

IMPACT OF DEMOCRATISATION ON MONGOLIA'S DOMESTIC POLITICS

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ABSTRACT

Mongolia was a Soviet satellite state. After Gorbachev initiated reform in USSR, Mongolia began experimenting with Soviet reforms and developed its own model of perestroika (öörchlön baiguulalt) and glasnost (iL tod). But the real opening act of political liberalization came in December 1989 when at a plenum of the Mongolian People's Revolutionary Party (MPRP), Mongolian President, Jambyn Batmönkh publically criticized the Yumjaagiin Tsendenbal period(1952-1984) and condemned Horloogiin Choibalsm's cult of personality. Political and economic liberalization was initiated. There was shift in foreign policy goals. Mongolia opened up with the outside world. The political maturity of the leadership allowed Mongolia to overcome the transition period with low level of violence. The thriving democracy has opened up space for women and civil society groups to emerge as significant voices. The paper deals with the complex dynamics during the transition period of Mongolian democracy.

Keywords: *Glasnost, Great Hural , iL tod, öörchlön baiguulalt, Perestroika, Third neighbour.*

INTRODUCTION

The collapse of the former communist and authoritarian regimes in Eastern and Central Europe as well as Latin America was touted as the triumph of liberal democracy in several quarters. More than ever, democracy has now been elevated as the ideology of the New Age. This is evident from the fact that very "few countries disavow democracy in principle and fewer countries than in the past have betrayed it in practice" (Parry and Moran,1994). After taking over power in the USSR, Gorbachev, in his famous Vladivostok speech of 1986 introduced two innovative programme- *Perestroika* and *Glasnost*. This in turn triggered the domestic and foreign policy reforms. The programme had deep influence over the politics and society of the

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neighbouring Mongolia. As part of this process, Soviet troops in Mongolia were to be reduced, and a complete withdrawal of troops was decided in March 1989. Mongolia lost its geo-strategic importance for the Soviet Union and with it most of its foreign aid, much of which was provided as credits rather than 'free' grant-in-aid (Heaton, 1991). Gorbachev initiated revival of the stalled Soviet economy by proposing a "vague programme of reform" and called for fast technological modernization and increased industrial and agricultural production. He envisaged further domestic and foreign policy reform. These measures became the lamp-post for the Mongolian liberalization,

At the same time, Gorbachev opposed violent reaction against anti-communist protest in satellite countries. Mongolia began experimenting with Soviet reforms and developed its own model of *perestroika* (*öörchlön baiguulalt*) and *glasnost* (*il tod*). But the real opening act of political liberalization came in December 1989 when at a plenum of the Mongolian People's Revolutionary Party (MPRP), Mongolian President, Jambyn Batmönkh publically criticized the Yumjaagiin Tsendenbal period(1952-1984) and condemned Horloogiin Choibalsm's cult of personality. These statements triggered long repressed public debate about history and national culture, including the memory of the Stalinist purges of 1930s, when five percent or more of the population had been killed during Mongolia's 'transition' to communism. As in other communist countries, such debates in Mongolia too contributed to delegitimizing the existing regime. That was one aspect of reform policy that got momentum in Mongolia (Fritz 2008:770).

The second aspect of reform policy was the formation of a pro-democratic viable opposition. At the same time, some debating Mongolian groups, clubs known as "New Generation" led by S. Zoring and E. Bat-Uul and a club of young economists- many of whom having finished their studies in Europe and Moscow, returned to Mongolia and started working at National University or in various ministries, and played a crucial role in the formation of the political opposition. On 10 December 1989, they formed Mongolian Democratic Union (MDU). Soon after, the MDU started organizing demonstrations amid a session of the Mongolian Parliament (Great Hural) on 11-14 December, 1989 and submitted its demands to the Mongolian People's Revolutionary Party (MPRP)-led government. They demanded constitutional amendment of the Mongolian People's Republic to end One-Party Rule of the State, respect for the Universal Declaration of Human Rights, Freedom of the Press, renewal of the electoral system, and demanded elections to be held in June 1990. They further sought reorganization of the Great Hural into a permanently functioning Parliament. This was the period when the crucial struggle for the political liberalization took place in Mongolia between December 1989-March 1990 (Fritz 2008:771).

The ruling party, MPRP initially responded to undertake reform and MPRP started dialogue with MDU. The MPRP gave positive response to MDU demands to avoid domestic crisis and to form a committee to make new Constitution. Soon after the foundation of the MDU, other civil society organizations such as the Democratic Socialist Movement and the New Progressive Movement were also formed. Their purpose was similar and sought advocacy of democracy, a free press and domestic changes in Mongolia and to move over the Soviet influence.

CONSTITUTIONAL CHANGES

The demand for democratization of Mongolian polity and society took a step forward during December 1989 and early 1990. This marked a crucial moment in Mongolian political history when the country could have either moved towards democracy or remained communist. In 1990, Mongolia held the first free election in its 70 years of modern history and took important steps towards democracy (multiparty, pluralistic and democratic society) and market economy. Responding to the demands of growing opposition movements since December 1989, the ruling Mongolian People's Revolutionary Party (MPRP) amended the constitution to expose its front runner role and created a Presidential system and an additional, more representative legislative house. By mid-1990, political parties were legalized and an electoral law was passed. This experience provided an example of peaceful transition toward democratic and universal human values. Overall it was a dramatic shift towards democratization of Mongolian polity which gained momentum due to the collapse of the Soviet Union in 1991 and end of the Cold War (Soni 2008:34). The main ruling party MPRP agreed to amend the 1960 constitution of Mongolia during extraordinary session in May 1990. The role of MPRP in country as "guiding force" as singular institution was removed. A legislative body known as State Little Hural (elected body by the proportional representative of parties) was established. The State Little Hural introduced a new electoral law for the general election. The first General Election (multi-party elections) for the Great Hural was held on July 29, 1990 in which the MPRP won 85% of the seats. Great Hural first met in Sept, 1990 and elected a President from MPRP, Vice-President from SDC (Social Democrats), Ministers from the MPRP and 50 members of the Little Hural. The Vice President was also nominated as the Chairman of the Little Hural.

In November 1991, the Great Hural began discussion on new Constitution with the creation of a Constitutional Drafting Commission under the chairmanship of President Orchirbat. The members of the Drafting Commission started public debate on the new Constitution. The commission submitted the first draft of revised Constitution before the National Government. This draft was later examined by the Great Hural. The Commission also took the assistance of International Commission of Jurists. In keeping with the extant strong national sentiment in Mongolia following the collapse of the old political regime, the title for the Constitution in both of these early drafts was *Ih Tsaadz* or *Undsen Huul*, evocative of the name of Genghis Khan's legendary code of laws (Morgan 1986:96-99).

Though many people argued that Mongolia should have a Parliamentary system, the first draft called for the strong Presidential system and a single chamber parliament. Finally, the new Mongolian Constitution (Fourth Constitution) with foreign advise was adopted on January 13, 1992 replacing the 1960 Constitution which brought considerable changes in Mongolia's political system. The miracle change made in this Constitution was replacement of two-chamber parliament (bi-cameral) known as the Great and Little Hurals with that of a single chamber (unicameral) known as the State Great Hural (SGH) comprising 76 deputies within one year of its introduction.

The six chapters that make up the Constitution address the matters of independence and territorial integrity, human rights and freedom, the state structure, local administration functions, the Constitutional Court, and amendment of the Constitution. The new Constitution

established a democratic political system with free market. The President is the Head of State and has the power to veto parliamentary legislation. He also heads the National Security Council and is the commander of the armed forces. The Prime Minister, on the other hand, serves as the head of the government and directs a cabinet drawn from the State Great Hural. The President became more powerful who would be elected by popular vote rather than by the legislature as before. A national majority popularly elects him for a four year term, which is however, limited to two terms. The President by the constitution proposed that a Prime Minister serve as head of the government and have a four-year term conformed by the SGH. After the adoption of new Constitution in 1992, the first SGH General Elections were held in June and the Presidential elections were held in June 1993, respectively. This was the beginning of new democratic practices and establishment of democratized institutions.

MULTI-PARTY ELECTIONS

In June 1992, the first election of Mongolian parliament was held. 76 members contested twenty-six multi-member districts in accordance with the new Constitution. In April 1992, the State Great Hural election law was adopted. Mongolia had 18 provinces that formed constituencies and three big cities. Darkham and Erdenet formed one constituency each, and the capital Ulaanbaatar city, comprised of six constituencies. Successful candidates were chosen on the plurality basis (Batbayar 1993:61-62). Before the election, the new Election Law was approved by the Parliament so that the contesting parties officially registered before April 1992 could run in the election. Two coalition and eight parties were registered to run in the first multi-party election. The MPRP which had won 70 seats out of 76 seats in the State Great Hural, received only 56 percent of popular vote. The democratic parties' alliance got four seats and the MSDC one seat. One seat was won by an independent candidate. A new Government with a new policy towards economic reform was formed under P. Jasari of the MPRP. One year later, on June 6, 1993, Mongolia had its first free multi-party Presidential election. Only parties holding seats in the State Great Hural were allowed to nominate Presidential candidate, who then participated in the two-round Presidential election. The Democratic Party's Presidential candidate, P Ochirbat, won the election with 58% of the vote. This election played a significant role in establishing a balance between the President and the Parliament. The outcome of this election saw the Communist party come into executive power and the democrats gain control of the parliament. Thus, this Presidential election made a balance between the two major political forces and that strengthened the democratic transition. (Batbayar 1994:41-42)

The democratic reform continued and in 1996 the Parliament election was conducted with revised election law in January 1996. The Mongolian National Democratic Party (MNDP) and Mongolian Social Democratic Party (MSDP) (with the support of several smaller democratic parties) formed a coalition called the Democratic Union Coalition (DUC). The DUC, in a surprise outcome, triumphed in the June polling, winning a combined 50 out of 76 seats-though one short of a quorum. This victory brought various challenges and difficulties for the democrats because experienced MPRP bureaucrats and well qualified professionals were replaced with the younger and less experienced DUC party members. Former MP and economist, Mendsaikhan Enksaikhan, head of the DUC was elected as the new Prime Minister.

The Government introduced judicial reforms and radical economic reforms freed the media and strengthened the legal system. In the second Presidential election held in May 1997, there were three candidates from different political parties; N Bagabandi, the former speaker of the SGH was nominated by the MPRP and other two, P. Orchirbat and Jambin Gombojav, were nominated by Democratic Alliance and United Conservative Party, respectively. N Bagabandi won the Presidential election with 60.8% vote. But democrats could not run the government smoothly due to lack of experience. Soon DUC candidate and Prime Minister resigned his post and T Elbegdorj, the leader of their parliamentary alliance, became Prime Minister. The political instability in Mongolian parliament continued till the end of December 1999 when the parties drafted Constitutional amendments for the appointment of Prime Minister and other procedural matters. Thus, democracy was further consolidated and strengthened in Mongolia.

Mongolia underwent third Parliamentary and Presidential Election in 2000 and 2001, respectively. It was a period of slowdown of economic reform and increasing poverty and unemployment. There were several new political parties in the fray. 24 political parties participated in 2000 SGH election. The MPRP, MSDP and MNDP, three major political parties, all ran 76 candidates. The MNDP fraction formed the Mongolian Democratic Party (MDP). The MPRP nominated its candidate, Enkhbayar, for the post of Prime Minister. He won with a landslide victory. 72 out of 76 seats went to the MDP, although he received only 50.3% of the vote. President Bagabandi again won the Presidential election in 2001.

Mongolian political system entered a new stage of volatility in 2004 when again political parties went alone to contest the SGH election. Political awareness had reached a new height by this time. The Mongolian Democratic Party formed a new alliance with the Motherland party. But this time, neither MPRP nor coalition won a clear majority. By the end of the year, MPRP and coalition came up with some agreement. The alliance had nominated Elbegdorj for the post of the Prime Minister and the MPRP had nominated Enkhbayar as the SGH chairman, with eight ministers from MPRP and six ministers from Alliance, thus, forming a coalition government for the first time.

The Mongolian politics entered a new stage of volatility. In the 2005 Presidential election, Enkhbayar, the MPRP candidate won the Presidential election and T Nyamdorj was elected the SGH chairman. In 2006, the MPRP ministers resigned from the Government and Tsakhiagiin Elbegdorj stepped down as the Prime Minister. Miyegombyn Enkhbold formed the next coalition government soon after October 2007. Enkhbold was replaced as MPRP chairman and same month former diplomat Sanjaagiin Bayar served as Prime Minister. This was the phase of confusion and intense instability in Mongolian political scene. The government was not able to work because of very weak coalition.

In June 2008, the SGH election was held and the result gave clear majority to MPRP but the opposition parties did not accept the mandate. They started violence in Ulaanbaatar. The MPRP headquarter was burned down. More than five people were killed and more than 100 injured. The President called for four days State Emergency. More than 700 demonstrator were arrested, some convicted and sent to jail for damaging State property and violation of human rights. In mid-July, the results were certified and confirmed that MPRP got clear majority in SGH. Sanjaagiin Bayar was re-elected Prime Minister. N Altanjhiyag, the New Democratic

Party leader was nominated as his deputy. Bayar was doing a good job in reviving Mongolian economic development. But due to bad health, he stepped down and was succeeded by Sukhbaataryn Batbold, the then Minister of Foreign Affairs. Soon Batbold became a powerful figure in Mongolian political system. In November 2010, the MPRP decided new name for the party-Mongolian People's Party (MPP). The MPR participated in the SGH election in 2012 under the leadership of Sukhbaataryn Batbold. The Democratic Party won the election and formed a coalition government under Norovyn Altankhuyag with the support of Green and Will Party and MPP in opposition. A major development came in the form of reservation of 20% seats for the women candidates in Mongolian political system

In June 2009 Presidential election, Elbegdorj was victorious and he was the first democrat to enter this office over the twenty years of Mongolian democracy. Elbegdorj was re-elected for a second term as President during 2013 election. Thus, Mongolia made great progress towards democracy within a short span of time.

ROLE OF MEDIA, POLITICAL ELITE AND NGO

The role of civil society is crucial to a country's development. During the 1980s, one third of the world's countries were democracies, whereas by the 1990s, in a great wave of change, two-third of world's nations had become either democratic or were on path towards democracy. In this process, the role of civil society, Media and NGOs are essential. These NGOs are gaining significance as actors in decision making in countries around the globe, and they increasingly link to another in trans-border advocacy networks. The IT (Information Technology) revolution is a critical factor for boosting the role of NGOs by, for example, making it easier for staffer to stay in touch with members and with potential sources of funding, and increasing an NGOs access to information about what is going on inside and outside the country. But governments also play a vital role by creating a legal and regulatory environment that allows NGOs to flourish. NGOs around the world are becoming linked to one another. Cumulatively, one result is the rise of an international civil society. Mongolia is very much a part of this process of change that is going on in and among countries in Asia and elsewhere. A major development over this first decade of democracy in Mongolia has been the rise of NGOs playing a vital role in the consolidation of Mongolian democracy.¹

In a society where democracy is proclaimed as fundamental goal, no initiative or reform will be successful without the active participation of citizens. The creation of these conditions is a prime goal of government organizations. Such principles as openness of any kind of information, accountability of governmental organizations to citizens, and responsiveness to the opinion and suggestions of citizens' organizations are the main mechanisms for the establishment of a civil society. In other words, governmental organizations should be under the control of citizens. "It is called a check and balance system."² If there is no control, or the control exists only on paper, corruption and the abuse of power will flourish. In the context of Mongolia, where equal relationships between the state and citizens have not yet been established and the government does not respect citizens, citizens criticize the government only among themselves but in fact fear the wrath of the government and officials. These are

the problems usually occurring in a transition period.

During the democratic transition period, Mongolian government firstly took initiative to free media and press which play a prominent role in democratization. The number of civil society organizations increased dramatically during the period of transition. By 2000, there were over 1800 NGOs registered with the Ministry of Justice and International Affairs (MJIA), and commentators consider the 1997 NGO law as particularly enlightened and favorable to the growth of civil society (Severinghaus 2001: 64). Within civil society, journalist and women's organization are the most vigorous and well-developed. The union of Mongolian journalist has been active in lobbying for less State control over the media, while the Press Institute of Mongolia has been active in educating and professionalizing young journalists. The Woman's Lawyer Association and the Liberal Woman's Brain Pool (LWBP) are examples of strong women's NGOs. In addition, some of these groups received foreign support, including funding from the Soros foundation for the Press Institute and the Asia Foundation and National endowment for the LWBP (Fish 1998: 136-137).

However, it has been noticed today that despite the vibrancy of civil society and levels of participation in the electoral process, there remains a significant degree of separation between the demands and activities of Mongolian citizens and the response of government. The general public has more confidence in the President than in Parliament, and they have low levels of trust in political party organizations, which may reflect some lack of connection among party leader, party representatives and party members and supporters.

EVOLUTION OF NEW MONGOLIAN FOREIGN POLICY

As a part of reform process, domestic and external scenario underwent a drastic change during the democratic transition, Mongolia's security and foreign policy objectives too figured prominently among the country's think-tanks (Soni 2006:27-39).³ In June 1994, Mongolia made radical changes in its National Security and Foreign policy concepts as well as the Military Doctrine, which were finally endorsed by the Mongolian Parliament. The overall concerns for Mongolia's security, thus, aimed at achieving favorable internal and external conditions for ensuring vital national interests, which include the existence of the Mongolia people and their civilization, the country's independence, sovereignty, territorial integrity, inviolability of state frontiers, relative economic independence, sustainable ecological development and national unity.⁴

In 1991, foreign debt was the big issue of Mongolian foreign policy of external relations. Mongolian Prime Minister, Puntsagiin Jasrai, started his first visit to Russia to discuss the issue of debt. Both States agreed to review all the treaties. They signed a treaty in 1993 replacing Mongolia- Soviet friendship Treaty, which provided intergovernmental agreement for economic co-operation. But they could not resolve the big debt problem. By the end of 2003, Russia suddenly announced that the debt issue has been settled. Both countries started some joint ventures in mining areas and agreed not to form any military and political alliance against each other. Same time external relations with China, Central Asia, Japan, Korea EU, India, and USA touched a new height. Mongolia's involvement in international peace keeping

commenced. China emerged as the biggest economic partner and Russia as the second biggest, but Mongolia maintained equal relations with both, Russia and China. All these countries have worked closely with Mongolia providing policy advice and technical and financial assistance, a greater opportunity of FDI for rapid economic development. Mongolia finally abandoned "Satellite State" foreign policy and developed an independent, non-aligned, multi-pillar, open foreign policy concept based on guidance by its national interests.

DOMESTIC INFLUENCE ON FOREIGN POLICY

The domestic influence on Mongolia's foreign policy was most visible in securing sovereignty and identity.

Mongolian Sovereignty

Mongolia's position between Russia and China, and recent history of Soviet influence means that it rarely attained the conditions for full sovereignty. There was no autonomy in foreign policy making or exclusive control over internal affairs. Its position as a small 'developing' nation means that it is a relatively insignificant player in the global arena. Today, Mongolia relies on global institutions to give voice to its opinions, and recognition and guarantees of its sovereign status. Mongolia is a member of over twenty different international groups or organizations⁵, the most important being the United Nations (UN) in which Mongolia became a member only in 1961 after a protracted fifteen year campaign. The Mongolian Ministry of Foreign Affairs (MMFA) declared that Mongolia's membership has been '*the most viable guarantee of its independence and sovereignty*'. Tumerchuluun⁶ (1999:286) illustrates this point using a statement made by the US which states that '*if Mongolia ever faces a threat and decides to refer the matter to the UN Security Council, the US, along with other members of the security council would consider appropriate steps to be taken*'. This threat of action should act as a deterrent to any country considering directly threatening Mongolia's territory. Mongolia actively participates in UN processes and actions, most notably recent UN sponsored peacekeeping activities, in particular the contribution of 250 military personnel to assist with reconstruction in Iraq.⁷

Not only are international institutions important but also individual nations. Ginsburg (1999:250) states that Mongolia has '*aggressively courted*' Europe, US and Asia in the search for a '*third neighbour*'⁸ to guarantee national security. Initially there was optimism that the US or Japan might prove to be such a 'neighbour', however political realism has set in and as authors such as Ginsberg⁹ (1999) and Bruun and Odgaard¹⁰ (1997b) conclude, it is the international community as a whole that guarantees Mongolia's security and survival, rather than one individual nation.

Mongolian Identity

Mongolia is a relatively ethnically homogenous nation comprised of 86% Khalakh Mongols (Mayhew, 2001:34) and a small Kazakh minority. Its culture is very distinct from both Chinese and Russian cultures. Traditionally a nomadic society, there is a conflict in foreign policy making between those who see Mongolia's future in embracing this traditional identity and

forging closer ties to Central Asia with its similar culture, Soviet history and economic ties (Campi, 2003: 46-47) and those such as Prime minister Enkhbayar who believe nomadism to be uneconomic in a modern market economy that Mongolia is trying to become¹¹ and as such ties with 'modern' countries in Northeast Asia should be encouraged.

Despite the greater potential for investment, trade and security, Campi (2003:48)¹² warns that *'tying itself mainly to Northeast Asia will not work economically and militarily, because Russia and China are the main developing economies which overwhelmingly attract investment money and trade.'* Therefore, he advises, Mongolia should reinforce links with Central Asia.

The relative importance accorded to Mongolia's different identities, both modern and traditional, impacts the priority it places on relations with its neighbouring regions. The 'Concept of Foreign Policy' indicates that in reality, Mongolia accords priority to its relationship with the Asia-Pacific region, and not Central Asia. It is further augmented by the fact that there are higher levels of diplomacy and trade with this region and interestingly plans to 'Latinise' the Cyrillic alphabet¹³. This will be the end of a significant common link between Mongolia, Russia and much of Central Asia.

EXTERNAL INFLUENCE ON FOREIGN POLICY

The external influences on Mongolia's foreign policy are largely geopolitical. Much focus is required to understand relationships with the three most important players in Mongolia's foreign relations, neighbours Russia and China, the US¹⁴ and the significant role of international financial institutions.

Mongolia has a 3485-km border with Russia and a 4677-km border with China (Foreign Policy Blue Book, 2000:18). As already stated in the past both countries have held imperial ambitions for Mongolia and today they are still the biggest threat to its sovereignty. However, during his 1993 visit to China, the then Russian President Boris Yeltsin signed a joint declaration on the basic principles governing Sino-Russian bilateral relations. Tumerchuluun (1999: 279) notes that Article 3 of the declaration makes it clear that officially neither Russia or China has threatening intentions towards Mongolia; *'neither party should resort to force or the threat of force in any form against the other party, including the use of the territorial land, water and air space of a third country bordering the other party'*.

In Mongolia's Concept of National Security (Point 27, 2.2), top priority is accorded to maintaining a balanced relationship with Russia and China. This *'does not mean keeping equidistance between them or taking identical positions on all issues but this policy does mean strengthening trust and developing all-round good neighborly, relations and mutually beneficial cooperation'*.

COMMAND ECONOMY TO MARKET ECONOMY

After more than 70 years with a highly dependent, centrally commanded economy, Mongolia in the past decade has commenced a transition to a market-based one. There have

been economic successes, but that success has not been universal. Economic planning was introduced in 1948 through a Five-Year Plan system, but it did not have much of an impact (Soni 2002: 157). The real impetus to development came in the 1950s, when the newly born PRC competed to match the economic and technical aid provided by the USSR. Reinforcing a pattern of development heavily dependent on outside assistance, Mongolia became a full member of the Socialist Council for Mutual Economic Assistance (CMEA) in 1962 and remained so until the organization's collapse in 1990. Competition between Mongolia's two large neighbours hastened modernization and promoted urbanization as well as the development of industry and infrastructure. The establishment of several joint ventures with CMEA countries and the rapid expansion of the mining and manufacturing sectors accelerated industrial development after 1962. A major change in the country's trade and industrial structure was brought about in the late 1970s through a joint venture with the USSR to open a copper plant in Erdenet, and copper ore became Mongolia's most important industrial export. An offshoot of the rapid expansion of industry in this period was the sharp increase in the demand for power. Several coal-fired power generation stations were built to meet the need, which was particularly great in the country's industrial belt to the north (Morris Rossabi 2005: 43).

Mongolia emerged during the pre-transition period as a supplier of raw materials and food for the USSR's Siberian industries and towns. Soviet protection of Mongolia's independence and its assistance in developing the latter's economic and social sectors for 70 years came at a high price. But it is also true that Mongolia's political structure and economic development were shaped largely by its close relations with the USSR. This resulted in the country's transition from a peasant, feudal agrarian society with strong religious and cultural traditions to a state with a centrally planned economy. Owing partly to these circumstances and partly to its geography, Mongolia remained almost completely isolated from the international community for most of this period. The policies pursued during these seven decades produced a highly distorted economic structure typified by inefficient use of state assets, slow growth, and stagnation. The relics of 70 years of waste and mismanagement were evident throughout the country when Mongolia threw away central planning in 1990 and started constructing a market economy.¹⁵

In 1986, Gorbachev's reform policy was adopted. The MPRP introduced the economic reforms in Mongolian communist structure which embarked on a new five-year plan (1986-90) to achieve the goals and attract capital investment and foreign trade in agricultural sector. Mongolia's agricultural story was extremely complicated because during that period USSR withdrew the economic and military aid to Mongolia and suddenly Mongolian economy went down¹⁶ with most of the industries shut down and the agriculture sector also affected. There was no proper accounting and the communist system collapsed. As a result, people's living standard came down. Soviet ties were maintained, but the flow of assistance declined in 1990 as the USSR itself experienced growing economic difficulties.

In the late 1980s, dissatisfaction with the economic stagnation of the last years of the former regime of Yumjaagiyn Tsendenbal and the influence of the Soviet *perestroika* led Mongolia to launch its own program of economic reforms (Dashpurev & Soni 1992:78-80). This program had five goals: acceleration of development; application of science and technology to

production; reform of management and planning; greater independence of enterprises; and a balance of individual, collective, and societal interests. Acceleration of development in general was to result from the attainment of these four goals. Scientific research was being redirected to better serve economic development, with electronics, automation, biotechnology and the creation of materials becoming the priority areas of research and cooperation with former COMECON countries (Pomferet 2000: 150).

Reform of management and planning began in 1986, with reorganization of governmental bodies dealing with the economy. These changes rationalized and streamlined state economic organizations; reduced the number of administrative positions by 3,000; and saved 20 million tugriks from 1986 to 1988.¹⁷ The role of the planning bodies was to be reduced by limiting the duties of the State Planning and Economic Committee to overseeing general capital investment policy. The indicators specified in the Five Year Plan and Annual National Economic Plans were to be decreased. State committees and ministries, rather than the State Planning and Economic Committee, were to decide upon machinery and equipment purchases. Decentralization of economic management was also extended to provincial and city administrations and enterprises. These bodies were given greater autonomy in construction and production, and were also responsible for profits and losses. Efforts to devolve economic decision making to the enterprise level took began in 1986, when more than 100 enterprises began experimenting with financial autonomy. Enterprises were accountable for their own losses, and they were responsible for fulfilling sales contracts and export orders. The inflation rate became high in 1986 with GDP declining by 22.3%. The only major sector which escaped the overall downward trend was agriculture.¹⁸

In 1990, the path of democratization of the political system of the country and of transition to a market economy was chosen by Mongolia. Proper legitimate foundations were provided in the new Constitution of Mongolia which was approved in 1992.¹⁹ The process of transition to a market economy was carried out under extremely hard conditions. During that time the national economy of the country was undergoing a crisis. The economic crisis started in 1990 and reached its peak during 1991 and 1992. The gross national output dropped by 9.2 percent and 9.5 percent in 1991 and 1992, respectively. Owing to this, Mongolia's per capita national product fell to a level which was experienced a decade earlier. The major causes for such a great decline were the following: firstly, the assistance and credits which were rendered by the former Soviet Union ceased and the terms and character of the cooperation in foreign trade changed radically, secondly, the process of introducing a new system of macroeconomic management had been stretched out (Sharma, 1997: 254). Output continued to decline in 1992 and 1993. These were also years of hyperinflation, a rapidly depreciating exchange rate and incipient dollarisation. Living standards noticeably declined, as the guaranteed services of the old system deteriorated and the greater availability and variety of goods promised by advocates of market-based reforms were scarcely visible. In the medium term, however, macroeconomic performance improved as positive GDP growth was recorded in 1994 and inflation began to abate (Hari D. Goyal 1999:365).

Both the characterization of Mongolia as a rapid reformer in the early 1990s and the interpretation of its economic performance as short-term plan prior to long-term gain had been

questioned. Murrell (1996) argues that price reform was liberal in proclamation but partial in practice.²⁰ After the first democratic election in 1992, the ruling party MPRP promised to improve the living standard and continues the privatization process initiated in 1991. But it was grounded to a halt in mid-1992 and little privatisation occurred beyond the small-scale, and the stock exchange was quiescent.²¹ Financial reform was initiated with the replacement of the mono-bank by a two-tier banking system in 1991, but this step was followed by substantial disintermediation due to lack of public confidence in the banking system and the financial sector remained in a poor shape throughout the 1990s (Hahm & Yener 1998:26-35). Nevertheless, the principle of creating a market-based economy remained firm with two key achievements, de-collectivisation of livestock farming and the exit of the government from petty trading activities.

The relationship between policy and performance was attenuated by the role of aid and copper. Mongolia's apparent liberalism and geostrategic location made it a favoured aid recipient, especially when aid was measured on per capita basis. The large inflows reduced the need for domestic adjustment to maintain balance of payments equilibrium (IMF, 1999:10). Mongolia was also helped by buoyant world markets for copper, by far its largest export, in the early and mid-1990s. Lower copper prices in 1996 reduced the GDP growth rate and raised questions about the sustainability of Mongolia's post-1994 growth.²² Even allowing for these reservations, the general impression, certainly within the country, was of a rapid transition from central planning which had resulted in considerable short-term hardship during the first half of the 1990s. In practically all Eastern European countries, domestic elections at this stage of the transition process revealed a backlash against reform with many explicitly former communist parties regaining political power. But in Mongolia's June 1996 election, the Democratic Coalition won a landslide victory.

The new Mongolian Government set as its goal the full-scale transformation of the entire economic and political system. It initiated a set of measures aimed at overhauling the system and integrating the country's economy with the rest of the world. Privatization, the centerpiece of the drive, was accompanied by reforms in many other areas including the financial, fiscal, and external sectors. Removal of controls on prices, tariffs, and wages constituted the other primary mechanisms guiding the transformation into a market-driven economy (Sharma 1997:255).

CONCLUSION

With Mongolia's political development- adoption of new constitution in 1992 and the rise of democracy, there came a great desire among Mongolian people to traverse the path of peace and prosperity. Multi-party elections and emergence of many political parties renewed the faith and confidence in Constitution. The participation of women was a milestone development of Mongolian political system. 20% seats were reserved for women in electoral system. Violence in 2008 election, timely and effectively controlled by the then President showed the maturity of nascent Mongolian democracy. Mongolia again adopted Mongolian Cyrillic and reopened monasteries in Ulaanbaatar and elsewhere. Mongolia developed

bilateral relations with all the major powers like USA, China, Russia, India, Japan and EU. The economic development received momentum with the advancement of bilateral economic cooperation. Mongolia attracted foreign countries much more to explore deposits of natural resources like coal, Uranium and other strategic mineral resources in Gobi region. This caused radical transformation of Mongolia's economy with fresh emphasis on initiatives towards liberalization and modernizing the financial sector through establishment of new banking and financial system as well as privatization.

ENDNOTES

1. See comments of Susan J. Pharr, Edwin O. Reischauer in *Mongolia's Political and economic Transition: Challenges and Opportunities*, Ulaanbaatar: The Asia Foundation, September 2000.
2. See comments by R. Narangerel, Ibid.
3. For more details See Soni, 2006: p. 27-39.
4. Concept of National Security of Mongolia, 1996: p. 173.
5. See Appendix.
6. Tumerchuluun, G. (1999). "Mongolia's Foreign Policy Revisited: Relations with Russia and the PRC into the 1990s", in Kotkin, S. and Elleman, B. (eds.). *Mongolia in the Twentieth Century, Landlocked Cosmopolitan*, New York: M.E. Sharpe, pp. 277-289.
7. See FCO (Foreign and Commonwealth Office) website.
8. The notion that Mongolia must find a nation or group of nations to counterbalance the traditional monopoly China and Russia exerted over Mongolia's foreign relations has been elaborately discussed by Campi, A. (2003). "Mongolia as a Bridge to Central Asia", in *The Geopolitical Relations between Contemporary Mongolia and Neighboring Asian Countries: Democracy, Economy and Security*, Taipei: Mongolian and Tibetan Affairs.
9. Ginsburg, T. (1999). "Nationalism, Elites and Mongolia's Rapid Transformation", in Kotkin, S. and Elleman, B. (eds.). *Mongolia in the Twentieth Century, Landlocked Cosmopolitan*, New York: M.E. Sharpe, pp. 250.
10. Bruun, O and Odgaard, O. (1997). "Consolidating Independence", in Bruun, O and Odgaard, O.(eds.). *Mongolia in Transition: Old Patterns, New Challenges*, Routledge Curzon, pp 253-254.
11. Ts. Batbayar (2002). *Mongolia's Foreign Policy in the 1990s: New Identity and New Challenges. Regional Security Issues and Mongolia*, Vol. 17, Ulaanbaatar: Institute for Strategic Studies.
12. Campi 2003:48.
13. See UB Post, July 25th 2003. Their significant influence is illustrated by the fact that they are the only nations with full-time defence attachés in Mongolia in '*The State Ikh Hural has adopted the National Program of the Latin Script*', Available at <http://ubpost>.

mongolnews.mn/national.php?subaction=showcomments&id=1059096507&archive=&cnshow=news&start_from=&ucat=6.

14. Ibid.
15. Hari D. Goyal(1999). 'A development Perspective on Mongolia', *Asian Survey*, Vol. **39**(4), July/August, pp.363-364.
16. Mongolia's 90% requirements of machines and equipment, nearly 100% of natural oil products, raw and other materials, 50% of food stuffs and industrial consumer goods were met by the imports from the former USSR.
17. Tugrik is the Mongolian currency.
18. Europa Year Book 2004: 2878.
19. R.C. Sharma(1997). '*Mongolia: Tryst with Change and Development*', New Delhi: Vision and Venture Publication, p.253.
20. Pomfret (1993:5-7) provides examples of government regulation of prices in order to alleviate the short-term impact of prices increases.
21. Secondary trading did not begin until August 1995. Corporate governance remained a major problem through the 1990s, as lack of transparency in accounting or rules prevented the stock market from playing a role in promoting good management.
22. UNDP (1998). *Mongolia Update 1998*, Ulaanbaatar :UNDP, p.7

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