

COUNTRIES THAT SHOULD BE INCLUDED IN OUR ECONOMIC FORUM AND A PROFITABLE POLICY FOR OUR INTERNATIONAL RELATIONSHIP

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Abstract: *this article is devoted to the analysis of the current economic policy of Mongolia in relation to partnering countries, an alliance which is most beneficial. The changes that have occurred recently between Mongolia and Russia, including the smooth reorientation of Mongolian policy with the aim of attracting a new investor – America is being considered. Also, described are the positive discussions that arose from the Mongol-American cooperation, which the governments of these countries undoubtedly approve.*

Keywords: *partnership, economy, Mongolia.*

ГОСУДАРСТВА, КОТОРЫЕ СТОИТ ВПУСКАТЬ НА СВОЮ ТЕРРИТОРИЮ, ИЛИ ПРАВИЛЬНАЯ ПОЛИТИКА ПАРТНЕРСТВА

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Аннотация: *статья посвящена анализу текущей экономической политики Монголии в отношении стран-партнеров, союз с которыми наиболее выгоден и популярен в текущий период. Рассмотрены изменения, произошедшие в последнее время в рамках монголо-российской политики партнерства, в том числе и плавная ее переориентация с целью привлечения нового и «богатого» инвестора – Америки. Также описаны положительные моменты, возникшие вследствие монголо-американского сотрудничества, которые правительства данных стран, несомненно, одобряют.*

Ключевые слова: *партнерские отношения, экономика, Монголия.*

What do we imagine when anybody is speaking about Mongolia? Basically, most people remember about the famous Genghis Khan, his military success and conflict with Russia. Others turn their minds to the nomadic culture and boundless steppes, but just a few of us understand the real state of affairs. First and foremost, the capital of Mongolia is a big and modernized state center, where the spellbinding beauty of nature plays an important role in the development of the country.

For many years, the trade and economic relations between Russia and Mongolia was ever-developing, because of the territorial position. These countries were tested with historical events and international agreements, which were assumed.

Reputedly, at the present time, a general characteristic of Mongolian-Russian relations excludes controversial issues in the political and economic fields. Therefore, international project developments with the reforming of cultural and social spheres of life have been successful. Doubtless, this fact provides an absolute trusting relationship between partners.

According to some experts, Mongolia and Russia have a large, agreeable and legal basis already. But, countries don't take advantage of it, as during the Soviet time period, that makes the connection weaker. The underlying reason for this situation is an implemented policy from Mongolia, which "scattered" it in many different directions, to countries such as China, the United States, Japan, etc. The decrease of influence by the Russian Federation is both a logical and predictable event, but attempts are being undertaken to restore the former position.

One must admit that Russia is still a profitable "neighbor", because more that 90% of Mongolian oil products, stored up for export, were bought by Russia. At the same time, Mongolia gets a lot of electric power to its border regions, engineering and machine-building products and foodstuffs. After the recent visa policy was canceled, the number of round trips increased twice as much as before and reached 400,000 a year. It must be pointed out that Mongolian people cross the border to visit Russian shopping centers, malls and grocery stores on a regular basis. Not surprising, that, over time, goods and services from Russia could be found everywhere and at low prices in the Ulaanbaatar (UB). Because of the grocery "boom", on February 10, 2017 a hypermarket

called “Absolute”, which sells Russian products, was opened. This made shopping far more convenient for Mongolians [3].

Another good thing about it is that free intercountry travel and devaluation of the ruble’s rate gave a push to increase tourist flow, which brought lots of benefit in all areas of activity. For example, Buryatia has a similar language and mindset as UB. In turn, the Russian language has spread between Mongolia populations. Consequently, tourists can talk to each other without translators. Tourism has many advantages. But we must not forget that it isn’t a priority. Other industries in the economy are having some problems.

We can’t ignore the fact that Russia stands behind almost all foreign countries, because its investment amounts are low, which adversely affect the partnership. Another step toward capital reduction in Russia was the sale of shares of some companies. “Rustekh” corporation sold company shares of “Gok-Erdenet” and “MongolRusMetal” to Mongolia. These companies are working in the mining industry and have had a high rating, thus taking an important place in the economy.

The official reason why Russia sold stocks was to make federal budget cuts. Because of this, we withdrew cash from businesses, which were not a priority for the country. The government of Moscow decided that world prices for non-ferrous metals and copper were low, which drew a question about whether the share ownership was unprofitable.

Totals of the above decisions were an attenuation of Russian influence on the Mongolian economy. The Russian Federation blocked 50% of shares just in the railway sphere, but there we have problems pertaining to maintenance. Initially, railway stocks were issued by Soviet manufacturing. Therefore, Russia prioritized the updating of its equipment. Suddenly a competitor country arose – China. Lately, only China supply railway machinery was sold to Mongolia. The quality of the supplies no one can estimate. But the price is going down. The budget in Mongolia is not large. China has been given credit by Mongolia, while they purchase products. This state of affairs is a perfect solution for both countries [1].

Another reason why investments from Russia are leaving Mongolia is that companies, which pretend to be Mongolian industrial enterprises, don’t have a lot of protection for their deposits. Moreover, after material resources were received on the Mongolian side, they could transfer property rights and mineral deposits to other partners over time and without backlash. These actions now create controversy and disputes between foreign investors.

Mongolia pursues a policy to attract capital from abroad, because the country has about 15 large and strategically important fields, which the government of Mongolia must provide with significant, material assistance. The problem was solved by the USA. America gives some credits, preferential treatment and financially profitable projects for the long term. During 30 years of cooperation, the International development agency of the USA helped Mongolia and gave \$240,000,000. This amount was spent to increase the growth rate of the economy and to reduce the poverty level [2].

The public generally tends to believe that official documents represent the amount of money which America sends to Mongolia, is less than accurate, because of offshore accounts. Official sites state that the volume of American assistance is fluctuating within the normal limits of a half billion dollars. The main subject there is the Millennium Challenge Fund, which works with the government of Mongolia without intermediaries. A lot of companies in the USA invests in mining and franchises like KFC, PizzaHut, etc. [4].

Secretary of state, John Kerry clearly addressed American’s position toward Mongolia and declared that this country plays one of the leading roles in their strategic planning regarding Anti-Russian policy. We can’t ignore the fact that Russia and China are modernizing without direct intervention from America. Mongolia might turn into a “stronghold”, through which an influence on economic processes would become possible. J.Kerry also mentioned that America wants to have the relationship as “third good friend” after Russia and China, while Mongolia will be the oasis of democracy amongst them. Steps to strengthen economic ties were taken in 2016, when an American delegation visited UB to improve the commercial relationship between the countries. The main part of the conversation was enactment of a Transparency Agreement (TA). Their second priority was to update their investment activities and support in the productivity of the “Oyu Tolgoi” center.

A necessary condition for decision-making about TA was the systematization of laws and reduction in the agreed upon investment and legal system. The result of the meeting in 2016 was the signing of an agreement about TA on January 19, 2017, which improves international trade and investment flow. The document includes bilateral obligations pertaining to the translation of publications, laws and acts into the English language. This presents an opportunity for participants in the economic processes to have a predictability and create a more favorable condition for business [1].

The Mongolian side is approving “steps” toward this in order to clear the way for expansion in their sphere of influence. America and Mongolia are planning to put into operation a process of double taxation for companies and production.

For the past three to four years there has been an economic “war” between Russia and America for Mongolian attention and strategic reorientation. Unofficially, UB has an uneasy choice to make about improving its relations with Russia, because it is important, or refocus its outlook by considering American’s opinion. In

conclusion, it's safe to say, that to forecast further outcomes is complicated, due to the need of maintaining balance between partners.

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