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JARGALSAIKHAN Dambadarjaa

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Mongolia's new **EXPORT**

Becoming an immigrant in another country or taking up short or long-term residence abroad has become a common phenomenon not only in Mongolia but also globally. Reports say that 3 million Venezuelans, which is 10 per cent of the population, have left the country, and [another](#)

[2 million are expected to follow suit](#) next year. Overall, migration of people happens for many reasons, including economic, political, and individual preference. In a democratic country, no one can force this movement to stop. Today Mongolia faces a challenge to manage the movement of its people wisely.

KEY REASONS FOR BIG MIGRATION

Mongolia has a total of 3.2 million people, and 4.5 per cent are living abroad. According to a 2017 report produced by the Ministry of Foreign Affairs, 144,566 Mongolians are living in 67 countries. This number equals the combined population of Bayankhongor and Bulgan aimags. If we break down those who are residing internationally, 23,990 people are under the age of 18, 25,986 are students who are older than 18, and 26,697 are working with the employment permits. A total of 490 people preferred not to take up Mongolian residence in 2018.

It is widely reported in the media that people are increasingly living abroad because of employment opportunities. However, the real causes need to be analysed carefully.

The biggest reason is connected with our economy. People are unable to find a job that can sustain their livelihood. Even if people want to do their own business, there is not a fully formed and adequate environment for entrepreneurialism. Due to corruption within the state and government, it is impossible to compete on a level playing field. There is too much pressure from taxes and the high interest rates on loans. Mongolbank reports that the average interest rate on personal loans provided by banks stood at 18 per cent per annum in 2018, and 15.5 per cent per annum for business loans. In Mongolia, you have start paying taxes as soon as you start your business. There isn't any tax exemption period as is offered in other countries. Meanwhile, the lawmakers have been stealing from the funds ►►

- dedicated to supporting small and medium enterprises. After all, who can compete with a company owned by the minister who looks after the whole sector?

The next biggest reason relates to social matters. People are poor because they don't have jobs, and they are angry because they are poor. Over time the mayors of Ulaanbaatar have divided up the public land in the capital city amongst themselves, which has now created the massive traffic jams that are preventing advancements in society. Half of our population reside in Ulaanbaatar, but the city air has become so polluted that the car in front of you cannot be visible in daylight. Thousands

of children are dying because of the smog. Traffic jams, polluted air, and unfairness in society have skyrocketed people's frustration. As a result, people's faith in the future has fallen to the floor. The lack of justice in our society means people are more willing to do anything that may make them wealthy quickly. The majority of our people increasingly want to go abroad. Half of the 46,000 Mongolians who are living in South Korea are there illegally, and half of them are looking for work.

The third reason is a combination of education opportunities, health services, and tourism. Also, the number of people who are married with foreign nationals is rising.

CONSEQUENCES

In Mongolia, almost every household has someone who is working abroad and sending money. A [World Bank report](#) says that, while 266 million USD was transferred to Mongolia from abroad in 2010, the amount increased to 332 million USD (2.7 per cent of GDP) in 2018. It is said that people do hard labour in South Korea for two months and make as much as their annual income in Mongolia. Today, ordinary people are spending the hard-earned money their family members sent, while the authorities lavishly spend taxpayers' money.

Due to this big migration, Mongolia is exporting its capable, resilient, energetic, and younger part of the workforce. As a result, we are seeing some negative social consequences in the increasing number of 'half-families'. Children are growing up without the presence of one of their parents, while the other parent is living their life on their own in another country. The people who are working abroad

are either those who form the middle class or the younger generation who are at the peak of their productivity and value generation. At this rate, Mongolia could risk facing a labour shortage in the future. The only people who would be left in Mongolia could be a small number of extremely wealthy families and those who are extremely poor.

Big migration also has a positive side. Mongolians are receiving education, learning other languages and cultures, and mastering know-how, which is an intangible investment. It can also be argued that the people who are living abroad are lessening the pressure on public hospitals, schools, and transportation in Mongolia to a degree.

Therefore, we need to carefully analyse migration, take into account both negative and positive consequences, and manage it wisely with a long-term vision. ►►

► **WISE POLICY**

Some people are directly rebuking and blaming those who are living in another country or have emigrated abroad. Instead we should strive towards understanding them, and the government should study the causes and find a long-term solution.

It is time to start effectively managing the positive and negative impacts of migration, take better advantage of the positives, and conduct a policy that is aimed at attracting, rather than pushing away, those who are living abroad. This can be managed as part of the third neighbour policy, and we could start allowing Mongolians to have dual citizenship with those countries.

The next critical step would focus on soft power. Being a Mongolian means speaking fluent Mongolian first and foremost. We need to provide every support available to help Mongolian children abroad to learn their mother tongue. Parents should make it a habit to converse, listen, and read in Mongolian at home. We should always remember that the children today will become competitive in the future by learning to speak two languages fluently. It should be a focus area for the embassies and consular offices in those countries where there is a large number of Mongolians.

There are two examples of previous attempts to bring Mongolians back from abroad. One is the Beehive program implemented by Su. Batbold's cabinet in 2011, and the other is the Global Mongolians program initiated by Ch. Saikhanbileg's government in 2016. However, these programs couldn't offer more than a few

positions in the government. They didn't offer any direction or opportunity in doing business, with zero support on tax policy. Therefore, not a lot of people came back, and some of those who did have left Mongolia again.

Under the current circumstances, we would find more success by taking smaller steps that would create faith and belief, as opposed to implementing large programs or wide-ranging policies. For example, if the government is purposefully sending people abroad for upskilling, they should be thinking about what job opportunities would be available when those people come back. It means giving people who went to Japan an opportunity to obtain a professional qualification there, and planning on how they can apply what they learned when they return home.

Also, we see a lot of positive stories in the media about successful Mongolians who are working abroad. We need more coverage on how the Mongolians who returned home are leading a successful career.

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RAJA SHARIF
FOUNDER AND CEO
OF FARMA TRUST

COUNTERFEIT MEDICINE IS A 200-BILLION-DOLLAR INDUSTRY BUT SANCTIONS AFTER CONVICTION TEND TO BE A SMALL FINE, COMMUNITY SERVICE OR SOMETHING NOT SO SIGNIFICANT

Raja Sharif is the CEO of Farma Trust, a British company. He is a lawyer by profession and got his LLB from the University of Nottingham and LLM from the University of Hull in 1991. Over the years, he has overseen the implementation of strategic objectives in both European and American companies. In the international arena, he has worked in areas such as administrative innovation, legal affairs, project management and company management \ the publishing and technology sectors.

Jargal DeFacto: I have seen your presentation on using blockchain to fight counterfeit drugs. Can you please elaborate on why you decided to get involved in this?

Raja Sharif: The World Health Organization estimates that about a million or more people a year are dying of counterfeit drugs. Estimates are difficult because the medicines that are being taken get tested only when lots of people die from it. A lot of people are spending large amounts of money to help their loved ones and families get into debt, so it is a huge problem worldwide. In fact, it is a 200 billion USD industry out of a pharmaceutical market worth around 1.3 trillion USD. So the margins on counterfeit drugs are so high that it is advantageous to sell counterfeit medicine than it is to sell illegal drugs such as heroin and cocaine. For example, it costs about 15 cents to make an ecstasy tablet and people can sell it in clubs for about a dollar. It also costs around 15 – 20 cents to make fake Viagra tablets and people can sell that for 8 – 13 USD.

JD: Seems like this is one of the most profitable illegal businesses

RS: Absolutely, I believe so. The interesting thing is that worldwide, the legal sanctions that are applied are usually very light because judges don't impose heavy sanctions against people who have counterfeit drugs. However, if they have illegal drugs such as ecstasy, cocaine or heroin, people usually go to jail. So, there is an imbalance between illegal and counterfeit drugs.

JD: Why is this the case? Is it because people underestimate the damage of counterfeit drugs?

RS: I think not many people realize what a big problem counterfeit drugs are. There is much more money and violence people associate with illegal drugs. As I said, counterfeit medicine is a 200-billion-dollar industry but sanctions after conviction tend to be a small fine, community service or something not so significant.

JD: I understand that through your system, you can reduce the prevalence of counterfeit drugs.

RS: You can actually completely eliminate counterfeit drugs. What our system does is that at the point of manufacture, we can give each medicinal packet something like a birth certificate. That birth certificate will follow the medicine from that point of manufacture to the point of consumption. If two packets are found to have the same label our system is alerted of something suspicious going on. This would eliminate people attempting to copy the labels. The other thing is that if the packets miss a stage such as if they don't arrive at the warehouse or distributor, it also creates an alert.

JD: What kind of code do you use?

RS: We use 2D or 3D QR codes. Pharmaceutical companies can decide which QR codes to use. The difference between 2D and 3D codes is just in how the labels are constructed. 3D codes are more reliable, but we can work with both. We can also work with RFID chips and environmental sensors which are the new kinds of innovations coming into the market. We made the strategic decision that we wanted to be sensor neutral so whatever sensor the pharmaceutical company wants to use; we will track it. We don't produce labels or sensors ourselves because we believe there are better,

faster and more innovative companies to be producing sensors.

JD: This makes good sense. Do you track it with the help of a satellite?

RS: It depends on the sensor. There are new sensors coming into the market that use GSM technology which allows you to know exactly where they are. There are other sensors like the RFID chips or QR codes are tracked track from point to point.

JD: Do all the large pharmaceutical companies use your QR codes?

RS: We don't actually produce the QR codes. They produce the codes and we integrate our system into their Enterprise Resource Management (ERM) systems if they have them and take care of the programming element.

JD: What has been the reception of your system been within the pharmaceutical community?

RS: In the US, beginning this year, pharmaceutical companies, by law, have to be able to track their medicinal packets. Next year, the European Union will also introduce new legislation requiring drugs manufactured or coming into it to have unique labeling that can be tracked. In Mongolia, we have been very lucky with the Specialized Inspection Agency, in particular Mr. T. Munkhsuld, the Chairman of the Specialized Inspection Agency in Tuv province, who has understood the problem and wants to use our system to secure the pharmaceutical process here in Mongolia. He wants to first see the system working firsthand and then the intention is to spread throughout the country. We are talking to three other countries, but Mongolia has been the first country in the world to sign it and understand the benefits and efficiency of our system.

JD: What happens if your system finds counterfeit drugs?

RS: We have different approaches to it. Here in Mongolia, the Specialized Inspection Agency will go and find out what is happening with the medicine, why there is so many discrepancies concentrated in a particular warehouse or storage and then try to find out where they came from. Worldwide, we are excited about an automated system that we are working on that would allow INTERPOL to locate big concentration of counterfeit drugs in particular areas. INTERPOL would then cooperate with local law enforcement agencies to eliminate the drugs and determine the origin its origin

to prevent future occurrences.

JD: This is a very useful system for Mongolians who need medicine but end up buying counterfeit drugs.

RS: As I said, the worst thing about counterfeit drugs is that it affects the most vulnerable members of society, the most desperate and the most ill. Sometimes, people don't have the finances to afford expensive drugs but when you have loved ones, you want to spend all your money to keep them healthy.

JD: I think health insurance companies should be the most interested in your system.

RS: Ministries of Health are one form of client that we have. Those that subsidize medicinal products want to see how much they are spending on subsidies, what they need to do for forecasting and how much they are wasting in expired drugs. Up to 3 billion USD per year can be wasted as a result of expired drugs. Insurance companies are also interested because if people are sick longer due to the consumption of ineffective drugs, it affects their margins and finances. Another client of ours are regulators who can see whether pharmaceutical companies, logistics providers and pharmacies abiding by the relevant rules and regulations through our system. The pharmaceutical companies themselves, would get a tremendous amount of transparency and visibility of where their drugs are and how many are coming up to expiry. Something we are really excited about is potentially using artificial intelligence to notify pharmaceutical companies to supply drugs to the places they are needed, when they are needed once we have gathered enough data.

JD: Is this use of new and innovative technologies and methods available only because of blockchain?

RS: The reason we use blockchain is that it gives that immutability, incorruptibility and the ability to make sure people are not changing or corrupting records. Our system is technology neutral, which allows us to bring the complex supply chain with different companies in different countries all trying to supply drugs together onto the blockchain. Once the data is hashed and put onto the blockchain, it is virtually impossible to alter them. The countries, regulators and public are then happy that there is no coverup, alteration to or deletion of records when things go wrong. We put our services on top of that incorruptible, immutable record on the blockchain.

JD: How does the work on the blockchain take place?

RS: We have a system built and are testing it with dummy data on the blockchain. It is the product of about 18-months of work on the code to work on a network called Ethereum. We chose that network because it allows us the ability to automate payments, regulatory reporting, and ordering to maximize efficiency. Essentially, we plug in to the ERM systems of the pharmaceutical companies and logistics providers in the developing countries but the big advantage we have is that we also work worldwide. We can work just as well in Sudan as we do in Germany. We do this through apps for the customs authority which allows them to scan medicine coming in rather than process them manually which can take them 3 – 5 weeks. The QR codes will notify them of the legitimacy of the medicine, their origin, their expiry as well as other pertinent information. This is a big advantage that we have, and we also don't pull in specialized scanning equipment or require specialized technology and software. We have simplified the whole process. A lot of countries, not to mention companies can't afford big scanning systems which cost 10 – 20 million USD.

JD: Since August of last year, you have been serving as a strategy implementation manager at Al Jazeera. Were you based in Qatar?

RS: Actually, Al Jazeera, like any other news network, is spread out around the world. They sent me to San Francisco because to launch a digital channel for millennials called AJ Plus. I did the English and Spanish versions there and I went back to Doha to set up the operations for the Arabic version. Before that, I was sent to Turkey to set up Al Jazeera Turk, another digital channel. The great thing with Al Jazeera is that it is quite innovative when it comes to modern technologies and I was quite fortunate to be involved with their online space. I think AJ plus got in the region of 2 billion views over the course of 18 months, becoming one of the most popular channels among millennials.

JD: What contributed to this success?

RS: I was lucky in that my manager gave me a lot of freedom to do whatever we needed to do to dominate the American market. We looked at the target audience and pushed our presenters to speak like them. It wasn't that millennials weren't interested in news; it was just that people weren't speaking their language. For example, I used to allow swearing online because it is an unregulated market. This captured the imagination of the American youth and they started sharing, commenting on and liking our videos. It quickly became popular in our American audience. Because we were

based in San Francisco, we had a very mixed workforce. If you look at our workforce, we deliberately tried to make them to reflect the audience we were trying to get. We had a lot of Latinos, African-Americans, Asians and people from wide, diverse backgrounds which reflected the American population. When we first started AJ Plus, our headquarters used to say that it was entertainment and not really news, but it is a much more informative channel. Now there are lots of copycats out there that try to replicate AJ Plus but I think it will stay one of the most important ones.

JD: Given that you are well travelled and immersed into different cultures, what are your thoughts on the role of media in getting millennials to respect each other and facilitating cross-cultural dialogue.

RS: This is a little bit of topic, but we are living in times where the world has shrunk greatly and people are travelling more. My children for example have travelled much more than I could have ever imagined when I was younger. We can communicate across time-zones and vast spaces just by a few clicks on our mobile phones. If you look at millennials, they tend to dress similarly and communicate with the same kind of words. Even in Mongolia, I am impressed by how many people can speak English. In terms of peace and prosperity, I am a big believer in not having wars or borders and allowing the Silk Road mentality that they used to have in the past because trade brings people together. As long as you regulate trade so you don't have monopolies or unfair competitive advantages, people usually come together and if you look at history, peace is brought through commerce. I used to study the Mongolian Empire and people remember it because of the destruction but if you look at what Chinggis Khaan did, he unified many continents, establishing the biggest continuous land empire the world has ever seen. After he conquered a place, he would increase the prosperity of the whole empire with people having safe passage and transit to trade with each other under his umbrella. The facilitation of proper trade is our hope and we are seeking to facilitate the expansion of legitimate trade in the pharmaceutical sector.

*This interview originally aired in March, 2018.
It has been edited here for space and clarity.*

*You can watch the full 30-minute interview at
www.jargaldefacto.com*

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EMIGRATION OF MONGOLIAN WORKFORCE

One of the main issues facing Mongolia is the exodus of our qualified workforce but we cannot stop this as a democratic government affords its citizens the freedom to choose where they live. According to a 2017 study conducted by the Ministry of Foreign Affairs, there are approximately 150,000 Mongolians living in 67 countries. The number of Mongolians living abroad equals the population of Bayankhongor and Bulgan Aimags combined thereby constituting 4.5% of our population.

Among those living abroad, 24,000 are under the age of 18; 26,000 are above the age of 18 and are undertaking studies while the number of those officially pursuing employment is 27,000. These numbers equate to half of the Mongolians living abroad and it is not clear what the status of the other half is. In 2018, 490 people renounced their Mongolian citizenship.

It is said that it is possible for Mongolians to earn their annual salary within two months in Korea. Therefore, people look to leave Mongolia due to the difficulties they have in procuring a job that pays enough to make ends meet. This is in part due to the lack of proper private sector development, lack of competition, extortionate interest rates and high taxes which constitute approximately 40% of business earnings.

A second reason for why people leave the country is due to the lack of decent living conditions. More and more people flock to the city everyday, adding to the traffic and smog. The situation is not helped by the poor city planning that resulted from illegal land grants to the highest bidder by our officials. A prime example of this is the Yarmag area that is undergoing heavy development where it is not clear to whom and how the lands were sold. Moreover, people go abroad for education or medical treatment and the culmination of those factors constitute the 150,000 Mongolians living abroad.

As for how the government contributed to this exodus of Mongolians, the corruption marring the country that ultimately breeds an environment

inconsistent with the sustenance of normal living conditions is a major factor. This stems partly from the fact that people are not aware of how to take part in the democratic process between elections. There is no mechanism to monitor the government which allows it to operate with inadequate levels of transparency. A recent example of this is the misappropriation of the Small and Medium Enterprise Fund by the legislators.

The three branches of government: the judiciary, legislature and executive are designed to operate under a checks and balances system where each branch keeps the others accountable. With our legislators becoming Ministers, this is not the case in Mongolia any longer. Moreover, the corruption that has marred the country for throughout its history has become so rampant that it is not possible to solve the issue by a simple ruling or decision. As if this was not bad enough, the judiciary is now the farthest thing from an apolitical organization.

Involvement of the state in business through state owned enterprises (which in reality are owned by the parties) are diluting the competition in every sector of our economy. They receive massive subsidies from the government who also sets prices for their products. If the government was to dissuade Mongolians from leaving the country, they should work towards creating an environment where an individual can be relatively confident that they have good career prospects and that it is possible to lead a fruitful life in Mongolia. This starts with minimal interference from the state in setting the price for goods and services. This in turn leads to more competition and the transparency that should accompany it would ideally force public official to declare their business interests before assuming office and temporarily devolve their management to a trust while they are in office. In order to incentivize some of those living abroad to return to their country, it should be made clear that dual citizenship is permitted. This can be managed as part of the third neighbour policy, and we could start allowing Mongolians to have dual citizenship with those countries.

MONGOLIA'S FREEDOM OF PRESS

The Marmara group strategic and social research foundation is a think tank that holds an annual Eurasian Economic Summit attended by public officials, members of civil society and business interests in order to discuss the most pressing issues facing Eurasia. This year marks its 22nd conference and its previous editions were attended by a number of Mongolian officials. The agenda included interesting issues such as artificial intelligence, water migration and supply, health cooperation, and populism. I took part in the discussions on global dimensions and I was probably the only individual representing a media outlet or an NGO's.

I remarked that Istanbul is on the crossroads of Asia and Europe as well as the fact that I had to fly over 9 countries in order to get to Turkey. I therefore saw it fit to look into the political freedoms, freedom of press and civil society in those countries under the assumption that peace and prosperity stem from those freedoms and a free market. Relying on data from the Freedom House, I demonstrated that Mongolia was considered to be the only free country out of Russia, China, Mongolia, Uzbekistan, Azerbaijan, Armenia, Turkey, Kyrgyzstan and Kazakhstan. Armenia was considered to be the freest of the other countries receiving a score of 4.5 compared to Mongolia's 1.

When it comes to freedom of press, Mongolia and Armenia was considered by the Freedom House to be partly free while the other 7 countries were considered not free. Delving deeper into the issue, I looked into the Reporters without borders ranking of freedom of press across the world. Mongolia ranked 71st out the 180 countries that were ranked with Armenia placing 80th. Of the remaining countries, China ranked 176th, Russia ranked 148th, Uzbekistan ranked 165th and Turkey ranked 157th. I touched on freedom in Turkey given that 140,000 people were arrested between the July 16th failed coupe of 2016 and October 21, 2018. 142,000 public officials have been detained with the state also clamping down on media outlets, closing 200 of them and sentencing some of the 319 arrested journalists to life in prison.

I stressed that journalists are an outlet for people to express their opinions and that people will turn to bullets should their voices be silenced. Unsurprisingly, I was met with mixed reactions but I am a firm believer in the fact that people should express their opinions regardless how controversial they are. I am the first to admit that Mongolia's current political situation is imperfect to say the least but at least we have a mechanism through which we can discuss and seek solutions to the issues facing our country.

Countries	Population Mln	Freedom (political rights and civil liberties)*	Press freedom*	Press freedom index 2018 **	by RWB** Ranking 180 countries
Mongolia	3.2	Free 1/7	Partly free	29	71
China	1,400	Not free 6.5/7	Not free	78	176
Russia	144	Not free 6.5/7	Not free	50	148
Kazakhstan	18	Not free 6/7	Not free	54	158
Kyrgyzstan	6.1	Not free 5/7	Not free	31	98
Uzbekistan	32	Not free 7/7	Not free	61	165
Azerbaijan	10	Not free 6.5/7	Not free	60	163
Armenia	3	Partly free 4.5/7	Partly free	29	80
Turkey	80	Not free 5.5/7	Not free	53	157
	1,700	Only 3 M in MNG, 3M in Armenia.		Pro, bad, vbad	

THE STATE OF POLITICAL PARTIES IN MONGOLIA

Given that we have just come out of the longest government shutdown in Mongolian history, it is easy to understand why the prospect of having ultimate power vested in one individual may become increasingly appealing to some. The roots of this political crisis lie within parties and we are in dire need to fix their operations given that democracy cannot exist without them. While political parties are meant to serve as a bridge between the state and the electorate, this bridge in Mongolia is between the state and the financial backers of political parties.

The three parties with seats in the legislature receive a significant amount of their financing from the budget. Although a noble concept meant to combat corruption, the secrecy behind exactly how much of the budget goes to political parties has begun to irritate the public. It seems that they receive so much financing from the budget that they are able to operate without relying on their membership dues, severely diluting the influence of its rank and file members. In Germany, political parties receive only a third of its financing from the budget with the other two thirds consisting of membership dues and donations in equal parts.

Another reason that political parties lost favor with the public is through their comical exaggerations of their membership numbers. While both leading parties claim to have 150,000 members each, only 10% of that number took part in their internal primaries. Moreover, our two political powers have become obsolete and there is no substantive difference in their ideologies. A failure to keep any of the exuberant promises made during the election cycle does not help their cause. The largest anomaly of Mongolian parties however, is its internal structure which is reminiscent of the old communist party.

Institutionalization of the two political parties is the first step towards good governance. You need only look at our semi-presidential system despite our constitution clearly establishing a parliamentary one in order to get a taste of the dysfunction that is so prevalent Mongolian politics. We should pick one system and operate according to it. The president has been given a lot of legislative power not to mention the authority to nominate all judicial appointees.

There is also a need to develop a democratic culture within political parties. This is not only the responsibility of party members but the public as a whole. A knowledgeable civil society should disseminate information in order to pressure the parties to adopt a more democratic approach to their operations. To this end, the DeFacto Institute, in conjunction with the Israeli Freedom Institute conducted the Internal Democracy Index of Mongolian political parties. The fact that only 6 of the 28 parties participated in the study speaks volumes.



We also need to eliminate the patronage system that exists in political parties. Parties, at all levels of their operations have the interests of their patrons at heart. Churchill once stated that democracy is the worst form of government except for all the others. Given that we don't delegate political power to individuals

but to parties, its further institutionalization is one of the most pressing issues facing Mongolia.

On another note, I would like to conclude with a contemplation on why political parties has recently relaxed their opposition to registering new parties despite a history of vehement denial. The two parties are well aware of the fact that their popularity is undergoing an expedited decline. Introducing new parties for the next election will allow the parties to dilute the popular vote between them in order to be in a position to govern in a coalition with one of the new parties as in the Czech Republic.

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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