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Developing US-Mongolian Relations

BY ALICIA CAMPI

For US-Mongolian relations this is a significant year in preparation for the 25th anniversary in 2012 of the establishment of diplomatic relations. Both nations are concentrating on developing their economic and military relationship through an increasing number of high-ranking visits. In mid-April, Madeleine Albright, Chairperson of the National Democratic Institute, journeyed to the Mongolian capital, Ulaanbaatar, at the invitation of Prime Minister Sukhbaatar Batbold. This trip was some thirteen years after her first visit to Mongolia as US Secretary of State. The Mongolian Minister of Foreign Affairs and Trade, Damdin Tsogtbaatar, was in Washington, D.C. a week later to speak at the North America-Mongolian Business Council's annual meeting and to meet Deputy Secretary of State James Steinberg and Assistant Secretary for East Asian and Pacific Affairs Kurt Campbell. Tsogtbaatar's message was that expanding the economic relationship is the top priority for the two nations.

Alicia Campi, President of the US-Mongolia Advisory Group, explains that Mongolia's democratic government continues to reach out to the United States via international security cooperation and welcoming of US investment in Mongolian resource development projects.

In mid-March Campbell and Assistant Secretary of Defense for Asian and Pacific Affairs, Lieutenant General (Ret.) Wallace "Chip" Gregson led a delegation to Ulaanbaatar for the 7th annual bilateral consultations. Tsogtbaatar, an Australian-trained lawyer and professional diplomat, headed the Mongolian side. Discussions centered on peacekeeping, regional security, defense reform, and trade. Other issues of common concern are informal North Korean migration and transnational crime, including trafficking in persons and nuclear materials. The US delegation also emphasized that, as Mongolia's special partner or "third neighbor," the United States is committed to assisting Mongolia prepare for assuming the chair of the Community of Democracies in July. Discussions also covered USAID programs and the much delayed Millennium Challenge Corporation projects worth over \$250 million addressing road development, public health, vocational education, and environmental protection.

Secretary of State Hillary Clinton noted in March that the United States had increased engagement with its "new partner" Mongolia, thus ranking it alongside other emerging partners which include India, Indonesia, Vietnam, New Zealand, and Malaysia. Clinton's remarks were later echoed by Campbell during his post-trip Congressional testimony where he stated: "Mongolia is a reliable, democratic partner with a bright future." Campbell also emphasized that now is the time for American companies to participate in Mongolia's mineral resources development. Mongolia's vast deposits, which include copper, gold, uranium and rare earth minerals, are predicted to propel the Mongolian economy to very high growth this decade.

Also this March Luvsanvandan Bold became the first Mongolian Defense Minister to visit the Pentagon where he had consultations with Secretary of Defense Robert Gates. After his stay in Washington, D.C., Bold toured US Central Command in Tampa where he emphasized that Mongolia's joint participation in US military-led operations for global peace and security is the "supreme form" of their bilateral military cooperation. Bold is Mongolia's first civilian defense minister and previously was the chairman of the Mineral Resource and Petroleum Authority of Mongolia. The decision, by Mongolia's democratic coalition government, to appoint a senior politician with a business and



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mining background as defense minister, indicates that Mongolian policymakers consider defense issues in this new decade as closely intermingled with natural resources development. In the past six months, two other high-ranking Mongolian national security advisers have come to the United States to take part in short-term research programs. In speeches at prominent think tanks they have highlighted the new stratagems that Mongolia is employing to balance its national security and economic development within the volatile Northeast Asian region.

Especially since September 11, 2001 the United States has concentrated on furthering military and peacekeeping cooperation with Mongolia. In turn, Mongolia contributed ten troop rotations, numbering over 1200 troops, to Operation Iraqi Freedom and is currently providing 190 troops to the International Security Assistance Force in Afghanistan. In late March the US Ambassador to Mongolia, Jonathan Addleton, spent almost a week in Afghanistan visiting Mongolian troops.

China now monopolizes about 70% of Mongolian trade and is the number one source of foreign investment, much to the concern of Mongols and their northern neighbor, Russia. As a result, Russia has sought to reengage Mongolia via commercial outreach, especially in minerals, railroad, and energy development. This in turn appears to have aroused the United States to proactively attempt to revitalize the economic side of the US-Mongolian relationship.

In 2004, US goods exports to Mongolia were valued at \$28 million, with imports around \$239 million. By 2010, imports had fallen to just under \$12 million—a level comparable to the early 1990s. However, US exports—mainly machinery, foodstuffs, and vehicles—had risen a dramatic 180 percent over 2009, totaling almost \$115 million for 2010. According to Ambassador Addleton, “President Obama’s export initiative includes a target of doubling US exports worldwide in five years. That target has been met in Mongolia—in only one year.”

Mongolia is home to the world’s largest unexploited deposit of coking coal, located at the Erdenes Tavan Tolgoi (ETT) mine, estimated to be worth \$400 billion. Peabody Energy of St. Louis, the world’s largest private-sector coal company, aims to become a significant partner in the ETT mine. Earlier in March, Peabody Energy was placed in the top tier of six short-listed companies that prequalified as investors. In 2009 Peabody Energy purchased a 50 percent interest in Polo Resources, an Australian joint venture that held ETT coal and uranium licenses. A year later, Polo Resources’ other 50 percent share was sold to China’s Winsway Coking Coal Holdings, a major supplier of global coking coal to Chinese customers and the single largest importer of Mongolian coal. Peabody Energy thereupon created a new Mongolian joint venture entitled Peabody-Winsway Resources, which is perceived by some Mongols as more of a Sino-American project than an American investment. Despite vocal US Embassy support for Peabody Energy Mongolian officials in Washington, D.C., as recently as two days after the Defense Minister’s visit, complained that they needed more substantive US government guarantees to insure that the Peabody operation would remain American-controlled.

Ambassador Addleton believes that, “Ultimately, vibrant commercial relations and growing people-to-people ties are needed to build and sustain bilateral relations between our countries.” For the United States, the future of the relationship is just as likely to be highly influenced by mineral development policies, as by US strategic considerations involved in Sino-American and Russo-American relations. The number one goal for the Mongols is to arrange a visit for President Tsakhia Elbegdorj to meet with President Barack Obama at the White House, reportedly this June. To promote this they are seeking to revitalize the congressional US-Mongolian Friendship Caucus and have invited a number of senior senators and high ranking officials, including Secretary Clinton, to visit Mongolia in the next few months.