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WEEKLY

# The DeFacto Gazette

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# CORRUPTION

## THE CANCER OF MONGOLIA'S SOCIETY

I happened to greet the New Year on a layover in Beijing. It caught my eye that the China Daily, in its first edition of 2016, informed about Chinese fugitives who after having fled abroad due to bribery suspicions, had been brought back to China, both voluntarily and involuntarily.

It was also mentioned that the Central Commission of Disciplinary Inspection of the Communist Party of China is leading the charge on combating corruption and bribery nationwide, and has been overseeing an international operation code named "Sky Net".

As a result of a special operation from 'The Supreme People's Procuratorate', 108 individuals have been brought back from 29 foreign countries in cooperation with the respective law enforcement

agencies. Seventy of them surrendered and returned to China. They are suspected of embezzling 180 million USD. It was also noted that 31 of the suspects lived abroad for more than ten years, and seven of them, for more than 20 years.

Furthermore, as a result of the "Fox Hunt 2015" operations managed by the Ministry of Public Security, 556 people who accumulated wealth illegally were arrested in 59 countries and returned to China.

On the last day of 2015, it was announced that Zhang Lijun, a former environmental protection vice-minister, would be convicted and sentenced to jail time for embezzling money, and practicing Cronyism.

### WHY IS CORRUPTION SO DANGEROUS?

What makes China fight corruption and bribery so relentlessly? China's Ex-president Jiang Zemin said "Corruption is the cancer in the body of the party and the state. If we let it grow, our party, our political power and our socialist modernization cause will be doomed." Hu Jintao, who succeeded Jiang Zemin, said "Corruption could destroy the political party and even the nation." These leaders used to talk about it, but why is the current president Xi fighting it so fiercely?

The answer lies in the fact that the level of corruption has grown to a point where people are deeply frustrated by the luxurious lifestyle led by politicians for the past 30 years. Ever since the Confucius era, Chinese people have always believed that the state practices true meritocracy

and that government's employees are the smartest people, who devote their heart and body to the achievement of a fair society. However, people have started doubting their political system as a whole because it has become increasingly apparent that current officials are deviating from this notion. This poses a threat to the political system.

Therefore, corruption is already linked to the matter of existence for China's government today, and President Xi Jinping holds the view that there is no other choice but to eliminate corruption entirely. The Diplomat magazine quoted President Xi saying that he would put aside considerations of life, death, and reputation, in order to do everything, he can and eradicate corruption.



► *President Xi's combat against corruption is moving into its second phase today.*

*In the first stage*, corruption 'tigers', such as Zhou Yongkang who used to oversee all law enforcement agencies, were arrested and held accountable for their actions.

There were many more "tiger cubs and flies". As they started holding the corrupt accountable, government officials became more fearful of corruption and bribery, and the right messages began reaching the public. Officials started avoiding luxuries.

*The second* phase of the anti-corruption surge consists of establishing institutions with the capacity to prevent corruption. The goal is to eliminate the chance of bribery and corruption, even if a government official is willing to commit the act. For example, a campaign named "Take a picture when you see corruption" was organized. Basically, if government officials are seen taking advantage of luxury, people can take a photo and place it on the website of the central commission. The government officials will then have to respond officially to the photo.

*The third* phase aims at changing the mentality of government officials so that they do not even consider being involved in corruption. Although it is said to be implemented, much time and hard work will be required to create such culture.

## OUTCOME OF MONGOLIA'S FIGHT AGAINST CORRUPTION

It should be noted that Mongolia also discusses combating corruption, and taking initiatives such as 'smart government' and 'glass accounts'. However, corruption still lingers, and there is no reason as to why it should have disappeared at this time. Our political parties, the nest of Mongolia's corruption, completely disregard those initiatives. It has been a long time since corruption, having transferred through political parties, became an institution in Mongolia.

The institution of the political party keeps its members in the dark about sources of funding. The financing of election campaigns is an even bigger secret, because it is the market where political positions and power are traded.

Political leaders who are trying to eliminate corruption are born out of the same institution and associated with corruption themselves. Hence, they are unable to reform their political parties, and Mongolia's fight against corruption is gradually being forgotten. Despite sensational cases (similar

to China's) of big 'tigers' being arrested in Mongolia, which result in court hearings and jail time, suspects or convicts end up "traded", pardoned, exonerated, and freed.

*Three years ago, N. Enkhbayar, the former President of Mongolia, was arrested at home and gained the title of being the 'godfather of corruption'. Nevertheless, he was freed not long after, received treatment abroad, and is almost about to become the Vice Minister.*

*A large number of media reports emerged about S. Bayar, the former Prime Minister, on allegedly owning several houses in the United States. But there have not been any investigations or statements from the Independent Agency Against Corruption (IAAC).*

Since almost every political party, and their leader, has their own newspaper and television channel, they have already become experienced and capable of brainwashing the public. ►►

- ▶ A 2015 special edition of the “Undesnii Toim” magazine published about 14 crimes that were ruled by IAAC for conviction, but dismissed by the state prosecutor, along with the full names of the suspects. Amongst them were members of Parliament, ministers, and other senior officials who apparently embezzled land and money.

A trend has been set in that Mongolia’s authorities use crimes to silence each other, and such big cases end up being dismissed. Sometimes there are cases of “tiger cubs and flies” and convictions of one, or two, low and mid-level officials. Mongolia’s fight against corruption has not gone beyond that.

## **COMBAT AGAINST CORRUPTION HAS NOT EVEN STARTED IN MONGOLIA**

If you look at China’s fight against corruption logically, it would be easy to see that Mongolia has not even started the first phase. If corruption is considered as the cancer of Mongolia’s society, it has been kept hidden instead of receiving treatment. What is worse is that attempts are made to use the immunity of senior officials to protect individuals from charges of corruption.

The people are wise, so they are expressing their discontent and opposition to these pretentious acts. Nevertheless, another trend has been set that, in every instance, someone ends up having a political gain.

Corruption has become the biggest and yet most invisible obstacle in Mongolia’s endeavor to walk

on its chosen path of democracy and free market economy. The corrupt government is stealing the opportunity from people to be able to create value and improve their livelihood.

If we cannot remove corruption from our government, public officials will continue becoming billionaires, whilst the rest of us becomes poorer, and the gap between the rich and the poor continues to widen. If things continue like this, our society will witness the kind of frustration which can end in a riot. When this happens, someone may attempt to build their own governance under the name of bringing discipline. Unless we eradicate corruption, our democracy will be destroyed by a dictatorship.

*Beijing, 2016.01.06* ■



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**DEBORAH KAN**

Journalist, Being Patient Founder

## UNLESS THERE'S COMPLETE TRANSPARENCY WITHIN THE INDUSTRY, IT WILL BE VERY HARD TO HAVE A FREE PRESS

*Deborah Kan is an international journalist and executive producer at The Wall Street Journal in Hong Kong, and formerly of Star TV and Thomson Reuters. She is also the founder and executive editor of Being Patient, an “editorially independent news platform that aims to create clarity around complex health issues”.*

**Defacto:** Good evening, thank you for joining us. You have been working as a journalist for quite some time. You were a presenter for Star New Asia, “Talk with Deborah Kan”. Please tell us more about your time there.

**DK:** I started at Star in 2006—actually, let me take that back: I was hired in 1998 to launch the news. I was there for about a year before I had to move to London because my husband’s job took us to London. I came back to Star in 2003, and worked there as an anchor, and also developed this talk segment where I would have guests on, much like you do. I built that really from the ground, up.

**Defacto:** What’s your educational background? Journalism, communication...?

**DK:** Actually, I was an English literature major. I always loved to read and write, so I chose English literature. I studied in the US—I grew up there—and I studied at the University of California for my undergraduate degree. Then I did a broadcast journalism program at Stanford University, which taught me a lot about the essentials of journalism.

**Defacto:** What do you like the most about journalism?

**DK:** You know, I’m often asked that and I think one hundred percent that the fact that I get to meet different people and learn new things everyday—it never gets boring. And so I interview someone who is a scientist, and I learn about science. I interview someone about their business, and you learn what makes their business “tick”. It’s very interesting.

**Defacto:** What was your segment “Talk with Deborah Kan” about, in general?

**DK:** The show sought to identify key people in Asia who might be very famous in their own country, but whom you might not necessarily know about. So, for example, I would go to the Philippines, and I would interview everyone from a politician to one of their most famous movie actresses. The idea was to capture a lot of different people in society whom you wouldn’t necessarily know about, but it gave you an indication about what life was like in that country. And when people would come through Hong Kong I would interview them also.

**Defacto:** You were one of the few journalists allowed into Pyongyang, North Korea when the New York Philharmonic traveled there. Tell us about the trip.

**DK:** That was an incredible opportunity where I was the only Asia station television journalist. The bulk was American press. We flew into Pyongyang with the Philharmonic, and that was probably one of the most eye-opening experiences of my life. When we descended into Pyongyang it was very cold, it was in the heart of winter, very grey, very Soviet-like. The buildings were in that grey Soviet style rows.

You know, when I’m in a new location, I want to know as much as possible. I want to talk to as many people as possible. And in North Korea, that’s not always possible because you have a “minder”. My minder in particular was very strict, and he said to me, “Deborah, when we move, we move in groups”—because I kept straying away from the groups, and in North Korea, it’s very controlled about what you can see and what you can’t.

**Defacto:** Music can transcend borders and political systems. What do you think was the impact of that visit?



**DK:** You know what the most amazing thing to see was—we had a day when the Philharmonic musicians went to a local music school in Pyongyang, and they had about a two or three-hour session where, you know, a cello player would be matched with a cello student, etc. It really broke down so many barriers, and you saw how pleased the students were to learn from the musicians, and how happy the members of the Philharmonic were to be there. It really made me realize that music has no boundaries. It doesn't matter what's going on in a country, it has no boundaries.

**Defacto:** You work now [in 2011] for Thomson Reuters. What are the principles that make Reuters a model for other news agencies?

**DK:** At Reuters, ethics are the number one priority. There are very, very strict codes of ethics. For example, if I were to say something that someone didn't really say, or if I didn't have a legitimate source, that would be a reason to lose my job. So the code of ethics is the number one thing when you work for an organization like Reuters because we are providing information to be disseminated all over the world. And if we do not give an accurate, ethical way of disseminating the information, then that would affect the media in the entire world.

**Defacto:** What happens if you need to have a confidential source?

**DK:** That's OK. If you have a confidential source, you need two: you need two people to tell you. Or you can say, "A source told me". But in order to go with a particular story, if it's shaping the angle of your story, you need two sources.

**Defacto:** You know, I wonder sometimes, why are so many media companies based in Hong Kong?

**DK:** That's a good question. Are there? You mean the international media organizations? I think historically Hong Kong has always been an important place for business. I think, before 1997, there was this intrigue with Hong Kong because it was pre-handover, we were still under British rule and—

**Defacto:** Were you living there at that time?

**DK:** Yes, I was there. It was a really exciting time to be a journalist because no one really knew what was going to happen, how drastic the changes would be. And I think at that time, in the run up to the hand over, what we suffered from in Hong Kong, a lot of the local media stations would self-censor their reporters because they were worried that if they said anything too harsh against China then it would catch up with them. And that of course didn't happen. It's still a very free press.

**Defacto:** You have met several Mongolian leaders here, newsmakers and ordinary people. Tell us about your impressions of Mongolia.

**DK:** I've been to many developing countries in Asia, and I thought it would fall into that category of developing countries. What distinguishes Mongolia apart from other places, in my opinion, is I believe that the people are very business savvy. Although the country and the economy is developing, and there are areas that need to be developed, I have been struck by the professionalism and the savviness of the business people here on the ground. And I think that's one thing that people probably miscalculate. They think: "Developing nation. We'll go in there. We'll invest. We'll do things our way". But they don't take in mind that the people on the ground are doing a pretty good job.

**Defacto:** In the recent media meeting here about the role of media in developing countries, you had a very interesting remark which was that truly independent media must be transparent, in terms of ownership. Why?

**DK:** Well, that comment was in reaction to whether I thought Mongolia could have a truly free press. In my opinion—I know there's a lot of news outlets here—and if people who own the stations are not forthcoming and say "I own this station", then you wonder why they own them. And if, in fact, people are starting media outlets as an agenda for their business, or for personal or political or what have you—and, in my opinion, unless there's complete transparency within the industry, it will be very hard to have a free press because that is one of the reason why I believe you have so many outlets. If people are forced to declare "This is my station", then that emphasis of having an agenda, or a media outlet to get a personal word or message out, I think that will disappear.

**Defacto:** Is that a legal requirement in certain countries?

**DK:** Transparency within the media, definitely, especially if it's a public company. I think in the US we know who owns what, as in Hong Kong and most Western countries. You know who is behind the media. It's not a secret. What strikes me about Mongolia is, I've heard many people in the media say that they think that this particular newspaper or television station is owned by a certain business person, but they're not sure.

If you don't know who owns your station or who owns your paper then you don't know—and my question would be, if you're a business person, and you're going to invest in or start a media outlet, why don't you want people to know who you are? Is it because you have something to hide?

*This interview originally aired in November 2011.  
It has been edited here for space and clarity.*

*You can watch the full 30-minute interview at  
[www.jargaldefacto.com](http://www.jargaldefacto.com)*



**Host:**  
Namsrai Tsend

**Commentator:**  
Jargal Dambadarjaa

### VISIT OF RUSSIAN AND US MINISTERS OF DEFENSE

The Secretary of Defense and Deputy Minister of Defense of Russia visited Mongolia last week. This visit comes at a particularly interesting time given the tensions in the relations between US and China. Last year, the US shifted its military strategy from the fight against terrorism to countering the influence of Russia and China. Mongolia has a history of strong military partnership with the US, contributing troops to US led missions in Iraq and Afghanistan. Mongolia also contributes to the peacekeeping mission in Sudan and has diplomatic relations with as well as a rail connection to North Korea, which Trump could leverage in his pursuit of another meeting with Pyongyang.

On the other hand, the Russian side expressed concern about medium-nuclear heads missiles across Asia following the withdrawal of the US from a bilateral treaty with Russia. The Russian Deputy Minister visited the closing ceremony of joint military exercises between Russia, Mongolia, Kazakhstan and Kyrgyzstan – Military Games 2019. Their US counterpart made their visit to Mongolia as part of visits to other countries such as Japan and Australia.

A tweet by Secretary Mark Esper regarding the need to place medium range nuclear warheads in Asia has led to speculation in Russian news outlets that the US intends to place them in Mongolia. Last year, President Trump pulled out of a treaty with Russia alleging that Russia was producing medium range land based rockets banned by the treaty. Following this, the US announced that it is installing missiles in Alaska.

What those commentators fail to appreciate that one of the pennants of Mongolia's foreign policy is a prohibition of nuclear warheads passing through our territory let alone being placed on Mongolian territory. This stance was initiated after Russian troops withdrawal from Mongolia in 1992, following the dissolution of the Soviet Union and adopted by Parliament in 2000. Moreover, although Mongolia is a developing country, we would not place another country's nuclear weapons on our territory, thereby attracting unwanted attention from Russia. Neutrality is a guiding principle of Mongolia's foreign policy with two neighbors conducting nuclear testing in the vicinity of our borders.

### A, B, C TRAFFIC ZONES TO REDUCE TRAFFIC JAM IN THE CAPITAL

The city department of transportation but forward a proposal to divide Ulaanbaatar into three traffic zones but it is not likely to be implemented in the near future. However, commuters are acutely aware of the issue due to traffic jams every day. There are 500,000 cars in Ulaanbaatar with 300,000 potentially on the road on any given day. It is not clear whether zoning will be an adequate solution to the issue. Until now, we have tried limiting plate number by days of the week, decreasing the potential amount of cars on the road by 20%. However, the amount of cars keeps increasing as a result of cheap imports.

For 5000 USD, Mongolians can buy old Japanese Prius cars with left hand steering wheels which causes an issue as Mongolia has right handed

traffic. Another issue that will arise is the fact that each parking lot in the center of the city will be a paid one. Improving public transportation systems is an avenue through which to effectively tackle the issue. Another potential solution would be to limit the license plates by even and odd numbers rather than last digits.

Regarding the statement on vehicles with regional plates being banned from entering the city center, it is not a sound measure as many cars from regions have Ulaanbaatar plates due to the lack of a comprehensive regulation. One possible solution to traffic jams is to implement zones with different rates as in Singapore.

The argument can be but forward that politicians lack incentive to implement ban on imports older

## DeFacto **REVIEW**

than a certain age or increasing taxes on cars as they only plan as far as the next election during their four year terms. The gridlock occurs due to the majority of people having to travel by car to work which calls for a dire need to improve the public transportation system. Another possible solution is to incentivize companies to adopt flexible work hours, which will significantly decrease morning and evening rushes. Moreover, developing alternative settlements is also another issue that needs to be looked into. It is generally accepted that the largest population center should not be more than twice as big as the second biggest population center but Ulaanbaatar is seven times bigger than Darkhan. Concerted efforts need to be made to develop Darkhan into a center for commerce, education and other areas.

In order to reduce traffic jams, we will have to significantly restrict the amount of cars in the city sooner or later. Other countries tackle this issue through taxes or limiting the number of cars that can be in the country in any given time through the auctioning of license plates every 10 years like Singapore. These types of restrictions, especially on left hand steering Japanese cars shall come into effect shortly as there is simply no other choice. Prior to this, an adequate public transport system needs to be established as with Thailand and what India is attempting to do. These improvements need to be accompanied by comprehensive restrictions, as improved roads will naturally increase traffic if not controlled.

## PERFORMANCE REVIEW OF OYU TOLGOI FOR SECOND QUARTER OF 2019

Prior to discussing the performance review of Oyu Tolgoi, it is worth touching on a statement of Jean-Sébastien Jacques, CEO of Rio Tinto that led to a drop in Oyu Tolgoi shares to historic lows. In the statement, he revealed that Rio Tinto profits stood at 5 billion USD, a 12% increase from the last year largely due to a 60% increase in the price of Iron ores which constitute 65% of Rio Tinto resources. He also reflected on the delay in the operations of Oyu Tolgoi but stated there was no cause for concern and that the trust of Oyu Tolgoi operations from its investors will allow them to weather the storm despite the delay adding 2 billion USD to operations costs. The composition of the ore body was inconsistent with what the feasibility studies suggested, adding 2.5 years to the beginning of production schedule. There is a need to reinforce the mine but more than half of projects of this magnitude succumb to the same issue.

In presenting the performance review, the CEO of Oyu Tolgoi had some encouraging news stating that in the first half of 2019, Oyu Tolgoi continues to be first among Rio Tinto mines in safety and that they have voluntarily joined Responsible Mining Codex. Moreover, Oyu Tolgoi named their open pits in honor of the late Garamjav who was one of the people to discover the deposits. It was also stated that through the tireless efforts of its engineers, the Oyu Tolgoi underground mine made a 1km headway horizontally. Oyu Tolgoi paid US\$2.3 billion in taxes, fees and other payments to the Government of Mongolia between 2010 and 2018, including, US\$322 million in 2018.

It was finally agreed that the long discussed coal power station shall be established at Tavan Tolgoi with final stages of feasibility studies being conducted as we speak. The faster the plant is built the better as Oyu Tolgoi is currently paying 250 million USD a year to Inner Mongolia for their power supply. However, Oyu Tolgoi will need to generate more funds, most likely in the capital market due to the delay in the underground mine and this power station. This will not be an easy venture but the performance of the company to date instills confidence in their capability.

*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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