

For a green development

MONGOLIAN ECONOMY



Water for a Nation

Let Nature Judge Itself

Mongolian Economy and Business Magazine

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MONGOLIAN ECONOMY

FOUNDER, EDITOR: D. Bekhbayar /9999
4248/

FOUNDER, DEPUTY EDITOR: I. Otgonjargal /8800 6228/

ENGLISH EDITOR: Terrence Edwards

TRANSLATOR: B. Uuriintuya

JOURNALISTS: B. Bayartogtokh

B. Enkhtsetseg

E. Zorigt

B. Uuganbayar

Kh. Khulan

B. Enkhmart

PUBLIC RELATIONS MANAGER: J. Altantuya /99051914/

MARKETING MANAGER: D. Barianjav /8880 0825/

B. Enkhtsetseg /9901 5476/

S. Tsend-Ayush

DESIGNER, WEB ADMIN: Sh. Oyundari

PROGRAMMER: N. Tuvshinbayar

"ECONOMY" TV STUDIO

VICE DIRECTOR: Ts. Buyanbat /88112885/

PRODUCER: Ts. Bat-Otgon

GRAPHIC DESIGN: G. Buyanbaatar

ADDRESS:

Tod Tower-604 Ankara Street-23

4th Khoroo Chingeltei District

Ulaanbaatar, Mongolia

Central Post Office, P.O.B 2762, 15160

Ulaanbaatar, Mongolia

URL: www.mongolianeconomy.mn

E-MAIL: info@mongolianeconomy.mn

TEL/FAX: 976 - 7011 5476

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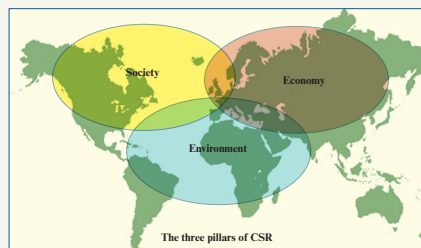
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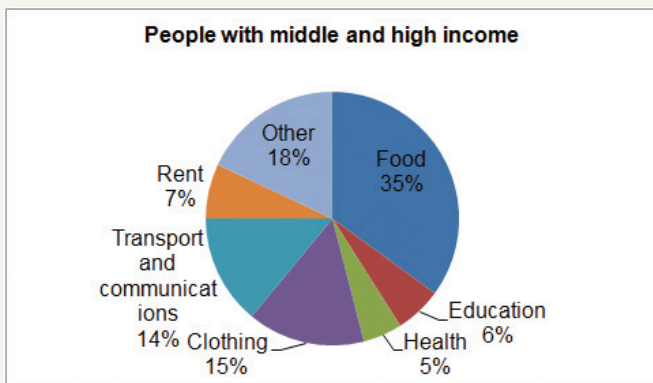
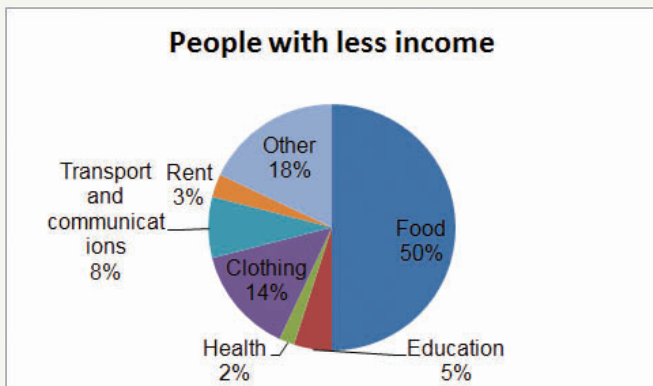
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INFLATION



The total food costs of low-income citizens currently comprise 50 percent of their total income. The survey "Economic Safety and the Middle Class of Society" by the Bank of Mongolia

reported inflation affects up to 60 percent of people with low income. Middle-income citizens spend 35 percent of their salaries on groceries, demonstrating a 20 to 30 percent influence of inflation.

TAX

The General Tax Office has received tax reports from companies online for the past five years. It will soon accept digital signatures nationwide following approval of the Law on Online Signatures at the end of last year by government.

At present, around 50 enterprises use the online tax system. The digital signature system will be permitted for use by all institutions starting from January 1, 2013. It would be helpful to customers, and is aimed at avoiding the need for extra

signatures after submitting a report.

Any company interested in using a digital signature should apply for the tax office to receive two types of encryptions, one deemed private and another public. Moreover, the General Tax Office has begun to receive the tax reports of businesses via post. Companies must pay MNT 2,000 for delivery, and include the address, location and phone number of the recipient on the envelope.

MINING

The Petroleum Authority has invited companies to bid on a joint venture partnership for petroleum exploration block Choir – XXV. Applicants are required to submit their company profile in compliance to attachment-I and a bidding application in compliance to attachment-II of the Regulation for Implementing the Petroleum Law of Mongolia, along with the receipts for the administrative service fee, and purchase of geological information of Choir – XXV petroleum exploration block, to the authority. The agency has not yet received any company profiles, and so the closing date for bids has not yet been set. A closing date will be announced publicly within 30 days after the arrival of the first company profile.

INDUSTRY



Total investment of USD 9.3 billion is needed for the Sainshand Industrial Complex. The Development Bank of Mongolia will take care of financing, and construction will begin via a public-private partnership.

A coking plant with an output capacity of 20 million tonnes and would process coal from Tavan Tolgoi is planned for construction. A total of USD 1.8 million and 36 months would be required for its construction.

Moreover, there are plans for construction of a USD 1.7 billion copper smelting plant, a metallurgical plant with a 4.5-tonne capac-

ity, and a USD 315 million cement plant. An iron-ore metallurgical plant is planned for Darkhan as well as an oil factory to be built in regions with extraction for maximum efficiency.

A total of 2,100 permanent new workplaces will be created at the industrial park in Sainshand.

BUSINESS

The Western China International Fair will be held from September 25 to 30 in Chengdu, Sichuan. The fair is co-organised by 15 ministries of China, the Standing Committee, 12 regional governments, and Sheng Jiang Production and Construction.

Nearly 5000 institutions from 52 countries will take part in the prestigious exhibition. The event will focus on the field of communications, information technology, equipment, manufacturing, and agriculture. The event will also feature different events to promote international investment and trade cooperation.

Those interested in taking part in this exhibition, should register at the Mongolian National Chamber of Commerce and Industry (MNCCI) before September 10.

HUMAN DEVELOPMENT



The National Development and Innovation Com-

mittee (NDIC) has issued a survey to measure demand for engineers and technical workers. According to this survey, 4,774 individuals with Bachelor's degree, and 250 with Master's in engineering are needed.

For instance, in Sainshand a total of 543 engineers and technical employees are in need. Japan International Cooperation Agency (JICA) has proposed to distribute 460 long-term soft loan scholarships to students to study science and technology.

RUSSIA

Russia may soon boost geological exploration by allowing foreign companies to develop the strategic gold,

diamond and platinum reserves they have discovered.

The Ministry of Natural Resources is preparing amendments to current legislation that will guarantee that foreign mining companies can continue to develop the discovered strategic deposits.

According to the current legislation, the government has the right to ban any foreign company from further developing a reserve where there is a "threat to the country's national defense and security." However, now there will be exception to gold, platinum and diamonds reserves.

Russia hopes the new regulations will boost foreign investment into the country's vast precious metal

reserves. Foreign companies working in Russia say they support the new legislation.

CHINA

China's export growth collapsed and imports and new yuan loans trailed estimates in July, adding to signs the global economy is weakening and raising the odds the government will step up measures to support expansion.

Outbound shipments increased 1 percent from a year earlier, the Customs Bureau said today in Beijing, after an 11.3 percent rise in June. New local-currency lending was 540.1 billion yuan (USD 85 billion), the central bank said, lower than all 30 estimates in a Bloom-



berg News survey, compared with 919.8 billion yuan in June. Separate reports showed industrial output growth unexpectedly slowed last month to 9.2 percent from a year earlier and retail sales rose 13.1 percent, trailing analysts' forecasts.



Cartoon by A. Amarsaikhan

FEATURE TOPIC

NEW GOVERNMENT, GREEN POLICY

BY I. OTGON

It has become apparent that the recent election has brought the issue of a green economy, green development and green policy to parliament. The Civil Will-Green Party (CWGP) has joined the grand coalition that will lead government and has brought some green to the grey building of the State Ikh Hural.

Known for his lead at the Mongolian National Chamber of

Commerce and Industry (MNCCI), S. Demberel has initiated the national programme "From a Brown Economy to Green". He once said "I actively have to involve myself in politics so I can implement this programme. It is useless to shout from the outside".

The word *green* was the most often used during the 2012 election. With its election platform of "Life", the CWGP encouraged government to

protect the environment and improve the human capacity of Mongolia. The party also made a call to citizens to expand their social responsibilities.

"Just like is done for the Human Development Fund, a part of the income from the mining industry will be dedicated to the Nature Rehabilitation Fund, said S. Oyun, the head of the CWGP and a member of parliament. These two individuals might plant the very first seeds of green thinking and green development among the other members of parliament.

Newly installed Prime Minister A. Altankhuyag has proposed a government of 16 ministries and 19 ministers. Among these ministries is the proposed Ministry of Nature and Green Development, which is great news. Although the Ministry has not yet been approved, linking green development with the Ministry of Nature would be a step in the right direction. It is no small coincidence that Demberel has been nominated to lead that ministry.

This year a packet of laws on the protection of the environment has been introduced to parliament. Such moves proved to be a step forward for this sector. The foundation to this legislation dates back to the mid 1990's. The government has taken responsibility over nature and the environment with the help of over 30 laws. Since 2008 the Ministry of Nature, Environment and Tourism has tried to revise the country's environmental policy by reforming the regulations over pollution. The ministry has also created jobs so that it could employ individuals whose work is dedicated to protecting the environment.

Introducing innovative environmental policy is a sign that Mongolia is putting great effort into dividing the mineral wealth equally among its citizens. These opportunities are certain to bring a bright future to the next generation.

Hopefully the new government will board the train of green development on time!



RENEWABLE ENERGY

WATER FOR A NATION

Increasing the value of water among citizens is a priority. We need to create “patriotic water”.

BY E. ZORIGT

Although water itself cannot declare its patriotism to the country, we can use water for the country's development. But how?

Mining's Water Consumption

What a nuisance. In the heart of the Gobi Desert, where there is nothing else to amuse the eye than the sun and sand, a tremendous treasure is hidden. Mongolia has already started to dig out a portion of this treasure. However, the Gobi is greedy for water. It is impossible to explore these treasures without water.

Currently mining companies pay MNT 15 a litre for water and MNT 150 for one cubic metre. But 500 litres per second is used to explore gold.

“Supporting the economy through the exploration of the Oyu Tolgoi and Tavan Tolgoi mines is a reasonable thing to do. However, the expansion of the mining sector must be made to fit the water supply rather than profits”, said Ch. Batbayar.

“Globally, mining projects need water resources for their operations. So it is important to introduce this system to the mining sector”.

B. Chuluun, Secretary of the Institute for Stable Development at the National University of Mongolia:

To continue profiting is a market principle. There must be a mutual profit for both the economy and environment. Thus, there must be accurate research conducted on the water supply as well as water usage. Today we debate over the environmental and ecological aspects of water. However, water also has major impacts on the economy. We have to see these problems from different angles.

Z. Batbayar, Deputy Head of the Water Authority:

By 2020 we might not be able to

supply water to every mine. In the mountainous regions, water supply per capita is four to five times higher than the world average, but in the Gobi regions it is 10 times less. For this reason we have to find suitable solutions to water consumption. Irrigation could be one option, perhaps. Water prices must be a topic for discussion. The water price could be raised where it is used most.

D. Bekhbayar, Executive Director of Green Economic Growth; Editor-in-Chief of Mongolian Economy:

To begin with, there hasn't been a green light for a debate over the water issue at this year's Mongolia Economic Forum. Some people have preferred to discuss increasing the nation's gross domestic product before the water issue. But the water issue has already been introduced to the political policy of many countries. As for Mongolia, it has become a major problem.

Thus, it is moral to discuss the proper use of water for supporting the economy. In order to discuss, we must acknowledge the methods available. For example, increasing the value of water among citizens is a priority. We need to create “patriotic water”. Surface water makes up 5.7 percent of all water reserves to Mongolia. Of this, 60 percent flows across the border. This must be changed so we can use our water for our own country. To bring change, we must establish hydro electric plants, which would be a reliable power source, on the rivers and lakes that flow past foreign borders and ensure our national security.

Ch. Batbayar, Head of the Renewable Energy Division at the National Energy Authority:

There have been discussions about using surface water that flows across

the border. In the northern region of the country, there are opportunities to build hydro electric plants. However, we are not able to negotiate on those assets due to relatively low energy consumption prices. So, it is time to take the price situation into consideration. Water itself is one of the biggest resources available for renewable energy. It is also a basis for sustainable development.

Rainwater Is Also Valuable

We all love drizzling rain and flurrying snow. On one hand, it feels valuable to the touch. On the other hand, the water left from rain and snow is valuable to the economy. In some foreign countries people establish dams and water reservoirs to store rain and snow melt. There are hardly any countries that flush drinking water down the toilet. Instead they collect water for efficiency. Mongolians have to learn from these examples and learn to handle water with care.

Mongolian Economy's in-house non-government organisation Green Economic Growth would like to make a call to the people of Mongolia: the time has come to pay attention to important issues such as a unified water management scheme and a revamping of regulations.



A unified scheme for the management of water reserves means regulations that stand for the sustainable development of society and the economy through the efficient use of water and without disrupting the ecological balance of the environment. Water use is inefficient because of the absence of price regulations for water. Water should become a valuable commodity.

The board members of Green Economic Growth and experts advise that a policy for the use of grey water is necessary to solve this dilemma of inefficient water usage.

Much has been said about creating

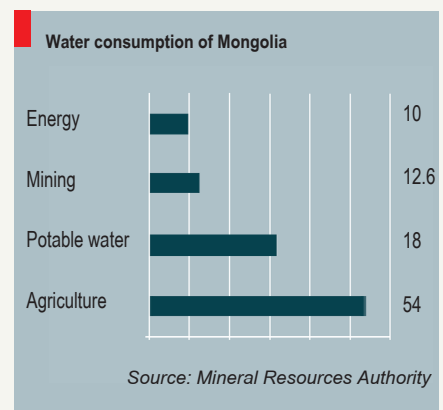
sustainable development in recent times. Some work to laying down the fundamentals has been made. Yet sustainable growth depends on the proper use of water reserves. Water is a reserve that could provide long-term development. Mongolia must answer the question if it is to have a long-term policy for water.

Water reserves are diminishing year by year because of the wrong human activities. Meanwhile, worldwide use of water grows day by day as the global population grows. Humankind must start saving its water.

Mongolian Economy brings water issues to the forefront because fostering

the development of a green economy is one of its goals. Proof of this is in the fact that the first issue of this year was devoted completely to water issues.

The globe proclaims its love for the colour green. We, too, want to paint the world green. The crucial issue of a green economy is water. The driving force of sustainable development is water, and this fact is accepted worldwide. We hope Mongolia's new government will consider this as it writes its agenda and puts forth its goals.



GUEST

LET NATURE JUDGE ITSELF

BY B. ENKHTSETSEG



The current Secretary-General of the World Tourism Organization and the first Arab to run the 154-member body, Talib Rifai came to Mongolia for a four-day visit at the end of July. During his visit, he met President Ts. Elbegdorj and a delegation of tourism authorities led by the minister of tourism and environment. He also visited the Tsonjin Boldog and XIII Century Complex. Talif Rifai, who started his career as a professor of architecture served in several ministerial positions in the government of Jordan, including minister of tourism and antiquities, minister of information, and minister of planning and international cooperation. He was also worked

in private and non-government organisations such as his role as chief executive officer of Jordan Cement, one of the largest public shareholding companies in Jordan, and assistant director-general of the International Labour Organization. Here, Rifai share his opinions on tourism in Mongolia while he participated in the Tourism Marketing Seminar.

Of the 140 countries you've visited for your work, which most remind you of Mongolia and why?

Mongolia reminds me of Mongolia because it's very unique. It's very special, very different. The landscape is absolutely unique, especially at this time of the year—these green carpets expanding limitlessly are fascinating. You don't see this anywhere else in the world.

More importantly than the landscape (because every country has a special landscape) is the people. I don't think you can find anything like the Mongolian people anywhere in the world. The kind of combination between sticking to their country with their friendliness and their warmth is very unique. It's a very special place. It does not mean that it is better or worse than any other place in the the world; it is just special.

And Mongolia doesn't remind me of anything else other than Mongolia. That is why it has a strong image. That is why it's a very important tourist destination. »

► **What do you think is Mongolia's greatest attraction that can't be reproduced anywhere else in the world?**

It's the people and the culture for sure. Of course the landscape and the environment is very special. But you can have special environments anywhere else in the world. The people, and the culture, are very, very unique.

You came to Mongolia via Australia, where you spent three days. What similarities do you see between these two countries.

I [see] one particular similarity, no others—the culture and landscape are completely different.

One similarity is both countries are basing their economies on the mining industry. It is the most important industry in Australia and Mongolia. But in Australia they realize they cannot only depend on the mining industry, so they developed the tourism and service sectors. That is what I was hoping Mongolia would look at. They use the revenues that the mining industry presents and reinvest it into something that is new and different, and that is tourism.

What are the tourism advantages of Mongolia compared to someplace like Australia?

There are three advantages that are very important. One advantage that is the most clear and important is the location. It's sitting between the two source markets in the world: Russia and China. In Europe and Australia they are fighting to get the Chinese tourists. You don't have to do that, you just have to open your borders more.

The second advantage that tourism can bring to Mongolia is on the social and economic level. You need to create more jobs for people in Mongolia, especially for young people. And you need to create jobs not in the city but where people live, outside the city. Tourism is excellent because it creates job where people are. It is a very logically suited industry to deal with some of the most important

challenges that you have. That is why to think of tourism in Mongolia is very logical.

The third thing is Mongolia is at the heart of Asia, and Asia is a booming economy, and a booming tourism destination.

You have all the right ingredients. You need to make something of those ingredients.

Mongolia currently has just three months when tourists come. What possibilities does the country have for expanding upon this?

Let me give you another example, last time I gave Australia as an example. The best time to visit Sweden, Norway and Finland is in December and January when there is no sunlight, and it is very cold and full of snow because you see and experience the real beauty of these countries.

I don't see why you can't create a very special experience in January and December here. It becomes an adventure, something very different. Seasonality is not a destiny. Now everybody is only coming for three months, but your product can be just as strong in winter as it is in summer.

As this is your first time in Mongolia, what are your thoughts on your recent trip outside the city?

It was very enriching and beautiful. To be able to get out of the city and be in an environment, in less than half an hour, that is completely in the wilderness is not something you can find in many places in the world. There is absolutely nothing else there but you and the environment.

What struck me most is the freshness of this country. You just go and breathe fresh air.

The third thing that struck me very strongly was the people and the horses, and the connection between these two. Yesterday I had the experience of Naadam, and I felt I just wanted to join. I wanted to go in and wrestle, do some archery, and climb up a horse. I climbed up a mountain. You become part of that whole scene. That is very special.

Where do you believe world travelers are interested in going at the moment?

The world travelers are now going everywhere and experiencing everything. This year, 2012, we will have 1 billion international tourists in a year. That is one in every six people in the world.

So, the world is on the move. People are just going out to places, and finding that visiting other places is a human need and even a human right.

They travel for different purposes. Until today, 52 to 55 percent of world travelers go for pleasure and relaxation, either to the mountains or sea just to do something that is not work. Then you have about 20 percent that are business travelers. You have other purposes for travel, the other 25 to 30 percent. You have people visiting for health purposes, and to visit family. All of those are purposes for travel. That is why the whole world is becoming open for travel. There is no place under that sun that is not visitable anymore.

Since you have found the culture here in Mongolia to be a highlight of tourism, could Mongolia pursue cultural tourism?

It could be but it's more than that. It's culture tourism in the broad concept of it because in the culture you have to include the environment, the animals, the people, and all other cultural aspects like songs, customs, and foods. All of that is part of the cultural experience.

The other strong thing about Mongolia is the brand of Mongolia. The world knows you. When we say Mongolia people know where it is, but they've never been there. That's already a very important starting point. There are many destinations around the world that are still struggling to establish their names. Your name is already established.

Compared to the development of tourism of other countries, where does Mongolia stand?

Still at the very beginning. ►►

▶ Mongolia has great potential. It is just beginning to realize those potentials to become a rising star. It needs to fill the gap between the potentials and the assets, and it's a big gap. So, it's a rising destination, an emerging destination, but it's still at the very beginning.

You said tourism can be the most logical option, after mining. Can you offer any more details on this thought?

Tourism is capable of bringing income to people in a way that no other sector can do. It brings incomes to families like nothing else. If you go to some of the sights outside Ulaanbaatar, you find people standing on the streets selling their things. Families can live on tourism activities, and this money goes directly to the families. It does not go to big businesses or middle men. It is a people's industry. It is the taxi driver, the person that sells the milk, cheese and handicrafts, and the person that rents a room in his or her house that benefits from tourism. It is a very people-oriented industry that distributes money horizontally.

Secondly, it is very logical because it creates more jobs, especially for young people. Young people like to start their working life in tourism because it is easy. And it creates jobs, as I said before, where people live. People don't have to move from their villages and towns to come to big cities. They can create their own job in their own town, and in their own destination.

Some people complain about the wastes produced by ger camps, and there is a sentiment that some people that live in the tourism-focused regions of Mongolia are becoming greedier as more money enters the country.

Are they more greedy than urban business community that is making so much money off the mining industry? Of course not. You can be greedy, it's human nature. But it can be controlled after it's organized and the rules are set. People go back to reputable behavior. It is natural to see people act

out of the normal practices, but I think you should be careful of these people that are making just a few dollars before labelling them as greedy.

They are entitled to make sure that they are at least benefiting from this industry if they are not part of the big business.

I will tolerate that behavior, not that it is correct, but it is understandable.

If Mongolia is at the beginning of its development of tourism, where should it start its development of tourism? The policy or the private sector?

The policy has to come on top of everything. There has to be a common shared vision and strategy for developing tourism in Mongolia. And this strategy has to be supported very strongly by the government. But it must be shared by all of the private sector. Without a strategy or policy, nothing is going to work. After you set that strategy, you set the goals and objects and describe exactly what you want to do, then you have to start three very important tasks: develop the product (meaning infrastructure development); product development and promotion; and training. These have to go hand-in-hand, nothing can go before another.

How can your tourism organisation help Mongolia?

We are already helping by giving the right advice.

During my visit, for example, I had a meeting with the president because I want to send a message, and I was happy that the president was ready to send this message with me, that tourism is important to Mongolia. It is important enough for the president to take time and meet and talk about the importance of tourism to the political people of the country and the public in general. We help them in a political way to up the importance of tourism.

But on a technical level, also, we are helping them. For example, we are now talking about staging some events in Mongolia, helping in promoting Mongolia, and supporting some particular events in Mongolia

(races, festivals, things like this).

More importantly, we are going to help Mongolia draft its tourism strategy for the coming years. We do that with our experts, experiences, and consultants.

What is most important to targeting the development of ecotourism?

The most important thing is to establish the principle that ecotourism must help the environment, not just help the tourists or make the tourism experience more enjoyable. If tourism wants to go to any destination, the judge must be is the site to become better after the tourists come or not. If the answer is no, then there should be no tourism.

The most important thing about ecotourism to make sure that revenues and management reflect positively on a better and healthier environment.

You said that there are 1 billion people crossing their borders to travel globally. Do you believe there is still more room for growth here with the European debt crisis and economic slowdown in China?

Yes, of course the world has been affected by the economic downturn. But the new markets of the world are making up more in the world. The numbers are growing so big that the overall result is always on the positive.

In spite of the fact that in Europe the economy is going badly, tourism is growing. This means that tourism can be a part of the solution to the economic problems because it stimulates other sectors of the economies. And this is happening in many European countries now, where you have bad performance of the overall economy but good performance of tourism. Revenues of tourism are becoming used to stimulate other sectors of the economy.



GUEST OF MONGOLIAN ECONOMY

WHAT'S LEFT FOR THE NEXT GENERATION



PHOTO BY E. ZORIGT

From left: B. Ganbold, A. Amarsaikhan, D. Jargalsaikhan

The ideals that were inherited for centuries must be protected and maintained as well.

Lately there has been lots of talk about Mongolians living in a Mongolian way. During this era of new development, how can we protect and develop Mongolian ideology? What exactly does Mongolian ideology mean? What is its main contribution?

The debate was held by the chief executive officer of FSCO, D. Jargalsaikhan, cartoonist and director A. Amarsaikhan and the director of the Asian Department of Ministry of Foreign Affairs and Trade, B. Ganbold.

What do you think Mongolian thinking really is and what differentiates it from the perspective of other nations?

D. Jargalsaikhan: I am a regular engineer. However, as a Mongolian citizen, I do have a few words to say.

The famous Russian scientist Gumilev once said “An ethnic group automatically adjusts itself to the environment; nature and the climate of wherever it is located”.

Mongolians have two arms and two legs, just like any other ethnicity. But there is a big difference compared to living in other geological locations,

the ability to adapt to harsh weather conditions and its handling of nature and environment by their way of thinking.

The Mongolian mindset can't be compared to a densely populated or a small country. Before the revolution Mongolians lived nomadic lifestyles. The nomadic lifestyle is the Mongolian way of thinking. However, after the revolution the European lifestyle was introduced to Mongolia. We're living as a part of the continent of Asia, but we're talking about finding solutions to riding ourselves of our European habits. This sort of adaptive attitude

is also a part of Mongolian thinking.

B. Ganbold: If you link this matter with current society, there is a lot to talk about. As I travel to various countries, I notice that Mongolian culture differs from that of other ethnic groups culturally and intellectually. Such dissimilarity is directly linked with the Mongolian way of thinking and it is in their blood.

First of all, the idea of living in clans was established relatively early. They set up their own methods to rule their clans as well. We have a rich history of wisdom and vision. Secondly, the sense of respect towards elders »

The nomadic lifestyle is the Mongolian way of thinking

and parents, and our prayers to our ancestors has always been a part of Mongolian culture. Third, Mongolians have adapted to live in severe weather conditions.

The nation lives very close to nature and accustoms its children to these ethics of respecting elders and nature. These are the three main structures of Mongolian culture and its mindset. None of these three ideas should be lost. The ideals that were inherited for centuries must be protected and maintained as well.

A. Amarsaikhan: Mongolians look at things from an economic perspective. They have tried to save as much as they could. Simply looking at the herding lifestyle or [life in] the ger, it's apparent that Mongolians have lived inexpensive but comfortable and cosy lives. Even during times of war, our ancestors applied such concepts.

For example, 10,000 Mongolian soldiers could fight against 100,000 soldiers, sometimes taking advantage of severe weather conditions like strong storms. This is the spirit we have to inherit. However, we have lost our grip on that.

Why do we still need the Mongolian mindset during this modern era?

Jargalsaikhan: Prior to developing the mindset, we must first know what exactly the concept of that theory is. Then we must analyse those step by step, focusing on what that idea is, what advantage it could give to the country, and what it would provide in the future.

Ganbold: As I said previously, Mongolians have a unique kind of ideology. However, today many of us have forgotten what we had and we're not even trying to re-establish that. From all those inherited cultural ideologies, there are things to take and things to drop. Along with human development, there occurs changes and innovations. We must be open to those changes as well.

Mongolians won't stay Mongolians by just refusing to drive a car and instead ride a horse. Thus, we have to understand the essentials of the ideology and be able to distinguish what is right and what is wrong.

Amarsaikhan: I personally think that Mongolians lost a part of their culture with the rise of the Manchurian era [of dominance]. In their attempt immerse us in their kind of lifestyle, Manchurians involved themselves in management of the lives of ordinary Mongolians. In addition, they did a lot to destroy Mongolia's national pride.

Afterwards, the Russians came and turned the whole thing upside down. Today, it wouldn't make sense to send out our children to pick up cow dung to make fire because we wanted to raise our children in accordance with the [traditional] Mongolian way of thinking. But parents should start raising their children by teaching them to adapt to their surroundings.

According to a study of Mongolia's youth by Swedish researchers, Mongolia as we know it is likely to disappear if the younger generations persist in their current mindset.

According to the report: "Mongolians don't have a united understanding of honesty, national culture and being diligent. They are divided by their fancy clothes or their expensive cars. There are only a few who could be separated by their intelligence. In addition, sex has become a necessity and not something related to love or affection".

"Even government parties present ideas that accommodate to their necessities rather than their intentions. This is the extinction of Mongolia".

What is your opinion on this conclusion?

M. Tumurjav and N. Erdenetsogt have written a book called "Nomadic

Mongolia". Such a conclusion had already been made by Mongolian scientists and researchers before this.

Their conclusion was the following: The way of thinking and the actions of a person are indicators of a country's development. If cultures of humankind are divided by their geological locations, there would be a Western developed culture, represented by a square; an eastern undeveloped culture, also represented by a square; and Mongolian culture, represented by a circle.

In the square, developed culture, people live in a materialistic, powerful world but they lack intellectual stimulation. In short, if you have money you're happy, and if you don't have it you're in trouble. In that sense, money is important. But the circle culture counters this idea.

It is a very harsh criticism. We should have understood it earlier. But it is not too late. But the main problem is that we cannot free ourselves from Russian influence, presented as Western culture.

N. Baabar once said in an article, after our era and the era after that finishes, we will be able to free ourselves from socialist ideology.

But, if we all together tried to re-establish our Mongolian ideology, it wouldn't be so hard.

Amarsaikhan: The younger generation is the main force that would have to protect everything considered as our national treasures. For that reason, those young people must be called on to maintain Mongolian ideology.

Marxism and Leninism were seen as the light that would guide us. But somehow people knew this idea that kept them moving and hoping would be proven wrong. However, people at least had something to hope for.

An idea or driving force must be set now so that we can impart patriotism and nationalism in the



Director of the Asian Department of Ministry of Foreign Affairs and Trade, B. Ganbold

minds of the next generations. For example, foreign cinema and art import their national culture to other countries. We could do the same. Thus, the government should dedicate some attention to this kind of thing and cooperate in that field.

Not only the ideology, but also other aspects of cultural individuality must be discovered and introduced to the world. Every year the government spends billions on road construction. Instead, a small part of that money could be devoted to paving the road of patriotism for our next generations.

B. Ganbold: The basics of Mongolian ideology are not a new thing. It is in every Mongolian's blood and soul. Those basics have to be protected. We could start doing it by including those ideas in the curriculum of secondary school programmes, perhaps. Mongolian novels, books or myths describe those kinds of ideas. So it is actually a cooked meal served on the table.

Mongolian students should study and graduate in Mongolia as much as possible. Developed countries establish branch schools of big foreign universities in their home country. We could introduce the same system here in Mongolia as well. This is one of the important

methods to keep Mongolian mindset and to protect it. In addition, students will be able to study foreign schooling by Mongolian methods.

We regularly talk about economic recession, but we forget to talk about what is most important, such as who are the citizens of Mongolia, and what is Mongolian ideology? Can you explain what makes one a Mongolian? What exactly is the identity of Mongolia?

Amarsaikhan: A Mongolian is quite different from others by his or her body and mind. Thus, policies and laws, even economic modeling



Chief executive officer of FSCO, D. Jargalsaikhan

should be adjusted to reflect this characteristic.

Today Mongolians have become more materialistic. That could be related to the fact that Mongolians honour their reputations. A few years ago, when I was working at the Press Institute, I visited Erdene Tolgoi with the foreign members of a project I was working on. We visited a poor family there. From the outside there was a ger without a fence, but inside the wife was talking on a cell phone while her daughter sat text messaging.

Those foreigners were surprised and said the family had everything a middle-income family should have, and that they were not poor at all. The truth is honouring one's

reputation and respecting oneself is very important to Mongolians. For that reason they manage to meet their basic needs. This is what it means to be a Mongolian.

Policy makers should rely on their Mongolian character.

Jargalsaikhan: We often discuss the government and its involvement. But many of us don't really know the fundamentals. Let's take the term strategic mine for example. *Strategic* means long-term planning to reach a goal. So a strategic mine would mean a mine that has long-term plans for reaching a goal. Just the same as that, people don't know who Mongolians are or what Mongolia stands for.

But there are brighter things as well. There are countries which have had the same kind of start to development as Mongolia. The American economy started to grow 300 years ago. Mongolia transferred to the market economy over 20 year ago. For that reason, Mongolia can't be compared to a country like the USA. Countries such as this have achieved so much.

It would be more realistic if Mongolia was compared to countries that have had the same economic beginnings. In the early 1990s countries like Kyrgyzstan regarded Mongolia as its junior. But now we're being seen as a senior. That is something to be proud of.



Cartoonist and director A. Amarsaikhan

AGEING POPULATION

A WINDOW OPPORTUNITY

Now is the time for Mongolia to take advantage of its youthful society before old age sneaks up on it.

BY B. ENKHMART

Looking at the data on life expectancy (See table A), thankfully it looks to be heading towards an upward trend. This indicates our parents, grandparents and relatives have longer life expectancies. However, having too many elders does sometimes bring negative effects.

If more than 12 percent of a nation consists of people above 60 years old, then the country is considered to have an ageing population, and with that fewer able-body workers. It also means a greater number of health and social care applicants, which weighs down an economy and industry. As a result, job offerings and other objectives are lost to foreign hands.

Mongolia has celebrated World Health Day this year, focusing on personal health and ageing. It declared 2011 as “The Year of Combating Ageing”. Thus, the government is developing its Healthy Seniors programme.

“According to observations made, since 2000 birth rates have declined and lifespans have prolonged”, said the project coordinator, R. Oyunkhand, a medical doctor and the head of the Gerontology Centre. “Mongolia

now is among the countries with an average life expectancy. However, this can be seen as a sign that Mongolia is on its way to becoming an “old” country. As life guarantees improve, life expectancy rises and birth rates drop”.

“For this reason we are developing the “Healthy Seniors project. The project’s main goal is to thoughtfully increase the number of children, provide secure living standards for young, working-age people, improve the lives and health care for the elderly, and deliver health care to

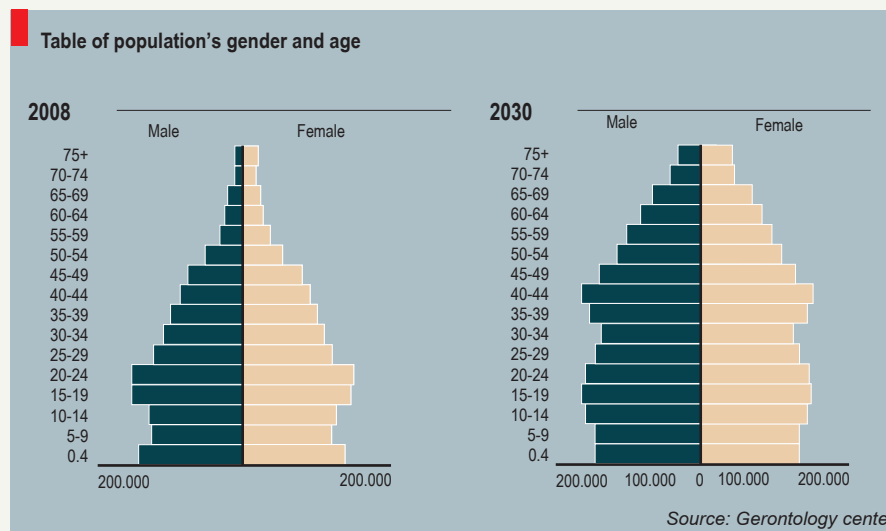
all three age divisions”.

Oyunkhand also called for active participation in the Healthy Child campaign, which has similar goals to the above mentioned project.

Issues on ageing trace back to the 20th century. The United Nations held its first conference on ageing in 1982. A debate on the same topic was held in Madrid 20 years later, where 156 countries participated and declared that the issue of ageing populations was urgent.

Mongolia ratified its own strategy to combat the issue in

Table A



2009. However, that year Mongolia was already among average ageing countries. Currently 64.7 percent of the population is working-aged, between 25 to 50 years old. This stage is called an “open window for a population”. If this window is utilised correctly, then it can enhance the speed of development and focuses a country on creating something worth inheriting for the next generation.

Relieving Pressure from the Young

The older societies of Europe, Japan and South Korea have turned their window opportunities into fortunes 80 to 100 years ago through wise management. The open window stage occurs when the number of working-able people comprises more than half of a nation’s population. It can be seen as a period of time when young people hold the possibility of building communities and creating brands that can compete on global markets.

Today’s old countries have established profitable industries by utilising their young generations during their open window eras. This period of time typically spans 20 to 30 years. As for Mongolia, it will likely be charted from 2000 until 2030. Analysts expect a progressive rise of the older population beginning at 2030. When that happens Mongolia could end up having no industry and weak competitiveness within the global market.

The window is open before us. Unfortunately, government programmes taking advantage of this rare opportunity are scarce. But the window has been open for over 10 years now. Mongolia could have created lots of things in those 10 years. The government has distributed subsidies to the

whole nation and spoon-fed the youth instead of motivating them to work.

The sudden emergence of income from the mining sector might close this window. The Mongolians who should be taking part in the development from mining have been replaced by a huge number of Chinese workers. Adding to this, Mongolia’s labour forces stake out the doors of banks every month for their MNT 21,000 monthly allowances. This is the picture of reality.

If we continue ignoring this open window, the next generation of Mongolians are certain to endure the burden of taking care of the nation’s elders. This means our children will have to feed those who today queue for their monthly allowances. Should our children be punished instead of government because it chose to ignore this opportunity?

Research from the Mongolian National Statistical Organisation revealed that in the 1970s there were just three children to every to 100 people. That number grew to eight in the 1990s and then 13 in 2008. This rate is expected to rise to 41 by 2025.

“One of every five person in Mongolia would be old and two will be children of zero to five years old by 2050”, warned the World Health Organisation’s eastern regional research team. “It is also expected that every two people aged 18 to 19 will carry the responsibility for food, accommodation and social care for one elder and two children”.

Getting older

Looking at the experiences of so-called “old nations” during their eras of the open window, it appears best to support expedient births, regulate the ageing structure linked with economic



and social development, and improve the standards of living and health of the growing elderly population.

As the next half of the millennium approaches, half of the Mongolian population consisted of youngsters between 16 to 18 years old, which also was once the nation’s median age. That figure has increased to 22.5 in just ten years, which means Mongolians are getting older. Mongolia might be considered an old country in the near future. There are no preventive actions to take or any proven methods to tackle the issue.

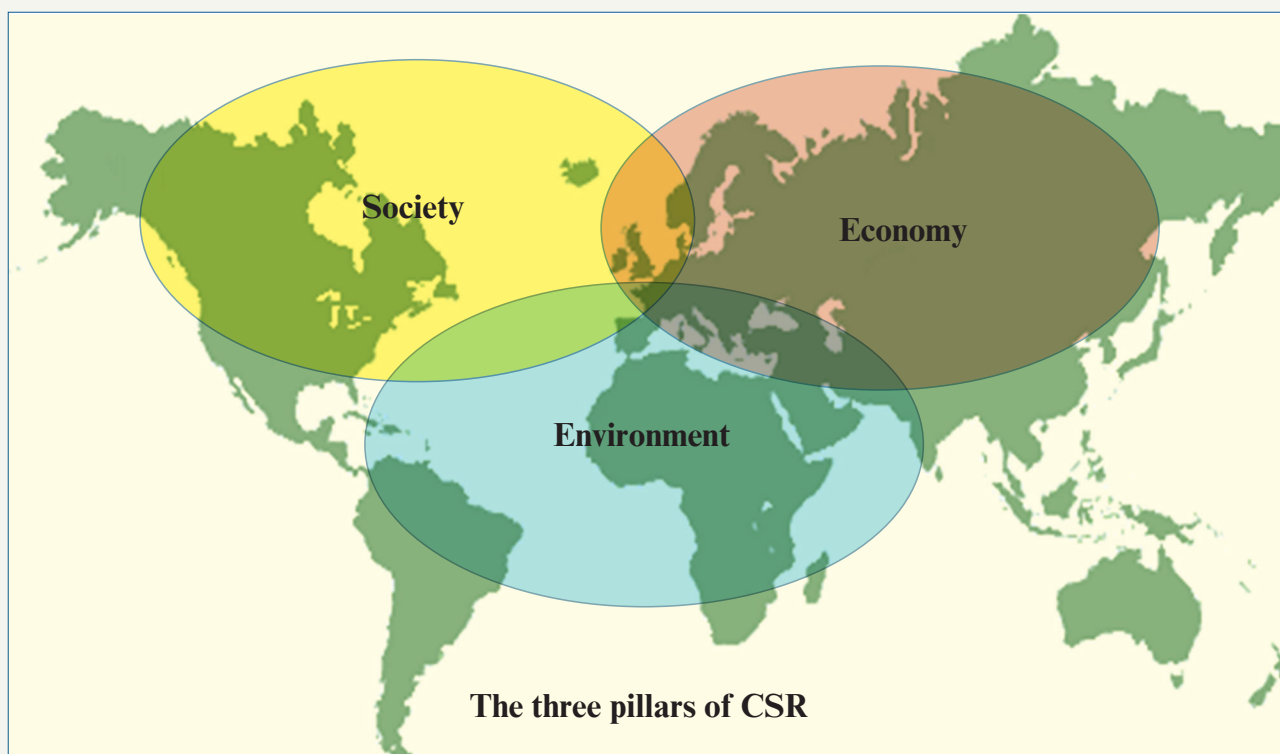
May the next 20 years be used to create and maintain national capital, and to focus on our health. ■

▸ CSR STUDY TOUR

CSR: BEYOND MARKETING

Continued from August issue No.14

BY KH. KHULAN



Almost 98.6 percent of exports from Mongolia are mineral resources. The development of responsible mining during this historic era is a vital issue. Corporate Social Responsibility (CSR) plays an important role in choosing the path of sustainable development, avoiding environmental degradation and the “wealth curse”. CSR has become the key issue worldwide because it is fundamental to any long-term business model.

German companies have set out to reduce their ecological footprint, comply with labour laws, and contribute to the social welfare through voluntary CSR initiatives. In many cases, German companies have developed their CSR strategies based on their operations.

Moreover, the German government supports the CSR issue strongly. The Action Plan for CSR, a nation-

wide strategy headed by the Federal Ministry of Labour and Social Affairs pays its major focus on CSR of small and medium enterprises. CSR concentrates on the three basic aspects of as society, the environment, and the economy.

In Mongolia, CSR is understood as donations and promotion of the arts and culture. It is too narrow of a perspective. Also CSR activities are often used as a promotional tool for a company. Real CSR should be separate from these marketing instruments. Fulfilling one's CSR responsibilities means understanding the value of a company. A strategic plan for CSR anchored in a company's operations should be foremost. CSR is profitable not only to society and the environment, but also for the company itself.

OPENING THE DOOR TO SUCCESS



Robert Huber, Chairman of the Foreign Economic Committee Chamber of Commerce and Industry of Karlsruhe

A corporate social responsibility (CSR) study tour presented by German international organization GIZ's Integrated Mineral Resources Initiative (IMRI) educated Mongolian firms on German practices for CSR, and how a company can effectively introduce strategies into its own practices. A delegation of Mongolian mining companies visited the Chamber of Commerce and Industry of Karlsruhe (KCCI), the information and technology region of Germany. Afterwards, Robert Huber of IHK Karlsruhe shared some of his feeling on the event and its importance to the development of Mongolia's business practices.

Huber works as a chairman of the Foreign Economic Committee of the KCCI for the last 12 years. He runs his own company that deals with supply issues for public transportation. Huber speaks English and French fluently, and is knowledgeable in Italian.

How does KCCI support its members? What are some of its latest initiatives?

We have 65,000 member companies. The overall main task of the KCCI is to represent the economic interests of its members at the different levels of government, i.e. the city, the federal state and the state.

One further key element of this activity is the engagement of young people in regard to their education and their on-the-job training. Another one is to enable our member companies to conduct their export operations and pave the way for them to enter foreign markets.

The latest initiative of IHK Karlsruhe is the Innovation Alliance, a partnership that assists in cases where you have an idea for a technological innovation, new product or new system of production, and you quickly need a solution for a technical problem or want to address new markets, and are looking for scientific know-how for support. The alliance partners are Fraunhofer-ICT, KIT, Karlsruhe University of Applied Sciences, Fraunhofer IOSB, Fraunhofer ISI, FZI and CCI.

What is your advice to our readers who are entrepreneurs? What should they pay attention to in the hopes of running a sound business?

One of the most important factors is education. The training

and education of young people so they can compete with continued globalisation in the world is essential. Education, from the very beginning to the very end, is continuous throughout our lives. This is my advice to the people and companies, to concentrate on this field. Once you do this the door to success will open.

During this time of rapid development of the mining industry in Mongolia, what do you suggest so that it develops a diverse economy?

Mining is a limited product. You have to look at what your nation will be doing after all these precious metals and resources come to their natural end. We are experiencing the same thing with oil. We are living today in a knowledge-based society, and this teaches what should be done next. In order to run sustainable businesses for many years, one should concentrate on knowledge.

Germany is famous for its green economy. The city of Freiburg, for example, is known for solar energy. What can you tell us about this development?

This is a very interesting subject because this area in Germany, particular the area of Baden, Wuerttemberg, is becoming the energy region.

We will visit today the Karlsruhe Institute of Technology. This institution is doing very important research on energy efficiency. In other words, we are concentrating hard on the issue of energy, in particular to the efficiency of energy resources.

In your opinion, what is the first step to entering into a green economy?

Energy efficiency.



Feedback on the CSR Study Tour in Germany:

J. Sunjidmaa, Corporate and Public Affairs Manager at Peabody Energy Mongolia:



The tour has showed clearly that companies have to take serious attention to be a good corporate citizen in today's globalized world. Especially as Germany is one of high developed countries in the world, German companies contribute a lot in social issues particularly environment, education and health.

Their contributions are not just through providing needed resources in these sectors but also through their operation that have less and no negative impact on society and environment. Same time, their CSR culture has many years tradition. For instance Bosch company clearly demonstrates it. This is similar as how philanthropy had been developed hundreds years ago in US.

Rick Blake, Human Resource Director at Centerra Gold Mongolia:



There were several things about the German CSR study tour that impressed me. Government, business and civil society have worked together at the national level to define CSR, develop an implementation plan and schedule, and to monitor progress. CSR is not just words, but is deeply embedded in the values and strategy of a company.

CSR relates to all the ways in which a company impacts society—economic, environmental and social. Employees are involved in CSR activities and can be supported by their company in the form of time off or financial support to assist with the implementation of initiatives to improve conditions in their local community.

CSR is applied throughout a company's supply chain, even where it sources its goods and services from outside Germany or has business operations outside Germany. There is a lot of emphasis that companies place on measuring the impact and benefits of CSR activities and reporting this information to key external stakeholders. Some companies have a CSR advisory board, with representatives of key external stakeholders, who provide input into a company's CSR plans and priorities.

O. Batbold, Governance and CSR Expert at GIZ's IMRI:



GIZ's Integrated Mineral Resource Initiative (IMRI) programme runs various activities to develop CSR responsibility in Mongolia together with its partner institutions. One of the focuses is CSR within the mining industry.

We have organised several activities in this field because it is needed from companies. One of these activities was a CSR study tour held in June in Germany. Representatives of the state and private companies, including those with foreign investment, took part. The mining companies' employees were able to learn about the CSR practices of Germany's leading companies and find out more about the initiatives that may suit their organisations. Moreover, it established contacts between Germany and Mongolia for future collaboration.

D. Odon, Advisor on Government Relations at Prophecy Coal:



The term CSR has many different meanings to people. The term is used broadly in both Germany and Mongolia. It seems that people place too much emphasis on its social aspects, interpreting CSR as only social welfare and donations.

Its real meaning encompasses sustainability, safety, compliance, the supply chain, purchasing, the environment (especially in the mining sector), and anti-corruption—all of which are not generally considered when thinking of the term CSR.

In Germany companies have one united strategy, and CSR practices are deeply anchored in their business activities. I understood that organising dialogues and workshops with the public, jointly with other private institutions would be a first for Mongolia. ■

TOP PRESENTATION

WE MUST TURN TO SOCIAL RESPONSIBILITY VOLUNTARILY, NOT BY EXTERNAL PRESSURES

The Chamber of Commerce and Industry (MCCI) declared 2008 as the “Year of Supporting CSR”. At that time, business ethic codes were developed and officials gave their signatures voluntarily.

S. DEMBEREL:
(CHAIRMAN OF MNCCI)

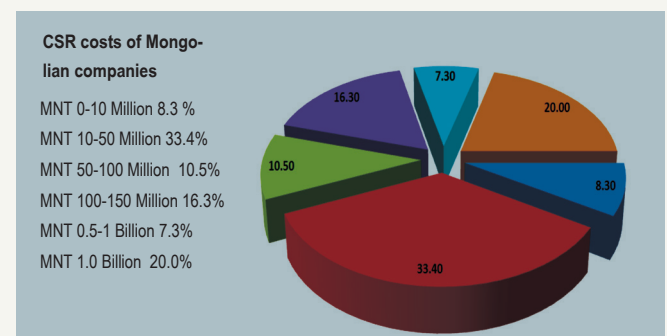
Corporate Social Responsibility (CSR) shall be created in a responsible society. If the government is not responsible, then no one can talk about CSR. The state grows upset when it talks about CSR. It asks: Why don't you perform CSR activities? In 2006, an institution was founded that performs CSR. This Guarantee Fund supported green business practices and helped people and organisations to understand CSR. However, today there are also companies that think CSR is for charity and marketing.

The Mongolian National Chamber of Commerce and Industry (MNCCI) declared 2008 as the "Year of Supporting CSR". At that time, business ethic codes were developed and officials gave their signatures voluntarily. A survey for 120 companies was issued. Also there was the implementation of the "Three Cs" programme (clean production, clean environment, and clean technology). Another programme was implemented in cooperation with KhasBank, called Organic Mongolia. Its goal is to introduce green thinking. Around MNT 1 billion is spent yearly on this programme. The year 2010, was announced to be the "Year of Supporting a Green Economy and Green Business". Lately, the principles of the transition from a brown to green economy have been elaborated upon. The survey for the programme "from a vulnerable situation into sustainability" in 2010 shows the real "face" of Mongolia. The statistics show the status of damage to the environment, poverty, health, and politics. The achievement of an eco-system has been the latest development. Can our country deal with it? It is not possible to separate issues such as water and air pollution. There is also the issue of corruption. Currently the 150 top business entities have signed and united in an anti-corruption partnership.

Small and medium companies tend to think that only big companies can perform CSR. Small companies can do it too, but it needs a guide to explain how. We don't have these standards today. What is the difference between a company that re-uses water and one that does not? We have to make it understood. Poverty shall become history, but it hasn't happened yet. We have to realise that social responsibility must be done voluntarily, not by pressure. Thus, elaborating on one's own new policies is important. Today, the human resource for CSR is lacking. I think this issue should be taken to consideration. ■

CSR is NOT:

- Donations and charity
- Marketing strategy and tactics
- Business directions and activities
- Products and services of premium quality
- Skilled human resources
- Business profit





NewsWire is a weekly news aggregate sponsored by the Business Council of Mongolia. Each week NewsWire delivers breaking and significant news from local and international news sources for a Mongolian and foreign audience alike. The following are news highlights from the month of August

BUSINESS

STATE-OWNED KOREA

Resources Corp. intends to take in at least 10 percent of the Tavan Tolgoi western block coal project, said its president and chief executive.

“South Korea wishes to participate in the management of the Tavan Tolgoi project and wants 10 percent in return,” said Kim Shin-John. “Thirty-six percent for a consortium between Russian, Japan and South Korea from the Mongolian government is too little.” Shin-Jon added that Korea Resources was not the only company hoping to invest in the project and that other would-be suitors include Korea Electric Power Corp. Posco, Daewoo International Corp., and LG International Corp.

The tender to the Tavan Tolgoi Western Tsankhi project has been up in the air for about a year now since the government announced its decision of dividing the project between United States’ Peabody Energy Co. (24 percent), China’s Shenhua Energy Co. (40 percent), and the before unmentioned bidder Mongolian Railways-Russian Railways consortium (36 percent). The decision was immediately revoked following complaints from Japan and Korea and has

since been left undecided.

Shenhua Energy has previously stated that it wants the largest share possible while other observers have pointed out that it is unlikely that Peabody Energy will participate unless it can lead operations. President of Japan’s Mitsui & Co. Fuminobu Kavashiman said in March that his company would also like to act as a strategic investor.

Representatives of Erdenes MGL JSC have previously said that a decision would not likely appear until after elections. With elections now behind Mongolia, however, foreign investors are likely to speak out more loudly and often.

Source: UB Post

ECONOMICS

RAIL AUTHORITIES LOOK TO NEW BORDER POINTS TO ACCESS CHINA AND RUSSIA

The Mongolian government is investigating opportunities for installing additional border points to Russian and China, given increasing mining production export through the Tianjin border.

“We are investigating the transport of mining commodities by way of Vladivostok of Russia and three other borders points to China,” said L. Purevbaatar, head of Mongolian Railway JSC. He added that attempts have

been made to transport coal through the Nahutka border point of Russia as well.

Purevbaatar said the Mongolia would have to make negotiations with both the Chinese and Russian governments as well as their respective railway companies before development could begin. He added that a discounted price on aluminum might be included in such agreements.

Source: Unuudur

INSPECTORS TO EVALUATE POTENTIAL FOR MEAT TRADE

A Chinese delegation will come to Mongolia for inspection to see if China can permit meat imports.

Chinese authorities have expressed interest in importing meats from Mongolia’s Western provinces. Delegates from China’s General Administration of Quality Supervision, Inspection and Quarantine are set to visit the main laboratory of Mongolia’s State Professional Inspection Agency and meat processing factories in Mongolia

Source: Zuunii Medee

POLITICS

JUSTICE COALITION SAYS IT WILL PROCEED WITH ITS PARTICIPATION IN GRAND COALITION

The Justice Coalition, comprised of both the

Mongolian People’s Revolutionary Party (MPRP) and Mongolian National Democratic Party (MNDP), held a meeting to announce that it would proceed with its participation with the Democratic Party (DP) and Civil Will Green Party (CW-GP) for a grand coalition government.

In a press conference following the coalition meeting, N. Battserreg, the leader of the parliamentary representatives from the Justice Coalition, officially denied rumors that the Justice Coalition would abandon the grand coalition in light of the four year-sentence given to N. Enkhbayar, the party’s formal leader.

“As of now, none of the members of the Justice Coalition are opposing the negotiation on forming a coalition government,” said N. Battserreg.

He said that the party has made inroads toward developing roles for party members within the coalition. As for now, the coalition has lodged its complaint with the Sukhbaatar district court and has expressed its desire to hear the DP’s stance on the matter.

Source: Info Mongolia

ENKHBAYAR’S SUPPORTERS LASH OUT

Enkhbayar, his supporters, and members of the Mongolian People

Revolutionary Party (MPRP) have protested his sentence of four years in prison, announcing their intention to appeal the decision.

After the trial, attorney S. Narangerel said the judges refused to take as witnesses D. Chojjames Khamba, a Buddhist Bishop, and Kh. Narankhuu, the former executive director of Erdenet, at the trial. Amongst the charges, Enkhbayar was found guilty of redirecting equipment intended for the Gandan monastery, for which he has been ordered to pay USD 40,000 in damages, while charges of dealings with Erdenet Mining Corp. were thrown out.

E. Batsugar, Enkhbayar's son, came to a gathering of Enkhbayar supporters, targeting Ye. Sagsai, deputy director of the Ulaanbaatar Prosecutor's Office, and Ts. Soyombo-Erdene, the presiding judge, over the Sukhbaatar district court in his claims of injustice. Enkhbayar's wife, O. Tsolmon, blamed incumbent President Ts. Elbegdorj for the four-year jail sentence of her husband, saying there were no facts or evidence for the trial.

"Elbegdorj is the person behind the sentencing of my husband. The judges of the Sukhbaatar district court, which have no conscience nor compassion, will bear their bad karma one day," she said.

Source: Global Times, UB Post

BUSINESS

OYU TOLGOI 94 PERCENT COMPLETE

Rio Tinto PLC's massive Oyu Tolgoi copper and gold project is nearing completion and remains on track for commercial production next year, with the cost for the first phase of development expected to come in as expected at USD 6.2 billion, the mining company's Turquoise Hill Resources Ltd. subsidiary said Wednesday.

Canada's Turquoise Hill, formerly known as Ivanhoe Mines Ltd., in its second-quarter earnings statement said the first phase of construction of the project was 94 percent complete at the end of July. Initial output of copper and gold concentrate is set to begin before the end of this year, and commercial production is expected in the first half of 2013.

Turquoise Hill said it swung to a net loss of USD 285.9 million in the three months through June from a profit of about USD 600,000 a year earlier, including USD 168.7 million in financing costs, USD 8.7 million in foreign exchange losses, and other expenses. Revenue for the period fell to USD 28.2 million from USD 47.3 million.

Source: Fox Business

POLITICS

GOVERNMENT INSTALLS NEW PRIME MINISTER

N. Altankhuyag of the Democratic Party was confirmed as Mongolia's new prime minister, ending weeks of political uncertainty after the party

failed to win enough seats in a June election to form a government on its own.

The transfer of power from the former ruling Mongolian People's Party (MPP) raised hopes of a friendlier investment climate and a tougher stance on graft, especially after last week's conviction of MPP leader N. Enkhbayar for corruption. In a note to clients private equity firm Origo Partners called Altankhuyag's confirmation as the country's 27th prime minister "a positive development", adding it viewed Enkhbayar's conviction "a landmark event" for stronger anti-corruption regulatory enforcement.

The DP's moderate stance will be a departure from the MPP, which had demanded to renegotiate mining contracts with a view of limiting foreign ownership of the country's mineral wealth. One of the targets was the massive Oyu Tolgoi copper and gold project, which is set to start production later this year.

"The newly established government will welcome foreign investment, we will guarantee them a stable legal environment, we will try to fulfill our party agenda," member of parliament Ch. Saikhanbileg told Reuters in a telephone interview.

Source: Reuters

ECONOMICS

RENT PRICES GROW WITH THE BOOM

Mongolia Growth Group (MGG) Ltd. reported that per-meter rent at the most popular locations in

Ulaanbaatar generally have grown by 50 percent over the past year.

The price growth is apparently driven by a desire by Mongolian businesses to have an increased retail presence on the streets with the greatest traffic, said Harris Kupperman, chairman and chief executive of MGG. The company has observed a greater market presence from banks, in particular, in addition to multi-chain restaurants and cell phone companies. There is also greater interest from international brands.

"Over time, it is only natural that these international brands will also need retail space," said Kupperman. "This demand, combined with rapidly increasing levels of disposable income from Mongolian consumers, is leading to an increased ability for tenants to pay higher rates and these tenants are bidding up prices along the high-traffic streets in the city."

The company reported large increases in rents to office space due to the extreme lack of available supply in downtown Ulaanbaatar. Annual increases of 30 to 50 percent in per-meter rents are an apparent norm from the top three tiers of space. The company projected that undersupply of space will grow more severe in the coming few years before projects are finally complete.

Source: Mongolia Growth Group Ltd.