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# RUSSIA

*that is close to us*

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# The DeFacto Gazette

INFORMING | INSPIRING | EMPOWERING

Tuesday, 2018.10.02 №65

A WEEKLY INDEPENDENT, NONPARTISAN, ANALYTICAL NEWSPAPER COVERING THE POLITICS  
AND ECONOMICS OF MONGOLIA-IN ENGLISH, JAPANESE, AND MONGOLIAN

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№ 449

**JARGALSAIKHAN** Dambadarjaa

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# RUSSIA

*that is close to us*

Irkutsk is Russia's largest city geographically near to Mongolia and has close economic and historical ties with us. Currently Irkutsk, which was founded 360 years ago, is home to 588,000 people. When crossing through the city in 1890, Anton Pavlovich Chekhov wrote that Irkutsk is the capital city of Eastern Siberia. Subsequently, the East Siberian Geographical Society was established in Irkutsk to collect geographical, geological, and mineral resources data from the region.

The last government of the Russian Empire operated out of Irkutsk in 1917-1920. Imperial Russian admiral Kolchak, who led that government, was shot to death by the Bolsheviks in 1920. Ninety-four years later his statue was erected. Since the arrival of exiled intellectuals (the Decembrists) who led an unsuccessful uprising against

the Russian tsar, Irkutsk evolved into a highly civilized, industrial center.

Mongolians first arrived in Irkutsk to study in 1926. Since then, many thousands of Mongolia's workforce were trained in Irkutsk. The Angarsk plant, which supplies nearly one hundred per cent of Mongolia's fuel consumption, is located in Irkutsk, and the largest part of Russian-Mongolian trade traces back to here. Today Irkutsk is an active player in international relations, seeking to establish its position in the northeast Asian economy.

*“ Last week I attended three events organized in Irkutsk and reflected on how they relate to Mongolia. ”*

## ABOUT EURASIA

Until recently the term 'Eurasia', which combines the continents of Europe and Asia, has been used in natural sciences only. Given Russia's tendency to have multiple economic and political centers, and following the Western sanctions imposed on Russia, demand has been growing to develop more comprehensive cooperation between Europe and Asia. Since 77 per cent of Russia's territory

and 26 per cent of its population is located in Asia, this cooperation is of high importance to Russia. At the Belt and Road Forum in Beijing, in May 2017, President Vladimir Putin stated that Eurasia is neither a chessboard nor a geopolitical field for Russia, but rather it is a place where we all want to live prosperously.



▶ On 21 September, Irkutsk hosted a roundtable discussion under the theme 'Greater Eurasian Partnership and Belt and Road initiative', which was organized by a publication called The Eurasian Illustrated Review. The discussion was attended by government officials, private sector representatives, and academics from Russia, Mongolia, and China. Although the mega projects that involve all three countries have taken different names in 'Belt and Road', 'Big Eurasia', and 'Steppe Road', the key concept is the same – establishing an economic corridor through Mongolia.

At a conference named 'Mongolia-Russia Initiatives' that took place in June in Ulaanbaatar, the concept was called a 'super corridor' that integrates electric power, natural gas, road, and broadband. The parties have all noted that serious talks on how to take this project forward have still not taken place, and no detailed estimations have been completed on overall feasibility and investment matters.

“ *Academic A.K. Tulokhonov said that no progress can be made without passing a special law that*

## THE BAIKAL WATER FORUM

Irkutsk hosted the 2nd Baikal International Ecological Water Forum on 20-21 September. Sergey Levchenko, the Governor of Irkutsk region, announced that this forum, which was organized under the slogan 'Baikal is the source of life', would discuss the most effective ways to ensure the protection and conservation of the world's largest freshwater lake, Baikal.

Participants had four key themes to discuss in relation to the ecological quality of water and its connection to human health: ecology, culture, education, and eco-generation. The forum was attended by representatives from the United Nations as well as Russian and international water treatment companies who advertised their products.

Lake Baikal contains one-fifth of the world's fresh water reserves, and it is important to ensure its protection and conservation. It has been five years since Russia closed their cellulose and paper plants that were the biggest pollutants of Baikal. However, they still haven't finished cleaning accumulated polluted waste.

*provides a work-around solution to the current situation where any outgoing financial transfers from Russia must be approved by Moscow. He also noted that it is unclear today how the investment is going to be made and what goods will be transported if corridors are built.* ”

Today Irkutsk is the third most popular Russian city among tourists, ranked only after Moscow and Saint Petersburg. Most of the tourists come from Asia, with the majority originating from China. However, the public is concerned about the level of economic benefits because Chinese tourists fly in on Russia's budget airlines and go to Chinese-owned hotels and restaurants. The local Irkutsk newspapers were writing about how timber is being illegally procured and how the efforts against it have not been that successful.

Also, it is twice as cheap to fly from Irkutsk compared to Ulaanbaatar to anywhere in the world. As a result, the Aero Mongolia flight from Ulaanbaatar to Irkutsk is always full.

Since Mongolia made plans to build a hydroelectric power plant at the mouth of the Selenge River, which flows into Lake Baikal, the Russians have been working actively to bring the topic of protection of Lake Baikal under the international spotlight. Mongolia doesn't have a sufficient supply of electric power, and most importantly, the Eg River power plant would be essential in regulating the operations of the electric power plant. The Russians make the exact same regulations through their power plants along the Angara River, which flows out from Lake Baikal. On the other hand, the water dam to be built 600 kilometers from Lake Baikal would be critical in protecting the lake, because it would regulate the water levels that feed Lake Baikal, depending on whether there is a drought or a flash flood. Russian academics consider that several dams need to be built at the source of Lake Baikal in order to protect the lake from flash floods.

“ *Russia and Mongolia are actively seeking for ways to find the delicate balance between developing using water and ensuring the water is protected.* ”▶▶



## MONGOLIA'S SPACE

Irkutsk and Ulaanbaatar have historical ties. In 1920, a group of Mongolians led by D. Sukhbaatar traveled to Irkutsk to request military support from the Soviet Union.

The natural gas corridor, which is one of the so-called super corridors, must go through Irkutsk. This supports Russian-Mongolian cooperation in education and science, which is expected to grow. Last week a Resource Center was established at the initiative of the Baikal State University and its first forum was organized. This project, which was supported by the Russian government and started receiving funding, is intended to establish a database that would help develop Russian-Mongolian cooperation in education, science, and ecology.

The forum was attended by officials from both national and state government organizations, university representatives, and arts and media representatives. The discussion centered around what can be done to reinvigate cooperation and resulted in deciding to

commence projects aimed at having Russian universities be more involved in improving the Russian language proficiency of Mongolian students, celebrating the 90th anniversary of the victory at Khalkh River in 2019, making a historical film, and supporting student exchanges as well as other cultural and sports activities.

This is the summary of the three important forums directly connected to Mongolia and their outcomes.

*Most importantly, everyone commented on the fact that Mongolian news is not available in Russian. It goes without saying that there won't be enough support from society and the business sector to build cooperation unless Mongolian news on its society, economy, and politics becomes available in Russian.*

Irkutsk – Ulaanbaatar  
2018.09.26 ■





### IN REGARDS OF BUDGET PROPOSAL FOR 2019

*In the submitted state budget, revenue is projected to increase by 800 billion MNT and expenditure by 600 billion MNT. The budget deficit was estimated to be 1.9 trillion MNT, or around 5.4 percent of GDP.*

**Presenter:** Could you please elaborate on some of the key aspects of the 2019 state budget?

**Guest commentator/economist Dorjkhand Togmid:** First of all, we are expecting a very long discussion by the parliament about the budget. The discussion will be during the autumn session with a deadline of December 1st. I'm happy to share some of the feedbacks I have based on my data. So, we are currently taking part in the IMF program, with which we are trying to maintain fiscal discipline. A very important part of strengthening our fiscal position is achieving fiscal sustainability. The first remark on this 2019 budget is that discipline could be restart. If you look at some of the data, the budget deficit is projected to be 5.4 percent of GDP in 2019. The expected deficit for this year is about 8 percent; last year it was 9.5 percent. As you can see, there is a gradual decline, which is a good indicator.

We do have fiscal sustainability law and requirements for fiscal indicators. By these indicators, for example, fiscal deficit for next year has to be lower than 6.9 percent and the projection is 5.4 percent, which is good sign.

Government debt is projected at rate of 55.3 percent for next year. In terms of NPV, 55.3 percent of GDP is also a good indicator.

The Minister of Finance stated that the government



is trying to provide monthly allowance for vocational training student of a hundred thousand tugriks. I believe this is a good initiative. However, the budget expenditure is still increasing. I'll have a clearer view on the matter once parliament holds discussions on the matter.

**Presenter:** How is the debt issue reflected in the budget?

**Dorjkhand:** Debt is a major concern for Mongolia. The government has both international and domestic debt. I was informed that the debt repayment for next year is reduced by 285 billion tugriks, which is a 25 percent decrease relative to last year. It seems that the government does not intend on issuing any new government bonds as the domestic debt level is high, which put pressure on the budget.

## WOULD "ERDENET CASE" EVER END?

*Five people are currently under investigation in relation to the loan received from Standard Bank for the Erdenet Mining Corporation. The people under investigation are the former Director of Just Group, Sh.Batkhuu, former Director General of Erdenet Mining Corporation, Ch. Ganzorig, N. Munkhjargal, N.Amarbat, and N.Galbadrakh. It was determined that the loan was spent on Just Group and its affiliates. The IAAC is currently evaluating the assets of these subsidiaries spread across several provinces, which may take a while, thus prolonging the case.*

**Presenter:** Last week, the court ruled that nationalizing the Erdenet mine was illegal and ruled in favor of the Mongolian Copper Corporation (MCC). And this week, the former director general of the Erdenet Mining Corporation is being investigation. So, what do you think is happening to Erdenet?

**Dorjkhand:** The property dispute over Erdenet Mining Corporation between the government and the Mongolian Corporate Corporation has been going on for the last 2 years. On September 19th,

the Government lost the case in the Supreme Court. Now, MCC is demanding that the government fulfill the court order.

I would urge the authorities to negotiate. The privatization needs to be more transparent and open to the public. It should also be done through the stock market and an IT-based system. Our relations to Russia should also be mended as a key agreement was broken.

## WHY IS THE MNT DEPRECIATING?

*The U.S dollar has appreciated within the last week from 2525 to 2560 MNT. There are many direct changes that affected the depreciation of MNT (tugriks).*

**Presenter:** Why is the MNT depreciating?

**Dorjkhand:** According to the World Economy Outlook, issued by the IMF, the world economy growth will be 0.2 percent less next year. The trade war between USA and China is affecting the economies of other countries. The United States has been increasing its policy rate since 2015.

Mongolia's own policy rate also plays a key role in the depreciation of the MNT. Although foreign trade

is going well and our commodity prices are forecasted to stay the same, the depreciation may have an adverse impact. Around a 100 tugrik increase in exchange rate within just one week is very concerning. However, there is no need to rush putting a limit on foreign exchange. If the depreciation continues, there may be a shift of people converting tugriks into dollars. Thus, the Bank of Mongolia should make an immediate decision to limit this change.

*This review has been edited here for space and clarity. You can watch the full 30-minute review on the Defacto website [HERE](#).*





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