



Integrated Country Strategy

Mongolia

FOR PUBLIC RELEASE

Approved: March 18, 2022

Table of Contents

1. Chief of Mission Priorities	1
2. Mission Strategic Framework	4
3. Mission Goals and Objectives	6
4. Management Objectives	16

1. Chief of Mission Priorities

Mongolia is a key democratic partner in the Indo-Pacific and our shared priorities with Mongolia are fully aligned with broader U.S. strategy in the region. Bilateral relations hit a new high in 2019 with the formal upgrading of ties to the level of a Strategic Partnership. The Mongolians view this partnership as a cornerstone to our relationship as a “third neighbor” to counter the influence of Russia and China.

COVID-19-related border restrictions further highlighted Mongolia’s dramatic economic dependence on the People’s Republic of China (PRC) – with 90 percent of Mongolia’s exports going either to or through the PRC. The United States is helping Mongolia diversify its strategic and economic relationships with the goal of enhancing its sovereignty. Specifically, this effort involves supporting Mongolia’s democracy; building sustainable, inclusive, private-sector-led economic growth; and strengthening political, law enforcement, and security cooperation.

Mongolia emerged from its 1990 peaceful democratic revolution as one of the poorest and least developed countries in the former Soviet bloc. Since then, its considerable achievements have included a solidification of multi-party democracy and an embrace of free-market economic principles, which has led to the tripling of real per-capita GDP and the emergence of a vibrant civil society. However, uneven growth and persistent income inequality have created some public disillusionment with the democratic system, especially as Mongolians observe higher incomes and living standards in authoritarian China. Voter turnout in the June 2021 presidential election was 59 percent, a record low in the democratic era (though this was partly due to COVID-19). U. Khurelsukh won a landslide victory with 68 percent of the vote, which solidified the power of the ruling Mongolian People’s Party (MPP), which also maintained its supermajority in the 2020 parliamentary elections. While the MPP earned its dominant position via the ballot box through free and fair elections, many observers worry a prolonged period of single-party rule and a divided, ineffective opposition will further erode Mongolians’ faith in democracy. Institutional weakness, political influence over the court system, and persistent corruption remain challenges. U.S. bilateral assistance should continue to focus on

Approved: March 18, 2022

strengthening democracy, an independent court system, and youth participation in the political process.

Mongolia's economy has stabilized since profligate government spending and weak commodity prices forced the country to turn in 2017 to the International Monetary Fund for a \$5.5 billion bailout. In 2021 the economy was on the road to recovery as the pandemic eased, but growth was hampered by COVID-related disruptions on the Mongolia-China border. In response to COVID, the government instituted popular but unsustainable social programs, including child cash subsidies and free water and electricity for households. A cash-poor government will find it challenging to maintain these programs while funding critical infrastructure upgrades, increasing civil service salaries (a necessary step to reduce corruption), and investing in education, especially if copper and coal prices slide again. Mongolia's biggest foreign investment project – the \$12 billion Oyu Tolgoi (OT) copper and gold mine under development by Rio Tinto – is set to begin underground production in 2023 after years of controversy and litigation. These disputes over OT have discouraged U.S. and other multinational firms from making large-scale investments.

To meet its development goals, Mongolia will need to further reform its economy, restructure its banking sector, attract foreign investment, and mitigate the impact of commodity-based cycles. The U.S. Mission is engaged in efforts to improve Mongolia's economic resilience, including assisting with infrastructure development, helping small and medium enterprises, improving greenhouse agriculture, and boosting Mongolia's capacity to counter terrorism finance and money laundering. While the PRC's economic influence will remain high, the United States can do more to assist Mongolia to diversify away from mineral exports and develop new industries to increase the country's ability to resist China's economic coercion.

Our growing military cooperation centers on further developing Mongolia's already impressive capacity to contribute to UN peacekeeping operations. With Mongolia's 18-year participation in the NATO mission in Afghanistan concluding in 2021, the country now has additional resources to devote to UN missions beyond its long-standing presence in South Sudan. The U.S. Army's 5th Security Force Assistance Brigade in 2021 initiated its first training activities in

Approved: March 18, 2022

Mongolia. We expect this cooperation to expand in the coming years. As the COVID situation improves, the U.S. military looks forward to supporting Mongolia by again hosting the annual multinational Khan Quest peacekeeping and the biennial Gobi Wolf disaster response exercises, along with numerous smaller annual bilateral training events focused on increasing the Mongolian military's capabilities. Strengthening Mongolia's peacekeeping capacity and working with the Mongolian Armed Forces to further military reform, education, and professionalism will remain U.S. priorities.

The Mongolian government and people are eager to build ties with "third neighbors" such as the United States, and this is reflected in growing demand for English language instruction and interest in study in the United States. Mongolia maintains one of the most active U.S. alumni networks in the world, which includes government and business leaders at the highest levels. The U.S. Mission will continue to harness the strong goodwill that exists toward the United States to further build a bilateral relationship based on shared values and growing levels of cooperation across the board in the arts, judicial, education, strategic, military, and economic spheres.

2. Mission Strategic Framework

Mission Goal 1: Strengthen effective democratic governance.

- **Mission Objective 1.1:** Mongolia's bolstered democratic institutions-- including government, civil society and the press --continue to strengthen Mongolia's democracy and protection of human rights and push back against pressure to conform to the authoritarian norms of its neighbors.
- **Mission Objective 1.2:** The Mongolian public solidifies its support for democracy, free markets, and human rights, leading to public demands for good governance and adherence to universal values.

Mission Goal 2: Enhance the business climate and expand bilateral trade and investment to facilitate strong, sustainable, diversified economic growth, generate U.S. exports, and create American jobs.

- **Mission Objective 2.1:** Increase U.S. exports to and investment in Mongolia and promote American job creation through an improved investment climate based on increased transparency, reduced corruption, and adherence to international best practices.
- **Mission Objective 2.2:** Improve capacity to develop and execute climate change mitigation and adaptation policies in sectors such as agriculture and energy and through better Paris Agreement implementation.
- **Mission Objective 2.3:** Promote increased competitiveness and entrepreneurship to create jobs among private sector firms, particularly small and medium enterprises (SME); and women and youth-based businesses.

Mission Goal 3: Strengthen U.S.-Mongolia political, law enforcement, security, and defense cooperation to protect the U.S. homeland and citizens, combat transnational threats, and advance shared goals for Indo-Pacific and global peace and security.

- **Mission Objective 3.1:** Enhance Mongolia's defense capabilities and capacity to further contribute to international security operations.
- **Mission Objective 3.2:** Strengthen Mongolia's capacity to combat immigration-related crime and facilitate safe and lawful international travel while protecting the U.S. homeland.
- **Mission Objective 3.3:** Increase the professionalism and effectiveness of Mongolian law enforcement, judicial, and regulatory agencies to combat transnational crime and build trust in Mongolian institutions.

Management Objective 1: Conduct space planning for the New Embassy Compound, in conjunction with OBO, to ensure the completed building provides a safe and healthy working environment and an appropriate platform for all agencies.

Management Objective 2: Strengthen the management platform through recruitment of quality and diverse candidates to avoid staffing gaps and enable the Mission to focus on longer-term management objectives.

3. Mission Goals and Objectives

Mission Goal 1 | Strengthen effective democratic governance.

Description | Mongolia is committed to maintaining its independence and democratic system, but it is still a relatively young democracy, turning from Soviet-dominated communism to democracy only 32 years ago. Therefore, Mongolia's institutions and democratic traditions are still developing and need to be bolstered. In addition, Mongolia's neighbors offer authoritarian visions for governance and the promise that authoritarian governance leads to prosperity, a model that is attractive to some Mongolians. Mission Ulaanbaatar will help Mongolia strengthen the effectiveness and integrity of its institutions, so they are able to deliver results to the Mongolian people and thus solidify support for continued democratic development. Furthermore, we will help deepen public support for American values and broad-based participation in governance to ensure the Mongolian government represents the interests of the Mongolian people.

Objective 1.1 | Mongolia's bolstered democratic institutions-- including government, civil society and the press --continue to strengthen Mongolia's democracy and protection of human rights and push back against pressure to conform to the authoritarian norms of its neighbors.

- **Objective 1.1 Justification |** Mission support of democratic institutions will strengthen Mongolia's burgeoning democracy, increase rule of law, and enhance its investment climate. It will also solidify support among citizens and political leaders for democracy despite malign influence from Mongolia's authoritarian neighbors.

- **Objective 1.1 Linkages** | This objective links to the Department of State and USAID's Joint Strategic Plan (JSP) objective 1.5, to build support for American values. State and USAID will accomplish this objective by building networks of individuals, organizations, and states that share and advance democratic values and support U.S. policies by fostering open and resilient information environments where democracies can thrive. It links to EAP's Joint Regional Strategy (JRS) objective 4.1 to improve human rights conditions, objective 4.2 to support a vibrant civil society, objective 4.3 to strengthen the efficacy of governing institutions, and objective 4.4 to promote transparency and accountability within government. The Indo-Pacific Strategy calls for free and open institutions among our partners in the region, including a robust civil society.
- **Objective 1.1 Risks** | Failure to strengthen the rule of law and governance capacity in Mongolia risks democratic backsliding and a turn toward authoritarianism. Mission efforts to strengthen democratic institution and help improve living standards will help mitigate this risk.

Objective 1.2 | The Mongolian public solidifies its support for democracy, free markets, and human rights, leading to public demands for good governance and adherence to universal values.

- **Justification** | The Mongolian people are exposed to the autocratic but relatively prosperous systems of neighboring countries. We need to continue to highlight the value of democratic systems and promote an important counternarrative to these influences.
- **Linkages** | This objective links to JSP objective 1.5. It also links to EAP's JRS objective 4.1 to improve human rights conditions; objective 4.2 to support civil society and independent media; objective 4.3 to strengthen the efficacy, equitability, and inclusivity of governing institutions in pursuit of the public interest; and objective 4.4 to promote transparency, accountability, and rule of law. It links with the Indo-Pacific Strategy to focus on sustaining a free and open Indo-Pacific, with shared values for democracy, good governance, and accountability.

- **Risks** | Failure to broaden exposure to democratic systems, values, multi-culturalism, and diversity in Mongolia risks undermining support for democratic reforms and human rights. The mission intends to mitigate this risk by pursuing a multi-pronged strategy to achieve this objective.

Mission Goal 2 | Enhance the business climate and expand bilateral trade and investment to facilitate strong, sustainable, diversified economic growth, generate U.S. exports, and create American jobs.

Description | The Mongolian economy has undergone three decades of rapid change since its transition away from the influence of the Soviet Union to a market-based economy in 1990. Although rapid growth from 1994-2011 catapulted the country to lower middle-income status, deep vulnerabilities remain, with its landlocked, relatively undiversified, and mining-driven economy dependent on China and Russia for export demand, energy supply, foreign exchange, and international connectivity. Growth in trade with and direct investment from the United States has plateaued since the end of a mining sector boom in the mid-2010s. Backsliding on democratic and economic governance combined with weak institutional capacity continue to undermine Mongolia's self-reliance, exacerbate vulnerability to climate change, and provide inroads for external malign influence. Mission Mongolia will work with the government of Mongolia, civil society, the private sector, other U.S. government agencies, and like-minded donors to capitalize on opportunities to strengthen democratic and market-based governance, unlock bilateral trade and investment opportunities, unleash private sector-led economic growth, promote energy security, and improve resilience to climate change.

Objective 2.1 | Increase U.S. exports to and investment in Mongolia and promote American job creation through an improved investment climate based on increased transparency, reduced corruption, and adherence to international best practices.

- **Justification** | Mongolia's lack of regulatory and judicial capacity, transparency, predictability, and timeliness continue to hinder prudent economic management and hobble private sector development, economic diversification, and foreign investment. Mission efforts to address these issues will strengthen Mongolia's sovereignty and self-reliance, reduce PRC and Russian economic influence, bolster public trust in a market-based and private sector-driven model of economic development, and unlock opportunities for U.S. exporters and investors.
- **Linkages** | Improving Mongolia's investment climate is linked to JSP objective 3.3, which promotes global prosperity and shapes an international environment in which the United States can thrive. It is linked to the Interim National Security Strategic Guidance, which promotes international commercial, trade, and investment policies that are durable and equitable. It is also linked with EAP's JRS objective 5.1 by promoting an economic architecture for open, fair, and rules-based markets; to objective 5.2 by promoting trade and investment that advances more equitable, sustainable, and inclusive economic growth; and objective 5.3 by supporting development of a secure and prosperous digital ecosystem in Mongolia. Finally, it supports the Indo-Pacific Strategy objective of driving Indo-Pacific prosperity by fostering bilateral trade and investment ties and helping Mongolia create the conditions necessary for meeting its infrastructure gap.
- **Risks** | Failure to address investment climate issues and weak regulatory capacity would increase Mongolia's vulnerability to external economic shocks, exacerbate economic dependence on China and Russia, undermine public trust in democracy and free markets, and decrease the competitiveness of U.S. firms seeking to operate in Mongolia. The mission intends to mitigate this risk by pursuing a multi-pronged strategy to achieve this objective.

Objective 2.2 | Improve capacity to develop and execute climate change mitigation and adaptation policies in sectors such as agriculture and energy and through increasing Paris Agreement implementation.

Approved: March 18, 2022

- **Justification** | While Mongolia has submitted National Determined Contributions (NDCs) to the UN Framework Convention on Climate Change (UNFCCC) in line with its Paris Agreement obligations, some environmentalists, NGOs, and international donors do not believe Mongolia's climate change goals go far enough. Many jobs and Mongolia's energy needs depend on coal mining and coal-fired power. Mission efforts to facilitate investment, knowledge-sharing, and exchanges in key sectors such as energy, agriculture, and infrastructure fill an important gap in Mongolia's climate change goals. Additionally, there is high demand for new energy investments, but the government is not able to financially support these investments. U.S. programs can address these constraints to Mongolia's energy security and independence. To promote the green energy revolution and position the United States to lead in the growing global market for renewable energy, assistance and engagement will support improvements in the energy sector market dynamics and spur private sector investment opportunities.
- **Linkages** | Improving capacity to develop and execute climate change mitigation and adaptation policies supports JSP objective 1.2, which aims to secure ambitious climate mitigation and adaptation outcomes, including supporting effective Paris Agreement implementation. It also links to the Interim National Security Strategic Guidance, which supports accelerated growth in renewable energy deployment, investment in climate-friendly infrastructure, building resilience to climate change, modernizing our energy grid, and providing the international leadership required to encourage countries around the world to do the same. It is also linked with EAP's JRS objective 2.2 by supporting emissions reduction and climate change resilience and adaptation. Finally, it supports the Indo-Pacific Strategy goal of building regional resilience to the transnational threat of climate change.
- **Risks** | Failure to improve the capacity to execute climate change mitigation and adaptation policies will increase Mongolia's vulnerability to climate and weather-related shocks such as rangeland degradation, flooding, dust storms, and decreased farmland vegetation. The mission will mitigate these risks by engaging multiple government

entities and civil society through technical exchanges, knowledge transfer, and capacity building.

Objective 2.3 | Promote increased competitiveness and entrepreneurship to create private sector jobs, particularly in small and medium enterprises (SME), women and youth-based businesses, and key economic sectors.

- **Justification** | Mongolia's economy continues to be dominated by its mining sector, with mineral exports to China the primary source of export earnings, foreign exchange, and foreign investment. Mission efforts to support development of alternative sectors will lead to a broader-based model of economic growth, improve livelihoods among underserved and vulnerable communities, reduce economic dependence on China, and increase resilience to economic, environmental, and public health shocks.
- **Linkages** | Promoting increased competitiveness among key businesses and sectors is linked to JSP objectives 2.2 and 2.4, which support inclusive and sustainable economic growth and opportunity for communities around the globe and strengthening resilience to economic, technological, environmental, and other systemic shocks. It supports EAP's JRS objective 2.1 by building resilient and sustainable health systems; objective 5.3 by supporting digital economy development, and objective 5.4 by building human capital among underrepresented and marginalized groups. Finally, it supports the Indo-Pacific Strategy objective of driving Indo-Pacific prosperity by promoting broad-based economic growth.
- **Risks** | Inability to increase economic diversification would exacerbate dependence on Chinese demand for raw minerals, increase vulnerability to commodity price fluctuations and supply chain disruptions, drive income inequality, and hamper private sector development. China has a track record of using economic dependence to extract political concessions from Mongolia. The mission intends to mitigate this risk by pursuing a multi-pronged strategy to achieve this objective.

Mission Goal 3 | Strengthen U.S.-Mongolia political, law enforcement, security, and defense cooperation to protect the U.S. homeland and citizens, combat transnational threats, and advance shared goals for Indo-Pacific and global peace and security.

Description | The JSP aims to increase capacity and strengthen resilience of our partners and allies to deter aggression, coercion, and malign influence by state and non-state actors. The Interim National Security Strategy (NSS) identifies defending the homeland by countering the proliferation of weapons of mass destruction, including by addressing porous borders. Furthermore, the JSP and NSS also call for work with partner countries to detect and contain bio threats at their source and to build partner countries' capacities to address transnational organized crime and dismantle transnational criminal organizations (TCOs). Specifically, the JSP states law enforcement capacity building programs are the bedrock on which we strengthen partnerships to counter TCOs. The Department of State seeks to improve partner countries' capability to track and report financial flows to disrupt the proceeds of transnational crime and combat corruption. In addition, the JSP seeks to significantly increase international cooperation to secure stable cyberspace and strengthen partner country capacity to detect, deter, rapidly mitigate, and respond to international cyber threats and incidents. To project American values and leadership, the JSP calls for preventing the spread of disease and providing humanitarian relief.

Objective 3.1 | Enhance Mongolia's defense capabilities and capacity to further contribute to international security operations.

- **(U) Justification** | In 2020, in response to Mongolia's changing defense outlook and strategy, the Mongolian Armed Forces (MAF) significantly restructured, adding the Special Forces Command (SFC), Cyber Forces Command (CFC), and Military Engineering and Construction Directorate to the pre-existing Land and Air Force. Along with the MAF, the General Authority for Border Protection, National Emergency Management Agency (NEMA), and MAF Reserve Forces protect and strengthen Mongolian sovereignty

and territorial integrity while responding to disasters and other threats. The MAF also is a proven exporter of security. With the end of coalition operations in Afghanistan, the MAF seeks to expand military contributions to United Nations peacekeeping operations to gain operational experience and further strengthen their international standing and national sovereignty. Cooperation to develop Mongolia's defense capabilities, for both domestic and international objectives, will help achieve the U.S. national security objectives of modernizing partnerships, sharing costs, and widening circles of cooperation.

- **Linkages** | JSP objective 1.4 calls for increasing the capacity and strengthening the resilience of our partners and allies to deter aggression, coercion, and malign influence by state and non-state actors. U.S.-Mongolia security and defense cooperation helps Mongolia resist pressure from Russia and China while, through peacekeeping, promoting stability in third countries. The Indo-Pacific Strategy calls for building connections within and beyond the region and strengthening relationships with regional partners such as Mongolia—particularly in ways that build the region's collective ability to contribute to international peace and security. These efforts also help to achieve EAP's JRS goal 1 (strengthening alliances and partnerships) and complement U.S. efforts to achieve objective 6.1 (coordination with U.S. partners and allies in order to manage the United States' relationship with China).
- **Risks** | Russia and China have used political pressure to attempt to limit Mongolia's defense cooperation with the United States. China, in particular, has proven willing to restrict overflight clearance for U.S. military aircraft as a means of limiting U.S.-Mongolia cooperation.

Objective 3.2 | Strengthen Mongolia's capacity to combat immigration-related crime and facilitate safe and lawful international travel while protecting the U.S. homeland.

- **Justification** | Facilitating safe and lawful travel between the United States and Mongolia promotes commerce and the sharing of ideals. Mongolia's unique culture and thriving democracy are increasing foils to malign regional actors. Bolstering Mongolia's ability to secure its borders reinforces its sovereignty and extends U.S. security well beyond its physical borders, better securing the U.S. Homeland against transnational criminals who would use Mongolia's expansive borders to further their illicit enterprises. Reinforcing Mongolia's citizen security sector also encourages foreign travelers to safely enjoy the country's emerging tourist sector. New business opportunities thrive in safe communities, and further foreign investment decreases Mongolia's reliance on China and the sale of raw, air polluting, coal. Given a projected increase in the number of U.S. citizen tourists visiting Mongolia, post will continue to strengthen crisis and emergency response.
- **Linkages** | This objective is consistent with JSP objective 1.3 to counter international crime, objective 1.5 to strengthen U.S. border security, and objective 3.3 on combatting corruption.
- **Risks** | Failure to strengthen Mongolia's ability to reduce illegal immigration will hamper greater people-to-people exchanges with the United States, including legal education and work programs. The United States has already removed Mongolia from some guest worker programs because of a high overstay rate. These limitation on travel between Mongolia and the United States will cede more influence to China, which is becoming more attractive to young Mongolians for study and work.

Objective 3.3 | Increase the professionalism and effectiveness of Mongolian law enforcement, judicial, and regulatory agencies to combat transnational crime and build trust in Mongolian institutions.

- **Justification** | In 2021, the Mongolian government redoubled its commitment to combat cyber-facilitated crime and fight corruption, while seeking to disrupt money laundering and financial schemes that facilitate access to ill-gotten gains. While Mongolia won removal from the Financial Action Task Force (FATF) "gray list" in 2021, it

still requires additional resources to ensure it retains access to diverse financial markets and reduces its dependence on China. Mongolia's nascent tourism industry and growing foreign direct investment opportunities require a strong and transparent public safety and criminal justice system for the country to flourish. Mongolia continues to demonstrate the resiliency of its democracy despite malign pressures and continues to seek opportunities to partner with the United States and aligned nations to expand its operational capacity and enhance the rule of law.

- **Linkages** | This objective relates to JSP objectives 3.4 and 4.1. It also links to EAP's JRS objectives 3.3 and 3.4. Addressing transnational crime and threats also is a key component in the Indo-Pacific Strategy.
- **Risks** | Absent increased U.S. law enforcement support, Mongolia will rely on China and Russia for law enforcement cooperation and make less progress on fighting corruption and transnational crime. To mitigate this risk, the embassy will use existing and increased law enforcement resources, in close coordination with international organizations and other friendly missions.

4. Management Objectives

Management Objective 1 | Conduct space planning for the New Embassy Compound, in conjunction with OBO, to ensure the completed building provides a safe and healthy working environment and an appropriate platform for all agencies.

- **Justification** | OBO is beginning the design/build phase of the New Embassy Compound (NEC). Management and Facilities will work in conjunction with OBO to ensure the NEC has enough ergonomic and functional space for current and projected staffing growth to allow a safe and healthy working platform for all subscribing agencies.
- **Linkages** | OBO is committed to development of an excellent NEC, using financial and other resources to maximum effect. The NEC project supports JSP goal 4.2 to provide modern and secure infrastructure to support effective diplomacy and development.
- **Risks** | Failure to take into consideration future staffing needs will result in a NEC that will be outdated upon completion.

Management Objective 2 | Strengthen the management platform by recruiting quality and diverse candidates to enable the Mission to focus on longer-term management objectives.

- **Justification** | The strength and future of the State Department depends on its people and the ability to recruit, retain and encourage diverse and inclusive professionals and their families to join the Foreign Service and consider it a career choice.
- **Linkages:** This objective supports implementation of E.O. 14035 on Diversity, Equity, Inclusion and Accessibility in the Federal Workforce. It aligns with EAP's JRS objective 1.1 to build a resilient workforce and 1.3 to encourage an inclusive workforce.

- **Risks** | Failure to include diverse and inclusive professionals, and failure to expand their professional talent, will result in a work force unable to meet mission goals.