

Emerging Dynamics in India-Mongolia Relations

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ABSTRACT

Indian foreign policy is made on the bases of national priority, inclusive and rapid socio-economic growth. Singh observes that "our extensive engagement with the globalised world is guided by our desire for garnering an appropriate role for India in the changing international environment" (Singh 2013). In present time India and Mongolia relations is considered to be the part of India's 'extended neighbourhood' policy. India and Mongolia shares vibrant political relations. Their democratic aspirations and urge for socio-economic development and scientific progress have provided new impetus in their bilateral relations. Although South Asian as well as Central Asian regions remain strategically contested, geo-economic tendencies have gained momentum. In the broader regional framework, Mongolia is integral to India's 'Look East' and now 'Act East' policy. Terming bilateral relations as 'strategic', India has taken the diplomatic initiative to redefine the partnership. It is a diplomatic initiative of considerable political importance. It needs to be analysed how the country would shape its foreign orientations to New Delhi while maintaining traditional relations with China and Russia. In this conceptual framework, the proposed paper attempts to analyse the geopolitical as well as geo-economic developments of the region. Secondly, it will assess emerging trends in India-Mongolia relations in changing the political environment.

Keywords: Act East Policy, Energy Resources, Modi's Visit in Mongolia (2015), China

Introduction

In a rapidly changing the global balance of power now new powers and fresh alliances are emerging in world politics. Indian governments in recent years have designed a term *extended neighbourhood* in the formation of their foreign policy. This policy has an added new character at the time when the country's strategic and economic interests are becoming very important due to intersection of broader Asian hemisphere interests.

Despite the fact that India and Mongolia are geographically far apart, but there is no stoppage in continuation of their civilisation links spanning over a period more than 2,500 years. Both share a long historical and cultural bond. According to Soni that, "India and Mongolia are two ancient Asian civilisation whose spiritual and cultural bonds go back to antiquity" (Soni 2016: 51). In 1978 former EAM Vajpayee Ji stated that²;

India and Mongolia are ancient lands of the ancient people of Asia. The historic and cultural collaboration between India and Mongolia is most fascinating and unique and is as old as the history of the spread of Indian culture and ideas into Central Asia and Siberia. We in India consider the Mongol veneration of Sanskrit, a matter of special privilege. We hold the people of Mongolia in high esteem for preserving in translation as well as in manuscripts, the vast collection of our precious Sanskrit text on our philosophy, poetry, logic and astronomy lost by us over centuries. In modern times, too many Mongols visited India—the land of Buddhism.

In the modern sense, India has excellent relations with Mongolia despite its political systems or leaning. The relationship between India and modern-day Mongolia was formalised by an Indo-Mongol communiqué issued on 24 December 1955. In the process, "India became the first country outside the Soviet bloc to establish relations with Mongolia then after called Mongolia's People Republic" (Nyamdavaa 2004).

However, India-Mongolia relations will form a key component in determining the evolution of the balance of power in the South Asia politics. India and Mongolia share vibrant political relations. Their democratic aspirations and urge for socio-economic development and scientific progress have provided new impetus in their bilateral relations. Although South Asian as well as Central Asian regions remain strategically contested, geo-economic tendencies have gained momentum. Consequently, both countries are exploring new avenues for expanding their economic and development partnership. Indian Prime Minister

²Government of India (2018), Brief on India-Mongolia Bilateral Relations, Ministry of External Affairs, New Delhi, [online: web] Accessed 2 May 2018, URL: https://www.mea.gov.in/Portal/ForeignRelation/25_January_2018.pdf

Narendra Modi's visit to Mongolia is being considered as a step forward in bilateral and multilateral partnership. It has further strengthened their common approach to inclusive development. India pledged to provide line of credit of USD one billion and help in developing railways and other infrastructure projects.

On the other hand, New Delhi may be also benefitted from natural resources of Mongolia. As one of the fastest growing economies of the world, India needs constant supply of energy at affordable price. Mongolia has potential to contribute to enhancing energy security of India. In the broader regional framework, Mongolia is integral to the India's 'Look East' and now 'Act East' policy. Here, it needs to be analysed over the years, both conduct joint military exercise called (Nomadic Elephant). At the present terrorism has become a common issue for South Asian countries so, here what are the goals and benefits of the recent India-Mongolia military exercises.

Act East Policy (AEP)

India's Act East Policy, the relation with Mongolia plays a critical role towards India's association with Northeast Asian countries. It was launched at the East Asia Summit in Myanmar in November 2014. Sajjanhar argues that "some analysts seek to dismiss the transformation from the Look East Policy (LEP), initiated by Prime Minister Narasimha Rao in 1992, to AEP arguing that it merely represents a change in nomenclature" (Sajjanhar 2016). By analysing closely, it is observed that however, there is continuity, some important field where AEP has gone far beyond what LEP was not able to achieve in last 20 years (Sajjanhar 2016).

The reason behind it is strong Indian economy which was not the as it was in 1992 when due to the collapse of the Soviet Union India's foreign policy was facing so many challenges due to dwindled foreign exchange reserve. In November 2014, Indian Prime Minister Narendra Modi announced the establishment of an 'Act East' policy, during his speech at the annual summit of the Association of Southeast Asian Nations (ASEAN) and emphasised on the active engagement with its Asian neighbours.

Indian PM said that "rapidly developing India and ASEAN can be great partners for each other" (Kugelman 2016). Moreover, also he believes "we are both keen to enhance our cooperation in advancing balance, peace, and stability in the region" (Ibid). A year later in 2015, Prime Minister Modi in Singapore again reiterated his stand to deepen India's ties with East-Asian countries. He gave the surety for freedom of navigation in Asia's regional waters, and ensure to work with regional partners for common interests "that our commons (ocean, space, and cyber) remain avenues of shared prosperity" rather than "new theatres of contests" (Kugelman 2016). According to Sajjanhar that, "India then needed to promote economic growth, which was done admirably through LEP bilateral trade between India and ASEAN rose from \$2 billion in the early '90s to \$12 billion in 2001 and \$72 billion by 2012" (Sajjanhar 2016).

However, due to the international economic and financial crisis like Eurozone sovereign debt crisis and anaemic international demands, India's bilateral economic engagement has steadily languished. In particular, India put more focus on its connectivity with ASEAN states through Myanmar and Thailand. According to Sajjanhar, "Modi's allocation of US\$1 billion for promoting connectivity at the India-ASEAN Summit in Kuala Lumpur last November (2015) has brought the primacy of *connectivity, culture, and commerce* to the fore" (Sajjanhar 2016). Indian success of AEP will be recognised and determined by its contribution to economic and security development in Northeast India.

In this regard, India's relation with ASEAN has become multi-faceted to encompass security, political, strategic, defence, and counterterrorism cooperation in addition to economic engagements. Moreover, with the rise of ISIS cooperation with the ASEAN countries gives particular focus on counterterrorism assistance. For achieving this objective defence partnership with ASEAN countries have progressed and AEP has significantly expanded its geographical coverage which also included countries beyond ASEAN nations for instant Pacific Island nations, South Korea, Japan, Australia, and Mongolia.

Availability of Energy Resources and Growing Market Economy

The pace of development attained by Mongolia over the past few years and the increasing demand of its natural resources are lending new dimensions to its international diplomatic relations. The soaring quantum of demand appears to have enabled Mongolia to diplomatically position itself for a state of equilibrium in terms of energy security. As far as mineral exploration and development projects are concerned, an upswing in the flow of foreign direct investment (FDI)³ and growing competition for it is

³ Foreign Direct Investment is investment of foreign companies or individuals in domestic projects and investing entities controls projects partially or fully.

noticeable throughout the globe. According to World Bank, “though FDI is generally considered to be beneficial for energy sector in the developing countries, there is still no plausible rationale for this being true in all contexts” (World Bank 2004: 50). However, the Asian Development Bank (ADB) forecasts that before stabilising in 2018 FDI will increase significantly in 2017 due to strengthening of country’s mining capacities (Santander Trade Portal 2016)⁴. Simultaneously however, as threats of climate change loom large, there has been mounting pressure to meet the new national and international social and environmental standards of sustainability and efficiency.

The energy sector of Mongolia has not fully realised so far the humongous potential it has to attract more capital that can be infused in its energy market. It has been observed during the course of this study, that viable policies and planning were formulated by Mongolian leadership following the approval of the national ‘*Law on Energy*’ in 2001, that put forward the legal framework for energy sector reforms and attraction for abroad investment (Batbayar and Purevbayar 2010). On a theoretical plane, the avowed objective of Mongolian policies was to seek investment from major powers. In practical terms, however, it was intended to reorient such policies towards ‘third neighbour’⁵ countries.

India’s Search for New Energy Market in Mongolia

As Mongolia grows economically, its resilient economy will throw up opportunities and possibilities for processing the mineral resources. In the move to reduce its dependence on highly priced Australian coking coal, India plans to acquire a mine in Mongolia. “Plans are also underway to set up the first steel plant in the quality coal-rich country”⁶. And, utilising acquired mine coal in the steel plant. The rest will be export to India through Chinese ports. India prefers Mongolia because it has vast mines of very good quality of coking coal. Indian companies will find opportunities to cooperate with Mongolian business and industrial entities. If the Mongolian government allocates some good coking coal mines to India, it may also construct a steel plant in Mongolia.

However, Mongolia is developing the economy with an abundance of natural resources; it does not have any its steel plant to date. According to PTI (2015) report, “this will be the first attempt by India to break away from the excessive dependence of Australian coking coal, which has become too costly in recent years pushing up the cost of steel production to very high level in India. India is importing 35 Mt of coking coal every year about 60 to 70 percent”⁷ from Australia which is close to India and the rest from the US and New Zealand.

Despite all these logistic issues will certainly dominate export of Mongolian resources and there are not many economically viable options to imports Mongolian mineral products and export Indian consumer goods. The issue of connectivity it is being addressed and Indian Government hopeful that there will be direct air connections between Ulaanbaatar and Delhi either through one of the airports in Central Asia or China. According to Ambassador of India to Mongolia, Singh observes that, “India also has a slightly different model of economic cooperation and believes in *grow together*. This is a win-win situation for both” (Singh 2013).

India-Mongolia Relations Some Decisive Aspects in post-Modi Visit

On 17th May 2015, Indian Prime Minister Narendra Modi’s visited to Mongolia and participated in the 60th anniversary of diplomatic relations between Mongolia and India and boost up the strategic relations. This was the first ever visit by an Indian Prime Minister to a distant country. Mongolia is one of the fastest growing economies in the world with a double digit growth rate in 2011 due to recent mining boom in coal, copper, gold, and uranium (Soni 2015). However, the bilateral relations between these two countries have been developing since 2009. But in the context of this recently visit (2015) by Prime Minister Modi energised relations in advance direction of a comprehensive partnership which is, historically, based on shared history as well as cultural linkages. There has been common political culture based on democracy. There is commonness in aspiration for regional and global peace.

⁴ Santander Trade Portal (2016), “Mongolia: Foreign Investment”, [online: web] Accessed 12 November 2017, URL: <https://en.portal.santandertrade.com/establish-overseas/mongolia/investing-3>

⁵ This approach came into existence as a technique to balance the Mongolia’s two proximate neighbours.

⁶ India to Acquire Coking Coal Mine in Mongolia, *The Hindu*, 10 May 2012, [Online: web] Accessed 24 June 2015 URL: <http://www.thehindu.com/business/Economy/india-to-acquire-coking-coal-mine-in-mongolia/article3404225.ece>

⁷ Ibid.

Further, this visit was also aimed at consolidating India-Mongolia comprehensive partnership by agreeing to strengthen the relations at the strategic level. This partnership would be advantageous for joint interests of the two states. Soni argues that. “In futuristic aspect, developing a strategic partnership would be a common yet a new objective of their respective foreign policies” (Soni 2015). He also observes that what were the key directions that guided the real motives behind this high profile visit that marked the dawn of a new era in India Mongolia relations?

- Act East Policy: With the initiation of “Act East” policy, Northeast Asia is becoming a major factor in India’s strategic vision in the East Asian region. Since Mongolia belongs to Northeast Asia Modi’s visit was important strategically,
- The China Factor: China has been spending so much political energy in cultivating India’s neighbours, be it South Asia or East Asia. India too needed to cultivate its good relations in China’s periphery, and Modi’s visit has worked for the same in that direction,
- Buddhist Factor: Given ancient India Mongolia Buddhist linkages, which are more than 2500 years old, Modi’s visit has been reflection of this shared cultural heritage with its neighborhood. To a great extent, Buddhism, remains at the very forefront of India’s new outreach to Asian states, both culturally and diplomatically and,
- In its revised foreign policy of 2011 India has, for the first time, figured as one of Mongolia’s third neighbours. This importance given to India has been responded positively by Modi’s visit to Mongolia. (Soni 2015).

The visit of Indian PM has given necessary boost to bilateral relations. For quite some time, it was alleged that the Mongolia is not considered in India as an important country the way Mongolia considers India. Further, on the economic front, it is the optimistic and futuristic observation that yet Mongolia would be an economically advantageous place for Indian companies. Moreover, India is also exploring opportunities in Mongolian mining sector through investments and joint ventures. Soni estimated that “the country has 170 billion tonnes of coal, 205 million tonnes of petroleum and 68 thousand tonnes of uranium reserves. Possibly the relations between India and Mongolia, in future, will be reinforced by economic cooperation led by the mining industry” (Soni 2015).

During this first visit by Indian PM, Mongolia and India participated in a civil nuclear deal for uranium supply on 14th September 2009. However, until now India has not got any uranium from Mongolia. Because the internal processes in Mongolia still remain unfinished and uranium supplies are also facing bogged down. Hence, Mongolian uranium supply will not materialise to the country. At the same time, India’s energy security is one of the prime drive forces of India’s foreign policy, where Indian Prime Minister has been trying to import Uranium from Mongolia. Pragmatically and absolutely, it was considered a great program for Modi’s executive discussion with Mongolia’s interlocutors. As a consequence, Mongolia was among the few states to deal with India regarding trade in uranium materials.

This visit has been considered a win-win situation for these two Asian democracies. To upgrade their mutual relations to the high stage for bilateral benefits, this visit has contributed much. Traditionally, Mongolia has enormous civilization base. This country also has a larger size. However, in geopolitical terms, it is dwarfed by two greater powers between whom it is sandwiched. This country is located between China and Russia. Moreover, through “third neighbour” policy Mongolia aimed to improve its ties with India and expanding business and its foreign policy. For this reason, Mongolia wanted to outreach beyond China and Russia and also connect with India. According to Sharma it is also necessary to consider that Mongolia is the landlocked country and need to work out its outreach plans well (Sharma 2015). The natural richness of Mongolia includes abundance of copper, iron, coal, and uranium. And they remain a key for India’s economic demands.

India Impediment China’s Influence in Mongolia

Mongolia has always been suspicious of its southern neighbour that Beijing would one day reclaim Mongolian territory. Beijing has not forgotten that the Qing dynasty ruled Mongolia until 1911. Malik observes that “whenever an opportunity has presented itself, the Chinese have tried to reassert their power and influence over Mongolia” (Malik 2017). Over the last two decades, this has been mainly through economic tools, i.e. investments in Mongolia’s mining sector and infrastructure development.

After the disintegration of the Soviet Union, China is playing a significant role in the unipolar global system, especially in the South Asian power politics and have influencing position in The Central Asian Regions (CARs). Both superpowers (US and USSR) tried to maintain regional equilibrium (“tightly”) through soft and hard power politics during the Cold War (Thomas 2004: 313). In this tug of war, a power struggle

over Central Asia was just between the USSR and the U.S., which later joined by China as the third active competitor (Jahangir 2013: 51).

Afghanistan and Central Asia takes a prominent place in recently emerged geopolitical trends due to energy security issues. In scholars view, while Eastern Europe by far integrated into the European Union, the region from steppes of Russia to North India and Iran to China's Xinjiang is considered as new geostrategic vitality. The Central Asian Republics together with Afghanistan constitute a heartland in this context (Cotter 2008: 108). According to Mackinder heartland theory (1904), Whoever dominates this energy-rich Central Asia will dominate the present era.

In this regard, the US again started working on its policy towards Central Asia, while Russia and China already bought and pursued they're regional economic and geostrategic interests. India is not having direct access to CARs and trying to get access through Iran. One hand India is trying its best to bypass Pakistan. On the other hand, China, Russia and the US engaged in new diplomacy to control Central Asia (Stoner 2013).

According to Soni that, in recent years, "China has made an effort to enlarge engagement with India's neighbours in the subcontinent as well as in the Indian Ocean" (Soni 2016: 53). In fact, the 1990s saw China revamping its foreign policy towards its neighbouring countries in the Asia Pacific through what it calls its 'periphery policy' or 'good-neighbourhood policy' (Ji and Qingguo 1998: 128). The idea for adopting this policy is to exploring common goals with ASEAN nations in both security and economic space by expressing its interest to help in the contribution of their stability and cooperation in the region (Zhao 2004: 258). Hence both the non-traditional security paradigm such as economic diplomacy as well as traditional security concerns formed the main guiding principles of China's periphery policy.⁸

Like other nations, Mongolia and China also have complicated relationship history but continued their cooperation. In fact, Erdenebileg argues that "until the transition to a market economy began in the early 1990s, Mongolia had been under the heavy Soviet influence" (Erdenebileg 2017). At present China is the largest exporter of Mongolian market and China's is growing global economic and have influence international which also felt in Mongolia. "As of early November 2016, about 80 percent of Mongolia's total exports went to China. By a smaller margin, China is also Mongolia's largest import market, making up about 30 percent of total imports by early November 2016" (Erdenebileg 2017). Russia holds a second largest market share of Mongolia but because of economic slowdown due to restriction Chinese demand for Mongolian export also slowdown. Which impacted very badly on Mongolia's economy in 2015 and 2016.

To conclude the discussion, it is worthwhile to retrospect on the path-breaking developments in the early 1990s. The period marked rapid democratisation of Mongolian society which has coupled with the promise of mineral resource now to lend a fresh look to Mongolia's foreign policy due to which it can claim far more attention on the global stage than ever in the past. The policy of 'third neighbour' as one of the prime drivers of its diplomacy of external relations, Ulaanbaatar has succeeded in attracting a number of key partners, which may reduce the overarching influence of Russia and China in Mongolia to some extent. In this regard, it deserves mentioning that Mongolians appreciate Russian efforts in balancing their geostrategic position with China.

While keeping this view in mind, it is observed that Mongolian-Indian closeness is an essential factor for Mongolia to balance its equation with China. Despite that, it's extremely difficult to pinpoint if Mongolian policy oriented towards "third neighbour" strategy works as bilateral cooperative manner. Though, it may be termed just as a complicated excitement for foreign investments. In that context, it is the share in the mining boom, which has persuaded Ulaanbaatar for proactive role through Uranium diplomacy. Notwithstanding this success, the policymakers of Mongolia will have to reconsider their focus on political relations so as to ensure greater growth and more diversified future for their country.

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