

# *Steps Taken by Mongolia to Join the NEA Regional Cooperation: Together toward the future*

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## **Introduction**

Becoming an active player in regional economic interaction has always been a foreign policy priority of Mongolia. There were two major aspects in this policy development.

1. The Soviet legacy: During the socialist period Mongolia had to cooperate only with the CMEA / Council of Mutual Economic Assistance/ countries that kept Mongolia apart from not only the Northeast Asian economic cooperation, but the world economy as well. So to join the present NEA regional cooperation, Mongolia had to reorient its economic priorities, opting for the free market.
2. The 1994 Mongolian Foreign Policy Concept states that Mongolia will take appropriate steps to get engaged into the regional integration. In doing so, Mongolia expressed its intentions to become a member economy of the APEC and develop bilateral economic ties with related regional countries.

Being an Asia-Pacific country with a growing economy, Mongolia has an enduring aspiration to become a member of APEC - the premier forum for facilitating economic growth, cooperation, trade and investment in the Asia-Pacific. This is one of our foreign policy priorities.

## **Membership in APEC**

It was back in 1993 when Mongolia made its official application for the APEC membership. Mongolia is located in the Asia-Pacific region. It is landlocked between two APEC economies, China and Russia. The Pacific Ocean is Mongolia's only gateway to sea. Mongolia's being part of the Asia-Pacific region is not just a geographical, but also a political fact. It belongs to the Asia-Pacific regional group in all international fora and organizations, including the UN.

Mongolia has substantial and broad-based economic linkages with the existing APEC members. In particular, the value of Mongolia's trade with APEC members, as a percentage of its international trade, is not just relatively high; it is overwhelmingly high. The APEC economies account for 89.5% of Mongolia's foreign trade turnover and 50.62% of total FDI inflows to Mongolia since 1990. If we look at Mongolia's exports, its main export partners are China, Canada and Russia. These 3 APEC economies make up 96.4% of Mongolia's total exports. The same is true for Mongolia's imports. Our main import partners are Russia, China, US, Japan and the ROK. These 5 APEC economies account for 76.8% of Mongolia's total imports. The APEC economies also dominate FDI inflows to Mongolia. China, Singapore, Canada, ROK, US, Russia, Hong Kong,

Australia and Japan are among the top 12 investment partners.

Mongolia will continue to supply commodities primarily to the APEC economies and will substantially increase the supply in the future. The above numbers make an overwhelming case for Mongolia's membership in APEC. Those numbers will also grow further, as we are now expanding our rail and road networks to better connect to the APEC economies. This will also serve the broader goal of expanded trade in the Asia-Pacific region.

The need is stern to diversify Mongolia's economy. A lot needs to be done to bring our economic development levels in line with those of the APEC economies. But, what is important is that we are on the right path. We can best advance on this path as a member of APEC.

There is no doubt that with its growing economy and friendly political relations with every single country in the Asia-Pacific region Mongolia would bring added value to APEC. Mongolian Foreign Minister's participation during the last year's Bali summit in the work of APECC for the first time was an encouraging step for Mongolia to accomplish her aspirations to become an APEC member.

## **PECC**

In 2008 Mongolia became a full member of the Pacific Economic Cooperation Council (PECC) as it found that her membership in the PECC would serve as a bridge towards becoming an APEC member economy. Since 2000 Mongolia worked with PECC as an associate member. Founded in 1980, PECC brings together leading thinkers and decision makers from the governments and businesses in an informal setting to discuss and formulate ideas on the most significant challenges facing the Asia Pacific region. It regularly develops and advocates regional policy initiatives to support the stable economic development of the region.

PECC's regional community building efforts led to the establishment of the official APEC process in 1989, the Council is one of the three official observers of the APEC process.

Participation in the PECC Process depends on a commitment to economic cooperation in the Pacific. PECC participants seek to achieve increased and open regional economic cooperation and interaction, while recognizing both the realities of, and the benefits accruing from, global interdependence and continue to encourage increased economic cooperation and interaction with other nations and regions.

## **East Asia High Level Meeting**

Today there are two complementing structures in East Asia: ASEAN+3 and ASEAN+8 /East Asia High Level

Meeting/. Some observers say that there is a real perspective that they may be reunited in the future to become one single entity. In 2011 the Russian Federation and the USA became its new members increasing its membership to 18. Some call this structure as ASEAN+8. Within the framework of ASEAN+8 important political, economic as well as cultural issues are discussed; thus Mongolia is interested in getting engaged too. Mongolia joined the ASEAN Peace and Cooperation Treaty in 2005, which is one of three conditions to become a member of ASEAN+8.

#### **Mongolia as a Dialogue Partner of ERIA**

The first ever meeting between Mongolia and ERIA was held for the first time on 30<sup>th</sup> of May, 2014 at ASEAN Secretariat in Jakarta. This meeting represented another important step by Mongolia to approach the East Asia High Level Meeting. A congratulatory message to the participants of the meeting was sent by the President of Mongolia H.E. Ts. Elbegdorj. At the meeting, Mongolia was represented by Mongolia President's Foreign and Security Policy Adviser L. Purevsuren and Ambassador S. Khurelbaatar. ERIA was represented by the ASEAN Secretary General Le Luong Min, ERIA's Executive Director J. Nishimura and members of the Council of Directors, designated by the ASEAN member states.

The Economic Research Institute for ASEAN and East Asia or ERIA is an international organization established in Jakarta, Indonesia in 2008 by a formal agreement among the Leaders of 16 countries in the East Asian region to conduct research activities and make policy recommendations for further economic integration in the East Asia. ERIA works very closely with both the ASEAN Secretariat and 16 Research Institutes to undertake and disseminate policy research under the three pillars, namely "Deepening Economic Integration", "Narrowing Development Gaps", and "Sustainable Development" and provide analytical policy recommendations to Leaders and Ministers at their regional meetings. ERIA provides intellectual contributions to East Asian Community building and serves as a Sherpa international organization. ERIA ranks the 28th among the world's "Top 50 International Economic Policy Think Tanks" (the 1st in ASEAN) according to the 2012 Global Go To Think Tanks Index Report conducted by the University of Pennsylvania.

#### **Shangai Cooperation Organization /SCO/**

Mongolia aspires to actively participate in the political and economic process in Central Asia and became an observer state of SCO in 2004 considering that this organization would give Mongolia an extra opportunity for its participation in the Central Asian regional economic cooperation, such as pipelines, road and railway infrastructures, energy cooperation and banking sector as well. Since 2004, Mongolia is taking part in all the meetings at levels of the Ministers for Foreign Affairs, Prime Ministers and the Presidents of this regional organization.

#### **Conclusion**

For Mongolia joining the regional economic, financial and political institutions has been her utmost goal for the last 20 years. This goal was reflected in a number of official documents, including the Foreign Policy Concepts of 1994 and 2011. Nevertheless it is too early to affirm that this goal was accomplished. For instance, Mongolia is trying to join APEC since 1993. In this regard some positive developments are underway. The USA and Canada recently confirmed that they are supporting Mongolia's bid for APEC membership. China, which will be hosting the APEC summit this year and the Russian Federation are also supporting Mongolian willingness to be an APEC member.

A number of factors played its role in Mongolia's lagging behind the regional developments. The first reason was that Mongolia self-isolated from these processes during the Soviet era. So, de-sovietization and democratization of Mongolia's foreign relations has been the number one premise to be integrated into the regional integration. The second reason was the lack of free market experience and the conduct of market economy. The third and very important factor was the economic underdevelopment and the undiversified economy. Once all these challenges accomplished, Mongolia is ripe to be integrated into the regional developments.

Mongolia is home to vast resources of coal, copper, rare earth minerals, uranium, gold and silver and had 17.3% growth rate in 2011 and 12.3% in 2012. It is forecasted that the growth rate in 2014 is going to be around 7%. Mongolia has a potential to strongly influence the political, economic and environmental atmosphere of the Northeast Asian region and it has also a strong potential to be an integral part of the regional developments.