



# MONGOLIA SECURITY ANALYSIS REPORT

## AI-Assisted Open Source Intelligence Assessment

Analysis Period: March 03, 2026 - March 10, 2026

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# Security Analysis Report: Mongolia (March 03, 2026 - March 10, 2026)

## Executive Summary

During the period of March 03 to March 10, 2026, Mongolia demonstrated a dynamic approach to its security and diplomatic engagements, balancing its "Third Neighbor" policy amidst regional power dynamics. Key developments include the commencement of a joint military exercise with China, signaling strengthened defense cooperation with its southern neighbor. Diplomatically, Mongolia continued to solidify ties with the United States through the completion of a significant development project and maintained robust engagement with Russia through new bilateral agreements. Domestically, discussions around an increased defense budget underscore a commitment to military modernization, while the nation continues to grapple with a high volume of persistent cyber threats. These events collectively highlight Mongolia's strategic efforts to enhance its security posture and economic resilience through diversified international partnerships.

## Key Security Developments

- Joint Military Activities with China

On Sunday, March 8, 2026, Chinese and Mongolian troops initiated a joint army training in Mongolia's Dornogovi Province. This exercise, which is set to continue until late May, focuses on combating illegal armed groups and aims to enhance command, coordination, and support capabilities between the two armies. The training underscores a deepening of defense ties between Mongolia and China, particularly in the context of the 75th anniversary of diplomatic relations and the 10th anniversary of their comprehensive strategic partnership.

- Boost to Defense Budget Plans

Plans for a larger defense budget received a boost following a bill vote on March 2, 2026. This development, occurring just outside the reporting period but with direct implications for it, indicates a governmental commitment to increasing defense spending. Mongolia's military expenditure in 2024 increased to \$180.80 million from \$111.50 million in 2023, reflecting a trend of growing investment in its armed forces.

- Completion of US-Mongolia Millennium Challenge Corporation (MCC) Water Compact

The \$462 million Millennium Challenge Corporation (MCC) Water Compact between Mongolia and the United States is scheduled for completion in March 2026. This project, which includes a \$112 million co-investment from the Government of Mongolia, is set to increase Ulaanbaatar's clean water supply by up to 80 percent. The successful implementation of this compact serves as a tangible symbol of America's long-term commitment to the U.S.-Mongolia partnership and a cornerstone of their strategic "Third Neighbor" policy.

- Mongolian Foreign Minister's Diplomatic Engagements in Sweden

On March 2, 2026, Mongolia's Minister of Foreign Affairs, Battsetseg Batmunkh, visited International IDEA's headquarters in Stockholm, Sweden. The visit reaffirmed the longstanding partnership between Mongolia and the Institute, with discussions focusing on enhancing collaboration in areas such as political finance transparency, electoral processes, and the political participation of women. This engagement highlights Mongolia's commitment to democratic governance and international cooperation on these fronts.

- Russia-Mongolia Bilateral Agreements

On March 1, 2026, Russia and Mongolia signed three bilateral documents during the 26th meeting of their intergovernmental commission on trade, economic, scientific, and technical cooperation. These agreements aim to develop the light industry, with a focus on cashmere processing, and include a memorandum of understanding between the Russian Export Center and the National Chamber of Commerce and Industry of Mongolia. This signifies a continued strengthening of economic and trade ties with its northern neighbor.

- Ongoing Cybersecurity Threats

Mongolia continues to face a significant volume of cyberattacks, with an estimated 60,000 to 70,000 attacks occurring weekly. These threats target critical information infrastructure, including hospitals, mineral resources, telecommunications, and food production sectors. The nation's National Cyber Security Strategy is currently in its second phase (2026-2027), focusing on improving legal frameworks, protecting critical infrastructure, enhancing human resource capacities, and expanding international cooperation to build resilience against these persistent digital threats.

- Mongolia's Founding Membership in the Board of Peace

Mongolia's Prime Minister Gombojavyn Zandanshatar formalized the nation's status as a founding member of the Trump-led Board of Peace in Davos, Switzerland, on January 22, 2026. This move represents a significant update to Mongolia's "Third Neighbor" playbook, positioning the country within a new international body that could potentially see a role for Mongolian peacekeepers in regions like Gaza. This decision

reflects Mongolia's strategic agility in navigating a fragmenting global order and seeking relevance through diversified diplomatic platforms.

- Geopolitical Implications of US FY2026 NDAA on South Mongolia

The enactment of the U.S. FY2026 National Defense Authorization Act (NDAA) in December 2025, which includes provisions explicitly addressing the situation in South Mongolia (Inner Mongolia Autonomous Region), continues to have geopolitical implications for Mongolia. While an internal U.S. policy, this act highlights international attention to human rights, environmental, cultural, and linguistic issues in the region, potentially influencing China-Mongolia relations and broader regional dynamics.

## Geopolitical Impact and Regional Dynamics

Mongolia's recent security and diplomatic activities underscore its delicate balancing act within a complex geopolitical landscape, primarily influenced by its two powerful neighbors, China and Russia, and its "Third Neighbor" policy with the United States and other democratic partners. The joint military training with China in Dornogovi Province, commencing on March 8, 2026, signifies a strengthening of defense cooperation with Beijing. This collaboration, occurring on the 75th anniversary of diplomatic relations, deepens military interoperability and trust, which could be perceived differently by its "Third Neighbors" as China seeks to expand its regional influence.

Simultaneously, Mongolia has maintained robust engagement with Russia, as evidenced by the three bilateral agreements signed on March 1, 2026. These agreements, focusing on trade, economic, scientific, and technical cooperation, reinforce the long-standing ties between Ulaanbaatar and Moscow. The expected restart of direct flights between Ulaanbaatar and Moscow in April 2026 further illustrates the continued normalization and strengthening of their relationship, which had seen some disruptions. This dual engagement with both China and Russia is a testament to Mongolia's multi-vector foreign policy, aiming to secure economic benefits and regional stability.

The completion of the \$462 million MCC Water Compact with the United States in March 2026 is a significant win for Mongolia's "Third Neighbor" policy. This project, along with ongoing defense cooperation and the annual Khaan Quest multilateral peacekeeping exercises (last held in 2025), solidifies the strategic partnership with the U.S.. Furthermore, Mongolia's Prime Minister's decision in January 2026 to join the Trump-led Board of Peace in Davos, while raising eyebrows among some traditional U.S. allies, demonstrates Mongolia's proactive approach to seeking new platforms for international engagement and enhancing its global visibility without undermining its constitutionally enshrined neutral foreign policy. This strategic diversification helps

Mongolia mitigate over-reliance on any single power, contributing to its sovereignty and regional stability.

## Military and Defense Analysis

Mongolia's military and defense posture during this period reflects a clear intent towards modernization and enhanced capabilities, albeit within the constraints of its geopolitical position and economic resources. The boost to plans for a larger defense budget, following a bill vote on March 2, 2026, indicates a governmental commitment to increasing military spending. This aligns with the observed trend of rising military expenditure, which reached \$180.80 million in 2024, a significant increase from \$111.50 million in 2023. This increased allocation is crucial for the modernization programs aimed at professionalizing the Mongolian Armed Forces, a goal supported by partners like the United States through initiatives such as the Khaan Quest multilateral peacekeeping exercises.

The joint army training with China in Dornogovi Province, which commenced on March 8, 2026, is a notable development in Mongolia's force posture. This exercise, focused on combating illegal armed groups, provides valuable opportunities for the Mongolian military to enhance its command, coordination, and support capabilities through direct engagement with a major regional power. Such exercises are vital for improving interoperability and sharing best practices, particularly in addressing non-traditional security challenges. While specific details on new defense acquisitions or arms deals within this reporting period are not available, the increased budget and ongoing modernization efforts suggest a continued focus on upgrading equipment and training.

Mongolia's participation in international peacekeeping operations remains a core pillar of its defense policy, contributing to its global reputation as a peace facilitator. The potential role for Mongolian peacekeepers in Gaza, as suggested by the Board of Peace initiative, highlights the country's willingness to contribute to international security efforts. Overall, Mongolia's military and defense analysis points to a strategic approach that combines internal capacity building through increased spending and modernization with external cooperation through joint exercises and peacekeeping missions, all while maintaining a neutral foreign policy.

## Outlook and Forecast

Short-term trends (1-3 months): In the immediate future, Mongolia is expected to continue its active diplomatic engagements, particularly with its "Third Neighbors"

and regional powers. The ongoing joint military training with China until late May will likely deepen defense ties and interoperability, requiring careful diplomatic navigation to maintain balance with other partners. The completion of the MCC Water Compact with the U.S. in March 2026 will mark a significant milestone in bilateral development cooperation, potentially paving the way for new areas of collaboration, especially in critical minerals and energy. The anticipated restart of direct flights between Ulaanbaatar and Moscow in April will further normalize and strengthen Russia-Mongolia relations, facilitating trade and people-to-people exchanges. Domestically, the government will focus on implementing its 2026 budget, with an emphasis on fiscal discipline and addressing labor market imbalances, while continuing to combat persistent cybersecurity threats.

**Critical flashpoints and risk areas:** A primary risk area for Mongolia remains its vulnerability to external cyberattacks, with tens of thousands of incidents occurring weekly. The effectiveness of the National Cyber Security Strategy's implementation will be crucial in mitigating these threats to critical infrastructure and government systems. Geopolitically, maintaining its "Third Neighbor" policy amidst intensifying great power competition between the U.S., China, and Russia will be a continuous challenge. While current engagements demonstrate a successful balancing act, any significant shifts in regional power dynamics or increased pressure from either Beijing or Moscow could strain Ulaanbaatar's neutral stance. The U.S. FY2026 NDAA's clause on South Mongolia could also be a point of contention, potentially leading to diplomatic sensitivities with China. Internally, the constitutional crisis and power struggle reported in early 2026, though seemingly resolved with the Prime Minister's reinstatement, indicate underlying political fragilities that could resurface and impact reform efforts.

**Indicators to monitor:** Key indicators to monitor include the progress and outcomes of the China-Mongolia joint military exercise, looking for any expansion in scope or duration that might signal deeper military alignment. The nature and frequency of high-level diplomatic visits with the U.S., China, and Russia will offer insights into the strength and direction of these relationships. Tracking the implementation of Mongolia's National Cyber Security Strategy and the reported incidence of cyberattacks will be vital for assessing its digital resilience. Economically, the success of the government's shift towards industrialization and labor reform, as well as the impact of the new trade agreements with Russia and the EAEU, will be important for long-term stability.

**Strategic recommendations:** Mongolia should continue to diversify its security and economic partnerships to reinforce its "Third Neighbor" policy, actively seeking engagement with a broader range of international actors beyond its immediate neighbors. Investing further in cybersecurity infrastructure and human capital is paramount to protect against persistent digital threats. Strengthening domestic

political stability through transparent governance and addressing socio-economic disparities will be crucial for long-term resilience. Diplomatically, Mongolia should leverage its unique geopolitical position to promote regional dialogue and cooperation, particularly in areas of shared interest such as climate change, resource management, and counter-terrorism, thereby enhancing its role as a constructive regional player.