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ECONOMY

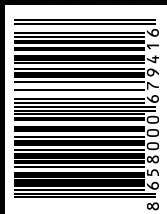

A NEW TALE OF THE EG RIVER

BETTER SAFE THAN SORROWFUL TOURISTS

BUSINESS

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ECONOMY

MONGOLIAN ECONOMY

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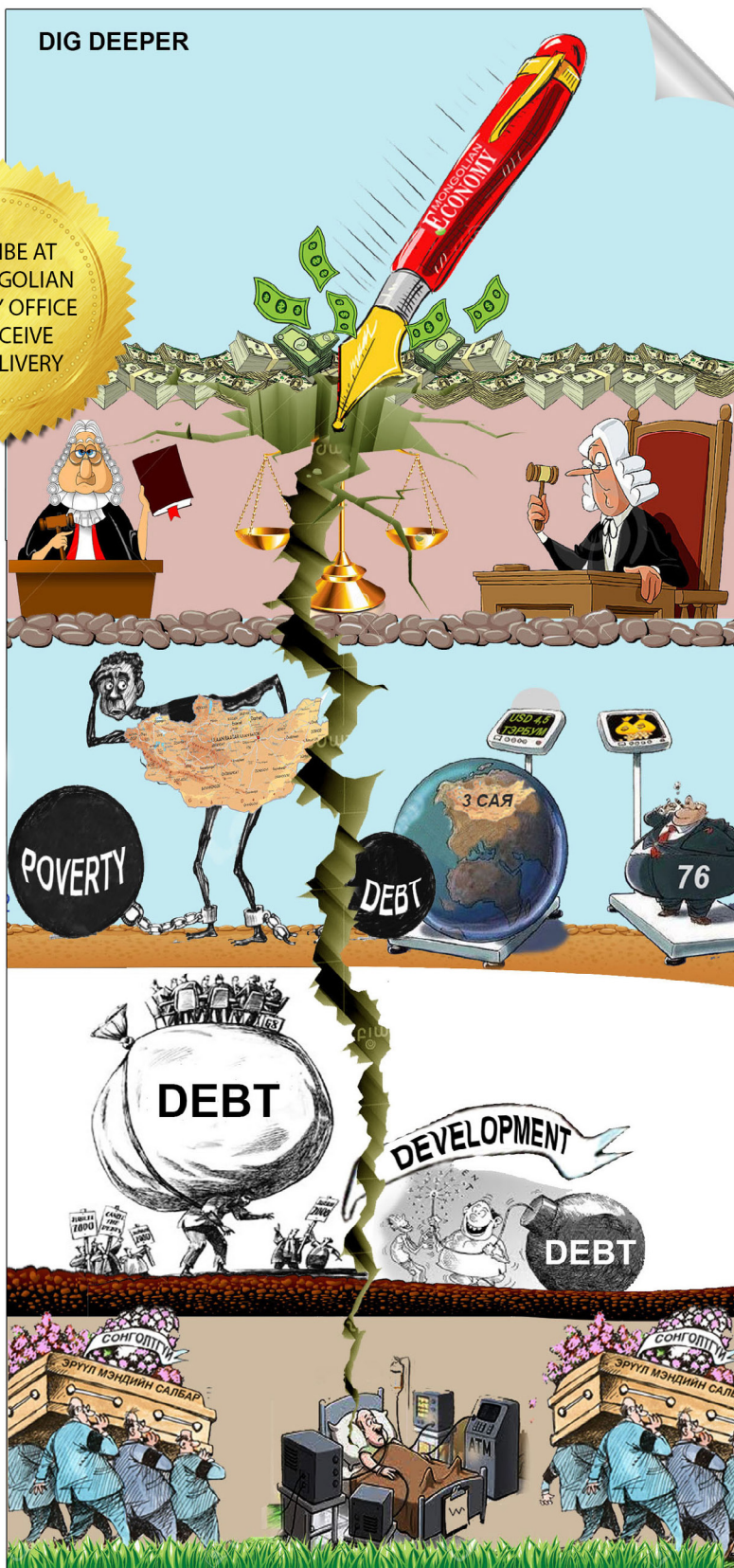
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Approximately 90 percent of the total households in the country do not have any savings according to statistics. People who have savings now have the opportunity to buy their coveted products from expensive brands for cheaper prices.

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Although the hospitality of the Mongolians leaves a good impression on tourists, it is also true that they go back with some anxiety as a result of distressful things they experienced in the city.

MONGOLIAN NEWS

INDUSTRY

Mongolia will cooperate with the Czech Republic to build a coking plant with a capacity of 300 thousand tonnes. The parties signed a memorandum of cooperation during the Minister of Industry's visit



to the Czech Republic last month. The project requires a total of EUR 160 million in financing, and it has been agreed that the Czech side will provide 70 percent of the financing. The coking plant will be built within two years, with construction starting next year, stated the Ministry of Industry.

REAL ESTATE

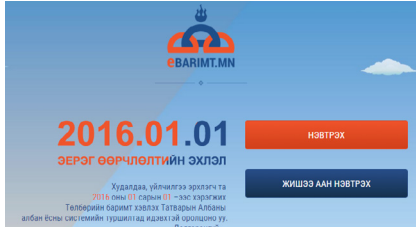
As of the fourth of this month, commercial banks have received requests from mortgage borrowers to refinance MNT 837.8 billion in loans



from the same source as the eight percentage mortgage programme. Of this amount, banks refinanced a total of MNT 581 billion worth of mortgage loans of 19,413 borrowers and transferred the loans to the eight percent interest rate programme. In addition, the banks are to grant new mortgage loans worth MNT 2.2 trillion to 41,055 citizens.

TAX

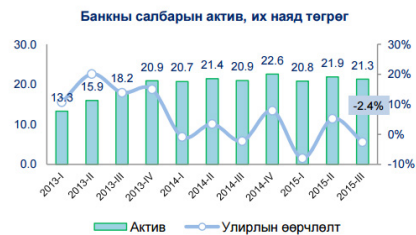
Next year, VAT paper receipts will be replaced by an electronic method. Specifically, the "ebarimt.mn" website that will print official tax receipts will be launched starting on New Year's Day. The website will



roll out initial payment receipts and begin the work to provide enterprises and individuals with custom payment receipts. The revised law on value added tax will enter into force on January 1, and the state is creating an opportunity to improve the tax system, increase the participation of each citizen in decreasing the shadow economy and refund 20 percent of VAT paid.

FINANCE

As of the third quarter of this year, commercial banks' assets stand at



MNT 21.3 trillion, which is decrease of 2.4 percent from the previous quarter and an increase of 1.7 percent from the same period of last year. The industry's asset growth slowed from the first quarter of last year, and the quarterly percent change has been stable at an average of five percent. The Mongolian Bankers Association believes this can be attributed to the decreased lending of banks due to the slowed economic growth.

MINING

Mongolia is cooperating with China to build a large energy complex based on the strategically important Shivee-Ovoo coal deposit. Mongolia is responsible for supplying 34 million tonnes of coal each year



for the successful implementation of this project. The government is negotiating with Erdenes Mongol LLC and Shivee Ovoo LLC, which are the holders of licences at the deposit, and came to the decision to establish a joint enterprise to implement the above-mentioned duties, provided the sides come to an agreement.

TRADE

Foreign trade turnover reached USD 7,735.5 million at the end of last month, decreasing by 22.8 percent



from the same period of the previous year. Decreases in exports by USD 947.5 million and imports by USD 1,337.5 million caused the decline. Of the total turnover, 62.5 percent was conducted with China and 13 percent with Russia. Trade with China decreased by 21.9 percent, and trade with Russia decreased by 32.5 percent from the same period of the previous year.

WORLD NEWS

ONE-CHILD POLICY



In October, the Chinese government announced that it will do away with its one-child policy, and will institute a two-child policy. Now China has also announced that millions of unregistered citizens, many of whom are children born in violation of the one-child policy, will be allowed to obtain necessary documentation known as the “hukou.” Approximately 13 million people, or one percent of the total population, do not have the paperwork necessary for attending school, gaining formal employment and seeking health services. It was possible to obtain a hukou for a child born in violation of the one-child policy, but oftentimes the fine a family had to pay would be financially unfeasible, and so millions, including orphans, lived as “black children.”

OPEC MEETING OUTCOME



Representatives of OPEC member countries assembled in Vienna on December 4 to discuss their next steps. Members did not come to an agreement regarding a potential production ceiling, after Iran stated it is unwilling to consider production curbs until pre-sanction

levels of output are reached in its nation. The announcement prompted a sell-off in markets, with all grades of oil falling below USD40. The last time oil prices were this low was early 2009, during the Great Recession. OPEC’s Secretary General Abdullah al-Badri stated it is unclear how much oil Iran will supply to this market that is already in a glut. Goldman Sachs noted that it is possible that the per-barrel price of oil may go as low as USD 20. One year ago, Saudi Arabia argued not to cut production and instead defend market share, in hopes of pushing high-cost producers in the US out of the market. It seems low oil prices are here to stay, at least for the short to medium term, a fact that several members of OPEC resented coming out of the meeting.

ECB HOLDS RATES STEADY



The European Central Bank decided via a majority vote that they will not boost quantitative easing. It was also noted that the ECB’s programme to buy new bonds as old ones mature will inject hundreds of billions of euros. The decision to keep buying bonds would amount to EUR 320 billion if continued for two years from 2017, stated the Governor of the Central Bank of Luxembourg, Yves Mersch. The decision by the board of governors comes also in light of the fact that the members expect their US counterpart to raise rates at its next meeting. An increase in interest rates in the US would make it more expensive for firms

and households in the Eurozone to finance investments, which may hinder recovery in the EU and the ECB’s efforts to keep interest rates low. The ECB also recently cut its deposit rate by 10 basis points (0.10 percent), bringing it to its current rate of minus 0.30 percent, which means banks actually have to pay more in order to leave funds overnight at the central bank. The financial world was unimpressed by the decision not to boost quantitative easing, selling stocks and buying the euro.

COMMODITIES



A global supply glut is not only affecting the price of crude oil, but also that of iron ore. On December 9, prices of iron ore sank below USD 40 per tonne, levels unseen in a decade. That same day, Anglo-American, a multinational mining conglomerate, announced it will cut 85,000 jobs, nearly two-thirds of its global workforce. Its business will contract by 60 percent, and dividends will be suspended until at least late 2016. Slowing demand in China is essentially the big, dark cloud looming over commodities markets. Given its weak domestic market, Chinese companies exported over 100 million tonnes of steel for the first time, with some producers even selling surpluses at a loss. It is expected that low iron ore prices will force out many smaller producers on the margins, such as Australia’s BC Iron, which suspended a project in Western Australia after the recent price plunge. ■

REPORT

The Place Directing Development

By Ts.Elbegsaikhan

With my trusty helmet light illuminating the way, I was able to see the depths I was falling into. OT underground mining project leader Andrew Hooppell led us, the journalists, to this dark elevator-like box. We were descending to depths of 1,300 metres below ground at a speed of six metres per second and reached our destination in just four minutes. We were then 135 metres below sea level. Before we entered the underground mine, they gave us safety instructions in case of

mine. It is important not to forget to retrieve the IDs before going back up to the surface, because a maximum of 146 people can be in the underground mine at any given time. In other words, one person may have to leave in order for another to go in.

Introducing us to the underground mine's development, Mr. Hooppell led us into the depths of the mine. The mining hallway is spacious as big machines need to be able go through it. Its width is approximately 10 metres and length 12 metres. The

Chief Financial Officer of Rio Tinto Chris Lynch, who was introduced to the underground mine's progress, complimented it as a high-level professional performance that can become an international experience.

The first place we visited was the shelters. One shelter can accommodate 20 people and has enough clean air and water for four days. Although not everyone in a shelter can lay down, it is big enough to move freely. The shelter has useful items such as oxygen cylinders,



an accident, and a few guides also accompanied us, ready to administer oxygen tanks and take us to shelter in case of hypoxia.

A warm environment of plus 25 degrees Celsius greeted us underground, while it was minus 26 outside during the day. In accordance with the instructions, we hung our guest IDs on the panel immediately after getting out of the elevator to continue our journey. Likewise, we left another ID before getting into the elevator. Each employee who descends down to the underground mine must have two identification cards as one must be left before descending down and the other after coming down to the underground

mine's walls must be reinforced by concrete stronger than normal, and its roads must be of high-load capacity with multiple layers of concrete. About 200 kilometres of tunnel must be built in the underground mine, and 16 kilometres have been built as of now. A staff office, canteen, vehicle maintenance workshop, equipment warehouse, petrol station and mining ore storage are being built in this area. All of these are being built by young Mongolian people under the direction of Mr. Hooppell. Wall reinforcements have been completed. Road construction is underway, and storage construction is almost finished. Wall reinforcements were done with a double layer steel mesh.

communications equipment, power sources and a first aid kit. They planned shelters sufficient for 20 percent of the total employees, which is quite enough.

Oyu Tolgoi's soil is low in moisture. However, water was unexpectedly seeping in one part of the tunnel. This hidden "treasure" in the Gobi region's soil, especially at a depth of 1,300 metres, is quite salty. It seems that the water drips from the ceiling of the tunnel little by little. Salt formations hanging from the top of the ceiling can be seen. As for the salt, it tasted much bitterer than the salt we use daily.

On a sidenote, Dr. Tserendorj and his colleagues determined that the

water resources discovered in the Gobi region can meet the needs of the region at least for 20 years.

Everything about this underground journey was interesting. A huge development unseen on the surface has been built here. Working down here would not be worse than working on the surface, if not better. At least the temperature is constant. But on the ground, temperatures fluctuate by 50-60 degrees Celsius depending on the season.

At the moment, the development of the underground mine is stagnant. Machinery and equipment are waiting silently for its work to begin. In the tunnel, no one who seemed to be working passed by. Most of the tunnel is dark. This idleness has been going on here for about two

three shafts have been built, and two are operational. The other operational shaft is the fifth shaft dedicated for ventilation. The second shaft will be in use by next year, and it will be used to transport people as well as giant pieces of machinery.

Pit mining is business as usual on the ground. The processing plant operates at full capacity by processing 100 thousand tonnes of ore per day. Among the companies of Rio Tinto, OT is one of the safest mines and records the lowest number of injuries. In the first nine months of this year, the company worked without any injuries for 259 days out of 273 days, according to company reports. Everything goes according to rules and regulations at Oyu Tolgoi. Here, it does not matter whether you are

using bridges, it has become safer, and even the time spent swapping shifts has become shorter. They understand that safety should not only be followed, but that it has to become a custom, a routine. They obtain this knowledge from the Risk Demonstration Centre. The purpose of the equipment in the training room is to demonstrate any small mistake can spark huge consequences. Seeing its demonstration once is enough as it will be burned into one's mind for a lifetime. All in all, there are risks at every step of our lives. By making safety procedures routine, the employees positively impact their family and children.

One thing is clear here: they are developing. Currently, about 4,000 people work at the mine. When the



years. Only about 10 employees come here to take care of machinery to prevent corrosion. However, the preparations for the development works are continuing. Turquoise Hill Resources expects the decision to start the development of the mine to come in the second quarter of 2016.

Our underground mine trip came to an end, and we headed out. We took our IDs hanging on the panel and ascended to the surface in the rapid elevator. Grey concrete walls can be seen through a narrow strip on the top of the elevator. This elevator for transportation of people was built for the first shaft. Five shafts connecting the underground mine to the surface will be built. Currently,

going two kilometres or 20 kilometres by car. You must wear your seat belt, and it is mandatory to wear protective clothing, helmets and reflective vests when working in the field. One of the safety instruction posters had a sentence that grabbed my attention: "A father of a girl who dreams of becoming a dancer is handling 30 thousand volts." The reason why everyone here stringently follows all the rules is because everyone comprehends the importance of these rules. In that sense, the company's employees suggest their own initiatives in order to create a safer environment. For example, the drivers of the 290 tonne trucks are using bridges to change shifts. By

underground mine's development work begins, around 3,000 more new jobs will be created. All those people are temporarily located at the mine camps by coming from far away. Every day, about 100 people arrive at and depart from Khanbumbat airport. When I was leaving Oyu Tolgoi, I had thought in my head that if these workers' ger camps were to be replaced with multi-storey housing, more than 5,000 families might come here to live and work, which will develop services in the area, and as a result, develop into a major city. The basic infrastructure has been established. The dream is not that far for a place that knows its purpose and rules. ■



OYU TOLGOI

Macro Leverage

By Ts.Buyan

Now entrepreneurs have one explicit and implicit question. Will economic growth reach 17 percent again?

Many people must have rejoiced when the Prime Minister announced: "The OT underground mine development is out of deadlock, and real work has begun. I'll deliver a refreshing and positive piece of news. International banks have resolved this week to provide project financing of USD 4.2 billion. It's scheduled to be officially confirmed and announced internationally on December 16 in Ulaanbaatar."

At the very least, it was good news for hundreds of people who were dismissed from the mine and joined the ranks of the unemployed. It was also news that OT's foreign and domestic suppliers had eagerly awaited.

Oyu Tolgoi had much of an impact on the "super" growth of 2011. Of course, the super-cycle peak had a double effect. Most economists agree that the cause of the crisis is the balance of payments deficit, which means that we have lost all the income on import

goods. It can also be explained that following the temporary cessation of the development of the OT project, foreign investment plunged. Looking at some figures from 2009-2012 when OT's development was continuing, our country's foreign investment increased to MNT 6.4 trillion from MNT 1.3 trillion. However, two zeroes were cut from the figure, indicating foreign investment fell to USD 70 million during the years the development works stagnated. It is clear that this huge project is directly related to investment growth.

What will be the impact of OT's six billion dollar investment in an economy where the currency is depreciating and the people's purchasing power is weakening day by day? The people have questions as to whether it can give strength to this derailed economy. Our magazine tried to find the answers to these questions.

In Erdenes Oyu Tolgoi JSC's (Oyu Tolgoi LLC's Mongolian-side shareholder) prospectus, it says that one of the benefits that Mongolia would receive

from the OT project is that Mongolia's GDP will increase by 35 percent in 2019. It must be a projection made when the underground mine development had not stalled and without calculating the fall in copper prices. The World Bank forecasts that Mongolia's economic growth will be 2.3 percent at the end of this year. International financial institutions expect that our economic growth cannot exceed seven percent.

However, their estimate constantly changes depending on situations, actions and other factors. Using the underground mine, which contains 80 percent of the total resources, will definitely contribute positively to the economy. In 2009, the economy almost expanded two-fold when the state came to an agreement, and USD four billion in investment came in. Then this time, about USD six billion in investment will be made, and development works will last for at least for six years. Three thousand new jobs will be created. To date, Oyu Tolgoi LLC has paid nearly USD one billion in taxes to the state budget. The

target of reaching 35 percent economic growth could now be postponed to 2021 instead of 2019. Basically, the Mongolian economy will automatically grow approximately by 10 percent per year if the underground mining investments were made. But economists say that at least 2-3 years are required for the economy to absorb this large amount of money and return real benefits. In other words, things will not become better immediately. In addition, the government will have to make large expenditures for bond repayment obligations in the coming years.

Secondly, commodity prices on markets are critical. During the "Mongolia Projects and Investment Summit" held in Hong Kong, S.Munkhsukh, Country Director for Mongolia of Rio Tinto Group, said that copper prices will fluctuate

considerably in the coming years and expects prices to bounce back around in 2019-2021. During this time, new mines will not be commissioned on the global market, and currently operating mines' ore concentrate grades are declining. He also said that the underground mine will be operational when the demand for copper increases and supply decreases as emerging technologies require high amount of copper. When the underground mine begins operations, it will produce 1.8 million tonnes of concentrate per year. That will become approximately 600 tonnes of pure copper.

All in all, foreign investors have been expressing that they will decide whether to invest in the project depending on how the OT project plays out. Around 600 entities interested in becoming project suppliers participated in the "OT Investor

Conference" held in November. Of them, 400 were Mongolian companies. "This investment will create many business opportunities for the next six years," said B.Byambasaikhan, CEO of Erdenes Mongol LLC. Andrew Woodley, President and CEO of Oyu Tolgoi LLC, stated that huge opportunities open up, especially for construction, drilling, fuel and equipment suppliers. Currently, the OT project purchases MNT 10.4 billion in goods and services every day. In addition, Mongolians will possess advanced technology used around the world by operating the underground mine. This will be a big investment made in the people of Mongolia.

To reiterate, the OT project will most definitely promote economic growth. However, the expected growth will not come in the near term. ■

LOANS

A New Tale of the Eg River

By Ts.Saikhan

The issue regarding the USD one billion soft loan from the Export-Import Bank of China to finance specific projects has been a hot topic in recent days. Some opposition politicians did not hide the fact that they suspect it to be a trap that can cause loss of Mongolian land. Although government debt is around 58 percent of GDP, excluding this loan, they explain that receiving soft loans will not violate the debt management law.

EIGHTY PERCENT OF THE LOAN

During a parliamentary session, N.Altankhuyag MP expressed that it is wrong to allocate 80 percent of the loan to a single project. He argued during his term as prime minister, USD 110 million was spent to increase the capacity of TPP-III and TPP-IV (Thermal Power Plants) by a total of 173 MW, so it is unprofitable to build a 300 MW power plant using

MNT 800 million.

According to the debt management law, "Socially beneficial projects which are unable to be repaid to the state budget can be financed from sources of concessional loans if they cannot be financed." This hydropower plant has justifications of being unable to repay its costs.

USD 703.5 million of this loan will be spent on the project to build the Eg River hydropower plant. This is 85 percent of the total project costs and 70.3 percent of the loan. In general, 85 percent of projects are being financed through loans. The loan conditions require that "engineer-buy-build" projects financed by loans be not less than 50 percent of the cost, and 65 percent of cost of the projects to buy equipment should be financed by loans. It also states that credit management fees should be zero percent and loan guarantee fees must be 0.25 percent. The state

is taking out a 20-year loan at two percent interest. The first seven years are to be exempted from principal payments.

Chinese President Xi Jinping promised to give a CNY 1.3 billion grant and a USD one billion soft loan within three years when he made an official visit to Mongolia on August 21 of last year. On March 9 of this year, the government decided to fund the Eg River hydropower plant project from this soft loan and started negotiations. The negotiations were finalised during President Elbegdorj's visit to China last month when parties signed the necessary agreement.

THE EG RIVER HYDROPOWER PLANT PROJECT

On November 16, 2013, the government of Mongolia decided to start the construction of the Eg River hydropower plant. In this regard, the "Eg River hydropower plant project

unit" was established and began operations on December 2 of that year. Research was conducted, and technical and economic feasibility studies was issued. The Council of Science and Technology of the energy sector announced its support for the project on August 25, 2014. The total cost of the project was estimated to be USD 827 million.

Mongolia is responsible for the preliminary infrastructure of the Eg River hydropower plant, and China Gejuba Group Limited will perform work worth USD 98 million under the concession agreement. This includes power transmission lines, sub-stations, roads and bridges. The construction work is set to be completed within 13 months. During this period, more than 500 jobs will be created, and 170 of the 500 will be for Mongolian citizens.

China Gejuba Group Limited is a company listed on the stock market and is one of the world's top 50 companies in the energy sector, especially hydropower plant and infrastructure construction. The Investment Agency of Mongolia selected them from companies that expressed interest in performing the work from its own funds.

THE EG RIVER ON THE ECONOMY

It was decided that the project would be financed via a soft loan, as energy projects give benefits in the long-term. However, some say the Eg River hydropower plant has the potential to repay the debts from its income as this loan provided by China is a long-term one. Until the loan is repaid, the plant's price for one kilowatt will cost about 8.5 cents and should go down to 1.4-1.6 cents after the loan has been repaid. Thus, it will become the cheapest energy producer in Mongolia. Today, one kilowatt of energy for household consumption costs about six cents and about 10 cents for renewable energy. It costs 13 cents for mining and processing industries and 10 cents for other entities.

When the hydropower plant



1) Project area 2) Eg-Selenge Basin from Erdenet city 3) Erdenet from Ulaanbaatar 4) Darkhan from Erdenet 5) Ulaanbaatar

becomes operational, on top of having a reliable source of electricity, the Central Energy System will be re-adjusted, and the state will become independent of imported energy. The main feature of hydropower plant is that it makes quick power adjustments at low costs. In 2010, the Central Energy System imported 157 million kWh of energy. But the central region's energy consumption has been growing. The Eg River hydropower plant's installed capacity is 315 MW and will produce 606 million kWh of electricity per year.

The hydropower plant will generate 5.7 billion cubic metres of fresh reservoir water, and it will be built on the Eg River, which resides 2.5 kilometres away from Eg-Selenge basin in Khutag Undur soum of Bulgan province, 250 kilometres away from Ulaanbaatar. It is considered beneficial for Mongolia's natural environment. But one issue arose in this regard, because Russia believes that it will have adverse consequences on Lake Baikal's water level as the Eg River's flow might decrease. The water flow into Lake Baikal is expected to reduce by 0.020-0.023 percent according to hydrological and other impact assessments. Experts say that it is not a change

that would significantly affect the water level of Lake Baikal. Experts from the Soviet Union had concluded that a hydropower plant can be built on the Eg River in 1965. However, negotiations with Russia are ongoing concerning this issue.

Loan financing will be invested in other projects as well. For example, USD 102.3 million for a project to establish a "Sub-station to connect Ulaanbaatar and Mandalgobi with power transmission lines"; USD 40 million to upgrade the Erdenet thermal power plant; USD 40.8 million for a "20.9 km extension from the Gachuurt crossroad to the Nalaikh-Choir crossroad"; USD 66.2 million to build 12 meat processing plants; and USD 20 million to supply vocational training centres with equipment.

Finally, it is no secret that there are some hindrances in moving forward with the Eg River hydropower plant project, namely domestic pressures and Russia's desire not to lose energy exports. However, it is almost certain that China's loan of USD one billion will advance the project important to the economy. Furthermore, it is commendable that the remaining portion of the soft loan is going to be spent on other vital projects. ■

MONGOLIAN ECONOMY

MONGOLIAN ECONOMY

"Don't expect others to act in silence"
Partners Linked Through History

MONGOLIA: HEART OF DEMOCRACY

Here we have Cash Floods

Dig Deep!

HOT TOPIC



Privatisation: Who Will Be the Owner?

By Ts.Badral

The latest privatisation auction, that of the printing factory building located in the "A" grade zone in the city centre, has turned a new page in the history of Mongolian property privatisation. The auction held on November 30 with bidding starting at MNT 7.1 billion and eventually climbed to MNT 24 billion. This figure is not the only success of the auction. First, it showed how an open auction can raise the price of a decrepit building in a valuable location and contribute to the budget. Secondly, just a one-day event has actually shown how much interest middle-income citizens have in being involved in real estate and finance. However, the course of the events turned out differently than expected and has left a looming question among the public.

On that same day, other properties such as "Autobus-3" company's facilities, the old building of the Khan-Uul district governor's office, Ulziit village sub-station and the unfinished boiler station building had all been planned to be auctioned off, but there was no one willing to buy these facilities. Mr. Abdul Karim Zavon, who won the only auction held that day, has cancelled the purchase. The media began rushing to find out who Karim Abdul is. Currently, 119 results can be

found on Google with a simple search.

The media were buzzing with rumours. Some said he conducted illegal trafficking of falcons, while others said that he caught 61 saker falcons, although he had permission to catch 45. Some news outlets even stated that he gave 35 falcons to the Qatari Minister of Defence as a gift. However, the man wrote an open letter and announced that he will terminate the contract to purchase the old print factory building after the release of these reports. His letter stated that he married his wife Baljinyam in 1996 and officially became a citizen of Mongolia in 2002. He also exports Mongolian sheep wool, intestines and Mongolian gers to European and Arab countries. "I regret that baseless and false information about my family is being broadcasted," he said. "Although, I was going to buy the 'Ulaanbaatar Times Newspaper' printing house with MNT 24 billion of foreign investment, I will terminate the contract under justifiable reasons and am respecting the requests of the people of Mongolia."

The letter addressed "to the people of Mongolia" was in the form of an open letter. Ulaanbaatar City Mayor E.Bat-Uul responded to him by saying "I don't know exactly what changed your decision. It's

extremely regrettable if rumours and people's comments on social media played a role in your decision. Mongolia is a democratic country. Everyone's freedom of speech and expression is guaranteed by law. It's a country which has already been liberated from authoritarian governance, so the citizens aren't scared to express their position."

In addition, the Executive Director of Ard Financial Group, Ch.Gankhuyag, also penned an open letter. "After the printing factory auction, I expressed my position that any participant's true source of money must be clear through several media channels and press conferences," he said. "I would like to apologise for using inappropriate words and phrases. I hope that people would agree that we, the nation of Mongolia, must ensure that our property doesn't end up in the wrong hands and that sources of funding are transparent."

Four days prior the privatisation auction, thousands of people liked Ch.Gankhuyag's post on his Facebook page that stated: "Why can't the citizens participate in the privatisation of the best location in Ulaanbaatar, just to the right of the Parliament building. Each citizen can transfer MNT one million to one account and gather MNT 7.5 billion." In this

case, the citizens would have become owners of shares by the amount invested capital. Although people have actively participated, the necessary documents were not submitted within the specified date as there was no time. However, Ch.Gankhuyag said that his courageous act had an unexpectedly good outcome during the press conference that he announced. Although he did not want to tell the exact number of people who partook in his initiative, he said about 4,000 people transferred their money during an interview. During the press conference, he said that the people who believed in him by transferring money should be rewarded and announced that

he would give 20 shares to each person.

Although they were unable to participate in the auction, it demonstrated that not only the wealthy can participate in auctions, and Mongolians have an opportunity to win and own shares if they can come together. D.Angar, who used to serve as the Executive Director of the Mongolian Stock Exchange, complimented Ch.Gankhuyag's initiative and announced that he will participate in the privatisation of the Stock Exchange, which will be held next year by using the same community participation with more preparedness. D.Angar has established the so-called "Novel fund" with people who share common goals.

Now one question remains among the people: who will own the printing factory? According to law, the second highest bidder has the right to purchase the object. The CEO of Tavanbogd Group, Ts.Baatarsaikhan, was the person who displayed fierce competition with Abdul Karim by bidding MNT 23.8 billion. The Property Liaison Agency of Ulaanbaatar delivered a notice to Ts.Baatarsaikhan that he can purchase the building if Abdul Karim does not transfer the money within the afforded time frame. Another auction will be announced if he rejects the offer. However, Abdul Karim still has time to transfer the money and purchase the prized real estate. ■

TOURISM

Better Safe than Sorrowful Tourists

By G.Orkhon

The world recognises Mongolians as generous owners of vast steppes and Mongolia as a generally safe country. Safety is considered the top priority of any nation's tourism sector. One evaluation of the level of safety of a nation such as Mongolia is the security of the citizens of the capital. Although this is an issue beyond the power of one ministry or agency, initiatives to identify what areas need improvement have begun.

Many people from all parts of the world choose Mongolia as their travel destination. One such visitor who set foot in our country, CNN journalist Nila Sweeney, highlighted in her travel journal that "Mongolia is known for its eternal blue skies and boasts about 250 days of beautiful weather [...] on average." Just as she remarked, we can enjoy the freedom of having before us uninhabited lands stretching for hundreds of kilometres with no sight of people or animals. Tourists come here to view this splendour and go back with the image of a pristine nature forever engrained in their minds. What is regrettable is the fact that these guests prefer to keep their stay in the capital as short as possible.

Ulaanbaatar is the first station in

Mongolia for international tourists. On the one hand, the city administration and the state are paying more attention to the need for a make-over of the city, and on the other hand, how the city works to ensure the safety of tourists is of utmost importance. B.Munkhnaran, a tour guide and translator for New Juulchin and Overseas Adventure Travel, said that unfortunately, tourists themselves pay more out of pocket to insure their lives, health and belongings in order to come to Mongolia, when really, we should be the ones paying attention to their safety. Naturally, tour operators and guides always make sure to warn tourists about potential dangers in an introductory briefing more akin to a military mission behind enemy lines, rather than an introduction to a beautiful country. Such is the true state of the city's tourism safety.

Although the hospitality of Mongolians leaves a good impression on tourists, it is also true that they go back with some anxiety as a result of distressful things they experienced in the city. While some may consider such unwanted events an adventure, for others they become dark memories that devastate their trip.



According to a tourist satisfaction survey, social issues such as theft, robbery and disrespectfulness toward female tourists left awful impressions. As with other developing countries, there are many safety issues related to infrastructure. Cases of falling down due to poor sidewalks and not understanding the traffic lights are common.

Ulaanbaatar is relatively peaceful compared to Caracas or some Mexican cities, which are among the most dangerous cities for travellers. Our city is much safer than those where natural disasters and armed conflicts occur frequently. However, as noted above, there are still issues that must not be ignored. Guides and translators say that steps taken to ensure the safety of tourists are limited; however, they are quite happy about the student police initiative. The Ulaanbaatar City Tourism



Board, Metropolitan Police Department and Mongolian Student Union cooperated to organise the "Student Police" programme for the second consecutive year. Students worked for six hours a day for three months during the summer, and as a result, the number of foreign victims of crime decreased by 18.4 percent from the previous year. This was the result of the work of youths wearing orange caps and green jerseys that say "Tourist Guide Police."

However, some countries have police departments dedicated to tourists rather than student police. Mexico City, one of the most dangerous travel destinations, has a "Tourist Police" centre that provides emergency medical treatment to tourists. This type of special police force also exists in countries such as Russia, Malaysia, Israel and Thailand. As for Mongolia, an independent police unit dedicated to tourists was established for the first time this year under the Ulaanbaatar City Police Department. This unit must address the various issues related to the safety of tourists that were ignored in the past. Now experts are saying that this unit must be strengthened and consistent efforts to make tourists prolong their stay in the city must be taken. The infrastructure that leaves bad impressions on tourists is the first thing to be improved.

Other cities are paying special

attention to the assurance of tourists' safety and prioritising their comfort. The City Tourism Board has done many works in this regard. For example, a tourist information centre now operates with three branches, and information on the city's service organisations was added to Google Maps. In addition, tourist buses and transports were exempted from licence plate restrictions, as transportation permission was granted to more than 500 buses, and dedicated stations were built. These endeavours have been already completed in other countries. Our country started the works to ensure the safety of tourists relatively late. The Ministry of Environment, Green Development and Tourism working to submit a revised tourism law to the government is an indicator of our latency. "We're revising the tourism law because so many things need to be updated. About 50 percent of the revised provisions are directed at ensuring the safety of tourists," said B.Margad, Head of the Ministry's Department for Tourism Policy Management. He also stated that he will clarify the Ministry's position on the safety of tourists in more detail after the approval of the amended version of the law. The government approved a national programme on development of tourism in July of this year. Article 4.1.3 of the programme elucidates its purpose: "To ensure the tourist's comfort and

safety of travel." Seeing this, it appears that the safety of tourists is no longer ignored.

There is one notorious example of awful tourism safety. In April of this year, the "Blue Mongol" sect assaulted Inner Mongolian tourists who were hiking through Burkhan Khaldun Mountain. At the time, the city administration paid special attention to the event, and the city mayor apologised to the tourists. However, seeking forgiveness from tourists upon every occasion of shame is not possible – an appropriate system is necessary. This year, the city is going to develop a tourism risk management plan. The plan includes ways to ensure the safety of tourists during emergencies and risky situations such as earthquakes. Mitigating possible risks is the most important aspect of ensuring the safety of tourists, and the City Tourism Board knows this. We should not be so complacent as to think our country is relatively safe, but the tourism ministry and city administration have lots of work ahead. More than anything, it is the responsibility of each and every citizen of the capital city to make the city friendlier and more hospitable. Otherwise, our city may find its way onto the list of most dangerous cities and earn itself an irreparably tarnished reputation. ■

REPORT

Discounts Sparked by Crisis

By G.Orkhon

As of the third quarter of this year, GDP growth was at 2.5 percent, and it is expected to decline even further by the end of the year. Since economic growth declined to 7 percent at the same period of the previous year, it has continuously fallen. This situation is causing palpable difficulties in the lives of the people.

The prices of consumer goods are continuing to increase. Although the MNT is depreciating, merchants say they are selling at prices as low as possible to maintain their turnover. The good thing for buyers is that 30-70 percent discounts are being announced everywhere. In addition, it is a new thing for Mongolia to announce discounts when a crisis sparks. Major shopping centres such as Nomin and Max Mall introduced "Black Friday," a Western retail custom, to Mongolia and encouraged others to follow suit. Resident of Sukhbaatar district D.Tuya said "Discounts have been announced everywhere," stated D.Tuya, a resident of Sukhbaatar district. "I just went to Yves Rocher, and most the prices of products were cut by 20-50 percent. Discounts due to crisis are just about everywhere."

Sales began at Max Mall a month ago. On the 27th-29th of last month, they announced sales on all goods, and some discounts even reached 70 percent. The mall's information officer said that the number of customers increased two to three times the norm during the sales, boosting purchases. The Nomin United department store organised Black Friday sales on the 26th of last month between 10 pm and 2 am. During the sales, they announced discounts on electronics and household goods, and extended the sales period to four days due to crowd volumes. Sales and discounts are being announced ubiquitously as the New Year celebrations near. However, it is rather unfortunate that some stores, especially retail stores, are announcing their last sales before closing their doors for good.

In times of crisis, people are

starting to prefer cheap goods and reining in their spending and consumption. Approximately 90 percent of the total households in the country do not have any savings according to statistics. People who have savings now have the opportunity to buy their coveted products from expensive brands for cheaper prices. This crisis is making Mongolians understand the value of savings.

EMPTY STORES WITH FEW PEOPLE

While trade businesses are earning money by announcing discounts on their expensive imported goods, domestic goods traders are closing down at some places, an example of which is the Night Plaza shopping centre.

Just a few years ago, this market was so crowded that it was difficult to move about, but now only a few people can be seen inside as the stores are empty. The reason why this market has become so empty is because vendors' incomes have significantly decreased. The entire third floor and 80 percent of the second floor are empty at this store, which was once known to be the domestic products trade centre. Less than 70 percent of the first floor's stalls are filled with domestic and imported goods. Originally, the first floor of this market was dedicated to domestic producers as the Ministry of Industry helped them to rent this floor at cheaper prices last year. However, tenants left their counters due to inability to pay rent, even when the rent is relatively cheap.

When I entered Night Plaza, there was nothing other than empty counters with banners saying "Let's support domestic production." Domestic manufacturers used to lease one square metre of



space at MNT 45,000. But last month, the management of the market lowered rent by MNT 10,000 due to the crisis. The market's fourth floor is a bit livelier than the other floors, since services such as restaurants, barbershops and tailors operate there.

This market that was filled with domestic products a year ago is declining, along with the purchasing power of the people. As the result, domestic manufacturers are leaving the market dubbed "Made in Mongolia." Major manufacturers such as "Darkhan Minj" and "Usleg edlel" have left their counters. What remains now are just some promotional posters on the walls of the glass counters as a relic of what used to be there. According to tenant Ya.Sumyasuren, they left the place because of deteriorating revenues.

Ya.Sumyasuren sells small goods such as handbags, gloves, slippers and household goods. She pays MNT 110,000 per month to rent a space less than three square metres. The hand made slippers that she sells costs around MNT 17-22,000. The wool slippers cost around MNT 3,500-10,000. As she sells various small-scale goods, she can at the very least make rent.

Several Narantuul market merchants moved in to Night Plaza as the market's administration reduced rent costs. One

of them is garment trader O.Chuluunbat, who pays MNT 150,000 per month for rent, which is more comfortable and 30,000 cheaper than Narantuul. According to him, merchants are expecting MNT 5-10,000, or at the maximum MNT 20,000, of profit from their imported goods as product turnover has fallen drastically from the previous year. When sales were good, they used to ship their goods twice per month, but now, they ship only once per month. "I import goods from Manzhouli. During this crisis, expensive goods are not being sold, so we have to also import cheap goods from Erenhot," said O.Chuluunbat.



It is a common thing for the tenants of this market to go without selling anything for a week. However, sales are a little better on the days when Sunday Plaza is closed.

During these days when the



atmosphere of the New Year has taken over, the busy life of the city goes on amidst the crisis and the discounts.

However, these days should be pleasant for those shoppers who have the money. ■

PRICES

Average Costs of Groceries

By G.Orkhon

They say consumption of meat increases during crises. Yet, despite the increases in the supply of meats, butchers say people are buying less. The price of meat at the largest food markets in the city decreased by MNT 200-300 per kilogram from the previous month. Last year around this time, one kilo of meat cost MNT 4,000-9,000 at Khuchit Shonkhor market. Yet as of now, prices have halved and fallen to MNT 2,000-4,500 per kilo. The wholesale price of








goat meat at this market is MNT 2,000, while the retail price is MNT 2,800.

"Meat prices are falling due to the increased supply," said B.Lyankhuatsetseg, a butcher at Khuchit Shonkhor. "Commercial banks ceased their loans for herders, so herders are selling their livestock to earn some money." Butchers at Bumbugur market are also frustrated, saying that people do not understand that prices are related to quality. Meat prices at Bumbugur


is around MNT 4,000-7,000 per kilo. Economists believe that this drop in meat prices makes inflation figures look positive. However, prices of other types of consumer goods are relatively stable. Merchants at markets noted that that the trend of buying flour, rice and meat only for a single day's consumption is increasing.

List of consumer commodities prices at major food markets:

MEAT (PER KG, MNT):

				
 Bayanzurkh	Boneless 4800 With bones 3800-4000	3500 3000	6000-6500 5000-5800	4500 4000
 Bumbugur	Boneless 4000-4300 With bones 4000	— —	6500-7000 5500-6000	5000 5000
 Khuchit Shonkhor	Boneless 3500-4000 With bones 3000	2500-3000 2000-2800	4000-5500 4000-5000	4500 4200

FLOUR: (PER KG, MNT)



	Bayanzurkh	Bumbugur	Khuchit-Shonkhor
Ulaanbaatar 10 kg	13.0	13.0	13.0
/high/ 25 kg	30.0	29.0	30.0
Ulaanbaatar 10 kg	11.0	11.0	10.0
/1st grade/ 25 kg	25.0	25.0	25.0
Altantaria 10 kg	13.0	13.0	13.0
/high/ 25 kg	30.0	30.0	30.0
Altantaria 10 kg	11.0	10.0	10.0
/1st grade/ 25 kg	25.0	23.5	25.0
Khurkh 25 kg	31.0	31.0	31.0
/high/			
Khurkh 25 kg	26.0	26.0	26.0
/1st grade/			
Atar 10 kg	11.0	11.0	10.0
/high/ 25 kg	24.0	24.0	23.5
Tsesna 25 kg	40.0	41.0	40.0


OTHER (PER KG, MNT):

	White Rice	Sugar
Bayanzurkh	2300-3000	1500-1500
Bumbugur	2100-3200	1200-1500
Khuchit-Shonkhor	2000	-

VEGETABLE OIL: (MNT)


	Simply	Clarina	Yanta
Bayanzurkh	3500	3200	2800
Bumbugur	3700	3200	3000
Khuchit-Shonkhor	3500	3200	2700

VEGETABLES (PER KG, MNT):



	Potatoes	Carrots	Beets	Lettuce	Onions	Garlic
Bayanzurkh	700-800	1300-1800	1500-2000	900-1500	900-1500	1500 /package/
Bumbugur	700-900	1600	2000	1500	1500-2500	1800 /package/
Khuchit-Shonkhor	600-800	1500	1500-1800	1200-1500	1000-2500	1200 /package/

MILK AND DAIRY PRODUCTS (PER KG, MNT):



	Dried curd (w/ sugar)	Dried curd (Sugarless)	Cheese	Curd	Cream	Grease Mongolian	Grease Singaporean	Curd cheese	Skim (yak)
Bayanzurkh	10000	10000	10000	2500	7000	10000	4000	8000	7000
Bumbugur	10000	9000	9000	2500	6000	10000	4000	8000	7000
Khuchit-Shonkhor	8000-1000	6000-8000	9000	1800	7000-8000	8000	4000	6000-7000	6000