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## Fighting Fire and Ice: Mongolia

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# MONGOLIA IN 1996

## *Fighting Fire and Ice*

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Tom Ginsburg

It was a year of suffering and of hope for Mongolia. Buffeted by natural disasters and a cholera epidemic, Mongolia nevertheless turned an important political corner in 1996 with the electoral loss of the Mongolian People's Revolutionary Party (MPRP), which had held power since the country's inception in 1921. The new coalition accelerated economic reform, creating hopes for better performance in the years ahead.

Spurred by an almost snowless winter and fierce winds, a series of fires devastated much of the country from February through June. The government declared a state of emergency and requested international assistance. The fires killed 26 people and thousands of head of livestock, left 1,600 persons homeless, and caused significant, if still undetermined, economic and ecological damage as 102,000 sq. km of grasslands were burned. Unfortunately, artificial snowstorms created to put out the fires killed several more people,<sup>1</sup> and dozens more died as the first rains caused unusual summer flooding. At least 10 people died of a cholera outbreak in August, causing the government to delay the start of the school year and place a quarantine around the two major cities of Darhan and Erdenet. This series of disasters challenged the country's resources, already stretched to the limit by a difficult transition from a communist economy.

### Politics

Preparations for the parliamentary election dominated the first half of the year. In January the MPRP-dominated State Great Hural (parliament), over the protests of opposition parties and the president, passed a controversial

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1. Scott Hillis, "Food Production Affected by Fires," Reuters, June 13, 1996; Patrick Tyler, "Mongolia Devastated by Fires of Epic Scope," *New York Times*, June 9, 1996.

election law that set up 76 single-member districts. The MPRP thus ignored its own 1994 compromise agreement with the opposition that had called for a mixed system of districts and proportional representation. All parties agreed that reforms were needed. The previous electoral system of 26 multimember districts had allowed the MPRP to capture 70 out of 76 seats in 1992 with under 60% of the vote, and the opposition believed it would benefit from proportional representation because its support was concentrated in urban areas. In April the National Democratic Party (NDP) elected Ts. Elbegdorj as its leader over former Deputy Prime Minister D. Ganbold. Elbegdorj, one of only six non-MPRP MPs elected in 1992, had been a vociferous opponent of the MPRP since the launching of the democratic movement of 1990.<sup>2</sup> In late March, the NDP formed an electoral coalition with the Social Democratic Party (SDP), the second-largest opposition party, to avoid the mistakes of earlier elections when the opposition split its vote and allowed the MPRP to retain control of the Hural.

The surprise victory of the democratic coalition in the June 30 election was the central political event of the year and a historic step for Mongolia. It also marked the first time that an Asian Leninist party had voluntarily relinquished power. The coalition tallied 47 of 76 seats, 34 for the NDP and 13 for the SDP; independents allied with the coalition gained an additional three seats. The MPRP won 25, with the conservative United Traditional Party (UTP) gaining a single seat. Voter turnout was high at 87%.

The new Hural, with an average age of 38, reflected the youth of the country. Seven of the new MPs were women, up from three in the previous Hural but down from the 20% mandated in the one-party period. Seventeen of the new MPs were in private business or were leaders of nongovernmental organizations, reflecting the rise of civil society as an important political force. At the first session of the new Hural, R. Gonchigdorj was elected chairman for the second time, having served in the post while simultaneously vice-president of the country during the transitional national unity government in 1990–92. The nomination of Elbegdorj as deputy chairman provoked protests from the MPRP, whose 25 seats were just enough, with the cooperation of their ally from the UTP, to block the two-thirds quorum needed to vote on the position. President P. Ochirbat intervened and brokered a solution, involving the appointment of an MPRP advisor to the National Security Council. The MPRP's ability to block a quorum may continue to be important in the years ahead.

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2. Elbegdorj had resigned his seat in 1994 in protest over MPRP parliamentary tactics, and had been accused at that time of leaking state secrets to the media, a charge subsequently rejected by a court.

The new prime minister was M. Enkhsaikhan, a 41-year-old economist and a former MP who had served as head of the President's Chancery since 1993 and had headed the coalition committee for the election.<sup>3</sup> This bodes well for legislative-executive relations, which had become increasingly acrimonious under the MPRP. Enkhsaikhan immediately began to form a cabinet, a task complicated somewhat by the scarcity of coalition figures with government experience and by a Constitutional Court ruling—requested oddly enough by a member of the coalition itself—that any MPs selected for cabinet ministries would have to resign their parliamentary seats. However, after a short time the government announced a cabinet that reduced the number of ministries from 14 to 9, and sacked many civil servants. The new government announced plans to introduce more rapid economic reforms, privatization of government media, administrative decentralization, and a strengthening of the judiciary.

Local elections in October were still dominated by the MPRP, which won 65% of the vote and controlled most of the local hurals. This was hardly surprising given the party's extensive network in the countryside and the dearth of non-MPRP candidates, but the victory was taken in some quarters to be a protest against the democrats' rapid economic reform program.

### Economics

In the second straight year of positive growth after massive contraction of the economy, the GDP rose slightly during the year. However, the economy was still saddled with the legacy of state ownership and its former dependence on the USSR. Exports continued to rise but imports rose faster, so that the trade surplus for the first eight months fell to \$22.2 million on a total volume of \$586.6 million. This was disappointing after a \$122.9 million surplus in 1995. Exports were hurt by falling world copper and cashmere prices, and along with delays in collecting funds from the privatization program, contributed to a shortfall in government revenues. In September the government announced that it would begin issuing bonds as a way of diversifying public finance. Inflation stayed relatively under control during the first part of the year but the new government raised energy prices on September 1 and the annual rate quickly surged to 53%. The exchange rate, which began the year at roughly 450 tugrik to the U.S. dollar, went to 660 shortly after the price rise. Meanwhile, the energy situation became more desperate as winter approached; bad debts, transport problems, and outmoded equipment have crippled the sector and the energy supply is extremely unstable.

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3. Enkhsaikhan's relationship with the president went back to when he had worked as an economist at the Ministry of Foreign Economic Relations and Supply where Ochirbat was minister, under the old regime.

Former state-owned firms continued to be a drag on the economy. The incoming government urged renewed privatization, somewhat stalled under the MPRP after 1992, but the law to privatize urban housing was vetoed by the president. In an incident perhaps reflective of the MPRP's ambiguous commitment to privatization, the Privatization Commission responded to a hunger strike and protests by employees just before the election by changing the contract to sell the State Department Store to a company led by its management. This nullified privatization of the store; a second auction was held later in the year but no buyers appeared. The banking sector continued to be troubled by inexperienced management and bad loans. The new government promised to reorganize the sector and closed two private banks in December.

Industrial production fell 25% during the year. Credit problems caused grain production to fall, as only one bank was handling agricultural loans. The diversion of fuel and machinery to fight fires during the sowing season no doubt hurt as well, as did a fuel shortage during the fall harvest. The winter of 1996-97 is likely to be tough; the supply of energy is still not secure and food imports will have to be increased. Meanwhile, social indicators are falling. The percentage of people living under the poverty line increased to 36% with street children providing the starkest examples.

## Foreign Relations

Mongolia's foreign policy continues to be driven by its delicate geopolitical position. After the election, Prime Minister Enkhsaikhan announced that there would be continuity in foreign policy, specifically the priority of maintaining good relations with both Russia and China.<sup>4</sup> Nonetheless, the government was willing to challenge its giant neighbors selectively. A nuclear weapons test by China in Xinjiang Province prompted an official protest, and in February the Chinese embassy was the site of several demonstrations against human rights abuses in Inner Mongolia. The Constitution's protection of freedom of association has thus trumped diplomatic expediency. Overall, however, relations with both China and Russia remained cordial. Prime Minister Jasrai paid an official visit to China in March and met with his counterpart, Li Peng, reassuring Li of Mongolia's commitment to the one-China policy. Foreign Minister Gombosuren visited Russia in April, meeting with his counterpart, Yevgeny Primakov, who reciprocated in November. Outstanding issues include Mongolia's unpaid debt from the Soviet period, cattle rustling on both sides of the border, and customs and tax barriers that inhibit the flow of trade.

Mongolia continued its efforts to reach out to new countries and international organizations. Early in the year it joined the World Trade Organiza-

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4. "Democrats Plan Agenda," Agence France Press, July 4, 1996.

tion, becoming the first former communist country to negotiate entry into the body since 1989. The president, prime minister, and foreign minister embarked on a number of diplomatic visits and welcomed a series of foreign dignitaries to Ulaanbaatar. In a symbol of the new emphasis on foreign policy, the government announced it would close several embassies in Eastern Europe and shift resources to Asia. The February meeting of the Mongolia donors group in Tokyo brought together 34 members and produced \$212 million in pledges of loans and credits. No doubt aid will continue to play a crucial role in the years ahead, and reflects the government's efforts to reach beyond its two giant neighbors.

Mongolia marked a turning point in its democratization process in 1996. The peaceful transition of power was an achievement of historic importance, not only for Mongolia but for the history of Leninism in Asia. Nevertheless, the new government had little time to reflect on the moment as it was immediately confronted with tremendous challenges. The resilience of the herdsman will be needed in the immediate future as Mongolia battles the elements and the odds.