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WEEKLY

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SHOULD WE RUSH TO SHANGHAI?

On June 14, 2019, during the traditional trilateral meeting of the state heads of Russia, Mongolia, and China, which took place after the SCO meeting in Bishkek, the President of the People's Republic of China, Xi Jinping, *said* "If Mongolia joins the organization, it will also make the most of its advantages, play a major part in SCO cooperation and derive substantial benefits. The sooner a decision on Mongolia's accession to the SCO is adopted, the more opportunities it will enjoy to benefit from this cooperation and make progress as a nation."

The President of our largest trading partner, importing almost all Mongolian export products and on whom we depend economically, emphasized the significance of the SCO. Therefore, it is necessary for Mongolians to clarify, firstly, what type of organization it is, and secondly, to evaluate the advantages and benefits of a membership.

SCO

The SCO is the world's largest regional organization covering two fifths of the Eurasian continent and accounting nearly half of the world's population. Moreover, it consists of powerful member states in terms of economy, politics, military, and natural resources.

Since 2004, Mongolian officials regularly participated in the Council of the Heads of State of the SCO meetings with an observer status. It was in June 2018 at the meeting of the SCO held in Qingdao that the President of Mongolia Kh.Battulga first announced his desire to join the SCO as full member in order to permanently participate in regional cooperation. Ever since, the accession to the SCO is a burning issue.

In 1996, the heads of Russia, China, Kazakhstan, Kyrgyzstan, and Tajikistan established the Shanghai Five by signing the "The Treaty on Deepening Military Trust in Border Regions". In 2001, the group renamed itself the SCO when Uzbekistan joined the group. However, the SCO officially began its operations not before heads of the member states signed the SCO Charter in 2002. Lately, in 2017, India and Pakistan officially joined the SCO as full members.

Chart 1. The member, observer, and dialogue partner countries of SCO (as of 2019)

Eight member states	Four observer states	Six dialogue partners
the Republic of India	the Islamic Republic of Afghanistan	the Republic of Azerbaijan
the Republic of Kazakhstan	the Republic of Belarus	the Republic of Armenia
the People's Republic of China	the Islamic Republic of Iran	the Kingdom of Cambodia
the Kyrgyz Republic	the Republic of Mongolia	the Federal Democratic Republic of Nepal
the Islamic Republic of Pakistan		the Republic of Turkey
the Russian Federation		the Democratic Socialist Republic of Sri Lanka
the Republic of Tajikistan		
the Republic of Uzbekistan		

The SCO's main goal is to ensure the regional security particularly by combating terrorism, separatism, and extremism. In addition, pursuant to the member states' initiative, the SCO set up a plan to expand its operation into politics, trade, economy, research, technology, culture, education, energy, transport, tourism, and environmental protection. Despite that, the cooperation in areas other than security and politics remain underdeveloped. ►►

▶ The RATS (The Regional Anti-Terrorist Structure), headquartered in Tashkent, creates a database of terrorist organizations. By 2017, 600 terrorist attempts were halted, 50 tonnes of drugs and 10,000 small firearms were seized.

Over the last years, China has been making constant efforts to expand the economic cooperation of the SCO members. Under 'One Road One Belt' initiative, project loans amounting US\$49.6 billion by the end of March 2019

were granted to members, observer states, and dialogue partners of the SCO from the China Development Bank. In 2014, the China-SCO Environmental Cooperation Center was created to facilitate cooperation in environmental protection and green development of member states. Furthermore, China begun building the demonstration area of the SCO's regional trade and logistics from July, 2019.

ACTUAL BENEFIT

President Kh.Battulga stated at the latest SCO meeting held in Bishkek in June, 2019 "Currently, Mongolia is examining opportunities for taking participation in the SCO to the next level [...] In Mongolia, the national public opinion is divided over accession to the SCO". Indeed, Mongolian citizens are divided over the issue.

The MIRIM Consultant LLC's survey shows that Mongolians are evenly divided over joining the SCO. Those in favor of the accession considered that the SCO might positively impact Mongolian economy. Whereas the other half, on the contrary, expressed that firstly, Mongolia might become overly dependent on our two neighbors and secondly, it might negatively affect national security.

1 With regard to Mongolian researchers, some argue from an economic perspective that at the present moment, no activities are taking place which are beneficial to Mongolia, hence the accession would not be an urgent matter. For twenty years the SCO has been striving to expand its economic cooperation, especially in sectors of trade, energy, transport, tourism, yet so far, no large scale projects were executed. It might be an indication of the SCO's internal conflict. China tends to put more weight on economy, but Russia on security. On the other hand, Russia is not prepared to admit free movement of Chinese cheap goods to its territory. Furthermore, scholars pointed out India's opposition to the view that the SCO is a continuation of China's "One Belt One Road".

2 Few scholars argue from a political stand-point that the SCO, dominated by Russia and China, is directed against the US. This is largely due to the fact that the US's application for gaining an observer status in the SCO was rejected. Majority of the SCO members have border disputes and are still caught up in negotiations unable to settle the dispute. The ongoing Kashmir conflict clearly shows the severity of the conflicts. Consequently, these scholars strongly advice against entangling ourselves in the SCO when Mongolia does not have any territorial or border disputes.

3 The third group of scholars emphasizes the following: Mongolians incorrectly suspect that the SCO is making decisions on our behalf and we are being left out of the regional mechanism. However, the construction of a transit corridor between our two neighbors, roads and rails, gas and oil pipelines, power and communication cables have been in discussion for a while but not been executed. Moreover, Mongolia became a strategic partner to both our neighboring countries. In fact, the accession to the SCO was suggested because it is more beneficial for our third neighbor policy.

The position on Mongolia's accession to the SCO varies among both scholars and public. Nonetheless, a vast majority of decision makers in public bodies are inclined to argue against a rushed accession.

Prior to making any decision on this matter, extensive discussions must precede on multiple levels in order to evaluate this endeavor from various angles. Furthermore, another way to decide is to hold a national referendum on the accession after providing sufficient information on the SCO to the public. Meanwhile, we need to make most out of bilateral or trilateral cooperation with our neighbors in areas of economy, environment, and the fight against drugs. Simultaneously we should not disregard, all the opportunities of observer states, cooperate in all areas, and assist our workforce in acquiring education and experience.

**CHRISTOPHER LINGLE**

Professor & Doctor of Economics

“ IF POLITICIANS MAKE A MISTAKE, WE MIGHT LIVE WITH IT FOREVER. IF WE MAKE MISTAKES IN THE MARKET, THERE ARE INCENTIVES FOR US TO MAKE ADJUSTMENTS QUICKLY. ”

Christopher Lingle earned a doctorate in economics from the University of Georgia in 1977. Since then, he has been employed at universities in Africa, Asia, Europe, Latin America and USA. Currently, he is Visiting Professor of Economics in the Escuela de Negocios at Universidad Francisco Marroquín in Guatemala (since 1998), Adjunct Scholar at the Centre for Independent Studies (Sydney), Research Scholar at the Centre for Civil Society (New Delhi), International Political Economic Advisor for the Asian Institute for Diplomacy and International Affairs (AIDIA – Kathmandu), Member of the Academic Advisory Council of the Globalization Institute (Brussels) & Senior Fellow, Advocata (Colombo, Sri Lanka). Dr. Lingle’s research interests are in the areas of Political Economy and International Economics with a focus on emerging market economies and public policy reform in East and Central Europe, East Asia, Latin America, and Southern Africa. His work has appeared as chapters in books, the international media, and scholarly journals, including the American Economic Review, Foreign Affairs, Journal for Studies in Economics and Econometrics, Kyklos, and Pacific Review. His book on the political economy of Singapore’s development was entitled, Singapore’s Authoritarian Capitalism: Asian Values, Free Market Illusions, and Political Dependency (1996). He is widely credited with anticipating the turmoil in the East Asian economies that began in 1997 (The Rise and Decline of the ‘Asian Century’: False Starts on the Road to the ‘Global Millennium’, May 1997).

Defacto: You have been talking and lecturing to several Mongolian audiences. What can you tell us about those whom you’ve met and the ideas you’ve discussed?

Christopher Lingle: I’ve met a number of people with very clear ideas about economics. They begin with an understanding of the rule of law as the basis of a market economy, and the market economy as the basis of prosperity and the promotion of human liberty. I’ve met many people who have those ideas. But I’ve also met people who have these “retrograde” ideas, where they are more sympathetic to large government, which always dehumanizes the population.

Defacto: Young people under 35 years old represent half of Mongolia’s population. And these young people don’t know anything about Mongolia’s socialist history or its former centrally planned economy. It gives me hope that with this sort of knowledge transfer—for example, from your lectures here—they will benefit greatly. Please talk some more about why the market economy is the basis of economic prosperity, and why it should be based on the rule of law.

Christopher Lingle: Well, the market economy is the only moral system that man has invented. It’s moral in the sense that it is based upon voluntary exchange which is perhaps the only objective measure of justice. When I trade with you, peacefully and voluntarily, we engage in a cooperative exchange of some good or maybe an idea. And this outcome is a moral outcome, in the sense that both of the trading partners are made better off in the process.

The market process itself is also civilizing, in the sense that it encourages people to negotiate, to compromise,

to embrace strangers as friends, and in doing so enriches one another through the exchange of material goods and services, or of ideas.

Defacto: If the exchange of goods, services, or ideas is voluntary, why do we need the rule of law?

Christopher Lingle: Well, in a way, the rule of law is a series of some basic conditions that humanity discovered through time that would support this expansion of human liberty and individual dignity. The rule of law has some very simple precepts: 1) that we honor other people’s private property; 2) that we use the law to help with the enforcement of contracts so that people behave honestly; and 3) that we restrain aggression and violence. We all benefit from this. If I respect your property then this “mutual advantage” is that all of us respect one another’s private property. If we enforce contracts then that encourages people to be honest and creates penalties if they are not. To prevent violence and aggression means that we can live more peacefully and the human condition can flourish and progress.

The overriding aspect of the rule of law is that there are no privileges for any person or group—that a country’s president or its richest person have no more privileges than the common citizens. This is a very important thing that’s very often difficult to communicate to people who have lived through a socialist system wherein people feared the people with power, or in some way respected those in power because people had to. This thinking has elevated some political leaders when they otherwise should not have been. No political leader is worth more to a country than its common citizen.

Defacto: Comparing Mongolia today with Mongolia 27

years ago, we now have options: houses, cars, etc. Of course, not everyone can afford these, but under the socialist system, these options were not available to anyone. Yet there are those today who continue to say that the state should be responsible for people's lives. Why do you think this persists?

Christopher Lingle: It's interesting because the great enemy of human liberty is no longer socialism. The experiments that we saw with socialism showed very strong evidence of failure in central planning, state control and ownership of resources, and the productive sector of the economy.

But now the great enemy of human liberty has become populism. Democracy, unfortunately, has become a mechanism not to promote human liberty but to promote these populist "arrangements" whereby politicians, using state revenues, can win elections. This is a real danger, but it's more subtle, not as obvious. Almost every politician rejects state ownership—

Defacto: In capitalism, which is a market-economy democracy, we transfer state power to political parties, which is not always a good thing. Is there an alternative?

Christopher Lingle: It's a difficult problem. Winston Churchill once said, "Democracy is the worst political system, except for all the others." So democracy is not perfect, it has problems, faults. And the market is also imperfect. But what we find is that when politics determines life outcomes, the decisions are arbitrary. They are based on a temporary majority, but the legislation or regulations that come from those decisions tend to be permanent and inflexible.

If politicians make a mistake, we might live with it forever. If we make mistakes in the market, there are incentives for us to make adjustments quickly. And they don't affect many people because, normally, market decisions are based upon individual choices, so the mistakes are isolated. For example, a mistake might affect individual families, or extended families. But when politicians make decisions, those decisions affect the entire country; when politicians make mistakes, those mistakes affect the entire country.

Defacto: Many countries have been transitioning from centrally-planned economies to market economies. But along the way, some countries are increasing state-owned enterprises, as is the case with Mongolia, particularly in the mining sector. These state-owned enterprises with large assets make money for the government but are running up deficits, and the taxpayers are paying for it.

We agreed that political parties in unavoidable in a democracy. But in Mongolia, our political parties are non-transparent. We don't know where their money comes from nor what they do with it. How can this be fixed?

Christopher Lingle: The great experiments with democracy began with the idea of constitutionalism. Constitutionalism was about defining very precise obligations of the government, as well as defining very precise restraints and restrictions on what governments can do. Unfortunately, constitutions are only pieces of paper and expressions of ideas. If these ideas and

values are not shared by the population, then the country is exposed to the dangers of populism, like in Venezuela. Venezuela is a democracy, but through the democratic process they created a dictator.

Defacto: And yet, even with such examples, still people vote for these populist politicians who promise everything. How can people do this?

Christopher Lingle: I think, in a way, it can be explained by a "moral confusion". Many people think that the state should protect the weak, the poor, the elderly. In fact, those should be individual responsibilities in the sense that the people who suggest that the state should do these things pretend that it's moral argument—they demand that government tax people and redistribute income. But there is no morality in state action. The only morality is in individual action. If you individually believe that the poor, the sick, the elderly need assistance, then it is up to you to fulfill your personal moral obligation. For you to use the state as an instrument to pursue whatever you believe is right requires that compulsion and coercion be used on one group to take away resources that they've produced peacefully and honestly and give to someone else.

Defacto: That is what our government continues to do. For example, this government distributed money—billions of tuggrugs—just before the presidential election. This is an example of how the state uses the people's money for the political advantage of one candidate. People know this, but they continue to vote anyway.

Today per-capita income is about \$4000; twenty years ago it was maybe ten-times less. In that sense, we've made much progress. Is there any correlation between per capita growth and the degree of economic/political liberty?

Christopher Lingle: Well, it can be complicated. Argentina, for example, had a high per-capita income but succumbed to populism. What usually happens is that politicians behave dishonestly and use crises as excuses to expand government power. And when people feel insecure in a security crisis (for example, 9/11 in the US) or an economic crisis, people say "OK, let's give the government more power to protect us". It's often not thought through; it's just a reaction of the moment. And there may be regrets later because once you give up power to the state, the state almost never gives it back. So more power for the state means less freedom for its citizens.

We need people who can communicate the moral basis of these ideas—especially with the rule of law. Unless we fully understand the rule of law, and incorporate it in our understanding of the relationship between governments and citizens, we will find ourselves drifting into this dangerous populist swamp.

Defacto: So even with a country like the United States, with a \$50,000 per-capita income, still populism is gaining ground. So it seems populism can occur regardless of income level.

Christopher Lingle: But the American situation is based upon crises. 9/11 encouraged the state to increase surveillance and anti-terrorist activities—more power, more resources—and people happily gave that.

Then there was the housing/financial crisis in 2007, and people said, "Oh, we need the government. The market failed". But they didn't really understand the underlying cause of the crisis. It was primarily a result of a central bank policy.

Defacto: That gives me a thought about Mongolia's central bank policy today. The central bank is issuing 5-8% mortgage loans, when the market rate is about 20%.

Christopher Lingle: Central banks around the world are the primary source economic and financial instability. They are the biggest problem. To understand this, it helps to know why central banks were invented. The market did not develop the idea of a central bank. Rather, central banks were invented by kings and emperors to promote imperialism and finance wars. In a way, that is still happening.

Central banks' primary purpose is to finance government and to support government policy, good or bad. So suppressing interest rates provides the opportunity for governments to borrow beyond the possibility of repaying their debts. Moreover, every government expects to "roll over", or extend, their loans. They never expect to totally repay them. They would simply renegotiate new conditions at the end of the term, or expand how much they owe. But at some point, government debt reaches a limit, and that limit is primarily the government's ability to generate enough tax revenue to be able to repay the interest on the existing loans.

Let's consider the situation in Greece a couple of years ago. Creditors finally realized that the Greek government would never be able to generate enough tax revenue based upon the private sector economy, so they refused to roll over the debt.

Defacto: The same thing is happening here. The Mongolian government is just like the Greek government, if not worse. Mongolia did not have the money, so it reached out to the IMF, and with it came other aid agencies. And they have presented a series of loan packages totaling 60% percent of our economy. These are loans; no one is giving us free money!

Christopher Lingle: Government officials do not live with the consequences of their actions. Rather, the next generation of politicians live with the consequences. So what happens is that democracy creates incentives for politicians to do the wrong thing. Unless there are constitutional restraints, or unless the citizenry are engaged and understand the necessity to restrain the role of government, then politicians will misbehave. Governments will always seek higher borrowing.

The IMF always comes in with a proposal that you must increase taxes. This is crazy. As you increase the burden of taxation on the private sector, it will restrict the possibility of high rates of growth that will generate the high revenues needed to pay the interest on the IMF loans. It creates an impossibility. You raise the tax rates and the government takes up a greater proportion of the total economy. The private economy shrinks relative to the government sector and it is unable to grow rapidly enough to provide for the insatiable appetite for debt.

Defacto: Mongolia is now at that situation. The government is spending not only our money, but other countries' money, as well. People are running away from the private sector to join the public sector. How can we fix this situation?

Christopher Lingle: This may sound difficult, but I would have accepted that the government go bankrupt, a "sovereign default" in economic terms. That would have brought the debt troubles to an end. Mongolia would not have accumulated any more debt to international agencies. And it would have made it clear to the population of the failures of previous government officials to secure their future. This would have been a useful shock that would help people understand that government is doing and taking too much. The IMF bailout simply extended the collapse into the future; it didn't solve the problem of government overspending.

Defacto: A clear example of this is the so-called "Chinggis Khaan Bond". I don't understand why we borrowed so much and gave this paper such a great name. Anyway, the Chinggis Bond totals 1.5 billion USD with an interest around 5.5%. But when the 5-year bond finished, they had to issue another loan, this time for 7 years with an interest rate of around 8.5%. The deeper into the loan we go, the higher it will cost. And we are running out of time to explain to people that this is a very bad situation. So what should the role of economists be in our society?

Christopher Lingle: It should be that they give better advice. However, a government official would never hire an economist like you or me because we would be telling them: spend less, lower taxes, reduce regulation, and limit your political power. What politician would listen to that advice? Instead, we need to reach the citizens of Mongolia so that they begin to demand those things.

*This interview originally aired in September 2017.
It has been edited here for space and clarity.*

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





DeFacto **REVIEW**

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Jargal Dambadarjaa

THE INTERNAL DEMOCRACY INDEX OF MONGOLIAN POLITICAL PARTIES 2019

The DeFacto Institute has released its second Internal Democracy Index of Political Parties covering April – June 2019. It follows the first study that was conducted in 2018 along the following criteria: participation, competition, transparency and financing. Those studies were predicated on the goal of establishing responsible, transparent political parties. The DeFacto Institute engaged in those studies as the issues encompassed in them don't only involve the political development of Mongolia but its economic development. The strength of democracy within a given country is inevitably contingent on the strength of democracy within its political parties which are meant to serve as a bridge between political power and the public.

Those studies are conducted in conjunction with the Israeli Institute for Democracy, utilizing their methodology and 8 out of 33 political parties decided to take part in the second edition. Given that 6 out of 29 political parties took part in the first edition of the study, longitudinal comparisons could be made among them. According to the metric parties that receive a score of less than 30 are considered non-democratic, a score of 31-60 equates to parties being semi-democratic and scores of above 60 meant the party is democratic.

Among the 8 political parties encompassed in the study, 4 were considered democratic with the other 4 being considered semi-democratic. The Mongolian Green Party, Mongolian People's Revolutionary Party, Democratic Party and Mongolian National Labor Party were found to be democratic with the Mongolian People's Party (the ruling party), Mongolian Patriotic Party, Truth and Right Party and Civil Will-Green Party being found to be semi-democratic. Comparing the results to that of the first edition the following shifts in score manifests itself:

- ♦ Mongolian People's Revolutionary Party (+15)
- ♦ Mongolian National Labor Party (+12)
- ♦ Democratic Party (+11)
- ♦ Mongolian People's Party (+7)
- ♦ Mongolian Patriotic Party (-4)
- ♦ Civil Will-Green Party (-11)

Moving on to the indicators, the first one is participation which measures the extent to which party members are involved in the decision-making process. A by election in constituency 42 located in Khentii province forced the parties to reinvigorate their activities in 2019. There was however a lack of quality debates on major

political issues surrounding Mongolian political parties, particularly in the sphere of formulation of strategies and policies even within political parties themselves. Regarding the representation metric which measures whether the political party represents all segments of society, particularly women. There are some quotas but parties fail to reach the quota on female candidates standing for election for example.

Both major parties have outstanding issues that need to be addressed in the competition within political party's metric. This year, the Democratic Party expelled its member, Mr. Batzandan due to a refusal to tow the party line with the Mongolian People's Party also expelling Mr. Munkhchuluun, a city council representative. In both cases, the expulsions followed a refusal to stand in the Parliamentary and Mayor of Ulaanbaatar elections respectively due to a delineation from party decisions. This clearly demonstrates that there is a lack of competition within both major parties.

The study ran into a number of difficulties in that most political parties failed to respond to a request to share their charter and financial reports at a minimum. Therefore, we approached the Supreme Court to whom parties are obligated to provide independently audited financial reports within a month following an election. This rarely takes place with the Mongolian National Labor Party and Mongolian Green Party setting an example by becoming one of the first parties to provide the information in a timely manner following the last election. Moreover, the Supreme Court response to our request to obtain copies of the charters of political parties was that Mongolian legislation prohibits the dissemination of information regarding legal entities to third parties without their express written consent. Out of the 8 parties that responded, 4 have their regulations and charter on their website. This demonstrates that Mongolian political parties are still marred by issues revolving around transparency.

As Mongolian parties currently serve as a bridge between the state and their financial backers rather than between the state and the people, civil society and party members should demand transparency in their financial activities and their operations in general. Only in this case can Mongolians fight the corruption in political parties and legislation being made exclusively for the benefit of political donors.

"BOAO" FORUM FOR ASIA

The BOAO forum dedicated towards the pursuit of common development in Asian countries through the further integration of regional economies was held on the 20th of August 2019. Representatives from over 10 countries including Mongolia, China, South Korea and Pakistan were among 300 delegates from the public and private sector.

BOAO is the Asian equivalent to the DAVOS world economic forum and was initiated in 2001. Among the issues discussed in this year's forum were business opportunities in Mongolia, road of development as well as the Road and Belt initiative. This form of multilateral dialogue is essential for development and solving a multitude of common issues. The head of BOAO, former Secretary-General of the UN, Ban Ki-Moon was in Mongolia

for the forum and touched on issues such as the trade war forcing countries to revert from globalization as well as the growing populism and protectionism resulting in new economic challenges following a turbulent decade in international finance. These issues are also hindering the resolution of other challenges such as nuclear security, geopolitical conflicts, terrorism and migration.

However, Mongolians expect concrete measures as a result of these talks, particularly regarding the Road and Belt initiative and the corridor concept of a natural gas pipeline between Russia and China as well as oil, electricity, cable and railroad development. The three Presidents meet on an annual basis regarding these issues but these talks have not resulted in any concrete action.

IS THE EXPORT OF MEAT AFFECTING ITS PRICE?

The Prime Minister recently stated that Mongolia should scale back the export of meat until the domestic demand has been met. Despite approximately 66 million livestock in Mongolia, the price for a kilogram of meat is around 14,000 – 16,000 MNT. During the meeting of a special commission last week, the Prime Minister made it unequivocally clear that the Minister of Agriculture and Light Industry, Ulaan shall be held accountable should meat prices continue to increase.

With some attributing rising meat prices to the absence of price regulation by the government, it is important to comprehend that this line of thinking is a holdover from the socialist, centrally planned economy. This pressure however led to the Prime Minister making the statement which comes at a time when Mongolian meat exports have significantly increased following our two neighbors becoming more amicable to importing Mongolian meat. In 2017, we exported 600 tons of beef and this increased to 1,1 thousand tons. The largest share of meat exports was taken up by horse meat which comprises 90% of our meat exports and increased from 26 thousand tons in 2017 to 32 thousand tons in 2018.

There is also a clear indication that Mongolia's meat export market is opening up and there are 6 companies (2 in Uvs Province, 1 in Khuvsgul Province and 3 in Zavkhan Province) certified by the Chinese government to export Mongolian beef to China. All their factories process, slaughter, cut, and store meat in house. There are also 29 companies with the capacity to export meat to Russia and 27 companies with the capacity to export meat to China.

However, the most concerning to Mongolians are increases in the price of beef which is currently at 15,000 MNT (approximately 6 USD). It is unlikely that limiting exports shall produce the desired effect as it is primarily a supply and demand issue. Given Mongolia's vast and sparsely populated territory, individuals had to travel across the country to collect livestock from herders and bring them to Ulaanbaatar to slaughter and sell.

Regarding the misconception that this forum can help increase the status of Mongolia in the international stage, the status of a country is contingent on the welfare of its citizens. This is first and foremost an issue of economic development and it is currently unclear how the forum will affect it. There is little that can be expected so soon after the conclusion of the forum but it provides a vehicle through which to gauge the positions of our partners on major regional and global issues. Those positions are different year to year given different security and economic environments. For example, our largest trading partner, China is currently engaged in a costly trade war. This eventually has the potential to affect our economy through our export of coal and copper to China.

However, there is a supply shortage in Western provinces as it is the primary source of export to our two neighbors, thereby increasing prices.

The increase in meat prices are inevitably linked to exports and it will continue to be affected. According to customs information, we exported 560 tons of beef to Russia in 2017 and we export horse meat to China, Russia, Kazakhstan and Japan for a total of 25 thousand tons. Moreover, we sell halal lamb to Iran and Qatar leaving the total export of meat in 2017 to 28 thousand tons.

It is often the middle men that often take the blunt of the blame regarding the situation but it is worth considering that it is thanks to their efforts that people have meat on their table. Moreover, there are a significant number of middle men that compete for the same market and the price at which we buy our meat is a result of this competition. Those middle men shall be relied upon until the development of better, costly logistical infrastructure in Mongolia. However, the presence of meat processing facilities in the Western provinces that export their products to Russia and China is significantly affecting the market in Ulaanbaatar, in the middle of the country. Better veterinary conditions will also see the Eastern provinces follow suit leading to large export markets in two sides of the country.

The supply of meat to those truly incapable of buying adequate amounts is another issue but the current price is the market price and regulation of those prices for any considerable amount of time shall prove to be detrimental to the economy. Given increasing exports, the price will continue to rise despite increasing numbers of livestock and the only issue that deserves serious consideration is whether the herders are reaping the benefits of these increased prices. Better developed infrastructure will lead to better chain distribution of value.

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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