CHAPTER 2

DEMOCRACY AND MARKET ECONOMY

ECONOMY BEFORE THE TRANSITION

Mongolia gained its independence from the Chinese colonial rule in 1921 and with it the pro Soviet communist system was installed, which was done away with in late 1989 when the first democratic movement emerged urging the then communist leaders to give up communism and build democracy and free market. Up until then, Mongolia's economy was closely allied to and wholly dependent on the former Soviet Union, which provided in loans and aid 70% of Mongolia's budget and which was Mongolia's main trading partner. Ideologically Mongolia was a very close ally to Moscow and politically, she conducted the so-called coordinated foreign policy with the other former socialist countries. Economic management was based on Soviet model. In 1946 and in 1962, Mongolia joined the Soviet bloc of trade by the treaty of a friendship and mutual Assistance CMEA (Communist Mutual Economic Assistance). By 1988 about 93% of the country’s trade was with CMEA. It also integrated the Mongolian economy into the Soviet planning system, providing Mongolia with a large market for her exports, a secure supply of required imports and exceptionally favorable terms of trade. It also provided a huge amount of technical assistance, including large number of senior technical advisers located in all the major ministries. Thus the country was transformed from a heavily based pastoral economy into a large industrial sector, with a long term five year plans, with which multiple structure of the economy was abolished and a single socialist system was established. The main task of these five year plans was to develop country’s productive force, especially cattle breeding on the basis of maximum use of domestic resources, to strengthen public form of economy, to raise the living standards and cultural level of the people. In this connection in 1940's Trans Mongolian Railway linking USSR, MPR and China was operated. 

1 Griffin, Keith. Poverty and the Transition to a Market Economy in Mongolia, p 2
second of the 1950's a broad movement of collectivization was started which also helped in development of economy.1

Between 1960-1990, practically every Mongolian herding household was a member of a local collective organization, the Negdel, in which livestock production was managed jointly in line with socialist state planning. Essentially the Negdel was a comprehensive unite meeting every single aspect of the herding household's social and economic needs. It offered free education, health care and pensions, it provided veterinary services, animal shelters, hay and transportation for people and equipment. It marketed all live stock products jointly, and supplied consumer goods in return. Apparently, such private herding satisfied a large part of the family's basic subsistence needs throughout the socialist era.2 The goal of the communist command economy system was to avoid income disparities and class hierarchy while still producing efficiency and productivity. The motivation for hard work and improvement was to come from internalizing socialist values and socialist competition. Socialist competition was based on the belief of greater work and productivity could be fostered not by encouraging competition for more money, but by social acclaim, for social medals, titles, and honours and prizes like trips to Ulaanbaatar. The collective system succeeded in eliminating the great disparities in income and material possession of the pre-communist society but it failed to enhance productivity or herd growth. But mostly herdsmen were satisfied with their situation and were not hostile towards socialism.

ECONOMY AFTER THE TRANSITION

In 1980's economic disintegration of Soviet Union effected Mongolia also who started to do some reforms in the existing system of collectives by shifting more animals from Negdeals to private sector. In 1988-1989, new system of contract and lease was started respectively. According to the contract system, more financial rewards were given to herdersons who contracted with Negdel, to fulfill one or the all production targets at levels other than the basic system. The more ambitious lease system was introduced in 1989 in order to reduce livestock loss, increase the volume of animal products and improve the productivity by making herdersons more responsible for the animals they herded. Its main innovation was eliminating the herding salary. Under this system herdersons leased their animals from the

1 Information Mongolia.p 128
Negdel by paying a lease fee for one year in 1989-1990 and for five years in 1991. The Negdel no longer provided animal shelters, veterinary services or transportation as was done before. Although it had a good result over all production remained much less same. Herders also were not comfortable with the new system, worried it may create a class of rich and poor and go back to the old days. ¹

Towards a Market Economy

During those 70 years, while Mongolia was following a self-reliance and had model of the USSR, its economy lost more independence and self-reliance and had more defects inherent to a highly centralized planned economy in comparison to other socialist countries. ² Until 1990, Mongolia was a country isolated from the world community. Since its entrance to CMEA in 1961, Mongolia's almost all foreign economic and trade relations were done with member countries, predominately with former USSR. The division of labour among the CMEA group was such that Mongolia exploited mineral resources and processed livestock products mostly to provide for exports to other member countries, while the other CMEA countries supplied Mongolia with its requirements of petroleum, industrial equipments and light consumer goods. This pattern of trade specialization resulted in the extreme dependence of Mongolia on the other CMEA countries. Trade among the CMEA countries was conducted on the basis of five year government to government trade agreements. Under the five year government trade protocols each government was responsible for delivering the agreed amount of items at the agreed price to its trading partner. ⁵

The development strategy seen as a whole was highly inefficient, highly dependent on imports and highly dependent on Soviet aid to finance investment. A substantial part of the industrial sector probably had negative value added when measured at world price. The economy was very open imports accounted for 52% of gross domestic products in 1989, but it was not exposed to world competition because of the very close integration into the Soviet bloc. The level of investment was high but part of the advantage of a high level investment was offset by a very high capital output ratio, i.e. by low productivity of investment. Despite all this, net material product

¹ Melvyn C. Goldstein and Cynthia M. Beall, The Changing World of Mongolian Nomads, p 17
² Enkhee, Development of foreign trade in Mongolia, pp 15-29
³ Batbayar, Is Openness and Economic security pp 112-133
grew 6.4% a year from 1959-1985. The share of industry in net material product increased from 7% in 1940 to 35% in 1985.

Gorbachev’s introduction of glasnost (In Mongolian il-tod) «openness» and perestroika in Soviet Union and democratic changes in Eastern Europe helped to create a favorable external environment in. The political influence of the Soviet Union in Mongolia diminished substantially by late 1990 as the Soviet government had to turn more towards its internal problems than towards its allies. Secondly, political change was demanded by a new generation trained mostly in the Soviet Union and Eastern Europe and influenced by the latest developments in these countries. Thirdly the popular demonstration in 1989 and early 1990 demanding the end of one party monopoly, the establishment of a multi-party system and free elections with universal suffrage also paved the way for change.

Mongolia had a comparatively stable political development as all the political parties and movements showed great restraint in addressing the reform challenges without putting national security and independence at jeopardy. In 1992 Mongolia adopted her first new democratic constitution, which outlined the country’s major task as to build a democratic humanitarian society, which would fully respect human rights and freedom. The same year the first democratic parliamentary elections were held, in which 13 political parties contested. The elections were won by former communist party, the Mongolian People’s Revolutionary Party. The new constitution was passed in 1992, and the name of the country was changed from the Mongolian People’s Republic into Mongol Uls. In 1993, the country’s first President was elected by popular voting, for the first time in the history of Mongolia. In other words, the country has a totally new state and political structures. However people were not happy with the slow change and actions of the government. A 13 days hunger strike staged by the opposition forces in Ulaanbaatar in April 1994 demanding the resignation of the incumbent government led by Prime Minister P. Jasrai, was being accused of corruption, bribery and lack of resolute actions to implement the programme of economic stabilization. The 75 years of uninterrupted rule by MPRP came to an end with a electoral landslide victory of the Democratic Coalition in June 1996, thus ending the unbroken communist rule in Mongolia.

1 Griffin Keith Op Cit p 2
2 Batbayar Is. Modern Mongolia a Concise History pp 101-103
3 Ibid p 103
**REFORMS IN THE ECONOMY**

The coalition government, formed in September 1990 following the first three elections held in July in the same year, has started the implementation of a radical economic programme which was directed at dismantling the command economy and laying the foundations of a market economy. Assessments have been made with the IMF (International Monetary Fund) and the World Bank regarding the state of Mongolian economy, as well as implementation of measures agreed upon both sides in 1992 and a program for reshaping the structure of the Mongolian economy. Medium (1993-1996 ) term strategy and objectives have been identified by both sides at experts level.

The international community and particularly donor countries, as well as international financial institutions, supporting Mongolia's democratic reforms came to her assistance in salvaging her economy which was crisis ridden. There has been enormous financial aid and loans from these countries and organizations over the past seven years which have helped improve Mongolia's economic situation to some extent.

On March 1990 a new law on foreign investment was passed which permitted foreign investments in all sectors of national economy. Priorities were given to make investments in export-oriented or import substituting production, development of basic economic infrastructure and development of tourism under the liberalized procedures and regulations. Companies with foreign capital were exempted from profit tax in the first three years of their activities. Companies were also exempted from tax in transporting shares of profit aboard. Items imported for the use of production were also excepted from custom duties. The aim of this policy was to increase export capacity in a shortest possible time. But in view of the poor infrastructure and other factors not many foreign investors are venturing, although Mongolia has a vast natural resources, which can be an effective project of joint venture involving local and foreign companies. Now there are many but far fewer than expected.

With the aim of ensuring equal conditions to every Mongolian for their life under the new system and circumstances of the market economy, the Resolution on the Privatization of state Assets was passed by the coalition government of Mongolian 1991. Fancy ornamented vouchers were handed to every citizen from the newborn babies to the gray-haired old men. To cover the expense of

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Dashpurev D. Mongolia(Culture Economy, Politics), pp 123-127
printing the vouchers abroad: they were given to the people at a price of 200 togrog each (equal to 5 dollars according to the exchange rate of that time). Assets to a total value of 22 billion togrog, making up 44.2% of total assets existing in 1990-91, designated for sale were involved to be owned by people which was successfully accomplished by the Mongolian stock exchange leaders.

Privatization began in October 1991, and by the end of 1993, some 2,440 small enterprises had been privatized and 797 large ones, for a total of 3,237 enterprises transformed in whole or in part to private ownership. Privatization was implemented by distributing vouchers to the entire population, red ones for small state enterprises and blue ones for large. The red vouchers were used in small firms at auction, while the blue vouchers were used to acquire shares in large joint stock companies through batch sales on the stock exchange. Privatization in Mongolia was a pure transfer scheme: the government distributed state assets to private citizens. This transfer scheme presumably resulted initially in a highly equitable distribution of wealth, but it did little to increase economic efficiency or improve the allocating function of the markets for goods and services. This privatization had a zero or negative effect on the aggregate rate of saving and hence did nothing to increase the rate of growth during the delicate period of the transition from one economic regime to another. Private entrepreneurship in Mongolia has focused on trading activities rather than production. It has had no role to play in constructing a social safety net or in preventing the emergence of serious poverty. Privatization thus was a partial administrative success, in the sense that formal transfer of ownership did indeed occur.

The second stage of privatization officially started in August 1995. 102 enterprises were privatized through voucher scheme and remaining 215 enterprises were privatized through state retained shares and other various methods included cash. The national government gave every Mongolian vouchers worth 10,000 togrog to be used to buy state property and 3,000 togrog of this was in the form of three pink vouchers for purchasing small property such as animals, and 7,000 in the form of blue vouchers for buying shares in large enterprises such as factories and Negdel. 1991 was the period when the transition in livestock started and a percentage of livestock was privatized, and in 1992 overall herding household increased from 12.0 to 47.0%. During the period of 1995, 95% of livestock was in

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1 Mongol Messenger, October 4th, 1995
2 Op. Cit., p 126
Livestock (thousand head, 1996)

- Cattle: 3476
- Sheep: 13561
- Horse: 2771
- Camel: 358
- Goat: 9135

private hands. Herding families were responsible for their own imputes of goods and services.

Initially most Negdel became joint stock companies, with some continued collective ownership of assets and some common planning at the district level. These were further divided into limited companies and khorshoo «voluntary cooperatives». Companies and khorshoo s were created under the law on Economic Entities. The total of 315 companies and khorshoo s, comprising some 7,080,000 herding households are grouped in a National Union of Agricultural Cooperators, the successor organizations of the Supreme council of Negdel;: the members of this organization are all in the livestock sector. but include groups with fodder production and activities. Many private independent herding families, scattered through out the country who are classified as private households. who are a little richer and are clustered nearer the towns. The other organizations are like, the union of Mongolian production and service cooperatives. who look after the interests of the small agricultural sector. khorshoo and share holding companies, mainly derived from the former state farms and involved in grain, vegetable and intensive livestock production. Other organizations responsible for processing rural products also belong to this union. The membership of this organization is entirely urban based.

Khot-ail «group of families» and neg nutgiinkhan «fellow countrymen» were abolished after the collectivization in the socialist period but are emerging now and assists each other in production actives such as day to day herding, cutting wool and hair. making felt, moving camp and making hay. KhotAILS are generally made up of between two to twelve households with an acknowledged leader who is generally the most experienced male herder. According to the principle of saakhalt «neighbourhood». goat kids and lambs are tended in turn by the families and that is an established form of labour division. During the winter seasons these khot-ail move to new camps. Such neighborhood groups vary considerably in size. They are known as neg nutgiinkhan, people of one place. These are the independent organizations undertaking a variety of actives connected with resource use, economic production, marketing, and poverty alleviation. These khot-ails and neg nutgiinkhan are potential groups and to strengthen aspects of these NGO's work through them.

1 Sheehy. P Dennis. Mongolia in Transition pp 42-64
2 Swift. Jeremv. Poverty and the Transition to a Market Economy in Mongolia pp 104-133
Within this new framework, the individual herding household has attained an almost unlimited freedom of choice as regards lifestyle, movement, livestock rearing, organizing and sideline economic activities. Today the most significant limitation to the herders' activities is the grave economic recession that tends to push the vast majority of the rural population towards a self-reliance strategy based on customary livestock rearing practices. This has implied a significant diversion of activities within the household. Labour tasks have become more numerous and higher level of skills is needed, which, together with failing state support, presumably has added considerably to wealth differentiation among herding households.

With the privatization, the agricultural sector has suffered most, as many agricultural households barely manage to live. Agricultural farms are without owners, farm buildings and the facilities which they used to have during the socialist period. Due to this reason, grain crops have shrunk and production dropped. But by the end of 1997, Mongolia yielded 240,400 tonnes of crop, 54,600 tonnes of potatoes and 34,000 tonnes of vegetables. (Mongol Messenger, 1998 January 21st).

Price liberalization was the second leg of the transition strategy. Selected retail prices were freed in 1990, in 1991 was raised again and in 1992 the majority of prices were deregulated. Private banking system was created in embryo in 1990 and commercial banking reform were accelerated in 1991. The Togrog was devalued in 1991. The result was rapid inflation and the government was forced to raise wages and pensions in partial compensation. The government had lost control of monetary policy. The commercial banking system was unregulated but subject to arbitrary interference. Credit creation was rampant. Negative real interest rates discouraged savings and encouraged capital-intensive method of production, and hence discouraged employment creation. Production and average incomes declined. Thus the country was kept afloat by foreign aid.

Government adopted a programme to privatize state property from 1997 to 2000. The goal of privatizing is to form construction of efficiency for improvement for national production and domination of private property in the control's economy by transferring state property to private property. The main principle of the policy is to bring property under the control of centralized owners. The privatization process will remain under government control.

1 Bruun, O. Op Cit pp 101-133
2 Griffin, Keith. Op Cit pp 1-26
In order to minimize the gap between rich and poor, taxtion laws were revisied. In rural areas especially among herders with private livestock, will vary from the income and market price of the animal products in each family. Low income families, old age pensioners and herders with less than 150 head of live stock were exempted from the income tax. On the other hand excise tax on imported vehicles which costs more then 1100 million Togrogs were generated for the state budget.

Not too bright economic situation of the country tells on the overall life standard of the people. Since most of the state run enterprises are either closed down or working far below capacity, the private sector is not fully able to create enough employment. The statistical bureau issued a report on the social and economic state of Mongolia for the period ending January 1997, according to which budget revenue totaled 16.4 billion togrog and budget expenditure amounted to 13.8 billion togrog creating a budget deficit of 2.6 billion togrog. The assortment of products has been decreased considerably, particularly the output of coal and other mineral resources. Production of wool and timber, leather and skin items, generation of heat and electricity and printed items was also low. By January cattle population losses had reached 54,500 or 48,000 higher than the same period in 1996. Compared to December 1996 prices and tariffs of service and goods rose by 2.3% in January 1997. According to the Mongol Messenger, January 21, 1998, the state budget revenue of Mongolia told 227.6 billion togrog and state budget expenditure reached 289 billion togrog. Expenditures exceeded income by 70.4 billion togrog. Industrial production increased by 4.4% against 1996. According to the recent unofficial information from Mongol Messenger, January 21, 1998, it says that 31.3 million livestock were counted by the end of 1997 including 355.100 camel, 2.9 million horses, 3.6 million cattle, 14.1 million sheep and 10.3 million goats. The total live stock population increased by nearly 2 million against 1996.

The average monthly income of a family is 53,600 togrog which is about 76 US dollars in Ulaanbaatar, 49,800 in the aimag centres, 39,500 togrog in sum and 40,000 togrog in villages. Family income dropped by 18.2% caused by the growing rate of inflation. In 1996 families in cities paid 3,500 togrog for house rent, while by 1997 had gone up to 6,740 togrog.

Mongol Messenger (July 30, 1997) writes that gross domestic product rose by 3.5% in 1994, by 6.2 per cent in 1995 and 2.6 per

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1 Mongol Messenger July 20th
cent in 1996. On one hand there was rise in gross national products, while on the other hand there were many unpaid loans causing a growth in economic crisis. As far as unemployment was concerned, there are 225,000 people unemployed, of whom 65,000 are registered. Nearly 10,000 people found jobs in the first six months of 1997.

**Policy on Trade**

After the transition of 1990 Mongolian people feel and see the foreign trade as well as foreign donors with suspicion, it might again exploit them as was done before by foreign traders and merchants and may again influence the political system of the country. As the trade was done on barter even in CMEA. Mongols have no understanding of free trade and market economy and its value.

Great changes in both foreign and domestic environment have forced Mongolia to choose a path leading to diversified patterns for foreign trade. After several years of effort, a pluralistic setup has been formed for foreign trade in Mongolia. Instead of doing business with some twenty countries before the mid 1980's, mainly member countries of the CMEA led by the Soviet Union, Mongolia has now rapidly enlarged its partnership for foreign trade. According to the data from 1993 to 1994, Mongolia now 60 countries and areas on five continents, of which 24 are in Asia, 26 in Europe, 4 in Africa and 3 in America and Australia respectively. The trade with its previous partners is decreasing with every passing year but her trade with new partners is rapidly increasing. Towards the end of 1980's world economic activities headed towards the internationalization and block economy. Many tentative plans to establish regional economic cooperation were made in different levels, among which the ASEAN (Association of southeast Asian Nations) and cooperation between New Zealand and Australia were put to operation. As Mongolia geographically is close to Central Asia, to maintain political and economic relation with these countries is of great importance. While strengthening wide range bilateral cooperation, Mongolia has made progress multilateral cooperation. Owing to their advantage in finance and technology, Japan, Korea, Germany and the United States are exercising more influence on the direction of the Mongolian industrial development. The traditional relations of Russia with Mongolia, the structure of its resources and products still has effect on Mongolia and the role of China in Mongolia's development, with its special resources wide market labor force and some of its traditional technique can be no means replaced. This cooperation of different countries with Mongolia will inevitably produce great influence on
the complement of the advantage of the resources at different levels and the rational distribution of the essential factor of production of Mongolia and on the rational disposition of its economic resources. Although geographically it is an Asian country, under the CMEA (Council of Mutual Economic Assistance) its entire political and economic relations were closely integrated with the Soviet Union and Eastern European countries. Today for the first time in modern history, Mongolia has become independent of the influence of the relationship between its two neighbors and it now has the possibility to deal freely with all the countries of the international community and to regain its status as an Asian state, if in the past Mongolia’s foreign environment was almost totally dependent on Soviet-Chinese relations, then today it is becoming increasingly dependent on the bilateral relations of the USA and Japan with these same two neighbours. In particular, the bilateral relations of the USA and Japan with China are likely to play an important role in Mongolia’s future. This is connected with the growing influence of China on the entire region, and its growing interest in Mongolia owing to the disruption of the balance of power between China and Russia.

Since 1991 Mongolian trade regime has undergone three profound transformations. First, the economy has become more open; second, there has been a surge in non-traditional export, especially non-copper export; and third, there has been broad trade diversification, both in terms of the distention of exports and the sources of import. The improved external position and tight macroeconomics policies allowed the Bank of Mongolia to recover its reserve position. After having literally no gross reserves in June 1991, the Bank of Mongolia has rebuilt gross reserves at the end of 1994 to a level equal to 7 weeks of imports of the country.²

The open economy policy has changed the trade direction of the country. In 1993 China became the second largest partner in terms of trade turnover, increasing its share from 1.4% in 1989 to 24.4% in 1993. However, in 1994 trade with China declined nearly twice in comparison with 1993, and in 1995 it increased 16.7%. The trade with Russia and China remains one of the essential factors of Mongolian economic development. Russia is still the major market for Mongolian export³.

¹ Yan. Ah., Mongolias External Economic Relation and Regional Economic Cooperation, pp. 41-42.
The world community began to offer Mongolia aids when it became involved in the economic crisis immediately following the transition to a market economy. Following its new directions of its foreign policy, Mongolia has made its efforts to intensify its cooperation with the countries of the Asia-Pacific region. Mongolia and Japan have exchanged high-level delegations and the visit of the Japanese prime minister to Mongolia for the first time was an important event in the relationship of the two countries. In view of the difficult economic situation of Mongolia, Japan has provided Mongolia loans and aids worth billions. United Nations, a few international organizations, and Japan have played a big role in helping Mongolia to obtain the economic aid and loans over such a short period of little more than four years. Together with the World Bank, Japan proposed to organize the donators into a group in Aid to Mongolia, which held continues meetings. This has vigorously promoted international support for Mongolia in its transition to a market economy. The first meeting in this connection was held in Tokyo on September 5, 1991, and the participant members were Japan, USA, Germany, Korea, Australia, New Zealand, Singapore, UK, France, Italy, The Netherlands, China, Brunei, and Mongolia. Five international organizations IBRD, IMF, ADB, UNDP, and EC. A total of 15.5 million US dollars were committed to assist Mongolia. The second meeting was held in Tokyo on May 28-29, 1992, and this time more participants were present in the meeting, such as Denmark, Sweden, Russia. A total of 320 million US dollars was committed for 1992-93 so that Mongolia could assure 75 million US dollars needed by the end of 1992. In addition to emergency assistance, it was taken into consideration to assist Mongolia develop for medium-term projects. In the third meeting which was held in September 13-14, again new participants joined, they were Canada, Belgium, Switzerland, Austria, Thailand, Finland, and Turkey, and Finland. Six international organizations IBRD, IMF, ADB, UNDP, OECD, EC. This time Mongolian government asked for medium and long-term development in fields like agriculture, stock breeding, energy, manufacturing, mining, transportation, education, health, and environment. The donor countries agreed and supported the programme but advised Mongolia to give priority to rehabilitation projects of existing facilities. The fourth and fifth meeting were also held in Tokyo in 1994 and 1996 respectively. The new participants were from India, Indonesia, and Malaysia in 1994 and Portugal in 1995. The international organizations were ADB, IMF, OECD, UNDP, ILO, IBRD in 1994 and in 1995 ADB, IMF, OECD, UNDP, UNESCO, UNICEF, ILO, IBRD and IFC. A total of 210 million US
for 1995 was granted and Mongolia was asked to pay more importance of the poverty alleviation program, particularly employment, education and training as well as social network and also the importance of energy sector. In 1996 more than 210 million dollars for new assistance were provided and bilateral negotiation between Mongolia and countries concerned. The next meeting was held in Tokyo on October 7th and 8th, 1997. Japanese-Mongolian trade relations began in 1957 and a few years later in 1959, the Mongolian-Japanese Friendship Society was founded. On February 24, 1972, Mongolia established diplomatic relations with Japan setting the scene for the introduction of custom duty discount on export to Japan. This was done in 1974. Japan rendered gratis aid of 5 billion yen as a part of an agreement on economic cooperation signed in 1977. This money was spent on the construction of Gobi the cashmere and camel wool plant. Japan is providing economic support to Mongolia for the development of its market economy and democratic reforms under the Japanese government programme ODA (official development assistance). Since 1992 assistance has been rendered for the development of infrastructure, communication and energy projects, and in the fields of education, health, agriculture and animal husbandry. At present there are about 40 Japanese-Mongolian joint ventures covering tourism, cashmere processing and many other important fields. Some of these joint ventures involve 100% Japanese investment.

Today Japan is ranked third after only China and Russia in regard to foreign trade, while Switzerland was placed fourth. Over the last few years Japanese aid has reached 59,597 million yen-credit repayment will start in 2003.

As for the donor country meeting Mongolia has received nearly one billion in form of credits over the five years. More than 40% of the aid is gratis and the rest is credit issue under projects and trade, the third part of the aid and credits belong to Japan, according to Mr. Gankhuyag, Deputy Director of Foreign Ministry, Trade and Economic cooperation Department.

The relationship and cooperation between Korea has got fresh impetus and the visit of Mongolia's president to south Korea further advanced political, economic, trade and cultural ties between the two. Agreements on capital investments, collaboration in economy, trade, science and technology, culture and education and civil aviation were concluded between the two nations.

1 Kiyomizu, Masatoshi. Op Cit. pp.73-84
In 1987, Mongolia and America established diplomatic relations after a long break. The visit of State Secretary of State James Baker in 1989, laid the basis for the development of further political and economic relations between the two nations.

Improvement has been made in the USA and Mongol relations. The USA granted Mongolia the most favored nation status and passed a special resolution in support of Mongolia’s democratization and provided finance and economic aid. In September 1996, the First Lady of America, Hillary Clinton said: “The America will continue to show support to a democratic, independent and prosperous Mongolia as it is essential to maintain peace and stability in Asia and in the world”.

Mongolia’s relations with countries of EEC have also improved significantly and agreements on economic, industrial and scientific and technological cooperation have been concluded with them and at the same time they are extending financial and other kind of assistance to Mongolia. In 1991 Mongolia got the membership in The IMF, World Bank and The Asian Development Bank.

In the rapidly changing world of today Mongolia will pursue a foreign policy line of multi-literalism and integration of its economy first with regional market and eventually with world economy. 

\[Chuluundorj. D., Mongolia (Culture, Economy, Politics) pp 176-180\]