



MONGOLIA SECURITY ANALYSIS REPORT

AI-Assisted Open Source Intelligence Assessment

Analysis Period: March 13, 2026 - March 20, 2026

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Security Analysis Report: Mongolia (March 13, 2026 - March 20, 2026)

Executive Summary

During the period of March 13-20, 2026, Mongolia actively engaged in multifaceted diplomatic and security initiatives, reinforcing its "third neighbor" policy while navigating complex relations with its immediate powerful neighbors. Key developments include the conclusion of a significant joint military exercise with India and a live-fire drill with China, underscoring Mongolia's balanced defense cooperation. Diplomatic consultations with the United States highlighted strategic partnership and economic cooperation, while an investors' roundtable with the European Union aimed to attract substantial foreign investment. Cybersecurity remained a national priority, with reported incidents and ongoing strategic implementation. These activities collectively demonstrate Mongolia's commitment to enhancing its security posture through diversified international partnerships and internal capacity building.

Key Security Developments

- Joint Military Exercise with India Concludes

The 17th edition of the joint military exercise Nomadic Elephant 2025 between India and Mongolia concluded on March 13, 2026, at the Special Forces Training Centre in Ulaanbaatar. This exercise, which commenced on February 31 (likely March 1), focused on non-conventional operations in semi-urban and mountainous terrain under a United Nations mandate, aiming to enhance the operational capabilities of both armies in counter-terrorism operations and precision sniping. The successful completion of this annual exercise strengthens defense ties and interoperability between India and Mongolia.

- China-Mongolia Joint Live-Fire Military Drill

On March 14, 2026, Chinese and Mongolian armies conducted a full-process and all-element live-fire drill at a training field in Dornogovi, a southeastern province of Mongolia. This drill was part of the "Steppe Partner-2024" joint army training, which opened on May 12 (likely an error in the source, given the March 14 date of the drill), and is set to continue until late May. The exercise focused on testing and improving

the participating troops' ability to jointly combat illegal armed groups, enhancing command, coordination, and support capabilities.

- 17th Annual U.S.-Mongolia Bilateral Consultations

The 17th Annual Bilateral Consultations between the United States and Mongolia were held on March 17, 2026, in Ulaanbaatar. Co-chaired by U.S. Assistant Secretary of State Michael George DeSombre and Mongolian State Secretary L. Munkhtushig, the discussions reaffirmed support for the U.S.-Mongolia Strategic Third Neighbor Partnership and pledged to deepen cooperation across areas including global peace, freedom, democracy, and economic prosperity. Both sides also discussed bilateral and regional cooperation on peace and security matters, particularly in the Indo-Pacific, and welcomed Mongolia's commitment to international peacekeeping.

- Completion of MCC Mongolia Water Compact Highlighted

During the U.S.-Mongolia Bilateral Consultations on March 17, 2026, both nations celebrated the upcoming successful completion of the Millennium Challenge Corporation's (MCC) \$462 million Mongolia Water Compact, which is scheduled to conclude on March 30, 2026. This project, which included a \$112 million co-investment from the Government of Mongolia, aims to significantly increase Ulaanbaatar's clean water supply by up to 80 percent.

- Mongolia-U.S. Economic and Development Cooperation

On March 13, 2026, Deputy Prime Minister and Minister of Economy and Development Enkhbayar Jadamba met with U.S. Ambassador to Mongolia Richard Buangan to discuss enriching their strategic partnership with economic content. Discussions covered cooperation in civil aviation, renewable energy, critical minerals, artificial intelligence, and clean energy, alongside reviewing the Second Compact Agreement of the MCC and exploring a potential third agreement. On March 19, Prime Minister Zandanshatar Gombojav further emphasized strengthening the strategic partnership with the U.S. and enhancing bilateral ties in trade, investment, energy, and mining.

- Mongolia-European Union Investors' Roundtable

A high-level Mongolia-European Union Investors' Roundtable was held in Brussels on March 13, 2026, bringing together government representatives, financial institutions, investors, and policymakers. The roundtable aimed to strengthen economic cooperation and investment, moving towards concrete project pipelines and financing structures. This initiative aligns with Mongolia's 2024–2028 Government Action Plan and Vision-2050 strategy, with a goal to mobilize up to €1 billion in potential European Investment Bank (EIB)-supported project financing.

- Cybersecurity Landscape and Incidents

As of March 2026, Mongolia's cybersecurity workforce comprises approximately 3,200 specialists, with an annual government and private sector expenditure of \$45 million.

A total of 1,150 cybersecurity incidents were reported in 2026, highlighting ongoing challenges in protecting the nation's expanding online ecosystem. Mongolia's National Cyber Security Strategy, currently in its 2026-2027 implementation phase, focuses on improving the legal framework, protecting critical information infrastructure, enhancing human resource capacities, and expanding international cooperation to build cyber resilience.

- Espionage Threat from Mustang Panda

A weekly intelligence report dated March 20, 2026, identified Mongolia as a suspected target for Mustang Panda, a Chinese state-associated espionage group. This group, active since at least 2012, is known for geopolitically motivated intelligence operations targeting critical infrastructure, government, NGOs, religious organizations, think tanks, and military entities. Potential impacts include compromised user accounts, data theft, operational disruption, and reputational damage.

- China's Economic Engagement and "One China" Policy

On March 13, 2026, Chinese Ambassador Shen Minjuan held a press briefing in Ulaanbaatar, emphasizing expanding opportunities for Mongolia within China's long-term development framework. Cooperation areas include infrastructure, energy, banking, and border logistics. Mongolia continues to firmly adhere to the "One China" policy, recognizing Taiwan, Hong Kong, Xinjiang, and Xizang as inalienable parts of China's territory.

- Russian Engagement in Eurasian Economic Commission

On March 13, 2026, Russian Deputy Prime Minister Alexei Overchuk participated in a Eurasian Economic Commission Council meeting, reviewing Eurasian integration issues. This engagement is relevant to Mongolia's ongoing efforts to strengthen trade and economic relations with Russia, including through an interim trade agreement with the Eurasian Economic Union (EAEU).

- US National Defense Authorization Act and Southern Mongolia

The U.S. Fiscal Year 2026 National Defense Authorization Act (NDAA), signed into law on December 18, 2025, includes a historic provision specifically addressing the situation in Southern Mongolia (Inner Mongolia) under Chinese administration. This provision, welcomed by the Southern Mongolia Congress, highlights human rights, environmental, cultural, and linguistic concerns, marking the first national law globally to explicitly address this issue.

Geopolitical Impact and Regional Dynamics

Mongolia's security and diplomatic activities from March 13-20, 2026, underscore its delicate balancing act as a landlocked nation situated between two major powers, Russia and China, while actively pursuing its "third neighbor" policy. The simultaneous conduct of joint military exercises with both China ("Steppe Partner-2024") and India ("Nomadic Elephant 2025") within the same period highlights Mongolia's strategy of diversifying its defense partnerships to avoid over-reliance on any single power. This approach aims to enhance its military capabilities and interoperability with various international partners, contributing to regional stability by fostering a more balanced security environment.

The intensive diplomatic engagements with the United States, including the 17th Annual Bilateral Consultations and meetings with high-level officials, demonstrate Mongolia's commitment to strengthening its strategic "third neighbor" partnership. These discussions, covering economic cooperation, security, and digital collaboration, aim to bolster Mongolia's sovereignty and economic independence. The successful completion of the MCC Water Compact further solidifies the practical benefits of this partnership. Concurrently, the Mongolia-European Union Investors' Roundtable in Brussels signifies a proactive effort to attract European investment and diversify economic ties beyond its immediate neighbors, aligning with its long-term development strategies.

However, the geopolitical landscape remains complex. The U.S. National Defense Authorization Act for FY2026, with its provision on Southern Mongolia, introduces a sensitive element into the U.S.-China dynamic, which could indirectly impact Mongolia given its geographic proximity and cultural ties to the region. While Mongolia maintains a firm "One China" policy, the increased international attention to human rights issues in Southern Mongolia could create diplomatic nuances. Furthermore, the identification of Mongolia as a target for Chinese state-associated espionage group Mustang Panda underscores persistent cybersecurity threats emanating from its neighborhood, requiring robust defensive measures. Mongolia's continued engagement with Russia through the Eurasian Economic Commission also reflects its pragmatic approach to maintaining economic and political ties with its northern neighbor, particularly concerning energy transit projects like the Power of Siberia 2 pipeline.

Military and Defense Analysis

Mongolia's military and defense posture during this period reflects a strategy of enhancing capabilities through international cooperation and a modest, yet consistent, increase in defense spending. The conclusion of the Nomadic Elephant 2025 exercise with India on March 13, 2026, focused on counter-terrorism and non-conventional operations, indicating a priority on asymmetric threats and

peacekeeping readiness. Similarly, the Steppe Partner-2024 live-fire drill with China on March 14, 2026, concentrated on combating illegal armed groups, suggesting a focus on internal security and border defense capabilities against non-state actors. These exercises are crucial for improving interoperability, command, and coordination among participating forces.

Defense spending trends show a projected increase, with military expenditure reaching \$180.80 million in 2024 from \$111.50 million in 2023. While another projection indicates a climb to \$122 million by 2028 from \$114 million in 2023, with an average annual growth rate of 1.1%, both figures suggest a continued, albeit gradual, investment in the armed forces. This aligns with Mongolia's broader commitment to increasing its contributions to international stability and security, including through peacekeeping missions, which was welcomed by the U.S. during bilateral consultations. The winding down of the UN Mission in South Sudan (UNMISS) in April 2026, a core pillar of Mongolia's peacekeeping engagement, may prompt a re-evaluation of where Mongolian peacekeepers could be deployed next, with potential roles in initiatives like the "Peace Council."

Mongolia's defense modernization programs appear to be driven by the need to maintain a credible, albeit small, professional force capable of participating in international operations and addressing domestic security challenges. The emphasis on cybersecurity, with a workforce of 3,200 specialists and an annual budget of \$45 million, also indicates a recognition of modern warfare domains. The ongoing implementation of the National Cyber Security Strategy (2026-2027 phase) aims to bolster cyber resilience, a critical component of national defense in the digital age.

Outlook and Forecast

Short-term trends (1-3 months): In the immediate future, Mongolia is likely to continue its active diplomatic engagements, particularly with its "third neighbors." The momentum from the U.S.-Mongolia Bilateral Consultations and the EU Investors' Roundtable suggests continued efforts to solidify economic and security partnerships beyond Russia and China. The conclusion of the MCC Water Compact by March 30, 2026, will mark a significant achievement in U.S.-Mongolia development cooperation, potentially paving the way for future compact agreements. Military exercises, such as the ongoing "Steppe Partner-2024" with China, will continue until late May, indicating sustained defense cooperation with its immediate neighbors. The upcoming COP17 on combating desertification in Ulaanbaatar in August 2026 will also provide a platform for diplomatic engagement on environmental security.

Critical flashpoints and risk areas: A critical flashpoint could arise from the increasing international attention to Southern Mongolia, as highlighted by the U.S. FY2026

National Defense Authorization Act. While Mongolia maintains its "One China" policy, any perceived alignment with international criticism of China's policies in Inner Mongolia could strain relations with Beijing. The persistent threat of cyber espionage from groups like Mustang Panda poses an ongoing risk to Mongolia's critical infrastructure and government data, necessitating continuous vigilance and investment in cybersecurity. Geopolitical uncertainties, including potential shifts in relations between major powers, could also impact Mongolia's delicate balancing act.

Indicators to monitor: Key indicators to monitor include the progress of discussions on a potential third MCC compact with the U.S., which would signal continued strong bilateral development ties. The tangible outcomes and follow-up actions from the Mongolia-EU Investors' Roundtable, particularly regarding the mobilization of €1 billion in EIB-supported financing, will be crucial for assessing the diversification of Mongolia's economic partnerships. Any public statements or diplomatic maneuvers regarding the Southern Mongolia issue from Ulaanbaatar or Beijing should be closely watched. Furthermore, the frequency and nature of joint military exercises with Russia and China, as well as with "third neighbors," will indicate shifts in Mongolia's defense strategy and alignment.

Strategic recommendations: Mongolia should continue to proactively pursue its "third neighbor" policy by deepening economic, diplomatic, and security ties with a diverse range of partners, including the U.S., EU, Japan, and South Korea, to mitigate over-reliance on Russia and China. Investing further in cybersecurity infrastructure and human capital development is paramount to counter persistent espionage threats and protect its digital ecosystem. Mongolia should also leverage its participation in international peacekeeping missions to enhance its military professionalism and global standing, exploring new opportunities for deployment following the UNMISS drawdown. Finally, maintaining clear and consistent diplomatic communication with both China and Russia, while upholding its stated foreign policy principles, will be essential to navigate sensitive regional issues and preserve its strategic autonomy.