



**NAVAL
POSTGRADUATE
SCHOOL**

MONTEREY, CALIFORNIA

THESIS

**HOW IS THE RUSSIA-UKRAINE WAR
IMPACTING MONGOLIA IN THE MILITARY
AND ECONOMIC REALMS?**

by

Ganchuluun Turbat

March 2023

Thesis Advisor:
Second Reader:

Scott E. Jasper
James A. Russell

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REPORT DOCUMENTATION PAGE			<i>Form Approved OMB No. 0704-0188</i>
Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188) Washington, DC, 20503.			
1. AGENCY USE ONLY (Leave blank)	2. REPORT DATE March 2023	3. REPORT TYPE AND DATES COVERED Master's thesis	
4. TITLE AND SUBTITLE HOW IS THE RUSSIA-UKRAINE WAR IMPACTING MONGOLIA IN THE MILITARY AND ECONOMIC REALMS?			5. FUNDING NUMBERS
6. AUTHOR(S) Ganchuluun Turbat			
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Naval Postgraduate School Monterey, CA 93943-5000			8. PERFORMING ORGANIZATION REPORT NUMBER
9. SPONSORING / MONITORING AGENCY NAME(S) AND ADDRESS(ES) N/A			10. SPONSORING / MONITORING AGENCY REPORT NUMBER
11. SUPPLEMENTARY NOTES The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.			
12a. DISTRIBUTION / AVAILABILITY STATEMENT Approved for public release. Distribution is unlimited.			12b. DISTRIBUTION CODE A
13. ABSTRACT (maximum 200 words) <p>The Russia-Ukraine war, which began February 24, 2022, is ongoing, with a cost of many thousands of lives, catastrophic property destruction, and displacement of millions. As the international community grapples with nuclear threats and a humanitarian disaster resulting from the war, many small states in the region are struggling to maintain economic stability and military security. Perhaps no small state is more immediately affected than geographically unique Mongolia, situated between world powers Russia and China. This thesis examines how Russia's war in Ukraine is impacting Mongolia in the economic and military domains. The thesis finds that because Mongolia's 2011 foreign policy concept and 2015 military strategy remain in place, there is little chance of any change in current military strategy. The economic effects, however, have been pronounced: fuel prices have risen by 68 percent and consumer goods by 15.7 percent. The thesis concludes that Mongolia's overreliance on Russia leaves it vulnerable to severe economic impacts over which it has little control. The thesis recommends that Mongolia pursue economic self-sufficiency in critical areas such as electrical power and that it assess ways to stabilize its economy in times of regional or international conflict. The thesis also recommends that Mongolia's military innovate in response to the war and continue to develop its strength.</p>			
14. SUBJECT TERMS economic impact, military strategy, foreign policy, the Russia-Ukraine war, Mongolian economy			15. NUMBER OF PAGES 91
			16. PRICE CODE
17. SECURITY CLASSIFICATION OF REPORT Unclassified	18. SECURITY CLASSIFICATION OF THIS PAGE Unclassified	19. SECURITY CLASSIFICATION OF ABSTRACT Unclassified	20. LIMITATION OF ABSTRACT UU

NSN 7540-01-280-5500

Standard Form 298 (Rev. 2-89)
Prescribed by ANSI Std. Z39-18

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IN THE MILITARY AND ECONOMIC REALMS?**

Ganchuluun Turbat
Major, Mongolian Armed Forces
BBA, Defense University of Mongolia, 2009

Submitted in partial fulfillment of the
requirements for the degree of

**MASTER OF ARTS IN SECURITY STUDIES
(STRATEGIC STUDIES)**

from the

**NAVAL POSTGRADUATE SCHOOL
March 2023**

Approved by: Scott E. Jasper
Advisor

James A. Russell
Second Reader

Afshon P. Ostovar
Associate Chair for Research
Department of National Security Affairs

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ABSTRACT

The Russia-Ukraine war, which began February 24, 2022, is ongoing, with a cost of many thousands of lives, catastrophic property destruction, and displacement of millions. As the international community grapples with nuclear threats and a humanitarian disaster resulting from the war, many small states in the region are struggling to maintain economic stability and military security. Perhaps no small state is more immediately affected than geographically unique Mongolia, situated between world powers Russia and China. This thesis examines how Russia's war in Ukraine is impacting Mongolia in the economic and military domains. The thesis finds that because Mongolia's 2011 foreign policy concept and 2015 military strategy remain in place, there is little chance of any change in current military strategy. The economic effects, however, have been pronounced: fuel prices have risen by 68 percent and consumer goods by 15.7 percent. The thesis concludes that Mongolia's overreliance on Russia leaves it vulnerable to severe economic impacts over which it has little control. The thesis recommends that Mongolia pursue economic self-sufficiency in critical areas such as electrical power and that it assess ways to stabilize its economy in times of regional or international conflict. The thesis also recommends that Mongolia's military innovate in response to the war and continue to develop its strength.

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LIST OF ACRONYMS AND ABBREVIATIONS

CEO	Chief Executive Officer
DOTMLPF-P	Doctrine, organization, training, material, leadership, personnel, facilities, and policy
EU	European Union
GDP	Gross Domestic Product
HPP	Hydropower Plant
IHL	International humanitarian law
LOAC	Law of armed conflicts
NASAMS	National Advanced Surface-to-Air Missile System
NATO	North Atlantic Treaty Organization
SWIFT	Society for Worldwide Interbank Financial Telecommunications
UAE	United Arab Emirates
UAV	Unmanned Aerial Vehicle
UK	United Kingdom
UN	United Nations
USD	United States Dollar

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ACKNOWLEDGMENTS

Thank you very much to my thesis advisor, Professor Scott Jasper, and second reader, Professor James Russell, for guiding me in the course of writing this thesis. Thank you to the writing coaches of the Graduate Writing Center and the librarians of the Dudley Knox Library for their tremendous support. Without their help, I could not have completed this thesis. I would like to express my deepest gratitude for their cooperation and support.

First, it was a remarkable milestone of achievement in my life to experience academic studies and develop my skills. I am so grateful to my thesis advisor and want to use this time to express my sincere appreciation to Professor Jasper for his tremendous support and trust for guiding me in the course of writing this thesis. Also, I really appreciate my second reader, Professor Russell, for his straightforward encouragement and for motivating me while I wrote this thesis.

I am eternally grateful to all my professors at the National Security Affairs Department at the Naval Postgraduate School for sharing their in-depth knowledge and expertise.

Thank you so much to the writing coaches of the Graduate Writing Center, Matt Norton and Michael Thomas. They were incredibly supportive with enduring patience throughout the thesis writing, and I cannot thank them enough for their great assistance of providing effective comments and feedback.

The librarians of the Dudley Knox Library are fully deserving of thanks for their great support, especially Ms. Greta Marlatt. I will never forget your support and kindness; you have my deepest thanks for backing me with your detailed knowledge and experience. Without the librarians' help and timely service, this thesis would not have been completed. I would like to express my deepest gratitude for their cooperation and kind support.

I would like to thank the International Graduate Program Office for taking care of my non-academic life with its administrative assistance and enjoyable trips.

Also, I would like to thank the Defense Ministry of Mongolia and the General Staff of the Armed Forces of Mongolia for selecting me to attend this famous higher educational

institution. Thank you to the Department of the Navy for sponsoring me throughout the study year, which was a great year of opportunity to learn.

Finally, I thank my wife, Erdenebolor; my mom, Byambasuren; and my sons, Davaajargal, Duurenjargal, Tugsbiligt, and Jargalbiligt, from the bottom of my heart for their love, joy, understanding, and patience, which helped me to study at the Naval Postgraduate School.

I. INTRODUCTION

A. MAJOR RESEARCH QUESTION

This thesis studies the extent of the impact of the Russia-Ukraine war of 2022 on Mongolia's national and defense security. Therefore, this thesis considers how Mongolia as an independent state should adjust its national and defense policies and strategies to respond to the war and to any similar situations that might arise in the future. In particular, this thesis asks the following question: How is Russia's war in Ukraine impacting Mongolia in the economic and military domains?

This thesis analyzes how this war is influencing relations between Russia and Mongolia. Economic relations between these two states are considered first since the war is affecting the Mongolian economy in terms of its international trade, food imports, and energy sectors. Next, this thesis examines the Russia-Ukraine war's impact on Mongolian military affairs, investigating how Mongolian military strategy has changed as a result of the war.

B. SIGNIFICANCE OF THE RESEARCH QUESTION

It is important to study the Russia-Ukraine conflict because Russia is one of Mongolia's two neighboring countries and has a long history of involvement in Mongolia's internal and external politics. A century has passed since Mongolia established diplomatic relations with Russia, and Mongolia is deeply involved with Russia geopolitically because of its 3,485-kilometer shared boundary, which comprises 42.7 percent of Mongolia's total border.¹ Geographically unique Mongolia should always pay attention to the action of its northern neighbor. Russia, which remains an absolute supporter of Mongolian sovereignty, has strategic interests in keeping Mongolia an independent state, primarily as a buffer state

¹ Valentin Batomunkuev, "Appendix 1: Border-Crossing Infrastructure: The Case of the Russian Mongolian Border," in *Frontier Encounters: Knowledge and Practice at the Russian, Chinese and Mongolian Border*, ed. Franck Billé, Grégory Delaplace, and Caroline Humphrey (Cambridge, UK: Open Book Publishers, 2015), 235–43, <http://books.openedition.org/obp/1545>.

between Russia and China² (see Figure 1). At the same time, Mongolia must be vigilant about what is happening around its border and reassess its foreign policy and military strategy, which seeks to protect that border. Mongolian defense personnel can reflect on the Russia-Ukraine engagement to change their way of thinking in future conflicts and prepare for possible outcomes from other foreign aggressions.



Figure 1. Political map of the region.³

Answering the research question is also important for Mongolia to define its foreign policy. While Russia may not care about small states because of their limited influence, these developing countries' outlooks could influence the international order through international institutions' cooperation in the future.⁴

² Jeff Goodson and Jonathan Addleton, "How Great Power Competition Is Changing the Geopolitics of Mongolia," Stratfor, January 24, 2020, <https://worldview.stratfor.com/article/article/how-great-power-competition-changing-geopolitics-mongolia-china-russia-united-states>.

³ Source: "Is It Ukraine Today, Taiwan Tomorrow?," QuotedData, April 8, 2022, <https://quoteddata.com/2022/04/views-impact-russian-invasion-china/>.

⁴ Suo Yinbu and Wu Chuke, "Mongolia's Position and Dilemma on Russia-Ukraine Conflict," *The Diplomatic Insight* (blog), March 23, 2022, <https://thediplomaticinsight.com/mongolias-position-and-dilemma-on-russia-ukraine-conflict/>.

This research is also significant for other small states seeking to strengthen their international positions and articulate their public response to the ongoing Russia-Ukraine war.

C. LITERATURE REVIEW

The Russia-Ukraine war has become an important topic not only among military professionals but also among civilian sector analysts who consider its global impacts. However, as the onset of the war is recent, there are very few academic studies as of this writing that relate to the research question. This literature review assesses the developing literature related to the Russia-Ukraine war with respect to the conflicts, economic and defense-related decisions and their potential impact on Mongolia. The literature review is divided into five sections: Putin’s justification for initiating the war, Ukraine’s military response, North Atlantic Treaty Organization (NATO) policy, Mongolia’s state military policy, and the impact of the conflict on Mongolia’s economy.

1. Putin’s Justification for Initiating the War

Eugene Rumer and Richard Sokolsky define this war as Putin’s war against Ukraine, and they assert that his policy concentrates on the West while ignoring Asia, apart from attempting to improve Russia’s relationship with China.⁵ According to the Associated Press (July 7, 2022), Russian President Vladimir Putin reminded Ukraine that it should accept the Russian position before the situation became worse; he blamed Western support for prolonging the war by supplying Ukraine with materiel and warned that Russia had not yet activated robust military action.⁶ On the other hand, Lawrence Wittner describes that the war has already been destructive in its consequences, and its scope is getting larger with the attention of the United States and European countries and their supplying of

⁵ Eugene Rumer and Richard Sokolsky, “Russia’s National Security Narrative: All Quiet on the Eastern Front,” Carnegie Endowment for International Peace, last modified May 23, 2022, <https://carnegieendowment.org/2022/05/23/russia-s-national-security-narrative-all-quiet-on-eastern-front-pub-87185>.

⁶ Holly Ellyatt and Natasha Turak, “Russia Says the West Risks the ‘Wrath’ of God If It Punishes Moscow Over War,” CNBC, July 7, 2022, <https://www.cnbc.com/2022/07/07/russia-ukraine-live-updates.html>.

weapons and equipment to Ukraine.⁷ Noting that this war has become the largest military operation in Europe since World War II, Wittner also observes that Russia has been ignoring the calls from the General Assembly of the United Nations to cease military actions in Ukraine.⁸ Meanwhile, Ukrainian forces have effectively pushed Russian forces to limit their attack and have patriotically protected their country against stronger Russian forces. Ukrainian forces have inflicted significant losses on the Russian army (10 percent of personnel)⁹ and destroyed an equally significant percentage of military equipment in the initial three months of war.¹⁰

As stated by Anthony Cordesman, in terms of their long-range missiles to support Ukrainian forces on the ground, most NATO forces are far behind the Russian defense capability.¹¹ Additionally, as of 2021, Russia had approximately 4,497 nuclear warheads in stock for ready use in case the war intensified and if other forces became directly involved.¹² Cordesman further describes that it will take NATO countries five years at least to advance their weapons capability to the level of Russian military strength.¹³

2. Ukraine's Military Response

A key aspect of the war is its asymmetrical nature. Previous studies have mostly defined asymmetric warfare as “a conflict involving two states with unequal overall

⁷ Lawrence S. Wittner, “The War in Ukraine Underscores the Need to Strengthen the International Security System,” *Peace & Change* 47, no. 3 (2022): 265–68, <https://doi.org/10.1111/pech.12543>.

⁸ Wittner.

⁹ George Shatzer, “SRAD Director’s Corner: Russia’s Strategy and Its War on Ukraine,” *Parameters* 52, no. 2 (Summer 2022): 135, <https://doi.org/10.55540/0031-1723.3157>.

¹⁰ Shatzer.

¹¹ Anthony H. Cordesman and Grace Hwang, *The Ukraine War: Preparing for the Longer-Term Outcome* (Washington, DC: Center for Strategic and International Studies, 2022), <https://www.csis.org/analysis/ukraine-war-preparing-longer-term-outcome>.

¹² Cordesman and Hwang.

¹³ Cordesman and Hwang.

military and economic resources.”¹⁴ Wolff Heintschel von Heinegg, on the other hand, cites Kenneth E. McKenzie Jr. as proposing a new definition for asymmetric warfare after the 9/11 terrorist attacks. In McKenzie’s article “What Is Asymmetric Warfare?” McKenzie redefined the term as “leveraging inferior tactical or operational strength against [the] vulnerabilities of a superior opponent to achieve disproportionate effect with the aim of undermining [the opponent’s] will in order to achieve the asymmetric actor’s strategic objectives.”¹⁵ Although both definitions correspond with the nature of the Russia-Ukraine war, the second definition fits with the idea that Putin had been counting on asymmetry but that Western support has changed the war’s asymmetrical nature such that even though Russia has the advantage in power, Ukraine has the advantage in means, organization, and support. Therefore, there has always been asymmetric warfare, which comprises asymmetric attributes of supremacy, means, approaches, organization, ideals, and time.¹⁶

3. NATO Policy

Even though Russian strength is four-fold greater than Ukraine’s in numbers of personnel and weapons, Ukrainians are waging asymmetrical warfare with materiel support from Western countries.¹⁷ Especially, the United States and NATO member countries have been helping Ukraine by supplying advanced weapons such as Javelins, Stingers, and unmanned aerial vehicles (UAV) for defending the country from Russian strikes. This support has led to Russian forces and Ukrainian defenders fighting a war of attrition using futuristic weapons, a situation that has never been seen before. What is happening in Ukraine due to its war with Russia is becoming an interesting focus among military professionals because it is the most recent conflict and because of the devastating impact of its asymmetric nature.

¹⁴ Wolff Heintschel von Heinegg, “Asymmetric Warfare: How to Respond?,” *International Law Studies* 87 (2011): 464–65, <https://digital-commons.usnwc.edu/cgi/viewcontent.cgi?article=1089&context=ils>.

¹⁵ von Heinegg.

¹⁶ von Heinegg, 464.

¹⁷ Josh Zumbrun, “How a Simple Ratio Came to Influence Military Strategy,” *Wall Street Journal*, May 13, 2022, sec. US, <https://www.wsj.com/articles/how-a-simple-ratio-came-to-influence-military-strategy-11652434202>.

Given that the war has its own asymmetric nature, then the war's phases can be defined in terms of the dynamics and effects of that asymmetry. In the first phase of the war, from the February 24 invasion to approximately late April, the Ukrainian defense system proved that it had advanced into a new stage of development in respect to personnel training, combat experience, and weapons, compared to its defense capabilities in the 2014 Crimean invasion.¹⁸ This time, the Ukrainians were astonishingly well prepared to counterattack with Western-supplied asymmetric weapons against Russian land and air forces and crushed Russia's strategic intention with a heavy retaliation.¹⁹ Ukrainian special operations forces functioned well to slow down the momentum of the Russian advancement of attack into Kyiv, which changed the character of Russian offensive action.²⁰

On April 22, 2022, the Russian military announced what it referred to as the second phase of the war.²¹ In this phase, the Russian military refocused its offensive strategy into long-range artillery bombardment to counter Ukrainian defense forces in the southeastern provinces.²² The end of June marked four months of the Russian military continuously attacking through air assaults and firing artillery at Ukrainian stations to repulse Ukrainian counterattacks.²³ Compared with its military movement at the end of February 2022, as of July 2022, Russian units had expanded their military operation and occupied the southwestern part of Ukraine, placing Luhansk, Oblast, and Lysychansk under its

¹⁸ Yuriy G. Danyk, Tamara Maliarchuk, and Chad M. Briggs, "The Worst-Laid Plans: The Next Phase of Russia's War in Ukraine," Modern War Institute, May 12, 2022, <https://mwi.usma.edu/the-worst-laid-plans-the-next-phase-of-russias-war-in-ukraine/>.

¹⁹ Danyk, Maliarchuk, and Briggs.

²⁰ Danyk, Maliarchuk, and Briggs.

²¹ Gerry Doyle et al., "The Road to Stalemate," Reuters Graphics, last modified July 20, 2022, <https://graphics.reuters.com/Ukraine-Crisis/Control/gdpzygorxvw/Ukraine-Crisis/Control/gdpzygorxvw/>.

²² Danyk, Maliarchuk, and Briggs, "The Worst-Laid Plans."

²³ Kateryna Stepanenko et al., "Russian Offensive Campaign Assessment, June 24," Institute for the Study of War, June 24, 2022, <https://www.understandingwar.org/backgrounder/russian-offensive-campaign-assessment-june-24>.

control.²⁴ After the failure of the Kyiv mission, Russia activated its missile attacks to target strategic objects such as Yavoriv camp, a former U.S. and NATO training base that had been used to train Ukrainians, which is situated less than 20 kilometers from the Polish border.²⁵ Those attacks proved that Russians are able to hit each corner of Ukraine with their asymmetric weapons from any location.²⁶

4. The Mongolian Constitution and Military Policy

Based on Article 10 of the Mongolian constitution, “Mongolia will comply with the universally recognized norms and principles of international law and practice a peaceful foreign policy.”²⁷ Therefore, Mongolia shall uphold a policy to keep strategic stability and strengthened international peace and security in the region, especially in Northeast and Central Asia, through diplomatic means.²⁸ Since the Mongolian national strategy is based on the aforementioned law and principles, the country will keep its policy neutral, rather than becoming directly involved in or supportive of the ongoing war in Ukrainian territory.

Small states like Mongolia should reflect on the experiences of Ukraine to strengthen their military power and training. (Even though a lot of people in Mongolia condemn the Russia-Ukraine war, officially Mongolia holds a position of neutrality concerning the war.) When the United Nations organized an emergency meeting in March 2022, Mongolia abstained from voting on war-related issues because of its geopolitical

²⁴ Kateryna Stepanenko et al., “Russian Offensive Campaign Assessment, July 3,” Institute for the Study of War, July 3, 2022, <https://www.understandingwar.org/backgrounder/russian-offensive-campaign-assessment-july-3>.

²⁵ Katherine Walla, “Russia Crisis Military Assessment: The Weapons Ukraine Needs Most to Win the War,” *New Atlanticist* (blog), March 16, 2022, <https://www.atlanticcouncil.org/blogs/new-atlanticist/russia-crisis-military-assessment-the-weapons-ukraine-needs-most-to-win-the-war/>.

²⁶ Walla.

²⁷ The State Ikh Khural, “МОНГОЛ УЛСЫН ҮНДСЭН ХУУЛЬ” [The Mongolian Constitution], Unified Legal Information System, 1992, <https://legalinfo.mn/api/front/index.html>.

²⁸ Shinae Hong, “The Diplomatic Power of Small States: Mongolia’s Mediation on the Korean Peninsula,” *Australian Journal of International Affairs* 76, no. 4 (2022): 415–31, <https://doi.org/10.1080/10357718.2022.2056577>.

concerns with Russia.²⁹ Moreover, Ulaanbaatar is strengthening its relationship with Moscow through diplomatic meetings in terms of its long-term link with Russia.³⁰

Meanwhile, despite the country's official position, Mongolia has protestors who oppose the Russia-Ukraine war.³¹ There is nothing wrong with having a multidimensional perspective on the Ukrainian situation or for a country's citizens to express their viewpoint about the war. As a democratic country between two giant neighbors (Russia and China) who have distinct foreign policies, Mongolia must respect democratic principles such as free speech. However, since 1921, when the Russian forces helped to expel Chinese forces from Mongolian territory, Mongolians have had a deep connection with the Soviet Union's ideology, military, and economy for the sake of Mongolia's independence and development until the 1990s.³² Mongolia, however, must be aware of international situations like the Russia-Ukraine war and reflect them in its foreign policy and military strategy while also displaying democratic principles to the international community, which is pressuring Russia to withdraw from Ukraine. Mongolia must step carefully if it is to do two different things at the same time: preserve its reputation for peaceful negotiation while not voting against Russia.

5. The Impact of the War on the Mongolian Economy

The war is significantly, albeit indirectly, influencing the Mongolian economy. For example, Mongolia imports nearly all of its oil from Russia, whose own economic interactions are suffering due to the sanctions it has received from almost all developed countries in Europe, Asia (excluding China), and America.³³ According to Sumati

²⁹ Yinbu and Chuke, "Mongolia's Position and Dilemma on Russia-Ukraine Conflict."

³⁰ Marissa J. Smith, "Mongolia's Razor's Edge Relationship with Russia," *IPS*, June 4, 2022, <https://www.ips-journal.eu/topics/democracy-and-society/mongolias-razors-edge-relationship-with-russia-5859/>.

³¹ Smith.

³² Sarah Telford, *To What Extent Does Post-1990 Mongolia Pursue an Independent Foreign Policy?*, *Revista UNISCI*, No. 6 (Madrid, Spain: Unidad de Investigación sobre Seguridad y Cooperación, 2004), <http://www.unisci.es/to-what-extent-does-post-1990-mongolia-pursue-an-independent-foreign-policy/>.

³³ Yinbu and Chuke, "Mongolia's Position and Dilemma on Russia-Ukraine Conflict."

Luvsandendeв, Mongolia is too dependent on Russia, and war will influence the Mongolian economy in many sectors: not only is gas imported from Russia, but also a great amount of grain, and Mongolian banks are subject to Russian bank transfers, so SWIFT (the international financial association system) will also influence Mongolian import-export functions.³⁴

Defining the Mongolian role in this volatile situation is a significant aspect in economic relations. For example, as of June 2022, India was importing oil increasingly from Russia, about 950,000 barrels each day, at a large discount due to Western countries avoiding trading with Russian since its invasion of Ukraine.³⁵ However, even though Mongolia is the immediate neighboring country to Russia, the oil price for Mongolia is soaring, which compels the input of economic experts in national security areas.³⁶

It is not wrong to say that nobody wishes to go to war in this modern world, but according to the theory of international relations, conflict between nations is inevitable and such conflict is happening now in Ukraine because of participating countries' national interests and security concerns. Therefore, it is essential to keep Mongolian defense personnel updated about the understanding of the contemporary cause of war and conflict as a matter of Mongolian national security prospects.

D. POTENTIAL EXPLANATIONS AND HYPOTHESES

This thesis offers the following two hypotheses:

Hypothesis one: Russia's war in Ukraine is negatively impacting the Mongolian economy.

³⁴ "Mongolia's East-West Balancing Act in Jeopardy after Russia Invasion of Ukraine," Al Arabiya News, March 3, 2022, <https://english.alarabiya.net/News/world/2022/03/03/Mongolia-s-East-West-balancing-act-in-jeopardy-after-Russia-invasion-of-Ukraine>.

³⁵ Nidhi Verma, "Russia's Share of India's June Oil Imports Surges to Record," Reuters, July 11, 2022, <https://www.reuters.com/business/energy/russias-share-indias-june-oil-imports-surges-record-2022-07-11/>.

³⁶ В. Ват, "Хөндөх сэдэв: Тусгай зөвшөөрөл, түүхий эдийн 'хориг'-оо цуцалъя!" [Topic to be discussed: Let's cancel the "ban" of special licenses and raw materials!] News.MN - Мэдээллийн эх сурвалж, July 19, 2022, <https://news.mn/r/2574515/>.

When gas prices increase, people’s daily lives are affected as well as the overall economic growth of developing countries, which results in a higher cost of living. After the start of the Russia-Ukraine war, in Mongolia, not only did the gas price increase 64.8 percent³⁷ as of April 2022, but consumer goods prices increased 15.7 percent as of August 2022, compared with the previous year’s prices.³⁸ For example, products like bread increased in price because Russia and Ukraine are the main suppliers to world wheat markets. There are several other areas of the Mongolian economy negatively impacted by the Russia-Ukraine war, including the financial, transportation, and logistics sectors in which costs increased due to the sanctions Russia received from the countries of the world who oppose the war.

Hypothesis two: Russia’s war in Ukraine is causing Mongolia to adjust its military strategy.

Any military, especially its commanders, must identify contemporary changes in military affairs and try to adapt their personnel and weapons to present-day needs. Moreover, to understand this military adaptation and requirement and fund its development with a strategic purpose needs significant attention from the government.

E. RESEARCH DESIGN

To answer the research question, this thesis uses contemporary peer-reviewed journal articles, books, research projects, congressional research service documents, war-related international and local laws, and economic and political news about the Russia-Ukraine war.

F. THESIS OVERVIEW

Chapter I has presented the research question and its significance, as well as a review of the literature on the Russia-Ukraine war and its impact on Mongolian foreign policy and military strategy. It also presents the two hypotheses that are tested in this thesis.

³⁷ “Mongolia Sees Gasoline Price Surge in Q1,” Macau Business, April 15, 2022, <https://www.macaubusiness.com/mongolia-sees-gasoline-price-surge-in-q1/>.

³⁸ D. Erdenetuya, “Ирэх өвлийн ‘хатуу’-г сануулах дохио” [A Warning Sign of the ‘Harsh’ Winter to Come], News.MN - Мэдээллийн эх сурвалж, August 23, 2022, <https://news.mn/r/2582242/>.

Chapter II presents an overview of Mongolian economic relations with Russia and how Russia's war with Ukraine impacts the Mongolian economy. It explains Mongolia-Russia economic relations before the war and how they have changed since the war's start.

Chapter III assesses the extent to which Russia's war with Ukraine has changed Mongolian military affairs or its foreign policy. It compares Mongolia's foreign policy and military strategy before the war to its strategy and policy as of January 31, 2023.

Chapter IV concludes with a summary of the thesis's major findings and recommendations on how Mongolian foreign policy and military strategy should respond to the challenges posed by Russia's war in Ukraine.

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II. ECONOMIC IMPACT ON MONGOLIA FROM THE RUSSIA-UKRAINE WAR

In a global economy, what happens to one country affects many others. When the situation is tense, especially in a wartime crisis, it is difficult for companies to move their goods through regular channels as transportation costs increase.³⁹ Furthermore, conflict affects the stability of the international financial and trade structures through commodity price changes and inflation rate burdens.⁴⁰ The World Bank estimated that the Russian and Ukrainian economies could shrink by 11 percent and 45 percent, respectively, due to the Russia-Ukraine war.⁴¹ The most critically impacted area is the Black Sea area, where Russian and Ukrainian ports send their shipments to the world market.⁴²

The Russia-Ukraine war has reduced global economic growth by around 1 percent, which means the Mongolian economy is influenced by the war's effect.⁴³ This chapter presents Mongolian economic relations with Russia since the war's start and how Russia's war with Ukraine impacts the Mongolian economy. The chapter begins with an overview of the impact of the Russia-Ukraine war on the global economy and Mongolia's economy, followed by Mongolia's and Russia's economic relations with respect to food and fuel, energy, travel, and the financial sector.

Overall, the chapter finds that the Russia-Ukraine war has caused price increases for fuel, food, and energy that have led to detrimental impacts on the global economy. Also, the war continues to have major impacts on fuel, food, energy, the finance sector, and trade stability in the Mongolian economy.

³⁹ Beth Stackpole, "Ripple Effects from Russia-Ukraine War Test Global Economies," MIT Sloan, June 28, 2022, <https://mitsloan.mit.edu/ideas-made-to-matter/ripple-effects-russia-ukraine-war-test-global-economies>.

⁴⁰ Andres B. Schwarzenberg, *Russia's 2022 War against Ukraine: Global Economic Effects*, CRS InFocus No. IF12104 (Washington, DC: Congressional Research Service, 2022), <https://crsreports.congress.gov/product/pdf/IF/IF12104>.

⁴¹ Schwarzenberg.

⁴² Schwarzenberg.

⁴³ Schwarzenberg.

A. THE WAR'S GLOBAL ECONOMIC EFFECTS

It is important to understand the broader economic effect of the war because economies are interconnected due to global markets. Russia is the largest country in the world, comprising 17 million square kilometers and a population of 143.4 million people.⁴⁴ It is one of the leading exporters of oil and natural gas, which makes Russia one of the great powers in the international arena.⁴⁵ Ukraine, in contrast, has 45 million people, covers 603,500 square kilometers, and has highly fertile territory, which is why Ukraine is called “the breadbasket of the world.”⁴⁶

Russia itself has felt the effects of its invasion of Ukraine due to the number of countries that have levied sanctions against it, including the EU countries, the United States, UK, Australia, Canada, Japan, and South Korea. These countries’ sanctions are affecting Russia’s internal markets and have led international companies with locations in Russia, including various manufacturers and service providers, to depart Russia. Their exodus is certainly going to lower foreign investment in Russia and result in unemployment of millions of its workers.⁴⁷ Sanctions have also caused depreciation of the ruble. Compared to its preinvasion value, as of March 25, 2022, the ruble has declined in value by 21 percent, which in turn has precipitated an increase in the price of imports from Russia.⁴⁸ For example, Russia and Belarus export 32 percent of global potassic fertilizers.

⁴⁴ “The Largest Countries In The World,” WorldAtlas, December 1, 2022, <https://www.worldatlas.com/articles/the-largest-countries-in-the-world-the-biggest-nations-as-determined-by-total-land-area.html>.

⁴⁵ Ahmed Hassan Majhool Al-Hasnawi, “The Russian-Ukrainian War and Its Implications for International Security: A Geopolitical Vision,” *Texas Journal of Multidisciplinary Studies* 9 (2022): 183, <https://zienjournals.com/index.php/tjm/article/view/2051>.

⁴⁶ Al-Hasnawi, 183.

⁴⁷ Jules Hugot, “Russia’s Invasion of Ukraine: Implications for Developing Asia,” in *Special Topic of the Asian Development Outlook 2022*, ed. Asian Development Bank (Manila, Philippines: Asian Development Bank, 2022), 39, <https://www.adb.org/sites/default/files/publication/784041/ado2022-russian-invasion.pdf>.

⁴⁸ Hugot, 39.

Within two months of the invasion, they raised prices on fertilizer by 45 percent to offset sanctions they received from international organizations.⁴⁹

It is now clear that the economic impact of the Russia-Ukraine war is a reduction of purchasing power internationally, an increase of inflation, and economic instability because of sanctions.⁵⁰ This war has also complicated the global supply chain because it has triggered long-term commodity price increases.⁵¹ The next threat to economies and companies is that the inflation rate might continue to rise for some years.⁵² Moreover, the war has increased risk to international monetary transactions.⁵³ Overall, the Russia-Ukraine war has significantly raised the uncertainty of economic and business sector interactions, the full consequences of which are still unknown.⁵⁴

Oil is the resource that the world runs on, and natural gas has a significant role in the world economy. One of the main economic impacts of the Russia-Ukraine war is on Russia's role as a major exporter of the world's oil and natural gas supply; it is retaliating against sanctions from the European countries by increasing the price of oil and gas. For instance, as of 2021, Russia exported 32 percent of Europe's gas consumption, which had increased from 25 percent in 2009. In the same year, Ukraine routed 60 percent of Russia's gas pipeline through its territory.⁵⁵ During the first six months of the war, from February until August 24, 2022, Russia brought in even higher income from its fossil fuel exports, equal to 158 billion euros. Out of that, 85 billion euros were solely from EU countries'

⁴⁹ Hugot, 45.

⁵⁰ Anatolijs Prohorovs, "Russia's War in Ukraine: Consequences for European Countries' Businesses and Economies.," *Journal of Risk and Financial Management* 15, no. 7 (2022): 1, <https://doi.org/10.3390/jrfm15070295>.

⁵¹ Prohorovs, 2.

⁵² Prohorovs, 5.

⁵³ N. Enkhbayar, "Global Economic Outlook, Geopolitics Situation and Its Spillover Effects for Mongolia," *Mongolian Journal of Strategic Studies*, no. 83 (2022): 13, <https://iss.gov.mn/wp-content/uploads/2022/05/83.pdf>.

⁵⁴ Prohorovs, "Russia's War in Ukraine," 10.

⁵⁵ Manotar Tampubolon, "Russia's Invasion of Ukraine and Its Impact on Global Geopolitics," *European Scientific Journal* 18, no. 20 (2022): 58, <https://doi.org/10.19044/esj.2022.v18n20p48>.

imports.⁵⁶ In the beginning of September 2022, Russia cut off its gas through the Nord Stream 1 Pipeline to Europe because of its conflicts with agreement and payment issues with disapproving European countries.⁵⁷ Russia asserted that its pipeline needed maintenance to fix an oil leak at the port of Portovaya and halted its gas supplies for an indefinite time.⁵⁸ European countries and companies see that Russia is using energy as a weapon because gas prices increased significantly after the stoppage of supplies, which led to challenges for European countries such that they have needed to ration energy during the winter period.⁵⁹ Higher gas prices cause consumers to prioritize their economic needs as they need to spend less on their rising energy, food, and rent bills.⁶⁰ Likewise, in Europe, almost every country has had their gas prices increased from last year due to their decisions not to buy Russian-supplied oil, instead finding oil from other sources.⁶¹ Figure 2 shows the Russian share of European gas consumption from 2001 to 2021.

⁵⁶ “Financing Putin’s War: Fossil Fuel Exports from Russia in the First Six Months of the Invasion of Ukraine,” Centre for Research on Energy and Clean Air, 2022, <https://energyandcleanair.org/publication/financing-putins-war-fossil-fuel-exports-from-russia-in-the-first-six-months-of-the-invasion-of-ukraine/>.

⁵⁷ Uliana Pavlova and Anna Cooban, “Russia Cuts off Gas Exports to Europe via Nord Stream Indefinitely,” CNN Business, September 2, 2022, <https://www.cnn.com/2022/09/02/energy/nord-stream-1-pipeline-turned-off/index.html>.

⁵⁸ Pavlova and Cooban.

⁵⁹ Sam Meredith, “Russia Has Cut off Gas Supplies to Europe Indefinitely. Here’s What You Need to Know,” CNBC, September 6, 2022, <https://www.cnbc.com/2022/09/06/energy-crisis-why-has-russia-cut-off-gas-supplies-to-europe.html>.

⁶⁰ Patti Domm, “The More Gasoline Rises above \$5, the Greater Risk There Is of Recession,” CNBC, June 9, 2022, <https://www.cnbc.com/2022/06/09/the-more-gasoline-rises-above-5-the-greater-risk-there-is-of-recession-.html>.

⁶¹ “Gasoline Prices in EU with Map (October 2022),” Mappr, July 8, 2022, <https://www.mappr.co/thematic-maps/fuel-prices-europe/>.

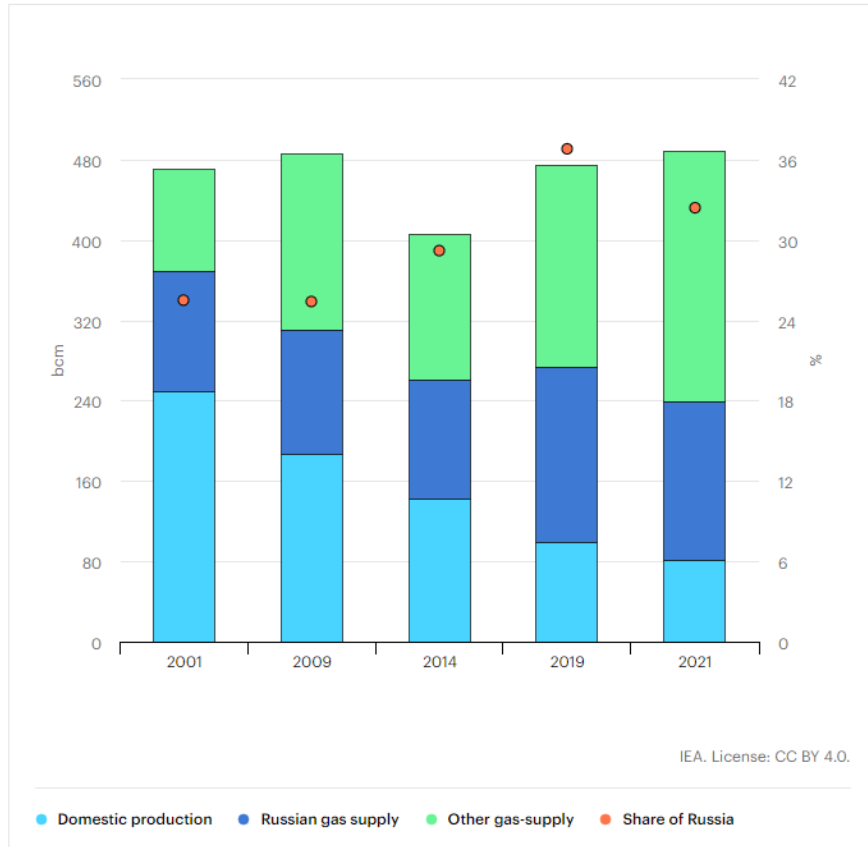


Figure 2. Share of Russia in European Union and United Kingdom gas demand, 2001–2021⁶²

As a result, the war is loosening economic ties between the EU and Russia. Russia generates a significant amount of revenue from its oil and gas exports, but Europe is trying to drain that with its policy to reduce its dependency on Russia. In 2021, Russia earned nearly \$250 billion from petroleum sales globally.⁶³ Europe buys almost \$100 billion, meaning European countries’ procurement easily can finance Russian military spending for well over a year, which could be converted into financial resources to wage war in Ukraine.⁶⁴ As of October 6, 2022, the European Union had imposed eight packages of

⁶² Source: “Gas Market and Russian Supply: The Role of Russia and Ukraine’s Transit in Europe’s Gas Supply,” IEA, October 26, 2022, <https://www.iea.org/reports/russian-supplies-to-global-energy-markets/gas-market-and-russian-supply-2>.

⁶³ Tampubolon, “Russia’s Invasion of Ukraine,” 58.

⁶⁴ Tampubolon, 58.

sanctions against Russia to weaken Russia's economic foundation. The sanctions include the agreement to reduce natural gas needs by 15 percent this winter, which the EU believes will eventually help it to get out of its dependency on Russian oil and gas.⁶⁵ Additionally, as of November 2022, the EU's natural gas reserve was almost full, with a 94 percent storage level for the winter season, which could alleviate the economic crisis by decreasing gas prices by 30 percent, but volatility might continue after a few months.⁶⁶

Russia and Ukraine are interconnected in terms of their economic relations, and their combined exports occupy a significant amount of the world's supply needs, which makes global economic impact inevitable. For example, even though the Nord Stream pipeline has been put out of commission, Russia still uses pipeline infrastructure that runs through Ukrainian territory. Through this pipeline Russia exports natural gas to Europe, which satisfies nearly half of the continent's annual needs.⁶⁷ At the same time, the war has inflicted huge costs on the Ukrainian power sector as almost 30 percent of Ukraine's power plants have been destroyed by Russian drones and missile attacks.⁶⁸

Due to the war, Ukraine and Russia agreed to continue their normal export of grain and food products to global markets.⁶⁹ The agreement, arrived at in July, was for 120 days and was set to expire on November 19, 2022. Unfortunately, officials at the Ukrainian agriculture ministry stated that the war had resulted in a 50 percent export reduction from the previous year, and 30 percent less crop would be planted, which might increase the

⁶⁵ "EU Response to Russia's Invasion of Ukraine," European Council, Council of the European Union, accessed December 6, 2022, <https://www.consilium.europa.eu/en/policies/eu-response-ukraine-invasion/>.

⁶⁶ Silvia Amaro, "Goldman Sachs Expects European Natural Gas Prices to Tumble 30% in the Coming Months," CNBC, November 2, 2022, <https://www.cnbc.com/2022/11/02/goldman-sachs-expects-european-gas-prices-to-tumble-30percent.html>.

⁶⁷ Nolan Peterson, "To Get Its Gas to Europe, Russia Still Relies on Ukrainian Pipelines," *Coffee or Die Magazine*, October 5, 2022, <https://coffeordie.com/russia-relies-on-ukrainian-pipelines>.

⁶⁸ Joseph Majkut and Allegra Dawes, "Responding to Russian Attacks on Ukraine's Power Sector," Center for Strategic & International Studies, August 11, 2022, <https://www.csis.org/analysis/responding-russian-attacks-ukraines-power-sector>.

⁶⁹ Joseph Glauber, Caitlin Welsh, and David Laborde, "Russia's UN Grain Deal Boomerang: Implications for the Deal and Global Food Prices," Center for Strategic & International Studies, November 4, 2022, <https://www.csis.org/analysis/russias-un-grain-deal-boomerang-implications-deal-and-global-food-prices>.

grain price by 50 percent compared to the price three years ago in order to avoid the pressure on farmers.⁷⁰ At the end of the agreement, Ukraine renewed an accord with the negotiation of the United Nations for another 120 days to ship grain and oilseed from the Black Sea ports to the other continents.⁷¹

Regular families around the world are the ones who are most affected by the impacts of the Russia-Ukraine war on the world economy. The war has driven prices up on their everyday expenditures such as petroleum, heating cost, and food items. Wheat prices have risen 25 percent since the war started. These shortages and rising prices exacerbate supply chain disruption due to various sanctions and ports' blockades in the Black Sea.⁷² These price increases in consumer goods could be the main factor behind families' reduced discretionary income that discourages them from buying things.⁷³

There is a broad range of economic effects caused by high prices on fuel and food. According to the UN Global Crisis Response Group, all these price increases, like diesel and natural gas prices, relate to each other: when one increases, it leads to the increase of prices of transportation and fertilizers.⁷⁴ The World Bank Group estimates that a 10 percent surge in fuel prices could lead to a 1.3 percent increase in food prices.⁷⁵

Because Russia and Ukraine both are main producers and exporters of major food products and oil commodities on global markets, these are related economic crises. Due to

⁷⁰ Glauber, Welsh, and Laborde.

⁷¹ Daryna Krasnolutska and Megan Durisin, "Ukraine Grain-Export Deal Extended for Another 120 Days," Bloomberg, November 17, 2022, <https://www.bloomberg.com/news/articles/2022-11-17/ukraine-says-grain-deal-will-be-prolonged-for-120-days>.

⁷² Tampubolon, "Russia's Invasion of Ukraine," 61.

⁷³ Tampubolon, 60.

⁷⁴ UN Global Crisis Response Group on Food, Energy and Finance, *Global Impact of the War in Ukraine: Billions of People Face the Greatest Cost-of-Living Crisis in a Generation* (New York: United Nations, 2022), 5, https://news.un.org/pages/wp-content/uploads/2022/06/GCRG_2nd-Brief_Jun8_2022_FINAL.pdf.

⁷⁵ Jean Pascal Nganou et al., *Mongolia Economic Update: Navigating Stronger Headwinds* (Washington, DC: World Bank Group, 2022), 37, <https://thedocs.worldbank.org/en/doc/af1a0293254ac2e448cafa165c669d88-0070012022/original/MEU-2022-April-ENG.pdf>.

the financial sanctions, the war has caused the fluctuation of prices, which has caused a number of issues in the financial sector.⁷⁶ Consequently, some banks have announced that they are exiting Russia, which would cause their employees to become unemployed and clients possibly to take legal actions to recover their assets.⁷⁷ Generally, the war's global effect has led to widespread inflation because of sanctions and Russia's and Ukraine's major influence on global food products.⁷⁸ Lastly, the Russia-Ukraine war has jeopardized financial stability throughout the economic sector and threatened financial investment, which became vulnerable because of the long-term risk facing weaker corporations.⁷⁹

B. THE IMPACT OF THE RUSSIA-UKRAINE WAR ON MONGOLIA'S ECONOMY

Most Asian countries are not seriously affected economically by the Russia-Ukraine war, but Mongolia, which has major financial and trade connections with Russia, has felt the pressure from its fallout.⁸⁰ In terms of economic growth in Mongolia, the Russia-Ukraine war has certainly not occurred at a favorable time, as the country has not recovered from the Covid-19 pandemic and the lengthy border closing by China, which caused inflation to rise and even led to an increase in Mongolia's foreign debt.⁸¹ From 2020 to 2022, the Mongolian economy was not growing as expected due to the Covid-19 pandemic, and it is becoming clear that the Russia-Ukraine War is continuing to hinder Mongolia's economic growth. As shown in Figure 3, Mongolia's gross domestic product

⁷⁶ Sabri Boubaker, Adel Sarea, and Tonmoy Choudhury, "Implications of the Russia-Ukraine Conflict on the Global Financial Markets," Research Gate, April 2022, https://www.researchgate.net/publication/359830990_Calls_for_papers_Implications_of_The_Russia-Ukraine_conflict_on_The_Global_Financial_Markets.

⁷⁷ Christian Hintermann, "Impact of the Russia-Ukraine War on Global Banking M&A," *KPMG* (blog), October 18, 2022, <https://home.kpmg/ch/en/blogs/home/posts/2022/10/impact-russia-ukraine-war-on-global-banking-mna.html>.

⁷⁸ Hintermann.

⁷⁹ "Russia-Ukraine War Increases Financial Stability Risks, ECB Financial Stability Review Finds," European Central Bank, May 25, 2022, <https://www.ecb.europa.eu/press/pr/date/2022/html/ecb.pr220525~fa1be4764d.en.html>.

⁸⁰ Hugot, "Russia's Invasion of Ukraine," 38.

⁸¹ Nganou et al., *Mongolia Economic Update*, 36.

(GDP) fell to –3.9 percent in 2022 and slowly recovered in the second half of the year with 3.7 percent growth.⁸²

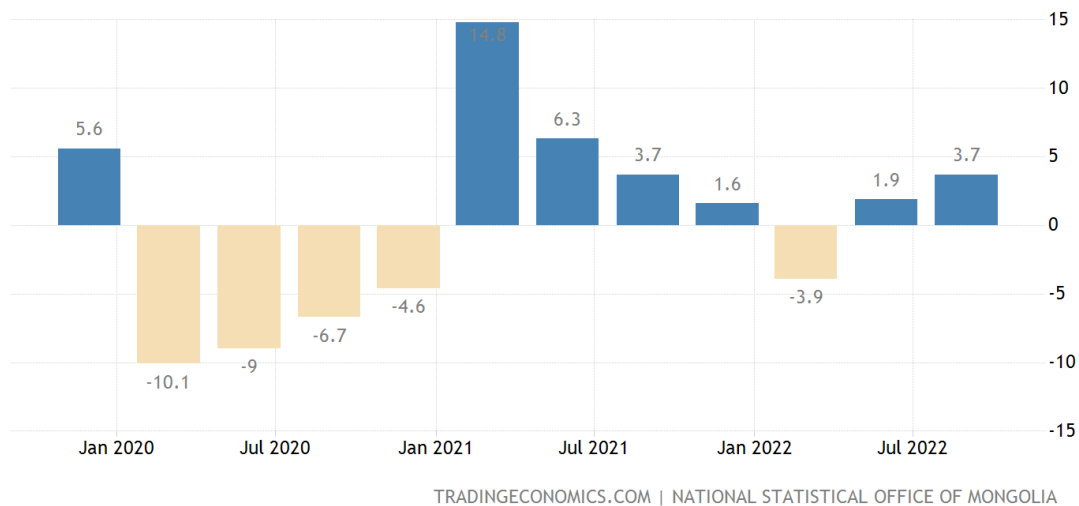


Figure 3. Mongolia’s GDP growth, 2020–2022.⁸³

The war’s main economic effects on Mongolia have been food and fuel price increases, the depreciation of its currency, and other problems in the Mongolian financial sector caused by the disruption of the Russian banking system.

1. Increasing Food and Fuel Prices

Principally, the war critically impacts the Mongolian economy because more than half of every household’s income is now spent on food and fuel.⁸⁴ After Russia started its invasion in February 2022, global oil, natural gas, and grain prices increased abruptly, which unfavorably influenced the Mongolian economy, especially the increasing oil price,

⁸² Trading Economics, “Mongolia GDP Annual Growth Rate,” Trading Economics, accessed November 29, 2022, <https://tradingeconomics.com/mongolia/gdp-growth-annual>.

⁸³ Source: Trading Economics.

⁸⁴ UN Global Crisis Response Group on Food, Energy and Finance, *Global Impact of the War in Ukraine*, 9.

as Mongolia is highly dependent on Russia's export.⁸⁵ Due to the Russia-Ukraine war, the price of oil increased to a record high of US\$120 per barrel, and the natural gas price rose to ten times higher than it was in 2020; increased energy prices are causing fiscal deficits due to the unplanned revenue losses, which could negatively impact the Mongolian fuel supply as the international sanctions on Russia continue driving up prices.⁸⁶ On December 3, 2022, the EU agreed on a price ceiling for Russian oil at \$60 per barrel with a transition period of three months, which is a good sign that the soaring price of oil will slow.⁸⁷ On the other hand, Russia has threatened to stop supplying oil to the countries who agreed on the price cap.⁸⁸ Economically speaking, it is not a wise idea for Mongolia to sanction one of the leading oil producers, which can create an oil shortage in global market.⁸⁹ Therefore, this action became the reason for the increased cost in shipping goods, which has impacted the rise in the price of commodities not only in developing economies like Mongolia but also all over the world.⁹⁰

Mongolia imports around one quarter of the wheat it consumes and 88 percent of the fertilizers it uses from Russia. With the high inflation rate in food prices, Mongolia could experience weakened economic growth and threaten people's ability to meet the basic needs of life.⁹¹ Moreover, this ripple effect activates the overall upsurge in food production costs, which not only impacts economic stability but also social and political strength.⁹²

⁸⁵ Schwarzenberg, *Russia's 2022 War*.

⁸⁶ Nganou et al., *Mongolia Economic Update*, 35.

⁸⁷ "Russian Oil: EU Agrees on Level of Price Cap," Council of the EU, Press releases, December 3, 2022, <https://www.consilium.europa.eu/en/press/press-releases/2022/12/03/russian-oil-eu-agrees-on-level-of-price-cap/>.

⁸⁸ Pavlova and Cooban, "Russia Cuts off Gas Exports."

⁸⁹ Tampubolon, "Russia's Invasion of Ukraine," 57.

⁹⁰ Tampubolon, 57.

⁹¹ Nganou et al., *Mongolia Economic Update*, 37.

⁹² UN Global Crisis Response Group on Food, Energy and Finance, *Global Impact of the War in Ukraine*, 5–6.

Not only did Mongolia experience increases in the price of fuel but there were also increased food prices which reduced households' discretionary income. The UN Global Crisis Response Group estimated that most households' income throughout the world would shrink by an average of 1.5 percent while the discretionary income of Mongolian households was estimated to shrink by 4.29 percent in 2022.⁹³ This estimation demonstrates how the Russian-Ukraine war may economically impact Mongolia more than most international communities.⁹⁴ Higher prices discourage people from spending their earnings because it is burdensome buying goods if their salaries do not rise in accordance with inflation.⁹⁵ The high inflation rate is obvious in wholesale food markets and grocery stores everywhere in Ulaanbaatar, Mongolia, especially when an individual's salary is not sufficient, making it difficult for consumers to meet their basic needs. Nevertheless, it is impossible to adjust inflation because it is highly dependent on global events like the Russia-Ukraine war.⁹⁶ As of October 2022, the inflation rate in Mongolia was 14.4 percent, which was an increase from 11 percent the previous November.⁹⁷

Therefore, the Russia-Ukraine war's ripple effects are causing damage to Mongolia's overall economy due to the price increases of fuel, food, and fertilizers. In 2021, Mongolian economic growth was 1.42 percent. According to economists' pre-war prediction, the Mongolian economy was expected to grow 3.8 percent more in 2022 than it did in the previous year. In light of the ongoing war and resulting trade instability in the fuel and food sectors specifically, however, the World Bank downgraded its prediction for Mongolia's economic growth in 2022 to 2.5 percent.⁹⁸

⁹³ UN Global Crisis Response Group on Food, Energy and Finance, 7–9.

⁹⁴ UN Global Crisis Response Group on Food, Energy and Finance, 7–9.

⁹⁵ Nganou et al., *Mongolia Economic Update*.

⁹⁶ Michael Kohn, "Mongolia Consumers Feel Weight of Inflation as Food Prices Rise," IntelliNews, October 5, 2022, <https://intellinews.com/mongolia-consumers-feel-weight-of-inflation-as-food-prices-rise-258486/>.

⁹⁷ "Mongolia Inflation Rate, 2020-2022," Knoema, accessed December 6, 2022, <https://knoema.com/atlas/Mongolia/topics/Economy/Short-term-indicators/Inflation-rate>.

⁹⁸ A. Odonbaatar, *War in Ukraine and Its Impacts on Mongolia's Economy* (Ulaanbaatar, Mongolia: Friedrich-Ebert-Stiftung Mongolia, 2022), <https://library.fes.de/pdf-files/bueros/mongolei/19533.pdf>.

2. Impacts on the Financial Sector

The war has not only caused prices on consumer goods to increase, but it has also resulted in a depreciation of Mongolian currency. The price of Mongolia's main exports, which are gold, coal, and copper, have been falling on the global metal market, which is making the U.S. dollar (USD) stronger and the Mongolian tugrug weaker.⁹⁹ The decline in the price of Mongolia's main export resources coupled with the increase in the price of the crucial import products and diesel fuel is impacting Mongolian banks' USD reserve and has led to the depreciation of Mongolian currency.¹⁰⁰ This correlation will negatively impact the Mongolian government's foreign debts like international bonds of Samurai, Chinggis, and Gerege, which are due in 2023.¹⁰¹

It is therefore complicated and challenging for the Mongolian economic and financial sectors to manage the negative implications for economic growth caused by the sanctions on Russia from international institutions. These international institutions control worldwide bank transactions, especially when financial institutions use U.S. dollars when making international transactions, which was observed from March to May 2022 in Mongolia.¹⁰² After the Russia-Ukraine war broke out in February 2022, the value of Mongolian currency, the tugrug, depreciated, and as of the beginning of April 2022, it was down by 5.5 percent as compared with the end of 2021.¹⁰³ Meanwhile, the U.S. dollar rate increased from 2,850 tugrug, which was stable for 18 months, to 3,370 tugrug as of October 15, 2022 (see Figure 4).¹⁰⁴ The dollar rate depreciates Mongolian currency significantly.

⁹⁹ Adrian Ma, "What's Driving Prices down in the Metals Market?," NPR All Things Considered, July 22, 2022, <https://www.npr.org/2022/07/22/1113067636/whats-driving-prices-down-in-the-metals-market>.

¹⁰⁰ Mendee Jargalsaikhan and Munkhtulga Batmunkh, "What Are Russian Interests in Mongolia?," in *Mongolian Geopolitics*, ed. Mendee Jargalsaikhan (Ulaanbaatar, Mongolia: Friedrich-Ebert-Stiftung Mongolia, 2022), 194, <https://library.fes.de/pdf-files/bueros/mongolei/19651.pdf#page=18>.

¹⁰¹ Jargalsaikhan and Batmunkh, 194.

¹⁰² Odonbaatar, *War in Ukraine and Its Impacts*.

¹⁰³ Nganou et al., *Mongolia Economic Update*.

¹⁰⁴ МОНГОЛБАНК, "МОНГОЛБАНК - МОНГОЛ УЛСЫН ТӨВ БАНК" [Bank of Mongolia – Central Bank of Mongolia], МОНГОЛБАНК, accessed October 15, 2022, <https://www.mongolbank.mn/dblistofficialdailyrateGraph.aspx>.

Overall, the war has negatively affected regular Mongolian household income, increased poverty level, and eroded living standards, which has in turn led to increased interest rates, ultimately diminishing the value of the tugrug and making oil imports more costly from Russia.¹⁰⁵



Figure 4. Declared currency rate (USD vs. tugrug) from Mongolian Bank, 2020–2022.¹⁰⁶

Mongolia’s intended budget for 2022 indicates a budget surplus with an increase of 2.7 trillion tugrug, or about a 20 percent increase from last year, but the Russia-Ukraine war, which limited Russia’s ability to export resources because of sanctions on the Russian economy, is likely to lead to budget cuts and reduced income.¹⁰⁷ Additionally, imported goods’ transportation costs increased due to the interrupted border activities by China and Russia, leading to a reduction in Mongolian exports and an increase in import costs.

Another economic effect on Mongolia since the war started is the distress of its banking system. The international sanctions on Russia have caused a restriction of Russian SWIFT connectivity. Consequently, Mongolians living abroad have been unable to use

¹⁰⁵ UN Global Crisis Response Group on Food, Energy and Finance, *Global Impact of the War in Ukraine*.

¹⁰⁶ Source: Монголбанк, “Монголбанк.” [Mongolian Bank]

¹⁰⁷ Enkhbayar, “Global Economic Outlook,” 13.

their credit cards provided by Mongolian banks.¹⁰⁸ The SWIFT is a highly secure network that enables the generation of financial transactions among the 11,000 financial institutions of 200 countries.¹⁰⁹ The SWIFT sends 40 million messages a day, which allows transactions of trillions of dollars between companies and governments, but Russian payments are involved in only less than 2 percent of those messages.¹¹⁰ Seven Russian banks were disconnected from SWIFT in March 2022 to curtail Russia's ability to operate in global markets, but Russia has searched for alternatives that rely on different payment systems with India and China to fulfill its financial needs.¹¹¹ Mongolia is affected by the SWIFT sanction because it is one of the few Russian-facilitated member countries under the financial structure of the International Bank for Economic Cooperation and the International Investment Bank.¹¹² Furthermore, Mongolian foreign trade transactions are made possible through the Russian banks, which Mongolian banks are reliant on to implement import and export operations.¹¹³

Even though there are certain negative economic influences in Mongolia from the war in Ukraine, so far it has not been too impactful for its economic development. According to the Asian Development Bank's economic data, Mongolia's GDP growth rate in 2022 was projected to be 1.7 percent, with a forecasted 4.9 percent increase in 2023.¹¹⁴ Additionally, Mongolia's inflation rate in 2022 was 14.7 percent, which is more than 10 percent higher than developed East Asian countries like South Korea, China, and Taiwan due to a number of reasons including the conflict, but it is predicted to decrease to 11.6

¹⁰⁸ Tampubolon, "Russia's Invasion of Ukraine," 63.

¹⁰⁹ Tampubolon, 65.

¹¹⁰ Russell Hotten, "Ukraine Conflict: What Is Swift and Why Is Banning Russia so Significant?," BBC News, May 4, 2022, <https://www.bbc.com/news/business-60521822>.

¹¹¹ Hotten.

¹¹² Reuters, "Mongolia's East-West Balancing Act."

¹¹³ Reuters.

¹¹⁴ Asian Development Bank, "Economic Forecasts for Mongolia," Mongolia and ADB, September 21, 2022, <https://www.adb.org/countries/mongolia/economy>.

percent in 2023.¹¹⁵ Unfortunately, Mongolia’s economic account balance has been descending over the last few years: by –5.1 percent in 2020, –13 percent in 2021, –19.5 percent forecasted for 2022, and –16.8 percent forecasted for 2023 by the Asian Development Bank. Its balance is now negative, which is far less than other Asian developed countries, which have a positive current balance.¹¹⁶ Considering these economic trends of GDP growth, inflation, and current account balance, the Russia-Ukraine war is not severely weakening Mongolia’s economic growth.

C. MONGOLIA-RUSSIA DIRECT RELATIONS TO MITIGATE ECONOMIC IMPACTS OF THE WAR

Traditionally, Mongolia and Russia have had a long relationship since the Soviet era. This is especially true for the economic relationship between the two countries, which is deep regarding petroleum, food, and electricity. Most important to Russian-Mongolian economic relations are fuel and electricity, because the entirety of Mongolia’s economy depends upon Russian petroleum export.¹¹⁷ An absence of fuel or increased fuel prices can shake Mongolia’s economic stability in the social and political contexts as Mongolia’s industry is developing, the number of vehicles is increasing, and number of flights is rising.¹¹⁸ However, Russian foreign policy desires Mongolia to be dependent on Russia for petroleum and electricity permanently, opposing the initiatives of the Mongolian government to build a crude oil refinery on the southern border and a hydropower plant (HPP) on the Eg River near Mongolia’s northern border.¹¹⁹

1. Impact on the Fuel and Food Sectors

The overall impact of Mongolia-Russia relations on mitigating the economic impacts on Mongolia’s fuel and food sectors is hindering Mongolia. Fuel supply is the

¹¹⁵ Asian Development Bank.

¹¹⁶ Asian Development Bank.

¹¹⁷ Jargalsaikhan and Batmunkh, “What Are Russian Interests in Mongolia?” 51.

¹¹⁸ Jargalsaikhan and Batmunkh, 51.

¹¹⁹ Jargalsaikhan and Batmunkh, 51–52.

critical part of these two countries' economic relations, and it has become a serious concern for Mongolia to maintain its sustainability while stabilizing the price without cutting supply and not violating international sanctions.¹²⁰ Fuel has always given Moscow an advantage while negotiating with Mongolian government authorities, which was shown by the Russian Foreign Minister's visit to Mongolia on July 5, 2022. One of the main topics was maintaining an unwavering petroleum supply.¹²¹ Subsequently, in the same month, the Mongolian government took measures to reduce the tax on imported food and fuel, and thereby made an agreement with Russia's Rosneft.¹²² As a result, authorities announced that Russia will continue to export wholesale gasoline to Mongolia at up to 35 percent less than market prices, which allowed Mongolian drivers to get cheaper gasoline from gas stations.¹²³ However, the most commonly used gasoline in Mongolia is AI-92, the price of which has now increased to 2,390 tugrug, compared to April 2021's price increase to 956 tugrug.¹²⁴ According to Mr. Batnairamdal, vice minister of the Mongolian mining industry, the government increased the procurement of fuel reserves from 30 days to 45 days due to the Ukrainian crisis.¹²⁵

The Mongolian government is cooperating with Russia to build a gas pipeline through Mongolian territory to China from Russia, which could possibly help the Mongolian fuel energy sector.¹²⁶ Mongolia signed the agreement with Russia to build the Soyuz/Vostok pipeline project to deliver Russian gas to China in a critical period four days

¹²⁰ Odonbaatar, *War in Ukraine and Its Impacts*.

¹²¹ Odonbaatar.

¹²² Kohn, "Mongolia Consumers Feel Weight."

¹²³ Kohn.

¹²⁴ B. Badamgarav, "-92 Шатахууны Үнэ Дахин 100 Төгрөгөөр Нэмэгдэж, 2,390 Боллоо" [AI-92 Gasoline Price Increases by 100 Tugrug to 2,390], Ikon, March 10, 2022, <https://ikon.mn/n/2hlt>.

¹²⁵ Пресс Центр, "УУХҮЯам: Нэг литр АИ-92 бензиний өртөг 3,330 төгрөг болоод байна" [Ministry of Mining: The Cost of One Liter of AI-92 Gasoline Is 3,330 MNT], Press Center, May 2, 2022, <https://www.presscenter.mn/Niigem/niigmiin-medee/ministryofmining>.

¹²⁶ Odonbaatar, *War in Ukraine and Its Impacts*.

after the Russian invasion began.¹²⁷ According to Mongolian Prime Minister Oyun-Erdene, the Russia-Ukraine war is causing a challenging situation, especially in developing countries' economies.¹²⁸ About the natural gas pipeline project through Mongolia, he said that his government is looking for a way to get out of its dependency on Russia for energy supply and the project is still in the research stage, but there is no contract signed yet between China and Russia.¹²⁹ In the end, Mongolia is planning to profit from the transit fees from the pipeline through its territory in the future and seeking opportunity to use some of its gas instead of burning coal to reduce air pollution in Ulaanbaatar.¹³⁰ A significant impact from the Russia-Ukraine war would be the stalled development of the collective project of laying a gas pipeline through Mongolia, which is believed will contribute to economic and environmental benefits for Mongolia—for example, the reduction of air pollution in Ulaanbaatar.¹³¹ Initially, this project was planned to start in 2023, but Mongolia might see a postponement of an essential source of dirt-free energy due to the war-related sanctions against Russia.¹³²

Mongolia's relationship with Russia is helping the former to mitigate the economic impacts of the war with respect to food. Even though Mongolia aims to be self-sufficient in providing its own food supply, it is still importing fertilizers and grain from Russia, which supplies one-third of the Mongolian market needs, and from Ukraine, which could negatively influence Mongolia's production of food and beverages.¹³³ Russia and Ukraine

¹²⁷ "Mongolia Goes Ahead with Soyuz/Vostok Pipeline Signing with Russia despite Ukraine Outcry," IntelliNews, February 28, 2022, <https://www.intellinews.com/mongolia-goes-ahead-with-soyuz-vostok-pipeline-signing-with-russia-despite-ukraine-outcry-236407/>.

¹²⁸ Deutsche Welle, "Every Country in the World Will Suffer," Deutsche Welle, October 14, 2022, <https://dw.com/en/mongolian-pm-every-country-in-the-world-will-pay-and-suffer-as-ukraine-war-drag-on/video-63447519>.

¹²⁹ Deutsche Welle.

¹³⁰ Ewen Levick, "Russia's Pipeline Project across Mongolia Is Picking up Steam," *Mongolia Weekly*, February 28, 2021, <https://www.mongoliaweekly.org/post/russia-s-pipeline-project-across-mongolia-is-picking-up-steam>.

¹³¹ Nganou et al., *Mongolia Economic Update*, 37.

¹³² Nganou et al., 37.

¹³³ Odonbaatar, *War in Ukraine and Its Impacts*.

constitute about 75 percent of the world’s sunflower oil provision, and nearly one-third of its wheat and barley, which are huge numbers in terms of their usage and importance in food items for humans’ everyday needs.¹³⁴ To give an instance, Ukraine can produce sufficient food to feed 400 million people, comprising half of the global sunflower oil needs, 10 percent of grain, and 13 percent of corn.¹³⁵ Mongolian agriculturalists import wheat and fertilizers for their crops, so they are worried about price increases and instability of imports.¹³⁶

2. Impacts on the Energy Sector

Another problem for Mongolia is the energy sector. Industry in Mongolia is growing and becoming more active, which means it needs more electricity.¹³⁷ However, the Mongolian energy system is not altogether connected to a centralized power grid as its territory is vast and major cities still use Russian-built power plants for electricity, which requires Russian technology and Russian spare parts.¹³⁸ Mongolia imports about 13 percent of its electricity from Russia for its western and central provinces as backup energy in the winter season. The Mongolian government is working to diminish Mongolia’s reliance on Russia for much of its electrical energy, which leaves it vulnerable to changes in the Russia-Ukraine war.

Moreover, Mongolian Prime Minister Oyun-Erdene and his government are working to eliminate Mongolia’s dependency on Russian electricity by building an HPP along the Eg River, which is geographically close to Russia’s Lake Baikal. Expediting construction of this plant was a focus of Mongolian government officials during the Russian foreign minister’s visit in July 2022.¹³⁹ According to Mongolia’s Energy Minister

¹³⁴ Stackpole, “Ripple Effects from Russia-Ukraine War.”

¹³⁵ Tampubolon, “Russia’s Invasion of Ukraine,” 61.

¹³⁶ Amar Adiya, “Why Mongolians Won’t Take Sides in the Ukraine War,” *Mongolia Weekly*, April 25, 2022, <https://www.mongoliaweekly.org/post/why-mongolians-won-t-take-sides-in-the-ukraine-war>.

¹³⁷ Odonbaatar, *War in Ukraine and Its Impacts*.

¹³⁸ Odonbaatar.

¹³⁹ Odonbaatar.

Tavinbekh Nansal, construction of the Eg River HPP will generate 606 million kWh of electricity to meet the growing demand of the central region's integrated grid, which will act as a much-needed mode adjustment for the system. It is of economic significance for Mongolia as the HPP will meet domestic demand for more than US\$50 million of imported electricity; furthermore, it will generate tax revenue equal to US\$4.2 million every year.¹⁴⁰

In order to get out of its dependency on Russian-supplied energy, Mongolia needs to construct several strategically significant projects in its territory. In addition to the Eg River HPP, the implementation of the Erdeneburen HPP project is also significant to the Mongolian energy sector and economy.¹⁴¹ Specifically, it will fully meet the demand for electricity in the western region and the Altai-Uliastai' power system.¹⁴² As reported by Montsame news agency, the provinces of the western region will no longer depend on Russian imported electricity, which will also reduce greenhouse gases and the emission of carbonic acid gas (approximately 1.3 million tons) equivalent to approximately 756.6 thousand tons of coal burned per year.¹⁴³ In order to cut its energy dependence on Russia, it is necessary for Mongolia to advance these HPP projects, which will require fruitful negotiations and agreements with Russia.

Because the power and energy sectors are important for the country's development, Mongolia needed to become aware of its dependence on Russia for its energy and economic needs. Some analysts have hesitated about Russian interest in Mongolia's proposed energy projects, particularly in light of its aggressive foreign policy behavior. These analysts point to geostrategic concerns stemming from Russia's 50-percent ownership of the trans-Mongolian railroad.¹⁴⁴ Therefore, economic analysts liken the gas pipeline project to the

¹⁴⁰ L. Оуун-Ердене, “Эрдэнэбүрэнгийн УЦС Хөдөлсөн. Дараагийнх нь 315 МВт-Ын Эгийн Голын Усан Цахилгаан Станц” [Erdeneburen HPP Has Started. Next Is the 315 MW Aegean River Hydropower Plant], ikon.mn, August 8, 2022, <https://ikon.mn/n/2ms0>.

¹⁴¹ N. Lhagva, “ХОВД: ‘Эрдэнэбүрэнгийн Усан Цахилгаан Станц’ Төслийн Явцтай Танилцав” [HOVD: We Got Acquainted with the Progress of the ‘Erdeneburen Hydropower Plant’ Project], MONTSAME News Agency, September 9, 2022, <https://montsame.mn/mn/read/303505>.

¹⁴² N. Lhagva.

¹⁴³ N. Lhagva.

¹⁴⁴ Jargalsaikhan and Batunkh, “What Are Russian Interests in Mongolia?,” 47.

Mongolian railroad because its development is dependent on Russian policy, which could possibly influence economic freedom of choice by controlling Mongolian main infrastructures.¹⁴⁵

3. The Economic Impact on Travel to Mongolia

One byproduct of the Russia-Ukraine war is that Mongolia is seeing an increase in the number of people who are seeking international flights. According to A. Odonbaatar, since the Russia-Ukraine war broke out Mongolia has experienced increasing numbers of travelers from Russia to Mongolia who want flights to Asian and European countries since international flights to and from Russia have been suspended.¹⁴⁶ Further, some ethnic minorities from Russia, such as Buryats, Kalmyks, and Tuvans, have wanted to stay longer in Mongolia to escape the military draft so as not to be sent to the Ukraine front.¹⁴⁷ According to Mongolian Border Troops data, the increased number of travelers from Russia, including internationals and Russians, totals around 500 visitors crossing the border everyday who are seeking flights to Japan, South Korea, Turkey, and Germany.¹⁴⁸ Even though it is not accurate to call this movement tourism, possibly it could help Mongolian airline companies for Russian travelers to travel through Mongolian airports, which will have short-term economic yields. Also, reservations at some guesthouses in Ulaanbaatar, Mongolia have been full since Putin's mobilization order came out, and this could prove profitable for private business owners.¹⁴⁹

Mongolia cannot be separated from its two giant neighbors in terms of its economic development and international trade relations. Due to its landlocked position, Mongolia

¹⁴⁵ Jargalsaikhan and Batmunkh, 50.

¹⁴⁶ Odonbaatar, *War in Ukraine and Its Impacts*.

¹⁴⁷ Stephen M. Swope, "Ethnic Minorities Suffer Disproportionate Casualties in Russia's War," Organization for World Peace, September 4, 2022, <https://www.soldiers-russia.com/ethnic-minorities-suffer-disproportionate-casualties-in-russias-war-the-organization-for-world-peace/>.

¹⁴⁸ Odonbaatar, *War in Ukraine and Its Impacts*, 193.

¹⁴⁹ Michael Kohn, "'We Are Not Afraid': Russians Flee to Mongolia to Evade Ukraine Mobilisation," Reuters, September 27, 2022, <https://www.reuters.com/world/we-are-not-afraid-russians-flee-mongolia-evade-ukraine-mobilisation-2022-09-27/>.

remains reliant on both of these larger countries to import food and consumer goods.¹⁵⁰ Russia is the sole gateway for Mongolians to the European markets by both road and air, which can influence its trade with the European continent, but China is the conduit for Mongolia's business interactions with Asia-Pacific countries, and these interactions are much larger in volume.¹⁵¹ As a consequence of the Russia-Ukraine war, though, the number of regular flights has dropped off, and so income from Mongolian Air's overflight fees' for passing through Russian airspace has decreased from the international airport.¹⁵² As of November 2022, international fly-over number had decreased by 42.5 percent, from 60,908 to 35,001 flight, compared with last year's number.¹⁵³ The Civil Aviation Authority of Mongolia has planned to improve the airspace capacity and efficiency of Mongolia in accordance with international aviation standards and aims to reach 500,000 flights per year by 2030; thus, its revenue from air navigation will increase, which will invigorate Mongolia's foreign relations and trade.¹⁵⁴ Consequently, Mongolia renewed its air ways in October 2022 to make effective direct routes to main destinations to fulfill its requirement of international air standards.¹⁵⁵ On the other hand, higher fuel prices have led to expensive plane tickets that have increased financial burdens not only to the visitors of Mongolia but to travelers and airlines all over the world.¹⁵⁶

¹⁵⁰ David Stanway, "Mongolia's East-West Balancing Act Buffeted by Russian Invasion of Ukraine," Reuters, March 3, 2022, <https://www.reuters.com/world/asia-pacific/mongolias-east-west-balancing-act-buffed-by-russian-invasion-ukraine-2022-03-03/>.

¹⁵¹ Odonbaatar, *War in Ukraine and Its Impacts*.

¹⁵² Odonbaatar.

¹⁵³ "Civil Aviation Authority of Mongolia," Civil Aviation Authority of Mongolia, accessed December 17, 2022, <https://www.mcaa.gov.mn/?lang=en>.

¹⁵⁴ D. Ulziisaikhan, "Монгол Улсын Агаарын Зайн 80 Хувь Шинэчлэгдлээ" [80 Percent of Mongolia's Airspace Has Been Renewed], MONTSAME News Agency, October 7, 2022, <https://montsame.mn/mn/read/305409>.

¹⁵⁵ Ulziisaikhan.

¹⁵⁶ Ben Baldanza, "Five Ways Russia's Ukraine Invasion Will Affect Airlines Worldwide," *Forbes*, March 1, 2022, <https://www.forbes.com/sites/benbaldanza/2022/03/01/five-ways-the-ukrainian-invasion-will-affect-worldwide-airlines/>.

D. CONCLUSION

The Russia-Ukraine war continues to cause instability all over the world, including in the Northeast Asian countries like Mongolia, China, and Japan.¹⁵⁷ Although the war's economic impact might sound irrelevant to Asian countries, it is important to note that the Western sanctions that were supposed to affect only Russia have economically impacted some Asian states.¹⁵⁸ Specifically, Mongolia has felt its impact on electricity, gasoline, and diesel fuel due to a decline in Russia's and Mongolia's trade, which disturbs Mongolia's economy.¹⁵⁹

The economic relationship between Mongolia and Russia will need to focus more sharply on fuel, energy, and food supplies as the Russia-Ukraine war continues. Mongolia will need to maintain diplomatic relations with Russia because Russia has vast natural resources of oil, natural gas, and coal.¹⁶⁰ From these resources, Russia gains one-half of its total revenues, which makes the Russian government highly dependent on European Union countries' imports. Russia gains its main income from these imports, but American and European sanctions on Russia have weakened this strength.

¹⁵⁷ Tampubolon, "Russia's Invasion of Ukraine," 62.

¹⁵⁸ Tampubolon, 62.

¹⁵⁹ Tampubolon, 63.

¹⁶⁰ Joseph Kiprof, "What Are the Major Natural Resources of Russia?," WorldAtlas, March 27, 2019, <https://www.worldatlas.com/articles/what-are-the-major-natural-resources-of-russia.html>.

III. THE IMPACT ON MONGOLIA’S MILITARY FROM THE RUSSIA-UKRAINE WAR

The previous chapter sought to determine the economic impacts of the Russia-Ukraine war on Mongolia. This chapter seeks to determine whether the Russia-Ukraine war has impacted Mongolian foreign policy or its military strategy with respect to Russia. And if so, how? This chapter determines that Mongolia has not significantly changed its foreign policy or military strategy due to the Russia-Ukraine war. Due to Mongolia’s and Russia’s permanent comprehensive strategic partnership treaty, which was signed by former Mongolian President Battulga and Russian President Putin in 2019, Mongolia believes it does not need to change its commitment in terms of defense and military-technical assistance from Russia to maintain regional and global security.¹⁶¹

This chapter first examines the background of Russian aggression against Ukraine, as well as the U.S. and Western response to the war. Section B explains the details of the ongoing war through January 2023. Section C examines whether Mongolia has maintained the same military strategy and foreign policy despite the Russia-Ukraine war.

A. BACKGROUND OF RUSSIAN AGGRESSION AGAINST UKRAINE

It is important to understand the contexts of Mongolia’s geopolitical environment, and particularly Russia’s actions during its war in Ukraine, which might influence future Mongolian foreign policy and military strategy. These actions derive from the historical relationship between Russia and Ukraine.

Russian leaders have long seen Ukraine as part of Russia’s historical identity, as they have been related to each other for 1,000-plus years in terms of their religion, culture, and history.¹⁶² At the same time, the Russian empire faced hostility and military threats from the West, including Ukraine, from the 18th through 19th centuries, and these threats

¹⁶¹ Sergey Radchenko and Mendee Jargalsaikhan, “Mongolia: Russia’s Best Friend in Asia?,” *Asian Forum*, October 15, 2021, <https://theasanforum.org/mongolia-russias-best-friend-in-asia/>.

¹⁶² Al-Hasnawi, “The Russian-Ukrainian War,” 179.

were difficult for Russia to manage because of its enormous size and transportation challenges.¹⁶³ Much of Ukraine was merged into the Russian empire in 1793 following the second of three partitions of Poland.¹⁶⁴ After being the source of grain from which Germany and Austria could feed their hunger-plagued populations during World War I, Ukraine declared its reunification and short-lived independence in 1919, which was interrupted by the Union of Soviet Socialist Republics in 1922.¹⁶⁵ After that, Ukraine was the second largest of the Soviet Union's 15 republics and carried vital interests for Russia regarding agricultural and defense industrial production.¹⁶⁶

On August 24, 1991, Ukraine declared its independence from the Soviet Union and became a sovereign nation.¹⁶⁷ The dissolution of the Soviet Union after 74 years saw the emergence of 15 different countries, including Ukraine. Finally, Russia and Ukraine officially separated on December 25, 1991.¹⁶⁸

The cold conflict that existed between the West and Russia for several decades put Russia in its defensive mode. Starting with the promises not to expand NATO beyond Germany after that country was reunified, the West vowed not to place any permanent military station in Eastern Europe but did so anyway. The West even placed missile systems near the Russian border, and finally the West intervened in the internal affairs of Russia. Russia clearly opposes any external foreign influence, like the U.S. and NATO's

¹⁶³ Frederick W. Kagan and Robin Higham, *The Military History of Tsarist Russia* (New York: Palgrave Macmillan, 2002), 2.

¹⁶⁴ "Ukraine Declares Its Independence," This Day in History, January 26, 1918, <https://www.history.com/this-day-in-history/ukraine-declares-its-independence>.

¹⁶⁵ History Editors.

¹⁶⁶ Al-Hasnawi, "The Russian-Ukrainian War," 179.

¹⁶⁷ "Independence Day: 31 Years of Ukrainian Statehood," Ukrainian Research Institute Harvard University, August 23, 2022, <https://huri.harvard.edu/news/independence-day-31-years-ukrainian-statehood>.

¹⁶⁸ Greg Myre, "How the Soviet Union's Collapse Explains the Current Russia-Ukraine Tension," NPR Morning Edition, December 24, 2021, <https://www.npr.org/2021/12/24/1066861022/how-the-soviet-unions-collapse-explains-the-current-russia-ukraine-tension>.

expansion policy, over its post-Soviet area by any means, which might diminish Russia's power in Europe.¹⁶⁹

Because of these actions, beginning in 1996, according to Eugene Rumer, Sergei Lavrov's predecessor as Russian foreign minister, Primakov, initiated a unique way of expanding Russia's standing on the international stage, which clearly differed from the Western track.¹⁷⁰ In particular, Russia has avoided going along with the international order, which has been guided by the United States, so as to pursue its strategic interests by intervening in international politics independently.¹⁷¹ To that end, Russia advanced its military capabilities in every modern domain.

Russia showed its military strength by annexing territory such as Crimea (2014), which was part of Ukraine, and launching a military operation in Syria (2015 to present).¹⁷² When Putin met with U.S. president George W. Bush in 2008, he stated that Ukraine is not a country and described Ukrainians as one people with the Russians.¹⁷³ Moreover, Russia saw the Ukrainian territory as a strategic advantage through which it can sell its natural gas to the West market.¹⁷⁴ Ukrainians see Russians in a different way—that Russia is suppressing their culture and language and that the persecution of over 5 million Ukrainians is a terrible memory for them.¹⁷⁵ Therefore, a greater number of Ukrainians dislike Russia than like them.¹⁷⁶ Putin repeated the same statement about the two

¹⁶⁹ Al-Hasnawi, "The Russian-Ukrainian War," 183.

¹⁷⁰ Julia Gurganus and Eugene Rumer, "Russia's Global Ambitions in Perspective," Carnegie Endowment for International Peace, February 20, 2019, <https://carnegieendowment.org/2019/02/20/russia-s-global-ambitions-in-perspective-pub-78067>.

¹⁷¹ Gurganus and Rumer.

¹⁷² Gurganus and Rumer.

¹⁷³ Jeffrey Mankoff, *Russia's War in Ukraine: Identity, History, and Conflict* (Washington, DC: Center for Strategic and International Studies, 2022), <https://www.csis.org/analysis/russias-war-ukraine-identity-history-and-conflict>.

¹⁷⁴ James McBride, "Russia's Energy Role in Europe: What's at Stake with the Ukraine Crisis," Council on Foreign Relations, February 22, 2022, <https://www.cfr.org/in-brief/russias-energy-role-europe-whats-stake-ukraine-crisis>.

¹⁷⁵ Al-Hasnawi, "The Russian-Ukrainian War," 179.

¹⁷⁶ Al-Hasnawi, 179–80.

countries' historical unity in 2014 when he announced the annexation of Crimea.¹⁷⁷ Russia's desire to expand its influence was shown in its geopolitical-oriented invasion of Crimea 2014, which served to secure Moscow's control of the Black Sea by establishing the Sevastopol naval base, and paved the way for the ensuing civil wars up to now.¹⁷⁸ This annexation of Crimea led to eight years of political conflict between the two countries, during which Russia claimed the industrialized region of Donbas, with a loss of 14,000 lives, and disregarded the Minsk agreement, which was meant to stop the fighting and troop movements that eventually instigated the Russia-Ukraine war of 2022.¹⁷⁹

Contemporary history reveals that the primary cause of escalation between Russia and Ukraine was the invasion of Crimea in 2014 by Russian forces.¹⁸⁰ In response, the West not only provided Ukraine weapons but also trained its 100,000 troops since 2014.¹⁸¹ NATO and the United States taught Ukrainian forces how to think and act—instead of what to think—according to a Western standard, so that Ukrainian personnel learned to make tactical decisions from the lowest levels.¹⁸² During the last eight years, Ukrainian forces have totally transformed into a modern army with a new mindset since they cast off the old Soviet-style thinking.¹⁸³

¹⁷⁷ Mankoff, *Russia's War in Ukraine*.

¹⁷⁸ Chris Hedges, "Stop Worrying and Love the Bomb: Proxy War with Russia Is Sliding Toward Apocalypse," Salon, October 27, 2022, <https://www.msn.com/en-us/news/world/stop-worrying-and-love-the-bomb-proxy-war-with-russia-is-sliding-toward-apocalypse/ar-AA13qHkQ?ocid=entnewsntp&pc=U531&cvid=2d4ac7059dfc4640910a68703c628348>.

¹⁷⁹ "Conflict in Ukraine's Donbas: A Visual Explainer," International Crisis Group, June 29, 2021, <https://www.crisisgroup.org/content/conflict-ukraines-donbas-visual-explainer>.

¹⁸⁰ Al-Hasnawi, "The Russian-Ukrainian War," 180.

¹⁸¹ Chris Hedges, "Stop Worrying and Love the Bomb: Proxy War with Russia Is Sliding toward Apocalypse," MSN, <https://www.msn.com/en-us/news/world/stop-worrying-and-love-the-bomb-proxy-war-with-russia-is-sliding-toward-apocalypse/ar-AA13qHkQ?ocid=entnewsntp&pc=U531&cvid=2d4ac7059dfc4640910a68703c628348>.

¹⁸² Daniel Rice, "Ukraine Is the Modern-Day Sparta," *Small Wars Journal*, October 28, 2022, <https://smallwarsjournal.com/jrnl/art/ukraine-modern-day-sparta>.

¹⁸³ Rice.

However, Russian President Putin knew that NATO would not militarily confront Russia, which has nuclear power, even if war broke out between Russia and Ukraine.¹⁸⁴ On February 21, 2022, Putin presented a speech to justify the Russian intent to conduct special military operations in Ukraine to oppose NATO’s expansion.¹⁸⁵ Moreover, Putin argued against the validity of Ukraine’s identity and its independent status, blaming Western influence for promoting the Ukrainian identity as a geopolitical effort to weaken Russia.¹⁸⁶

B. PROGRESS OF WAR FROM FEBRUARY 2022 THROUGH JANUARY 2023

As Fiona Hill has described, the world order is changing due to the third great power conflict on the European continent since World War I.¹⁸⁷ In the Russia-Ukraine War case, NATO, as a preserver and enforcer of peace in the aftermath of World War II, was seen as a threat by Putin, who was alarmed by its eastward shift and increase in defense spending.¹⁸⁸ This assumption led to the ongoing Russia-Ukraine conflict, which has already had a catastrophic effect both in terms of loss of people and destruction of property.

1. Consequences of the War

The Russia-Ukraine war, begun at the end of February 2022, has caused more than 90,000 Russian casualties (25,000 dead and 65,000 injured) as of October 12, 2022; that means almost half of the 190,000 Russian soldiers originally deployed have been killed or

¹⁸⁴ “Background of Russia-Ukraine Aggression,” Daily Excelsior, February 28, 2022, <https://www.dailyexcelsior.com/background-of-russia-ukraine-aggression/>.

¹⁸⁵ Mankoff, *Russia’s War in Ukraine*.

¹⁸⁶ Mankoff.

¹⁸⁷ Maura Reynolds, “Fiona Hill: ‘Elon Musk Is Transmitting a Message for Putin,’” Politico, October 17, 2022, <https://www.politico.com/news/magazine/2022/10/17/fiona-hill-putin-war-00061894>.

¹⁸⁸ Christina Pazzanese, “How War in Ukraine Is Reshaping Global Order,” *Harvard Gazette* (blog), April 22, 2022, <https://news.harvard.edu/gazette/story/2022/04/how-war-in-ukraine-is-reshaping-global-order/>.

wounded.¹⁸⁹ But, according to the Chairman of the Joint Chiefs of Staff, General Mark Milley, at the end of 2022, this number rose to more than 100,000 soldiers dead from both Russia and Ukraine.¹⁹⁰ That sounds like a highly unsuccessful military operation with regard to the number of losses, but Russian President Vladimir Putin wanted to summon 300,000 more troops to continue the war effort by officially announcing the annexation of the Donetsk, Luhansk, Kherson, and Zaporizhzhia regions of Ukraine.¹⁹¹ Putin's objective is to get Russia's forces in full strength, but the reality will be challenging in that military training for the battle requires a lot of effort in order to prevent forces from being just cannon fodder.¹⁹² As of this writing on January 3, 2023, the Office of the Commissioner for Human Rights updated the civilian casualties from the Russia-Ukraine war, which reached 801 for December 2022 alone (including 188 killed and 613 injured), but the total number of civilian casualties from February 24, 2022 to January 3, 2023 were documented at 17,994, with 6,919 killed and 11,075 wounded.¹⁹³

According to Dr. Ahmed Al-Hasnawi, it is not only Russia that should be blamed for its invasion of Ukraine; the responsibilities also lie with the United States and its European partners because of their aggressive policy through NATO, which led Russia to take actions to protect its security consistent with international relations theory.¹⁹⁴

After eight months of the Russia-Ukraine war, the world has witnessed that Ukraine has prepared its armed forces better than anyone expected and has shown that it can resist

¹⁸⁹ "Over 90K 'Irrecoverable Losses' Suffered by Russian Soldiers in Ukraine: IStories," *Moscow Times*, October 12, 2022, <https://www.themoscowtimes.com/2022/10/12/over-90k-irrecoverable-losses-suffered-by-russian-soldiers-in-ukraine-istories-a79070>.

¹⁹⁰ "Ukraine War: US Estimates 200,000 Military Casualties on All Sides," *BBC News*, November 10, 2022, sec. Europe, <https://www.bbc.com/news/world-europe-63580372>.

¹⁹¹ Reynolds, "Fiona Hill."

¹⁹² Reynolds.

¹⁹³ "Ukraine: Civilian Casualty Update 3 January 2023," Office of the High Commissioner for Human Rights News, January 3, 2023, <https://www.ohchr.org/en/news/2023/01/ukraine-civilian-casualty-update-3-january-2023>.

¹⁹⁴ Al-Hasnawi, "The Russian-Ukrainian War," 180.

longer than expected against stronger armed forces. But it is still unknown how long this war is going to last.¹⁹⁵

At the same time, the United States is alarmed by the possibility of a nuclear strike, which Russia might initiate because of its troops' ineffectiveness in Ukraine.¹⁹⁶ Some scholars have argued that because of its failure on the Ukrainian battlefield, Russia could use tactical nuclear warheads, which are tiny enough to fit in single artillery rounds and are capable of shattering military bases or blocks of buildings in cities.¹⁹⁷ If Russia uses tactical nuclear weapons, their destruction level will depend on the speed and direction of the wind and the size of the weapons, but their lingering effects will be long term because of radiation.¹⁹⁸ Based on their experience, strategists who have written military doctrine say that the "escalate to deescalate" tactics correspond with Russia's action to threaten Ukraine with a nuclear bomb, and if Ukrainian forces retreat, Russia would deescalate.¹⁹⁹

2. Russia's Arsenal and Military Capabilities

Modern Russia, one of the major powers, has a nuclear arsenal, which on December 7, 2022, was utilized as a tactical tool of escalatory risk to Ukraine and the European territory.²⁰⁰ Russia has the largest nuclear arsenal in the world. It holds almost 6,000 nuclear warheads, any one of which could kill thousands of people if used in Ukrainian cities.²⁰¹

¹⁹⁵ Reynolds, "Fiona Hill."

¹⁹⁶ David E. Sanger, Anton Troianovski, and Julian E. Barnes, "In Washington, Putin's Nuclear Threats Stir Growing Alarm," *New York Times*, October 1, 2022, sec. World, <https://www.nytimes.com/2022/10/01/world/europe/washington-putin-nuclear-threats.html>.

¹⁹⁷ Sanger, Troianovski, and Barnes.

¹⁹⁸ David E. Sanger and William J. Broad, "Russia's Small Nuclear Arms: A Risky Option for Putin and Ukraine Alike," *New York Times*, October 3, 2022, sec. U.S., <https://www.nytimes.com/2022/10/03/us/politics/russia-tactical-nuclear-weapons.html>.

¹⁹⁹ Sanger and Broad.

²⁰⁰ International Crisis Group, *Answering Four Hard Questions About Russia's War in Ukraine* (Brussels: International Crisis Group, 2022), <https://www.crisisgroup.org/europe-central-asia/eastern-europe/ukraine/b96-answering-four-hard-questions-about-russias-war-ukraine>.

²⁰¹ Hedges, "Stop Worrying and Love the Bomb," October 27, 2022.

Russian President Vladimir Putin has threatened NATO and the United States with the use of nuclear weapons if they interfere with Russian military operations in Ukraine, which has led United States to calculate its own next course of action. Some Russian military experts have suggested using nuclear weapons as a demonstration somewhere in a rural area around the Black Sea, while others have suggested using such weapons on Ukrainian military bases as a tactical move to gain advantage and recover from recent defeats.²⁰² On September 30, 2022, Putin announced his intent to annex four regions of Ukraine, accounting for around 15 percent of Ukrainian territory, which drew the attention of politicians all over the world.²⁰³ In response to that illegal annexation, NATO received Ukrainian President Zelensky’s application for Ukraine to join the alliance, a move which crossed Putin’s red line, making their relations even more hostile.²⁰⁴

Meanwhile, Russian forces are employing long-range missiles and drones, which are allegedly made in Iran to attack and destroy Ukrainian cities’ power plant infrastructure.²⁰⁵ According to military analysts, blasting drones are becoming new cutting-edge capabilities for the military in modern warfare, and to combat them, Ukrainian forces have had to request air defense weapons support from allies because the country needs high-priced missiles to shoot down such advanced drones.²⁰⁶

²⁰² Sanger, Troianovski, and Barnes, “In Washington, Putin’s Nuclear Threats.”

²⁰³ Pamela Falk, “Russia’s Putin Announces Annexation of 4 Ukraine Regions, despite Global Outcry,” CBS News, September 30, 2022, <https://www.cbsnews.com/news/ukraine-russia-putin-annexes-four-regions-says-will-defend-territory-by-all-means/>.

²⁰⁴ Falk.

²⁰⁵ Andrew E. Kramer, “‘We Heard It, We Saw It, Then We Opened Fire,’” *New York Times*, October 23, 2022, sec. World, <https://www.nytimes.com/2022/10/23/world/europe/ukraine-russia-drones-iran.html>.

²⁰⁶ Kramer.

3. The U.S. and Western Response to the War

From an international relations perspective, it seems that the world is on the side of Ukraine by supporting whatever Ukraine has needed to weaken Russia, but the Russians will not go away easily; even if Putin gets away from Russian politics, his successor will be highly likely to continue Putin's nuclear-armed Russian foreign policy to balance power in Europe.²⁰⁷

On November 12, 2022, after eight months of Russian occupation, Ukrainian forces entered the city of Kherson and liberated it successfully, which made Russian forces retreat to the east.²⁰⁸ During the occupation, Kherson's residents suffered harsh conditions with no water, internet, or power due to the invasion. They were happy to be free finally due to the operation of the Ukrainian army and were proud of their soldiers.²⁰⁹ Remarkably, Kherson was announced as a Russian territory by the Russian President on September 30, 2022.²¹⁰ Figure 5 contains a situational map of Ukraine, showing territories controlled by the respective forces and disputed areas.

²⁰⁷ Stephen M. Walt, "Ukraine Is the World's Foreign-Policy Rorschach Test," *Foreign Policy*, October 18, 2022, <https://foreignpolicy.com/2022/10/18/ukraine-is-the-worlds-foreign-policy-rorschach-test/>.

²⁰⁸ Nic Robertson and Amy Woodyatt, "No Water, Power or Internet -- Only Euphoria in Newly Liberated Kherson," CNN, November 13, 2022, <https://www.cnn.com/2022/11/12/europe/kherson-city-ukraine-russia-intl/index.html>.

²⁰⁹ Robertson and Woodyatt.

²¹⁰ Robertson and Woodyatt.



Figure 5. Regional situation map of Ukraine.²¹¹

U.S. Secretary of Defense Lloyd Austin stated in the news briefing on October 12, 2022, that the United States and its allied countries are implementing a policy that assists Ukraine long-term to supply air defense and artillery systems of advanced weapons and equipment to defend from Russian strikes.²¹²

It has become clear that even as one of the world’s strongest military forces, Russia is failing in its war and showing its weakness on the battlefield by, for example, running out of ammunition. Many news sources documented the Russian forces had bad command and control, inexperienced troops, logistics challenges, and lack of resupply with due to military planning. From the end of February 2022 to November 2022, Russian forces lost

²¹¹ Source: Alys Davies, “Putin: Nuclear Risk Is Rising, but We Are Not Mad,” BBC News, December 7, 2022, <https://www.bbc.com/news/world-europe-63893316>.

²¹² “Defense Secretary Austin and Gen. Milley Hold News Briefing Following Ukraine Meeting,” accessed 2022-10-22 17:44:25, PBS News Hour, video, 24:44, <https://www.youtube.com/watch?v=YYv7ppuWNSs>.

1,420 tanks and 684 armored combat vehicles.²¹³ During a Russian state TV interview, Igor Shatrov, chief of the Expert Council of Russia’s Strategic Development Fund, said, “We weren’t prepared for the war that we started.”²¹⁴ Their weakness has made other countries think that if their own military forces prepare to defend their country, they can be effective with whatever force they have if they supplement it with their strong will. The most important thing is countries need to learn how to adapt and react to such conditions and integrate this knowledge in their military training and exercises, because learning during wartime is difficult.

From October 17 to 30, 2022, NATO planned to organize its routine exercise named “Steadfast Noon,” which involved 60 modern aircrafts, to examine its nuclear deterrence capabilities to keep peace and security in a world.²¹⁵ NATO is clearly aware of its duty to keep peace and security in a world under increasing threat from the largest nuclear power. Meanwhile, sixty-six UN member countries, mainly southern world leaders of the United Nations, have demanded an end to the war in Ukraine and that Russia respect the United Nations Charter.²¹⁶ In response to the ongoing war, long-time neutral countries like Sweden and Finland ultimately requested to join NATO. As the United States, UK, Poland, and Germany supply Ukraine with modern weapons, Russia has begun to feel alone and reacts with forceful responses.²¹⁷

Nonetheless, Ukraine is fighting hard and well with the support of its allies. For example, the United States has provided military equipment that is worth around \$17

²¹³ Brendan Cole, “Russia Running out of Ammunition and Armored Vehicles in Ukraine—U.K.,” *Newsweek*, November 3, 2022, <https://www.newsweek.com/russia-ukraine-war-putin-tanks-mod-update-aluminum-1756516>.

²¹⁴ Isabel Van Brugen, “Russian State TV Admits ‘We Weren’t Ready for the War That We Started,’” *Newsweek*, November 15, 2022, <https://www.newsweek.com/russian-state-tv-russia-ukraine-war-putin-kherson-1759549>.

²¹⁵ “NATO’s Annual Nuclear Exercise Gets Underway,” NATO News, November 7, 2022, https://www.nato.int/cps/en/natohq/news_208399.htm.

²¹⁶ Medea Benjamin and Nicolas J. S. Davies, “What Media Didn’t Tell You about the UN: 66 Nations Called for an End to Ukraine War,” *Salon*, September 30, 2022, <https://www.salon.com/2022/09/30/what-media-didnt-tell-you-about-the-un-66-nations-called-for-an-end-to-ukraine/>.

²¹⁷ Hedges, “Stop Worrying and Love the Bomb,” October 27, 2022.

billion since February 24, 2022.²¹⁸ At the end of October 2022, Washington sent two NASAMS (the National Advanced Surface-to-Air Missile System), which can defend against any drones and missiles, according to the CEO of Raytheon Technologies, Greg Hayes.²¹⁹

Under this increasing pressure, at the beginning of November 2022, Russia planned a mandatory transfer of 70,000 Ukrainian citizens from the Kherson region, which Russia occupied in an early stage of the war, while Ukrainians wanted to get their lands back.²²⁰ The situation became more problematic in that Ukraine wanted to fight back to regain the lost territory. Also, the United States told Ukraine that North Korea was secretly providing artillery ammunitions to Russia through different countries from the Middle East and Africa.²²¹ Both countries prepared zealously for intense war as winter approached.²²² Ukrainian military intelligence also learned that Iran has been supplying drones to Russia; more than 300 of which had landed on Ukrainian targets, but the Iranians have denied supplying them.²²³ On the other side, the Russians have accused Ukraine of producing biological weapons for what they call a “dirty bomb,” a statement that is refuted by the U.S. Department of Defense.²²⁴

Furthermore, the Russia-Ukraine war has caused a humanitarian crisis. Millions of refugees have fled Ukraine to neighboring countries which were unprepared to provide

²¹⁸ Joe Gould, “Raytheon Delivers Ukraine-Bound NASAMS Air Defense Systems,” C4ISRNet, October 25, 2022, <https://www.c4isrnet.com/battlefield-tech/2022/10/25/raytheon-delivers-ukraine-bound-nasams-air-defense-systems/>.

²¹⁹ Dan Parsons, “First Two NASAMS Air Defense Systems Are in Ukraine: Raytheon CEO,” *The War Zone* (blog), October 26, 2022, <https://www.thedrive.com/the-war-zone/first-two-nasams-air-defense-systems-are-in-ukraine-raytheon-ceo>.

²²⁰ Matthew Luxmoore, “Russian Occupation Authorities Plan to Move 70,000 from Ukraine’s Kherson Area,” *Wall Street Journal*, November 2, 2022, sec. World, <https://www.wsj.com/articles/russian-occupation-authorities-plan-to-move-70-000-from-kherson-area-in-ukraine-11667397434>.

²²¹ Luxmoore.

²²² Luxmoore.

²²³ Luxmoore.

²²⁴ Luxmoore.

services and support.²²⁵ The war in Ukraine threatens the international peace and security and clearly violates the United Nations Charter, which protects the territorial integrity of sovereign nations.²²⁶ Since the war started in Ukraine, according to the UN High Commissioner for Refugees (UNHCR), more than 17 million people have fled the country, and 90 percent of those refugees were women and children as of January 3, 2023.²²⁷ The war has caused a humanitarian crisis that not only affects Ukrainians and Russians but also unprepared neighboring countries, who are encountering a vast number of problems.²²⁸ For example, as of January 3, 2023, 8,683,718 border crossers have retreated to Poland, and out of those, 1,553,707 refugees have registered in there since the war began.²²⁹ Few countries can withstand such a sudden strain on their resources.

In addition to the many reactions from the international community toward the Russia-Ukraine war, Finland and Sweden, which, like Mongolia, are neutral countries, have announced that they would join NATO in response to Russia's invasion and destabilization of the region.²³⁰ Sweden had been neutral for two centuries, but Russia's actions forced it to make the decision to turn from its peaceful foreign policy. Sweden's forces have subsequently started intense bilateral military exercises with U.S. Marines to improve its forces' capabilities.²³¹

²²⁵ Al-Hasnawi, "The Russian-Ukrainian War," 186.

²²⁶ Al-Hasnawi, 186.

²²⁷ "Ukraine Humanitarian Crisis," Center for Disaster Philanthropy, January 19, 2022, <https://disasterphilanthropy.org/disasters/ukraine-humanitarian-crisis/>.

²²⁸ "War in Ukraine," AmeriCares Emergency Response, October 24, 2022, <https://www.americares.org/emergency-program/war-in-ukraine/>.

²²⁹ Center for Disaster Philanthropy, "Ukraine Humanitarian Crisis."

²³⁰ Helene Cooper and Kenny Holston, "Back in the Fight," *New York Times*, October 4, 2022, sec. U.S., <https://www.nytimes.com/2022/10/04/us/politics/sweden-ukraine-nato-marines.html>.

²³¹ Cooper and Holston.

C. THE IMPACT OF THE RUSSIA-UKRAINE WAR ON MONGOLIA'S FOREIGN POLICY AND MILITARY STRATEGY

Mongolia largely pursues friendly relationships with other countries in accordance with the peaceful principles inherent in its foreign policy. In fact, the 1992 constitution does not allow Mongolia to join any military alliance to enhance its international reputation. Furthermore, the Mongolian Foreign Policy Concept, approved in 2011, and the State Military Policy Basis, approved in 2015, are still in effect and lawful and derived from the constitution, and these documents' policies, goals, and objectives have not changed. Even though Mongolia is considered a neutral country in foreign countries' affairs and conflicts, however, there is no clearly articulated position of neutrality in Mongolian defense policy documents. Rather, because of its unique position as a buffer state between Russia and China, and its security and economic dependence on these two countries, Mongolia remains silent with respect to some international conflicts, and this position applies to the Russia-Ukraine war situation.²³²

1. Foreign Policy

Mongolia values peace and has a multi-pillar, open foreign policy; it does not join foreign military alliances and allies and prefers to have a policy of independence.²³³ However, the modern world does not acknowledge the concept of living alone or remaining separate. Thus, Mongolia faces the paradox of preferring independence in a world that prioritizes active participation in the activities of the international community. Therefore, Mongolia emphasizes political and diplomatic tools like peacekeeping missions and the third-neighbor policy of reaching out to great powers to gain political, economic, and cultural collaboration through the international system.²³⁴ In other words, Mongolia's

²³² Mendee Jargalsaikhan, Ariunbold Tsetsenkhoo, and Munkhtulga Batmunkh, "Mongolia Walks a Tightrope on Ukraine," East Asia Forum, September 15, 2022, <https://www.eastasiaforum.org/2022/09/15/mongolia-walks-a-tightrope-on-ukraine/>.

²³³ B. Battsetseg, "ОЛОН УЛСЫН ТАВЦАН ДАХЬ МАНАЙ УЛСЫН НЭР ХҮНД МЭДЭГДЭХҮЙЦ ӨССӨН" [Our Country's Reputation on the International Platform Grows Significantly], *Гадаад Харилцааны Яам* (blog), December 28, 2022, <https://mfa.gov.mn/71853>.

²³⁴ B. Battsetseg; Mendee Jargalsaikhan and Soyolgerel Nyamjav, *Mongolia's New Foreign Policy Strategy: A Balancing Act with Central and Northeast Asia* (Ulaanbaatar, Mongolia: Friedrich-Ebert-Stiftung Mongolia, 2022), 7–11, <https://library.fes.de/pdf-files/bueros/mongolei/19359.pdf>.

perspective is that it is important not to react to any external political or economic influences, but to engage through policies and activities that are in Mongolia's own interests. Mongolia does not judge the right or wrong of some countries and does not involve itself deeply in other countries' problems. Political and economic pressures and thorns arise from time to time, but Mongolia's foreign policy enables it to navigate them carefully.

On October 14, 2022, Mongolian Prime Minister Oyun-Erdene said that Mongolia will hold an official position against the Russia-Ukraine war, but Mongolia will follow the policy of diplomatic and peaceful negotiation.²³⁵ To clarify, Mongolia will continue to express its policy of peace to the international community but must acknowledge its unique location and the practical reason for maintaining a prudent neighbor relationship. This explains Mongolia's paradoxical position of abstaining from voting against war by Russia in March 2022. Mongolia's position is paradoxical in that it is against the war but not against Russia. This position is reflected in Mongolia's divided population; some are against the war and some support it.

Presently, Mongolia is in a geopolitically critical position due to the Russia-Ukraine war because its greatest third neighbor and strategic partner, the United States, strongly opposes the Russian invasion. Washington would like Mongolia to undermine the Russian military effort, but its northern neighbor needs Mongolia to keep its loyalty in all situations.²³⁶ According to Mendee Jargalsaikhan and Soyolgerel Nyamjav, Mongolia follows the 1992 constitution in not joining any military alliance in order to balance softly against its influential neighbors.²³⁷ Since that time, Mongolia has been pursuing three of its constitutional goals: to practice its foreign policies of maintaining nuclear weapon-free zone status, which reinforces Mongolia's neutrality; the Third Neighbor Policy to reach out to other great powers to gain its political, economic, and cultural collaboration through the international system; and peacekeeping, which is the only method to use Mongolian

²³⁵ Deutsche Welle, "Every Country in the World Will Suffer."

²³⁶ Jargalsaikhan and Nyamjav, *Mongolia's New Foreign Policy Strategy*, 5.

²³⁷ Jargalsaikhan and Nyamjav, 6–7.

military presence internationally, and which makes Mongolia the second largest troop-contributing country from its region.²³⁸ All of these political objectives proclaim that Mongolia is a neutral country that limits its active participation and voice in terms of wartime crises like the Russia-Ukraine war, which makes Ulaanbaatar vulnerable to accusations if it voices its opinion and, thus, prevents the Mongolian government from expressing its opinion.

Mongolia is receiving a vast number of refugees from Russia who crossed the border because of the additional conscription situation in Russia. According to the Mongolian Immigration Agency, 6,268 Russian citizens have arrived in Mongolia as of the beginning of October 2022.²³⁹ Among them, 748 citizens of Russia extended their short-term residence status in Mongolia and another 1,000 Russian citizens have received immigration counseling to request temporary residency.²⁴⁰ This kind of interaction clearly defines the direct impact of Mongolia from the Russia-Ukraine war, and it has compelled Mongolia not to express its position between those countries to favor Ukraine's independence or sanction Moscow's right to protect itself.²⁴¹

According to that framework, Mongolia held an international symposium in June 2022 to strengthen women peacekeepers and their role, which was attended by more than 60 peacekeepers from 30 countries.²⁴² Similarly, in June 2022, Mongolia hosted the 7th Ulaanbaatar Dialogue on Northeast Asian Security to voice its view on international security and its desire for peace in the region instead of hostility. This event attracted many international attendees including Russian representatives, but North Korea did not attend the dialogue this time.²⁴³ Some international participants disliked Russian participation in

²³⁸ Jargalsaikhan and Nyamjav, 7–11.

²³⁹ Bolor Lkhaajav, "Russian Citizens Flooding into Mongolia to Evade Conscription," *The Diplomat*, October 8, 2022, <https://thediplomat.com/2022/10/russian-citizens-flooding-into-mongolia-to-evade-conscription/>.

²⁴⁰ Lkhaajav.

²⁴¹ Lkhaajav.

²⁴² Jargalsaikhan, Tsetsenkhoo, and Batmunkh, "Mongolia Walks a Tightrope on Ukraine."

²⁴³ Jargalsaikhan, Tsetsenkhoo, and Batmunkh.

that dialogue due to its invasion of Ukraine, and some conveyed their aversion by leaving the conference during the Russian delegation's speech.²⁴⁴ Still, the Mongolian government pursues nuclear weapons-free status, which was recently highlighted by the UN Secretary General Antonio Guterres during his recent official visit to Mongolia in August 2022.

2. Military Strategy

Any sovereign country has its own distinct military strategy to defend its territorial integrity while training its forces to adapt to the challenges that they may face through strategic planning to achieve the desired result. From the very beginning of its statehood at each level throughout its history, Mongolia has had its own military strategy.

The Mongolian army cooperated with the Soviet force actively from 1921 up to the 1990s; then, the Soviets took their troops out of Mongolia in 1992. Since 2002, Mongolia has started allying itself with the U.S. bilateral and multilateral exercises, which have been conducted to shape the Mongolian army into a modern army. Mongolia is becoming one of the top troop-contributing countries in the United Nations peacekeeping missions compared with the big armies. At the same time, to increase its armed forces capability, Mongolia uses Russian military equipment. Our armed forces are gradually developing to adapt to the contemporary environment.

Despite these strides, it is economically challenging to develop Mongolian defense capabilities. Unlike other small countries, such as Singapore and Switzerland, Mongolia is located between two great powers against which it cannot compete. Instead, Mongolia uses diplomatic and political means to avert future conflicts to defend its sovereignty.²⁴⁵ Nonetheless, the Mongolian military should not be forced to lag behind in innovation and advanced technology in the sphere of military development because of its unclear political purpose. The Mongolian armed forces do have military leaders to make innovations to improve its inferior equipment, but it requires sufficient funds to make this happen. It will

²⁴⁴ Soyolgerel Nyamjav and Mendee Jargalsaikhan, "Why Is the UB Dialogue Important?," *Mongolia Focus* (blog), July 25, 2022, <https://blogs.ubc.ca/mongolia/2022/ubdialogue-neasia-security/>.

²⁴⁵ Li Narangoa, "Mongolia and Preventive Diplomacy: Haunted by History and Becoming Cosmopolitan," *Asian Survey* 49, no. 2 (2009): 359, <https://doi.org/10.1525/as.2009.49.2.358>.

take years to develop the Mongolian military in terms of weapons and technology, but it is possible to make Mongolia's military coherent with the country's foreign policy.

After the official visit of Russian Foreign Minister Sergei Lavrov, the Mongolian armed forces participated in a joint military exercise, which was originally a routine annual exercise. In 2022, however, it was conducted under the close supervision of both domestic and external audiences because of criticism of Mongolia's ties with Russia. Mongolia as a neutral country does not seek to take sides, as reflected in its constitution which clearly prohibits the country from joining any military alliances, but Mongolia will continue to conduct multilateral exercises with not only its two great neighbors but also its third neighbor countries and international organizations like NATO within the framework of its diplomatic policy.²⁴⁶

During peacetime, the Mongolian State Military Policy's foundation is based on a principle of "compact, capable, and professionally oriented armed forces" due to its economic capacity.²⁴⁷ Therefore, the only efficient way to increase the strength of its armed forces' combat readiness is to participate in peacekeeping missions, which it has proved by its participation in several UN peacekeeping missions in Chad, Sierra-Leone, and South Sudan and in coalition missions in Iraq, Kosovo, and Afghanistan.²⁴⁸

Mongolian military analysts who are interested in modern warfare can collect a significant volume of information from the Russia-Ukraine war, which employs a Western military doctrine abbreviated as DOTMLPF-P, which stands for doctrine, organization, training, material, leadership, personnel, facilities, and policy considerations.²⁴⁹ Due to the nature of 21st century war, the battlegrounds consist of mostly urban operations, which involve large-scale conflicts between states who strategically seek to deplete one another

²⁴⁶ Jargalsaikhan, Tsetsenkhoo, and Batmunkh, "Mongolia Walks a Tightrope on Ukraine."

²⁴⁷ Byambasuren Bayarmagnai, "Challenges Facing Mongolia's Participation in Coalition Military Operations" (strategy research project, US Army War College, 2005), <https://apps.dtic.mil/sti/pdfs/ADA431868.pdf>.

²⁴⁸ Bayarmagnai.

²⁴⁹ Amos C. Fox, "The Russo-Ukrainian War and the Principles of Urban Operations," *Small Wars Journal*, November 10, 2022, <https://smallwarsjournal.com/jrnl/art/rucco-ukrainian-war-and-principles-urban-operations>.

by conducting attritional warfare.²⁵⁰ Urban operations mainly victimize the civilian population and infrastructure by violating a number of international laws and regulations including international humanitarian law (IHL) and the law of armed conflicts (LOAC).²⁵¹ Urban operations require quick decision making to transition through the variables of tools of war and conditions of combatants' components to gain advantage by using a number of military tactics and maneuvers, like laying siege to Ukrainian cities.²⁵²

From the experience of the Russia-Ukraine war, the Mongolian armed forces can study and invest in modern-day weapons that are being used in contemporary, asymmetric war. Not only will such study enable Mongolian forces to qualify for United Nations peacekeeping missions, but they will also be able to improve, innovate, and train to change the mindsets of personnel for the sake of the country's people and territorial integrity. To carry out force protection and protect the territory, Mongolian armed forces do not need high numbers of tanks, but certain skills and modern weapons are required. For example, the Mongolian army may need hand-held asymmetric weapons like Javelins, Stingers, and UAVs to expand, support, and conduct the mission of defending its territory.

D. CONCLUSION

The Russia-Ukraine war continues to produce an appalling number of military and civilian casualties and a catastrophic level of property destruction. International organizations, the United States, and European countries support Ukraine, and Ukraine continues to fight to liberate its cities. The international response is critical because so many countries stand to be affected by Russian aggression. The world has changed, and while Mongolia is geographically closest to Russia, its strategies and policies have not changed. Mongolia believes it does not have the right to judge what other countries do, and it continues with its current foreign policy of neutrality. Thus, in examining whether the Russia-Ukraine war has had any impact on Mongolian foreign policy goals and military

²⁵⁰ Fox.

²⁵¹ Fox.

²⁵² Fox.

strategy, one is struck by the country's reaffirmation of a peaceful policy as it seeks to strike a balance between agreeing with the international community yet maintaining its relationship with its neighbor. The Russia-Ukraine war may not have affected the Mongolian foreign policy concept (2011) or its military strategy (2015), but the war as of this writing is not yet a year old. The country, like the international community, continues to advocate peace but needs to be ready to respond to developments at any time.

What is seen is that Putin's handling of the war is not friendly with other countries in the sense of not considering them and international organizations. Ignoring diplomatic means is showing his miscalculation of Ukraine's determination and the West's assurance to support Ukraine.²⁵³ Likewise, his reputation is going to deteriorate even more due to Russian forces encountering prolonged street warfare in expressly integrated Ukrainian cities that are supported by more joint and heftier NATO and EU actions.²⁵⁴ Irrevocably, war is causing Russia to become economically, financially, and politically isolated, which will presumably have undesirable long-term effects.²⁵⁵

²⁵³ Tampubolon, "Russia's Invasion of Ukraine," 62.

²⁵⁴ Tampubolon, 62.

²⁵⁵ Tampubolon, 62.

IV. CONCLUSION

In the beginning of the Russia-Ukraine war, the world imagined that it was going to be a blitzkrieg, but by May 2022, it had become apparent that this asymmetric war would turn into an attritional war, perhaps even a total war because of Russia's decision to mobilize 300,000 more troops.²⁵⁶ The Russians are superior in number due to their greater population; therefore, to make up for their deficit, Ukraine has aimed to obtain superior technology through its Western-provided air defense systems and electronic warfare systems.²⁵⁷ Countries including China, Saudi Arabia, and the United Arab Emirates (UAE) do not want to express official bias regarding the war because of their essential economic interests with both NATO countries and Russia.²⁵⁸ These countries do not want to take sides because doing so might affect their economic growth in the long term.²⁵⁹ Nonetheless, a country does not have to take sides to be impacted by the conflict in many ways, and not just economically. This is certainly true for Mongolia.

Seen from the view of history, it is certain that history tends to repeat itself; therefore, learning from past events can be applied to future cases. Because of the external environment of continuously changing situations like the Russia-Ukraine war, Mongolia needs to have a more forward-looking military doctrine. One of the responsibilities of the Mongolian Defense Ministry is to learn from international and regional changes and increase defense capability in response.²⁶⁰ Foreign goals and objectives must align with the legal environment to improve the defense of the country. Therefore, the military must learn from the events in Ukraine, and Mongolia's military policy should include the

²⁵⁶ Oleksandr V. Danylyuk, "Russian Total War in Ukraine: Challenges and Opportunities," RUSI Commentary, October 21, 2022, <https://rusi.org/explore-our-research/publications/commentary/russian-total-war-ukraine-challenges-and-opportunities>.

²⁵⁷ Danylyuk.

²⁵⁸ Tampubolon, "Russia's Invasion of Ukraine," 57.

²⁵⁹ Tampubolon, 57.

²⁶⁰ "ЗОРИЛГО ЗОРИЛТ" [Goal and Objective], Монгол Улсын Батлан хамгаалах яам" [Defense Ministry of Mongolia], accessed February 1, 2023, <http://mod.gov.mn/зорилго-зорилт/>.

government's focus on developing the military's technological capabilities. Although this is easier to say than do because it is difficult to allocate resources to improve military equipment in this period of economic deprivation. Yet, technological improvement is important if the country's military is to keep its capabilities current.

This chapter summarizes the impact of the Russia-Ukraine war on the Mongolian economy and military realms. It then offers foreign policy recommendations to guide economic thinking and suggestions to revise the defense strategy based on observation and learning from Ukraine's ability to adapt during the war.

A. SUMMARY OF FINDINGS

This thesis found that the Mongolian foreign policy concept (2011) and the Mongolian state military policy (2015) have not changed because of the country's solid foundation in preferring a friendly and balanced relationship with its neighboring countries. Nevertheless, it does not mean the constitution is a permanent document that cannot be amended when necessary. Some countries amend their security and defense strategies whenever a new president comes into office due to changing situations and times, because these countries recognize that if their strategies do not align with reality, the country becomes vulnerable; therefore, it is better to change the military strategy for improved national security. Civilian authorities are the ones who create political goals, so they have to be informed of the military's capabilities and ensure that the capabilities and political goals are in alignment.

Overall, the Mongolian economy has been impacted by the war, and the country's fuel, food, and energy sectors have felt its consequences most. Mongolian foreign policy and military strategy are implementing the same methods in the ever-changing character of war that is happening the Ukraine. Mongolia might not need to have the most advanced military equipment, but members and leaders of the armed forces need to think wisely and act more quickly to succeed with great determination.

The first hypothesis of this thesis was that Russia's war in Ukraine is negatively impacting the Mongolian economy. The analysis indicates that the Russia-Ukraine war has impacted the Mongolian economy in many ways. It has found that the inflation rate reached

a high at 14.7 percent in 2022, and the Mongolian GDP fell to -3.9 percent during the first phase of the Russia-Ukraine war. Food and fuel prices increased, which depreciated Mongolian currency 5.5 percent and, furthermore, caused Mongolian households' discretionary income to shrink by 4.29 percent. The USD rate increased, which depreciated the Mongolian currency even more. Therefore, it is likely that the war has negatively impacted the Mongolian economy in several ways.

The second hypothesis was that Russia's war in Ukraine is causing Mongolia to adjust its defense strategy. Even though there is a war going on in Ukraine involving Mongolia's immediate neighbor Russia, the Mongolian state military policy has not changed since its revised version of 2015. This is because of the policy's solid foundation based on successful diplomatic and foreign policy, and Mongolia's military strategy has remained the same because of its consistently friendly relations with Russia. The Mongolian constitution does not allow the country to join any military alliances or offer support—even for its neighboring countries' actions. Mongolia remains officially neutral on the Russia-Ukraine war, pursuing its own diplomatic policy and peaceful principles. It will maintain its neutrality in the war because of its unique geographical position as well. Therefore, the war has not influenced Mongolia to alter its defense strategy, although it is likely to prompt the country to reexamine current policy and monitor ongoing events.

B. FOREIGN POLICY RECOMMENDATIONS

Due to the modern dynamic of the war and the uncertainty it has caused internationally and regionally, Mongolia must reexamine its economic and military policies. Economically, Mongolia must find a way to develop its energy and fuel sectors to free itself of dependency on Russia. Militarily, it must reexamine its overall strategy and take steps to ensure its armed forces' investment in emerging technologies to adapt to contemporary war challenges. To that end, this thesis recommends that Mongolia initiate the following five actions.

1. Pursue Alternative and External Energy Sources

Even though Mongolia is the coldest country in the world, making heating and electricity its most prioritized needs, its rich coal reserves alone have become increasingly insufficient to sustain the country through the bitter winters. It must find a way to supplement its reserves with electricity and natural gas from outside sources, as well as investigate alternative means of energy production.

Mongolian companies should pursue alternative sources of energy since the Russia-Ukraine war has disconnected Mongolia's relationships with Europe and Eurasian trade partners.²⁶¹ To navigate these challenges, Mongolia must make agile decisions to cooperate with different countries for needed supplies. Russia is the sole energy provider for much of western Mongolia and is the primary source of Mongolia's petroleum. While other countries, such as Japan, might cooperate with Mongolia to provide electricity or alternative technology, such as windmills and solar-powered installations, ensuring fuel stability through cooperation with other countries is more of a challenge.

There is currently no option for alternative sources of petroleum from countries other than Russia. Consequently, Mongolia can only seek to negotiate more effectively with Russia to stabilize the price of petroleum for the long term. It is fair to say that the Mongolian government is working actively toward the goal of freeing the country of dependency on Russian oil, but it will take at least another few years to build its own refineries and factories. Due to the lack of refineries in operation at the moment, almost all crude oil is exported. Although there is crude oil extraction in southeast Mongolia that exports to China, the country must invest in widespread infrastructure to increase its production and export activity, including procuring engineers, ensuring supplies, providing the necessary water, and continuing to build factories to refine the extracted resource.

Mongolia has agreed to allow Russia to build a pipeline through its country to China. However, Mongolia needs to realize more benefits from this agreement than just

²⁶¹ Mendee Jargalsaikhan and Tsogtgerel Nyamtseren, *Regional Security Outlook 2023: Mongolia: Giants on Every Horizon*, Council For Security Cooperation in the Asia Pacific (Australian National University, 2022), 68.

leasing income. For example, when negotiating with Russia, Mongolia might require this pipeline construction to direct a certain amount of natural gas to its capital city of Ulaanbaatar. In addition to allowing this project to pass through its territory, Mongolia should continue to pursue alternative sources of electricity like natural gas to reduce coal usage, at least in Ulaanbaatar. In addition to gaining the ability to provide its own source of energy, Mongolia would be able to use this “cleaner” energy to help the capital city reduce its disastrous pollution levels, as cleaner air has been prioritized as an urgent need.

2. Preserve Friendly Relations with Russia

Because of its unique location as a landlocked country surrounded by great powers, Mongolia needs a meticulous economic strategy. The best strategy for Mongolia is to keep friendly relations with all the great powers to retain access to economic opportunity arising from their interests.²⁶² Russia is planning to build a natural gas pipeline in cooperation with China, which will cross Mongolia, and therefore could increase trilateral economic collaboration with Mongolia.²⁶³

C. MILITARY STRATEGY SUGGESTIONS

Any military institution must evolve to protect its country’s interests. According to Clausewitz, “War is the realm of uncertainty; three quarters of the factors on which action in war is based are wrapped in a fog of greater or lesser uncertainty.”²⁶⁴ During these uncertainties, military organizations should always innovate their operations with continuous learning from the lowest levels’ experience and knowledge to the most senior’s implementation process through the development of new doctrine, no matter their organizational hierarchy.²⁶⁵ Learning from the Russia-Ukraine War experience should be the first step for Mongolia to develop its military strategy.

²⁶² Jargalsaikhan and Batmunkh, “What Are Russian Interests in Mongolia?,” 25.

²⁶³ Jargalsaikhan and Batmunkh, 25–26.

²⁶⁴ James A. Russell, *Innovation, Transformation, and War* (Stanford, CA: Stanford University Press, 2011), 30.

²⁶⁵ Russell, 42–43.

Thinking about innovation in response to the Russia-Ukraine war in a strategic sense is important for the Mongolian military to develop its strength. As a military organization, the Mongolian armed forces have to improve their organizational behavior through innovation and technology to better secure the national security of Mongolia. Even though Mongolia does not possess extensive military forces as its neighbors do, its military always needs to learn from others' experience during a new strategic environment. As seen from the Russia-Ukraine war, technology has become an important part of war strategy.

Another aspect of strategy that the war has highlighted is the use of asymmetric means to combat a larger opponent. Ukraine, which was given little chance of defending itself against the great power of Russia, has successfully applied asymmetric weapons, including Javelins, Stingers, and UAVs provided by its Western supporters. Mongolia should consider importing and supplying these asymmetric weapons to the armed forces and initiate training to use them. In the Russia-Ukraine war, Russia launched simultaneous attacks on multiple fronts in the north, east, and southeast of Ukraine. Mongolia, which is two and one-half times the size of Ukraine, should therefore be prepared to protect all of its borders, and asymmetric weapons could be utilized to help in this endeavor and strengthen the territorial defense.

1. Invest in Drone Technology

The use of drones can inflict significant damage. There is no doubt that foreign militaries have realized the significance and power of drones, and Mongolia should as well. Mongolia should seek to marry its doctrine and technology. Mongolia should invest in drone technology for three reasons: it can cover the entire country for territorial defense, it can provide backup defense capability in terms of manpower, and it can save lives because it is unmanned aerial device capable of destroying targets.

2. Improve Interoperability between Government and Military Institutions

The Mongolian government should pay particular attention to its peacekeeping forces' capability in peace time to adapt to contemporary challenges faced by the world in terms of its armed forces' capability and equipment. Government support and

understanding of its military requirement is important because the government controls the budget, which requires civil-military coordination at a high level. To develop an army is not an easy task because money is needed to invest into new types of weapons and equipment. Government officials should increase the budget to enable military development in three ways to promote a broader perspective and increase knowledge and capabilities:

1. Gain exposure through peacekeeping missions to other countries' strategies and thereby stay up to date with other nations.
2. Improve the information warfare capabilities of Mongolia's newly established Cybersecurity Command for its future operations. As seen from the Russia-Ukraine war, information warfare has become a recognized tool for gaining advantage over the adversary by conducting extensive media campaigns, which offer different ways to escalate news to the public.
3. Improve the capabilities of joint forces by producing military doctrine to follow.

Even though it is not easy to change an institution, military organizations should adapt to the situation and develop to be up to date. The Mongolian armed forces should seek each and every way to develop at any time and in any place, they are serving, depending on the situation at the time since its mission requires being ready to move by land and air, if not by sea. As seen from the Russia-Ukraine war, its means and characters are changing but the overall nature and will of the Ukrainian people are not changing. Especially, military organizations must have flexibility to innovate by acknowledging anomalies to move on to something different to improve organizational effectiveness. In this case, the Mongolian army would need to learn from Ukraine's experience to get new ideas and innovate its strategy to improve its mobility.

A Time of Vigilance

The Russia-Ukraine war reminds many countries of the urgent need to be prepared economically, militarily, and technologically for any challenges. The war has shaken the economy of the world in many sectors, including the food, fuel, and energy sectors, and

demonstrated that stability today may become instability tomorrow. Mongolia is one of many countries that have started to rethink and revise their foreign policy and military strategy due to the ongoing global security challenges caused by the war.

For Mongolians, it is time to watch and learn from the contemporary war and to invest more in asymmetric weapons to equip and train the personnel of the Mongolian armed forces. Yet, transforming the military in appreciable ways is unlikely; since Mongolia's stance is one of neutrality, it has no official reason to increase its profile or grow in a dramatic way. At the end of the day, Mongolia will probably continue with its previous standards.

The world is uncertain; it is better to be prepared than not to be prepared for any future contingencies. While it is a somewhat tenuous position for Mongolia to maintain, a cautious neutrality is the strategic path Mongolia must travel for the country's security. Mongolia must be vigilant, must use this time to learn and adapt to contemporary military affairs. As Benjamin Franklin once observed, "By failing to prepare, you are preparing to fail," which might serve Mongolia as both a policy and a warning.

The Mongolian flag, which contains numerous symbols including downward-pointing and upward-pointing triangles that represent internal security and external security, also contains two fish inside secure borders, which represent vigilance. Perhaps vigilance is the most useful way to summarize Mongolia's position in such a challenging environment as it seeks to adapt and move forward with improved foreign policy and military strategy.

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