

New Era in Asian Economic Relationship: Mongolian-Korean Co-operation

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The present decade marks the beginning of the new era in the world political and economic relations and the progressive changes are emerging in the regional development trend, economic growth and cooperation among the Asian nations. The united European become real beginning from 1992 with common currency and free movement of the capital, goods, labor and technology.

The slow process of similar integration in Asia in comparison with the European one is challenging the Asian scholars to make the due conclusion. The Mongolian scholars enthusiastically welcome the endeavors of their Asian colleagues aided at the regional consolidation and are willing to take the most active participation in this process.

On the other hand, the rich experiences accumulated in the regional cooperation also should be emphasized. The successful cooperation in the framework of ASEAN in the South-East Asia and SAARK

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in South Asia could be good examples of the Asian cooperation.

At the same time, the research works, even negotiations and management of the cooperation in the North-East Asia require a proper attention and faster progress.

There are the great possibilities to achieve significant successes concerning the economic cooperation in this region. Namely, being one of the world economic superpowers and leaders in modern technology and know-how, important role of Japan as a regional nation in assisting economic development of the region should be emphasized.

Also highly developed Asian economies such as Republic of Korea, Taiwan, Hong Kong, Singapore together with ASEAN countries which have been witnessed a good economic performance and growth are becoming the basis for an accelerated economic development of the Asia and the Pacific.

The presence of USA and their economic policy toward Asia still have a vital significance for the regional economy providing the stability.

The huge natural resources of the region combined with the modern technological "superiority" for their exploitation open even greater possibilities in the North-East Asia. The region possesses every component needed for the further prosperity.

The policy of the Mongolian Government toward the North-Asia has changed positively in sense of the regional economic cooperation for the last few years. It is fully committed to and interested in development of the economic cooperation for the benefits of the participating parties.

The attitude of the Mongolian Government is motivated by the economic possibilities derived from the implementation of the joint projects, cooperation and transfer of technology among the regional economies.

***PRESENT SITUATION AND FUTURE EXPECTATIONS
OF THE MONGOLIAN AND KOREAN COOPERATION
AND ITS SPECIALTIES***

The bilateral Agreement on the economic, scientific and technical cooperation between Mongolia and the Republic of Korea concluded on March 28, 1991 has a great importance not only for bilateral economic cooperation but also its own contribution to the regional integration process of Asia which is predicted to be the heart of the world development in the next century.

This Agreement covers a vast area of the bilateral cooperation including the further development of economic and scientific cooperation between two countries, elaboration of the research projects and programs, mutual encouragement of trade, and investment. It also considers important practical issues such as the joint research, exploitation and processing of the natural resources.

Undoubtedly, the cooperation based on such Agreement will help Mongolia to overcome the economic difficulties of the present transition from the centrally planned economy to market system.

Therefore, the cooperation and relationship between the economic and scientific organizations, companies and also between the

individuals from both nations have been broadened since the establishment of the formal relationship.

The expanded cooperation between the two countries is enthusiastically supported by the peoples of both Mongolia and Korea.

Despite the initial stage of the Mongolian and Korean cooperation which began to develop not so long ago, a lot of work has been done with joint efforts.

Futhermore, implementation of a number of projects which have been undertaken highlight the development of cooperation between the two countries.

The Republic of Korea rendered to Mongolia a US\$ 14mln loan as an assistance and at the governmental level both sides are discussing several projects financed by this loan.

In 1991, the Government of Mongolia approved the contract between Mongolian Manufacturing and Service Cooperatives Association and Korean company "Urica Gar Grading" on the establishment of the Mongolian-Korean joint enterprise "Altai". The Mongolian side contributed US\$ 990,000 assets in form of land, warehouse and other facilities and Korean partner has US\$ 990,000 shares in the above enterprise and "Altai" was registered in Ulaanbaatar.¹⁾

In 1992, the Government of Mongolia favored the proposal by the company "Construction Material" Concern on the establishment of glass production plant with cooperation of Korean Daewoo. This

1) "Ardyn Erkh" Newspaper. July 15, 1991

project is expected to be implemented under the soft loan scheme from Korea and will have capacity of 1.5 mln square meters of the glass products. Also in order to improve the project efficiency, 380,000 square meters glass cube and 130,000 square meters mirror glass will be produced at the same plant.²⁾

The Korean side will participate together with company from People's Republic of China in the construction of the power generating plant in the Salanzadgad city - the Center of the southernmost province of Mongolia. A Korean company was invited following the provision of the Agreement on the cooperation in the energy sector. The total investment of the project is Tg 20 mln and with the completion of the construction the power supply of the city is expected to increase three times.³⁾

The most active Korean company in Mongolia is Daewoo. It is engaged in the projects and investment studies concerning knitting, glass production domestic appliances production sectors. The team of "Daewoo" personnel has visited Mongolia several times and performed good job.

Mongolian company "O' Key" registered in Ulaanbaatar and "Daewoo" are jointly implementing project on the deep processing of wild animal fur and introducing a new technology of fur processing.

The Mongolian "Erdenet" and Korean "Samsung" established a joint company "Erdsam". "Erdsam" began its operation with export of the copper concentrate of "Erdenet" concern and import of "Samsung" electronics to Mongolia. The "Samsung" has a broad

2) "Ardyn Erkh" Newspaper. July 15, 1992.

3) "Ardyn Etkh" Newspaper. July 25, 1992.

interest in Mongolia. Its research workers conducted the field and feasibility studies on Tumurtiin Ovoo's lead deposit of Sukhbaatar aimag (province) and Ulaan's rare metal deposit of Dornod aimag. At present, TV set under brand name "Erdenet" is produced equipped with the Samsung components.

An agreement to produce garment component has been made between the Mongolian "Burte" company which is dominant in the national garment sector and Korean company "Oriental". The project aims at the production of 140 mln units of garment component such as button and other clothing components.

Many excellent examples can be taken to demonstrate the close partnership between Mongolian and Korean companies.

The Boeing 727 jet donated by Korea in 1992 improved significantly the airtransportation service of Mongolia. The further purchase of two more Boeing 727 jets made possible to broaden the international flights of the national air carrier.

The procurement of the Mongolian products by the Korean buyers is easing the difficult situation of marketing for the national companies. Recently Korean buyer has purchased 2000 tons of steel from the Darhan steel mill. Other Mongolian companies are promoting their products for the Korean market which is considered to be important for the national economic development.

Nowadays Mongolian and Korean partners are working together in many sectors of both production and service including mining, light industry, energy production, transportation and services.

There are bright possibilities in the future to develop the bilateral economic cooperation further.

- Processing of animal raw materials such as skin, hide, wool and cashmere,
- transfer modern technology,
- exploitation of the mineral resources,
- reconstruction of existing Mongolian enterprises,
- development of modern information network,
- training of Mongolian labor and
- improvement of the infrastructure

should be targeted for the further cooperation.

The successful development of the economic cooperation with Asian countries could have better substitution for the trade and investment from Europe and North America reducing high cost of communication and transportation and saving time and means.

The Asian problems are better resolved by Asian themselves for their own benefit. The geographical location and closeness in tradition, culture, life style and even languages constitute a strong background for the future regional cooperation.

More favorable conditions could be created for the comprehensive Mongolian and Korean cooperation based on the principles of the mutual benefit.

They are:

1. Historical findings testify that the Mongolian and Korean peoples had very successful cooperation since an ancient century. Around 13th century Koreans visited Mongolia to learn architecture, medicine and to teach Mongols the craft. In their turn, Mongols transferred to Koreans horses and other livestock and skill of animal breeding.

2. Many scholars share the concept that the partnership between developed and developing nations is "appropriate" and results in good outcomes. At the same time the cooperation between two nations of the same level of the economic development suffers from the limited possibilities for the transfer of investment, technology and qualified labor force.

According to this concept, the partnership between two countries based on the industrial power and high technology of Korea and natural and other resources of Mongolia can produce highly qualified products for the consumption of both internal markets and the markets of the third countries.

3. Mongolia is able to supply abundant raw materials for the Korean industry. It is obvious that the high transportation cost of the imported raw materials for the Korean electronic, chemical, oil refinery, energy and construction industry is negatively reflected on the competitiveness of their products.

Given the rich raw materials' resources and other advantages existing in Mongolia could provide excellent conditions for the economic cooperation in the context of the North-Asian integration.

The brief description on the geographical survey of Mongolia for the last 20 years demonstrate the great potential of the country posed for the strong economic development.

At present, 500 occurrences of the 30 minerals such as coal, copper, zinc, wolfram, iron ore, fluor spar, phosphate, gold, silver and precious stones. Also the territory of Mongolia is rich in the raw materials for the construction industry.

Mongolia is considered to have a fair reserve of petroleum. There

are about 160 deposits of coal with various degree of quality out of which only 20 are under commercial exploitation. The fuel raw material reserve of Mongolia includes 30 deposits of torph.

There are 120 proven deposits of the iron ore in the territory of Mongolia. The huge copper deposits have been discovered at Erdenetiin Ovoo, Tsagaan Suvraga, Aryn Nuur and Delgerhet and the Erdenetiin Ovoo deposit is one of the world leading 10 copper reserves.

The many deposits of the rare metals are well posed for the industrial exploitation. Almost in every part of Mongolia have been discovered the gold bearing zones. The rich deposits of the fluor spar are concentrated in the South-East region of the country.

Mongolia has about 400 sources of mineral and spring water containing very rare elements such as cadmium, calcium, magnesium, iron, nitrogen, hydrogen, oxygen and also uranium, radium, rhodium, bromine, vanadium etc.,.

Mongols conduct the semi-nomadic animal husbandry producing meats, milk, skin, wool and cashmere of high ecological quality. Mongolia uses only 70 per cent of its territory for the pasture of 56.3 mln heads of animals (all livestock number is converted to the sheep size).

Due to or thanks to continental climate, vegetable cover of the territory is frequently changed giving the virgin quality to the flora of the country. It is the source for the development of "green" production.

4. The establishment of the special economic zones in the Eastern Mongolia in the framework of the North-East Asian economic

integration also be considered as an option of the Mongolian and Korean cooperation.

The transportation links connecting the Eastern Mongolia with nearest sea port through the Chinese territory may be constructed within a big project on the area of open economies covering Eastern Mongolia, Russian Far East, Northern China, Korea and Japan.

There is a real chance to start this project.

Mongolian and Korean trade and economic cooperation will benefit from the implementation of such projects. Therefore all our endeavors and also the Government policy of the respective countries should be focused on the development of the regional cooperation.