

Consolidating economic growth

INTERVIEW WITH PRESIDENT NAMBARYN ENKHBAYAR

PRESIDENT OF MONGOLIA

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What are the key objectives of your visit to the United Kingdom and what do you hope to achieve?

The main objective of my visit is to consolidate mutual trust between Mongolia and the United Kingdom, to give impetus to our bilateral relations and to strengthen Mongolia's international position and role. This is a step consistent with our foreign policy objectives with regard to developing good relations and constructive cooperation with developed countries, including the United Kingdom, which is a permanent member of the UN Security Council, and a member of the European Union as well as NATO. We attach great importance to this visit which will focus on the trade and economic ties, especially in the field of mining. During the visit, I will hold talks with Tony Blair, Prime Minister, with the Leader of the House of Commons, the Trade Minister and some other high level officials from the UK as well as some big investors. I have no doubt that the present visit will yield a positive impact to our bilateral relations.

Mongolia occupies a strategic position between China and Russia. How are your relationships with the Heads of Government and the people of these two countries? Will the level of co-operation with Russia and China increase further?

The Foreign Policy Concept of Mongolia provides for developing 'friendly relations with two immediate neighbours - The Russian Federation and The People's Republic of China with the appropriate balance of relations and a broad range of good neighbourly cooperation'. This concept has been adhered to with consistency. 'Balanced relationship' does not necessarily mean keeping equidistant or holding identical positions on all matters but it rather implies enjoying good neighbourly, friendly relations and mutually beneficial cooperation in all areas of international interaction based on confidence, trust and mutual understanding.

We maintain relations of strategic partnership on the basis of traditional good neighbourliness with the Russian Federation while promoting relations of good neighbourliness and mutually trusted partnership with the People's Republic of China.

Mutually beneficial cooperation in political, economic, trade, investment, educational, cultural,

scientific, environmental and defence areas is being actively developed especially over the last few years with both Russia and China, which, we hope, is in the interests of the three neighbouring nations.

You have often spoken of the importance of developing the knowledge base of Mongolia – what policies are you putting in place to achieve this?

From ancient times, the Mongolians have admired knowledge as the 'supreme wealth'. In the current era of globalisation, an economy based on knowledge is not a luxury but a must.

The economy of Mongolia has been, for many decades, reliant on animal husbandry, wool, cashmere and leather processing, production of shoes and garments, coal and copper mining etc. In short it has been the classic old economy based on producing raw materials.

However now, in order to develop an economy based on modern technology, it is most important to have a new approach to the issues of human development, innovation and information infrastructure.

In order to promote this new economy, we ought first of all to modify and improve our education system. In the past few years, we started implementing new policies and standards of education in order to achieve such necessities and objectives.

We have been relatively successful in introducing modern communications and information technologies. In order to ensure further progress and the stronger impact of IT on the country's economy, the *Comprehensive Policy of National Development* is being prepared. It provides for policies such as training national qualified personnel in the fields of science, technology and innovation as well as the promotion of technological talents and skills.

The 800th Anniversary of Mongolia has focused international attention on your country. What has been the reaction from other political leaders to this important milestone?

The United Nations supported the celebration of the 800th anniversary of the establishment of the Great Mongol State by adopting a relevant resolution, which raised awareness about the history of Mongolia throughout the world and had a positive impact on the development of our foreign relations. This was

demonstrated by the visits of numerous honourable guests to Mongolia, who came to celebrate the 800th anniversary of the establishment of the Great Mongol State. Some fifty high level foreign guests visited Mongolia last year, including Presidents, Prime Ministers, Parliament Speakers and Foreign Ministers. For example, we received the Czech President, HRH Prince Andrew, the Dutch Crown Prince Wilhelm, the Russian Prime Minister, the Japanese Prime Minister, the Emir of Kuwait as well as many Royal family members and parliamentary speakers.

It is impossible to say the exact number of parliamentarians, government members and other guests. Just from Japan there were around 80 MPs. We also received guests from the Parliaments of the Republic of Korea, the United Kingdom, France, Italy and Europe, as well as from the European Parliament.

In connection with the commemoration of the 800th anniversary I initiated a publication of a book on the anniversary, which is a compilation of comments and observations from well-known people and world leaders about the Mongol statehood and its founder Chinggis Khaan. You can access the book on our website www.president.mn.

The reform measures undertaken by your Government have led to economic stabilisation with growth forecast of 7-8 per cent this year. What further measures will you take?

As a result of the consistent privatisation policy, today more than 80 per cent of the GDP of Mongolia is produced by the private sector. The privatisation of the major valuable enterprises has also been successfully conducted over the past years.

One may say that the politics of the country have been relatively stable. Along with this, economic growth has increased and the main indicators have steadily improved. GDP growth stood at 8.4 per cent in 2006 compared to the previous year. In 2004 the growth rate was 10.7 per cent. In general, GDP growth has ranged between 6-7 per annum for the last 4 years. Such growth is likely to continue.

In order to stabilise and further accelerate this

growth we need a coherent and comprehensive policy. On this basis we decided to develop the *Comprehensive strategy on Mongolia's development up to 2021*. In the strategy we see mining as a springboard for growth, which should sustain itself through knowledge-based technology driven industries. Also we need to abolish red tape and corruption.

How important a role can foreign investors play in the development of the Mongolian economy?

During the Consultative meeting of our donor countries, held in November 2003 in Tokyo, Mongolia qualified as an economy entering the development phase from a transition one. As the role of donor countries was critical to Mongolia's successful transition, the role of foreign investors is very important for this development phase of our country.

Foreign investment is a source of technologies, best business practices and that of financing the projects. Compared to aid money it does not build up a debt burden. Foreign investment and technology transfer will be needed for initiating bigger mining projects. We are talking ►

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◀ about making operational plants exploiting our world class deposits. With these projects new towns, schools and hospitals will come. In other words, this is going to give impetus to the whole economy. Currently the total amount of FDI equals the size of our total economy. In short the significance of foreign investment is substantial for our economy and for our prosperity.

We would also like to attract foreign investment in agriculture, food processing, biotechnology and pharmaceuticals. Tourism also has good potential to grow. Currently, the tourism sector produces about 10 per cent of our GDP.

The global progress in information and communications technologies has its role in Mongolia as well. More than 20 per cent of the population uses cellular phones and the number of internet users is increasing. Many of our students have started participating successfully in the international computer Olympiads. Nevertheless, the major horizons to conquer in this sector remain ahead of us and foreign investors are very welcome in this sphere.

Though Mongolia has the inconvenience of being a landlocked country without access to the sea, we are trying to reverse our relative disadvantage into an advantage by forming a bridge, which connects our two neighbours and allows capital and goods to flow more smoothly between them. Therefore, investment into transit transportation services may produce good future returns. One may look into railways, free economic zones located at key points of the railway and freight forwarding opportunities.

Mongolia enjoys a rich endowment of natural resources especially gold, copper, uranium, coal and molybdenum. The ownership and control of energy and mining reserves is a highly sensitive issue in many parts of the world. To what extent are Mongolia's mining and energy assets viewed as a strategic asset?

We have undertaken an intensive and open debate about Mongolia's mineral resources. As I mentioned before the minerals sector should be but the springboard for Mongolia's progress. This sector is understandably of great importance to Mongolia. In order to ensure the faster implementation of the mega projects that have been in the pipeline for quite sometime we deem it is necessary to promote the joint efforts of the public and private sectors. This partnership will be especially useful for initiating the exploitation of the deposits that will contribute to the growth of the economy. In order to facilitate such a partnership the Minerals Law has been amended, which involves the introduction of a new concept regarding the deposits of strategic significance. Put in a simple way the strategic deposits

are those whose operation can contribute to the economy to the value of 5 percent or more of GDP. As one can see any enterprise of such a scale would be viewed as one of strategic significance by any nation.

For us the most important thing is to launch the projects and ensure a fair distribution of the benefits. Therefore, we see that government support may be helpful for the private entities which are lacking the capital and capacities to start these mega projects of national significance.

Multi-party democracy has been in place in Mongolia since 1990. Are you satisfied with the progress of Mongolian democracy and the liberal and open approach which it entails?

The nature of the democracy is that one must never be complacent. We do indeed encourage a liberal and open democracy of which I am content. However, we have not, as yet, built our economic growth on solid ground. In this area there is still room for improvement, for as long as we have not overcome the problems of poverty, unemployment, corruption etc, we cannot be fully satisfied.

What are the key challenges facing Mongolia especially in the economic, social and political arenas?

As I have just mentioned poverty and unemployment are serious socio-economic problems that we need to resolve. Corruption is also a cause for national concern. As the country liberalises in every respect urbanisation and ecological pollution have become a depressing issue. These challenges provide fertile ground for over-politicisation and populism, which are problems in themselves.

For me, as a Head of State, ensuring unity in the resolve to overcome these challenges is an important task. As I serve my nation I am trying to create a common vision for the future for every Mongolian so that we all join our efforts in mitigating the problems in an intelligent and more systematic way and not in a populist and euphoria-driven way.

What is your vision for Mongolia over the coming decade?

I think this issue has been at least partially covered in the answers to your previous questions. The earlier mentioned '*Comprehensive development strategy elaboration process*', that was initiated by me aims to set the vision. In short I would wish to make Mongolia by 2021 a rapidly developing economy dominated by the high-technology processing industries, an economy based on knowledge, as well as a country with well educated people living in a clean environment. We would want to bring the GDP per capita level up to US\$12,000. P