

Dig Deeper

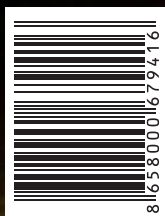
MONGOLIAN ECONOMY

Where is the dollar headed?
Skills, education and growth in Asia
Key ingredients for a sandwich

MAY 2016 №09 (111)

mongolianeconomy.mn

A silky revival



Gulfstream

G650ER G650 G600 G500 G550 G450 G280 G150



BOUNDLESS POSSIBILITIES

Gulfstream gives travelers the ability to live without limits. By fusing exceptional engineering with a genuine obsession for superior style and product support, Gulfstream delivers unsurpassed aviation performance. Our fleet empowers people by expanding horizons. Create boundless possibilities. Fly Gulfstream.

For more information, visit gulfstream.com.

+86 10 8535 1866 | HERMAN CHAI | herman.chai@gulfstream.com

+852 2918 1600 | PETER HOI | peter.hoi@gulfstream.com

+86 10 8535 1866 | MATTHEW LIU | ziqiang.liu@gulfstream.com

G650ER, G650, G600, G500, G550, G450, G280 and G150 are trademarks or registered trademarks of Gulfstream Aerospace Corporation in the U.S. and other countries.

Gulfstream[™]
A GENERAL DYNAMICS COMPANY



MONGOLIAN
ECONOMY



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

Mongolian Economy

www.mongolianeconomy.mn

Phone: 94092904, 88006228, 70115476, 70115477

E-mail: info@mongolianeconomy.mn



Wolf Petroleum
Mongolian Oil Exploration Company

www.wolfpetroleum.net

ASX: **WOF, WOFO, WOFOA**

Hunting for Mongolia's Multi Billion Barrel Oil Fields >>>





FOUNDER, EDITOR-IN-CHIEF:
D. Bekhbayar / 9999-4248

FOUNDER, DEPUTY EDITOR:
I. Otgonjargal / 8800-6228

MARKETING MANAGER:
D. Barianjav / 9409-2904

ENGLISH EDITOR:
O. Tuvshin

TRANSLATOR:
B. Enkhmunkh

JOURNALISTS:
B. Enkhtsetseg
B. Uuriintuya
G. Orkhon
TS. Elbegaikhan

DESIGNER:
Sh. Oyundari

Address:

Chingeltei district, 1st khoroo
Peace Avenue, Express Tower 1101
Ulaanbaatar, Mongolia

Central Post Office, P.O. Box 2762,
15160 Ulaanbaatar, Mongolia
URL: www.mongolianeconomy.mn
E-mail: info@mongolianeconomy.mn
Tel/Fax: 976 - 7011 5476

Selling points:

- Internom bookstore
- Minj plaza
- Altantulkhuur bookstore
- Nomin supermarkets
- Max supermarkets
- BTSI supermarket
- Az orchlon bookstore
- Bileg store
- Grand plaza
- Metro mall
- Sky supermarket
- Ulaanbaatar store
- Max mall

facebook.com/Mongolian.Economy

twitter.com/EconomyMongolia

youtube.com/user/MongolianEconomy

Economy

8 A silky revival

Today, tourism accounts for 10 percent of global GDP, six percent of the total profits from exports and 30 percent of service exports. In addition, one out of every 11 jobs is related to tourism.

10 Where is the dollar headed?

Why is it that the US dollar has such high importance, especially in a country where only the national currency is legal tender?

12 D.Batjargal: Highest short-term potential is in tourism

During this election season when everyone engaged in politics is focusing on the upcoming parliamentary elections, we spoke to Batjargal to give some advice to those running in the elections which will take place in two months' time.

14 Skills, education and growth in Asia

For developing Asian economies to continue their economic transformation and continue closing the gap with developed economies, they must increasingly stress the quality of education.

16 Where are the tracks?

The government plans to construct railways by mobilising soldiers from the military

18 Key ingredients for a sandwich

As for Mongolia, it should have

become the Wolf economy in Asia. However, it is still developing as a "wolfing" today.

20 Whom would you pick?

The professors assigned half of the students to read Heidi's story and gave the other half the same story with just one difference – they changed the name "Heidi" to "Howard."

21 Business community nervous about election aftermath

Although the overall business climate is not all too good due to the economic situation, it would be wrong to deny the positive progress that has been made.

24 Lessons learned from the super cycle and solutions going forward

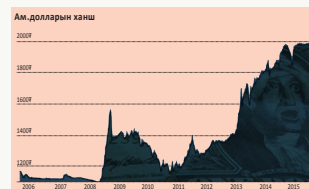
A key lesson from the last few years is that Mongolia did not take advantage of the favourable opportunities in the commodity super cycle on the international market.

25 L.Naranbaatar: Authorities need to stop blaming the market

Interview with the Executive Director of Glogex Group, the organiser of the Coal & Metals Mongolia 2016 forum.

27 Would like to get elected, but...

Although the date for the voting has been already announced, how it is to take place has not been decided yet.



Where is the dollar headed?

In the 1990s, when almost everyone was engaged in retail trade, the phrase "getting burned," which meant to lose money in trade, was trending. *page 10*



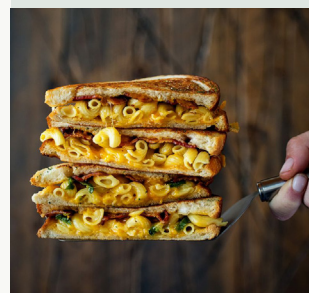
D.Batjargal: Highest short-term potential is in tourism

Interview with the Director of the Institute of Finance and Economics. *page 12*



Where are the tracks?

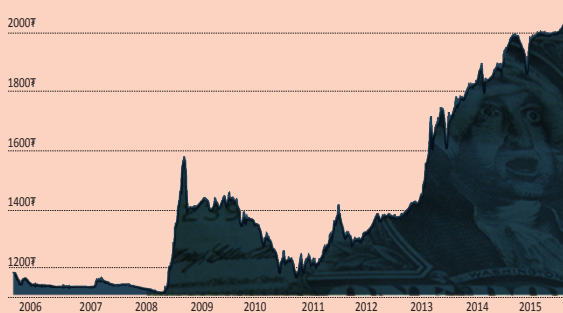
Although it is unfitting to compare Mongolia with developed countries with much bigger economies, there are some examples and lessons to heed. *page 16*



Key ingredients for a sandwich

R.Amarjargal MP said it was noticeable that Sergei Lavrov thought of his visit to Mongolia as a visit to an old friend. *page 18*

USD-MNT exchange rate



Mongolia

Leading enterprises

The Government of Mongolia and the Mongolian National Chamber of Commerce and Industry cooperated to produce the list of Top 100 enterprises for the 15th time. Oyu Tolgoi LLC and Erdenet Mining Corporation led this list, which ranks the top 100 enterprises according to indicators such as tax contributions, revenues, employees, assets and profits. Thirty-one of the enterprises included in this year's list are engaged in the trade and services sector, while there were 18 mining enterprises. In addition, the majority of the Top 100 enterprises were based in Ulaanbaatar.

Population

As of April 2016, Mongolians make up 0.04 percent of the total population of the world and rank 138th in the world by population. 71.2 percent of those in Mongolia are concentrated in urban areas, while the mean age was 27.6. According to forecasts, the population of Mongolia will start to age after 2030, reaching an average age of 35 by 2050. In addition, it is estimated that the four millionth citizen of Mongolia will be born between 2045 and 2050.

Health

According to the World Cancer Research Fund International's latest data released in 2012, 14.1 million cancer cases were diagnosed in that year, with 7.4 million of the patients being men while 6.7 million were women. The fund has projected that this number will increase to 24 million by 2035. The most common cancer worldwide is lung cancer.

Mongolia is leading the world in terms of rate of liver cancer, as 78.1 percent of the 100 thousand people with cancer in Mongolia have liver a form of cancer. In the case of men, 97.8 percent of those with cancer have liver cancer, while for women this figure is 61.1 percent. Moreover, Mongolia ranks second in the world by the reports of stomach cancer, with the majority of the cases also being men.

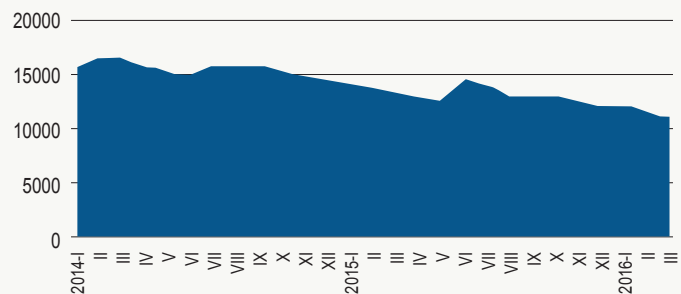
Unemployment

According to the workforce survey results, 96.5 thousand people were unemployed nationwide in the final quarter of 2015. As of the end of the first quarter of 2016, a total of 48.8 thousand citizens were registered with job placement agencies, with 25.7 thousand of them being women. In the first quarter of this year, 29 thousand people newly registered to the provincial and city employment agencies. According to the reports of the National Registration and Statistics Office, it is an increase of 3,900 people, or 15.7 percent, from the previous year.

Top 20 index

The Mongolian Stock Exchange's March average for its Top 20 index stood at 11,191.2 points, down 603 points from the previous month and 2325 points from the same period of the previous year.

Graph: Top-20 index, monthly point average

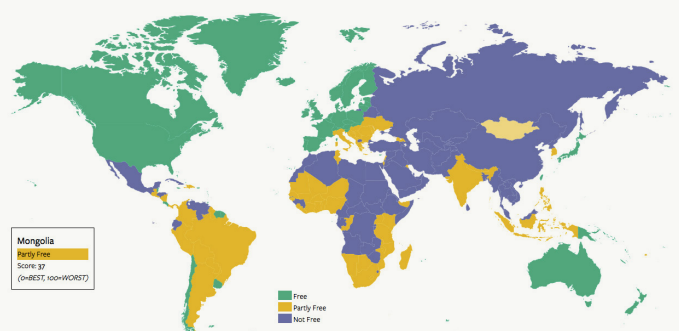


Source: National Registration and Statistics Office

Meat market

Developing countries are playing a role in the global growth of production of meat and meat products. Last year, 171 million tonnes of meat was produced in developing countries, and this number is expected to rise to 227 million tonnes by 2030. Mongolian exports of meat and meat products reached seven percent of net exports in 2012, but fell to five percent in 2014. Russia is the main importer of Mongolian meat and meat products, with 98 percent of meat exports headed to Russia.

Freedom of the press



The Freedom of the Press 2016 survey noted that freedom of the press has fallen to its lowest point in 12 years. Merely 13 percent of the world population enjoys a free press, while 41 percent of the world has partly free press, and 46 percent (3.4 billion people) live in environments in which press is not free. Mongolia was in the "partly free" category, scoring 37 points out of 100 and ranking 17th out of 40 countries in Asia and Pacific region. ▶

World

US Economy

Its slowest pace in two years, US economic growth slowed to an annualised rate of 0.5 percent during the first quarter of this year. It is a sharp slowdown compared to the 1.4 percent figure for the fourth quarter of 2015. Decreased exports due to weakened global demand and a decline in business and corporate investment pulled the growth rate down. Energy companies cutting back on capital spending as a result of the price of crude oil, around USD 45 at the end of April, drove the sharp fall in business investment. Investment in energy structures plummeted, while investment in computers, software and non-energy structures were positive. The Federal Reserve had stated in its December meeting that it expected to raise interest rates by one percent in 2016, but has lowered its estimate to half a percent. On the bright side, residential investment climbed 14.8 percent in the first quarter, its fastest pace since 2012. Consumers are still cautious, as consumer spending on goods is stagnating and consumer spending on services grew at 2.4 percent. It is the third consecutive year to begin with a slow start, but analysts expect pace to pick up in the second and third quarter.

Eurozone

On the other side of the Atlantic, the economy of the 19-nation Eurozone grew by 0.6 percent in the first quarter, beating expectations. France's growth at 0.5 percent and Spain's at 0.8 helped beat the forecasts. This means that the economic output of the Eurozone has finally recovered past the levels of the pre-crisis peak in the first quarter of 2008, but took three years longer than the UK and six years longer than the US. The UK economy grew by 0.4 percent in the first quarter. It was also reported that deflation has hit the euro area, with the overall prices of goods and services falling by 0.2 percent. Unemployment in the bloc fell to 10.2 percent, the lowest rate in over four years. Nevertheless, in Greece and Spain, unemployment remains worrying, at 24.4 and 20.4 percent, respectively. Investors are also hesitant to make any big moves, as there will be two crucial votes coming up in the summer: the Spanish general election after failure to form a government and the Brexit referendum.

Japan

The Bank of Japan shocked markets by voting against further stimulus packages, despite weak inflation and household spending. It will still keep its negative interest rate policy and asset purchase scheme in place. The surprise move caused the yen to appreciate against world currencies and the Nikkei to fall in reaction. The Dow



Jones and European stock exchanges also fell in reaction to the news. The Bank of Japan's target inflation rate of two percent seems unattainable, as inflation was negative in March. Expectations for growth are not strong after the economy shrank 0.3 percent in the last quarter of 2015.

Efforts by the Bank of Japan and the Abe administration to prop up the stagnating have not had the results they had hoped for. BoJ Governor Haruhiko Kuroda said that it will take six months to year to see the effects of the decision to go negative on interest rates, since which he has been summoned before the Japanese parliament over 30 times to explain himself.

German e-car subsidies

German Finance Minister Wolfgang Schaeuble announced that as of May, those who buy electric cars will receive a subsidy of EUR 4,000 and buyers of hybrids will receive EUR 3,000, with a cap of EUR 60,000 for the listing price of a car to qualify. This came after a meeting between government leaders and representatives of the nation's car manufacturers. The German government is ready to spend up to 600 million euros as direct subsidies to buyers, and another 300 million will be spent on upgrading the network of charging stations for electric vehicles. The remaining 100 million euros of the billion-euro initiative will be spent on other subsidies related to electric cars. The government aims to put one million electric cars on the road by 2020, up from the current 50,000.

Exxon and Chevron

The world's largest publicly-traded oil company, Exxon Mobil Corp., posted its lowest quarterly profit in more than 16 years. Its quarterly profit was down 63 percent from USD 4.94 billion a year ago to USD 1.81 billion in the first quarter of 2016. It is the company's smallest quarterly profit since USD 1.5 billion in 1999. Despite pumping more oil and gas than a year ago, the plunge in crude oil prices have hampered profits. Exxon cut capital spending (on wells, shafts, etc.) by a third.

Chevron posted a loss of USD 725 million, and raised the number of jobs it expects to slash this year from 7,000 to 8,000. It too is working to control spending.

The price of crude oil had tumbled from its 2014 high of over USD 100 per barrel down to 30 dollars per barrel in mid-February. Prices have been recovering since and are currently around USD 45. The supply glut is expected to ease as higher-cost producers cut production. ■



Tourism

A silky revival

BY B. ENKHTSETSEG

The Silk Road, at the time the biggest network of trade routes in the world, stretched across Asia into Europe starting from the ancient Chinese capital of Xi'an to Rome and was invaluable to the development of mankind for over two millennia. This ancient trade network was just under 6,500 kilometres long, and the cultures, monuments and natural attractions of different countries that have existed along this road provide an opportunity for amazing tourism products. In the ancient days, few men, such as Alexander the Great and Marco Polo, made the courageous trip along this path, while the new Silk Road brings an opportunity for millions of people to travel through these historic paths.

Today, more than one billion people travel every year throughout the world. The World Tourism Organization (UNWTO) estimates that the number of international tourists will reach almost two billion by 2030, meaning five million

people will pass through international borders per day. Today, tourism accounts for 10 percent of global GDP, six percent of the total profits from exports and 30 percent of service exports. In addition, one out of every 11 jobs is related to tourism. In January of this year, world leaders approved the Sustainable Development Goals 2030 at the UN General Assembly. In other words, it means that nations will conduct joint operations over the next 15 years on issues facing the globe. These goals regarded the tourism sector with great significance due to its rapid growth and increasingly important role in the world economy.

Today, the whole world is accelerating efforts to make the Silk Road a transnational growth engine by recovering and developing the historic routes. In 1994, 19 countries of world in conjunction with UNWTO and UNESCO signed the Samarkand Declaration. It was the first significant joint step towards the initiative to develop Silk Road tourism.

The declaration states it aims to "Launch our appeal to all concerned for a peaceful and fruitful re-birth of these legendary routes as one of the world's richest cultural destinations." Since then, 20 years have passed and during this time, countries have approved programmes each year and cooperated on tasks. As a result, cross-border tourism projects have developed, and interest in trade and commerce has also increased. In addition, 33 countries have joined the UNWTO's Silk Road Tourism project. Membership is likely to grow in the future, implying that it has attracted people's attention.

UNESCO experts and the countries along the Silk Road have been conducting research on the Silk Road for many years. In doing the research, archaeological artefacts such as vast ancient cities, caravan roads, mountain trails, forts, guard towers and religious centres were discovered. These are important natural and cultural resources for the development of Silk Road tourism. ▶



Source: UNESCO
Map of the cities along the Silk Road

► However, they are facing the issue of protecting these resources and pieces of cultural heritage through investment.

UNWTO in cooperation with TripAdvisor presented the TripAdvisor 2016 Travel Trends for the Silk Road. This study based on a survey of 10,678 travellers showed that 8 in 10 travellers have heard of the Silk Road and that the top ten countries associated with the Silk Road are China, Mongolia, Kazakhstan, Uzbekistan, Iran, Turkey, Turkmenistan, Kyrgyzstan, Tajikistan and Azerbaijan. It is a big advantage for Mongolia that foreigners have knowledge about the country being part of the Silk Road.

During the Tourism Ministerial Meeting on the Silk Road Economic Belt held in Xi'an, China last year, Secretary-General of the UNWTO said: "Mongolia should play a key role in 'Nomadic trails among the Silk Road' project offered within the Silk Road Tourism programme." In other words, he advised Mongolia to develop an image of "the

root of nomads" to offer its products. It is impossible to imagine a product called nomadic tourism without it being related to Mongolia. Therefore, experts say that there is an opportunity to draw travel routes along the countries with nomadic cultures.

"The main node of the Silk Road in Mongolia is Kharkhorin from the historical standpoint," stated D.Gansukh, Head of the Tourism Education, Training and Research Center. "We need to develop the routes along with the infrastructure. We can connect Kharkhorin with Bulgan soum of Khovd province or Tsagaan Nuur soum of Bayan-Ulgii province and further connect that road with travel routes in China or Kazakhstan. Then it can truly become the main route of the Silk Road. Thus, tourism companies can develop nomadic travel packages along this route."

The Silk Road Tourism project which he leads has finished a study on potential resources and specific

differences Mongolia can provide in the Silk Road initiative. Now a study is under way to determine how to use the support of international organisations and what the public and private sector must do to connect market demand with real resources. Also, major international meetings related to the Silk Road Tourism are expected to be held in Mongolia.

There was an economic estimate which said that there is potential to increase the value of nomadic tourism products harnessing the Silk Road by 20-30 percent from the current value. The Silk Road is a multinational global product. It is a journey with several stops. The global trend shows that tourists are interested in travelling to many countries as one journey. Usually, costs go down if countries make joint tour routes and create one product.

The TripAdvisor study, conducted in collaboration with UNWTO, also found that travellers would be 41 percent more likely to travel to the Silk Road if they ►

► could obtain a single Silk Road visa. In order to increase the profits from the growth of Silk Road Tourism, many basic issues such as convenience of the visa process, civil aviation, marketing and public advertising need to be resolved. Although significant progress has been made regarding this matter in recent years, two-thirds of the world still needs to obtain a visa to travel to other countries. International experts believe that countries that wish to take advantage of the growing markets of Silk Road countries such as China, Russia and India need to make policy level changes to loosen tourist visa rules. UNWTO recommends that the policies of the civil aviation and tourism sectors be coherent, since half of international tourists fly at some point to reach their destination. Experts say that Mongolia has the possibility to take measures such as easing certain conditions for visas and simplifying the bordering crossing procedures consistent with its national security policy. Flight frequency and transportation capacity will inevitably increase as the new airport is going to start operating soon.

Parallels with One Belt, One Road

According to one survey conducted on the internet, the Silk Road was the most discussed travel destination, accounting for 26.5 percent of the total discussions. It has been mentioned on more than 300 thousand blogs, social networks and websites, which indicates the state of its marketing and advertisement campaign. Thus, works to increase the impact of the “Visit the Silk Road” programme, which is a joint brand of Silk Road Tourism, as well as other marketing and advertisement campaigns to raise the awareness of the brand are being carried out.

President of China Xi Jinping launched the “One Belt, One Road” initiative, said to be the modern foreign policy of China that supports joint development by restoring the ancient Silk Road. The New Silk Road strategy, which 65 member countries are a part of, is the biggest plan since the European Recovery Program. Also known as the Marshall Plan, it was the American

initiative to aid Western Europe in rebuilding Western European economies after the end of World War II. China established a USD 40 billion Silk Road Fund to invest in One Belt, One Road projects and support the investments to be made to the countries along the One Belt, One Road. Sector experts are confident that this ambitious plan by China will cross paths with the tourism sector. Last year, China started a three-year promotional undertaking to attract more tourists to Silk Road Tourism and offer more opportunities for their citizens to travel along this route. In this regard, they have promised to develop new tourism products and routes in cooperation with other countries. In addition, China is also to implement the Xi’an initiative in relation to Silk Road Tourism, which creates broad opportunities for economic growth and investment in tourism of countries involved in the programme.

Furthermore, South Korea recently negotiated with the UNWTO to finance the Silk Road programme and the process is its final phases. It shows that South Korea and China will play a key role in the Silk Road Tourism programme. They have already started making investments.

“Mongolia cannot make big investments like China and South Korea,” said B.Margad, Head of the Department for Tourism Policy Management of the Ministry of Environment, Green Development and Tourism. “However, Mongolia will be involved in the joint marketing opportunities as long as Mongolia actively participates in the activities related to the Silk Road.” In other words, the games of the superpowers could have benefits for countries like Mongolia. Many works are to be conducted by the financing of the Silk Road project, and UNWTO has an objective to spur investments in countries along the road.

A joint initiative to develop sustainable tourism along the Silk Road routes should boost the efficiency of tourism development. In doing so, it will make investments to protect and restore natural and cultural heritage sites in countries along the Silk Road and will enrich memories of tourists journeying along the Silk Road. The day when people say “We travelled across the Silk Road” similar to how they say “We have travelled across Europe” is nearing. Mongolia needs to get ready. ■

Money markets

Where is the dollar headed?

BY TS.BUYAN

In the 1990s, when almost everyone was engaged in retail trade, the phrase “getting burned,” which meant to lose money in trade, was trending. I recently heard this phrase from an acquaintance who said he got burned after purchasing some greenbacks. Why is it that the US dollar has such high importance, especially in a country where only the national currency is legal tender?

During the 90s, when some doubled their profits and some got burned, the US dollar used to be a trade that hardly loses.

Indeed, the USD-MNT exchange rate, which was one dollar to 470 tugrug in 1996, increased sharply to 1,100 by 2000. Currency traders who made profits from exchange rate differences began to form the currency exchange black market.

Since 2009, the USD has started to be no longer a surefire, profitable trade. The exchange rate, which had been sharply increasing for the whole year, started to fall back. One dollar, which went for around an average of MNT 1,563 in March 2009, dropped to an average of ►

► MNT 1,219 by April 2009. Since then, the USD-MNT rate has gradually increased, reaching MNT 2,000 at the beginning of this year. However, the figure has sharply dropped since the beginning April of this year, making my acquaintance fear that he would get burned like he did seven year ago. Now he has to make a bet on whether the USD-MNT rate is going to

a real need for intervention. Mongolian consumption of imports doubled in only a year along with the significant foreign investment. However, imports did not decline after FDI decreased and still continues to remain around the same level. On other flipside, exports never increased.

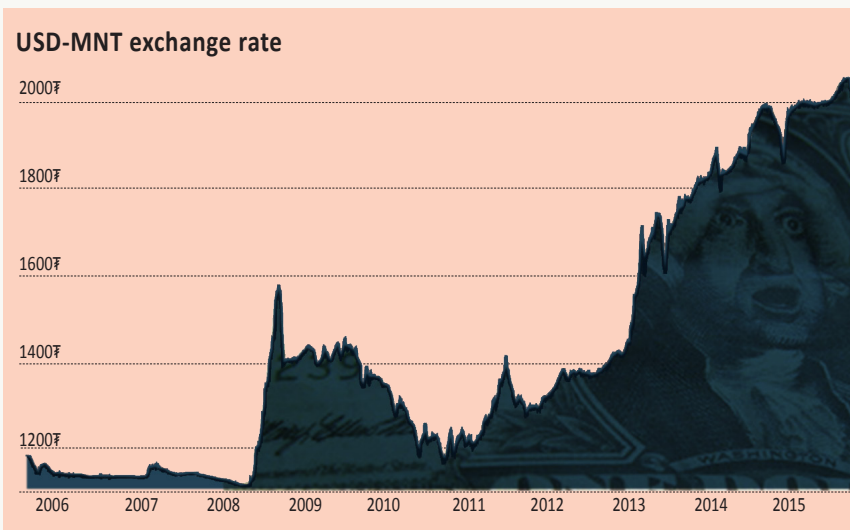
Although today one dollar is equal

and potentially increase profits for those engaged in exports and the industrial sector. However, it is difficult for importers. The majority of the people engaged in the trade sector are involved in imports. Among them, there are companies which have hundreds of employees, and there are those who rent a stall or booth just to sell some sugar and rice at markets.

So, where is the USD rate going to go? Currently, USD 750 million has come into the economy in the form of loans. Its effect was the tugrug appreciating by 3.4 percent. On top of this, the government has made a USD one billion soft loan agreement with the Export-Import Bank of India. Currently, parliament is discussing where to spend the credit. The government has put forth a proposal to invest in railway developments.

However, foreign exchange reserves are not the only factor that influences exchange rates. On the domestic side, the money supply also affects forex rates. Another determinant is expectations. Should you hold on to dollars waiting for the tugrug to depreciate, or purchase dollars expecting it to appreciate? If many people expect the tugrug to slide, demand for foreign currency will increase. In the opposite case, foreign currency will be sold and its market rate will fall. There may be fluctuations in the short-term, and there should not be strong long-term effects. According to the first quarter reports of this year, foreign currency reserves have decreased by 3.6 percent. However, when comparing last year's first quarter with 2014, foreign currency reserves had increased by 9.2 percent.

Currency appreciation and depreciation have such reasons behind. This time around, people are linking the movements of exchange rate with the election. There are many people who suspect that the government is playing a hand in the exchange rate by borrowing USD in order to cover the budget deficit. However, whether net outcome of these forces cause the USD rate to rise or fall cannot be accurately guessed. The only certain thing is that greenbacks will flow out much more over the next two years. ■



continue to drop or make a rebound.

Analysts always remind us that predicting the future is not easy. In order to answer this dilemma, you need to know what influences the exchange rate. For instance, let's look at what influenced the decline of USD rate in last month. Chief Economist of the Bank of Mongolia S.Bold explained: "In March and April, syndicated loan financing of USD 250 million from Credit Suisse came in, and the government raised USD 500 million in bonds on the international market. In turn, these have increased foreign currency flows."

The reason why USD rate increased in the domestic market is the exact opposite of this. The MNT has been weakening since foreign direct investment (FDI) started to decline. In 2011, FDI was equal to 40 percent of the GDP. State foreign exchange reserves rose to levels capable of supplying the whole year's worth of imports into the county. However, as FDI declined, the central bank started dipping into the foreign exchange reserves. Currently, the reserves are enough for approximately 4-5 months' worth of imports. At the time, there was

to about 2,000 tugrugs, the situation has changed. In other words, imports have decreased; exports have increased, and inflation is lower than two percent. Even though exports have decreased from 2014, imports have fallen too. Policymakers believe that such is an opportune circumstance to develop manufacturing. The lesson Mongolia learned in 2011-2013 was the issue of creating savings. However, even if every individual or household gets a USD-denominated savings account, reserves will be depleted anyway unless dependence on imports is reduced and exports boosted. Therefore, the government aims to increase foreign exchange inflows by producing finished and value-added products and exporting them.

According to trade reports for March, import of food products decreased by 10 percent while exports of the same increased by 10 percent. It is one advantage being created by a weakened tugrug. Products produced normally in Mongolia are becoming competitive price wise. Thus, the gains and declines in the USD exchange rate have two sides. It is an opportunity to expand operations

Development

D.Batjargal: Highest short-term potential is in tourism

BY I. OTGONJARGAL

We sat down with D.Batjargal, Director of the Institute of Finance and Economics. During this election season when everyone engaged in politics is focusing on the upcoming parliamentary elections, we spoke to Batjargal to give some advice to those running in the elections which will take place in two months' time. Batjargal is an experienced economist who has been heading the Institute of Finance and Economics, which has been praised for its sound management, for many years.

-Recently, the Government successfully raised USD 500 million on the international market. They plan on using the funds on infrastructure. However, most of the funds of Chinggis bonds were spent on roads, and some people had the criticism that the money was spent on a project which will give benefits far in the future. What are your thoughts on the expenditure of the money raised from markets abroad?

- The reason why the economy is not growing is partly due to the lack of infrastructure. The government builds infrastructure. In order for the government to do that, producers must pay taxes. Things are interdependent. In the past two decades, we have been unable to support manufacturers and make them competitive. Our producers will be competitive and manufacture quality products only when there is good infrastructure. The only build infrastructure is to raise funds. The most important thing is to spend the funds by calculating efficiency. The results of Chinggis bond will soon be apparent. There can be no development if there are no roads and electricity. Even if the government is willing to give loans directly to manufacturers, how will factories develop without a reliable



source of electricity? If we decide to concentrate manufacturing in the city, the costs of bringing in raw materials from the rural areas will be high. Now we need to develop the energy sector. Investment in a manufacturing will bring positive returns as long as there are roads and energy.

-We are always talking about development, but it seems the right path has not been found yet. In your opinion, what issues should the nation focus on?

- We need to clearly define economic sectors and find the sectors that will give benefits in the short-term. People are talking a lot about industrial development. In order for that to take place, we need to develop technology. Investors will come along with technologies if we decide to directly buy the technologies from foreign countries, but the efficiency of doing this is low. We have seen that an economy that worships mining and foreign investment is unsuitable for a developing nation with a small population and rampant corruption. Therefore, it is essential to foster technological development in order to foster domestic

production. Technological development will take place over a long period of time, and on the back of agricultural products. Mongolians say that we use everything an animal has other than its breath. In order to do so, we need to establish classical models of clusters that cooperate with scientific research institutions based on innovation and technological bases, and after that, we need to invest in them. That is when manufacturing will develop.

- Of course, time will be required to create, experiment with and implement technological development domestically. Obviously, we are not going to just sit and wait for it to happen. Which sector has the potential to rise up in a short period of time?

-Tourism. Tourists come to see the nomadic culture of Mongolia. The nomadic lifestyle can be seen from the daily lives of herders. Just show that to tourists. We must develop tourism in accordance with international standards, and we must do it with the participation of the locals. To do so, we need to quickly develop local flights, communication networks and roads. If the government resolves issues related to infrastructure, ▶

▶ the private sector will do the rest.

An economy consists of many sectors. Tourism and hospitality can bolster Mongolia's economy in a short period of time.

We have things to show. Mongolians say we need to prepare guides, but the real and best guides are the elders of herder households. However, they would require interpreters. We could bring Mongolian students who are studying abroad during the summer and have them work as interpreters.

-In the past 20 years, Mongolia has experienced many changes and developments, but something is still wrong. The economy is unstable. What is your take on why this is the case?

-Because Mongolia is an agricultural economy, we must develop agricultural raw materials into finished products utilising advanced technology. In order to do that, at least five years are going to be required to rapidly develop the technology. By doing so, we can compete on the global market. How can Mongolia break into this global market which has everything? Mongolians have not studied about processing of raw materials originating from animal husbandry at all. Value that you cannot find anywhere else can be found from this sector. Take sheep wool as an example. It is abundant in Mongolia. The best quality carpets are made of Mongolian sheep wool. Handmade carpets are some of the most expensive products in the world. Afghani Hazaras (the third largest ethnic group in Afghanistan) make very good handmade carpets. We can bring them here.

-How would you describe what an economy is in a simple way?

-The economy is the sum of each Mongolian household's livelihood. It means that the economy will deteriorate if the lives of households deteriorate. The question is how to pull it up and which sector should be the leading sector. Mining is not a sector that has many employees. It is a sector that gets most of its work done with the help of technological power. If we want more people to be employed, we must depend on the livestock industry, which comprises 50-60 million heads of livestock, and think about how to process it thoroughly and make final products. Our trade situation has basically fallen into the hands of traders and groups.

How exactly the economic should be structured is a question that still has no clear answer. The structure that was in place during the socialist era has been proven to be fruitless. A new structure needs to be created as quickly as possible in place of that.

-Many things are not working due to a vague understanding of standards. What are the mistakes being in terms of standards?

-Mongolians talk about quantitative characteristics of final products when they try explaining standards. For example, they say that a cup must be like this according to standards, but they never talk about the "how" of the actual process. Products of inadequate sanitary standards are coming out due to the absence of standards in raw materials. Therefore, we must set the production process and standards before anything. For example, Mongolians talk a lot about standards in education. However, there is no standard on how to provide education.

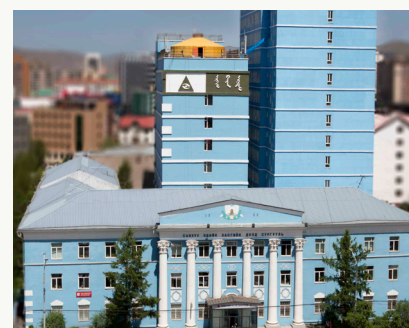
-Your school is well respected among Mongolian universities and colleges. What does your school prioritise in terms of education quality?

-We tell the teachers not to teach empty knowledge. Impart knowledge that will be helpful and useful after they graduate. Most importantly, teach them about maturity and give them the tools to carry themselves appropriately. A mature person will do the right thing somehow anyway. In the past, teachers focus more on skills and abilities. Now it has changed to how to retain useful information as fast as possible. Behind that information, knowledge can be gained everywhere. Students can find this information from so many places – the internet, books and news outlets.

-The Institute of Finance and Economist now has a large new building with a more comfortable studying environment for the students. Would you share with us your secret behind how the university was able to expand without losing its quality of instruction?

-We accepted the commissioning of our university's new building on January 2014. Currently, our university has 4,000 students. The size of the building is sufficient for the number of students. There are three main types of

organisations: for-profit organisations, governmental organisations and non-profit, non-governmental organisations. The third option is more suitable for an education organisation. Although the private sector handles the management of such an organisation, the tuition and fees paid by students are spent as an investment in the school rather than divided as profits for several people. Among the 140 universities of Mongolia, only the IFE has this status. That is why are developing. What do you think the status of Harvard University is? It is not private, but not state-owned either, similar to us. The secret for long-term development is being free and independent. In other words, an organisation free from political involvement and private interests looks



further ahead. That is how educational and health organisations must be.

- What are the short-term and long-term goals of your university?

- As for long-term goals, we have a five-year plan. We are trying to provide the ethnic Mongolian people of Russia and China with a world class education within five years.

- It is an interesting goal, looking out into the world. How will the university teach the students admitted?

- We will do online courses. In the age of information, people are studying independent of time, space, age, sex and nationality. Most importantly, people who have an aspiration to study on their own choose online education.

We are interested in teaching people and creating a structure for those who know the value of labour and have a desire to work hard. In Mongolia, men and women over 40 years of age are having a tough time finding jobs. I want to create more opportunities for them. ■

Education

Skills, education and growth in Asia

BY B. ENKHTSETSEG

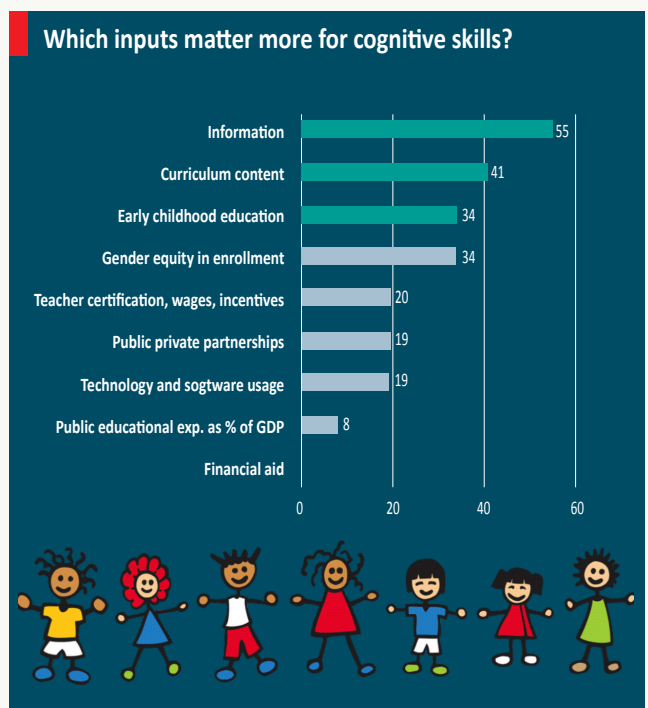
Over the past few decades many Asian economies have experienced dramatic reductions in poverty and have achieved the status of being middle income countries. A key contributor has been the development of human capital, as most prominently reflected in increases in educational attainment that nearly doubled average years of education between 1970 and 2010. However, for developing Asian economies to continue their economic transformation and continue closing the gap with developed economies, they must increasingly stress the quality of education. This will help ensure human capital competitiveness that creates a workforce with sufficient levels of transferable cognitive and non-cognitive skills, as well as technical skills relevant to both current and future labour market demands. To improve the quality of skills, the special chapter of Key Indicators for Asia and the Pacific 2015, “A Smarter Future: Skills, Education, and Growth in Asia” provides evidence that the region will increasingly need to improve public financing efficiency by basing public investment decisions on measurable educational outcomes, designing curriculum content that is well matched to student capabilities and labour market needs, making sure that curricula are delivered well, and making sure that the disadvantaged receive high-quality basic education. Above all, however, decisions in these areas must be guided by information and data collection for monitoring, performance evaluation, and accountability of teachers and schools to achieve better learning outcomes.

The lead author for this special chapter, Natalie Chun, is an economist at the Development Indicators and Policy Research Division of the Asian Development Bank. She came to Mongolia to talk about this important chapter. Her talk covered in detail Mongolia’s expansion in education, education quality, and labour market outcomes utilising a cross-country perspective.

Developing Asia has made large strides in expanding educational access to education. Average years of schooling nearly doubled from 3.9 years in 1970 to eight years in 2010. From 1990 to 2012, literacy grew from 79 percent to 87 percent and gross enrolments in secondary and tertiary education rose from 62 percent to 81 percent and from 15 percent to 27 percent, respectively. These gains have been the result of conscious efforts of both governments and households to invest in education, perhaps the most important channel through which individuals acquire skills.

While progress in the spread of education is noticeable, shortfalls in the quantity and, especially, quality of education constrain skill development and growth

Skills remain weak in many parts of the region, due to gaps in both the quantity and quality of education provided. In some economies, as many as 90 percent of high-skilled occupations in which tertiary education is important are filled by people with, at most, a secondary education. This points to the need to continue efforts to expand the quantity of education. Still, perhaps more importantly, the quality of education needs to improve. A failure to raise the quality of education will have consequences for growth prospects. Empirical analysis reveals a strong positive relationship between education and economic growth.



Mongolia has done well in expanding education over the past few decades, leading to rises in school enrolment and average years of schooling. However, there are indications that there may be shortfalls in the quality and relevancy of education. To raise quality of education, a new cross-country benchmarking exercise provides suggestive evidence that three features of education systems that deliver better cognitive skills are those that have information systems that collect timely, relevant and credible data on schooling inputs and skill outcomes; curricula that are well-matched to student capabilities and emphasises development of critical transferable skills; and broad support for early childhood education. The presentation touched on how Mongolia compares over these three areas relative to other countries in the region ▶

► Toward more effective skill development systems

Some features of education systems are better predictors of learning outcomes than others. To determine whether some practices matter more for skill development, this study examines the relationship between performance on the international PISA and TIMSS tests and indicators for basic education using a global sample of 67 economies. Analysis reveals that economies with better cognitive skills are those that are committed to collecting quality information, particularly on learning outcomes; that have curricula emphasising critical thinking and are matched to student capabilities (through remedial and enrichment courses); and that invest in early childhood education. The importance of collecting information on learning outcomes emphasises that data are an essential basis for making evidence-based policy decisions and imposing accountability.

Good curriculum content needs to be matched to student capabilities to improve student learning and help develop transferable skills relevant to the labour market. Closing the gap between the best and relatively weaker performers on curriculum content could raise average test scores of the latter by as much as 10 percent. When the curriculum is too hard or too easy, students may learn very little.

Early childhood education has large payoffs to skill development by building the capacity to learn later in life. In fact, this brings some of the largest gains in tests of cognitive skills. On the PISA/TIMSS tests for 14-15 year olds, for example, test scores are nine percent higher for students who started school before age five rather than seven, but are only two percent higher for those who started at age six. Given the scientific evidence that early education builds the capacity to learn, its benefits continue to accrue over the long term.

Technology could provide alternatives when teacher effort and skills are low and aid in cost reductions. When combined with high quality content that is customised to a level and pace that match student capabilities, technology can enhance educational quality by countering variations in teaching quality and lower costs of educational delivery.

Public educational expenditures are necessary, but not sufficient to improve learning outcomes. While public educational

expenditures as a percentage of GDP vary considerably across economies, they are not systematically associated with higher test scores. This suggests that how public finances for education are utilised and invested matters as much as the amount of financing. In particular, public finances need to be directed at different levels and types of education so as to yield better educational quality returns per dollar of investment.

Natalie Chun, an economist at the Development Indicators and Policy Research Division of the Asian Development Bank, presented her research on expansion in education, education quality, and labour market outcomes utilising a cross-country perspective for representatives from the Mongolian education sector. Following the presentation, we asked a few questions about the report.

Could you give some brief information about this report?

The key indicators are a statistical compilation of different indicators across countries, and each year we have a theme that covers different topics. In 2015, we covered education and skills, and in 2016, we will be covering something on labour markets and regulations. In 2017, the topic will likely be on technologies and firm dynamics.



What were the main results this time around?

The main results were the three things I summarised in the presentation. In undertaking this original benchmarking exercise, what we found was that an information system is important, but also that having the right type of curriculum content and investing in early childhood education were associated with significant gains to cognitive skills across countries independent of the countries level of income and level of education in the workforce.

You have done this every year. How do you apply these reports to life? Do you work with the government? How do you deliver it?

I'm from the research department, so we're a little bit disjointed from the operational department, but we do try to engage operations. When we were undertaking this, we talked to our education specialist and our programme officers. We have tried to engage government in terms of providing them these results as well as our operations people, and hopefully it will start filtering down into practices that they can actually use in reality. If you look at impact evaluation, which is a specific kind of study, to evaluate programmes in different countries, those would be more linked to operational projects. The report itself tries to synthesise a lot the literature from the impact evaluations that give specific lessons in terms of how to actually implement a particular project or programme better and what is effective in practice.

What are the governments' reactions? When you approach them, how willing are they to take your work into consideration?

I think what we aim to do is to share this information with the right people and use it to engage them in policy discussions. In the Philippines, we recently brought government officials from different part of the education sector to discuss the results of this report, but ►

KEY INPUTS CONSIDERED INCLUDE

- **Information**

Timely, credible, and relevant in terms of level of detail (student, school, region or national level) of data collection; types of information (disadvantaged populations; standardised test performance)

- **Curriculum content**

Emphasis on critical thinking, problem-solving, soft skills, design for different levels of education (remedial, enrichment courses)

- **Early childhood education**

Spending, participation rates, start age

- **Technology and software usage**

Computer courses, learner to computer ratio, internet and electricity access

- **Teacher certification, wages, incentives**

Qualifications to enter the teaching force, teacher salary competitiveness, monetary incentives for teachers based on performance

- **Public expenditure on education as % of GDP**

▶ also to focus on the usage of research for making evidence based policy decisions. We asked them to really start thinking critically: Is this possible to implement in practice? What do we need to do to take this forward? The process is very slow, and it depends on how open governments are to actually utilising research and taking it into practice. If they have their own agendas, they may not want to use this research. If we're talking about good, stable governments that want to ensure they are using their funds wisely they are going to be looking to make their policy decisions based on facts and rigorous evidence, rather than just what different people are saying or what their own personal agenda is. That is where we can get traction. When there are good governments and good officials, you can work with them that is where the lessons from studies such as this one can actually be utilised.

This may be a personal question. How do you make sure to yourself that you are doing something beneficial? For example, when I write an article and publish it, people read it and give feedback, and that is how we know whether the work is valuable or not. How do you measure or assure yourself of what you do?

Discussions reveal where there is interest in studies like this. We are not trying to force our research on to other people, but we are trying to get feedback from them in terms of what they are interested in when it comes to research and what people think is important that we still do not know much about. For this particular project only time will tell whether it is seen as important or not. We can get some sense through citations: other people saying this is a good product and then actually referencing it later on is a good signal of whether it was a worthwhile exercise to undertake and whether it is useful to the wider public and has a long-term impact.

How do you define good education system?

A good education is one that provides the foundations and opportunity to develop better skill outcomes. Information systems are an important component as it relates to good governance in education as it sets the basis for monitoring and evaluating how students and teachers are performing to identify where to target funds to help improve performance.

Is there any particular country you have in your mind that you think

has better system among developing countries?

One developing country that comes to mind is Vietnam, which has fairly good information systems in place to inform decision making. It has very high rates on the PISA (Programme for International Student Assessment). It did better than a lot of the OECD countries. However, it still has its problems, because about 30 percent of students drop out by age 15. Still, if you look at their skill attainment, it's very good. Beyond that, when you talk to people there, they are always asking for something better. Anecdotally there are a number of people that still don't believe the test results. They still are very critical of their education system. It is indicative of a public that is engaged in the education system, criticising it, asking that it perform better than it does. That is a huge component of getting better outcomes.

How applicable is this study to specific country contexts? Is it not necessary to break down your study to focus on particular countries and issues?

Country specific case studies are more revealing about what to do within a country because there is not necessarily a one-size-fits-all model in terms of solutions. Undertaking work on specific countries,

particularly using school administration data, would be interesting. Unfortunately, a lot of developing countries still either do not collect the right type of data to inform policy making or do not make this type of data accessible.

Do you mean in the case of Mongolia?

For a lot of developing countries, data is relatively inaccessible and there is very little transparency or openness to releasing data to a wider population set that could undertake important research and build evidence to develop policies. The only countries where it is possible seems to be the OECD countries, the US in particular. They have good data sets that allow for undertaking really detailed analysis. The PISA and TIMSS (Trends in International Mathematics and Science Study) are one of the best studies that are useful for analysing relationships between the school environment and secondary school student cognitive skill outcomes. However, this data does not allow for tracking students, teachers or particular schools over time so it is a bit more limited in helping to better uncover certain types of relationships and barriers that may be faced in improving skill outcomes in education and thinking more specifically about concrete policy options that may work in different contexts. ■

Hot topic

Where are the tracks?

BY TS.BADRAL

Having taken some time to observe Google's satellite pictures of earth, it was surprising to see that rail tracks can be seen clearly on the Chinese side of the Gashuun Sukhait border while there was nothing to be seen on the Mongolian side, despite the fact that almost 80 percent of the earthworks have been completed.

However, the mistake was trying to find the end of the railway from the border, as the piles prepared to build railways near Ukhaa Khudag could be seen clearly. Unfortunately, the satellite image included only a part of the construction work. There is over 200 kilometres to be completed in order to reach Gashuun Sukhait.

There was a debate on whether the dirt piled up along Ukhaa Khudag-Gashuun Sukhait direction can be considered development and investment, and there are still questions remaining regarding whether high-ranking officials embezzled money from the investment funds. It is unclear if the earthworks completed are sufficient to make up the total of USD 220 million in investments made.

Therefore, first off we must consider how much money and labour railway construction requires. I used the internet, the only available possible database for me at the moment, to find out about the expenses of a few railway construction projects. In general, the cost of building one kilometre ▶



The Ukhaakhudag-Gashuunsukhait railway will comprise 15 bridges, 14 tunnels and two stations.

► of tracks differed in each case. For example, the per kilometre cost of the San Diego railway built in 1980 was USD 4.4 million, while it was USD 28.7 million per kilometre for Canada's SkyTrain network built around the same time. Costs depend on many factors, such as the number of stations, types of freights, number of bridges, tunnels and types of technology. USD 247.5 million is being spent per kilometre for the expansion of the Copenhagen metro, which is scheduled to open in 2019. A seven-year period was planned in order to build a 16 kilometre track which will be commissioned next year.

As for railways, the average cost per kilometre for the US and Europe is USD 100-150 million. However, there are several examples of one kilometre of rail being several dozen times cheaper than this average. For example, China built the 308-kilometre-long Haikou-Sanya high-speed railways for USD 10 million per kilometre in 2010 and the 377-kilometre-long Yichang-Wanzhou main lines for USD 9.1 million per kilometre in 2011. Of those distances, 278 kilometres were tunnels and bridges.

Although it is unfitting to compare Mongolia with developed countries with much bigger economies, there are some

examples and lessons to heed. Last April, a railway connecting the Tumurtei deposit with Khandgait railway station was commissioned with loading and unloading terminals. The total length of the railway is 33.4 kilometres. A bit over USD 100 million was spent for the development. Thus, approximately USD three million was spent per kilometre. It should be noted that a domestic company completed the work within a period of one year.

Another example took place a few years ago, but not too long ago. Boldtumur Eruu Gol LLC built a 98-kilometre-long railway connecting the Bayangol ore mine of Selenge province with Dulaankhaan station. This was in 2010. At the time, press and media were buzzing that USD three million was spent per kilometre of tracks.

From here, we can guess the average cost of building a railway dedicated to transporting mining raw materials. Now it is possible to at least roughly estimate how much money would be required to build 267 kilometres of railway. Currently, a total investment of USD 220 million was made for the earthworks of the Ukhaa Khudag-Gashuun Sukhait railway project. MCS Group completed works equal to USD 60 million of it.

At the beginning, Energy Resources

LLC initiated the work to build this railway and started it in cooperation with South Korea's Samsung C&T. In 2012, the government made a decision to make the state-owned Mongolian Railways be responsible for the project. Thus, Mongolian Railways made a new contract with Samsung C&T's subsidiary SCTECM to continue the earthworks. On a side note, SCTECM is also carrying out the construction of the new airport at Khushig Valley.

The Development Bank of Mongolia allocated USD 200 million for the financing of the Ukhaa Khudag-Gashuun Sukhait railway project, and USD 197 million was transferred to SCTECM. Thus, it means that USD 40 million in works remain to be done. However, at the end of last year, the government changed its decision yet again and decided to build the railway by mobilising ten thousand soldiers from the military. Soldiers to be involved in the development work are being called to military service starting this spring. As for financing, the government submitted a proposal to use funds from the USD one billion credit line promised by Indian Prime Minister Narendra Modi during his official visit and the USD 500 million raised on international financial markets. ■

Working visit

Key ingredients for a sandwich

BY B.UURIINTUYA

Russian President Vladimir Putin exclaimed the assets of Russia have reached the levels of 2014 and that Russia can carry on for four years without external assistance. China has foreign exchange reserves of about USD three trillion. The foreign exchange reserves figure for the country nestled between these two world powers is about USD 1.2 billion. This means that Mongolia has enough import reserves for about four or five months. According to R.Amarjargal MP, although support from Western countries has an important role in the country's development, there is no moving forward without its two neighbours. He noted in his article "Visit by a good friend" that we must communicate and be consistent with what we said instead of being suspicious. So then, what was the purpose of the visit by the good friend, Russian Minister of Foreign Affairs Sergey Lavrov?

The gist of the jeans

In 1990, the President of Mexico stopped by Mongolia on his way to Beijing. Back then, his Mongolian counterpart welcomed him dressed in a casual sports outfit. In his book, whose title translates to "Diplomatic Protocols, Ceremonies and Correspondence" (2006), D.Tsolmon noted that the Mexican President got quite nervous and quickly took off his tie after seeing the President of Mongolia dressed in casual clothes without informing the Mexican side in advance. The Mongolian President at the time was P.Ochirbat, and some people conclude that it was more out of

thoughtlessness from his side, rather than disrespect, that he dressed the way he did.

R.Amarjargal MP said it was noticeable that Sergei Lavrov thought of his visit to Mongolia as a visit to an old friend. Perhaps, Minister Lavrov wore jeans on his visit to Mongolia maybe as an expression of modern freedom, and he had photos taken with a woman he used to study with, which may be an indication that he had more friendship, rather than an official visit mind-set, in his heart. J.Battur, Professor at the School of International Relations and Public Administration of the National University of Mongolia, said in his recent

a suit after flying for many days without sleep," stated Maria Zakharova, Director of the Information and Press Department of the Russian Ministry of Foreign Affairs. "There are no rules in diplomatic ceremonies which state that attire must be changed in every situation. We did not intend to disrespect anyone."

In his article for *The Diplomat*, Professor of International Relations at Cardiff University Sergey Radchenko stated: "You'd expect that Lavrov, a man of 'formidable talents,' according to a recent assessment in *Foreign Policy*, would have enough tact and experience to recognize, as he landed in the aptly-named



interview: "It was as if he was stopping by and leaving. In diplomatic jargon, this is called Track II diplomacy, which essentially means informal diplomatic contact that emphasises the meeting and the works more so than the formalities." The Russian side explained that the jeans incident happened because the Minister had no time change clothes as he had been tirelessly flying without rest for many days. "It is uncomfortable to wear

Chinggis (Genghis) Khaan International Airport on April 14, that he should not wear jeans in the presence of a menacing Mongolian warrior honor guard in faux imperial uniforms. [...] Although the visit may have become an important stepping stone towards a deeper Russo-Mongolian engagement, the wider Mongolian public won't remember and won't care. They will remember the snub."

Julian Dierkes, Faculty member at ▶

▶ the Institute of Asian Research of the University of British Columbia, said that he agrees that the minister should have changed clothes. Pavel Lyadov, Professor at Moscow State Institute of International Relations said: "If there was a mistake, it is the responsibility of the Protocol Office. This office must inform in advance about the ceremony to be held and what is going to be included in the ceremony. If there are ceremonial elements, the dress has to be formal."

However, P.Myagmardorj, Professor at the School of International Relations and Foreign Affairs of University of the Humanities of Mongolia said that Lavrov is a "diplomat to the bone," so his jeans cannot be just an unintentional mistake. "Mongolia's neutrality policy is at odds with Russia's geopolitical policies," said Professor Myagmardorj. "We see that the Mongolian side gave great significance to the visit. However, Lavrov is a diplomat to the bone. He knew exactly what he was doing." If you analyse what Lavrov said in his speech, it was implied that Mongolia should just follow the lead of its two neighbours, instead of dreaming of becoming a political oasis of Eurasia.

Neither here nor there

The underlying purpose of Lavrov's visit was of course China. With Western sanctions on Russia, the nation's foreign policy has been shifting focus to Asia for new partnerships and opportunities. Asian countries, particularly China, are striving not to lose this opportunity. Professor Battur said that Mongolia's importance is gradually increasing in this tit for tat relationship. Minister Lavrov's words further confirmed this when he stated "Russia and China, Mongolia's two big neighbours, will do everything possible in order not to reflect negative external effects on the internal affairs of your country."

The first steps taken towards Russia-Mongolia-China relations were in Tashkent. More specifically, a summit of the heads of the three neighbouring countries was established at the Shanghai Cooperation Organisation. Minister Lavrov noted that the issue of implementing a programme to establish an economic corridor between the three countries will be discussed during this year's trilateral summit. Mongolia has the opportunity to play the role of the main ingredient between these two major countries. R.Amarjargal MP concluded ▶

that Mongolia's main objective is to strike a balance between policies involving the two neighbours and the "third neighbour policy."

Mongolia needs to thoroughly study its two neighbours as it exists in the middle of this tripartite agreement as a transit between the two major powers. The above-mentioned experts said that we have to accurately study regional policies, impacts on the world and on geopolitical policies in order to do so. At the same time, Mongolia needs to avoid the issue of becoming notorious by its reputation.

Wolfing of Asia and opportunity for growth

Even without the partnership of the Western countries, the Bear's economy did not go into hibernation. Asian countries are on the Russian radar again after it updated its approach to policy and relations. Although the Dragon's economy, a key aspect of Russian foreign policy, has moderated a bit, international organisations such as the World Bank and the IMF forecast that Chinese growth will continue. As for Mongolia, it should have become the Wolf economy in Asia. However, it is still developing as a "wolfing" today. Further growth potential is becoming bleak. Japanologist D.Tumurbaatar tweeted "Ideas as big as the world, abilities of a frog" (it sounds better and rhymes in Mongolian). Such a tweet is an indication of the current value of Mongolia to the world. Everyone else already realises the possibility to change this exists in every sector. Mongolia has the full possibility to become the honey for the bear economy if we too can realise this.

During the visit of Minister Lavrov, the focus was on the medium-term programme to develop the strategic partnership between Mongolia and Russia. This programme will emphasise resolving business relationship issues that have lasted for many years and deepening cooperation in key areas such as politics, trade and the economy. It has been a while visa rules were loosened for citizens of the countries wanting to travel to the other two. Meanwhile, the Republic of Buryatia came to the forefront of Russia's retail trade. However, significant changes have not been made on the Mongolian side, as can be seen from the foreign trade turnover figures between the two

countries. Specifically, exports from Mongolia to Russia are minute, at just USD 67 million. Measures to increase this number are being taken, but have not produced results just yet. The total trade turnover between the two countries is USD one billion, but Russian goods going into Mongolia is responsible for the vast majority. Mongolia is fully dependent on Russia for oil. However, nearly all meat exports from Mongolia head to Russia. According to the "market studies on meat and meat products 2015," horse meat and beef account for most of the meat Russia imports from Mongolia. However, the issue of quality and standards is a huge obstacle for Mongolia. A Russian market with more than 140 million people is there for the taking if quality is addressed.

Putin's annulment of Mongolian debt to Russia has created new financial opportunities between the two countries. Confirming this, Minister Lavrov noted: "The issue of developing the two countries' credit relations now has no legal obstacles. The issues are being discussed among the central banks. The loan conditions must be mutually beneficial for both sides."

Prime Minister Ch.Saikhanbileg said: "The Russian side has approved the agreement of regulating Mongolia's financial obligations, and it opens the opportunity to develop financial and credit cooperation." Officials reported that the Prime Minister has expressed interest in making a currency swap agreement between the two countries' central banks and also in using the currency of the two countries in conducting trade.

In 2014, the Russian President stopped by Mongolia for six hours. Although President Putin, who came to Mongolia on the occasion of commemorating the 75th anniversary of the Battles of Khalkyn Gol, was late for a bit than the scheduled arrival, Mongolians welcomed him warmly. Just like Putin, Lavrov came in the morning and flew to Japan in the afternoon, having become notorious for his jeans. M.Batchimeg MP said that the country caused embarrassment for the visitor by not distinguishing a working visit from an official visit. In the future, the officials who become the face of Mongolia's foreign relations as well as the people claiming to represent the views of citizens would do well to thoroughly understand the difference between an official visit and a working visit. ■

Human resources

Whom would you pick?

BY B. TSETSEN

In 2003, two professors from Columbia Business School and New York University conducted an experiment to test perceptions of men and women in the workplace. They started with a Harvard Business School case study about a real-life entrepreneur named Heidi Roizen. The professors assigned half of the students to read Heidi's story and gave the other half the same story with just one difference – they changed the name "Heidi" to "Howard." The students rated Heidi and Howard as equally competent, which made sense since "their" accomplishments were completely identical. Yet, while students respected both Heidi and Howard, Howard came across as a more appealing colleague. Heidi, on the other hand, was seen as selfish and not "the type of person you would want to hire or work for." The same data with a single difference – gender – created vastly different impressions. The Heidi/Howard case study so blatantly demonstrates that we evaluate people based on stereotypes (gender, ethnicity, nationality, and age, among others). Our stereotype of men holds that they are providers, decisive and driven. Our stereotype of women holds that they are caregivers, sensitive and communal. Because we characterise men and women in opposition to each other, professional achievement and all the traits associated with it get placed in the male column. By focusing on her career and taking a calculated approach to amassing power, Heidi violated our stereotypical expectations of women. Yet by behaving in the exact same manner, Howard lived up to our stereotypical expectations of men. The end result? Liked him, disliked her, said Sheryl Sandberg in her book "Lean In."

Thousands of results will be given if you ask Google "Why women stumble more than men in job interviews." On the contrary, if you search the most common mistakes made by men during interview, almost no similar results will be shown.

Regardless of gender, everyone makes mistakes – showing up late or unprepared, being unable to answer certain questions and lying about previous job experience. However, women are more likely to stumble in interviews by talking too much, giving answers to a subject which was not raised and dressing improperly. These are caused



not strictly by women themselves, but also several other factors.

When recruitment companies receive job orders and offer jobs to qualified people, men focus on issues that will directly impact their basic livelihood and careers such as how satisfied are they with their current job, whether they need more opportunities and what changes are going to be expected by switching jobs. However, women give more consideration to other issues such as current co-workers, whether the good relations established with executives would maintain, what her co-workers would think if she quits now and how the new place will receive her. On top of these, women do not believe in themselves even when they meet 90 percent of the job requirements, while 60 percent is enough for men to be confident according to many experts.

During job interviews, women try to look as professional as possible in order not to give off the impression of being too emotional and indecisive. When women start to look too hollow, rigid and arrogant, it is less likely to make positive impact on the person taking the interview. Also, professional recruiters' analyses say that women tend to talk too much and incorrectly about something that

they do not know in order to seem as though they do know.

A similar misstep that many women take is being too chatty during the interview. Women often wait for the interviewer to cut them off, uncertain of how much information is necessary. According to Dr. Dory Hollander, a career coach and founder of WiseWorkplaces, women frequently talk too long when answering interview questions. She suggests keeping answers to less than one minute and letting the interviewer speak 60 percent of the time.

The next common mistake women make is that they do not talk about their accomplishments, as if they are trying to let the interviewer find out himself. On the one hand, it is related to their fear of being seen as arrogant and too ambitious. It even can be noticed from how people express themselves on their CVs. Men tend to mention their achievements, such as projects they worked on, the scope of the teams that they led and positive changes and profits they brought to the company. As for women, most of them include the list of previous responsibilities in their CV. Some may consider that an indication of underestimating themselves. J.Nomin, the Director of the recruitment company Mongolia Talent Network LLC, said: "Your main distinctive feature must indicate what achievements you reached by bearing those responsibilities at your previous jobs. Therefore, you need to demonstrate your talents and achievements clearly and confidently."

If a job candidate highlights her own weaknesses, the employer will clearly ask more about it. Therefore, professionals recommend focusing on what value you will create by getting this job. Since first impressions have a lasting impact, women need carefully consider their attire. Both domestic and foreign employers do not seriously consider people dressed too flashy, in a way too colourful or open, as ▶

► it is an international norm. Flashy clothes and large accessories are likely to become a disadvantage for women.

Yet, even when a woman successfully leaps over all of these interview hurdles, there is another big obstacle in her path: the pay package. You should not forget that employers rarely offer the maximum salary that they can pay. According to Sara Laschever, co-author of the business advice books “Women Don’t Ask” and “Ask For It,” women tend to get excited, and they end up accepting an offer right away. Sometimes they even propose a much lower salary than the actual amount an organisation budgeted. However, on the other hand, 90 percent of men ask for a higher amount than the first amount proposed by the employer.

J.Nomin also said that salary expectations are one of the main differences between male and female candidates. She said that women reduce their value by saying that they can negotiate on the salary and can be flexible, while men who have the same level of education, skills and experience say that they would not accept a salary lower than their proposed amount.

Trap

"Are you married? When are you planning to have a child?" These are the most troubling questions for Mongolian women. If a job is not included in the list of jobs prohibited for women, it is prohibited to discriminate by gender when announcing a job opening. People in developed countries are well-informed on this matter, and employers know that it is unethical and illegal to ask such questions, so they rarely dare. In cases where they do ask such questions, the likelihood of getting into legal trouble is serious.

Looking from the point of view of employers, the main difference between men and women on the job is that women can enjoy the right to be freed of their duties for up to three years under maternity leave and enjoy some more freedom provided by the law. From that perspective, employers tend to prefer to hire men or ask the above-mentioned personal questions. In some cases, employers try to get commitments from female employees by trying to make women think of their private issues as a weakness.

"In general, gender impact is very little on this side," said Ts.Amarsanaa, Director of Specialized Career Consulting LLC. "But the reason why organisations try to hire men for executive positions is because it is hard

to find another high-level executive in case the executive takes a maternity leave up to three years."

It is common for young women who just graduated university to give the promise that they have no plan to marry in the next three years in order to get a job. However, women who have experience working in many places routinely get undervalued for having a child and for potentially becoming less productive due to the infant. On the other hand, the stereotype regards men as more stable if they are married and have their own family. Mongolia's labour law prohibits discrimination, including by gender, in labour relations (article 7). At the same time, it says that it is prohibited to ask questions unrelated to work obligations, such as ones concerning a candidate's private life, ideology, marital status, party affiliation, religion and whether the person is pregnant. It is common for women not to know about this part of the labour law. Even if they know about it, it is common for them to know how to get out of such a situation conveniently, or suitable responses for such questions. On the other hand, J.Nomin advises that "You should ask

yourself whether that job is the job you really want if they are asking about when you plan to take maternity leave." Thus, professionals say that it is better to give definite and decisive answers to such questions. You can still refuse to give an answer to such questions, as it is a right guaranteed under the law. "It is wrong for women to think that giving birth and raising children as a disadvantage," said Ts.Amarsanaa. "On the other hand, the concept of development is vague for an organisation that does not understand human rights. Therefore, I would not recommend working for such companies."

Issues such as how women fight and work in order to reach success, how women receive lower pay than men for the same work, why there are fewer women in executive roles and how women work in unfair situations get raised. However, it would be wrong to say all of these are because of external factors and the patriarchy. Often women themselves do not wish for more or ask for more. Therefore, they have lower salaries and work lower down the ladder than men. If women are to climb the ladder and earn higher pay, we must stop underestimating ourselves. ■

Business

Business community nervous about election aftermath

BY TS.ELBEG

Leaders of Mongolia's economy and business sector convened on the morning of April 21 morning for the first annual summit of the Business Council of Mongolia. Many esteemed business people were in attendance for the event held at the Blue Sky Hotel and Tower, including: Andrew Woodley, President and Executive Director of Oyu Tolgoi; President of the Institute of National Strategy of Mongolia Cameron McRae, who previously held the position of Mr. Woodley; B.Byambasaikhan, CEO of Erdenes Mongol LLC; Chairman of the American University of Mongolia J. Peter Morrow, who led Khan Bank for about 10 years; Jason Broome, Executive Director of newly established Porsche branch in Mongolia; Randolph Koppa,

Deputy Executive Director of the Trade and Development Bank; Tuyen Nguyen, Resident Representative of International Finance Corporation in Mongolia; U.Azjargal, Acting Head of the Regional Office of the EBRD in Mongolia; and economist Ch.Khashchuluun. Such people had not gathered at the same place at the same time in recent times.

In addition to the above-mentioned people, representatives and foreign investors from both companies with both little and lots of experience operating in Mongolia came to the summit. The scope and influence of this organisation which unified small and big entities operating in Mongolia, as well as world's largest companies, international and non-governmental organisations and embassies, could be seen from this summit. ►

► A broad range of topics were discussed during the summit, from finance and capital markets to health, agriculture, business strategy, innovation, mining, manufacturing, political governance, technological development and elections.

As the mining and construction sectors are struggling, there is a lot of talk about diversifying the economy by developing other sectors. For example, the agricultural sector is primarily responsible for the growth of GDP. In addition, there has been

to political parties, relevant government agencies and the next government.

During the summit, Director of the Sant Maral Foundation L.Sumati delivered a speech on things to watch for during the election. According to his survey, 80 percent of the survey participants answered that they will vote in the election. Thirty-three percent answered that they have no specific position, while 18 percent did not answer. He also said that advertising has a great effect, if looking back at the previous elections.

U.Azjargal, Acting Head of the Regional Office of the EBRD in Mongolia, expressed her position and said: “Multilateral reforms of policies implemented by state must be continued and completed.” She warned that unstable government policies that change without results have detrimental consequences. As for representatives of international banking and financial institutions, all of them reminded attendees that fiscal discipline is crucial. Azjargal also said that the government must be careful about new loans, reminding people that repaying loans is tougher than distributing its funds. However, Tuyen Nguyen believes that Mongolia has the ability to address issues more realistically and take measures. He noted that the government of Mongolia must be consistent, no matter which party is in control of the government.



The goal of the summit was to identify challenges in doing business nowadays and help each other by exchanging information to plan for the future trends. Thus, the summit was held under a very businesslike, far-from-politicised atmosphere.

Although the overall business climate is not all too good due to the economic situation, it would be wrong to deny the positive progress that has been made. Jason Broome’s speech sounded fun, confident and determined.

“When people ask why our company opened a branch in Mongolia, I answer ‘why not?’ When they ask how sales are going, I tell them ‘not so bad; it is up from last year,’” Broome said. It has been about year since Porsche opened a branch in Mongolia. Broome said that many people ask whether the cars can be driven on Mongolian roads. He showed a picture of the Porsche Macan going on the rocky roads of Mongolia and said “no need to hesitate.” The company will be responsible for the repair of vehicles sold as they have already established their vehicle maintenance and service centre.

Foreign investors have not completely fled the Mongolian market. The second phase financing of OT was made. Tuyen Nguyen noted the International Finance Corporation’s massive and historic investment in Oyu Tolgoi. “We made the investment because we are interested in Mongolia and in OT,” stated Nguyen.

some positive progress with Mongolia starting to export meat to China starting last year, and major projects are going to be implemented in the energy sector. Broader opportunities should present themselves if the government focuses on increasing competitiveness of the sectors.

“The shift in the government’s approach



to business is one of the positive changes made in the recent past, especially last year,” stated Cameron McRae, President of the National Strategy Institute of Mongolia. “However, it is important to remember the lessons learned for a long time going into the future.” Although the summit carried on free of politicisation, one thing apparently alarming the business community is the uncertainty regarding the aftermath of the 2016 election parliamentary election. Another objective of the summit was to deliver recommendations and proposals reflecting the voices of the private sector

The most important thing the participants of the summit want is stable and steady policies and the development of a programme consistent with the long-term national development policy. At the end of the summit, the topics discussed were summarised, and the issues to be included in

the recommendation were re-clarified. Essentially, the members of the BCM recommend continuing with the positive developments which have been started. Do what needs to be done. For example, issues such double registration at stock exchanges and whether to levy tax on capital gains still need to be resolved. It is vital to listen to the voices of the business community and take the advice and assistance from partner international agencies in order to make decisions. Their advice is that it is vital to know what to prioritise in order to diversify the economy. ■

Mongolian Economy - Dig Deeper



"Magazine of the Year 2013" by the Mongolian Journalists Union

"Media Company of the Year 2012" by the Business Council of Mongolia

"Media Entrepreneur of the Year 2011" by Mongolian Chamber of Commerce and Industry

www.mongolianeconomy.mn

Mongolia Economic Forum 2016

Lessons learned from the super cycle and solutions going forward

SUNJIDMAA JAMBA



Meeting of mining leaders at the MEF 2016

The motto of the 2016 Mongolian Economic Forum was “lessons, challenges and solutions.” As such, forum participants discussed the lessons we have learned in recent years and the challenges and solutions going forward on the development of Mongolia’s major economic sectors.

Herewith I would like to share my thoughts about lessons, challenges and solutions in Mongolia’s mining sector with readers of major industry and economic magazines in Mongolia.

A key lesson from the last few years is that Mongolia did not take advantage of the favourable opportunities in the commodity super cycle on the international market. Instead, we overreached, over-projected gains and became spoiled by the price increases. As a result, we have, unfortunately, ended up with losses.

Mongolia overcame the global financial crisis in 2008 with relatively minor scars. Just a few years ago, we and the international community took stock of the lessons learned in overcoming the crisis. However, Mongolia and other resource-rich economies made decisions based on the assumption that China’s high growth levels would remain a constant regional factor. In other words, we assumed

that the urbanisation and infrastructure development that had been taking place in China for several decades would not dampen. The underlying implication was that the steady, high demand for minerals would remain unchanged. We know now and learned the hard way as the super cycle went downhill that such an assumption was not only overly optimistic, but just wrong.

In order to fully understand the value and substance of this lesson and avoid repeating past mistakes, we need to ask ourselves one question: how would things have turned out if Mongolia had taken the best possible advantage of the converging favourable conditions of the last few years, namely the commodity super-cycle and the high growth in China?

The answer is simple. We could have advanced the so-called major mining projects and developed related infrastructure. Had we done that, mining operations would be more efficient, sustainable and productive during the boom period. As part of the spillover effect, the employees and management of the Mongolian mining would have accumulated greater operational and business expertise and know-how. Moreover, we would by now be seeing national and local mining suppliers and

local SMEs rising and consolidating as a backbone of the industry with steady revenues, heightened efficiency and more experience.

From these factors, the overall economy would have generated more taxes, revenues and investments. These improved economic indicators and the social investment that would have ensued would have trickled down for local development and resulted in higher quality public services.

This would-be list and value chain could have been sustained with more positive impacts, and should have advanced national and local development. Unfortunately, none of these happened in reality.

Although we can continue down the “coulda, woulda, shoulda” path, let’s try to shed some light over this rather dark panorama. The recent commodity super-cycle was the first ever experienced by Mongolia. Although experts often claim that Mongolia’s mining sector is over 100 years old, it has been only about two decades ago since we started developing the mining sector with private sector participation and investment. Furthermore, it has been only a decade since Mongolian mineral resources began to attract the interest of international mining corporations, and since then, a world class mining project has been undertaken. With this in mind, we should remember that we are still a young and inexperienced player in this increasingly complex international marketplace.

Mongolia took significant steps to make its mining policy and legal frameworks better and clearer. These efforts were based not just on the achievements and lessons learned in recent years, but also on the needs and demands of the key stakeholders that form part of the young and vibrant democratic society. These legal improvements could (and ▶

► should) be seen as positive actions, as they imply retractions of previous mistakes and shortcomings in the form of a course correction. They were, however, steps taken due to short term socio-economic and political term trends, and as such, they were insufficient to implement more decisive and forward-looking actions that the times required.

There have been hundreds of meetings, conferences and consultations on mining and related issues. These have helped to improve our basic knowledge about mining, as well as for speaking up and debating these issues. After much discussion, however, we have not managed to reach a consensus that could be sustained and delivered neither any effective results nor sustainable outcomes.

The mining sector is regarded as relatively conservative and discreet. However, the recent commodity super-cycle has been a sobering experience for even the so-called "cautious veterans" of the mining sector. In this context, we may not blame ourselves so harshly, as we are still a less experienced and relatively new player in the market. As a small, developing and less diversified economy, we cannot compare ourselves with other resource-rich and developed economies, especially as the relative impact of the losses on Mongolia's small economy are significantly larger than on larger and more diversified economies.

During the Mongolian Economic Forum, most participants in the mining session were optimistic in assessing that the current challenges on the commodity market are short-term, and that the mining sector will remain a priority in Mongolia's economy for several decades to come.

With that being the case, what are the potential solutions to questions surrounding further development of the mining sector going forward? Consequently, other questions could be raised, especially in terms of external factors. For instance, when will commodity prices start rising? Will the super cycle return? If so, when? When will the Chinese economy start to regain its strength?

According to analyses by international financial institutions and industry, the Chinese economy is transitioning to a so-called "new normal." Hence, demand for mineral commodities will not grow significantly in the short term, but rather in the medium term. The Chinese economy is shifting from manufacturing

industries to the services sector. The country's urbanisation and infrastructure development will continue in the medium term. These developments will help a recovery in the currently-frozen demand for mineral commodities in the medium term. Industry experts continue to acknowledge that mining will remain cyclical. However, it will take longer until the upswing of the next super-cycle.

In this new situation, throughout the world there are increasing reform efforts among mining companies to improve efficiency and introduce innovations in their operations to boost competitiveness, as current market prices have in many cases fallen below operational costs. Moreover, companies are making efforts to transform their business models and to partner with other stakeholders more effectively to ensure their long-term and sustainable social licences to operate in host countries and communities.

Therefore, despite our geographic advantage being next door to the largest

commodities market, we must revitalise our own competitiveness to become a strong player in this increasingly competitive and complex international market. We need to establish an effective and forward-looking business structure and improve managerial capacity at the company level; maintain a sound, stable and predictable policy and promote responsible and professional businesses; develop major infrastructure facilities based on effective public-private partnerships; and conduct productive public discussions for sustainable social consensus.

Making this happen would make us more competitive in an environment where there are factors conducive to making risk-informed and forward-looking decisions. These would enable us to maintain sustainable and productive operations in the medium term until commodity prices bounce back. That could, in turn, bring the much expected sustainable development results and outcomes for the people and the country. ■

Coal & Metals Mongolia

L.Naranbaatar: Authorities need to stop blaming the market

BY TS. ELBEG

The Coal & Metals Mongolia 2016 forum will be held October 5-6. "Coal Mongolia", "Metals Mongolia" and "Mine Tech" used to be three separate events, but they will be held together this year. Our magazine sat down with L.Naranbaatar, the Executive Director of the forum's organizer, Glogex Group.



- "Coal Mongolia" is a reputable forum that has been organised for many years. What is on the agenda for this year?

- This will be the sixth year the "Coal Mongolia" conference will be held. It is the

third year for "Metals Mongolia" and ninth year for "Mine Tech." Basically, these three big events are being consolidated starting from this year into the "Coal & Metals Mongolia" forum.

The main objective of the forum is to ►

▶ boost the competitiveness of the mining industry, attract investment, introduce technologies and advertise the policies of the sector and investment environment to foreign and domestic businesses. The forum will be organised within the framework of these main objectives. Gold, copper and uranium projects are attracting a great deal of interest from investors. The advancement of the Gatsurt gold project and Oyu Tolgoi underground expansion are creating positive expectations for supplier companies. As for this year's main development at the forum, potential key investors from China and Kazakhstan are coming to familiarise themselves with Mongolian mining projects.

- What should be done and what can be done in order to improve competitiveness in the current situation?

- Mongolia is a landlocked country. Therefore, the issue of launching products on third markets is a major challenge. Transportation costs are very high, and the cheaper mode of transportation is by sea. After that, it goes by rail and the most expensive being by road. The most important thing is to reduce transportation costs in order to improve competitiveness. The transportation costs in exporting staple export products, such as coking coal, iron ore and copper concentrate, are very high. The transportation costs of coking coal make it seem more like a transportation business rather than mining business. Only 20-30 percent of the costs of exporting coking coal exports related to actual mining processes. The remaining 70-80 percent is transportation costs. Therefore, transportation and logistical issues must be resolved in order to boost competitiveness. In particular, railways need to be built rapidly. It is an issue is continually raised at every annual investment conference and business meeting.

- The government has decided to assume responsibility for railway construction works and are going to remake plans. It seems like so much time was lost due to many decision changes.

- Nowadays it is possible to construct railways much faster due to technical advancements. Mobilising human strength due to its low costs is an obsolete concept. For example, China used to produce cheap products by utilising a low cost labour force to compete on the global market for over years, but is now changing its strategy. Today, they understand that cheap labour is no longer an advantage and that a high-

cost, capable and knowledgeable labour force that utilises advanced technology is more competitive on the global market. Therefore, they are shifting to more technology-added production. We cannot ignore global trends.

The coking coal from the Tavan Tolgoi deposit can become a Mongolian brand. The "Coal Mongolia" conference has been organised for the past six years in order to eliminate this product's dependency on a single buyer, China. If we can process this product in South Korea and Japan and sell it at higher price, then it really can become a Mongolian brand. This is the Mongolian dream. We lost time arguing about whether to build the railways through the funds of the state or the private sector, and in the end, it is the people of Mongolia that lost out as a result. While we were arguing, the value of Tavan Tolgoi has fallen. It has become uncompetitive.

- Entering third markets means passing through the territory of one of the neighbours. How possible is this?

- The main market is China, which is trying to make structural reforms in its economy and refrain from worshipping high growth. They think that 6-6.5 percent growth would be enough, because they have had high levels exports to the US and European countries for the last 10-15 years. As a result, they were able to

rapidly expand the industrial sector and made significant investments. However, its industrial sector started to produce in excess when the economies of Western countries faced a crisis. It means that China's domestic market is unable to absorb it. For example, their cement production had a 25 percent surplus. They are trying to pull away from the use of coal and are emphasising cleaner energy such as gas, nuclear, and solar and wind energy. In this regard, their railway trade turnover has dropped significantly. A decrease of 30 percent in a year is a very dangerous phenomenon. Therefore, Chinese demand for transit transportation is growing.

Secondly, China's railway has a nature of monopoly. However, at the same time, a very cost-effective road network that allows distant transportation of mining products is established. They say that transportation by road is nearly half the cost of by rail in China. Thus, railway freight turnover has weakened due to the rising rival. Mongolians must see it as an opportunity. Although the price of coal is falling, we would have had a chance to transport our products to third markets for lower costs had we built and commissioned the railways. Had we done so, we would not have ended up in such deep a crisis. Having said that, I think that the authorities need to stop pointing the finger at the market and look inward. ■

Elections

Would like to get elected, but...

BY TS.SAIKHAN

Still waiting. Although the date for the voting has been already announced, how it is to take place has not been decided yet. Whether the parliamentary elections will even take place is being called into question.

In general, this election season has been full of expectations. Until recently, there had been very solid expectations about how political parties will do in the elections. Official and unofficial sources were split regarding whether the Mongolian

People's Party (MPP) and Mongolian People's Revolutionary Party (MPRP) would set up a coalition. The expectations came to an end as the parties submitted their application and platform on April 29, the deadline for submission. Now people are waiting for decisions on what the voting districts will be and how the representatives will be chosen. The business community is hoping that more business-friendly political force succeeds in the elections. Naturally, everyone has their own expectations. ▶

► Generator of expectations

Thirteen political parties and three coalitions have handed over their platforms to the election committee. It has become obvious that the MPP and MPRP will not form a coalition. The tone of politics has changed since the 2012 elections. It has become difficult for a single party to obtain a majority, and third party cooperation has become necessary to form a government. In this regard, the MPRP can play a strong hand. Everyone knows that whether these two parties set up a coalition or not has much impact on the election results.

The MPRP also caused another expectation. When parliament discussed the issue of whether to accept the decision of the Constitutional Court stating a proportional election system violates the Constitution, the “Justice Coalition” took a recess. The Mongolian National Democratic Party, part of the Justice Coalition, announced that it will support the Democratic Party. As for the MPRP, the decision of the Constitutional Court is much more important.

Four years ago, the Constitutional Court made the opposite decision regarding this matter. Thus, that election was held under a combined system, and an opportunity to establish the Justice Coalition was presented by the proportional election method.

Parliament’s decision, which was long awaited, was to accept the decision of the Constitutional Court. However, precise information on how candidates will be elected is still yet to be determined.

Behind the expectations

The decision of the Constitutional Court was sudden, and it has slowed the process which was going normally. Rather than slowed, it has temporarily stopped this process. The real commotion will begin when the decision is made.

According to the “Law on Parliamentary Elections,” the submission of candidates must start 55 days before the elections, with the deadline for

submission five days after that. That start date was supposed to be the 5th of this month. However, the issues to be resolved still remains. It is not just the issue of the MPRP and other parties with seats in parliament. Other political forces that submitted their candidacy, such as independent candidates, are waiting on how the matter plays out. If the elections are held according to 76 small electoral districts, independent candidates have to decide in which district they will run for office.

Balance of power

Parties have been quite active recently. Independent MPs Ts.Davaasuren and Kh.Bolorchuluun have decided to go with the MPP. Davaasuren MP used to

had the highest hopes among the smaller forces, is heading into the elections with significant internal disputes. Previously, this party appointed S.Ganbaatar MP as the chairman of the party, but soon replaced him with the young businessman T.Ganbold. Most recently, they re-appointed their previous head S.Borgil as chairman and announced that they have resolved their internal conflicts. However, party chairman S.Borgil and party members T.Dorjkhand and U.Munkhbat have decided to run as independent candidates. The National Labor Party is included in the 10 parties to compete in the elections. Another confusing thing is that the so-called “other leader” of this party T.Ganbold signed an official document stating that The National Labor Party will support the Democratic Party



be a member of this party in the past. In 2012 elections, he left his party to run independently and won in Khuvsgul province, while Bolorchuluun MP was elected in Dornod province.

MPs L.Tsog and G.Uyanga have left the Justice Coalition. L.Tsog was a member of the MPRP, while G.Uyanga was representing the MNDP in parliament, but now she has become the leader of the newly-established “Independence Unity Party.” Her party will set up a coalition with the Green party in running for the elections.

The National Labor Party, which

in the elections of 2016.

Chairman of the MPRP N.Enkhbayar has also declared that he will compete in the elections. However, as for his possibility to run in these elections, it depends on whether his current legal case is covered in the Amnesty Law’s pardon on sentence duration. The Parliamentary Standing Commission on Justice discussed and supported the relevant draft resolution. However, they explain that the former president was forgiven by the amnesty law initiated by the President in 2009. ■