

For a green development

MONGOLIAN ECONOMY



Growth and More Growth

The New Direction of the MSE

Mongolian Economy and Business Magazine

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Will Mongolia Have its Hands Full in next year?

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Greeting

It is my pleasure to extend my warmest greeting to all officers in the financial sector on the occasion of the 100th anniversary of the Ministry of Finance's establishment and development of the fiscal and economic agency.

The financial sector was developed simultaneously with the regained independence of Mongolia, and founded as the Ministry of Overall Fiscal Matters in 1911. It is my honour to note that the measures and policies taken in the financial sector, have contributed to nation's development by transfer from livestock census to development statement, nomadic orientation to economic policy, socialist system to market economy, stagnation to free competition, and from crisis to economic growth.

I feel privileged to share this historic event and extend the anniversary greetings to partner organizations: international banking and financial institutions, donor countries, International Monetary Fund, World Bank, Asian Development Bank etc. All Mongolians know that your contribution and consultation has led Mongolia to present economic development. We are proud of having created together one century's history in development, progress, education, and having gone through every historical event jointly with the nation.

**S. Bayartsogt, Member of the State Great Khural of Mongolia,
Minister of Finance**

For a Green Development

MONGOLIAN ECONOMY

Founder, Editor:
D. Bekhbayar
9999 4248

Founder, Deputy Editor:
I. Otgonjargal
8800 6228

English Editor:
Terrence Edwards

Journalists:
Kh. Khulan
E. Zorigt
B. Bayartogtokh
B. Enkhtsetseg
B. Uuganbayar

Translator:
E. Ulzilkham
S. Javkhlan

Designer:
Sh. Oyundari

Marketing Manager:
D. Barianjav
8880 0825
B. Enkhtsetseg
9901 5476

Address:
Tod Tower-604
Ankara Street-23
4th Khoroo
Chingeltei District
Ulaanbaatar, Mongolia

Tel/Fax: 976 - 7011 5476

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Letter from the Editor:



Mountains have donned their white skirts, and snowflakes have coated the leaves of trees. It gets colder and colder each day. The staff at Mongolian Economy presents to you, dear readers, its last edition of the year, just as Grandfather Winter returns from his palace of snow and ice.

Time passes so fast. Just recently we issued the first edition of Mongolian Economy and been excited by expecting the assessment from our readers and subscribers to our product. Today we present you the 10th edition. That means 10 books with about 100 pages each, or 1,000 pages, of financial and economic news and information during the year. We are happy for this accomplishment. We have many people who came to our office searching for an issue; one they had missed for their collection and searched for with a smile on their face. The staff has worked for this. Our efforts and dedication to producing an informative and high-quality magazine for 10 months has brought much success. In the coming year, we will work better, strengthening our achievements.

It was not easy to issue this magazine in English. We had mistakes in our 10 editions. However, we made effort and we regularly issue the English version. In the coming year, we will pay more attention to improving its quality and write more informative features. All foreign embassies and international organizations in Mongolia, as well as many foreign citizens working and living in this country, are readers and subscribers of our magazine. Mongolian Economy has subscribers abroad as well. Thousands of people visit our website.

We are very pleased to send you the news that our staff has committed to publishing an issue twice a month, beginning January 2012, to deliver world and domestic economic, financial and business news and information with more speed. Also we have set a goal to provide economic and business news on a daily basis through our website, which will also feature Mongolian and English reports. In addition, we also plan to establish the Economy television studio to produce programs to discuss topics concerning the economy, finance and business to better inform our audience.

With many new goals set for 2012, the staff at Mongolian Economy welcomes the new year. I would like to emphasize that our readers' thoughts, proposals and advice are very important to our work. Well, now I would like to express our gratitude to all of readers, subscribers and supporters who have banded together with Mongolian Economy in the past year and wish you all good health, happiness, and every success for the new year.

Editor-in-Chief D. Bekhbayar

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Main Topic

Will Mongolia Have its Hands Full in 2012?

By I. Otgonjargal

Ulaanbaatar city's streets and squares have embraced their New Year's attire, which looks even more beautiful in comparison to previous years. From the New Year's atmosphere in the city it can be clearly seen that 2011 has brought high growth to the Mongolian economic and business sectors. If you notice previously the city dwellers could only compare and rejoice over few decorated New Year's trees in front of the State Department Store, Trade and Development Bank and "Bishrelt" department store in the city center. However, from year to year the number of decorated trees in the city streets and squares has been increasing. On the other hand, a reform has been made to the New Year's decorations

in front of the buildings. From observing the humble and yet majestic New Year's trees in front of such high rising buildings as the "Central tower", "Grand plaza", and "Maxmall" it can be predicted that the good macroeconomic news throughout the rabbit year has been reflected at the microeconomic level of industries and business entities going down to household level. Not only the newly built buildings at the city center but also the companies such as "Teso" situated at the Western part of the city have positioned a towering New Year's tree no less tall than that of the "Maxmall" building. The fact that they have also situated a huge box of their product "Milko" looks very much in harmony. In addition, there ▶

are many new stores that offer women with the variety of New Year's gowns have opened up their doors within just one year. Shopping at stores with comfortable atmosphere offering high quality service with product choice of comparatively higher prices has substantially increased.

The fact that the amount of GDP reached MNT 7,810.4 billion, showing an increase by 31.4 percent from that of the previous year, is one of the good macroeconomic news. The growth of the service sector and the increase in the amount of product and commodities' taxes has mainly contributed to such increase. The report "2011 Macroeconomic Expected Performance of Mongolia and 2012 Trends" issued by the Ministry of Finance states that this year the service sector increased by 29.0 percent, which is an increase by 20.1 percent in comparison to 2005.

There are constant criticisms and opinions on whether Mongolia is developing or not and whether the economic growth is good or bad. Therefore, the "Mongolian Economy" magazine in its tenth edition has assessed 2011 state of the economy of Mongolia, and worked to show the next year's prognosis by publishing many articles and interviews.

First of all, let me point out that since this is the holiday edition seeing off the old year and welcoming the New Year we have selected to inform about 2011 five major events of the Mongolian economy.

Mongolia is called many names predicting its good fortune such as "Central Asian Kuwait", "The Next Asian Tiger", "Woolf Economy", and "Coal Saudi Arabia". However, Mongolia is also nicknamed as "Minegolia" and "Moncoalia" in connection to mining activities and coal deposits. Therefore, from this edition of our magazine You will read what are the major events of 2011 in the Mongolian economy, which has attracted the world attention through all types of good and bad names, that have influenced the national, household and citizens' lives and livelihoods.

The year of 2011 that has put into hardship the economic and financial

situation of the EU countries has been relatively positive for the social and economic situation of Mongolia. Apart from rarely heard of economic growth in the world the amount of foreign direct investment has been increasing with the speed of light that could reach three billion US dollars by the end of this year. Mineral resource rich Mongolia has become known to the world today as being situated next to the largest raw material market in the world – the People's Republic of China. Therefore, the mineral resources sector could not only attract previously unimagined amounts of investment within a short period of time but also made us acquainted with the dangerous economic terminologies of "hot money" and "Dutch disease". Consequently, let us hope that next year the issues of appropriate allocation of profits generated from mineral resources, diversification of the economy, and the need to attract foreign direct investments into non-mining sectors of economy will not be merely talks but will generate some concrete actions.

This was the year not only the sector of economy but also the business sector has experienced many rapid developments and new events. Vice Chairman of the Foreign Investment and Foreign Trade Agency of Mongolia Mr. Z. Battushig pointed out during his interview to our magazine that the abundant experience of foreign companies to become independent and invest abroad after being established through foreign direct investment is very close to be introduced by the Mongolian business entrepreneurs. Then this year the operations to purchase the businesses back that were once established through foreign direct investment by Mongolians had intensified. For instance, the mobile phone operating companies such "Skytel" and "Unitel" have come under the authority of national business entrepreneurs. Also recently young Mongolian entrepreneurs have bought the "Altan Dornod Mongolia" company from Mr. S. V. Paushok, who lost his case to the Government of Mongolia on the annulment of the windfall profits

tax of 68 percent at the International Arbitration Court, not fearing its huge debt. In firm belief of their knowledge, skills and management they announced through the media that after some time they will make the "Altan Dornod Mongolia" company, which for many years attracted a bad reputation, as one of the leading companies in the mining sector.

Even though this year there were many more office buildings put into exploitation than last year they could not fully fulfill the demands of the vastly growing business sector. Despite the fact that one square meter of office space being valued at USD 40-50 these were sold out fairly quickly with a blink of an eye. This is, of course, connected to the fact that the world's large mining deposits such as Oyu Tolgoi and Tavan Tolgoi are being put into economic circulation. It should be also recalled that from the rapid development of the economic and mining sectors of Mongolia foreign investors rather than the domestic investors are accumulating high profits.

Also the economic growth, worsening of the inflation rate, the hot numbers of the newly approved state budget has become the important issues of our new edition. At the time when talks of rapid development and huge growth, which are hard to determine whether or not true, have become the usual practice the majority of the people are striving to understand its gist. Then in the article by our journalist "Growth, growth and once again growth" You can find quite a realistic answer to many of the doubting questions that You wanted to find an answer for. In addition, the review of 2011 world economic and financial situation, and the analysis of the next year's prognosis in the "Analyst Writes" column by the economist of UMC company, Head of the Educational Committee of the Financial Market Association Mr. L. Byambaa will provide You with an important insight.

If in 2011 many wonderful events happened in relation to the economic growth and national development than the year 2012 is also arriving with hands full. ■

Special Event of the Year

Five Major Events of 2011 in the Mongolian Economy

“MongolianEconomy” magazine, in cooperation with the Mongolian National Broadcaster (MNB), is announcing five major events of 2011 in the Mongolian economy.

The Development Train

On the last month of spring in the year of the rabbit, Mongolia established its Development Bank of Mongolia (DBM). For us, who are in a hurry to develop, it is a historic event to have a specialized bank that would speed up development. For Mongolians, a development bank used to be a new thing, a new concept. However, the words of the Prime Minister of Mongolia, Mr. S. Batbold, that we would be able to do it together, have come to fruition. Citizens believe that the bank will bring us closer to future development.

On 12 May 2011 Mongolia officially announced the establishment of the development bank internationally. This way, the government resolution no.195 of 2010 has been realized and the government burden has lightened up a little bit. However, the responsibility has increased more than ever before. The management team of the Development Bank of the Republic of Korea was selected as the management team of the DBM and Mrs. L. Bolormaa was appointed as the deputy director of the DBM. This way the developmental train to create what does not exist, and to improve what exists made its headway.

The bank's current goals are to speed up the economic development of Mongolia, to make proper investment decisions for large projects, to support economic growth, and to improve

the competitive capacity of Mongolia in the international arena. Whether or not the projects and programmes such as the Mid-Term Target Programme of New Reconstruction and Growth, Government Policy on Railway Transportation, and the Sainshand Industrial Complex will be implemented or not will directly depend on the bank. As we are certain that the future accomplishments of the DBM will nurture a lot of hope and responsibility, will be successful, we are announcing the

establishment of the DBM as one of the major events of 2011 in the economic, political and social life of Mongolia.



2. Tavan Tolgoi Shares

In 2011 Mongolians felt themselves more as the owners of their land, with all of its precious minerals. One of the most important strategic mineral deposits is Tavan Tolgoi, situated in the Gobi, 15 kilometres away from Tsogtsetsii Soum, Umnugobi Aimag. The joint government announced on 31 March 2011 that each Mongolian citizen is the owner of this mineral deposit and made a decision to issue citizens with shares. The Tavan Tolgoi mineral deposit has reserves of 6.42 billion tons of coal, which allowed each Mongolian citizen to receive shares, and it also became the centre of competition among 16 mining companies and consortiums from five continents. The coal reserves kept in the heart of Umnugobi Aimag, constitute the precious treasure of Mongolia. Opening up the reserves and distributing 536 shares to each Mongolian citizen have undoubtedly been the major events of this year. According to detailed estimates, the Mongolian population amounts to 2,796,341 citizens, who will receive 10 percent of Tavan Tolgoi or 1.5 billion shares. During the adoption of the state budget of 2012, it was decided that 10 percent of the shares of the Erdenes Tavan Tolgoi company be issued to the business entities will be distributed to citizens, and for a total of 1,072 shares to be placed into our individual contribution accounts.



In addition, the Tavan Tolgoi project's preparation activities have been finalized and as a result of the selection process the winners of the tender bid have been announced. One of the top mineral deposits in the world, the Tavan Tolgoi project is moving forward. »

3. Mongolian Stock Exchange is On its Way to Reforms

The Mongolian Stock Exchange (MSE) signed an agreement of cooperation with the London Stock Exchange (LSE) on 7 April 2011 and opened a new page on the stock market. The fact that the MSE is working at a new level to improve the poor knowledge of Mongolians about the stock market, as a result of the fiasco with the pink and blue vouchers of 1990's, has been chosen as major event in the economy of Mongolia this year. The LSE, one of the leading stock exchanges in the world, which has more than 200 years of history, has taken notice of the MSE, with a mere 20 years of experience. They are cooperating together with a long-term goal of bringing the operations of the MSE up to an international standard.

The president of the LSE, Mr. Xavier Rolet, promised, "Through our cooperation with the MSE, we will introduce a modern comprehensive system for securities trading. Consequently, as a result of this cooperation, the legal climate, infrastructure, techniques and technologies, and the capacity



of the personnel of the stock market should reach international standards. Also by connecting to the 24-hour trading zone of Ulaanbaatar-London-Toronto, it would be possible to enter the international stock market".

4. Coal-Breaker and the Thermal Power Station

The first coal-breaker was established in Umnugobi Aimag, and in June of this year the coal-breaker's opening ribbons were cut. Our readers selected the establishment of this coal-breaker that was built within the Ukhua Hudag project of the Energy Resource company as a major event in the economy of Mongolia. It is unique, combining modern progressive technology with the leading domestic experience. More than 600 personnel of more than 20 subcontracting companies participated in the construction of the coal-breaker. The Energy Resource company not only built the coal-breaker in Umnugobi Aimag in 2011 but last autumn it also put into exploitation the thermal power station with a capacity of 18 MW within the Ukhua Hudag project. Undoubtedly, the construction of the thermal power station in the Gobi with its scarce water, constitutes a major event of this year. Let us point out that the Ukhua Hudag thermal power station was built by around 1,500 engineers and technical personnel of more than 80 companies within 25 months.



5. Economic Growth and Intensification of the Reconstruction Works of Oyu Tolgoi

Oyu Tolgoi is at the centre of global attention by becoming a world brand name. Two years have passed since the signing of the investment agreement of this large mineral deposit, while since one and half years have already passed since the agreement came into force. One feels proud to see that the great reconstruction and building operations of the Oyu Tolgoi mine are moving straight ahead. In order to put into exploitation, this copper and gold deposit, which ranks second in the world, the Oyu Tolgoi company has been purchasing products and services worth seven million US dollars per day. Today there are more than 2500 companies labeled as suppliers of Oyu Tolgoi. Currently, the mining building and reconstruction activities are 50 percent complete. Three Mongolian companies are executing the operation of building an airport at the Oyu Tolgoi site. The fact that this project currently consumes an investment worth four billion tugruks per day has brought never-before-predicted changes to our foreign trade.

More than 18 thousand local citizens of Umnugobi Aimag are working to build a mine with the capacity to extract 450 thousand



tons of copper and 330 thousand tons of gold per annum. The president and CEO of the Oyu Tolgoi company Mr. Cameron McRae pointed out that when the mine production activities start in 2013 nine out of ten workers will be Mongolian citizens. The fact that the investments into Oyu Tolgoi project, which is planned to constitute one third of the economy of Mongolia by 2020, reached USD 2.9 billion during the last period, must have influenced, a 17 plus percent increase in our economy. ■



Family Budget

A Shoe-String Budget

By B. Enkhtsetseg

Two boys and a girl live with their parents in a small mud house. Meanwhile, though everyone suffers from headaches due to the odors from shoe making and burning coal, there is a warm and pleasant atmosphere here; with the sounds and aromas of mom's baking blending with the strong smells of cooking oil and boiling tea. As soon as the dining table can have some time off from its main duty of holding up meals, it is Father's turn to use it as a work table. If the table was alive, it would have complained, "When will you people build that spare work room that you always talk about and let me do my own job properly—away from dirty hammers, nails, and glue."

Today the youngest son will help his father make five pairs of shoes. While Mother calculates, trying to stick to her family budget, their eldest son tries to help out by bring some extra income. Right now he works in construction in addition to his studies at university. For her part, the youngest daughter assists with business matters when her mother is not at home. The youngest in family has been acquainting herself with the shop counter, and pen and paper at home. But when she has a spare moment between customers, she still concentrates on her studies. She is both an excellent pupil, (the best in her class) and an experienced cashier. Everyone makes his or her own contribution to the family business and at home. Each family member is one of five poles holding up their ger.

A Shoemaker and a Builder

Making shoes is a lot of hard work. Initially, molding the boot over the last is not an easy thing to do. For kid's shoes, 20 to 30 decimeter of leather is needed, depending on the size of the shoe. One decimeter of leather costs MNT 180 to MNT 200. The shoe also needs a sole, insole, cord, lining, nails, glue, and rubber for the sole. Early in the morning, the shoemaker begins by cutting the upper parts of the shoes into various shapes. Then the shoes undergo other processes ▶





▶ such as sewing, gluing, and molding. At last the edge and heel of the soles are trimmed and buffed for a smooth finish. Five pairs of cute, little kid's shoes are born as the clock turns nine in the evening. Finally, before they can wait on the shelves for their small future owners to take them away, they receive the traditional blessing, "Long life to the owner, though the gift is fragile".

Whereas children's shoes are about MNT 6,000 to make, they sell for about MNT 8,000 or MNT 10,000. But the father-son team also makes more than 10 adults shoes a month, therewith endless shoes repairs, such as patching, stitching, and replacing soles and insoles. Even though it is more profitable to make adults shoes, the easier production and larger orders from retailers requires them to make children's shoes as well. Rising food prices is pushing them to raise their prices, but they do not dare because retailers will complain they are too expensive. Wintertime is the busiest season for shoe sales. Except for summer, they manage to sell shoes at some measure throughout the year.

"If we sit and do nothing, we'll spend a night with empty stomach. We have got to do something to earn enough to at least get some food for the night", said shoes maker and father Ch. Gankhuyag with a big smile on his face. "When it's warm outside we don't just make summer sandals and lace boots, but also we do things like build houses and install fireplaces."

Although his profession as an electrician and plumber can be prosperous one, he suffered from an accident at his workplace that disabled him when he lost three fingers on his right hand. Despite his disability, he has been building for over 10 years.

Gankhuyag's wife, Otgonjargal, used to sell her shoes alone at a flea market one by one during the first few years of her family's production. She now sells to wholesale dealers who bring them to local shops and as far as Tuva, in southern Siberia. Today she has little time to run the shop counter in the Yarmag ger district where she and her family live. When

the couple first started their family business, they began with MNT 300,000 worth of debt from the bank, but their debt has grown to MNT 2 million as they have proven themselves as trustworthy loaners.

At first glance, their life might seem not so bad, and maybe so. A large portion of an already inconsistent income goes towards the cost for materials to make shoes, taking up nearly the entire family budget. What's left is approximately MNT 500,000. Otgoo, who had earned perfect marks as a student, is now doing quite well at accounting and math for her family budget.

Every month the family must give MNT 150,000 to the bank on time to repay their debt, and so far they have been successful. That leaves just MNT 350,000 in their budget for the demands of the family and household. Although, every person in the family does their best to contribute to the budget, MNT 350,000 a month is actually the average income for a single worker. No matter how well Otgoo budgets every month, she said somehow they spend MNT 250,000 on food. The Human Developments Fund's MNT 21,000-monthly allowance promised to every Mongolian citizen comes to MNT 105,000 after combing all five of theirs, covering about half of what they need for food.

When budgeting, Otgoo sometimes needs to spend less in a month to pay for last month's extra expenses. For that, they would eat one loaf of bread rather two, as they usually do. Meat and flour weighs heavily on their budget. As a woman who has lived through 20 years of family life, Otgoo has come up with clever strategies to cut back on spending if necessary. For instance, she finds five kilogram's of sheep's stomach and two heads costs the same as just one kilogram of mutton. She said this saves not only some money but also helps the hardworking family get more nutrition in their diet. A diligent mother has an endless collection of recipes for cooking on a budget, such as soup made from boiling two sheep's heads with vegetables. She even uses the sheep's fat after frying her ▶

▶ meat as cooking oil. She has nothing left to throw away after she finishes cooking.

Suffering to Earn and Spend

Everybody in this family contributes as best they can. The oldest son, Enhktuvshin, used to buy stationary for his younger brother, sister and himself using money he earned delivering groceries from the food market “Bars”. Today he works while studying at the “Mongolian University of Defense”. The young girl who keeps up an excellent performance at school while doing an impressive job running the shop and tending to the household chores when her mother is away is only a fifth grader. The youngest son is a natural pragmatic, just like his father, and is an outstanding assistant. “Daddy I can do it, Let me do it!” he exclaims. He is happy he will learn the shoe-making trade properly, as his father promised to teach him during the upcoming summer vacation.

He is always running after his father, wherever he goes. When Gankhuyag goes to work to build a house and install a brick stove, he is often accompanied by his son, who helps by carrying bricks and mixing clay. Neither is worried about how much they should ask for when they have finished. Gankhuyag knows how hard it is to survive with bubbling prices devaluing their hard work. On average, Gankhuyag charges MNT 70,000 to install a stove. Children who love and overestimate their parents’ hard work do not need to ask their parents to buy clothes this winter because the winter clothes and boots they have used over the past two years are still enough to wear in a child’s mind. Unable to buy brand-new, high quality clothes, their mother buys everything second hand. She prefers to buy second-hand German and Japanese clothes from the market instead of bad quality Chinese products. She spends over MNT 150,000 a year on her oldest, who is a student at a military academy. He walks in his uniform year round to ease the pressures on his parents.

“Everything will be Alright”

For New Year’s, Tsagaan Sar, and The Naadam festival, or whatever other special occasion it might be, everybody tries to celebrate happily with all they have, even if they must borrow from each other. Gankhuyag’s family celebrates the New Year modestly, spending about MNT 50,000 or MNT 60,000. But this year they might need to budget for the holiday much more carefully than last year due to inflation.

The two parents plan to buy a computer for their three adorable kids by next autumn. If they could manage it, the children would be able to do their homework at home on time without spending their money and time at Internet cafes. Even Otgonchimeg, the youngest of their three children, needs a computer to do her assignments. Before this, however, they would like to build a work room to lead the family to a more comfortable and healthy environment. Otgoo thinks if her family could earn a bit more, about MNT 1 million a month (twice as much as it does now), they would live less than satisfied but better than now, and without the risk of running out of food. As a Mongolian matriarch customarily says, “everything will be alright”. Otgoo repeats that mantra to herself to ease her frustration. Their dream is to build a small shoe factory for fancy shoes and give their dining table a rest. People like Gankhuyag’s family who runs medium scale businesses with nothing but his best efforts might just need pinch of help from society and a handful of support from government. ■

Inflation

Growth and More Growth

By B. Bayartogtokh

We are on the doorstep of 2012, saying goodbye to the year where growth and more growth was all anyone talked about. But we still have numerous problems such as air pollution and traffic jams. The calendar page will soon turn to December 31. Housewives are now thinking to themselves how to decorate their table, and children are expecting lots of presents. In the meantime, our prime minister appears increasingly more on TV, highlighting Mongolia’s rapid economic growth. He said soon there will be lots of changes in our lives. So we wonder how economic growth and sudden hefty profits will affect our lives and budgets.

Mutton is sold at the Khuchit-shonkhor market for around MNT 3,100 to MNT 3,500. Meat prices are higher than previous years. Expectation of higher incomes for next year is creating relief for many. Customers’ expectations are affected by the prices of meat, but the sales people remain calm as well. Inflation is poised to gallop, and again customers will be confronted with price growth. L. Purevdorj, the president of the Bank of Mongolia, said inflation grows when demand surpasses supply. Economists are concerned that the rumors about price growth for flats and cars are setting economic growth into a tizzy. Housewives are asking if economic growth means little more than the “rule of price growth”. Purevdorj has already reminded politicians that trust in Mongolian tugrug could be preserved if the inflation can be capped in the single digits. It is not solely the central bank’s duty to transform economic growth into development rather than inflation.

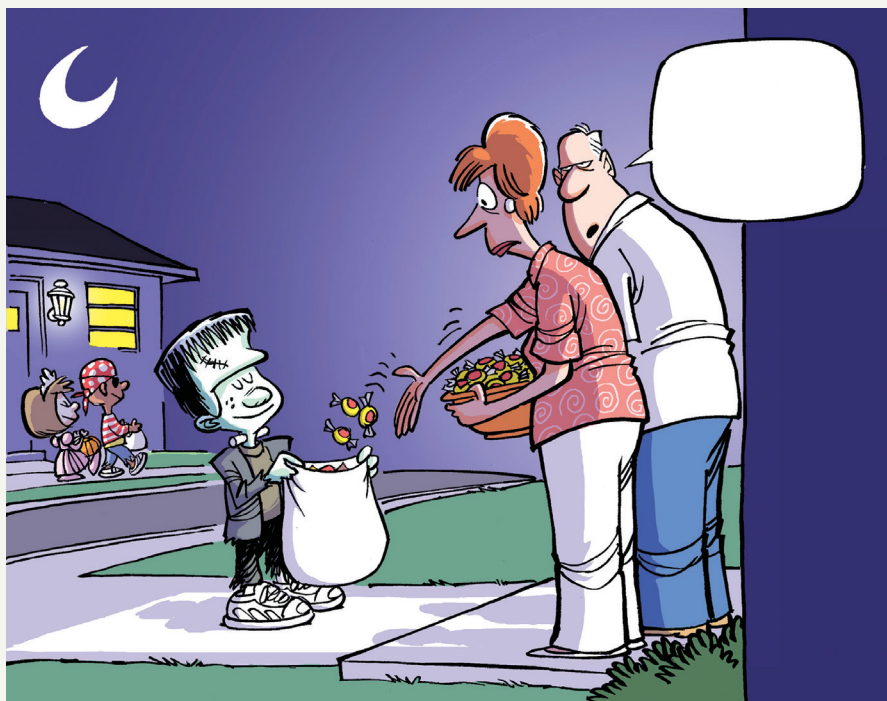
Growth of the gross domestic product reached 17.3 percent in the second half of this year and some predict it may even reach 20 percent next year. Although this looks well, many economists, experts and politicians agree that this is not real growth.

“I think the gross domestic product growth rate is maybe miscalculated” said D. Sedvaanchig, a Parliament Member, to the press.

His doubt is not his own fault. The numbers that suggest rapid development confuse not only Mongolians but also the rest of the world as well. There has never been an economy that has risen by 17 percent to 20 percent within a single year. Economies usually grow by 1 percent to 3 percent in a year. To avoid inflation and make this growth real development, the country must think hard about its situation. So what is this thing called growth?

Quantity or Quality

Economists use economic growth to measure the growth of products; therefore, economic growth is the measure of production. Has our country reached ▶▶



be thought of as an economic growth. The businessmen at the Narantuul market shall experience the fruits of growth. But when people's income rises, people will choose brand shops instead of Narantuul market.

"I do not feel this economic growth that everyone is talking about," said a shop opener who rents a stand at the Baylag market. "I suppose people who run businesses with MNT 100 million or MNT 200 million benefit from this growth. People like us, who run a small business, are barely surviving".

"There is no such thing as a devaluation of tugrug when export volume is this much. The tugrug's rate grows stronger" said Minister of Finance S. Bayartsogt. He said we should stop worrying about devaluation and believe him. Gross domestic product per capita will reach USD 5,400, Parliament has said. Yet, the poverty level within our country has climbed to 40 percent.

Who Benefits?

Civil servant salaries will increase by 53 percent next year. Because of that doctors and teachers are expecting higher income. Thus some might want to spend their money on expensive electronic goods, cars and even brand-name outfits. Yes, their income will increase, but how? The average, inexperienced teachers earns about MNT 300.000 per month. If their salaries increase by 53 percent, it will boost that figure up to MNT 440.000. If that happens, they will start using their money on wide range of daily products and other expenses. So what will happen to that price?

"Their salary will grow by two levels next year to avoid inflation" said Bayartsogt.

Although Inflation is good for production, for people who have regular incomes, it means taxation in a hidden form, experts have said. The renowned economist and Nobel Memorial Prize winner once said, "Inflation is always and everywhere a monetary phenomenon in a sense"

"The key leverage for real economic growth are investment and employment. So more workplaces would appear as an economy grows" says Batsukh.

But in Mongolia, the industrial sector is not making that much out of a workplace. According to statistics, over 39,000 people looking for work have registered with the labour and social

▶ a production level with growth of 20 percent?

"Economic growth is the quantity of produced goods in a year" said Ts. Batsukh, the head of Economic department of Institute of Finance and Economics. Produced goods make up gross domestic products and gross national products. The former refers to the total production volume of all final goods created in Mongolia within a year; while the later is the market volume of all products produced in one year. In other words, Mongolians can create a domestic market. Mongolia is not an investor but an investment-receiving country. Thus the gross domestic product is higher than the gross national product.

Does it mean politicians and authorities cheat us with economic growth? Investors can run a business in Mongolia, boost the gross domestic product, build some capital and take it away with them when they leave. But in Mongolia, due to a lack of industrial potential, the gross national product is not valuable. That kind of industrial and economical growth would not influence our lives. The real purpose for calculating economic growth is to measure industrial growth. It is not a development indicator. People would experience the real result only if production grew, income surpassed expenses, and profits were distributed equally.

"It would be a lie to say mining profits are distributed equally," said Batsukh. "People's living standard will not get better because the profit is not being equally distributed. Maybe only 10 percent of the population benefits from it, but for another 90 percent this growth becomes an instrument of poverty. It is uncertain if people benefited much would support those who rent the stand at the Narantuul market.

So who is distributing the profit unequally? People who have invested large capital into an economy would receive the most returns from growth. People with power and wealth would feel the economic growth a great deal. Batsukh said that if the economy grows by 20 percent, people's living standards would increase almost 30 percent. Additionally, economic growth depends on a population, growth in labour, and technological progress. But in Mongolia population growth is not enough to boost an economy by 20 percent. Did labour efficiency improve?

"This 20 percent of economic growth is only benefitting some investors but not the majority's live" said Batsukh frankly. If this is true, how do we use this growth effectively for the public?

"We can say that if the public's purchasing power grows, the economy is also growing" said L. Oyun, professor at School of economic science at the National University of Mongolia.

So salary and pension increases can

► welfare department out of total 110,000 of unemployed citizens. But this is just dry data. In reality not much has occurred. Even the government started a year campaign this year, calling 2011 the “Year to Support Employment”.

Another measurement to measure economic growth is human development. Mongolia, which is said to be developing rapidly, was ranked at 100, out of 169 countries by its human development index. This means the nation barely ranked at the medium level. Economists have said that economic growth and economic development are different concepts. Economic growth is not development, it is just indicator. The Quality of development is created as a result of sustainable development in the long term. But for Mongolia, the country may fall from its rapid development at any moment. Development is far and away. Batsukh advises people to see the changes in quality in order to believe in a county’s development.

As the saying goes “Eating too much can make your stomach ill”. Rapid economic growth is bad for development. It boosts inflation.

“Real economic growth is a treasure that appears only when labour productivity increase” said S. Demberel the head of the Mongolian National Chamber of Commerce and Industry (MNCCI).

“Everybody is talking about two-digit economic growth—as if it were a good thing. I think we should be

worrying instead of rejoicing” said R. Amarjargal, a Parliament Member. “Economic growth of 15 percent to 20 percent in a year itself is not a healthy phenomenon. It is more like a car without brakes, speeding on a highway at 100 kilometers an hour; or a bubble that could burst any moment. Economy that is dependent on foreign investment and commodities price has short life time.”

Only Inflation Comes to the Countryside

“Let every Mongolian family feel this economic growth” said N. Tuya, an economist. Santa Clause could give presents to every family without his Christmas magic. It would be impossible. Economic growth cannot be like Santa. It should visit every single family, but what can people expect from growth? Higher income, more workplaces, and what else?

Can a typical nomadic family without a regular income feel economic growth? They only receive low-quality products at inflated prices instead of economic growth. However their usage is lower compared to an urban family. They buy consumer goods such as bread, tobacco and silk at a price that is many times higher than normal. So how are they going to feel economic growth in a positive way?

Davaa, a typical nomad, feel economic growth when she sells her wool on the market. Chimgee, a milk maid, feel economic growth when she sells her dairy products. This is the only

way they can feel the growth.

The Price for Economic Growth

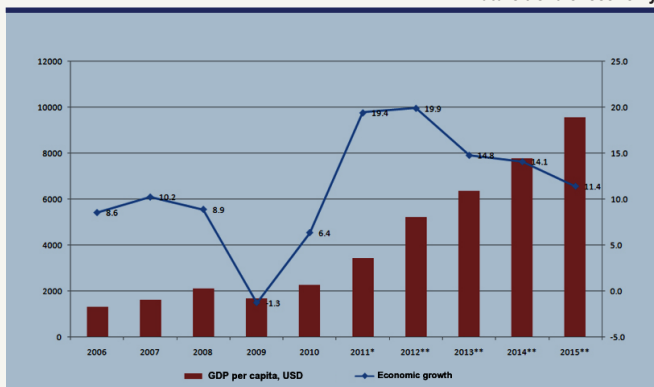
I asked some question about economic growth from relative of mine who runs his small construction company.

“Increased circulation of the currency is maybe one of the effects of growth,” said the owner of a small construction company. But the construction sector still lacks enough [finished] materials and raw material. Because of that sometimes, even construction works stops. If construction work stops, demand will increase and so do the prices. That’s how we come to pay more as the economy grows”.

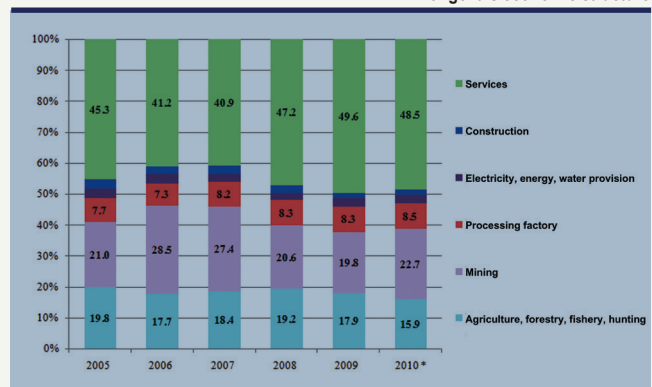
Is it true? Are we really paying much for this economic growth? Will it grow more as inflation grows? According to the Bank of Mongolia, cuts in government spending of MNT 1 trillion will help keep inflation below 10 percent. However, the government replied to those remarks with “growth”. Meanwhile, economists and experts have said anyone who has money would feel and benefit from this economic growth, but not the others.

Dreams of better life for tomorrow will never stop. Economic growth, followed by expansion in employment will lead to a better life for every Mongolian citizen with a job and income. This is year of great growth and the hopes of many—welcome to the Mongolian economy. ■

Future trend of economy



Mongolia’s economic structure





Javier Garcia Martinez at Rive Technology R&D in Princeton, NJ.

Young Global Leader

The Most Valuable Resource

By Kh. Khulan

Javier is a faculty member and director of the Nanotechnology Molecular Laboratory at the University of Alicante in Spain. He has published extensively in the areas of nanomaterials, catalysis and energy and holds fifteen patents. His latest books are Nanotechnology for the Energy Challenge (2010) and The Chemical Element: Chemistry's Contribution to our Global Future (2011).

Javier is also a co-founder of Rive Technology Inc. of Boston, Massachusetts, a clean energy company commercializing advanced catalyst technology. He was elected as a Young Global Leader by the World Economic Forum in 2009. Since 2011 Javier has worked as vice chairman of the General Assembly Council on Emerging Technologies. He is also advising the European Commission on Higher Education and Entrepreneurship and the European Institute of Innovation and Technology (EIT). Javier has been recognized as a leader in nanotechnology and materials science. In 2005, Javier was awarded the Europa Medal, an annually award for outstanding European chemists under the age of 35, and has received a silver medal from the European Young Chemist Awards in 2006. In 2007 Javier received the TR 35 Award from the Massachusetts Institute of Technology's (MIT's) Technology Review magazine.

What is nanotechnology and what do you research?

Nanotechnology is the fabrication of materials on a molecular scale. That means that we can now produce novel materials with unique properties. For example: better solar cells, stronger blades for wind turbines, and

lighter alloys for transportation and construction. There are also examples of the use of nanotechnology for more efficient diagnosis and treatments of cancer. The economic opportunities of what has been already defined as a new industrial revolution are huge. The number of patents on nanotechnology,

now in the thousands per year, grows exponentially, as well as the number of start ups that are commercializing new discoveries in nanotechnology for a wide range of applications.

The green economy has become a new global trend. What can you say about the green economy in regards to rapid development in Mongolia's mining sector?

You have wonderful gift, which are your natural resources. You could do two things with them. First, you can just sell it—that is going to be cheap. Or you can add value to your natural resources. Clean technology is about doing things more efficiently. It means adding value to what you have got. That is critically important to the quality of life of the people who live here, and to diversify your economy. The term clean energy is a general thing. It goes from clean tech, to clean water and organic food, and wind and solar energies.

The green economy is a very broad understanding. It is an opportunity to diversify the economy, which can reduce the risk of price volatility. This is critical to Mongolia. You cannot be too dependent on the prices copper and coal. A very good way to diversify the economy can be done through investment in clean technology. In order to do that, you need to improve education. I've learned that you are placing a big fraction of your budget in education. Most of that goes to local schools. This isn't what I meant. If you really want to use your natural resources, you need engineers. Not only are they necessary to educate people in local areas (which is essential too), but also to train your own engineers. The other thing that is important to clean technology is having enough entrepreneurs. They are critical to the diversification of your economy because they can introduce all kinds of businesses and services.

Traditional education is not enough. Entrepreneurship is very important. As I already mentioned, I see Mongolia as country of endless economic opportunities. Yet, you need your own entrepreneurs in your own country. That is why the education of young people is especially important.

What does your company Rive Technology do? When and how it was established?

Rive is a clean energy company, commercializing advanced catalyst technology for petroleum refinement to dramatically increase the yield of ▶

▶ transportation fuels produced per barrel of crude oil. The proprietary technology that I invented when I was at MIT makes traditional zeolite catalysts more accessible to large hydrocarbon molecules, allowing increased production of gasoline and diesel fuel. Rive's new catalyst fits readily with existing refineries and enables refiners to increase throughput and profitability with minimal capital investment. We have raised USD 47 million in venture capital from leading investors and have employed over 30 people in Cambridge, Massachusetts; Princeton, New Jersey; and Houston; Texas.

Mongolia has a population of 2.7 million people with over 200 universities and institutes. Yet, it still has insufficient levels of education. What can you say about your own education?

I have been very fortunate to receive a very good education. In Spain, education is free from primary school to college. Later I went to the USA to study at the Massachusetts University of America with a Fulbright fellowship. I have had a wonderful education.

What I have learnt during all these year in various universities not the quantity, but the quality of the educational institutions is what is most important.

The critical thing here is who is going to teach at the institutes and universities. Having world-class teachers and professors is vital. If you don't already have this kind of human resource, it is important to attract talent. You need the educators who can teach engineering and entrepreneurship here in Mongolia. They can teach skills and knowledge about how to spread knowledge in the fields of engineering and entrepreneurship. In order to get there, you need to focus on improving the skills and capacities of your educators.

Mongolia is currently experiencing a mining boom. How do you see it?

The question for Mongolians is what kind of society do you want to build? You have a gift, which are your natural resources. It is an opportunity but also a challenge. I think the government should encourage the public debate about what kind of society Mongolians are struggling to build. It is for Mongolian people to decide upon their own land, water, air, and life here. You also have a wonderful nomadic heritage. The economic opportunity seems to be in exploiting these natural resources very quickly

to create enough growth to build the infrastructure and services that Mongolia needs, but there is also a significant value in keeping the country pristine for tourism and organic agriculture, for example.

You have spent two days in Mongolia meeting school children and Mongolia's youth. What would you recommend to the younger generation on education?

I landed at 6 A.M in Mongolia. At 9 A.M I was at school No. 33 in Ulaanbaatar. It says a lot about Mongolians, taking us to a school as the first activity of our visit to your country.

You have large young population, and that is the most valuable natural resource. The first generation was born

in a historical period of democracy. I was very impressed with how open and vocal young people are and how clear they are about their opinions. We have seen that the world's youth is not happy with the new reality. I see in my own country that many people are going to the streets to protest. We see the same in Chile and Israel. It is very important to give the youth the voice that it deserves. So I would tell them two things: they are the future of this nation, second, they have a good heritage. Reflect on the past, listen to your elders, and make your own opinions about the country you want to build.

Thank you very much for your time!

Thank you for the opportunity to talk to you. ■

Stock Exchange

The New Direction of the MSE

The London Stock Exchange (LSE) Group has partnered with Mongolia's own market to help develop it into a more transparent and efficient institution. Tracey Pierce, director of equity primary markets for the Group, says the potential for Mongolia is enormous, and if the right connections can be made at home and abroad, both foreign and Mongolian investors will see significant benefits.



You have come to Mongolia just as the New Year approaches. As the head of one of the largest stock exchanges in the world, what would you say will benefit the financial markets most this year?

We have seen very difficult market conditions, particularly over the last three years. We've come through the financial crisis, but there have been a number of additional global shocks; whether it is the tsunami in Japan, or the "Arab Spring", and lately it's been economic issues in the European Union and in the United States. I think if there is some stability in the markets and resolution to those issues, markets will become less volatile. Afterwards, the number of new companies coming to market should increase. ▶▶

► **What is your prediction for 2012?**

From the LSE group's point of view, I can't give you any specific predictions. All I can say for certain, as we come to the end of 2011, is we saw an improvement compared to 2010. In 2011 we have seen 145 new companies enter the market, including 74 initial public offerings (IPOs), a 15 percent increase on the previous year, with just over GBP 20 billion raised for companies through IPOs and further issues. So we hope market conditions stabilize and start to improve. The pipeline for new companies coming to the market is actually stronger than before the financial crisis, particularly from developing economies such as Russia and CIS, and across the Asia Pacific region. But timing is very difficult to predict because it does depend upon market conditions.

How big of an impact do you think the Euro crisis and decline in China will have on the world market?

It will continue to have an impact because it creates uncertainty in the market. But one of the key advantages in London is that its listed companies draw investors from a very wide pool of global capital. So when companies come to our market they are not just raising capital from the United Kingdom or Europe, they are raising capital from North America, Asia, and the Middle East. So we are less impacted by local issues.

How would you grade the operations of the Mongolian Stock Exchange (MSE)? How well are its renovations progressing?

Well, the aim of the strategic partnership is to improve the capital markets infrastructure in Mongolia, and to develop the MSE to a position where it's complying with international standards and operating as a world class exchange. We are developing the technology for trading, market surveillance and post-trade, Mongolia is moving from pre-funded trades to "T+3", which is revolutionary. We are also looking to revise the rules for listing, transparency, disclosure, trading and membership, to improve the quality of the market. We also intend to hold a number of training initiatives with the MSE, the regulators, and with market participants so they understand how to comply with the new rules. The benefits will be improvements to the quality of the Mongolian capital market, an increase in the number of Mongolian companies listed, and, perhaps most importantly, an increase in the level of investment; not just from domestic institutions, but also from international investors and retail investors. Overall, the market will develop deeper pools of liquidity and higher trading volumes.

What do you see for the future of the MSE? What problems and possibilities do you think it might face?

Mongolia has huge potential, it's one of the fastest growing economies in the world, and that's why it needs an efficient capital market. So I think the future of MSE, after implementing all of these radical changes, is very bright. The challenges the MSE will face are being addressed by the plan we have in place, through technology, rules, regulations and education.

But one of the biggest challenges is increasing direct investment into the Mongolian exchange, and building up a domestic institutional base, that includes pension funds and insurance companies. It must also promote the Mongolian growth story to markets overseas, but to some extent that will be addressed through our relationships with London-based investors. We have put initiatives in place to educate the markets on the opportunities in Mongolia. For the next

quarter we have two events. The first will be in Mongolia for companies and advisors, to show companies the benefits of listing. The second will be a Capital Markets Event in London, where we will bring Mongolian companies to meet international investors. It is part of a long term project to increase capital and liquidity in the MSE.

During Mongolia's cooperation with the LSE, every Mongolian will become a shareholder. Is the LSE able to sell Erdenes Tavantolgoi stocks?

I think that participation from Mongolian retail investors is absolutely essential to promote an equity culture in Mongolia, and to increase the liquidity of its stocks. With Tavan Tolgoi—which has announced it will list in Mongolia, London and Hong Kong—it is proposing a listing in London and Hong Kong to raise capital from international investors, paired with a domestic listing of shares on the MSE, which will be available for direct investment from local institutions and retail investors. The Mongolian public will be able to participate directly, through the allocation of shares, and the ability to trade those shares in the local market.

What did the LSE, with 200 years of experience, see in the MSE, with that of only 20 years? In other words, what benefits of the MSE attracted your interest?

That's a really good question. For us, direct participation and greater exposure to other, fastgrowing economies in the world, is very attractive, particularly in Mongolia, due to its strong natural resources sector. London has particular expertise in mining, so we saw significant synergies between the two markets. I'll reiterate that we see our relationship as a long-term project and a long-standing partnership.

There is rumour that the MSE will be privatized after it undergoes its development with the LSE. It's also rumoured that the LSE would be involved. Is this only a groundless suspicion?

The three year contract we have in place with the MSE covers the areas I already shared with you: technology, rules and education of the market. I am not aware of any plans for privatization.

What should we do to improve financial knowledge among regular Mongolians and to elevate faith in the stock market, in addition to corporate governance?

I think there are a number of ways that we can educate the general population and market participants. First of all, the measures we are taking to develop the Mongolian capital markets will significantly increase confidence in the market, particularly for investors. In terms of educating the market on the new framework, we have already put in place initiatives with trading firms to inform and educate them about the new rules, and we have events planned in Ulaanbaatar and London, to bring the communities together, and update companies, advisors and investors.

We also have an internal training division "Academy" that will be working very closely with pre-IPO companies that are looking to list. We will educate them on the entire process; the listing rules and financial reporting and also the importance of corporate governance. These initiatives will be ongoing in our partnership with the MSE

-When will you come to Mongolia again?

-This is actually my third time. But the other two visits were in spring and summer; this is my first time here in winter. Because of the project, my team and I hope to be here regularly. ■

Photo

The Photos of 2011

During the mission against Osama bin Laden, the President convened multiple meetings in the Situation Room throughout the day. The group moved to a smaller conference room within the Situation Room to monitor the mission as it happened in real time.



May 26, 2011. Icebergs covered in ash from the Grimsvotn volcano eruption, in the glacier lagoon at the base of Vatnajokull, Iceland.



May 15, 2011. An undercover Israeli policeman dressed as a Palestinian woman opens a car door after detaining a Palestinian protester.



A man from the cattle-herding Mundari tribe washes himself with cow urine in a settlement near Terekeka, Central Equatoria state, Sudan, on Jan. 19, 2011. They are suffering due to fresh water scarcity.



A rail line buckled by the shifting earth is pictured in Christchurch, New Zealand, on Feb. 23, 2011, a day after a deadly 6.3-magnitude earthquake rocked the city. Hundreds of rescuers swarmed twisted and smoking buildings in a frantic search for survivors. The catastrophic quake left nearly 400 dead or missing. ▶▶



Metal was turned to liquid from the intense heat of a wildfire outside a destroyed home in the Gaines Bend neighborhood near Strawn, Texas, April 26, 2011.



July 2, 2011. Prison guards stand around inmate Juan Ramirez Tijerina as he hides in a suitcase during an escape attempt from a prison in Chetumal. Tijerina tried to escape from prison by hiding inside the suitcase after a conjugal visit.

<http://www.mongolianeconomy.mn>

November 8, 2011. A sedated black rhino is carried by military helicopter away from a poaching area in the hills of the Eastern Cape in South Africa to a new home 15 miles away. The World Wildlife Fund organized the move of 1,000 rhinos, which are under threat from poachers across Africa because of the market value of their horns.



The body of an elderly woman sleeping next to the stairs in her home in Sendai, Miyagi prefecture, northeastern Japan, on March 13, 2011, two days after the earthquake and tsunami struck the country.





Asia is home to the largest population of young people in the world.

Population of 0-29-year-olds as percentage of total population in 2010

- China 43.8%
- Hong Kong 31.5%
- Japan 29.2%
- Cambodia 64.7%
- Indonesia 54%
- Laos 66%
- Malaysia 56.6%
- Philippines 63.7%
- Singapore 38.3%
- Thailand 43.4%
- Vietnam 53.4%
- India 58.3%

Source: UN Economic and Social Commission for Asia and the Pacific

As Asia booms, what is cost of success for its young

On a Saturday night in Singapore, Nicol and his friends are dancing in a dark and crowded room at one of the most expensive new clubs in the city.

As the music reaches a crescendo, the 25-year-old management consultant pumps his fists in the air. For Nicol and others like him partying across the city and the region, it would seem that there has never been a better time to be young and in Asia.

Instead of the economic problems and social issues that faced their parents' and grandparents' generations, Asia's youth today have a chance to access a period of unprecedented prosperity and expansion. "There are only some pockets of growth left in the world and Asia happens to be one of them," Nicol explains from the comfort of a table where patrons need to spend a minimum of 1,500 Singapore dollars (\$1,183; 738) if they want to use it.

"There's opportunity and optimism out here. People are thinking big."

The figures would seem to back up this optimism.

Increased Prosperity

Economic growth in East and South Asia is seen running at close to 7% over the next year, according to a United Nations (UN) report on economic prospects.

That easily outstrips the slower expansion expected in debt- and recession-hit Europe and US.

At the same time, for hundreds of millions of people across the region, their earning power and standard of living are increasing.

Wages rose by 8% across Asia in 2009, mostly driven by China, according to the International Labour Organization (ILO). That compares with 0.6% growth in more developed

countries during the same period.

The youth unemployment rate, meanwhile, has been below 15% in most of the region for the last five years.

Compare that with figures of more than 30% in European economies such as Italy and Spain, and it is clear that more young people in Asia are getting greater opportunities to work.

"There's been increasing prosperity," says Marco Roncarati of the UN's Economic and Social Commission for Asia and the Pacific. "If you look at the last 20 to 30 years, we see that aggregate levels of development have improved." This focus on youth employment is particularly important because Asia is the region with the most young people in the world.

According to UN figures, 62% of the world's 15- to 24-year-olds live in Asia. Put more simply, it means that almost two out of every three people in that age group are in this region.

In terms of total numbers, that meant there were 745 million young adults in Asia in 2010, according to a report by the UN Department of Social and Economic Affairs. As a result, a number of countries in the region are experiencing a "youth bulge", where people between the ages of 15-24 make up the largest demographic segment of the population.

A look at the median age shows that the Philippines, Cambodia and Laos have some of the youngest people in Asia, with a median age of around 22. That compares with a figure of almost 40 in the UK, according to the UN.

High Expectations

But while many of the region's youth are experiencing greater success, this also brings its own set of problems. Young Asians today expect a lot more from their lives, and often face pressures that were unfamiliar to earlier generations. »

▶ Noreen, 26, lives in Hong Kong and counts herself as lucky because she went to the UK for her undergraduate degree. "I went to university, whereas my parents didn't," she says, adding that, as a result of her foreign studies, she has the tools to make a better life and achieve the "upward mobility" that eluded so many of her parents' generation. However, Noreen also has goals in life that she is not sure she can achieve, given the rapidly rising cost of living, not least owning her own home.

"I'd like to move out before I'm 30. I'd want to start my own family, have more privacy," she says. But "it's difficult to save money for a down payment in Hong Kong. It's too expensive", she adds. High property prices in major Asian cities mean owning a home is not possible for many youth

Noreen is not alone, and this pattern is repeated across the more developed parts of Asia, such as Japan, China, South Korea and Singapore.

At the same time, frustration among the young is being stoked by the fact that while employment and spending power may be increasing as a whole, so is the competition for the jobs and resources that are on offer.

What this means is that even though they are making more money and are better qualified than before, for millions of young Asians, it is getting increasingly difficult to get ahead.

"It's universal, all young people want to succeed and they want to move upwards," says Noreen. "Any society or economy where there is no room to move upwards, young people get frustrated."

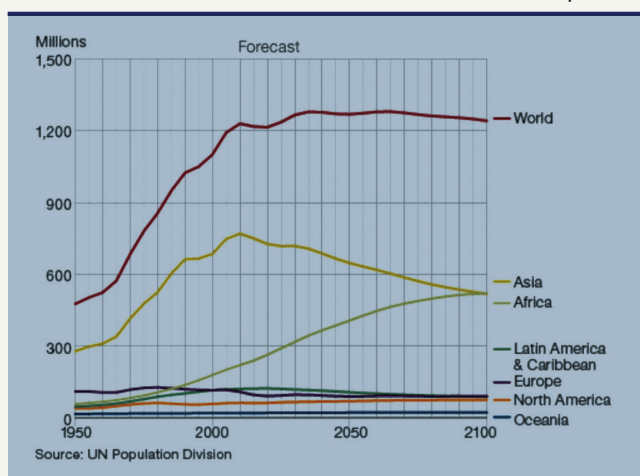
There are by far more young people around the world that are stuck in circumstances of working poverty than are without work or looking for work" Global Employment Trends for Youth: 2011 Update International Labour Organisation

Educated with the equivalent of a High School diploma, he has been doing the job for the past two years, earning as much as 5,000 rupees a month (\$102; 64). "I am in need, so I am doing this job," Mohammad explains. "Whatever I earn is not enough."

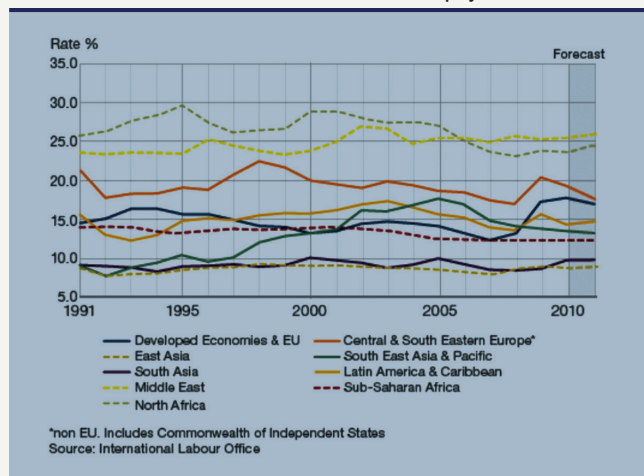
According to the ILO, South Asia and Sub-Saharan Africa are now home to the largest number of "working poor".

The term, as defined by the ILO, is a measure of people who work but live in households where total expenditure is less than \$1.25 (0.8) a day. In its latest report on youth unemployment, the ILO says that in the least-developed regions the poor cannot afford to be unemployed for too long. "They have to do something. They have to scrounge for food and therefore engage in some activity, but they are not fully employed," says Sarah Elder from the ILO. While this type of work may help lower the unemployment figures, in reality it does little to improve the lives of many of the region's young. "There are by far more young people around the world that are stuck in circumstances of working poverty than are without work or looking for work," the ILO claims.

Global Youth Populations



Youth Employment Around the World



'Working Poverty'

India is one country where the problems facing many of Asia's youth are brought into sharp focus. It is home to 714 million people under the age of 30, and while times are improving for many of them, a widening wealth gap has created vastly different fortunes. For 21-year-old Mohammad in Mumbai, Saturday night is not about nightclubs and having a good time.

So while many of his peers are downing drinks and dancing, Mohammad is busy pouring milk into containers, loading them onto his bicycle and delivering them to nearby restaurants.

Growing Frustration?

Back at the nightclub in Singapore, the party continues for Nicol and his friends. Even though he is enjoying the trapping of success, Nicol is clear about what needs to happen in the future if Asia's young are to keep buying into the region's sense of optimism.

"We are not seeing public anger because the fact that we are growing economically helps paper over that anger," he explains. "When people are not getting raises, and real wages start to stagnate, that's when you'll see that anger come out."

The question now is how well governments can manage the expectations of Asia's new generation.

If they get it wrong, then they may find it an almost impossible task to ignore the frustrations of three quarters of a billion young people. ■



Introducing Green Economic Growth

Global warming, climate change, the degradation of the environment, and pollution are strong reasons for a renewal of the traditional economic development principles. Because of population growth, urbanization, industrialization, and increased consumption growth, humankind's usage and wasting of natural resources are now exceeding the ecological capacity. All of this puts mankind's social and economic successes at risk; a consequence of unsustainable development.

The United Nations has initiated environmental programmes to promote the development of green economies. The U.N. Production Development Institution promotes "green production", while the U.N. Economic and Social Commission for Asia and Pacific targets "green growth". Both aim to provide environmentally sound and sustainable economic development.

The United Nations conference on sustainable development, Rio+20, will take place in Rio de Janeiro, Brazil in June 2012. The objective of the conference is to secure a renewed political

commitment for sustainable development, assess the progress to date and the gaps that remain, and address new and emerging challenges. Rio+20 aims to direct future global development into green development. Countries that can successfully create and develop eco-friendly economic systems will be given the opportunity to enter global economic groups and networks more easily.

The non-governmental organization Green Economic Growth, in partnership with Mongolian Economy will help create new economic relations by joining the fray quickly. Its main objective is to promote green economies through the media, using the magazine Mongolian Economy, its website mongolianeconomy.mn, its television studio, and other media. Its board of directors understand, support, and are willing to lead the development of a green economy for their country. Ts. Adyasuren, director of the institute Eco-Asia, serves as head of the Green Economic Growth NGO, with D. Bekhbayar, editor-in-chief of Mongolian Economy, acting as executive director. ■

What does a green economy mean to you? How do you think the organization Green Economic Growth can contribute to the establishment of a green economy in Mongolia?

► Ts. Adyasuren, Director of the Eco-Asia Institute:



The fast growing population worldwide demands rational consumption and economically efficient policy. This requirement creates the following three actions “radically reduce, recycle, and prolong”. These three actions have been a part of our lives since ancient times. The main concept of the green economy is the production of profitable, less expensive, and environmentally-friendly products.

Otherwise, providing for the daily needs of the population would result in a number of negative consequences. Natural

resources are not enough. Therefore, the world is heading towards the direction of a green economy.

The first work this organization should do is promote a green economy. The team at Mongolian Economy will play a major role. It is good that such an institution has been established by civil society. It should be a shining example for others. We cannot only talk about green growth, but we must also advertise the green economy and green activity during this time of rapid development in the mining sector. It is important that every individual understand the three actions I mentioned in the beginning.

Ch. Batbayar, Chief of the Renewable Energy Department, Energy Authority of Mongolia:



A green economy provides not only economic growth, but also monitors the protection of the natural balance of the environment. It also systematically links social development with sustainability. That is the difference from a traditional economy.

Until now, only fossil fuels and uranium were used to create energy for mankind. But now it seems as though renewable energies such as solar, wind, and hydro are the future. A vital part of green development is saving energy and reducing consumption. Another green indicator is the supply of organic products provided to customers. Mass

production, which is the result of industrialization, weakens the natural character of a product. Nowadays, untreated fruits and vegetables, organic meats, and other products without chemical substances are thought to be valuable.

The participation of the NGOs is important to support launches by the private sector of eco-friendly technology and to cooperate closely, in order to create a favourable legal and economic framework. We must, for instance, stop polluting the air because it has become a disaster. Non-governmental organizations are important for promoting a green economy in Mongolia. I hope that Green Economic Development will operate in certain fields, and contribute towards the future of a green economy.

B. Byambasaikhan, Chief Executive of Newcom Group:



Everyone is saying that a sustainable model is required for the development of the Mongolian economy. That model, for me, should be in the form of a green economy. Our economy will become sustainable if it uses modern technology for infrastructure, mining operations, and manufacturing. Mongolia has great reserves of renewable energy. Those

reserves should be used for economic activity immediately. Secondly, if it is necessary to create frameworks for the legislation, policy, and finances needed for investment in renewable energy, then many investors in Mongolia could

benefit from this sector.

It is necessary to give the right understanding to the public. The big challenge that we must meet in the present business framework are the gaps between people's different concepts of what a “green economy” is. It is essential to provide information to the public on what a green economy is; why it should be implemented; why the growth should be sustainable; and what the importance of economic competitiveness is. However, it will not work if some chiefs just stand up to make speeches and spout slogans. But people understand examples of practices and real life cases better when things are explained to them that way. I think Green Economic Growth will play a big role in society's adjustment to the right understanding. ►►

► **S. Demberel, Chairman of the Mongolian National Chamber of Commerce and Industry (MNCCI):**



The MNCCI has developed a programme for the transition from a brown to a green economy. In the government's action plan, there is only one sentence about Mongolia's aim to lay down the foundation for a green economy by 2030. This issue has not been discussed in any other official policy documents either. It is time to start talking about the green economy, otherwise we will be late. The introduction of Green Economic Growth is well timed. U.N. Secretary General Ban Ki-moon said that a green economy leads to sustainable growth. Our economy today is brown, not green; and it is not sustainable.

The degradation of nature is an issue that pertains to the standards of living and health. An explanation of green economic growth to the public, a plan to reach the interests of the public, and an awakening of interest within politicians are necessary. The MNCCI has worked out the principles of the Five 20 for green

economic development. People are glad now that the gross domestic product has grown, but is this a product of good quality? The answer to this question should be learned. First, a response to what determines quality should be provided. This concept is again connected with eco-friendly and green development. Green development is a link among all sectors, and this can be seen through many surveys. There is deforestation and desertification, while 90 percent of the population is sick with chronic illnesses. What is the solution to all of these problems? The term green economy needs immediate activity.

Every Mongolian, even the government, takes from nature. The state earns big profits from taxes, but spends only around ten percent on investment for nature. There are some critical issues that are missing in the background, and these include sustainable development and multi-stakeholder participation. If these two concepts are combined, then the new term "democratic growth" will be born. People shall be the owners, and then they can create their own wealth. Such wealth can benefit future generations.

D. Enkhbat, Member of Parliament:



It has been our tradition of many hundreds of years to develop an eco-friendly economy. At present, its form has been changing, and becoming industrialized and urbanized. During the socialist period, it had been done with central planning. The general and future planning of the country were in relatively good hands. Twenty years have passed since Mongolia's transition into a market economy. Everyone has struggled to survive. Some have started small businesses. Next, people entered the mining sector and began digging into the earth. But this chaos is negatively affecting the environment and society.

Mongolia has just begun to talk about a green economy. The green economy is not a separate economic sector. It is a discussion about migrating into environmentally-friendly development, which is the next phase of industry, mining, and technology. The first

attempts to introduce a green economy have been made in the renewable energy sector. Yet, the Mongolian economy is generally brown. It is becoming browner. The economy is changing brown three times faster than it is turning green.

Everyone in Mongolia talks about mining. Very few speak about what happens to a country after mining has been discontinued. The decision over which direction Mongolians should take occurs just as humankind is talking about its new path through the 21st century. It is generally heading towards green economies. An institution that could unite public opinion on the green economy, and makes its own steps in this field, is very essential. It is good that Green Economic Growth is considering the issue of a green economy. The development of Mongolia is not only about mining, but also sustainable development. It will be up to the next generation to decide how to develop further without causing greater damage. I also think that Mongolian Economy would support the activities of the organization, and contribute significantly to green development.

Z. Batbayar, Deputy Director of the Water Authority:



I understand the green economy in a very broad framework. It means that the economic and social development has an ecological orientation. The management of society and the economy must be based on water

reserves and natural resources. This non-governmental organization will complete our understanding about the green economy, and contribute to the green economy by making it real, instead of simply talking about it. ►►

► **Dr. Stefan Hanselmann, Director Integrated Mineral Resource Initiative Programme, GIZ:**



I think of Green Economy as an alternative vision for economic growth, one that can generate improvements in people's lives in ways consistent with sustainable and environment-friendly development. Its most distinguishing feature from classical economic concepts would be a direct valuation of natural capital and therefore the internalization of so-called external costs (caused, for example, by a company's

operations) that are harmful to environment and society, so far without being accounted as liabilities of those who are responsible for them. By pricing these external costs, as, let's say, pollution or soil erosion, economic policies have ways of internalizing them, and thereby taking into account the negative impacts and indirect effects that economic activity eventually generates. The successful implementation of a green economy requires a comprehensive strategy-addressing both public and private sectors equally - that integrates areas like renewable energy, green buildings, clean transportation, water and waste management, etc.

For me it's crucial to understand that the decision of developing into a Green Society will pay off in the long run, and that the alternatives of doing so bare substantially higher costs. A green economy operates with modern technologies within innovative institutional frameworks and is strong in scientific research. I believe we need to move from seeing green and sustainable policies as an economic hindrance to realizing that they are a key

driver of innovation and global leadership.

Mongolian politics and society have so far not focused strongly enough on the benefits and necessities of green economic activity. At the same time, the transition to a green economy is becoming increasingly important for the future development of the country, given the fact that it generates most of its economic growth in the natural resource sector. Our NGO "Green Economic Growth" can help to increase public awareness for these issues by providing information and technical advice. Greater visibility on the need for an economic transition will motivate voters and consumers, as they will come to realize the benefits generated by a green economy - such as new jobs and new markets, and a general improvement of their quality of life. At the same time, those who benefit from the status quo of a non-green way of business tend to be those who have greater access to institutions that manage natural resources and environment-related fields. It is therefore essential to communicate the importance of green policies towards civil society, so that it will start to demand higher transparency of governmental decision-making processes, ensuring that politics are accountable to the public and not to vested and well-connected interests. By actively promoting such goals our NGO will act as a focal point for green and sustainable business, mediating between the involved parties and discussing the potential obstacles and concerns related to those topics. Being well equipped with know-how and a broad network of international experts, our NGO is ready to make its contribution to Mongolia's transition into a green economy.

I. Otgonjargal, Member of the Board of Directors:



I am personally very glad for the joined the members of Green Economic Growth's board of directors. These people from a variety of sectors have a strong understanding of the green economy, but they worry that it will be too late if it is not implemented now. Batbayar, deputy chief of the water authority knows the water sector well, which will be a leading issue for the green

economic movement. For renewable energy is Byambasaikhan. Many people know that S. Demberel from the MNCCI and Director Adyasuren of Eco-Asia talk regularly about this field. The for-

mer executive director of Khas Bank, L. Tur-Od is one of the few people who talks about a green economy on a professional level. Our board of directors has a member, who is a director of the programme Integrated Mineral Resource Initiative at the German development organization GIZ. Germany is leading the world in green economic development. A professional team with the same objective is now here. That group is Green Economic Growth, and it has lots of work to do.

Although there are many organizations with the title "green", they have accomplished relatively little. Thus, our NGO will carry out realistic operations within a broad social framework that would impress the green concept firmly in people's mind.

D. Bekhbayar, Executive Director of Green Economic Growth:



Countries have been talking strongly about the new global trend towards green economy, and this notion has been reflected in the decisions of policy makers. Lots of attention has been devoted to green development. That is a key to sustainable development. We talk about mining-based development. Using natural resources with the right policy is definitely a first-line issue. But it is essential to talk about, and support

green development no less than mining-based development.

Green Economic Growth should concentrate on introducing the idea of a green economy into the mind of the public, choosing the companies and individuals that foster environmentally-friendly development, or have launched green technology via the mass media. The magazine Mongolian Economy, its website [mongolianeconomy.mn](http://www.mongolianeconomy.mn), and its television studio will provide information and news for the public covering international experiences of green economies, which policies they implement for its development, and which policy is carried out in Mongolia. Our organization will contribute to green economic development that just has started to be discussed in our country. ■



The U.N. Conference on Sustainable Development

Background

The United Nations Conference on Sustainable Development (UNCSD) is being organized in pursuance of General Assembly Resolution 64/236. The Conference will take place in Brazil on 20-22 June 2012 to mark the 20th anniversary of the 1992 United Nations Conference on Environment and Development (UNCED), in Rio de Janeiro, and the 10th anniversary of the 2002 World Summit on Sustainable Development (WSSD) in Johannesburg. It is envisaged as a Conference at the highest possible level, including Heads of State and Government or other representatives. The Conference will result in a focused political document.

Objective of the Conference

The objective of the Conference is to secure renewed political commitment for sustainable development, assess the progress to date and the remaining gaps in the implementation of the outcomes of the major summits on sustainable development, and address new and emerging challenges.

Themes of the Conference

The Conference will focus on two themes: (a) a green economy in the context of sustainable development and poverty eradication; and (b) the institutional framework for sustainable development.

Preparatory Process

Resolutions 64/236 and 65/152 have decided to hold three preparatory meetings, one in May 2010 the second one in March 2011 and the third one immediately prior to the Conference itself. Additionally, it has also been decided that three intersessional meetings will take place. The purpose of these preparatory meetings is to discuss substantive and procedural issues in preparation for the Conference.

Member states were elected at the First Preparatory Committee meeting in May 2010 and 10-member Bureau (2 representatives from each region) and Brazil as ex-officio member to steer the preparatory process and decide on the roadmap and organization of work of the preparatory process.

Meanwhile in Mongolia

This column is to inform our readers on the measures currently being implemented by the Mongolian government; how they design their policies for sustainable development; what kind of work they are doing to protect the environment and support environmentally-friendly development for the conference Rio+20. Also this column will be reports on how the government is preparing for the Conference. ■



PPP

Partnership for Development

By Kh. Khulan

The economic and social development issues within a country are not just the government's responsibility. Surpassing these challenges can be done with participation from the private sector as well. Mongolia's private sector produces approximately 80 percent of the country's gross domestic product (GDP), and contributes significantly to job creation and the alleviation of poverty. Therefore, it is necessary to create a mutually beneficial relationship between the private and public sectors together.

The first national forum for this cause, "Partnership for Development", was presented by Prime Minister S. Batbold at the Government Palace on 3 December, in partnership with the National Development and Innovation Committee (NDIC), the Mongolian National Chamber of Commerce and Industry (MNCCI), the Mongolian Employers' Federation (MONEF), and the Deutsche Gesellschaft fuer Internationale Zusammenarbeit's (GIZ) Regional Economic Development Programme.

Prime Minister S. Batbold opened the forum with words about the government's position, participation and policy on the possibilities for a partnership between the private and public sectors. He also noted progress made, and Parliament's ongoing implementation of policy in support of this aim, including the Law on Concession and a national strategy directed towards development in the private sector, as well as programmes to promote corporate

governance. The Prime Minister said that the government will work towards granting financial freedom to individuals and enterprises alike.

In Mongolia a total of 89,000 private enterprises had been registered by June 2011; and 50,000 are actively operating.

The four sessions of the forum

- Tax reforms: One of the main issues discussed was value added tax. This included a speech by the head of the General Taxation Office, B. Battumur.

- Loan guarantee: A draft for the Law on Loan Guarantees has been handed to Parliament. Numerous issues regarding guaranteed services will be clarified if the law is approved. It is better when a truly brilliant business idea is recognized for what it is, rather than keeping millions of tugrugs as collateral. Loans should also be granted to customers who have demonstrated that they are well disciplined and have a good loan history.

- Public-private dialogue: Transferring some of the government's responsibilities to non-governmental organizations and professional associations may benefit the relationship between these sectors. Public and private dialogue would allow the exchange of ideas between the two parties. An efficient mechanism for dialogue should be developed along with encouraging professional associations to participate.

- Public-private partnership: It is important to develop a public-private partnership in the community and promote this partnership throughout the country. Some audience members said there is not any sort of partnership within the health, educational and cultural sectors. There are 97 infrastructure projects, while only six benefit society.

National Consultative Committee founded

The Chairman of the NDIC, Ch. Khashchuluun, introduced the National Consultative Committee, which aims to support a public-private partnership. The Committee is made up of representatives from the government and private sector, and will be headed by the Prime Minister.

2010 was declared as the "Year for Business Innovation". A total of 105 activities for the improvement of Mongolia's business environment have been implemented.

Credit Guarantee Fund

Most people think of a business environment as a framework for loans. Thus, the most crucial is the micro loan to finance small and medium entrepreneurs. Investment is important for start-ups as well as business expansion. Many business entrepreneurs have been under tremendous pressure because of high interest rates for loans, and lack of

► sufficient collateral to qualify for loans. Some business plans with potentially bright futures cannot be implemented due to the strict bank criteria.

The loan guarantee system could be an alternative method for solving these problems. Commercial banks provide loan guarantee services for herders and small-and-medium entrepreneurs in cooperation with several international organizations.

The first independent guarantee fund, “Green Credit Guarantee Fund” NGO, was established by the MNCCI and the Dutch government. This program has allowed the release of MNT 710 million worth of loans, resulting in the creation of 93 new jobs.

Another successful loan guarantee fund has been run by GIZ’s Regional Economic Development Programme. The Credit Guarantee Fund (CGF) grants loans to business entrepreneurs in Darkhan-Uul, Orkhon and Zavkhan. Within the last four years, around 140 business entities and individuals have received loan guarantees amounting to MNT 854 million out of the total loan of MNT 2.2 billion granted by loan. The rate of repayment currently stands at 98 percent.

At Partnership for Development, speakers explained the challenging issues facing development in the private

sector, discussed possible solutions, and described how cooperation can benefit everyone involved.

What do you think about a partnership between the public a private sector?

S. Demberel, Chairman of MNCCI:

First of all, the legal framework for partnerships between the public and private sector should be debated. Secondly, the legal environment itself is not yet up to par. There is one issue that is not consistent with the law. This is the issue of trust, based on the true wish to develop this partnership. Third, modern technology is needed.

A law that creates dialogue and a partnership should be passed, and the voice of business entrepreneurs should be heard.

B. Byambasaikhan, Executive Director of Newcom LLC:

The definition of a public-private partnership is now being introduced to the social and economic life of Mongolia. Judging by the experiences of other countries, it is not an easy objective to achieve. Today, our economy is growing rapidly. Some believe that growth has reached 20 percent already. In 2012

the economy is expected to grow at a rate of up to 25 percent. Investment in infrastructure is essential in order to provide for this growth. According to estimates, investment in infrastructure of USD 8.5 billion until 2015 is necessary. Using the mechanisms already in place that are meant to encourage a partnership between the public and private sectors, we can acquire this kind of investment. Issuing these laws and policies isn’t enough. Rules to implement these laws are needed.

M. Chimeddorj, Head of the board of directors at the Association of National Consultants:

It is important to have methods for introducing the private sector’s proposals to Parliament for its consideration. A single meeting with speeches advocating a dialogue between the public and private sector is not enough. At present, neither side is on level ground. We need a mechanism that allows for proposals from the private sector to be heard. This can be done with professional associations and institutions with business membership. Government should consider their proposals when making its decision. In order to achieve that, both parties should come to an understanding and must learn to trust one another. ■

Law with the Long Name

Decisions Better Left in the Hand of Seers

By B. Uuganbayar

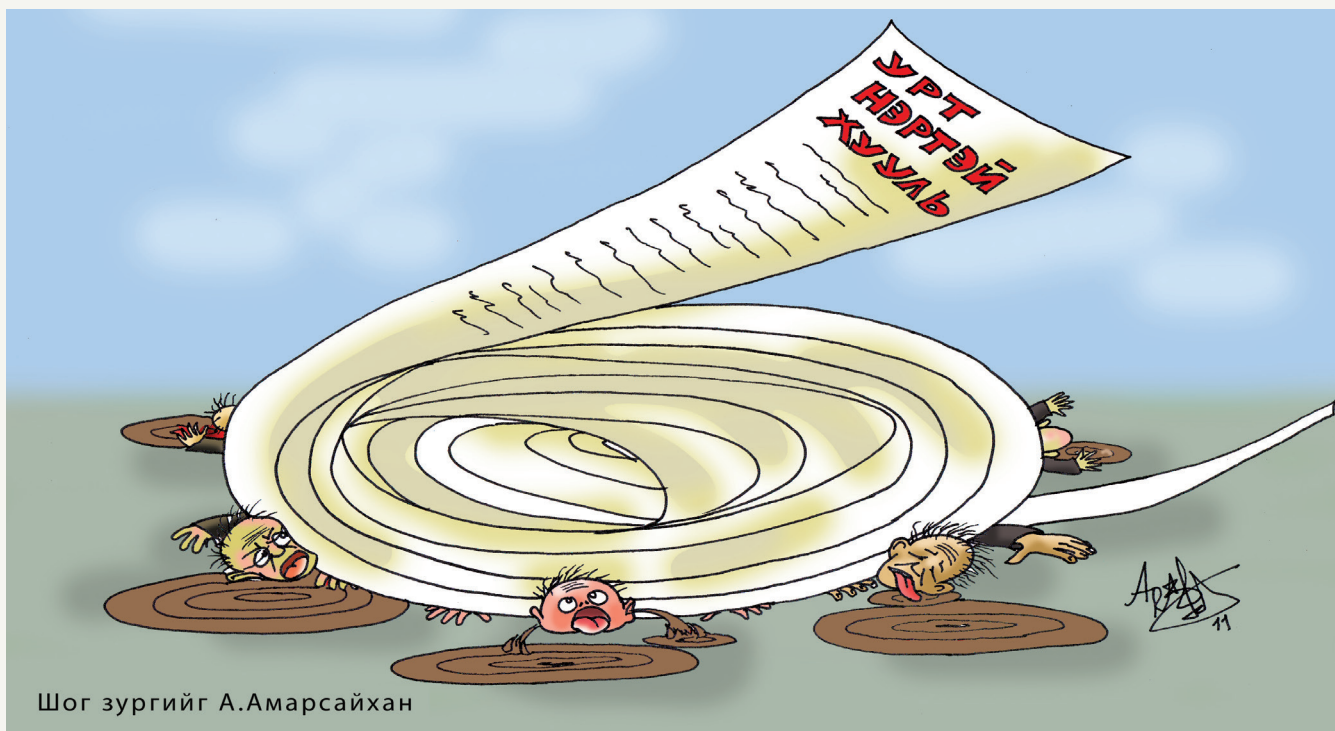
Once upon a time there was a King named Solomon, who was renowned for resolving all types of difficult disputes involving land, wealth, and property. When two women quarreled over a child, they came to the wise King Solomon for his judgment. “This woman and I dwell in the same house. We gave birth to a child almost simultaneously”, said the first woman. “The son of this woman died while sleeping in the night. However, shamelessly she took my son from my side and put her dead son there instead. When I got up in the morning to nurse my son I realized that the dead boy was not my son”.

However, the second woman refuted this story. Then King Solomon said, “Bring me a sword! Cut the living child in two, and give half to one and half to the other.” Upon hearing this terrible verdict one of the women seemed indifferent, “It shall be neither mine nor yours – divide it!”

However, the child’s true mother cried, “Please, My Lord, give her the child alive—I do not want him killed!” King Solomon upon hearing this deliberated, “Give the child to the woman, who cares for her child’s wellbeing. She is the real mother”. This event fortified the king’s reputation as a wise and tolerant leader.

To those Aggrieved

It has been some time since the Law on the Prohibition of Mineral Prospecting and Exploration in Water Basins and Forested Areas created a situation no-less complicated than the aforementioned story. Shortly after its adoption of a name people grew weary before pronouncing, the media dubbed it the “Law with the Long Name”. The Basic Force organisation organized a forum to discuss the implementation of this law on December 10. During this forum attended by economists, mining sector representatives, relevant governmental and non-governmental organizations, a number of figures stepped forward to explain the reasons for the many series of issues that the law entailed. However, an article entitled “The Implementation of the ►



Шог зургийг А.Амарсайхан

► Law with the Long Name was Assessed as Excellent” in a daily newspaper the next day may have reported on the situation from the wrong angle. For instance, some of the participants expressed their hope driven, desperate thoughts.

One spectator’s commented: “The Government surely will not do such a thing and abandon us. Surely they will not terminate our licenses and halt our operations.”

“At the beginning of 1990 when the our country’s economy was in decline and there was nothing but salt and noodles on the store shelves, the government initiated a “Gold” programme and gave the companies that are currently facing the loss of their licenses certain responsibilities, and they carried out the main duties”, said geologists. Tsend-Ayush. “At that time the government only supported us and did not say anything about being responsible for damages to the environment. As the saying goes, ‘Do not look a gift horse in the mouth.’ This is a pitiful and desperate means to charge us with the costs of environmental damage and rehabilitation”.

“Since this law was initially adopted without sufficient background study it has encountered on every step of its way many problems, and it is barely being implemented”, said D. Damba, the head of the Mongolian National Mining Association, in response. “The lawmakers who made their promises will stubbornly

implement it in any way possible before the elections.

“The flawed law will cost nearly 10,000 people their livelihoods, with many jobs lost, while they face debt. Actually, it was possible to adopt a law after substantial studies had been conducted in order to avoid such a difficult situation”.

Representing the Khar Tarvagatain gold and coal mining deposit of Tarialan Soum, Uvs Aimag, Director D. Surmaajav spoke frankly about the reality of the situation,

“We do not blame the adoption of the law to protect the environment. However, the most difficult issue companies face is the lack of assessment for machines, techniques, equipment and production loans; which inflicts a lot of harm to the economy,” said D. Surmaajav, the director of Khar Tarvagatain gold and coal mine. “Also, the money intended for compensation is being adjusted to the evaluations of environmental damage puts us in hardship because it throws us into a lot of debt.

“This has put company directors in a hot seat and there is no denying someone will commit suicide. I first set my foot on this business in 1997. In addition to creating about 70 jobs who sit idle in summer, we contribute to the smooth function of the thermal power station in our province. Although the laws and legislation should protect the rights of citizens, this law will make many people jobless, and could

contribute to possible disruptions at the thermal power station”.

Compensation for the gold mining deposits includes the companies’ taxes to the government, net profits since the product was sold, and the rehabilitation expenditures related to mining operations. However, when inquired about why the compensation does not include evaluations of technical equipment and loans, deputy director of the Geological Policy Department of the Ministry of Mineral Resources and Energy (MMRE) S. Battulga said he did not know why Parliament made that decision.

“The Fox Who Relies on a Bull Will Starve”

Many have warned, adding insult to injury, that the implementation of the so-called Law with the Long Name increases the number of “ninjas”, enterprising artisan miners, by the thousands. This could worsen the damage to the environmental and contribute to its spiraling out of control. In addition, representatives from the Bank of Mongolia warned that the law could put a strain on the financial sector because mining companies have obtained large loans to pay for their licenses.

“We are currently conducting some studies”, said Battulga. “In order to determine the number of mining companies that have loans we have submitted some requests to the central bank”. ►

► Officials have pointed out that the implementation of the law began without opposition from representatives from the gold mining industry, who needed to urgently submit their request for compensation.

“The business entities that will receive compensation need to compile their materials according to the regulations of resolution No.299 and submit them to us within 90 days or by January 9 of next year”, warned head of the Mining Department of the Mineral Resources Authority M. Ariunbayar.

“Even though just a month’s time is left according to the current data only two requests for compensation have been submitted to us. If the materials are not submitted to us on time then the compensation will be zero-rated and will not be issued”.

Regulations also stated that business entities that have submitted their requests for compensation will be receive it within two years’ time. On this issue representatives lack sufficient information. However, they do not hide the fact that following a hope brought on by Parliament, and led by O. Chuluunbat, the law would be amended so they would not have to submit their requests until later. Chuluunbat and Ya. Batsuur led four other members on January last year to submit to Parliament six provisions to amend the Law with the Long Name. The bill was intended for restricting mining activities and forcing companies to fulfill their restoration responsibilities rather than prohibit activities, but the motion soon fell into obscurity.

Similar to the predicament of the two women who quarreled over a boy, here on one the hand are the law makers who want to protect the environment and the ministries and agencies that implement it; while on the other hand, we see the miners who are fear that their efforts and money have been wasted after years of work. Like the tale, it seems that the only option to resolve this situation would be to seek fair judgment From King Solomon.

When the Law with the Long Name was adopted in July 2009, many people cheered, a law that finally aims to protect nature and Mongolia’s precious rivers had been adopted. Within the last ten years, the world has begun to experience the effects of climate change. The wrongdoings of humans have resulted in polluted waters polluted and a scarcity of clean water in the world. In Mongolia, surface waters have diminished because of mining exploration at mouths of rivers

and springs.

“Therefore, by adopting a decision with a long-term vision, we appreciate the importance of the Law with the Long Name and are implementing it”, explained the senior officer at the Environment and Natural Reserve Department of the Ministry of Environment and Tourism (MET), S. Erdenetsetseg.

Leave it for the Shamans

In total, there are 890 business entities that have 1,782 special licenses conducting operations at area restricted from mining prospecting and exploration. More than 70 percent, or 276 companies, hold special licenses for gold, while the rest is for construction materials, coal and other types of mineral deposits, making gold miners the biggest losers. Last October and November, the government decided to resolve the issue of the 246 gold mining special licenses of 138 business entities. To do so, the government issued Resolution No.174 for Determining the Prohibited Land Boundaries; Resolution No. 264 for

Estimating and Determining the Amount of Environmental Damage, and the money to be used for rehabilitation procedures; and Resolution No. 299 for Establishing the Amount of Compensation.

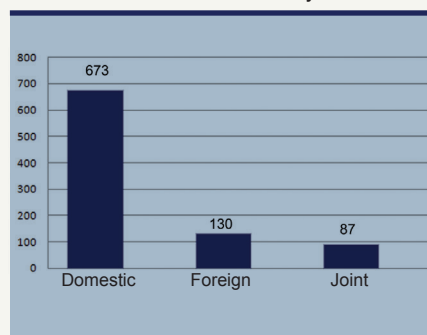
“According to the estimates made by our professional team, it has been determined that rehabilitation expenditures for gold mining deposits would amount to MNT 1 trillion”, said Deputy Director of the Environment and Natural Resources Department, MET, Mrs. D. Saran. “Establishing the environmental damage through such indicators as the effects on the soil, flora, fauna, forest reserves, surface water and contribution to air pollution it was estimated to be MNT 3 trillion.”

Saran also pointed out that if gold miners fail to conduct rehabilitation to restore the land to its natural state, then it would be taken out directly from the compensation to be paid out to them. On the other hand, the issue of compensation to the gold mining deposits has been estimated by the MMRE, Ministry of Finance, MET, and Mineral Resources Authority according to the Government Resolution no.299.

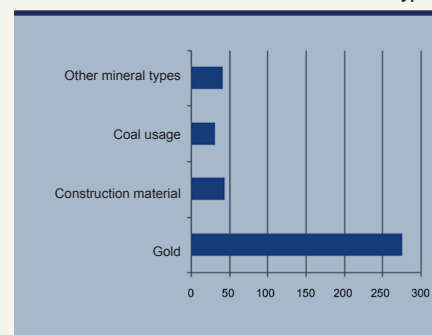
Number of special licences within the framework of the Law with the Long Name

Indicators	Nr.	Total area with licences, million hectare	Overlapping area, million hectare
Overlapping licences	1782	18.3	3.8
Mining licences	391	0.27	0.08
Expoloration licences	1391	18.05	3.7
Full overlapping	311	0.2	0.2
Mining licences	167	0.03	0.03
Expoloration licences	144	0.18	0.18
Partial overlapping	1471	18.1	3.6
Mining licences	224	0.23	0.045
Expoloration licences	1247	17.9	3.5

890 entities divided by the investment



Mineral types



Source: MRA, Geology, Mining Cadastre Division

► “According to our estimates, the compensation required for 1,782 special licenses amounts to MNT 5 million, out of which the compensation required for the 246 gold mining deposits is MNT 511 billion tugrugs”, said Mr. G. Tsolmon, an officer at the Geological Policy Department at the MMRE. “This study compiled the total amount of compensation needed through the claims made by the companies; therefore, it is a relatively realistic estimate in comparison to previous estimates”.

However, he also added that this number would only lessen, not increase. This is because companies that violate laws such as including tax would not

receive compensation. The fact that the rehabilitation expenditures would cost MNT 4 million, eight times as much the government promised to compensate miners has greatly agitated the latter. According to the Law with the Long Name, the special licenses of the prohibited lands are categorized with confusing terminologies, such as “full convergence”, and “partial conversion”. This would mean that 134 of the special licenses are considered to be as fully convergent, while 112 would be considered partially convergent.

Such confusing terminology should be explained. It means that the companies

that own special licenses that are fully convergent would lose their mineral deposits. On the other hand, the licenses of partial convergence would be able to continue their operations after some paperwork. Many may recall that inadequate studies have made it difficult for the government to either implement the law or abandon it. Since there are no wise kings who could resolve this situation, as was the case in the tale of King Solomon, who could decide which party is in the right? Should we ask the shamans? ■

Law

The Amended Company Law

The Mongolian economy has grown rapidly in recent years. The relations and interest of not only public and private sectors, but also those of shareholders are taken into account. Statistics show that there are over 60,000 companies in Mongolia and about 90 percent of them are Limited Liability Companies (LLC). The government adopted new amendments on the company

law on November 23, and it is important that companies become acquainted with those amendments. They must adjust their own regulations so that they coincide with the law and register with the General Authority for State Registration. There is no fee for registration. A group of experts provide some clarifications here to the law and its amendments,

D. Baaliikhuu, Consultant to the State Property Committee:



Almost 400 amendments have been made to the law focusing more on transparency, and the social responsibility system within companies. The amendments were made to create more transparency, openness to public, and shareholders rights. These changes also aim to bring this law in line with world standards and create the optimum environment for businessmen to

run long-term businesses. For instance, the rights and duties of a board of directors, which used to be very controversial, have become more transparent.

According to the law, companies must arrange shareholders' meetings and report their financial accounts to relevant officers before the March 1 after the end of every fiscal year. If they fail

to do so, all members of the board of directors will be discharged from their duty for three years. Also, both private and public owned companies' boards must be made up of nine or more members, and at least one-third of the members have to be independent from shareholders and authorities.

Furthermore, the amendments were made to protect the legal interest of shareholders. Prior to these amendments, only those who own at least one percent of shares had the right to make complaints, but now everyone has this right, no matter how small their interest is. Also these amendments offer a system for responsibility to companies. Any guilty officer will be fined five to 10 times the minimum penalty, while a company would be fined 15 to 30 times. Also they will be forced to repay any damage they might have caused and charged with administrative accountability.

B. Lkhagvajav, Head of the Soyombo National Organization:



Previous alterations of the company law were not enough. It wouldn't be a lie if I said it was like the law didn't exist. Basically, it is important for this law to regulate asset relations effectively. Many companies went bankrupted

due to asset relations-related conflicts in Mongolia. We are just beginning to learn from example and the western style. I'm planning to get familiar with the amendments before the coming of the new year. ►►

▶ **T. Jambaajants, Senior Supervisor of the Securities Market Department, Financial Regulatory Committee:**



The amendment results are expected to bring Mongolian companies up to world standards and create corporate governance. Some of the experiences of international companies have been cited specifically in the amendments. One is the listing of duties a board of directors is responsible for, and a regulated status made by a professional commission. For example, any stock company must have three commissions (audit, candidacy, and wage and promotion) with two-thirds of independent membership. Additionally, the course of action, rights and duties of the commissions are stated in the amendments, which would offer more transparency for shareholders and opportunities for companies to develop.

Another amendment is a new concept called the company's

union. A company's union is responsible for reporting on a corporation or holding, and its subsidiary companies in a single report. The regulations regarding a holding company and its subsidiaries have also been amended. For example, if a subsidiary company becomes insolvent as a result of holding company's decision, the holding company is responsible along with the subsidiary. If a subsidiary company suffers a loss due to a holding company's decision, they have the right to go to court to oppose its holding company. The different kinds of company types are stated in this amendment more clearly. A stock could be classified as one of two types. One that is registered to any brokerage firm and sells stock to the public is an "open" firm. Another that is not registered to any firm and sells its stock to the public is "closed". As for an LLC, selling stock is regulated by the law to be sold privately.

Juan Carlos Fernandez Zara, Senior Operations Officer, Corporate Governance, EAP Advisory Services, IFC:



Mongolia was listed 86th on a survey from international organizations designed to determine the economic favourability of the environment. Mongolia stands at an average point. Many of the best examples of the good governance of international companies were stated in the changes. Changes, such as those made to the process of organizing a

board of directors effectively, transparency of financial and non-financial information, and democratic ways to protect shareholders rights are all examples of this. Also, the changes were made to tighten liability. We, the IFC, want this law to be implemented effectively and bring some good results. It is important for companies and individuals to understand their duties and responsibilities, and also for government to closely monitor the implementation process.

D. Zorigt, Parliament Member, Head of the Economic Standing Committee:



As our economy grows, foreign and domestic direct investment flow is increasing rapidly. However prior to these amendments, low transparency and insufficient governance had blocked investment. These amendments are expected to bring new opportunities to the economy if they are successfully implemented. Some changes

focus more on the rights and interest of shareholders. For example, when a stock company arranges a board meeting for management, at least 50 percent of members must be independent, and all members need to be informed about the meeting. Also, changes were made to tighten up the liability system. But the most important thing is the efficient implementation of what has been written and approved of on paper.

M. Munkhjargal, Lawyer, Law Department, Bodi Group:



It seems as though the new amendments have many well-timed regulations, such as the protected interest of shareholders, the determination of the different types of companies, and transparency. Another example is the company's union. This regulation pertains to the relationship between a holding company and its subsidiaries. This change regulates the status of a group or extended company like Bodi and makes its lawyers work easier. The shareholders' right to acquire information freely has also been legalized. Prior to these changes, it was not clear how shareholders could receive their dividends.

After a fiscal year ends, the board of directors has to make a

list of shareholders within 50 days. The list has to contain the all shareholders' names that are eligible to for dividend and its rate. But in some ways the personal interest of law makers have also been included. For example: members of a board of directors and its secretaries have to earn their certification by attending training sessions they must pay for. This change seemed more like a business-related one. The amendment states that a company should announce publicly when shareholders have conflicts of interest or make an important agreement. This does not best suit LLCs. Originally when this was on the agenda, it only included stock companies, but LLCs had been added when it was ratified. I have to make a presentation on the contrasts between the old and new law articles to the directors and management officers this week. After that we will decide how to integrate these amendments to our bylaw. ■

Business Break

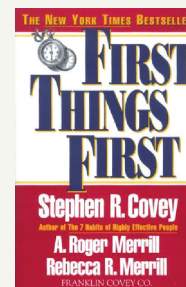
What Book Has Changed Your Life?

“I have learnt to judge myself and move forwards”

S. Ganbaatar, President of the Confederation of Trade Unions:

Stephen Covey's *First Things First* is the first book I ever read in English, and has changed my philosophy of life a great deal. It gives me understanding about why we are on this earth and how I can be happy using the most simple of devices. This book helped me learn how to manage life, spend my time efficiently, and develop my inner voice. I try to talk with my inner voice and find the right solution during challenging periods in my life and work. I believe I obtained the ability

to judge myself and constantly move forwards. There is a saying that chances only come when you are ready to receive them. Thus, everyone should struggle to make a contribution in his or her personal life, and in this way, to contribute to the future of the Mongolian homeland. For business and economics, I like to read the books of Peter Drucker, which are easy to read and understandable well.



“Reading brings me new information every time”

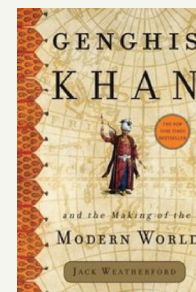
S. Erdenebold, Head of the division of Public Relations and Monitoring of the Office of the President:

There are many books that affect my life and opinion, and give me new ideas and notions. Macalester College Professor Jack Weatherford's book *Genghis Khan and the Making of the Modern World* was published in 2004, and told our history worldwide. I read that book for the first time in 2007, and it gave me both pride and understanding. I like reading this book again and again. Every time I read it, I find a new piece of information, new content, and new questions. It was after reading this book that I started studying history.

The real history of Mongolian has been written in the English language, and has promoted that history worldwide. In 1989 the Washington Post wrote that Genghis Khan was a creative person. Before then, nomadic Mongolians were described as a “primitive” people. However, this book containing Weatherford's hard work from over 30 years of study has shown the whole world that Mongolians in the 13th century introduced the

main principles of law, declared the equal rights of humankind, and many innovative methods for free trade. They also brought religious freedom, gender equality, and leadership reform to their empire.

The author has travelled to over 30 countries where the battles of Genghis Khan took place, and organized numerous trips across the silk road for his research. He described the history as he saw it, a specific character trait of the book. For instance, none of us has seen the face of Genghis Khan. The painters who painted him in a realistic way are seldom. After reading this book, one can imagine the thinking, wishes, and struggles of Genghis Khan; allowing his face and actions to be imagined. The farther back a nation can look at its history, the farther forwards it can see into its future. This book is a good work that lets us feel the breadth of intelligence, soul's wonder, and courage of our ancestors. It will also give ardour and peace of mind.



“Dyushin is my ideal”

Ts. Oyungerel, Head of the Democratic Women's Union:

Fairy tales and short stories have affected my life more than the novels ever have. Maybe it is because I used to listen to my grandparents' fairy tales and legends. The book that has most influenced my opinion is the novel *First Teacher*. I read that book when I was in the fourth grade. Ever since that time, Dyushin has been my ideal. Even now I try to follow that figure's example. Dyushin is a man of the countryside who lacks some knowledge but brings lots of light into life of others and offers all his wisdom to children. His modest, yet generous character continues to affect my life even now. I never hesitate to share my own knowledge after I have learned something

new. This is what I learnt from this book. The book demonstrates how much light knowledge can bring into the lives of people. Everyone who reads this book will understand how much happiness one can create if they share their own experience and knowledge. In order to found a good society, everyone should always continue learning. The future generation of children and youths can bring a bright future only if they are full of ambition and aspiration. We shall not search for light but be the light, and shine on to others. Thus, I wish for everyone to never stop learning, and enlighten other with what they have learnt. ■

