Mongolia and Japan: a Deepening Economic Partnership

During the period of the Mongolian People's Republic (1921-1990), Mongolian-Japanese relations, since the establishment of diplomatic relations in 1982, were diplomatically amiable, but essentially of a perfunctory nature. However, the Gobi Factory built by Japan in 1977 to produce cashmere marked the beginning of the provision of economic aid from Japan to Mongolia, which gradually became the major aspect of their bilateral relations. It pays to remember that this aid, as well as the "Donor Movement", initiated and led by Japan, helped Mongolia to overcome the deep economic crisis that engulfed the country immediately after the victory of the democratic revolution in 1990 and lasted until 1993.

Moreover, Japan has become the main financial backer of democratic reforms in Mongolia. Suffice it to say that the sum total of concessional loans and grant aid provided to Mongolia by Japan over the period 1995-2010 was more than $3.6 billion. Japan's technical assistance covered almost all branches of industry, agriculture, energy, infrastructure: roads, schools, hospitals, the development of communications and many humanitarian areas.

A fundamental milestone in the development of Mongolian-Japanese relations was the first ever visit of then-President of Mongolia, N. Bagabandi, to Japan on May 11-15, 1998. The main outcome of the visit was the signing of the "Joint Declaration on Friendship and Cooperation", the significance of which no less than that of the Treaty of Friendship and Cooperation between Mongolia, China and India. This treaty stimulated the development of relations between the two countries since the beginning of the new millennium on the principles of integrated partnership that, as of approximately 2006, both sides have attached strategic importance, and that was reflected in the documents on the results of the official visit to Japan of the Mongolian Prime Minister, M. Enkhbold, in 2006 and of the current president, Ts Elbegdorj, in 2010. On March 30-31, 2013, the youngest in the history of Japan's Prime Minister, Shinzo Abe, made his first visit abroad since taking office to Mongolia, where he put forward the initiative of developing a medium-term development program of strategic relations between Mongolia and Japan. And on September 13, 2015 in Tokyo, this program, intended for 10 years, was signed.

Back then, Abe strongly supported the idea of developing an intergovernmental Agreement on economic partnership between Mongolia and Japan, that had been voiced for the first time by the President of Mongolia, Ts Elbedorj, during his state visit to Tokyo in 2010.

Subsequently, after more than two years of negotiations and agreements, the idea was put into practice. During the first foreign visit of the also young Mongolian Prime Minister, Ch. Saikhanbileg, on February 9-11, 2015 to Tokyo, the Economic Partnership Agreement was concluded and ratified by the State Great Khural and the Japanese Diet in the same month. This agreement not only opened up a new era in economic relations, shifting them onto the rails of mutually beneficial and supportive cooperation, but also significantly stepped up the whole complex of Mongolian-Japanese relations. At the end of February this year, a parliamentary delegation of Mongolia visited Japan headed by speaker Z. Enkhbold, and in March 2015 another visit to Japan was undertaken by a large delegation of employees of the Bank of Mongolia, headed by the director of the Financial and Regulatory Commission, Z. Narantuya. In May 2015, President Ts Elbegdorj paid a working visit to Japan and finally on October 21, 2015, Prime Minister Abe made a short but very busy working visit to Ulan-Bator.

This visit is significant for a number of reasons. Firstly, it took place just 8 months after Abe signed the landmark Agreement on Economic Partnership and followed the visits by the leaders of Mongolia and Japan in February and
May 2015 thus marking the beginning of the implementation of this agreement and, in general, deepening Japanese-Mongolian strategic relations. And the fact that Abe came to Mongolia before embarking on his tour around Asia, demonstrates the great importance that Japan attaches to its relations with Mongolia. As the Prime Minister announced, "Japan and Mongolia are important regional strategic partners."

Secondly, in the course of tête-à-tête negotiations between S. Abe and the Prime Minister of Mongolia, Ch Saikhanbileg, the extended Memorandum of Understanding on the construction of the railway from the coal-rich Tavan Tolgoi mine to the east, to the Mongolian-Chinese border, and Nippon Steel, the Japanese corporation, has already announced its willingness to supply rails for the railway. This agreement is of great importance because the railway connecting Tavan Tolgoi to China will not only dramatically increase the supply of coal to its main customer, but in general will be the driving force of economic recovery in Mongolia. Sumyatomi Corporation, Japan, is already involved in the development of this mining area. The negotiations also saw agreements on the issues of Mongolia budget loans for the joint implementation of development projects for small and medium-sized enterprises and environmental protection. Additionally, a principle agreement was reached for the management of the new international airport of Ulaanbaatar currently under construction, mainly funded by Japanese money. Moreover, Japan has already allocated an additional $300 million to the completion of the construction works.

A great deal of attention at the negotiations was paid to the intensification of trade, the introduction of Japanese technology and technological know-how into the Mongolian economy, and particularly significant for this visit - political and social cooperation. It was Japan that advanced the Energy project that includes assistance in the construction of an oil refinery in Darkhan-Uul Aimag, the modernisation of CHP-4 in Ulaanbaatar, and the construction of three wind farms in Gobi, etc. The Mongolian party expressed its readiness to send labour force to Japan for the construction of the Olympics 2020 venues, which also became the hallmark of the negotiations.

Finally, and thirdly, the visit strengthened the good, trusting, personal relationship between the head of the Japanese government and the leader, Shinzo Abe, and the Mongolian President, Tsakhiagiin Elbegdorj.

So, 2015 marked the beginning and further strengthening of the economic partnership between Mongolia and Japan and, in general, the increase in their strategic cooperation, which allowed the Speaker of the Mongolian Parliament Z. Enkhbold to call Japan the "Mongolia's third neighbour."

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