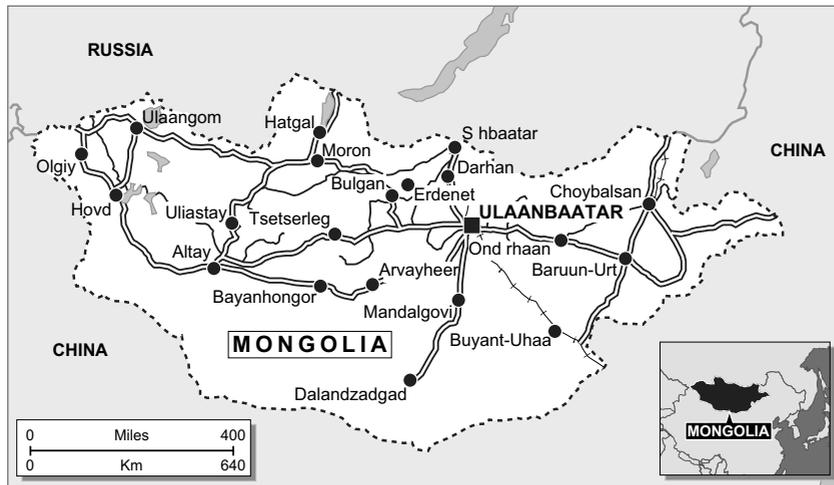


# Mongolia



After over two decades of a democracy of sorts, the idea of electing their leaders is broadly accepted by Mongolians. So much so that the country's sixth free presidential election, in June 2013 had all the excitement of watching paint dry. The candidates did not seem interested in attacking each other, so their campaigning was limited to the advocacy of policies. The incumbent president, Tsakhiagiyn Elbegdorj, just managed to get re-elected with 50.9 per cent of the vote. Thus the Mongolian electorate were denied the opportunity of casting a second vote; the President's victory left many with a sense of anti-climax.

## Presidents...

Mr Elbegdorj, representing the Mongolian Democratic Party (DP) won against two rival candidates: Mongolian wrestling champion Badmaanyambuu Bat-Erdene, a three-term member of parliament representing the former ruling party, the Mongolian People's Party (MPP). The other candidate was Mongolia's first female candidate for the presidency, Natsag Udval of the Mongolian People's Revolutionary Party (MPRP), which had spun off from the MPP in 2011. She was already Mongolia's health minister, a close ally of discredited Nambariin Enkhbayar, a former president and prime minister, who was serving a two-and-a-half-year jail sentence for

corruption. Mongolia ranked 94 out of the 174 countries surveyed in the 2012 Transparency International *Corruption Perceptions Index*, an improvement of 26 rankings over 2011, one of the highest ever step-ups.

## ... and Ministers

The ministerial make-up of Mongolia's new coalition government had been officially completed in August 2012 (following the 28 June general election), when parliament approved the appointment of the five remaining cabinet members. Prime Minister Norov Altankhuyag emphasised the importance of foreign investment to Mongolia, noting in a post-election speech that foreign direct investment (FDI) played 'a significant role in the development of the economy. The new government will be open to foreign investment' he continued, promising that the government would strengthen transparent, favourable legal frameworks for foreign investment. International investors had been waiting for some time for the new government to confirm its attitude towards foreign investment following a period of uncertainty after the election.

## New coalition

The election had been followed by a month or so of wheeling and dealing before anything resembling a formal coalition could be announced. In late July 2012

## KEY FACTS

**Official name:** Mongol Uls (The State of Mongolia)

**Head of State:** President Tsakhiagiyn Elbegdorj (since 18 Jun 2009, re-elected 26 Jun 2013)

**Head of government:** Prime Minister Norov Altankhuyag (DP) (from 10 Aug 2012)

**Ruling party:** Coalition led by Ardchilsan Nam (Democratic Party) (DP) with Shudarga Yos Evsel (Justice Coalition) (JC) and Irgenii Zorig-Nogoon Nam (Civil Will-Green Party) (CWGP) (from 10 Aug 2012)

**Area:** 1,565,000 square km

**Population:** 2.83 million (2012)\*

**Capital:** Ulaanbaatar (Ulan Bator) (formerly Urga)

**Official language:** Khalkha Mongolian

**Currency:** Tugrik (Tug)

**Exchange rate:** Tug1,506.00 per US\$ (Jul 2013)

**GDP per capita:** US\$3,627 (2012)\*

**GDP real growth:** 12.28% (2012)\*

**GDP:** US\$10.26 billion (2012)\*

**Unemployment:** 6.80% (2012)\*

**Inflation:** 15.00% (2012)\*

**Balance of trade:** -US\$1.55 billion (2012)\*

**Aid flow:** US\$700.00 million (2009)

**Annual FDI:** US\$4.71 billion (2011)

\* estimated figure

it was announced that the Democratic Party (DP), with less than half (31) of the parliament's 76 seats would head a coalition made up of a number of smaller parties with a total of 11 seats. The new coalition replaced one led by the Mongolian People's Party (MPP), the direct descendant the Mongolian People's Revolutionary Party the former establishment party which constituted Mongolia's one party political body in Communist days. The worry had been that the June 2012 election might see a repeat of the violence that followed the 2008 elections in which five people died. The new coalition will also need to find a better way to distribute Mongolia's mining wealth.

### UB

Mongolia's capital city, Ulan Bator (officially Ulaanbaatar but simply 'UB' to its expatriate community) is the new Yukon. UB may have many of the attributes of a boom city and all that goes with it. The city's population, according to a report in the London *Economist*, has expanded by as much as 70 per cent recently. But in mid-2012 there was nevertheless a certain nervousness around. A neutral observer might perhaps think that the Mongolians were a naturally pessimistic race. Forecasts for 2013 suggest that Mongolia's economy will grow by an incredible 25 per cent generating a current account surplus to replace the expected 2012 deficit of around 14 per cent. An article in the expatriate newspaper the *UB Post* asked 'Is

Mongolia prepared for an economic crisis?' The newspaper reported that the Economic Policy Committee of the Mongolian People's Party and the Social Democracy Institution had met to discuss the issue. According to the *UB Post* 'economic stagnation has already begun in Mongolia.' The newspaper considered that the main reason for this was the decrease in price of coal, which makes up 35 per cent of Mongolia's exports. Mongolia is losing US\$15–20 on each ton of exported coal. It appeared that one participant at the seminar said 'that to prevent an economic crisis, Mongolia must change its consumer policy by lowering policy interest to 5–6 per cent; strengthen the security placed on transactions and savings accounts; and spend at least Tug100 billion (US\$66.4 million) on agriculture and farming and support meat factories with a circulation of loans.' Another participant stated that 'Mongolia is not prepared for an economic crisis and that the country needs to broaden foreign trade and increase exportation'. Other participants observed that Mongolia's infrastructure problems such as the rail network and new energy and power supply problems should be addressed immediately.

### The economy

According to the Asian Development Bank (ADB), as major new developments such as the Oyu Tolgoi (OT) mine come on stream so will the Mongolian economy strengthen. Continuing economic trends

feature high growth and inflation, pro-cyclical fiscal policy and large current account deficits. Gross domestic product (GDP) growth decelerated to 12.3 per cent in 2012 from 17.5 per cent in 2011 and inflation accelerated. Overly expansionary policies, including substantial off-budget spending, have caused internal and external macro-economic imbalances. Over the longer term, sound public resource management and effective co-operation with private investors are needed to develop Mongolia's energy sector in a sustainable and environmentally friendly way.

Economic growth slowed to 12.3 per cent in 2012, falling from 20.2 per cent year on year in the fourth quarter of 2011 to 10.5 per cent in the third quarter of 2012, after a slowdown in growth in China curbed demand for coal, Mongolia's biggest export. A driver of growth was infrastructure spending related to the mining boom, albeit to a lesser extent than in 2011, as the first phase of the Oyu Tolgoi copper and gold mine – among the five largest in the world – neared completion.

As a result, according to the ADB, gross capital formation, including equipment, buildings and intermediate goods, increased by 24.0 per cent, markedly down from the 69.9 per cent of 2011 but still the largest contributor to GDP growth, followed by consumption. While economic growth in 2012 originated in the mining sector, it was quite broadly based. Construction continued to boom, raising concerns about another bubble as seen in 2004–08. Mining grew by 9 per cent to generate 89.2 per cent of exports, 17 per cent of government revenue and 18.6 per cent of GDP, but employing less than 2 per cent of the workforce. Agriculture, which provides more than one-third of employment, finally emerged from the devastating winter of 2009/10 that had decimated the country's livestock by nearly a fifth. However, growth in wholesale and retail trade slowed to 10.3 per cent from 38.3 per cent in 2011, as spending on investment and intermediate goods decelerated.

The ADB noted that inflation had remained high in Mongolia while declining in other Asian countries, owing mainly to rapidly rising government spending and higher food prices. In 2012, headline inflation increased to 14.3 per cent, but core inflation (excluding food and energy prices) was more stable and averaged 10.5 per cent. Fiscal policy in 2012 continued to be pro-cyclical, with the overall cash budget deficit rising to 7.7 per cent of GDP from 4.8 per cent in 2011 and the

KEY INDICATORS		Mongolia				
	Unit	2008	2009	2010	2011	2012
Population	m	2.69	*2.69	*2.80	*2.80	*2.83
Gross domestic minus gold	US\$bn	5.20	4.60	6.20	8.50	*10.26
GDP per capita	US\$	1,975	1,688	2,267	3,042	*3,627
GDP real growth	%	8.9	-1.3	6.4	17.3	*12.3
Inflation	%	26.8	6.3	10.2	9.5	*15.0
Unemployment	%	9.2	11.6	9.9	7.7	*6.8
Industrial output	% change	4.7	-0.9	4.3	–	–
Agricultural output	% change	5.0	3.6	-16.6	–	–
Exports (fob) (goods)	US\$m	2,539.3	1,885.4	2,908.5	4,816.4	*4,281.5
Imports (fob) (goods)	US\$m	3,615.8	2,074.2	3,088.9	5,806.6	*5,933.4
Balance of trade	US\$m	-1,076.8	-188.8	-180.4	-990.1	*-1,552.0
Current account	US\$m	-687.0	-341.8	-886.5	-2,760.4	*-3,215.0
Total reserves minus gold	US\$m	561.5	1,294.5	2,196.7	2,285.5	*3,930.3
Foreign exchange	US\$m	561.2	1,217.8	2,123.8	2,210.9	*3,862.3
Exchange rate	per US\$	1,165.74	1,437.80	1,357.10	1,241.86	1,393.20
* estimated figure						

structural budget deficit rising to 8.3 per cent from 6.9 per cent in 2011. The initial government budget for 2012 had projected revenue growth equal to 40 per cent of GDP, expenditure growth of about 32 per cent and a cash budget deficit of one per cent. But cash revenues rose by only 11.2 per cent, as value-added taxes and customs duties did not grow as expected. The government plans to issue US\$5 billion in bonds on the international market, of which US\$1.5 billion was sold in November 2012. The proceeds are expected to be transferred to the Development Bank of Mongolia (DBM), which is becoming a major source of public financing for infrastructure projects, corresponding to 3.6 per cent of GDP in 2012. The Fiscal Stability Fund, mandated under the 2010 Fiscal Stability Law (FSL), held MNT328 billion (US\$218 million) in December 2012, which corresponds to 2.4 per cent of GDP and was likely insufficient in case of a substantial shock.

Monetary policy has been mildly counter-cyclical in recent years. Mandated by law to pursue price stability, the Bank of Mongolia (central bank) raised the policy rate in 2012 by one percentage point to 13.25 per cent, as inflation rose substantially above the official target ceiling of 10 per cent. This measure and a three-step increase in the reserve requirement ratio to 12 per cent in April 2012 from 5 per cent in February 2011 have contributed to a significant slowdown in money and credit growth. Broad money (M2) growth slowed from 37.0 per cent in 2011 to 18.8 per cent in 2012 and growth in bank credit almost halved in the same period. Although inflation remained above target, in January 2013 the central bank lowered the base rate by 0.75 percentage points to 12.50 per cent, citing a drop in inflation. Negative real interest rates and the recent cut in the interest rate indicated an expansionary monetary policy.

The ADB noted that Mongolia's external trade slowed in 2012. The value of merchandise exports (mainly minerals) fell by 9 per cent in response to a slowdown in growth in China, while imports increased by 2.1 per cent, widening the trade deficit. Meanwhile, a narrower deficit in the services account helped trim the current account deficit to 31.3 per cent of GDP in 2012 from 31.5 per cent in 2011. Foreign direct investment (FDI), largely in mining, decreased to 37.8 per cent of GDP from 53.8 per cent in 2011. The resulting basic balance – the current account balance plus FDI, – remained positive but smaller. At the year-end, gross

international reserves had accumulated to US\$4.09 billion, equal to 7 months of imports. These reserves included drawdowns from a swap line with China, central bank deposit taking from the DBM and a recent international bond issuance. Thus the share of borrowed reserves rose significantly. In response to the 2008–09 global financial crisis, the government adopted a broadly floating exchange rate regime toward instituting inflation targeting. However, during 2012, the central bank occasionally intervened to limit the togrog's depreciation. This showed how effectively monetary policy could control inflation and the adverse effects of the Dutch disease. The official exchange rate of the togrog against the dollar has fallen by 8 per cent since April 2012, while the real exchange rate continued its trend appreciation caused by high domestic inflation.

## Outlook

In the view of the ADB, Mongolia's medium-term economic prospects looked favourable. The mining sector was expected to continue to be the main engine of growth in 2013 and 2014, as commercial production at the Oyu Tolgoi copper and gold mine, starting in mid-2013, shows on the bottom line. Growth is expected to accelerate to 16.5 per cent in 2013, before being trimmed to 14 per cent in 2014 by capacity constraints in public investment planning and project management, a tight labour market and skill shortages and some tightening of monetary and fiscal policies including lower off-budget spending financed by the DBM.

Until that tightening takes place, inflation is expected to remain well into double digits, reaching about 13 per cent in 2013. Assuming more prudent fiscal policy and some tightening of monetary policy in 2014, inflation could be brought down to 10 per cent.

The 2013 government budget was the first prepared under the full effect of the FSL, which set ceilings on the structural deficit, debt and expenditure growth. These ceilings function as fiscal circuit breakers and work together to ensure fiscal discipline. The 2013 budget foresaw overall revenue growth at 28.9 per cent; expenditure growth at 17.9 per cent, mainly reflecting a sharp increase in capital expenditure; and an overall budget deficit of 1.1 per cent in cash terms and 2 per cent in structural, which is the maximum allowed under the FSL. The revenue projections were, in the view of the ADB, overly optimistic, however, they were not

based on actual revenue outcome in 2012 but on the much higher revenue projections of the 2012 supplementary budget, setting the stage for a significant revenue shortfall and a deficit that violates the FSL ceiling. The government was expected, however, to tighten public expenditure as needed in 2013 to comply with the FSL and constrain lending by the DBM.

## Risk assessment

Politics	Fair
Economy	Good
Regional stability	Good

## COUNTRY PROFILE

### Historical profile

1206–63 Mongol tribes were unified under the leadership of Temujin, later called Genghis Khan. With his cavalry army, he invaded China and occupied Peking and built the largest land empire ever. His offspring increased the empire by invading much of Russia and defeating the armies of most of Eastern Europe, including Hungary and Poland. The onslaught stopped just 40 miles short of Venice when the Mongol commander Subutai was ordered to return home.

1368 The Mongols were forced out of Peking by Chinese troops as the Mongol empire collapsed.

1380 The Golden Horde (troops of Genghis Khan's oldest son, Juchi) was defeated by the Russian, Prince Dmitriy Donskoy, in Russia. Chinese troops destroyed Karakorum, the Mongol capital.

1636 Inner Mongolia was formed by the conquest of the southern Mongols by the Chinese Manchu Empire.

1691 Outer Mongolia was formed when the Manchu empire offered protection to the northern Mongols.

1911 Following the republican revolution, Mongolian princes declared the province's independence.

1921 The Mongolian People's Party was founded and a Provisional People's government was established.

1924 The Mongolian People's Republic was proclaimed.

1928–1960 The Soviet Union (USSR) influenced the governing of Mongolia as ideological and repressive communist rule was instigated. Historical and cultural heritage were undermined, family names were prohibited, monasteries destroyed and lamas murdered.

1961 Mongolia became a member of the UN, and was accorded diplomatic recognition by West European states.

1987 Mongolia was finally granted diplomatic recognition by the US.

1991 Mongolia's main backer, the USSR, disintegrated, ending decades of

economic and political support for the country.

1992 A new constitution was introduced, establishing Mongolia as a democratic parliamentary state. Mongolia's official title became the State of Mongolia.

1997 Natsagiin Bagabandi of the Mongol Ardyn Khuv'sgalt Nam (Mongolian People's Revolutionary Party) (MPRP) (formerly the Mongolian People's Party), was elected president.

1999 Rinchinnyamiyn Amarjargal became prime minister.

2000 The MPRP won the parliamentary elections and Nambariin Enkhbayar (MPRP), was elected prime minister.

2001 The incumbent president, Natsagiin Bagabandi of the MPRP, was re-elected.

2002 Prime Minister Mikhail Kahanov of Russia visited Mongolia to boost economic co-operation between the two countries.

2004 The World Bank endorsed a new Country Assistance Strategy (CAS) and US\$18 million urban water credit. Parliament elected Tsakhiagiyn Elbegdorj (Ekh Oron-Ardchilan (Motherland Democratic Coalition) (MDC)) as prime minister and parliament approved his cabinet.

2005 Nambariin Enkhbayar (MPRP) won the presidential elections.

2006 Ten ministers, members of the MPRP, resigned accusing the coalition government of not doing enough to counter corruption and poverty. Parliament voted to dissolve the coalition government. Miyegombo Enkhbold (MPRP) was endorsed by parliament as the new prime minister.

2007 Parliament elected Sanjaagiin Bayar as prime minister.

2008 A new voting system was used in parliamentary elections. The ruling MPRP won 46 seats (out of 76) and Prime Minister Bayar remained in office. The elections were widely contested and although election observers reported no major problems the results sparked violent protests over claims that they had been rigged. After four deaths and hundreds injured, a four-day state of emergency was imposed. At the opening of parliament, the 27 Democrat members staged a walkout and brought the session to a halt.

2009 In presidential elections opposition leader, Tsakhiagiyn Elbegdorj (Ardchilsan Nam) (Democratic Party) (DP) (formerly the MDC), won 51.2 per cent of the vote on a campaign of anti-corruption and proposed use of revenue from the country's rich resources. Incumbent Nambariin Enkhbayar (MPRP) won 47.4 per cent and said he would abide by the result. Mongolia and Russia signed a five-year agreement that transferred the management of Mongolia's railways to Russia – they had previously been jointly managed. Prime

Minister Bayar resigned due to ill health and Batbold Sukhbaatar (MPRP) replaced him.

2010 A number of privatisations of Mongolia's extensive mineral assets began. The minister for mineral resources and energy, Dashdorj Zorig, said that the government would welcome investment 'from our neighbours and third neighbours'. It is hoped these 'third neighbours' would balance the Chinese and Russian partners that are currently dominant. Parliament unanimously approved the building of a 5,000km east-west railway. The plans involve six lines, with construction of 1,800km beginning immediately, and completion by 2015. The MPRP was renamed the Mongol Ardyn Nam (Mongolian People's Party) (MPP).

2011 In March the government announced plans to send 1,500 troops to be a part of the UN peacekeeping force to Côte d'Ivoire (UNOCI); however this did not take place. In May Russia, which supplies over 90 per cent of all oil to Mongolia, increased its export duty on oil by 40 per cent, citing domestic shortages; the imposition quickly caused shortages as prices doubled overnight. The government later announced plans to stockpile petrol reserves and construct the country's first modern oil refinery to mitigate future energy shocks. In June, Unesco added the 12,000-year-old petroglyphs (rock carvings) of the Altai Mountains to its list of world heritage sites.

2012 On 5 January the death penalty was abolished (a moratorium had been introduced in 2010). On 13 April, former president Nambar Enkhbayar was arrested by the Independent Authority Against Corruption (IAAC), on charges of corruption and misusing state assets while he was in power. He began a hunger strike at the beginning of May and was released on bail for medical treatment on 14 May. Parliamentary elections were held on 28 June, amid widespread allegations of corruption, particularly associated with the mining concessions to foreign companies. The opposition DP won 31 seats (out of 76) and the ruling MPP won 25 (down 20 seats from the 2008 elections). As no party achieved 39 seats for a majority in parliament, the DP began coalition talks with the new, anti-foreign mining party, Shudarga Yos Evsel (Justice Coalition) (JC), led by former president Nambariin Enkhbayar. On 3 August, former president Enkhbayar was convicted and jailed for four years for corruption. On 10 August a coalition government of DP, JC and Irgenii Zorig-Nogoon Nam (Civil Will-Green Party) (CWGP) was sworn into office; Norov Altankhuyag (DP) became prime minister.

2013 Presidential elections were held on 29 June. The result was a second win for Tsakhiagiyn Elbegdorj (DP) with 50.89 per cent of the vote. Runner up was Badmaanyambuugiin Bat-Erden with 42.52 per cent, while Natsagiin Udval came a distant third with 6.58 per cent; turnout was 66.50 per cent.

### Political structure

#### Constitution

The constitution entered into force on 12 February 1992. A January 1998 constitutional amendment stated that legislators were eligible to serve concurrently as prime minister or as other ministers. The January amendment was later effectively nullified by the Constitutional Court ruling of 24 November 1998 that prohibited members of the People's Great Hural from holding cabinet posts. On 15 March 2000, the Constitutional Court cancelled amendments to the 1992 constitution, which had been approved by the People's Great Hural, and later vetoed by the president.

#### Independence date

11 July 1921

#### Form of state

Parliamentary republic

#### The executive

The head of state is the president, nominated by parties in the People's Great Hural, and elected by popular vote for a four-year term.

#### National legislature

The unicameral Ulsyn Ikh Khural (State Great Khural or Hural (Assembly)) has 76 members elected in 26 multi-seat constituencies by proportional representation, to serve for four-year terms. The Assembly elects the prime minister and appoints a cabinet, in consultation with the president.

#### Legal system

A mixture of Russian, German and US law.

#### Last elections

28 June 2012 (parliamentary); 26 June 2013

**Results:** 28 June 2012 (parliamentary); Parliamentary: Ardchilsan Nam (Democratic Party) (DP) won 31 seats (out of 76), Mongol Ardyn Nam (Mongolian People's Party) (MPP) 25, Shudarga Yos Evsel (Justice Coalition) (JC) 11, Irgenii Zorig-Nogoon Nam (Civil Will-Green Party) (CWGP) two, independents three; *the results of four seats were to be decided.* Turnout was 65.24 per cent. Presidential: Tsakhiagiyn Elbegdorj (DP) won 50.89 per cent of the vote, Badmaanyambuugiin Bat-Erden 42.52 per cent, Natsagiin Udval 6.58 per cent; turnout was 66.50 per cent.

#### Next elections

June 2016 (parliamentary); 2017 (presidential)

**Political parties****Ruling party**

Coalition led by Ardchilsan Nam (Democratic Party) (DP) with Shudarga Yos Evsel (Justice Coalition) (JC) and Irgeenii Zorig-Nagoon Nam (Civil Will-Green Party) (CWGP) (from 10 Aug 2012)

**Main opposition party**

Mongol Ardyn Nam (Mongolian People's Party) (MPP)

**Population**

2.83 million (2012)\*

Approximately 70 per cent of the population is under 30 years of age.

The population is small. Approximately 1.2 million live in towns, with over 600,000 in the capital. About half of the population of Ulaanbaatar live in yurts, the traditional tent-like home of the nomadic Mongolian people.

**Last census:** January 2000: 2,373,493

**Population density:** Two inhabitants per square km, one of the lowest densities in the world (2010). Urban population 62 per cent (2010 Unicef).

**Annual growth rate:** 1.1 per cent, 1990–2010 (Unicef).

**Religions**

Tibetan Buddhist Lamaism and Shamanism, Islam (4 per cent) – there is no state religion.

**Education**

Primary schooling lasts for four years until aged 12. Secondary education is divided into four years compulsory lower secondary schooling for students aged 12–16 years and two years upper secondary for those aged 16–18 years. Only students of upper secondary schools progress to higher education. Technical and vocational schools admit graduates of both lower and upper secondary schools. Government and private institutions provide higher education and offer BA, MA and PhD degrees.

Public expenditure on education typically amounts to 5.7 per cent of annual gross national income.

**Literacy rate:** 98 per cent adult rate; 98 per cent youth rate (15–24) (Unesco 2005).

**Compulsory years:** Eight to 16.

**Enrolment rate:** 88 per cent gross primary enrolment, of relevant age group (including repeaters); 56 per cent gross secondary enrolment (World Bank).

**Pupils per teacher:** 31 in primary schools.

**Health**

About 98 per cent of infants aged less than one year are immunised against measles.

**HIV/Aids**

**HIV prevalence:** 0.1 per cent aged 15–49 in 2003 (World Bank)

**Life expectancy:** 65 years, 2004 (WHO 2006)

**Fertility rate/Maternal mortality rate:** 2.5 births per woman, 2010 (Unicef); maternal mortality 150 per 100,000 live births (World Bank).

**Child (under 5 years) mortality rate (per 1,000):** 28 per 1,000 live births (WHO 2012); 12.5 per cent children under aged five were malnourished (World Bank).

**Head of population per physician:** 2.63 physicians per 1,000 people, 2002 (WHO 2006)

**Welfare**

Growing unemployment and a weak social safety net remain the country's prime concern. About 36 per cent of Mongolia's population still live below the official poverty line. Many poor are unable to work and rely on social security to meet their basic needs. In 2001, the Asian Development Bank (ADB) granted two loans totaling US\$12 million to strengthen Mongolia's social security services. The first loan of US\$8 million supported policy and legal reforms to enhance the delivery of social welfare services and strengthen social insurance schemes. A second ADB loan of US\$4 million invested in projects such as nursing homes, services for the disabled and day care centers. The government aimed to replace the large centralised institutions with smaller community-based nursing homes and day care centers. The Government provided co-financing of US\$2 million. ADB also provided a US\$600,000 technical assistance grant financed by the Japanese Government.

More than 100,000 people are registered as disabled by Mongolia's Ministry of Social Welfare and Labor. About 40,000 disabled people, who are capable of working, remain jobless.

**Main cities**

Ulaanbaatar (which translates as 'Red Hero') (Ulan Bator) (formerly Urga) (capital, estimated population 885,140 in 2012), Erdènèt (79,550), Darhan (76,616), Cojbalsan (48,578), Olgiij (32,677), Zuunharaa (31,699).

**Languages spoken**

Russian is the principal foreign language, although English is being encouraged. Kazak is also spoken in western Mongolia.

**Official language/s**

Khalkha Mongolian

**Media**

Although media is generally free to criticise, journalists are still governed by laws of defamation and state security.

**Press**

The newspapers with the largest circulations are the government *Odriyn Sonin*, successor to the state-owned *Ardyn Erh* (established in 1990) and *Zasgiyn Gazryn Medee* (weekly), *Nügel Buyan* (police) and *Ulaanbaatar* (local government). The party newspapers *Ardchilal* (MNDP), *Ug* (MSDP) and *Unen* (MPRP) appear less frequently.

English-language weekly newspapers include the *Mongol Messenger* and the on-line publication *Mongolia This Week* (<http://www.mongoliathisweek.mn>).

**Broadcasting**

The Mongolian National Broadcaster (MNB) ([www.mnb.mn](http://www.mnb.mn)) is the only national, public network via satellite transmissions.

**Radio:** Radio services are important to the large nomad community. MNB

([www.mnb.mn](http://www.mnb.mn)) operates the Voice of Mongolia, transmitting in Chinese, English, Russian and Japanese. Other, private radio stations include Radio Ulaanbaatar, New Century 107FM and Info Radio.

**Television:** MNB ([www.mnb.mn](http://www.mnb.mn)) broadcasts locally produced and imported programmes. There are several private and international TV services provided by both satellite and cable, including TV5 ([www.tv5.mn](http://www.tv5.mn)), TV9 ([www.tv9.mn](http://www.tv9.mn)) and TM Television.

Most newspapers are owned by the government or political parties. Dailies include, in Mongolian, *Odriyn Sonin* (*Daily news*) ([www.dailynews.mn](http://www.dailynews.mn)), *Unen* (*Truth*) ([www.unen.mn](http://www.unen.mn)), *Zuuny Medee* ([www.zuuniimedee.mn](http://www.zuuniimedee.mn)) and *Onoodor*. Weeklies include, in English, *Mongol Messenger* ([www.mongolmessenger.mn](http://www.mongolmessenger.mn)), *The UB Post* (<http://ubpost.mongolnews.mn>).

**National news agency:** Montsame Agency

**Economy**

Mongolia not only has extensive deposits of minerals that include gold, copper, coal, tin, tungsten and molybdenum, it also has huge unspoiled areas of land. In the western region around 30 per cent of the national livestock herd, which is being raised in traditional methods, could supply meat to most of Central Asia, as well niche markets for organic meat in the West.

The industrial sector constituted 37.5 per cent of GDP in 2010, of which manufacturing comprised 7.3 per cent, with the service sector accounting for 46.3 per cent and agriculture 16.2 per cent and employing 40 per cent of the population. In 2011, the UN Human Development Index (HDI) ranked Mongolia 110 (out of 187) for national development in health, education and income. Since 2000, Mongolia's progress has improved to parallel

the improvement of other countries in East Asia and the Pacific. In 2010, 41 per cent of the population experienced at least one indicator of poverty, while 22.4 per cent lived on less than the equivalent of US\$1.25 per day; the headcount poverty rate was 15.8 per cent of the population (2000–10). Remittances in 2010 amounted to US\$277 million (3.2 per cent of GDP), rising to an estimated US\$353 million in 2011, thereby providing a significant proportion of foreign exchange earnings, along with international aid.

Following a severe winter in 2009–10, when 15 out of 21 provinces were declared disaster zones, around 20 per cent (over 8.5 million head of livestock) of the national herd died through hunger or by freezing to death in -45 degrees Celsius temperatures and heavy snows. Those that survived the winter were left weak, threatening the nomadic nature of herders in Mongolia, who may be forced to relinquish their lifestyle. The brutal winter, called a *zhud*, was blamed on climate change. Mongolia still has close ties with China and the Russian Federation, established when it was a dependent state of the former Soviet Union, and both still have an influence on the economy. Mongolia buys around 80 per cent of its petroleum needs from Russia while China is Mongolia's principal export partner. GDP growth in 2007 was 10.2 per cent, falling to 8.9 per cent in 2008 before moving into recession in 2009 with -1.3 per cent as the global economic crisis cut trade and foreign exchange fell. Growth picked up and registered 6.4 per cent in 2010, before surging to an estimated 17.3 per cent in 2011. Inflation escalated from 8.2 per cent in 2007 to 26.8 per cent in 2008 as food imports and energy reached a record high. A fall in imports and consumer spending in 2009 meant that inflation fell back to around 6.3 per cent in 2009, before rising to 10.2 per cent in 2010.

Mongolia has done much to embrace the practices of a free-market economy by privatising state-owned enterprises, but it also has a substantial grey economy, estimated to be as much as 50 per cent of GDP. The authorities have much more to do to bring this into the financial system, at a time of growing concern regarding money laundering through its banking system.

### External trade

Mongolia belongs to the World Trade Organisation (WTO), but does not belong to any regional trade community; it has bilateral agreements with India, Russia and the US.

The economy is underpinned by sales in primary products, in particular copper, gold, molybdenum, tin and tungsten, which together represent 20 per cent of GDP.

### Imports

Main imports are petroleum, electricity, machinery and equipment, vehicles, food products, consumer goods, chemicals, building materials, sugar and tea.

**Main sources:** China (43.7 per cent of total in 2011), Russia (23.4 per cent), South Korea (5.6 per cent).

### Exports

The main export products are copper, gold, cashmere, livestock, animal products, wool, hides, fluorspar and other non-ferrous metals.

**Main destinations:** China (86.1 per cent of total in 2011), Canada (6.3 per cent), Russia (2.1 per cent)

### Agriculture

Major crops include barley, potatoes and wheat. Primary meat products include beef and veal, chicken, horse, camel, lamb and pork. The major agricultural exports are carded hair, wool sheepskins, beef and fine animal hair.

Following a severe winter in 2009–10, when 15 out of 21 provinces were declared disaster zones, around 20 per cent (over 8.5 million head of livestock) of the national herd died through hunger or by freezing to death in -45 degrees Celsius temperatures and heavy snows. Those that survived the winter were left weak, threatening the nomadic nature of herders in Mongolia, who may be forced to relinquish their lifestyle. The brutal winter, called a *zhud*, was blamed on climate change. The UN called on donor countries to provide US\$21 million to help clean up and re-build the lives of the nomads, while analysts pointed out that an increase in animal numbers and inexperienced herders contributed to the poor winter's outcome.

### Industry and manufacturing

The industrial sector contributes around 28 per cent to GDP and employs 12 per cent of the workforce. Industrial activity is centred on Ulaanbaatar and other main cities and is based mainly on agricultural products and mining. Products include bricks, cement, lime, sawn timber, scoured wool, felt, felt boots, woollen fabric, leather footwear, soap, flour, garments, matches, bakery goods, confectionery, meat products, beer and vodka.

In 2004, industrial expansion increased by around five per cent compared with less than two per cent the previous year, due to an expansion of gold mining output.

### Tourism

Mongolia does not have a modern history of tourism.

Mongolia lacks modern hotels and other tourist amenities, which can both inhibit and attract foreign visitors. It offers the experience of its culture and people, so far unspoiled by insensitive over-development. Eco-tourism and activity holidays such as mountaineering and pony and camel trekking are being marketed for the adventurous visitor, with sightseeing tours for the less daring. Mongolia has three natural and historic sites on Unesco's World Heritage List.

Travel and tourism contributed an average of 9.3 per cent of GDP over 2006–11 and provided an average 8 per cent of total employment (85,680 jobs). Visitor receipts averaged US\$275.8 million with average visitor numbers 446,600. To date, China has been the main market for tourism but in 2011 a new, official tourism website ([www.mongoliatourism.gov.mn](http://www.mongoliatourism.gov.mn)) was established with information and suggestions for visits offered in English and Russian.

Construction of the new Khushigtiin Khundii international airport (in the north-east of the central region) is expected to begin in 2012 and be completed in 2015. It is being financed by a Japanese loan of US\$28 billion.

### Mining

Since 2004 mining has become the major component of the Mongolian economy. In 2008 the sector contributed 28.2 per cent of GDP and represented 64.3 per cent of industrial output and 80.7 per cent of total exports.

Mongolia boasts one of the richest reserves of mineral resources in the world, but economic mismanagement and a shortage of infrastructure have hindered exploitation. There are plans for 1,800km of track to start construction in 2010. The six rail lines will be followed in 2011 by a further 1,400km and in 2015 by another 2,000km. The lines will have a Russian gauge, necessitating a change of chassis as trains transit into China.

The Erdenet copper-molybdenum complex, an open-pit mining and concentrating development 340km from Ulaanbaatar, accounts for a large proportion of exports by value. Copper reserves are large enough for another 60 years.

Other mines include fluorspar at Bor-Ondör and gold at Ih-altat. Gold mining has increased significantly since 1990. Mongolia has approximately 2,000 tonnes of gold reserves. Major gold-producing areas are Naran, Tolgoi and Zamar.

Other minerals present include iron, zinc, silver, tungsten, tin, lead and graphite, but production levels are limited by inefficient extraction methods.

Mineral products account for around 40 per cent of the country's total exports. Almost all of Mongolia's copper concentrates are exported to Russia and China. A law passed in 1995 permits full foreign ownership of mining ventures in Mongolia, including those involving precious metals. Gold producers are no longer forced to sell to the Mongolian central bank at prices below the prevailing international price.

The first foreign investment gold mine, Boroo Gold, opened in 2004 and immediately pushed up Mongolia's output by 40 per cent. The government signed a number of agreements with multinational mining companies to develop Mongolia's large copper deposits 80km from its border with China. When fully expanded the copper mining sector could provide around one-third of government revenue. The estimate is that deposits could produce 450,000 tonnes of copper ore by 2018.

#### Hydrocarbons

There are only small reserves of oil which have been identified and no known natural gas reserves. However international oil companies are interested in investing in Mongolia as a country with no drilling history and contiguous geological features, which have produced hydrocarbon reserves in neighbouring countries.

The Swiss company, Manas Petroleum Corporation, signed a production deal with the Petroleum Authority of Mongolia (PAM) in April 2009 to explore in licensed blocks in the south. The US company, Canoil International Energy Limited, signed a production deal with the PAM in May 2009 to explore in south-eastern Mongolia in the East Gobi basin, close to China's currently productive oil field in the Erian basin.

Domestic consumption of oil was around 15,000 barrels per day in 2008, all of which was imported, mainly from Russia. There are no oil refineries.

There are sizeable deposits of coal reserves most of which is lignite. Production was 8.4 million tonnes in 2007. Coal accounts for around 80 per cent of primary energy consumption. The Mineral Resources Authority of Mongolia (MRAM) is responsible for policymaking and managing national coal assets.

#### Energy

Total installed generating capacity was 832MW in 2007, the majority of which is derived from coal-fired thermal power stations.

#### Financial markets

##### Stock exchange

Mongolyn Khöröngiin Birj (Mongolian Stock Exchange) (MSE)

##### Banking and insurance

There is a two-tier banking system. Mongolia's first private commercial bank, the Central Asia Bank (CAB), established in 1992, collapsed in 1996 due to bad debt and poor management. The Reconstruction Bank of Mongolia was established as a universal commercial bank in 1997.

Two domestic banks were sold to international interests, the AG Bank to the Japanese-based H S Securities for US\$6.9 million, following a three-year restructuring programme and the Trade and Development Bank of Mongolia, sold for US\$12.23 million, to the Swiss-based Banca Commerciale Lugano and US-based Gerald Metals.

##### Central bank

Bank of Mongolia

##### Main financial centre

Ulaanbaatar

##### Time

GMT plus eight hours

##### Geography

Mongolia is a landlocked country in central Asia, with Russia to the north and the People's Republic of China to the south, east and west.

The land consists of a plateau that rises to between 914–1,524 metres with mountain ranges running from the west to north-east. The tallest mountains are the Altai Mountains in the south-west, which rise to 4,267 metres. The large, flat plains of the centre, east and south-east include untracked Steppes and the arid Gobi desert. The largest rivers are the Selenge Mörön and its tributary, the Orhon Gol, which crosses the border into Russia in the north.

##### Hemisphere

Northern

##### Climate

Summers are warm and wet, and winters extremely cold. In Ulaanbaatar, winter temperatures range from minus 4 degrees Celsius (C) to minus 50 degrees C, with an average of minus 26 degrees C in January; in summer temperatures range from 0–40 degrees C, with an average of 17 degrees C in July. Relative humidity ranges from 65 per cent (July–August) to 75 per cent (November–February). Rainfall is low, with an average of 233mm per year in Ulaanbaatar (two-thirds of which falls June–August) and 116–344mm per year elsewhere. On average, there are 250 cloudless days a year.

#### Entry requirements

##### Passports

Required by all and must have six months validity from the date of entry to Mongolia.

##### Visa

Required by all, with some exceptions see: [www.un.int/mongolia](http://www.un.int/mongolia) and follow the link to *visa and travel* for further information.

Business and tourist visitors staying for more than 30 days are referred to as temporary residents and apply with a non-tourist visa; a local contact or business partner will increase the chance of visa approval. When granted, visitors must register with the Foreign Citizens Bureau in Ulaanbaatar within seven days of arrival. Visitors who need to register must de-register before leaving Mongolia, at the Office of Immigration, Naturalization and Foreign Citizens. After de-registering, an 'exit visa' from the consular department of the Mongolian Ministry of Foreign Affairs will be issued.

Contact the nearest consulate for further advice and to confirm all aspects of visa requirements before travelling.

##### Currency advice/regulations

The import of local currency is limited to Tug815 and must be declared. The import of foreign currency is limited to US\$2,000 or its equivalent. The export of local and foreign currency is limited the amount declared on arrival.

Travellers cheques have limited use in the capital, cheques in US dollars are easiest to exchange.

##### Customs

Importation of pornography and export of valuable antiques is strictly prohibited. Customs regulations are enforced by strict examinations. Firearms for sporting purposes require a licence. Import allowances included 200 cigarettes and two litres of alcohol.

#### Health (for visitors)

##### Mandatory precautions

No vaccination certificates are required.

##### Advisable precautions

Immunisations for typhoid, TB, hepatitis A and B are necessary while tetanus, diphtheria and polio vaccinations should be up-to-date. Rabies is a risk, particularly in rural areas.

There is a shortage of routine medications and visitors should take all necessary medicines with them. A first aid kit that includes disposable syringes, is a reasonable precaution. Use only bottled or boiled water for drinks, washing teeth and making ice. Eat only well cooked meals, preferably served hot; vegetables should be cooked and fruit peeled. Dairy products are unpasteurised and should be avoided, unless cooked.

Healthcare is not to Western standards and medical insurance, including emergency evacuation, is necessary.

### Hotels

There are a number of suitable hotels for foreign visitors in Ulaanbaatar, but in the provinces facilities are basic.

### Credit cards

International credit and charge cards are accepted in major city centres.

### Public holidays (national)

#### Fixed dates

1 Jan (New Year's Day), 8 Mar (Women's Day), 1 Jun (Mothers' and Childrens' Day), 11–13 Jul (Naadam), 26 Nov (Independence Day).

#### Variable dates

Bituum and Tsagaan Sar (Lunar New Year) (Jan/Feb/Mar, three days)

### Working hours

#### Banking

Mon–Fri: 0930–1230; 1400–1500.

#### Business

Mon–Fri: 0900–1800.

#### Government

Mon–Fri: 0900–1800.

#### Shops

Mon–Sat: 1000–1800 (some food shops stay open later). Some open Sunday.

### Telecommunications

#### Mobile/cell phones

GSM 900 services are available in large urban areas only.

### Electricity supply

240V AC, 50Hz

### Weights and measures

Metric system.

### Getting there

#### Air

**National airline:** MIAT (Mongolian Airlines)

**International airport/s:** Ulaanbaatar Buyant-Ukhaa (ULN), 15km from city, facilities include duty-free shops, bank, restaurant and car hire. Taxis and buses provide access to the city, travel time 15–30 minutes.

**Airport tax:** Departure tax of US\$12

#### Surface

**Road:** While there are many roads that cross the borders from China and Russia only a few are designated for international visitors and permission must be obtained from Mongolian authorities to cross, before travelling.

The Regional Road Corridor Improvement Project, estimated at US\$18 billion, to improve Central Asian roads, airports, railway lines and seaports and provide a vital transit route between Europe and Asia was agreed, on 3 November 2007. Six new transit corridors, between Afghanistan, Azerbaijan, China, Kazakhstan,

Kyrgyzstan, Mongolia, Tajikistan and Uzbekistan, of mainly roads and rail links, will be constructed, or existing resources upgraded, by 2013. Half the costs will be provided by the Asian Development Bank and other multilateral organisations and the other half by participating countries.

**Rail:** Ulaanbaatar is served by the Trans-Mongolian Railway connecting Moscow and Beijing, with an express train that runs once a week. International trains have restaurant and sleeping cars.

There are frequent delays on the routes to Beijing and Siberia. Trains operate on summer and winter schedules, alternating in May and October.

### Getting about

#### National transport

**Air:** MIAT operates an extensive domestic network. Regular air services provide the only feasible means of long-distance internal travel, although delays and cancellations are frequent. There are officially 21 airports, but only eight have paved runways.

**Road:** There are 46,700km of roads and tracks. Only 3 per cent of roads are paved (mainly around the cities). Many of the unpaved roads and cross-country tracks are impassable during the summer, because of flooding or waterlogging. The poor railway network dictates that roads provide the only access routes to 16 of Mongolia's 21 provinces.

**Buses:** Inter-urban bus services are available, with many long-distance bus routes, but their use is unfeasible due to the distances involved.

**Rail:** In addition to the cities served by the Trans-Mongolian Railway (Sühbaatar, Darhan, Ulaanbaatar, Dzamyn-Uüd and Saynshand), there are branch lines to various industrial centres and mining towns, including Erdenet, Baganuur and Bor-Ondör. Total network 1,815km.

#### City transport

**Taxis:** Taxis are available for journeys from the airport to the city centre, with a journey time of 15 minutes.

**Buses, trams & metro:** There are trolley-buses and buses. Service 11 operates 0600–2200 from airport to city centre, journey time 30 minutes.

#### Car hire

A hire car with driver is the only option as local knowledge of conditions is vital; hires can be arranged by most hotels or tourist organisations in Ulaanbaatar. Rates vary from fixed hourly, daily, weekly or monthly hire.

Off-road vehicles can be hired from specialist suppliers but a local licence is required, this can be obtained, for a fee, using a valid national or international licence.

## BUSINESS DIRECTORY

The addresses listed below are a selection only. While World of Information makes every endeavour to check these addresses, we cannot guarantee that changes have not been made, especially to telephone numbers and area codes. We would welcome any corrections.

### Telephone area codes

The international direct dialling code (IDD) for Mongolia is +976, followed by area code and subscriber's number:  
Ulaanbaatar 11

### Useful telephone numbers

Police: 102  
Fire: 101  
Ambulance: 103  
Car hire  
Ulaanbaatar  
Car Base: (tel: 379-965).

### Chambers of Commerce

Mongolian National Chamber of Commerce & Industry, 11 J Sambuu Street, Ulaanbaatar 38 (tel: 312-501; fax: 324-620; e-mail: info@mongolchamber.mn).

Ulaanbaatar Chamber of Commerce, Box 254, Ulaanbaatar 210136 (tel: 329-912; fax: 311-385; e-mail: ubcc@magicnet.mn).

### Banking

Agricultural Bank, PO Box 185, Peace Avenue, Ulaanbaatar (tel: 457-880; fax: 458-670; e-mail: haab@magicnet.mn).

Anod Bank of Mongolia, PO Box 361, 18 Commerce Street, Chingeltei, Ulaanbaatar (tel: 327-566; fax: 313-070; e-mail: anod@magicnet.mn).

The Bank of Mongolia, Baga Toiruu-9, Ulaanbaatar (tel: 322-166; fax: 311-471).

Credit Bank, Suknbaatar Square, 20A, Ulaanbaatar (tel: 321-897; fax: 321-897).

Erelbank Ltd, Chingis Avenue, Khan-uul District, Ulaanbaatar (tel: 343-387; fax: 343-567).

Golomt Bank of Mongolia, PO Box 22, 4th Floor, Sukhbaatar Square 3, Central Place of Culture, Ulaanbaatar (tel: 311-530; fax: 312-307).

Mongol Post Bank, PO Box 874, Kholboochdiin Street 4, Ulaanbaatar (tel: 310-301; fax: 328-501).

Savings Bank, 6 Commerce Street, Ulaanbaatar (tel: 327-467; fax: 327-467).

Trade & Development Bank of Mongolia, 7 Commerce Street, Ulaanbaatar (tel: 327-020; fax: 312-418).

Ulaanbaatar City Bank, PO Box 370,  
Baga toiruu 15, Ulaanbaatar (tel:  
312-155; fax: 311-067).

Zoos Bank, 6 Choimbalin, Chingeltei,  
Ulaanbaatar (tel: 329-537; fax:  
329-537).

**Central bank**

Bank of Mongolia, Baga Toiruu 9,  
Ulaanbaatar 46 (tel: 310-392; fax:  
311-417; email: feprmd@  
mongolbank.mn).

**Stock exchange**

Mongolyn Khöröngiin Birj (Mongolian  
Stock Exchange) (MSE), www.mse.mn

**Travel information**

Flight information (0800-2200 hours) (tel:  
119).

Juulchin, Ulaanbaatar (tel: 320-246,  
328-428).

MIAT Head Office, MIAT Building,  
Buyant-Ukhaa 45, Ulaanbaatar 210134  
(tel: 379-935, 984-070; fax: 379-919;  
email: contact@miat.com; internet:  
www.miat.com).

Ulaanbaatar Buyant-Ukhaa Airport,  
Ulaanbaatar 34 (tel: 379-986; fax:  
379-744).

**National tourist organisation offices**

Mongolian Tourism Association, Room  
318, Trade Union Building, Sukhbaatar

Square 11, Ulaanbaatar 38 (tel/fax:  
327-820; internet: www.travelmongolia.  
org)

**Ministries**

Ministry of Finance, Ulaanbaatar 46.

Ministry of Foreign Relations, Ulaanbaatar  
11.

Ministry of Trade and Industry, 11  
Sambuu St, Ulaanbaatar 46 (tel:  
706-146; fax: 326-325).

**Other useful addresses**

British Embassy, 30 Enkh Taivry  
Gudamzh, PO Box 703, Ulaanbaatar 13  
(tel: 458-133; fax: 458-036; email:  
britemb@mongol.net).

Mongol An Corporation, Baigal Ordon,  
Ulaanbaatar 38 (tel/fax: 360-067).

Mongolian Business Development Agency  
(MBDA), U Barsbold (fax: 311-092;  
email: mbda@magicnet.mn).

Mongolian Embassy (US), 2833 M Street,  
NW, Washington DC 20007 (tel:  
(+1-202) 333-7117; fax: (+1-202)  
298-9227; email: monemb@aol.com).

Mongolian Stock Exchange, Sukhbaatar  
Square 14, Ulaanbaatar (tel: 310-501;  
fax: 325-170; email:  
msebatj@magicnet.mn).

The Permanent Mission of Mongolia to  
the United Nations, 6 East 77th street,

New York, NY10021-1704 (tel:  
(+1-212) 861-9460; fax: (+1-212)  
861-9464; email: mongolia@un.int).

School of Economic Studies (Economic In-  
stitute), National University of Mongolia  
(fax: 325-349; email:  
suvd@magicnet.mn).

State Statistical Board, Ulaanbaatar 11  
(fax: 324-518).

**National news agency:** Montsame  
Agency

PO Box 1514, 8 Jigiidjav Street,  
Ulaanbaatar (tel: 314-507; fax:  
327-857; internet: www.montsame.mn).

**Internet sites**

Guide to Mongolia (with links):  
<http://www.mongoliaonline.com>

Mongolian Stock Exchange:  
<http://mse.com.mn>

Parliament of Mongolia:  
<http://www.parl.gov.mn/english.htm>

School of Economic Studies:  
<http://www.ses.edu.mn>

State Property Committee:  
<http://www.spc.gov.mn>