State, Popular Mobilisation and Gold Mining in Mongolia

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The Reification of the National Economy

This chapter presents the historical narrations made by some of the political rulers who were involved in the transition to capitalism in Mongolia in the 1990s. Their narrations often address the problems, difficulties and challenges related to the political independence and national economy of the country. They tend to reveal that politicians in the 1990s considered the political independence and national economy of Mongolia to have been in an extremely precarious state. Given the influence and domination of the two neighbouring powers, Russia and China, these political leaders as well as many other Mongolians commonly view Mongolia's political independence to be something difficult and challenging to achieve and preserve. I consider such concerns as a form of precarity identified and possibly imagined by political rulers. Second, regarding the national economy, they make an analogy between the political independence and the national economy, and in much the same way they depict different difficulties and challenges in the national economy of the emerging nation-state of Mongolia. This is another form of precarity identified and imagined by those political rulers. According to them, after the collapse of the Soviet Union and the economic system in the Soviet bloc, Mongolia was left in a critical economic situation to fund the nation-state emerging from the ruins of socialism. In such a critical situation, political leaders presented the national economy to the public as an entity that should be prioritised to fund the nation-state to support its vulnerable political independence, which I refer to as the reification of the national economy. To find a solution to secure the independence and assist the national economy, those political leaders welcomed the free market and democracy and the so-called ‘third neighbours’ including the US, Japan and other powers in Western Europe. This chapter intends
not only to give a historical account of that period but also to provide a counter-narrative to the account that Mongolia was a passive victim of neoliberal forces of America and its allies (see also Bumochir 2018b). In this line, some consider the presence and participation of these third neighbours in Mongolia’s reform not a ‘contribution’ but a ‘domination and influence’ that makes Mongolia dependant on them (Rossabi 2005; Munkh-Erdene 2012, 65). However, the presence of third neighbours and international donors that were invited and welcomed by some political leaders suggests something different from what some narratives depict – for instance, the one developed by Sara Jackson (2015) on how transnational corporations and external powers build the nation-state in Mongolia. These depictions present one side of the story and miss the deliberate intentions of the individual Mongolian political rulers’ agendas and contributions in the process of building the nation-state, which this chapter demonstrates.

This chapter also shows how those political rulers generate nationalism from narratives of the precarious political independence and the reification of the national economy. In the first chapter of an edited book on nationalism after independence in postcolonial and postcommunist states, Lowell Barrington focuses on the question of how political elites ‘maintain the nationalist movement after its ultimate goal – independence – has been achieved’ (Barrington 2006, 14). He writes, ‘While nationalist elites will be exhausted, ecstatic, or just pleasantly surprised when independence comes, they will also generally seek to continue the momentum of the nationalist movement. As not only something that they believe in but also their ticket to power, nationalists will search for ways to keep nationalism alive. But since the nationalism can no longer be about achieving independence, it must be transformed’ (Barrington 2006, 14–15). Subsequently, he introduces two possible transformations of nationalism, both of which relate to the issue of territory control. The first is the ‘homeland claims of minority groups in the state’ and the second are the ‘claims on its homeland by other nations outside the state’ (Barrington 2006, 16). He notes that ‘few nations in the world in control of their own state do not face one of these homeland problems’ (16). Postsocialist Mongolia is a recent nation-state that falls into those few nation-states of Barrington that ‘do not face one of these homeland problems’ and national elites manage to develop and trigger nationalism in a somewhat divergent manner. Since the 1990s, Mongolian political discourses have tended to further consider the state of tusgaar togtnol (political independence), which literally means ‘a separate or autonomous existence’, to be precarious not only in regard to the issue of territory but
rather in reference to the ‘national economy’. This chapter shows that in Mongolia, anxieties regarding economic independence – or fear, worry and nervousness of the loss of the independent status of the nation and the state – serve to interfere with the very goal of political independence. Instead, the focus shifts to the national economy and economic independence, which becomes the terrain of political struggle for the movements working for national autonomy. As will be shown below in interviews with political leaders and their historical narrations, national economy is the pillar of national independence, which funds the state and prevents economic and financial dependency upon foreign countries and institutions. In this way, discourses concerning the national economy recreate a form of nationalism.\(^1\) Political discourses of independence and the national economy that emerged in the process of building the modern nation generates *ündesnii üzel*, a Mongolian term for nationalism that means root- or origin-centred ideology. This process of nation building, and the sentiment it generates, in turn supports the liberalised mining economy and prioritises issues of the national economy.

There is a great deal of work exploring how concerns of political independence and sovereignty generate nationalistic sentiments and a substantial amount exploring how these processes might reify the national economy. However, there is a remarkable absence of material examining how the reification of the national economy might itself lead to particular forms of nationalism, an absence this chapter seeks to counter. Hannah Appel (2017, 294) begins an article on the ethnography of the national economy with the IMF list of the ‘World’s Best Economies’. Winners in 2013 included South Sudan – the world’s fastest growing economy – and Equatorial Guinea – the economy with the most investment. This was in contrast to the previous year (i.e., 2012) which included Libya – the world’s fastest growing economy – and Mongolia – the economy with the most investment (Riley 2012). She then asks, if these are the nations of the world with the ‘best’ economies, what then is a national economy? Appel argues that national economy is an imagined ‘object of the future and a justification for the constant deferral of the present’ (Appel 2017, 294), which political rulers, donor experts, and economists use to justify their political decisions and actions in Equatorial Guinea. She also presents a broader history of the national economy in Europe as an epistemological project of the state, born in a geopolitical moment of Western independent nation-states to manage the Great Depression, mark their sovereignty, and respond to shifting global orders (Appel 2017, 297–9; see also Stiglitz, Sen, and Fitoussi 2010; Vanoli 2005). The below historical narrations show how the

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\(^1\) The reification of the national economy
epistemological project of the state in postsocialist Mongolia (national
government, parliament, prime minister, and president) targeted at the
national economy demarcates the sovereignty of Mongolia. However,
unlike in Appel’s work, it also shows how this marking reinforces the
making of the state and nationalism (in the sense of ündesnii üzел). The
sheer volume and variety of difficulties and urgencies in postsocialist
Mongolia became the main ground to identify precarity and shape
discourses of independence, sovereignty and national economy in the
agenda to build the nation-state.

This chapter has two sections. The first focuses on political
discourses that identify precarity in the political independence of
Mongolia in the immediate aftermath of the collapse of socialism. This
section revisits the political discourses of independence and the third
neighbour policy and highlights its importance in the justification of
the political decisions to ally to the United States and other so-called
third neighbours. The second section is about identification of precarity
in the national economy to fund the emerging nation-state, where
natural resources play a pivotal role in addressing perceived precarity
in the national economy. As a result, what Stuart Kirsch (2014) calls
‘mining capitalism’ was successfully established in Mongolia (see also
Plueckhahn and Bumochir 2018). There was an urgent drive to assist the
national economy in order to strengthen the political independence and
sovereignty of the emerging nation-state by funding it, and this became
the main logic to justify why the state (government, parliament, and the
president) was obligated to promote neoliberal transformations in the
1990s (Bebbington 2012a, 10). I do not seek to question the historical
accuracy of the claims of emergency in terms of independence and
the national economy, but rather to explore how the identification of
precarity in these issues constructs a political discourse that politicians
use to justify the establishment of ‘mining capitalism’.

Political Independence

Russia and China, two political and economic superpowers, sandwich
Mongolia geographically. There is much historical evidence that
demonstrates how and to what degree Russia and China (and some
third powers, such as the United States and the United Kingdom) have
influenced the political independence of Mongolia. In the period
following the end of socialism, to balance the influence of China and
Russia, Mongolian politicians developed the idea of ‘third neighbours’ by
inviting other powers to protect Mongolia from the political domination of Russia and China. The invitation of the third neighbours has been done by considering the independence of Mongolia to be weak or at risk of loss and therefore needing constant protection. Depictions of potential threats in the narrative of independence, which has been a by-product of intentions to glorify those who fought for independence, creates a fear of the loss of independence and warns Mongolians to prioritise political independence. Subsequently, such fears generate a form of anxiety of independence among Mongolians. As I find in this chapter, the circulation of anxiety in the population is a justification to politically mobilise by identifying precarity in the independence and reifying the national economy. For example, this anxiety is a key factor for some political leaders to justify why Mongolian rulers had to embrace America and capitalism (see also Bumochir 2018b). They also consider the precarity of independence and the importance of third neighbours as something that is real and actual.

Yet, not all Mongolian people agree that this policy is inevitable. Munkh-Erdene Lhamsuren, a Mongolian anthropologist working at the Max Planck Institute in Germany, argues that the precarity of Mongolia’s political independence between Russia and China in making the third neighbour policy is an ‘ideological construct’ (üzel surtal). According to Munkh-Erdene, Mongolia does not need third neighbours to establish political independence. He believes that even in a worst-case scenario, neither of the two superpowers would let the other take over Mongolia. In this sense, it is the interest of the two states and their balance of power that secures Mongolia's political independence. Therefore, for Munkh-Erdene, the anxiety of independence and the creation of third neighbours is a politically constructed ideology to justify the establishment of a particular form of capitalist markets and increases the influence of states, such as the United States. Only a few days after I spoke with Munkh-Erdene, I coincidentally watched a short video in which the Mongolian political scientist D. Bolor made a similar claim. The video was posted in a closed Facebook group named ‘Xiongnu-Xianbei, Mongol-Gokturk’, which are names of the historical empires and peoples associated with the region of Inner Asia. The profile picture depicts portraits of some historical emperors and includes accompanying text, which says, ‘MONGOL is GRAND NATION. Mongols are originated from “Tengri” heaven’. In the video, Bolor can be heard saying, ‘The so-called revolution in 1990 was not a revolution, but it was a coup d’état organised by the American and British intelligence . . . Since they control media and banking system, and they influence the economy and politics . . . To hide
the fact that political leaders made Mongolia their colony, they created a virtual neighbour called the third neighbour; a concept that does not actually exist. Because a neighbour is a country that shares a physical border, but it can never be other countries that reside overseas on the other side of the world’ (Tömör Temür Tamerlan 2018).

While the inevitability of the third neighbour policy may be up for debate, what the above views and further materials I present in the chapter exemplifies is that political leaders tend to actively inflame anxieties regarding Mongolia’s political independence. Narration of those difficulties helps them to justify the established mining capitalism and political-economic alliance with America and Europe. Regardless of the facts, the discourse of the political independence can be a historical and political construction that is available to use as the explanation, understanding and justification for different political decisions. The research materials that follow show how different individual political leaders of Mongolia interpret difficulties of political independence and present the situation as precarious.

Byambasuren Dash, the last prime minister of the MPR, had direct experience with political matters related to independence in the early 1990s. Now retired, this former prime minister remains quite popular and often appears on television and other media to comment on the national economy and politics. At the same time, many people also blame him for establishing the free market in Mongolia by supporting privatisation, price liberalisation and so on. Byambasuren’s narrative is an interesting and important side of the story of Mongolia’s transition: he was an economist with experience of high political office during socialism – including as deputy head of the Council of Ministers (1989) and prime minister (1990–92) – and was also the person who led the country in times of crucial change.

Due to the desperate situation of the country, in October 1990, only a month after he became prime minister, Byambasuren sent requests to the World Bank and the IMF to initiate membership. Caroline Humphrey (2002, xvii) describes the similar situation in the Soviet Bloc as follows: established institutions were disintegrating and decaying, which urged decisive and immediate reactions and the establishment of a new political economy. In reference to Mongolia, David Sneath (2002, 194) writes, ‘Soviet support amounted as much as a third of Mongolia’s GDP or more, and it was reduced in 1989 and stopped altogether in 1991’. Following Sneath, Gantulga Munkherdene (2018, 375) explains ‘Unemployment and poverty spread, thrusting the economy into crisis. Due to this crisis, in 1991 Mongolia became a member of the International Monetary
Fund, the World Bank, and the Asian Development Bank, and started to welcome their assistance and recommendations. In an attempt to find solutions other than sending requests to donors, Prime Minister Byambasuren Dash visited Washington, DC, in May 1990, just two months after the Politburo (uls töriin tovchoo) had stepped down and the establishment of the new government (Addleton 2013, 38; see also Buyandelgeriyn 2007, 129). Uradyn Bulag explains such visits in this way: ‘Mongols rejected the Soviet Union which was the traditional guarantor of Mongolia’s independence and had to face China alone’ (2017, 121). Moreover, the ‘Mongols were paranoid that an impoverished Russia might sell Mongolia to China’ (2017, 212). When I met Byambasuren on 12 May 2016 he told me that Russia and China agreed in November 1990 to ‘not use Mongolia against each other and not to let any third countries use Mongolia’. He also explained that in a critical situation such as this, it was dangerous to continue socialism because this would have brought Mongolia closer to China. At the same time, China had a vested interest in ‘embracing’ (tevrekh) Mongolia, as evidenced in many different sources that demonstrate Chinese claims that Mongolia should be a part of China (see also Bruun and Odgaard 1996, 39; Sanders 1996, 222–3). For Byambasuren, the anxiety was felt when he met Li Peng, Premier of the People’s Republic of China (PRC), in Beijing on 19 June 1991. Byambasuren said that Li Peng repeatedly mentioned to him that ‘China is building socialism'; according to Byambasuren, the implication was that Mongolia should join China. Therefore, he felt that it was urgent to replace the collapsing guarantor – the Soviet Union – with the United States.5

According to Byambasuren, while China revealed its aim to influence the MPR, the rulers of the Soviet Union did not simply allow Mongolian rulers to replace the Soviet Union with the United States. This is counter to the widespread understanding that the rulers of the Soviet Union freed Mongolia from its influence without hesitation. However, Byambasuren explains the situation based on information and materials that were never publicly revealed. He told me that in December 1990, the Politburo of the Soviet Union passed a top-secret decision to politically and economically sanction Mongolia, a reaction to the MPR’s decision to abandon socialism and the Soviet Union. On the following day, the ambassador of the Soviet Union to the MPR visited the office of G. Ochirbat, chairman of the Mongolian People’s Revolutionary Party (MPRP). Here, he read aloud the decision of the Soviet Union Politburo and left without leaving a copy of the document. Later, Byambasuren heard of this sanction from Ochirbat and realised that the sanctions
were already in effect when the Soviet Union delayed its supply of oil to Mongolia in August 1990. The consumption of petrol in the MPR was then (and still is) entirely dependent on the Soviet Union (now Russia), which made this sanction highly effective. According to Byambasuren, in August 1990, the Soviet Union was supposed to supply 34,000 tonnes of petrol to the MPR, but instead Mongolia received only 17,000 tonnes. Following this, the Soviet Union completely halted its petrol delivery. Byambasuren described how the MPR was left in a vulnerable situation and almost completely depleted its national petrol reserves. To help alleviate the issue, when Byambasuren visited the United States a second time in June 1991, he informed James Baker, then-US Secretary of State, about the critical condition of Mongolia and the sanctions of the Soviet Union. Baker considered the situation seriously and told Byambasuren that he would warn Mikhail Gorbachev, the last president of the Soviet Union, that US support to the Soviet Union could not be secured if the Soviet Union continued its sanctions against the MPR. Byambasuren understands that it was only as a result of Baker’s talk to Gorbachev that, on 27 March 1992, Mongolia finally received oil from Russia.

The sanction – if it existed as Byambasuren talks about it – was issued just a year before the dissolution of the Soviet Union. Further, Mongolian rulers’ attempts to diversify its dependence and crystallise its guarantors started in the mid-1980s. MPR rulers began to reveal failures in its economy and launched a search for alternatives (Bulag 1998, 17; Rossabi 2005, 8); officials of the MPR also made approaches to the United States during the late 1980s (Addleton 2013, 39). Consequently, the Soviet military withdrew from the MPR in 1987. Byambasuren mentions that the sanction was probably a reaction of the rulers of the Soviet Union to those attempts revealed by the rulers of the MPR.

Not long after Byambasuren’s first visit – on 4 May 1990 – Deputy Assistant Secretary of State Desaix Anderson affirmed that the United States had been ‘presented with unique opportunities to be supportive of positive developments at a turning point in Mongolia’s history and at a time when their leaders are looking to us for assistance’ (Addleton 2013, 38). It was an important point for the United States to highlight that Mongolian leaders approached them for assistance. The approach of the Prime Minister of the MPR helps to construct a historical narrative that proves the United States did not compel Mongolia to embrace democracy and capitalism; instead, Mongolia asked for it. The Mongolian Deputy Prime Minister’s visit to Washington unreservedly opened the gate for high-profile visitors from the United States; it is worth mentioning just a few from the 1990s: US Secretary of State James Baker in August 1990;
Secretary of State Madeleine Albright in May 1998; First Lady Hillary Clinton in September 1995, and again in 2012 as Secretary of State (Addleton 2013, 44, 46, 47), and many more. Mongolia has made efforts to seek assistance from third neighbours since the 1980s; consequently, Mongolia was not just an ‘oasis of democracy’, as US Secretary of State John Kerry claimed during his visit in June 2016 (Torbati 2016): it was also an oasis of global capitalism.

The above narrative of Byambasuren about the establishment of capitalism in Mongolia is unconventional when considered alongside some literature of capitalism (Rossabi 2005), which delineates how the United States and the West hook and entrap Third World countries to expand global capitalism to increase their surplus. To be sure, some Mongolian rulers searched for an alternative social, economic and political structure. Yet it is important to also recognise that the third neighbour policy met the American interest in expanding capitalism. In what follows, I intend to demonstrate that capitalist markets have been present in Mongolia since the 1990s, not only due to the influence of the United States but also US-based international organisations. For example, David Graeber writes about how the IMF and Western banks started the Third World debt crisis:

During the ’70s oil crisis, OPEC countries ended up pouring so much of their newfound riches into Western banks that the banks couldn’t figure out where to invest the money; how Citibank and Chase, therefore, began sending agents around the world trying to convince Third World dictators and politicians to take out loans (at the time, this was called “go-go banking”); how they started out at extremely low rates of interest that almost immediately skyrocketed to 20 percent or so due to tight US money policies in the early ’80s; how during the ’80s and ’90s, this led to the Third World debt crisis; how the IMF then stepped in to insist that, in order to obtain refinancing, poor countries would be obliged to abandon price supports on basic foodstuffs, or even policies of keeping strategic food reserves, and abandon free health care and free education; how all of this had led to the collapse of all the most basic supports for some of the poorest and most vulnerable people on earth. (Graeber 2011, 2)

Similarly, David Harvey (2010, 26–9) narrates the history of capital accumulation from the 1750s and points out that capitalist accumulation constantly requires that new profitable outlets be found. Global profit
margins began to fall after a brief revival in the 1980s. Therefore, ‘in a desperate attempt to find more places to put the surplus capital, a vast wave of privatisation swept around the world carried on the backs of the dogma that state-run enterprises are by definition inefficient and lax and that the only way to improve their performance is to pass them over to the private sector’ (Harvey 2010, 28). This process can be seen in the targeting of the dismantling Soviet Bloc, including Mongolia. Mongolia did not single-handedly make the form of capitalism that exists within its borders; instead, it has been a by-product of local and global processes (Tsing 2005). In the words of Timothy Mitchell (2002), it is the ‘rule of experts’, or more precisely the rule of Mongolian and foreign experts that play an important role in the making of capitalism in Mongolia. Morris Rossabi (2005, 38) shares this approach and notes that The Asia Foundation (TAF) was the first US private institution to respond to Mongolia, launching its first programmes in 1990 and establishing its office 1991. The IMF and the Asian Development Bank (ADB) sent groups to study the Mongolian economy and to interview Mongolian pioneers of capitalism – namely, D. Ganbold, economist and first deputy minister – and other like-minded economists. An IMF research team conducted an official visit in August 1990, and ADB staff arrived in Mongolia in late May 1991 (Rossabi 2005, 43). Consequently, as Lhamsuren Munkh-Erdene writes, ‘Under the supervision of the International Monetary Fund, the World Bank and the Asian Development Bank, Mongolia’s neophyte free marketers zealously launched a shock therapy (or structural adjustment) program in 1991 to establish a free market economy’ (Munkh-Erdene 2012, 63). As such, in the next two decades, Mongolia’s opening up to the West immediately flooded the country with a wide range of political, financial, trade, development, environment, human rights, religious, and philanthropic international donor and aid organisations, and transnational corporations and investors from all around the world, all of which contributed to the making of capitalism in Mongolia.

Reflecting on the situations discussed above, Byambasuren notes that the Mongolian government had three critical tasks to urgently complete. First, Mongolia had to consolidate its independence, because many important decisions about Mongolia were previously made in Moscow. Second, Mongolia had to properly eliminate socialism – that is, it could not remain a relic of a socialist society. This was also important in order to demonstrate to the United States that Mongolia would do more than merely change the colour of socialism while continuing to follow Russia or China. Third, it was essential to expand Mongolia’s economic connections to the world beyond the Soviet Bloc and China. In brief, for
Byambasuren, ending the authority of the Soviet Union in Mongolia and escaping possible Chinese integration was a top priority for democratic reform. Overall, Byambasuren argues that establishing and intensifying the relationship between the MPR and the United States was the best political move for the MPR to ensure the end of socialism and to make space in the region for the influence of third neighbours as powers to balance Russian and Chinese domination. Here, then, anxieties over the loss of independence were central to the direction in which the Mongolian economy developed following the end of socialism.

The National Economy

Similar to its independence, Mongolia’s national economy was precarious, enabling political leaders to reify the national economy and justify their decisions (see also Munkherdene 2018, 375) to develop the mining industry in order to fund the emerging sovereign nation-state of Mongolia. For instance, for Byambasuren, embracing the United States was the best political move to properly end socialism and to terminate the domination of the Soviet Union and halt the PRC’s attempt to influence the MPR. However, for Ochirbat Punsalmaa, a former mining engineer, who served as deputy Minister of Mining and Geology (1972), deputy of the People’s Great Khural (1976), a member of the MPRP Central Committee, Minister of Foreign Economic Relations and Supplies (1987), and the first President of Mongolia (1990–97), embracing the liberal economy and free market principles of capitalism were political tactics to entice third neighbours and international donor organisations to fund the nation-state and to consolidate political independence. As such, the process of market liberalisation, privatisation and resource extraction contributed to anxieties over the loss of independence. It is to Ochirbat’s account that I now turn to further illustrate.

When I called Ochirbat to set up an appointment, I explained the purpose and importance of my work. Towards the end of our telephone conversation, Ochirbat spoke about his meeting with Queen Elizabeth II during his presidency. He revealed that the Queen had asked him how Mongolia had managed to survive as an independent state in the face of the dominance of its two gigantic neighbours. Ochirbat, rather than revealing his reply, said he wanted me to seek an answer to this question through my research. During this telephone conversation, Ochirbat expressed a similar fear of the loss of independence that Byambasuren expressed, which I term the anxiety of independence. When I met him
in his office at the Mongolian University of Science and Technology
the following day, Ochirbat told me that in the aftermath of the fall of
socialism, Mongolia had to embrace democracy, the free market, and a
liberal economy not just to fund the emerging nation-state but also to
secure the independence of the country by attracting third neighbours.

To assist the collapsing economy, Ochirbat said that he had initiated
the Gold Programme (Alt khötölbor) in 1991. The first Gold Programme
started in 1992 and ended in 1999 with success. The programme started
its continuation in 2000 but encountered heavy resistance and stopped.
The second Gold Programme started in 2017 and is planned to continue
till 2020. Ochirbat explained that in the early 1990s in a situation with no
currency reserve, export, investment or capacity to repay loans (see also
Ichinkhorloo 2018, 391), and with inflation at 325 per cent, it had been
impossible for the country to secure loans and attract investment (see
also Byambajav 2015, 93). As such, he justified his actions by arguing
that the quickest and easiest way to assist the economy was to exploit
gold deposits (see also Bold 2013). Later in 2014, writing about such
programmes to assist the national economy, Rebecca Empson and Tristan
Webb explained that ‘the economic plan of Mongolia’s government
requires foreign investment from private international investors for three
main reasons: first, to develop the country’s export-earning potential;
second, to bring in world-class technology and know-how that will allow
development of an indigenous capability in this field; and finally, to
advance Mongolia’s economic and political independence from Russia
and China. The country has defined all of these areas as important for
the country’s national security’ (Empson and Webb 2014, 241).

Before meeting Ochirbat, I spent time with his colleague Algaa
Namgar, a metallurgical engineer and the director of the Mongolian
National Mining Association (MNMA) founded by Ochirbat and his
colleagues in 1994. In the early 1990s, Algaa worked for the Government
Agency for Mining and his duty was to implement the Gold Programme.
For Algaa, at the start, the Gold Programme was a dream (mörüöödöl).
They had to create an attractive political, legal and socio-economic
environment to appeal to foreign direct investment. Algaa explains that
the World Bank supported Mongolia in trying to achieve the aims of
the Gold Programme. The country also carefully followed the guidelines
of the World Bank as it took steps to develop its mining economy. In
1991, the World Bank researched Mongolia in order to provide technical
assistance for the development of mining. The project report produced
recommendations on the geological potential of mineral resources,
the capacities of the existing mines, the legal environment, and the
government agencies and institutions needed to manage and assist the mining sector. Algaa and his colleagues’ main project at the Government Agency for Mining was to draft a new Minerals Law following the recommendation of the World Bank. In 1994, the communist party won the first democratic election and complained that the bill was too liberal and rejected it (see also Chapter 2). As a result, the parliament supported a different version of the Minerals Law and passed it in 1994. Ochirbat said that many of the potential investors he met during his presidency complained that the 1994 Mongolian Minerals Law did not give enough clarity to the country’s intention to collaborate with foreign companies and could even be read as suggesting that Mongolia would not cooperate. According to Ochirbat, the failure of the 1994 Minerals Law to appeal to investors forced the government to attempt to draft a different bill, again with the help of the World Bank. This time, it was not Algaa but another member of the MNMA, Jargalsaikhan Dugar, who held a key position in the process to draft the new bill and to collaborate with the World Bank. I first met Jargalsaikhan in September 2015, at the 13th MNMA annual investment forum in Ulaanbaatar, titled ‘For mining without populism’, where he was the main organiser of the event. When I met him again in April 2018, he explained to me that the 1994 Minerals Law was an experimental process that revealed the importance of improving the law to make it more appealing to investors (which is the same point that Ochirbat had made).

The failure of the 1994 Minerals Law to appeal to the investors became the justification for Ochirbat, Algaa and Jargalsaikhan to further promote the liberal version of the Minerals Law. Jargalsaikhan explained that behind the liberalisation of the resource economy was not simply the will of the World Bank, as many Mongolians often complain (Sanchir 2016). It was, instead, a by-product of what Mongolian policymakers learned from their experiences. It was after the Mongolian Democratic Union coalition won the election in 1996 that the goal of fully liberalising the resource economy was accomplished. This time it was not only the president but also Prime Minister Enkhsaikhan Mendsaikhan who supported the law and pioneered the new mining economy. By winning the election, the democratic and market reformers therefore became another major state-driven force behind the passing of the 1997 Minerals Law, known as the ‘liberal law’. Dalaibuyan Byambajav (2015, 93) writes that ‘the new Mineral Law of 1997 was praised by the international mining community as one of the most liberal mining laws in Asia: it significantly relaxed rules for obtaining a licence and permitted full foreign ownership of mining ventures’. According to Algaa, one of the
crucial changes in the law was the liberalisation of mining and natural resources and the stability agreement with mining companies.

Consequently, starting from 1997, the law permitted the government to issue thousands of exploration licences for almost no cost (Bulag 2017, 132), except for a small amount of administrative and registration fees and taxes. According to the Mineral Resources and Petroleum Authority of Mongolia (MRPAM), as of 2015, approximately 3,329 mineral licences have been granted to both foreign and domestic companies covering 13.9 million hectares (or 8.9 per cent of the entire territory of the country), of which 1,494 are operational and 1,835 are exploration licences (Ganbold and Ali 2017, 4).

The 1997 Minerals Law successfully transformed Mongolia into an attractive country in which to engage in mining operations, drawing in mining companies from North America, Europe and Australia. Boroo Gold, an Australian mining company, was one of the first and most famous examples of the foreign mining companies working in Mongolia. Under the Stability Agreement signed with the government of Mongolia in 1998, Boroo Gold was exempted from corporate income tax: a 100 per cent exemption for three years from the start of commercial production in 2004 and 50 per cent exemption for the next three years after that. The World Bank, the supporter of this law, praised this move as ‘one of the strongest legal presentations of mineral licensee rights and obligations in the world, and the most investor-friendly and enabling law in Asia’ (World Bank 2004, 52). Some Mongolian economists, namely Khashchuluun Chuluundorj and Enkhjargal Dandinbazar, note that the liberal economic regime for investments in the mining sector resulted in a rapid increase in the inflow of foreign investment in the natural resource sectors; Mongolia became one of the top 10 destinations in the world in regard to resource exploration investment (Chuluundorj and Dandinbazar 2014, 293). In a televised interview with Khashchuluun during which he discussed the case of Boroo Gold, he argued that this was an important step taken by the government of Mongolia to entice foreign investors, enlarge mining and support the national economy. In fact, there was a dramatic increase in the annual production of gold from 4.5 to 10.2 tonnes from 1992 to 2000, and from 11.8 to 24.1 tonnes from 2000 to 2005, which created about 10,000 jobs, and made significant contribution to the GDP, up to 20 per cent (Bold 2013; Mineral Resources and Petroleum Authority of Mongolia 2015, 7–8).

In brief, the above narrations of people who had important positions in the building of the emerging nation-state show how different discourses – about the critical situation of the economy; regional politics
of Russia, China and Mongolia; prospective influence of the so-called third neighbours; opportunities of the gold mining – contribute to the reification of an imagined entity that can be called the national economy. The first President Ochirbat and his colleagues present these narratives as a grand story of the national economy to explain and justify why neoliberal policies that established capitalism in Mongolia were inevitable. The manner in which the national economy was central to anxieties surrounding independence can be seen via examining the responses of the above figures to criticisms and general discontent regarding the direction of economic and mining liberalisation found in the population at large.

Later, many Mongolians, including politicians, technocrats and activists, heavily criticised the case of the Boroo Gold and condemned those who established the liberal mining economy and invited foreign investors. For instance, they complained that land in the form of mining licences was distributed to private mining companies and caused significant damage to the environment (see Chapter 2). When I brought such criticisms up, Algaa responded that almost all of the licences were for mining exploration, not for extraction. He claims that mining exploration does not impact upon the land and the environment nearly as much as process of extraction. One of the final points that Algaa made was about the national economy. Those who possessed exploration licences had to pay an annual tax per hectare, which was an excellent contribution to the national economy. For these reasons, during the years when the economy of Mongolia was only just emerging, it was the best and most efficient way to use its vast territory for economic profit. In other words, soil and subsoil of Mongolia, with or without mineral resources, was entirely converted into a zone of economically efficient capitalist production in order to support the national economy. Similarly, Jargalsaikhan says that with the help of the 1997 Minerals Law, he initially wished to bring at least 1 per cent of the total investment in global mining exploration to Mongolia. But according to him, the law actually managed to bring in 5 per cent of the total global investment, which provided an enormous contribution to the Mongolian economy.

There is another common complaint by many Mongolians regarding the Boroo Gold mining company. The company stands as an ultimate example of how foreign companies exploit Mongolia and how mining can be not profitable to Mongolia. Many people also complain that the company was not taxed enough (see Chapter 2). Ochirbat responds to such accusations by stating that the Boroo Gold project was the first significant Western foreign direct investment that helped the
Mongolian government make its resource sector appealing to foreign investors and to establish trust needed for mining companies to operate in Mongolia. For Ochirbat, this was the success of the liberal Minerals Law from 1997. Since there were no previous instances of Western mining companies operating in Mongolia, and the 1994 Minerals Law failed to appeal to investors, Mongolian policymakers in the mid 1990s had to create the best possible social, economic, legal and political environments for foreign investors to operate mines in Mongolia in order to attract investors and to urgently bring growth to the national economy. He used a Mongolian proverb to describe the situation: ‘dogs would not sniff when covered with fat; cows would not eat when covered in grass’ (öökhönd booson ch nokhoo tooj shinshlekhgüüi, övsönd booson ch ükher tooj shinshlekhgüüi). In the case of Mongolia’s mining sector’s political and economic environment, the liberal Minerals Law was the ‘grass’ or ‘fat’ to entice investors. Therefore, he considers the Boroo Gold case as a project to entice foreign direct investment (FDI) and build trust, which appears to have been broadly successful.

The rule of President Ochirbat (1990–97) and his collaboration with the Mongolian Democratic Union coalition government (1996–2000) successfully established what Stuart Kirsch (2014) calls ‘mining capitalism’ in Mongolia. But unlike Kirsch, my focus in this chapter is not the conflict between transnational mining corporations and local communities conflict (Kirsch 2014, 9–14), but on how mining capitalism was embraced by Mongolian political leaders to fund the nation-state and to manage its independence. The initial purpose, as Byambasuren and Ochirbat explained, was to urgently find a solution in the precarious situation to support the politically and economically devastated post-Soviet nation-state of Mongolia. For them, the available solution was to be found in the free market, liberal economy and global capitalism. However, both Byambasuren and Ochirbat claim that they had intentions to build a khümüünleg, ardcilsan, irgenii niigem (humane, democratic and civil society) and declared it in the 1992 constitution. An older version of this imagined society first appeared in the 1960 constitution khümüünleg, ardcilsan, sotsialist niigem (humane, democratic and socialist society). Finally, in the 1990s, the Mongolian state had a chance to make the imagined society real. This is also what many other influential democratic politicians claim – namely Zorig Sanjaasuren and Oyun Sanjaasuren, as documented by Morris Rossabi (2005, 34–5) – that political leaders of Mongolia had no particular intention to shift to capitalist markets. Instead, they intended a different society that is definable neither as socialism nor capitalism, but rather as
a humane, democratic and civil society with the best possible advantages of both socialism and capitalism. In this way, the narrations of the above individuals demonstrate the agency and deliberate intentionality on the part of politicians and technocrats to build an economically and politically secure independent nation-state. In other words, for those political leaders, all of the above was done with nationalistic purpose to save the country. When I talked to Algaa, he said that although few people call what he and his colleagues did to preserve independence and stabilise the national economy ‘nationalism’, he argues that it should be considered as nationalist in the sense of ündesnii üzel.

In conclusion, the narrations by political figures I have provided show a number of alternative ways to think about the development of the Mongolian economy following the end of socialism. First, anxieties surrounding independence, the reification of the national economy, and attempts to secure political independence and bolster national economy in Mongolia led political leaders to influence the emerging nation-state in particular ways. In this process, the matter of sovereignty and the national economy became the priorities of the nation-state, or in the words of Appel, ‘a privileged object – perhaps the privileged object – in official discourse’ (2017, 294). Second, the history of the Mongolian People’s Republic, heavily influenced by the Soviet Union, consists of an entirely different story of the nation-state compared to postcolonial states in South America, Africa, South Asia and the Pacific. In other words, Mongolia does not have the same relationship that postcolonial nation-states have with the United States and other Western states. The absence of a colonial relationship enables Mongolian political leaders to create alliances with the United States and other Western states and embrace capitalism with considerably less coercion (see also Bumochir 2018b). This means that Mongolia, as a nation-state, is in a position that has a unique and unconventional relationship with those states. Third, taking advantage of the above historical background and justifications, those political leaders managed to bring the third neighbours (namely, America), international donors (such as the World Bank), and mining companies into the process of shaping the nation-state and building the modern nation. Fourth, the nationalist tendencies of the above-mentioned political leaders help me to explain the differences and disparities of forms of nationalism, which is also the focus of the next chapter. In this chapter, the nationalist tendency identifies precarity in the independence of the emerging nation-state by pointing out the weakness in the national economy emerging from the ruins of socialism. In contrast, ‘resource nationalism’, which I will explore in chapter two,
also addresses issues in the political independence and sovereignty, not by reifying the national economy but by critiquing the lack of state control on land and territory, and by demanding fair distribution of mineral wealth, ownership and shares. The emergence of resource nationalism depicts a different political discourse, which supports state control in the resource economy in parliament and government, which was a response to many concerns, conflicts and resistances, and appeared as a result of the rapid growth of the gold mining.

Notes

1 Nationalism based on the reification of the national economy was a sentiment that was established in the MPR. In the Soviet-influenced style of planned economies, the notion of a national economy was central, and thus was the beginning of the reification of the national economy in Mongolia that this chapter describes. Following the collapse of socialism, many Mongolian politicians continued this form of nationalism and infused it with the issue of independence. But this chapter does not intend to trace the origin of the reification and nationalism of the national economy and much work needs to be done to show it.

2 For instance, in 1915, as a result of the tripartite conference between Mongolia, China and Russia in Khyakhta on the north border, China and Russia imposed their decision to keep Mongolia as an autonomous region of China. Consequently, Chinese troops occupied Mongolia in 1919 (Bulag 1998, 12; Atwood 2004, 91; Batsaikhan 2007). Also, in February 1945, just after the Second World War, Joseph Stalin negotiated Mongolia’s independence with the United Kingdom and the United States at the Yalta Conference. Here, it is essential to address that the United Kingdom and the United States persuaded China to recognise the freedom of Mongolia. Christopher Atwood (2004, 92) notes that America’s influence on China helped the Nationalist Party to recognise a ‘high-level autonomy’ for Mongolia and Tibet.

3 Personal communication with Munkh-Erdene Lhamsuren, May 2018.

4 Many Mongolians, including historians and politicians, might respond to Munkh-Erdene’s and Bolor’s claims by arguing that there are many historical facts that demonstrate Mongolia’s struggle to gain political independence; therefore, it is based in reality. For example, after the collapse of the Qing Dynasty, the government of Tsarist Russia did not recognise Mongolia’s independence. It instead allied with the government of the Republic of China and accepted their renewed right to deny the recognition of Mongolia’s independence as a legally reconstituted successor state to the Qing Dynasty (1636–1912) (Atwood 2004, 91; Bulag 2012, 1). As a result, this generated the impression that Mongolia was an autonomous state under Chinese suzerainty from around 1910 to 1921 – at least according to Tsarist Russia if not for Mongolia (see also Bulag 1998, 12; Atwood 2004, 91; Batsaikhan 2007).

5 The same thing also happened in the early 1920s. Alicia Campi and Ragchaa Baasan write that Prime Minister Bodoo Dogsom (1921–22) ‘wanted the United States, in conjunction with Soviet Russia, to act as Mongolia’s protector, especially in regards to negotiations with China’ (2009, 105; see also Bulag 1998, 13).

6 Many scholars made similar commentaries, such as L. Munkh-Erdene: ‘Under the supervision of the International Monetary Fund, the World Bank and the Asian Development Bank, Mongolia’s neophyte free marketers zealously launched a shock therapy (or structural adjustment) program in 1991 to establish a free market economy’ (2012, 63).

7 Jargalsaikhan is a mining economist who studied in the Soviet Union and trained in the United States. Since the 1980s, he has held various government positions, including Officer of the Ministry of Geology and Mining, Head of the Mining Department at the Ministry of Heavy Industry, Vice President of the state-owned extraction company Mongol Erdene Holding, Chairman of the Mineral Resources Authority of Mongolia, and Head of the Geology and Mines Department of the Ministry of Trade and Industry.
Not only in 1990 but also in 1911 – when the theocratic government of Mongolia proclaimed political independence – mining and particularly gold mining was immediately adopted to fund the emerging nation-state and to promote its national economy (Tuya and Battomor 2012; Bonilla 2016; Jackson and Dear 2016; Bumochir 2018b).

My next chapter shows how this object becomes less privileged in the contest against other objects in the process of building the nation.