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to ask to dance”

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Mongolia's Economy and Business Magazine

May, 2013. №09 (043)

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A breeze of Democracy



... As the pleasant days of spring approach, singing birds drown out the irritating roar of engines locked in traffic jams. The fresh air and the newly cleaned streets of Ulaanbaatar have made its denizens joyful after waiting for months for such relief after having spent the winter in thick gray smoke...

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“Don’t expect others to ask to dance”

Maria Leissner was elected Secretary General in April, 2012, being the first Secretary General of the Community of Democracies. Prior to that, she was Sweden’s ambassador-at-large for democracy, and led the Community’s Working Group on Governance that proposed its recent reforms.

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Stability is a solid foundation for growth

Piper Anne Wind Campbell, a senior career foreign service officer, was sworn in as Ambassador to Mongolia on August 6, last year, following her nomination by President Obama and Senate confirmation. She presented her credentials to President Tsakhiagiin. Elbegdorj on August 24, 2012.

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A Mongolian’s Appointment

Amidst news of reduced foreign direct investment and a poor outcome from the shareholders’ meeting for Oyu Tolgoi LLC, there has been at least one piece of good news regarding the appointment of a Mongolian citizen as president of Rio Tinto’s copper group.

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MONGOLIA

Mongolia is moving forwards with negotiations with Aluminum Corp. of China Ltd. (Chalco) for its offtake agreement for coal from Tavan Tolgoi. The government complained that it had been exporting its coal to China at too low a price. Davaajavyn Gankhuyag, minister of mining, said that the two parties had reached a deal on several issues of dispute, including a reduction in freight and the sale of natural resource products at the China-Mongolia border at market price.



Officials chose a Mitsubishi-Chiyoda joint venture to lead development of the Ulaanbaatar International Airport. The decision came at a meeting held by the Standing Committees on Economy and Budget to discuss the terms for the project. Supervising over the project is both the Mongolian government and Japan International Cooperation Agency (JICA).

The joint venture submitted a total estimated cost of 47 billion yen (USD 478 million) for the project, which they expect to finance with a 40-year soft loan with 0.2 percent annual interest.

The government is full steam ahead with its National Programme for the Training of Qualified Employees. A total of 7,000 jobseekers have registered for the program, of which 4,784 have already entered trainings and internships. The course is being given for a second time for the training of the remaining 2,088



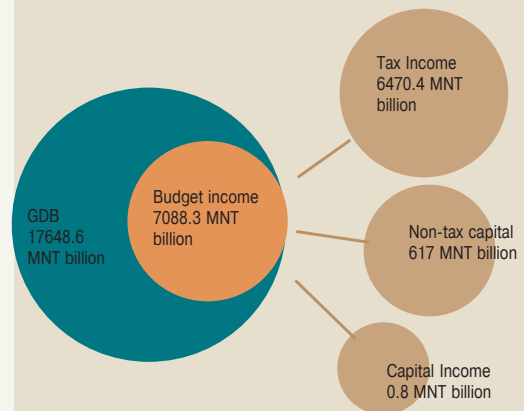
jobseekers. Looking at comments from employers, 70 percent are looking for candidates who are qualified to work in construction and can operate construction equipment.

Ulaanbaatar Mayor Erdeniin Bat-Uul has chosen an area within the Bayanzurkh district for the site of Power Plant No. 5. The mayor allocated 43 hectares of property at the Khulyn Gol river valley located at Khoroo 11 to the Ministry of Energy.

The United Nations has projected coal and copper production to grow by 15.5 percent in the next few months in an annual Asia report. The output projection was part of the data included for Mongolia in the United Nation's 2013 Economic and Social Survey of Asia and the Pacific. However, some international experts have warned that this projection could be too optimistic.

The Integrated Mineral Resource Initiative (IMRI) Programme of the German Agency for International Cooperation (GIZ) is planning to hold a regional roundtable meeting on corporate social responsibility and governance within the mining sector on May 6 to 10. Additional support will come from the Office of the President of Mongolia. In attendance will be a number of representatives from governments and the mining industries of developing countries such as Laos, Myanmar, Vietnam, and Kyrgyzstan.

A study by the Open Society Forum found that the government is made vulnerable by its overreliance on tax revenue. The study said its dependence on tax revenue makes it vulnerable to periods of economic instability. According to the study, an average of just 62 percent of the state budget comes from tax revenue in developed countries.



The inflation rate hit 9.4 percent in March. The Bank of Mongolia has calculated projections for inflation in the second quarter.



WORLD

Myanmar's GDP grew 6.3 percent in 2012 compared with the average 5 percent in the previous five years. The pickup reflects business optimism buoyed by the government's steps since 2011 to liberalise the economy and prospects for further reform. A modest slowdown in agricultural growth in 2012, partly reflecting floods in August 2012, was more than offset by increases in industrial output and services.

Australia's central bank is planning to invest around 5 percent of its foreign currency reserves in Chinese government bonds. It will be the first time the Reserve Bank of Australia (RBA) will invest in sovereign bonds of an Asian country other than Japan. The RBA has foreign currency reserves of 38.2 billion Australian dollars (USD 39.2 billion). Earlier this month, the Australian dollar became the third currency to trade directly with the Chinese yuan.

South Korea's growth rate hit a two-year high in the first quarter of the year, boosted by a rebound in construction, investment and exports. The economy grew by 0.9 percent in the January to March quarter from the previous three months, the central bank's estimates showed. The data is likely to help allay fears over the health of the Korean economy. Earlier this year, the government cut its growth forecast for the current year amid a slowdown in exports. However, the latest data showed 3.2

percent quarter-on-quarter growth in exports during the period. That compares with a 1.2 percent drop in the previous quarter.

According to a survey by HSBC, growth in China's manufacturing sector slowed in April, adding to concerns about the country's economic recovery. The preliminary reading of HSBC's purchasing managers' index (PMI) fell to 50.5, from 51.6 in March. A reading above 50 indicates expansion. A drop

in new export orders was blamed for the decline, a sign of weak global demand. Last year, China's economy grew at its slowest pace in 13 years.

Russia's second-largest state-controlled lender VTB will but back its operation in Cyprus and transfer most of its loan portfolio held by a local subsidiary to other affiliates, a report said Thursday. The decision was made because most of the loans by the bank's

Cyprus branch, Russian Commercial Bank, had been provided to Russian businesses, VTB's financial director Herbert Moos said Wednesday, Russian-language business daily Vedomosti reported. The lender also has no confidence in the Cypriot economy and does not anticipate any losses from transferring its Cypriot operations to other subsidiaries. The total size of deposits in VTB's Cypriot branch stands at about USD 2 billion. ■

A. Amarsaikhan's Column



Cartoon by A. Amarsaikhan



Photo by B. Byamba-Ochir

FEATURE TOPIC

HELLO! MONGOLIA

BY I. OTGONJARGAL

Foreign representatives turned up in droves in Mongolia in April. Japanese Prime Minister Shinzo Abe and Turkish Prime Minister Tayyip Erdogan made official visits, each signing a memorandum of understanding pledging for closer bilateral ties. Following those visits, a number of foreign diplomats and political leaders from the Community of Democracies came to say “Hello! Mongolia” and discussed the importance of promoting democracy and assisting countries who are making the transition.

More than 1,000 delegates from over 100 countries participated in the seventh ministerial conference of the Community of Democracies in Ulaanbaatar. In 2003, the fifth International Conference of New or Restored Democracies (ICNRD) was held in Ulaanbaatar with more than 500 delegates in attendance. These are the only two international conferences Mongolia has hosted in twenty years, said officials. As recently as three to four years ago, Mongolia lacked the capacity to host an event receiving so many delegates and visitors.

The arrival of Aung San Suu Kyi, an opposition politician with a seat in Myanmar’s parliament and a Nobel Peace Prize winner, helped raise the prestige of the event along with Tawakkol Karman, Yemen’s “Iron Woman” and the youngest-ever Nobel Prize laureate. Other noteworthy figures in attendance were the UN deputy secretary general, the vice president of the European Commission, the vice president of Nigeria, the prime minister of Thailand and foreign minister of Finland.

A simple request does not give a country the right to host this importance conference. The Community of Democracies must evaluate a country’s aptitude and commitment to democracy. Mongolia succeeded Lithuania in 2011 as president of the Community of Democracies, and its term as president has been seen as a success by many.

“Mongolia managed to restructure the Community of Democracies during its presidency,” said President Takhiagiin Elbegdorj. “When the presidency was

handed over to Mongolia, the Community’s Governing Council, the permanent secretariat and the International Steering Committee did not exist... Democratic education was Mongolia’s central initiative, and the topic was discussed with the other member states. This led the 67th session of the UN General Assembly to adopt a resolution on education for democracy in 2012, as well as several other initiatives; including intolerance of corruption, the sharing of experiences and motivation for regional democracy.”

Maria Leissner, the general secretary of the Community of Democracies, discusses more of the achievements of the Community and Mongolia’s presidency in an interview found in this issue.

The seventh ministerial conference included sessions such as “Harnessing Open Governance for Democracy” and “Supporting Democratic Transition”, as well as parallel sessions for five specific fora: the Women’s Forum, Parliamentary Forum, Civil Society Forum, Corporate Forum and Youth Forum. The three-day conference hopefully inspired Mongolians to feel strongly about the value of democracy.

Interviews with the conference’s international and national delegates in this issue may reveal that Mongolia has gained new understandings about how civil society, youths and women are important to the shaping of democracy. Mongolia has demonstrated its understanding of this now that the number of women with seats in the State Great Khural has grown threefold.

In this edition, *Mongolian Economy* intends to focus on the importance and value of the conference. Topics are not limited merely to those discussed in Mongolia, which has a 24-year history of democracy. Mongolians can learn much from the member states of the Community of Democracies. However, Mongolia has been called the “heart of democracy” by other member states. Thus, *Mongolian Economy* will focus on and raise issues related to corruption, civil society, young people and women, hopefully contributing to the development of democracy through its efforts. ■

REPORTAGE

A BREEZE OF DEMOCRACY

BY B. UURIINTUYA

As the pleasant days of spring approach, singing birds drown out the irritating roar of engines locked in traffic jams. The fresh air and the newly cleaned streets of Ulaanbaatar have made its denizens joyful after waiting for months for such relief after having spent the winter in thick gray smoke. The city has showed her true beauty. What reasons had the city to be so clean and glamorous?

Two years ago, Mongolia was appointed to lead the Community of Democracies as president. In this scope, it has had the pleasure to invite true promoters of democracy from all over the world to its capital for the Community's seventh ministerial forum. For the first time in its history, the country has welcomed over 1,250 guests to act as pillars for democracy around the world by discussing and sharing their views on establishing true democracy. Prominent guests such as Maria Leissner, secretary general of the Community of Democracies, Catherine Ashton, vice president of the European Commission, and Emanuel Zingers, president of the Parliamentary Forum of the Community of Democracies. These guests and more expressed their satisfaction with the event hosted by Mongolia, adding that Mongolia has a young but strong democracy and was a good example of an emerging democracy to other countries in the midst of democratic transition or planning to make one.

"It has been an honour for Mongolia to have the leadership role of the Community of the Democracies for the last two years", said Prime Minister Norovyn Altankhuyag in his opening remarks to the forum. "Being a part of the Community to promote and develop true democracy has been a pleasant journey. During this time we have learned so much from our fellow countries and are thankful for being able to exchange opinions and experiences".

The forum consisted of plenary discussions and parallel sessions: Women, Youth, Business, Civil society and Parliamentary. Delegates, who attended those were consonant that strengthening the role women and involving youth was one of the main ingredients to establishing true democracy. They also emphasised that the voices of civil society and business leaders were just as important as those of government. Additionally, attendees agreed on supporting democratic transition and open governance equally.

One of the surprises presented during the forum was the demonstration organised by the Mongolian People's Revolutionary Party. The demonstration aroused quite an interest among foreign delegates. Rather than blemish the event, delegates said the protest proved that Mongolia was a country where freedom of speech, one of the pillars of democracy, was present.

The much anticipated guest of the third day of the event was Nobel Peace laureates Aung San Suu Kyi and Tawakkol Karman. They, true promoters of human rights and democracy, have shown the whole world that women are as equally important to society throughout the world as men. Both ladies stated in their speeches that democratic education was an important factor to developing democracy. Furthermore, they added that interpreting the true understandings of democracy from a young age would make society immune to corruption and other negativity that exists within society.

At the end of the last day, this family the world calls the Community of the Democracies had set its next gathering for El Salvador. President Tsakhiagiin Elbegdorj closed the forum with the words: "The last three days have been days of excitement and inspiration. Mother Teresa once said 'Never stop trying'. Thank all for your efforts". ■

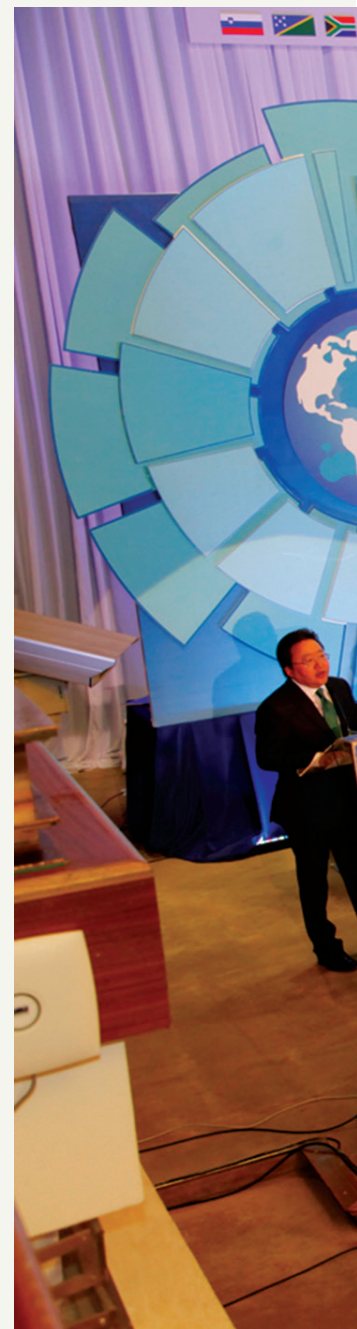




Photo by B. Byamba-Ochir

GUEST

“DON’T EXPECT OTHERS TO ASK TO DANCE”

BY B. TUYA

Maria Leissner was elected Secretary General in April, 2012, being the first Secretary General of the Community of Democracies. Prior to that, she was Sweden’s ambassador-at-large for democracy, and led the Community’s Working Group on Governance that proposed its recent reforms. »



► **How would you explain democracy in a very simple way?**

The simplest way to explain democracy is being able to change the government through voting, without violence. Democracy is a possibility to have a new government if you didn't like the old one. In some countries, even though elections are being held often, the choices of the majority are not fulfilled. In that case there is no democracy.

If you don't like the people who govern you then you should be able to throw them out through your ballot paper.

What criteria does the Community of Democracies ask countries to fulfill for membership? What are the main guidelines?

First of all, we require the countries to be true democracies, not just using the word democracy. The countries should have all of the things that belong to democracy such as a free and independent press, a multi-party system and freedom of expression, of course.

Secondly, for the meetings of the Community of the Democracies, we invite a very large group. We also invite countries that know they have a lot to do before they become full democracies. But for the governing council, we include countries that have said that democracy is a part of their foreign policy and they want to cooperate with other countries, pushing for democratic issues and supporting others. In short, we require a commitment in order to have countries in the governing council of the Community.

Mongolia is said to have a young but strong democracy. What is your opinion on that assumption?

I won't make any evaluations or judgments. I am from Sweden, myself. And when I look at my country, there is still so much to do. In Sweden certain situations, such as issues about the minorities or churches, being more dominant than the other is still upsetting to see. These kinds of issues are the ones that you constantly need to keep reforming.

My view on democracy is that the journey never ends. Sometimes there are uneven problems to be fixed. I assume being such a new democracy, Mongolia has so much on its to-do list than other countries with ripe experience of democracy. However, it is important to keep moving and to have a culture of democracies where

healthy debates and criticism are accepted. However, sticking to the rules of the game is important so that power is not abused.

I must say that I am very impressed by Mongolia and its development towards democracy. Yet, the country has still a long way to go.

The empowerment of women and involving youth as well as having civil society establish a true democracy is something that has been discussed here quite a lot. Do you believe these ingredients are present in Mongolia?

I believe very much in the young generation. I think that in the entire world, including Mongolia, young people will not accept not being a part of a society. They have access to the media. They know their rights and know their rights to ask such standards. For that reason I trust the young generation; that they will continue to make changes.

Now, when it comes to women, I am more concerned. Not only in Mongolia, but generally. They are not at all represented in a democratic way. They are being excluded. Men are very often being elected and given more opportunities to positions only because they are male.

Sometimes it is necessary to have laws to increase women's involvement and representation in politics as well as in the society. An informal agreement is an alternative too. In some countries, for example, in Sweden, where I have experience from, an agreement within my party is we shall have no less than 40 percent of each gender represented in parliament and in other positions. Other countries have chosen to go for quotas.

I think that Mongolia would need to do either one of these two to increase the number of women, not only in parliament but also in other prominent positions in society. I would say in Europe so many countries still do not have women representation in politics, so this is a global problem.

How would you forecast the democratic future of Mongolia? Do you think Mongolia would be able to set a great example of a true democracy?

As Mr. Tsagaan, the chief of the President's Office, mentioned in his presentation during one of the plenary sessions, Mongolia has a rich experience of democratic transition.

I think this is what we need to offer from ►



Photo by B. Byamba-Ochir

► the Community of Democracies to new countries such as Myanmar. They need to listen to how other countries went through transitions, what problems they encountered and what mistakes they should try not to repeat. This is perhaps the most valuable thing that Mongolia can share with the rest of the world.

The next country set to host the ministerial forum is El Salvador. How does the Community choose the organising country? What impression has Mongolia given you and the Community after hosting this year?

We try to have a regional rotation. Then, also, it is the countries that are interested. It is a competition, an election on which country wants to take this on.

Then we have a few to choose from and we select the one that we think would be best suited for leading the ministerial forum.

In this sense, Mongolia had a couple of things that were important to being selected. First, Mongolia has a strong interest in democracy, in its foreign policy. It restored democracy in an excellent way, so it was natural for Mongolia. And its interest showed its qualities in leading the Community of Democracies. Also, I think that Mongolia is the only country in the world that has added development goal number nine [of the Millennium Development Goals] to its development goals, which is democracy. It is also a good example of democratic leadership.

Now we will turn to El Salvador, which has quite recently gone through a transition. And it is very

committed to democracy. So I believe that there will be an equal amount of engagement from El Salvador during the next two years, which we had from Mongolia.

What are some of your concluding thoughts on Mongolia's contribution to the Community of Democracies and its hosting for this year's forum?

I am very happy and pleased by how the forum has processed. The stay was a possibility for an exchange of experiences between societies and ministers. It gave what we have wanted to do; a possibility for all the different actors, not just governmental representatives, in the democracy to be able to meet.

The point is to find a piece of the puzzle called democracy. I am particularly pleased that the architecture of this event was designed to meet all the above.

Last but not least, how would you encourage Mongolian citizens, women and young people to actively involve themselves in democracy?

Don't expect others to ask to dance. Take the initiative. Power is never handed out by those who sit on it. Power is to be taken. Democracy is reached by fighting with political instruments such as debating, arguing and pushing towards a goal. Take your space. ■

MONGOLIAN ECONOMY MAGAZINE QUESTION

What do you think is the significance of Mongolia hosting this year's Community of Democracies ministerial meeting?**D. Ganbold General Coordinator of the Community of Democracies Meeting Working Group:**

The three-day conference was awesome. Well-known political leaders who support democracy along with many other delegates have arrived in Mongolia to share their opinions of democracy. This is absolutely a great demonstration. The ways that they delivered their speeches, listened to our opinions and appreciated the democracy in Mongolia are of great importance.

It is difficult to conclude the outcomes of the conference by the successful close of the ceremony. A higher level of cooperation

has just begun. A number of new tasks which have been initiated during the conference are waiting for us.

However, the conference has reached the end for today. For example, in the Ulaanbaatar Declaration, the issue of how people in Asia can benefit from equality from democracy was raised. If Mongolia could serve as an example to Asia, where almost sixty percent of the world population lives, it may achieve that very important target. The conference has given us an enormous responsibility.

L. Erdenechimeg, Parliamentarian and leader of the Women's Group of Parliament:

think that Mongolian citizens understood one important thing during the conference: every delegate mentioned women's participation when they talked about democracy.

One of the parallel sessions of the conference was the Women's Forum. Currently, the political door is now open for women, but the economic one is closed. Thus, we need to develop powerful women or women who have economic rights in Mongolia. Even though there are many

educated women today, they mostly work in health and education where they earn less than men. Women cannot access the mining and construction sectors where they can earn higher incomes.

Somehow this opportunity is limited by the Law on Labour. As we can see from some examples from developed countries where the mining sector is booming, women constitute 45 percent of the workforce operating large machinery and equipment.

S. Demberel, Parliamentarian:

I have submitted the international and national input on how to improve the public and private partnership (PPP) and what measures can be taken against corruption, as well as exchanged opinions with delegates. [Delegates] also shared their opinions on how the social responsibility of Mongolian companies is currently understood at the international level. But how we understand social responsibility is very important.

The conference has raised a number of issues

on whether the state should keep demanding from companies their social responsibilities and pressuring them to conduct these compulsory activities. And there is the importance of understanding this term as a philosophy of corporate development and its reflection in their daily operations. Accordingly, the conference has turned out a declaration. The declaration should be considered an important document that must be put into practice in all member states of the Communities of Democracy. ▶▶

► Emanuelis Zingeris, President of Parliamentary Forum for Democracy:



It is my pleasure to be here in Mongolia. As I can see from the conference, it would not be wrong to conclude that Mongolia has now become a mature democracy. Today, many countries are focusing on what they can find from democracy. The most important step to developing a democracy and to feel the best about democracy is the development of transparency.

When there is dictatorship, transparency cannot exist. Democracy and transparency cannot be separate. An enemy of transparency is corruption. Thus, our parliamentarians, who were elected by us all, have to be a living example of being separate from corruption.

Nowadays the Internet links everything everywhere and any is-

ssues can be revealed to a limitless extent. For instance, we clearly see that one of Mongolia's parliamentarians had an offshore company and a secret Swiss bank account. In fact, nothing is hidden any longer today.

During the conference we saw a demonstration held by members of the Mongolian People's Revolutionary Party (MPRP) in the street. This is a clear example that Mongolia respects human rights and calls out for the transparency of democracy. After I was informed that some members of the political party which held the demonstration participated in parliament, I was without a doubt that Mongolia has really become an example of a democratic country.

N. Bayarsaikhan, Coordinator of Steppes Without Borders:



During the seventh ministerial conference of the Community of Democracies, the possibility of a realistic outcome for the participation of civil society was at the centre of attention. In Mongolia, the participation of civil society has not yet become reality. So, it needs to be more realistic in the future, and we want a real democracy. My understanding is that the state is responsible for providing good conditions

and opportunities for the development of civil society.

Establishing any civil society organisation is all about unification and the joining of our forces. Every country may vary in terms of its right for creating a united front. In Mongolia, the right for a united front and joining forces is more open than other member states. But we need to focus on whether there is a true condition for supporting the participation of civil society. ■

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Photo by B. Byamba-Ochir

NEIGHBOUR

A WELL-BALANCED PARTNERSHIP

BY B. ENKH

Mongolia-Japan ties are pulled tighter with a visit from the Japanese premier.

“We have an opportunity to mend each other. We have said that Mongolia has the natural resources and Japan has the technologies. Now it is time to turn this discussion into action”, said Shinzo Abe, Japan’s prime minister, during his official visit to Mongolia.

Abe did not arrive in Mongolia to repeat what he has said before. During this latest visit, he made very clear his proposals and his desire to bring the economic ties be-

tween the two countries to the next level. This is evidenced by the Erch initiative, with the Mongolian word *erch* describing the force that is binding the two countries relations.

Opportunities for Japan to assist Mongolia in the Erch initiative:

- A grant of 4.2 billion yen (USD 42.4 million) for the financing of heat-and-energy Power Plant No. 4;
- A loan for the joint preliminary »

▶ study for the construction of the Ulaanbaatar metro and the 640-kilometre Ajilchnii Guuren Garts exit ramp;

- Assistance for the training and education of Mongolian employees in industrial, engineering and health;

- Construction of a new modern airport using the best technology and expertise of Japan. The grant of a loan would depend upon the construction process;

- A loan for the construction of an oil plant in Darkhan from the Japan Bank for International Cooperation (JBIC) and private investment from Japan;

- A loan issued by JBIC for Mongolian companies to purchase equipment and services from Japan;

- A memorandum of cooperation for the use of a Japanese-made satellite for Mongolia's hope to launch one for itself.

Mongolia's Part:

- Opportunity for Japan to participate in the Tavan Tolgoi coal mining project;

- Support for trade and investment from Japan and accelerated activity for the conclusion of a free commercial treaty between Mongolia and Japan.

- Support for Japan over the islands under dispute with China and the security issues involving North Korea.

During Abe's visit, he and Prime Minister Norovyn Altankhuyag discussed the dispute over island territory with China and North Korea's aggressive behaviour. Altankhuyag said Mongolia was aware of Japan's current circumstance on the islands dispute and expressed his desire to support Japan.

Altankhuyag added that that Mongolia would like to make use of its friendly re-

lations with North Korea to organise and mediate multi-party negotiations in Mongolia.

Japan launched a new stimulus package that aimed to weaken its yen against foreign currencies to boost exports as part of a larger plan to turn Japan's economy back towards growth. South Korean exports have already felt a strong, negative impact from this move. Yet this could be a good opportunity for Mongolia to expand its economic ties with Japan. A weakened yen could mean opportunity for boosted business relations with Japan.

For Japan, Mongolia is a potential partner for economic cooperation, but the possibility of a strategic partnership will depend on how well Mongolia and Japan's development strategy correlate. ■



NEIGHBOUR

PARTNERS LINKED THROUGH HISTORY

"...Ancient monuments and ruins of towns and fortresses; roads and highways running to distant places..."
 ("My Native Land" by D. Natsagdorj)

BY KH. KHULAN

Many hundreds of years ago, Turkish tribes settled within the territory of Mongolia, and there is still a great deal of evidence of this left behind. Anyone who travels to the vast steppe of Mongolia can vividly imagine the ancient capital of Kharkhorum and its warriors with their bows and arrows in hand, while the clatter of horses' hooves echoed in the wind. Monuments for Bilge Khan, the kind general Kultegin and the wise minister Tonyukuk still stand today as reminders of those times

Turkey and Mongolia are connected through the history of many hundreds of years. Today the two countries' relations are starting to reach new heights.

Turkish Roots to Bear Fruit

Turkish Prime Minister Tayyip Erdogan paid an official visit to Mongolia in April at the invitation of Prime Minister Norovyn Altankhuyag. The two premiers together made a joint declaration, signing three memorandums of understandings: one to ease the visa requirements of both countries, another for cooperation in security, and the third for a 2013-2015 cultural, education, and science exchange program.

Erdogan visited Mongolia for the first time in 2005 when he initiated the 46-kilometre highway »



Photo by B. Byamba-Ochir



Photo by Kh. Khulian

Selling fruits, near Alanya (South Turkey, 2008)

► between the Museum of Bilge Khan and Kharkhorin Soum, the site where the ancient capital Kharkhorum stood. The highway was constructed by the Turkish International Cooperation and Development Agency (TIKA) and commissioned by 2008. Modern Turkish-Mongolian diplomatic relations began in 1969.

There are a number of valuable artefacts that remain from the time of ancient Turkish settlement in Mongolia at Khashaat Soum, Arkhangai Aimag. For instance, the script found on stone monuments in the Orkhon River valley are considered treasures of Turkish history and culture. It is for this reason of such a closely shared history that Mongolia and Turkey seek to bolster their diplomatic ties and to develop greater friendliness between them.

Mongolian citizens have received month-long visa-free entrance to Turkey since 2007, so Erdogan proposed the same for Turkish citizens, which could benefit tourism. Direct flights, too, are now available between Istanbul and Ulaanbaatar, beginning July last year. They fly three times a week, with the capacity to hold 150 passengers each trip.

Every year, around 35 million tourists visit Turkey, generating about USD 25 billion. Turkish Airlines plans to lead trainings on the development of tourism in Mongolia for travel agencies. The government of Turkey also proposed an increase to the number of flights each week and to launch the regular flight of a cargo plane. This would bring many types of organic fruits to Mongolia. Turkey is the sixth largest producer of fruits in the world, with goods such as apricots, olives, figs, apples, walnuts, grapes, and lemons.

Partnership Relations

Mongolia declared Turkey as one of its third neighbours in 2011 due to the development

of historic links and the improved effort for co-operation, which formally began in 2004. During the visit, the two prime ministers agreed to bring Turkish-Mongolian ties to the next level so they could cooperate as strategic partners in the future. Mongolia made specific requests for assistance in the development of tourism, infrastructure, as well as the construction of new apartment buildings, roads, bridges and tanneries.

There are already plans for a 20-kilometre highway that leads to the Tonyukuk monument found near Nalaikh district.

Erdogan is Turkey's 25th prime minister and has served in that office since 2003. He is a former mayor of Istanbul and is widely seen as Turkey's most influential leader. Erdogan has experience in city planning and construction, and as prime minister he has led numerous reforms including housing programmes for low-income citizens. He helped commission some 400,000 apartments in the last decade. Thirty three of the 250 largest construction companies in the world come from Turkey, with nearly three quarters of all the construction in Kazakhstan's capital city of Astana built by Turkish contractors.

The partnership also provides opportunity for assistance in the development of Ulaanbaatar's ger districts, urban planning in addition to energy and defence strategies. Trade between Turkey and Mongolia was USD 36 million in 2012, and it is projected to reach USD 250 million by 2015.

The two countries cooperate not only in economic capacities, but also in cultural, science and social sectors. Mongolian students study at universities in 12 cities in Turkey, learning economics, medicine, industry production, environmental studies, and hospitality. Most students receive scholarships from the government of Turkey.

Mongolia has much to do in the way of development, so a strong, supportive partner such as Turkey is a good ally to have in its corner. ■



Tonyukuk Monument, inscribed in Old Turkic alphabet
(Photo Source: Turkish Embassy in Ulaanbaatar)

AMBASSADOR

STABILITY IS A SOLID FOUNDATION FOR GROWTH

BY B. ENKHTSETSEG

Piper Anne Wind Campbell, a senior career foreign service officer, was sworn in as Ambassador to Mongolia on August 6, last year, following her nomination by President Obama and Senate confirmation. She presented her credentials to President Tsakhiagiin Elbegdorj on August 24, 2012. In her first eight months as ambassador, she visited seven aimags in north, south, east, and west Mongolia.

Before Mongolia, Campbell served as the senior civilian representative of the U.S. government in southern Iraq. Her June 2011–June 2012 tour included establishing U.S. Consulate General Basrah and managing continued as the U.S. military departed Iraq.

After working in places as tumultuous as Iraq, surely you had the opportunity for a more comfortable and warmer assignment than Mongolia. What helped you come to the decision to accept an assignment here?

Yes, in fact I've worked for the foreign service for 24 years. Indeed, as you said, the last 10 have included working in some difficult and challenging places, including Iraq. For me the reasons that I came to Mongolia were a little for a change but also to try to use the skills that I developed in conflict situations in a different way.

And so in the beginning of my career I actually thought I would spend all of my life as a diplomat working in Asia. That was my initial ambition, but I got a little bit pulled to the side to work on conflict. For me it was really important to come back to Asia—to come to working on those issues in a region that I always cared about. The other part that my experience in conflict areas really taught me is a lot about managing relationships.

I was interested in trying to take some of those skill developed in conflict situations and see just how

do those work when you have a more positive relationship, as we have a more positive relationship between the US and Mongolia.

Where do you think bilateral relations between the United States and Mongolia are heading?

Maybe before I answer where it's going, it might be useful to explain where it is, and I think it's in such a good place right now. The current relationship is both broad and deep. It's wonderful that we had Speaker [Zandaakhuunii] Enkhbold's first trip by the United States and Canada. We have the deputy secretary of state, Bill Burns, who will be coming to Mongolia in April, along with leaders from around the world to participate in the Community of Democracies ministerial, which Mongolia is hosting.

We have cultural cooperation, which I would like to say starts with a prehistoric element, as we've been working together on the return of the Tyrannosaurus Bataar. And it goes all the way up to the modern.

Just yesterday I was on my way to the Modern Art Museum because the United States worked with Mongolia to provide skills and equipment for the renovation for some of the paintings, some of the modern works of art that were damaged in fires in 2008 and 2009. That's great just to think about cooperation that starts in pre-history and goes all the way to the modern day.

We've got a solid basis of development cooperation through our USAID and Millennium Challenge compacts as well as through our Peace Corps volunteers. You see so many different kinds of cooperation. I think you could say in the first 25 years of the relationship a lot of that was based on development assistance, and we're really interested to move now into more of a commercial and economic partnership.

Where I see the relationship going in part is very much influenced by the economic growth and the



► change in Mongolia. And also influenced by a tightening of the belt in the United States.

Can you describe the direction where trade between the United States and Mongolia is going? Is it seeing growth or has it been affected by some of the political turmoil that caused much of foreign investment to spill out of Mongolia?

Trade has been growing rapidly over the last couple of years. As you know foreign direct investment in Mongolia has been one of the key factors in the incredible growth we've seen in the Mongolian economy: 17 percent two years ago, some 12 percent last year.

The figures of US trade as part of that are significant. We are hoping to see that trend continue and stay in a positive light. You know that intra-national investors are watching Mongolia a little bit right now. They've seen some mixed signals. They hear some very positive things from the government about its intention to create a positive climate for economic investment, but then they're watching and waiting, for example, hoping for some changes to the SEFIL—Strategic Entities Foreign Investment Law. That's with parliament now. They're hoping when the new Minerals Law is discussed again that it's discussed with a positive foundation for international investment.

Things that are important for US companies and for international companies all around are predictability and transparency, so that they know if they make an investment (especially if they make a long-term investment) the rules won't change. I think what Mongolia especially doesn't want is the term we use in English: "fly-by-night" companies that aren't serious.

Mongolia doesn't want fly-by-night companies. They want serious companies with a solid reputation who are going to come to Mongolia to invest for the long term. For a company to be willing to make a long-term investment they need to be confident they understand the rules of the game and those rules are not going to change.

What can be done to improve this situation?

Certainly, any actions the government can take to make the investment environ- ►►

Photo by E. Zorigt



ment stable, clear, transparent, and predictable will be important steps. And then the other part is the government taking decisions on key projects. We're interested to watch as the government makes the decisions about what kind of projects it will finance out of the Chinggis bond.

But also as the government makes decisions how they will move forward with some of their strategic deposits, for example. I think it's no secret that a U.S. company called Peabody is one of the companies which put in a big effort to be involved in the development of the Tavan Tolgoi coal resources. We're hoping and watching as others watch and hope that the government may make a decision about how they want to move forward with that deposit over time.

What place do US enterprises have in Mongolia's economy, specifically in the mining sector?

I should start by noting that the US is already involved in the mining sector of Mongolia, both directly and indirectly. But then a lot of the US commercial involvement in Mongolia right now is tied to the mining sector. For example, whether you're talking about Wagner Asia, which I think has ad-

vertised in your magazine, is a really good example of a US company which is applying good corporate practices to what it's doing here in Mongolia. It's receiving different rewards, it's been acknowledged for developing Mongolia's talent, for building a skill base able to do a lot of the work. But their work is primarily providing supplies primarily to the mining industry floor. It's another US company which has a very good interest in its national reputation; very good practices in terms of standards, transparency, and environmental practices. These are US companies that are here in Mongolia, creating jobs in Mongolia, tied to the mining sector. US companies are already here and involved in mining.

Having a company like Peabody have a major role in a major project would take that level of US economic involvement to the next level. It would take the current degree of US involvement to a new level and, I think, bring some experiences to Mongolia of how coal mining can be done on a very large scale but with a high environmental standard, a high safety standard, and with a lot of intention of developing Mongolian talent.

What are the advantages of choosing US companies as Mongolia's private foreign partners for large-scale projects such as Tavan Tolgoi?

I would name three things. The first is the United States was one of the first countries to write laws in terms of how its own companies have to behave abroad. It's illegal for a US company to pay bribes, to be involved in corrupt practices. I think this standard of behaviour of US companies is one of the most important things they would bring to the table.

The other is to talk about technology transfer, and talk about the high quality of experiences, equipment, methods that US companies brings. When you think about GE's involvement at the Salkhit wind farm or you look at other US companies that are engaged here I think one of the things you see is them bringing a different level of technology to Mongolia.

The third thing is a very high environmental standard. In the United States we've had experiences in the past of companies being allowed to operate without appropriate regulation. The area where I grew up is infamous as an area where a company operated in an unethical way and left chemicals in the ground. That had an impact on people.

We've learned from our negative experience. We've set very high environmental standards and set high environmental expectations for our companies. They bring that technology and attention to the environment.

Peabody, for example, the experience they've had in Mongolia up to now includes having done an ▶▶

▶ excellent job renovating a mine that had finished its life. The mine site had to be returned to its natural state. I think that experience—the experience Peabody had in terms of closing down somebody else's mine, but closing it down and bringing it back to an area that can be used by herders, back to its natural state—that's the kind of experience that US companies bring here.

What barriers to investment have US firms experienced?

The embassy each year puts out an investment report. This is a good source not only for US companies as they think about what they're likely to find, but I know Mongolian officials look at it to see where they think they can be doing better, and I've even spoke with officials from Mongolian companies who use our report as a source of information.

In that report we describe some of the challenges that US businesses have faced as they looked at our thoughts about investing in Mongolia. I come back to the point I made about the importance of knowing that the environment you see today are the conditions and laws and approach you will see moving forward. That it will be predictable and that changes in government will not result in whole-sale changes in approach to business are things that are important for businesses.

Some of the things I think American businesses are anticipating or thinking about when coming to Mongolia are they might think they're going to have a hard time finding someone who speaks English or this is going to be a culture that is very foreign to us. But what I actually hear from Americans when they come, and this is one of the reasons the embassy overseas staff really pushes people to come to Mongolia and see it, is that when they get here I think they find that some of the barriers they imagined are not so real. They are able to engage and able to find some of the similarities. Americans and Mongolians, for example, are both very direct.

What is your assessment of Mongolia's 20-year-old democracy as a representative of a nation with 200 years of democratic history?

I think Mongolia's democracy and adherence to democratic values is one of the things that makes it most attractive for US government engagement, for American people, people-to-people engagement, and also US engagement. US businesses do not want to be working with corrupt governments or autocratic governments. The fact that Mongolia is a vibrant democracy, to my mind, is a very positive thing.

I think maybe Americans also have a little more appreciation for the rough and tumble of democracy. We see a lot of change when we have a change in an administration compared to other governments that have older democracies. We're relatively young. We see in our system that we have more political appointments in our government administrations perhaps compared to other countries.

It's not so surprising to see a lot of administrations change, to see new people come in and have to deal with the change associated with a change in administration. I think that perhaps is a little less surprising for us than for some other countries which have slightly different systems.

When I think about our democratic experiences and what applies, I think a part of that is starting from a point of humbleness and saying that democracy is hard and you never get it perfect. You never get it right. It is a constant process.

You've got to have strong citizen involvement, and you've got to have debate. It's not bad that there are differences of opinion. It's not bad that contentious issues arise and are discussed. Those are in fact very healthy elements of a democracy.

As someone who worked in nations of conflict, what do you see in the current tensions between North Korea and the rest of the world?

Throughout my career I've worked in conflict situations in the Balkans, Iraq, and Afghanistan. I even worked on issues related to Indonesia and East Timor. I think wherever we look what we see is the loss and pain that is associated with both threatening, bellicose statements and, even more so, when any country foolishly follows through and initiates a conflict.

When I worked in the Balkans, both the Serbs and Croats with whom I talked would regularly say, "We didn't realise how good we had life before this". I think whether we're dealing with the North Korean issue or any other tense areas of the world it's really important that the leaders of those countries seriously think hard and—as Secretary Clinton used to say—"clear-eyed" about what they are doing.

It is important that there be stability in this region, including so that stability is a solid foundation for growth.

Are there any parting words you'd like to leave for our readers before we bring an end to this interview?

I know you might have some readers overseas, so I'd just like end by saying Mongolia is a wonderful country to get to know. ■

FOREIGN MARKETS

CHINA'S COMPETITION FOR MONGOLIA'S RESOURCES

BY TERENCE EDWARDS

Although China's growing presence in Mongolia's mining boom grabs the headlines, other countries too are attracted by the opportunities in the country, to an extent that China risks losing its foothold over the minerals that it covets.

Both China and Japan's new heads of state have made strong gestures in support of Mongolia's development. Japanese Prime Minister Shinzo Abe visited Ulaanbaatar on March 30 where the two governments made official their Erch initiative, which literally means inertia in Mongolian, but in this context the meaning refers to the strengthening of ties.

The initiative targets cooperation in the areas of energy and infrastructure development, as well as mineral production.

"This [initiative] launches a stable environment for cooperation in mineral resources", reads a summary of the initiative distributed to journalists during the premier's visit.

Xi Jinping, who officially assumed the role of China's president in March, made a similar gesture signaling a desire for greater participation by meeting with Parliament Speaker Zandaakhuu Enkhbold at the Boao Forum for Asia Annual Conference 2013 on April 8, reported China Daily news agency. Enkhbold described China's relationship as "the highest level of cooperation Mongolia has so far reached with a foreign country".

Yet Mongolia may find itself identifying closer with Japan as it continues to shape its democracy. Twenty-two years after shedding its Soviet ways, Mongolia is transcending its traditional role as either a Russian or Chinese pawn into a model democracy in a region where autocratic governments reign. The country employs its Third Neighbor Policy for cooperation with nations outside the immediate area, such as Japan, Australia, and the United States, to insulate itself from overwhelming influence from Russia or China. ▶



▶ Two Nations Hungry for Resources

Since the Fukushima nuclear disaster in March 2011, Japan has turned to other sources of energy—including a focus on coal-generated power—and Mongolia's enormous Tavan Tolgoi looks to be a key part of that effort. Japan protested Mongolia's 2011 decision to pick a consortium to lead development of the undeveloped West Tsankhi site at Tavan Tolgoi. Government quickly scrapped that initial plan but has still yet to settle on a suitable scheme for the coal project. Japan pursued that aim further in March last year, when former Prime Minister Sukhbaatryn Batbold signed a memorandum with Mitsui & Co for a plan to directly purchase coal from the state-owned Tavan Tolgoi deposit. Mitsui already purchases coal from Tavan Tolgoi, but after it has been delivered to China for processing by Aluminum Corp. of China Ltd (Chalco).

The summary of the Erch initiative, too, made special mention of this point: "Last year in March, the two countries' premiers discussed Tavan Tolgoi where it was discussed Japan would be given the opportunity to participate. Japan hopes that Mongolia will follow through with this promise".

Japan is Mongolia's largest contributor of foreign aid, providing USD 75.6 million in grants, loans and technical cooperation to Mongolia in 2011, according to data from the Japanese International Cooperation Agency (JICA). Erch also mentions plans for cooperation in building a metro system for Ulaanbaatar, and an oil refinery. The Ministry of Environment and Green Development is also working to implement a joint

crediting mechanism that would provide a flexible system to allow Mongolia to implement projects for reduced greenhouse gas emissions and the sale of carbon credits to Japan.

Is the Better Mach the Best Suitor?

China is Mongolia's largest foreign investor, accounting for 31.7 percent of all foreign investment with USD 3.65 billion in 2011. Japan lags behind as the 10th largest foreign investor with 1.6 percent, or USD 184.7 million.

It's becoming clear, however, that Mongolia is distancing itself from China's ways—and Russia, too, for that matter—rising to the rank of a member nation in the Organisation of Economic Cooperation and Development (OECD), a Europe-based international group targeting global economic challenges. In April Mongolia also hosted the Community of Democracies' seventh ministerial meeting in Ulaanbaatar.

Indeed, former U.S. Secretary of State Hillary Clinton, during her visit to Ulaanbaatar last year in July, cited Mongolia's democratic achievements as a means of criticising China's authoritarian governance and poor human rights record.

"This is the right time to be reminding ourselves about the importance of democracy in Asia as many countries grapple with the question of which model of governance best suits their societies and circumstances, because the path they choose will shape the lives of billions of people of the region and beyond", said Clinton. ■

Bringing the Worldwide Coal Community Together

Coal Processing & Mining Technology

www.CoalExpoMongolia.com

Coal Processing & Mining Technology is being held in Ulaanbaatar, Mongolia, June 4 - 5, 2013. With the support of several key Mongolian Ministries, Associations, and Business Organizations this is the event that will allow you to expand your business into the booming Mongolian market, which is poised to become a world leading exporter of coal and other minerals.

Coal Processing & Mining Technology is co-located with the *Transportation & Logistics Expo* and features many of the leading companies in both the mining and the transportation industries. Mongolia has a need for improved and increased infrastructure and transportation systems, a vital need shared by the mining industry.



For more information you can visit our show website at www.CoalExpoMongolia.com, or call Glenn Scott in the U.S. at 203-957-3700, ext 102 (email at gscott@uexpos.com).

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MONGOLIA'S PRIDE

A MONGOLIAN'S APPOINTMENT

BY D. BEKHBAYAR

Amidst news of reduced foreign direct investment and a poor outcome from the shareholders' meeting for Oyu Tolgoi LLC, there has been at least one piece of good news regarding the appointment of a Mongolian citizen as president of Rio Tinto's copper group. It is a momentous event demonstrating global recognition of the value of Mongolian intelligence and skill. Baatar Bold has opened the door to make this dream of Mongolia come true.

This is not the first time a Mongolian has had the opportunity to work for an international company, but Bold's appointment to the management team of one of the world's leading mining companies is a unique opportunity. He is not linked solely to operations in Mongolia, but throughout the world, as Bold will be responsible for all copper-related projects run by Rio Tinto.

Rio Tinto owns 66 percent of Oyu Tolgoi LLC, indirectly through its majority ownership of Turquoise Hill Resources. According to some miners, the selection of a Mongolian citizen for its management team may have to do with disputes between private shareholders and the Mongolian government that has taken place through international news media outlets. The move could be a demonstration of Rio Tinto's respect and admiration of the skills Mongolians have to offer. Secondly, this could be a step towards a greater understanding of the mindset of Mongolians and help bolster development of the Oyu Tolgoi project while improving the dialogue with the Mongolian government. »



► But both predictions are about responsibility and reputation. Mongolians will obviously look forward to how Bold will participate and what his stance on the project will be. His duty is not an easy one.

J.P. Morgan's Bold

Bold is best known for his career at the United States' J.P. Morgan as well as Newcom and Altan Dornod of Mongolia.

He was born in Ulaanbaatar and graduated from the University of Polytechnics of Mongolia, majoring in industrial management in 1994. He first started his career at the Asian Development Bank. At the time he was fluent in Russian and spoke German. During his employment there, he improved his English during his work on two projects. It was also at the bank that he improved his knowledge regarding the banking sector.

He went to the United States in the 1990s when Mongolians first became able to study, work and travel abroad. In the United States, he studied at the University of Bridgeport, Connecticut and pursued an MBA. After his study there, he worked at J.P. Morgan, the world's second largest investment group.

During his ten years of employment at J.P. Morgan, he specialised in the field of contracting, corporate evaluation and stock trading, and was appointed as chief executive of the representative office in London, overseeing markets in Russia, the Commonwealth of Independent States and Mongolia. He worked hard to draw J.P. Morgan's attention to Mongolia by providing consultancy for Erdenes Tavan Tolgoi and playing a leading role in issuing a public offering for Mongolian Mining Corporation on the Hong Kong exchange.

From Newcom to Altan Dornod

After a ten-year career abroad, Bold returned to Mongolia to work at Newcom as a chief executive. Newcom is one of the few companies in Mongolia that has gathered educated young professionals to run its mobile phone, civil aviation and wind energy services. His arrival at Newcom was seen as an attempt to expand its operations and strengthen international relations and hu-

man resources.

It was also under Bold's leadership that some large projects were launched. Many of Mongolia's educated youth working for international organisations were inspired by Bold and returned from abroad to work in Mongolia. Some of those repatriates were employed by Newcom under Bold's management.

Eventually he left Newcom to work for the Russian gold miner Altan Dornod, a move many saw as a mistake. When Bold partnered with T. Ganbold to buy up Altan Dornod, its reputation was scarred by millions of dollars of debt.

"Mongolians intend to take back this Mongolian company from a foreign entity, restore it, and make the company a good one. Is this such a terrible goal?" asked Bold of Mongolia.

"Newcom's operation has been already established. But now what I aim for is to restore Altan Dornod's reputation, which was terribly tainted, and to make it the best it can be so that it's included in the Top 150 Entrepreneurs list".

It was hard to imagine anyone could restore a company that owed MNT 74 billion in back tax and had all its assets frozen. But today's success of Altan Dornod depended on the self confidence, courage, strength and hope of the young people under Bold.

The company created more than 700 jobs in a year and became one of the most environmentally friendly and successful miners in Mongolia. It paid MNT 24 billion in taxes and was listed at 19th place on the Top 150 entrepreneurs list.

Bold will work as the president of the copper group from London beginning June 3. Both Rio Tinto Chief Executive Jean-Sebastien Jacques and Oyu Tolgoi Chief Executive Cameron McRae have spoken highly of his abilities and what he can achieve for Rio Tinto's copper projects around the world.

"Bold's appointment is also positive news for Mongolia and its mining industry", said McRae. "As a respected business and civic leader, his advice often is sought by government, industry and civil society organisations as they work to balance a business friendly investment environment with protecting Mongolia's interests". ►

► What do you think of Bold's appointment?

Kh. Altai (Chief executive of Mongolian Stock Exchange)

This appointment is very exciting. Mongolia is honoured to have this opportunity through Rio Tinto, which has a very long history and is a champion of mining in the world.

Besides that, there is the probability that Mongolians could benefit. As I had an opportunity to work with Mr Bold before, I am very proud of him. He served as chairman of the board of directors at our stock exchange. Now his career is being raised to the global level. I am very proud of this.

Ch. Khashchuluun (PhD and Professor at the School of Economic Study of the National University of Mongolia)

The decision to appoint Mr Bold as president of the copper group showed that Mongolians' reputations and values are being raised to the global level. It means Rio Tinto's decision was based on its trust in the intelligence and knowledge of Mongolian people.

It is very gratifying news that a Mongolian person for the first time has the chance to work for one of the world's largest companies.

B. Batkhuu (Director of the Policy Coordination Department at the Mining Ministry)

At this time, when Mongolia's position is expanding in the global copper market, it is an honour to have one of us included in Rio Tinto's management team. I see this appointment to possibly affect Mongolia's copper market unit positively in the future. Also this hopefully would be a guide to lead Mongolia to international markets.

It is understood the appointment will also include important responsibilities that will be indirectly affecting the fair management of the Oyu Tolgoi project to some extent. ■

NEWS SUMMARY

ECONOMIC REVIVAL

BY I. OTGON

Mongolia is on the move in the fields of politics, economics, and manufacturing.

The most recent feature entertainment in politics was news of parliamentarian Sangajavyn Bayartsogt's secret Swiss bank account, which contained at least USD 1 million at one point, according to the International Consortium of Investigative Journalists (ICIJ). Prime Minister Norovyn Altankhuyag played out a separate drama when he became lost in the mountains. There was also a rumour that the Altankhuyag is somehow linked with a problem regarding tenders and his relatives.

These issues were under discussion by the Standing Committee on Ethics as well as party members. But the drama has ended: the premier has been allowed to continue his post while Bayartsogt was sacked as deputy speaker. ►►



▶ These embarrassing events aside, one piece of good news came from Rio Tinto, who appointed Mongolian national Baataryn Bold as president of its copper group. He is a former banker and a leader among businessmen in Mongolia, most recently serving as chief executive of Altan Dornod. Bold's appointment is seen as recognition of the knowledge and skills that Mongolians have to offer.

Good news also came out of Tavan Tolgoi, with Erdenes Tavan Tolgoi relaunching its coal export on April 22.

Recent announcements have also been made concerning a number of infrastructure projects stepping forwards. The Standing Committees on Economy and Budget has discussed the nearly forgotten Ulaanbaatar International Airport planned for Khushigyn valley. The government of Japan has agreed to assist in its finance with a MNT 117 billion, 40-year soft loan with 0.2 percent interest. The committee is also mulling over the pressing to need identify a site location for Power Plant No. 5.

The 2013 Mongolia Investment Summit took place in the global financial center that is London in mid-April where delegates discussed matters of foreign direct investment for Mongolia. Although many might had expected unpleasant remarks from Oyu Tolgoi Chief Executive Officer Cameron McRae, he was quite the opposite. The chief executive exuded optimism, confident that the project was poised to continue moving forward on schedule.

"Mongolia is a geographically perfect location and the country is able to lead the world", he said.

Also news agencies such as Bloomberg are releasing positive reports that demonstrate how Mongolia's politicians and businessmen are working hard to create a fair legal setting with clear and tight regulations. This is the message that many feel is helping to turn foreign direct investment back towards Mongolia once again. For instance, the Strategic Entities Foreign Investment Law (SEFIL) has generally been received as good news by foreign investors.

"Mongolia's economy is likely to be boosted and strengthened in coming years", reads the 2013 Asia-Pacific Economic and Social Survey released by the UN Social and Economic Commission for Asia and the Pacific (UNESCAP).

In the last two weeks, Mongolia's inflation rate fell by 5.5 percent to 8.8 percent. The exact cause for the drop in inflation is a mystery to even economists, however. Could it be that the Bank of Mongolia's aim to reduce inflation has borne results? Or perhaps the fall is more closely linked to the upcoming presidential campaign?

When *Mongolian Economy* asked the people if they felt any lift of burden from the reduced inflation, remarks were mostly negative. The Customers Price Index shows that meat prices have grown rather than fallen. Oil prices are still high, with no price cuts seen in the last three months. The government has ordered fines for the oil importers who they say conspired to enact the price hikes, but whether or not that will result in reduced prices remains to be seen. At least one academic, Ts. Davaadorj, dean of the School of Economic Study at the National University of Mongolia is sceptical.

"In October last year, our school carried out a survey* distributed to 2,000 subjects on the Customers Price Index. The finding from the survey revealed that the inflation rate will not fall into in the single digits in 2013", said Ts. Davaadorj.

But the numerous measures carried out by the Bank of Mongolia targeting the inflation cannot be disregarded all together. Former Prime Minister Dashyn Byambasuren told *Mongolian Economy* that the monetary policy was not wholly responsible. Also B. Tuvshintugs, a dean of the Economic Research Institute of the National University of Mongolia, was pleased by the emerging space in the monetary policy.

Mongolia recently hosted the seventh Ministerial Conference of the Community of Democracies with 1,215 delegates from 104 countries in attendance in addition to more than 50 news agencies.

It was also a pleasure to see the capital city scrubbed cleaned. Perhaps with the right amount of effort it could be so clean every day.

A newly cleaned city and the economic revival in just half a month is something exceptional. Hopefully this positive approach and economic focus can be maintained.

*That report can be found at *Mongolian Economy's website (MongolianEconomy.mn)*. ■

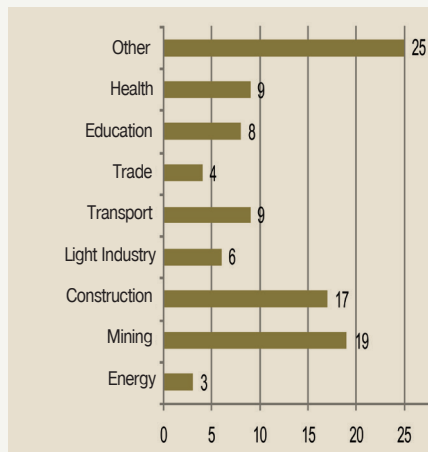
THE WORKPLACE

OCCUPATIONAL SAFETY AND GERMAN KNOW-HOW

BY KH. KHULAN

GIZ's Integrated Mineral Resource Initiative will host the Occupational Safety and Health conference and exhibition on May 6 and 7 at Blue Sky Tower.

Occupational Accident by Sectors (2012)



Source: State Inspection Agency of Mongolia

Have you ever thought about how much of your time is spent working? According to one survey, most people spend a third of their lives in the workplace. A clean and safe environment, affecting both mental and physical health, is crucial for employee motivation and efficiency. Thus applying occupational health and safety management standards should be a top priority for business entrepreneurs.

The German Agency for International Cooperation's (GIZ's) Integrated Mineral Resource Initiative Programme (IMRI) will host the Occupational Safety and Health conference and exhibition on May 6 and 7 at Blue Sky Tower. The leading German occupational safety companies will gather with the Mongolian public and private sector to exchange experiences and ideas. Moreover, an exhibition for companies to display their occupational safety products will also take place.

IMRI collaborates with the State Inspection Agency's Supervision Department of Occupation and Welfare on amending the country's occupational safety and health laws. IMRI is also assisting the company Mongolyn Alt on the systematic launching of its occupational health and safety management system, the occupational health and safety assessment series (OHSAS) 18001. The OHSAS standard is applicable to any organisations that wish to establish an occupational health and safety management system to eliminate or minimise risks to personnel who could be exposed to occupational hazards associated with their duties.

Mongolian enterprises are realising more and more that occupational safety can play an important role in increasing competitiveness. Great demand for technical innovation exists in the mining and construction sectors particularly. The term "occupational safety and health practices" comprises safety tools and equipment renewal as well as training courses for employees.

Lately, mining production in Mongolia has intensified, along with supply services and other small businesses. Therefore the issue of workplace safety and health should be considered significant. It is unclear how exactly occupational safety and health practices are to be implemented.

The mining and construction sectors in Mongolia should pay key attention on this issue, because although these sectors offer high-salary jobs they also carry numerous risks. Training courses on labour safety regulations and hazardous situations are essential, and it is important to provide protective clothing and standards suited to the various industries. ■

OPINION

INNOVATION IN MONGOLIA—MANY SMALL STEPS MAKE A BIG LEAP



By Dr. Stefan Hanselmann, Director of German Agency for International Cooperation's (GIZ's) Integrated Mineral Resource Initiative Programme

It is common place that the only constant thing in life is the permanence of change - and change harbours opportunities. And what could be better proof of this than this very country? The transformation Mongolia has undergone since the signing of the Oyu Tolgoi investment agreement in October 2009 is truly breathtaking. But not everybody is excited about it. No doubt, with the potential of its mineral resource sector Mongolia has the opportunity to enter into a bright economic future, as the development of this sector can lead to prosperity for all Mongolian citizens.

But success will require structured macro-economic policies and a coherent policy framework supporting broad-based economic development. Pursuing such a combination of policies would leave Mongolia well positioned to ensure that its mineral wealth translates into strong, sustained, and equitable growth. Or to say it in more graspable terms, the mineral wealth translates into jobs for young graduates, improved roads, social security for the elderly, and universities with more funding for research and education.

Macroeconomic challenges and sustainability implications of mining economies have long been discussed and studied by numerous economists. Concepts such as the "resource curse" or "Dutch disease" have emerged in efforts to explain negative socio-

economic impacts that hamper resource-based growth; concepts that seem to apply to Mongolia as well. Over the past three years large amounts of money have been invested in the mining sector in Mongolia, driven by both local and multinational corporations. Looking at some of the macro-economic indicators such as the inflation rate, debt ratios or government spending, one may fear that Mongolia may have already contracted the Dutch virus.

Given the current state of the Mongolian economy, it seems that one of the key remedies will be the development of productive capacities. According to UNCTAD, the UN Center for Trade and Development, productive capacities are "productive resources, entrepreneurial capabilities and production linkages which together determine the capacity of a country to produce goods and services and enable it to grow and develop".

Capital accumulation—the process of investment in which capital stocks of various kinds (physical, human and natural) are maintained and expanded—is a central element of the development of productive capacities. But equally important is technological progress, which occurs when new products and processes are introduced in a country through technological learning and innovation.

While there are many definitions and con- ▶



Oyu Tolgoi, water treatment facility
(Photo Source: GIZ's IMRI)

► cepts of innovation, I would like to suggest the simplest one: “Innovation is all activities that successfully do things better than before”. It is this broader understanding that is for example reflected in GIZ IMRI’s trainings and consulting services for Mongolian small-medium enterprises (SMEs). Innovative products and processes are crucial for increasing the competitiveness, growth and employment generation of individual enterprises and the development of the economy as a whole.

Whether a Mongolian entrepreneur will engage in innovation depends partly on the incentives provided by the size and functioning of the market. Unfortunately, in Mongolia markets are mostly small, fragmented and imperfect due to a lack of infrastructure, low per capita income, as well as insufficiently developed regulatory frameworks and institutional constraints, which provide little incentive for innovative activity. Other major constraints to innovation include limited access to finance, a lack of market information, and skill shortages among entrepreneurs. Among smaller businesses in particular there is only little awareness about the long-term benefits of innovation.

No doubt, innovation is always a little bit like venturing into uncharted waters, meaning that there is no reliable way to know in advance about technological feasibility, cost benefits or market acceptance. Also, often the results of the innovation activities cannot be fully appropriated by the innovator as other competitors can also make use of new ideas, new knowledge and new technologies without having to pay the original innovator for his or her effort.

But again, we are not talking about reinventing the wheel. We should rather recognize that innovation occurs at any given time and at any stage; that is whenever enterprises introduce products and processes which are new to them or to the country. This is not only a matter of hi-tech production. It involves rather the incremental introduction of new ways of doing things by firms and organisations, as well as introducing new products and targeting new markets. It is this myriad of small and large innovative acts which make the very fabric of improved productivity, more local, value-added, more competitive, better quality products and the introduction of new activities into an economy. It is through these innovative acts that economically developing countries such as Mongolia can move away from an overly strong dependence on its mineral resources. It is also through these innovative acts that substantial income growth for a wider part of the society will occur.

This leaves us with the question of which strategic orientation a country such as Mongolia should adopt in developing a specific technology and innovation policy.

In general terms, successful developing countries adopted an approach of catching-up rather than leap-frogging to the technological frontier. International experience suggests adopting an evolutionary approach. This recognises that there are phases in the development of technological capabilities at the corporate-and country-level—going from basic management competencies needed to run production facilities to design and engineering ►►

- ▶ capabilities needed to expand and improve such facilities. The same is true for the development of individual industries, which go from their initial introduction within a country to their wider diffusion and upgrading, as well as phases in the inter-sectoral development of industries, associated with supply-side and demand-side linkages.

The technological divide between highly industrialised countries such as Germany and Mongolia might be significant. But technological catching-up is a feasible option for this country. Today a huge stock of technology-related information can be easily accessed and merged with local efforts to improve products and processes. Multinational corporations have either started to implant knowledge-intensive activities, which could be further exploited for the local economy. Global research and knowledge networks are emerging that allow Mongolia to integrate into a global exchange of information. Just recently the National University of Mongolia signed an agreement to become a member of the SAP University Alliance Program, a global network of more than 1,300 universities and educational institutions. SAP, the world's largest company for business software, will provide The School of Economic Studies and its students with free access and use of its top-class, state-of-the-art enterprise management software.

With growing the innovative capabilities of businesses, the transfer and diffusion of new technologies from larger (often multinational) to smaller companies also becomes an important aspect of innovation policy. Given the fact that Mongolia requires foreign investment and expertise for the intended development of its mining sector, many opportunities for skill transfer exist. Common ways to promote linkages between firms are value chains

and cluster approaches. Supplier and subcontracting relationships can be instrumental in helping smaller firms access markets and the technology of larger enterprises. In addition, being part of a cluster can help small firms to specialise, absorb new technologies and procure their inputs.

There are multiple sources of innovation which depend on a wide variety of institutions, knowledge-related, financial and regulatory (such as a national policy for cluster development). Mongolia should seek to increase the absorptive capabilities of domestic knowledge systems, including further investment in education. The capacities of local institutions to search, acquire and use knowledge from the rest of the world must be improved and linkages between traditional and modern knowledge systems must be strengthened. In this context, efforts to build sectoral and local innovation systems may be particularly relevant. Therefore, important strategic priorities for Mongolian policy development at this point in time could be:

- Promoting the formation and growth of domestic business firms, particularly from the SME segment. For very small enterprises, support may focus on basic business advisory and support services, finance and skills development, and providing access to information and communication technologies. It may also include awareness-building about the benefits of innovation or information on the adoption and application of new technologies.
- Leveraging more education from international foreign direct investment by integrating vocational training and higher technical education with private sector activities.
- Fostering the formation of an upstream mining cluster; including agriculture.
- Upgrading export services and manufacturing; including agriculture and the downstream processing of mining products

Innovation—technical, organisational as well as social—will be crucial for further development of this country in order to broaden and strengthen the basis of sustained economic growth. Traditional sectors such as agriculture could be upgraded through the enhanced formation of value chains, and new development paths; for example in the field of software development and business process, outsourcing can be opened up. In this way, employment can be secured, expanded and the quality of work improved.

All this will require active participation from the state and its institutions. It should be explained what kind of financing opportunities for innovating firms could be established and how private innovation activities could be co-financed through subsidies, tax incentives, loans and public venture capital. Last but not least, it will be the responsibility of the government to offer a favourable environment for innovation. ■



During the event "UB Impulse"
(Photo Source: GIZ's IMRI)