

Is Mongolia's 'Third Neighbor Policy' Truly Effective?

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Abstract: *The Third Neighbor Policy is a strategic foreign policy approach adopted by Mongolia to diversify its international partnerships beyond its immediate neighbors, China and Russia. This policy aims to enhance Mongolia's economic, political, and security ties with countries outside its immediate region, reducing dependence on neighboring giants and enhancing strategic autonomy. The United States has become an important "third neighbor" for Mongolia, with the two countries establishing a strategic partnership focusing on areas such as trade, clean energy, and aviation. While there are similarities and differences in the implementation of the Third Neighbor Policy by other countries, Mongolia should continue to pursue this approach in the future to enhance its strategic autonomy. The policy holds promising future opportunities for Mongolia to expand cooperation in various sectors, particularly in terms of economic cooperation.*

Keywords: *Mongolia; Japan; Korea; Third Neighbor Policy; United States of America (USA)*

Introduction

Mongolia is a geographically isolated country, landlocked between two giant powers Russia to the north and China to the south, east and west. It encompasses a huge territory of about 1,564,116 sq. km, with a population of 3.5 million. The capital city is Ulaanbaatar, and Mongolia's political system is a parliamentary republic.

Mongolia declared its independence in 1911 under the Bogd Khan, the spiritual leader of Mongolia's Tibetan Buddhism. However, the Chinese government still

considered "Outer Mongolia" as part of it and invaded the country in 1919. In 1921, the People's Revolution won in Mongolia with the help of the Russian Red Army and thus Mongolia became the second socialist country in the world.

November 26, 1924, was the day that Mongolia declared itself as an independent country the Mongolian People's Republic was proclaimed and the first Constitution was adopted. For the next 70 years, Mongolia was a satellite country to the Soviet Union. The Mongolian People's

Received: 29 November, 2023; Accepted: 22 January, 2024



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Republic, a communist state, under the rule of the Mongolian People's Revolutionary Party, lasted until 1990.

Historically, Mongolia was considered to have been pursuing a strategy to balance positive relations with its two neighbors by fortifying ties with "third neighbors" since the mid-1990s. However, the idea of "third neighbors" has its roots in the foreign policy initiatives of the early 1920s, when leaders of Mongolia attempted to gain international recognition for their country's independence and sovereignty. A complicated idea of international relations theory encompassing politics, economics, and geopolitics, the expression "third neighbor" refers not only to a particular geographic area but also to a multifaceted concept. A broader definition of the "third neighbor" would include countries that accept and encourage Mongolia's decision to adopt a market economy and democracy.

Even though the Third Neighbor Policy has been an integral part of Mongolia's foreign policy for decades, aiming to balance its relations with its two powerful neighbors by strengthening its ties with other countries, with the increasing

geopolitical conflicts and interstate power dynamics, is becoming more important than ever before. Therefore, Mongolia needs to reconsider the effectiveness of its Third Neighbor Policy to maintain its position in international relations. In addition to Russian-Ukraine geopolitical conflicts and interstate power politics explain, Mongolia has also faced significant challenges due to the Covid-19 pandemic. During the lockdown, Mongolia received an exponential exogenous shock due to border closures from its two neighboring countries. This situation highlighted the importance of Mongolia's Third Neighbor Policy, demonstrating the need for Mongolia to maintain good relations with other countries. The pandemic has further emphasized the necessity of diversifying Mongolia's economic and trade partners to reduce its dependence on its two powerful neighbors. Therefore, it is even more critical for Mongolia to review its Third Neighbor Policy and maintain its position in international relations while increasing the benefits of the policy and mitigating any future crises that may arise.

Third Neighbor Partnership between Mongolia and the USA

After the fall of the Soviet Union and the withdrawal of Russian troops from Mongolia, the Mongolian government and its people started to transition from a socialist regime to a democratic state. Since then, the United States of America has expressed its willingness in cooperating with Mongolia based on the shared values of democracy and common interests in ensuring peace and stability in the country.

The United States and Mongolia's diplomatic relations officially started in January 1987, when the US officially recognized the People's Republic of Mongolia, and in June 1988, the US Embassy in Ulaanbaatar officially opened up (US Embassy in Mongolia, 2020). In August 1990, the US Secretary of State James Baker visited Mongolia and mentioned how the United States' relation with Mongolia's two neighbors would not

hinder the relation between the US and Mongolia. As well as that Mongolia can also have great relations with three big countries including the US. This is seen as the main source of the term "Third Neighbor Policy" which is has become known after the James Baker's visit to Mongolia. In other words, from this period, the term "third neighbor" expressed a wide and deep meaning, and added a direction that it is desirable to develop cooperation in other fields as well, not only developing economic relations with developed and Western countries (Densmaa et al., 2021).

The cooperation between the United States and Mongolia in the context of Mongolia's Third Neighbor Policy has been evolving through the years. US Secretary Warren Christopher has used Mongolia as evidence that civil and political rights are universal and not only Western ideals, when and in what context did he say this? as well as a case study of concurrent political freedom and economic growth. Military-to-military exchanges are now a significant aspect of the partnership. An agreement on military visits and exchanges was reached in June between the United States and Mongolia. US assured that the military assistance will continue to be humanitarian and non-lethal (US Department of State, Bureau of Public Affairs, 1996).

Over time, the United States and Mongolia have increased their military collaboration. The two nations participate in cooperative military drills and training initiatives. Mongolia's contributions to international peacekeeping missions have received backing from the United States for its peacekeeping efforts. Senior defense veterans of Mongolian Ministry

of Foreign Affairs believe that the concept of the "third neighbor" has fulfilled its initial goals, in respect to military relations established with the USA (Otgonbayar, 2023). Stephen Noerper who was awarded the Mongolian State Friendship Medal in 2007, and also a senior Asian analyst appraises Mongolia's "third neighbor" policy implementation as generally satisfactory. Commenting on Mongolia's actions within the framework of United Nations (UN) peacekeeping efforts, he pointed out that Mongolia has become a "responsible player on the international arena, with a stand of its own (Stephen Noerper, 2012).

The United States is in favor of Mongolia's enduring dedication to global peacekeeping operations (PKO) and defending democracy and human rights. The United States thanked Mongolia for the Mongolian Armed Forces' (MAF) contributions to coalition security efforts in Iraq and Afghanistan, which directly benefited the Afghan people, the United States, and US partners and allies. The United States noted that the MAF has international recognition as a highly qualified, dependable security provider. Mongolia emphasized that the MAF oversees a professionally run, UN-certified regional training center that can support important UN PKO courses, carry out multinational peacekeeping exercises, and provide pre-deployment training. In order to support MAF development and build enduring relationships between the leaders of our militaries, both sides welcomed increased MAF participation in American military education and training opportunities (The White House, 2023). In addition to military cooperation, Mongolia

and the USA collaborate on various other areas such as economic development, trade, investment, education, cultural exchange, and humanitarian assistance. These collaborations aim to strengthen the overall bilateral relationship and promote mutual understanding and prosperity between the two countries.

State Great Hural (Parliament) of Mongolia passed a renewed concept of foreign policy of Mongolia in February 2011. As a part of foreign policy priorities of Mongolia, relations and cooperation with “third neighbors” has advanced. For instance, strategic partnership relations with Japan and comprehensive partnership commitment with United States, Germany, South Korea, India and Turkey have been strengthened respectively (Embassy of Mongolia to the United States of America 2013, May 21).

Mongolia Third Neighbor Trade Act Legislative Bill was introduced for consideration in the Senate of the United States. This bill allows the President to provide duty-free treatment for certain articles imported from Mongolia. Namely cashmere and agriculture related products, as the United States buys nearly all its cashmere products from China. Duty free treatment of Mongolian cashmere and other textile garments exports to the United States would facilitate increased trade with the US and reduced Mongolian export dependence on one country and single sector of mining. This would allow Mongolia to diversify its trade and ensure its sustainable economic growth(118th Congress, 2023-2024). The development of Mongolia’s garment industry would also promote women’s employment and empowerment. Women have historically

participated in Mongolia’s garment industry at high rates, and the garment industry has historically provided safe and stable employment for women in Mongolia (118th Congress, 2023-2024).

In recent years, a new area of bilateral collaboration has emerged: the Indo-Pacific Strategy. This initiative aimed to reframe the US’s approach to Asia in respect to China. It’s interesting to note that this primarily marine plan, which was first implemented by the Trump administration, includes the landlocked nation of Mongolia. The US Strategic Framework for the Indo-Pacific, a declassified document that has given broad strategic direction to US executive branch departments and agencies, states that Mongolia is crucial to the Indo-Pacific Strategy to “counterbalance Chinese models of government” because it is a democratic ally of the US (G.Tuvshinzaya, 2022). In pursuit of this goal, former US Secretary of Defense Mark Esper traveled to Mongolia for the first time abroad in 2019. A direct message to China, whom the US regards as a “strategic competitor,” the official press release emphasized the “shared democratic values and interests in regional peace and stability” between Mongolia and the US. Then, in order to have a lengthy conversation, President Donald Trump invited President Battulga to the White House. As a result, the US became the sixth nation to have strategic partnership status with Mongolia, raising bilateral relations to that level (G.Tuvshinzaya, 2022).

Following the establishment of the strategic partnership between Mongolia and the US, the Prime Minister of Mongolia Oyun-Edene Luvsannamsrai

visited Washington DC on August 2nd, 2023, to celebrate the strategic Third Neighbor Partnership, and was welcomed by the Vice President Kamala Harris. The two parties agreed that US-Mongolia relations had progressed since the 2019 Strategic Partnership Declaration, which established a solid framework for advancing and bolstering bilateral ties between the two nations. The relationship between our two nations is at its strongest point to date and has grown out of respect for human rights, sovereignty, the rule of law, and good governance as well as Mongolia's Third Neighbor Policy (The White House, 2023).

During the meeting between the Prime Minister and the Vice President, they discussed about the future of the partnership, and collaborative actions in the near future. With regards to this, Secretary

Blinken and Foreign Minister Batmunkh signed the Economic Cooperation Roadmap for the strategic Third Neighbor Partnership between the Government of Mongolia and the Government of the United States of America. Together, the US and Mongolia are collaborating to address the most pressing economic issues of the twenty-first century and are looking for ways to expand investment and trade through both bilateral and regional trade channels. Both nations want to explore opportunities for cooperation in the areas of clean energy, food security, digital economy, and mineral resources through new and existing mechanisms, including trade promotion and capacity building. The partnership also aims to strengthen the bilateral economic ties in areas of shared interest (The White House, 2023).

Figure 1. Foreign direct investment from USA since 1990

FOREIGN DIRECT INVESTMENT FROM USA



Total investment since 1990

\$ 1134.8 MILLION USD

Enterprises **335**

Source: *Investmongolia*

Additionally, Secretary Antony Blinken and Road and Transport Development Minister Byambatsogt signed the US-Mongolia Air Transport Agreement (US Department of State, 2023).

The new US-Mongolia Air Transport Agreement was welcomed by both governments as a resounding testament to the United States and Mongolia's solid Third Neighbor partnership. In addition to strengthening our solid economic and commercial partnership, fostering people-to-people ties, and opening new trade and tourism opportunities, the Agreement will make it easier for Mongolians to travel to the US. Both parties reaffirmed their dedication to the highest levels of aviation security and safety. Later this year, the US Federal Aviation Administration will support civil aviation safety in Mongolia by offering technical assistance at the request of the country's civil aviation authority (The White House, 2023).

As evidenced by the enormous economic and commercial benefits that people-to-people ties have brought to both the US and Mongolia, both nations acknowledge that these ties are an essential foundation of our partnership. The United States' English education and community development training programs, along with English's official adoption as the primary foreign language in Mongolian secondary schools, have fostered these ties. In order to achieve this goal, the US and Mongolia are happy to announce plans to open a new American Space in Erdenet with educational programs aimed at raising awareness of study and exchange opportunities in the US as well as increasing access to English

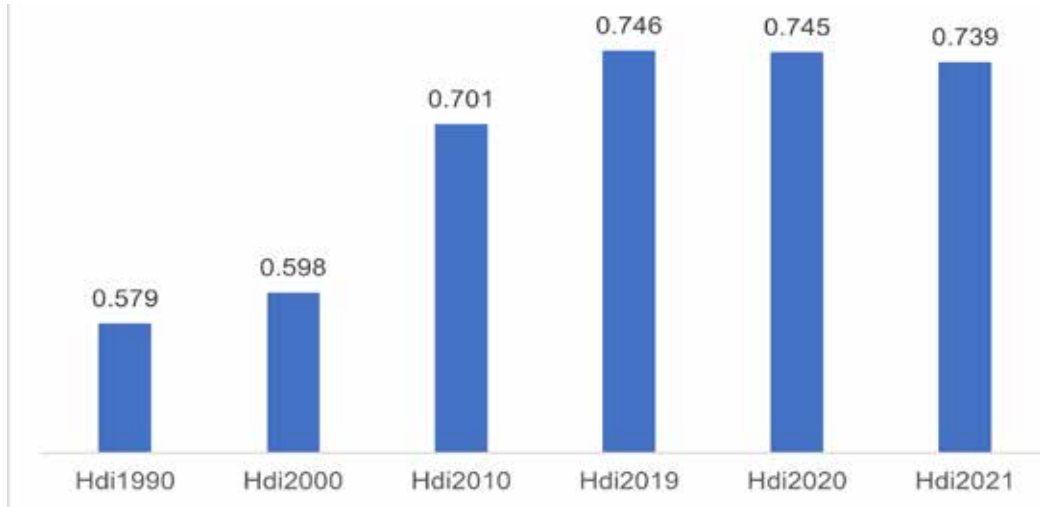
language instruction. Additionally, the US is attempting to increase the number of English Teaching Assistants in Mongolia by fifty percent. The US and Mongolia reaffirmed their shared commitment to advancing education cooperation, building on the US\$2.3 million annually committed to education and exchange in Mongolia. In particular, the US wants to provide more opportunities for Mongolians to pursue higher education in the US by increasing the number of government-funded scholarships available, expanding our long-standing bilateral Fulbright partnership, and supporting the training of even more English language teachers.

Strong democratic institutions, the rule of law, media freedom, and respect for human rights—including the advancement of gender equality and women's empowerment—are all crucial, as both the United States and Mongolia emphasize. To maintain the efficacy of our democratic institutions, the United States and Mongolia are dedicated to strengthening our societies through the support of civil society organizations, especially those that prioritize youth and gender equality. In addition, the United States and Mongolia announced the signing of a new USAID-Ministry of Finance Development Objective Grant Agreement, valued at up to \$25 million, to advance clean energy, democratic governance, and a resilient, diversified, and inclusive economy. They also noted the critical importance of increasing public participation in the democratic process. To support the agreement's core lines of work in collaboration with Mongolia, USAID intends to contribute an initial \$12 million this year, working

with Congress. Additionally, USAID is contributing an additional \$600,000 to disaster preparedness initiatives aimed

at enhancing communities' ability to withstand natural disasters and other threats (The White House, 2023).

Figure 2. Mongolia's change in human development index from 1990 to 2021



Source: United Nations Development Report

The partnership between Mongolia and the US with regards to Mongolia's Third Neighbor Policy has evolved over time. The US had shown interest in Mongolia's democracy, good governance and its commitment to international peace keeping from the start. As for Mongolia, during the early stages of communication, the country intended for the US to replace the Soviet Union in terms of financial aid and support. However, this misguided perspective has changed, and the collaboration is more focused on the exchange of good experiences, increasing trade possibilities, and creating more opportunities for both nations to develop

in terms of human rights, peace keeping, gender equality and economy.

The continued meetings between the heads of states and the collaborative visitations between the two countries will become a leverage to push the Third Neighbor Policy for further success. As long as Mongolia does not stray from its democratic values, the previous 36 years of diplomatic relation between the two countries will be seen as just the start of a long-lasting collaboration Mongolia and the US. And the Third Neighbor Policy allows Mongolia to utilize the full extent of the collaboration, creating opportunities beyond its two borders.

Third Neighbor Partnership between Mongolia and Japan

The geopolitical interests of Japan toward to Mongolia have deep historical

origins dating back into the 13th century, particularly historical event by two

invasions of Japan by Mongols that are recorded in 1274 and 1281. After this two-invasion failed, there were no specific contacts between the two countries up until the first half of the 20th century (Cartwright, M. 2019, July 02). Modern relationship between Mongolia and Japan began in the mid-20th century, a historical time that Mongolia gained de facto status quo and international recognition after the independence from the Manchu-led Qing China, started trilateral relations with Russia and China (Cartwright, M. (2019, July 02).

Before the establishment of diplomatic relations, Japan had very limited interest about Mongolia and Japan established diplomatic relation, Japan had very limited interests about Mongolia. Notably, Between May and September 1939, the Battle of Khalkyn Gol unfolded near the border of Manchukuo and Mongolia (Mongoliin Tuukhiin Tailbar Toli . The Japanese Manchukuo Army clashed with the Allied Forces of the Soviet Union and Mongolia, each vying for control of the contested border territory. During this period, Soviet and Mongolian airplanes took to the skies, dropping leaflets to discourage enemy soldiers. This military conflicts, marked a significant turning point in Japan's expansionist policies in Euro-Asia. In the time between end of 1950s to beginning of 1960, relationship between countries slowly recovered, but there are restricted only the reception of some peace delegates and journalist from Japan. Historical events, also the Battle of Khalkhin Gol, had shaped the relationship between Japan and Mongolia up to that point. Diplomatic relations between Mongolia and Japan were

established on February 24, 1972. After the establishment of diplomatic relations between two countries, the main objective of the relationship was to decide on issues related to the development of economic sector development and cooperation between Mongolia and Japan (National archives of Japan. Relations between Japan and Mongolia in the 19th and early 20th centuries. 24 Feb 2022).

Since the early 1990s, the bilateral relationship has experienced rapid development and increased mutual cooperation. Japan's early advocacy for Mongolia's democratic aspirations underscores its commitment to promote a robust partnership. This shared commitment has paved the way for sustained collaboration in diplomatic, economic, and cultural exchanges, fortifying the foundation of the modern Mongolia-Japan relationship.

In 1992, the visit of Japanese Prime Minister T. Kaifu to Mongolia, was a historic moment as the first visit by a highly industrialized country's head of government. During his visit, Prime Minister T. Kaifu not only expressed bilateral support for Mongolia's democracy and reforms but also affirmed his support on the international stage (Bolor Lkhaajav. Mongolia and Japan Celebrate 50 Years of Diplomatic Relations). Since Japan actively supported Mongolian's democratization through bilateral relations and in the international arena (Lhamsuren Nyamtseren, 2001). Japan's policies to toward Mongolia are based on the following principles:

1. To actively support Mongolia's efforts to democratization and implement a market economy.

2. Establishing economic relations that are mutually beneficial for both nations.
3. Collaborating actively to contribute to international peace and stability.
4. To promote mutual understanding between the two countries.

Over the past years, bilateral relations between the two countries have more intensified, promote from a "Comprehensive Partnership" in 1996 to a "Strategic Partnership" in 2010. The establishment of Mongolia and Japan's strategic partnership country in 2015 was

significant marked by the signing of the Economic Partnership Agreement (EPA), aimed tackle legal and technical aspects of the trade, tax, customs, and investment areas. Regular strategic consultation meetings between the governments at the Ministry of Foreign Affairs, as well as policy discussions involving relevant foreign policy, defense, and security organizations, contribute to a shared understanding of bilateral relations and regional security. These consultations are expanding successfully across various ministries and agencies of both governments.

Table 1. Amount of Loans and Aid Provided to Mongolia

| Fiscal Year | Grant (100 million yen) | Discounted Loan (100 million yen) | Technical cooperation (100 million yen) | Total (100 million yen) |
|-------------|----------------------------|--------------------------------------|--|----------------------------|
| 1997-2021 | 1,236.23 | 1,829.44 | 584.03 | 3,649.70 |

Source: Embassy of Japan

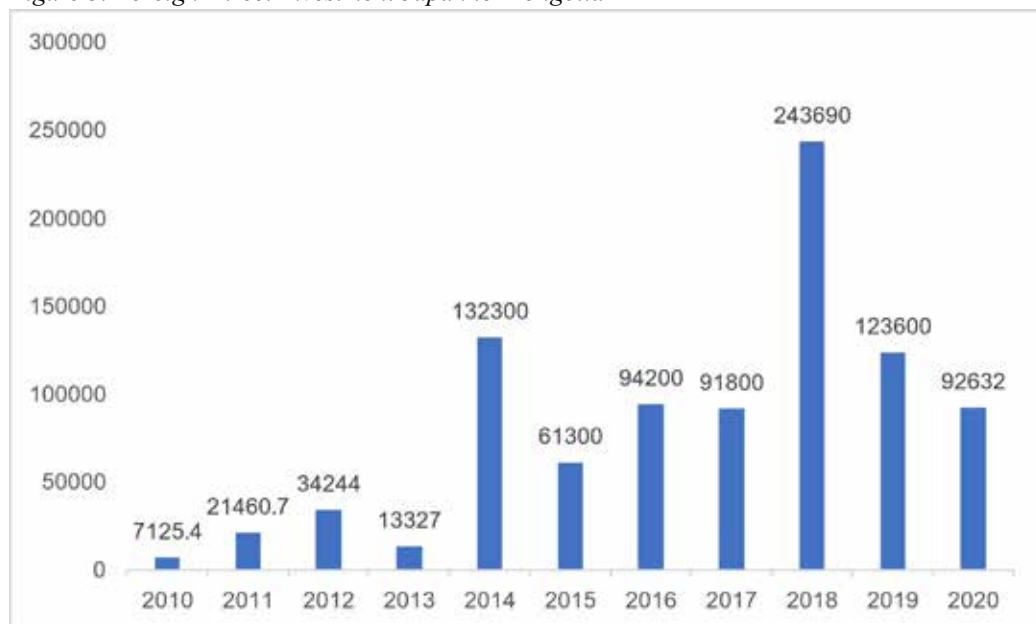
As regional partners with common values of freedom, democracy, and the rule of law, both countries have strengthened cooperation in regional and international arenas. Mutual respect and support characterize their diplomatic relations, exemplified by Mongolia consistently supporting Japan's bid for a permanent seat on the United Nations Security Council, reciprocated by Japan's consistent support for the international recognition of Mongolia's nuclear-weapon-free status.

Political trust between the two nations has strengthened over the years, evident in successful high-level mutual visits. Notable visits include the state visit of the President of Mongolia in November 2022,

the visit of the Chairman of the National Assembly in March 2023, and the Prime Minister's visits in 2021 (for the opening of the Olympic Games) and 2022 (for the state funeral of former Prime Minister Sh. Abe). The Minister of Foreign Affairs of Japan reciprocated with visits to Mongolia in 2019, 2020, and 2022.

In 2021, a significant Japanese investment led to the operationalization of Mongolia's second international airport in Khoshig Valley, backed by a \$493 million investment. (GoGo News, 2018) Japan-Mongolia relations advanced during Japan's second Abe administration (2012-2020), including notable developments in military and defense cooperation.

Figure 3. Foreign Direct Investment Japan to Mongolia



Source: National Development Agency

Furthermore, Japan's current assistance to Mongolia is mainly directed at addressing immediate challenges. To enhance the foundation for Mongolia's future development, collaboration between the two nations should shift towards addressing upcoming issues. This may involve joint efforts in: a) advancing Mongolia's information and telecommunications infrastructure; b) fostering Mongolia's biotechnology capabilities, particularly in connection with its agriculture and livestock sector; c) providing intellectual support and facilitating human resource development, with a focus on research in key areas such as traditional technology, biotechnology, new materials, and new energy sources; d) supporting environmental conservation initiatives; and e) contributing to infrastructure development.

In conclusion, Mongolia and Japan speaks volumes about the strength and flexibility of their diplomatic connection. From overcoming historical challenges to build a robust "Strategic Partnership," their relationship has continually expanded and diversified. As they navigate the future hand in hand, the joint commitment to tackling new challenges and promoting sustainable development reflects a united vision for a prosperous future. Beyond strengthening their bilateral ties, the dynamic collaboration between Mongolia and Japan also leaves a positive impact on regional and global platforms. With a solid foundation grounded in trust, respect, and shared values, the road ahead holds exciting opportunities for further cooperation and mutual growth between these two nations.

Third Neighbor Partnership between Mongolia and Korea

The diplomatic relations between Korea and Mongolia were established on March 27, 1990, and since then, the two countries have expanded their cooperation in various areas. The first Korean embassy in Mongolia was opened in June 1991, followed by the first Mongolian embassy in Korea in March 1992. In 1995, the Korea-Mongolia Economic Cooperation Committee was established to promote economic cooperation, and in May 2000, the first direct flight between Korea and Mongolia was launched (Embassy of Mongolia in the Republic of Korea, 2023).

In 2004, the Korea-Mongolia Free Trade Agreement (FTA) feasibility study was initiated, and in 2010, the FTA negotiations were launched. The two countries signed an agreement on mutual recognition of driver's licenses in 2013, and the FTA negotiations were concluded in 2016, with the agreement signed in February 2018 (Anudari M., 2020). In the following years, various events and meetings have taken place between the two countries, including South Korean President Moon Jae-in's visit to Mongolia in July 2017 to attend the Asia-Europe Meeting (ASEM) summit. In February 2018, the two countries signed a memorandum of understanding (MOU) on cooperation in the field of infrastructure development, and Mongolian Prime Minister Khurelsukh visited South Korea in August 2019 to attend the ASEAN Plus Three (APT) summit (Anudari M., 2020).

South Korean Foreign Minister Kang Kyung-hwa visited Mongolia in November 2020 to attend the 13th Asia-Europe Meeting (ASEM) foreign ministers'

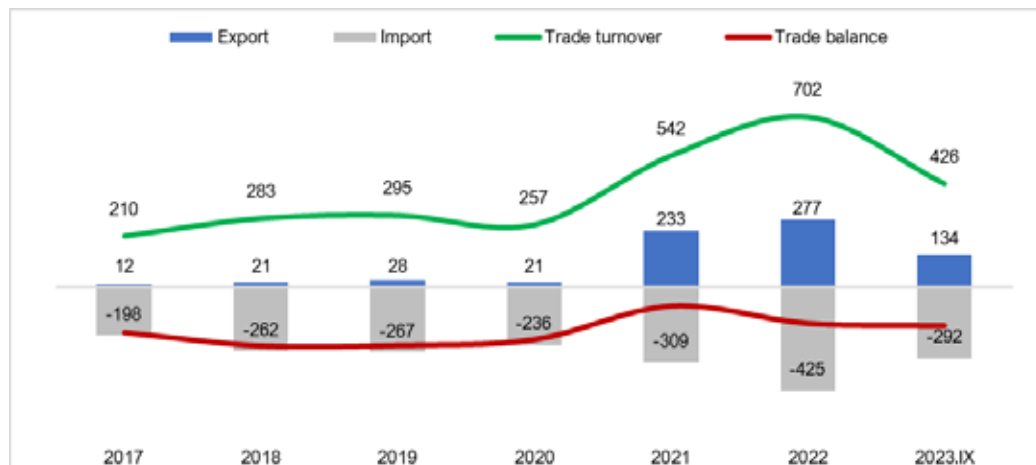
meeting, and South Korean Prime Minister Kim Boo-kyum visited Mongolia in June 2021 to attend the Northeast Asia Peace and Cooperation Forum. These events demonstrate the growing ties between Korea and Mongolia in various areas, including politics, economy, culture, and education. Despite the cultural similarities and proximity between Korea and Mongolia, economic cooperation has been relatively weak compared to other aspects. This is partly due to Korea's perception of Mongolia as a small domestic market with underdeveloped industry and being a landlocked country between China and Russia. However, recent changes in the global economic order have increased the strategic importance of Eurasia, which has resulted in Mongolia's value to Korea growing significantly. Mongolia possesses abundant mineral resources and has great growth potential in its agricultural and livestock sector. Additionally, Mongolia's geographical location as a junction between Europe and Asia, with direct access to China and Russia, positions it as a strategic hub for Korean food and resource security, as well as a logistical gateway for Korea's expansion into Northern regions. Mongolia plays a crucial role in establishing the Eurasia initiative's transport logistics, energy resources, and trade network. Over the past three decades, Mongolia and the Korea have engaged in bilateral trade, primarily focused on energy-related goods. However, several factors have hindered the improvement of economic relations, including instability in the legal environment, limited markets, high logistics costs due to weak

infrastructure, natural and climatic risks, and issues in the banking sector. These structural challenges have led to reduced interest from Korean entrepreneurs in investing (Jae Young, 2019). Regarding Korea's potential as a "third neighbor" for Mongolia, several advantages can be explored:

Economic Cooperation: Mongolia and Korea have the potential to enhance bilateral trade and investment. While Korea is Mongolia's fourth largest trading partner after China, Russia, and Japan, the trade volume with Mongolia represents only about 0.05% of Korea's total trade (Sainbuyan Munkhbat, & Mendee Jargalsaikhan 2020). To promote economic cooperation, exploring joint ventures, facilitating technology transfers, and encouraging Korean companies to invest in Mongolia's sectors are viable options. In 2020, Korea's main exports to

Mongolia included motor vehicles, boilers and machinery, tobacco, and perfumery or cosmetic preparations. Mongolia's main exports to Korea were articles of knitted or crocheted apparel, ores, slag and ash, and wool and animal hair. The manufacturing, energy, and information, communication and technology (ICT) industries hold particular potential for growth through collaboration. Korea's expertise in manufacturing can complement Mongolia's efforts in producing high-value-added products. Cooperation in the energy sector can involve power plant construction, improving electricity production efficiency, and exploring renewable energy possibilities. Additionally, Korea's advanced ICT capabilities can support Mongolia's goals of expanding broadband internet and improving communications infrastructure.

Figure 4. Trade with South Korea, million USD



Source: Bank of Mongolia

Korea's direct investment to Mongolia flowed into the whole and retail sale sectors, lodging, and restaurant businesses

on a small scale in 1990s. Since the 2000s, Korean investors have begun to expand into various fields in the Mongolian market

including the publishing, movies, real estate, and mining sectors. In particular, since 2008, there has been upward trend in investment in mining sector (Jae Young, 2019). Until 2020, Korea's direct investment to Mongolia consisted mainly of small businesses (51.1%), followed by large companies (32.8%) and individual or

private companies (16.1%), depending on the amount invested. Korea is an important foreign trade and investment partner of Mongolia, and the foreign trade turnover of the two countries reached 532 million dollars in 2021 and 702.3 million dollars in 2022.

Table 2. Korea's FDI to Mongolia by sector; 2020 (Unit: USD thousand, %)

| Sector | # of new corporations | Amount | Share |
|---|-----------------------|---------|-------|
| Agriculture, forestry and fisheries | 17 | 5,414 | 1.1 |
| Mining | 48 | 130,740 | 26.2 |
| Manufacture | 96 | 26,207 | 5.2 |
| Electricity, gas, steam and water supply | 11 | 3,696 | 0.7 |
| Sewage, waste disposal, raw material recovery and environmental restoration | 4 | 3,440 | 0.7 |
| Construction | 82 | 58,654 | 11.7 |
| Wholesale and Retail | 173 | 92,688 | 18.6 |
| Transportation | 19 | 14,498 | 2.9 |
| Accommodation and restaurant | 25 | 9,679 | 1.9 |
| Publishing, Video, Broadcasting Communication and Information Service | 25 | 29,962 | 6.0 |
| Finance and insurance | 13 | 4,905 | 1.0 |
| Real estate and leasing | 40 | 57,247 | 11.5 |
| Professional, scientific and technical services | 52 | 19,574 | 3.9 |
| Business Facilities Management and Business Support Services | 30 | 14,318 | 2.9 |
| Public Administration, Defense and Social Security Administration | 3 | 130 | 0.0 |
| Education service | 6 | 632 | 0.1 |
| Health and social welfare services | 12 | 25,620 | 5.1 |
| Arts, sports and leisure services | 6 | 1,550 | 0.3 |

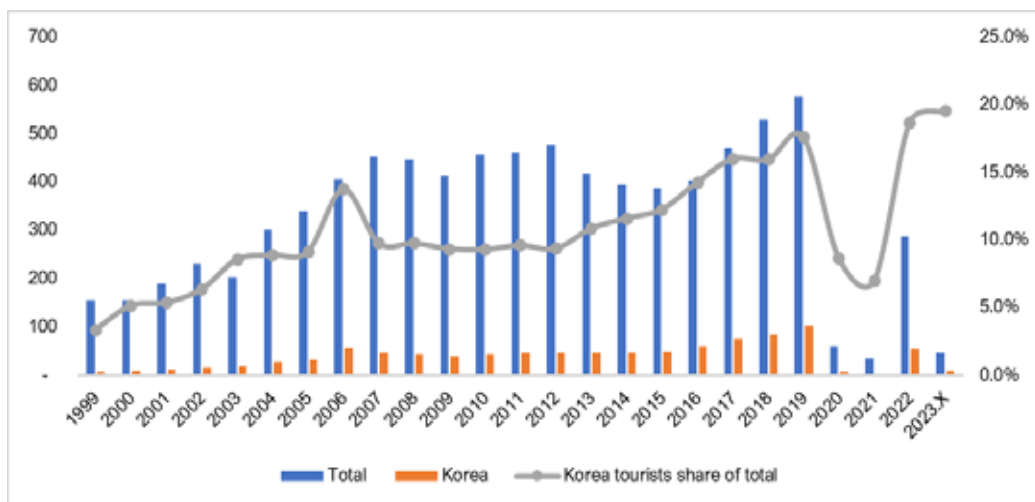
| Sector | # of new corporations | Amount | Share |
|--|-----------------------|---------|-------|
| Associations and organizations, repair and other personal services | 11 | 676 | 0.1 |
| Total | 673 | 499,629 | 100.0 |

Source: Export-Import Bank of Korea. (www.koreaexim.go.kr)

Tourism Cooperation: Promoting tourism between Mongolia and Korea can contribute to economic growth and cultural exchange. By October 2023, the share of Korean tourists in total tourist in Mongolia is one fifth, which has been increasing from 2000s. Thus, enhancing air connectivity, promoting tourist destinations, and streamlining visa procedures can encourage more Korean

tourists to visit Mongolia and vice versa. In the 2nd quarter of 2023, Mongolia’s direct investment position reached USD 29.1 billion, of which 1.6% or USD 456 million is related to South Korea. South Korea holds a leading position in terms of inflows of personal transfers to Mongolia (Bank of Mongolia. Mongolia – Republic of Korea Trade, Economic Review-2023.10).

Figure 5. Korean tourists’ number, its share in total



Source: National Statistical Office of Mongolia

Korea can also share its experience in tourism development with Mongolia. Strengthening cultural ties is crucial for fostering mutual understanding and people-to-people connections. This can be achieved through cultural exchange programs, joint cultural events, and

support for language learning initiatives. Cooperation opportunities include developing new tourist destinations in Mongolia, promoting cultural exchanges, and creating tourism products that blend traditional culture with modern technology.

Education and Research

Collaboration: Enhancing collaboration in education and research offers mutual benefits for Mongolia and Korea. Mongolia can actively seek partnerships with esteemed Korean universities and research institutions to facilitate academic exchanges, joint research projects, and knowledge sharing in areas of common interest. Such collaborations can enhance educational systems, advance research endeavors, and contribute to the growth of both countries' academic communities.

In conclusion, the diplomatic relations between Mongolia and Korea have grown significantly since their

establishment in 1990. The two countries have expanded cooperation in areas such as economics, politics, culture, and education. Despite some challenges in economic cooperation, there is potential for further development, particularly in joint ventures, technology transfers, and investment. Enhancing tourism, cultural exchanges, and educational collaborations can also contribute to mutual growth and understanding between Mongolia and Korea. By leveraging these areas of cooperation, the two countries can strengthen their partnership and foster development across various sectors.

Conclusion

Mongolia's Third Neighbor Policy holds significant importance in the country's foreign relations. This strategic approach aims to diversify Mongolia's international partnerships beyond its immediate neighbors, China and Russia. By strengthening economic, political, and security and cultural ties with countries outside its immediate region, Mongolia seeks to reduce its dependence on its two neighbors and enhance its strategic autonomy.

The implementation of the Third Neighbor Policy has both similarities and differences when compared to similar policies adopted by other countries, such as Georgia and Taiwan. While each country's approach may vary based on their unique geopolitical circumstances, the core objective remains the same to forge partnerships with nations that can provide economic, political, and security benefits.

Looking ahead, there are promising future opportunities for Mongolia's Third Neighbor Policy. As the country continues to expand its network of international partners, it can explore avenues for collaboration in various sectors. This includes areas such as trade, where Mongolia can leverage its economic competitive advantage to foster mutually beneficial partnerships with other nations. Additionally, the policy can be further developed to promote cooperation in clean energy, an area of increasing global importance, and aviation, which can facilitate greater connectivity and economic growth.

While the Third Neighbor Policy has already proven effective in different dimensions, there is room for further enhancement, particularly in terms of economic cooperation. By actively pursuing and strengthening economic ties with its third neighbors, Mongolia

can capitalize on its unique resources and capabilities to drive economic growth and development.

In conclusion, Mongolia's Third Neighbor Policy has been successful in diversifying its international partnerships and reducing dependence on neighboring giants. To sustain this positive trajectory, Mongolia should continue to prioritize and expand its engagement with its

third neighbors. By doing so, Mongolia can maximize its strategic autonomy, unlock new opportunities for economic cooperation, and secure a prosperous future for the country. The efficacy of Mongolia's Third Neighbor Policy is unequivocally evident (it was left intentionally to answer the question that has asked first of the article similar to the mathematical equation).

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