

"DIG DEEPER"

# MONGOLIAN ECONOMY

2015 March № 05 (084)

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## ECONOMY

Guest panel: Mongolia must be thoroughly diagnosed and restructured

## WOMEN

The importance of International Women's Day

## MINING

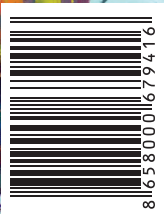
Mining's declining contribution to the state budget

International Women's Day issue:

# Women in Man-golia



Featuring cashmere industry leader Ch.Gantsetseg, US Ambassador to Mongolia Piper Campbell, and more on the country's struggle for gender equality.



8 APRIL, 2015, FIELD TRIP, ULAANBAATAR, MONGOLIA

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- 07:00 Arrive at Chinggis Khaan International Airport
- 07:30 Registration at Chinggis Khaan International Airport
- 09:00 Departure from Ulaanbaatar
- 10:15 Arrival in Tavantolgoi /Ukhaa Khudag
- 10:30 Safety induction (breakfast/ refreshment served)
- 11:00 Ukhaa Khudag mine site-visit (mine pit, coal handling & processing plant, power plant, water system, Tsetsii apartment complex etc)
- 13:30 Lunch at Gallery camp
- 14:30 Tavantolgoi mine site-visit
- 16:10 Arrival in Tavantolgoi airport
- 17:00 Departure to Ulaanbaatar
- 18:30 Arrival in Ulaanbaatar



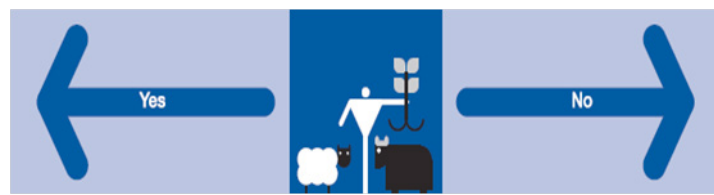
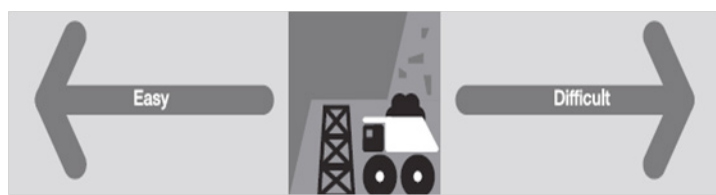
## MONGOLIA ECONOMIC FORUM 2015

You are cordially invited to the Mongolia Economic Forum 2015 that will be held on April 2-3 at the State Palace. The forum is one of the largest and most prestigious in the country, an annual, politically independent event. During the 6th annual forum, the participants will discuss a wide range of topics as a part of theme “Building credibility”. The aim of the forum is to provide the opportunity for nation-wide constructive debate and discussion on development policy options by engaging policy makers, researchers, business, public and international organizations.

Participants will have a unique opportunity to network with key industry contacts and to obtain vital information on legislation and policies on the economic and business environment.

Online registration is available at <http://meforum.mn/register/eng>

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THE ECONOMISTS COLUMN

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**Masa Igata**  
Mongolia's Achilles Heel  
Even though the data from the National Statistics Office shows that the trade deficit in the first quarter has improved quite significantly, we maintain our cautious stance on the outlook of the Mongolian Economy - [en/b/5684](#)



**D. Jargalsaikhan**  
Frantic Taxers  
Why must there be taxes? It's because it was decided that citizens were all to contribute to financing the government, whose primary role is to organize security to protect the three basic rights of people: life, liberty, and property - [en/b/6962](#)



**L. Byambaa**  
Mongolia's economic outlook for 2015  
The global economy sputtered to 2014's end with slightly less economic growth than predicted at the year's outset. Though the US economy has revived and continues its trending rise, developing countries, Russia, China, and Europe. - [en/p/7240](#)

## Mongolia

### Home mortgage



In January, commercial banks gave MNT 75.1 billion in mortgage loans to 1,280 lenders, while the number of applications for loans reached 67,233. As shown in a yearly growth report, outstanding loan balance growth decreased 3.3 percent from the previous month and 92.6 percent from year-end 2013. According to Mongol Bank's January mortgage credit report, overdue loans reached 2.1 percent; non-performing loans were at 0.5 percent. Total credit average per lender is MNT 58.6 million. Amount repaid in January was MNT 22.5 billion, a decrease from the previous month by MNT 14.5 billion; however, this a 3.7 percent increase compared to the same period of the previous year.

### Low commodity prices

Analysts expect the price of raw minerals commodities such as copper and coal will be less than initial predictions. The lowered expectations for 2015 are: iron ore, USD 65 per ton; ore, USD 80 per ton; pure copper, USD 6,500 per ton. However, the price of gold is expected to increase this year. One ounce of gold is currently worth about USD 1,200. According to experts, the price of gold increases during economic recessions or periods of minimal growth and decreases when the economy is stabilised.

### Living standard

The National Statistic Office of Mongolia updates living standard measurements each year; this year's poverty level estimate is out. This year, the income of Ulaanbaatar's poor population rose to MNT 185,400. It's an increase of MNT 16,400 compared to the previous year.

### Stock market

In January, the Mongolian Stock Exchange worked with a profit of MNT 50 billion, the first time they've operated with a profit in three years. By a 'glass account' Transparency Law report, in February the MSE operated with an income of MNT 209 billion, while expenditures were MNT 152 billion. Thus far in 2015, the MSE has worked with at least a MNT 50 billion profit for two consecutive months. Several of the MSE's stock auctions held in 2015 generated considerable profit.

### Banking and finance



Individuals and enterprises that have no more than MNT 20 million in their bank account can obtain 100 percent compensation, if a bank goes bankrupt. This is possible through the Deposit Insurance Corporation, established in 2013. If a certain bank is liquidated by a mandate from Mongol Bank, the Deposit Insurance Corporation will provide compensation to people who have bank savings. This reduces commercial banks' risk and increases the public's confidence in banks. According to a report from the Deposit Insurance

Corporation, the number of depositors is increasing year by year. Thirteen local commercial banks deposit over MNT 1 billion to Deposit Insurance Corporation per year.

## World

### Guildford moves closer to Mongolia

Australian miner Guildford Coal is considering a potential move to Singapore to be closer to its operations in Mongolia, according to Mining Weekly. Australian Securities Exchange-listed Guildford announced in early March its potential relocation, which would include a listing on the Singapore stock exchange—either dual or sole—that would take the company closer to its operational activities and its majority shareholder base. Asian shareholders represent about half of the coal firm's investor base. Guildford would maintain regional offices in Australia and Mongolia to manage its projects. Guildford stated that its projects have large proven resources with access to existing coal logistics infrastructures that could connect them to the market. In Mongolia, Guildford would focus on achieving the planned one-million-tonne output for 2015 from the BaruunNoyonUul (BNU) mine, which started shipments to China in February after beginning production in December. The company would expand its production profile from the South Gobi project through increasing output from BNU and by opening additional satellite pits to achieve two million tonnes in 2016, three million tonnes in 2017, and targeted sustainable production of five

million tonnes by 2020. The project has a coal resource of 70.4 million tonnes.

### Protests in Russia

The Russian people's reaction to the death of Boris Nemtsov, the Russian opposition politician who was killed near the Kremlin late-February, could have far-reaching effects for the country's future. On 1 March, tens of thousands of protestors marched in Nemtsov's memory, holding flags and chanting "Russia without Putin." The marchers and their supporters believe Russian President Vladimir Putin and his government to be responsible for the assassination—while Russian state media blames the West. Former Deputy Prime Minister Nemtsov was shot dead while walking home from a restaurant mere blocks from the Kremlin. His death came just a day before a planned protest against Putin's rule. The country's investigative committee, looking into the murder, has said the killing is likely linked to the conflict in Ukraine or Islamic terrorism. Analysts argue that the killing will solidify Russian opposition factions against President Putin. Nemtsov was a sharp critic of Putin, assailing the government's inefficiency, rampant corruption and the Kremlin's policy on Ukraine, which has strained Russia's relations with the West. In early March, the United Nations stated more than 6,000 people have been killed in the 11-month-old conflict.

### India targeting inflation

India's government and central bank have agreed to commit to inflation targeting, in the biggest change to monetary policy since its

economy was opened up more than two decades ago, making a priority of subduing volatile prices. According to the country's finance ministry, India's bank and government set a consumer inflation target of 4 percent, with a band of plus or minus 2 percentage points, for the financial year ending in March 2017. India has suffered from almost chronic inflation volatility, due in part to its dependence on energy imports and the uncertain impact of monsoon rains on its large farming sector, and the difficulties transporting food items to market because of its poor roads and infrastructure. Inflation targeting is increasingly popular among large emerging markets which typically struggle to contain price rises that hurt their poorest citizens.

### President in Berlin

President Ts. Elbegdorj flew to Berlin at the beginning of March for a busy visit that included a meeting with German Chancellor Angela Merkel and a speech at the ITB travel expo. At a joint news conference, Merkel said the two leaders had discussed the interest from Mongolian airlines in forging closer ties with German flag carrier Lufthansa. Merkel further emphasized Germany's interest in pursuing a commodities agreement signed in 2011 when she visited Mongolia. President Elbegdorj also attended the Germany-Mongolia Business Forum with 15 leaders of Mongolian businesses, and a ceremony for the opening of a new building for the Mongolian Embassy in the centre of Berlin. ■



## # MONGOLIA

### THE LATEST ON TWITTER

Julian Dierkes [@jdierkes](#) - Mar 3

\$100mio award to Khan Resources, implications for #Canada - #Mongolia rels, learning & blame in Mongolian politics <http://blogs.ubc.ca/mongolia/2015/arbitration-award-to-khan-resources/>

The Permanent Court of Arbitration, based in The Hague, Netherlands, has ruled that Mongolia and state-owned Monatom LLC must pay Canadian uranium miner Khan Resources approximately USD 100 million, including USD 9 million in legal fees. The settlement stems from Mongolia's 2009 cancellation of Khan Resource's mining licenses. Mongolia—as a signatory to the 'New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards'—must pay the fine, which is equal to near MNT 65,000 per each Mongolian citizen. In 2009, the government revoked Khan Resource's mining licenses after caving into Russian influence, which looked to expand into Mongolia's uranium sector. This occurred around the same time as a government decision on the fate of Oyu Tolgoi. S. Bayar—a former journalist, teacher, and Ambassador to Russia—was Prime Minister at the time of both decisions. According to prominent investigator Keith Harmon Snow: "S. Bayar resigned in 2009—citing 'health issues'—but his resignation was just three weeks after signing the Oyu Tolgoi deal. [In] November 2007, Mr. Bayar purchased a Manhattan (NY, USA) apartment for USD 895,000; he paid some USD 16,000 in 2008 property taxes, rented the suite for USD 4,950 a month; and as of January 2014 had it listed for sale at USD 1,195,000." As of 2014, S. Bayar lived in Bellevue, Washington USA with his family.

Nick Cousyn [@ncousyn](#) Mar 2

Prepare for a rapid privatization of MIAT, else Khan Resource will go 'Elliot' on #Mongolia and start seizing planes <http://www.valuewalk.com/2014/11/elliott-letter-2014-argentina/>

If Mongolia fails to pay the USD 100 million owed to Khan Resources, then the Canadian company can confiscate overseas assets belonging to Mongolia. These assets include MIAT airplanes, which may be seized by authorities at international airports and sold to pay Mongolia's debt.

Huffington Post [@HuffingtonPost](#) - Mar 3

Long-lost fortress of Genghis Khan discovered in Mongolia [http://www.huffingtonpost.com/2015/03/02/genghis-khan-fortress-mongolia\\_n\\_6781454.html?ncid=tweetInkushp mg00000067](http://www.huffingtonpost.com/2015/03/02/genghis-khan-fortress-mongolia_n_6781454.html?ncid=tweetInkushp mg00000067)

A team of Mongolian and Japanese archaeologists confirmed last week that a fortress found in southwestern Mongolian (880 km from Ulaanbaatar) more than a decade ago was built by the legendary Chinggis Khan. In 2014, researchers used carbon dating to trace the on-site artifacts back to the 12th through 14th centuries. With this new data, archaeologists concluded the fortress was likely used as a military base during Chinggis Khan's invasion of central Asia in the 1200s.



## Guest panel: Mongolia must be thoroughly diagnosed and restructured

By B.Enkhtsetseg, G.Orkhon

*Our first editorial guest panel of the year brought together CEO of MIH group D.Jargalsaikhan, National University of Mongolia's School of Economics professor D.Erdenebat, and Chairman of the Financial Markets Association of Mongolia U.Ganzorig. We discussed Mongolia's current troubling economic situation, and possible solutions. Our editorial guest panel series presents an opportunity to meet a wide-range of entrepreneurs and economists and gauge their opinions on Mongolia's past, present, and future.*

**What is the root cause of Mongolia's current economic situation, and have we learned from our mistakes?**

U.Ganzorig, Chairman of the Financial Markets Association of Mongolia:

I'm not optimistic about it, because the whole society, entrepreneurs and even the government don't see any optimism. As a business operation, the economic decisions and income structures of individuals, companies and the state are all the same—only the size is different. There

is phrase: a living dog is better than a dead lion. If a company has not defined its goals, then the employees start to slack off and take advantage of the company. Gradually both the management and the employees start to rot and become corrupt; because of it the system starts to fail. Hence, dedicated, honest people become devastated and lose their direction in life. This means we lose productivity. The most important factor that measures the economy is productivity. It is very easy to measure and compare the productivity of Mongolians to Americans

and Russians. You can just compare the scale of intellectual creation. Nowadays products have become intangible; last year a Korean girl band performed in Thailand and earned USD 50 million overnight. This is what you call intellectual export. However Mongolia doesn't have this right at the moment. We labeled ourselves as a poor country and lived begging from international organizations for over 24 years, it seems like the objective was to get out of poverty. Logically, countries should aim and plan development, and not just plan to get out of poverty. In the past we didn't plan on where we rank in the world in terms of development. For example, Switzerland measures their development as indicated in their constitution by comparing the average income of the poorest citizens with the world average. Therefore we need to set our objective first and foremost, if not we will be considered a third string country by the others. Last year our development agenda was presented by international economic organisations at the World Economic Forum. This agenda was presented as 'How dependent is Mongolia on China'; since when did our country have to depend on a different country, and since when did the State Great Khural begin to consider agendas developed from non-government organisations seriously? Today the state is not doing its basic duties. The state must select the objectives and evaluate the path to development, not be swayed by the uninformed general public. The general public decided what to do for the past 24 years, and we can see the outcome now.

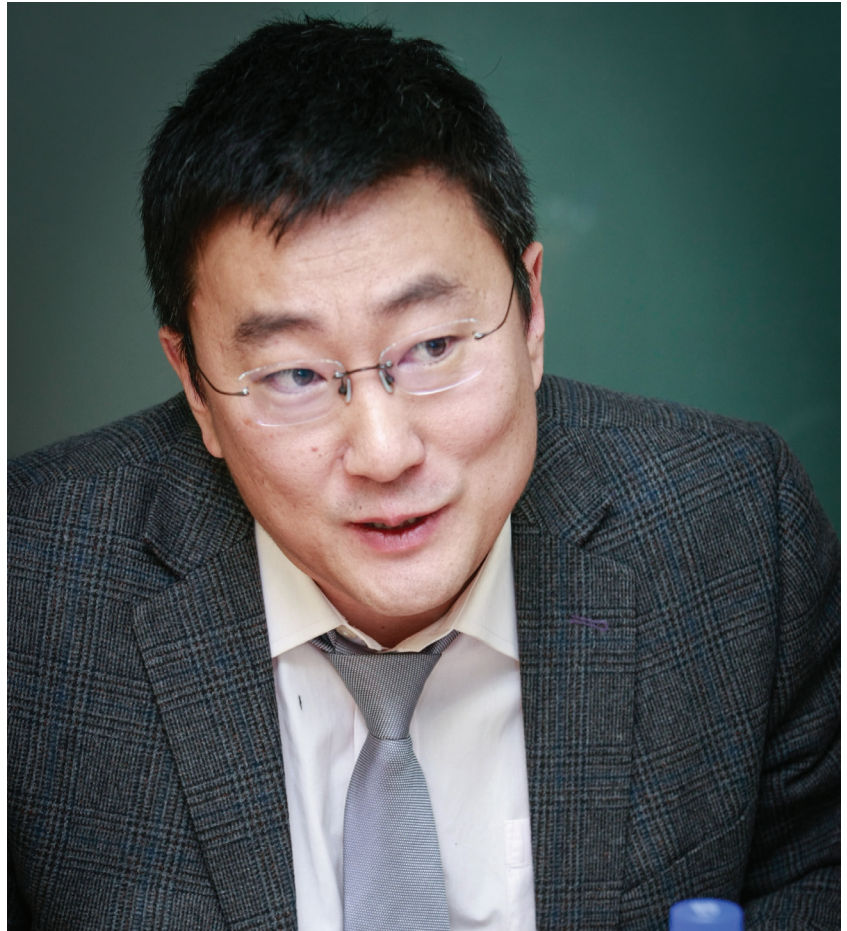
D.Jargalsaikhan, CEO of MIH group:

We must diagnose the cause of the current economic recession thoroughly. Prince Charming will not come out and solve everything for us; it's not a fairytale. I conclude that wealth creators' hands are tied by the state. There is no economic freedom at all. International surveys and research say that Mongolia's political freedom is on a fairly high level. Of course the right to life in the Constitution is most important—but economic freedom is as equally important. This right enables the people to benefit from their labor and distribute it to the others, but certain people who have already attained economic

freedom are hindering and restricting the general public. We have become polarized by the recent revenue and economic growth, and implemented many erroneous welfare policies. Logically it is right to care for the ailing people, but when you distribute the money of the wealth creators to social welfare it suffocates the people who work. Practically, in order to protect one's human rights, it violates the others. But everyone's rights needs to be protected. The solution to this issue is economic freedom.

“ Today we  
measure  
everything by  
money ”

Mongolian economy will grow. The mining sector has carried Mongolia on its back for a while now. Even when the general public's productivity was weak, the mining



D.Erdenebat, National University of Mongolia School of Economics professor:

Currently our country has become dependent on something—there is a rumor that the ongoing state social welfare policy has become an obstacle to the people who are trying to work. If it's true then it needs to be stopped. Productivity carries the economy and everyone has a capability to produce. If an individual increases their productivity by five percent, so the

sector gave us profit. However, relying on a single sector has its weakness, as when the productivity of that sector declines, it has adverse effects on the economy. If other sectors had high productivity, then we wouldn't be experiencing these troubles today. Unfortunately, we are already nearing a crisis. Twenty percent of the total economy was equal to four percent of the total workforce in the mining sector. On top of this the mining sector once brought 50 percent of foreign investment. These are

the main reasons that initiated the current economic recession.

Mongolia has few objectives besides waiting for the mining sector to score big. Foreigners say that the state is obstructing the private sector, even though those in the state always say they support it. What should we do to develop our country?

U.Ganzorig:

In the past it was thought of that there were three possible economic resources; but today there is only one—human development. A human being adapts and gathers resources to reach his goal. A lack in proper education is the reason we haven't set any objectives over the past 24 years. In 1990 our basic education level was not so different from global levels. Of course we didn't have any idea about the free market and economic relations. But look at where we rank in our education level now after 24 years. We need to redirect the education system. Each year 160,000 students graduate the Mongolian education system, and most graduates get bad marks from their employers. They don't know how to work and communicate with people. That these kinds of people enter the job market is unsatisfactory. An education system that prepares the workforce has been abandoned because we don't have any objectives. We need to reevaluate ourselves.

D.Erdenebat:

There is the term 'resource curse' in economics; Mongolia is heading straight that way. It's very sad that the Mongolian government has become dependent on mining sector investments. The richer the resources the more people wait for chances to earn easy money. Authorities only want to obtain personal money, but they are not thinking about the country's development. This is the resource curse. Government and citizens are connected by taxes. If a

“ If we preserve our natural resources, then we can't make money ”



multinational mining company enters little Mongolia and offers enough money, there is no need to collect tax from the citizens. For example there is no tax in countries like Kuwait and Saudi Arabia. They do not collect entity tax or civil income tax at all. But in Mongolia's case, now that mining sector incomes have vanished, the government starts to reinstate and increase the tax fees all of a sudden. This has been a total shock for the citizens and enterprises. Now Mongolians collectively agree that we need to set an objective. At least we need to measure our productivity with China and other Central Asian countries. The state can't do it alone, because they will only think about their personal interests for as long as they can. They're not interested in public interests or enrichment. Basically, there is no possibility to develop for Mongolia. Mongolia has become a piggy bank for the authorities and those in government. The livelihood of the general public and the higher officials are poles apart. When the connection between the state and the people breaks there is no development. Only four percent of the labour force works in the mining sector, we need to find a way to make the other 96 percent productive. There are three categories of unemployment: structural, frictional and cyclical. The most important is structural unemployment. There is a high chance of structural unemployment in mining sector dependant countries. Mongolia had 16,000 students in 1992; today we have 176,000. We need to give them a world-standard education. We must find the productivity

from our labour force in such a difficult economic period. The School of Economy has been taken down by the majority vote of the National University of Mongolia board members. We should've thought about it a little more. What can we do when the prime minister seeks an answer from the general public? This shows us that we are heading in the wrong direction and our education system is abandoned. We must not lose our educated professionals to a different country.

D.Jargalsaikhan:

Today we measure everything by money—that's the biggest danger we are facing. It doesn't mean it's a good thing if someone gives you a large sum of money or a big budget. We have a huge misunderstanding on the value of society.

**Mongolia refers to government megaprojects as cash cows. The Oyu Tolgoi cash cow already has begun part of its operation and become a significant contributor to the economy. Final negotiations for the Tavan Tolgoi deposit are underway. What's your opinion on these cash cows?**

D.Jargalsaikhan:

When the main goal is defined, we should work according to this goal—which means our goals should lead us. In other countries there is a model in which economic freedom is provided and all of society takes a certain benefit from private enterprise. But in Mongolia we tend to

see those people who are starting small businesses as oligarchs or money-lovers. Well, this is wrong. Let's take for example the gravel-stone industry. In order to prepare gravel-stone, the workers will need to transport it, so it demands the necessity of fuel, mechanical tools and bank services, which requires support in other fields of the economy. And the industry will pay taxes. But if we shut down those principal bodies that pay the most taxes, it causes harm to the economic services, and as a result the contributor ends up turning a loss. Mongolians don't understand this matter. Oyu Tolgoi consists of an open pit and an underground mine. The output of the open pit has already exceeded the output of mining at Erdenet. So it means compared to the year 2000, we have two Erdenets on our hands. We must find out why the situation hasn't changed, where the money flow is going. Of course these megaprojects will give benefits; but they will not become the main source of development. Instead, they must just support development.

U.Ganzorig:



We need to start the operation of Tavan Tolgoi. We must understand that we are in a difficult situation which is that we are trailing behind the world in economic and social development. We shouldn't argue about

## “ On top of uncertainties, investors now fear possible jailing ”

whether we should keep one mountain untouched or not. If this goes on we will lose all our land instead of one mountain. One day the existence of Mongolia might come into question. Look at how Russia is playing chess with Ukraine, which is a huge country with 40 million citizens compared to our country. We must not stop mining development by talking about nature or the environment. We are losing our only source of money. If we preserve our natural resources, then we can't make money, which means there will not be any development. After that the questions of our continued existence will arise. Time is precious in economic decision making. To make the right decision at the right time is important.

We should've traded Tavan Tolgoi in 2011; likely there will be no rain floods again in Australia in the next 15 years. In 2011, the price of coal was it's highest and we should've sold it on the global market. By trading it doesn't mean 100 percent must be sold; we could've sold just half of it. But now we are trying to lease it now, which means that the government does the right work at the wrong time.

**The Mongolian government says that the only way to save the economy is with foreign investment. D.Jargalsaikhan said that foreign investors continue to be interested in us; so how do we regain the trust of investors?**

D.Jargalsaikhan

The sudden change of law is the most feared factor of foreign investors. On top of uncertainties, a possibility of jailing has been added to the fear. Maybe we are going through a learning process. We need to measure our development. I searched if there were any policies in the past and found out that the Constitution indicates: "Our policy is to develop a humane and democratic civil society". But it is hard to tell if it's an objective or not because there is no criteria to measure it. It is difficult to research our country, because there are

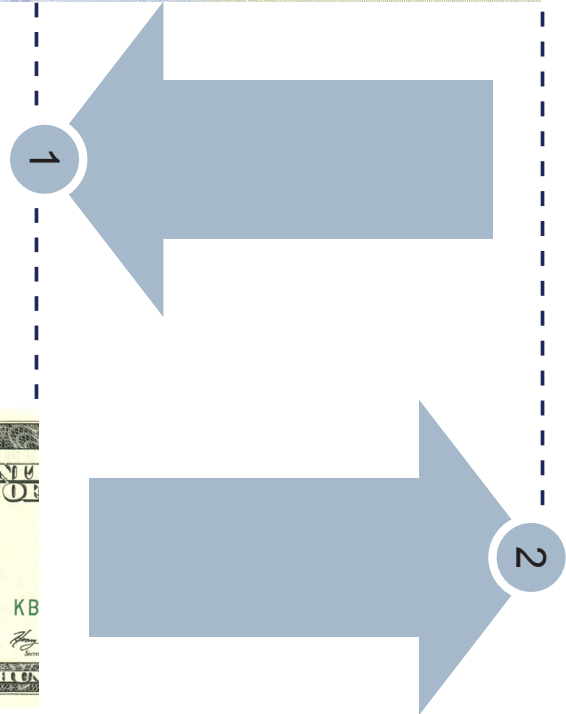
no recorded documents or information. We should start to build a database soon as possible. The Fraser Institute ranking shows that Mongolia ranked 150th out of 152 countries in economic freedom in 2014. Heritage Foundation research indicates that we have no economic freedom at all. To start with, the state must develop a policy by using economic competitiveness measurements and research. We must also begin considering domestic investors. Assets are not only money but are also human development. Everyone has their own assets and potential, which we must help to develop.

U.Ganzorig:

In 1990, we concluded that the free market develops a country. And we found out that the education system is a competition and the best rise up through it. We abandoned our education system and went by a wrong philosophy for 24 years. Even though we have skyscrapers, we don't have a biotechnological center. We have private hospitals, but we don't have a big medical center that would attract foreigners. So it means we don't have anything. The global economy is talking about reform. But here we are only talking about cutting the budget and welfare policy. These matters are just a daily task of the government. The people must demand a policy that would develop us and secure our future in 50, 100, 500 years from now on. Our economists and entrepreneurs think that Mongolia needs structural reform. To do that, thorough research must be done. D.Jargalsaikhan said that if we can do this the future might become bright. In the view of entrepreneurs, the main point of the text-message referendum by Prime Minister Ch.Saikhanbileg was for the government to obtain carte-blanche to continue as they deemed necessary. On the other hand it was also a way to attract the attention of foreign investors. They explained that Mongolia must be thoroughly diagnosed and restructured. ■



## Similarities of today to the 2009 crisis



By Erdenetungalag

Mongolia's current MNT depreciation and rising budget deficit level is reminiscent of its experiences in 2009 during the global financial crisis. The main reason behind Mongolia's 2009 crisis was the decrease in global copper price along with the consequences of the 68 percent Windfall Profits Law tax that alienated investors. The introduction of a 68 percent tax to copper and gold producers who had been the key engine of economic growth made the Mongolian economy very susceptible to global commodity price volatility. As a

result, a 70 percent decrease in copper prices directly brought about the crisis.

Back then, in order to rescue Mongolia's economy from a deeper crisis, the International Monetary Fund (IMF) gave a USD 229.2 million loan to the international reserves of the Bank of Mongolia (BoM), with conditions to implement tighter fiscal and monetary policies. The IMF Stand-By programme limits cash flow in the market. During the 18 month programme, the average loan annual interest rate

reached 22.2 percent, and non-performing loan share of total outstanding loans peaked at 17.4 percent. Although the programme had a negative impact on the private and banking sectors, it helped ease MNT depreciation and compressed sturdy inflation. However, in addition to the programme's effects, both an upswing in copper prices and the removal of the Windfall Profits tax contributed significantly to the rapid recovery of Mongolia's economy. Following the signing of the Oyu Tolgoi investment agreement in late 2009,

foreign investors' confidence in Mongolia surged and FDI grew by 8 times in only three years—from 2009 to 2011, USD 570 million to USD 4,620 million. A boom in coal made the Mongolian economy one of the fastest growing economies in the world in 2011, achieving 17.5 percent growth. Today's economic downturn is not only the result of the global commodity price decline (Mongolian border coal price per tonne declined steadily from USD 181 in September 2011 to USD 35 in January 2015), but also the poor decisions made by policymakers over foreign ownership shares.

**Unstable investment environment:** During coal boom-based growth in mid-2010, policymakers introduced a new 'progressive royalty' tax and approved a 'strategic entitles foreign investment law' (SEFIL). In addition, there was a discussion on mineral law amendments which would prove to be highly unpleasant to foreign investors. As a result, foreign investors started to leave Mongolia, beginning in late-2012. Although, policymakers approved an investor friendly new investment law by removing SEFIL, and approved a mineral policy instead of the unpleasant amendments to the mineral law, FDI inflow remains low.

**Overseas export revenue based growth:** We know that most mining projects are foreign invested (70 percent of total FDI goes to the mining sector), as commercial banks' capacity is limited and Mongolia's stock exchange is underdeveloped. Therefore, foreign investors raise their financing from the international market in order to start projects in Mongolia. Once they begin making money from their operations, they need to pay their loans first to foreign lenders. Thus, it is impossible for Mongolia to receive all the sales or export revenue. Mongolia only can receive initial and expansion capital investment and operational expenses in Mongolia including taxes, salaries and purchases from the domestic supplier. In parliament, responding to a question about whether Mongolia is receiving sufficient revenue proceeds for mineral exports, B.Javkhlan, First Deputy Governor of the BoM said: "Only 55 percent of USD 5.8 billion in exports came back to Mongolia in cash". Thus, although the trade balance seems

positive in the amount term, it is negative in the cash term.

**High amount of MNT supply:** This obviously depreciates the MNT rate by appreciating foreign currency. Government cash handouts, BoM's print money, the 8 percent mortgage loan initiative, the Price Stabilization Programme—these all have encouraged MNT supply.

The current economic situation has the potential to be worse than the 2009 crisis, as the economy is under tremendous debt pressures, with advanced warnings showing a potential sovereign debt crisis and with no sign of a coal price recovery in the short-term. If we consider the off-budget spending by the Development

“ The promised but not allocated 1,072 shares of Tavan Tolgoi for every Mongolian citizen initiative is an example of an unnecessary cash ”

Bank of Mongolia (whose budget deficit accounts for 10 percent of GDP), the money supply has been excessively high. Also, net international reserves became negative as a result of the BoM's active intervention against MNT depreciation. Therefore, in order to collect back that MNT supply from the market, we need the IMF's tight policy. Sources indicate that the IMF and the World Bank have offered the Mongolian government USD 600 million in loan aid. The IMF Stand-By programme focuses more on balance of payments by decreasing money supply, while the World Bank programme focuses on fiscal balance by cutting budget expenditures. Although it has a negative impact on private sectors through increasing the loan interest rate and decreasing the demand, the programme will ease MNT depreciation and inflation growth. If the USD appreciation is managed well, that in turn will have a positive impact on the private sector by decreasing their import cost (private sectors are 70 percent

dependent on import purchases).

However, the IMF won't alone rescue Mongolia, which needs to start paying off its external loans and bonds starting in 2017. Therefore, in addition to the Stand-By program, at least one of the megaprojects should be started as soon as possible. Negotiations for Tavan Tolgoi are ongoing, although sources indicate that total investment into the project is estimated at USD 3 billion, out of which an estimated investment of USD 1 billion is likely to come in 2015 from the 267 km Tavan Tolgoi-Gashuun Sukhait railway.

On 18 February, the final day of parliament's fall session, it seemed clear that the government was willing to jumpstart Mongolia's megaprojects but hesitant to accept the IMF Stand-By agreement. Opposition to the agreement stemmed from the IMF's high requirements for the government and the BoM. Thus, in order to save their power to spend, policymakers decided to implement their own programme, approving the 'measures to overcome economic difficulties', a savings policy that has 70 actions. At the close of the session, policymakers also looked to attract investment by making amendments in the mining- and environment-focused Law with the Long Name. Parliament looks to raise the debt ceiling by removing the government guarantee and public organisation loan from the country's debt—although the debt ceiling will seem to remain at the mandated 58.3 percent, indeed, this action will effectively raise the debt ceiling to around 70 percent of GDP.

Looking ahead to parliament's spring session and beyond, the government must not implement a cash handout policy upon receiving prepayment from investors. Mongolia needs capital formulation and construction. The promised but not allocated 1,072 shares of Tavan Tolgoi for every Mongolian citizen initiative is an example of an unnecessary cash handout. Cash handouts increase prices but not the permanent income level. The government must spend its money on development, focusing on infrastructure and construction for limited social services (hospitals and preschools), and improving the education of its citizens—only thus can Mongolia avoid another 2009-like crisis in the future. ■



The State Great Khural

## Parliament passes new laws at fall session's close

By Ts.Elbegsaikhan

The fall session of the State Great Khural ended 18 February, the last day of the Year of the Horse and a week later than parliament originally planned. Parliament extended the session because the speaker of the State Great Khural, Z.Enkhbold, declared the necessity of discussing several undecided bills proposed by the government.

During the final week, parliament discussed updates to the Minerals Law, an amendment to the 'Law with the Long Name', a draft bill on debt management, the forced resignation of Head of the Cabinet Secretariat S.Bayartsogt, and a draft bill called 'Measures to overcome economic difficulties'.

Before the session's close, parliament approved the bill 'Measures to overcome economic difficulties'. The new law aims to improve Mongolia's balance of payments to overcome the economic slowdown. The law contains a decree about intensifying the development of megaprojects and increasing foreign investment as means to reduce foreign debt.

Parliament went on to discuss the issues regarding the Law with the Long Name (the 'law to prohibit mineral exploration

and mining operations at headwaters of rivers, protected zones of water reservoirs and forested areas'). It also got the majority approval without any questions or objections. As of today, there are 909 active exploration licenses and 427 active mining licenses. The new law states that the restricted zone must be more concrete, and prohibits mining within 200 meters of the restricted zone. As a result, the government expects to revoke more than 300 active licenses.

The third issue discussed was the debt management bill. The first draft bill was introduced on 30 April 2014, and then later withdrawn to make amendments on the 2 February 2015. The amended version of the draft was resubmitted to the State Great Khural on 6 February 2015. Several changes to the bill relating to the budget needed to be made in order to approve this draft. For example, the debt management bill specifically indicates the creation of a state budget debt repayment plan.

Parliament also approved amendments to the Minerals Law, backed by the Parliamentary Standing Committee on the Economy. Ninety-three percent of the voting members gave their approval to the

amendments. The major change in the law was that the state-owned strategic mining deposits would become available to be transferred to the holder of a mining license for exploitation of mineral resources. In this case the license holder must pay a fee for using the mineral resources.

The last issue discussed during the session was the matter of the forced resignation of Head of the Cabinet Secretariat S.Bayartsogt. The parliament members who proposed the dismissal were absent during the discussion, so the issue had to be discussed and voted by the Standing Committee as indicated under the law. A near-unanimous 97.6 percent of the voters decided that the dismissal of S.Bayartsogt was not required.

Several other draft bills related to the major laws were discussed and approved during the session. Parliament also filled the positions for head and secretary of the General Election Commission. Ch.Sodnomtseren was reelected as the head of the General Election Commission, and Ts.Boldsaikhan was appointed as the secretary of General Election Commission. These officials were appointed following the proposal of Speaker Z.Enkhbold. ■



Artist: E. Tsolmonbat  
"Forgotten melody"

**Description:**

A woman wears traditional Khalkh clothing, honoring Mongolian national culture. A slightly mysterious and sad trumpet melody cradles the universe.



## The essential role of women in society and government

By Ts. Elbegsaikhan

Women's rights and human rights are inseparable concepts. Women must have equal rights as men and access to equal opportunities. Nowadays, women's rights are facing new challenges on a much broader scope. Globally, gender inequality often stems from violations of women's economic rights. As a human, I was surprised and concerned when

president of the Mongolian Women's Association J. Erdenechimeg said that 70 percent of the world's low income citizens are women. Women own only 1 percent of the world properties—men own 99 percent. Poor economic status continues to be the main reason behind women's frequent dependency on men.

Women's economic security is a major

concern in Mongolia. According to 2013 statistics, there are 81,741 female heads of household in Mongolia. If you classify the monthly wages by gender you can see that women's wages are always lesser than men's. The latest research results, compiled in 2012, show the average monthly salary for men at MNT 593,100 and MNT 524,300 for women—well below

the national average of MNT 557,600. And the difference in average salary between men and women is increasing, according to the statistics. Back in 2003, the average salary difference was a mere MNT 10,000.

Although the wages for women have deteriorated, Mongolia's gender equality is relatively better than many developing countries. Both boys and girls can get the same level of education. The employment level is almost equal. Mongolia has joined international conventions, signed treaties and ratified legislation to work toward gender equality. There are nearly 100 women's organisations in Mongolia; around 40 of them work independently while the remaining 60 cooperate with the Mongolian Women's Association. Each year, International Women's Day is officially celebrated across the entire country.

According to research of the National Statistical Office of Mongolia, 97.7 percent of women are literate. In 2013, 54 percent of school graduates at every level were women. About 30 percent of women have graduated college. Furthermore, two thirds of college graduates are women.

Forty-seven percent of the employed population is women, but only 11 women are members of the State Great Khural, out of a possible 76. A few years ago, there were only three female parliament members, but the numbers grew thanks to new legislation which requires that 20 percent of candidates must be women.

It took nearly 100 years to achieve these results. The Mongolian Women's Association has 90 years of history: during the socialist regime, it worked to make the entire nation literate with help from the state. There were about 30 female deputy

members in the National Congress in the 1980's; socialist authorities back then tried to incorporate women into decision-making at all levels.

After 1990, women's participation in decision making declined considerably. J.Erdenechimeg explained the reason why women became political minorities: "First of all it's a thing of a mindset. There is a custom that the men must hold the power even amongst the women. [In the capitalist era,] politics has become a competition for power and wealth, and this competition has reached life-threatening levels. That's why women don't want to enter politics."

Mongolians know that we need the voice of women in our government, and we have worked to achieve this result in the past. Mongolia must continue to encourage an equal place for women in society and government. ■

#### Graduates (thousands)

Category	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
All grades	102.9	118.2	128.1	131.1	132.8	134.5	134	139.5	133.7	167.8	150.6
Female	57.5	66.7	70.7	72	72.9	74.1	73.8	76.3	73.7	90.9	81.3
Secondary school graduates	79.4	91.2	97.5	100.4	99.9	96.2	89.8	90.2	86.7	107	90
Female	42.9	49.6	52	53.2	52.6	50.7	47.5	46.9	45.5	55.2	47
Graduates with vocational training	5.2	5.9	8.2	7.1	7	8.7	11.2	15.1	11.2	23.1	23.4
Female	2.8	3.3	4.2	3.4	3.4	4	5.3	7.3	5.3	11.4	10.4
College, university graduates	18.3	21.1	22.4	23.6	25.9	29.6	33	34.2	35.8	37.7	37.2
Female	11.8	13.8	14.5	15.4	16.9	19.4	21	22.1	22.9	24.3	23.9

#### Average salary

National total (MNT thousands)	Gender	2008	2009	2010	2011	2012
	Total	274.2	300.4	341.5	424.2	557.6
	Male	291.2	322.6	370.4	470	593.1
	Female	258.1	279.9	314.5	381.3	524.3

#### State Great Khural (Parliament) members

Number	2000	2004	2008	2012
Total	76	76	76	76
Male	67	71	73	65
Female	9	5	3	11

#### Proportion in the employed population (not including agricultural sector)

Workforce	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Women compared to men (percentage)	51.1	53.1	53.1	53.9	53.1	53	47.4	47.5	46.5	47.8	47.8

## What kind of policies and measures must be taken to increase women's participation in the economy and government?

**President of Mongolian Women's Association J.Erdenechimeg:**



We still don't have gender equality policies. Even if there was a policy, the electoral system is denying women's participation in politics. The authorities are using their power for the profit of only certain individuals or groups of individuals; they don't care about social responsibilities or the development of our country. That's what we call societal failure. That's why women don't want to enter politics; family is most important for us.

**Head of the Nooson Zangilaa (Woolen Knot) Cooperative Ts.Tsend-Ayush:**



Women's participation in the economy and politics is very important. However, we don't have the privilege to express our thoughts and partake in it. In today's society, we have so many issues on our

backs. For example: we do business to feed our family, we bear all the responsibilities—but women do not strive to become State Great Khural members. We just want the state to hear our voices and opinions, to help solve our problems and give answers to our questions. Our organisation belongs to the private sector, and 90 percent of our members are women. But the government spent eight years saying they would solve the legal matters of cooperatives and yet so far they've made no progress. I have no words to say. I wish happiness to all the courageous women.

**Lecturer at National University of Mongolia School of Economics S.Davaasuren:**



State policy effectiveness is measured by its effect on revenue and justice. The balance between justice, equality and efficiency becomes the criteria for state policy and programmes. Women's participation in the economy will have a positive effect on productivity and wealth distribution. I view policies of fairness and equality as important tools to increase women's participation in politics.

**Member of Parliament S.Odontuya:**

At first, women must decide their personal family issues to become a wealth creator and participant in Mongolia's economy. We will only be available to work successfully if our children go to safe schools and preschools. Our income becomes irrelevant when we pay so much



money to childcare and healthcare. So in order to resolve the issues of women's politics and economic participation, we need to decide first women's family and social issues.

**Team leader of World Vision International in Khentii aimag E.Tsetsegsaikhan:**



Every woman does not have to be a politician to participate in politics and the economy. However our voice must reach the government—that's the participation we're talking about. We must find ways to improve this participation. Most of us aren't involved at the decision making level. We must find a way to improve local herders' involvement in the economy. I think the economy will improve if more women participate in it. ■



# The importance of International Women's Day

By Eland Robert Mann

International Women's Day is a day for women to celebrate and to celebrate women. We celebrate friends, family, and women throughout the nation and the world. But as we give gifts and enjoy parties, we must remember that women's day is also about women's rights and gender equality—important now as ever for women around the world and in Mongolia.

International Women's Day (IWD) began as a socialist movement to promote equal rights for women. On March 19, 1911, over a million women across Europe celebrated the first IWD by parading and demonstrating in the streets and squares of European cities, gathering together to voice their rights, at a time when women

in European countries did not have the right to vote. Women protested for their right to vote and hold public office, and against employment sex discrimination. This fight led to women's suffrage, and a better society for mankind.

Today, although a Mongolian woman can vote and hold public office, she still faces institutional and private challenges that daily infringe on her rights. Today's struggle for women's rights, like that of the past, is a struggle for gender equality.

## Gender equality and government

For a business, government, or country to be successful, women must have the same rights and treatment as men. Gender equality strengthens society, private enterprise, the economy and government.

When then US Secretary of State Hillary Clinton visited Ulaanbaatar in 2012, she said: "One of the characteristics of every strong democracy in the world is that they are fully open to all of their citizens—men and women. A democracy without the participation of women is a contradiction in terms."

Women in government offices are leading the societal struggle for gender equality. United States Ambassador to Mongolia Piper Campbell, a political leader and role model for both American and Mongolian women, believes that a society is stronger the more women become involved in government at every level. "I think that that emphasis on the importance of women's voices, women's perspectives, and having women at the table is the best

way to explain how important it is to have women involved at the local, national and international level, because they're all so clearly connected."

Despite the need for gender equality, it continues to be an ongoing issue for every society in the world, including in the US. "Challenges remain" the Ambassador said. "For example, President Obama, in his State of the Union [speech] touched on the need for there to be equal pay for equal work for women and men, and also spoke specifically about the need for better childcare provisions, more affordable childcare in the United States, and also enhanced sick leave and maternity leave; these all being issues which have a significant impact on the ability of women to remain in the workforce or the enter the workforce."

The Ambassador noted that in the US government, only 20 percent of elected legislators are women. While the situation is similar in Mongolia, with men far outnumbering women in parliament, Mongolian women are nonetheless increasingly active in politics. Mongolia's "Gender Equality Laws of 2011 require that no less than 20 percent of candidates at all levels of election must be female," said the Ambassador. "I think that that development, statistically, has brought more women into Mongolian politics." She added: "Some of the shifts in law in Mongolia over the last couple years, which have devolved certain responsibilities down to the aimag or soum level, actually create more opportunities for women who are in politics at the soum and the aimag level to be involved in decision making—including how to use the state budget." The Ambassador stated that the "increased focus on local government, developing development plans and engaging with local communities" at "the soum and aimag level creates additional opportunities for women's voices to be heard."

Yet behind the female leaders in government are more than a million Mongolian women who struggle with personal barriers to gender equality every day.

#### **Mongolian women and childcare**

On a week-to-week, often day-to-day basis, Ambassador Campbell meets hundreds of Mongolian women. "I've been very impressed with the caliber and the energy and the drive of a many of the women I've met here in Mongolia—whether it's Mongolian women in politics, or in the business area, they seem almost universally sharp, focused, and I think they're great representatives of their

country."

While listening to and talking with Mongolian women from every strata of society, the Ambassador has noticed they share several common concerns. On one occasion, the Ambassador met with Mongolian women who work in the armed forces, border patrol, and police. "One of the questions I asked them was whether they felt they had the same opportunities, and whether they received the same wages as their male counterparts. They said one



of the things that they liked about working in the government is that there are very clear positions, and if you are hired into a position, whether you are a man or a woman, you receive the wage which is stipulated for that position. So in general they felt that they were treated equally with their male colleagues in terms of salary. But we then touched on a range of challenges, including some of the things that President Obama spoke about, and which are challenges for women in the United States, including the tension between your professional advancement and the pulls of childcare and stepping out of the workforce when you're having children and when the children are quite young. They felt that there were clear challenges in staying on track in their careers."

"One of the things that I regularly hear Mongolian women talking about is actually access to childcare. And I know that traditionally in Mongolia the extended family was very strong, and often the grandparents played a significant role in raising children. Especially as people move from different areas of Mongolia into Ulaanbaatar, some of those traditional family networks are weakened. And if you've got parents who are living elsewhere, they're not able to provide that same kind of support. And so one thing I do certainly hear is concern about access to high quality childcare—especially preschool. I've met women

who've said 'I'm staying out of my chosen career for a few years while I'm raising my children.' So when I talk about childcare I always place the emphasis on 'affordable' childcare, because if you've got wage equity, but families which are taking the decision to have children are spending a disproportionate percent of their wages on childcare—that can actually cause families to take decisions to have one or the other wage earner to step out of their career for a few years. And we see that more often than not it's the women wage earner who steps out of their career for a few years."

#### **Career women and the economy**

B.Khaliun is the former Editor-in-Chief of *Cosmopolitan Mongolia*, a magazine (motto: 'Fun Fearless Female') devoted to professional women. In November 2014, the United Nations Population Fund invited Khaliun to a conference entitled 'Beijing+20, Youth Engagement and Gender Responsive Advocacy for Media in Asia and the Pacific', in Bangkok, Thailand. "It was an eye-opening experience," said Khaliun, when asked about the conference. "I had the opportunity to meet the most active women rights representatives from Asia and the Pacific, and learned about the challenges that Asian women share. One of the interesting challenges was how women experience 'time poverty'; they carry out most unpaid work—providing care to children, and to elderly, sick or disabled family members, as well as doing other unpaid household work. Women's time poverty is an especially huge issue in Mongolian society. Because of this unspoken and unaddressed issue, women in Mongolia are falling behind their employed male counterparts in all fields, including the economy, politics, and finance. Time poverty causes women to achieve less in their careers than men."

Not only are Mongolian women more limited in their career opportunities than men, when they do work they earn less money than men. One of the best ways to track gender equality is to examine per capita income statistics. In Mongolia, according to Ambassador Campbell, the figures for average per capita income for men and women are significantly far apart. "The per capita average income for a man is USD 3,045 and for a woman is USD 2,611—and a very large percentage of the women-headed households fall below the poverty-line. There are some troubling indicators there, of especially women-headed households, where those families are probably having a real struggle."

As Mongolia's economic situation worsens, women—already burdened with time poverty and limited access to

childcare—support their households with less money earned than their male counterparts. This reality harms women and their families, while perpetuating Mongolia's economic troubles. If women had more support that allowed them to work more and earn more, then they would become greater contributors to Mongolia's near-crisis economy. "These things that we've been discussing—of access to childcare, and ability to enter the workforce—I think become even more important considerations when you're seeing some of the economic indicators that we're seeing right now in Mongolia," said Ambassador Campbell.

### Domestic violence and Mongolia

Domestic violence continues to be a horrendous issue that makes the headlines of Mongolian newspapers. Yet most cases of domestic violence never become public, and remain a terrible secret in the private lives of thousands of Mongolian women. One of the points emphasised at the UN conference on gender equality, B.Khaliun noted, was how, "Ending violence against women and girls is essential to achieving gender equality. Sexual violence, intimate partner violence, and other forms of coercion are clear violations of their rights."

When asked about domestic violence in Mongolia, United Nations Population Fund (UNFPA) Representative in Mongolia Naomi Kitahara said: "the UNFPA estimates that around 35 percent of women and girls globally, and in Mongolia, are considered to experience some form of physical and or sexual violence in their lifetime. Over the last four years, 61 women and children have died from domestic violence in Mongolia. The DV Law revision has been submitted to the Parliament. If approved, domestic violence will be classified as a crime, which is critical to end domestic violence and to provide effective support for victims of violence. The UNFPA asks mothers and daughters, fathers and sons to call on their respective Members of Parliament to support the passage of the DV Law."

To spread awareness and combat domestic violence, the UN created the Orange Campaign. Here in Ulaanbaatar, the UNFPA's Orange Sessions are local events that began in June 2014 to end violence against women and girls. Kitahara said: "Thus far we have included over 30 performers in live events and filmed eight music videos, which are available on our website and YouTube site. The Orange Sessions performers are an outstanding group of young people, men and women alike. They volunteer their extraordinary talent to help deliver messages to end violence. The musicians have taken up



the UN Secretary-General Ban-ki Moon's call to 'Unite to end violence against women and girls,' and Orange Sessions are the UNFPA's response to the global campaign to end violence against women and girls." To spread awareness in Mongolia, the 25th of every month is Orange Day.

### The importance of education and access to information

The future of gender equality remains bright wherever women can obtain high quality education and access to information (such as from books, libraries, and the internet). Mongolia has higher levels of education than most of the developing world. "The level of education in Mongolia is quite impressive overall," said Ambassador Campbell. "And the near-parity of men and women at all levels of education, I think, gives Mongolia a really strong starting point for moving toward gender equity and seeing advancement of both women and men. Some 75.5 percent of men, in the age 7-22 age-frame, and 82.2 percent of women, are attending school, and that's fantastic—and I think one of the most positive indicators of Mongolia being on a trajectory for growth and development of the country."

However, the situation is better for women in cities than it is for those in rural areas. Ambassador Campbell remarked that women of herder families often mentioned to her that they were so busy with the herding life that "They didn't have the same access to education, they didn't have the same access to information that you do in more urban areas, and perhaps they didn't have the same sort of energy for engaging in the conversation about things like gender equality. And of course access to information and levels

of education are two of the key indicators that we've seen throughout the world as having a pretty clear connection with creating opportunities, informing women about their rights and giving women that drive to try new things."

### Final message

"I love the fact that international women's day is recognised as a holiday in Mongolia," Ambassador Campbell remarked. "I think that Mongolian women—because of their drive, because of their impressive level of education, and perhaps because of the history of independent thinking in this country—already play an important role and have great opportunity ahead of them. I wish them all the best."

Women like Ambassador Campbell, B.Khaliun, and Naomi Kitahara are making it their mission to use their voice and platform—whether government, media, or international organisation—to promote gender equality in Mongolia and around the world.

As we celebrate International Women's Day, know that Mongolia can achieve gender equality—by ensuring women's place in government, by supporting women through affordable childcare, by providing women equal career opportunities, by changing the culture of time poverty that burdens women with an unequal share of unpaid work, by paying women the same as men so that they can be greater contributors to their households and to Mongolia's economy, by ensuring women throughout the country have access to quality education and information, and by ending domestic violence. ■



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FROM THE AMERICAN PEOPLE



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The Quality Supplier Development Center (QSDC) is a business development organization founded by private sector representatives and supported by the U.S Agency for International Development (USAID) funded Business Plus Initiative project. The primary objective of QSDC is to increase the competitiveness of Mongolian companies, enabling firms to overcome barriers to increasing sales and meeting the growing demand through its technical and financial assistance.

QSDC provides technical and financial solutions to Mongolian companies in order to:

- Increase production capacity;
- Introduce quality improvements and standardization, including acquisition of international certifications such as ISO and HACCP;
- Acquire and adopt new technologies;
- Develop new products or services;
- Identify new and better suppliers of inputs and raw material;
- Matchmaking with new buyers;
  - Improve or upgrade your current suppliers;
  - Access new markets.

QSDC's Supplier Development Program serves both:

- large companies, who are seeking to develop their supplier portfolio (in size and quality) and;
- SMEs, who are in need for direct technical and financial assistance to grow their businesses.

**Supplier Development Program**

**Quality Management Program**

QSDC offers demand-driven trainings based on international best practices in quality assurance areas, required for increasing competitiveness of SMEs. We provide following internationally certified trainings of the Chartered Institute of Environmental Health (CIEH) in Mongolia:

- Food Safety;
- Hazard Analysis and Critical Control Point – HACCP;
- Health and Safety in the Workplace.

Additionally QSDC provides Six Sigma – Green Belt Training in cooperation with our partner organization.

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**"WE INVEST IN YOUR  
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Interview

## Cashmere's leading businesswoman

*We talked with Ch. Gantsetseg, general director of Khanbogd Cashmere LLC, one of the leading cashmere processing businesses in Mongolia. A Mongolian Economy exclusive, this is her first interview with a magazine, as she rarely speaks with the media. She established Khanbogd Cashmere in 1998; since 2005, her company has annually received many prestigious awards—such as 'Top-100' enterprises and 'Reliable tax payer'. Many world-renowned brands use combed cashmere produced by her company. Only days ago, Gantsetseg received the 'Lady Entrepreneur-2014' award, presented once every two years by the Mongolian National Chamber of Commerce and Industry.*

**How did you start your wool-washing and processing business?**

My professional training is as an economist and I stepped into this business merely by coincidence. I had only about 10 employees when I established my company, but now we have more than 300 employees and have become one of the leading enterprises in Mongolia. Despite being a relatively small enterprise, we achieved great results and we hope to maintain our achievements in the future. Our products are being sold on domestic and foreign markets and we export our products to countries such as the UK, Italy and India. We pay a lot of attention to quality and manufacturing processes because worldwide known brands use our cashmere in their products. Foreign clients set high requirements and always monitor the quality. Our business is growing year by year, alongside our growing number

of clients. We locally buy the cashmere, and after that we sort, wash, comb and dry to prepare the products for export. We export our products to Europe by air freight with Korean Air and Turkish Airlines. Also we use the port of Tianjin to transport and sell our products to markets in China, India and South Korea. Domestically we provide more than a dozen cashmere manufacturers like Gobi, Goyo, Buyan, and Eermel with combed cashmere. We had MNT 94 billion in sales in 2013; last year, sales were MNT 100 billion. Because of the global economic situation, sales are expected to decline by 20 percent this year. Domestic cashmere price might fall, following the global market decline.

**Are you planning to expand your business into sectors other than**

**cashmere? What strategies do you use to stay in the black during these troubling times for the economy?**

Other than the cashmere industry, we're setting our foot in the construction and finance sectors. Despite this near-crisis period, our company is following an expansionist policy. Next April we are going to increase the wages of our employees, and we're still hiring more workers as needed. I think our biggest achievement is that we're keeping a stable operation, even though the commodity prices have dropped on the global market.

**How many competitors are there for you in the domestic market?**

There are nearly 20 cashmere processing manufacturers in Mongolia. We work together, rather than competing. In the beginning we were competitors, but now we supply each other with products and share our experiences with each other. Over the past two years we've been discussing how to compete on the global market by representing Mongolia cooperatively. Our country has the second largest cashmere stock in the world; we must continue producing quality products.

**What's the most unique feature of running a business in the cashmere industry?**

I started my business in this sector, so you can say I'm accustomed to it. Thanks to the development of foreign relations, our company supplies 80 percent of Italy's cashmere import. Most of Italy's name brand manufacturers know us. It is our advantage and we need to continue developing this business using our experience.

**It's good to hear that major brand manufacturers are cooperating with Mongolian cashmere products. What are you learning from these major brands by cooperating with them?**

We are learning a lot of things. For example, a certain CEO of a foreign company advised us to buy a washing machine for the factory in order to keep the employees clean so they could produce cleaner products, and we bought it for USD 10,000. Foreign partners and clients demand a lot of requirements from us. I think we are successful because

we can meet their expectations. At first it was difficult for our employees to meet a foreign company's requirements. But after learning and using their requirements, we



found it very useful. Thus, an English expert who works for a global brand has inducted training sessions for our employees. We are not manufacturing shirts that cost USD 100—the end price of our finished product is at least USD 2,000. I consider our business to be growing by following instructions from more experienced people. We are becoming more and more experienced by trying to meet the strict contract conditions of the Europeans.

“**Businessman should not get engaged or get mixed in politics, that's just wrong. A businessman must do business, not politics—politicians are there to do that.**”

**Is it hard to lead a business as a woman?**

Men and women face the same issues and problems when running a business, so there is almost no difference. When you

run a business, there are many obstacles waiting for you, you need to overcome it to get results. A businessman must have the skill and ability to overcome obstacles. You can't run a business if you give up easily. My motto is: “Obstacles are there to be overcome”. Also a businessman should not get engaged or get mixed in politics, that's just wrong. A businessman must do business, not politics—politicians are there to do that. Many Mongolian enterprises are going bankrupt because they're engaged in politics.

**What's your defining business principle?**

I demand honesty. Also I demand speed and quickness. I always tell my employees that they must be fast and do their job on time. And we do our work very fast, so fast now that the state can't keep up with us. Sometimes we lose a lot, because of the slow pace of the state and especially because of the General Agency of Specialized Inspection. For example, we exported our products four times before the Lunar New Year. But two exports were not done on time, because the checklist was not provided by the GASI. We lost ten days because of it and we had to pay fines because we didn't supply the products on time. This is an issue for all the enterprises who export their products, not only for us. We wish that export services would become a little more convenient. The government said that they're working on it, but the situation is getting worse. Everyone should be happy, when Mongolia is exporting their goods, especially the GASI. Money is coming from outside, new jobs are being created and we are paying taxes. I'm surprised that the state is not easing the export process. They're getting paid from the tax that we're paying. Today we need to change the way the society thinks. There is no one who wants to work at a factory. Our country will develop if we solve these issues.

**At what point did you begin to regard yourself as experienced in business?**

I think that I've been adequately experienced in business since 2003. And I consider that I overcame my main business obstacles in 2006. Since 2006, everything's been kind of smooth.

### Besides your work, how do you manage your family as a mother of three children?

I try to be involved in everything if there is spare time or on the weekends. At first my mother watched over my kids, but now we have a housekeeper and she helps a lot to manage my family matters. I have 7 siblings, but I'm the only girl of them. Since I was little I did all the house chores, and it helped me to become a hardworking, honest and prudent person. I grew up in Bogd soum of Bayankhongor province. Our family was not that well off. At that time, goods were quite rare. Recently, I visited the national history museum with my daughter and I saw exhibited there an old clothes iron and traditional leather-making tools like the ones that I used to use. I think that people were more humane back then, even though things were scarce.

### Was there a moment when business seemed difficult and made you discouraged?

The cashmere price on the world market fell from USD 90 to USD 37 from 2007 to 2008. I was almost on the brink of bankruptcy back then. This sector is at the mercy of world market price fluctuations. There were many times that I was discouraged. But I didn't give up, as I know there is nothing else for me to do. My principle is that even if I lose this year, I would gain more next year. There is an expectation that the cashmere price will decrease this year, but I am much more prepared this time. In 2014, we finished our export of all the planned raw materials.

### How would you evaluate women's involvement in society today?

I am a member of the board of directors of the National Chamber of Commerce and Industry's businesswomen union. I think our voice is reaching to the society. As for me, I say the things I want to say without any restriction. Some people told me that I'm way too direct and honest. In today's society, we need to let our voices out. Otherwise, the government and the authorities won't want to understand anything at all. As such, the businesswomen of our chamber are cooperating with female members of the parliament. We meet with



Khanbogd factory

them in order to help expand women's involvement in society.

### How many of your employees are women? How do you support them?

Our factory has nearly 300 employees, and 80 percent of them are women. Nowadays, women are doing men's work. Most of the men are not working; some of the working men are spending their salaries to buy alcohol. But we try to help and maintain our employees' jobs regardless of their gender. Our company's first employees are starting to retire. We provide them with interest free loans. Also we try to help them purchase a house, and we try to support them in their efforts by any means. If we don't provide our employees with help and support, it's hard to maintain them.

### What's the processing capacity of Khanbogd Cashmere?

Our factory resides in Songinohairhan district. The factory has a capacity to process over 1,000 tonnes of cashmere per year. We updated our equipment in 2008, and now have over 100 machines specifically for dehairing, washing and wringing.

“ The VAT law is hindering our collaboration ”

### What's the difference between today's and yesterday's business environment?

The current situation is much harder than back then. The country's development has not progressed that far. In the past it was quite peaceful to run a business, now you need connections to complete your job. Today, it's very hard to do anything without connections. If the state really wants to cease the practice of bribery, it must condemn the receivers and not the givers.

### How's the tax support service?

There is no tax support service at all. We pay dozen types of taxes. The tax amount becomes very big, because we must pay so many taxes.

### Hasn't the government said that they would support domestic industries?

Yes I heard they said that, but I really don't know when it's going to materialize. We pay VAT to collaborate with local industries. For example, if Gobi buys products from us for MNT 1 billion, we have to pay MNT 100 million in VAT. The VAT law is hindering our collaboration. The draft bill initiated by the President indicates that if local industries collaborate, they will not pay VAT. Also, I support the Ministry of Industry for trying to implement a policy of replacing import goods with export goods. But I really don't know exactly when all of these new laws and policies are going to be implemented. Therefore, I can't say the things that they are saying are materializing. ■

## What awaits the new CEO of Erdenes Mongol?

By D.Bekhbayar

*B.Byambasaikhan, a private enterprise leader and an authority in business, markets and investments, was selected in a recent parliamentary vote to be the new CEO of Erdenes Mongol LLC, Mongolia's largest state-owned investment holding company.*

After graduating the National University of Mongolia and the George Washington University, Byambasaikhan gained experience working in various organisations in Asia and North America for over 10 years. On his return to Mongolia, he began working as the president of Clean Energy LLC, a renewable energy company focused on developing Mongolia's first wind farm.



More recently, he was executive director of telecommunications and energy innovator Newcom Group (Clean Energy's parent company), where he raised funds of USD 120 million for the investment of the 50 MW Salkhit wind farm project, and made a big contribution to Mongolia's renewable energy development. The wind farm is the first Mongolian-created independent power plant connected to the National Electricity Transmission Network.

In 2000, Byambasaikhan introduced technology giant General Electric to Mongolia. Today, General Electric is investing in Newcom Group's many

renewable energy projects, including a development project to export Mongolia's solar and wind energy resources to the Asian market. He founded Clean Energy Asia LLC in an effort to research the possibilities of supplying green energy to Japan. He also initiated the Asian energy network programme, which now connects many Japanese and Korean companies and their experts.

Byambasaikhan led multidisciplinary project teams in emerging Asian markets while working as financier in the Asian Development Bank. He financed power projects and corporate deals through international and bilateral financial

institutions, ECAs and carbon funds.

In his view Mongolia, can develop fast by exporting its natural resources using technological advancements and good management. He loves to say: "Mongolia is an energy heaven."

In 2013 he co-founded Nova Terra LLC, an Ulaanbaatar-based investment, project management, and advisory firm led by a group of seasoned executives with extensive project development, project financing and technical experience in mining, energy, infrastructure, and real estate.

He holds many titles, namely CEO of a Mongolian technology investor, adviser (ex-officio) to the President of Mongolia and the Prime Minister, and chairman of the Mongolian Green Development Institute's magazine advisory board. Last year, the World Economic Forum presented him the Young Global Leader award for his achievements and contributions to his country. In 2012 he received the 'Next Stop' award for new leaders in economics and business.

In 2015, the government appointed him as the CEO of Erdenes Mongol LLC, the nation's largest investment holding company—comprising Erdenes Tavan Tolgoi JSC, Oyu Tolgoi LLC, Erdenet Mining Corporation, Shivee Ovoo JSC, and Baganaur JSC—believing that he is the right person to lead the company into its next stage, and take the company to international markets.

(As a shareholder, Erdenes Mongol LLC holds 100 percent of Erdenes Tavan Tolgoi JSC, 34 percent of Oyu Tolgoi LLC, 51 percent of Erdenet Mining Corporation, 90 percent of Shivee Ovoo JSC, and 75 percent of Baganaur JSC.)

Many projects await Byambasaikhan: Oyu Tolgoi's issues must be resolved, Tavan Tolgoi's contract negotiations must accelerate (including settling the debt with Chalco), and an IPO must be launched on an international stock market.

According to Byambasaikhan, Temasek Holdings of Singapore has an effective corporate model that Erdenes Mongol LLC can replicate. An investment holding company for the Singapore government, Temasek Holdings was incorporated on 25 June 1974 to manage its investments in government-linked companies (GLCs). Temasek is one of the best examples of how state-owned companies can achieve success without state interference through private management. Temasek's Board of Directors comprises 13 members, most of whom are non-executive and independent business leaders from the private sector; they select the CEO and operate on a global market basis. Temasek has helped Singapore to become a developed country only in a span of 40 years.

The above example shows us that the results are within reach; still in order to reach the level of Temasek, Mongolia needs a lot of changes and reforms. As Erdenes Mongol is only in the first phase of development, the new CEO must implement a Temasek-like plan that fits

Mongolia. For that, the government and politicians need to be on the same page with the company. Experts explain that politicians are involved to such a degree that a particular few have harmed the company and greater Mongolian development. It's quite clear that if the company was 100 percent privately owned, Erdenes Mongol would operate with business-first principles. The state must stop acting as if they know and own everything, reduce their meddling, and refrain from the cronyism that makes a party member a CEO. The government must allow private management to do its job.

NGO Open Society Forum researcher D.Bailykhuu assessed Erdenes Mongol and handed his report to the company. In it, he stated: "I believe that Erdenes Mongol appointed the new executive in order to revise its governance, work in accordance with the law, and achieve specific results."

As head of the Business Council of Mongolia, Byambasaikhan has worked successfully to make sure the opinions of its members and many other entrepreneurs reach the government. Now, as the head of a state-owned company, he has a direct opportunity to affect the state's direction.

It is the belief of many that Erdenes Mongol has chosen the right person for the job at the right time, as the CEO must be a skilled person who knows the global financial market, how to raise funds, and how to connect Mongolia to the rest of the world. ■





# Mining's declining contribution to the state budget

By Burnee

At Mineral Resources 2025, an annual open forum organized by the Ministry of Mining to discuss the latest issues in the mining sector, speakers and attendees alike spoke of the need to address the sector's role in Mongolia's mineral-dependent economy. While copper concentrate from a working section of Oyu Tolgoi mine contributed a positive but over-sized portion to Mongolia's exports and economic growth in 2014, the poorly performing economy remains troubling. Coal sector revenue is decreasing year by year, while the mining sector at large has the highest non-performing loan rate out of any other sector in the country. Forum participants speculated that the coal sector will constitute a remarkably low 16 percent of mining sector revenue in 2015.

The forum featured several topics, most prominently a discussion entitled 'Social and Economic Impacts of the Mining Sector', which emphasized the negative consequences of export and price decline for Mongolia and other countries. Although the mining sector is not the booming economic contributor it was only a few years ago, the importance of the mining

sector remains high. Mongolia's GDP grew over 7 percent in 2014, largely because of mining sector growth, even though investments dropped dramatically during the year due to the country's uncertain foreign investment environment.

Those at the forum agreed that Mongolia's megaprojects, several of which are in the negotiating stage, must see progress in order to become the major economic contributors Mongolia needs. The Ministry of Finance reported that foreign direct investment performance has declined to USD 644.3 million, a more than three-fold plunge since 2013. The main factors contributing to the decrease are Oyu Tolgoi's expansion investment deadlock between the government and Rio Tinto, and the Tavan Tolgoi-Gashuun Sukhait railway, which remains unconstructed.

According to available data on foreign trade released by the central bank, eight of 2014's nine leading export products were mining-related (the outlier was cashmere). The figures reveal Mongolia's increasing dependence on mineral exports, especially dangerous due to the downward trend of prices in today's global commodity market.

Mining revenue was only able to reach MNT 874 billion in 2010 because of the sharp rise of mineral resource prices on the world market. In the same year, the mining sector made up 28 percent of total state budget revenue, the highest percentage in the last five years.

During Mineral Resources 2025, the director of the macroeconomic policy department of the Ministry of Finance G.Batkhurel said that today's mining sector revenue has continuously declined, accounting for only 18 percent of budget revenue in 2014.

For 2015, mining sector income is expected to decrease to MNT 852 billion, and estimated to account for only 13 percent of budget revenue, chiefly because of the declining prices of coal, copper, and iron ore. Thus, it will be the lowest revenue rate in the last five years. Copper sector revenue has constituted 40 percent to 60 percent of total mining sector revenue for the past several years. Experts stressed that the copper sector will constitute 60 percent of total mining revenue in 2015 due to the falling prices of other mining products and Oyu Tolgoi's production increase. ■

# The economic impact of mining



Other mineral sector



5.6% oil sector

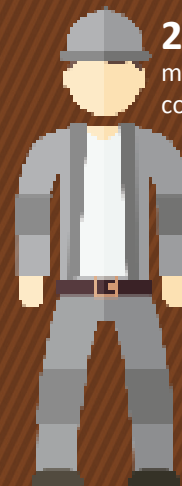


Work force in mining sector 2013:

16.4% coal

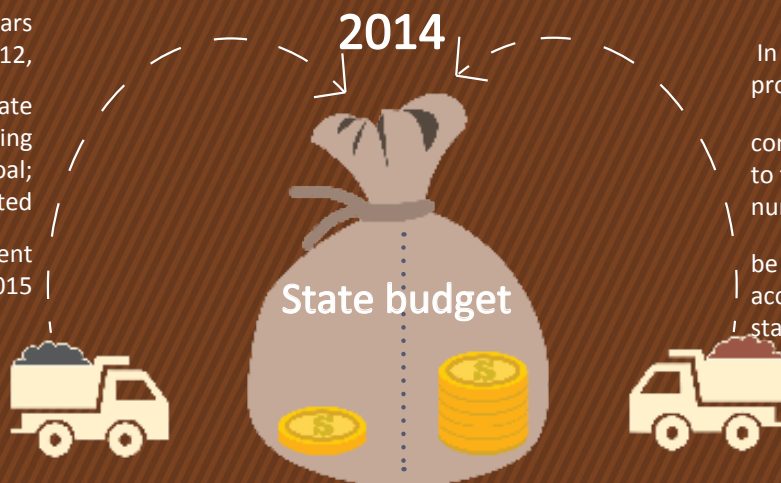


24.8% metal concentrate

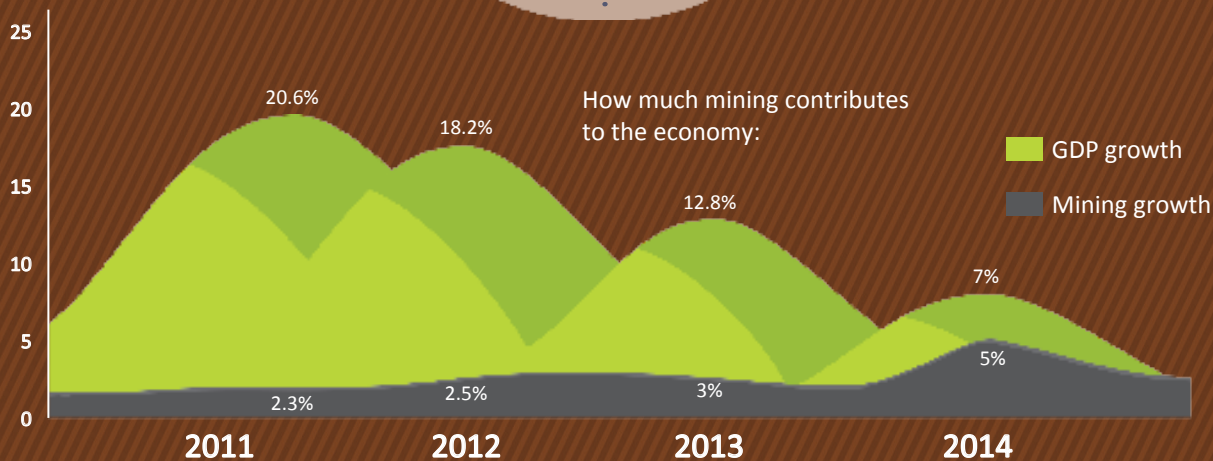


As of 2013, **9.7** percent of total lending was granted to Mongolian mining enterprises, of which 31.6 percent were non-refundable loans

In the boom years between 2011 and 2012, **39** percent of state revenue from the mining sector came from coal; that number is expected to be only **16** percent in 2015



In 2011, copper production revenue contributed **42** percent to the state budget; that number is expected to be **59** percent in 2015, according to recent statistics



## Mongolia vs. dual citizenship



By B. Bayartogtokh

You either are a citizen of Mongolia, or you are not. The current Law on Citizenship of Mongolia dictates so, citing: “Mongolian citizens shall not be allowed to hold a foreign citizenship at the same time.”

There are 30 countries that allow dual citizenship, some of which only allow a second citizenship with specified countries. The government of Mongolia has refrained from debating dual citizenship for too long. The present condition causes many Mongolians to stay abroad, said Uurtsaikh, a repatriate from Germany. “Diasporas of Mongolians have been afraid this issue would stay unresolved. Perhaps that’s why the dual citizenship issue has been openly and passionately discussed in recent years. However, it has always died down without much political support. But by allowing dual citizenship, the population of Mongolia would be more than its current three million.”

The diaspora of Mongolians around the world is estimated to be approximately 100,000, as about 3 to 4 percent of the total population live abroad at any given time. Currently, 15,000 Mongolian citizens have submitted their request to become a citizen of another country.

Dual citizenship seems a far-off reality for expatriate Mongolians. How they envision the future, no one knows. One

thing is for certain—people are the wealth of the nation. No matter how much they think of returning home, some speak of children, the environment and other reasons that hinder them from making up their mind. Mongolian children with foreign citizenship encounter a difficulty—they have to surrender their other citizenship to receive their Mongolian nationality. It is a common sight for a Mongolian to apply for a Mongolian visa just because he or she holds citizenship in another country.

The issue of dual citizenship is a topic Mongolia shouldn’t abandon. Especially, when every year an average of 500 Mongolian babies are born in the US, and the same number of Mongolian people are marrying foreign citizens and converting citizenship, chipping off our already small population. According to a survey among Mongolians living in South Korea, three out of five people emphasised the importance of dual citizenship.

There is a whole generation in need of dual citizenship in the US and South Korea, the countries which receive the most Mongolian emigrants. Most countries don’t require its immigrants to annul native citizenship when issuing citizenship; highly developed countries have a democratic and open attitude toward this issue. Mongolia has been discussing a bill that allows dual

citizenship in a limited fashion since 2005, but with no resolution thus far.

According to D. Tserenbat, head of non-profit Tsakhim Urtuu: “We need to allow dual citizenship or the retaining of rights for a certain period with several developed countries.”

At the Summit of Mongolians Abroad in Ulaanbaatar last year, participants and organizers agree that Mongolia’s citizenship should be expedited, dual citizenship should be allowed, and equal jurisdiction of issuing citizenship for Mongolia should be created.

When we asked the Ministry of Foreign Affairs about their position on the matter, they stated the impossibility of accepting dual citizenship in Mongolia according to current laws and legislation. However, there is new legislation on the way called the ‘Green Card System’, which allows children born from Mongolian citizens but who received foreign citizenship to enter Mongolia, work here, and invest in Mongolia freely.

As a relatively isolated country with a small population, the legislature must reconsider its stance and improve laws to make sure that Mongolians abroad always have a native home—dual citizenship must be the ultimate goal. ■



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