

A Mongolian's View of Economic Development and Cooperation in Northeast Asia

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Northeast Asia has entered a period of great changes—the collapse of the Soviet Union which had been a driving force for the world communist revolution; world-wide fragmentation and globalism, i.e., ethnic, nationalist and religious confrontation embedded in a trend towards global human values and free market economies; growing economic interdependence and rapprochement; China's emergence as a possible superpower, bringing to the world stage its policy of economic openness as well as its internal political uncertainties; the rapid growth of Asia's developing economies; and a proliferation of Asian regionalism.

In NEA, there are several important concurrent trends. First, the subregion has recently been recognized as having good potential for cooperation in international economics and trade. Second, the subregion comprises countries and provinces with different levels of development: an economic superpower (Japan); a newly rising superpower with attractive areas for foreign investment (China); a newly industrializing economy (South Korea); a relatively closed society (North Korea); the Russian Far East, with its abundant natural resources; and mineral-rich Mongolia, now embarked on a journey to political democracy and a full market economy.

Third, these countries are politically different and ideologically divided. They include already established democracies such as Japan and South Korea, an infant democracy like Mongolia, an orthodox Marxist state (North Korea), and a mixed system—China—politically and ideologically controlled by the communist party but with an open economic policy. Fourth, there is instability in multi-racial and multidimensional Russia, and fifth, there remain problems inherited from the Cold War period. Sixth, there is an ongoing deep and unpredictable change in the geopolitics of the Asia-Pacific region, particularly in NEA. Important to the nature and

*The views expressed in this paper do not necessarily correspond to those of the Government of Mongolia.

direction of this change are relations between the United States, Japan and China.

Security can now be considered to include economic security. The future development of NEA economies will be greatly influenced by the political and economic will of the central and local governments, as well as the willingness of the business communities in developed countries to invest in the developing countries, or at least to help create favorable conditions for foreign investment. They must also help strengthen the national economic and technological security of the countries which are inviting foreign investment; respect local or national economic, environmental and psychological conditions, as well as national and local laws, establish preferential customs and other tariffs for export items from developing countries, particularly land-locked Mongolia; and recognize Mongolia's right as a land-locked country for transit without hindrance to and from the sea through neighboring countries.

The developing countries also have some responsibilities, including maintaining political stability and predictability throughout their territories; creating favorable conditions for foreign government and private investment; establishing internationally adaptable economic systems and development models; and pursuing an open policy towards all countries, including participation in international cooperation and regional integration.

Since the 1991 Ulaanbaatar meeting convened by the United Nations Development Programme (UNDP), the Tumen River Area Development Programme (TRADP) has attracted worldwide attention. It is encouraging that the three riparian and two non-riparian countries have recently signed three important documents concerning the development of the Tumen River Area. The main objective of the TRADP is to transform the Tumen Delta area into an international shipping, trading and manufacturing base. The implementation of the two international legal agreements and the Memorandum of Understanding on the Environment will greatly depend on the political will of the signatory Governments to understand each other's development needs and to encourage a cooperative attitude between riparian and non-riparian countries. Developed countries, like Japan, the United States, the Netherlands and France as well as international organizations, could help implement the Programme by encouraging the flow of financial resources and technology. The private sector and provincial governments could play an essential role in initiatives for cooperation which support not only the TRADP but also other projects and programs. In this context, the establishment of a Northeast Asia Development Bank has merit and should be further developed.

A consensus seems to be emerging that democracy is the best form of political structure and that the free market is the most advanced form of

economic development. Mongolia is not excluded from this trend. Its ideological, political and psychological culture has changed. Now Mongols are blue instead of red; and they are pluralistic instead of monolithic in their ideological orientations. Mongolia has joined the world-wide consensus on the desirability of democracy and a free market economy. Even Mongolia's foreign policy has dramatically changed. It is now free from ideological consideration; it is open and non-aligned; and it is more Asia-oriented.

The economic relations of Mongolia have also changed dramatically since 1990. Mongolia's economic development until 1990 was based on the centrally planned model imposed at the end of the 1940s by the former USSR to show "the advantage" of a non-capitalist way of development. Reflecting its political orientation, the Mongolian economy became highly integrated with other planned economies of COMECON members, most of all with the economy of the Soviet Union, and it was isolated from Asian and Western markets.

Mongolia's economy has recently shown signs of improvement and its foreign trade and economic links with other countries have expanded. The inflation rate decreased dramatically and the role of the private sector in economic development and foreign ties has greatly increased. The macroeconomic situation has improved and the national economy has achieved its second consecutive year of positive growth after negative growth rates since 1990 (Tables 1 and 2). Most people consider that the sun is now rising in the East, but others argue that the sun is also setting in the West. Mongolia is the westernmost part of the NEA region and we, in Mongolia, believe that the sun never sets over Mongolia. The latest figures on the Mongolian economy show that the sun is indeed rising over Mongolia.

Table 1 National Macroeconomic Statistics

	1991	1992	1993	1994	1995	95/94 (%)
Population (thousand)	2187.2	2215.0	2250.0	2280.0	2317.0	101.6
GDP (in 1993 prices, bln. tugriks)	189.3	171.4	166.2	170.0	180.7	106.3
GNP (in 1993 prices, bln. tugriks)	180.9	166.9	154.6	159.4	169.8	106.5
Exports (mln dollars)	348.0	388.4	182.6	367.5	511.6	139.2
Imports (mln dollars)	360.9	418.3	379.0	258.4	388.7	150.4
Inflation rate	52.7	325.5	183.0	66.3	53.1	
Unemployment (thousands)	58.4	54.0	71.9	74.9	45.1	60.2
5 kinds of cattle	25.5	26.7	25.2	26.8	28.6	106.6

Source: *Ardyn Erkh*, 10 January 1996, p. 3.

Table 2 Annual Percentage Change in GDP and Inflation Rates of Selected Former Soviet States¹

	GDP				Inflation rates			
	1991	1992	1993	1994	1991	1992	1993	1994
Azerbaijan	-0.7	-22.1	-23.3	-21.9	105.6	912.6	1129.7	1664.4
Kazakhstan	-13.0	-14.0	-12.0	-21.0	91.0	1318.0	1659.0	1889.0
Mongolia	-9.9	-7.6	-1.3	+2.1	121.2	202.0	268.4	87.6

Note: 1. The data for Laos and Vietnam are much better than that for Mongolia.

Source: E/ESCAP/SPEC(7)/1, p. 12.

Historically and geographically Mongolia is considered part of Central Asia. This has several conceptual disadvantages. Central Asia itself is a landlocked region; Central Asian countries have only recently become independent and have little international experience in cooperation; they were all politically and economically linked to the former Soviet Union; they are generally unstable; and their infrastructure is undeveloped.

Mongolia should pursue a policy of "Look to the Northeast." This policy should include movement towards an economic association with technologically advanced world powers, like Japan, the United States and South Korea; upgrading of relations with the Russian Far East, northeast China and North Korea; opening Mongolia's eastern mineral-rich eastern sector to investment; linking Mongolia with NEA countries by railway and highways, including access to the sea; promoting its role as a land-bridge between Asia (NEA) and Europe; and joining and promoting multilateral fora like the Northeast Asia Economic Forum.

There are several uncertainties and deficiencies in NEA including: the uncertain political and economic situation in Russia; North Korea's uncertain political and economic future; problems inherited from the Cold War period, including security and psychological barriers; lack of involvement of financial organizations and developed nations in the efforts of the NEA nations; lack of true trust among all the region's nations; lack of clear political will on the part of governmental organizations to support each other's development; lack of information among nations regarding their present and future development strategies; lack of sufficient infrastructure to communicate with each other; lack of knowledgeable human resources to communicate with each other; and lack of information about each other's possibilities and advantages.

These difficulties and insufficiencies should not be viewed pessimistically. They are rather the challenges of our time. The countries

of NEA have already demonstrated the political will to work together for the benefit of their peoples. The 21st century will be ours. Mongolia will join with other nations to meet the challenges of the next century. Indeed, we are sleeping in the same bed, having the same dreams.