

## RUSSIAN-MONGOLIAN AND SINO-MONGOLIAN RELATIONS SINCE 1990s

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**T**he last ten years of the 20-th Century could be described as a turning-point in the foreign policy of Mongolia. Mongolia's transition toward the democracy and the market economy opened an opportunity to pursue the independent foreign policy, establish wide range of relations with foreign nations, organisations, and regions and expand its external relations. There is no doubt that these were tightly connected with the processes of formation of the new structures in the international relations. The end of the "Cold War" provided with an ample opportunity for drawing together of the world nations and developing mutual co-operations thus, the international relations became to have a tendency be more democratized. However, conflicts, terrorism, drug traffic, transnational weapon sell, and nuclear arms race are still on even to some extent it is increasing and in many region the arms conflicts are threatful because of the peculiarities of civilisation, religion, and cultures of the world nations.

New tendency in the international relations and heavy wave of the change of the international relations enveloped Mongolia that has been for many years completely isolated from remaining part of the world. At the same time, while external environment of Mongolia has changed entirely, has occurred a great change in its domestic political and economic structure. Presently, Mongolia is already transferred into the democratic, parliamentary nation with a civic society, that pursues relatively independent and open foreign policy, directed to safeguarding the national interest.

Mongolia's present foreign policy is based on commonly accepted international law principles within the framework of political, economic, and social life. Nevertheless, Mongolia

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makes its efforts to implement first of all those principle that will march along with the national interests, principles that will ensure national economic independency in the political and economic framework , principles that will not contradict with the Mongolian laws in the framework of the international law.

The main goal of the foreign policy of Mongolia is to safeguard the national interest of Mongolia. It could be understood that the issues of the national interest cover Mongolia's independence, security, welfare of the people, safeguarding the development of Mongolia. In order to carry out the aforementioned goal an appropriate condition for transition to the market economy is being created, the number of Mongolia's supporters was increased, Mongolia participates more actively in the regional and international co-operation, Mongolia enhanced its international position.

Today, Mongolia is able to be open to any nation of the world and it conducts its relations with them based on UN Charter, international principles, and prevailing practices. At the same time we, attach an importance to pursuance of fruitful foreign policy. Fruitfulness of the foreign policy is estimated first of all by how the independence and security interests of the nation is safeguarded, how much successfully implemented political, economic, scientific, technological, educational, and humanitarian relations for developing the country and increasing living standards of the people, how foreign assistance is being used usefully, and finally how Mongolia's international position and prestige is being strengthened.

Mongolia is geografically located in between Russia and China- two military giants, having nuclear weopans, is also heavily depend on its neighbors in terms of establishing relations with other foreign nations. So, Mongolia attaches great importance to the relations with its two neighbors in its foreign policy.

The alteration of the international relations has its reflection in the relations between Russia and Mongolia, China and Mongolia too, it also has influences in the foreign policies of our two neighbor in their relations with Mongolia, establishing bilateral as well as triangular relations.

Mongolia has a vast territory (1,5 sq. Km), with only 2,5 million populations, its climate is considered as a severe continental, country's main economic is based on export predominately of mineral resourses and semi processed animal raw products. On the other hand, Mongolia is as a international subject, is being transferred into the democracy and market economy, makes its



efforts for constructing civic society and for active participation in the international co-operation. Mongolia's rich mineral resources, compare to the number of population big number of animal stock, relatively clean ecological environment, vast unused virgin land, education of the people, and national integrity have an positive influence on the foreign policy of Mongolia and play an attractive role for foreign countries, particularly for our two neighbors in their political, economic and strategic interests.

Mongolia and Mongolian vast steppe have been serving for long time as a meeting point of geopolitical interests of our two neighbors. The following facts can demonstrate the events only in the 20th century:

- Mongolia has been under the Manchu-Chinese rule until 1911,
- Chinese capitals were squeezed and Russian political and economic influence as increased during 1921-1949
- Mongolia enjoys good relations with both neighbors and it has a chance for rapid development during 1949-1962,
- The relation with China was ceased and Mongolia became entirely dependent on Russia, 1962-1985,
- Russian political and economic influence decreased and Chinese economic factor began noticed 1986-1995
- Mongolia, Russia and China have started mutually active policy in the field of strategic partnership, 1995-2003

After 90-s, when the Soviet Union's crash brought the collapse of the world socialist system headed by the Soviet Union, the new era of the international relations was opened. So far as Mongolia is concerned not only Soviet Union's as well as socialist system's collapse had an influence, but Mongolia's southern neighbor's political and economic stable development and its peaceful foreign policy played a significant role for improving and enhancing Mongolia's relations with China. The fact that from the second half of the 80-s has been noticed a revival of the Mongol-Chinese economic relations and the relation with China has started to play more important role in the Mongolian foreign policy. Chinese policy of modernization and open policy that implemented from 1978 and improvement of the relations between Russia and China all of them had a positive affect for Mongol-Chinese relations.

Declaration of normalization of relations with socialist countries at 12th Congress of the Chinese Communist Party, held in 1982, "Perestrioka" and "Glasnosti" (openness) declared by the Soviet Union in 1985 created a political opportunity for making principle reconstruction in the foreign policy of Mongolia.

In order to survive and develop in the new international environment Mongolia approved Mongolia's Security Conception and Foreign Policy Conception newly in 1994. Was given priority to Mongolia's relations with its two neighbors in these documents.

In the "Foreign policy Conception of Mongolia"<sup>1</sup> of 1994, the foreign policy directions were determined. The Conception pointed out "the collapse of the Soviet Union and world socialist system have directly affected the external environment of Mongolia, who was an ally", further it stated "Mongolia as a independent and sovereign nation having an united state structure, respects democracy, human rights, freedom, free economics and politically and geographically situates in Asia, between two superpowers, land locked, developing country". From this citation one can easily see the inevitability of dependency from its two neighbors.

"The goal of the foreign policy of Mongolia is Mongolia enjoys friendly relations with all nations, strengthens its position within the international community, by creating a network of relations respecting political, economic and other interests with influential nations of the world and region to protect its independence and sovereignty "the Conception determines. However, the foreign policy's priority of Mongolia includes the relations with Russia and China. Foreign Policy Conception further states "Friendly relations with Russia and China is Mongolian foreign policy's priority and Mongolia keeps balanced relations with both neighbors and develops broad co-operation as a good neighbors. But, Mongolia takes onto its consideration the specifics of traditional relations and economic co-operations with these countries"<sup>2</sup>. This determination of the Conception shows how Mongolia attaches an importance to the relations with its two neighbors.

Its our understanding that Mongolia's existence and independence depends on its two neighbors and sober balanced relations with these nations goes along with the line of Mongolia's interest. National Security Conception of Mongolia in this regard says "Mongolia gives priority to the relations with its two neighbors, pursues the principle of balanced relations. The balanced relation does not mean that Mongolia keeps same distances or shares same positions, it means to

<sup>1</sup> *Foreign Policy Conception of Mongolia. East- West magazine, no. 1, 2. (Ulaanbaatar, 1995), p. 65 (in mongolian language)*

<sup>2</sup> *Foreign Policy Conception of Mongolia. East- West magazine, no. 1, 2. (Ulaanbaatar, 1995), p. 67 (in mongolian language)*



strengthen trust with both of them, to develop good neighborhood relations and mutually beneficial co-operations with them. While developing relations with these countries, Mongolia should take into its consideration the fact that the neighbor countries' policy on Mongolia's vital national interest, in particular. Mongolia will not be involved in dispute between our neighbors if the dispute does not touch the Mongolia's interest".<sup>3</sup>

Late 80-s the Soviet Union and Socialist System headed by her were broken down, Soviet leader Mr. Gorbachev during his visit to Vladivostok in 1986 and to Beijing in 1989 officially announced that his Government has decided to withdraw its troops from Mongolia. "In the 20th century Russian and Soviet troops entered into Mongolian territory 3 times and left the territory 3 times. The last Soviet military troops located in Mongolia had a task to exert pressure on China and there was really not many that could be for the interest of Mongolia".<sup>4</sup> During the withdrawal of Soviet troops from Mongolia many Russian specialists and employees left Mongolia. Since then China began to pursue an active policy in Mongolia and political bilateral relations were restored.

Russian-Mongolian and Sino-Mongolian relations during 1990-2003 could be divided into 2 timetables.

#### **One. 1990-1994.**

Russian-Mongolian political relations rapidly weakened compare to previous relations during socialist time. The Prime minister of the Mongolian People's Republic Mr. Byambasuren in 1991 and the President of Mongolia Mr. P. Ochirbat payed an official visit to Russian Federation and there was no official return visits from the Russian side.

During the same period the relations with China intensively revived from the stagnation and from the Chinese side:

- 1991 Mr. Yan Shangkun, Chairman of the Chinese People's Republic,
- 1994 Mr. Li Peng, Prime Minister of the State Council of the Chinese people's Republic are visited Mongolia,

<sup>3</sup> *National Security Conception of Mongolia. East-west magazine, no. 12. (Ulaanbaatar, 1994), p. 11 (in mongolian language)*

<sup>4</sup> *D. Byambasuren, Mongolo-Russian relation on the eve of the 20th Century. The security of Mongolia, (Ulaanbaatar, 1999), p. 144 (in mongolian language)*



from the Mongolian side:

- 1990 Mr. P. Ochirbat, Chairman of the Presidium of the Great People's Khural,
- 1991 Mr. R. Gonchigdorj, Speaker, State Small Khural,
- 1992 Mr. D. Byambasuren, Prime Minister,
- 1994 Mr. N. Bagabandi, Speaker of the Great Khural are visited China.

During this period the political relations between Mongolia and China have been developed intensively rather than the relations with Russia and mutual trust was strengthened and finally legal environment for improving the whole relations was created successfully.

Deterioration of the relations between Mongolia and Russia until the middle of 90-s is connected with difficult political, economic and, social restructure faced both countries, and also with requirement for finding new ways solving the transitions from old "fraternal relations" towards new ways of international relations.

"The Declaration of the Soviet Socialist Republic and Mongolian people's Republic on friendship and good neighbors' co-operation" of 1991 paved a road to the new era and expressed the readiness of both sides "to develop all-round co-operations in the new international environment". Specially, the Declaration stressed on development of mutually beneficial co-operation and on transition to the new form of economic cooperation.

"Agreement on friendly relations and co-operation between Mongolia and Russia" signed in 1993 replaces "Agreement on friendship and co-operation of 1966" and changes the "character of ally" of the relations between Mongolia and Russia thus the legal basis for developing mutually equal and beneficial co-operations was created. "The Agreement is signed", it stated in the Agreement "with a wish to promote stabilization of the atmosphere of ensuring peace, security, mutual understanding, and co-operation in Asia and the Pacific region, reaffirming their loyalty to the U. N. Charter, to make their efforts for strengthening the legal basis of Russia-Mongolian relations in regards with the current international situation and the new international relations tendency, to deepen further Mongol-Russian mutually equal, beneficial co-operation" the Agreement was concluded.

In the First Para of the Agreement it says "The sides will conform the following principles; consider each other as a friendly nation and respect sovereignty and independence in their relations, and decline to use of force or threat and respect the territorial integrity, non-interference in each other's internal affairs, human rights, national freedom, equal right among



the nations, and the right to solve its own fate, to carry out its commitment strictly", in the second Para of the Agreement it says "Both sides develop equal, mutually beneficial, long term relations in all fields including political, economic, cultural, educational, scientific, technological, health, security, ecological, transportation, communication, information, and humanitarian".<sup>5</sup>

An Agreement concluded in 1994 between Mongolia and China on friendly relations and co-operation by expressing both sides' desire to respect the independence and sovereignty of each nation and territorial integrity strengthened trust between the two countries and eliminated Mongolia's distrust and precaution thus the legal basis for broad political, economic, trade, cultural and scientific relations in the future.

## **Two. 1995-2002**

Russian-Mongolian relations began to develop intensively from 1995. The negotiation between the Government leaders of the two countries took a place on 4-7 April, 1995 as a result a Protocol on trade and economic co-operation and other 10 documents regarding the bilateral relations were signed.

The Official Russian- Mongolian Communique of 1996 pointed out at the importance of intensifying the economic relations between the two countries by halting foreign trade decline, setting up free trade regions, and initiate project between the three countries etc. However, the economic relations between Russia and Mongolia have not been developed at that speed as both countries want to see.

During the second half of 90-s Mongolia and China continued to exchange the high level visits and in 1997 Mr. Tsiao Xi, Chairman of the Standing Committee of All China People's Representatives Congress, in 1999 Mr. Zian Zemin, Chairman of the People's Republic of China made official visits to Mongolia. Newly elected Chairman of the People's republic of China Mr. Hu Jintao included Mongolia in the itinerary of his first visit to foreign nations.

As far as Russia is concerned the Russian Federation President Mr. Putin visited Mongolia in 2000, after 26 years since the last Russian President's visit, The Government head of Russian Federation Mr. Kasiyanov M.M. paid an official visit to Mongolia in 2002, after 31 years since the last visit of the head of the Soviet Union and later Russian Federation Government.

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<sup>5</sup> *Foreign relations, ( Ministry of Foreign Affairs), no 2 /126/, (Ulaanbaatar, 2003), p. 5 (in mongolian language)*



During his State visit to Mongolia Mr. V. V. Putin, President of Russian Federation on 13-14 November, 2000, signed "The Ulaanbaatar Declaration" which reaffirmed the both parties position that they strictly follow the provisions of the "Agreement on friendly relations and co-operation" of 1993 and do not participate in any political and military coalition directed against the other party of the Agreement, do not conclude any Agreement with the third Party that may be directed against the other Party's sovereignty and independence, do not give a chance for the Third party to use her territory for conducting any kind of activities that could cause a damage to the independence, security, and public order one of the participants".<sup>6</sup> These provisions demonstrate that the strategic importances are given to Mongolia.

During the visit of Mr. M.M.Kasiyanov, Head of the Government of the Russian Federation on 25-26 March, 2002 the leaders of the Government of both countries stressed "the two countries have a great potential in their reserve to develop the co-operation in the fields of trade, economy, science, technology, and culture. However, the co-operations in these fields are lagging far behind the high level of political relations."<sup>7</sup>

In order to bring in into new fundamental stage of development of the Mongol-Chinese relations the renewed Agreement on friendly relations and mutual co-operation between Mongolia and China was approved in 1994. This Agreement plays an important role in the bilateral relations because it determined the main principles and legal basis of the relations between Mongolia and China, provided with basic directions for future co-operations. The provisions of the Agreement state "both sides will develop friendly relations and co-operation based on the principles of mutually respect of each other's independence, sovereignty, territorial integrity, non-interference in other's internal affairs, non-aggression against each other, and peaceful co-existence"<sup>8</sup>. These principles serve as basic principles of the relations and co-operator of the two countries.

This Agreement says "The two Parties will not participate in the political and military coalition, will not conclude with the third Party any kind of Agreement that may cause a damage to the sovereignty and security of one of the Parties, will not make it possible for the third Party to use its territory against the independence and sovereignty of one the parties".<sup>9</sup> These statements

<sup>6</sup> *Foreign relations, (Ministry of Foreign Affairs), no 2 /126/, (Ulaanbaatar, 2003), p. 10 (in mongolian language)*

<sup>7</sup> *Ibid., p.15*

<sup>8</sup> *Agreement on friendly relations and co-operation between Mongolia and China, Foreign relations, (Ministry of Foreign Affairs), no 7 (57), (Ulaanbaatar, 1999), p. 4 (in mongolian language)*

<sup>9</sup> *Ibid., p.4*



demonstrate that Chinese Party also attaches great geopolitical importance to its relations with Mongolia.

The President of Mongolia Mr. N. Bagabandi paid an state official visit to the People's Republic of China on 10-15 December 1998 at the invitation extended by Mr. Zian Zemin, Chairman of the People's republic of China and during this visit "The Mongolian and Chinese joint Communiqué" was signed. The Communiqué says "The two sides expressed their decisiveness to develop long term and sustained trade and economic relations based on the main five principles of peaceful co-existence."<sup>10</sup>

"The Mongolian and Chinese joint Communiqué" issued in 1998 and "Mongolo-Russian Declaration of Ulaanbaatar" of 2000 determined the main direction and goals of the relations between our countries. These two documents- "Joint Communiqué" and "Ulaanbaatar Declaration" issued within the two years time serve as an evidence of that the Mongolia's both neighbors attach great geopolitical and geostrategical importance to their relations with Mongolia.

Thus at the same time with World Globalization Mongolian two neighbors- Russia and China pursue an active political policy toward Mongolia, specially, beginning from the second half of 90-s the policy of our two neighbors became more balanced and acquired same sense.

***Russian-Mongolian, Chinese-Mongolian Trade and Economic Relations*** Mongolia faced with requirement to introduce new modernisations in its foreign economic relations while Mongolia has been transferred to market economy. In 1990 foreign debt of Mongolia was estimated 1,3 times higher than the total sum of Gross production, deficit of foreign trade balance equaled to 30% of annual export, budget deficit was equal to 25% of gross national production. 95% of Mongolia's foreign trade turnover came to the "socialist countries or so called COMECON countries."<sup>11</sup>

After the collapse of socialist system Mongolia faced with well enough difficult tasks in the framework of policy, economy, and ideology. However, during the last 15 years Mongolia successfully came over the obstacles and took a practicable steps toward the open economic policy. In implementing the open economic policy a great deal of attention was paid to foreign investment and technology as well as supporting inter-governmental or joint enterprises and creating proper economic and legal conditions. The expansion of bilateral relationships with

<sup>10</sup> *Mongolia and Chinese Joint Communiqué, Foreign relations, (Ministry of Foreign Affairs), no 7 (57), (Ulaanbaatar, 1999), p. 6*

<sup>11</sup> *D. Byambasuren, Mongolo-Russian relations on the eve of the 20th Century, The security of Mongolia, (Ulaanbaatar, Institute of Strategic Studies, 1999), p. 115*



countries such as Russia, China, Japan, USA, Korea, and Canada as well as cooperation with IMF, ADB, WB, and ITO played an important role in the economic development of Mongolia.

China and Russia, countries neighboring with Mongolia, have an important place in developing the open economic policy.

Key changes have occurred in the traditional economic ties with Russia and China.

Fundamental reforms occurred in the social, economic, and political spheres of both Russia and Mongolia in 1990s urging for a new complex cooperation form between these countries.

Thus, a new trade and economic pattern agreement between Mongolia and Russia was signed at the end of 1990. That agreement gave the enterprises of two countries opportunities to establish ties and relations based on a new economic and trade pattern.

Starting January 01 1991, all good supplies, technical assistantship, handover of newly built sites, Russian specialists' work pay, transportation, tourism, and other kinds of payments were decided to be made according to free market price rate with convertible currency.

In February 1991, Mongolia and Russia signed an economic cooperation agreement at the bilateral summit in Moscow. That agreement outlined such important principles as equity of rights and mutual benefit in economic relations.

Since the deepening of the economic crisis in 1991, severe decline of export and import began to take place. The commodity turnover between Russia and Mongolia equaled to 237,6 mil. USD, 1,8 times less than in 1992.<sup>12</sup>

Although the economic and trade relations between Russia and Mongolia aren't developing so intensively, at this time, joint Russian Mongolian factories maintain an important place in the Mongolian economy.

For example, "MongolRostsvetmet", a joint Russian Mongolian venture, established in 1973, is one of the biggest enterprises in Mongolia. This joint venture included in itself Berkh, Khajuu Ulaan, Airag fluoride plant, and Tolgoit gold mining factory in 1974. In 1980, "MongolRostsvetmet" opened "Bor Undur" fluoride factory, a fluoride mine in Urgun, "Khangai" and "Khashaat Khudag" open pit mines. This joint venture aims to increase gold mining and explore other natural minerals around Mongolia. In addition, "MongolRostsvetmet" became the owner of Zaamar gold mine and silver mine in Asgat of Bayan-Ulgui province along with

<sup>12</sup> B.Natsagdorj, *The Russia-Mongolian economic reconciliation, cooperation and developing tendency, The security of Mongolia*, (Ulaanbaatar, Institute of Strategic Studies, 1999), p. 152



conducting expansion works of Bor Undur mining factory and construction of gold mining factory on the bank of Tuul river.

Another joint venture to be mentioned is "Erdenet" mining and ore processing plant, exporting about 300 thousand tones of copper a year. "Erdenet" is the biggest exporting company in Mongolia.

Energy and power section is one of the important parts of the Mongolian and Russian economic cooperation. Major construction sites of this section were built by the assistance of the former Soviet Government. In the recent years, the Russian government has given several loans for construction of buildings in the energy and power section of Mongolia. Due to a power supply crisis in the Far Western region of the country, Mongolia put a loan request to supply the Far Western region with power, maintain power stations, and renovate power station equipment, as well as construction of a hydro-power station in Durgunt during the signing of the Economic and Trade Agreement between Mongolia and Russia in 1996. Mongolia pays a lot of attention to develop its cooperation with Russia in energy, heating system, civil aviation, and railroad.

Also, Mongolia put an emphasis on regional development and development of an economic and trade free zones. In 1950-60s the Mongolian Chinese economic and trade relations were based on the principles of mutual assistance. China gave Mongolia grant aids, soft loans, and supplied Mongolia with manpower. Mongolia provided the Chinese side with army horses and horses for arable works. Between 1960-80 the relations were nearly in stagnation, making a minimum of trade. Since 1985, the relations began to increase leading to an intensive development of the relations in 1990s.

In the trade operations between two countries clearing of rouble was used between 1951-69, national currency between 1970-76, clearing Swiss francs between 1976-90, and convertible currency since 1991 respectively. High costs of procession of the Mongolian copper ore at the Russian factories, high transportation costs, customs tax rates, and Russian commodity trading rates contributed to the decrease of the trade turnover between Russia and Mongolia twofold. The Mongolian Russian trade totaled at 267.7 mil. USD in 2002, a 12.4% increase compared to the year 2001. But the Mongolian trade balance with Russia was still in loss.<sup>13</sup>

At the same time, the Chinese Mongolian trade turnover has increased to 4.8 times. Mongolia's export to China is increasing from year to year. These positive results were achieved

<sup>13</sup> L. Erdenechuluun. *The principal document of the friendly relations, Foreign relations, (Ministry of Foreign Affairs), no 2(126), (Ulaanbaatar, 2003), p. 10 (in mongolian language)*



thanks to a decision to mutually decrease the trade charges twofold (50%) and intensify the foreign trade transportation between Mongolia and China. Besides raw materials indicating attributes of traditional trade Mongolia exports copper ore 88,9%, unpurified oil 100%, metal waste 98,9%, leather and hides 98-100% and unprocessed wool 98,6%.<sup>14</sup>

One of the indicators of the development of the Mongolian Chinese trade is the border trade. There are 10 land harbors on the Chinese Mongolian border, out of which 9 operate temporarily due to seasonal changes. These trade changes enable the population to get actively involved in the trade and promote regional trade coordination.

The Mongolian government has conducted negotiations with the regions nearing the borders of Russian such as Kemerovo, Erkhuu, the Republic of Buriat, and Chita to expand the trade relations in these regions. 70% of the total trade of Mongolia is conducted with the near-border regions.<sup>15</sup>

On the Mongolian Russian border there are 29 land harbors out of which 4 are international and cargo; 9 are two-way travel and cargo; 9 are temporary; and 7 are pass-through posts. But due to a poor development of the infrastructure, only Khiagt and Khandgait have essential facilities.

### ***Joint investment enterprises***

By the year 2001 China has the largest number of joint companies (687 officially registered enterprises) in Mongolia, followed by Russia (297 officially registered enterprises).

China is the largest investor in Mongolia, with 136.9 mil. USD invested between 1990-2001. Russia takes the 5<sup>th</sup> by the amount of investment to Mongolia and between 1990-2001 their investment totaled 29,8 mil. US\$. Currently, 170 Russian investment companies are carrying out their activities in Mongolia.<sup>16</sup>

The biggest Russian investment companies like "MongolRostsvetmet", "UB Railroad", and "Erdenet" still have important role in the economic relations between Russia and Mongolia. Also 100 % Russian investment companies such as "Zarubejstroj", "Burvodstroj", "Zolotoi Vostok-Mongolia", and joint ventures such as "Incom", "Erdenetstroj" have completed

<sup>14</sup> L. Begzjav, *Some issues of the economic cooperations between Mongolia and China 1990-1999*, (Ulaanbaatar, 1999), p. 42

<sup>15</sup> L. Erdenechuluun. *Ibid.*

<sup>16</sup> *Ibid.*



construction works worth 25 mil. USD. In addition, such big Russian companies as "Menatep-SP" and "Alfa-Eco" have opened their representative offices in UB. But the fact that Russia is the fifth biggest investor of Mongolia indicates that Russia's entry into the Mongolian market is slow.

China has been a leading investor since 1997. Out of 687 Chinese companies in Mongolia, 349 are joint ventures, and 84 are 100% Chinese investment companies. Most of the Chinese companies conduct their activities in the following sectors: construction works, animal skin procession, light industry, trade, agriculture, farming, geology and mining, catering. But compared to Russia, Chinese investors haven't made large investments in the big industries. It should be noted that some Chinese companies are closed down due to big financial losses.

### ***Debts and loans***

Since transmission to a new trade and economic pattern between Mongolia and China, there have been talks and negotiations about Mongolia's debt to Russia. As a result of 70 years of "fraternal friendship between Russia and Mongolia" and "unselfish assistance of the Soviet people" Mongolia's debt reached to 11 bln. convertible rouble at the beginning of 1990s. During the visit in March, 2002, the first visit by the Head of the Russian Government in the last 31 years, the new Head of the Russian Government, Mr. Kasiyanov, made an official statement about debt pay off. Russia proposes Mongolia to pay off its debt by increasing Russia's share in the Russian Mongolian joint venture "Erdenet". It is a high time Mongolia learned a good lesson from the 70 years of relations with Russia about debts.

Mongolia owes China 28.3 mil. convertible rouble including the loan interest from the loans given by China between 1958-1960. Also the payment of the trade fee equaling to 5.6 mil. Swiss francs is extended for another five years. The countdown of the payment time of 130 mil. Yan borrowed from China between 1991-94 shall begin in 2006.

During the past 10 years Russian loans have decreased significantly.

In 1991 - 48.97 mil. US\$

In 1992 - 35.93 mil. US\$

(Mongolia was given a 30 mil. US\$ loan by Russia to build a Khovd hydro-station, 5 mil. US\$ were saved by decreasing the power tariff rates, since 2001 some imported goods have been given a 10 % tax reduction). The Chinese Government has increased its financial assistance to Mongolia. The chronology of the loans given by China: In 1991 50 mil. Yan (interest-free loan),



In 1992 30 mil. Yan (interest-free loan), In 1994 50 mil. Yan (interest-free loan), In 1998 100 mil. Yan (interest-free loan), In 2000 100 mil. Yan (interest-free loan), In 2003 300 mil. Yan (interest-free loan).

The revision of the debt issues of Mongolia shows that Mongolia is under a big debt burden by Russia in the past and under a big debt burden by China in the present time.

### ***Aids and assistances***

During the past 10 years Russian financial aid has almost stopped, while the Chinese aid has become very active.

1991-97 – 42.6 mil. Yan (government aid)

1998 – 30 mil. Yan (government aid)

1990 – 30 mil. Yan (government aid)

2000 – 1 mil. Yan (government aid)

2001 – 4 mil. Yan (government aid: two million for eliminating zud disaster, two million to fight foot-and-mouth disease)

2001 – 50 mil. Yan (government aid)

2003 – 50 mil. Yan (government aid) In addition, the Chinese Embassy in Mongolia gives 1.2 mil. Tug grant aid. China has replaced the Russia's role of a patronage.

### ***Educational and cultural sectors***

In the 1990s the cooperation in educational and cultural sectors between Russia and Mongolia has been shrinking, but in the recent years, a number of agreements have been concluded with the Russian side to prepare qualified cadres of Mongolian in the Russian educational institutions and Protocols on cooperation with Russian Culture, Education, Health Ministries and other Organizations have been renovated and signed, particularly the Protocols on mutual training of the qualified cadres have been concluded with the following Russian regions: the Republic of Buriat, Erkhuu, and Kemerovo. In UB presently the following Russian educational institutions operate: Academy of Economic Studies named after Plekhanov, Moscow Power Engineering School, Pedagogical University, Eastern Siberian Institute of Food Technology, A branch of the Kemerovo University. Since 1996, 60 undergraduate students and 30 postgraduate students were sent to Russia for training. Since 2002-2003 academic year these



numbers have reached to 150 / 90 and 60 respectively/. /80 undergraduate and 50 postgraduate/ 30 students are sent every year to Russia by the Presidential Scholarship. According to the inter-governmental agreement 500 self-supporting, 477 undergraduate and postgraduate students are studying in Russia at the moment,. But the cooperation in the scientific and health fields still remain slow.

According to the agreement between China and Mongolia, made in 1989, a few Mongolian teachers to teach Mongolian and 15 Mongolian students were sent to China. In 2000, the number of students sent through the student exchange program reached 50. In addition, the number of self-supporting students to study in China is increasing.

We have implemented twice the 5 year plan on Cooperation in the Educational Sector. The scientific cooperation is being implemented relatively to the governmental five year plan. Numerous scientific meetings and seminars have been organized. The scientific institutions establish direct contacts with their counterparts abroad.

In the health sector, Mongolia is granted a low-rate health service in China. Thanks to it, many Mongolians have an opportunity to travel to China for a medical treatment. (in 1999 Medical Treatment Agreement was concluded) In 2001, 33000 Mongolian citizens traveled to China for a medical treatment.

### ***Traveling and migration***

Russia and Mongolia signed an agreement on citizens' traveling between the two countries in April 1995. According to that agreement, Mongolian citizens had to obtain a visa to travel to Russia. In this way, a free movement of citizens to Russia was limited.

Until 1990, traveling to China was forbidden. But today Mongolian citizens can travel to China without visa for the period of one month.

### ***Conclusion***

Briefly, until the mid of 90s the relations between Russia and Mongolia has been shrinking, whereas China has expanded its relations with Mongolia significantly.

Since the mid of 90s, Russian Mongolian and Mongolian Chinese relations have been stabilizing. Even though Russian Mongolian relations in politics and diplomacy are advancing, economic, social, health, and scientific ties are stagnant. However, Russia still plays an important



role in the economy of Mongolia by investing money in the economically important objects of Mongolia.

Despite development and advancement of the Mongolian Chinese relations, there aren't any crucially important investments made by China in the Mongolian economy.

Presently when Mongolia's going towards its involvement in the world integration, geo-politic and geo-economic interests and competition of Russia and China in Mongolia are growing actively, however the Russian and Chinese partnership relations are deepening and their attention to Mongolia – a country squeezed between them, is increasing more and more.