

For a green development

MONGOLIAN ECONOMY



Building an Industry
and a Country

Forests are the Future

Mongolia's Economy and Business Magazine

July, 2013. №14 (048)

www.mongolianeconomy.mn

THE TOURISTS ARE COMING





GENCO TOUR BUREAU JSC

Chinggis Khaan statute complex is situated 54 km from Ulaanbaatar City, with the view of beautiful natural scenery on the bank of the Tuul River, located in "Tsonjin boldog" a historical place where Chinggis khaan's golden whip was found. Today, for a memory of the man of the millennium a 40 meters high stainless steel statue of Chinggis Khaan on a horseback is the largest among the statues in the world.

Inside the statue we operate a restaurant, souvenir shop, two museums and conference hall. Visitors can go up the statue using the elevator or the stairs to the head of the horse where they can have a panoramic view of the beautiful landscape.



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• Ger camp services



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• Book flight, train tickets, all transportation



• Organize meetings and seminars



• Hotel reservations



• Mini Bus (every friday)



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Хурим*
*Mongolian Wedding

We are organize a Mongolian Wedding at
Chinigis Khaan Statue



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July 30-03

2'750'000T



HONG KONG

July 20-23

1'400'000T



SHANGHAI

August 6-10

1'450'000T



THAILAND

July 14-21

1'650'000T



XIIITH CENTURY COMPLEX

The "XIII Century them park" is located in Erdene soum, Tuv aimag, and located 96 km away from Ulaanbaatar city. The purpose of the 13th Century theme park is to build and establish real time micro kingdom of the 13th Century to make the experiences for the tourists as authentic as possible during their stay by genuinely providing true environment of the way of living.

This is the only camp in Mongolia where you can visit the old time micro kingdom of Chinggis Khaan and his empire. By visiting the camp tourists can stay overnight and will enjoy the craftsmen art work, Mongolian calligraphy, learn to write Mongolian traditional scripts, dine in the kings and queens palace, practice archery, horse training and catching horses with lasso pole, riding horses and camels or simply sit back and enjoy the beautiful countryside landscapes and the clear blue sky. Currently, there are six different camps and tribes that provide the above mentioned services to the customers which are described in detail.



ЭР БОР ХАРЦАГА

*Er Bor Khartsag

MONGOLIAN ANCIENT FESTIVAL



20 July 2013
Tuv aimag, Erdene Sum
13th Century



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www.genco-tour.mn

Bayangol Office 1st floor, Bayangol Hotel,
Chingiss Khaan Avenue-5, Ulaanbaatar, Mongolia.
Tel: +976-11-328960 Fax: +976-11-321705
E-mail: info@genco-tour.mn

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FOUNDER, EDITOR: D. Bekhbayar /9999-4248/
FOUNDER, DEPUTY EDITOR: I. Otgonjargal /8800-6228/

ENGLISH EDITOR: Terrence Edwards
TRANSLATOR: R. Gantulga

JOURNALISTS: B. Bayartogtokh
B. Enkhsetseg
E. Zorig
Kh. Khulan

DESIGNER: Sh. Oyundari

MARKETING MANAGER: D. Barianjav /9409-2904/
D. Battulga /9409-2905
M.Khishigtogtokh /9409-2906/

"ECONOMY" TV STUDIO
EDITOR: B. Uuriintuya

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

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

URL: www.mongolianeconomy.mn
E-MAIL: info@mongolianeconomy.mn
TEL/FAX: 976 - 7011 5476

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1/2 paper	160.000₮
1/4 A4 paper	80.000₮

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ECONOMY

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The smell of happiness is sweet and refreshing. The feeling while walking on soft forested soil with a woody fragrance in the air is wonderful. Mongolia has 18.6 million hectares of forestry, or 11 percent of its territory. Although Mongolia's climate and four seasons provides the forests of Mongolia with unique qualities, the extreme and harsh climatic conditions limit the natural restoration abilities of Mongolia's lands.

18 Political Outlook in Mongolia

MONGOLIA:



According to the Standing Committee on Economy, Mongolia's inflation rate could fall to 6 percent in 2014 with the right measures put in place. For instance, the government could reduce inflation with a stabilisation plan. It plans to take measures to encourage domestic production with reduced imports of building materials and support to Mongolian suppliers.

This year's Naadam festival, a national

cultural event held annually between July 11 to 13, observed the 2222nd anniversary of the Hunnu state, the 807th anniversary of the Mongolian state and the 92nd anniversary of the people's revolution of Mongolia. An inaugural event was held for President Tsakhiagyn Elbegdorj the day before on July 10. This year's total costs for Naadam amounted to MNT 1.7 billion.



Proceeds from last year's USD 1.5 billion Chinggis bond is to finance the construction

of a tanneries complex utilising the latest technology in Darkhan-Uul. Nationwide are 35 tanneries and 170 end-product manufacturers. In total, 10.3 million pieces of skins and hides are produced annually, of which 25.8 percent is processed by private national tanneries.

The government passed a resolution to establish the State Housing Corporation. It will be under the direct control of the prime minister and play the main role in the implementation of the second phase of the programme on housing for Mongolian citizens.

The government of Mongolia has approved a project for the



extraction of oil from coal and development of a power generation unit. The government will retain about 51 percent ownership of the assets while the project will mainly be employed by private companies. The government has said the need for state-ownership is derived from a desire to provide citizens with opportunities to participate and greater transparency. Additionally, equity of the asset will be traded on the Mongolian Stock Exchange.

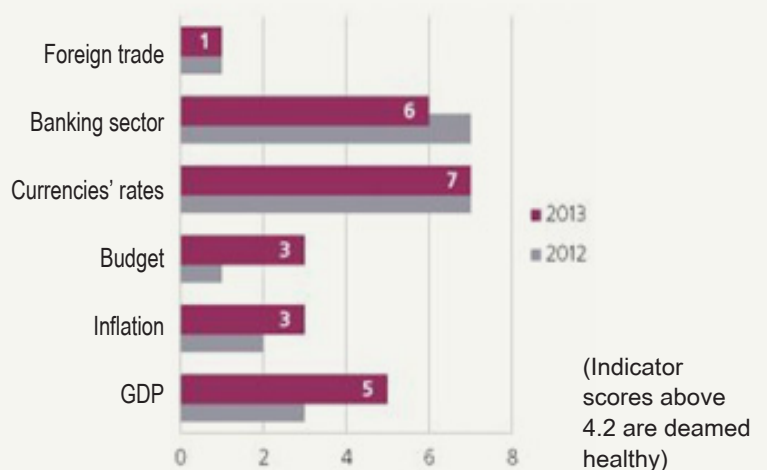
Prediction of main economic indicators 2013

Indicator	2012*	2013**
Percentage of GDP growth	12.7	10-17
Percentage of Inflation	15	10
Percentage of Loan interest	18	18
USD/MNT by the end of the year	1350	1250
Percentage of bad loan	4.7	8

*Prediction for 2012 performance

**Prediction for 2013 performance

According to the above predictions, Mongolia's economic health indicators could be as follows



Source: Purplebook.mn

WORLD:



North and South Korea have reached an agreement to reopen the Kaesong industrial complex. This deal includes facilities inspections by South Korea and will be a major source of income for North Korea. The meeting lasted over fifteen hours and signaled a path for future discussions. It is unclear where relations currently stand, but this meeting may be one of many in the future.



The European Union and the United States are holding talks aimed to create the world's largest free trade zone. Despite tensions regarding the NSA leakage news, Washington hopes to remove trade and investment barriers between the United States and the European Union. By doing so, costs for companies doing transatlantic business will undergo reductions. This will also improve direct tariffs on goods and services between the two.

The pound is not doing well, falling below USD 1.49 against the dollar just last week. This almost reached its three-year low as UK interest rates fail

to improve and as the US economy strengthens. Since US employment has risen by 195,000, the dollar has been receiving more support. With the addition of over 70,000 US jobs, the United Kingdom is not able to catch up and instead is holding its interest rates at a constant rate of 0.5 percent.

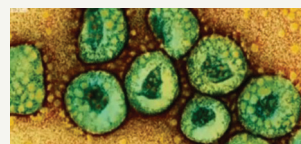


Greece is optimistic in receiving a bailout payment worth 6.3 billion euros (USD 8.27 billion). The euro-zone finance ministers will meet the following week in order to reach an agreement of releasing an-

other installment of rescue funds as Greece's economy continues to decline. Substantial progress has been made. Greece is also expected to pay off at least 6.6 billion euros of debt by mid-August. By avoiding a close scenario of collapse, Greece may see a slow comeback.

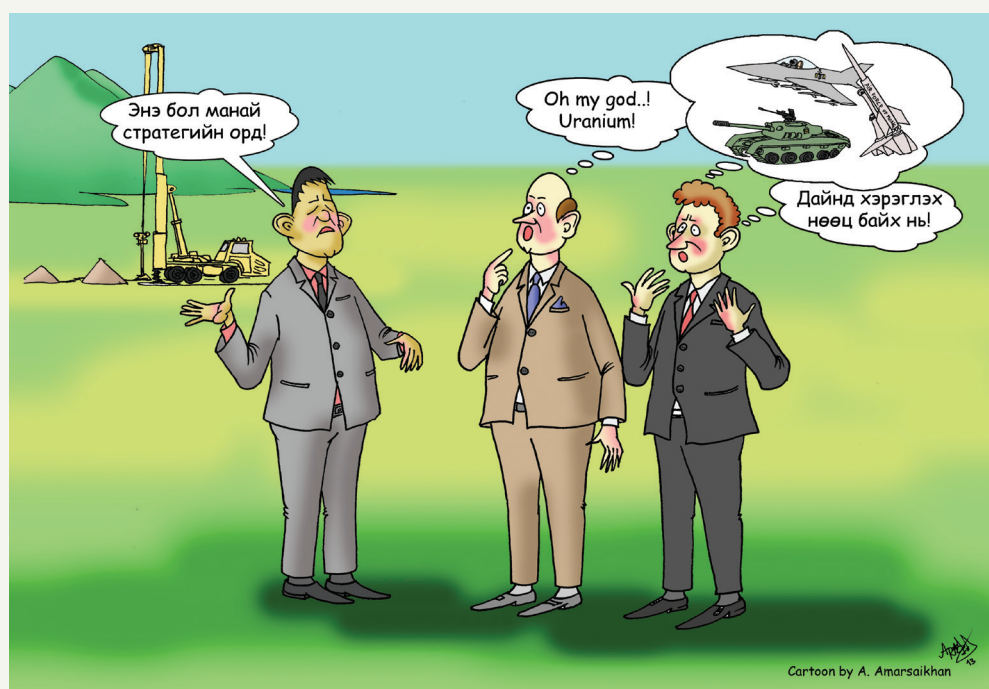
Two more people have died as a result of the new MERS virus that has been evolving throughout the Middle East. Out of over 70 cases, 43 have resulted in death. Although the virus does not have pandemic potential yet, the alarming death rate and lack of knowledge of the disease is causing alarm. Before any more harm can be done, many scientists are working together to hold an emergency meeting to figure

out the source of the virus before it becomes lethal on a global scale.



German exports have faced an unexpected decline in May, while experiencing a growth in imports. Exports have fallen 2.4 percent month-on-month, reversing its previous trend of a 1.4 percent increase. On the other hand, imports have been growing at a pace of 1.7 percent, a 0.5 percent increase from the previous month. This resulted in a trade surplus of 13.1 billion euros (USD 17.2 billion) from 18 billion euros in April. Experts predicted a level consistent with 17.6 billion euros.

A.АМАРСАЙХАНЫ БУЛАН



FEATURE TOPIC

HIGH COSTS WEIGH DOWN TOURISM

BY ENKHTSETSEG

It would not be a lie to say that tourism in Mongolia is currently toddling with gasping breath. The sector currently produces less than 5 percent of Mongolia's GDP, while tourism has become a main pillar to the economies of some developed nations. Tourism comprises 69 percent of Italy's GDP, 18 percent of Greece's, 14.3 percent of Spain's, 10 percent of Turkey's, and 9.3 percent of France's. But these countries' economies are several times larger than Mongolia's and receive at least 30 million tourists each year.

According to a study by the Ministry of Culture, Sport and Tourism, Mongolia received over 620,000 tourists last year, of whom 475,000 had to reserve visas beforehand—a mere 4 percent growth from 2011. Another study shows that roughly 500,000 visitors enter Mongolia each year, but most are Chinese workers with less than 100,000 actual tourists. The government has set a goal of one million tourists by 2015, but that is looking ever more like a pipe dream.

Over the past decade, Mongolia was unable to attract even half a million tourists annually. Last year's results make the feat of attracting a million tourists in three years extremely unlikely. At the beginning of this year, the 2013 World Economic Forum released the Travel and Tourism Competitiveness

Report, indexing 140 countries by the capacities of their tourism industries and the niches they fit to attract tourists. Mongolia ranked 131st.

"In most European countries, tourists may spend USD 250 in five days on average while in Mongolia USD 900 to USD 1,800 is spent for the same period of time. When tourists arrive in Mongolia, it is subject to high costs, low-quality services and rare entertainment", said V. Batzorig, chief executive at Ar Mongol Travel Group.

Many who work in tourism have lauded the government's decision to group tourism with sport and culture in a single ministry. Since its inception, the ministry has developed amendments to laws related to the industry and a calendar outlining the different upcoming events that might attract tourists. It also became a partner of ITB Berlin for its 2015 trade show, and helped create the slogan "Go Nomadic, Experience Mongolia". The ministry was also directly responsible for the return of the *Tarbosaurus bataar* skeleton made using fossils stolen from Mongolian soil and sold for auction in the United States for a little over USD 1 million. The remarkably pristine dinosaur skeleton was locked in a legal battle between an alleged black market fossils dealer and the Mongolian government, but it was eventually »



▶ returned to Mongolia—where the law states that all fossils unearthed from Mongolian soil belong to the government—due to a ruling by a U.S. court and now is available for free viewing at Sukhbaatar Square.

Entrepreneurs criticise that Mongolia does not take advantage of the opportunities it has to improve the industry. All they ask for are flexible conditions to operate under policy that allows them to sustain their businesses and livelihoods. Naadam, for example, could be a sole, leading attraction for tourism in Mongolia, but buying tickets for admittance has become so difficult with the

long queues that have become so common, licensing challenges, and taxes. Another shortfall was parking, as parking near the stadium required special permissions. And every year entrance fees into protected areas grow more expensive.

“This ministry recently talked about only two things: the law and the dinosaur. It cannot hear the entrepreneurs that operate in the tourism sector”, said Sh. Nergui, director general at New Juulchin. “We could see exactly what was being done by the ministry, but it was idealistic and only for appearances”.

Mongolian tour operators now

have much better communication with international communities. But, unfortunately, Mongolia is only currently able to serve a limited number of tourists. Receiving more than 50 tourists is impossible for some tourist camps. Yet, if Mongolia really wants to develop a high-priced brand of tourism, it will have to provide good-quality services that meet international standards.

Most private tour operators would not mean to underrate they achievements of the government. However, as the Mongolian proverb states: the containers must be made ready before the cows can be milked. ■



Photo by B. Byamba-Ochir

OFFICIAL SAYS

BUILDING AN INDUSTRY AND A COUNTRY



BY B. TSETSEE

Mongolia welcomed the opening of tourist season with a new ministry and a new minister this year. At the beginning of this year, tourism officials and entrepreneurs held a conference where in the end participants agreed upon the slogan "Go Nomadic, Experience Mongolia". Tseveddambyn Oyungerel, minister of culture, sport and tourism, discusses these topics and more in the following interview.

How is the future development of tourism being defined today in relation with culture and sports?

The first time tourism has been tied with culture and sport was this year. Included in our calendar are some cultural and sporting events as well. Yet, sports is an area which is not only subject to literal culture, but also the development of tourism.

In the future Mongolia is to become a big tourism hub because Mongolia has the potential to host and organise some wide-scale sporting events and related trainings. Features of our country include elevation of more than 1,000 metres above sea level and a dry climate that could be the basis for making good trainings. It means that we can establish good sport training centres. Our own sporting achievements would improve and also Mongolia has the future of becoming a centre for training.

Mongolia has the potential to develop tourism as the country is rich in cultural heritage. If we want to develop an environmentally friendly tourism sector, the endless resource of culture needs to be further explored. Investment into culture and sport now supports the tourism sector.

Are international experts being invited to participate as tourism professionals in Mongolia continue forward with the branding process of Mongolian tourism?

Getting consulting services from international organisations and experts is quite expensive. But the current budget for our ministry is very low. Thus, we will have to base it on our educated citizens. »

► Of course, we do work with international experts to some extent in getting consulting services from them. We are working with state organisations that specifically spend money on increasing the export of tourism [products] rather than any specific companies. The ministry has entered into a contract with one consulting company which provides consulting service on the export of tourism operating under the government of the Netherlands.

Prior cooperation is also continuing with the creation of services for European markets and how to prepare Mongolian tour operators and travel agencies. Also the government of Mongolia recently made a resolution on participating in the 2015 ITB, a world-leading travel trade show, as a main partner. This means that Mongolia will be advertised globally through the ITB trade show in Germany in 2015.

The ITB's professional marketing department is responsible for advertising Mongolia. In general, the advertising of Mongolia is being made via work done with international professional organisations.

The annual report on tourism by the ministry shows that the sector had grown by a mere 4 percent in 2012 while tourism has in general grown slowly in recent years. How likely is it that Mongolia would reach its goal of one million tourists in a year by 2015?

The reduced numbers of tourists has been directly associated with the crisis in Europe, the main market for tourism in Mongolia.

Thus far, we have sharply improved our advertising. If that is successful then we will be able to receive one million tourists. Thus, it is important to expand relations and improve communications.

Previously, the state budget for tourism never exceeded MNT 1 billion. The sector was entirely sustained by what was budgeted for the establishment of schools and kindergartens. Becoming the partner of the ITB trade show is raising some MNT 3 billion for the budget. This shows that the amount of investment

for tourism has multiplied at least four times. In the future investment will further increase.

For 2014-2015 investment from the budget, there are plans to propose the construction of several tourism complexes. Investment in infrastructure will improve the capacity so one million tourists can be received.

The ministry stated that it signed a MNT 300 million contract with National Geographic magazine. How will Mongolia be advertised there?

A new National Geographic Travel Mongolia magazine will be issued in order to advertise publications and pictures to attract tourism to Mongolia and tour operators to provide services. Mongolia is the 16th country to issue this sort of magazine. With the two-year contract, we aim to introduce readers of the magazine to Mongolia.

Currently, the magazine is distributed freely through tourism channels, including international tour operators, hotels and airline companies, because the contract was made for advertisement purposes. If the number of subscribers increases in the future, the magazine would be able to sustain itself.

Tour operators are most supportive of improving the quality of tourists rather than the number. How is the ministry responding to this desire?

We all see how tourism creates its own troubles. There are a number of tourist camps in Terelj National Park, and those camps very often compete with one another by reducing their prices in order to welcome tourists first. Therefore, the ministry has recommended that camps follow special interests, including bird watching, dinosaurs, sports and culture. Our recommendation is being implemented by some.

Previously, camps only hired security, cooks and labourers, but today they hire trainers, culture experts and ornithologists. In this way, tourism currently has the potential to turn itself into a more expensive industry which attracts tourists and leads them to their areas of interest.

There are some countries that refuse to receive backpackers, but instead only receive tourists through tour operators. Should Mongolia, too, aim for this approach?

Becoming a country which refuses to receive the backpackers is a very rude idea. Tourism in Mongolia really needs to be developed until backpackers are made to feel like real tourists rather than backpackers.

The number of backpackers can only fall as far as the economy becomes knowledge-based. This is the reason why special interests are necessary.

How are human resources being targeted by the government?

Guide training is organised regularly. At the same time, working with the universities on this issue is a priority.

Majoring in tourism management is common, but the number of specific majors for special interests is lower. Thus, the ministry needs to be involved in developing training programmes for tourism. Initially we have selected about eight people to send to Turkey. They will study how to make bird watching a business for tourism. Also, a request has been sent to the British Birding Association, which is sponsored by Queen Elizabeth II. The ministry will also invite international experts to get our own experts to the international level.

Industry representatives have made special requests for the suspension of the licences of some tour operators in small markets with a new system of standardisation. When will this issue be addressed?

Under the current circumstances, tough criteria cannot be imposed on Mongolia's tour operators. At the initial stage, tough state criteria is unlikely to be suitable for today's growing market because most tour operators invest in their operations without any support from the government in welcoming tourists and hiring local staff.

But local participation could be increased by cooperating to make locals understand the tourism business. ►

► On the other hand, operators and camps need to respect local cultures. The standards will be set accordingly, but in regard to these standards the capabilities for working with local people is best.

The best company purchases local products, pays taxes, gives locals benefits and is environmentally friendly. The importance of the tourism industry is sustaining local areas. The criteria needs to be more clear prior to setting the standards. This issue will be raised later.

At the initial stage, the criteria are following special interests, being environmentally friendly, cooperating to protect regions which are needed by tourism, and to be a company which is good for the local area.

Attention has been paid to the need for the sustainable development of tourism. What progress has been made here?

On the path to sustainable development, tourist areas need to be protected first of all; no areas, no tourism. In collaboration with local governments, the ministry is now beginning to cooperate for the adherence to rules and regulations for environmental and tourism zones.

There are some 10 laws related to tourism. What advances have been made to these legislations?

Proposals for two laws (the updated version of the Law on Tourism and the Law on Environmental Tourism Zones) were submitted to the Ministry of Justice, but its response was to integrate the two laws for re-submission. Thus, our ministry is working on that integration.

When combining the laws there, a number of issues, including how we can encourage special interests for tourism, outline the duties of the National Tourism Centre, explain how to deal with investment in tourism infrastructure, and how to organise foreign relations channels for tour operators. Most importantly, there are specific clauses on how to plan and determine the environmental tourism zones in the integrated law. We are planning to submit the law for approval to the State Great Khural in autumn. ■

NEWS IN FIGURES

The number of tourists in 2011 compared with 2010

Revenue from the tourism sector (in USD)

2010	2011	Margin in figures	Margin in percent
283,577,861	282,687,977	-889,884	-0.3

The number of tourists by country

No	Country	2009	2010	Margin in figures	Margin in percent
1	China	232,038	193,730	-38,308	-16.5
2	Russia	109,391	121,647	12,256	+11.2
3	South Korea	38,551	42,231	3,680	+9.5
4	USA	11,508	12,589	1,081	+9.3
5	Japan	11,399	14,369	2,970	+26
6	Germany	6,995	8,093	1,098	+15.6
7	France	6,737	8,050	1,313	+19.4
8	UK	5,895	5,983	88	+1.4
9	Kazakhstan	5,094	5,726	632	+12.4
10	Australia	3,741	5,443	1,702	+45.4

The number of tourists in 2010 by region

Region	2009	2010	Margin in figures	Margin in percent
Southeast Asia and Oceania	239,704	261,765	22,061	+9.2
Europe	152,783	171,016	18,233	+11.9
America	14,179	16,522	2343	+16.5
Australia	4,492	6,325	1,833	+40.8
Africa	482	636	154	+31.9

Total number of visitors

No	Visitors	2009	2010	Margin in figures	Margin in percent
1	Total visitors	464,850	557,414	92,564	+19.9
2	Tourists	411,640	456,303	44,663	+10.8

Total number of foreign citizens who visited Mongolia

	2010	2011	Margin in figures	Margin in percent
Total visitors	557,414	626,993	69,579	12.4
Tourists	456,303	457,514	1,211	0.2
Asia Pacific	265613	277958	12345	4.6
Africa	594	1113	519	87.3
America	16486	19877	3391	20.5
Europe	172981	157817	-15164	-8.7
Middle East	618	740	122	19.7
Other	11	9	-2	-18.1

Number of tourists by country

	2010	2011	Change	% Change
China	194,069	198191	4,122	2.1
Russia	121,647	102733	-18,914	-15.5
South Korea	42,231	43994	1,763	4.1
Japan	14140	14988	848	5.9
USA	12,808	15423	2,615	20.4
Germany	8,095	8545	450	5.5
France	7,527	7570	43	0.5
UK	6209	7120	911	14.6
Kazakhstan	5757	7913	2,156	37.4
Australia	5453	7093	1,640	30.0

Revenue from the tourism sector in 2010

Total visitors	557,414	Purpose of visit					Total revenue in USD
		official	private	travel	transit	other	
Tourists	456303	120071	206504	96927	5973	26828	456303
Japanese	14140	2094	2353	9264	30	399	14140
Other	442163	117977	204151	87663	5973	26429	
Duration of stay			11	12		15	
Average cost			58	108		53	
Duration of stay	7						
Average cost	189						
Japanese	18707220		130,248,338	113,611,248		21011055	283,577,861

Revenue from the tourism sector in 2011

Total visitors	626,993	Purpose of visit					Total revenue in USD
		official	private	travel	transit	other	
Tourists	457514	137373	191691	111210	4287	12953	457514
Japanese	14988	2862	2609	9298	29	190	14988
Other		134511	189082	101912	4258	12763	
Duration of stay			11	12		15	
Average cost			58	108		53	
Duration of stay	7						
Average cost	189						
Japanese	19829124		120,634,316	132,077,952		10,146,585	282,687,977

Source: The Ministry of Culture, Sport and Tourism of Mongolia

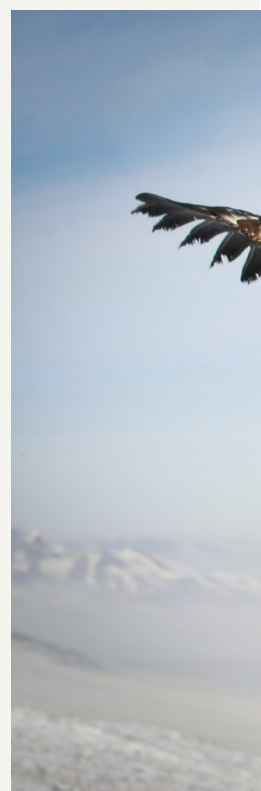


PHOTO BY B. BYAMBA-OCHIR



ECOLOGY

FORESTS ARE THE FUTURE

BY KH. KHULAN

The smell of happiness is sweet and refreshing. The feeling while walking on soft forested soil with a woody fragrance in the air is wonderful. Mongolia has 18.6 million hectares of forestry, or 11 percent of its territory. Although Mongolia's climate and four seasons provides the forests of Mongolia with unique qualities, the extreme and harsh climatic conditions limit the natural restoration abilities of Mongolia's lands.

But the forests are doubtlessly an inseparable part of our lives, and its value is becoming more vital now because of the ecological degradation seen in the country.

A Noble Profession

Mongolia's transition into a free market economy passed without any big challenges for society in the 1990s. Yet, the forests of Mongolia were not so lucky, believes Ts. Banzragch, director of the Forest Protection Department at the Ministry of Environment and Green Development.

The transition into a free market economy resulted in the loss of a structure for trained workers, resulting in a strong need for trained professionals. To save Mongolia's forests, trained environmental workers will be needed. Simply planting trees does not leave much impact on the problem of deforestation, and those forests are needed to absorb the harmful greenhouse gases that are acting as the catalyst to climate change.

"Tree planting should be done by a trained workforce", said President Tsakhiagyn Elbegdorj at Khui Doloon



Photo by Kh. Khulan

Ts. Banzragch, director of the Forest Protection Department at the Ministry of Environment and Green Development and GIZ's Biodiversity Programme Director Klaus Schmidt-Corsitto explain the use of occupational safety gear (Tunkhel Forest, 2013).

Khudag during a tree-planting campaign in May 2013. "It would be right to move from having trees planted by volunteers to professionals. A tree grows only with lots of care and effort after its planting".

The president boasted having planted over 20,000 trees in his lifetime.

German Experience

Germany is a leader in green development. Yet, even leaders were once pioneering the path for development. Germany's forests were left devastated after the Second World War. However,

reforestation work was performed successfully by the German government using sustainable forestry policies, and German vocational training centres have been educating on forestry management since 1976. Even today forestation work is being performed after logging at famous German forests such as West-erwald, Teutoburger, and Schwarzwald after logging.

A biodiversity project by German Development Corporation (GIZ) has applied innovative measures for training a professional workforce in forestry for Mongolia. An open-door event was held in cooperation with Mongolia's own Min- ➤



Master logger Jens Mueller from Hessen, Germany demonstrates logging work at Tunkhel Forest (June 30, 2013)



Burnt forest in Batshireet soum of Khentii aimag. Photo by D. Unur

► istry of Environment and Green Development that introduced to students and lecturers from the universities and institutes of Ulaanbaatar to its "dual training system" at the towns of Zuunkharaa and Tunkhel of Selenge province. The dual training system combines apprenticeship at a company and vocational education.

Mongolia currently has eight vocational training centres for forest management. Two of them, namely the vocational schools at Zuunkharaa and Murun, Khuvsgul, are planning to apply the dual education system in conjunction with private partners.

"The dual system is more market-oriented", explained Biodiversity and Adaptation of Key Forest Ecosystems to Climate Change Programme Director Klaus Schmidt-Corsitto, "It aims to cover the need for human resources at companies. That would reduce the risk of unemployment after having learnt their profession".

According to a survey by Germany's forest management agency, Mongolia has 625 active companies related to forestry. Their main challenges, according to the head of the German Forest Management Unit in Kirchhain, Lutz Hofheinz, are a lack of professional workers, weak technical standards, and the need for investment. "It is easy to say investment is needed", said Hofheinz, "but there are many other prerequisites such as human resources, and stable economic conditions. And processing raw materials is also important".

New Technology

Up until now wood logging work has been done using equipment from Mongolia's Northern neighbour Russia. Nowadays there is a great need for using the forest in a sustainable way with environmentally friendly machinery and greater efficiency. GIZ's biodiversity programme handed over more than MNT 150 million worth of modern forestry equipment and occupational safety gear to the vocational training centres of Zuunkharaa and Mu-

run, the Science and Technical University, as well as the private companies Enkhbulgan, based in Khuvsgul and, Mandal Soum's UBTSO in Selenge province.

The country needs its forests to provide the materials for construction as well as the workers who can extract and process those resources. Mongolia's future will depend on its forests so a delicate balance is needed to prevent the depletion of those resources or the eventual disappearance of the nation's forests all together.

Expert Opinions

B. Tulga, Vice Minister at the Ministry of Environment and Green Development:

What are the aims of the Ministry of Environmental and Green Development for the 2012 Forestry Law?

This year has been announced as the "Year for Environmental Education" from our Ministry. It would be appropriate to strengthen the fundamentals for sustainable forest use based upon a trained workforce. Inappropriate use of forests without any policy leads to forest degradation and the reduction of the forests' resources.

In order to improve this situation, we are aiming to apply German forestry experiences in Mongolia. In the Forest Law approved last year, there is an article that says all activities directed to forestation should be released from value-added tax. Imported wood is also free of customs charges now. The state enables the purchase of forested land for citizens who plant forests. If a citizen plants a tree on his own estate then they can own it too. When selling your land, one can add his or her own house for sale. Now people have the possibility to add their trees.

What is insufficient is the issue of equipment. The forestry equipment and machinery are outdated. This should be reflected in a policy. Our ministry has a policy of increasing the price tariffs for forestry work. ►►

► **Ts. Erdenechuluun, Director of the Vocational training and Production Centre in Zuunkharaa:**

What was achieved at the open-door training event?

We have received equipments and occupational safety uniforms for 20 students from Germany. Also, a motor saw is being provided from a factory. Also, two teachers of our centre will be trained for three months in the field of forestry in Germany.

The dual system for education is required nowadays. A professional logger will then have knowledge not only about forestation, but also about cultivation, fire prevention, and the use of secondary forest research. In other words, that person would obtain comprehensive knowledge which is advantageous for both parties: the company and himself.

The Germans are experienced in forestry use and forestation. In Zuunkharaa, for instance, the forest is used a lot for logging. Our training should display that a forestation project is essential for these companies.

N. Erdenedalai, Graduate of the Six-month Certification Course for Forestry Work in Zuunkharaa:

What did you think of the certification course?

Desertification has been increasing rapidly in Mongolia. I am happy that we now have a forestry profession and I can contribute to the greening of my country. I would like to become a logger who will take care of forestation efficiently because I love my native country.

During the training we have learnt a lot about the occupational safety rules starting from how to wear the working gear, how to enact a forestation project up to the logging work in a forest.

Although we have been working in a forest, the occupational safety activities were strongly neglected. Now we have got to know about all this. I would like to say to the young people who follow: let us protect and respect the forest, which is the source of our lives. We have to work for it.

B. Gankhuyag, leader of the Bayangol Forestry Union
What should be considered during reforestation?

I have worked at the Tunkhel wood factory since my graduation. But the factory had to be closed during the market economy transition period. For a while I didn't know where or which job to work. Afterwards the forestry units were founded. Since that time I have been planting trees.

The forestry units protect and plant new trees. Plants from the tree nursery can be planted after two to three years in a forest. But we should consider that they need great effort in taking care of them. The new plant cannot be left even for one day. They should be watered every day. We have to understand that standards for planting are important because only the plants that fulfill the standards will grow.

In addition to maintenance and watering, a young tree grows well when people are passionate towards what they do. Today we need a bonus system for planting trees. That could come from the Chinggis bond. I wish that loggers would receive support and many more people would learn how to plant trees. ■

OPINION

POLITICAL OUTLOOK IN MONGOLIA



BY MASA IGATA, CHIEF EXECUTIVE
OF FRONTIER SECURITIES

"I congratulate President Ts. Elbegdorj on his success in the election held on June 26", said US President Barack Obama in his congratulatory note to President Tsakhiagyn Elbegdorj one day after his victory in the election. The news of the president's re-election has been generally welcomed by foreign media and investors. But, there is not much analysis on the details of the election and, more importantly, the political outlook going forward.

US President Obama gave praise to Elbegdorj's accomplishments during his first term: "President Elbegdorj has been an important leader in advancing democracy and freedom in Mongolia and a key partner for the United States in Asia and globally. I look forward to working with him to further strengthen the friendship and ties between our two countries. Through its impressive democratic achievements and its progress on economic liberalisation, Mongolia serves as a significant example of positive reform and transformation for peoples around the world".

But it is not only Obama but also most of the foreign media who are welcoming the victory of Elbegdorj.

Who supported Elbegdorj?

Julian Dierkes at the blog Mongolia Focus gave an interesting analysis on the share of votes during the presidential election.

According to Dierkes, it's quite clear from a glance ►



speaks out for environmental conservation and thus has set forth environmental protections as one of his core presidential policies. In fact, he was recently awarded by the UN Environmental Programme (UNEP).

The president has also implemented Mongolia's first comprehensive judicial reform. In April 2011 he convened the Judicial Reform and Justice Forum encompassing legislative and institutional reforms while guaranteeing political, economic and legal security for the judiciary. The reform ensures open and transparent trials. It also introduced laws to guarantee the impartiality of judges while establishing mechanisms to ensure that new judges are selected fairly



and strictly on merit.

Furthermore, Elbegdorj has developed a special agenda on strengthening civil society and advocating women's rights, particularly their political rights, while actively promoting women's participation in all levels of government and social institutions.

▶ that Elbegdorj won this election on the strength of his showing in the capital, beating Bat-Erdene by 13,000 votes. The president received particular support from wealthy citizens and the younger generation who live in Ulaanbaatar, but he was also well supported in rural areas. However, believe Bat Erdene is believed to have had a chance at winning with almost 42 percent of votes without much supports from senior politicians in his party.

Before Elbegdorj was elected to his first term as president of Mongolia in 2009, he had already served twice as prime minister and held the positions of deputy speaker and majority leader in the State Great Khural.

President Elbegdorj led the peaceful democratic revolution in 1990 that ended 70 years of communist rule in Mongolia. Since then, he has initiated and led the country's major social and economic reforms, which include fighting corruption, liberalising economic policies, privatising livestock, deploying housing policies, reducing taxes, and eliminating red tape.

His priorities—promoting the legal system, fighting poverty and combating corruption—have given him worldwide praise and acclaim, most recently from former US Secretary of State Hillary Clinton during her visit to Ulaanbaatar in summer 2012.

In addition, the president was raised close to nature as a nomad. He actively

Second-term Policies

It is believed that most of the policies Elbegdorj has emphasized in his first term will continue in the second. Therefore, His priorities—promoting the rule of law, fostering social justice, fighting poverty, combating corruption, protection of the environment and promoting women's rights—will be highly secured in the next term as well.

However, the question is how he will assist Mongolia in recovering from the economic crisis. During the presidential debate broadcast on June 24, not many questions were asked on how to recover the economy because the candidates were not competing in a general election. But I believe recovering the economic conditions in Mongolia should be one of most important items on the agenda of the president because fiscal deficits are climbing and if this situation continues, Mongolia's economy may return to the era of assistance from the International Monetary Fund of four years ago.

FULL POWERS OF THE PRESIDENT OF MONGOLIA

The President of Mongolia is the head of state of Mongolia and the embodiment of the unity of the people. Also, the president shall enjoy the full rights and powers as detailed in the Constitution of Mongolia.

The President Shall:

- Exercise the right to veto against a part or entirety of a law or other decisions adopted by the State Great Khural. The laws or decisions shall remain in force if two thirds of the members present in the session of the State Great Khural do not accept the president's veto.
- Propose to the State Great Khural the candidature for the appointment to the post of the prime minister in consultation with the majority party or parties in the State Great Khural if none of them has a majority of seats, as well as to propose to the State Great Khural the dissolution of the government.
- Represent the state with full powers in foreign relations and, in consultation with the State Great Khural, to conclude international treaties on behalf of Mongolia.
- Receive the letters of credence and recall heads of diplomatic missions of foreign states to Mongolia.
- Head the National Security Council of Mongolia.
- Act as commander-in-chief of the armed forces of Mongolia. ▶▶

► The President and the Cabinet

The president of Mongolia is the head of state. However, as the Constitution of Mongolia provides a parliamentary system, much of the president's official role is ceremonial.

However, the president may address the State Great Khural and the people. Also, the president may at his or her own discretion attend sessions of the State Great Khural and report on and submit proposals concerning vital issues of domestic and foreign policies of the country.

But the real power of the president go beyond the official role. The powers of checks and balances granted to the president are very important and sometimes very effective.

Relations between the president with the current ruling party of the State Great Khural is smooth and is expected to remain that was as both are of the Democratic Party. However, this may only last until the the next parliamentary election in 2016.

Implications for Oyu Tolgoi and Other Important Projects

On February 1, President Elbegdorj said the nation should have more control of Rio Tinto Group's Oyu Tolgoi copper and gold project after the government claimed costs had increased.

"It's time for Mongolia to have Mongolian representation on the management team", Elbegdorj said in address to the Khural. "It's important that the government takes the Oyu Tolgoi matters into its own hands".

The president's comments heightened tension with Rio over the ownership and future development of the project. "Mongolia also needs representation in all the most important decision-making departments: the financial department, procurement department, legal department, and sales and project- services department", said Elbegdorj.

This was a major shift of stance for the president since, up until this point, he had been more supportive of Rio and positioned himself on the importance of the rule of law in Mongolia.

Some industry experts believed that the change in rhetoric was sparked by the upcoming presidential election. If Elbegdorj still keeps his hard stance on Rio, the mounting tensions between Mongolia's politicians and the Anglo-Australian miner may create a disastrous scenario for Mongolia. But if Enbegdorj becomes more flexible on this matter, the deal with RIO may be fully realised and the economic outlook will improve as well.

If the two parties cannot come to an agreement by the end of this year, there will be severe economic impact to Mongolia. ■



NEWSWIRE HIGHLIGHTS

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

BUSINESS

OYU TOLGOI SENDS FIRST COPPER SHIPMENT TO CHINA

Oyu Tolgoi LLC today announced the commencement of commercial shipments of copper concentrate, calling it "a significant milestone for the business and Mongolia."

The total size of the initial sale will be approximately 5,800 tons of copper concentrate. Today the first convoy of 16 trucks, carrying 576 tons of Oyu Tolgoi copper concentrate, departed toward the Gashuun Sukhait border crossing. Following the Naadam holiday, the remainder of the shipment will be transported to customers.

"Everybody involved in Oyu Tolgoi is immensely proud today", said Oyu Tolgoi Chief Executive Cameron McRae. "Constructing a mine of this scale is a fantastic achievement but watching Mongolian concentrate leaving the gates is the moment we have all been working towards. Today is a big first step in moving from a world-class construction project to a world-class copper business".

After reviewing the marketing agreements, Oyu Tolgoi's board of directors unanimously endorsed the commencement of shipping. All permits and authorities for exporting copper concentrate are in place together with board approvals and authorizations that are required for continued concentrate sales. Oyu Tolgoi said it remains committed to maintaining transparency in its operations and managing export revenues consistent with the investment agreement. The Mongolian government has recognized the impact the project has had on the country by naming it the source of the most jobs created and the second-highest tax payer even before sales commenced. To prepare for a stronger future workforce, Oyu Tolgoi is investing USD 126 million in education and training over five years.

Source: Oyu Tolgoi LLC

EBRD TO DOUBLE INVESTMENT INTO MONGOLIA'S WIND ENERGY

The European Bank for Reconstruction and Development (EBRD) is ready to invest another USD 50 million in new wind projects following its USD 47 million investment for Newcom LLC's Salkhit wind farm.

The 50 megawatt Salkhit wind farm outside of Ulaanbaatar has been connected to the electricity grid and is now generating electricity. EBRD, which provided debt and equity funding for the project, has announced that it is ready to invest in further renewable projects in Mongolia. The site at Salkhit—meaning "windy" ►

in Mongolian—will generate about 5 percent of the country's electricity needs. The investment has been hailed as a major step forward in the country's new green energy strategy.

"Salkhit wind farm has awakened interest in wind power in Mongolia from other investors, both local and international", said EBRD Director for Power and Energy Nandita Parshad. "We are now assessing several follow-on wind farm projects, and expect to invest about USD 50 million in renewable energy generators in Mongolia in the coming years. The demonstration effect from Salkhit, in terms of both project implementation and financing, has been significant".

President Tsakhia Elbegdorj has said that the country aims to become a regional renewables hub, producing a quarter of the energy from renewable sources and potentially exporting both wind-and solar-generated electricity. Salkhit was constructed with debt and equity financing of USD 47.5 million from the EBRD, an amount matched by FMO, the Dutch development bank. The funds were provided to Clean Energy LLC, a company that is 51 percent owned by Newcom, 14 percent by EBRD, 14 percent by FMO, and 21 percent by General Electric Co.

"The Salkhit wind farm is a flagship project for Mongolia's renewable energy sector and energy sector as a whole. The project has introduced new and advanced technology and know-how to the industry", said Clean Energy Chief Executive and Newcom Chief Investment Officer Sengee Enkh-Amgalan.

Source: European Bank for Reconstruction and Development

ECONOMY

MONGOL BANK REDUCES POLICY RATE BY ONE POINT TO 10.5 PERCENT

The Bank of Mongolia reduced its policy rate by one percentage point to 10.5 percent, effective 25 June.

Source: Cover Mongolia

MONGOLIA DEALS OUT MILLIONS IN NEW MORTGAGES WITH NEW LENDING SCHEME

The Bank of Mongolia reported that it had approved MNT 8.8 billion in new mortgages in the first six days since the introduction of a new program for mort-

gages with 8 percent interest. Last week banks received refinancing requests for a total of MNT 587.1 billion. Banks moved MNT 195.2 billion in mortgages to the new interest rate of 8 percent, while MNT 8.8 billion worth of new mortgages were issued from MNT 90.9 billion worth of applications from 207 people. The new program, which is a collaborative effort between Mongolian Mortgage Corp., the Bank of Mongolia and the government, lends to households for the purchase of apartments of no more than 80 square meters and to those who can make a down payment of 30 percent of the entire purchase. Those already with mortgages of between 15 and 22 percent can now transition to the new mortgage scheme as well.

Source: Business-Mongolia.com

MIBG SEES GDP GROWTH TO FALL TO 5.5 PERCENT IN 2013

Mongolian Investment Banking Group has made a projection for growth of between 5 and 6 percent in 2013, falling well below 2012 growth of 12.3 percent.

As of 19 June the National Statistical Office reported that the price of main consumables fell by 1.8 percent from a month ago. With May annualized CPI at 9.7 compared with 9.8 percent in March, the continued trend of decreasing inflation has been positioned by policy makers as the successful result of the fight against appreciation in the domestic market. However, this is an alarming indicator that suggests a continuation of decreasing economic activity, which will deliver a 2013 growth rate that is far below expectations.

Mongolia has seen significant slowdown in foreign trade activity. Since the mid-1990s Mongolia's economic position has been driven by foreign trade, with a significant reliance on exports for revenue generation but also on imports as the domestic production of consumables is too small to economically support demand. As a result, Mongolia's foreign trade has always been larger than the overall economy itself. The current ratio of international trade as a share of GDP is approximately 140 percent, compared with 25.2 percent in the United States and 49 percent in China.

On 15 July, Mongolian foreign trade

activity fell by 8.9 percent year-on-year. While an improvement from earlier reports as low as 15.2 percent in April, it may not mean an upward trend has emerged. Instead, it could be a sign of a recovery in foreign trade from economic stimulation from last year's USD 1.5 billion Chinggis bond.

Coal and copper will play a major role in determining Mongolia's real growth rates in the future. This is especially true in terms of coal pricing and the ability of exporters to negotiate and in some instances re-negotiate favourable returns with Chinese importers.

Source: Mongolian Investment Banking Group

POLITICS

ELBEGDORJ WINS RE-ELECTION

Mongolian President Tsakhia Elbegdorj defeated a wrestling champion and a paediatrician to win re-election without the need for a run-off vote.

Democratic Party (DP) candidate Elbegdorj won 50.23 percent of the vote with all counting completed, Choinzon Sodnomtseren, head of the General Election Commission, said at a briefing in Ulaanbaatar. Former wrestling champion Badmaanyambu Bat-Erdene took 41.97 percent and Health Minister and former doctor Natsag Udval was third with 6.5 percent. The results will be made final within five days.

"The Parliament of Mongolia, the government of Mongolia and the president of Mongolia will work as one team in the remaining period", Prime Minister Norov Altankhuyag said at a briefing late yesterday. "We work to improve the lives of all Mongolians and eradicate corruption".

Source: Bloomberg

CABINET APPROVES GREEN CIVILIZATION 10-YEAR PLAN

The Ministries of Environment and Green Development and Economic Development have presented an outline for green development titled "Green Civilization" to the Cabinet of Ministers last Saturday.

The policy outlines objectives and goals for 10 years with activities to begin in 2020. The Cabinet decided to forward the plan for submission to Parliament.

Source: Montsame ■