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# MONGOLIAN ECONOMY



JUNE 2016 №12 (114)

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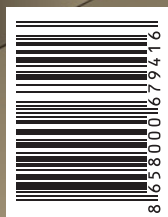
What's the value of the  
endowment?

Overview from the bottom

Issues of the young



## **Mongolia-Japan partnership for prosperity**





THE BUSINESS AND ECONOMICS MAGAZINE PUBLISHED EVERY FORTNIGHT IN BOTH ENGLISH AND MONGOLIAN

# Mongolian Economy

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About 96 percent of the trade (by value) between [Mongolia and Japan] will be exempted from customs duties within 10 years

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Seeing the picture [of their children] every morning, employees know that they must produce high-quality [dairy] products for thousands of children, including their own.

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Between 1990-2012, life expectancy of men aged 15-34 years actually fell. Why is the life expectancy of young men declining?



**2016 elections to be a turning point**

Non-mainstream parties are still being squeezed out of the political sphere. *page 6*



**You'll get there, but it'll be bumpy**

"It's rather like driving in countryside here: you will get there, but it will bumpy. The important thing is always patience, patience and patience." *page 11*



**Dividing Mongolia into new regions**

They believe that this [east-west] corridor can be realised by developing a value-added agricultural processing industry. *page 13*



**Issues of the young**

Many risk factors that affect the lives of young people are also viewed as natural phenomena – just how things are. *page 18*

## Partnership

Minister of Foreign Affairs L.Purevsuren signed a memorandum of understanding to implement Japanese Grant Aid of JPY 555 million (MNT 9.9 billion) for a Human Resource Development Scholarship (JDS) Project with the government of Japan.

The programme is designed to support the development of human resources of countries that transitioned to a market economy. The JDS Project targets highly capable young officials (mainly in government) who expect to engage in implementing social and economic development plans as a future leader.

The Japanese government started has been carrying out the JDS Project since 1999 in order to support human resources development in developing economies. The project was introduced to Mongolia in 2001. Up to the present, a total of 14 projects have been implemented, and 262 fellows have been sent to Japan. Last year, 19 government officials from Mongolia were selected by the project to study for Master's degrees at Japanese Universities.

In the future, the scope of this program can expand and involve the participation of the private sector. The project will carry on for over seven years in two stages beginning in 2016.

## Banking and finance

Loans from financial institutions to citizens increased by 1.1 percent (MNT 77 billion) from the previous month, and by 7 percent (MNT 482 billion) from the same period last year to reach MNT 7,392.9 billion. Loans to the private sector decreased by 2.5 percent (MNT 176 billion) from the previous month and by 0.8 percent (MNT 54.5 billion) from the same period last year to reach MNT 6,837 billion.

Healthy loans accounted for 86 percent of the total outstanding loans, while overdue loans accounted for 8.2 percent and non-performing for 5.9 percent. The total market share of overdue loans increased by 3.6 percent, and non-performing loans increased by 1.5 percent from the same period last year.

The share of non-performing loans in depository institutions reached 9.3 percent, while it would be 7.4 percent if loans of liquidated banks are excluded.

## Economic corridor

The third trilateral summit between the heads of Mongolia, China and Russia was held on June 23 within the framework of 16th Shanghai Cooperation Organization (SCO) Council of Heads of State meeting held in Tashkent, Uzbekistan.

During the meeting, the three sides signed a development plan to build an economic corridor as well as an agreement to mutually recognise the results of customs monitoring on certain types of goods.

## Industry

In accordance with the decisions made by a meeting of the cabinet, the state of Mongolia will own 10 percent of the total shares of the copper concentrate smelting and refining plant.

Minister of Industry D.Erdenet will oversee organisation and selection of the investor for the copper concentrate smelting and refining plant within July and present the results within the fourth quarter.

## Agriculture

Ministry of Food and Agriculture informed that a total of 490.5 thousand hectares of crop was sown as of June 24. Although grain

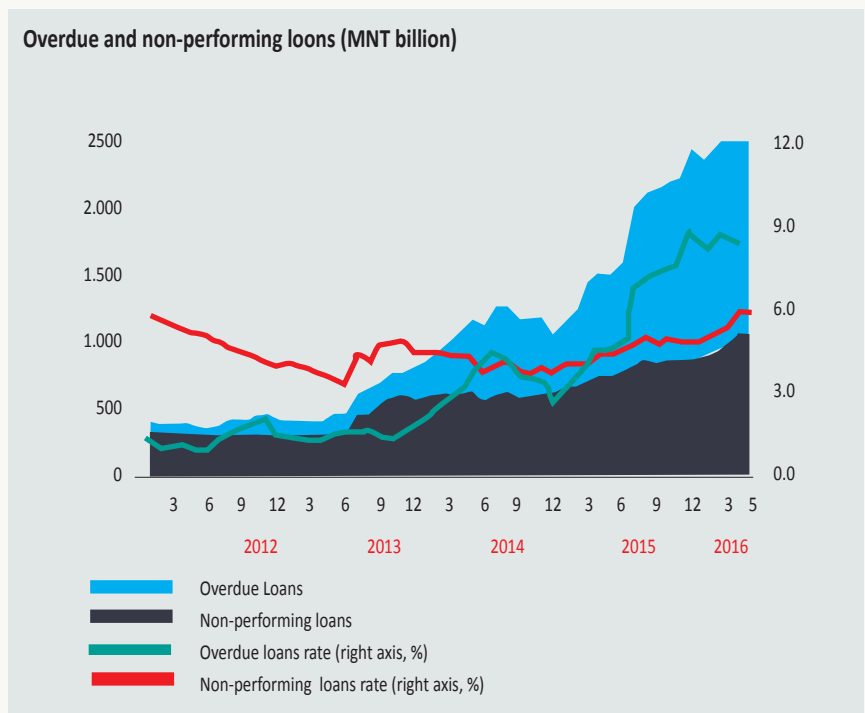
sowing was planned for 323 thousand hectares nationwide for this year, 375.2 thousand hectares were sown. Of that amount, wheat was planted on 353.3 thousand hectares.

## Programmes and projects

Good news for people interested in intern in Japan. Registration for Japanese language studies at Japanese vocational and educational institutions has begun within the framework of the "Good Intern" programme approved by the Government of Mongolia and the "Memorandum of Understanding on Cooperation in the Labour Sector" signed by the Ministry of Labour of Mongolia and the Ministry of Health, Labour and Welfare of Japan.

Between 1992-2015, 4,252 Mongolian nationals worked in Japan as interns. Currently, more than 600 Mongolians are working in major Japanese industries as interns. Participants of the "Good Intern" programme will participate in the construction work for the 2020 Olympics in Tokyo as well as other major development projects.

People registered with the programme will study Japanese law, society and culture for three months. Moreover, people without a professional licence can obtain one by being assessed by the Assessment Center under the Ministry of Labour. ▶



## ► Scientology in Russia



Russia's Federal Security Service (FSB) conducted 14 simultaneous raids on offices of the Church of Scientology in Moscow and St. Petersburg. In November 2015, a Russian court ruled that the cult organisation did not comply with freedom of religion laws by using its trademark for financial profit. The raids were part of an investigation into alleged money laundering activities, with one particular individual alleged to have committed RUB 130 million (USD 2 million) in real estate fraud. The FSB stated in a press release that it seized objects and documents confirming that agents of the St. Petersburg church offered goods and services in violation of Russian law.

The Church of Scientology was founded in the US in 1954 by science fiction writer L. Ron Hubbard. It claims to be a religious organisation, which allows them to enjoy tax-exempt status in many countries. In reality, it is a cult that uses the celebrity status of people such as Tom Cruise and John Travolta to attract members, who must pay to be part.

## TTIP



French Prime Minister Manuel Valls has come out in opposition to the US-EU

trade agreement, the Transatlantic Trade and Investment Partnership. "No free trade agreement should be concluded if it does not respect EU interests. Europe should be firm. France will be vigilant about this," he said in front of members of the ruling Socialist Party. Valls holds that the treaty would be against the interests of France as well as the EU. The TTIP aims to create the largest free trade and investment area in the world, and negotiations between the United States and European counterparts have been going on for three years. However, there has been criticism about the secretiveness of the process.

## Russia-Turkey relations

The Kremlin's spokesperson stated that Turkish President Recep Erdogan has apologised for the downing of a



Russian pilot whose jet was shot down by the Turkish Air Force in November 2015 and that Erdogan expressed his condolences to the family of the pilot. The incident in November sparked outrage in Moscow, with the Russian government placing sanctions against Turkey in response. In the Syrian Civil War, Russia backs Syrian President Bashar Al-Assad, whereas Turkey supports rebels opposed to Assad. Russia maintains that the jet was in Syrian airspace; Turkey says it crossed into Turkish airspace.

## Volkswagen

Volkswagen AG's settlement with nearly half a million US diesel owners will cost approximately USD 15 billion. In September 2015, the US Environmental Protection Agency issued a notice of violation of the Clean

Air Act to Volkswagen Group. The EPA uncovered that Volkswagen had been purposefully programming certain engines to deceive laboratory emissions testing. The settlement includes around USD 10 billion to offer buybacks to owners of about 475,000 polluting vehicles and "nearly \$5 billion in funds to offset excess diesel emissions and boost zero emission vehicles," according to Reuters. Owners of the fraudulent vehicles have until December 2018 to decide whether to sell back their vehicles. VW's emissions scandal affected 11 million vehicles and saw the resignation of CEO Martin Winterkorn.

## North America

Canadian, US and Mexican leaders are set to declare an ambitious continent-wide target of sourcing half of all power from clean energy. Canadian Prime Minister Justin Trudeau is to host the Three Amigos summit on June 29, where North American leaders will also discuss how to protect itself from the Brexit fallout. North America currently generates 37 percent of its energy from renewable sources: Canada produces 81 percent domestically, the US 32 percent and Mexico 18 percent. Mexico also plans to become signatory to a US-Canada pact that was agreed to in March to cut methane gases in the energy sector by 45 percent by 2025.

"We will bring all three North American countries in alignment," US President Barack Obama's senior adviser, Brian Deese, told reporters. "If we achieve these goals of a 45-per-cent reduction, we will reduce approximately one million metric tonnes of methane emissions per year by 2025." ■





## Elections

## 2016 elections to be a turning point

BY TS. BUYAN

On the 29th of June, Mongolians are going to head to the polls for the seventh parliamentary election in history. Mongolia's first legislative election was held in 1992, with elections being held every four years since.

A total of 498 candidates from 12 parties, three coalitions along with several independent candidates are in the race for parliamentary seats this year. This year's election has the most independent candidates in history with 69 running. 283 candidates are competing in the voting districts of the capital city, while the remaining 215 candidates are running for office in districts outside the capital. Out of the candidates, 15 are former MPs who are running again, while 68 candidates are incumbents.

Mongolia first used a proportional voting system in 2012, but this time, the prior majoritarian voting system was brought back. The Constitutional Court concluded that the proportional electoral system conflicts with the constitution as

it allocates 28 seats on the basis of the number of votes parties received.

According to experts in the public sector, the rich are donating huge sums of money to their parties in order to be placed higher in the electoral list, which is the main challenge in implementing the proportional electoral system. This means that people who utilised such methods to become members of parliament had an opportunity to become members of the cabinet. Therefore, the stance of the Constitutional Court was on the side of the majoritarian electoral system to choose the 76 members of parliament.

A total of 2,341 candidates have run for parliament in the previous six elections. The 2000 general election had the most candidates with 600, while 2012 had the second most with 544. The 2016 elections are to be placed third with 498 candidates.

The Democratic Party (DP) and the Mongolian People's Party (MPP) will run with the largest number of candidates each with 76, one for every district.

The Mongolian People's Revolutionary Party (MPRP) will compete in 71 constituencies.

Furthermore, the "Sovereignty and Unity" coalition will compete for 44 parliamentary seats; the Republican Party (RP) nominated 36 candidates; the Civil Movement Party (CMP) 27 candidates; the Mongolian Social Democratic Party (MSDP) 17 candidates; the Civil-Will Green Party 15 candidates; and the "Khaan Choice" coalition of the Development Party and the Mongolian Liberal Party (MLP) 9 candidates each.

The 51st voting district of Bayanzurkh District and the 65th voting district of Chingeltei District has the most candidates standing for elections with 14 candidates in its district, while just two candidates are competing in the 4th voting district of Bayan-Ulgii Province. Parties had only 18 days to campaign, which is much shorter compared to previous elections.

In general, statistics show that engineers, lawyers and economists have better luck in elections. Between 1996 ►

► and 2004, the number of candidates from the business sector increased. The General Election Commission stated that 107 candidates have reported themselves as executives of companies in this year's parliamentary elections. In other words, one-fifth of candidates are company directors. In addition, 129 of the candidates are women and 369 are men. Seven people currently have no official role.

A draft resolution by parliament on the approval of voting districts, mandates and territorial quota was approved. With the approval of the draft resolution, 48 of the 76 seats are allocated to provinces and 28 to the capital city.

In this election, the Democratic Party is running for office under the slogan "Much work to be done," while the MPP's slogan is "We will serve and develop together." In addition, the DP offers its "Great Development-2020" action plan to the people, while the MPP proposed one with a similar name to their slogan. The DP has expanded its previous plan "Mongolian people-2020" to develop this next phase plan. The action plan of the MPP is titled "We will exercise a policy consistent with each stage of your life."

Moreover, the MPP has concentrated its power in the voting districts of the capital city. On the other hand, the DP is putting its confidence mostly in provincial voting districts because they are relying on the fact that the policies implemented over the last four years reached the residents of rural areas more so than others, as provinces were connected to the capital with paved roads and new soum projects were implemented. Each soum centre was connected to the central electricity network and rail works have begun in some provinces. Therefore, the DP expects to win most of the seats from the 48 voting districts outside the capital.

The MPP is focusing on voting districts in the capital city, as they lost most of their seats in the capital in previous elections. All of the MPP's leaders are running in Ulaanbaatar voting districts. In addition, the city's residents are closer to information and know of the economic and financial difficulties better than others. Therefore, several sources have noted that the DP

has a lesser chance of coming out on top in Ulaanbaatar.

On the other hand, non-mainstream parties are still being squeezed out of the political sphere. Political parties such as the MPRP, Sovereignty and Unity Coalition, and Civil-Will Green Party are competing to occupy this space. The MPRP is promoting a slogan and platform that goes "Change like you mean it," while the Civil-Will Green Party promotes the slogan

"Soft power to maintain your trust," and Sovereignty and Unity Coalition's motto is "The people's hope and a clean government."

As mentioned above, there are many independent candidates running for the elections. Many of them are young people who majored in economics and graduated from universities abroad.

All in all, the view of many is that the 2016 elections will be a turning point for Mongolia. ■

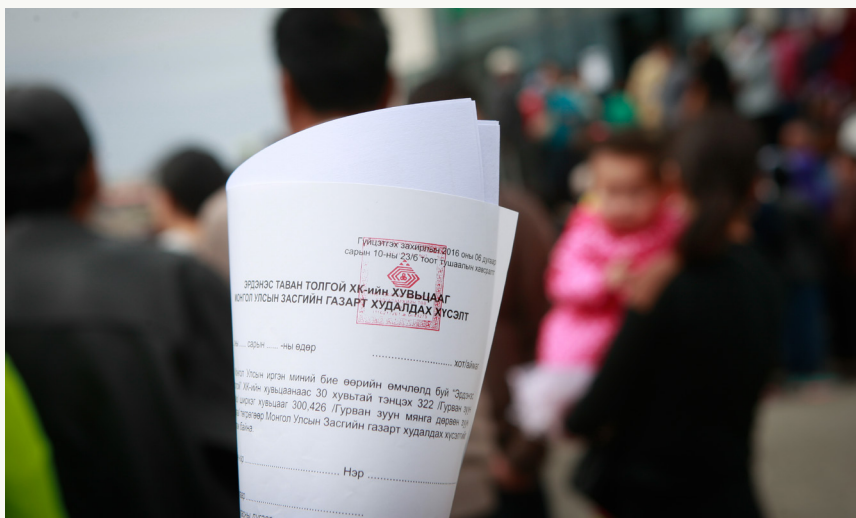
### Hot Topic

## What's the value of the endowment?

BY TS. BUYAN

People who lined up for almost a month at the front square of Urt Tsagaan street, believing the rumour that they could sell 1,072 shares of Tavan Tolgoi, defined this year's election. It is a way of the ruling party to look as if they have fulfilled their election promise. In 2008, both the Mongolian People's Party (MPP) and the Democratic Party promised to give Tavan Tolgoi shares to each citizen as an endowment. The first initiative was to give cash to the citizens but their promise was still not re-

alised while the next elections neared, so they came up with the plan to distribute shares instead. The government bought the shares of the elderly and the shares of students were used as a discount from tuition, yet the remaining shares of 1.6 million people were left in the form of a written promise. Now people have become able to sell their shares again during the campaign activities of the upcoming elections, but this time they are facing a choice of whether to think about their country or just of themselves. ►



### ▶ A smart investor

Investment analysts are not blaming the citizens who have made the decision to sell their shares because selling them to the government is a smart decision as the price is much higher than the current value. According to an analyst of Gaudi Investment Securities, G. Munkh-Erdene, the government is valuing the shares at MNT 933 per share which is the rate of 2012 when the price of coal per tonne was almost USD 150, the current price being less than USD 50 per tonne. By comparing the price with the prices offered by companies engaged in the same business, he claims that people have an opportunity to trade their shares for a price seven times higher than the real estimated value.

Exactly why the price of a reliable stock does not change is a point of interest, considering that there were no goods without changes of price between 2008 and 2012. It was only the price of Erdenes Tavan Tolgoi shares, which are not traded according to market principles, that did not increase or decrease, and this is because the government is the only entity with the right to buy this stock. According to Parliamentary Resolution No.57 of 2011, “Only the government has the right to buy the shares of Tavan Tolgoi owned by citizens and offer Erdenes Tavan Tolgoi shares of up to 10 percent at nominal value to national entities until the day the shares are openly traded on international markets.”

Until today, the project proponent is yet to be selected and no one knows when the shares of this 100 percent state-owned company will be traded on international markets. However, if one believes that this company's share will reach prices higher than MNT one million, it is better to keep it to oneself. The most important thing is to predict the future values of the share correctly, and analyst G. Munkh-Erdene has advised citizens to find a way to increase their capital if they wish to sell their shares.

### Bank or stock market?

The Director of Novel Investment, N. Angar, posted on his Facebook page that no single trade was made for 20 minutes after the opening of the Mongolian Stock

Exchange trading day on the 16th of this month. He wrote, “You can cause bankruptcy to brokers, but they will find another job. At least think about the country's reputation, dear officials!!!” That day, securities of only nine companies were traded and trade activity has significantly weakened in recent days. The Mongolian Association of Securities Dealers announced that they consider the process of trading 30 percent of the shares through banks as a breach of law. According to laws concerning the securities market, any company must issue shares through a licensed broker or dealer companies. This could mean that the government has directly violated the law by clearly supporting commercial banks when the stock market conditions are difficult.

But on the other hand, according to Resolution No.57, only the government has the right to buy Erdenes Tavan Tolgoi shares, even though the government does not have enough money to buy these through broker-dealer companies. Today, the budget balance has a deficit of MNT 877 billion and new expenditures of MNT 495 billion, which were never deducted in the budget, were announced in relation to the issue. There is information that the government will issue MNT 1.65 trillion bonds in order to purchase the shares owned by citizens. Although it would be sufficient to buy back each holder's shares, raising such a large amount of capital and organising the procurement in such a short space of time would be difficult. However, a promise has been made to transfer the money within a week after a request by interested citizens; therefore, the easiest solution is to use the assets of the banks and for it to be compensated at a later date.

It is also important to take into account that approximately 1.6 million people hold a certain number of shares of Erdenes Tavan Tolgoi and that fewer than half of these shareholders have authenticated their shares by opening accounts at broker and dealer companies. However, the government has found a solution to avoid upsetting either side: the Minister of Finance, B. Bolor, has announced that the government would buy 322 shares from each citizen through banks and that the remainder would be bought back through the stock exchange.

### Responsible citizen

Despite this announcement, economists are against the government's decision, and have expressed harsh criticism. For example, a professor at the Institute of Finance and Economics of Mongolia, J. Delgersaikhan, has said that the government has wrongly used its authority. He views this purchase as a politically-motivated decision related to the elections, citing the sudden decisions by the government and insistence to implement them in a short time. In addition, he has said that the government has no economic capability to implement the decision and even if the government achieves its aims somehow, it will have negative effects on the economy and Erdenes Taval Tolgoi in the future.

Professor of the National University of Mongolia, Ch. Khashchuluun, has suggested that the main reason why the shares of the company were given to the citizens is because it will give dividends in case the company's operations are profitable. He said, “The government is creating a huge burden by turning a certain amount of shares owned by citizens into money during this time when the price of coal is falling; Erdenes Tavan Tolgoi's operation has deficit with huge debts.” He added that it is a reckless decision related to the elections by the Government and that it is wrong to distribute money during elections.

The main thing that economists are trying to warn citizens about is that the finance that the government raised to monetise the shares might become a huge burden on the future budget. In the end, budget equates to tax so it is harmful to the economy overall and in addition, many people believe that the government is buying the shares owned by the citizens by using the citizens' own money.

But Prime Minister Ch. Saikhanbileg said, “There is no need to connect this issue with the elections,” explaining that this issue is not a distribution of money, but instead an act of procurement. “The government buying back 1,072 shares during this difficult economic situation, in turn, it will bring some positive changes in the economy,” he added. ■

Competitiveness

# Overview from the bottom

BY TS. BADRAL

The economic potential of a state is one of the most important topics in the modern and globalised world. Many organisations conduct research into the competitiveness of global markets by using different approaches. One of those organisations is the International Institute for Management Development's (IMD) World Competitiveness Center, a research group within the IMD Business School that has published the prestigious World Competitiveness Ranking each year since 1989.

On the 20th of June, the Economic Policy and Competitiveness Research Center of Mongolia (EPCRC) released the abovementioned report in which Mongolia's ranking is listed and the report shows that Mongolia has slipped three places to be ranked 60th out of 61 countries in the annual World Competitiveness Yearbook 2016.

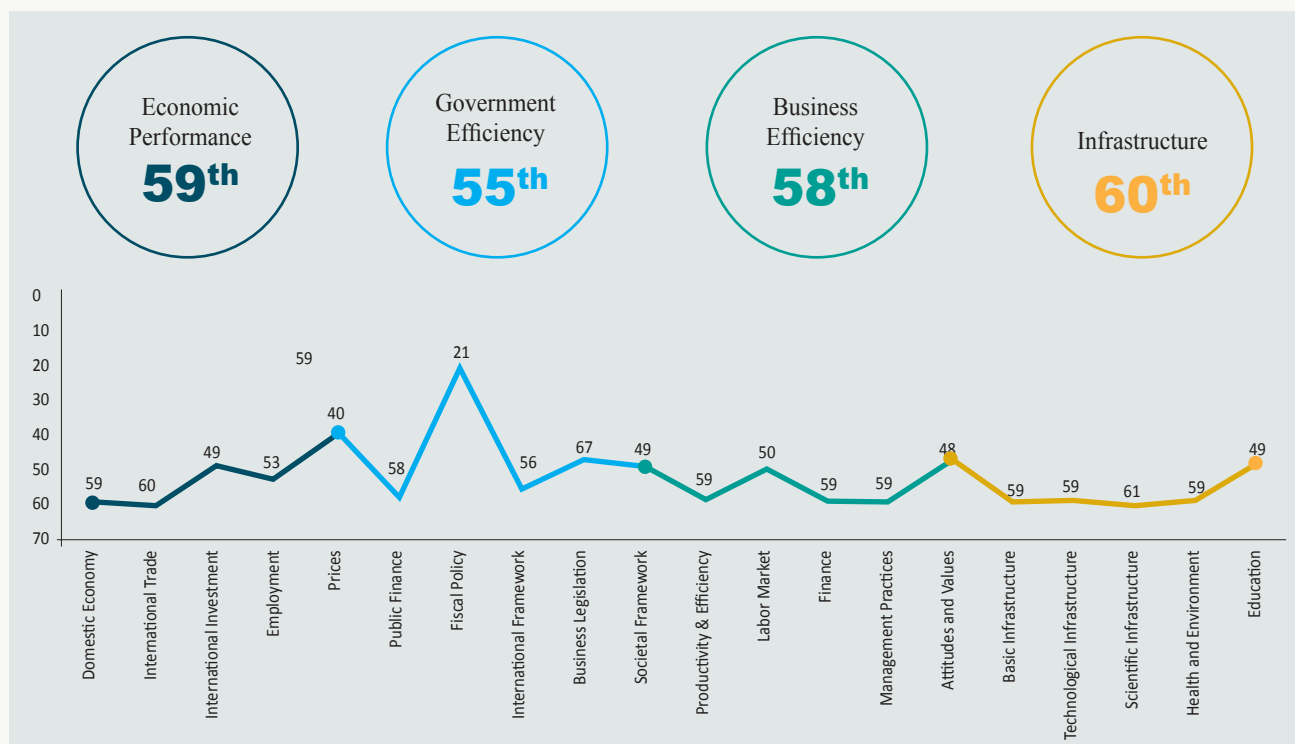
The criteria used to compute the

rankings are grouped by four main factors: economic performance, government efficiency, business efficiency and infrastructure. Mongolia has slipped three places to be ranked at 59th in economic performance, remained unchanged at 55th in government efficiency, slipped five places to be ranked at 58th in business efficiency and slipped one place to be ranked 60th in infrastructure.

According to the EPCRC, the declining amount of foreign direct investment (FDI) will be one of the main challenges for Mongolia in 2016. By the end of 2015, the rate of FDI had decreased by more than 22 times compared to that of 2012. Lakshmi Bojoo, Director General of the EPCRC, has said that Mongolia is facing a number of challenges in the coming year in its efforts to become a more economically competitive nation. This year the exchange rate against the USD is likely to weaken further, and improved infrastructure is

needed across the country, although this is a process that will take some time.

Although the GDP of Mongolia is the lowest among these countries, its real growth ranked 33rd. In addition, the director of the IMD World Competitiveness Center, Professor Arturo Bris, said that on the whole there has been a significant drop in Asia's competitiveness since the last ranking. Taiwan, Malaysia, Republic of Korea, and Indonesia have all suffered significant falls from their 2015 positions, while Mainland China declined only narrowly, retaining its place in the top 25, and Russia improved by one position to 44th rank. The study reveals that some of the most impressive strides in Europe have been made by countries in the East, chiefly Latvia, Slovakia and Slovenia. Western European economies have also continued to improve, with researchers highlighting the ongoing post-financial-crisis recovery of the public sector as a key driving factor. ▶



► The most peculiar phenomenal of this year's ranking, however, was the USA's surrender of its status as the world's most competitive economy, having been overtaken by China, Hong Kong and Switzerland after having led for the past three years. Last year, Hong Kong ranked at second while Switzerland ranked at fourth. Professor Arturo Bris explained that a consistent commitment to a favorable business environment was central to China and Hong Kong's rise, and that Switzerland's small size and its emphasis on a commitment to quality have allowed it to react quickly to keep its economy on top.

In Central Asia, Kazakhstan's ranking

dropped the most in this year's report after slipping by 13 places, while Ireland performed exceptionally well by jumping nine places. Meanwhile Chile, in 36th place, is the sole Latin American nation outside the bottom 20, while Argentina, in 55th place, is the only country in the region to have improved on its 2015 position. Professor Bris said, "One important fact that the ranking makes clear year after year is that current economic growth is by no means a guarantee of future competitiveness. The USA still boasts the best economic performance in the world, but there are many other factors that we take into account when assessing competitiveness."

Data gathered since the first ranking was published more than 25 years ago also lends weight to fears that the rich are getting richer and the poor poorer, said Professor Bris. "Since 1995 the world has become increasingly unequal in terms of income differences in many countries, although the rate of increase is now slowing. The wealth of the richest countries has grown every year except for the past two, while the poorer countries have seen some improvement in living conditions since the millennium," he said. He added that the common pattern among all of the countries in the top 20 is their focus on business-friendly regulation, physical and intangible infrastructure and inclusive institutions. ■

2016	Country	2015	Change
1.	Hong Kong	2	+1 ↗
2.	Switzerland	4	+2 ↗
3.	USA	1	-2 ↘
4.	Singapore	3	-1 ↘
5.	Sweden	9	+4 ↗
6.	Denmark	8	+2 ↗
7.	Ireland	16	+9 ↗
8.	Netherlands	15	+7 ↗
9.	Norway	7	-2 ↘
10.	Canada	5	-5 ↘
11.	Luxembourg	6	-5 ↘
12.	Germany	10	-2 ↘
13.	Qatar	13	-
14.	Taiwan	11	-3 ↘
15.	UAE	12	-3 ↘
16.	New Zealand	17	+1 ↗
17.	Australia	18	+1 ↗
18.	United Kingdom	19	+1 ↗
19.	Malaysia	14	-5 ↘
20.	Finland	20	-
21.	Israel	21	-
22.	Belgium	23	+1 ↗
23.	Iceland	24	+1 ↗
24.	Austria	26	+2 ↗
25.	Czech Republic	22	-3 ↘
26.	Japan	27	+1 ↗
27.	Czech Republic	29	+2 ↗
28.	Thailand	30	+2 ↗
29.	South Korea	25	-4 ↘
30.	Lithuania	28	-2 ↘

31.	Estonia	31	-
32.	France	32	-
33.	Poland	33	-
34.	Spain	37	+3 ↗
35.	Italy	38	+3 ↗
36.	Chile	35	-1 ↘
37.	Latvia	43	+6 ↗
38.	Turkey		+2 ↗
39.	Portugal	36	-3 ↘
40.	Slovakia	46	+6 ↗
41.	India	44	+3 ↗
42.	Philippines	41	-1 ↘
43.	Slovenia	49	+6 ↗
44.	Russia	45	+1 ↗
45.	Mexico	39	-6 ↘
46.	Hungary	48	+2 ↗
47.	Kazakhstan	34	-13 ↘
48.	Indonesia	42	-6 ↘
49.	Romania	47	-2 ↘
50.	Bulgaria	55	+5 ↗
51.	Colombia	51	-
52.	South Africa	53	+1 ↗
53.	Jordan	52	-1 ↘
54.	Peru	54	-
55.	Argentina	59	+4 ↗
56.	Greece	50	-6 ↘
57.	Brazil	56	-1 ↘
58.	Croatia	58	-
59.	Ukraine	60	+1 ↗
60.	Mongolia	57	-3 ↘
61.	Venezuela	61	-

## Interview

# You'll get there, but it'll be bumpy

BY B. ENKHTSETSEG

**R**obert Schoellhammer is the Country Director for the ADB's Mongolia Resident Mission. He joined the ADB in 2000 in the East and Central Asia Department (ECRD) managing social sector projects. From 2003 to 2007, Mr. Schoellhammer was assigned to the ADB's Strategy and Policy Department, responsible for the ADB's business plan. In 2007, he moved to the North American Representative Office, as Deputy Director, primarily responsible for working with the US and Canada on the ADB's General Capital Increase, and establishing the Climate Investment Funds. Prior to joining the ADB, Mr. Schoellhammer worked at the African Development Bank, as a consultant for the European Union in Ukraine on military demobilisation and as a lecturer in Mongolia's civil service college.

**-You are one of those foreigners who has been in Mongolia for quite some time, and now you are leaving the country. Could you wrap up your experience in Mongolia in a few words?**

-I came to Mongolia first in 2011 and this is actually my second time. I had the fortune to work in Mongolia from 1992 to 1994. Back then, I was a lecturer at what is now the Academy of Management until 1994 and came back with the ADB in 2011. Now, quite unbelievably, it's 2016, and I have reached the limit of my stay here. Time went incredibly fast, which is generally a very good sign. It could be the opposite if time drags, meaning that you may not be having such a good time and not getting much done.



If I look back 5 years, on ADB's side, I think we did a fair amount. I think you always look back and think "I wish I had done this" and that we could have done more. We have had an excellent partnership with Mongolia and achieved a lot. The type of work we are doing is very long term in nature, but above all, we have had fortune to work with really excellent people. Since I came here, we really focused on a strategy based on where the ADB could fit in. The biggest challenge we saw was job creation. People, like anywhere else in the world, need jobs and they get jobs primarily in businesses. We looked around and made a selection - what is the place to invest in Mongolia for us, the ADB? We know very well that the ADB is only going to be a small part of economic activity in Mongolia, whereas it is private businesses, and local and foreign investors make up the most. So where can we help out? In my five years, I've had the really good fortune to meet so many committed, intelligent, dedicated people. That is the best indicator of all - when you find people not waiting for the ADB to come to them and give them ideas, but vice versa. Sitting in the office, we've had so many good proposals and great ideas, and we've been able to act on many of those. For example, we are very involved in agribusiness.

**-In its 25 years in Mongolia, how much money has the ADB spent and on how many projects?**

-All in all, we invested about two billion dollars into Mongolia. Until about five years ago, we were mostly providing grants and soft loans for 20 years because

Mongolia was considered a low income country. Since it became a middle income country, we have become a lender and have more commercial as well as larger-scale operations. In reality, a lot of our work is invisible. For example, the water sanitation works in rural areas were all underground. The good thing is you turn on the tap and that water is clean. One of my favourite projects is the civil aviation project. Before, planes used to fly over Mongolia without paying anything, because there wasn't any navigation system to track the planes flying over. ADB supported a project of 15 million dollars in soft loans, which allowed Mongolia to track and charge the planes, which is normal and fair. Mongolia could get 70 million dollars a year in revenue from these overhead flights. I am also very happy that we have worked with almost every soum in the country in one way and another on things such as rehabilitation of schools and hospitals. We finished the road which goes to Zamiin Uud, so now you can drive all the way from Ulaanbaatar to the Chinese border in about eight hours, whereas it used to take 20 hours. Right now, we are in the middle of the ger area redevelopment program. Water, sanitation, electricity, pavements - everything in this program was designed thinking at the level of a three-year-old. If you can't explain it to a three-year-old, it's probably not good, probably too complicated and abstract. We will always try to do practical work for real people.

**How do you see Mongolia's potential?**

-In the course of this work, I've ▶

▶ travelled to 19 out of 21 provinces. I still haven't been to Gobi-Altai and Zavkhan, so this is a must. You see in each province more than just potential. A lot of the most impressive things about the country are that although people may miss it, Mongolia does a lot of things very well. If you look at all the most important indicators for a state – it's peaceful; it's stable; the borders are secure. If you look at the Millennium Development Goals (MDGs), Mongolia is one of the most educated countries in Asia. Look at literacy rates - it's pretty much complete. Even when people live out in very remote areas, children still go to kindergartens and schools. Health indicators are also very impressive. We rank third in Asia, after Japan and South Korea, in social protection systems. I am always impressed that we can drive for so long, and everywhere you go, there is a system in place. There are financial services, well-functioning schools and kindergartens. Mongolia does a lot of things very well. In the past few years, we have been so focused on the economy, FDI and what's happening in the mining sector. These are very important, but ultimately, what I really respect is that Mongolia focuses on the most important things of all: education, peace, stability and so forth. Those are ultimately the best conditions for developing the state.

One thing we looked at is how to support the country with vast territory, harsh climate conditions and a relatively small market with only three million people – about the size of Ireland. The reality for Mongolia is that prosperity is going to come from international linkages. You need people to buy products abroad, and is that going to be mining? Mining here has very a strong role. I am really happy about the agreement we concluded this year with Erdenes Mongol, which will help Mongolia get the very best value for all of its assets. When managed well, these huge amounts of assets can bring so many benefits. Mining itself is a capital intensive industry, and this is where growth and revenue comes from. However, people need jobs. On the other hand, you will hear in almost any province you travel to that the main sector of their economy is agriculture, agribusiness and tourism. We started a new program in tourism in Khuvsgul which is ADB's first ever tourism project in Mongolia. As far as agribusinesses, I am delighted to see now that when I go to supermarkets, many

products are produced by companies which the ADB supported, including milk, yogurt, clothing and so forth. I buy these not because it's a company we worked with, but because they are good products. They are competitive, and more and more we see them as getting ready for export. In addition to a whole road system, we have a new program for improving sanitary and phytosanitary standards. Mongolia has such a vast potential for organic agriculture, but it's problematic to get over the border to the PRC and Russia. This program will help ease those quarantine restrictions.

A few weeks ago, I was out in Dornod, where there is an amazing potential for agriculture. I was impressed to see a farm there producing buckwheat for the Japanese market. It's tough because infrastructure is underdeveloped and it is very remote, but nevertheless, I saw a very high standard, high-tech farm producing Japanese quality agro products on a fairly large scale. This is a wonderful sign of the potential that is out here.

**Some say the current growth rate is the “real face” of Mongolia, the correct level.**

When I came in 2012, growth was 17.5 percent. Everybody was celebrating it, referring Mongolia as ‘the fastest-growing economy in the world’. From our point of view, with the ADB being a very cautious institution, 17.5 percent was just too fast. No economy in the world can grow at that rate and maintain it. Overheating and inflation was guaranteed. Although you have more money, the price of meat or the price of the apartment with the same amount of square metres becomes four times as expensive. After such fast growth, you have to have a slowdown to cool off which is absolutely inevitable. Once, I asked my former boss, former ADB President Haruhiko Kuroda, who is now at the Bank of Japan, about his growth projection for Mongolia, and he said ‘in the long run, Mongolia could expect solid growth and can move up into upper-middle income country status, but the growth would be bumpy’. It's rather like driving in countryside here: you will get there, but it will bumpy. The important thing is always patience, patience and patience.

One year is not much, especially in a country where you are developing a whole new sector. Large-scale mining is a brand new phenomenon for Mongolia. Mongolia was criticised a lot for the way

it interacted with investors. Some policies could have been better. I actually think a lot of confusion rests all around, not just from the Mongolian side. If anything, for investors coming to Mongolia, it's always a good idea to get to know the country well, its history, culture, how business is done. I found business here is very personal and trust-based. Mongolia is a democracy; people are very outspoken and educated, and they want to know what is happening. I think it was quite understandable in a way that Mongolia decided to take a time-out and did ask serious questions about a major new sector, about extractives, about what the benefits to the country are. It is much healthier in the long run, when you have society on board, when you have people living at the soum level, or indeed wherever, saying “actually, this is what we want for country.” These things take time to get right. As we see, the huge Oyu Tolgoi is proceeding, and things seem pretty smooth there now, which is great.

**Are you saying that Mongolia should give more focus to various businesses across the country?**

When we look at economic projections, the next couple of years are going to be tough with an overall slowdown and large amount debt to be paid back. The main market of China has a slowdown. At the end of it, you do have all these really major assets which will generate commodities that will be in demand for long time – copper and gold. On top of this, what I found myself is that there is much more to Mongolia than Oyu Tolgoi and Tavan Tolgoi. I always made sure I travelled a lot, so that I know what I'm talking about when I talk about Mongolia. I am always impressed that wherever you go, you find these surprising businesses. I went to Bayan-Ulgii, where we are financing a road that connects Khovd and Bayan-Ulgii to Russia and China, and I was so surprised to hear that there is fish being exported to China. A few weeks ago, I went to Khankh soum in Khuvsgul and remember thinking it was such a gorgeous part of the world. It's popular among Russian tourists, and it's no wonder, because Irkutsk is quite close by. I visited Khalkhyn Gol (Khalkha River), where they were producing buckwheat for the Japanese market. If I hadn't seen it, I would not have known about it. Selenge province has outstandingly good honey. It is just delicious, but it's sold in an old baby food jar. So, the product is there, but the refinement is not. Nevertheless, you ▶

▶ see businesses at various stages around the country. There is no lack of hard-working people with great ideas. I always tell foreigners to go to the post office and look at the postage stamps. They are the nicest in the world. Talent combined with organic cashmere or sheepskin could perhaps compete with Turkey, especially with Russia close by. Usually what you see is very underdeveloped. Take the Ikh Gazriin Chuluu Nature Reserve, which my son persuaded me to go see. I was skeptical at first, thinking it would be a six-hour drive to see rocks in the desert. But when I got there, I saw a wonder of the world. The whole world has to know about this amazing site in the desert, with a very pleasant ger camp accommodation. In many other countries, you would have two or three big resorts already, especially with big populations at the doorstep – China, Korea, Japan – all looking for horizons and fresh air. There is so much more than OT and TT.

**What other sectors could be prioritised after mining?**

On the ADB’s side, what we have chosen concretely to invest in is agribusiness, particularly looking at export markets and tourism. Having said that, we fully agree that mining offers tremendous potential. It’s here to stay. The key thing to make sure that it is managed well and that you have that bind by society that this is a sector which they support and which brings benefits. However, I am always careful not to sound too much like a Soviet central planner, that these are the sectors which will be developed, as we do know that entrepreneurship throws up ideas we might not have thought of. When I went to Khuvsgul lake, I guessed right that the tourists would be Mongolians and Russians, but when I was in Tsagaan Nuur of Khuvsgul province and asked who the third largest number of visitors are, they said Israelis. I thought it would be people from Korea, Japan or maybe even Germany, but that was not the case. When I asked why this is, I was told there is a movie called Sodura, which became very popular in Israel and made a lot of people in Israel interested in coming to Mongolia. Sitting in this office, I think to myself, if there could be a movie industry developed here. Look at how many TV channels there are here. In Kharkhorin, for example, there are 50 channels. The media here is remarkably active. I would never have thought about it – a Mongolian

movie about people in northern Mongolia, which is popular in Israel. We need to keep in mind that top-down central planning approach always has deficiencies.

Could Mongolia use the brand new airport to become a hub? I was talking to my counterpart in China when we were both going to a meeting in Kyrgyzstan. He was trying to figure out how he could get from Beijing to Bishkek and I offered him to fly through Ulaanbaatar - it’s pretty easy with Turkish Airlines here. He said that he never thought about that, and would also be interested to stop off and see Mongolia at the same time. At the moment, the airport is not really there for this transit route, but for the new airport, why not, so long as it’s made easy. I have travelled a lot, and I

know that it is very difficult when airports are stressful, when it’s very procedurally heavy and inefficient. Mongolia is actually in a really good position. Look how many planes fly over Mongolia, it’s on a major corridor. Plus, flying within Asia is quite problematic. There are so many people flying from countries very far away and going back, who all have to choose which route to take. Could Mongolia, for example, develop aviation? Financially, it’s quite difficult, but again, the service and the standards are excellent. As far as the ADB, we will put our money in tourism and agribusiness, because we have a limited amount of money and limited amount of people. We could be surprised by the types businesses which may come up, however. ■

**Research**

# Dividing Mongolia into new regions

TS.ELBEGSAIKHAN

The 3rd “New Economic Conditions: Theory and Policy” International Research Conference was held on the 10th of this month at the Corporate Convention Centre. The Bank of Mongolia, Consortium of Economics and Business Institutes of Higher

Education and the National University of Mongolia cooperated to organise this year’s conference. Academics and researchers from universities in Russia, Japan, Republic of Korea and Mongolia presented their latest research and exchanged views on current issues. ▶



► This article is not about the conference, but about an interesting presentation made during the conference. Last year, the Japan International Cooperation Agency (JICA) developed a “Study on Regional Comprehensive Development in Mongolia” and presented the assessments and recommendations of the study at the conference. The study began in March of last year with the objective of gathering information on necessities and opportunities for regional comprehensive development by paying particular attention to economic development.

The study tried to re-regionalise Mongolia by its economic factors. The regionalisation was based on potential resources of the provinces, making it quite reasonable and understandable. Usually, we divide the country geographically into Western, Eastern, Central and Khangai regions, while this new study took a different approach.

The study team proposed establishing a horizontal economic corridor connecting Mongolia’s east and west. They believe that this corridor can be realised by developing a value-added agricultural processing industry. Roads and relatively plentiful sources of water from Dornod Province to Khovd Province serves as an advantage to developed manufacturing. In doing so, the western part of the corridor can develop into a hub based on industrial parks, while the eastern part can become Mongolia’s gateway for trade and export-oriented output based in Chinggis and Choibalsan city.

As for tourism, the report says it can be based on a single city or cover the vast area from the South Gobi to the wilderness of Khuvsgul. The study team under JICA is proposing five strategically important regions:

- Darkhan-Erdenet: Northern agricultural region
- Sainshand-Dalanzadgad: Southern mining region
- Eastern region based in Choibalsan: It will draw attention as the eastern trade border with China. With the construction of new railways, it will connect with the Trans-Asian railway network and have an opportunity to expand

international trade

- Ulaanbaatar city region: satellite cities
- Khuvsgul-Khovd: Tourism and agricultural region

The study’s foundations and advice are clear and objective. For example, it recommended focusing on traditional animal husbandry as it is most suitable for Mongolia, and also advised that Mongolia introduce intensive and semi-intensive animal husbandry technology in the future. But in order to create a healthy market system with minimal price fluctuations, the state needs to become engaged in the combined industry of animal husbandry and agriculture and establish a special economic zone by building processing plants. By doing so, Mongolia can export meat directly by covering the region’s livestock with health examinations and vaccination. In addition, Mongolia has the possibility to domestically process hooves and waste wool, which are worthless here in Mongolia but valuable in other places.

In addition, the JICA team recommended expanding the irrigation system, upgrading agricultural technology used before the transition to a market economy, developing a strain of wheat resistant to a dry climate and introducing it in production. They hold that specific types of local planting could create potential future businesses. For example, sea buckthorn which grows in Uvs and Selenge province has a high nutritional content.

Honey from Selenge and Tuv province makes up the majority of the honey market. In the future, there is a possibility to breed bees for medical purposes and produce a natural honey for medical purposes. It has been said that natural sweet grass, which grows in Bayankhongor province, has the potential to become a branded product.

Although the situation in the mining sector is far from perfect, it is unthinkable to imagine Mongolia’s future without this sector. The sector will continue to have good and bad impacts on the economy of Mongolia, so it cannot be sidelined. In general, the study recommends producing value-added products in every sector. It says creating a value chain by harnessing

the rising domestic demand for coal has significance in the productivity growth and industrial development of mining.

The value chain includes a coal processing plant, coal gasification and liquefaction and fuel production. The export value of the raw coal currently exported will increase by 25-40 percent if it is processed. By drying the coal used for domestic needs, it is possible to supply high quality coal used for coal gasification and liquefaction. Creating this value chain has the added benefit of reducing air pollution in Ulaanbaatar.

The JICA team developed seven proposals on the issue of industrial development. In particular, it says that agriculture should be developed through six stages. Although the recommendation developed by the JICA study group may seem like it has the same contents as guidelines developed by ministries and other non-governmental and international organisations, its advantage is that it has identified solutions based on the conditions in Mongolia and its potential.

We have been talking about logistics and the issue of entering foreign markets for a long time. On this topic, the study noted that reaching the Tianjin Port through China’s rail network is the most effective route to connect with a third country while using Nakhodka Port through Sukhbaatar of Selenge Province is the best long-term option to conduct regular freight transportation to the East Asian market. They also recommend to immediately start implementing the project to establish a logistics center in cooperation with the Asian Development Bank which will improve the transshipment capacity of Zamyn-Uud and the project to establish Mongolia-China joint “Dunzian logistics center” at Tianjin Port, which will speed up the work to establish unimpeded shipping system.

Also, the recommendation states “The state needs to accelerate the work to establish a shipping system (refrigerated transport). There is a need to establish logistics centers which will integrate separate warehouses and keep the shipping costs at lowest levels. In particular, building logistics center near the new international airport will be a valuable contribution to the development of domestic logistics.” ■

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Japanese Partnership

# Partnership agreement implemented

BY I. OTGON

Implementation of the Japan-Mongolia Economic Partnership Agreement (EPA) officially began on June 7, 2016. On the same day, the two sides adopted the rules of the joint committee of the agreement and operational rules related to trade of products and certificate of origin. In addition, the sides exchanged information on goods to be included in tariff concessions, certificates of origin and quota certificates; so trade, investment flow and relations between the two countries are expected to advance. About 96 percent of the trade between the two countries will be exempted from customs duties within 10 years, and the EPA has significant importance for Mongolia's regional economic integration.

As a result of the agreement, Mongolia will have the opportunity to introduce Japanese investment and know-how and supply its products

to other countries through Japan. Furthermore, the possibility to join regional production networks and economic connectivity will be open for Mongolia. Through the EPA, Mongolia and Japan have also agreed to directly or gradually lift import taxes, and Mongolia will lift customs taxes on around 5,700 types of products while Japan will decrease customs tariffs on some 9,300 types of products. Thus, entrepreneurs from the two countries will be able to supply products with certificate of origin to each other's market under preferential tariff terms.

In the future, 13 sub-committees will be established under the joint committee with the responsibility for the implementation of the EPA. By doing so, a permanent consultation mechanism to expand trade, investment and economic cooperation between the two countries will be created.

Parliamentary Vice-Minister of

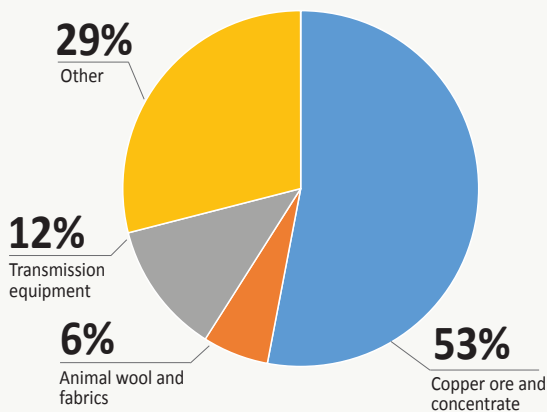
Foreign Affairs of Japan, Seiji Kihara, who led the Japanese side to establish the agreement, has paid a visit to Mongolia in relation to the implementation of the partnership agreement that has been initiated with the concerted effort of both sides. The Prime Minister of Mongolia, Ch. Saikhanbileg, met with Mr. Kihara and noted that the day the EPA came into force was a historic day for the Government of Mongolia and relations between the two countries. "Our country has developed a qualified staff that will work on future partnership agreements and has gained a great deal of experience through the process of the Economic Partnership Agreement made with Japan," said the Prime Minister, Ch. Saikhanbileg. Now both sides will continue the work to introduce the conditions, advantages, exemptions and benefits of the agreement to entrepreneurs. ▶

## MONGOLIA-JAPAN ECONOMIC PARTNERSHIP AGREEMENT

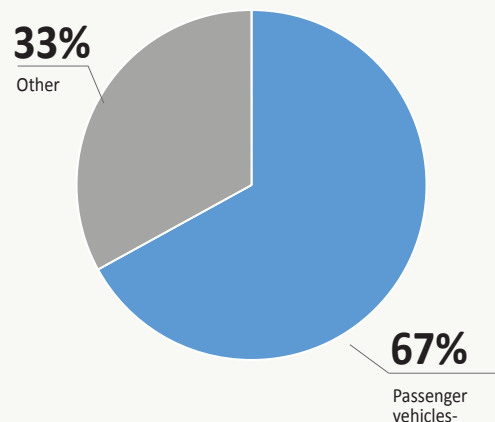
### Mongolia-Japan trade mechanism

About 96 percent of the trade (by value) between the two countries will be exempted from customs duties within 10 years

EXPORT (Mongolia to Japan: USD 24.4 million)



EXPORT (Japan to Mongolia: USD 367.8 million)



► In 2010, Mongolia and Japan agreed to establish an economic partnership agreement within the framework of strategic partnership between the two countries. Experts of relevant ministries and agencies of the Mongolian side conducted seven rounds of negotiations with the Japanese side for three years starting from 2012. As a result, the sides reached an agreement in principle in July 2014 and signed the agreement in February 2015.

The objective of this agreement is to increase the trade, investment, value-added industrial exports, and foreign exchange earnings between the two countries; reduce tariff and non-tariff barriers between Mongolia and Japan; and simplify the customs clearings.

The agreement has a total of 17 chapters and 10 annexes, and regulates 17 areas including trade in goods, rules of origin, customs procedures and trade facilitation, safeguard measures, sanitary and phytosanitary measures, trade in services, intellectual property, competition, dispute settlement, cooperation, improvement of the business environment, government procurement, investment, electronic commerce, movement of natural persons, technical regulations, general rules and final provisions. Moreover, the list of tax-free products to enter the Japanese market was released on June 7, 2016 in relation to the implementation of the agreement, which was fully translated into English. ■

## National Brand

# The smiles of our children

BY I. OTGON

Mongolians always ask what their national brand is and what product will become globally recognised. Our magazine is opening the “National Brand” column in order to introduce the oldest national entrepreneurs and industries, and also to inform readers about their latest technological innovations, results of investment, quality of products and operations.

For this first instalment of our National Brand column, we studied Suu JSC, whose name means milk in Mongolian. This company with half a century of experience under its belt received the award for Best Entrepreneur of 2015 from the Mongolian National Chamber of Commerce and Industry. The enterprise which wins this award presents on its operations to other member organisations of the chamber according to tradition. As such, representatives from more than 30 domestic companies attended a study tour of Suu JSC in June.

In 1958, Suu was established to supply the capital city, Ulaanbaatar, with milk and dairy products. The then-new milk factory was built with assistance from Soviet specialists. It was equipped with state of the art production equipment and could process 30 tonnes of milk per

day, as at the time, it was estimated that the population of Ulaanbaatar would reach 500,000. Although the population of Ulaanbaatar has reached 1.3 million today, the company has kept up with

expansions, equipment and technological innovation over the years. Today, the company processes 200 tonnes of milk per day and produces more than 70 types of dairy products.



provision of the residents with milk and dairy products.

As the tour group were shown the stages of production, it seemed as though the factory's equipment was put into operation five years ago instead of 50. The company has spent no small sum on

Many new milk factories were established throughout the years, but Suu has an objective to be the vanguard of the industry, as it is the oldest factory in the nation. The company supplies 59 percent of the total milk and dairy products consumed by the nation and 81-►

► 85 percent consumed by Ulaanbaatar.

There is not a single person in Ulaanbaatar who does not know and use the products of Suu JSC.

When our study group entered the doors of the factory, we saw the company truly engages in high quality production that ensures food safety. They were able to successfully implement a number of international standards in order to improve food safety. Required equipment and technologies were installed, and strict safety procedures apply to each employee, resulting in a risk-free environment. It is their main distinction from other companies engaged in the food business.

The 350 employees of the factory strictly follow the set rules while at work. The director of the company explained it is part of the culture they try to instil in their workers, which is especially difficult for domestic companies with so many employees. But how was Suu JSC able to do this?

Just past the entrance to the factory, a large picture full of handprints of employees' children can be seen hanging on the wall opposite of the stairs. This picture serves as a reminder of the responsibility of each employee, starting from the drivers all the way to the director of the company. Seeing the picture every morning, employees know that they must produce high-quality products for thousands of children, including their own. The wall continues onward with photos of employees' children as yet another reminder. Moreover, employees

can take pride in working at one of the oldest factories in Mongolia.

Over the years, the company has transformed much, beginning from structural changes to establishment of

breed cows from Europe for the new farm. Now the farm produces 7 tonnes of milk per day. A German company developed all of the industrial designs of the farm.

Their objective is not just to produce



milk storage facilities, transport vehicles and production lines. They changed the milk production line of packaged milk, produced since 1987 for 30 years. The previous line produced 5 tonnes of milk per day, while the new one produces 25 tonnes of product per day.

Sales have increased 4-5 times, unit cost has decreased, and packaging has improved. Another notable thing is that the company opened a new cattle farm in Mandal soum of Selenge Province last year. The company brought 300 Holstein

and sell lots of of milk, but also to reduce the price of its products. In addition, the company is trying to have its 2,500 suppliers come together and establish a cooperative to work as a business group by explaining to them the advantages of doing so. I had a chance to talk with herder Tsedev, who came to sign an agreement of cooperation with the company, and asked for his opinion on the matter.

"I live near Ulaanbaatar by taking care of my cows," said Tsedev. "Before signing the agreement of cooperation with Suu JSC, I had to transport a few litres of milk by car to the city and sell it at small markets. It was quite difficult back then because sales were not consistent. During summers, I had to sell milk for any price someone offered to get rid of it before it went sour. However, a great advantage has been presented to herders by cooperating with this company. Having a steady income makes things a bit easier in this time of economic downturn."

Suu's products are of high quality and taste, as it uses pure cow milk from herders, with its accredited laboratories ensuring quality and standards. ■



## Human Development Report

# Issues of the young

BY B.UURIINTUYA

About 34 percent of Mongolia's population is young people of working age. Although this number is expected to drop to about 30 percent by 2040, that is still a relatively high rate, according to UN Resident Coordinator and Permanent Representative of the United Nations Development Programme (UNDP) to Mongolia, Beate Trankmann.

Mongolia was categorised as a country of high human development for the first time in 2016, having passed the 0.7 threshold score on the Human Development Index (HDI). Out of 188 countries, it is currently ranked 90th, alongside China. Since 2000, Mongolia has been improving its HDI score at an average 1.35 percent annually, moving faster than most of the countries ranked above it.

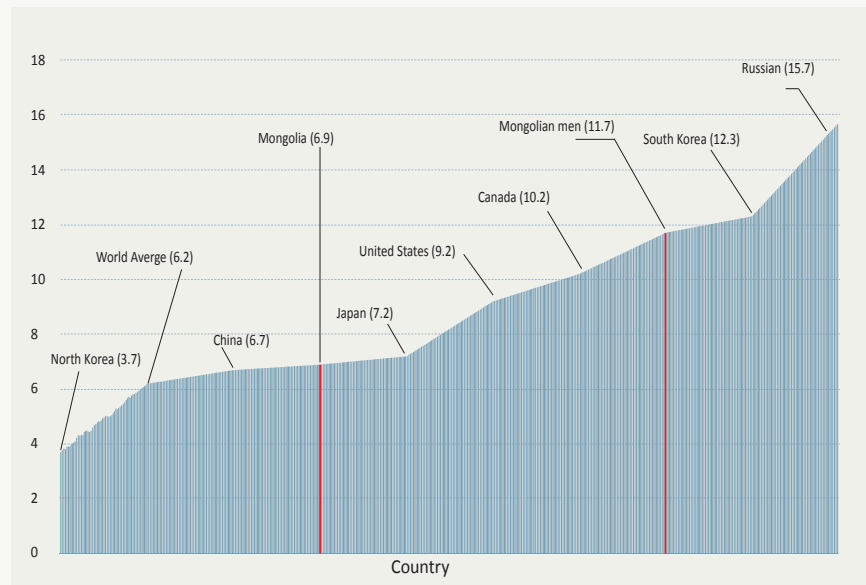
"Mongolia is a young country," said Beate Trankmann. "Accounting for over a third of the population, youth aged 15–34 years represent the largest demographic group in Mongolia, and a significant share of working age people. Even by 2040, when the country's population is expected to reach 4 million, almost 30 percent will still be young. That is why this 6th National Human Development Report for Mongolia zooms in on young men and women aged 15-34 years old."

She added: "Mongolia has done well on many of the health and education related Millennium Development Goals and this is reflected in commensurate improvements in the HDI since the introduction of the concept. Last year, it entered for the first time into the high human development category."

However, areas such as access to quality education, engagement in politics and participation in public life and safety hinder youth development. However, youth healthcare and their current position in public life stand out in particular.

Although the economy has grown

**World Alcohol Consumption population**  
ages 15+, litres per person of pure alcohol per year



Source: WHO, 2014a

rapidly, average life expectancy did not increase that much. While average life expectancy was 64.2 in 2000, it had increased to 69.4 in 2014, mainly due to improvements in child and infant mortality. However, the gap in life expectancy between young men and women is growing. Two years ago, the difference in Mongolia was 10 years, while the global average is 4.6 years. According to the report, the life expectancy of men overall not increasing is due to the decreasing life expectancy of young men. Between 1990-2012, life expectancy of men aged 15-34 years actually fell. Thus, the report says growing divide between the life expectancy of men and women is definitely an issue to be taken into account. So, why is the life expectancy of young men declining?

The issue is related to human security, of which there are seven subcategories: economic security, food security, health security, environmental security, personal security, community security and political security.

Many risk factors that affect the lives of young people are also viewed as natural phenomena – just how things are. For example, it should be noted that alcohol and tobacco abuse, road accidents and injuries make young people prone to health problems as well as crime. Globally, men aged 15-30 commit the majority of crime. In Mongolia, 48 percent of the victims of crime are people in the 18-34 age group, while 64 percent of people who get sentenced are also of the same age group.

In 2011, women accounted for 37 percent of the crime victims, while the number had increased to 40 percent last year. The report says this indicator increased due to an increase in domestic violence. Furthermore, the number of young women exposed to human trafficking and sexual violence also increased.

Human trafficking is rapidly spreading globally. According to forecasts, about 800,000 children, women ▶

► and men become victims of this heinous business. This type of crime was first reported in 2000 in Mongolia. Since then, Mongolia has been labelled as a human trafficking source and transit stop. In 2006-2007, the number of cases related to human trafficking increased nine-fold, from 13 to 115.

Although human development indicators are improving, the abovementioned show that it was not the case for the young people of Mongolia. “Risks such as domestic violence, harassment, inequality and unemployment are the main factors making young people vulnerable to violence,” said J.Doljinsuren, Human Development and Millennium Development Goals Team Leader at the UNDP. “In order to emphasise these, improving the legal system and its implementation and showing state and social support to their security is important.”

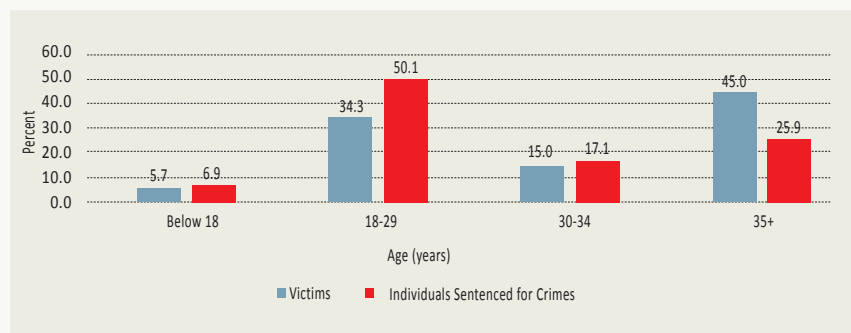
Moreover, she mentioned that employment opportunities for young people are limited due to low labour market demand, skill gaps and gender inequality. Therefore, the minister of social welfare and labour noted during his opening speech for the Mongolia National Human Development Report 2016 that there is a necessity to invest in the development of young people, increase their participation on all levels and focus on their quality of life, health issues and security. ■

## Health Consequences of Alcohol Abuse, 2012

Indicator	Description
Age-standardised death rate	Deaths dues to liver cirrhosis, per 100,000 population above age 15
Alcohol-attributable incidence	Extent to which alcohol contributes to cirrhosis og the liver, %

Source: WHO, 2014b.

## Victims and Individuals Sentenced for Crimes, by Age Cohort, 2007-2015



Source: HSO, 2010, 2013 and 2015d

## Tobacco Consumption among Youth, by Age and Sex, 2005-2013

Sex	2005		2009		2013	
	15-24	25-34	15-24	25-34	15-24	25-34
Men	23.3	61.7	35.0	55.5	25.0	56.7
Women	2.1	4.7	4.0	9.1	2.3	6.7
Total	12.8	33.9	19.9	32.5	14.1	31.4

Sources: WHO, 2010a, 2013a; WHO and PHIM, 2007

## Health Sector Revenue and Expenditure, 2000-2012

Indicator	2000	2006	2008	2010	2012
Source of income for the health sector,%					
Budget funding	73.8	73.0	79.1	73.1	76.2
Health Insurance Fund	20.4	23.3	18.0	23.6	21.1
Fees and other income	5.8	3.7	2.9	3.3	2.7
Health expenditure					
Total health expenditure, ₮, billions	46.9	103.1	211.5	250.3	455.6
Share of Government health expenditure in GDP, %	4.6	3.3	3.5	3.1	3.0
Share of public hospital budgets in total health expenditure, %	81.9	78.9	56.6	55.1	
Share of private hospital costs in total health expenditure, %	18.1	21.1	43.4	44.9	
Share of the costs paid by families and individuals, %	12.1	15.8	40.0	41.4	

Source: WHO, 2013