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BLOCKCHAIN

the Internet's *new revolution*

The Internet has revolutionized the way we live. It has become impossible to fathom our private lives, society, politics, and economy without the Internet. And now the conditions are increasingly forming the next Internet revolution to occur.

Every day the global media uses new terms such as artificial intelligence (AI), blockchain, Internet of Things (IoT), cloud computing, and data. All these new concepts are largely based on a single foundation – the blockchain technology. Traditionally the information people share on the Internet has been stored in a server somewhere. This has allowed hackers to infiltrate the server and steal, remove, or change the stored information.

BLOCKCHAIN IN MONGOLIA

The Internet has enabled people to send and receive information within seconds and in different forms, including text, image, and video. The blockchain technology has now made it possible to send and receive value-carrying assets, including money, shares, and bonds, in a secure way without needing to have a broker. It can be done within a second, just like sending a text message to someone. Hence, there is already a new term in use – 'Internet of Value'.

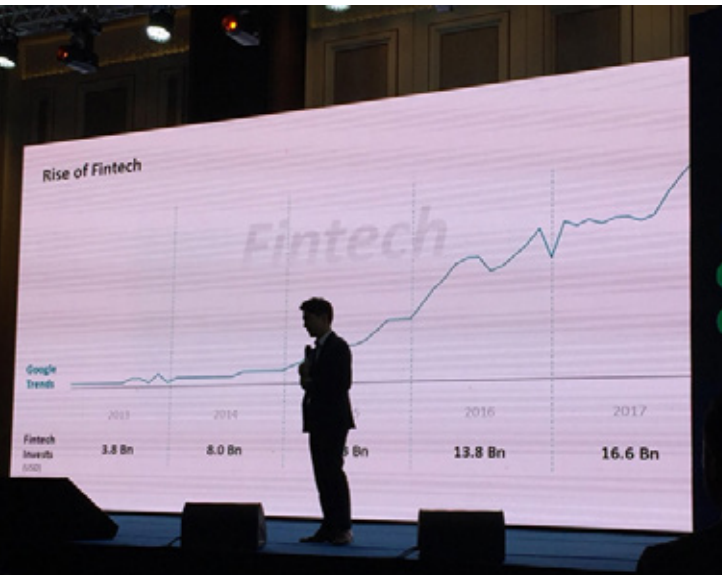
With the creation of financial assets based on blockchain technology, Mongolia is seeing a rise of

But now, the information is being stored with blockchain technology, which has enabled an extremely secure protection of information. It is now leading to new ways to use data, creation of new applications, growth of new economic sectors, and eventually an unprecedented revolution in the way people live their life.

In the beginning, the wondrous possibilities of the Internet weren't fully understood by people. But, once it happened, the Internet gained an incredible momentum within a short time period. Similarly, blockchain is coming closer and closer to gaining full momentum. The industrial revolution was triggered by steam engines, and blockchain technology is the steam engine of our era.

companies established to attract foreign investors to make investment in real estate and fixed assets. An example would be Truss Chain LLC. As a result, the competition to attract investors by offering a new financial product based on blockchain or other new technologies is growing fiercer in Mongolia. Currently, over 20 different companies offer financial technology services (Fintech). Some of these companies, including LendMN, Ard App, K Mobi, and Numur, offer short-term micro loans. Some, such as Crowd Asset, provide crowdfunding, while others including zeel.mn facilitate loans ►►

- ▶ between people via P2P. Most Money and Candy Pay offer 'wallet' services that allow people to make payments in an easier way. In addition, there is a digital bank named M Bank. Some companies have even started making investments in other countries.



Mongolia has been struggling to create a stable business environment for the mining industry, which accounts for 75 percent of foreign investment. Therefore, we have an immense need to diversify our economy and enter the international market via a non-mining industry. Set under this timing, the Mongolian Fintech Association organized the 'Frontier Fintech Summit 2019' for the first time in Mongolia on 9-11 May, with support from the Ministry of Foreign Affairs and the Financial Regulatory Commission. The summit, which took place under the theme "The Future of Fintech", attracted over 50 international entrepreneurs. The attendees included Fintech leaders from Japan, Korea, and Hong Kong, representatives of blockchain technology companies, and a congressman from Brazil. Having attended the summit in my capacity as the president of the Mongolian Fintech Association, I believe it is time for us to have a public discussion on what advantages the block technology can bring to Mongolia and what problems we can resolve using this technology. ▶▶



► **WHY IS BLOCKCHAIN IMPORTANT?**

Blockchain is the new Internet. But there are a few big differences. Blockchain is more open, non-centralized, non-changeable, ensures data security, connects two users directly, and removes the need for a third party. Therefore, there are many advantages.

Most Mongolians are under the impression that the blockchain technology is all about bitcoin and an easy way to make money fast. Although the blockchain technology is inseparable from bitcoin, it should be noted that bitcoin is merely one of more than 700 blockchain products. Bitcoin has become well-known, because it was the first one that was successfully implemented and recognized. Moreover, bitcoin has brought a new solution in making financial transactions. But the

true innovation lies in its foundation, which is the blockchain technology that can have many different uses in many different industries.

Simply put, the blockchain technology can be referred to as a non-centralized database that records and saves every single change in the data. Having your data centralized in one place increases the risk of cyber threats and unintended changes to the data. The blockchain technology allows several databases to be chain-connected and record the most recent information. Any member of the network can access the network from anywhere and can openly see the changes occurred to the data. Blockchain is truly the technology that brings creative destruction and change within the large parts of social and economic spheres.

WHAT ADVANTAGES WOULD BLOCKCHAIN CREATE FOR MONGOLIA?

For a developing country like ours, the blockchain technology can help improve transparency, reduce corruption, offer solutions to mitigate inefficiencies in government bureaucracies, and rapidly catch up with the highly developed countries.

Blockchain will have crucial impacts on liberalizing basic business processes and improving the availability and stability of financial services. Estonia, Georgia, Sweden, United Arab Emirates, and Finland are the countries that have been successful in making good use of blockchain technology. These countries are converting their many different

systems to blockchain, which includes electronic elections, land and real estate ownership rights, transfer of those rights, and health information database. Also, many large corporations, such as Walmart, Amazon, IBM, Infosys, Microsoft, and Apple have started using blockchain in their mainstream businesses.

We are getting to an opportunity to do creative destruction by replacing the old with new technologies and significantly improve our efficiency.

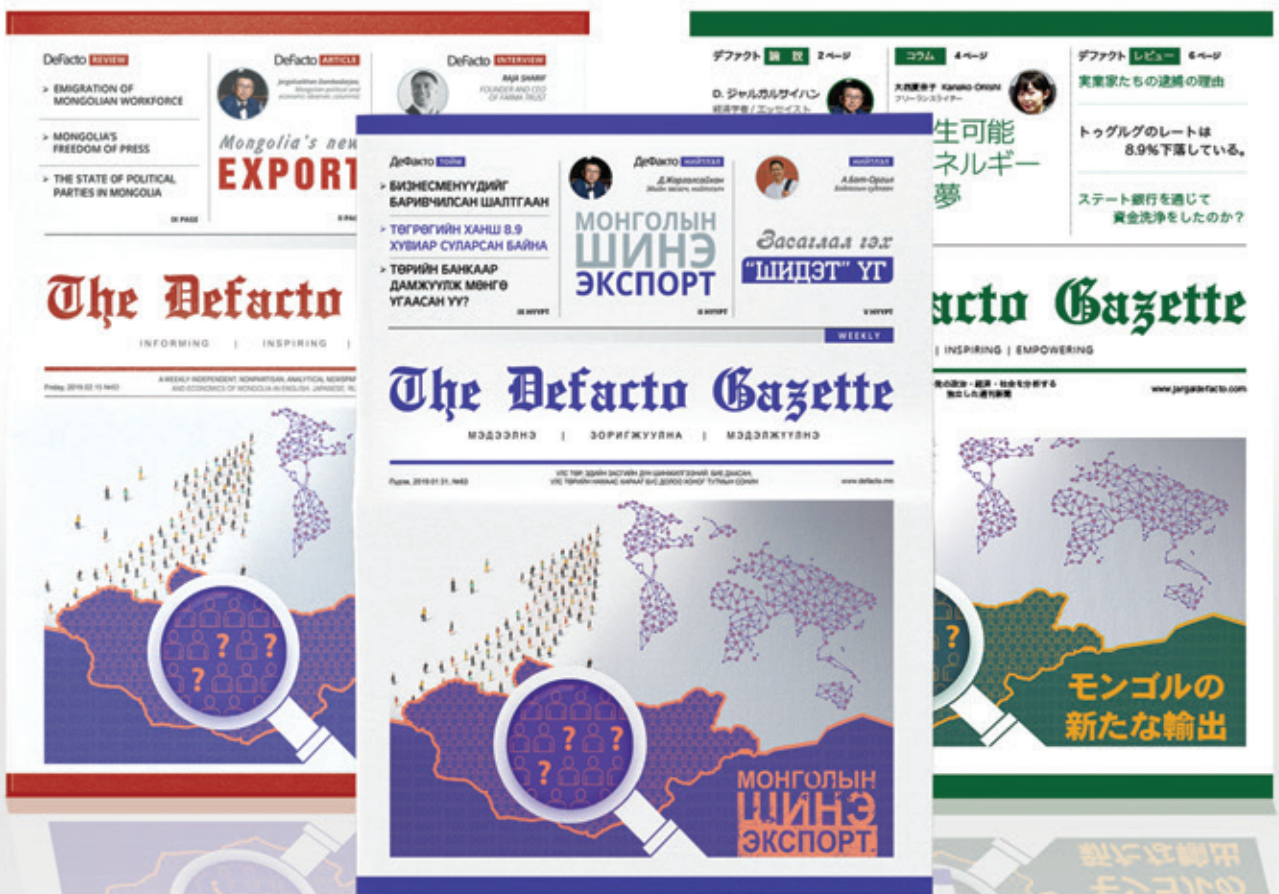
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FIXING THE CRIMINAL LAW

Some legal professionals have criticized paragraph 2 of Article 1.10 of the Criminal Code amended in 2017 given that perpetrators in most corruption cases are avoiding punishment as a result of its implementation. The concept of statute of limitations covered by the amendment came from the Romans. It was designed to prevent miscarriages of justice whereby authorities would attempt to hold an alleged perpetrator accountable after an extended time lapse following the crime. In today's world, many countries have statute of limitations provisions depending on the severity of the crime. It sets a period during which a crime is to be prosecuted after which its perpetrators cannot be held accountable for the crime in question. These provisions are also present in Mongolia's Criminal Code.

Our Criminal Code was amended in 1986 and 2002 and iterations set the statute of limitations at 6 months for misdemeanors, 5 years for felonies, 15 years for aggravated felonies and 25 years for the most severe of crimes. The 2015 amendment to the constitution saw a shift in the statute of limitations from a classification of the crime to one more correlated with the sentencing guidelines. A crime that carries a sentence of one-year imprisonment for example carries a one-year statute of limitations and one that carries one to eight years of imprisonment will have a statute of limitations of five years. Crimes that carry 15-year sentences has 12-year statute of limitations and crimes that carry over 20 years' imprisonment possess 20-year statute of limitations.

One of the questions that is raised is when these statute of limitations cease to be relevant and the answer has generally been that it ceases to be applicable when an individual is convicted or when the court determines a case to be resolved. With

the People's Party coming to power, the Criminal Code was amended again, and this provision was removed, creating discourse among the public.

In practice, the current statute of limitations holds that if the perpetrators of a criminal case carrying a 10-year imprisonment are located in the 9th year following the crime, there is every likelihood that the statute of limitations will pass during the time the case is in the court system, effectively granting the perpetrators immunity from prosecution. It is suspected that politicians are utilizing the statute of limitations provision to drag out cases in order to make them ineligible for prosecution.

This seems to have taken place during the case of money plundering from the Trade and Development Bank, the SME fund misappropriation case where almost all politicians mismanaged the fund, Erdenet 49% case and the Zorig murder case which may all in turn become non-criminal ones due to the lapse in time. If the statute of limitations passes without a court decision, even the advent of new incriminating information will not make a difference.

Our current state of statute of limitations points at the weakness of our legislative system. People with little education and no knowledge of foreign languages that would allow them to compare laws are elected to parliament. The legislation that is created is often short term in nature and is consistent with the interest of the governing party or their business backers. Our laws are changed so often that it is evident our politicians lack a long-term outlook. Stronger institutions are one solution to the issues facing our legal system. Politicians may change, it is understandable but the longevity of a bureaucracy with relevant expertise will inevitably result in better laws.

We can also potentially follow Singapore's example where it has its own laws covering issues but it is also held that Singapore will defer to the laws of the United Kingdom should its laws prove ineffective. This is smart as the UK has hundreds

of years of history and traditions. It will serve well for Mongolia to defer to Hong Kong or Singapore legislation in those instances. Our politicians make law with minimal legal education or research on the issue.

RISING MEAT PRICES

Every May, the price of meat increases by 20 – 30% due to us not killing any animals following a difficult winter. Secondly, for one reason or another, Mongolians are not used to changes in prices due to decreasing supply or increasing demand. It is impossible for the government to regulate the price of meat. At most, they will be able to lower prices for a few months but in the long run, the market will regulate the price of meat.

We exported 37,000 tons of raw meat last year and 3,000 tons of processed meat. It admittedly a small step but it is the start of the diversification of the economy. Our politicians go to Russia and China to sell meat so it is understandable that price goes up. The price of meat for export should increase in the future which is good for herders.

The government has a reserve of 4000 tons of meat which they either purchase themselves or delegate the purchase to companies for cheap in the fall. They then sell this meat in the spring and this serves as a form of hedging. Mongolians use over 1000 tons of meat a day as we utilized 370,000 tons of meat last year. Moreover, 85% of meat is prepared in the traditional manner rather than through processing plants which are cheaper. The increase in the price of meat is good for the 250,000 herdsman.

When the only commodity they sell increases in price, their purchasing power increases and affects a million people if we calculate that the average family has 4-5 members. Subsequently, there is less of an enticement to move to Ulaanbaatar if the economic opportunities in the regions are adequate. The per capita consumption of meat in Mongolia was 123 kg last year which puts us at first place in the world. In 2009, the per capita



consumption of meat in China was 60 kg and 69 kg in Russia. Australia which is second consumes 111 kg meat per capita.

It is then understandable why the price of meat is so high but people then demand higher salaries which are unfeasible in the current economy. The creation of value-added products rather than the raw materials we export will make our economy more competitive. The government is protective which ironically results in the disappearance of the commodity they are attempting to protect. It was also not wise of the government to send in troops to confiscate private property on the grounds of an absence of an export license.

The fact that this happened right after the Chinese began purchasing meat demonstrates a lack of a long-term policy and the lack of a study on how the rise in the price of meat for export will affect the price of meat for domestic consumption. This demonstrates again that our legislation is not grounded on solid research but rather emotions. Also, we should also expect the price of meat to go up as it is the best source of protein available.

SPOTLIGHT ON SOCIAL HEALTH TUBERCULOSIS

Let us go beyond the outbreak of tuberculosis and look into why it is happening. It is connected to the increasing inequality and tuberculosis is indicative of poverty. People are becoming unable to consume enough calories to support their immune system. This is why tuberculosis is frequent in developing low income countries. It also can be attributed to a lack of funding for schools which is why 50 students in one class were affected by the outbreak which was not helped by poor ventilation and air flow in classrooms. The conditions are so bad that 15 schools in Ulaanbaatar have temporarily ceased their operations.

Therefore, the priorities of the government should shift and funding for teachers and schools should increase in addition efforts to eradicate corruption should increase. The poor ventilation conditions and overcrowded conditions are also a result of poor management of lands. To date, there is no clear mapping of public, common and private properties. This allows administrators to sell our land under the table. There is no other way to account for the prevalence of new residential complexes on the bank of the Tuul River.

Who sold the land, how much it was sold for and why there was no bidding process are all relevant questions that need to be raised. We could have built a couple of schools with the proceeds from those sales but this was not done as it is inconsistent with the interests of politicians. Both political parties are silent as they are both connected to people who bought land in the valleys of Bogd mountain and two sides of the Tuul river.

Kids are dying of tuberculosis which was eliminated from this country a long time ago. The 4.2% and 2.8% of GDP Mongolia spends on education and healthcare respectively are simply not enough. WHO recommends that 5% of GDP be devoted to healthcare? The question also has to be raised as to why private schools with tuitions of tens of thousands of dollars are receiving government subsidies. On the other end of the spectrum, there are students in conditions conducive to tuberculosis. This is done because our politicians themselves own private schools and it is a mechanism for them to become richer.

The poverty is created by corrupt politicians that steal our land and other things with impunity. A shift in government will begin a new political wave which will confuse everyone. A new leadership will come and replace everyone for the one year remaining in the term of the government. One thing that is clear is that our poverty is created by us through the corrupt politicians that sit at the helm. Until we put an end to this corruption we can not remove people from poverty. We should be mindful of the fact that it is our private sector and not state owned enterprises that create jobs and stimulate our economy.

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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