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DeFacto **ARTICLE**

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Geopolitical wind in MONGOLIA



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for Foreign Affairs and Security Policy/Vice-President of the
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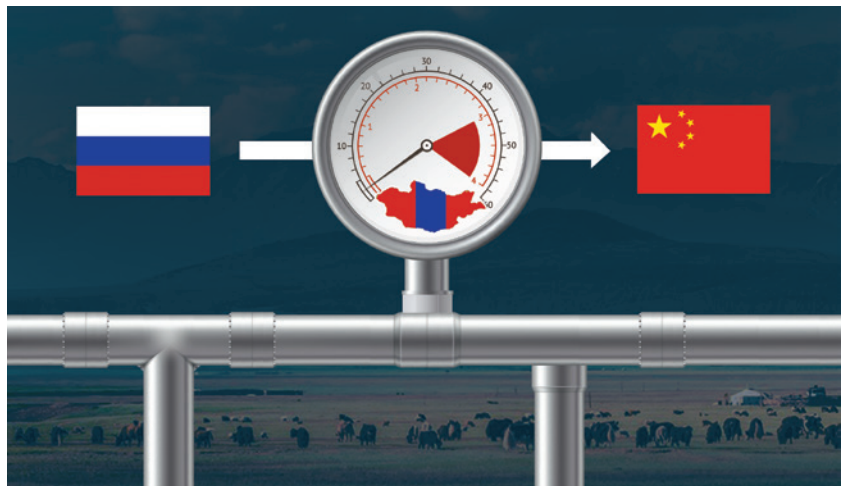
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Geopolitical wind in MONGOLIA



From 3rd to 6th December the Prime Minister of Mongolia U. Khurelsukh officially visited the Russian Federation. During this period a number of meetings were arranged and several documents on gas pipeline were signed. In Moscow, the Deputy Prime Minister O. Enkhtevshin and CEO of Russian Gazprom A.B. Miller signed a memorandum on this case. At the same day a natural gas pipeline "Power of Siberia – 1" was officially opened.

Although for the last 20 years Mongolia has been expressing the desire to provide a gas pipeline between Russia and China, there was no positive response until recently. What influenced the decision of the two neighboring states? It is the geopolitical wind that made them choose to head in a more unlikely direction.

RUSSIA'S OTHER WAY

Being the world's largest gas exporting country, today, Russia has 20% of the world's gas reserves and 17.3% of manufacturing. Russia provides one fifth of the natural gas that supplies Europe. Sixty-three percent of Russia's export revenue and half of its federal revenue come from oil and gas.



► However, in 2014 this huge export market was under threat when the conflict of the Crimean Peninsula led western countries under the leadership of US to put in place sanctions. Despite of supplying 142 billion cubic meters' gas through the 1240 km pipeline in Ukraine annually, its political risks grow. To replace this route, the Nord-Stream-2 pipeline would be opened by mid of next year, providing 55 billion cubic meters per year through the bottom of the Baltic Sea to Germany and other parts of Europe. But this proposal fell under sanctions. President V. Zelensky recently announced that western sanctions will continue until the Ukraine gets its territory back.

The Turkish bay that would

provide gas to Eastern Europe to reach Istanbul will be opened in the beginning of the next year. From this 1100 km long bay 31,5 billion cubic meters of gas will be transferred to Bulgaria, Serbia, Hungary, Slovakia and is not only expected to be cheaper than US liquefied gas, but also relatively less vulnerable to Western sanctions.

In 2014 the 'Power of Siberia - 1' started stretching the natural gas project to China which is the biggest gas project in Asia market as well. It is a 3000 km-long pipeline that goes to the Chinese border all the way through the Siberian taiga with its moat, mud and permafrost and is connected to a 3500 km long pipeline in Shanghai. From 2025 it will supply 38 billion cubic meters of gas per year

for 30 years – that is how the \$400 billion contract starts. The Gazprom pipeline was estimated to cost \$55 billion, however, considering the ruble's fall and the fact that bulk of its work and materials were provided by Russia, the real cost is \$29 billion, according to the Oxford Research Institute.

.....
To close the Europe market risk Russia has been finding other ways to supply natural gas to Asia. "In order to create competition between Europe and China" ... "the Power of Siberia - 2 pipeline will be laid through Mongolia instead of the Altai project implementation" said deputy head of National Energy Security Fund A.Grivich (Ros. Gazetta. 19.12.05).

CHINA'S DOUBLE STRATEGY

Asia, and especially China, is the most advantageous market for Russia. For the last two years China's natural gas consumption increased by 33% and accounted for 40% of the world's consumption in 2024. Therefore, China began to draw closer to Russia and the above-described big contract was created. However, the 'Power of Siberia - 1' project in its full force will cover only 20% of China's liquefied gas annual import.

According to the Japan Times (19.12.05) newspaper, a gas

partnership between China and Russia will affect Japan. The relatively low price of Russia's natural gas will lead to a fall of the world energy market price and to changes in trade routes. While Australia, China's longtime supplier, will lose its revenues, it will be beneficial for Japan in the long run. This partnership will soon affect the \$200 billion turnover. Strategically, this partnership is to decrease the US influence. In addition, due to the trade war, from June 2019 China raised gas tax on US import from 10% to 25%. The

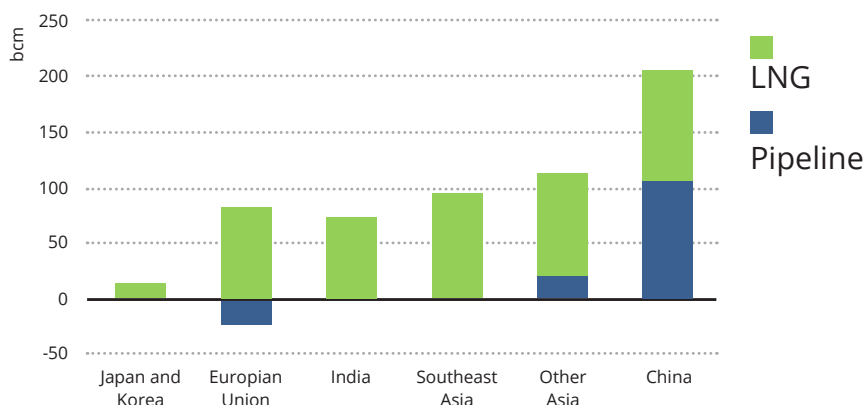
intention was to reduce the supply in 2019, which reached 2.5 billion cubic meters of gas last year. Presumably, the decrease of coal usage in India and Southeast Asia countries will increase the demand on natural gas and countries will connect to China's pipeline. In this case, China will have the opportunity to export Russia's natural gas.

As the natural gas pipeline extends, the trade of liquefied gas is likely to decline. ►►

EAST ASIA AND LNG DOMINATE FUTURE GAS TRADE

UTS:ACRI
AUSTRALIA-CHINA RELATIONS INSTITUTE
澳大利亚-中国关系研究院

Change in gas imports by selected region and mode in the New Policies Scenario, 2016-2040



Asia leads the growth in global gas trade; outside China, new pipeline trade routes find it hard to advance in a market with LNG readily and flexibly available

MONGOLIA'S NEW CHALLENGE

- **Thus, the emerged geopolitical reality has changed the policy of China, which had previously refused to allow gas pipelines to move over another country. Same for Russia: instead of choosing the highland Altai route to Urumqi (where gas reserves are abundant) by higher expenses, flat swamp less Middle Asian territory is preferred. In order to supply the constantly growing city of Beijing, Mongolia could be used for the shortest path.**

According to Kommersant (19.12.04), D.Akishin from Russia's VYGON Consulting company announced that a 1060 km-long

pipeline will be stretched along Ulaanbaatar Railway (UBTZ) jointly owned by the two governments. In the next two years, the detailed technical drawings and economic calculations will be completed, and in the next four years the construction will be finished. It is a feasible aim for Gazprom, which previously constructed a 100.000 km-long line. Meanwhile, Russia and China will agree on the price, Mongolia will charge transmission payment in dollars and gas. Plus, the Irkutsk region will be provided with gas along the way to Mongolia.

To understand how the transmission of 38 billion cubic

meter of gas per year will impact the Mongolian economy, I refer to my article called "*The economics of natural gas favor Mongolia*" which was written last year. The transmission of gas through Mongolia is a technical issue now. All decisions were made, and the pipeline project is beneficial for all sides. Hopefully, this major project will not fail under the Mongolian's corrupt politician's competition as it is happening with the 5th power plant which has been in discussion for 20 years, and while the footings were installed 10 times, the project has not come to light.

2019.12.11

"IT'S TIME TO TRANSLATE EUROPE'S AND ASIA'S POWER INTO A REAL PARTNERSHIP"

Last Sunday 15 and today on 16 December, I chair ASEM, the "Asia-Europe Meeting". What might seem to be a rather bureaucratic acronym, actually is a politically highly relevant event for our continents. I had offered to host this meeting in Madrid when I was still Foreign Minister of Spain and now I will be chairing it as EU High Representative for Foreign Affairs and Security Policy. It underlines my personal interest in the fast-moving continent that is Asia today.

ASEM brings together 53 partners made up of the 28 EU Member States, Norway, Switzerland and the EU, and on the Asia side, 21 countries and the ASEAN Secretariat. Together we represent:

- 55% of global trade
- 60% of global GDP
- 60% of the global population
- 75% of global tourism



Simply bringing countries together does not, of course, guarantee any results. But it creates opportunities. In recent years, ASEM has become increasingly relevant and strategic. This ASEM meeting will be an important opportunity to further strengthen cooperation between Europe and Asia.

There is a clear willingness from ASEM countries to engage on global issues and to take on more responsibility - from supporting sustainable development, to rules-based global trade, to information sharing on cross-border threats, to the prevention or peaceful resolution of conflicts. ASEM has acquired a new rationale and momentum as a key platform to uphold and promote rules-based, multilateral approaches. In the challenging world of today, this kind of cooperation and leadership is imperative.

In recent years, sustainable connectivity has been a key theme of our discussions - and will continue to be so. The same goes for combatting climate change. We adopted last week the EU Green Deal and made the ground-breaking commitment to make Europe the first climate-neutral continent by 2050. But our ambition must be global and we need collective action. To safeguard our planet and to promote sustainable development, cooperation with our Asian partners is key.

In addition, we cooperate on the most pressing issues on the international agenda: the situation on the Korean peninsula and in Rakhine State, the Middle East Peace Process, Iran and the wider region, and efforts to bring peace to Afghanistan - to name just a few. We also work on the need to uphold multilateralism, address security challenges, as well as promote gender equality and women empowerment.

During my mandate as High Representative, I will conduct EU foreign policy with realism and a strong sense of partnership. And I want to work closer with our Asian partners on key priorities such as our partnership with Africa, the Western Balkans, finding a solution to the situation in Libya, or a peaceful resolution of the conflict in eastern Ukraine, on Iran and many more.

All of these issues will be discussed at our political meeting. But the real Asia-Europe meeting happens every day:

- when students from our respective continents swap Europe for Asia, or vice-versa, to study at university;
- when business transactions take place between European and Asian companies - big or small;
- when we visit each others' continents, either as tourists or as friends, to take in the best that Asia and Europe have to offer;
- and when researchers from our two continents put their minds together to work towards ground-breaking innovation.

At meetings like ASEM we create the environment and the conditions to enhance the connections we have between our societies and our citizens. This is the real goal of frameworks such as ASEM. I look forward to doing this with Europe's Asian partners and friends, during ASEM in Madrid, and in the years to come. It's time to translate Europe and Asia's power into a real partnership.

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DeFacto **REVIEW**

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UNDP HUMAN DEVELOPMENT REPORT

The Human Development Report (HDR) is an annual report published by UNDP. While Mongolia is ranked as having high human development, we are still ranked 92nd out of 189 countries, similar to previous years. This edition of the report was entitled "Beyond income, beyond averages and beyond today" and classified 200 or so countries into very high human development countries (62 countries), high human development countries (54 countries), medium human development countries (37 countries) and low human development countries (36 countries).

The report ranks the countries across three composite indexes comprising of the three basic dimensions of human development: long and healthy life, knowledge (calculated by average years of schooling) and standard of living. Mongolia was ranked 94th in 2017 while Russia was ranked 49th in both 2017 and 2019 with China being ranked 86th in 2017 and 85th in 2019. The Mongolian score was 0.73 and if we look at the key statistics across the three indicators, life expectancy in Mongolia is 69.7 years, up from 60 in 1990, average years of schooling was at 10.2 years and the Gross National Income which was utilized to determine standard of living was at 10,800 USD as of 2011 according to Purchasing Power Parity.

These should serve as important statistics for decision makers, media and NGOs and I hope that UNDP will translate the report into Mongolian. There are around 15 UN agencies in Mongolia and a UN Resident Coordinator Office was opened last fall with Mr. Tapan Mishra being named as the Resident Coordinator and the UNDP Resident Representative was also replaced recently. A translation

HUMAN DEVELOPMENT INDEX AND ITS COMPONENTS

HDI rank		Human Development Index (HDI)	SDG 3 Life expectancy at birth	SDG 4.3 Expected years of schooling	SDG 4.6 Mean years of schooling	SDG 8.5 Gross national income (GNI) per capita	GNI per capita rank minus HDI rank	HDI rank
		Value	(years)	(years)	(years)	(2011 PPP \$)	2018	2017
1	Norway	0.954	82.3	18.1 *	12.6	68,059	5	1
49	Russian Federation	0.824	72.4	15.5	12.0 *	25,036	2	49
85	China	0.758	76.7	13.9 *	7.9 *	16,127	-13	86
92	Mongolia	0.735	69.7	14.2 *	10.2 *	10,784	7	94
189	Niger	0.377	62.0	6.5	2.0 e	912	-3	189

of the report will allow Mongolian SME's to understand issues such as poverty and inequality from a different perspective.

Professor Amartya Sen defined inequality as "of the things we care about, to build the future that we aspire to". In other words, anything relating to the building of our future is an equality issue. Inequality is also addressed by goal 10.1 of the Sustainable Development Goals. If we look at Mongolia, the poorest 40% of the country owns 20% of the national income, the richest 10% owns 25% of the national income and Mongolia's Gini coefficient is at 38%. This coefficient demonstrates the level of inequality with 0% reflecting absolute equality and 100% reflecting absolute inequality.

Some key statistics can be extracted from the Human Development Index and the Inequality Adjusted Human Development Index. The latter demonstrates the effects of the current state of inequality on life expectancy which would go down 13% in Mongolia, average years of schooling would go down 12% and income would go down 16%. Therefore it would be good for journalists to reflect on whether inequality in Mongolia will increase or decrease and why.

There have been some actions to increase life expectancy for example through enhancing air quality and smog has been at all-time lows this year. This was due to a decision by the government to ban the transport of raw coal into the city and the introduction of refined coal briquettes. There are other actions that need to be taken in terms of disease prevention and the stimulation of a lifestyle shift away from seeking remedies once sick to leading a healthy lifestyle that minimizes the risks of ailments. Life expectancy has increased by 10 years over the last 30 years but there is a lot more to be done.

In terms of education, there are fewer students enrolled in schools with three shifts this year. There are however actions that need to be taken to increase the competitiveness of our graduates. Regarding, standard of living, more people in Ulaanbaatar are purchasing apartments but not to the extent we would like to see. Only 40% of Ulaanbaatar residents and 20% of the country lives in housing conditions with engineering infrastructure. Every year, 15 - 20 thousand individuals move into housing units but this is not enough given the number of people that live in the Ger District. Moreover, 1,500 individuals moved into rented

apartments and a leading construction company stated that senior citizens and individuals with disabilities will have more access to housing.

Aimags and soum centers are in dire need of infrastructure as we still see a large migration of people to settled areas such as cities and towns. This is not the case for herdsmen who follow good pasture throughout the year but adequate supply of water and heating is an issue that needs to be addressed. All three areas are priorities but we need to focus on housing and ensuring that education meets the demands of the current labor market. Currently, individuals with higher education



don't meet the current demands of the job market and employers are forced to bring specialists from China. Better linkages between businesses and higher education as well as vocational training will eventually allow for the resolution of this issue but appropriate incentives also need to be placed for the creation of jobs.

DECISION OF MONGOLIAN GOVERNMENT RESCINDED

On the 2nd of December, Ulaanbaatar City Council made a decision to increase the annual road tax in Ulaanbaatar city by fivefold. This sparked significant public outcry culminating in protests outside the government palace on the 9th of December forcing the Prime Minister to urge the City Council to revisit their decision, setting an undesirable precedent of government decisions being overturned by higher authorities. This also raises the concern that the structure through which government decisions are made is flawed and due diligence is rarely carried out in reaching them. Moreover, public opinion is rarely taken into account and the rationale behind decisions is not made available to the public. There is also little interest from government to address the complaints of the public and this is definitely a quality of governance issue as it is often the case that bureaucrats don't possess the information to address those complaints.

Finally, in any instance of increases in taxes, it should be clearly justified to the people as those increases will significantly affect the people. It is clear that there is a need for an increase in road taxes as Mongolians are spending more and more time in their cars. Some form of action such as an increase in road taxes or taxes on the purchase of cars (particularly old cars) is necessary but politicians simply don't want to make unpopular decisions, especially



with the looming elections. It is however also possible to establish tolls in the center of Ulaanbaatar and the long discussed talks of a railway track going around Ulaanbaatar have not made any progress as the two governments who own the railway, Mongolia and Russia are crippled by ineffective governance.

Ideally, the Mayor of the City should not be pressured by any form of political influence when rendering decisions on the governance of the city. However, Ulaanbaatar is one of the only cities in the world where the Mayor is not directly elected from the people as they are selected by the City Council and approved by the Prime Minister. It is true that we need more money for our roads and less cars on the road but the Mayor is no longer in a place to make the required decisions meaning we will still have traffic jams and less maintenance of roads.

In instances where protesters are being paid more than their immediate costs such as banners, logistics and so on, the media should bring them to light. Unfortunately, the majority of our media belongs to organizers of those protests, politicians or large companies who only utilize their outlets for their own interests. The media should become substantially more independent in order for discussions of paid protesters to become more substantiated.

On the other hand, increasing taxes fivefold without an adequate explanation of where the previous taxes went to is unacceptable. An in-depth explanation as to the need of increased taxes and a comparison to expenses would have made sense. As of now, the taxes will stay the same and cars will continue to be added to Ulaanbaatar roads, making the traffic jams worse by the day.

MINISTER NYAMDORJ'S PROPOSAL TO ABOLISH MONGOLIAN BAR ASSOCIATION

The Parliament of Mongolia approved legislation on criminal defense and other legislation governing lawyers on the 18th of October. However, the President vetoed the section holding for the creation of an association of Mongolian advocates which was not accepted by the legal committee and the Minister Nyamdorj would state that the Bar Association would be abolished. Once again, this is a standoff between individuals with a vested interest in the outcome of the situation.

This Bar Association would have the prerogative of issuing licenses to practice law, thereby substantially decreasing the powers of the Ministry. In time, the Bar Association would become more independent and occasionally cross the Ministry, leading to Minister Nyamdorj becoming disillusioned with their activities. Unlike most countries, there are some associations in Mongolia that are mandated by law such as the Bar Association, Chamber of Commerce, Trade Unions which forces them to operate like state agencies. The Bar Association will most likely be abolished in favor of an Advocacy Association with similar prerogatives but with closer ties to the government.

We also have 3-4 Lawyer's Unions so it is about time they band together into a federation and hold transparent elections for its President so that its results are accepted by all lawyers. This is not the case now, weakening



the power of lawyers and increasing the influence of government. If the legislation is implemented as is, the prospects of advocates will be significantly better and they will be able to increase license fees, among other prerogatives, creating a state of limbo into an already dysfunctional justice system.

The justice sector as well as the Mongolian nature and other sectors need protection from the relevant Ministries with lack of civic engagement and too much politicization allowing for this paradox to exist. As of now, the government is able to use the lack of participation of the public to their own benefit and to consolidate their power. For example, a 4 million USD corruption case was recently closed due to the expiration of the statute of limitation. The fact this is not the first instance of this is part of the reason why Mongolia is currently in the grey list. Until we have a just justice system, Mongolia will continue to be in the grey list and the effects of this will be felt by Mongolian citizens rather than Parliament members.

*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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