

For a green development

MONGOLIAN ECONOMY



Thank you to Traffic Policemen

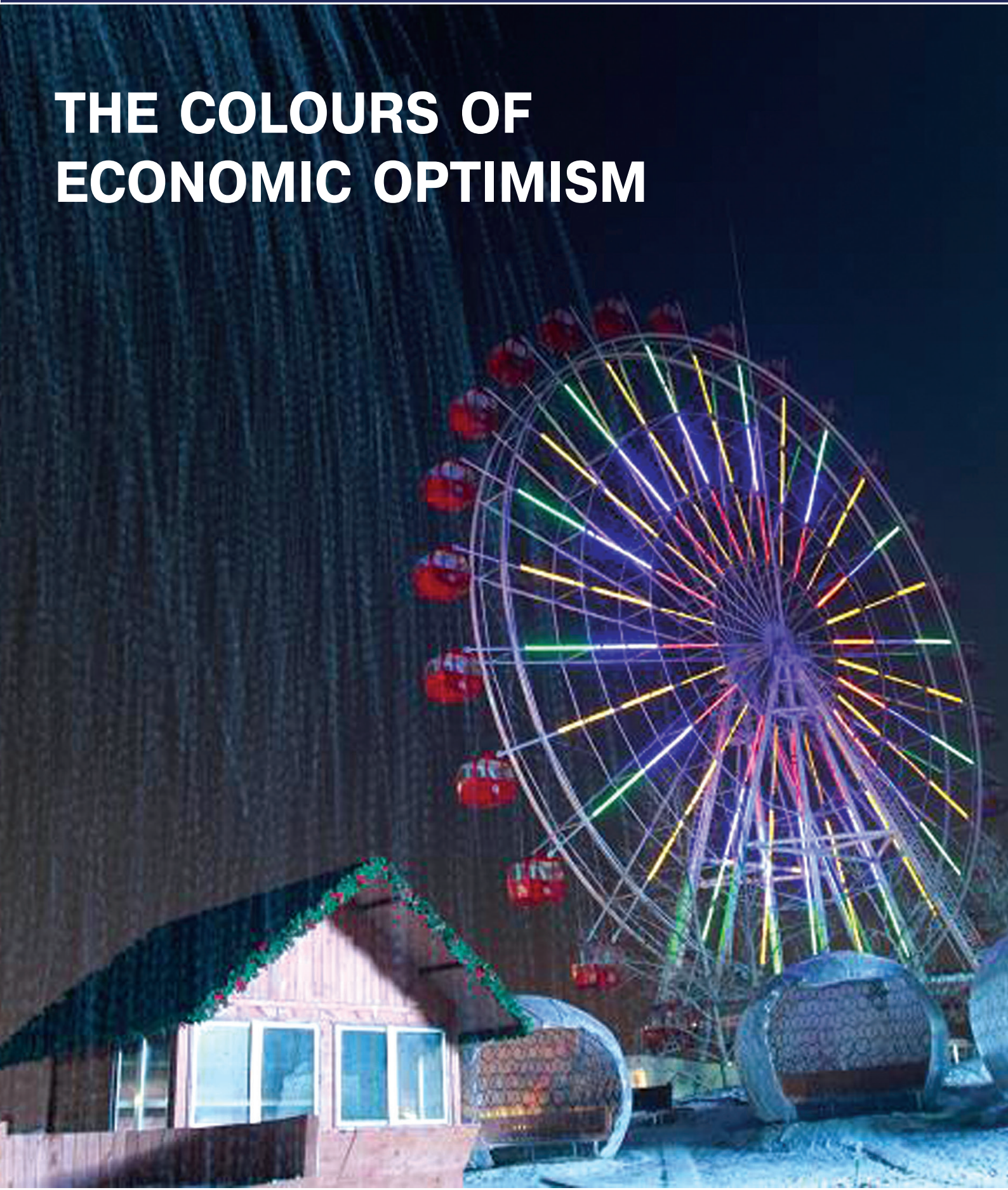
Building green credentials

Mongolian Economy and Business Magazine

December, 2012. №24 (034)


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THE COLOURS OF ECONOMIC OPTIMISM





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MONGOLIAN ECONOMY

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"Grand plaza"
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"Max mall"

LETTER FROM THE EDITOR



The magazine Mongolian Economy has been working for its second year, aiming to provide the public with essential economic, financial and business information. For us, the period from 2010-2012 was utterly important.

We have been searching for the best way to present our magazine's features, interviews and analyses to our readers. We have endeavoured to establish the basis for the magazine's future development as the kind of business journal that our readers and subscribers want. As a result, the magazine has been accepted by an increasingly broader audience, and the number of readers and subscribers has grown. We see this as evidence that our magazine is meeting the needs of the business community, an indicator of the readers' appreciation of our magazine and our team. It motivates us to strive to do even better work in the future.

The coming year of 2013 will be very important to us. Based on the successes of the past, we are aiming to upgrade and expand our news coverage in feature articles.

Further, our website www.mongolianeconomy.mn will keep you up to date on current events, activities, articles and interviews from the world of business, economics and finance, in Mongolia and abroad.

We wish a happy new year and success to all our subscribers, readers and our partner institutions that have been following us for the past two years. We look forward to continued friendship and cooperation with all of you in the future.

EDITOR D. BEKHBAYAR

The Colours of Economic Optimism



...According to economists, the Mongol Bank’s price stabilisation programme is necessary in the short term and medium term for the Mongolian economy..8

Thank You to Traffic Policemen

The citizens of Ulaanbaatar spent last summer with elections, construction and road maintenance works under the strong sun. In times of the reform of the new government, careless work can be noticed everywhere. .15



Health Sector Should Receive Intensified Treatment to Cure



...Do enhance your knowledge, doctors, so that you won’t tell a patient with a backache that his “foot bone is damaged” and won’t forget that you already examined one twin with your stethoscope and therefore neglect to examine the second twin, who has a twisted umbilical cord... 16

Time to act

Shanghai, often referred to as the “Oriental Pearl of China”, is one of the most cosmopolitan cities in the world, where business boils. Gentlemen with designer tuxedos and fancy-dressed ladies, sipping Starbucks coffee and chatting on expensive telephones, walk the streets of Shanghai..17



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FUTURE MONGOLIA

INTERNATIONAL TRADE FAIR AND CONFERENCE FOR SUSTAINABLE DEVELOPMENT

INVITATION

Kick-off Meeting for

FUTURE MONGOLIA 2013,

International Trade Fair and Conference for
Sustainable Development

15th of January 2013, Thursday 10:00 AM
Blue Sky Hotel, 3rd Floor Conference Room "TOPAZ"

We are cordially inviting you to the Kick-off Meeting of FUTURE MONGOLIA 2013, International Trade Fair and Conference for Sustainable Development to be held from 19th to 22nd June 2013.

- Presentation by Mr. S. Fischer, CEO, VF Messen GmbH
- Discussion
- Press conference
- Snacks

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88064242, 94009471



Within a project to rearrange the ger district, the chief of the mayor's office has chosen 15 areas in Ulaanbaatar where rearrangements will be made. Primarily, they chose six areas in the Bayanzurkh, Songino Khaikhan and Bayangol districts where rearrangements will be undertaken after negotiations with the local residents.

The Bank of Mongolia is jointly implementing a sub-program with the Ministry of Industry and Agriculture to stabilize the prices for basic products. Within this framework, flour mills will receive MNT 61 billion in soft loans at a three percent interest rate over three years. Currently, 46 economic entities have requested loans and 35 applications have been approved. The companies are required to have continuous production over several years, wheat stock in their warehouses, stable balance sheets and good quality production.

PRICES

Petrol prices spiked by MNT 50 per litre. "Petrol

prices rose by MNT 50 due to the Mongol Bank's MNT 83 billion soft loan to the companies. If the loans had not been approved, the price would have been increased by MNT 210 per litre" explained petrol retailers. As of yesterday, the "Sod Mongol", "Shunkhlai" and "Magnai Trade" companies added MNT 50 to retail fuel prices except for AI-95, which means A-80 is MNT 1530 per litre, A-92 is MNT 1620 per litre and diesel fuel is MNT 1750 per litre.

SMALL AND MEDIUM-SIZED ENTERPRISES

In order to support small and medium-sized enterprises, the government of Mongolia exempts them from paying customs taxes and value added taxes for industrial equipment, machinery and materials. The tax exemptions, which are beneficial for thousands of people who are employed in this sector, will be in effect until 31 December 2013.

YOU WANT CHANGE? START WITH YOURSELF

Green is not only a colour but the concept of whole new century. For a

long time now, the citizens of the world have been rushing forward, seeking green development. At Mongolian Economy we operate according to the motto "For a green development" in order to contribute to the spread of green development and to help Mongolians understand green trends, which cover a wide range, including the political and economic sectors.

Many say that if you want to change the world, you should start with yourself first. Working in a healthy environment certainly improves employees' morale, and also improves their work performance. Thus, we are starting with ourselves by supporting green development and following the motto "Green office-Our home".

We are making an effort to give our office a green atmosphere and developing good habits in simple, effective ways, such as saving power and paper and sorting out trash, thus supporting green development in ways which have become common in advanced countries. We would like to urge all of you to keep pace with us and discover your own

ways to contribute to green development.

LET'S MAKE A CHANGE

Green is not just a colour. It is the mindset of this century as well. For many years now, the world's citizens have been striving to support green development. For that reason, Mongolian Economy magazine has been promoting green economy and development in its activities in order to help people to understand how important this issue has become in our daily lives. As a part of our goal "For a green development", the magazine has decided to start making changes within our own office in the spirit of the slogan "Green office-Our home".

A healthy environment would surely motivate and increase work efficiency. As an organisation that aims to be green, we can follow some of the simplest, but most effective practices, such as sorting out waste or saving electricity, and integrate these habits into our daily routine. We also encourage other organisations to implement those simplest things and support green development.

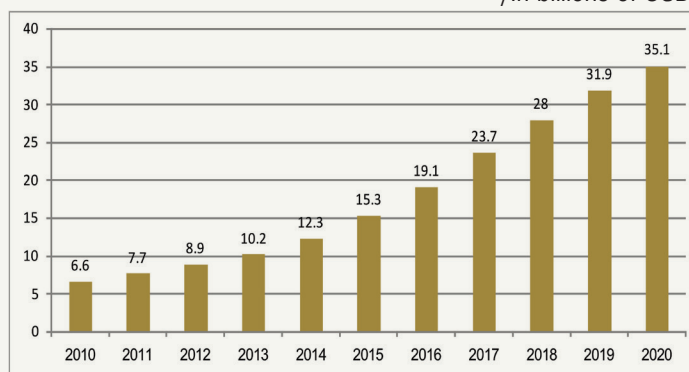
ECONOMY

Mongolian economic growth forecast

/In billions of US dollars /

"Frontier Securities" predicted that Mongolia's GDP in 2013 will see an increase up to 19 percent, equal to MNT 19 trillion. According to analysts, large-scale mining operations in coming years will have a positive impact on further local economic development. Therefore, the IMF and the World Bank said that the Mongolian economy is expected to grow by 13.8 percent, while the international rating agency Fitch said that it would be 14.61 percent.

Mongolian economic growth forecast
/In billions of USD/



Source: Eurasia Capital

REVIEW

THE COLOURS OF ECONOMIC OPTIMISM

BY I. OTGONJARGAL

According to economists, the Mongol Bank's price stabilisation programme is necessary in the short term and medium term for the Mongolian economy.



The defining moment to review 2012 has come. The uncertainty of the euro zone's debt crisis and a slowdown in China's economy have curbed the fast economic growth of Mongolia. Even so, projections revealed that Mongolia's economy would grow by up to 15 percent this year. Apart from those provided by international organisations, the Bank of Mongolia has announced its own modest prediction, saying

Mongolia's economic growth would not fall under 10 percent. The growth rate reached a stunning 17.5 percent last year, followed by 16.5 percent earlier this year. However, in the first half of 2012 it slowed down to 13.2 percent. Apart from the inconvenient situation in the outside world, money rained down on Mongolians right before the elections. This triggered the inflation that put unexpected pressure on

everyone. Desperately trying to tackle this, the Bank of Mongolia increased its policy interest rate. People wondered whether there wasn't any other solution for the institution better than strangling the private sector with its harsh decision. Citizens were cautious what would happen to inflation after the elections, after a huge amount of money was distributed to the public in the form of social welfares. Fortunately, it didn't increase inflation seriously. In short, economists could have foreseen that the inflation would not expand uncontrollably.

Turbulent situations on the international market caused price drops for products of the mining sector, Mongolia's main source of income from exports. For example, only 12 million tonnes of coal, the most important commodity among national exports, were exported, resulting in the failure of eight months of planning. But this didn't last for long. China's economy had pleasant news to release last October, noting that its industrial sector and foreign trade had increased. Adding to this, Mongolia's inflation rate descended a bit, to 15 percent. Experts said that inflation fell due to a drop in meat prices. According to researchers of the Mandal Insurance Company, currency reserves increased due to bond issue from the Trade and Development Bank, which resulted a stronger tugrug.

Recently, the Mongolian government sold USD 1.5 billion in bonds, which raised Mongolia's foreign

► currency reserves sharply after bond money came into the account on the 12th of this month. In addition to this, a total of USD five billion in bonds has been planned for the next issue. The first step had been taken by the new government, which shows us that they have ambitious plans for the financial side of the economy. Most importantly, the socially attractive issue at the moment has become whether income from the bond issues can go to pay for beneficial projects or not. The government ministers themselves are seeing and hearing suggestions on bond money spending and seeking projects from different sectors that can be profitable to the economy in the long run.

The Open Society Forum conducted a public opinion survey through “My budget Facebook”, asking in what areas USD 1.5 billion Chinggis bond financing should be spent. According to the results, building a crude oil refinery scored highest with 4656 votes, while infrastructure improvement in the ger district came in second place, followed by construction of a metro network in Ulaanbaatar with 1892 votes, building an industrial park - 1108, a copper mill - 341 and extending the railway system - 349 votes.

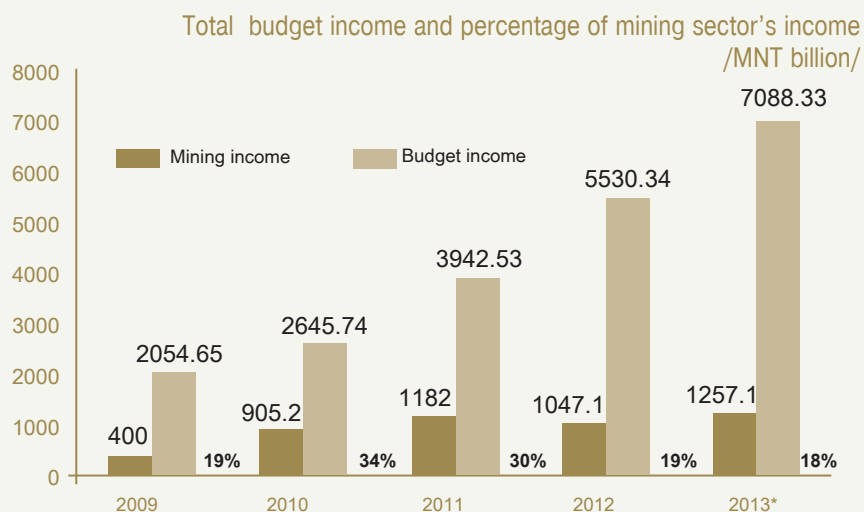
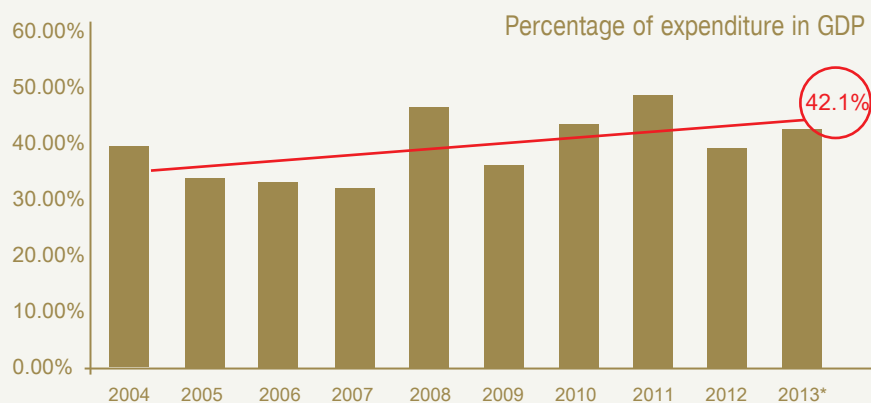
The next feature of this year's economy to be highlighted was the goal “Wealthy average family, low inflation” introduced by the Bank of Mongolia. “If we look at the income level, mortgage, and saving, average families which are not benefitting much from Mongolia's economic stable growth are at a very weak level. This condition creates economic risk – slow capital inflow, rapid capital outflow. The welfare-related high inflation rate pressure of many years has created an environment where average-income families cannot feel economic growth, and the poverty rate stays up and economic risks are even increased in the end” said, Kh. Zoljargal, president of the Mongol Bank. Thus, in collaboration with government, the Central Bank is working on a plan in order to regulate the prices of the main products which cause income differentiation. Although they have been trying to take realistic measures such

as financing flour producers and petrol importers, and to improve the supply channel of building materials and food products in order to help them control market price stability, the Mongol Bank is being criticized by many, who say that the Bank is abandoning the policy of letting the market development naturally, and leaning toward a central planning system. People are caught in between and cannot take either side. According to economists, the Mongol Bank's price stabilisation programme is necessary in the short term and midterm for the Mongolian economy. But in the long run, there should be additional measures related to this programme. So it is clear that it would yield some results.

In the end, according to the calculations of many experts who are making predictions about Mongolia's economic growth this year, the growth which astonished foreigners last year is

expected to remain in double digits this year.

Next year's economic outlook will be brightened by the Oyu Tolgoi project. The project, which brought investments of USD 6.2 billion into Mongolia's economy, is nearing its completion, now that electricity problems have been solved and the enrichment factory is ready to deliver its first products. According to the World Bank, Mongolia could enjoy an economic growth of 16 percent if the Oyu Tolgoi mine is commissioned and starts to produce. If not only Oyu Tolgoi, but also Tavan Tolgoi, which has been quite for a long time, starts production, the national economy would have a second source of support. This would help reduce budget expenditures as well as increase in GDP. After all, Mongolia's economy looks as bright as the streets of Ulaanbaatar, ornamented now with colourful holiday decorations. ■



Source: Ministry of Finance, 2012.09

Mongolian Economy magazine is reporting on the Top 10 Events in the economic, financial, business and politic sectors.

1 NEW CHOICE



2012 was a year of political turnover, which was overwhelmed with elections. It has been 20 years since the Mongolian Parliament was established and 22 years since democratic governance was introduced. According to the majority system, 48 nominees for this year's elections competed in 26 constituencies, while the other 28 won as members of party lists. The year was marked by the rise of a

third party in the government.

The Democratic Party was granted the right to participate in the government by winning 35 percent of population's votes. However, under the slogan "We can win together", the Democratic Party didn't have enough luck to win 39 seats, which would have given them a majority in Parliament and the sole right to rule. Thus, a joint government was formed in collaboration with the Justice Coalition of the Mongolian People's Revolutionary Party-Mongolian National Democratic Party and Civil Will-Green Party. The head of the People's Party, N. Altankhuyag, was appointed as the 27th Prime Minister of Mongolia. The so-called Reform government was criticised for having too large a structure, with its 16 ministries, 19 ministers and 28 agencies. In addition, the election of three female Ministers, Ts. Oyungerel, S. Oyu and N. Udval, was a step closer to gender equality in the government. Also, the main difference between this government and the previous five is that 10 of the 76 Parliament members are women.

2 CHINGGIS BONDS



The government of Mongolia shook world markets with its good and bad decisions this year. Therefore, Mongolia's largest debt is definitely one of the most influential events that had a major impact on the domestic and global economy. On 28 November, the working group led by the Minister for Economic Development, N. Batbayar, and the Minister for Finance, Ch. Ulaan, successfully sold Chinggis Khan sovereign bonds on the international market. Chinggis bonds travelled around the main market countries, such as the US,

Germany, Japan, Hong Kong, Singapore and England and took reservations worth about USD 15.000. Furthermore, the government is planning to increase bond issues up to the value of USD five billion in the coming years. A USD 500 million, five-year bond issue sold at its launch price with a 4.125 percent yield. A USD 1 billion, 10-year bond issue sold at 5.125 percent. The bond money will leave Mongolia with an essential return of some USD 605 million dollars in interest. Policy makers promised that they will not spend a single tugrug on welfare, fiscal deficit and operational expenditures, but only for financing new development. Currently, new project proposals are being solicited. The initial USD 1.5 billion bond issue's cost will determine the fate of the rest of the USD five billion bond issue's rally. Mongolian Economy magazine names this big debt, or huge financing roll, which is worth more than billion dollars in the Mongolian history, as the most important event of this year, while "Finance Asia" magazine awarded Chinggis bonds the title of "best sovereign bond of 2012". Apparently it is hard to predict whether Mongolians with little bond market experience can profit from Chinggis bonds or will become slaves of bond debt.

3 A GIFT

Mongolians made history in 2012. According to the Corruption Perception Index published by Transparency International, Mongolia ranked on 94th among 174 countries,

26 places up from its position in last year's report. "For the first time in world history, Mongolians have managed to reduce corruption in a very brief period of time", "Highlights" reports. ▶▶

► Although Mongolia has been criticised for being too corrupt in terms of national environment, international organisations have rated Mongolia with a descent index. The arrest of the former President N. Enkhbayar by the Independent Authority Against Corruption; the interrogation and later suspension from running in the parliamentary elections of Ts. Anandbazar, the president of Sod Mongol Group, and D. Batkhuyag, former head of the Mineral Resource Authority of Mongolia, have influenced Mongolia's improved ranking on the global corruption scale.

It is hoped that this positive trend will continue further in the upcoming years and will be reflected in people's lives.



GREAT GOAL 4

One of the most important reforms that the new government aim to accomplish is to shift from a single-commodity-based economy to a multiple-based system. To achieve this, the industrial sector must be supported. For that reason, the government added the Ministry of Industry and Agriculture to its structure. The sector minister, Kh. Battulga, said "In this four-year period, everything that is can be to planted and produced in Mongolia will be prepared domestically. It is a new start for Mongolia to supply its domestic demand and possibly the international market as well". In this context, the Ministry of Industry and Agriculture organised the "New Industrial Era" conference, which includes ambitious goals such as developing the Sainshand Industrial Complex, and constructing factories in Ulaanbaatar, Darkhan-Uul and in Erdenet.

Mongolia's agriculture was revived with the help of Atar III. This year, the country managed to harvest twice

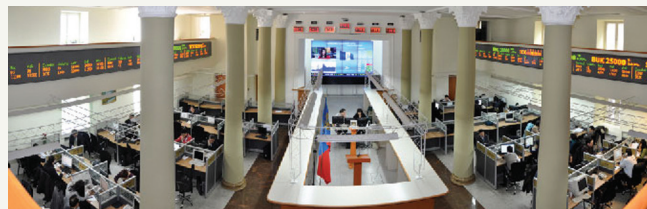


as much as last year's total domestic demand. Thus, it was planned to export 100,000 tonnes of wheat to China. Domestic potato and vegetable demand has been fully supplied with home grown products. This is a progressive sign.

MONGOLIA'S GLOBAL STANDARD 5

In order to update Mongolian Stock Exchange activities, the government, in cooperation with the London Stock Exchange, has signed the master agreement worth USD 14 million and started its operations based on the T+3 system as of this July. The Millennium IT system, which is used in 30 of the world's stock exchanges in about 25 countries, will be implemented in Mongolia for three years. In this framework, USD 11 million from the aforementioned sum would be dedicated to improving technical equipment and technologies used in the Mongolian Stock Exchange.

Six months after it was introduced, there are still sceptical arguments about the system by associated experts, who have been noting that Mongolian brokers and dealers couldn't get familiar with their new environment. In addition, securities sales have sometimes dropped to zero. Besides that, in order to be traded, companies must deposit a minimum sum of



MNT 10 million and must pay fees. For that reason, over 70 companies have declared inactive participation in the trading. According to associated experts, requirements and criteria of the new system have put great pressure on the companies. They state "The current situation won't last for long. Soon the brokers and dealers will be fine". The desired innovation has been made in order to operate at a global standard. Although securities trade haven't revived yet, the introduction of the new system was surely a highlight. ►►

6 SECURED LEGISLATION IN BANKING



According to some economists, the stability and the legal environment of the banking sector, which is responsible for 95 percent of Mongolia's financial market, have become strong and sophisticated. The Law on Loan Databases was ratified by the Parliament this year. The database, to be owned by the Bank of Mongolia, would collect borrowing histories of citizens and enterprises, making it possible to determine whether the borrower is an appropriate candidate. In addition, the database would prevent people from getting duplicated loans. For that reason, the law was a very important move, said B. Lkhagvasuren, the director of the Bank of Mongolia's Department of Monitoring. The other major progress made in the banking sector was the revision of the Private Taxation

Law. The revision included a provision that allows the taxation of interest on savings accounts. For example, this means that if MNT 100 million were placed in a savings account for 12 consecutive months, the interest on the savings account would be taxed. Mongolians' total savings are worth MNT 4.6 trillion, of which 97 percent belongs to a small number of people. For that reason, those few rich individuals should pay taxes, said the government defensively. On the contrary, the director of the Tenger Financial Group, M.Bold, said "The law will not be enforced in real life, because there is a possibility that citizens will divide their assets into segments of MNT 100 million each and place them in 14 different banks for 13 months". After all, the law might not yield magic results. Plus, Parliament members are discussing the draft of a law that would tax savings insurance. The banks would cover possible risks up to MNT 20 million. This would cover 99 percent of total savings in banks and 38 percent of the total amount of money. A savings insurance fund will be established, which would be financed by both the Bank of Mongolia and the Ministry of Finance, each giving MNT 50 billion. In addition, an annual 0.5 percent of the insured money will be deducted as a fee from the banks.

7 "GREEN VOICE" OF MONGOLIA



Several years have passed since the wind of climate change, as hot and dry as the desert air, started blowing into Mongolia, too. The trend of green growth is flourishing and speeding up worldwide. Currently, our country is also following the path of green economic policy. This fact can be regarded as the most significant event that occurred in the field of green development of 2012. Mongolia's new government set up the Ministry of Environment and Green Development. Moreover, it has highlighted this ministry as one

of the main four ministries which indicate Mongolia's strong interest in green development. Dr. T. Chuluun, the director of the Department of Green Development Policy and Planning within the Environment Ministry, has been working over the last decade on sustainable development and the green future.

T. Chuluun attended the summit Rio+20, held last June in Rio de Janeiro. There he presented his speech about the "Sustainability Index" which he initiated. It is certainly fortunate that Mongolia's voice could be heard, defining the most critical ten environmental issues worldwide. Last month, Environment Minister S. Oyun gave a speech at the Doha Climate Change Conference, attracting the attention of global leaders. She said that the countries which pollute the environment massively should undertake active measures to reduce the impacts of climate change. It is also essential to create mechanisms for providing techniques, technology and financial support for developing countries, added Minister S. Oyun.

8 PROTECTING CONSUMERS' RIGHTS

Citizens have been appreciating the Fair Competition Regulatory Authority for their effort to establish justice in the society, which the previous government and its regulatory

organisations were unable to achieve. The head of this Authority, O. Magnai, has been praised for his decisive actions to protect consumers' rights, which were neglected for many years. »

► In addition to suspending the production licence of the notoriously monopolistic APU company, and signing an agreement to charge phone calls per second with operators Mobicom, Skytel, G Mobile and Unitel, Magnai has fined companies that raised their product prices unconditionally or those who mislead consumers' with deceptive marketing

and advertisements. Having accomplished so much in a very short time, he was promoted to function as the state general inspector as well. Magnai's efforts to deal with illegal activities have raised hopes that unfairness can be eliminated in the society. For that reason, his contributions had to be included out in top 10 highlights of this year.

SMOOTH ROAD AND A GOOD RESOLUTION

9

Drivers in Ulaanbaatar are still upset about being trapped in traffic jams. However, they are less stressed now that there are new roads commissioned such as the one on the Sun Bridge. Although citizens often criticise the quality of the roads, it is still true that road constructions last year were well done and mirror-like roads were commissioned.

In spite of continued heavy traffic, people appreciate their smoother ride on those greatly paved roads. The New Construction Programme and the state budget financed repair work of 76.2 kilometres of road and 21.5 kilometres of new road construction that cost MNT 67 billion. As ordered by the mayor of Ulaanbaatar, E. Bat-Uul, vehicles were banned from the streets on certain days, according to their number plates and buses permitted to proceed in the traffic only on the far-



right lane of roads. His decision was acclaimed as a suitable solution to the problem of reducing traffic jams. Also, paved roads connecting 21 provinces with the city are expected to be completed by 2015.

AN OPENED TREASURE

10

It has been 38 months since the Oyu Tolgoi Investment agreement was confirmed. Oyu Tolgoi has been a staple subject of conversation for Mongolians for 1140 days and now the time has arrived to catch up with its creational pinnacle. One of every MNT 3 in Mongolia's economic circulation will come from Oyu Tolgoi. With the help of this major investment, industrial expansion and dramatic changes in the area have been witnessed by local residents during just 38 months. Payment of USD 803 million within three years prove the benefits of the agreement to all of us.

As a result of the agreement, which brought investment of USD 6.2 billion to Mongolia's economy, the enrichment factory at Oyu Tolgoi is ready to start production. A candle lit by people in the previous century has been built up to a "prairie fire" by the people of this century. The enrichment factory, which had electricity shortages, is now supplied by 220 kilovolt power supply from Bayannuur province, located in northern China. The factory, which imports its electricity from 200 kilometres away, has a production capacity of 88,000 tonnes of copper enrichment per hour or 700,000 tonnes a year.

The Oyu Tolgoi Mine, which attracted so much public attention, has now become a functioning economic concern



and is producing its first products. Oyu Tolgoi, a national pride, employ about 15,000 people from 44 countries. They are all a part of the creation of the Oyu Tolgoi project and are establishing an industrial city in the south Gobi area.

The engine of the enrichment factory, which has the capacity to produce 35 million tonnes of ore per year, has started to become the leading support of Mongolia's economy. It will employ 3000 people, 90 percent of whom would be Mongolian workers, as noted in the investment agreement. The first enrichments are set to be launched on the international markets by the first half of 2013. It is time for samples of value-added products of Oyu Tolgoi to be sold on the secondary market. ■



GOOD EXAMPLE

THANK YOU TO TRAFFIC POLICEMEN



...The traffic policemen, who stand on the road during the winter cold and summer heat, bear great responsibility...

The citizens of Ulaanbaatar spent last summer with elections, construction and road maintenance works under the strong sun. In times of the reform of the new government, careless work can be noticed everywhere. Only one organisation has received gratitude from the public. That institution is the General Authority for Traffic Police, cited as the institution with the best work performance in 2012. The traffic policemen, who stand on the road during the winter cold and summer heat, bear great responsibility. You might think it should be so because they are the special public service agency. Yet they haven't neglected their responsibility. Thus, we are writing about the traffic police as the institution with best performance. It is easy to evaluate their work and give good marks, because their work is directly involved with the citizens around the clock.

Partnership of a city and the policemen

We didn't want to evaluate their work simply in a flippant way. Let us remember which new traffic regulations were issued in 2012. In autumn, when the schools opened, and the traffic burden increased, people with blue vests stood at the traffic lights, and helped in the road regulations. Although the road maintenance work was carried out in many places last summer, there were relatively fewer traffic jams, it was said. The new policy-makers of Ulaanbaatar issued courageous resolutions, decisions, regulations on reducing the traffic jams, which have increased the responsibility of traffic policemen. The traffic police were appreciated for introducing several

useful measures, such as limiting the number of cars in highway traffic, conducting a two-month campaign of giving priority to public buses in traffic, successful implementation of the resolution to transport elementary school children by bus. The public gave high scores to the police for having conducted a series of the important activities, directed to citizens. In the period from August 27 to October 27 the policemen worked overtime within the framework of this campaign. The Traffic Police noted the good news: they could report that there were 20-30 percent fewer traffic accidents.

“As a citizen, you are also a traffic policeman”

You might remember the picture of one policeman standing under the pouring rain last summer, put on Facebook and Twitter. This picture has inspired many expressions of gratitude, appreciation and respect for the work of the traffic police. The Traffic Police paid special attention to receiving information from the citizens about accidents that happened, with the aim to improve the safety of traffic. In other words, as a citizen, you also are playing the role of a traffic policeman, when you are a participant in traffic, and thereby have a positive impact in reporting traffic violations. A phone line to receive feedback from the citizens, as well as a page on Facebook, helped to report the traffic violations directly from the location of the incident. The shift hours of the traffic police are 07.00-14.00, 14.00-21.00, and 20.00-08.00. They have very little time to relax and to celebrate during the public holidays or weekends. The number of the cars on the road in Ulaanbaatar is reported variously in media. According to the latest updated information of the Traffic Police, there are now more than 300.000 vehicles. We congratulate the traffic policemen on their good work so far, and hope that they will be able to continue to achieve such success in the future. ■

HEALTH

HEALTH SECTOR SHOULD RECEIVE INTENSIFIED



BY B. MART

...Do enhance your knowledge, doctors, so that you won't tell a patient with a backache that his "foot bone is damaged" and won't forget that you already examined one twin with your stethoscope and therefore neglect to examine the second twin, who has a twisted umbilical cord...



The clowns that come together with Santa Claus, watch through their binoculars to see who is backward and disobedient during the year. The magazine Mongolian Economy has also observed the organisations with poor performance. The health sector's officers tried to turn their backs and hide, but they could be still seen. We are listing the mistakes of the health sector officers that stand there like a boy with an unwashed face who has been rolled on the ground, making his clothes dirty, lost money he has got from his Daddy and hasn't done his homework.

The health sector is responsible for the survival of Mongolia. Thus, the doctors, nurses and health experts should avoid corruption, diagnose patients without looking into their pockets, recommend the most reliable treatment methods instead of pointing out drugstores run by their relatives or friends. Dear doctors and nurses, please don't discriminate among your severely ill patients according to the clothes they wear or the gifts they give you.

Please don't leave people outside, neglected, while you serve only the people that you prioritise.

Do enhance your knowledge, doctors, so that you won't tell a patient with a backache that his "foot bone is damaged" and won't forget that you already examined one twin with your stethoscope and therefore neglect to examine the second twin, who has a twisted umbilical cord.

Yet, it is not correct to criticise and expect diagnosis from the doctors equipped only with a stethoscope and a thermometer. Dear policy-definers and decision-makers, the most important sector urgently needs updated equipment. Otherwise all the outdated equipment and apparatus won't function even if you polish them so that they shine.

B. Bat-Orgil, deputy head of the National Burn Treatment Center, said "Fourth-degree burns occur when the victim's whole body is burnt, and he is not able to speak. Then, the building of the Burn Treatment Centre can be compared with a person suffering from fourth-

degree burns. The patients are transferred to the National Injury Treatment Centre because there is no budget for renovating the Burn Treatment Centre. In Ulaanbaatar, 15-20 people are burnt on average per day. The patients that should follow the strict rules to prevent infection may lose their lives because of the infections that are passed from one person to another. There aren't enough maternity clinics. The existing clinics are overworked and the hygiene standard suffers as a result. The burden of services demanded of public hospitals has increased by 20-30 fold annually. Dear officials, a budget for building of the new hospital is required now.

There are many such problems in the health sector that need to be solved, so our binoculars will stay focused on it. At the end, we sent a letter to Santa Claus where we expressed our wish that the health sector's mistakes would be corrected, for the sake of the sick and suffering folk, and that radical changes would be made in order to make Mongolia more healthy. ■

SUMMIT

TIME TO ACT

B.UURIINTUYA

...All that investors ask is that Mongolia mustn't waste time. Mongolia should be proactive...

Shanghai, often referred to as the "Oriental Pearl of China", is one of the most cosmopolitan cities in the world, where business boils. Gentlemen with designer tuxedos and fancy-dressed ladies, sipping Starbucks coffee and chatting on expensive telephones, walk the streets of Shanghai. This city, which was just a village a couple of centuries ago, has now become the second home to many international business people. Having its name resound in the conference halls of towering skyscrapers of famous cities like Shanghai indicates that Mongolia has become a part of that world.

Located on the banks of the beautiful Huangpu River, Shanghai hosted the "Mongolian Investment Congress-Clean Coal Asia Summit 2012" for the second time, 10-12 December 2012, organised by INBC Global, in cooperation with the Mongolian Stock Exchange and the Business Council of Mongolia. For a brief moment, a gentle breeze wafted over feelings of both excitement and disappointment.

Guidance through development

The main force of Mongolia's development is its mining industry. Listed as possessing the world's 15th largest coal reserves, Mongolia is doing its best to break through onto the global mining stage. However, officials and policy makers have always stressed that Mongolia needs millions, even billions, in investments.

This point was the one of the key issues of the "Mongolian Investment

Congress-Clean Coal Asia Summit 2012". The summit was attended by many prominent international business leaders, but unfortunately, there were very few participants from Mongolia, which was supposed to be the central focus country of the summit.

Investors and business people gathered in the hope of finding answers to uncertainties overshadowing the investment and legal environment of Mongolia and its future. The icebreaker of the summit was D. Zorigt, the former Minister of Mineral Resources and Energy. In the broad spectrum of his speech, he emphasized issues such as Mongolia's economic outlook and natural resources. His words brought a bit of light into the dark scepticism of investors. However, the Mongolian mindset, which prefers talking instead of doing, keeps investors away. Johanna Cave, the capital markets and transaction leader of PricewaterhouseCoopers Audit LLC, said "Apart from the mining, there are other sectors offering investment opportunities in Mongolia as well. Last year, investment reached a peak point. However, this year it has decreased a bit. This can't solely be associated with the Foreign Investment Law. To attract foreign investment, partner trust is equally important".

With last year's impressive GDP growth, Mongolia was the envy of the world. Unfortunately, that record couldn't be broken this year. It could almost be said that investments became dormant. Representatives and attendees at the summit said that foreign investors are willing to spend money on Mongolia, but they warned that there is no time to

waste. Although Mongolia still manages to attract money, it can't afford to be complacent.

David C. Buxbaum, senior partner of Anderson & Anderson LLP, Shanghai, who spoke about understanding tax and legal restrictions in Mongolia, said "We are interested in Mongolia's energy resources and also what opinions Mongolians have on investment. I know a lot about Mongolia, but I'm still learning. So it is a good conference where people get to share their opinions and talk about what opportunities there are for investors". He added "In terms of the Mongolian Foreign Investment Law, certain regulations need to be revised. I spoke to some government representatives, because it violates certain international treaties. Although legal issues continue to arise and investors are choosing to wait; they are still interested. And it is the duty of the government to respond to this interest".

Certainly not out of order

The very first step to achieving success is planning, rather than just having money. As for Mongolia, the country has already found the ideal way to attract investment, which is to exploit Mongolia's rich coal reserves. Last year, the majority of 21.1 million tonnes of extracted coal, which accounted for about 40 percent of Mongolia's total exports, was supplied to China. According to an official statement, Mongolia's coal exports tripled in the past three years, reaching 10.9 million tonnes this year. "A study from our association reveals that in the first eight months of 2011, China had imported 26.49 million tonnes of coking coal, of which 43 percent was imported from Mongolia. Only 21 percent was supplied ▶



Photo by E. ZORIGT

► by one of the biggest coal suppliers of the world, Australia. This proves that Mongolia has become an influential supplier of coking coal to China”, according to an official statement issued in 2011 by the president of China’s Coking Coal Association.

The world energy industry, dominated by coal usage, is currently striving to go green. In this context, Mongolia should support such moves as well, suggested former minister D. Zorigt at the summit. Prompted by the need to become environmentally friendly, energy industry associates from over 20 international companies had gathered to discuss their latest developments and achievements during the last two days of the summit. Representatives from Japanese, Chinese and Australian companies, which have already moved on from experiments and started their commercial productions, exchanged ideas and accomplishments with each other.

South Africa has been pioneering in coal-to-liquid (CTL) technology for the last half century. “Clean coal

technology is becoming very popular due to the strong need to deal with environmental problems such as climate change and energy insufficiency. Thus, it is important for countries that are dependent on energy imports to find an alternative solution by using their domestic resources and further ways to supply the global market”, said Lin Tu, Executive Director of Clean Coal Technology, South Africa. Moreover, he said “It has been a while since we started to talk about environmentally friendly coal usage. However, in recent years, scientific experiments have been conducted in various countries. Thus, regarding clean coal technologies as mere fairy tales is quite unreasonable. A lot of support is necessary to make this technology a part of our life”.

There are quite a few coal liquefaction and gasification projects to be implemented in Mongolia. Unfortunately, not many Mongolian officials and associates were to be seen at this important event. It is still a question whether they didn’t know about this conference or just happened to neglect

it. Obviously, it is important to know and hear about what is going on in the global coal market and industry, especially for officials and business people in Mongolia, where mining is central to the nation’s economic prosperity. On this matter, the economist D. Jargalsaikhan noted “Coal is crucial to Mongolia’s economy. And the main market is China. Changes and demands in this market require that people working in this sector must be well informed and must plan ahead. Thus, such matters are very important to us. In order to use its available resources to make itself into an economic power, Mongolia needs to know, understand and research new developments and changes in clean coal technology”.

Once words are spoken, you can’t take them back. Unfortunately, the tendency to do so has become almost habitual among Mongolian officials. Those who could bring in much-needed money are waiting for the door to open. All that investors ask is that Mongolia mustn’t waste time. Mongolia should be proactive. ■

OUR GUEST

BUILDING GREEN CREDENTIALS

BY KH. KHULAN

Christopher Charles Stuart has been appointed Her Majesty's Ambassador to Mongolia. He took up his appointment in May 2012. Christopher joined the Foreign Commonwealth Office in 1997. He has served in Tokyo as First Secretary Science and Technology and Osaka where he was Consul General and Head of UKTI. Most recently he worked as Director Corporate Development at Energy Technology Institute (secondment to the private sector) from 2009 until appointed to his current role.



Photo by E. Zorigt

What are your thoughts on Mongolia?

I came to Mongolia twice before; in the summer of 2000 and then again the following year, each time for three weeks. It was my impression of Mongolia on those visits that convinced me I wanted to come and work here. It was very different to what I had ever experienced before; exciting, and enticing, beautiful and raw. I thoroughly enjoyed those three weeks—but of course it was summer then.

How are you acclimating to the cold?

Actually the winter here is not quite as bad as I had expected because although the temperature is low, it's very dry. In the UK when it's cold we don't quite get to the temperatures you get here, although the temperature drops below minus 15 [Celsius], it can be very wet and feel somewhat miserable. For the most part the climate I have experienced so far in Mongolian is really quite okay.

Ulaanbaatar battles with terrible smog every winter. It was not so long ago when London had a similar problem. How was that city able to improve its pollution problem?

Essentially, London had major problems with smog from the Victorian times. Industrialisation and solid fuels were part of the problem. London recognised that it had to change.

In an effort to do so it became a smoke free zone, removing the right to burn coal in open fires. Smoke- ➤



► free fuel had to be used, starting to gradually reduce the levels of smog and associated health problems, not dissimilar to those experienced here.

What are some things the city can do to reduce the level of air pollution?

I know that there's quite a lot of activity taking place now. I've been speaking with a number of organisations looking to manufacture smokeless fuel for the many open stoves in use in the city. However smokeless fuel is not the only way forward.

As the energy mix changes, you may find more electricity being used. As people move out of accommodation that relies on solid fuels and into accommodation using space heating reliant on electricity, increasingly the solid fuel element will be removed from the energy mix. Increasingly relying on electricity generation at power station fitted with leading edge clean coal technology will undoubtedly help remove the impact of smog.

In the UK we continue to move towards electrical space heating in our efforts to reduce green house gases by 80% by 2050.

As someone who entered the role of ambassador during times of economic crises, how do you see the current situation?

Clearly I think most countries around the world would like to have

rapid growth in their economy. But, whilst there is a positive side to high growth it has to be skilfully managed and used to enrich the country as a whole. With many issues to grapple with I know that this is a challenge and one that many countries have been through, looking at these provides an opportunity to learn from their experiences, both good and bad.

How would you describe the diplomatic and trade partnerships between Mongolia and the United Kingdom?

Of course next year we will be celebrating the 50th anniversary of diplomatic relations between our two countries and throughout 2013, we will be hosting a number of different events and activities, both in the UK and Mongolia, to highlight this achievement.

We work together in many different areas; political, cultural, social and economic and in all of these areas we are working to strengthen our ties. Most recently a British health delegation visited Mongolia to study the Mongolian health system. A return visit to the UK will take place early next year to share learning and identify opportunities to collaborate and to seek ways to translate practice in our two countries.

Most recently we had a Mongolia-UK Roundtable meeting in London where we discussed many and

varied areas including educational development, finance and infrastructure, green technologies, roads, railways, hospitals, schools and urban planning. In all of these areas we look to work together. We also have common interests in agriculture and across a broader range of sectors where we share our experience and understanding.

Britain is one country that has actively pursued a green economy. What suggestions can you provide to Mongolia in its endeavours to develop its own?

Mongolia is in many ways in a very envious position because it has the opportunity to introduce green technology at a very early stage of development.

I am impressed with a number of initiatives underway including the first Mongolian wind farm which I visited in the summer. Initiatives such as these low carbon and renewable energies not only create opportunities for green employment but contribute to preventing climate change and ultimately developments such as the "Asian Super Grid" will enable exports of clean energy to other parts of the region enhancing the Mongolian economy and helping challenge climate change.

There is a lot of very positive activity taking place in terms of developing ►►

▶ these green credentials. And alongside these credentials are opportunities to diversify away from mining and to rebalance the economy through a green development approach.

With all your experience working in the private sector to establish sustainable development, what would you identify as the key ingredients?

I actually worked in an energy organisation that was responsible for helping the British government achieve its 2050 energy targets; developing technologies to reduce CO2 by 80 percent. Through analysing the energy mix in the UK we were able to identify the technology gaps and the improvements required to meet these targets; having done so our job was then to procure large-scale complex-engineering technologies to fill these gaps. Working in areas as diverse as off-shore wind, carbon capture and storage improved engine efficiencies, smart systems, tidal and heat storage technologies we were able to increase efficiencies, reduce costs and help the transition towards greener energy solutions and enhance the sustainability of our energy supply.

Sustainability however is broader than simply energy, encompassing application of new technologies in adapting the way of living and working, in the development of infrastructure, use of natural material, waste management, efficient production and achieving continued growth and enterprise without undermining

the capacity of the environment to support the quality of life in the long term. In all of these areas Mongolia has an opportunity to hone its green credentials.

And how can the United Kingdom help develop the mining sector?

We have particular expertise in the mining sector, with a number of very large mining companies working across the world. Up until about 40 years ago the UK had a major coal mining industry and it is this legacy of skills and expertise that underpin British mining interests around the world.

At the forefront of our mining practices are issues of transparency and careful management of the impact on the environment. Minimising impact and bringing sustainability into the way companies operate and deal with the after effects of mining and rehabilitation of land are at the forefront of responsible mining practice.

Of course, Oyu Tolgoi is operated by the British-Australian company Rio Tinto and we have a number of other large mining interests that are in a more embryonic stage in seeking mutually beneficial opportunities to help develop the mining sector in Mongolia.

What is your opinion of all the talk about amending the Oyu Tolgoi investment agreement and the attention it has gotten?

I think there is recognition on behalf of the Government and Oyu Tolgoi that this matter must be resolved in a way that upholds the primacy of agreements and encourages increasing investment into Mongolia. In achieving this mutual benefit will be derived.

What parallels do you see here from your time working in Japan?

I spent almost 12 years in Japan. Six years in Tokyo where I was responsible for science and technology. This is one area that I have yet to properly explore in Mongolia and over the next couple of years I very much look forward to doing so. Next year I will be looking to bring over UK scientists to be part of the 50th anniversary activities and want to find time to explore opportunities for developing science and technology collaboration.

The second six years I spent in Osaka as Consul General, where the work was of a similar nature to the work here in Mongolia but with an emphasis on trade and investment, with some consular activities and elements of culture. Political and economic work in Mongolia is much higher profile and these are areas of work that I particularly enjoy.

Have you had the opportunity to travel to the countryside?

Over the summer my family and I spent several days driving down to the south Gobi, around the Gobi, and back to UB. It was absolutely superb. The vast scale of the country is awe inspiring, and the subtly changing landscape highly impressive with the plant and animal life changing as you progress. Our time spent in the sand dunes and exploring the ancient sand stone formations will, I am sure, be an abiding memory of our time in Mongolia.

My only slight disappointment was that I expected to see more wildlife. My Mongolian colleague who travelled with us previously worked as a geologist in the south Gobi 20 years ago. He said at that time the area was replete with small gazelle-like animals. We saw only three, which was somewhat disappointing. Following our trip to the Gobi we visited Kharkhorum, Tsetserleg and the White Lake area, completing a circular tour and experiencing the beauty of the ancient capital and the area's wildlife and landscape.

What was your impression of life in the countryside?

It is interesting to explore the parallels between the UK and Mongolia. I was born in a very rural area surrounded by farms and fields with livestock. Although in the case of the UK the farms are static and the landscape more green, the rural experiences are a common bond and empathy with the land a common trait.

Much like British rural villages, Mongolians soums are small although after living in UB, surprisingly so. Nevertheless in travelling through the countryside we were privileged to see some wonderful sights including a number of ancient temples and these brief journeys have persuaded us to get to know the country better in the years to come. When time from work allows we will certainly look to do so. ■

