

Home News

NEWS BRIEFS

PETROLEUM companies raised their production dramatically last month. They also raised their prices by Tg 260-320 per liter.

Representatives from the Ministry of Finance believe that the companies may have raised their prices artificially. Currently, the Unfair Competition Regulation Authority is monitoring the activities of petroleum importers, but has yet to any conclusions from its investigation.

The Authority planned to present its findings last Monday, but has had to wait as they have not received accounting documents from some petroleum companies

AMERICA'S embassy in Mongolia announced the US government will add over US\$ 4.5 million to a previously existing economic growth agreement with Mongolia. In a press release last week, the US Embassy reported that funds provided under the agreement now total over US\$ 80 million.

US ambassador Mark Minton, USAID representative Barry Primm and Mongolian Minister of Finance Ch. Ulaan, signed the funding increase. USAID will dispense the funds in order to:

“develop and implement a transparent, market-oriented energy regulatory environment that promotes efficient delivery of energy services to the consumers; improve commercial practices and make the environment for domestic and foreign private investment more attractive; develop policies for foreign trade facilitation and transit; and strengthen and improve financial intermediation. It will also help the GoM build consensus on issues of national significance, through public education and national dialogue.”

THE GERMAN president H. Koehler, Germany's Federal Minister of Economics and Technology Michael Glos, and German business officials, will pay a visit to Mongolia September 4-6.

The business delegation largely represents the German mining sector and together with the two dignitaries, will meet with the Mongolian Minister of Industry and Trade, Kh. Natankuu on September 5.

HEDGE FUND Eurasia Capital Management plans to expand its US\$ 20 million Mongolian-focused fund into a US\$ 100 million enterprise. Alisher Djumanov, a managing partner at the Singapore-based firm, said his company believes high commodity prices will continue to drive economic growth in mineral rich Mongolia.

Mongolia relies heavily on its mining sector which provides around 67 percent of the country's exports. According to Bloomberg news agency, Eurasia's Mongolia Discovery Fund rose 12 percent this year. However, rapid continuing growth may depend on successfully completing decisions on how to develop the mining sector and agreements with mining companies: both of which Mongolia's government has yet to reach.

AUTHORITIES in Khan-Uul district have prevented the sale of fake livestock medicine, said Police Spokesman Lieutenant T.Sainjargal.

A tip from a concerned citizen led the police to a group of men who were altering labels on containers of liquid medicine outside a Bio-Impex Company building. Police are currently working to determine how widespread the false medicine operation extends.

ECONOMICS

Minister: Inflation Won't Slow Growth

By GO. ENKHTOR

This is an interview about Mongolia's present economic situation with N. Battserreg, Vice Minister of Finance.

INFLATION has grown over the last several months. Could you please give some brief information about the Mongolian financial situation?

Inflation is a global issue. V. Putin, Russian Prime Minister, said recently that the Russian Government's first aim is to combat inflation. Inflation is also high in our other neighboring country.

The government's aim of attaining a 10.1 percent rise in economic growth has worked. Our state budget is the same as last year, yet the income from certain taxes has led to the growth in the economy. For example, income tax from customs earned Tg 682 billion. Income from import tax was raised 64 percent compared with the same period last year. Although it was thought a huge amount of income would come with the mining of bigger mineral deposits, just how to start mining and justifying the mining in regards to the environment, is not yet clear.

How was money for the “Mongolian Development Fund” raised?

By last month, Tg 134.9 billion was placed in the “Mongolian Development Fund,” raised by Tg 20.4 billion to last year's budget, according to a report from the State Taxation Office.

The Department of Monitoring for State Income and Cost of the Ministry of Finance planned to add Tg 539 billion to the state budget this year, and by the first seven months, it had added Tg 530 billion.

In general, Mongolia has the capacity to keep economic growth rising.

The price of consumer goods is still increasing dramatically. Why?

Inflation of imported goods is making difficulties. The government should realize the economy is dependant on overseas markets and our next government should work to alleviate our dependence on imports.

The government took no measures to stop the petroleum price rise. In your opinion, what does the next government need to do to reduce the price?

The government took all possible measures to reduce the price of imported petroleum such as approving

subsidies worth Tg 189 billion to importers who stockpile petroleum. Our government should pursue a policy that reduces the nation's dependence while importing petroleum products from many countries, not just one.

Deals that allow the import of crude oil that we can turn into petroleum have already begun with Kazakhstan and a number of Arab nations.

The government should focus on delivering income to people earned from the mining sector in order to reduce the effects of petrol price inflation.

Accepting the international system of delivering mineral resources should be followed no matter how much the system seems to resemble socialist rule. We are studying similar practices in Alaska, the Nordic Foundation and in Arab countries.

What is your opinion regarding mining investors?

Investors are observing political uncertainty. This is not just the mining sector, but many investors from construction, infrastructure and finance sectors.

It is no secret they are waiting for the new government. The unsustainable political and



Photo by T. Chimgee

Finance Deputy Minister N. Battserreg

economic situation is not a good thing.

What about your forecast for the future price of minerals and metals?

I permanently observe international price rises.

Mongolia gains additional money from the increasing price rise of gold and copper on the international market. According to the state budget, the 2008 copper price was brokered at US\$

6,800 per ton, but it was recently priced in August at US\$ 7655 per ton by the London Metal Exchange. Last week, it was at US\$, it was at US\$ 7500-7800 per ton.

OPINION

The Internet potential in rural areas: a question to be answered

By JAVIER DELGADO

THE year 1996 marked a benchmark in Mongolia's history whose outreach is yet to be assessed. The internet was first introduced in Mongolia in 1996. Twelve years later and according to the International Communication Union, Mongolia counts with 11.35 internet users per 100 population (exceeding China's 10.35 but behind Russia's 18.02). Although the internet can be accessed in all aimag centres through internet cafes, Mongol Telecom offices, schools or government institutions, an evident digital divide exists between the rural and urban areas. Mongolia's widely dispersed rural communities are barely profiting from the range of services and benefits offered by the internet.

The tyranny of distance

The United Nations Development Programme (UNDP) defined in 2003 the massive challenge posed by Mongolia's geography by coining the term “the tyranny of distance.” Communications between the herder households and the aimag capitals (where services are provided) are extremely complicated because of the vast distances, the harsh continental climate and the poor condition of the roads. These elements also make the provision of services financially unviable in the countryside. In fact, the government acknowledges these factors as “significant obstacles to nation-building, education and integration into the world economy.”

The internet lays an untested potential to overcome the country's tyranny of distance. For instance, the internet can make health care more accessible. In this regard, the Mongolia National Medical University in Ulaanbaatar has implemented a pioneering

project by establishing distance diagnosis centres in three rural medical centres. As a result, these centres are capable of transmitting patient information for diagnosis and treatment advice.

The crucial role of the state

Mongolian Communications Law is committed to a “delivery of telecommunications, [which are] essential to populations of remote areas.” With this objective and within the framework of e-Government initiatives, a number of Community Information Centers (CICs) were set up in six aimag in 1998. Some of them facilitated internet lessons and training on software for a small fee. These CICs were not run under a sustainable business model and, as a result of high connection cost, only a few centres are currently operational.

The Information and Communications Technology Authority (ICTA) gave in 2005 a boost to the penetration of the internet in rural areas by presenting its e-Government Master Plan. This scheme includes a series of ambitious goals such as improved internet connectivity, IT literacy for all citizens (through education) and affordable internet fees for one togrog at night. The same year, Parliament passed an amendment that meant tax-free imports for computers and their accessories as well as a VAT exemption for software products.

Undoubtedly, a broader PCs supply must be followed by the production of usable information and services accessible on the internet. The content available should be relevant, affordable and timely. Rural dwellers would certainly welcome online information relating to health insurance, social security benefits, weather forecast or crops and cattle prices. Online

public services such as applying for a driver's license, real estate registration systems or access to their bank accounts, would also be of great help to them. In this sense, there are already a number of worthwhile e-services put in place from which residents in rural areas are already benefiting. As an example, the Mongolian Taxation Authority website features the option of downloading all tax forms, previously only accessible at tax agents in printed forms for a fee. The Open Government Website is also worth highlighting. It proposes a forum to discuss government legislation and policies besides making available laws and regulations to the public. In spite of these achievements, O. Odgerel, Director General of the Post Department of the Ministry of Road, Transport and Tourism, in a paper written in 2006, recognises these programs have very little impact on enhancing the citizen's participation in government e-initiatives.

Besides the lack of

infrastructure, the inertia inherited from long decades of a command-administrative system plays a role in this scarce participation, even though low computer literacy and limited Mongolian language material on the internet are largely to blame. Given the limited frequency of postal services (including delivery of newspapers and magazines) and the restricted range of TV and radio broadcasters reaching the countryside, rural inhabitants should be straightforwardly persuaded of the wonders of the internet.

The long way ahead.

Before rural communities are able to fully capitalise on the constructive impacts of the internet, they must first acquire basic ICT skills. Mongolian young human asset (around 50 percent of its population is under 20 years old), along with the country high literacy rate of 97.8 percent, project an optimistic horizon. However, the poor rural IT equipment

sheds doubts on the speed of e-penetration in rural areas. Today there are about the same number of PCs in Ulaanbaatar schools than in all the country's rural schools. While these material and technical barriers will be gradually overcome (including the limited power supply in some soum centers), it is the older generations and the herders who run the irremediable risk of lagging behind. To avoid this, the government, in close cooperation with international institutions and NGOs, must focus part of its initiatives on providing training for the using of computers and software applications for these sections of the population.

On the other hand, the private sector must be seen as a key catalyst to expanding the internet in rural areas. At the moment, it finds almost no incentives to invest in this field. The small market, low computer penetration, high costs for setting up ICT businesses and the lack of online

payments systems are just some of the discouraging factors. According to a study of the American University of Wisconsin-Milwaukee, the internet is still rarely used to sell products produced in the countryside or purchase goods produced in Ulaanbaatar. Reducing the large marginal costs of providing internet connections in remote areas will certainly stimulate the development of internet service supply. It is likely to happen first at the soums that present the best prospects of sustaining commercial internet services once the subsidized driver is gone, as it is the case of the soums having reliable voice service markets.

The government established in 2002 the Communications Regulatory Commission which aims at managing the liberalisation of the ICT sector. It is the way forward to best articulate the internet potential in the Mongolian countryside: a comprehensive range of state policies designed to provide the vital regulatory stimulus to private investment.

Employment Opportunity

Journalist

Urgently requires Mongolian national only

MAJOR DUTIES AND RESPONSIBILITIES

- Write articles on any of the following areas: politics, business, economics, culture, travel and entertainment
- Assist in developing and maintaining close collaboration with information sources
- Assist in editing articles for the English editor by finding necessary information
- Assist in layout pages for design editor by collecting required materials
- Perform other newspaper-related tasks as assigned by the Editor in Chief
- Contribute to the increasing newspaper subscription

- knowledge of word-processing, spreadsheets and graphics software.
- Proficiency in the use of electronic information systems (Internet/Web) as an effective communication tool
- Previous professional work experience in print or interactive media at either national or international level.
- Fluency in English is required
- Ability to work independently

Candidates with professional journalism and translating experiences will be given strong consideration.

If you possess the above qualifications, please submit your letter of interest along with your CV/ Resume, and letter of reference from your previous employer no later than **August 29, 2008** to ubpost@mongolnews.mn

QUALIFICATIONS AND SKILLS

- Professional background and university degree in Journalism and Media
- Good desktop computer skills with sound

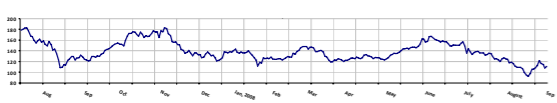


MONGOLIA INTERNATIONAL CAPITAL CORPORATION

MICC Mining Index

As of September 02, 2008, the MICC Mining Index was 110.58, down 1.37 points, or 1.2 percent. In other news, the Bishkek interdistrict court of the Kyrgyz Republic dismissed a lawsuit against its government challenging agreements that gave Centerra Gold Inc. the right to mine and explore the company's Kumtor gold project.

Since last week, gold decreased from USD 821.40 to USD 805.70 per ounce, and copper decreased from USD 7,580 to USD 7,221 per ton.



MICCMI 110.58 ▼ 1.37 1.2%

Stock prices in Canadian Dollars (from previous week)

1CAD= 0.934754 USD
1HKD= 0.128095 USD
1GBX= 0.017853 USD

COMPANY NAME	LAST	% CHANGE
Ivanhoe Mines Ltd	11.41	0.09
Centerra Gold	4.15	0.73
Western Prospector Group Ltd	1.32	0.76
Bayfield Ventures	0.26	18.18
Entree Gold Inc.	2.00	4.17
Erdene Gold Inc	0.78	-2.50
South Gobi Energy Resources	14.11	-4.66
QGXLTD	4.92	0.41
Fortress Minerals	0.96	1.05
East Asia Minerals Corp	0.90	0.00
Red Hill Energy	0.82	2.50
Denison Mines	5.73	-2.72
Solomon Resources	0.13	18.18
Land Drill	0.35	7.69
Mega Uranium	1.48	12.12
Major Drilling Group International Inc	41.34	-1.38
Khan Resources	0.83	7.79
Mongolia Energy Corporation*	6.14	-14.72
Polo Resources**	5.03	-10.66
Petro Matad**	28.00	7.69

* stock price in HKD
** stock price in GBX

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