea, and it sees that Mongolia preserving its historical ties with North Korea could help bring Pyongyang to the table to discuss denuclearization. Also, from South Korea's perspective, Mongolia's geopolitical and geo-economic factors are crucial for the Korean Peninsula as well as Eurasia.¹⁴ In addition to sustaining diplomatic relations with both Koreas, Ulaanbaatar's close ties with Beijing and the Kremlin are considered important for Seoul.

Opportunities and challenges for Mongolia with both Koreas

Historically and culturally related, Mongolia and the two Koreas have opportunities and challenges for further developing their relations. The historical and current geopolitical concerns over China and cultural and geographic proximity make all three countries natural partners: Mongolia has natural resources, livestock and land; North Korea has a labour force; and South Korea has cutting-edge technology and a link to the market within the Organisation for Economic Co-operation and Development sphere.

Also, Mongolia's lack of nuclear arms provides it with a currency to facilitate and mediate rival nations in Northeast Asia and the world. The country is unique in its geographical and geopolitical location to two neighbours that happen to have nuclear weapons. This particular set of circumstances could help Ulaanbaatar become a potential mediator in the region. It certainly has the potential to organize future North Korea–United States summits, owing to its experience with the Ulaanbaatar Dialogue, the Asia–Europe Meeting in 2016 and the Japanese abductee meeting with families in 2014.¹⁵

One of the challenges for Mongolia and the Korean Peninsula is the ongoing conflict between the two Koreas, which never signed any peace treaty after the Korean War. In a worst-case scenario of conflict between Seoul and Pyongyang, Mongolia would encounter economic difficulties in terms of trade and investment with South Korea. The large Mongolian diaspora in South Korea would fall into direct danger, and Mongolia would need to an exit to the

world other than South Korea. Internationally, Mongolia would be pressured by the United States and its allies to maintain a neutral stance, similar to its position with China and the Russian Federation.

Another challenge for the three countries is their ideological differences. Mongolia and South Korea are democratic countries that uphold human rights, whereas North Korea is an authoritarian State, which makes long-term regional cooperation difficult. One such example is the Greater Tumen Initiative, previously known as the Tumen River Area Development Programme, which is a subregional cooperation mechanism to accelerate the integration of Northeast Asian countries under the support of the United Nations Development Programme since 1995. The programme involved six parties initially (China, Japan, Mongolia, North Korea, the Russian Federation and South Korea), but became five parties after North Korea cancelled its representative in the early 2000s. Many observers assumed that this regional cooperation would mitigate tensions between the parties while fostering peace in one of the most complicated regions.¹⁶ However, it remains a paper-based ambition due to various factors, including concerns for national security for the Korean Peninsula and lack of Japanese engagement. The complicated geopolitics between the Northeast Asian countries continue to impede the programme's economic benefits for Mongolia as well as the other members.

Conclusion

Maintaining balanced relations between the two Koreas distinguishes Mongolia's role in the world. As one of the few nations that has sustained a friendly relationship with North Korea, Mongolia protected its ability to mediate potential conflicts in the Korean Peninsula. However, with democratization and the opening up of trade boosting South Korea's value as a partner in both economic and cultural spheres, Mongolia now finds itself needing to balance its economic ambitions. While shedding its reliance on the giant neighbours of China and the Russian Federation through increased relations with South Korea, it needs to nurture its relationship with North Korea and its ability to act as a credible mediator for any future conflicts in the region. Mongolia's foreign policy in the Korean Peninsula is likely to persist in the foreseeable future. Taking a proactive and engaged role in the Korean Peninsula will enhance Mongolia's visibility to Northeast Asia as well as in the international arena. And that will provide Mongolia with more opportunities to be part of initiatives that the great powers carry out in the region, which will also help reassure its independence from and sovereignty with China and the Russian Federation. However, North Korean leader Kim Jong-un's announcement, just days ahead of the US presidential inauguration, of new developments in nuclear weaponry may complicate the situation more than it already is. Mongolia's engagement in the Peninsula might now be needed more than ever.

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