

DEMOCRATIC TRANSITION IN MONGOLIA, 1991-2000

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AMBA SHANKER BAJPAI




Central Asian Studies Division
Centre For South, Central, South East Asian and South West
Pacific Studies
School of International Studies
JAWAHARLAL NEHRU UNIVERSITY
New Delhi-110067
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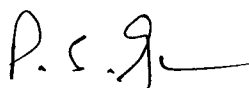
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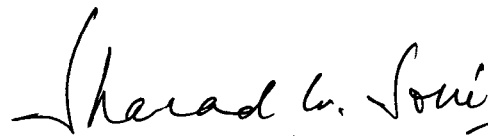
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AMBA SHANKER BAJPAI


CERTIFICATE

We recommend that the dissertation may be placed before the examiners for evaluation.


Prof. Partha S. Ghosh
(Chairperson)


Dr. Sharad K. Soni
(Supervisor)


CHAIRPERSON
Centre for South, Central, Southeast Asian and South West Pacific Studies
School of International Studies
Jawaharlal Nehru University
New Delhi - 110 067


SUPERVISOR
Centre for South, Central, Southeast Asian and South West Pacific Studies
School of International Studies
Jawaharlal Nehru University
New Delhi - 110 067

Dedicated
To
My Parents

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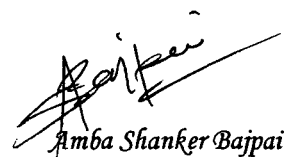
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Amba Shanker Bajpai

Preface

With the collapse of the former Communist and authoritarian regimes in Eastern and Central Europe as well as Latin America the triumph of liberal democracy was heralded by several quarters. More than ever democracy has now become the ideology of the age which is evident from the fact that few countries disavow democracy in principle and fewer countries than in the past have betrayed it in practice. In Mongolia, democratic transition began rather unexpectedly. It was initially triggered by changes in the external environment, rather than by domestic demand, which, however, emerged once liberalization began. In contrast to other communist countries, Mongolia had no established dissidents, or otherwise organized opposition to the incumbent regime. The Mongolian communist regime was closely aligned to the Soviet government and despite being formally independent. Mongolia remained a 'satellite' of the former Soviet Union. One aspect of this was the existence of a strong Russian military and civilian presence in Mongolia as well as a Mongolian political leadership dependent on Moscow. However, with Gorbachev taking over power in the Soviet Union in March 1985 and the domestic and foreign policy reforms he advocated became crucial for triggering liberalization in Mongolia.

In 1986, Mongolia began experimenting with Soviet reforms and developed its own model of *perestroika and glasnost* which came to be known as *Orchilan Baigalalt and Iltod* respectively. But, the real opening towards Political liberalization came in December 1989 when Mongolian President Batmunkh's speech encouraged the formation of a pro-democratic opposition. In early 1989, some oppositional debating clubs emerged, including a group called 'New Generation' led by S. Zoring and E. Bat-Uul, and a 'Club of Young Economists'. The struggle for political liberalization began taking place between December 1989 and March 1990. Under the impression of events unfolded in Eastern Europe, more outright political opposition, the Mongolian Democratic Union (MDU) was formed on 10 December 1989. Soon after the MDU started organizing demonstrations amid a session of Mongolian Parliament (Great *KKhural*) on 11-14 December 1989 and submitted its demands to the MPRP (Mongolian

People's Revolutionary Party) government. They demanded constitutional amendment of the Mongolian People's Republic to end one -party rule of the State, respect the Universal Declaration of Human Rights, renew the electoral system and hold elections in June 1990, and reorganize the Great *Khural* into a permanently functioning Parliament.

Responding to demands of a growing opposition movement, Mongolia under the MPRP government made critical reappraisal of its own policy and began changing many of its existing policies which were believed to have prevented country's progress at the domestic level. In May 1990, the Constitution was amended by deleting reference to the MPRP's role as the "guiding force" in the country, legalizing the new "informal" parties through official registration, creating a standing legislative body called the State Little *Khural*, elected by proportional representation of parties, and establishing the office of the President. Besides, a new electoral law legalizing the registration of new political parties was approved and the date of next general election for a two-chamber Parliament to be held in July 1990 was announced. This was the first free elections in Mongolia's seventy years of modern history which finally showed the way for taking important steps towards establishment of a multiparty, pluralistic and democratic society. Overall, the liberalization period went surprisingly smooth, with a fortuitous coincidence of external and internal factors. The initial triggers for liberalization were external, i.e., the demise of former Soviet Union and the reduction of Soviet aid as well as military and technical assistance. But at the same time, ties with the United States and further improvements in its relations with China provided Mongolia fair opportunities for new options and greater chances to stand on its own.

The first multiparty elections for a people's Great *Khural* were held on July 29, 1990 in which the MPRP won 85% of the seats. The people's Great *Khural* first met on September 3, 1990 and elected a President from the MPRP, vice President from the SDC (Social Democrats), Prime Minister from the MPRP, and 50 members to the Little *Khural*. The vice president was also the Chairman of the Little *Khural*. In November 1991, the people's Great *Khural* began discussion on a new Constitution. The new Constitution, the fourth one since 1921, was finally adopted on January 13, 1992

replacing the 1960 Constitution, which brought considerable changes in Mongolia's political system. Key elements in the new Constitution emphasised the "establishment of democracy" contrary to the previous Constitutions, which had stressed "building the State through socialism." The most notable change made in this Constitution was the replacement of the two-chamber Parliament (bicameral) known as the Great and Little *Khurals* with that of a single chamber (unicameral), which came to be known as the State Great *Khural* comprising 76 Deputies. It was for the first time that a multi-ownership economy was introduced by this Constitution, which aimed at going with the mainstream of the world economy and conforming to the special conditions of the country. In order to distance itself from its communist past, the country's name was also changed from "Mongolian People's Republic" to simply "Mongolia" and the communist gold star was removed from the national flag under the new Constitution which entered into force on February 12, 1992.

Political liberalization in Mongolia brought forth unprecedented freedom of speech, and freedom of assembly and association. From 1990 onwards, Mongolia has been experiencing a lively debate covering a broad range of political, economic, and social issues. Many newspapers, including those run by political parties and individuals, are freely published and being circulated in Mongolia. A great number of non-governmental organizations (NGOs) have been formed since 1990. Among them one can find associations of teachers, lawyers, handicapped people, and even some monitory groups, including Muslims and Buryats. A rapid revival of traditional culture accompanied Mongolia's political liberalization process to reduce the influence of Marxist-Leninist ideology and to foster the idea of national resurgence. Chinggis Khagan was reassessed as historical figure, and his portrait began to be widely seen in the country. The parliament decided that the traditional script abolished in the 1940s would eventually be restored which began to be taught in the schools, and widely used along with the Cyrillic script. Freedom of religion was proclaimed and Lamaist monasteries were reopened.

It is interesting to juxtapose Mongolia's position in relation to its external environment in the 1990s with that which existed early in this century. In 1911, the Manchu dynasty disintegrated giving Mongolia the opportunity to revive its statehood, which had been under alien influence for many centuries. In the beginning of 1990s Mongolia's powerful northern neighbor, the former USSR, disintegrated giving Mongolia the opportunity to regain its de-facto independence. Since then Mongolia has been availing this rare historical opportunity with a firm commitment to democracy and market economy. After the new Constitution became effective, a second multiparty election was held in June 1992, the third in June 1996 and the fourth in July 2000. The June 1996 election was a turning point in Mongolia's contemporary history as for the first time the Democrats won a landslide victory by defeating the MPRP. However, due to inexperience in running the government the Democratic Alliance lost in July 2000 elections in favour of MPRP, which came out victorious by making commitments to continue with democratic reforms in Mongolia's domestic and foreign policies as well liberalization of the economy for the welfare of the country.

Since the overall domestic and external scenario underwent a drastic change during the democratic transition, Mongolia made radical changes in its national security and foreign policies in June 1994 by adopting three basic documents-National Security and Foreign Policy Concepts as well as the Military Doctrine, which were finally endorsed by the Mongolian Parliament. What is significant to note here is that national interest remained the key issue in the formulation of all three documents. As stipulated in the Foreign Policy Concept, Mongolia's foreign policy priority focuses on "safeguarding its security and vital national interests by political and domestic means, and creating a favorable external environment for its economic, scientific and technological development." By adopting what is termed as a "multi-pillar" foreign policy Mongolia broadened its diplomatic outlook and the scope of international activities.

Significant democratic changes in Mongolia's domestic and foreign policy further gave boost to radical transformation of Mongolia's economy. To begin with, initiatives towards liberalization of Mongolian economy with establishment of a new banking and

financial system as well as privatization laid the foundation for the development of a market economy. In fact, a rapid transition in Mongolia's economy was achieved by "shock therapy" mainly through adoption of three key mechanisms, i.e., privatization, currency reform, and price and wage liberalization. Not only the livestock sector, the backbone of Mongolia's economy witnessed privatization but also a number of private companies were allowed to operate in key sectors. The main focus of economic growth was given on the utilization of natural resources including agriculture, mineral, oil and water. As a result there had been surge in industrial sector, which led the growth of manufacturing units as well. With changes in Export-Import policy since 1996, Mongolia tried to attract overseas investments as well as joint ventures with foreign companies. On the trade front, although Mongolia's trade relations with the outside world expanded during the democratic transition period, there is still a need of consistent trading partners who could help achieve Mongolia's economic security.

It is against this background that this study seeks to analyze how Mongolia has been able to implement the democratic reforms in its polity and economy during the period of this study, which is the transitional phase from Soviet-style polity and economy to democratic one. The dynamics of democratic transition will be examined in the context of external and internal factors, apart from studying various elements in Mongolian foreign policy making. The roles played by the elites, media, NGOs, religious groups and masses to political reforms will also be looked into, in addition to observing various stages of economic restructuring in Mongolia.

The scope of this study is limited to the period between 1991 and 2000 when the democratic transition in Mongolia was most visible. The year 1991 has been taken as the beginning period as it was in this year that the collapse of the former Soviet Union created a vacuum in not only Mongolia's politics and economy but also in its foreign affairs. It was also in 1991 that the debate began on the adoption of a new Mongolian constitution. The year 2000 has been taken as the cut off year as the Democratic government lost 2000 elections in favour of the MPRP, the erstwhile communist party which came out victorious by making commitments to continue with democratic reforms.

This study examines the following questions:

- What were the external and internal factors responsible for the democratic transition in Mongolia?
- What were the challenges involved in Mongolian foreign policy making during transition period?
- What roles did the elite, media, NGOs, religious groups and masses play to democratic reforms in Mongolian polity and economy?
- What was the impact of democratic transition on Mongolia's domestic and foreign affairs?
- What were the key reasons for Mongolia's relative success in economic restructuring?

The descriptive, exploratory and explanatory methods have been followed in this study, which has been analyzed in different chapters under different headings. Both the primary as well as secondary sources have been consulted to fulfill the aims and objectives of this study. The primary data includes governmental reports and documents relevant to this study as well as other reports and documents particularly on economic aspects released by various authentic organizations, such as ADB, IMF, UNDP, World Bank, CIA etc. The secondary sources includes books, articles published in various journals, newspaper clippings and reports from different NGOs on the subject of democratic transition in Mongolia. The study also includes relevant source material and data to be collected through internet.

As such the first chapter which is introduction deals with the background of the beginning of democratization in Mongolia. It highlights the impact of Gorbachev's reforms policy of *perestroika* and *glasnost* on Mongolian domestic policy and the ensuing reform process in Mongolia through *Orchilan baigalalt* and *Iltood*. The second chapter will focus on the democratic movement in Mongolia in the late 1980s, and the

resultant reforms in the Mongolian polity. It deals with the constitutional development which ultimately led to the adoption of a new democratic constitution (1992). It also analyzes the electoral reforms and the results of the multi-party elections held in 1991, 1992, 1996 and 2000. The third chapter explores the circumstances and challenges involved in the evolution of new Mongolian foreign policy and its adoption (1994). In the light of domestic and external factors it deals with the determinants of Mongolian foreign policy and its implementation until 2000. The fourth chapter gives a background of Mongolia's existing economy in the beginning of reform period apart from dealing with the immediate cause of Mongolia's transition to market economy from a command economy. It highlights the key reasons for Mongolia's relative success in economic restructuring, especially since 1996 elections when pro-reform government adopted various measures for economic liberalization. The overall domestic economic performance has also been analyzed during the period 1991-2000. The last chapter, which is the concluding chapter provides a broad conclusion of democratic transition in Mongolia during the period 1991-2000, and explores the prospects for democratic consolidation.

LIST OF ABBREVIATIONS

ACE	:	Electoral Knowledge Network
ADB	:	Asians Development Bank
ASEAN	:	Association of South East Asian nations
CMEA	:	Council on Mutual Economic Assistance
COMECON	:	Council for Mutual Economic Assistance
CMEA	:	The Council for Mutual Economic Assistance
DD	:	Department of Defence
DPRK	:	Democratic People's Republic of Korea
DUC	:	Democratic Union Coalition
FDI	:	Foreign Direct Investment
FPTP	:	First Part the Post
EREL	:	European Bank of Reconstruction and Development
GDP	:	Gross Domestic Product
GEC	:	General Election Commission
GNP	:	Gross National Product
GPH	:	Great People's Hural
IDEA	:	The Institute for Democracy and Electoral Assistance
ILO	:	International Labour Organization
IMF	:	International Monetary Fund
LWBP	:	Liberal Woman's Brain Pool
MDP	:	Mongolian Democratic Party
MDU	:	Mongolian Democratic Union
MFN	:	Most-Favored-Nation
MMFA	:	The Mongolian Ministry of Foreign Affairs
MNDP	:	Mongolian National Democratic Party
MPRP	:	Mongolian People's Revolutionary Party
MSDP	:	Mongolian Social Democratic Party
NGO	:	Non-Governmental Organizations

NTR : Normal Trade Relation
NWFZ : Nuclear-Weapons- Free Zone
PR : Proportional Representation
P5 : The five nuclear-weapon states (The The UK, US, France, Russia and China)
PNTR : Permanent Normal Trade Relation
ROK : Republic of Koreas
SGH : State Great Hural
SDC : Social Democrats
UB : UB Post, Government News Agency
UK : United Kingdom
UN : United Nations
US : United States
USAID : The U.S. Agency for International Development
USSR : Union of Soviet Socialist Republics (Former)
NTP : Non-Proliferation Treaty

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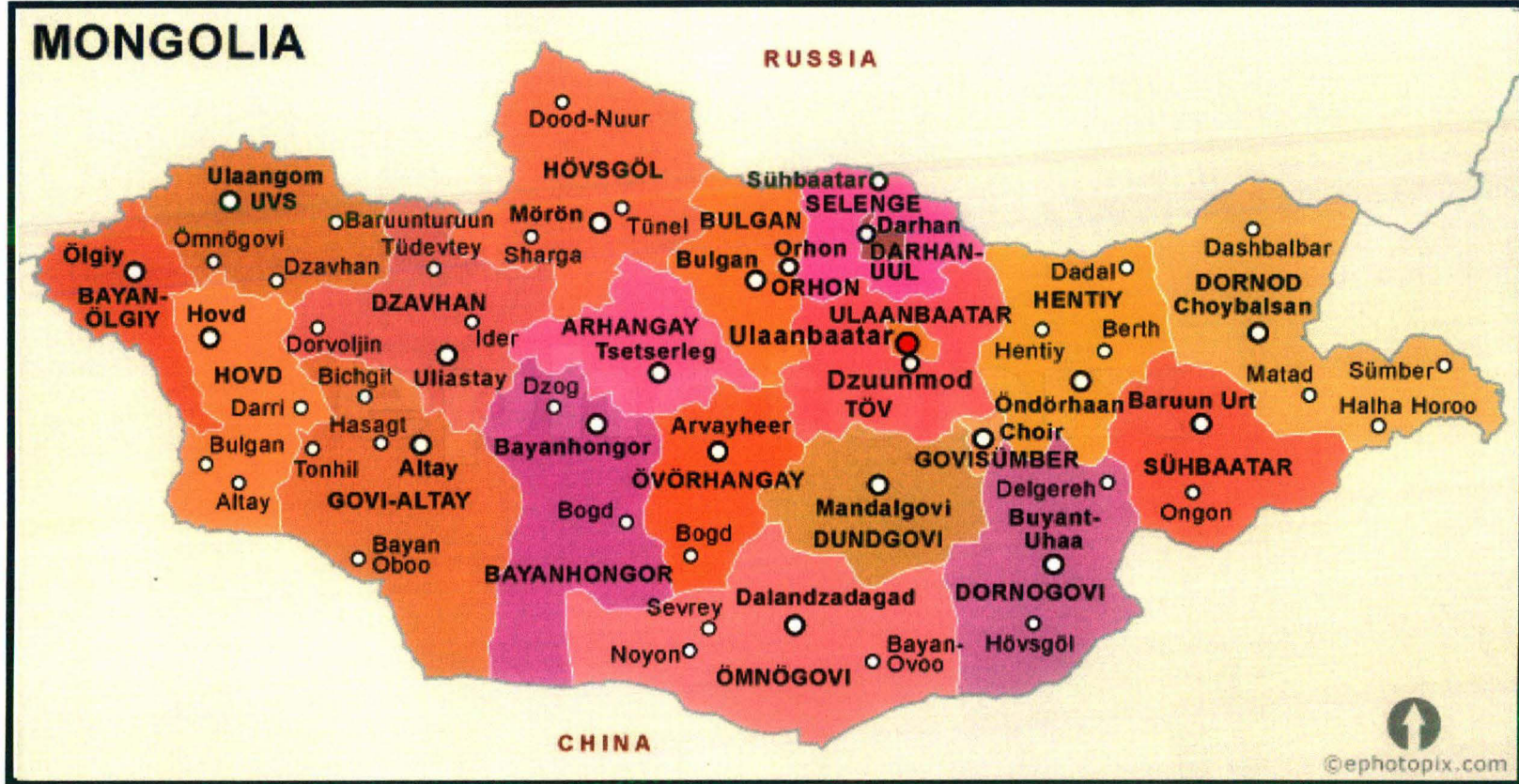
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CHAPTER 1

INTRODUCTION

Situated in the grassland steppes between Russia and China, Mongolia has a little over 2.8 million people, several hundred thousand of whom are semi-nomadic herders living in a largely intact traditional lifestyle. Most of the remainder is concentrated in the capital city, Ulaanbaatar (Red Hero). However, modern Mongolia is best understood in the context of its complex relationship with China. From 1691 until 1911, it was ruled by the Manchu conquerors of China, but the nomadic Mongol tribes maintained their distinct identity vis-a'-vis the agriculturalists to the south. Their desire for independence culminated with the Mongolian nobility's declaration of an independent state in 1911 in the aftermath of the Chinese revolution. This state was headed by the Bogdo Gegen, recognized as a reincarnated Buddhist lama who was both the temporal and spiritual leader. But his regime was marked by a period of turmoil, reflecting internal discord between both the new Republic of China and Tsarist Russia over the issue of Mongolia's independence. What really came into force was Soviet support to Mongolian revolutionaries which helped the later to gain "real" independence in 1921 (Soni 2006:72-76). Consequently a communist government was established in Mongolia in 1924 when the country's first Constitution was adopted.

The Mongolian communist's regime was closely aligned to the Soviet government, and although formally independent, Mongolia became a 'satellite' of the former Soviet Union. One aspect of this was a strong Soviet military and civilian presence in Mongolia as well as a political leadership dependent on Moscow, as indicated by the change from Tsendenbal to Batmunkh as head of state in the post-Brezhnev period. The ascent of Gorbachev to power in the Soviet Union, in March 1985, and the domestic and foreign policy reforms he advocated, proved to be crucial for triggering liberalization in Mongolia (Sanders 1984:122).

Democratic transition began rather unexpectedly in Mongolia. They were initially triggered by changes in the external and internal environment rather than by domestic demand which however emerged, once liberalization began. Mongolia had no established dissidents, or otherwise organized opposition to the communist regime. A Western observer in the mid-1989 commented that while there was some calls for more

democracy among young intellectuals, “it was difficult to assess how deep these feelings were, but observers doubted that they represented any immediate threat to the regimes’ stability” (Worden 1991: 203).

Gorbachev’s Reform Policy and its Impact

In 1986, Gorbachev gave a speech in Vladivostok, signaling a rapprochement with China. As part of this process, Soviet troops in Mongolia were to be reduced, and a complete withdrawal of troops was decided in March 1989. Mongolia lost much of its geo-strategic importance for the Soviet Union and with it most of its foreign aid, much of which was provided as credits rather than ‘free’ grant aid (Heaton 1987: 75-77). Gorbachev started to take reform on revive the Soviet economy because anti Russian feeling in the Soviet Republic, therefore soviet economy was stalled that reorganization was need, Gorbachev proposed a ‘vague programme of reform’ called for fast paid technological modernization and increased industrial and agricultural production and advocated domestic and foreign policy reform was the miracle for the Mongolia started liberalization, Mongolia fully keeping with Gorbachev’s reform process pursuing its own version *glasnost* and *perestroika*. (Europa year book 2008:3116)

At the same time, Gorabachev opposed violent reactions against anti-communist protests in satellite countries. From 1986 onwards, reforms began to take place in Mongolia, with imitations of Soviet reform policies although talk of *perestroika* (*orchlon baigalalt* or *orchlon shinechlel* -‘renewal’) and *glasnost* (*ill tod-* ‘transparency’). But the real opening act of political liberalization came in December 1988, when at a plenum of the MPRP Central Committee,¹ Batmunkh publicly criticized the Tsedenbal period and condemned Choibalsm’s cult of personality’. These statements triggered long repressed public debate about history and national culture, including the memory of the Stalinist purges of 1930s, when five percent or more of the population had been killed during Mongolia’s ‘transition’ to communism. As in other communist countries, such debates in

¹ MPRP denotes the Mongolian People’s Revolutionary Party (the Mongolian Communist Party), which was the only party to rule Mongolia until the collapse of the forum Soviet Union, see Sharad K Soni,(2002), Mongolia-Russia Relations: Kiakhta to Vladivostok (New Delhi, Shipra Publications), p.90-99

Mongolia too contributed to delegitimizing the existing regime. That was one aspect of reform policy that got momentum in Mongolia (Fritz 2008:770).

The second aspect of reform policy that found its expression by Batmunkh's speech encouraged the formation of a pro-democratic opposition. In early 1989, some oppositional debating clubs emerged, including a group called 'New Generation', led by S. Zorig and E. Bat-Uul, and a "Club of Young Economists," led by M. Enkhsaikhan and D. Ganbold. The members and leaders of these clubs were young, mostly in their late 20s and 30s, and who had benefitted from the existing regime. Many of them had studied abroad in Berlin, Budapest, Prague, Warsaw or Moscow. After they had returned to Mongolia, they were working for the most part either at the National University or in various ministries. Significantly, the key struggle for the political liberalization took place between December 1989 and March 1990 (Fritz 2008:771).

It all started when students began advocating freeing the Media from the party control and engaged in a broad range of discussions about Human Rights and Multi-Party elections. They also organized secret meetings to discuss potential social and political changes. Moreover, several propaganda directed against the government and its policy was posted in the main streets in downtown Ulaanbaatar, encouraging people to support changes in the political system besides demanding freedom and human rights. They launched slogans such as "Mongols mount up!" calling for change, because the horse is a symbol of the armed Mongol man. Besides, many students and young generation people formed political groups, clubs and unions such as Orchlön Club, the Shine Ue (New generation) Group, the Ertunts (Universe) Debate Club, the Zалуу Едиин Засагчдин (Young Economists club) and the Devshilted Zалуучуудин Евсел (Progressing Youth Union). All these newly formed organizations were the foundation of the future political parties.²

In February 1989, one of these unions, the Mongolian Revolutionary Youth Union, organized a convention for consultation on the current political situation and the challenges that faced society. They agreed to form a new Youth Union to contribute to

²For more details see Verena Fritz, 'Mongolia: The Rise and Travails of a Deviant Democracy', *Democratisation*, Vol.15 No.4, 766-788.

the reform process. Following the convention, ten intellectuals influenced by developments in Eastern Europe, who already had been involved in the youth clubs and unions' activities, established the Mongolian Democratic Union (MDU) on February 18, 1989. The union was not registered by the Government. It had only nine members and was without a leader. According to an MDU brochure S. Zoring, Ts. Elbegdorj,³ Amarsanna, Da. Ganbold, B. Bat-Uul. Ts.Enkhtuvshin, D. Ninj, Nyamsuren, Tsogtsaikhan and Sukhbaatar were the founder members of the MDU. These individuals were leaders of the democratic movement. The formation of the MDU was the first crucial step toward establishing civil society to challenge the communist state and its bureaucracy. In addition, the MDU establishment was a crucial political opening stage in Mongolia's development towards democracy. From February 1989 onwards, the newly formed union held several gathering and rallies in Ulaanbaatar. "Estimates of the number of the people who attended each rally ranged from 250 to more than 1,000.

The MDU started organizing demonstrations amid a party congress of the MPRP and a session of Mongolia's parliament, the Great Hural, on 11-14 December 1989. These non-authorized demonstrators were initially small but it reached up to several thousand in their numbers by January 1990. In fact, the December 10, 1989 International Human Rights Day demonstration had a great impact on the foundation of the new civil society in Mongolia. Rossabi states that "the scene observers in Government House witnessed on December 10, 1989, both surprised and shocked them. As snow drifted down gently, who hundred people marched around with banners and signs calling for the elimination of "bureaucratic oppression" as well as a promise to implement perestroika" (Rossabi 2005:2). Slogans and banners at the rallies together with demonstration raised public awareness and people began seeking profound changes. The signs and banners carried such slogans as "Democracy is our goal", "Democracy in your hands", and "Solidarity for human right" (Bayantur 2008: 30). However, opposition groups carefully organized such a pro-democratic protest on International Human Rights day taking into account the risk of being arrested and avoiding possible retribution by the government such as that occurred in China's Tiananmen Square massacre (Sodnomdarjaa 2003:209).

³ Ts. Elbergdorj is the current President of Mongolia, who has distinction of becoming the first ever democratic President in the history of Mongolia.

Hundreds of protesters carried signs like “End of Communist Experiment” openly criticizing communist party leaders and the ruling party (Sikes, 1990:34).

Encouraged by the turnout, seeing two thousand protesters joining them, the leaders of democratic movement in the demanded for multiparty system, free elections with universal suffrage, human rights, freedom of the press, religion, freedom of speech, freedom to travel, a free market economy, private ownership, and top down government restructuring. According to the Democratic Party Archive materials the originals slogans that were posted were included the following demands:

1. A multi-party system
2. A legal state
3. Respect for human rights
4. Freedom of the press
5. The MPRP restricts human rights and freedom.⁴

Heaton emphasizes that “...the ruling party initially responded by promising to undertake reform and that the MPRP General Secretary Jambyn Batmukh stated in early February that the party would hold a dialogue with the MDU.” According to him, “Other regime leaders also discussed the need for the development of a multiparty system and popular elections for the Great People’s Hural (GPH), Mongolia’s chief legislative body. The communists, however, appeared to be in to hurry” (Heaton 1991: 50-51).

It is to be noted here that the December 1989 rally was the most courageous development in the last several decades of Mongolian history. According to Sikes, “the long repressed Mongolians hoped for a leader with vision and independence, someone who would represent their pride rather than their domination”. People saw this leadership quality in Sanjaasurengin Zorig. He quotes a young lecturer working at National University of Mongolia as regarding “we have opened [people’s] eyes for the first time in decades. The people do not react to our movement because they are forced to. They react because they feel compelled to” (Sikes 1990: 35). The outcome of the demonstration

⁴ Mongolia, ‘MDC Brochure’, Democratic Party Archive.

empowered the MDU to submit a first citizens' petition of political demands to the communist leadership.⁵

Therefore, they demand the following:

- A. That amendments be made to the constitution of the Mongolian People's Republic to:
 - 1. Stop one-party rule of the state
 - 2. Respect the Universal Declaration of Human Rights
 - 3. Reorganize the great Peoples Hural into a permanent functioning parliament;
- B. That restructuring and reforms be implemented to: renew the electoral system and hold elections in the half of 1990;
- C. That the socialist development of the Mongolian Peoples Republic be evaluated to:
 - 1. Set up a public commission to commit for trial the people who nourished the willfulness of Kh. Choibalsan and Yu. Tsedenbal.
 - 2. Rehabilitate hundreds of patriots, laymen, and clergymen who had been repressed and pay compensation to their families (Bayantur 2005: 20).

This time the ruling MPRP decided to compromise with reformers to avoid a domestic crisis and responded positively to the principles of a multiparty system and basic human rights to be implemented within five years. However, young democrats were not willing to wait rather they were in a hurry to undertake profound changes. Soon after the foundation of the MDU, other civil society organizations such as the Democratic Socialist Movement and the New Progressive Movement were also formed. Their purpose was to advocate democracy, a free press and democratic changes in Mongolia and to leave behind the Soviet influence. 'All the activities of the MDU and other democratic forces increased the political awareness of Mongolians as never before' (Sodnomdarjaa 2003: 211). Topics including getting rid of the Soviet influence and being able to make one's own decision were discussed among the people for many years and this was probably the perfect moment to express these views openly. On the other hand

⁵ This petition was a remarkable result of the rally, and it stated that: "...we are deeply concerned about the process of reforms, the present social, political and economic situation of the country and the slow reaction to the urgent problems."

“having dutifully followed every twist in the Soviet party line for decades, Mongolians were now ready to negotiate perhaps the most difficult turns so far: *glasnost* and *perestroika*” (Sikes 1990: 35).

Political parties particularly the MDU also began to seek political support outside the capital city; first of all in the largest centre outside Ulaanbaatar. This was the tour of Erdenet, host to Mongolia’s single most important economic asset, the Erdenet copper mine (Rossabi 2005: 203-204). However, this period also saw the founding of several other proto-parties including a Social Democratic Movement and a Movement for National Progress (linked to the earlier Club of Young Economists), signaling an early split in the opposition movement. On other side, relatively little was known about the processes and debate within the MPRP during this period. Clearly, there was a division between hard-liners, who considered the use of force, and moderates, who favoured compromising with the emerging opposition’. Some observers claim that leading party members had already considered the potential (personal) economic benefit from shifting to a market economy; thus strengthening the voice of the moderates motivated by support for economic rather than political changes (Fritz 2008: 772).

In February 1990, the MDU declared its intention to transform itself into a political party, and began to call for the resignation of the Council of Ministers and the MPRP Central Committee, apart from dissolution of the Great Khural, and holding of multiparty elections to a new parliament. At the same time, foreign journalists had been permitted to enter the country, a signal that the pro-democracy efforts also enjoyed support inside the incumbent regime. In early March 1990, when the Politburo gathered for a meeting, it witnessed an increasingly large demonstration. There were up to 20,000 demonstrators in Ulaanbaatar, and even protesters from the MDU/MDP (Mongolian Democratic Party) went on a hunger strike (Soni 2011:263).

On 9 March 1990, the MPRP General Secretary Batmunkh announced that the entire Politburo was stepping down, that was considered to be singling a major breakthrough. Over the next few days, Batmunkh gave up his General Secretary post and also stepped down as Chairman of the Great Khural (Parliament). He was replaced by G.

Orchibat as General Secretary, and the unrelated P. Ochirbat as Chairman of Parliament. Furthermore, as advocated by Batmunkh, the Great Khural adopted a change to the constitution ending the MPRP's monopoly. He argued that "the party will achieve a leading role through its work rather than through a constitutional position (Sanders 1990: 11). At the same time, a new law on foreign direct investment was adopted, aiming to attract funds from non-COMECON sources⁶.

Between March and May 1990, there was another period of tug-of-war between the interim government and the opposition, which now increasingly demanded free elections (Rossabi 2008: 18-24). In early May 1990, the MPRP relented and agreed fully to legalize the registration of new parties, and to hold elections to two-chamber parliament at the end of July. This gave the new parties two and half months to organize. The first elections were to be for a parliament, which would in turn elect a head of state. While these domestic political changes were unfolding, Foreign Minister Gombosuren travelled to Europe in June 1990, seeking to attract new aid (Sanders 1990: 242).

Overall, the reform process went surprisingly smoothly, with a fortuitous coincidence of external and internal factors. The initial triggers for democratic reforms were external. i. e. the demise of the Soviet Union in 1991 and the reduction of Soviet aid as well as military and technical assistance. On the domestic front, the emerging democratic opposition was moderate and youthful, and though studies in Central Eastern Europe and in Moscow, many of its leaders and cadres were influenced by ongoing events there. Communist elites felt threatened by the emerging scale of protests, no one had decided against clamping down of because of reform elements within their own ranks as well as family and personal ties with the protesters. This moderate stance was reinforced by external constraints. i.e signals from the Soviet Union against violent crackdown. Finally, the MPRP decided on a different strategy: to compete with the new democratic parties in free elections.

⁶COMECON or CMEA (The Council for Mutual Economic Assistance) was an international economic organization of socialist countries, formed in 1949. Mongolia joined this organization on 7th June 1962 as the first among the Asian nations. Since new Mongolia's Foreign trade was dominated by CMEA countries. See Sharad K. Soni, *Mongolia-Russia Relations*, 2002.

Reforms in Mongolia

Since Mongolia followed the former USSR communism model of development transforming socialist regimes can broadly be characterized into two. Ways: The Chinese model in which economic liberalization is adopted without political competition. It has been replicated to varying degrees by other Asian socialist regimes like in Laos People's Democratic Republic and Socialist Republic of Vietnam. In contrast, the Eastern European model is a political change proceeding apace with economic reforms. Mongolia is an interesting case combining elements of these two models of socialist transformation. For almost 70 years a client state of the Soviet Union, Mongolia was sometimes known as the unofficial "sixteenth republic" of the USSR. Following the radical changes in Eastern Europe in 1990, Mongolia's Communist Party introduced political pluralism but unlike its counterparts in those countries, the Mongolian People's Revolutionary Party (MPRP) retained power since 1990 despite allowing electoral competition and political freedom. It also introduced significant economic reforms, so as to produce positive growth.

Among former Soviet bloc nations, Mongolia's economy was the most dependent on outside assistance measured as a percentage of GDP. When the Soviet bloc disintegrated and cut off its aid to poorer socialist countries, Mongolia experienced the most serious peacetime economic collapse any nation faced during the 20th century.⁷ Yet, Mongolia's political reforms proved remarkably smooth compared to most of the former Soviet republics. There have been no violent attempt to overthrow the government, and although the opposition have been active and vocal, political conflict has by and large been resolved through negotiation and compromise. Political reforms in Mongolia since the establishment of multiparty democracy in 1990 brought an understanding as to how the MPRP was able to maintain its dominant position in a multiparty era. The MPRP's short-term resilience was based on a combination of tactical savvy and residual public support cultivated in the one-party era. Although the mid 1990s this support was diminishing as economic problems deepened, the MPRP had shown an ability to adapt to changing conditions.

⁷ Peter Boone, "Grassroots Economic Reform in Mongolia" paper prepared for the conference, Socialist Economies in Transition, Asia Foundation, May 1993.

The One-Party Period

Political developments in Mongolia after 1924 closely paralleled those of the USSR. Consistent with the rise of Stalin in the Soviet Union, the 1920s and 1930s saw a series of violent purges and forced collectivization in Mongolia, which broke the power of the remaining Buddhist lamasteries and traditional nobility. By some estimates, over 100,000 persons, roughly 15% of the populations were killed during that period (Dashpurev and Soni 1992: 44-45). Mongolian traditional culture was repressed, and the Cyrillic alphabet was introduced. Mongolia's dictators even became known as junior versions of their Soviet counterparts: the ruthless Horolyn Choibalsan (1928-52), who eliminated his rivals to power, became "Mongolia's Stalin" and his successor, Yumjaagiin Tsedenbal (1952-84), became "Mongolia's Brezhnev" for his stultifying effect on the country.

Following the Sino-Soviet split, the USSR took a more active role in the development of Mongolia as a buffer state and stationed its troops throughout Mongolian territory. Traditional animosity toward the Chinese was exacerbated, and in 1980 Chinese residents were expelled. The economy became increasingly integrated into that of the USSR, and by the 1980s, nearly 95% of Mongolia's trade was with the Soviet Union and most of the rest with its allies on the Council on Mutual Economic Assistance (CMEA) (Denizer and Gelb 1994: 68). Signs of change in the USSR led the MPRP in 1984 to replace Tsedenbal with a younger leader, Jambyn Batmonh, a succession undoubtedly undertaken with approval from Moscow. Behind the scenes, however, two groups struggled for power within the party (Dashpurev and Soni 1992: 79). Cautious calls for reform began to appear as the economy deteriorated further, and in 1988 a program of "renewal" was initiated, paralleling Gorbachev's policies of *glasnost* and *perestroika*. Following the Russian example, the initial objective of Mongolia's reform process was to revitalize the socialist economy rather than replace it. Governmental authority throughout the communist period resided theoretically in the Great People's Hural, controlled by its seven-member Presidium, and in the Council of Ministers.

In fact, the MPRP monopolized power. Political competition and dissent were not tolerated, and the MPRP established a network of control over the media, the economy, and all aspects of public life. The country was divided into 18 provinces reflecting traditional administrative divisions, and these were subdivided into counties, each with its own communist party cell. The political system of the MPRP during this period has been described as “totalitarian in intent, but less so in fact and effectiveness” (Hyer 1987:750). The relatively loose system of control reflected the vastly dispersed and self-sufficient nomadic society in which government provided few of the people’s basic needs. Despite the collectivization of herding in the 1950s, the nomadic lifestyle of herdsman continued and families lived as individual units in their traditional pastures. There was little threat of grassroots political organization against communist rule and, therefore, little need for repression in the countryside. The same could not be said for urban areas, especially for intellectuals, who experienced tight control and repression (For more details, see Dashpurev and Soni 1992).

One of the poorest nations in the communist bloc, Mongolia received significant external assistance. The economy was heavily subsidized by the Soviet Union and its trading regime, the CMEA. Subsidies included blanket grants to cover the chronic budget deficit and were applied to trading arrangements and infrastructure construction projects. Massive inflows of aid and goods meant that the average herdsman enjoyed a far better standard of living than he would have had without them. Public health programs and education were extended even to remote herding families, and luxury items from Eastern Europe were available at low prices. Improved living standards contributed to the legitimacy of the MPRP, which became a relatively popular communist party, especially in the countryside. The party claimed links with the national hero Sukhbaatar, who led the 1921 revolution and is universally perceived as the liberator of the country from the Chinese. These claims were reinforced through the state-controlled media and education systems, which repressed alternative views. All of the above factors were crucial in endowing the party with legitimacy and underpinned the MPRP’s survival into a democratic era.

Transition Period

As already mentioned previously, following the fall of communist regimes in Eastern Europe, a reformist group called the Mongolian Democratic Union was formed in Ulaanbaatar in December 1989. Soon after it began to call for the regime to stand down and launched demonstrations on the main square of Ulaanbaatar as well as a hunger strike. The MPRP, on its part, was divided over how to respond. At the 19th Party Congress in March 1990, it debated whether to respond with force, as its Chinese counterpart had done in Tiananmen Square in June 1989, or to launch reforms as in the Eastern European countries. The reform group within the party won the debate, and Batmonh resigned along with the entire MPRP Central Committee members. Batmonh was replaced as Chairman of the Great Hural and head-of-state by the 48-year-old minister of foreign economic relations and supply, Punsalmaagiyn Ochirbat. A new, younger Central Committee was appointed, and a new Secretary-General of the MPRP was named. Two months later, the Parliament announced that it would amend the Constitution to delete the reference to the MPRP's "leading role" in society and to legalize opposition parties. It would also create new political institutions: a bicameral legislature, and the new posts of president and vice-president. The first multiparty parliamentary elections in Mongolia's history were announced to take place in July 1990.

Thus, the spring of 1990 marked a turning point for the MPRP. Unlike its counterparts in Eastern Europe, the party did not dissolve or hand over power to the protestors; rather, it made a generational change in its leadership, and seeking to maintain power, it called snap elections to give the opposition minimal time to organize. The opposition demonstrations were catalytic, but the reforms that followed also stemmed from the calls for greater openness within the party that had been building since 1988. Despite the magnitude of the political change, it remained unclear just how widespread were the domestic pressures for reform. The first opposition parties were based narrowly on the urban intelligentsia who had been educated in Eastern Europe and had followed closely the dramatic events there in the fall of 1989. Much of the leadership of the Social Democratic Party, for example, was composed of members of the University's physics and mathematics departments that included Batbayar, Gonchigdorj, Lamjav and

Ulaankhuu, while the National Progress Party leadership was made up of young economists.⁸ Only the Democratic Party, the largest of the opposition groups, could boast broader membership but that support was still heavily concentrated in Ulaanbaatar. Infact, the opposition parties lacked a significant base among the herds people in the countryside.⁹

In 1990, a new bicameral legislature was elected comprising the Great Hural and the Small Hural. The Great Hural was a national assembly elected by districts, as in the nominal elections of the communist period. It was responsible for deciding major affairs of state, appointing the prime minister and the cabinet, and amending the Constitution. The Small Hural was a standing parliament elected by proportional representation, and was responsible for passing ordinary legislation in between the Great Hural sessions. Over 95% of the eligible voters turned out, and opposition parties won 40% of the seats in the Small Hural. But the Great Hural, the body with the formal power to constitute the government, was more conservative with an overwhelmingly rural MPRP membership. This reflected the party's established network in the countryside and its significant financial and organizational advantages over the opposition parties that had been legalized only a few months ago. Local communist leaders in the countryside had much more name recognition than opposition figures, who were themselves divided into several parties. The MPRP's tactic of calling snap elections to defuse the pressure for reform appeared to have been successful.

Although the Great Hural was dominated by the MPRP, the party agreed to form a coalition government with the opposition parties, and four cabinet posts were assigned to them. Punsalmaagiyn Ochirbat, the leader who had presided over the election, was named President and head-of-state. D. Byambasuren was elected Prime Minister, with National Progress Party leader D. Ganbold as first Deputy Prime Minister in charge of economic affairs. Vice-President (*ex officio*) and chairman of the Small Hural was R.

⁸ Prominent economists included the leader of the party, D. Ganbold, and the head of the related National Progress Movement, S. Batsukh. Other well known economists in the opposition included former Central Bank Governor Jargalsaikhan and his brother, Stock Market Director Zoljargal.

⁹ For an analysis of how herdsmen were affected by the political changes, see Melvyn Goldstein and Cynthia Beale, *The Changing World of Mongolia's Nomads* (Berkeley, Calif.: University of California Press, 1994).

Gonchigdorj, leader of the Social Democratic Party. K. Zardykhan, a Kazakh who had led calls for reform from within the MPRP, was named Deputy Chairman of the Small Hural. The parliament also appointed a 20member multiparty constitutional drafting commission, chaired by President Ochirbat with former Minister of Justice Biryagiyn Chimid serving as Secretary”(Heaton 1991 Sanders 1992: 511).

At this juncture it needs to highlights the possible explanations for the Party's move to bring in the opposition. One is that the younger intellectuals within the party, who had risen to positions of leadership following the resignation of the Central Committee and the generational change in the MPRP, had more in common with the intelligentsia of the opposition than with the conservatives of the rural leadership. Another is that most of the country's economic expertise was concentrated in the ranks of the opposition. Few MPRP leaders knew about market economics, so the pragmatists within the Party may have invited the opposition into government out of genuine concern for the economic reform process. A third possible explanation, preferred by many opposition leaders, is that the MPRP sought to neutralize and even discredit the opposition by forming a coalition government with these parties. By giving key economic posts to opposition MPs, the MPRP thought to blame them in the event of economic collapse. The economy was clearly due for a major shock with the inevitable end of Soviet support, so this explanation of MPRP tactics is a plausible one. At the very least, the coalition strategy was effective at diffusing opposition to the MPRP.

The Small Hural and the new coalition government immediately plunged into the task of reforming the economic and political structures of the country. The number of ministries was reduced and the government administration reorganized. Prices were doubled, subsidies eliminated, and private ownership of herds legalized. An extensive and radical privatization program was formulated, and legislation to establish a market economy was passed. Political reforms were broad-ranging. A commission was set up to examine the purges of the 1930s and to rehabilitate victims of political trials during that period. The secret police were disbanded and controls over media removed. There was a renaissance of interest in traditional Mongolian culture, repressed under Soviet influence during the one-party period. Chinggis Khan, criticized by the Soviets as feudal, was

reinstated as a national hero, and the government revived the Mongolian script. The MPRP distanced itself from the events of the past, blaming them on the personal excesses of Choibalsan and Tsendenbal rather than the party itself.

Meanwhile, the economy came under severe pressure when the CMEA trade regime collapsed on January 1, 1991. There were fuel shortages, and despite the fact that livestock outnumbered the population by more than twelve to one, meat was unavailable in the cities. Within the Small Hural, there was a good deal of cooperation across party lines during this period. Young reform-minded MPRP members often found themselves in agreement with their opposition party colleagues on substantive issues. The primary cleavage was over the pace of reforms, with the opposition demanding rapid liberalization and the MPRP advocating a slower pace. Most of the MPRP leaders in the government, however, were in regular contact with international donor agencies and financial institutions, and understood the severity of the economic crisis. In policy terms, there was little disagreement between the government and the opposition over what steps to take.

Domestic Situation in the Post-1990 Election

The first coalition government began its full-scale program of economic and political system transformation, as set out in its concrete reform strategy. Privatization of state property was the main reform of the economic transition. The Privatization Law passed in May 1991 entitled people to participate in privatization through a voucher system. (Heaton 1992: 50)

It is to be noted that the privatization program has been a key element in Mongolia's reform program and the move to a market economy. The program was initiated in October 1991 and was based on a voucher system similar to that used in a number of other transitional economies (Czechoslovakia, Poland and Romania). The decision to use the voucher system was a consequence of the low level of domestic

financial savings, the lack of a well-developed capital market and the absence of adequate means of valuing state enterprises' assets.¹⁰

The process proceeded as follows: "In September 1991, the prices under control were liberalised. Further liberalization took place in March 1992, leaving only public utilities, transportation, housing rents, selected medicines, flour, bread and rationed vodka subject to price controls."¹¹ The Mongolian Stock Exchange was established in February 1992. Privatization of livestock herds was implemented and reached 80 % of the entire herd animals between 1991 and 1993. Following privatization, the livestock number increased from 25.9 million in 1990 to 33 million in 1997. The ensuing urban-rural migration was reflected in a slight decrease in the urban share of Mongolia's population: 58% urban and 42% rural according to 2003 statistics, compared to 60% urban 40% rural before.¹²

During these years the government also established the State Property Committee, passed a new law on State and Local Property, and started a further and ambitious privatization program.¹³ A housing privatization program privatized residential units and apartments and transferred them to current residents free of charge. As a result, by 2001 "about 90% of residential units in apartment buildings had been privatized" (Hasegawa, Kawagishi, Gonchigbat and Nakanishi 2004: 134).¹⁴

By the spring and summer of 1991, the new parties and MPRP were on the verge of splintering and reorganizing. The economic crisis was, in the words of one economist "unprecedented" in modern economic history. Given the crisis in the states of the former Soviet Union, this may only have been the first of the many for the world. Until January 1, 1991, economically Mongolia had been as much of a part of the Soviet Union as any of its constituent republics. Over 90% of its trade was with the Soviet Union and 25% of its

¹⁰ International Monetary Fund Report 1996, 12.

¹¹ World Bank Report 1992, 35.

¹² National Statistical Office of Mongolia, Statistics 2003 (Ulaanbaatar, 2003), 37.

¹³ The law on Housing Privatization passed by Parliament in 1996 was delayed by a presidential veto but approved in February 1997.

¹⁴ Mitsuhiro Hasegawa, Umekazu Kawagishi, Ishjamt Gonchigbat and Takumi Nakanishi, "Study on the Living Space Planning in Ulaanbaatar, Mongolia," *Journal of Asian Architecture and Building Engineering* vol 3. No.1 (May, 2004), 134. Also see National Statistical Office of Mongolia, Population and Housing Census 2000, Statistical Booklet (Ulaanbaatar, Mongolia).

GNP was directly attributable to Soviet aid. Suddenly, with the end of the relationship, Mongolia was an economic orphan. The serving of this relationship was a critical element in the crisis of change in the 1990s. In the first ten months of 1990, Mongolia imported approximately US \$ 250 million worth of goods a 65% drop, Imports from the Soviet Union declined by 73%.¹⁵

Soviet imports were not supplements to Mongolian production. In virtually every case there was no Mongolian production. The imports no longer available from the Soviet Union included everything needed to sustain modern life from toothbrushes and window glass to gasoline and computers. The Mongolian economy, and to an increasing extent, society was ceasing to function in the face of such drastic changes. The incredible optimism of the Mongolian national character was vital to survival. But the optimism which was vital to survival also blinded many to the rapid deterioration of the Soviet economy and their bilateral economic relationship with Moscow. There was a failure to understand the fundamental nature of the economic problems facing Mongolia. As a firm believer that an educated populace is better than one that did not understand what was happening.

There was a resurgent effort to reserve some economic changes in the belief that somehow the past could be restored. The challenge to change brought the opposition parties together to agree on the direction of economic reform and the importance of privatization. However, there was disagreement on the process. It is a tremendous testimony to the determination of the Mongolian Government and people to continue with reform that the political process did not collapse in the summer of 1991. However, the fragility of the democratic process and political party building process was demonstrated as the fall began. Factions emerged within the MPRP and there were splits within the opposition parties. New parties began to emerge in the fall and winter of 1991. Some reflected personality splits; others ideological differences and frustrations with the economic problems. As a foreign observer, there appeared to be little correlation between the political parties and the issues involved in drafting a new constitution. In fact, it

¹⁵ Robert A. Scalapino (2000) presented paper in a conference celebration of the 10th anniversary of the Asia foundation's Mongolia program on 'Mongolia's Political and Economic Transition: challenges and Opportunities' Ulaanbaatar September 11-13, 2000, the Asia Foundation.

appeared there was a significant community of agreement among the parties on the direction in which they wanted to move. However, the key struggle was psychological one, accepting that Mongolia had to leave its past behind if it wanted to change. Interestingly, the agreement in the constitutional debate to change the country's name from the Mongolian People's Republic to Republic of Mongolia seemed to be the psychological focus of the struggle. With that behind them, the major constitutional battle was focused on the question of a parliamentary versus a presidential system rather than on the nature of the reform process. By the time of the election in 1992, there were at least thirteen parties competing, rather than the six which had participated in the 1990 election. Meanwhile, the major foreign donors had a high level of frustration with the Mongolian Government. There was a strong feeling that the government was simply looking to the West to replace the massive Soviet assistance program of the past, rather than effectively analyzing its difficulties and trying to overcome them.

The June 28, 1992, State Great Hural elections reflected a very different mood from the 1990. Increasingly, the people began to see a difference between the goal of reform and the government's reform policies. Two hundred seventy-five candidates representing 13 parties, running as 10 coalitions and parties, and 18 independent candidates, competed for 76 seats in the State of Great Hural. The multiplicity of parties was a testimony to the struggle to establish a democratic framework for the political process in Mongolia. The results were a surprise to the MPRP and a shock to the opposition. The MPRP received only 57% (56.9) of the votes, down from 62% (61.74) of the votes cast in 1990. However, the three major opposition parties, which had won 35% (35.8) of the vote in 1990, won only 27% (27.6) of the votes in 1992. (The remaining votes were split among the independents (3%) and the numerous opposition parties.) As a result, the MPRP won the 70 of the 76 seats: observers found that the major opposition parties had failed to organize themselves as parties and had paid the price. One of the positive effects of the opposition's loss was an effort to unify the parties. Ultimately in 1994 a coalition which won the 1996 election emerged.¹⁶

¹⁶For more details see Robert A. Scalapino (2000), paper presented in a conference to celebrate the 10th anniversary of the Asia foundation's Mongolia program on 'Mongolia's Political and Economic Transition: Challenges and Opportunities, Ulaanbaatar September 11-13, 2000.

Meanwhile, a political battle took place inside the MPRP as the victor struggled to control its direction and select its candidate for the new Prime Minister. A struggle eventually led to the nomination of Tudev as the MPRP candidate in the 1993 presidential election. The backdrop of these changes was the continuing downward spiral in the Mongolian economy. As reforms continued, life got worse for the average Mongolian. Some leaders moved to mobilize popular discontent outside the political party structure in the winter of 1992-1993. Mongolia's efforts to build a political party structure and a civil society with a firm foundation built on democratic principles had not yet succeeded. The June 6, 1993 presidential election was a key milestone in reforms in Mongolia. First, the President Ochirbat was not nominated by the MPRP. But the major opposition parties came together and nominated him as their candidate. President Ochirbat became a symbol for reform both inside and outside the MPRP, while Tudev was identified as the standard barrier for the conservative, anti-reformers. In the end, Ochirbat won 58% (57.8) of the popular vote and Tudev only 38.7%. The pressures that helped bring about the opposition unity and ultimately the victory for President Ochirbat in 1993, also helped lay the foundation for their victory in the June 30, 1996 parliamentary elections. (Ginsburg 1995:467)

However, in order to understand this period, it is useful to recall the underlying principle of the victorious 1992 Bill Clinton campaign in the United States: "It's the economy, stupid." The economic challenges faced by Mongolia were the critical backdrop for the efforts to build democracy in Mongolia in the 1990s. For, neither the MPRP nor the opposition parties which emerged in the 1990s were prepared to understand the changes that were happening in Mongolia- politically or economically. The democratic concepts which are taken for granted in the Western world had no precursors in Mongolia. Decades of education in Marxist economics did not prepare new leaders to manage the economic shift. Such issues and other related matters in the context of democratic transition in Mongolia have been dealt with in detail in the next three chapters.

CHAPTER 2

DEMOCRATIZATION PROCESS IN MONGOLIAN POLITY

With the end of the Cold War and the collapse of the former USSR, Mongolia faced dramatic changes in its entire system as it had strong ideological and one party rule which lasted for seven decades. Such monopoly of one party rule became the thing of the past once democratization process in Mongolian polity began to take place. Thus from 1991 to 2000 Mongolia experienced tumultuous political and economic changes. This transition period, however was severe. Mongolian people had gone through many hardships and challenges, making progress step by step. Events in December 1989 and early 1990 marked a crucial moment in Mongolian political history when the country could have either moved towards democracy or remained communist one.

Democratic Movement in Mongolia

In 1990, Mongolia held the first free elections in its 70 years of modern history and took important steps towards democracy (multiparty, pluralistic and democratic society) and market economy. Responding to the demands of growing opposition movement since December 1989, the ruling Mongolian People's Revolutionary Party (MPRP) amended the Constitution to expose its front runner role and created a Presidential system and an additional, more representative legislative house. By mid-1990 political parties were legalized and an electoral law was passed. This experience provided an example of peaceful transition toward democratic and universal human values. Overall it was a dramatic shift towards democratization of Mongolian polity which gained momentum due to the collapse of the Soviet Union in 1991 and end of the cold war (Soni 2008:34).¹

According to Soni (2008), "Mongolia made a critical reappraisal of its own policy and began changing many of its policies which were believed to have prevented country's progress at the domestic level." The MPRP agreed to amend the 1960 constitution of Mongolia during extraordinary sessions in May 1990, it remove the role of MPRP in the country as "guiding force" and created a legislative body known as State Little Hural (elected body by proportional representation of parties). The Little Hural

¹ For detailed analysis of the political situation in post-Soviet Mongolia, See Sharad K. Soni, (January 2008) Democratic Transition in Mongolia: Achievements and Challenges Ahead after 2008 Elections, in Mongolian Tibetan Affairs Commission, *Bimonthly on Mongolian and Tibetan Current Situation*, Vol.17(1):34.

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introduced a new electoral law for the general elections. The first general election (Multi-Party elections) for the Great Hural was held on July 29, 1990 in which the MPRP won 85 percent of the seats. Great Hural first met in September 1990 and elected a President from the MPRP, Vice-president from SDC (Social Democrats), Prime Minister from the MPRP, and 50 members to the Little Hural. The Vice President was also the Chairman of the Little Hural. In November 1991, the Great Hural began discussion on a new Constitution. The new constitution was finally adopted on January 13, 1992 replacing the 1960 Constitution, which brought considerable changes in Mongolia's political system.² The miracle change made in this Constitution was the replacement of the two-chamber Parliament (bicameral) known as the *Great and Little Hurals* with that of a single chamber (unicameral), which came to be known as the *State Great Hural* (SGH) comprising 76 Deputies. It was for the first time that a multi-ownership economy was introduced by this Constitution, which would go with the mainstream of the world economy and conform to the special conditions of the country (Soni 2008). In order to distance itself from its communist past, the country's name was also changed from "Mongolian People's Republic" to "Mongolia" and the Communist gold star was removed from the national flag under the new Constitution which entered into force on February 12, 1992.³

During the democratization process significant changes took place in Mongolia's political, economic and social fields, which further gave boost to radical transformation of Mongolia's economy with establishment of new banking and financial system as well as privatization that led the foundation for development of a market economy. In fact, rapid transition in Mongolia's was achieved by "shock therapy" mainly through adoption of three key mechanisms, i.e. privatization, currency reform, and price and wage liberalization.⁴ Not only the livestock sector, the backbone of Mongolia's economy witnessed privatization but also a number of private companies were allowed to operate in major sectors. The main focus of economic growth was given on the utilization of natural resources including agricultural, mineral, oil and water. As a result there has been a surge in industrial sector, which led the growth of manufacturing units as well. With

² For the full text of the new Constitution, See *The Constitution of Mongolia*, Ulaanbaatar, 1992:1-31.

³ Cited in Soni (2008).

⁴ "Mongolia," *Country Profile 2004* (London: The Economist Intelligence Unit Limited, 2004), p.11.



changes in Export-Import policy, Mongolia tried to attract as many overseas partners as it can. However, difficulties in trade partnership had also been realized due to high prices of domestic and foreign goods and service as well as weak financial capability of business entities involved in foreign trade (Oidov Nyamdavaa 2003:80-81). But joint ventures with foreign companies have helped the country to witness growth in several key sectors of the economy.

On the political front, since the end of single-party rule, numerous parties and groups have been organized and recognized or renamed in the process of democratization. During the period of this study, however, there remained a few political parties with major influence and stable membership (Soni 2007:109).

Constitutional Development

Until 1990, the Mongolian Government was modeled on the Soviet system; only the communist party the MPRP officially was permitted to function. But in the face of extended street protests in subzero weather and popular demands for faster reform, the politburo of the MPRP resigned in March 1990. The key event in this period was the adoption of a new constitution leading towards a liberal democracy. Mongolia's first constitution had been adopted after independence in 1924 with revision made to it in 1940 and 1960 (both modeled on the Soviet Constitution of 1939).

Following the general elections and formation of the new government in July-September 1990, the process of drawing up the fourth constitution began with the creation of a Constitution Drafting Commission under the chairmanship of President Orchirbat. Dzardyan, deputy chairman of the Little Hural, a Kazakh and former deputy premier, was appointed as deputy chairman of the commission, and Chimid, secretary the Little Hural with long experience in the Judiciary and government, became its secretary. All three were members of the majority MPRP, which at the time was in the process of abandoning its Marxist-Leninist platform in favor of social democracy (Ardyn Erh 1990: 20th October, 60th Chapter, 70th Article). It was decided that the members of the commission would divide into four groups to work on the draft's main themes:

- **Human Rights** was supervised by Tsog, Chairman of the Law standing Committee, an MPRP member who had previously been an official in the State Procurator's office;
- **State Affairs** was put under the guidance of Bayar, chairman of the State organization Standing Committee and MPRP member who had been a deputy chairman of the State Committee for Information, Radio and television under the previous government;
- **Economic, Social, and Political Matters** were headed by Enhsayhan, chairman of the Economic Standing Committee, an independent member and former director of the Institute of Market Studies;
- **Legal and Constitutional Issues** were directed by Amarsanna, the just-appointed minister of law (Sanders 1992: 511).

Public debate on the new constitution began in Mongolia with the publication of a draft in June 1991. Vice-President Gonchigdorj, chairman of the Little Hural, decreed on May 25 that all proposed amendments to this draft were to be submitted through local or national government channels to the Constitution Drafting Commission by September 1st 1991. The revised draft would then be examined by the Little Hural in October and subsequently by the People's Great Hural.⁵ Meanwhile, the commission had decided to take the assistance of the International Commission of Jurists,⁶ In keeping with the rebirth of strong national sentiment in Mongolia following the collapse of the old political regime, the title for the Constitution in both of these early drafts was *Yassa (Ih Tsaadz)*, evocative of the name of Genghis Khan's legendary code of laws (Morgan 1986:96-99).

Though many people argued that Mongolia should have a parliamentary system, the first draft called for a strong presidential system and a single chamber parliament. Finally, the new Mongolian Constitution (Constitution, 4th) with foreign advice. It was adopted on January 13, 1992 within one year of its introduction.⁷ The six chapters that make up the Constitution address the matters of independence and territorial integrity, human rights and freedom, the state structure, local administration functions, the

⁵ MPR Constitution Drafting Commission (1991), 'Mongol Ulsyn Ih Tsaadz (Ündsen Huul)', *Ünen*, June 11.

⁶ *Yassa of the Mongolia State 'constitution'*, English translation, (unofficial), Ulan Bator, May 1991.

⁷ The 13th of January is now celebrated as the Constitutional Day in Mongolia.

Constitutional Court, and amendment of the Constitution. The new Constitution established a democratic political system with a free market, and also changed the structure of the state institutions in that “the final version called for a mixed political system loosely modeled on France’s Fifth Republic (Ginsburg 1995: 466). Chapter Three of the Constitution, dealing with the state structures, states that the supreme legislative power is the State Great Hural. According to this chapter, the President is Head of State, symbolizes the people’s unity and has the power to veto parliamentary legislation. Yet, the veto can be overturned by a two-thirds majority of the State Great Hural.⁸ It further states that the President is also the head of the National Security Council and the commander of the armed forces. The prime minister, on the other hand, serves as head of the government and directs a cabinet drawn from the State Great Hural.

The new Constitution empowered the Constitutional Court (Constitutional Tribunal) as a high court that deals primarily with constitutional law. The Constitutional Court consists of nine members, including a chairman, appointed for a six-year term. Its main authority is to rule on whether or not challenged laws are in fact unconstitutional and therefore in conflict with constitutionally established rights and freedoms. The President became more powerful who would be elected by popular vote rather than by the legislature as before. A national majority popularly elects him for a four year term, which is, however, limited to two terms. The Constitution empowers the President to propose a Prime Minister, call for the government’s dissolution, initiate legislature, and veto all or parts of legislation, and issue decrees, which become effective with the Prime Ministers signature.⁹ In the absence, incapacity, or resignation of the President, the SGH Chairman exercises Presidential power until a newly elected President takes over his office. In June 1993, while running as the candidate of the democratic opposition, incumbent Punsalmaagiyn Ochirat came out victorious in the first popular Presidential election. The Prime Minister serves as head of the government and has a four year term. The President nominates him, who is to be confirmed by the SGH. The Prime Minister forms a cabinet,

⁸ Constitution of Mongolia, 1992, Article 33 (1): 16.

The English version of the Constitution is available at the University of Southern California (USC) and University of California Los Angeles (UCLA) Joint East Asian Studies Centre (www.isop.ucla.edu/eas/documents/mon-const.htm).

⁹For more details see US Department of State, *background Note: Mongolia*, at <http://www.state.gov/r/pa/ei/bgn/2779.htm>.

subject to the approval by the SGH. The Constitution also stipulates that dissolution of the government occurs upon the Prime Minister's resignation, simultaneous resignation of half the cabinet, or after an SGH vote for dissolution. However, as the supreme government organ, the SGH is empowered to enact and amend laws, determine domestic and foreign policy ratify international agreement, and declare a state of emergency. Besides, the SGH meets bi-annually and its members elect a chairman and vice Chairman both of them serving four-year terms. The Members of Parliament (SGH) are popularly elected by district constituencies for a four terms.

However, a number of issues, such as the State Great Hural general elections scheduled in June 1992 and the presidential election to follow in June 1993, were dealt with by the Supplementary Law on Implementation of the Constitution during the democratic transition period. In October 1992, the Mongolian Democratic Union became a political party along with a number of new parties that banded together to endorse P. Orchirbat for the President. He won the presidential election in an overwhelming victory (Batbayar 1993:41-41). The 1996 election represented an important change in Mongolia, as democratic forces attained government power for the first time (Ginsburg 1997:61-62). In 1997, the presidential election took place, and MPRP member Natsagiin Bagabandi became president. Thus, the parliamentary majority was balanced by the President, nominated from the minority party (Ginsburg 1998:64-65). In July 2000, a national election brought the MPRP back into power when it gained 72 seats in Parliament and formed the Government (Prime Minister and Cabinet) without any opposition. Following the election, they began taking steps to reunite into one large opposition party once again. In May 2001, President Bagabandi was reelected, affirming a government and presidency of the MPRP members (Soni 2004: 109110).

Democracy requires the development of strong institutions such as political parties, and interest groups. In accordance with the new Constitution, other laws were passed as revisions, amendments and changes of existing law on political parties, a law on parliamentary and presidential elections, and a law on local elections. These newly passed laws reflected far more democratic practices and establishment of democratized institutions. For example, the political parties' law allowed the establishment of parties

which could run in the elections. Moreover, interest groups also blossomed. For example, the NGO community has grown dramatically with more than 1,800 registered by the Ministry of Justice in 2000.¹⁰ Thus Mongolian citizens have several channels for representing their interests, including national NGOs. This demonstrates the empowerment of civil society in Mongolia to support the democratization process.

The first presidential election in accordance with the new constitution was held in June 1993; in which Pulsalma Ochirbat won to serve as a President for another four years term (Batbayar 1994:41-42). His government embarked on an ambitious, but in the short term painful program to achieve the transition from central planning to a market economy by 1994. As such prices were liberalized, the currency was devalued, a new banking system and stock exchange were established, and privatization began. That was the time when Mongolia also joined the International Monetary Fund and the Asian Development Bank (Severinghaus 1995:95-97).

By 1996 Mongolia's inflation was greatly reduced, and privatization moved apace. Earlier in April 1994 there was an opposition led hunger strike in the main square to protest against the government under the leadership of Prime Minister P. Jasrai. The 41 hunger strikers with their crowd of supporters demanded the resignation of the P. Jasrai government and the dissolution of the Parliament, alleging bribery and corruption. But, in fact the strike was about freeing the media. The strike lasted for twelve days. Even though one of the strikers' demands was to free national radio and television, the rural population in Mongolia had access to only government controlled radio and television. The government's continued control over television and radio was of vital importance in a country where most of the rural population did not receive newspapers. During the strike, President P. Ochirbat played a role of an ombudsman-mediator. He tried to bring democracy into practice by protecting both public and government interests. As a result of pressure from him, the government agreed to propose a free media law to allow public demonstrations and the revisions of the election law. In the meantime, the crisis was resolved by April 25th 1994 without the government having to resign.¹¹

¹⁰ Ministry of Justice and Internal Affairs of Mongolia website: <http://www.jurists.mn> (retrieved Jan 2004).

¹¹ Europa Year Book 2004: 2875-2877.

Electoral Reforms

Election and electoral systems are essential elements of a democracy. Countries moving towards democracy face major challenges in choosing the right electoral system to fit their country in historical and social circumstances and to ensure fair and competitive elections. Guillermo O'Donnell states "that fair elections are the main criterion that certifies countries as democratic before other governments and international opinion". The importance of electoral laws cannot be understated because they help to ensure that the electoral system is not corrupt. Hence, an examination of electoral system and electoral law is essential to determine whether a country is a democracy. In the case of Mongolia, one way find that the successful launch of democratization process resulted into Mongolia's parliamentary governance which has contributed to the development of a fair and transparent electoral system. However, an assessment of the quality of Mongolian democracy-building and the electoral system is required to answer to two main questions (1) Were there flaws during Mongolia's election process and (2). Did Mongolia's democracy promoters effectively pay attention to state-building concerns while building a democratic system? These questions can be answered by providing a review and interpretation of the essential elements of the election process and the results of each democratic election held in Mongolia since it began its transition to democracy in 1990 (O'Donnell 1996:44).

The Electoral System

Democratic elections should translate votes into power fairly. There is a wide variety of election systems used around the world and a given election system will not operate in the same way in all countries. The Institute for Democracy and Electoral Assistance (IDEA) describes "electoral systems as means to translate votes into party representation and allocate seats in the parliament or the legislature".¹² According to the IDEA, for electoral system design "the key variables are the electoral formula used, whether the system is majoritarian or proportional, and what mathematical formula is used to calculate the seat allocation and the size of constituencies, as well as the number

¹² International IDEA, Handbook of Electoral System Design: 1997: p.7.

of parliamentarians a district elects".¹³ The IDEA outlines three broad families of electoral systems. Among these systems, First Past the Post (FPTP)¹⁴ and Proportional Representation (PR) systems are the most popular.

It is important to review the FPTP and the PR systems to understand the efficiency of an electoral system and how to design the best system that works for the country's specific socio-political context. According to the IDEA analysis, one third of the world's countries use the Proportional Representation system. The PR system promotes multi-party participation in elections and gives opportunities for minority party representation. The purpose of the PR systems is "to consciously translate a party's share of the national votes into a corresponding proportion of parliamentary seats. While seats are often allocated within regionally-based multi-member districts, the parliamentary seat distribution is effectively determined by the overall national vote".¹⁵

In the FPTP the winner is the candidate with the most votes, but not necessarily an absolute majority of the votes. Sixty eight countries, just under one third of the world's countries that hold elections, use the FPTP systems. It is thought that the FPTP system promotes a party system with relatively few parties (sometimes only two).¹⁶

The FPTP system is also very clear and simple to use. Basically it provides a choice between different political parties and their candidates. It is a suitable system for newly democratic country without strong political institutions that have two political parties, because it produces a majority government.¹⁷ However, it should be noted that this is not always the case in multi-party systems. Elections and democracy are two sides of the same coin: "The choice of electoral system is one of the most important institutional decisions for any democracy."¹⁸ Thus we need to analyze the electoral system in terms of electoral constituencies, the number of seats, and the method of election, and we also need to delve into the actual electoral campaigns by analyzing party platforms and campaign results.

¹³ IDEA, 1997: 53.

¹⁴ The FPTP system is also known as single-member plurality system.

¹⁵ IDEA, 1997:60.

¹⁶ IDEA, 1997: 18-28.

¹⁷ The IDEA explains that when the FPTP system is used in multi-member districts, it is referred to as 'the Block Vote' in which voters have as many votes as there are seats to be filled. The highest-polling candidates fill the positions, regardless of the percentage of the vote they actually achieve. See IDEA, 18.

¹⁸ IDEA, 1997: 1.

Mongolia has carefully designed its own election system to suit its unique historical and socio-political conditions. In fact, a country in transition to democracy chooses a semi presidential institutional design in which there is sharing of power between presidential and Parliamentary governance. Mongolia now has a modified version of the FTPT system for the parliamentary elections. The Prime Minister is head of the government. Who appoints his cabinet subject to the approval of the State Great Hural. For the presidential elections, Mongolia has used the “Two-Round System.” The President is the symbolic executive of the state, elected for a four-year term. However, various parliamentary elections have been contested under different electoral rules including “a block vote system (1992), a party list and candidate list system (1996), and a first-past- the-post system (2000)” (Landman, Larizza, McEvoy 2005:42).

Two-Round Systems are a common method for electing Presidents. The “French Two-Round” System tries to ensure that the winning candidate receives an absolute majority of the vote cast, that is, over 50%.¹⁹ In a simple term, it is called the two round system because, if no candidate receives a majority in the first round, a second round vote is held in which the two top candidates compete with one candidate finally declared the winner. Elections laws help establish such electoral systems which establish regular and democratic elections. The new Constitution of Mongolia guarantees citizens the universal right to vote if they are of age 18 and over. Mongolian elections are currently governed by three separate laws, with a substantial amount of repetition and overlap of articles and provisions. The election laws are ambiguous to some extent as the terms used in the election laws have neither been clearly defined nor clearly interpreted. Following the establishment of the Constitution, the first Parliamentary Election Law was adopted in 1992. Provincial government election law and the presidential election law were approved in 1993 by the State Great Hural. The Parliamentary Election Law specifies that 76 members shall be elected to the State Great Hural of Mongolia through the use of a multi-member district majoritarian system. This multi-member district system ranges from nineteen electoral districts with four mandates each, to thirty-eight districts with two

¹⁹ The first round is conducted in the same way as a FPTP election. If a candidate receives an absolute majority of the vote, then they are elected right away, with no need for a second ballot. If, no candidate receives an absolute majority, then a second round of voting is conducted, and the winner of this round, if s/he receives a majority, is declared elected? 18-43.

mandates.²⁰ But the electoral law was amended in 1996 and initiated a single-member district system (Sanders 1992: 12). The last two elections for parliament (2000 and 2004) were held according to this amended electoral law and in coming years other election reforms had been introduced in Mongolia. Prior to the election the General Election Commission was to determine which system should be use for a particular election (Soni 2004:109-110).

Election Commission

In order to monitor elections as well as parties' finances and determine whether parties are corrupt or not, the General Election Commission was authorized to audits parties', coalition' and independent candidates' campaign accounts during and after an elections and makes sure this information is available to the public. Campaign finances had been monitored to deter political parties from passing legislations that will benefit or reward party donors (D. Burmaa 2003:1). The Law on Political Parties defines that political parties' property and income should come from membership fees, donations, entrepreneurial activities by the party, and party fund- raising activities. Donations, from individuals and business, are the main source of funding for political parties in Mongolia and increase during the pre-election campaigns. Recently, it has become customary for politicians to receive donations from the business sector. For example, some political parties such as the Mongolian Republican Party and the Motherland New Democratic Socialist Party of Mongolia are each entirely funded by a single business. This may give way to corruption as an USAID report suggests in following words:

“...usage of state resources for political campaigns constitutes a misuse of public authority for the benefit of individual or group interests (corruption) that has the added negative impact of consolidating single-party domination. The domination of a single party (and its counterpart, the weakness of opposition parties) in Mongolia, along with a Parliamentary political structure that gives significant

²⁰ The parliamentary election law stipulates that candidates should be at least 25 years old to be elected member of the State Great Hural and independent candidates should receive the support from a minimum of 801 eligible voters to be nominated. Many reforms have been made to election laws that include regulating campaign expenses. See The State Great Hural Election Law, Article 7.2, December 2005, General Election Commission (Ulaanbaatar, Mongolia), 2.

executive power to the dominant party in the legislature, constitutes a major roadblock to reform of the conditions that foster corruption".²¹

Mongolia's constitution calls for a General Election Commission. This Commission, appointed by the parliament, is a highly independent institution.²² The Election Commission's mandate includes organizing and monitoring all elections and referendums in Mongolia. Since its establishment it has organized and conducted five parliamentary elections and four presidential elections.²³ Although the Parliament and President appoint Commission members there have been instances when more than 70% of the Commission members have belonged to a single political party (The Chairman and all seven Secretaries have been members of the MPRP since the establishment of the Commission). Ten out of fifteen members of the Commission appointed since 1992 were MPRP members and five were non-partisans. For example, during the 1996 elections, eight members of the Election Commission were MPRP members. This occurs because the Election Commission appointments are primarily given to members and supporters of the party that dominates the incumbent parliament. However, opposition complaints were raised in many places about the inclusion of MPRP members on electoral sub-district as non-partisans.²⁴ As discussed earlier the Commission has the right to inspect finances, monitor the financial flows of campaign funds, and audit if necessary.

During the period of the elections, district and regional commissions as well as their branches and sub-commissions are established. Monitoring has been conducted based on relevant articles and provisions of the Parliamentary Election Law, Anti-Corruption Laws, and the Laws on Public Services and Political Parties. All these overlapping laws prohibit the abuse of state resources and media resources during election campaigns, especially the use of human and material assets, including property, equipment and funds that belong to government institutions. For instance, Article 41 of the Parliamentary Election Law, in particular, prohibits candidates from receiving, during

²¹U.S. Agency for International Development, USAID, 'Assessment of Corruption in Mongolia Final Report', August, 2005, 16.

²²Before the 2006 revision of the General Election Commission Law, the Commission consisted of eleven appointed members. After 2006, it was reduced to nine

²³The Parliament appoints the Commission's Chairman and the Secretary. The President of Mongolia together with the Supreme Court appoints the remaining nine members of the Election Commission to six year terms. See General Election Commission Law, The State Great Hural, 2006, General Election Commission's English translation version (Ulaanbaatar, Mongolia), 1-8.

²⁴ See at: <http://www.gec.gov.mn>.

the election campaigns, donations from governmental organizations or private enterprises that own state properties.²⁵ However, these provisions are frequently not enforced. But USAID report reveals the following:

Personnel are often blatantly fired without consideration for civil service hiring and removal practices. They are then replaced by staff chosen on the basis of political patronage, including those who worked or contributed to the campaigns, regardless of whether or not they possess the capabilities or skills required by the jobs to which they are assigned (USAID 2005: 12).

If any violation has taken place before the General Election Commission, the Supreme Court is asked to deal with these more complex election complaints. Despite minor infractions, we find that Mongolia moved along the path to becoming a successful democracy during the period of this study. Main pillars of democracy and its sub-categories can be understood through Table 1, which is as follows:

Table 1

Main Pillars	Sub-Categories
Citizenship, Law, and Rights	Nationhood and citizenship The rule of law and access to justice Civil and political rights Economic and social rights
Representative and Accountable Government	Free and fair elections Democratic role of political parties Government effectiveness and accountability Civilian control of the military and police Minimizing corruption
Civil Society and Popular Participation	Media in a democratic society Political participation Government responsiveness Decentralisation
Democracy Beyond the State	International dimensions of democracy

Source: - Beetham, Bracking, Kearton and Weir, 2002: 16; 64-66; www.idea.int.

Multi-Party Elections

The first Congress of the MPRP held indirect elections. However, an amendment to the 1940 constitution introduced direct elections. But in 1960, the Mongolian legislative body, the upper house, became the People's Great Hural with 370 deputies (Sanders 1990:507-510). The first democratic multi-party upper house proportional

²⁵ The State Great Hural Election Law, Article 7.2, December 2005, General Election Commission Ulaanbaatar, Mongolia, 23.

representation election was held in July 1990. In 1990, reforms negotiated by the Democratic Party resulted into resulted into the MPRP successfully introducing free elections and building democratic state institutions through into the new Constitution of Mongolia. Before 1990, the provisional parliament consisted of two-chambers, with a 430 member directly elected to lower house (The People's Great Hural) and 50 members indirectly elected members to upper house (The State Little Hural). The number of seats allocated to each party in the upper house had to be proportional to the number of seats held by the party in the lower house (Schafferer 2004:1).

In the 1990 election for upper house members, the MPRP was allocated 31 seats, the Democratic Party was given 13 seats and the Social-Democrats and the National Progress Party received 3 seats each out of total 50 seats (Heaton 1992:50-51). The State Little Hural and President P. Ochirbat established the Constitution Drafting Commission and in January 1992, a new Constitution was adopted ensuring human rights, and free and fair elections. The old two chamber parliament system changed to a one chamber parliament, and reduced the number of members from 430 to 76, elected for a four year term. The law stipulated that 76 members shall be elected by plurality vote in 26 multi-member electoral districts each with either two or four mandates (Batbayar 1993:61-62).

Elections in 1992 and 2000 demonstrated the importance of forming a democratic coalition. To be a strong opposition to the MPRP (which had existed for 80 years and had developed a plethora of grassroots structures, funding, members and experience), a coalition among the contesting parties was necessary. Also the contending parties were still relatively inexperienced, and unless they united into a coalition, they endangered splitting the opposition vote. This was the case in the 1992 and 2000 elections when, despite the fact that they received more than 45% popular vote, they ended with only four to six seats in parliament per contending party (Soni in Chatterjee and Sengupta 2011:266-269). In order to beat the MPRP, parties had to "form" against the former communists and not on a particular ideology. This explains why the democratic parties easily split after the elections (Since 1990, a total of nine parties merged together inside the United Democratic Party).

During the period of this study Mongolia has held three Parliamentary elections in 1992, 1996, 2000 and three Presidential elections in 1993, 1997 and 2001. While the Democrats won the Presidential election in 1993, the MPRP won the other three Presidential elections held a year after the Parliamentary elections. The MPRP won a majority in 1992 and 2000 parliament elections, while the Democratic coalition won the 1996 parliamentary elections.

The 1992 Parliamentary and 1993 Presidential Elections

On June 28, 1992, in the first parliamentary elections of the transition period, 76 members ran in twenty-six multi-member districts in accordance with the new Constitution and the State Great Hural Election Law that was adopted in April 1992. Mongolia had 18 provinces that formed constituencies and three big cities, Darkhan and Erdenet, which form one constituency each, and the capital Ulaanbaatar city, which comprised of six constituencies. Successful candidates were chosen on the plurality basis (Batbayar 1993:61-62)

Before the election, the political party law was approved by the parliament so that contesting parties officially registered by April 1992 could run in the election. Two coalitions and eight parties were registered to run in the first multi-party election. The first coalition, Democratic Alliance, consisted of the Mongolian United Party, the Mongolian Democratic National Progress Party and the Mongolian United Party. The second coalition was comprised of the Mongolian Democratic Believers Party and the Mongolian People's Party (Schafferer 2004:2). The remaining eight parties ran independently.²⁶ "In the elections of 1992, 275 out of 293 candidates were from 10 parties/coalitions and the other 18 were independent candidates" (Yadamsuren 2002:104). The MPRP won 70 of the 76 seats in the State Great Hural, through it received only 56 % of the popular vote. The Democratic Alliance got four seats and the MSDC one seat, and one independent candidate was elected. The one independent and the opposition parties' four MPs belonged to the group of the first ten democrats who

²⁶ These eight parties included: the MPRP, The Religious Democratic Party, the United Herdsmen and Farmers Party, the United Private Owners Party, the Mongolian Party of Independence, the Green Party and the Mongolian Capitalists, Party

formed the democratic movements in Mongolia.²⁷ The opposition vote was split among a broad number of parties and coalitions. According to the IDEA,

“...in Mongolia in 1992 the Block Vote system allowed the ruling Mongolian People’s Revolutionary Party to win 92 percent of the seats with only 57 percent of the votes. This was considered by many to not merely unfair but dangerous to democracy, and the electoral system was consequently changed for the elections of 1996” (IDEA 1997 11-12).

The IDEA and Electoral Knowledge Network (ACE) define a Block Vote as “simply the use of plurality voting in multi-member districts. Voters have as many votes as there are seats to be filled in their district, and are usually free to vote for individual candidates regardless of party affiliation.” The Block Vote system worsened the chances for the opposition and this system was used only once. The MPRP received approximately 60% of the vote from the twenty country constituencies. Most candidates were MPRP leaders and well-known party members. Local Communist leaders in the countryside were more widely recognized and popular, and people in rural areas were all MPRP members. A new Government with a new policy towards economic reform was formed under P. Jasrai of the MPRP.²⁸

Since one party had dominated Mongolian politics and the entire country for seventy years. This dominance was one of the reasons why the Democrats were defeated. They found it difficult to establish contact with a highly dispersed rural population. These difficulties included the underdeveloped transportation infrastructure, and the lack of media and information available to rural Mongolians. This particular election was assessed as free and fair and democratic forces took some seats in the parliamentary election which helped enhance democratic reforms.

On June 6, 1993, Mongolia had its first free multi-party presidential election.²⁹ Only parties holding seats in the State Great Hural were allowed to nominate Presidential candidates, who then participated in the two-round Presidential election. Although, voters did not have a substantial knowledge of Presidential power or the President Election Law, voters’ turnout was high at 92.7% (Yadamsuren 2002:104).

²⁷ They were: S. Zoring, Ts. Elbegdorj, R. Gonchigdorj, A. Ganbaatar and D. Ganbold.

²⁸ IDEA 1997:12.

²⁹ See Appendix II

The former President P. Ochirbat, was rejected as the MPRP candidate and so he joined the Mongolian National Democratic Party. The Democratic Alliance accepted him as their candidate for the Presidential election. P. Ochirbat was re-elected for a second term as president with 58% of the votes. His competitor, L. Tudev³⁰ received 38% of the vote (Ginsburg 1995:468). For P. Ochirbat the loss of his MPRP party membership provided him with a good opportunity which allowed him the chance to be re-elected in cooperation with democratic forces. P. Ochirbat's charismatic personality equipped him well to serve as President and he managed to strengthen his reputation during his presidency. There were several reasons why he was able to receive voters' support and improve his reputation; including the fact that people thought it would be a bad idea to change the President frequently during the transition to democracy. Rather than basing their vote on personal characteristics, L. Tudev's supporters believed that he would consider the country's best interests while in power (Khayanhyarva 2002:115).

The first presidential election proved that democracy in Mongolia had been strengthened and gave citizens the opportunity for meaningful choice. The majority of the population from the big cities, as well as Central, Gobi and Eastern provinces, supported the Democratic Party member P. Ochirbat, while the Western provinces voted for the Communist MPRP member L. Tudev, Ochirbat won 14 of 18 provinces (Ginsburg 1995:469). The first Presidential election played a significant role in establishing a balance between the Presidency and the Parliament. The outcome of this election saw the Communist party come into executive power and the democrats gain control of the parliament. Thus, this Presidential election made a balance between the two major political forces and that strengthened the democratic transition (Batbayar 1994:41-42).

The 1996 Parliamentary and 1997 Presidential Elections

The democratic transition period continued and in 1996 the parliamentary election was conducted by FPTP in single-member districts. Article 26 of the Election Law, revised in January 1996, and divided Mongolia into 76 single member districts with one candidate chosen from each constituency. "In the elections of 1996, 267 out of 302 candidates were from 7 parties/coalitions and there were 35 independents." The

³⁰ (Tudev was the editor of the MPRP party newspaper "Unen" [Truth] which was the Mongolian newspaper equivalent to the Russian *Pravda*)

Mongolian National Democratic Party (MNDP) and the Mongolian Social Democratic Party (MSDP) formed a coalition called the Democratic Union Coalition (DUC). This party defeated the former communist party, the MPRP, winning an overwhelming victory (Severinghaus 2000:130-132).

The coalition used the 1994 “Contract with America” (In comparison with the Republican Platform in the United States, the 1992 Mongolian elections were presented as a right-wing platform) as a model for the “Contract with the Mongolian Voters.” The Contract was the most widely disseminated document in Mongolian history, with numerous promises for sweeping political, economic, and social reforms.³¹

Although its election platform’s promises sound unrealistic, for the first time in Mongolian history democrats won a parliamentary election and the DUC gained 50 of the 76 seats in the State Great Hural. The voter turnout was 92%.³² As Ginsburg describes,

The new Hural, with an average age of 38, reflected the youth of the country. Seven of the new MPs were women, up from three in previous Hural but down from the 20% mandated in the one-party period. Seventeen of the new MPs were in private business or were leaders of NGOs, reflecting the rise of civil society as an important political force.³³

Most elected parliamentarians were well known DUC party members who had actively taken part in the pro-democracy movement. The 25 elected MPs from the MPRP were former MPs in the 1992-1996 Parliaments. However, this election victory brought various challenges and difficulties for the democrats because experienced MPRP bureaucrats and well qualified professionals were replaced with the younger and less-experienced DUC party members. Former MP and economist, Mendsaikhan Enksaikhan, head of the DUC, was elected as the new Prime Minister. The new government introduced judicial reforms and radical economic reforms, freed the media, and strengthened and legal system. Fortunately, the transition from the incumbent to the Democratic Union proved to be peaceful and smooth, an important step toward democratic consolidation, because the communist party was voted out of power and the opposition democrats were voted in. Thus democracy was further consolidated and strengthened in Mongolia.³⁴

³¹ International Republican Institute, Mongolia Parliament Election Observation Mission Report, 2000: 10.

³² See Appendix 111, V.

³³ Ginsburg, Tom ‘Mongolia in 1996: Fighting Fire and Ice’, *Asian Survey* 37: 1 (January 1997): p 61.

³⁴ *Europa Year Book* 2004: 3117-3118.

Mongolia's democratic transition period continued into the second Presidential election in 1997. Three candidates were nominated from the parties holding seats in the Parliament. N. Bagabandi, the former speaker of the State Great Hural, was nominated by the MPRP and P. Orchirbat was nominated by the Democratic Alliance, while Jambin Gombojav was nominated by the Mongolian United Conservative Party. On May 19, 1997, N. Bagabandi, won the second Presidential election, President N. Bagabandi used his power of veto to reject several candidates nominated for Prime Minister by The Democratic Coalition. Meanwhile, the Coalition was blamed for this unstable situation and for dismissing four Prime Ministers and cabinets within four years.³⁵ He was supported by 60.8% of the electorate on a platform that proposed to slow down the rapid political and economic reforms undertaken by the previous government. Incumbent President P. Ochirbat of the Democratic Union split the remaining vote by 29.6% with J. Gombojav who received 7.7% of the vote. Once again, there was a high turnout of 85% of the 1.1 million eligible voters (Khayanhyara 2002:120, 122).

N. Bagabandi had strong financial and media support from the MPRP. His competitor J. Gombojav had extensive experience working in the rural areas, so he received votes from herders. On the other hand, incumbent President P. Ochirbat relied on his personal charisma and a platform that focused on economic reforms such as tax free imports; this proved very attractive to voters (Soni 2008: 15-16). Yet, P. Ochirbat was not sure whether he would receive the same support that he had gathered during his first Presidential victory.

The Democrats, however, could not find any other reputable candidate who could meet the age requirement of 45 years under the Presidential Election Law. This election result also proved that the voters' preference could shift dramatically from one political party to another. Voters considered the candidate's official position, party affiliation and past political performance. This is a strong indication that Mongolian voters are prepared to see regime change and indicates that the ongoing new elections are genuinely democratic and that the transition to democracy continued successfully (Severinghus 2000: 130-132).

³⁵ See Appendices II.

The Parliamentary Election of 2000 and the 2001 Presidential Election

On July 2, 2000, the third parliamentary election returned political power to the MPRP (Soni 2004: 109). Twenty of Mongolia's 24 political parties participated in the election, either independent or in a coalition.³⁶ The three parliamentary parties—the MPRP, the MNDP and the MSDP—all ran 76 candidates. Critically, the Democratic Union Coalition broke apart and the MSDP decided to compete in the election on its own. MPRP candidates ran under their party symbol, rather than as individuals. Voters chose between parties, rather than between candidates. The MNDP parliamentary fraction formed the Mongolian Democratic Party.³⁷ Soon after, the Democratic Union Coalition with the Citizens' Will Party was formed. In all fifteen political parties and coalitions took part in the 2000 elections.³⁸

“The election resulted in a massive victory for the MPRP, with 72 out of 76 seats, through it received only 50.3% of the vote, and despite the fact that the democratic force received 46% of the electorate” (Soni 2008:40). The MPRP had nominated eight women candidates who were all elected as members of the parliament. One member of the MNDP, former Prime Minister J. Narantsaigal, was one of only four non-MPRP MPs elected. Another was S. Oyun, head of the Citizens' Will/the Green Party Coalition, re-elected from constituency in Dornod province. The third was B. Erdenebat, chairman of Mongolian New Socialist Democratic Party, who won election in Ulaanbaatar. A single independent, L. Gundalai, won with 41.57% of the vote in Khuvsgul province (Yadamsuren 2002:103-104).

There are several reasons for the defeat of the democrats. First, in a four-year period four Governments had been formed. This displayed a degree of instability and a failure to provide leadership. Second, the various governments had made a series of mistakes on economic reform. Third, the Coalition had split before the election and each party ran an independent slate of candidates. Therefore, the democrats had not fulfilled the people's expectation. Although almost 50% of the people argued that living

³⁶ See appendix III, V.

³⁷ IDEA, 55-75.

³⁸ International Republican Institute, Mongolia Parliament Election Observation Mission Report, Washington D.C: IRI, July, 2000: 20.

conditions under the communist regime were better than during the democratic transition period, “voters’ feeling also seemed mixed about Mongolia’s communist past; the majority said that a return to communism was not a desirable choice.”

During the election, the most important concern of the Mongolian people were unemployment and poverty. Furthermore, one party had controlled the government for almost 70 years and it had been difficult to beat. It had local-level organization, the support of some national newspapers and the people’s habits in voting for it. Half of the MPs nominated from the MPRP were former MPs while the other half were new to the parliament. This shows that people trusted the MPRP by voting for incumbent MPRP members of the parliament. New opposition parties and candidates clearly had no experience in policy-making whereas the MPRP members did. The MPRP was trusted as Mongolians expressed a strong culture of support for well-educated experienced individuals during election.

Party platforms are important in analyzing competing parties’ goals during elections. Political platforms offer a good indication of the possible future government program. Some of the parties’ slogans and platforms that were circulated throughout the 2000 election indicate that the slogans to helped people to take make decisions; despite the fact that some people became cynical that parties could not keep their promises during the election campaign. For example, the MPRP slogans were “Let’s recover the State from the crisis and reduce the people from poverty”.³⁹ The MPRP focused on the instability of the previous coalition government. Also the party’s platform emphasized its commitment to build the Millennium Road, a two-lane Asphalt highway across Mongolia. The Millennium Road project was to be completed by 2001. With its completion, the country was to connected with Central and Northeast Asia. Promises of the Millennium Road project attracted many votes.⁴⁰

The Citizen’s Will Party/Green Party Coalition slogan was, “It will depend only on your civic courage”.⁴¹ The new coalition platform was focused on the rule of law, and transparency accountability in governance. The MNDP slogan was “Your choice is the

³⁹ International Republican Institute, 2000: p 10.

⁴⁰ Christopher Frinch, Mongolia in 2001: Political consolidation and continue Economic Reform, Asian Survey, January/February 2002, Vol. 41(1): 43.

⁴¹ IRI, 2000: p 20.

Future of Mongolia". The slogans of the Motherland-Mongolian New Socialist Democratic Party (MNSDP or EREL Corporation) was "Believe in Yourself and Do It Yourselfes," however its reputation was centered on chairman B. Erdenebat who also owned the sole business that funded his party (Yadamsuren 2002:21).

When the MPRP came to power the new Prime Minister and Chairman, N. Enkhbayar officially stated that the new government would not introduce major changes in the transition process. The MPRP General Secretary, L. Enebish, became the new Speaker of Parliament. It was very hard, however, for the opposition to oppose the MPRP in government or in Parliament because the MPRP had control over both Parliament and the Presidency. This example demonstrates that power shifted from the more authoritarian to the democratic forces in alternative elections without a major disruption in the transition to democracy.⁴²

The international Republican Institute observers and other international delegations observed the entire electoral process in the 2000 parliamentary election. They evaluated the whole election process starting from the pre-election period, election-day, the counting of ballots and until the transfer of power. Their report claims that "the ongoing support of international NGOs such as the International Republican Institute, Konard Adenauer Foundation, Open Society/Soros Foundation, USAID, the Asia Foundation and others has been critical in helping build the opposition's election strategy and efficiency, in teaching citizens how to hold fair elections, and in encouraging all political parties to publicize their platform".⁴³ In general, the observers did not notice any systemic electoral irregularities, but there were some minor issues such as the lack of uniformity in voter registration, problem in the distribution of voter identity cards, the counting of absentee ballots and the improper use of mobile boxes.

Following the surprising result of the 2000 election, there was another important political event-the Presidential elections held on May 20, 2001.⁴⁴ In the run-up to the election, Presidential candidate R. Gonchigdroj, former Social Democratic Party leader and 1996-2000 State Hural Speaker, defeated former National Democrat and Prime

⁴² (See www.idea.int).

⁴³ IDEA, 1997: p 66-67.

⁴⁴ See appendix II.

Minister M. Enksaikhan and won the nominations as the newly-united Democratic Party's presidential candidate. The Citizen's Will Party formed a coalition with the Mongolian Republican Party to nominate L. Dashtam as its candidate for the Presidency. Ultimately, the Democrats' newly found unity was not enough to unseat N. Bagabandi, who won handily with 58% of the vote, compared with 36.5% for R. Gonchigdorj. The third contender, Dashnyam garnered 3.5% of the vote (Finch 2002: 40).

The Presidential election victory enhanced the MPRP's political dominance. They made unpopular and painful decisions to liberalize Mongolia's economy during that time, but four successive Democratic Coalition governments marked their rule by a corruption case and political stalemate exacerbated by the MPRP for and failure to improve the standard of living (Finch 2002: 41).

Despite the Democratic Party's appeals for a balance of power between the Presidency and the Parliament, the MPRP incumbent President N. Bagabandi won in an election that was widely viewed as free and fair. The MPRP, which adopted a social democratic doctrine in 1997, had worked to show the republic and the world that the party had its communist roots behind. They deepened the democratization, initiated economic reforms and generally maintained the environment of political and economic openness that Mongolia has been enjoying (Severinghaus 2000:132).⁴⁵

Both the 2000 and 2001 election returned political power to the MPRP at the Parliamentary and Presidential and levels. These elections demonstrated that peaceful transitions occurred in Mongolia, and also proved that elections became an important part of Mongolia's transition to democracy. The fact that the parliamentary elections resulted in political power changing hands from the MPRP to the Democrats in 1996, and then back to the MPRP in 2000, demonstrates that Mongolia confers with the third stage of the second assumption, for example, Mongolia is consolidating democracy according to the transition paradigm which is critiqued by Carothers.⁴⁶ The following Table shows the reforms taken place in Mongolia from 1990 to 2001

⁴⁵ See Appendix II.

⁴⁶ See details in Thomas Carothers, "The End of Transition Paradigm," *Journal of Democracy*, Vol.13, and January 2002: 15-17.

Table 2

<p>1990 - Street demonstrations force resignation of the Mongolian People's Revolutionary Party (MPRP) Politburo. Political parties are legalized. Elections to the Great Hural (parliament) are won by the MPRP, but 19 of the 50 seats in a new standing legislature go to non-communists.</p>
<p>1992 - Mongolia's new constitution gives first place to human rights and freedoms. In the first democratic elections the MPRP wins 71 of the 76 seats in the new single-chamber Great Hural.</p>
<p>1993 - The first direct presidential elections are won by Ochirbat; nominated by the National and Social Democrats.</p>
<p>1996 - The National and Social Democrats win 50 seats in the Great Hural elections, but the MPRP can deny a quorum, hindering passage of legislation.</p>
<p>1997 - MPRP candidate Bagabandi wins presidential election.</p>
<p>2000 - After the democrats form three new governments in two years the MPRP wins 72 seats in the Great Hural elections. The National and Social Democrats and three other parties form a new Democratic Party.</p>
<p>2001 February - UN launches appeal for \$8.7m (£6m) to support herders suffering in worst winter conditions in more than 50 years.</p>
<p>2001 May - President Bagabandi re-elected.</p>
<p>2001 October - IMF approves nearly \$40 million in low-interest loans over next three years to help tackle poverty and boost economic growth.</p>

Sources:- Story from BBC News: http://news.bbc.co.uk/go/pr/fr/-/1/hi/world/asia-pacific/country_profiles/1235612.stm.

Role of Civil Society in Mongolia's Political System

The role of civil society is crucial to a country's development. In the 1980s, one third of the world's countries were democracies, whereas by the 1990s, in a great wave of change, two-third of world's nations had become either democratic or were on a path towards democracy. In this process, the role of civil society, Media and NGOs are

essential. Civil society means, to include all groups, and organizations in a society, so long as they are to some degree outside the state, the family, and the market. Thus the term includes business associations and labour unions, environmental groups, and women's organizations. These NGOs are gaining significance as actors in decision making in countries around the globe, and they increasingly linked to another in trans-border advocacy networks. The IT (information technology) revolution is a critical factor for boosting the role of NGOs through, for example, making it easier for staffer to stay in touch with members and with potential sources of funding, and increasing an NGOs access to information about what is going on inside and outside the country. But governments also play a vital role by creating a legal and regulatory environment that allows NGOs to flourish. NGOs around the world are becoming linked to one another. Cumulatively one result is the rise of an international civil society. Mongolia is very much part of this process of the change that is going on in and among countries in Asia and elsewhere. A major development over this first decade of democracy in Mongolia has been the rise of NGOs, are playing a vital role in the consolidation of Mongolian democracy.⁴⁷

In a society where democracy is proclaimed as fundamental goal, no initiative or reform will be successful without the active participation of citizens. The creation of these conditions is a prime goal of government organizations. Such principles as openness of any kind of information, accountability of governmental organizations to citizens, and responsiveness to the opinion and suggestions of citizens' organizations are the main mechanisms for the establishment of a civil society. In other words, governmental organizations should be under the control of citizens. "It is called a check and balance system."⁴⁸ If there is no control, or the control exists only on paper, corruption and the abuse of power will flourish. In the context of Mongolia, where equal relationships between the state and citizens have not yet been established and the government does not respect citizens, citizens criticize the government only among themselves but in fact the fear the government and officials. But these are the problems

⁴⁷ See details in Mongolia's Political and economic Transition: challenges and Opportunities, The Asia Foundation, Ulaanbaatar, September 2000 Commented by Susan J. Pharr, Edwin O. Reischauer.

⁴⁸ See details in Mongolia's Political and economic Transition: challenges and Opportunities, The Asia Foundation, Ulaanbaatar, September 2000 Presented by R. Narangerel.

usually occurring in a transition period. All these positive developments have been taken place in Mongolia during the democratic period. Hence, it is obvious that there is a substantial increase in citizen's initiative and participation.

NGOs play a crucial role in the establishment of a civil society. The creation and successful programs and activities of NGOs are examples of the solid foundation for further development of civil society in Mongolia. Many citizens are unifying their efforts and creating volunteer organizations to initiate activities that the government, in this economically difficult period of time, cannot handle. NGOs are people's voice. Particularly today, in the conditions of Mongolia, when power is in hands of one political party, NGOs should take on its shoulder the responsibility of the opposition. Thus NGOs acts as arbitrators with the government in order to ensure democracy.⁴⁹

During the democratic transition period, Mongolian government firstly took initiative to free media and press which play a prominent role to democratic development of the country. The number of civil society organizations increased dramatically during the period of transition. By 2000, there were over 1800 NGOs registered with the Ministry of Justice and International Affairs (MJIA), and commentators consider the 1997 NGO law as particularly enlightened and favorable to the growth of civil society (Severinghaus 2001: 64). Within civil society, journalist and women's organization are the most vigorous and well-developed. The union of Mongolian journalist has been active in lobbying for less state control of the media, while the Press Institute of Mongolia has been active in educating and professionalizing young journalists. The Woman's Lawyer Association and the Liberal Woman's Brain Pool (LWBP) are examples of strong women's NGOs. In addition, some of these groups received foreign support, including funding from the Soros foundation for the Press Institute and the Asia Foundation and National endowment for the LWBP (Fish 1998: 136-137).

However, it has been noticed today that despite the vibrancy of civil society and levels of participation in the electoral process, there remains a significant degree of separation between the demands and activities of Mongolian citizens and the response of government. There has not been the establishment of a culture or process of public

⁴⁹ See details in The Asia Foundation, Ulaanbaatar, September 2000 Presented by R. Narangerel.

consultation on government policy and legislation and Mongolia has yet to enact freedom of information legislation. The general public has more confidence in the President than in Parliament, and they have low levels of trust in political party organizations, which may reflect some lack of connection among party leader, party representatives and party members and supporters.

CHAPTER 3

DEMOCRATIC EVOLUTION OF MONGOLIAN FOREIGN POLICY AND ITS DETERMINANTS

As already mentioned in the introductory chapter, Soviet leader Mikhail Gorbachev came to power in 1985 and introduced the policy of *Glasnost* and *Perestroika*. The ensuing process of reform and restructuring in former USSR's domestic and foreign policy has had inevitable impact over Mongolia. This process of Soviet style reforms and restructuring through *Il tod and Orchilan baigalalt* began in Mongolia in 1988, which allowed the government to discuss ongoing problems and mistakes. Thus, the reforms were required not only domestic political, social and economic fields but also in the foreign affairs. In the meantime, the demise of the former USSR in 1991 and the end of the Cold War altered the geopolitical environment of Mongolia and left it in a great power vacuum. But in 1992 when Mongolia adopted a new constitution known as fourth constitution replacing the 1960 constitution the country embarked on a new beginning towards democratization. The key element of the new constitution emphasized on "establishment of democracy." Such as the two chambers Parliament (Great Hural) became unicameral (State Hural) comprising 76 deputies. But such reform process towards democracy and market economy warranted a drastic shift in the strategies, purpose and priorities of the country's foreign policy. Hence, Mongolia abandoned "Satellite State" foreign policy and developed an independent, non-aligned, multi-pillar, open foreign policy concept based on guidance by its national interests.

Evolution of New Mongolian Foreign Policy

As a part of reform process domestic and external scenario underwent a drastic change during the democratic transition, Mongolia's security and foreign policy objectives too figured prominently among the country's think-tanks (Soni 2006:27-39).¹ It was then understood that Mongolia's national security could only be unilateral, bilateral and multilateral measures. In June 1994, Mongolia made radical changes in its national security and Foreign policy Concepts as well as the Military Doctrine, which were finally endorsed by the Mongolian Parliament. The overall concerns for Mongolia's security thus aimed at achieving favorable internal and external conditions for ensuring vital national interests, which include the existence of the Mongolia people and their

¹ For more details See Soni, 2006: p. 27-39.

civilization, the country's independence, sovereignty, territorial integrity, inviolability of state frontiers, relative economic independence, sustainable ecological development and national unity.²

Determinants of Foreign Policy³

General Provisions

1. Independent and sovereign Mongolia, in terms of its state structure, is a unitary State upholding rights, freedoms and free economy; in political and geographical respects, it is a developing country in Asia, landlocked between two great powers. Mongolia's foreign policy shall be based on its national interests, as defined in its Constitution; the country's specific external and internal situation constitutes the basis for determining its foreign policy objectives, principles and priorities.
2. Mongolia's foreign policy objectives reside in ensuring its independence and sovereignty by following the trends of human society's advancement, maintaining friendly relations with all countries, strengthening its position in the international community and forming with influential countries in the region and in the world a network of relationships based on the interdependence of political, economic and other interests.
3. Mongolia shall pursue an open and non-aligned policy. While following a policy of creating realistic interest of the developed countries in Mongolia, it will seek to avoid becoming overly reliant or dependent on any particular country.
4. In formulating Mongolia's foreign policy and determining its priority directions and objectives, flexible approach shall be applied, paying close attention to the development of international relations and to the regional and world political situations.

² Concept of National Security of Mongolia, 1996: p. 173.

³ Mongolia's Foreign policy objectives have been taken from '*Concept of Mongolia's Foreign Policy*', Ulaanbaatar, 1999:36-46.

5. The priority of Mongolia's foreign policy shall be safeguarding of its security and vital national interests by political and diplomatic means, and creating a favorable external environment for its economic, scientific and technological development.

6. Considerations of foreign relations shall be in political, economic, scientific, technological, cultural and humanitarian fields of foreign policy.

Mongolia's Foreign Policy in the Political Field

1. Mongolia's foreign policy in the political field is an important instrument for ensuring and strengthening its security. Thus its results will be measured first and foremost by how the country's security and independence interests are met, and to what extent its international position has been strengthened and its prestige enhanced.

2. In developing its relations with other countries, Mongolia shall be guided by universally recognized principles and norms of international law as defined in the Charter of the United Nations, including mutual respect for each other's sovereignty, territorial integrity and inviolability of frontiers, right to self-determination, non-interference in internal affairs, non-use of force, settlement of disputes by peaceful means, respect for human rights and freedoms, and equal and mutually beneficial cooperation.

3. In its foreign policy Mongolia shall uphold peace, strive to avoid confrontation with other countries and pursue a multi-base policy. While always championing its national interests, it will at the same time respect the legitimate interests of other countries and its partners. Mongolia will not interfere in the disputes between its two neighboring countries unless the disputes affect Mongolia's national interests. It shall pursue a policy of refraining from joining any military alliance or grouping, allowing the use of its territory or air space against any other country, and the stationing of foreign troops or weapons, including nuclear or any other type of mass destruction weapons in its territory.

4. Mongolia shall seek to guarantee its interests in the international arena through bilateral and multilateral treaties and agreements. Mongolia shall respect and observe international law, and fulfill in good faith its obligations under international treaties.

5.As a member of the world community Mongolia shall strive to make active contribution to the common cause of settling pressing regional and international issues. In doing so, it shall be guided primarily by its national interests, values and fundamental principles.

6.In implementing its foreign policy, Mongolia shall be guided by the following:

a) Maintaining friendly relations with the Russian Federation, People's Republic of China shall be priority directions of Mongolia's foreign policy activity. It shall not adopt the line of either country but shall maintain in principle a balanced relationship with both of them and shall promote all-round neighborly cooperation. In doing so, the traditional relations as well as the specific nature of our economic cooperation with these two countries will be taken into account.

b) The second direction of Mongolia's foreign policy activity shall be developing friendly relations with highly developed countries of the West and East such as the United States of America, Japan and the Federal Republic of Germany. At the same time it will also pursue a policy aimed at promoting friendly relations with such countries as India, the Republic of Korea, Thailand, Singapore, Turkey, Denmark, the Netherlands, Finland, Austria, Sweden, Switzerland and at creating and bringing to an appropriate level their economic and other interests in Mongolia.

c) The third direction of Mongolia's foreign policy activity shall be strengthening its position in Asia and securing a constructive participation in the political and economic integration process in the region. Within the framework of this objective, greater attention shall be given to Asia and the Pacific region, in particular to North-East and Central Asia. Mongolia shall take an active part in the process of initiating dialogues and negotiations on the issues of strengthening regional security and creating a collective security mechanism. It will strive to become a member of the Asia, Pacific Economic Cooperation forum (APEC). Prerequisites for participating in regional integration shall be created primarily through expanding and promoting bilateral relations with the countries of the region.

d) The fourth direction of Mongolia's foreign policy, activity shall be promoting cooperation with the United Nations Organization and its specialized agencies, and with international financial and economic organizations, including the International Monetary Fund, the World Bank and the Asian Development Bank.

c) The fifth direction of Mongolia's foreign policy activity will be developing friendly relations with countries of the former socialist community, as well as the newly independent states. When developing relations with these countries, a flexible approach will be adopted, reinforcing the positive legacy of our past relations while at the same time taking into account the potential of promoting relations in conformity with the new circumstances. Particular attention will be given to promoting relations with Poland, Hungary and the Czech Republic in Eastern Europe as well as with Kazakhstan, the Ukraine, Belarus, Kyrgyzstan and Uzbekistan.

f) The sixth direction of Mongolia's foreign policy activity shall be developing friendly relations with developing countries and cooperating with them, as much as possible, in the solution of common objectives. Beyond the framework of bilateral relations with these countries, this task will be realized mainly through cooperation within the framework of international organizations and movements, such as the United Nations, the Group of 77 and the Non-Aligned Movement.

7. The placement of Mongolia's plenipotentiary (diplomatic) representatives abroad shall be carried out with due regard to directions of foreign political relations so as to ensure conditions for their implementation.

8. Assignment of highly qualified and competent personnel from the economic, scientific and technological spheres to Mongolia's diplomatic missions abroad shall be deemed a matter of principle.

Economic Foreign Policy

1. The fundamental objective of Mongolia's policy concerning foreign economic relations lies in the optimal use of external factors to adequate solutions to long-term and

current economic goals in the light of the concept of sustainable development and in eventually securing a proper place for its economy in regional economic integration.

2. In developing economic relations and cooperation with foreign countries, Mongolia, while safeguarding against any adverse impact on its economic security and against becoming dependent on any given country, shall pursue a policy designed to ensure conditions leading to equality, mutual benefit and faithful fulfillment of obligations, freedom political and other pressures, based on the principles and norms of international economic relations.

3. In the implementation of projects connected with establishing economic, customs and trade special zones, joint ventures or enterprises with full foreign investment or with granting concessions, their political and economic consequences shall be thoroughly examined to ensure that they do not adversely affect the country's economic security and that they will bring economic gains.

4. In selecting partners in the implementation of projects of crucial importance to the national interests, political interests shall have a significant role to play.

5. External debt issues shall be settled without detriment to national economic security, and loans will be accepted on the basis of a thorough assessment of guarantees of their repayment and effective utilization.

6. In developing foreign economic relations, Mongolia shall adhere to the following main guidelines:

a) Foreign economic activities should be focused on enhancing the country's potential, increasing export resources, developing economic infrastructure and producing import substituting goods;

b) Mindful of the need to modernize the economy, presently dominated by raw materials production, and to develop basic sectors conducive to building a rational structure, measures will be taken to achieve the most effective level of processing minerals as well

as raw materials of animal and plant extraction and to produce that are competitive on the world market;

c) Pursuing the policy of modernizing existing industries by re-equipping them with advanced technology and techniques, and developing export-oriented industries such as food, light, mining and chemical industries as well as biotechnology and new products on the basis of raw materials available in the country ;

d) In enhancing its export potential, Mongolia shall promote cooperation with foreign countries in the fields of processing mineral resources, including gold, copper, molybdenum, uranium, and of manufacturing finished products thereof, as well as in the area of full processing agricultural raw materials and producing goods which are capable of competing on world market;

e) Expanding markets for Mongolia export commodities;

f) Developing fuel, energy, transportation, communication and other necessary components of economic infrastructure and creating favorable conditions for securing access to sea ports and transit to them;

g) Integrating in the international transportation, information and communication networks, particularly those in North-East Asia;

h) Pursuing a policy of securing foreign assistance and technology for developing small and medium industries oriented towards the production of import substituting goods;

i) Taking advantage of Mongolia's natural, historical and cultural heritage, international tourism will be developed by enhancing its material basis and raising its service level to world standards;

j) Securing most favored nation treatment in foreign trade and retaining for a certain period the status which enables Mongolia to get soft loans and grants.

Foreign Policy in Science and Technology

1. The main objective of foreign relations in the scientific and technological fields will lie in making full use of external factors to build and enhance a modern national scientific, technical and technological potential capable of serving as a driving force for the effective development of the national economy and industry and able to be competitive at regional, continental and global levels.

2. Mongolia shall apply the principle of benefiting from world scientific and technological achievements to enrich the pool of national endowment and intellectual capacity which are congruous with the national human and natural resources, the level of social theory and thought as well as with the unique culture of its pastoral livestock breeding economy.

3. In implementing its scientific and technological foreign policy, Mongolia shall adhere to the following basic guidelines:

a) Introduction advanced technology and methods into production and services. In doing so, priority will be given to the selective introduction of research-intensive technology. Greater attention will be paid to introducing technologies related to processing mineral resources, raw materials of animal and plant extraction, and use of renewable energy sources ;

b) Gearing the national scientific and technological information system to the international information network;

c) Developing bilateral and multilateral cooperation in the field of intellectual property as well as science and technology.

Cultural and Humanitarian Foreign Policy

1. The main objective of the cultural and humanitarian foreign relations reside in protecting the culture and the way of life of Mongols, endowing their unique cultural heritage and enriching it with the achievements of world culture, restoring national historical and cultural assets, recovering cultural and art relics from abroad, in using cultural cooperation for the purpose of educating and training skilled personnel capable of working in new conditions, introducing Mongolia to foreign countries, expanding the

ranks of well-wishers and supporters of Mongolia, encouraging Mongolian studies in other nations and promoting mutual understanding and trust.

2. In promoting cultural and humanitarian cooperation, Mongolia will practice both Government and people's diplomacy, and apply the principle of respect for human rights, freedoms, equality and mutual benefit.

3. In developing humanitarian relations with foreign countries, Mongolia shall adhere to the following guidelines:

a) Safeguarding the rights, freedoms, legitimate interests and the security of Mongolian citizens residing or traveling abroad through the promotion of broad cooperation with foreign countries in the legal sphere;

b) enhancing contacts and cooperation with Mongolian nationals residing abroad and mutual support in preserving and developing the Mongolian language, culture, and traditions as well as securing their contributions to Mongolia's progress and growth;

c) Taking preventive measures to thwart the influence of reactionary movements and groups prejudicial to the national security of Mongolia and the unity of its people;

d) Giving priority to training in developed countries of Mongolian students, managerial personnel and specialists in the field of market economy, politics, law, management and marketing as well as in the leading areas of the country's scientific and technological fields. In doing so, Mongolia shall seek to benefit from specialized funds of international organizations and developed countries, scholarships of public and private universities and institutes for the purpose of training students, upgrading specialists, arranging degree studies, training highly skilled workers as well as for using the services of foreign lecturers and scholars of excellence;

e) Studying the advanced methods and technology of training and management of foreign countries in general education and vocational training with a view to applying them flexibly in a way suiting the specific conditions of the country;

f) In restoring and protecting Mongolia's historical, cultural and natural heritage and assets and in sharing them with other nations, Mongolia shall cooperate with Asian countries which have similar historical, religious and cultural legacies as well as with other interested countries, UNESCO and other related international organizations ;

g) Promoting active relations with international organizations, foundations and non-governmental institutions in the field of education, culture, arts, sports and information, acceding to relevant treaties, establishing and promoting direct ties between similar organizations, encouraging the exchange of scholars, teachers, creative workers, representatives of the media and sportsmen, taking part in international cultural, art and sport events, and organizing such measures in the country;

h) Promoting cooperation designed to help bring about favorable external conditions for ensuring the country's ecological security, maintaining its ecological balance and protecting nature.

Domestic Influence on Foreign Policy

The domestic influence on Mongolia's foreign policy was most visible in securing sovereignty and identity.

Mongolian Sovereignty

Mongolia's position between Russia and China, and a recent history of soviet influence means that it has rarely satisfied the conditions for full sovereignty, that is, autonomy in foreign policy making and exclusive control of internal affairs. Its position as a small 'developing' nation means that it is a relatively insignificant player on the global arena. Today Mongolia relies on global institutions to give voice to its opinions, and recognition and guarantees of its sovereign status. Mongolia is a member of over twenty different international groups or organizations⁴, the most important in this respect being the United Nations (UN) which Mongolia became a member of in 1961 after a fifteen year campaign. The Mongolian Ministry of Foreign Affairs (MMFA) declares that

⁴ See appendix.

Mongolia's membership has been '*the most viable guarantee of its independence and sovereignty*'. Tumerchuluun⁵ (1999:286) illustrates this point using a statement made by the US which states that '*if Mongolia ever faces a threat and decides to refer the matter to the UN Security Council, the US, along with other members of the security council would consider appropriate steps to be taken*'. This threat of action should act as a deterrent to any country considering directly threatening Mongolia's territory. Mongolia actively participates in UN processes and actions, most notably recent UN sponsored peacekeeping activities, in particular the contribution of 250 military personnel⁶ to assist with reconstruction in Iraq.

Not only are international institutions important but also individual nations. Ginsburg (1999:250) states that Mongolia has '*aggressively courted*' Europe, US and Asia in the search for a '*third neighbour*⁷' to guarantee national security. Initially there was optimism that the US or Japan might prove to be such a 'neighbour', however political realism has set in and as authors such as Ginsberg⁸ (1999) and Bruun and Odgaard⁹ (1997b) conclude, it is the international community as a whole that guarantees Mongolia's security and survival, rather than one individual nation.

Mongolian Identity

Mongolia is a relatively ethnically homogenous nation comprised of 86% Khalakh Mongols (Mayhew, 2001:34) and a small Kazak minority. Its culture is very distinct from both Chinese and Russian cultures.

⁵ G. Tumerchuluun, (1999). "Mongolia's Foreign Policy Revisited: Relations with Russia and the PRC into the 1990s", in Kotkin, S. and Elleman, B. eds. *Mongolia in the Twentieth Century, Landlocked Cosmopolitan*, New York: M.E. Sharpe, pp. 277-289.

⁶ See FCO (Foreign and Commonwealth Office) website.

⁷ 'The notion that Mongolia must find a nation or group of nations to counterbalance the traditional monopoly China and Russia exerted over Mongolia's foreign relations' in Campi, A. (2003b). "Mongolia as a Bridge to Central Asia", in *The Geopolitical Relations between Contemporary Mongolia and Neighboring Asian Countries: Democracy, Economy and Security*, pp.30. Taipei: Mongolian and Tibetan Affairs).

⁸ Ginsburg, T. (1999) "Nationalism, Elites and Mongolia's Rapid Transformation", in Kotkin, S. and Elleman, B. eds. *Mongolia in the Twentieth Century, Landlocked Cosmopolitan*, New York: M.E. Sharpe, pp. 250.

⁹ Bruun, O and Odgaard, O. (1997b). "Consolidating Independence", in Bruun, O and Odgaard, O. eds. *Mongolia in Transition: Old Patterns, New Challenges*, Routledge Curzon, pp 253-254.

Traditionally a nomadic society, there is a conflict in foreign policy making between those who see Mongolia's future in embracing this traditional identity and forging closer ties to Central Asia with its similar culture, soviet history and economic ties (Campi, 2003b: 46-47) and those such as Prime minister Enkhbayar who believe nomadism to be uneconomic in a modern market economy that Mongolia is trying to become¹⁰ and as such ties with 'modern' countries in Northeast Asia should be encouraged.

However despite the greater potential for investment, trade and security, Campi (2003b:48)¹¹ warns that *'tying itself mainly to Northeast Asia will not work economically and militarily, because Russia and China are the main developing economies which overwhelmingly attract investment money and trade'* therefore Mongolia should reinforce links with Central Asia.

So the relative importance accorded to Mongolia's different identities, both modern and traditional, impacts the priority it places on relations with neighbouring regions.

The 'Concept of Foreign Policy' indicates that the reality is priority to the Asia pacific region, not Central Asia. Further confirmed by the fact there are higher levels of diplomacy and trade with this region and interestingly plans to 'Latinise' the Cyrillic alphabet¹² This will be the end of a significant common link between Mongolia, Russia and much of Central Asia.

External Influence on Foreign Policy

The external influences on Mongolia's foreign policy are largely geopolitical. Therefore this study focuses on relationships with the three most important players in

¹⁰ Ts. Batbayar, (2002). Mongolia's Foreign Policy in the 1990s: New Identity and New Challenges. Regional Security Issues and Mongolia, Vol. 17, Ulaanbaatar, Institute for Strategic Studies.

¹¹ Campi 2003b:48.

¹² See UB Post, July 25th 2003. Their significant influence is illustrated by the fact that they are the only nations with full-time defence attachés in Mongolia in 'The State Ikh Hural has adopted the National Program of the Latin Script', Available at http://ubpost.mongolnews.mn/national.php?subaction=showcomments&id=1059096507&archive=&cnsHOW=NEWS&start_from=&ucat=6.

Mongolia's foreign relations, neighbours Russia and China, the US¹³ and the significant role of international financial institutions.

Mongolia has a 3485km border with Russia and a 4677 km border with China (Foreign Policy Blue Book, 2000:18). As already stated in the past both countries have held imperial ambitions for Mongolia and today they are still the biggest threat to its sovereignty. However, during his 1993 visit to China, the then Russian President Boris Yeltsin signed a joint declaration on the basic principles governing Sino-soviet bilateral relations. Tumerchuluun (1999:279) notes that Article 3 of the declaration makes it clear that officially neither Russia or China has threatening intentions towards Mongolia; *'neither party should resort to force or the threat of force in any form against the other party, including the use of the territorial land, water and air space of a third country bordering the other party'*.

In Mongolia's Concept of National Security (Point 27, 2.2) top priority is accorded to maintaining a balanced relationship with Russia and China. This 'does not mean keeping equidistance between them or taking identical positions on all issues but this policy does mean strengthening trust and developing all-round good neighbourly, relations and mutually beneficial cooperation'.

Mongolian-Russian Relations

Soon after this inauguration in May 1990, President Punsalmaagiyn Ochirbat, accompanied by MPRP General Secretary Gombojavyn Orchirbat, went to Moscow for a meeting with President Gorbachev. Mongolian and Soviet leaders agreed to review all treaties and contracts signed by the two sides since the Mongolian revolution of 1921, but Moscow could not be persuaded to reduce Mongolia's 9.5 billion rouble debts to the Soviet Union. Prime Minister Dashiyn Byambasuren said in September 1990 that Mongolia wanted more talks with a view to recalculating the debt. "Some of the Soviet projects in Mongolia cost too much and are very inefficient", he said after January 1991,

¹³ See UB Post, July 25th 2003. Their significant influence is illustrated by the fact that they are the only nations with full-time defence attachés in Mongolia.

the upkeep of Soviet technical advisers in Mongolia had fallen within two years by almost 50% to just over 18,500, plus some 6,300 dependents.¹⁴

President Orchirbat came back from Washington in January 1991 through Moscow, where he and President Gorbachev agreed that their Prime ministers would meet to stimulate action on trade, joint ventures, construction projects and geological prospecting. At a meeting with Soviet Premier Valentin Pavlov in February, Byambasuren called for greater efficiency and the 'balancing' of economic ties. Byambasuren also had talks with Russian Premier Ivan Silayev and signed Mongolia's first inter-governmental agreement with Russia on economic co-operation, trade and joint ventures (Heaton 1992:54).

The collapse of the USSR at the end of 1991 did not hinder the withdrawal of Russian troops from Mongolia. It was completed in 1992, the last train-load of equipment leaving in June and the last soldier in September. Prime Minister Byambasuren said that the Treaty of Friendship, cooperation and Mutual Aid signed with the USSR in 1966, under whose terms the troops had been stationed in Mongolia, would be annulled. Cultural and economic relations were strengthened with the Tuva, Kalmyk and Buryat republics of the Russian Federation.¹⁵

A Treaty of Friendly Relations and Co-operation was signed with Russia during President Orchirbat's visit to Moscow in January 1993. Replacing the 1966 Mongolian Soviet friendship treaty, it provided a new legal basis for the associated inter-governmental agreement on economic co-operation concluded during the visits. In a joint communiqué, Ochirbat and Russian President Boris Yeltsin expressed deep regret Mongolian victims of Stalinist repression and the harm this had done to relations between the two countries. Mongolia and Russia also took steps to ease tensions on Mongolia's border with the Republic of Tuva, where large-scale smuggling and cattle-rustling had led to shooting incidents (Soni 2008:47-48).

¹⁴ "Mongolia", 'Asia 1991 Yearbook' Review, Hong Kong, 1991.

¹⁵ "Mongolia", *The Annual Register 1992*, Longman, 1993.

Mongolia is of strategic importance to Russia as a buffer between itself and China. In addition it is a matter of Russian pride to retain influence over its protégé. The declaration of friendship and good-neighbourly cooperation (1991) between Russia and Mongolia was the first affirmation of their equality as sovereign states. However relations with Russia were in decline for much of the 1990's because of Russia's internal economic and social problems (Batbayar, 2003b:965). It was not until Putin's (President of Russia) visit to Mongolia at the end of 2000 that relations began to revitalise.

Batbayar (2003b:964) states that 'Russia had been counting on the weight of economic, military and cultural factors to ensure that it would remain the leading power in Mongolian affairs'. However, he goes on to say that 'today Russia is in a weak position vis-à-vis the Mongolian economy, unable to promote economic cooperation by providing substantial aid, loans, and investment'. This is a view shared by others such as Altantsetseg (2003)¹⁶ and held out by the facts. Trade with Mongolia had significantly fallen, aid was insignificant (Sanders, 1997:238), and there had been little military cooperation because 'neither side had sufficient incentive or resources to foster a cooperation regime' (Batbayar, 2003b:963). Indeed Campi (2004)¹⁷ asserts that the only sector Russia retained any influence over was the energy sector because it was a 'key supplier' of oil and electricity.

Table 1: Russian and Chinese trade statistics in 1990¹⁸

	Russia		China	
	% of Mongolia's exports to Russia	% of Mongolian imports from Russia	% of Mongolia's exports to China	% of Mongolia's imports from China
1990	78.3	77.5	1.7	2.4

The main foreign policy conflict with Russia was debt. Russia declared that Mongolia owed it US\$10 billion for the infrastructural development it funded during the

¹⁶ N. Altantsetseg (2003) "Russia-Mongolia and China-Mongolia Relations Since 1990's", in *The Geopolitical Relations between Contemporary Mongolia and Neighboring Asian Countries: Democracy, Economy and Security*, Taipei: Mongolian and Tibetan Affairs, pp. 349-382.

¹⁷ A. Campi, (2004). *Modern Mongolian-Chinese Strategic Relations: Challenges for the New Century*. U.S.-Mongolia Advisory Group.

¹⁸ Adapted from, Campi, 2004.

Soviet era, however many Mongolians contended that they owed nothing and that actually Russia owed Mongolia money because it had imposed lower than world average prices on Mongolian exports and damaged the environment. With the assistance of international financial institutions Mongolia and Russia resolved the issue in early 2004, with 98% of the debt being considered investment and only the remaining 2% (US\$250 million) was to be repaid by the Mongolian Government. This was a significant victory for the Mongolian Government and currently, the relationship with Russia, although significant, is not a threat and not a major influence because of Russia's weak state and poor economy, however it is important to remember that this will not always be the case, and a Russia in assent would be far more likely to push its interests in Mongolian foreign policy decisions.¹⁹

Mongolian-Chinese Relations

In May 1990 President Ochirbat paid a short official visit to Peking, the first by a Mongolian president. In November he had what Chinese sources called a 'cordial' meeting with President Yang Shangkun during another short visit following consultations in Tokyo with Prime Minister Toshiki Kaiju (Soni 2008: 50).

In February 1991 Gombojavyn Ochirbat (now MPRP Chairman) met Chinese Communist Party General-Secretary Jiang Zemin in Peking-the first meeting between leaders of the two parties for 30 years. In April Mongolian Defence Minister Lieut-Gen. Shagalyn Jadambaa visited Peking, where he met Premier Li Peng. During Vice-President Radnaasumbereliyn Gonchigdorj's visit to Peking in June, Mongolian and Chinese officials signed agreement on the opening of eight new border crossing points. In August President Yang Shangkun paid a state visit to Mongolia-first by a Chinese head of state. President Ochirbat said that they shared identical views on expanding cooperation between the two countries. He made special mention of new agreements signed on the transit of Mongolian goods through China via Tianjin, and on postponing Mongolia's debt repayment to China (Heaton 1992: 55).

¹⁹ UNISCI Discussion Papers, To What Extent does Post-1990 Mongolia Pursue an Independent Foreign Policy? By Sarah Telford, University of Bath (United Kingdom) October 2004, p. 7.

In April 1994 Chinese Prime Minister Li Peng paid an official visit to Mongolia. 'We respect the Mongolian people's choice of their own development course', Li declared. He also outlined China's five point policy towards Mongolia : adherence to the five principles of peaceful coexistence; respect for Mongolia's independence, sovereignty and territorial integrity; development of trade and economic cooperation on the basis of equality; support for Mongolia's policy of being free from nuclear weapons and foreign troops; and a willingness to see Mongolia develop relations with other countries. A new Mongolian Chinese Treaty of Friendly Relations and Co-operation signed by Li and Mongolian Prime Minister Jasray emphasized regular consultation and non-interference in each other's internal affairs. They also signed agreements on cooperation on border-water protection, animal quarantine, trade-goods standards and joint economic and technical projects (Soni 2008: 50).

During the 1990s Mongolian-Chinese relations drastically improved from a state of virtual non-existence to one of mutual cooperation, based on the 'Treaty on Friendship and Cooperation' signed between China and Mongolia in 1994 Batbayar (2002)²⁰ attributes this warming of attitudes to the improvement in Sino-Soviet relations, the removal of Soviet troops from Mongolia and the collapse of the USSR. China's interest in Mongolia is also strategic, and forms part of what seems to be a policy of expanding its influence throughout Asia.

In contrast to Russia, China's influence over Mongolia is increasing. Campi (2004)²¹ says that 'during the past decade Chinese aid has become significant' in recent years annually upwards of 50 million Yuan. China is also the biggest investor in Mongolia, with US\$ 281 million accounting for over 40% of Mongolia's total FDI (Chinese Ministry of External Affairs).²² It seems that China is using its economic influence more prominently than its military one. This provides a strong position for the Chinese to negotiate and influence potential issues of conflict, of which there are several.

²⁰ It is interesting to note that, although the PRC has recognised Mongolia as sovereign since 1950, the Kuomintang (KMT) Government on Taiwan did not recognize Mongolia as an independent nation until as recently as February 2002.

²¹ Campi, A. (2004) *Modern Mongolian-Chinese Strategic Relations: Challenges for the New Century*, U.S.-Mongolia Advisory Group.

²² Foreign Direct Investment

Since, 1990 Mongolia has embraced its Buddhist heritage and has allowed visits from the Dalai Lama. This does not please China who believes he is promoting political autonomy for Tibet. Because there are no direct flights from India²³ to Mongolia, China has often been able to block his visits using its influence to ensure countries such as Russia and Korea to think twice before issuing him transit visas. However in late 2002 the Dalai Lama flew into UB²⁴ via Tokyo. The Canada Tibet Committee²⁵ reported that in retaliation the Chinese suspended its rail service with Mongolia for two days during the visit, causing much disruption. Despite permitting the visit Mongolian officials were careful to distance themselves from the Dalai Lama in case of further incensing the Chinese.

Secondly, there are issues relating to Inner-Mongolia (the province in Northern China, bordering Mongolia). China has long been accused of suppressing the population who want independence from China. Mongolia's shared language and cultural heritage with the Inner Mongolians puts pressure on the Mongolian government to change its official policy of noninterference in Chinese affairs, however again China is able to exert pressure and '*prevent Mongolian government support for Inner Mongolian nationalism*'.²⁶

However the most important issue from the Mongolian perspective is a fear of Chinese expansion. The 'Concept of National Security' and 'Concept of Foreign Policy' both identify '*massive inflows of migrants from a neighbouring state*' as a real threat to national interests. In addition to several highly publicized (in Mongolia) maps originating in China and showing all or part of Mongolia integrated into China, there are Chinese plans for starting 'large-scale animal husbandry operations' in southern Mongolia²⁷ and there is a fear that increases in Chinese investments will lead to economic if not physical control over Mongolia (Bruun and Odgaard 1997a: 23-41). In this respect the Chinese

²³ The Dalai Lama's home in exile.

²⁴ Ulaan Baatar, Mongolia's capital city.

²⁵ Canada Tibet Committee (2002), Dalai Lama Departs from Mongolia, World Tibet Network News, and November 8th, available at http://www.tibet.ca/en/wtnarchive/2002/11/8_2.html.

²⁶ Rossabi, M. (2000) China Seeks to Bolster Its Economic Profile in Central Asia, available at <http://www.eurasianet.org/departments/business/articles/eav081400.shtml>.

²⁷ Kaplan, R. D. (2004) 'The Man Who Would be Khan', The Atlantic Monthly, March, Available at <http://www.theatlantic.com/issues/2004/03/kaplan.htm>.

have to tread carefully as actual incursions into Mongolia would probably result in at the least, outcry from the international community.

Mongolia- US Relations

The third country to play a significant role in influencing Mongolian foreign policy decisions is the US. In 1986 Soviet foreign minister Shevardnadze gave Mongolia the 'green light' to establish independent diplomatic relations with the US. It did so in January 1987, spurred on by Gorbachev's decision to withdraw soviet troops, the loss of whose protection they feared (Batbayar, 2003b:954).

The Foreign Policy Blue Book (2000:23) states that *'the relationship with the two immediate neighbours remains a top priority in Mongolia's foreign policy, however from the country's development and national security perspective, the expansion of the relations with highly developed countries is also a top priority agenda'*. So development of relations with the US is fully consistent with the national interests of Mongolia.

Perhaps at first glance Mongolia wouldn't seem to be a country of strategic importance outside of Russia and China, however as Kaplan²⁸ says we live in an era when 'anyplace can turn out to be strategic' and after September 11th Central Asia, including Mongolia, became 'strategic' to the US. The USAID²⁹ website states that US interests in Mongolia 'center largely on its strategic location between Russia and China, two traditional rivals that are also nuclear powers and important global players'. China's rapid growth both militarily and economically³⁰ is of great concern to the US who wish to remain world hegemon, but 'if we look beyond the present conflagrations in the Middle East, China looms as the greatest challenge to American power'.³¹

In addition to its own strategic interests, the US sees a stable Mongolia as important for regional stability as a whole. Earlier this year, in an article for the Atlantic

²⁸ Kaplan, R. D. (2003), "Supremacy by Stealth" The Atlantic Monthly, July/ August, Available at <http://www.theatlantic.com/issues/2003/07/kaplan.htm>.

²⁹ United States Agency for International Development.

³⁰ 'Buoyed by spectacular economic development, China is rapidly increasing its military spending and vigorously moving forward with the modernization of its armed forces' (Huntington, 1993).

³¹ Kaplan, R. D. (2004) 'The Man Who Would be Khan', The Atlantic Monthly, March, Available at <http://www.theatlantic.com/issues/2004/03/kaplan.htm>.

Monthly, Robert Kaplan illustrated the extent of America's military influence. Not only does 905% of Mongolia's foreign military training and assistance come from the US, but according to Kaplan the US is seriously considering repairing disused soviet airbases to enable it to *'potentially land any kind of fixed wing aircraft in the U.S. arsenal'*. Kaplan doesn't imply that American troops will soon be based in Mongolia, rather that the airbases will form part of the US 'footprint' strategy where it will *'have basing options everywhere without a significant troop and hardware presence anywhere'*. In point 10 of the 2004 joint statement between Mongolia and the US, the US states its intention to *'further increase'* this military assistance.³²

Point 23 (1.5)³³ of the Concept of National Security states that Mongolia will not allow its territory to be used against other States. Such seemingly expansionist actions from the US seem to contravene this, indicating that Mongolia is apparently willingly allowing its stated foreign policy to be compromised by the US.

In addition to military support the US assists the Mongolian Government in policy making, by providing a full-time American policy adviser in the prime minister's office. According to the US Department of State (2004)³⁴ this advisor *'has worked closely with the Government of Mongolia to set the policy agenda and provides policy advice and expert technical assistance for the government's major reform initiatives'*.

The extent that Mongolia is compliant with American wishes is a reflection of their relative power and need for financial assistance. As Bruun and Odgaard (1997a:26) say *'for the Mongolians, there are historical reasons to see international aid as coinciding with larger, geopolitical interests. The sequence of Russian and Chinese aid reflected delicate balances between the superpowers to which the country had to submit but perhaps owed its survival as an independent nation'* there is certainly an argument for this being the case today with the US replacing China and Russia.

³² US Department of State, (2004), Joint Statement on Bilateral and Regional Cooperation between Mongolia and the United States of America, January 31st 2004, available at <http://www.state.gov/p/eap/rls/prs/2004/29143.htm>.

³³ Mongolian Ministry of Foreign Affairs (1994), Concept of National Security of Mongolia, Available at: - http://www.extmin.mn/concept_of_national_security_ofm.htm.

³⁴ US Department of State, 2004, <http://www.state.gov/p/eap/rls/prs/2004/29143.htm>.

Mongolia - India Relations

Relations between Mongolia and India have entered into a new stage since the beginning of 1990s when Mongolia embarked the uneasy road of multi-party democracy and a market oriented economy. India was the first country among the non-socialist world to establish diplomatic relations with Mongolia in 1995 and opened its Embassy in Ulaanbaatar in 1970. The 1992 visit of India's Vice-President Dr. Shankar Dayal Sharma to Mongolia can be considered as an Indian support of Mongolia's firm commitment to choose a democracy and a market-oriented economy. The Vice-President of India pledged to increase technical assistance to Mongolia, i.e. training of Mongolia technicians through Indian program (Batbayar 2001:77).

On 21-24 February 1994 the then President of Mongolia P. Ochirbat paid an official visit to India. The highlight of the visit was the signing of the Treaty on Friendly Relations and Cooperation between Mongolia and India. Besides, a number of agreement including an agreement on avoidance of double taxation and an inter-governmental agreement about the creation of the bilateral committee on cooperation were also concluded. More recently, the President of Mongolia N. Bagabandi paid a state visit to India on 1-5 January 2001. During his visit both sides noted the relevance of the 1994 treaty of friendly relations and cooperation and also signed a number of agreements. The new agreements formed a solid basis for further development of bilateral relations between the two countries. (Nyamdava 2003:66-71)

Mongolia attaches great importance to trade and economic relations with India. The government of India in 2001 decided to render Mongolia for the first time a soft loan of 50 million Rupees (US\$1.7 million) to be used for financing the construction of a factory of vegetable oil with a capacity of 5 to 6 thousand tons per year. (Soni 2001:4-5) A new loan from India was to be used to finance a small scale hydro energy projects in the western part of Mongolia. Earlier, Indian Commerce Minister visited Mongolia in September 1994 and signed a number of Protocols to create inter-governmental subcommittee on Commerce and to establish working relations between two state planning organizations. In June 1995 more than 20 member delegation of Indo-

Mongolian Chamber set up in Bombay came to Mongolia to meet Mongolian businessmen and to explore ways of developing trade and investment. Mongolian side expressed interest in import of Indian drugs, tea, coffee, and industrial equipments. Indian side is interested in coking coal, fluorspar, copper, uranium, and other minerals. At this stage transportation of goods becomes a major obstacle for trade promotion. One way to overcome this natural barrier is to establish regular flights between Mongolia and India (Foreign Policy Blue Book, 2000:31-32).

Mongolia – Japan Relations

As a major country with highly developed economy and considerable influence in world affairs, Japan has an important place in Mongolia's foreign policy. The joint declaration of friendly relations and cooperation between Mongolia and Japan issued during the visit of Mr. Natsagyn Bagabandi, president of Mongolia, to Japan in May 1998, set an objective to develop bilateral relations at the level of comprehensive partnership. The Declaration defined principles of sustainable development of long-term relations between Mongolia and Japan in all fields and was of a great importance in strengthening of the mutual understanding between the peoples of the two nations. Since the establishment of diplomatic ties between Mongolia and Japan in 1972 until the early 1990s the bilateral relationship has continuously advanced in the world including democratic reforms in Mongolia, the bilateral relations reached new heights creating favorable conditions for their expansion in all areas.

The government of Japan has supported Mongolia's democratic reforms from the beginning both through bilateral and multilateral channels and rendered all form of assistance. Moreover, the Japanese Government hosted six meetings of Mongolia's donor community jointly with the World Bank and it is a leading bilateral donor to Mongolia. Over the past period, heads of state and government of Mongolia have paid official visit to Japan. From Japanese side, Prime Minister Toshiiki Kaifu and Keizo Obuchi visited Mongolia in 1990 and 1999 respectively. In 1999, Mongolian's Foreign Minister paid an official visit to Japan. While furthering relations of comprehensive partnership, it is important to hold dialogue between the governments and political parties of the two

countries through various channels in order to increase mutual understanding and confidence. Bilateral consultations on political issues and coordination of the two countries on the international arena are also important. Both side agreed to the cooperation in the fields of culture, education, science and technology, health and social welfare etc (Foreign Policy Blue Book, 2000:25-26).

Mongolia - Central Asia Relations

Mongolia established diplomatic relations with Kazakhstan on 22 January 1992, with Uzbekistan on 25th January 1992 and with Kyrgyzstan on 22 April 1992. Priority was attached to Kazakhstan which is the biggest country in Central Asia and which became actually a third neighbor for land-locked Mongolia although they still do not border each other directly. Another important factor was rather a large Kazakh community living in north-western Mongolia (over 150 thousand or 7.5% of overall population of Mongolia) who accepted very enthusiastically the emergence of sovereign Kazakhstan next to their door. Kazakhstan is also important for Mongolia's economy. Crude copper ore which is extracted in northern Mongolia by Mongol-Russian joint venture "Erdenet" and which is one of the most important export items bringing more than of Mongolia's hard currency earnings continues to be shipped to Kazakhstan and processed in "Balkhashmed refinery. For instance, in 1994 alone, about 40 thousand ton copper ore was processed in Kazakhstan.

The treaty of Friendly Relations and Cooperation between Mongolia and Kazakhstan was signed in Ulaanbaatar in October 1993 when Kazakh President N Nazarbaev visited Mongolia. The same Treaty between Mongolia and Kyrgyzstan was concluded in July 1993 when President Mongolia and Kyrgyzstan A. Akaev visited Ulaanbaatar. High level delegations of Mongolia reciprocated visits to central Asian capitals. In September 1993 N. Bagabandi, the then Chairman of Mongolian Parliament and now the President of Mongolia paid visit to Kazakhstan and established relations between two parliaments. In late November early December of 1994, the Prime Minister of Mongolia P. Jasrai visited Kazakhstan. During his visit P. Jasrai could be able to settle the issue of those citizens of Mongolia who voluntarily went to Kazakhstan. It is to be

noted that the legal status of over 50 thousand Mongolian Kazakhs (12.3 thousand left in 1991, 26.9 thousand in 1992 and 14.7 thousand in 1993) who left Mongolia for Kazakhstan remained unsettled until the visit of P. Jasrai. Both sides concluded the Agreement about the regulation of issues of voluntary immigration and job assignments by contracts.³⁵

Trade volume between Mongolia and Central Asian States is much less than expected. Kazakhstan is the fourth major trade partner of Mongolia because Mongolia's main export item crude copper is processed in Kazakhstan. Economic cooperation between Mongolia and Central Asia is still in initial stage. A number of projects including the construction of a high way between Bayan-Ulgii (the capital of Mongolia's province populated by Kazakhs) and Amati and the construction of a modern airport in Bayan-Ulgii have been discussed between the Government of Mongolia and Kazakhstan. Mongolia side is also very much interested in buying oil and oil products from Kazakhstan in order to supply the western part of Mongolia which now consumes very expensive oil transported all over Mongolia from Russian Siberia.

³⁵ For more details see, Soni, Sharad K. (1996), "Perspectives on Mongolia- Central Asia Relations", *Jadavpur Journal of International Relations*, (Calcutta), Vol.2, pp 173-179.

CHAPTER 4

TRANSITION FROM COMMAND ECONOMY TO MARKET ECONOMY

After more than 70 years with a highly dependent, centrally commanded economy, Mongolia in the past decade has commenced a transition to a market-based one. There have been economic successes, but that success has not been universal. Economic planning was introduced in 1948 through a Five-Year Plan system, but it did not have much of an impact (Soni 2002: 157). The real impetus to development came in the 1950s, when the newly born PRC competed to match the economic and technical aid provided by the USSR. Reinforcing a pattern of development heavily dependent on outside assistance, Mongolia became a full member of the socialist Council for Mutual Economic Assistance (CMEA) in 1962 and remained so until the organization's collapse in 1990. Competition between Mongolia's two large neighbours hastened modernization and promoted urbanization as well as the development of industry and infrastructure. The establishment of several joint ventures with CMEA countries and the rapid expansion of the mining and manufacturing sectors accelerated industrial development after 1962. A major change in the country's trade and industrial structure was brought about in the late 1970s through a joint venture with the USSR to open a copper plant in Erdenet, and copper ore became Mongolia's most important industrial export. An offshoot of the rapid expansion of industry in this period was the sharp increase in the demand for power. Several coal-fired power generation stations were built to meet the need, which was particularly great in the country's industrial belt to the north (Morris Rossabi 2005: 43).

Background of Mongolian Economy

Mongolia emerged during the pre-transition period as a supplier of raw materials and food for the USSR's Siberian industries and towns. Soviet protection of Mongolia's independence and its assistance in developing the latter's economic and social sectors for 70 years came at a high price. But it is also true that Mongolia's political structure and economic development were shaped largely by its close relations with the USSR. This resulted in the country's transition from a peasant, feudal agrarian society with strong religious and cultural traditions to a state with a centrally planned economy. Owing partly to these circumstances and partly to its geography, Mongolia remained almost completely isolated from the international community for most of this period. The policies pursued

during these seven decades produced a highly distorted economic structure typified by inefficient use of state assets, slow growth, and stagnation. The relics of 70 years of waste and mismanagement were evident throughout the country when Mongolia threw away central planning in 1990 and started constructing a market economy.¹

The background story reveals that 1986, Gorbachev reform policy was adopted in Mongolia and lot of changes took place in polity and economy. Socialist development transformed Mongolia from a predominantly agrarian, nomadic economy of 1921 into a developing, agricultural-industrial economy in the late 1980s. The MPRP introduced the economic reforms in Mongolian communist structure which embarked on a new a five year plan (1986-90) to achieve the goals and attract capital investment and foreign trade in agricultural sector. Mongolia's agricultural story was extremely complicated because during that period USSR withdrew the economic and military aid to Mongolia and suddenly Mongolian economy went down² with most of the industries shut down and the agriculture sector also affected. There was no proper accounting and the communist system collapsed. As a result, people's living standard came down. Soviet ties were maintained, but the flow of assistance declined in 1990 as the USSR itself experienced growing economic difficulties.

In the late 1980s, dissatisfaction with the economic stagnation of the last years of the former regime of Yumjaagiyn Tsendenbal and the influence of the Soviet *perestroika* led Mongolia to launch its own program of economic reforms. (Dashpurev & Soni 1992:78-80) This program had five goals: acceleration of development; application of science and technology to production; reform of management and planning; greater independence of enterprises; and a balance of individual, collective, and societal interests. Acceleration of development in general was to result from the attainment of these four goals. Scientific research was being redirected to better serve economic development, with electronics, automation, biotechnology and the creation of materials becoming the

¹ Hari D. Goyal, 'A development Perspective on Mongolia', *Asian Survey* Vol. 39, No.4 July/August 1999, pp.363-364.

² Mongolia's 90% needs of machines and equipment, nearly 100% of natural oil products, raw and other materials, 50% of food stuffs and industrial consumer goods were fulfilled by the imports from the former USSR.

priority areas of research and cooperation with former COMECON countries (Richard, Pomferet 2000: 150).

Reform of management and planning began in 1986, with reorganization of governmental bodies dealing with the economy. These changes rationalized and streamlined state economic organizations; reduced the number of administrative positions by 3,000; and saved 20 million tugriks between, 1986-1988.³ The role of the planning bodies was to be reduced by limiting the duties of the State Planning and Economic Committee to overseeing general capital investment policy. The indicators specified in the five year plan and annual national economic plans were to be decreased. State committees and ministries, rather than the State Planning and Economic Committee, were to decide upon machinery and equipment purchases. Decentralization of economic management was also extended to provincial and city administrations and enterprises. These bodies were given greater autonomy in construction and production, and were also responsible for profits and losses. Efforts to devolve economic decision making to the enterprise level took began in 1986, when more than 100 enterprises began experimenting with financial autonomy. Enterprises were accountable for their own losses, and they were responsible for fulfilling sales contracts and export orders. The inflation rate became high in 1986 with GDP declined by 22.3. %. The only major sector which escaped the overall downward trend was agriculture.⁴

Table 1: Inflation and Growth, 1989-93

	1989	1990	1991	1992	1993
Consumer price index	100	100	154.3	649.8	1838.7
GDP	100	98	90	82	81
GDP per Capita	100	95	84	77	75
GNP per Capita	100	95	84	78	70

Source:- http://econc10.bu.edu/economic_systems/Economics/Transit/Strategy/mongolia.htm.

³ Mongolian currency is known as tugrik.

⁴ Europa Year Book 2004: 2878.

Transition to Market Economy

In 1990, the path of democratization of the political system of the country and of transition to a market economy had been chosen by Mongolia. It should be noted that the proper external conditions for such a choice to be made had also been created. . In keeping with that, proper legitimate foundations were provided in the new Constitution of Mongolia which was approved in 1992.⁵The process of transition to a market economy was carried out under extremely hard conditions. That is stipulated by a number of reasons, both the external and internal in nature.

During that time the national economy of the country was experiencing a crisis. The economic crisis started in 1990 and reached its peak during 1991 and 1992. The gross national output dropped by 9.2 percent and 9.5 percent in 1991 and 1992, respectively. Owing to this, Mongolia's per capita national product fell to a level which was experienced a decade earlier. The major causes for such a great decline are the following: firstly, the assistance and credits which were rendered by the former Soviet Union were ceased and the terms and character of the cooperation in foreign trade changed radically, secondly, the process of introducing a new system of macroeconomic management had been stretched out (Sharma, 1997: 254). Output continued to decline in 1992 and 1993. These were also years of hyperinflation, a rapidly depreciating exchange rate and incipient dollarisation. Living standards noticeably declined, as the guaranteed services of the old system deteriorated and the greater availability and variety of goods promised by advocates of market-based reforms were scarcely visible. In the medium term, however, macroeconomic performance improved as positive GDP growth was recorded in 1994 and inflation began to abate (Hari D. Goyal 1999:365).

Both the characterization of Mongolia as a rapid reformer in the early 1990s and the interpretation of its economic performance as short-term pain prior to long-term gain had been questioned. Murrell (1996) argues that price reform was liberal in proclamation

⁵ R.C. Sharma, 'Mongolia: Tryst with Change and Development', Vision and Venture Publication: New Delhi, 1997:p.253.

but partial in practice.⁶ After the first democratic election in 1992, the ruling party MPRP promised to improve the living standard and continue the privatization process which was also dramatic in announcement, privatisation programme initiated in 1991 grounded to a halt in mid-1992 and little privatisation occurred beyond the small-scale, and the stock exchange was quiescent.⁷ Financial reform was initiated with the replacement of the mono-bank by a two-tier banking system in 1991, but this step was followed by substantial disintermediation due to lack of public confidence in the banking system and the financial sector remained in a poor shape throughout the 1990s (Hahm & Yener 1998:26-35). Nevertheless, the principle of creating a market-based economy remained firm with two key achievements, de-collectivisation of livestock farming and the exit of the government from petty trading activities.

The relationship between policy and performance was attenuated by the role of aid and copper. Mongolia's apparent liberalism and geostrategic location made it a favoured aid recipient, especially when aid was measured on a per capita basis. The large inflows reduced the need for domestic adjustment to maintain balance of payments equilibrium (IMF, 1999:10). Mongolia was also helped by buoyant world markets for copper, by far its largest export, in the early and mid-1990s. Lower copper prices in 1996 reduced the GDP growth rate and raised questions about the sustainability of Mongolia's post-1994 growth.⁸ Even allowing for these reservations, the general impression, certainly within the country, was of a rapid transition from central planning which had resulted in considerable short-term hardship during the first half of the 1990s. In practically all Eastern European countries domestic elections at this stage of the transition process revealed a backlash against reform with many explicitly former communist parties regaining political power. But in Mongolia's June 1996 election the Democratic Coalition won a landslide victory.

⁶ Pomfret (1993:5-7) provides examples of government regulation of prices in order to alleviate the short-term impact of price increases.

⁷ Secondary trading did not begin until August 1995. Corporate governance remained a major problem through the 1990s, as lack of transparency in accounting or rules prevented the stock market from playing a role in promoting good management.

⁸ Mongolia Update 1998, UNDP Ulaanbaatar, p.7.

The new Mongolian Government set as its goal the full-scale transformation of the entire economic and political system. It initiated a set of measures aimed at overhauling the system and integrating the country's economy with the rest of the world. Privatization, the centerpiece of the drive, was accompanied by reforms in many other areas including the financial, fiscal, and external sectors. Removal of controls on prices, tariffs, and wages constituted the other primary mechanisms guiding the transformation into a market-driven economy (Sharma 1997:255).

Privatization

The most important component of Mongolia's economic transition has been privatization of state assets (including livestock). Under the Privatization Law passed in May 1991, state assets were privatized through a voucher system that entitled all citizens born before May 31, 1991 to acquire property and shares. Each citizen was given vouchers worth 10,000 tugrik to exchange for shares in both small business and larger enterprises. This stage of privatization is now nearly complete. With the blue vouchers came to be used to buy shares in public limited or joint stock companies formed from large state enterprises. A portion of those shares was reserved for the workers in those enterprises and their families; the remainder was offered for sale on the Ulaanbaatar stock exchange, which was opened in February 1992.⁹

By 1995, about 95% of the livestock and all trade and services had been transferred to private ownership. As a policy matter, the government retained control of the mines and a majority ownership of telecommunications, large-scale transport and public utilities. A few enterprising Mongolians used their blue vouchers to acquire most of the remaining profit-generating state assets transferred to limited companies (Morris Rossabi 2005:59). Any balance they couldn't cover with their own vouchers was met by purchasing those held by rural folk ignorant of their value and import. As a result, more cosmopolitan and urban Mongolians founded themselves in a better position to benefit from the privatization of such properties as the Ulaanbaatar Hotel in the heart of the

⁹Hari D. Goyal, 'A development Perspective on Mongolia', *Asian Survey* Vol. 39, No.4 July/August 1999, pp.635-636.

capital city, which now has an occupancy rate throughout the year comparable to that of any five-star hotel in a developed country.

In July 1997, the new Democratic Alliance coalition government under Prime Minister Mendsaikhan Enkhsaikhan defined the philosophy of privatization in Mongolia. The government launched an even wider-ranging privatization programme intended to privatize 60% of the remaining state assets by 2000. The programme was designed to attract foreign investment and technology into key sectors of the economy with a view to improve their productivity and efficiency. It was also expected to generate revenue for the state budget. Among the state assets to be offered are the coal mines, the Erdenet Copper Plant, the Gobi Cashmere Company, and MIAT Mongolian Airlines.¹⁰ Privatization of housing started that same year, but delays deprived many small entrepreneurs of access to the bank loans needed to take advantage of the opportunity.

Financial Sector

From 1928 to 1991, Mongolia had a central bank system. All central and commercial activities were carried out by the State Bank of Mongolia. This institution was responsible for issuing currency, controlling foreign exchange, and allocating credit. Its 400 branches were spread throughout the country; they accepted savings deposits from and disbursed credit to only state enterprises and government agencies. Under the Banking Law passed in May 1991, this system ended and a two-tier banking system was to be developed in its stead. The State Bank of Mongolia became the country's central bank. This institution, now called the Mongol bank, is autonomous and independent of the government. Its chairman, now called President, is responsible only to the country's Parliament, the Great Hural. The 1991 law permitted the opening and operation of commercial banks in the private sector (Heaton 1992:53). The basic legal and institutional framework for operating commercial banks was also completed in the 1990s and at present there are 15 privately owned commercial banks (including two foreign institutions) operating in the country. The two-tier system has functioned as one of the highest interest rate regimes in the world. The average monthly interest rate on loans

¹⁰Government of Mongolia, *State Property Commission*, Mongolian Privatisation, Ulaanbaatar, 1997-2000:4-6.

from the Mongol bank to commercial institutions was 14% in 1993, 5.9% in 1994, and 3.0% in 1995. As a consequence, the commercial banks charged economic entities and individuals monthly interest rates that ran as high as 17% in 1993, 13.6% in 1994, and 8.5% in 1995.¹¹

However, Mongolian banking sector during the transition period faced acute financial problems also its performance was far from satisfactory because of a high volume of nonperforming loans, inexperienced management, and weak supervision. Loss of confidence in the sector resulted in the liquidation of two major insolvent banks in 1996. Extensive restructuring was undertaken in November 1996 and amendments were made in banking legislation to improve the regulation and supervision of commercial banks by the central bank. The government imposed strict controls on commercial banks' lending activities, and in 1997 it terminated the practices of lending without guarantee or collateral and at very low rates of interest. Efforts at restructuring and reorganizing the sector with the help of the International Monetary Fund and the World Bank were also made which aimed at enabling Mongolia's banks to play an effective role in efficiently mobilizing and allocating financial resources (Ginsburg 1998: 66).

Budgetary Reforms

In the 1980s, the Ministry of Finance was responsible for preparing the state budget, which covered the financial affairs of both central and local governments. Turnover taxes-particularly import differential taxes, which are based on the price difference between imported and domestic wholesale goods-and profits and income taxes from state and cooperative enterprises were the principal sources of income under the central planning system. The share of budget expenditures dedicated to local government use, mainly for social needs, went as high as 50% in 1989.¹²

A number of changes had been introduced in the budgetary process during Mongolia's transition period. In 1991, direct taxes on both individuals and companies and

¹¹National Development Board (NDB), Mongolia 1995: Annual Economic Development Report (Ulaanbaatar:N DB, 1996), p. 5.

¹² Christopher Browne et al., IMF Economic Reviews 1996: Mongolia (Washington, D.C.: International Monetary Fund (IMF), 1996), p. 16.

custom duties were introduced, followed in 1993 by 17 state levies, including income, sales, and profit taxes as well as various forms of licensing fees and an additional seven provincial government taxes. Fiscal policy regarding state budget revenues (including the taxation system) and the composition of expenditures is now aimed at making the public finance system healthier. Subsidies in the state budget and transfers to local governments meant to help the latter both meet the costs of delivering social services and bridge the gap between a province's revenue resources and its financial needs have been reduced every year. Moreover, efforts had also been made to cut public administration expenditures. New legislation in 1997 brought about more fiscal reforms, but the budget continued to show a deficit. Though it has narrowed since 1994, it still amounted to 8.6% of GDP in 1997 and 10.0% in 1998.¹³ Factors contributing to the disappointing fiscal performance in 1998 included the decline in tax revenues, insufficient reduction in government expenditures, and reduced dividend payments from the Erdenet copper mines (which had been the largest contributor to the state budget). The government made various efforts to increase revenues, including increasing both the value-added tax rate from 10% to 13% and the petroleum excise duty from 3% to 7%, and also introducing an export duty of 13% on gold exports (Pomferet 2000: 153).

Price Reforms

Since January 1991, the government took measures for freeing price controls on various categories of goods and services in phases to save the people from hardships that often accompany such deregulation. Prices had been rising on food items such as flour and bread, public utilities, transportation medicines, housing rents, and vodka, all of which were either free or subsidized under the central planning regime. These reforms have affected the general public adversely and severely. In 1996, following the liberalization of fuel prices, all fixed prices were eliminated. Pressure from those favouring economic reforms produced speedy implementation of price reform through removal of subsidies, particularly on basic necessities, and this created both difficulties and problems for the weaker segments of society, especially for disadvantaged groups.

¹³ Asian Development Bank, Annual Report 1998, Hong Kong: Oxford University Press, 1999.

Reforms of this sort at such a pace had been difficult to digest, even in a quasi-transition economy such as that of Mongolia (Hari D. Goyal 1999:638).

External Sector Reforms

During the 1980s, more than 90% of Mongolia's foreign trade took place with other centrally planned economies, principally members of the CMEA. Trade was handled by the large, state-owned enterprises and five foreign trade corporations. Foreign trade was liberalized in 1990 and trade licenses issued to private and public enterprises. In 1992, a uniform duty of 15% was levied on imports and exports. The following year, such restrictions on trade as export quotas and bans, minimum export prices, and domestic procurement of export goods were abolished, and export licensing requirements were relaxed. In 1994, the government eliminated duties on 33 staple food and manufacturing input items, although it imposed a 100% import duty on luxury items such as alcohol. The export of a small number of commodities such as rare animal species (principally targeting their by-products) and gold was banned. The monopoly position of foreign trade corporations was terminated and the private sector was allowed to participate fully in external trade. On May 1, 1997, the government abolished customs duties and excise taxes on all imported goods except alcohol, tobacco, oil products, and motor vehicles. The prevalence of un-remunerative prices on wheat, flour, and vegetables for farmers owing to cheap imports flowing in from the PRC and Russia compelled the government to re-impose a 15% import duty in July 1998 on flour and vegetable imports coming in through the border provinces of Sukhbaatar, Altanbulag, and Zamyn Uud. (Hari D. Goyal 1999:639).

Mongolia signed most-favored nation agreements with Japan, the U.S., South Korea, and the European Union, enabling the country to export to these countries at preferential rates. The turgik (Tg) was devalued on a number of occasions during the early phase of transition from 1990-93. The government adopted a unified floating exchange rate system in May 1993, giving the private sector easy access to foreign exchange. The exchange rate against the dollar was relatively stable through the mid-

1990s at Tg 396 in late 1993, Tg 414 in late 1994, and Tg 474 in late 1995.¹⁴ The currency depreciated since then. According to central bank figures, the rate was Tg 893 to the dollar on December 14, 1998.¹⁵ The continuing large trade deficit of the past four years was believed to be responsible for this weakening. Foreign direct investment (FDI) is an important source of private external finance for developing countries. Investors are motivated largely by the long-term prospects for making profits in production activities that they directly control. FDI not only adds to resources and capital formation, but more importantly, it helps to transfer production technology, skills, innovative capacity, and organizational and managerial practices between locations, as well as create access to international marketing networks. Given these advantages, the government of Mongolia tried to create favourable conditions for foreign investment. The economy had been opened to foreign investors and the government is encouraging all forms of foreign investment, including the establishment of joint ventures and fully foreign-owned firms. The Foreign Investment Law adopted in 1993 provided basic guarantees to foreign investors. It granted generous tax concessions to projects concerned with fuel and energy development, mining, and mineral processing (Severinghaus 1995:72-73). Furthermore, foreign investors were promised compensation in cases where the government confiscates land they have been leased before the expiration of an agreement. The law also granted additional concessions to firms exporting over 50% of their products.

To further attract foreign investors, the government enacted a new tax law that abolished almost all custom duties by July 1, 1997. Further, in order to streamline the process for clearing the foreign investment proposals, at a June 1998 conference on investment possibilities held in Ulaanbaatar, the Prime Minister announced:

The Government of Mongolia is strongly committed to the improvement of the overall investment environment. The Government has undertaken decisive steps towards the liberalization of trade and tariffs. We are simplifying and streamlining bureaucratic rules and procedures that impose major impediments for foreign investors. We will continue to work in this direction until foreign investors would feel comfortable to work and live in Mongolia.¹⁶

¹⁴ NDB, Mongolia 1995, p. 4.

¹⁵ On July 30, 1999, Tg 1,018 = \$1.

¹⁶ Comments delivered to Conference on Investment Opportunities in Agro-industry and Tourism, sponsored by GOM and the World Bank, Ulaanbaatar, June 1998.

Mongolia also signed a number of joint ventures with new partners from Japan, South Korea, the U.S., Hong Kong, and Portugal, in addition to China and Russia. In all, 804 foreign companies from 38 countries had invested some \$182 million in Mongolia by the end of 1997.¹⁷ For a country endowed with abundant natural resources but a poor populace, this has been an encouraging development.

Tightening fiscal and monetary policy and complete liberalization of prices along with the adoption of a floating exchange rate had been the top priorities of the Government, during the period of this study, as such economic reforms continued and inflation remained low.¹⁸

Table 2 – Main Economic Indicators

	1989	1990	1991	1992	1993	1994
GDP growth rate *	4.2	-2.5	-9.2	-9.5	-3.0	2.1
Of which						
-industry	11.4	-0.3	-13.1	-11.5	-10.6	2.7
-agriculture	13.8	-2.0	-5.1	-4.0	-7.1	7.1
inflation (CPI)	-	-	54.4**	321.0	183.0	66.3
Registered unemployment (thous)	-	-	55.4	54.0	71.9	74.9
Imports (US\$mIn)	963.0	924.0	360.9	418.0	379.0	362.7
Exports (US\$mIn)	721.5	660.7	348.0	388.4	382.6	360.5
Foreign credits, aid	-	-	63.4	182.5	187.1	111.4

*In constant 1986 prices

** Prices increase after the exchange rate reform on 16 January 1991

Source: Asia-Pacific Forestry Sector Outlook Study Working Paper Series, No: APFSOS/WP/42, Country Report - Forestry of Mongolia by L. Dorjtseden, Forestry Policy and Planning Division, Regional Office for Asia and the Pacific, Bangkok, February 1998: p. 6.

Reform of the foreign exchange regime was the most complicated issue in the transition because of the economy's heavy dependence on external sources. Therefore, the government devalued the tugrik gradually, while a parallel market rate was 400 tugrik to US\$1. In May the Government adopted a floating rate, which led immediately to price changes because the new market-defined exchange rate devaluated the tugrik by almost a third. For example, prices of those rents have jumped by 6.3 times, drinking water by 8, and electricity by 5. The volume of industrial goods produced in the first half of the year

¹⁷GOM, Ministry of Finance, Department of Foreign Investment, Statement on Foreign Investment by Countries, January 1998.

¹⁸ Ardyn Erkh, June 11, 1993.

dropped by 20% from the same period in 1992. However, reflecting a greater drop in import than export, the trade balance registered its first surplus in the half of 1993. Exports increased by 21% over the same period in 1992 and imports dropped by 19%.¹⁹

Economic Restructuring Scenario

The overall performance started to show positive sign started from 1994 onwards due to some important action taken by the government. By June 1994, Mongolia had met its entire interim target, including a floating national currency that opened the way for IMF approval of its medium-term program of economic restructuring. Asian Development Bank signed a loan agreement totaling about \$30 million. Moreover, Mongolia was pledged a total of \$150-175 million at the third Mongolian assistance group meeting held in September Japan Tokyo, co chaired by Japan and the World Bank. The previous two conferences focused on Mongolia's immediate needs but this one was devoted to long-term economic reform. Japan continued to be Mongolia's largest donor country. Excellent performance, by the Mongolian authorities in reforming their economy and making the transition from a centrally planned economy to market economy. Macroeconomics policy in 1994 was directed at a legal basis for the market economy relations, the implementation of an integrated package of fiscal and monetary policies, adjustments in key tariffs and prices and checking economic decline (Morris Rossabi 2005:69).

These positive macroeconomics view reflected Mongolia's economic performance in 1994. Inflation was reduced from an annual high of 320% in 1992 to an expected level of 170%. The GDP was expected to show a positive growth of 2.5% after four consecutive years of negative growth, and a trade surplus of \$85.9 million has already been registered for the first eight months of 1994. But the problems exist and others are emerging. Unemployment almost doubled since 1991. All, these positive achievements continued in coming years also. Inflation should be from 66% in 1995, higher than the government's target of 30% for the year due to in to the 40% salary

¹⁹ Zasgiin Gazryn Medee, July 20, 1993.

increase for the first 10 months of 1995 and final figures had show a measurable improvement over 1994.²⁰

After a new banking law was adopted setting up a two-tiered system, with the Bank of Mongolia handling monetary policy and other bank handling commercial transactions, the Mongolian Government approved a tripartite Russian-Mongolian-American venture to expand uranium mining in the region. Other signs of a gradually improving economy were an increasing number of cars on the streets, increasing variety and quantity of goods in shops and markets, and widespread new construction that continue. Positive growth after massive construction of the economy, the GDP rose slightly during the year. However, the economy was still saddled with the legacy of the state ownership and its former dependence on USSR. The incoming Government urged renewed privatization, somewhat stalled under the MPRP after 1992, but the law to privatize urban housing was vetoed by the President. Credit problems caused grain production to fall, as only one bank was handling agricultural loans. The diversion of fuel and machinery to fight fires during the sowing season no doubt hurt as well as did a fuel shortage during the fall harvest. So the Food imports increase (Tom Ginsburg 1997:62-63).

In 1997, the Parliament's decision to scrap most tariffs on import and exports provided Mongolia with one of the most liberal trade regime in the world. The State Great Hural approved the much-awaited law on housing privatization early in the year, permitting 60,000 units of state-owned housing to transfer to current resident free of charge. The government also announced plans to privatize the national airline MIAT, Hural also overhauled the tax system, putting a progressive income tax into place (Tom Ginsburg 1998:66-67).

Domestic Economic Performance, 1991-2000

Earlier, on the eve of liberalization, Mongolia was a highly dependent economy. Not only was planning controlled by the Soviet Union, but Mongolia was completely dependent on the USSR and CMEA member countries for financial aid and external trade. With the abrupt deterioration in economic relations with the USSR and termination

²⁰ Mongol Messenger, December 18, 1995.

of the CMEA trade regime, the economy faced a severe crisis. It was a shock for the nation. Soviet financing completely stopped on January 1, 1991. The terms of trade swiftly became negative, and the large deterioration in trade resulted in shortages of spare parts, fertilizers, and other necessary goods. This factor, along with the short supply of raw materials and the technical assistance needed to operate state enterprises, brought about a substantial decline in agricultural and industrial production. In 1991, the budget deficit was financed by printing money, which resulted in 100% depreciation in the value of the Tögrög. The state maintained fixed prices on most essential commodities. The decline in the supply of goods due to fewer imports and lower production, in combination with the rapid increase in the amount of currency in circulation, resulted in severe shortages. As a result, the government had to introduce rationing for basic food stuffs that January.²¹

Table 3: Mongolia's Major Economic Indicators (1989-1994)

	1989	1990	1991	1992	1993	1994
GDP growth rate	7.3	-2.0	-9.9	-7.6	-1.3	2.1
Agriculture	13.8	-1.9	-5.1	-3.9	-7.0	7.1
Industry	11.1	-4.7	-13.2	-13.1	-5.5	2.8
Services	5.7	-4.3	-11.6	-12.0	2.7	2.1
Gross domestic investment (% of GDP)	44.8	32.3	21.3	12.4	221.1	24.8
Gross domestic savings (% of GDP)	12.9	2.5	3.5	-----	-----	-21.1
Inflation rate -	----	-----	121.2	321	268.4	87.6
Money supply (% change)	6.5	27.0	53.5	31.7	251.0	69.0
Exports (% change)	-25.0	-44.1	-22.1	2.7	2.8	5.0
Imports (% change)	7.5	-46.5	-51.0	-20.2	-6.4	3.5
Current account balance (\$million) -	-,240	-644	-117	-31	31	26
Current account balance (% of GDP)	-34.7	-28.7	-16.0	-2.9	-5.3	4.1
External debt outstanding (\$millions)				366	391	473.7
Debt service ratio (% of exports)				17.1	4.4	16.3

Sources: Asian Development Bank, *Asian Development Outlook 1995-1996* (Hong Kong: Oxford University Press, 1995), compiled from Tables A1-A22, pp. 239-56. Figures in the last column for 1994 were based on data from *Asian Development Outlook 1997-1998* (1997), p. 56.

²¹ Y. Shuurav, "Issues on Restructuring the Civil Service and Personnel Management System in Mongolia, in *Mongolia's Transition to a Market Economy: Evaluation Problems, Proposals* (Ulaanbaatar: United Nations Development Program-IAMD, 1992).

Crisis Period, 1990-1993

The transition period's first four years were a time of crisis for Mongolia. The fall in GDP growth rate that started in 1990 (-2.5%) continued through 1993. Real GDP per capita fell about 25% between 1989-93. There was a significant decline in crop production in 1991, and further drops in 1992 and 1993 because of the lack of fuel and spare parts for equipment and the inadequate supply of fertilizers and other necessary inputs (see Table 2). Industrial production also declined, as many factories were hampered by obsolete machinery, a shortage of intermediate goods and spare parts, increased energy costs, and inadequate transport and communication facilities.

Inflation, which was almost nonexistent up to 1989, rose dramatically from 1991 to 1993. Factors responsible for the price increases were the easing of price controls in 1991, the phased devaluation of the exchange rate, and the Tögrög's depreciation due to the growth of unofficial barter trade on the nation's borders. There were shortages of food, clothing, and household goods. These shortages raised the prices of consumer goods. The inflation rate of 121.2% in 1991 skyrocketed to 321% in 1992 before falling back somewhat to 268.4% in 1993.²²

Recovery Period, 1994-1998

An economic recovery period commenced in 1994. Notable achievements of this period were a significant reduction in the inflation rate, GDP growth, impressive rates of capital formation and domestic savings, and an increase in foreign exchange reserves.

GDP growth rate: The Mongolian economy recorded positive growth (2.3%) in 1994 and has continued on the plus side of the ledger (see Table 2). Increased output in the agriculture sector and the expanding trading activities of the newly emergent private sector were responsible for the impressive recovery in 1994. Mongolia's relatively more successful economic performance, as compared to that of other members of the former CMEA, was attributable to its commitment to macroeconomic stabilization and structural reforms as well as to favorable weather conditions (Severinghaus 1995:72-73). Moreover,

²² ADB, Asian Development Outlook 1996-1997 (Hong Kong: Oxford University Press, 1996).

fluctuations in the prices of copper and cashmere on the world market registered their impact on growth rates. Given the Asian and Russian economic crises and sharp decline in the world prices of copper, gold, and cashmere, the country's growth performance (3.5%) in 1998 can be rated as remarkable.

Rate of inflation: The inflation rate declined substantially, from the 321% of 1993 to 49.3% in 1996. The rate hovered around 50% until June 1997 but decreased to 17.5% by year's end (see Table 2). Prices continued their downward path in 1998. The consumer price index rose 6% by in calendar 1998, compared with 17.5% the previous year. Credit for arresting inflation goes to improved supply management and stabilization efforts on the government's part, as well as the relative stability of the Tögrög compared with the currencies of Mongolia's major Asian trading partners. It was also aided by the Mongol bank's continued tight monetary policy.²³

Table 4: Mongolia's Major Economic Indicators (1994-1998)

	1994	1995	1996	1997	1998
GDP growth rate	2.3	6.3	2.4	4.0	3.5
Agriculture	2.7	4.2	4.7	3.5	3.5
Industry	2.1	14.6	0.0	3.0	5.0
Services	2.0	0.2	3.3	4.0	5.0
Gross domestic investment (% of GDP)	24.8	26.4	22.4	24.5	25.5
Gross domestic savings (% of GDP)	21.1	21.0	13.7	14.0	16.4
Inflation rate	87.6	56.8	58.7	17.5	6.0
Money supply (% change)	79.5	32.9	25.8	32.5	-17.5
Exports (% change)	0.4	-32.3	-12.8	34.3	-17.5
Imports (% change)	-1.1	31.9	4.5	5.4	7.0
Current account balance (\$ millions)	-25.5	-52.1	-82.4	-89.7	-94.6
Current account balance (% of GDP)	-3.7	-5.5	-8.2	-8.6	-10.3
External debt outstanding (\$ millions)	473.7	510.8	528.0	633.8	717.4
Debt service ratio (% of exports)	16.3	13.0	11.8	6.3	6.2

Sources: Asian Development Bank, *Asian Development Outlook 1997-1998*, p. 56, and *Annual Report* (Hong Kong: Oxford University Press, 1998).

Capital formation and savings: Gross capital formation ranged between 22.4% to 26.4% of the GDP during 1994-98. Domestic savings declined from 21.1% of GDP in 1994 to around 14% in both 1996 and 1997. The major cause for the shift was the change in people's attitudes now that it is possible to own property. Dependence on foreign savings

²³ ADBservices, Annual Report, 1998, and Asian Development Outlook, 1999.

is likely to *continue* over the next few years in order to further develop the country's economic and social infrastructure.²⁴

External Trade: In 1989, as much as 90.3% of Mongolia's total exports were destined for CMEA countries, with 73.2% going to the USSR alone. Similarly, 92.5% of its imports were from CMEA countries, with the Soviet share as high as 82.7%.²⁵ This situation changed substantially during the transition period, with diversification in both the destinations of Mongolia's exports and the sources of its imports.

By 1995, Mongolia had established trade relations with 56 countries. Goods were exported to 44 countries and imported from 53. The customers for Mongolian exports had changed substantially from pre-transition days. Of the total, 15.2% went to East European, 24.5% to Western European, and 54.1% to Asian countries. With respect to imports, 54.8% came from Russia and East European countries, 26.8% from East Asia, and the remainder from Western Europe and the U.S. Capital goods accounted for 80% of imports and consumer goods only 20%.²⁶ In the export basket, copper still dominates, making up slightly more than half of total exports, while cashmere, wool, leather, meat, and related products contribute another 15%. It should be noted that fluctuations in the prices of copper and cashmere on the world market have a major impact on export earnings of Mongolia. Gold exports, primarily from newly privatized mines, have also been increasing. Expanding gold exports improved the country's terms of trade in 1997 and limited the overall deficit to only \$40 million. Newly prominent customers for Mongolian exports included the U.S., the U.K., Japan, Germany, Hong Kong, South Korea, Switzerland, and Singapore.²⁷

The Russian Federation is no longer a major importer of Mongolian goods, but the PRC became an increasingly important trading partner during the transition period. Russia was the principal source of imports to Mongolia in 1997, with a 36.2% share. Other major suppliers were the PRC (14.3%), Japan (7.6%), and the U.S. (4.5%). For Mongolia's exports, Switzerland's share was 31.5% while other important importers were

²⁴ ADB, Annual Report, 1997-1999.

²⁵ UNDP, UNDP Cooperation, Mongolia (Ulaanbaatar: UNDP, 1992).

²⁶ NDB, Mongolia 1995.

²⁷ Mongolian Central Statistical Office, monthly Statistical bulletin, Ulaanbaatar, January-September 1999.

the PRC (21.7%), South Korea (10.5%), and Russia (9.5%).²⁸ In 1998, export earnings decreased by 17.5% because of the continued low international prices for Mongolia's main exports of gold, copper, and cashmere. At the same time, imports recorded an increase of 7% due to the stability of the Thgrog exchange rate. This resulted in a trade deficit of \$107 million in 1998 compared with a surplus of about \$30 million in 1997.²⁹

Foreign Assistance: Assistance from international institutions and donors for Mongolia's efforts to establish a market economy has played an extremely important role in the country's recent economic growth and allowed it to cope with emerging social problems. During 1991-95, the total aid commitment to the country for development projects was \$1.23 billion of which \$766.4 million (including financial and technical assistance) was actually disbursed. Forty percent of the \$1.23 billion originally committed was made up of grants and 60% was loans. This ratio has since changed, with grants in the foreign aid decreasing from 69% during 1992-93 to 25% in 1994-95.³⁰ The composition of aid going to Mongolia shows that its resource needs shifted rapidly from emergency assistance to long-term financing for development projects. This shift reflected growing stabilization of the economy and it has laid the foundation for further growth. The rate of aid utilization remained low due to insufficient absorption capacity and the lack of internal structures for aid coordination as well as project appraisal and implementation.

The domestic performance including forestry contributed an estimated 30.5% of Mongolian GDP in 2001. The sector engaged 48.6% of the employed labour force in 2000. Animal herding is the main economic activity and is practiced throughout the country. By the mid-1995 more than 90% of all livestock was privately owned. Livestock numbers reached a new record of 33.6m at the end of 1999. Industry provided 16.9% of GDP in 2001, and engaged 14.1% of the employed labour force in 2000. In 1997 state-owned enterprises, employing 28.7% of the industrial labour force produced 19.9% of gross industrial output. Joint enterprises with 17.3% of the industrial labour force, produced 41.4%, and while private companies (38.5% of the sector's labour force)

²⁸ ADB, Economic and Resource Centre, on the Internet at <<http://asiandevbank.org/notes/mon/MONTRD.htm/>>.

²⁹ ADB, Annual Report 1998 (Hong Kong: Oxford University Press, 1999).

³⁰ IMF, Mongolia: Recent Economic Developments (Washington, D.C.: IMF, 1997).

contributed 32.6% of industrial output. During 1990-2001 industrial GDP declined, in the ADB, the industrial sector's GDP increased by 1.1% in 1999, by 1.3% in 2000. Mining contributed 11.7% of GDP in 2000, according to Mongolian sources. Mongolia has significant largely unexplored mineral resources and is a leading producer and exporter of copper, gold, molybdenum works at Erdenet, a Mongolian-Russian joint venture, is the most important mining operation in the country. According to ADB, the mining sector expanded by 10.5% in 2001. On the other side the manufacturing sector accounted for 5.1% of GDP in 2001 while ADB estimated 20.0% GDP in manufacturing sector in 2001.³¹

During the transition period of 1999-2000, we find several significant changes in the economic and social field. The democratic Government of Mongolia took initiative to transformation the economy through liberalization and established the new banking and financial system to suit the market economy. With steps taken by the authority for currency reform and utilization of natural resources and agricultural products, Mongolia made trade relations with the outside world and USA and Japan became most important trading partners along with China. Mongolia also changed its export and import policy to attract more foreign partners. It joined Group of 77 in 1989 and after that became a member of various institutions such as ADB, EU, IMF, WTO and ARF and in May 2000 became the member of the European Bank for Reconstruction and Development (EBRD) to expand its foreign trade for the benefit of market economy regime.

³¹ www.europaworldonline.com.

CHAPTER 5

CONCLUSION

Since 1990, Mongolia has established a set of institutions that provide guarantees for the protection of civil and political rights. The freedom to assemble and associate has essentially been respected since the beginning of transition. Numerous political parties, new trade unions, and nongovernmental organizations (NGOs) have flourished. The effectiveness of such institutions and the relative protection of these rights are reflected in quantitative and qualitative indicators. There are several extant quantitative measures that provide a preliminary portrait of civil and political rights protection in Mongolia for the 1991-2000 periods. First, there are the two Freedom House measures of civil and political rights each of which have been coded on a scale ranging from 1 (full protection of rights) to 7 (no protection of rights). Second, there are the two versions of the Political Terror Scale, which focuses on torture, extra-judicial killings, political imprisonment, and exile. One version of the scales uses Amnesty International reports as its sources of information and the other scales uses the US State Department reports on human rights for its information, while both versions range from 1 (full protection of rights) to 5 (no protection of rights). Third, there is Oona Hathaway's (2002) scale of torture that ranges from 1 (no occurrence of torture) to 5 (widespread use of torture), and uses the US State Department reports for its information. Fourth, there is the Physical Integrity Rights measure from the Cingranelli and Richards human rights data set, which range from 1 (low protection) to 8 (high protection).

Procedural and liberal definitions of democracy do not include the protection of economic and social rights as a key dimension, where such rights, their realisation, and normative developments in the international human rights community and sees the protection of these rights as inexorably linked to democracy. The realisation and protection of economic and social rights is a necessary requirement for the mediating value of participation, which is in turn linked to the fundamental democratic principle of equality of respect and voice between citizens in the exercise of control over public decisions and decision makers.

At issue here are the capacity and resources available to individuals for taking part in the democratic process, where severe socio-economic constraints may serve as

significant obstacles to full political participation. International human rights standards establish a number of rights that fall under the general category of social and economic rights, including the rights to education, family, food, health, social security, work, and independent unions. Many of these rights are protected further through the numerous International Labour Organisation (ILO) Conventions. These rights are thus of equal concern to any state of democracy assessment. Of particular concern in the Mongolian case, as several studies show, is the rights to food, health, education, housing, and worker rights as well as the general characteristics and features of socio-economic development since the transition.

Before considering these separate rights areas, it is first necessary to consider the general trends and patterns in socio-economic development. Standard indicators of socio-economic performance illustrate that the Mongolian developmental experience since the democratic transition has been mixed. Like any country undergoing the 'dual transition' from a Soviet-style command economy and totalitarian rule to a market-based liberal democracy, Mongolia has confronted significant challenges. In addition to the historical and political legacies from the Communist period, Mongolia has a relative dearth of being landlocked, and has an extreme climate, all of which have presented particular obstacles to economic development. The transition also brought with it the loss of significant Soviet subsidies, while the implementation of financial liberalisation and privatization (particularly of land) represented significant shocks to the overall economy.

Post-Soviet radical changes and ensuring process of democratization in Mongolian polity and economy can sharply be witnessed first and foremost in the National Security Concept, according to which Mongolia believes that the security of its existence can be ensured by strictly observing the policy of not allowing the use of the country's territory against other States; ensuring its Nuclear-Weapons-Free Status at the international level and making it an important element of strengthening the country's national security, that can ensure the democratic existence of Mongolian society and polity. However, Mongolia's new status of being a Nuclear-Weapons-Free-Zone (NWFZ) is not only targeted to ensure its own security by political means but also to

make a contribution to regional stability and predictability. In line with this, provisions were also made for banning the deployment and transit of foreign troops as well as nuclear weapons of mass destruction on the Mongolian territory. Encouraged by its NWFZ status Mongolia also became a party to the nuclear non-Proliferation Treaty (NTP) and other relevant international conventions and treaties. It now continues to receive assistance and support from various quarters in order to promote its international security and nuclear- weapon free status. These quarters include the relevant UN bodies, the five nuclear-weapon state (P5), the Non Aligned Movement, various regional disarmament meetings etc. Further, on November 20, 2000, the 55th session of the United Nation General Assembly in a resolution 55/33S on “Mongolian’s International Security and Nuclear-Weapon-Free Status” appealed to “the member states of the Asia and Pacific region to support Mongolia’s efforts to join the relevant regional security and economic arrangements.” Since then Mongolia has been moving in right directions which has been evident from the fact that while addressing the 58th Session of Un General Assembly on September 29, 2003 the President Bagabandi reaffirmed his country’s support to the establishment of Nuclear-Weapons- free Zone (NWFZ) in other parts of the world.

Regarding Mongolia’s foreign policy there is no doubt that national interest remain the key issue in its formulation as discussed in the third chapter. As stipulated in the Foreign Policy Concept, Mongolia’s foreign policy priority focuses on “safeguarding of its security and vital national interests by political and diplomatic means, and creating a favorable external environment for its economic, scientific and technological development”. By adopting what is termed as a “multi-pillar” foreign policy Mongolia has broadened its diplomatic outlook and the scope of its international activities. As such it now adheres to the principle of flexible priorities in foreign policy implementation with due to globalization. One of the main characteristics of Mongolia’s foreign policy is its pragmatism, and therefore, it relies on ongoing international political reality as well as the trends of international economic development. However, Mongolia’s foreign policy aims at ensuring the security and prosperity of the country both internally and externally by “forming with influential countries in the region and in the world a network of relationship based on the interdependence of political, economic and other interests”.

In accordance with its foreign policy objectives, Mongolia has already forged new relationship with global and regional powers, and was trying to muster their support especially in the efforts of economic rebuilding of the country during the period of this study, i.e. 1991 to 2000. Besides, it has focused its attention towards developing political and economic cooperation with the United States, Japan, European Union especially Germany, Britain, France as well as Australia, Canada and other western countries. At the same time in order to make its presence felt in Asia, Mongolia also expanded its relations with India, the Republic of Korea, Turkey, Thailand, Singapore and other ASEAN member countries. Mongolia also tried to promote cooperation with the countries of North East Asia as well as its own integration with this region which evolved to a great extent. It is more so because the North East Asian region is being considered as a major component of the broader Asia-Pacific economic structure and a pivot of the world power equation with the increasing interaction of China, Japan, Russia and United States. Evidently, during the period of democratic reforms especially in the mid-1990s when no single nation came forward to be understood in real terms as Mongolia's "Third Neighbour", Mongolia's thinking took a definite turn to forge a new relationship with North East Asia that went beyond economic ties to include political concerns.

The entire period of democratic transition has also witnessed a smooth sailing in Mongolia's relationship with both Russia and China on quite a new basis. It is also due to the fact that the Sino-Soviet rapprochement process resulting from Soviet President Mikhail Gorbachev's proposal during his seminal speech at Vladivostok in July 1986 has had positive impact on the normalization of Mongolia-China relations particularly in the 1990s. The withdrawal of Soviet/Russian military forces stationed on the territory of Mongolia too contributed greatly not only to the normalization of Sino-Russian as well as Sino-Mongolian relations but also led to the beginning of a new era in Mongolia's domestic and external environment which was hitherto affected by the Sino-Soviet confrontation. Mongolia, on its part, by the mid-1990s made it clear to both Russia and China that it should no longer be treated to be within the sphere of influence of either of the two neighbors. What one can witness is that Mongolia accords top priority to the question of relations with the two neighboring countries and adheres to the

principle of a balanced relationship with them. Even Mongolia's foreign policy too stresses that" Mongolia will not interfere in the disputes between its two neighboring countries unless the disputes affect Mongolia's national interests. Thus following its national security and foreign policy objectives Mongolia has been maintaining "complete equality" in its relations with Russia and China. The democratization process in Mongolian polity and economy, thus, provided a new identity to this small country not only within but also outside the country. Though problems especially in economic rebuilding was visible, democracy indeed had brought Mongolia on the world map.

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APPENDIX

Appendix I: Timeline of Key Events in Mongolia during the Transition

Date	Event
1986-	Beginning of economic reforms modeled on 'perestroika' and 'glasnost'.
1987-	The MPRP announced agreement for withdrawal of the Soviet Motor Rifle Division
Jan 27, 1987 -	Diplomatic relations established with the United States
May 1989-	Sino-Soviet summit on normalization of their relations
Dec 1989 -	First popular reform demonstrations. The Mongolian Democratic Union organized this demonstration
Jan 1990 -	Large scale demonstrations demanding democracy held in sub-zero weather at capital Ulaanbaatar
Feb 18, 1990 -	Jambyn Batmunkh resigns with entire Politburo
Mar 2, 1990 -	Soviets and Mongolians announce that all the Soviet troops will be withdrawn from Mongolia by 1992
May 1990 -	New Constitution amended to provide for multi-party system and new elections
July 29, 1990-	The first democratic elections held
Sep 3, 1990 -	The first democratically elected People's Great Hural takes office
Feb 12, 1992	New constitution goes into effect
Apr 4, 1992 -	New election law passed
Jun 28, 1992 -	Election for the first unicameral legislature (The State Great Hural)
Jun 6, 1993 -	The first direct Presidential election won by Punsalmaa Ochirbat.
Jun 30, 1996 -	Election of the first non-communist government
July 2, 2000-	Election of the former communist Mongolian Peoples Revolutionary Party (MPRP); formation of new government by Prime Minister Nambaryn Enkhbayar

Source: J. Bolbaatar, M. Sanjdorj and B. Shirendev. History of Mongolia vol5, Mongolian Scientific Academy Ulaanbaatar, 2003

APPENDIX II
PARLIAMENTARY AND PRESIDENTIAL ELECTIONS RESULTS 1991- 2001

The Parliamentary Elections 1992-2000

Table 1

Parliamentary Election, 28 June 1992

Turnout: 95%

<i>Party Coalition</i>	<i>Seats</i>
MPRP	70
Democratic, National Progress And United Parties Alliances	4
MSDP	1
Independents	1
Total	76

Table 2

Parliamentary Election, 30 June 1996

Turnout: 92%

Party Coalition	Seats
DUC	50
MPRP	25
Mongolian Traditional United Party	1
Total	76

Table 3

Parliamentary Election, 2 July 2000

Turnout: 82%

Party Coalition	Seats
MPRP	72
MNDP-MRDP	1
Mongolian New Socialist Democratic Party	1
Citizens Will/Green Party Coalition	1
Independents	1
Total	76

Source: J. Yadamsuren, Democratic Election Data, Election Commission (Ulaanbaatar, Mongolia 2002), 3-59. International Republican Institute. Mongolia Parliament Election Observation Mission Report. Washington D.C: IRI, July, 2000.

Table 1:**Presidential Election, 6 June 1993**

Turnout: 92.7%

Candidate	Votes	% of Vote
Punsalmaagin Ochirbat	592,836	57.8
Lodoin Tudev	397,057	38.7
Invalid	36,077	3.5
Total valid	989,893	96.5
Number of voters listed	1,106,403	

Table 2**Presidential Election, 19 May 1997**

Turnout: 85.1%

Candidate	Votes	% of Vote
Natsagin Bagabandi	597,573	60.8
Punsalmaagin Ochirbat	292,896	29.8
Jambin Gombojav	65,201	6.6
Invalid	26,970	2.7
Total valid	955,670	97.3
Number of voters listed	1,155,228	

Table 3**Presidential Election, 20 May 2001**

Turnout: 82.9%

Candidate	Votes	% of Vote
Natsagin Bagabandi	581,381	58.1
Radnasumbrelin Gonchigdorj	365,363	36.5
Luvsannyamin Dashnyam	35,425	3.5
Invalid	17,411	1.7
Total valid	982,714	98.3
Number of voters listed	1,205,885	

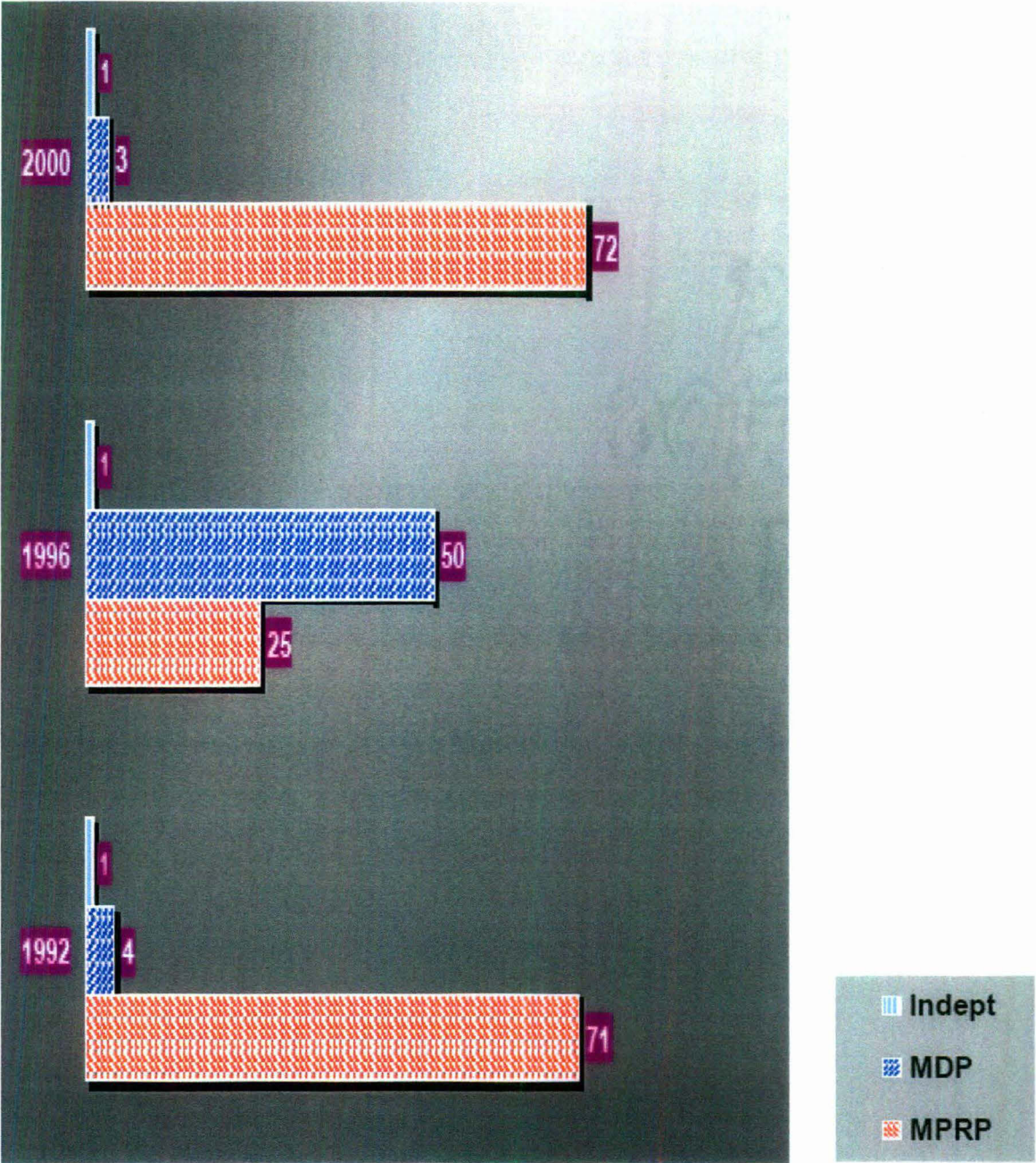
Source: National Statistics Office of Mongolia, Statistics 2003 (Ulaanbaatar, 2003) Gunfsambuu Khayanhyarva, Social Stratification in Contemporary Mongolian Society Zotol Club of Professional Sociologist (Ulaanbaatar 2002) and J. Yadamsuren, Democratic Election Data, Election Commission (Ulaanbaatar, Mongolia 2002), 93-118.

Appendix III: Voter turnout, Parliamentary and Presidential Elections

Year of election	Voter turnout
1992 Parliamentary	95.60%
1993 Presidential	92.7%
1996 Parliamentary	92.15%
1997 Presidential	85.06%
2000 Parliamentary	82.43%
2001 Presidential	82.94%

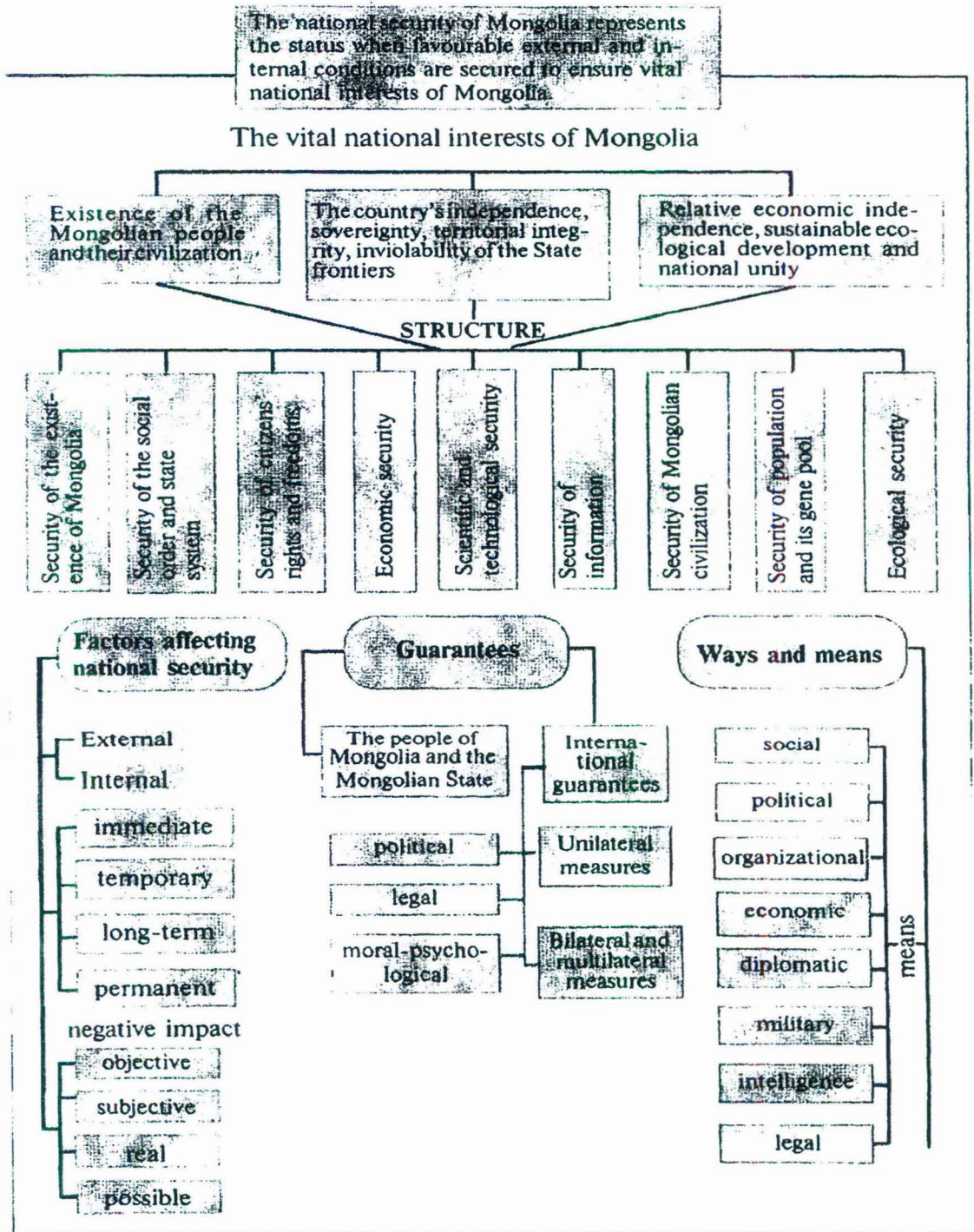
Source: J. Yadamsuren, Democratic Election Data, Election Commission (Ulaanbaatar, Mongolia 2002), 3-118

Appendix IV: Parliamentary Election Results



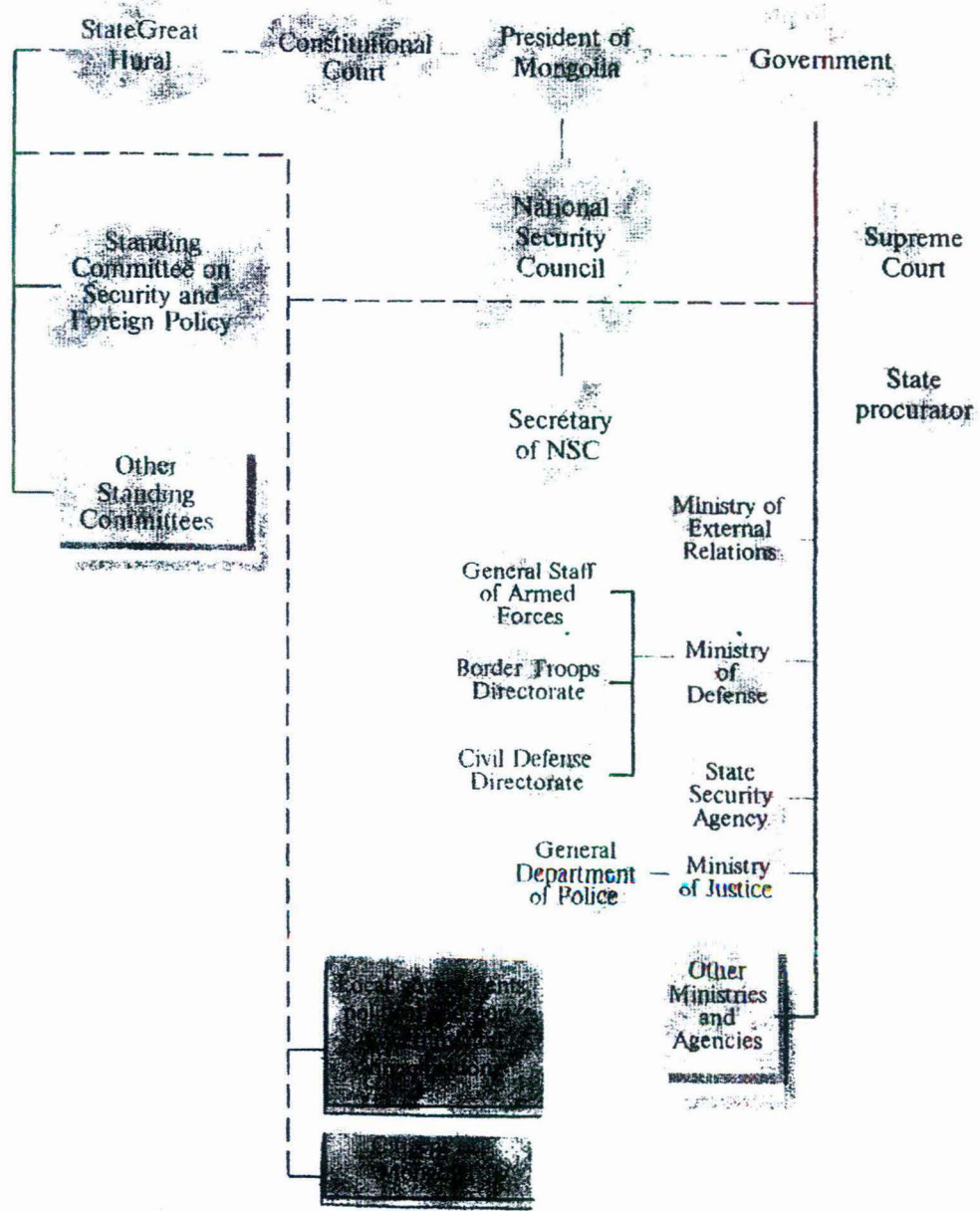
Source: J. Bolbaatar, M. Sanjdorj and B. Shirendev. History of Mongolia vol15, Mongolian Scientific Academy Ulaanbaatar, 2003

CONCEPT OF NATIONAL SECURITY



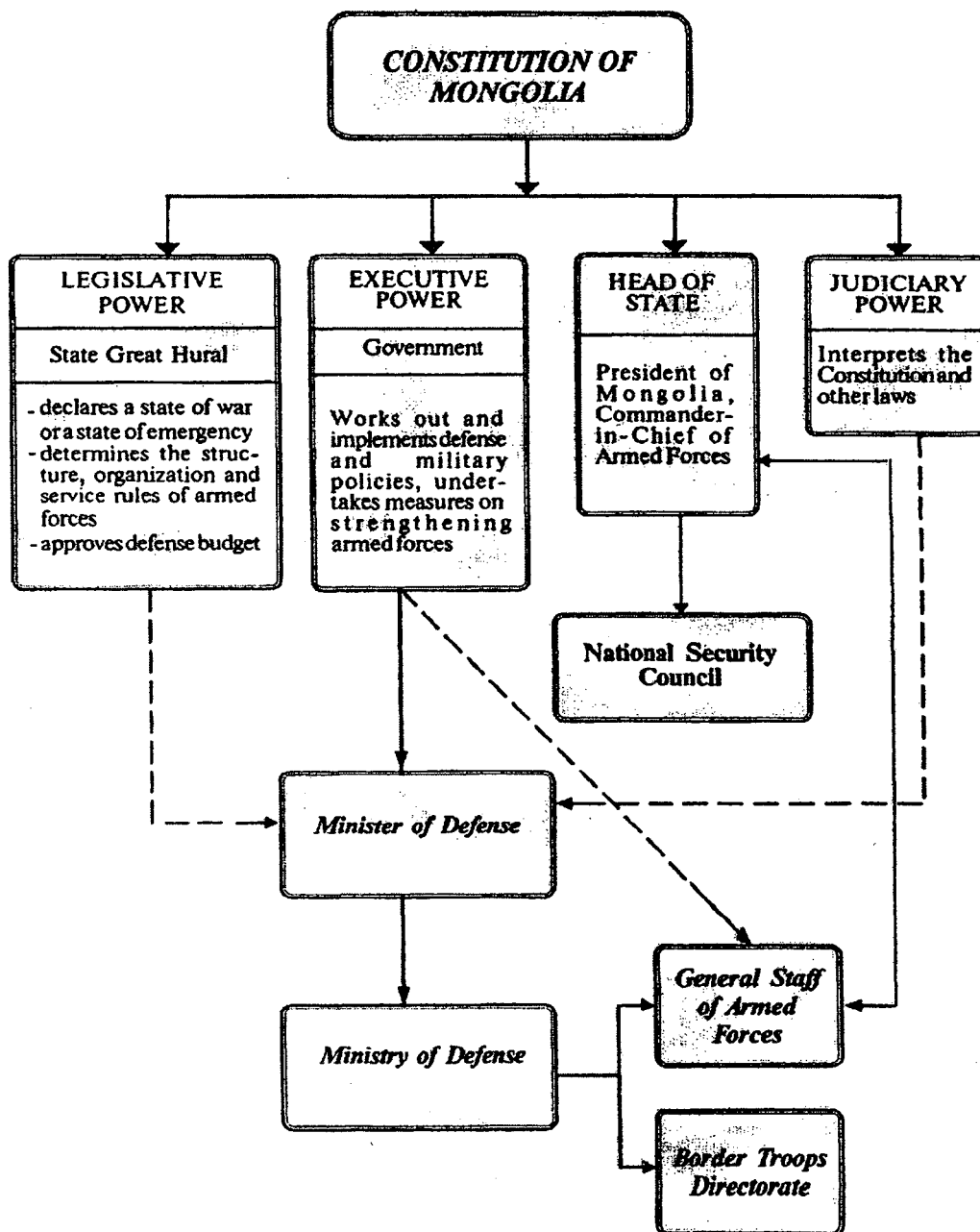
Sources:- Mongolian Defense White Paper 1997/1998, Ulaanbaatar, 1998.

SYSTEM OF ENSURING NATIONAL SECURITY



Sources:- Mongolian Defense White Paper 1997/1998, Ulaanbaatar, 1998.

CIVILIAN CONTROL IN ARMED FORCES



Sources:- Mongolian Defense White Paper 1997/1998, Ulaanbaatar, 1998.

Seats won in Mongolian Parliamentary Elections

Year	Political Party	Seats
1992	MPRP	71
	MSDP	1
	Alliance	4
	Independents	1
1996	MPRP	25
	DU	50
	MCUP	1
2000	MPRP	72
	DU	1
	MDNSP	1
	PCC	1
	Independents	1

President elected in Mongolian Presidential Elections

Year	Candidate and Party	Popular Votes
1993	P. Ochirbad (MNDP/MSDP)	59.9
	L. Tudev (MPRP)	40.1
1997	N. Bagabandi (MPRP)	62.5
	P. Ochirbat (DU)	30.6
	J. Gombojav (MCUP)	6.8
2001	Bagabandi (MPRP)	59.2
	R. Gonchigdorj (DP)	37.2
	L. Dashnyam (PCC)	3.6

Sources: www.gec.gov.mn.

THE CONSTITUTION OF MONGOLIA

13 January 1992
Ulaanbaatar city

/"State Bulletin", No. 1, 1992/

We, the people of Mongolia:

- **Strengthening the independence and sovereignty of the state,**
- **Cherishing human rights and freedoms, justice and national unity,**
- **Inheriting the traditions of national statehood, history and culture,**
- **Respecting the accomplishments of human civilization,**
- **And aspiring toward the supreme objective of building a human, civil and democratic society in our homeland**

Hereby proclaim the Constitution of Mongolia.

CHAPTER ONE

Sovereignty of the Mongolian State

Article One

1. Mongolia is an independent, sovereign republic.
2. The fundamental principles of the activities of the State shall be securing democracy, justice, freedom, equality, national unity and rule of law.

Article Two

1. By its state organization, Mongolia shall be a unitary State.
2. The territory of Mongolia shall be divided into administrative units only.

Article Three

1. In Mongolia state power shall be vested in the people of Mongolia. The Mongolian people shall exercise it through their direct participation in state affairs as well as through the representative bodies of the State authority elected by them.
2. Illegal seizure of State power or any attempt to do so shall be prohibited.

Article Four

1. The territorial integrity and frontiers of Mongolia shall be inviolable.
2. The frontiers of Mongolia shall be fixed by law.
3. Stationing of foreign troops in the territory of Mongolia, allowing them to cross the state frontier for the purpose of passing through the country's territory shall be prohibited unless an appropriate law is adopted.

Article Five

1. Mongolia shall have an economy based on different forms of property consistent to universal trends of world economic development and own country's specifics.
2. The State recognizes all forms of public and private property and shall protect the rights of the owner by law.
3. The owner's rights shall be limited exclusively by grounds specified in the law.

4. The State shall regulate the economy with a view to ensure the nation's economic security, the development of all forms of property and social development of the population.
5. Livestock are national wealth and shall be protected by the State.

Article Six

1. In Mongolia the land, its subsoil, forests, water, fauna and flora and other natural resources shall be subject to people's power and State protection.
2. The land, except that given to the citizens of Mongolia for private ownership, as well as the subsoil with its mineral resources, forests, water resources and wildfowl shall be the property of the State.
3. The State may give for private ownership plots of land, except pasturage and land under public utilization and special use, only to the citizens of Mongolia. This provision shall not apply to the ownership of the subsoil thereof. Citizens shall be prohibited to transfer the land in their ownership to foreign citizens and stateless persons by way of selling, bartering, donating or pledging as well as from transferring it to others for their possession and use without permission from competent State authorities.
4. The State shall have the right to hold landowners responsible for the land, to exchange or take it over with compensation on the grounds of special public need, or confiscate the land if it is used in a manner adverse to the health of the population, the interests of environmental protection or national security.
5. The State may allow foreign citizens, legal persons and stateless persons to lease land for a specified period of time under conditions and procedures as provided for by law.

Article Seven

1. The historical, cultural, scientific and intellectual heritage of the Mongolian people shall be under State protection.
2. Intellectual values produced by citizens are the property of their authors and the national wealth of Mongolia.

Article Eight

1. The Mongolian language is the official language of the State.
2. Paragraph 1 of this Article shall not affect the right of national minorities of other tongues to use their native languages in education and communication and in the pursuit of cultural, artistic and scientific activities.

Article Nine

1. The State shall respect the religions and the religions shall honor the State.
2. State institutions shall not engage in religious activities and the Church shall not carry out political activities.
3. The relationship between the State and the Church shall be regulated by law.

Article Ten

1. Mongolia shall adhere to the universally recognized norms and principles of international law and pursue a peaceful foreign policy.
2. Mongolia shall fulfill in good faith its obligations under international treaties to which it is a Party.
3. The international treaties to which Mongolia is a Party shall become effective as domestic legislation upon the entry into force of the laws on their ratification or accession.
4. Mongolia shall not abide by any international treaty or other instruments incompatible with its Constitution.

Article Eleven

1. The duty of the State is to secure the country's independence, ensure national security and public order.

2. Mongolia shall have armed forces for self-defense. The structure and organization of the armed forces and rules of military service shall be determined by law.

Article Twelve

1. The symbols of the independence and sovereignty of Mongolia are the State Emblem, Banner, Flag, Seal and Anthem.
2. The State Emblem, Banner, Flag and Anthem shall express the historical tradition, aspiration, unity, justice and the spirit of the people of Mongolia.
3. The State Emblem shall be of circular shape with the white lotus serving as its base and the "Never-ending Tumen Nasan" pattern forming its outer frame. The main background is of blue colour signifying the eternal blue sky, the Mongols' traditional sanctity. In the centre of the Emblem a combination of the Precious Steed and the Golden Soyombo sign is depicted as an expression of the independence, sovereignty and spirit of Mongolia. In the upper part of the Emblem the Chandmani (Wish-granting Jewel) sign symbolizes the past, the present and the future. In the lower part of the Emblem the sign of the Wheel entwined with the silk scarf Khadag in an expression of reverence and respect, symbolizing continued prosperity. It is placed against the background of a "hill" pattern conveying the notion of "Mother Earth".
4. The traditional Great White Banner of the unified Mongolian State is a state ceremonial attribute.
5. The State Flag shall be a rectangle divided vertically into three equal parts colored red, blue and red. The blue color of the center of the flag, symbolizes "the eternal blue sky" and the red color on both sides symbolizes progress and prosperity. The Golden Soyombo sign shall be depicted on the red stripe nearest to the flag pole. The ratio of the width and length of the Flag shall be 1:2.
6. The State Seal having a lion-shaped handle, shall be of a square form with the state Emblem in the center and the words "Mongol Uls" (Mongolia) inscribed on both sides. The President shall be the holder of the State Seal.
7. The procedure for the ceremonial use of the State symbols and the text and melody of the State Anthem shall be fixed by law.

Article Thirteen

1. The capital of the State shall be the city in which the State Supreme bodies permanently sit. The capital city of Mongolia is the city of Ulaanbaatar.
2. The legal status of the capital city shall be determined by law.

CHAPTER TWO

Human Rights and Freedoms

Article Fourteen

1. All persons lawfully residing within Mongolia are equal before the law and the Court.
2. No person shall be discriminated against on the basis of ethnic origin, language, race, age, sex, social origin and status, property, occupation and position, religion, opinion and education. Every one shall be a person before the law.

Article Fifteen

1. The grounds and procedure for Mongolian nationality, acquisition or loss of citizenship shall be determined only by law.
2. Deprivation of Mongolian citizenship, exile and extradition of citizens of Mongolia shall be prohibited.

Article Sixteen

The citizens of Mongolia are guaranteed to enjoy the following rights and freedoms:

- 1) the right to life. Deprivation of human life shall be strictly prohibited unless capital punishment is imposed by due judgment of the Court for the most serious crimes, pursuant to Mongolian Criminal law.
- 2) the right to a healthy and safe environment, and to be protected against environmental pollution and ecological imbalance.
- 3) the right to fair acquisition, possession, ownership and inheritance of movable and immovable property. Illegal confiscation and requisitioning of the private property of citizens shall be prohibited. If the State and its bodies appropriate private property on the basis of exclusive public need, they shall do so with due compensation and payment.
- 4) the right to free choice of employment, favorable conditions of work, remuneration, rest and private farming. No one shall be subjected to forced labor.
- 5) the right to material and financial assistance in old age, disability, childbirth and childcare and in other circumstances as provided by law.
- 6) the right to the protection of health and medical care. The procedure and conditions of free medical aid shall be determined by law.
- 7) the right to education. The state shall provide basic general education free of charge; Citizens may establish and operate private schools if these meet the requirements of the State.
- 8) the right to engage in creative work in cultural, artistic and scientific fields and to benefit thereof. Copyrights and patents shall be protected by law.
- 9) the right to take part in the conduct of State affairs directly or through representative bodies. The right to elect and to be elected to State bodies. The right to elect shall be enjoyed from the age of eighteen years and the age of eligibility for being elected shall be determined by law according to the requirements in respect of the bodies or positions concerned.
- 10) the right to form a party or other mass organization and freedom of association to these organizations on the basis of social and personal interests and opinion. All political parties and other mass organizations shall uphold public order and state security, and abide by law. Discrimination and persecution of a person for joining a political party or other mass organization or for being their member shall be prohibited. Party membership of some categories of state employees may be suspended.
- 11) men and women shall enjoy equal rights in political, economic, social, cultural fields and in family relationship. Marriage shall be based on the equality and mutual consent of the spouses who have reached the age determined by law. The State shall protect the interests of the family, motherhood and the child.
- 12) the right to submit a petition or a complaint to State bodies and officials. The State bodies and officials shall be obliged to respond to the petitions or complaints of citizens in conformity with law.
- 13) the right to personal liberty and safety. No one shall be searched, arrested, detained, persecuted or restricted of liberty except in accordance with procedures and grounds determined by law. No person shall be subjected to torture, inhumane, cruel or degrading treatment. Where a person is arrested his/her family and counsel shall be notified within a period of time established by law of the reasons for and grounds of the arrest. The privacy of citizens, their families, correspondence and homes shall be protected by law.
- 14) the right to appeal to the court to protect his/her rights if he/she considers that the rights or freedoms as spelt out by the Mongolian law or an international treaty have been violated; to be compensated for the damage illegally caused by others; not to testify against himself/herself, his/her family, or parents and children; to self-defense; to receive legal assistance; to have evidence examined; to fair trial; to be tried in his/her presence; to appeal against a court decision, to seek pardon. Compelling to testify against himself/herself shall be prohibited. Every person shall be presumed innocent until proved guilty by a court by due process of law. The penalties imposed on the convicted shall not be applicable to his/her family members and relatives.
- 15) freedom of conscience and religion.

16) freedom of thought, opinion and expression, speech, press, peaceful assembly. Procedures for organizing demonstrations and other assemblies shall be determined by law.

17) the right to seek and receive information except that which the state and its bodies are legally bound to protect as secret. In order to protect human rights, dignity and reputation of persons and to ensure State defense, national security and public order secrets of the State, organization or individuals, which are not subject to disclosure shall be determined and protected by law.

18) the right to freedom of movement and residence within the country, right to travel and reside abroad and to return to their home country. The right to travel and reside abroad may be limited exclusively by law in order to ensure national security and the security of the population and protect public order.

Article Seventeen

1. Citizens of Mongolia, while upholding justice and humanity, shall fulfill in good faith the following basic duties:

- 1) to respect and abide by the Constitution and other laws;
- 2) to respect dignity, reputation, rights and legitimate interests of others;
- 3) to pay taxes levied by law;
- 4) to defend the motherland and to perform military service according to law.

2. It is a sacred duty for every citizen to work, protect his/her health, bring up and educate his/her children and to protect nature and the environment.

Article Eighteen

1. The rights and duties of foreign citizens residing in Mongolia shall be regulated by Mongolian law and by the treaties concluded with the State of the person concerned.

2. Mongolia shall adhere to the principle of reciprocity in determining the rights and duties of foreign citizens in an international treaty being concluded with the country concerned.

3. The rights and duties of stateless persons within the territory of Mongolia shall be determined by Mongolian law.

4. Foreign citizens or stateless persons persecuted for their beliefs, political or other activities pursuing justice, may be granted asylum in Mongolia on the basis of their well-founded requests.

5. In allowing foreign citizens and stateless persons under the jurisdiction of Mongolia to exercise the basic rights and freedoms provided for in Article 16 of this Constitution, the State may establish by law relevant restrictions upon the rights other than the inalienable rights spelt out in international instruments to which Mongolia is a Party, out of the consideration of ensuring national security, the security of the population and public order.

Article Nineteen

1. The State shall be responsible to the citizens for the creation of economic, social, legal and other guarantees ensuring human rights and freedoms, to fight against violations of human rights and freedoms and to restore infringed rights.

2. In case of announcement of a state of emergency or martial law, the human rights and freedoms as determined by the Constitution and other laws shall be subject to limitation only by a law. Such a law shall not affect the right to life, the freedom of thought, conscience and religion, as well as the right not to be subjected to torture, inhuman and cruel treatment.

3. In exercising his/her rights and freedoms one shall not infringe the national security, rights and freedoms of others or violate public order.

CHAPTER THREE

State system of Mongolia

One. The State Ikh Khural

Article Twenty

The State Ikh Khural of Mongolia is the highest organ of State power and the legislative power shall be vested solely in the State Ikh Khural.

Article Twenty one

1. The State Ikh Khural shall have one chamber and consist of 76 members.
2. The members of the State Ikh Khural shall be elected by citizens eligible for election, on the basis of universal, free, direct suffrage by secret ballot for a term of four years.
3. Citizens of Mongolia who have reached the age of twenty-five years and are eligible for elections shall be elected to the State Ikh Khural.
4. The procedure of the election of members of the State Ikh Khural shall be determined by law.

Article Twenty two

1. If extraordinary circumstances arising from sudden calamities occur in the whole or a part of the country, the imposition of martial law or the outbreak of public disorder prevent the holding of regular election the State Ikh Khural shall retain its mandate until the extraordinary circumstances cease to exist and the newly elected members of the State Ikh Khural are sworn in.
2. The State Ikh Khural may decide on its dissolution if not less than two thirds of its members consider that the State Ikh Khural is unable to carry out its mandate, or if the President, in consultation with the Chairman of the State Ikh Khural, proposes to do so for the same reason. In case of such a decision, the State Ikh Khural shall exercise its mandate till the newly elected members of the State Ikh Khural are sworn in.
Unless otherwise specified in the Constitution, the State Ikh Khural shall decide on its dissolution or the President shall issue a decree on the dissolution of the State Ikh Khural if the State Ikh Khural fails to appoint a Prime Minister within 45 days from the submission of the proposal of his/her appointment to the Ikh Khural. /amendments from 24 December 1999 and 14 December 2000/

Article Twenty three

1. A member of the State Ikh Khural shall be an envoy of the people and shall represent and uphold the interests of all the citizens and the State.
2. The mandate of a member of the State Ikh Khural shall begin with an oath taken before the State Emblem and expire when newly elected members of the State Ikh Khural are sworn in.

Article Twenty four

1. Chairman and Vice-Chairman of the State Ikh Khural shall be nominated and elected from among the members of the State Ikh Khural by open ballot. Each party and coalition group formed as a result of election shall elect the Vice-Chairman of the State Ikh Khural. /amendments from 24 December 1999 and 14 December 2000/
2. The term of office of the Chairman and Vice-Chairman of the State Ikh Khural shall be four years. They can be relieved of or removed from their posts before the expiry of their terms on grounds specified by law.

Article Twenty five

1. The State Ikh Khural may consider on its initiative any issue pertaining to domestic and foreign policies of the State, and shall keep within its exclusive power the following issues and decide thereon:
 - 1) to enact laws, make amendments to them;
 - 2) to define the basis of the domestic and foreign policies of the State;

- 3) to set and announce the date of elections of the President and the State Ikh Khural and its members;
- 4) to determine and change the structure and composition of the Standing Committees of the State Ikh Khural, the Government and other bodies directly accountable to it according to the law;
- 5) to pass a law recognizing the full mandate of the President after his/her election and to relieve or remove the President;
- 6) to appoint, replace or remove the Prime Minister, members of the Government and other bodies responsible and accountable to the State Ikh Khural as provided for by law;
- 7) to define the State's financial, credit, tax and monetary policies; to lay down the guidelines for the country's economic and social development; to approve the Government's program of action, the State budget and the report on its execution;
- 8) to supervise the implementation of laws and other decisions of the State Ikh Khural;
- 9) to fix the State frontier;
- 10) to set the structure, composition and power of the National Security Council;
- 11) to approve and change the administrative and territorial division of Mongolia on the Government submission;
- 12) to determine the legal basis of the system, organization and activities of local self-governing and administrative bodies;
- 13) to institute State titles, orders, medals and higher military ranks, to determine the table of ranks in some special fields of State service;
- 14) to issue acts of amnesty;
- 15) to ratify and denounce international treaties to which Mongolia is a Party, to establish and sever diplomatic relations with foreign States on the Government submission;
- 16) to hold national referenda. To verify the validity of a referendum in which the majority of citizens eligible for election has taken parts, and to abide by and give effect to the decision which has obtained a majority of votes;
- 17) to declare a martial law in case the sovereignty and independence of the State are threatened by armed actions on the part of a foreign State, and to rescind it;
- 18) to declare a state of emergency or martial law in the whole or part of the country in special circumstances described in paragraph 2 and 3 of this Article and to approve or nullify the President's decree to that effect.

2. Under the following extraordinary circumstances the State Ikh Khural may declare a state of emergency to eliminate the consequences thereof and to restore the life of the population and society to normalcy:

- 1) natural disasters or other unforeseen dangers which threaten or may threaten directly the life, health, well-being and security of the population in the whole or a part of the country's territory;
- 2) if State authorities are not able within legal limits to cope with public disorders caused by organized, violent, illegal actions of an organization or a group of people threatening the Constitutional order and the existence of the legitimate social system.

3. The State Ikh Khural may declare martial law if public disorder in the whole or a part of the country's territory result in armed conflict or create a real threat of armed conflict, or if there is armed aggression or a real threat of such aggression from a foreign state.

4. The other power, organization and the procedures of the State Ikh Khural shall be determined by law.

Article Twenty six

1. The President, members of the State Ikh Khural and the Government shall exercise the right to initiative laws.

2. Citizens and other organizations shall forward their suggestions on draft laws to those entitled to initiate a law.

3. National laws shall be subject to official promulgation by the State Ikh Khural through publication and, unless law provides otherwise, shall enter into force 10 days after the date of publication.

Article Twenty seven

1. The State Ikh Khural shall exercise its power through its sessions and other organizational forms.
2. Regular sessions of the State Ikh Khural shall be convened once every half year and last not less than 50 working days. /amendments from 24 December 1999 and 14 December 2000/
3. Extraordinary sessions may be convened at the demand of more than one third of the members of the State Ikh Khural or at the initiative of the President and the Chairman of the State Ikh Khural.
4. The President shall convoke the first sessions of the State Ikh Khural within 30 days of an election. Other sessions shall be convoked by the Chairman of the State Ikh Khural.
5. In case of the proclamation by the President of a state of emergency or martial law, the State Ikh Khural shall be convened for an extraordinary session within 72 hours without prior announcement.
6. The presence of a majority of members shall be required to consider a session of the State Ikh Khural and Standing Committee valid, and decisions shall be taken by the majority voting of all members present. The Prime Minister's and Government members' appointment and other issues shall be decided by open ballot unless other laws provide otherwise. /amendments from 24 December 1999 and 14 December 2000/

Article Twenty eight

1. The State Ikh Khural shall have Standing Committees dealing with specific fields of its activity.
2. The State Ikh Khural shall determine the power, organization and procedures of the work of Standing Committees.

Article Twenty nine

1. Members of the State Ikh Khural shall be remunerated from the State budget during their term and shall not hold concurrently any posts and employment other than those assigned by law except for the post of Prime Minister and member of Government. /amendments from 24 December 1999 and 14 December 2000/
2. The legal immunity of members of the State Ikh Khural shall be protected by law.
3. Questions concerning the involvement of a member of the State Ikh Khural in a crime shall be considered by the session of the State Ikh Khural, which shall decide whether to suspend his/her mandate. If a court rules the member in question to be guilty of crime, the State Ikh Khural shall terminate his/her membership in Legislature.

Two. The President

Article Thirty

1. The President shall be the Head of State and embodiment of the unity of the Mongolian people.
2. An indigenous citizen of Mongolia, who has attained the age of forty-five years and has permanently resided as a minimum for the last five years in Mongolia, shall be eligible for election to the post of President for a term of four years.

Article Thirty one

1. Presidential elections shall be conducted in two stages.
2. Political parties which have obtained seats in the State Ikh Khural shall nominate individually or collectively Presidential candidates, one candidate per party or coalition of parties.
3. At the primary stage of the elections citizens eligible for election shall participate in electing the President on the basis of universal, free and direct suffrage by secret ballot.

4. The State Ikh Khural shall consider the candidate who has obtained a majority of all votes cast in the first voting round as elected President and shall pass a law recognizing his/her mandate.
5. If none of the candidates obtains a majority vote in the first round, a second round of voting shall take place involving the two candidates who have obtained the largest number of votes in the first round. The candidate who wins a majority of all votes cast in the second ballot shall be considered as elected President and a law recognizing his/her mandate shall be passed by the State Ikh Khural.
6. If neither of the candidates wins a majority of votes in the second ballot, Presidential elections shall be held anew.
7. The President can be re-elected only once.
8. The President shall not be Prime Minister, a member of the State Ikh Khural or a member of the Government and shall not concurrently hold any other posts and pursue any occupation not relating to his duties assigned by law. If the President holds another office or a post he/she shall be relieved of it from the date on which he/she takes his/her oath.

Article Thirty two

1. The mandate of the President shall become effective with an oath taken by him/her and shall expire with an oath taken by the newly elected President.
2. Within 30 days of the election the President shall take the following oath before the State Ikh Khural: "I swear that I shall guard and defend the independence and sovereignty of Mongolia, the freedom of the people and national unity and I shall uphold and observe the Constitution and faithfully perform the duties of the President".

Article Thirty three

1. The President shall exercise the following power:
 - 1/ to exercise a right to veto against all or part of laws and other decisions adopted by the State Ikh Khural. The laws or decisions shall remain in force if two thirds of the members of the State Ikh Khural present in the session do not accept the President's veto;
 - 2/ to propose to the State Ikh Khural the candidature for the appointment to the post of Prime Minister nominated from the majority party or coalition in the State Ikh Khural; if none of them has a majority a candidate nominated from the party/coalition which has the largest number of seats in consultation with other parties; if such party fails to propose a candidate on consultation with other parties, the candidate who has received the majority of votes from parties and the coalition which sits in the State Ikh Khural within 5 days /amendments from 24 December 1999 and 14 December 2000/
 - 3/ to instruct the Government on issues within his/her power. If the President issues a relevant decree it shall become effective upon signature by the Prime Minister;
 - 4/ to represent the State with full power in foreign relations and, in consultation with the State Ikh Khural, to conclude international treaties on behalf of Mongolia;
 - 5/ to appoint and recall heads of plenipotentiary missions to foreign countries in consultation with the State Ikh Khural;
 - 6/ to receive the Letters of Credence or Recall of Heads of diplomatic missions of foreign states to Mongolia;
 - 7/ to confer state titles and higher military ranks and award orders and medals;
 - 8/ to grant pardons;
 - 9/ to decide matters related to granting and withdrawing Mongolian citizenship and granting asylum;
 - 10/ to head the National Security Council of Mongolia;
 - 11/ to declare general or partial conscription;
 - 12/ to declare a state of emergency or martial law on the whole or a part of the national territory and order the deployment of armed forces when emergency circumstances described in paragraphs 2 and 3 of the Article 25 of the Constitution arise and the State Ikh Khural concurrently is in recess. The State Ikh Khural within 7 days shall

consider the Presidential decree declaring a state of emergency or martial law and shall approve or disapprove it. If the State Ikh Khural does not make a decision on the matter, the Presidential decree shall be void.

2. The President shall be the Commander-in-Chief of the armed forces of Mongolia.

3. The President may address messages to the State Ikh Khural and/or to the people, he/she may at his/her own discretion attend sessions of the State Ikh Khural, report on and submit proposals concerning vital issues of domestic and foreign policies of the country.

4. Other specific power may be vested in the President only by law.

Article Thirty four

1. The President within his/her power shall issue decrees in conformity with law.

2. If a Presidential decree is incompatible with law, the President himself/herself or the State Ikh Khural shall invalidate it.

Article Thirty five

1. The President shall be responsible to the State Ikh Khural.

2. In case of a violation of the Constitution and/or abuse of power in breach of his oath, the President may be removed from his post on the basis of the findings of the Constitutional Court by an overwhelming majority of members of the State Ikh Khural present and voting.

Article Thirty six

1. The person, residence and transport of the President shall be inviolable.

2. Dignity and immunity of the President shall be protected by law.

Article Thirty seven

1. In the temporary absence of the President his/her full power shall be exercised by the Chairman of the State Ikh Khural.

2. In the event of the resignation, death or voluntary retirement of the President his/her full power shall be exercised by the Chairman of the State Ikh Khural pending the inauguration of the newly elected President. In such a case the State Ikh Khural shall announce and hold Presidential elections within four months.

3. The procedure of exercising the duties of President by the Chairman of the State Ikh Khural shall be determined by law.

Three. The Government

Article Thirty eight

1. The Government is the highest executive body of the State.

2. The Government shall implement the State laws, in accordance with duties to direct economic, social and cultural development, shall exercise the following power:

1/ to organize and ensure nationwide implementation of the Constitution and other laws;

2/ to work out a comprehensive policy on science and technology, guidelines for economic and social development, the State budget, credit and fiscal plans and to submit these to the State Ikh Khural and to execute decisions taken thereon;

3/ to elaborate and implement comprehensive measures on sector, inter sector and regional development;

4/ to undertake measures on the protection of the environment and on the rational use and restoration of natural resources;

5/ to provide efficient leadership of central state administrative bodies and to direct the activities of local administrations;

6/ to strengthen the country's defense capabilities and to ensure national security;

7/ to take measures for the protection of human rights and freedoms, strengthening public order and the prevention of crime;

8/ to implement State foreign policy;

9/ to conclude and implement international treaties in consultation with and, subsequent ratification by the State Ikh Khural, as well as to conclude and abrogate intergovernmental treaties.

3. The specific competences, organization and procedure of the Government shall be determined by law.

Article Thirty nine

1. The Government shall comprise the Prime Minister and members.

2. The Prime Minister, in consultation with President, shall submit his/her proposals on the structure and composition of the Government and on the changes in these to the State Ikh Khural. If the Prime Minister has not reached consensus with the President within 7 days he/she shall submit proposals to the State Ikh Khural by himself/herself. /amendments from 24 December 1999 and 14 December 2000/

3. The State Ikh Khural shall consider the candidates proposed by the Prime Minister one by one and take decisions on their appointment.

Article Forty

1. The term of the mandate of the Government shall be four years.

2. The terms of office of the Government shall start from the date of the appointment of the Prime Minister by the State Ikh Khural and terminate upon the appointment of a new Prime Minister.

Article Forty one

1. The Prime Minister shall lead the Government and shall be responsible to the State Ikh Khural for the implementation of state laws.

2. The Government shall be accountable for its work to the State Ikh Khural.

Article Forty two

Personal immunity of the Prime Minister and members of the Government shall be protected by law.

Article Forty three

1. The Prime Minister may tender his/her resignation to the State Ikh Khural before the expiry of his/her terms of office if he/she considers that the Government is unable to exercise its power.

2. The Government shall step down in its entirety upon the resignation of the Prime Minister or if half of the members of the Government resign at the same time.

3. The State Ikh Khural shall consider the matter and make a final decision within 15 days after taking the initiative to dissolve the Government or receiving the President's proposal or the Prime Minister's statement on resignation.

4. The State Ikh Khural shall consider and take a decision on the dissolution of the Government if not less than one quarter of the members of the State Ikh Khural formally propose the dissolution of the Government.

Article Forty four

If the Government submits a draft resolution requesting a vote of confidence, the State Ikh Khural shall proceed with the matter in accordance with paragraph 3 of Article 43.

Article Forty five

1. The Government in conformity with legislation and within its power shall issue resolutions and ordinances which shall be signed by the Prime Minister and the Minister responsible for its application.
2. If these resolutions and ordinances are incompatible with legislation, the Government itself or the State Ikh Khural shall invalidate them.

Article Forty six

1. Ministries and other government offices shall be constituted in accordance with law.
2. Genuine civil servants shall be Mongolian citizens. They shall strictly abide by the Constitution and other laws and work for the benefit of the people and in the interests of the State.
3. The working conditions and social guarantees of civil servants shall be determined by law.

Four. The Judiciary

Article Forty seven

1. In Mongolia the judicial power shall be vested exclusively in courts.
2. The unlawful establishment of a court under any circumstances and exercise of judicial power by any organization other than court shall be prohibited.
3. Courts shall be established solely under the Constitution and other laws.

Article Forty eight

1. The judicial system shall consist of the Supreme Court, Aimag and capital city courts, Soum, inter-soum and District courts. Specialized courts such as criminal, civil and administrative courts may be formed. The activities and decisions of these specialized courts shall not but be outside the supervision of the Supreme Court.
2. The organization of courts and the legal basis of their activities shall be determined by law.
3. The courts shall be financed from the State budget. The State shall ensure economic guarantee of the court's activities.

Article Forty nine

1. Judges shall be independent and subject only to law.
2. Neither a private person nor any official including the President, Prime Minister, members of the State Ikh Khural and the Government, officials of political parties or other mass organizations shall interfere with the exercise by the judges of their duties.
3. The General Council of Courts shall function for the purpose of ensuring the independence of the judiciary.
4. The General Council of Courts, without interfering in the activities of courts and judges, shall deal exclusively with the selection of judges from among legal professionals, protection of their rights and other matters pertaining to the ensuring of conditions for guaranteeing the independence of the judiciary.
5. The organization and procedures of the General Council of Courts shall be determined by law.

Article Fifty

1. The Supreme Court shall be the highest judicial organ and shall exercise the following power:
 - 1) to try at first instance criminal cases and legal disputes under its jurisdiction;
 - 2) to examine decisions of lower-instance courts through appeal and supervision;

- 3) to examine and take decisions on matters related to the protection of law and human rights and freedoms therein and transferred to it by the Constitutional court and the Prosecutor General;
 - 4) to provide official interpretations for correct application of all other laws except for the Constitution;
 - 5) to make judgments on all other matters assigned to it by law.
2. The decision made by the Supreme Court shall be a final judiciary decision and shall be binding upon all courts and other persons. If a decision made by the Supreme Court is incompatible with law, the Supreme Court itself shall have to repeal it. If an interpretation made by the Supreme Court is incompatible with a law, the latter shall prevail.
 3. The Supreme Court and other courts shall have no right to apply laws that are unconstitutional or have not been promulgated officially.

Article Fifty one

1. The Supreme Court shall comprise the Chief Justice and judges.
2. The President shall appoint the judges of the Supreme Court upon their presentation to the State Ikh Khural by the General Council of Courts, and appoint judges of other courts on the proposal of the General Council of Courts. The President shall appoint the Chief Justice of the Supreme Court for a term of six years on proposal of the Supreme Court from among its members.
3. A Mongolian citizen who has reached thirty-five years of age with a higher education in law and a professional career of not less than 10 years may be appointed as a judge of the Supreme Court. A Mongolian citizen who has reached twenty-five years of age with a higher education in law and a professional career of not less than 3 years may be appointed as a judge of the other courts.
4. Removal of a judge from a court of any instance shall be prohibited except in cases where he/she is relieved at his/her own request or removed on the grounds provided for in the Constitution and/or the Law on the judiciary and by a valid court decision.

Article Fifty two

1. Courts of all instances shall consider and make judgment on cases and disputes on the basis of collective decision-making.
2. In passing a collective decision on cases and disputes, the courts of first instance shall allow representatives of citizens to participate in the proceedings in accordance with the procedures prescribed by law.
3. A judge alone may decide those cases, which are specifically singled out for such trial by law.

Article Fifty three

1. Court trials shall be conducted in the Mongolian language.
2. A person who does not know Mongolian shall be acquainted with all the facts of the case through translation and shall have the right to presentation in his/her native language at the trial.

Article Fifty four

Court trials shall be open to the public except in cases specified by law.

Article Fifty five

1. The accused shall have a right to defend him/herself.
2. The accused shall be accorded legal assistance according to law or at his/her request.

Article Fifty six

1. The Prosecutor shall exercise supervision over the inquiry into and investigation of cases and the execution of punishment, and participate in the court trial on behalf of the State.

2. The President shall appoint the Prosecutor General and his/her deputies in consultation with the State Ikh Khural for a term of six years.
3. The system, organization and legal basis of the activities of the Prosecutor's organization shall be determined by law.

CHAPTER FOUR

Administrative and Territorial Units of Mongolia and their Governing Bodies

Article Fifty seven

1. The territory of Mongolia shall be divided administratively into Aimags and a capital city; Aimags shall be subdivided into Soums; Soums into Baghs; the capital city shall be subdivided into District and Districts into Khorooos
2. The legal status of towns and villages within the administrative and territorial units shall be determined by law.
3. Revision of an administrative and territorial unit shall be considered and decided by the State Ikh Khural on the basis of a proposal by a respective local Khural and local citizens, and with account taken of the country's economic structure and the distribution of the population.

Article Fifty eight

1. Aimag, the capital city, Soum and District are administrative, territorial and socio-economic complexes with their functions and administrations provided for by law.
2. Borders of Aimags, the capital city, Soums and Districts shall be approved by the State Ikh Khural on the Government submission.

Article Fifty nine

1. Governance of administrative and territorial units of Mongolia shall be organized on the basis of a combination of the principles of both self-governance and central government.
2. The self-governing bodies in Aimag, capital city, Soum and District shall be Khurals of Representatives of the citizens of respective territories; in Bagh and Khoroo they shall be Public Meetings of citizens. In between the sessions of the Khurals and Public Meetings their Presidiums shall assume administrative functions.
3. Khurals of Aimags and the capital city shall be elected for a term of four years. The membership of these Khurals as well as those of Soums and Districts and the procedure of their election shall be determined by law.

Article Sixty

1. State authority shall be exercised on the territories of Aimags, the capital city, Soums, Districts, Baghs and Khorooos by their respective Governors.
2. Candidates for Governors are nominated by the Khurals of respective Aimags, the capital city, Soums, Districts, Baghs and Khorooos. Governors of Aimags and the capital city are appointed by the Prime Minister; Governors Soum and District by the Governors of Aimags and the capital city; Governors of Baghs and Khorooos by the Governors of Soums and Districts respectively for a term of four years.
3. In case the Prime Minister and Governors of higher levels refuse to appoint the gubernatorial candidates, new nominations shall be held in the manner prescribed in Paragraph 2 of this Article. Pending the appointment of a new Governor the previously appointed Governor shall exercise his/her mandate.

Article Sixty one

1. While working for the implementation of the decisions of a respective Khural, a Governor, as a representative of State authority, shall be responsible to the Government

and the Governor of higher instance for proper observance of national laws and fulfillment of the decisions of the Government and the respective superior body in his/her territory.

2. The Governor shall have a right to veto decisions of respective Aimag, capital city, Soum, District, Bagh and Khoroo Khurals.

3. If a Khural by a majority vote overrides the veto, the Governor may tender his/her resignation to the respective Khural, Prime Minister or to the Governor of higher instance if he/she considers that he/she is not able to implement the decision concerned.

4. Governors of Aimag, the capital city, Soum and District shall have secretariats (Offices of the Seal). The Government shall determine the structure and staff limit of these offices individually or by a uniform standard.

Article Sixty two

1. Local self-governing bodies besides making independent decisions on matters of socio-economic life of the respective Aimag, the capital city, Soum, District, Bagh and Khoroo shall organize the participation of the population in solving problems of national scale and that of higher territorial units.

2. Authorities of higher instance shall not take decision on matters coming under the jurisdiction of local self-governing bodies. If law and decisions of respective superior state organs do not specifically deal with definite local matters, local self-governing bodies can decide upon them independently in conformity with the Constitution.

3. If the State Ikh Khural and the Government deem it necessary they may delegate some matters within their power to the Aimag and capital city Khurals and Governors for their resolution.

Article Sixty three

1. Khurals of Aimag, the capital city, Soum, District, Bagh and Khoroo shall adopt resolutions and Governors shall issue ordinances within their power.

2. Resolutions of the Khurals and ordinances of the Governors shall be in conformity with law, Presidential decrees and decisions of the Government and other superior bodies, and shall be binding within their respective territories.

3. Administrative and territorial units, and the power, organization and procedure of their governing bodies shall be determined by law.

CHAPTER FIVE

The Constitutional Court of Mongolia

Article Sixty four

1. The Constitutional Court shall be an organ exercising supreme supervision over the implementation of the Constitution, making judgment on the violation of its provisions and resolving constitutional disputes. It shall be the guarantee for the strict observance of the Constitution.

2. The Constitutional court and its members in the execution of their duties shall be subject to the Constitution only and shall be independent of any organizations, officials or any other person.

3. The independence of the members of the Constitutional court shall be ensured by the guarantees set out in the Constitution and other laws.

Article Sixty five

1. The Constitutional court shall consist of 9 members. Members of the Constitutional court shall be appointed by the State Ikh Khural for a term of six years upon the nomination of three of them by the State Ikh Khural, three by the President and the remaining three by the Supreme Court.

2. A member of the Constitutional court shall be a Mongolian citizen who has reached forty years of age and has a high political and legal qualification.

3. The Chairman of the Constitutional court shall be elected from among 9 members for a term of three years by a majority vote among the members of the Constitutional court. He/she can be re-elected once.

4. If the Chairman or a member of the Constitutional court violates the law, he/she may be withdrawn by the State Ikh Khural based on the decision of the Constitutional court and on the suggestion of the institution that nominated him/her.

5. The President, members of the State Ikh Khural, the Prime Minister, members of the Government and the Supreme Court shall not be members of the Constitutional court.

Article Sixty six

1. The Constitutional court shall examine and settle constitutional disputes on its own initiative on the basis of petitions and information received from citizens or at the request of the State Ikh Khural, the President, the Prime Minister, the Supreme Court and the Prosecutor General.

2. The Constitutional court, in accordance with Paragraph 1 of this Article, shall make and submit conclusions to the State Ikh Khural on:

1) the conformity of laws, decrees and other decisions of the State Ikh Khural and the President, as well as Government decisions and international treaties to which Mongolia is a party with the Constitution;

2) the conformity of national referenda and decisions of the Central election authority on the elections of the State Ikh Khural and its members as well as on Presidential elections with the Constitution;

3) whether the President, Chairman and members of the State Ikh Khural, the Prime Minister, members of the Government, the Chief Justice of the Supreme court and the Prosecutor General have breached the law;

4) whether the grounds for the removal of the President, Chairman of the State Ikh Khural and the Prime Minister and for the recall of members of the State Ikh Khural existed.

3. If a conclusion submitted in accordance with sub-paragraph 1 and 2 of Paragraph 2 of this Article is not accepted by the State Ikh Khural, the Constitutional court shall re-examine it and make a final judgment.

4. If the Constitutional court decides that the laws, decrees and other decisions of the State Ikh Khural and the President as well as Government decisions and international treaties to which Mongolia is a party are inconsistent with the Constitution, the laws, decrees, instruments of ratification and decisions in question shall be considered invalid.

Article Sixty seven

Decisions of the Constitutional court shall enter into force immediately.

CHAPTER SIX

Amendment to the Constitution of Mongolia

Article Sixty eight

1. Amendments to the Constitution shall be initiated by organization and officials enjoying the right to legislative initiative and could be submitted by the Constitutional court to the State Ikh Khural.

2. A national referendum on constitutional amendment may be held on the concurrence of not less than two thirds of the members of the State Ikh Khural. The referendum shall be held in accordance with the provisions of sub-paragraph 16 of Paragraph 1, Article 25 of the Constitution.

Article Sixty nine

1. An amendment to the Constitution shall be adopted by not less than three-quarters of votes of all members of the State Ikh Khural.

2. A draft amendment to the Constitution which has twice failed to win a three-quarters majority of votes of all members of the State Ikh Khural shall not be subject to consideration until the State Ikh Khural sits in a new composition following general elections.
3. The State Ikh Khural shall not undertake amendment of the Constitution within 6 months prior to general elections.
4. Amendments that have been adopted shall carry the same force as the Constitution.

Article Seventy

1. Laws, decrees and other decisions of state bodies, and activities of all other organizations and citizens should be in full conformity with the Constitution.
2. The Constitution of Mongolia shall enter into force at 12.00 hours on the 12th of February of 1992, or at the hour of Horse on the prime and benevolent ninth day of Yellow Horse of the first spring month of Black Tiger of the year of water Monkey of the Seventeenth 60-year Cycle.

Learn and Abide

THE STATE IKH KHURAL OF THE MONGOLIAN PEOPLE'S REPUBLIC

11.35 a.m.

13 January 1992, Ulaanbaatar