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# **India-Mongolia Relations: Modi's Manoeuvres**

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## India-Mongolia Relations: Modi's Manoeuvres

Prime Minister Modi was welcomed in Ulan Bator on 17th May by the Mongolian PM Chimed Saikhanbileg, as the first Indian leader to address the Mongol Great Hural (parliament). The year 2015 marks the 60th anniversary of establishment of diplomatic relations between India and Mongolia and the 25th anniversary of Mongolia becoming a democracy. Modi began<sup>1</sup> his visit at the famous 19th century Gandantegchinlen Monastery where he will plant a sapling from the 'Mahabodhi' tree. He also witness a special session of Mongolian national festival, the Naadam Games ("eriin gurvan naadam").

During the visit Modi announced<sup>2</sup> a \$ 1 billion credit line to Mongolia for infrastructure development as they upgraded their ties to "strategic partnership" and agreed to deepen defence cooperation, besides exploring potential for tie ups in areas like the civil nuclear sector. The governments of Mongolia and of the Republic of India inked<sup>3</sup> 14 cooperation documents including on the establishment of Cyber Security Training Centre in the Ministry of Defence of Mongolia, Cooperation between the National Security Councils of Mongolia and India and a pact<sup>4</sup> under which India will train Mongolia's border force — the General Authority for Border Protection (GABP) — in counter-insurgency operations and receive training inputs from them in high-altitude operations, besides sharing surveillance technologies for border management.

The question that begs attention is what brings Modi to Ulan Bator to refresh bilateral relations with a country that hosts a few hundreds of the Indian Diaspora and with whom the volume of trade is not even one percent of the India's total trade. It is not surprising that Mongolia in the past has had Indian constitutional entities and parliamentary appointments shoring up the diplomatic relations and protocol. This article looks at some facets of the India-Mongolia bilateral relations and how possibly it represents a more nuanced facet of India's foreign policy.

### India-Mongolia Relations

The first direct political contact between India and Mongolia took place in March 1947 just before India's independence, when a three-member Mongolian delegation came to New Delhi on the behest of Pt. Nehru to attend the First Asian Relations Conference. India was the first country outside the Soviet block to establish diplomatic ties with Independent Mongolia on 24 December 1955. Notwithstanding the civilisational links spanning over a period of 2700 years, the two events indicate the depth of India-Mongolia relations in modern times.

Post 1955 India and Mongolia have had an active diplomatic engagement, 30 agreements have been signed between the two nations. India is now not just looking to revitalize its old historical and cultural links but take them to a higher level. Buddhism and democratic values are seen as the drivers. Mongolia has looked upon India as a "spiritual neighbour".

Trade between the two countries have been constrained due to the lack of infrastructure in Mongolia. Bilateral trade has dropped in volume in the last two years. The two countries are looking at options to increase trade, investment and economic exchanges, building upon the Bilateral Investment Protection and Double Taxation Avoidance Agreements that are already in

place. India and Mongolia in September 2009 had signed a civil nuclear agreement<sup>5</sup> for supply of uranium, making Mongolia then the sixth country with which India had signed such a pact.

As a landlocked nation Mongolia has shared its boundaries with two feuding and at time competing countries; China and Russia. To seek an independent role in international affairs beyond its two neighbours, Mongol strategic thinkers articulated the “third neighbour” policy to develop new partnerships. Mongolian foreign policy of past few decades has also been aimed at securing its democracy and effecting market reforms through multilateral efforts.

### **Third Neighbour Policy**

The third neighbour policy has featured importantly the United States, India, Japan and South Korea. This policy has had two significant outcomes; vibrant multilateral approach to foreign affairs and active defence diplomacy. In both of which India has participated and partnered Mongolia on common issues for mutual benefit.

In November 2012, Mongolia became<sup>6</sup> OSCE's 57th participating State. The Forum for Security Cooperation is the main body of the OSCE which considers the security aspects of politico-military dimension. Mongolia chaired<sup>7</sup> the Forum during the first trimester of 2015. Last year the country inked an agreement with NATO aiming to promote common understanding on regional and global security issues. These are some of the examples of Mongolia's international profile in multilateral forums. In 1972 when Mongolia co-sponsored with India and Bhutan a UN resolution for the recognition of Bangladesh while, India sponsored Mongolia entry as an observer into NAM.

### **Defence Diplomacy**

Mongolia has hosted or taken part in several multi-national military exercises with the aim to develop the Mongolian army's peacekeeping abilities, as well as a way to leverage military-to-military ties as a tool of diplomacy. India's also annually participates with the Mongolian armed forces in joint exercises called 'Nomadic Elephant' besides the annual peacekeeping exercise, Khaan Quest.

The Khaan Quest exercise is the pivot of Mongolian defence diplomacy, The exercise involves different types of forums such as staff planning and field training exercises, engineering projects like renovating schools and medical facilities, and providing medical aid to local communities. Roughly 1,200 troops from 24 countries took part in Khaan Quest in Jun 2014.<sup>8</sup> Mongolia's contribution<sup>9</sup> to US-led coalition operations in Iraq and Afghanistan (ISAF) and several UN peacekeeping missions have made it the largest troop contributor from northeast and central Asia.

Mongolian leaders have used these exercises to modernize its armed forces, raise its international profile and importance globally. This has also aided Mongolia in projecting itself as a neutral forum for dialogues and cooperation because it is the only state with no territorial disputes with neighbours and maintains amicable relations with all East Asian states. Leveraging this neutrality, Mongolia hosts rounds of North Korea-Japan dialogues and the newly announced Ulaanbaatar Dialogue.

### Internal Issues

President Elbegdorj won a second term as president of Mongolia in June 26, 2013. His narrow margin of re-election raised expectations that he would follow a policy of anti-corruption initiatives targeted mainly toward opposition party officials, rebalance the Chinese monopoly in foreign investment and trade through a diversification of foreign trade partners and shore-up the domestic technical capacity. Mongolian politics were shaken on November 5, 2014 when the parliament voted to dismiss<sup>10</sup> Prime Minister Norov Altankhuyag for not addressing the country's drastically slowing economic growth, plunging foreign investment, and alleged corruption and cronyism.

Mongolia has seen a precipitous fall in foreign direct investment (FDI) from \$4.4 billion in 2012, to \$1.8 billion in 2013, to only \$0.8 billion in 2014.<sup>11</sup> This trend, coupled with the 40-percent fall in the Mongolian tugrik versus the US dollar over the last two years has greatly weakened the once booming Mongolian economy and increased its foreign debt. The World Bank forecasts Mongolia's annual GDP growth to slow to 6 percent in 2015, down from 6.3 percent in 2014, and 11.7 percent in 2012. Furthermore, Mongolia needs to develop an action plan to refinance or repay its external public debt of \$1.08 billion by 2017–2018.

### China Factor

Mongolia is important to China for economic reasons, regional security, oil and gas transit, option to counter terrorism in Xinjiang and US influence in the region. China, with its vast manufacturing base, is the primary consumer of Mongolian natural resources, as well as a transit corridor for Mongolia's entry into other East Asian markets. Chinese President Xi Jinping's state visit to Mongolia on August 21–22, China and Mongolia signed a series of 26 economic agreements, including a Joint Declaration on Relations, which set a bilateral trade target of \$10 billion by 2020. Six Chinese seaports, including Tianjin and Dalian, were designated to facilitate Mongolian exports to overseas markets, providing Mongolia easier access to Asian maritime shipping routes. Two-thirds of Mongolian goods transported on Chinese rails will be sold in China and one-third will be for third-country export via Chinese seaports.

### Areas of Cooperation

One of the key priorities of the Mongolian government has been to diversify the economy away from its dependence on the mining sector and increase foreign investment. The government has recognised the lack of infrastructure and the fact that dependence on the mining sector needs to be reduced through a process of industrialization.

Mongolian democratic leaders also realise that without tighter economic policies and more FDI, their economy will remain vulnerable, and the country dependent on China and Russia. They have reached out to the "third neighbours," such as Japan, Germany, for investment.

The Indian government has responded with initiatives such as the Atal Bihari Vajpayee Centre for Excellence in Information & Communication Technology, setting up a milk processing plant and India-Mongolia Joint Information Technology Education and Outsourcing Centre. But has Modi explored new areas of cooperation between India and Mongolia? Mongolian intelligence reportedly has a confidential agreement with Indian intelligence agencies for forensic analysis of

the entire raw cyber data traffic that goes across Mongolian border into China.<sup>12</sup> Hence, the extensive cyber and IT cooperation between the two countries.

Some analysts also point to India plans to deliver wheat and possibly other grains to North Korea following a rare meeting between foreign minister Sushma Swaraj and her Pyongyang counterpart Ri Su Yong in New Delhi recently. The Modi government's inclination to assist North Korea albeit for humanitarian reasons is seen as an indication of its plans to expand India's role in the Asia-Pacific region, including the Korean peninsula as a truly important Asia-Pacific player.

India's steady and sturdy relations with Mongolia and Mongolia's good relations with its third neighbours in East Asia including the two Koreas may provide just the platform India might be looking for its Asia-Pacific role.

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**About the author:**

Monish Gulati is a security and strategic analyst and Associate Director, SPS.

**Endnotes**

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