Contradictions of Populism and Resource Extraction: Examining the Intersection of Resource Nationalism and Accumulation by Dispossession in Mongolia

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ABSTRACT

We examine contradictions of populism and resource extraction in Mongolia in the context of the recent presidential election of Khaltmaa Battulga, who is often portrayed as dangerously populist. We consider Battulga’s victory as an echo of Mongolian voters’ sense of dispossession and discontent driven by gross wealth disparity and precarious livelihoods. Rather than treating these concerns as mere tools of the populist political agenda, we view them as moments of resistance to the asymmetry between accumulation and dispossession in Mongolia, a central outcome of 25 years of the neoliberal regime. We situate our analysis of Mongolia’s resource politics through an examination of the world’s second largest undeveloped copper-gold mine, Oyu Tolgoi. The mine offers a window into the country’s turbulent resource politics that has concentrated wealth among a powerful few while nearly one third of Mongolians remain trapped in vicious poverty. Relying on fieldwork conducted over several years, the paper argues that public grievances against the asymmetry of accumulation and dispossession are routinely discounted by discursive tools within the populist paradigm. “Resource nationalism”, in particular, is used by those who promote neoliberalism and the open market as a pejorative label to silence public grievances.

Key Words: Resource Nationalism, Accumulation by Dispossession, populism, Mongolia, Oyu Tolgoi
INTRODUCTION

Once hailed as the world’s fastest growing economy, Mongolia’s economy has rapidly declined since 2013 as Chinese demand for key export minerals has slowed (WSJ 2016; Bloomberg 2017). Amidst the ongoing crisis, voters elected Battulga Khaltmaa as the country’s fifth president since Mongolia transitioned from the Soviet-backed one-party regime in the 1990s. Battulga’s victory put the small Northeast Asian nation of three million into the political spotlight as his victory unsettled and awed spectators and pundits.

By many measures, Battulga is an unorthodox candidate. He is popularly known as Genco Battulga, a nod to his business empire named after Genco Abbandando, the Corleone family’s consigliere in the Godfather series. Like the fictional character, Battulga is both alluring and dubious. Enkhtsetseg Davga, of the Open Society Forum stated that Battulga appealed to voters because he spoke the “people’s language.” As a wrestler, Battulga is relatable to many voters because wrestling is one of Mongolia’s most popular national sports, symbolizing strength, sportsmanship, and integrity (Phone interview, 09 March 2018). His personal envoy, Gansukh Amarjargal shared a similar sentiment. Unlike his opponents and all former presidents, Battulga did not go to university nor is he a political elite who shaped Mongolia's post-Soviet political landscape. He spent most of the post-Soviet years building his business empire, becoming one of Mongolia’s richest men. His wealth, not political prowess, propelled him into politics in 2004 as a Member of Parliament. He later served as Minister of Roads, Transportation, Construction and Urban Development. However, his political tenure was marred by allegations of corruption, leading to the arrests of many of his associates.
Given his shady background, Battulga’s 2017 presidential campaign against Miyeegombyn Enkhbold, the ruling party candidate and a seasoned politician,\(^1\) seemed a long shot. Battulga stunned the political establishment with a victory running the campaign slogan “Mongolia Will Triumph.”\(^2\) Both in and outside Mongolia, Battulga’s win was seen as another populist stab at establishment politics, pitting the “people” against the “power bloc” (Hart 2013).\(^3\) But Battulga’s appeal cannot be reduced simply to populism nor can he be easily dismissed as an opportunistic leader manipulating the mindless and alienated masses. To do so would underestimate complex forces that played into his popular support and ultimate victory against the odds.

This article considers Battulga’s victory in the context of Mongolian voters’ sense of dispossession and discontent, driven by gross wealth disparity, precarious livelihoods, and uncertain future conditions. Rather than treat these concerns as mere tools of the populist political agenda, we consider them salient grievances that emerged in response to the neoliberal regime of the last twenty-five years. Echoing the public outcry, Battulga highlighted poverty and unemployment as the most critical national security issues in his inaugural address (Office of the President, 2017).

We situate our analysis within resource politics that propelled Mongolia’s spectacular economic growth and drove its equally remarkable downturn. David Harvey’s (2004) work on “new” imperialism and accumulation by dispossession informs our conceptualization of Mongolia’s resource politics and booms and busts. He suggests that neoliberal economic policies concentrate wealth among a powerful few while dispossessioning the masses of their wealth, land, and/or natural resources. Dispossession illuminates not only the popular struggle against the hegemonic structure of Mongolia’s political establishment, but also voters’ response to global capitalism and neoliberal policies.
According to our field research and the work of other scholars (Rossabi 2005; 2009; Lkhamsuren 2012; Empson and Webb 2014) neoliberal policies have allowed the accumulation of wealth and power into the hands of a few—both domestic and foreign—while the majority have not benefited from Mongolia’s mining riches but have had to bear more negative externalities. Public grievances against accumulation and dispossession have been discounted as populist cries. To silence public grievances, opponents frame these policies as resource nationalism to discredit them by those who promote neoliberalism and open markets.

Surprisingly, the intersection between resource nationalism and accumulation by dispossession is largely absent from the literature on resource politics. While there is discussion of resource nationalism as it relates to the theorization of sovereignty (Emel et al. 2011) and post-neoliberal order in the spaces of resource curse and resurgent leftist governments in various countries around the world (Perreault 2006; Kohl and Farthing 2012; Bebbington and Bury 2013; Ciccantell and Patten 2016), there is little discussion of how resource nationalism is used to push and perpetuate neoliberal politics while silencing objections to structural dispossession. We hope to fill this gap.

GLOBAL CAPITALISM, NEOLIBERALISM, AND MINEGOLIA

In the early 1990s, the collapse of the USSR allowed the “triumphant” return of the neoliberal agenda on a global scale (Harvey 2006), including unprecedented influence in Mongolia. This experience articulates the struggles faced by many developing countries situated along the global core-periphery divide (Holden, Nadeau and Jacobson 2011; Veuthey and Gerber 2012). In dismal condition after the U.S.S.R collapsed, Mongolia, along with other former soviet satellites, experienced soaring unemployment, astronomical inflation, and civil unrest. It soon
became dependent on aid through neoliberal experiments of the Washington Consensus (Myadar and Rae 2014).

Much-needed aid came with the adoption of “shock therapy.” Among conditions attached to donor aid, privatization of state properties has been a signature policy restructuring Mongolia’s economy, allowing private appropriation of public goods and property (Rossabi 2005; Myadar and Rae 2014). Harvey (2009) calls this the cutting edge of accumulation by dispossession as resources and assets were transferred from state to private hands.

The nexus of neoliberal policy and resource politics is well documented. Numerous scholars examine neoliberalism’s consequences on the global political economy in general (Chomsky 1999; McCarthy and Prudham 2004; Harvey 2005; Heynen et al. 2007) and resource politics specifically (Sawyer 2004; Himley 2008; Fletcher 2010). As McCarthy and Prudham (2004, 277) argue, “[c]onnections between neoliberalism, environmental change, and environmental politics are all deeply if not inextricably interwoven.” These dialectics of neoliberalism and nature frame Mongolia’s rapidly evolving geographies in direct response to neoliberal initiatives and the resource-based economy.

Under the auspices of global capitalist institutions, Mongolia restructured its economy to become a new resource frontier for and through foreign capital. Valuable natural resources are the material and symbolic manifestations of Mongolia’s current resource-based economy. As the country opened its market, numerous mining companies clamored to exploit Mongolia’s resources. The nickname “Minegolia” allegorically captures the country’s volatile resource politics and fragile dependence on mining (Bulag 2009; Jackson 2015b).

Oyu Tolgoi is the most famous byproduct of Minegolia. The Oyu Tolgoi (OT) agreement is Mongolia’s signature deal and reflects contradictions of global capitalism and local interests.
The joint venture between Australian Rio Tinto, Canadian Ivanhoe Mines, and the Mongolian government own the mining rights to the largest and highest-grade copper and gold deposits in Mongolia’s South Gobi Desert. Mongolia’s turbulent mining politics and antipathy towards many foreign mining companies centers on this $6.6 billion mega-mine. Ivanhoe’s former chairman Robert Friedland’s reported promise that investors would reap colossal profits from Mongolia’s resources inflamed growing discontent toward foreign investment (Combellick-Bidney 2012). Following large-scale protests, during which Friedland’s effigy was burned, Parliament imposed a 68% windfall tax on copper and gold ores in 2006. Ivanhoe’s stock plummeted and foreign interest in mining in Mongolia halted. Parliament continued to push for a 51% Mongolian share, but Ivanhoe and Rio Tinto refused. More protests broke out in Ulaanbaatar following July 2008 Parliamentary elections, leading to five deaths. “Although small in number, the riots and five deaths owed… to growing public perceptions that the country’s mineral wealth was being managed and sold off to foreigners (Bulag 2009, 130).

In the 2008 Parliamentary elections, neither party won a majority, requiring a coalition government. The coalition government navigated competing demands from the public and foreign partners and investors. While many Mongolians pushed for greater control over strategic resources, investors accused the government of economic nationalism and communist-era practices (Bulag 2009). Despite this friction, the government of Mongolia signed the OT Investment Agreement in October 2009, resulting in Ivanhoe’s 66 percent ownership and the Mongolian Government’s 34 percent share.

Contestations over OT focus on how foreign entities benefit. Various studies note that low-income countries typically are not equally situated at negotiation tables with capital- and technology-rich multinational firms (Sach and Warner 2001; Kohl and Farthing 2012). These
countries are often left with contracts not necessarily in the best interests of their people and environments.

The OT agreement was deemed a “new era” for Mongolia by many government officials, investors, and international financial circles. Consequently, Mongolia experienced foreign direct investment influxes from 2010 to 2012 with double digit economic growth, peaking at 17% in 2011 (World Bank 2013). Then the economy cooled in 2013, dropping to 7.8% growth in 2014 and 1% in 2016 as commodity prices slumped (ADB 2017). Public perceptions of dispossession simultaneously increased. Despite public contestations against OT, international and domestic business interests labeled these efforts “resource nationalist,” effectively silencing the opposition.

In his campaign, Battulga capitalized on the sentiments that Mongolia received a bad deal and promised greater government control of strategic mines. But Battulga was also seen as a wild card by many compared to Enkhbold, who signified stability and continuation of policies such as a contested IMF bailout (Economist 2017). Battulga’s promises to push for a greater share of resources alarmed foreign investors who resumed alarms of populism in general and resource nationalism specifically.

Since Battulga assumed office, several prominent politicians have been charged with allegations of misuse of power and corruption in negotiating with Rio Tinto on the OT agreement. In April 2018, two former prime ministers, Bayar Sanj and Saikhanbileg Chimed were arrested and detained in connection with an ongoing investigation of their handling of two agreements related to the OT. Bayar served as the Prime Minister when the OT agreement was signed in 2009 and Saikhanbileg served as the Prime Minister when the expansion agreement was signed in 2015 (Financial Times, 2018; Reuters 2018). While this investigation may be seen as Battulga’s
CONTRADICTIONS OF POPULISM AND RESOURCE EXTRACTION

As a political label, populism is uniquely oxymoronic. Although centered on a “people” driven idea, populism’s deployment is less romantic. Invoked by all political camps, populism generally references a movement that is radical, fringe, and often dangerous. Unlike leftist or rightist or even centrist ideologies, populism is slippery, easily morphing into various political and ideological contexts in tension with the establishment (Laclau 2005). Populists often emerge to fight existing circumstances when the ruling block has an unfair advantage.

A leader with a dominant personality is considered central in a populist movement (Roberts 2006). Hart (2013, 194, 302) argues that populism glorifies an authoritarian and anti-intellectual leader as the protector of the “manipulated mindless masses.” Looking at Battulga’s election with this understanding of populism, we have two basic assumptions: a) his voters were embittered against the ruling bloc and b) he manipulated disgruntled voters to do his bidding. But this fails to appreciate contradictory forces shaping Mongolia’s political landscape and divergent concerns crucial to Battulga’s voter base. We also risk essentializing his voters as a mindless mass who succumbed to an opportunistic politician. Trivializing Battulga’s voter base not only takes away voters’ agency, but also silences their concerns.

We argue that Battulga’s victory was an expression of broad popular discontent, driven by Mongolia’s neoliberal experiment that began in the 1990s: an economic recession, a growing wealth gap, decreasing standards of living for many, and dissipating social safety nets. Although varied in aims, the factors that created Battulga’s base are tied to Mongolia’s resource-driven
Battulga attracted voters who felt that outsiders were taking unfair advantage of Mongolia. His “Mongolia Will Triumph” slogan spoke to this sentiment. “His nationalist-tinged campaign struck a chord with young voters hoping for a greater slice of Mongolia’s natural resource wealth” (Bloomberg 2017b, 1). Similarly, East Asia Forum (2017) suggests that Battulga convinced younger voters that resource nationalism would re-stimulate the economy. He also appealed to those who believe Mongolia’s strategic resources should be majority state owned. On this platform, Battulga won Umnugovi province, where OT operates, in the second round against the investment-friendly Enkhbold.⁹

Resource nationalism

Contestations over strategic resources have led to labelling Battulga’s—and his opponent Ganbaatar’s—campaigns as populist ones, propelled by resource nationalism. But this is too simple a label. To understand what drives popular mobilizations against the status quo, we argue that two mutually reinforcing themes produce and shape these contradictions: resource nationalism and accumulation by dispossession.

Resource nationalism is the assertion of greater national control over extractive industries (Stevens 2008; Kohl and Farthing 2012), less pejoratively discussed as resource sovereignty. For the sake of brevity, we focus on how the concept of “resource nationalism” is used to characterize so-called reckless behavior by national governments to foment populist resentment, for example by Putin’s Russia, Chavez’s Venezuela, and Morales’ Bolivia (Bremmer and Johnson 2009).

The critique of resource nationalism is typically made by and for the interests of economists, financiers, creditors, and investors who warn of an impending danger. The Economist (2013, 29) suggested that Mongolian State control over mining “may kill the goose before it has
laid any golden eggs.” The article features an image of shadowy figures strangling a goose laying eggs, illustrating the nefarious character of resource nationalists. This discursive and symbolic articulation captures the precise sentiment invoked by “resource nationalism.” Paradoxically, Childs (2016) notes that its negative meaning is only affiliated with developing countries, while it is considered an acceptable and rational practice in Norway, Canada, and the United States.

In Mongolia, any mineral deposit expected to contribute 5 percent or more to GDP is called a strategic deposit. The name strategic deposit suggests its importance to national security. This is how many people view OT, which is expected to produce up to 30 percent GDP by 2021, making it one of Mongolia’s most visible and important resources.

The OT agreement epitomizes Mongolia’s tensions regarding resource politics, featuring prominently in public discontent locally and nationally. While agreement provisions were considered balanced and fair by financial markets and industry standards, public opinion is often to the contrary (Shapiro 2009). In national surveys between 2014 and 2017, upwards of 85 percent of respondents believed strategic deposits such as OT should be at least 51 percent state owned with 36 and 40 percent believing that they should be fully state-owned (Sant Maral 2014, 2015, 2016, 2017).

The Government has attempted to revisit the agreement several times. In September 2012, some newly-elected Members of Parliament sent an open letter to Rio Tinto to renegotiate a 50-percent stake (Financial Times 2012). In response to pressure to renegotiate, Rio Tinto withheld $4.2 billion in financing for the underground operation. Pro-mining interests lamented that “any attempts to step away from the most neoliberal provisions embedded in the mining regime [are perceived] as a burst of ‘populism’” (Hatcher 2014, 133).
In 2015, the Mongolian government was muscled into compliance, and Mongolia was “back in business” (Guardian 2015). Rio Tinto’s actions are not isolated or unique. Many countries around the world are facing millions of dollars in claims made by multinational mining companies via international arbitration (Clarke and Cummins 2012).

The Government’s agreement to 34 percent is also a focal point for many Mongolians. While there are no immediate signs to nationalize OT, the new government and public continue to push back. One of the contradictions that OT embodies is the identity of a national resource that is not controlled by the state. The state profits from OT, but not as much as corporations and shareholders. OT has made promises that it cannot fulfill and the current economic downturn has done little to improve its image as the answer to Mongolia’s economic insecurities. Reactions to OT demonstrate how the discourse against resource nationalism has been used repeatedly to rhetorically delegitimize and silence public grievances of mining practices and discredit politicians who rally on their behalf. Dispossession drives these grievances and serves as a salient counter discourse to the hegemonic apparatus of the global financial elite and their domestic partners.

Accumulation by dispossession

Accumulation by dispossession and global resource politics has been discussed widely (Sneddon 2007; Benjaminsen and Bryceson 2012; Veuthey and Gerber 2012) as mining companies and local communities have battled over land and resource rights (Olivera and Lewis 2004; Bebbington 2011; Hall 2013). Typically, local communities’ livelihoods depend on the land while mining companies need land to acquire natural resources. Conflicts over the same territory have long pitted mining companies against local communities (Girvan 1976; Perreault 2006; Holden and Jacobsen 2008.)
Local communities near OT contend that they bear disproportionate negative impacts while wealth is funneled to local elites and abroad. Their pleas have extensive emotional resonance given Mongolia’s complicated relationships with mining nationwide and cultural reverence of ancestral lands. Local communities in Mongolia’s South Gobi region, including Khanbogd soum,10 where OT is located, have raised several key issues (McGrath et al. 2012; Jackson 2015a/b, 2018). Among the most critical is water, given its scarcity and the colossal demand for water by mega mines in the region. Controversy has shrouded the pipelines constructed to redirect water both to and from the mine (Meesters and Behagel 2017; Jackson 2018).

Access to pasture land is another major concern. Land rights in Mongolia have been customarily negotiated and pasture land is not privately owned (Myadar 2009; 2011). In the Gobi’s harsh terrain, herders rely on seasonal migrations to locate scarce water and pasture resources. For most herder families, livestock are their livelihood. De facto privatization of water and land resources for mining and transportation infrastructure dramatically limits herders’ resource access. Interviews conducted by Jackson with over 100 herders from 2011 to 2015 in Khanbogd and other nearby soums surrounding OT reveal that many have abandoned traditional grazing lands and/or have sought alternative livelihoods because of infrastructure development from OT and other mines. In 2015, no respondent could name any herders under 40 years old. Growing environmental and social issues related to resources compounded their sense of displacement.

OT has also increased regional traffic, with many industrial-sized trucks transporting raw materials to and supplies from China. These trucks grind dirt on unpaved roads into a fine powder producing great dust plumes. As a result, people and livestock suffer from severe and frequent respiratory problems (Jackson 2015a). While many roads used by OT are now paved, many dirt roads still crisscross the region connecting different mines and markets.11
Generally, mining does not provide appreciable employment as companies prefer to hire workers from outside the soum or foreigners (World Bank 2009). These concerns articulate an inherent contradiction of market principles. When unequal partners enter into a market, the powerful tend to benefit more, often at the disadvantaged’s expense (McCarthy 2003). OT illustrates this asymmetry, particularly since the World Bank is one of its major financiers.

These contestations over space, resources, and ultimately identity are similar to experiences of communities around the world that have been enveloped by global capitalism through resource extraction. The clash between herders and mining companies in Mongolia exemplifies the fundamental contradiction that Harvey (2014) argues emerges as a direct consequence of global capitalism.

CONCLUSION: RESOURCE MIRACLE OR RESOURCE CURSE?

Resource politics in the Global South swing between two poles—economic miracle or resource curse. Too often peripheral countries with rich natural resources are plagued by underdevelopment, corruption, political instability, and even brutal internal strife (McCarthy 2003; Watts 2004; Frankel 2012). Mining companies obtain wealth while local communities bear lasting costs including environmental destruction followed by social and economic devastation. Harvey (2005) places his hope in social movements that challenge neoliberal politics and accumulation by dispossession -- the ideal form being a “democratic collective management structure” where the commons are collectively managed rather than privately owned (ibid, 50).

Mongolia’s case offers a cautionary tale as it negotiates a future largely defined by a resource-based economy. Bearing scars symbolically and physically from twenty years of tumultuous mining politics, Mongolian voters have placed their hope in an unorthodox candidate
accused of being dangerously populist. Battulga is a peculiar candidate who not only emerged from a shady background, but galvanized massive popular support against the ruling party’s candidate. He also alienated those who accused him of running on a populist platform driven by ethnic and resource nationalism. In protest, some 18,000 voters cast blank ballots (*tsagaan songolt*), claiming neither candidate was worthy. However, rather than defining the last elections as about Battulga or his political platform, geographers should look beyond the political label and see Mongolian voters’ choice as a moment of resistance to structural dispossession. We contend that Battulga's election was a response to the neoliberal regime.

At various scales, the Mongolian public expresses resistance against unequal distribution of costs and benefits of mining. On one hand, local community concerns about mining impacts fuel counter narratives to unrealized promises of resource wealth. On the other hand, the broad public perception that Mongolia was treated unfairly in major mining deals, specifically OT, shapes discontent. Public resentment is directed towards the disparity between the very few whom mining benefits and the third of the population trapped in poverty. Any resistance to this lived dispossession of the public has been labeled “resource nationalist”—effectively silencing real concerns as resource nationalism inflames popular resentment, and as Battulga’s election demonstrates, providing conditions for massive public mobilizations.
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ENDNOTES

1 Enkhbold served as Prime Minister of Mongolia and is the current speaker of the parliament. His party won a landslide in 2016 parliamentary elections.

2 Battulga’s “Mongolia First” slogan appealed to anti-Chinese sentiment that runs deep in Mongolia, alluding that Enkhbold was half-Chinese with questionable national allegiance (East Asia Forum, 2017).

3 The election was one of the most contentious elections in Mongolia’s recent history. In the first ever run-off election, Battulga won with 50.6%.

4 Orhon Myadar has been studying Mongolian politics since 2005 and Sara Jackson has been studying Mongolian resource politics since 2009.

5 At an investor conference in 2005, Friedland reportedly compared OT to making a $5 T shirt and selling it for $100.

6 Radchenko and Jargalsaikhan (2017) argue that Mongolia’s relatively peaceful transitions have been due to fractured micropolitics among political parties, preventing one person or party from emerging as the dominant force. This fractured context arguably facilitated Battulga’s emergence.

7 Bayartsogt Sangajav, who served in the Bayar cabinet as finance security, was also arrested and detained.

8 At the time of writing this article, all three were released on bail and barred from leaving the country.

9 In the first round, MPRP’s Ganbaatar Sainkhuu received the most votes in Umnugovi. Formerly an independent candidate, Ganbaatar was recruited and nominated at the last minute when MPRP’s
only viable candidate, Nambar Enkhbayar, could not run because of his prior conviction for corruption. Ganbaatar is an ardent resource nationalist and a vocal critic of OT. Changing his party affiliation did not play in his favor—nor did a video that implicated him in accepting illicit campaign donations from a member of the Unification Church of Korea which is considered a cult in Mongolia.

10 A soum is the Mongolian equivalent of a county.

11 Although OT is not the only mining company in the area and should not be solely blamed, it remains the biggest mining operation in the area.

12 If 10 percent of voters submit tsagaan songolt, the presidential election is invalidated.