

Keynote Address by J. Gregory Goldhawk, Ambassador of Canada
14th Annual NAMBC Investors Conference
Ulaanbaatar
October 5, 2012

Good day, and thank you for that introduction.

As mentioned, I've been here as Canada's Ambassador for almost exactly a year. As I've cautioned this Conference's organizers, that makes me a dangerous choice as a keynote speaker. That said, I have been here a year, and with the help of many including my good friend and colleague Jonathan Addleton of the US Embassy, I have been able for the most part to find my feet and get some sense of how this fascinating place, Mongolia, works.

And what a year it's been. I cannot tell you how lucky I feel to be Canada's Ambassador at this point in the recent history of this dynamic, evolving, and complex country, Mongolia. As one index of the pace of change here, you can go to the top floor of Central Tower on Sukhbaatar Square, into which the Embassy moved as its new "permanent" home in January of this year. From that top floor, you can get a panoramic view of a significant arc of this city and what immediately strikes you are the number of construction cranes – marching in serried ranks into the distance and at every point of the compass. Clearly the face of Ulaanbaatar, and Mongolia, is changing.

As another, and possibly less happy index, we might consider traffic. Arriving here from Bangkok, I expected Ulaanbaatar would be a "20 minute town", that is to say, I would be able to get anywhere in about 20 minutes. Wow, was I wrong. It's genuinely astonishing to me that at the intersection near my home, traffic jams that seem to stretch a half-kilometer in all four direction are rather

more the norm now than not. Whether this is good news or bad news, I'll let you decide, but it is certainly a sign that things are changing.

And things are changing – and here I will with confidence say “on the move” in terms the North America – Mongolia relationship and the work of your two Embassies here. A good friend of mine – an expatriate Canadian who lives and works in Bangkok – once told me that for he and many other Canadians abroad, an Embassy was defined as a “help desk behind glass”. What he meant by that of course is for most people, their only interaction with an Embassy is when they need assistance in the replacement of a passport or some similar purpose, at which point they find themselves talking to a hopefully helpful person, but a person who's conducting that dialogue from behind 3 layers of bullet-resistant glass. I laughed at the time, but his comment also caused me to reflect on the fact that for most people, an Embassy is a relatively “arms-length” or “opaque” organization.

The reality of course is that any worthwhile relationship between people or countries, like any good piece of cloth, has many threads which give it its look, feel and strength. Part of my job, is to weave those threads into a harmonious and useful balance. And I'm sure the same is true for most of you as well; while you are in charge of businesses whose principal purpose is to make profits, to obtain that outcome you have to balance not just the “numbers”, but also a range of other factors such as labour relations, environmental management, public outreach, advocacy on regulatory and legal matters – among many others.

The good news is that the “richness” – the number, vibrancy and durability of the threads in the fabric -- of the relationship with Mongolia is growing. It is not, if it ever was, a monochromatic focus on commerce but many other aspects

as well. In part, this is a reflection of the evolving capacity of Mongolia to be engaged in the world, and with what it calls its “Third Neighbours”. It also reflects, I hope, improved Canadian and US understanding of the opportunities and challenges of this special place, Mongolia, plus our willingness and capacity to respond to those opportunities and challenges.

So let me take a few minutes, if I may, to outline some of the areas where we’re engaged with Mongolia, and some of the progress that’s been made in the last year, from the perspective of both Embassies.

As I’ve mentioned, **commerce** is not the only component of the relationship but it certainly remains the leading one in Canada’s case – and of course keying on the “BC” in NAMBC, business is the reason which brings us together today and for that reason alone I suppose commerce deserves pride of place in this speech. And I’m happy to say that the commercial relationship is growing. Year-over-year, Canadian exports to Mongolia have increased by 500%, and those of the US essentially tripled to more than \$115 million. In the first six months of this year alone, exports have jumped a further 400% for Canada and 60% for the US. It is useful to note that Mongolian exports to Canada and the US have risen as well over the last year.

The other element of the commercial relationship is of course investment, and I’m pleased to say that that is growing as well. It seems that hardly a week goes by at our Embassy where we are not contacted by or learn of some Canadian company that has established or is doing due diligence against the establishment of an operation here.

These trade and investment statistics are hugely impressive, and I want to take a moment to salute the work of NAMBC and others as advocates for the expansion of this commercial relationship. At the same time, I’d like to urge you to more effort, as nothing I can think of is more likely to cement the futures –

and future cooperation – of our three countries more than commerce, especially in an era of global economic uncertainty.

The second thread of this evolving relationship involves Canadian and US support for the strengthening of **democratic practice and good governance** in Mongolia. In the last year, for example, Canada and the US have seen visits by Parliamentary delegations here as part of the Asia-Pacific Parliamentary Forum, and in Canada's case at least we have supported training in Canada of Mongol officials involved in the administrative and committee management of the State Great Hural. Both Canada and the US are supporting Mongolia's chairmanship of an entity called the Community of Democracies, in Canada's case through its leadership of the Community's Working Group on Civil Society. Finally Canada is providing support to the reform of Mongolia's civil service structure and practice through Canada's Public Service Commission, and in areas of direct interest to many of you here.

Thirdly, I would like to mention **development assistance**. In this area at least the US has weighed larger, longer – and more directly -- than Canada. The vast bulk of Canada's development assistance support here has been channeled through multilateral mechanisms, such as the World Bank or Asian Development Bank, although I believe we have made important if smaller contributions through two other, smaller programs. The first of these is the "Partnerships with Canadians" initiative, in which we financially support activities by Canadian NGOs in projects here. Among the projects supported have been ones in the agricultural and financial services sectors, among others. The second initiative is called the "Canada Fund" which is designed to support community-oriented projects too small for the notice of larger aid programs. This Fund has since its inception in 1997 supported over 330 small – in the range of \$20-40,000 -- projects here in Mongolia, in the refurbishment of primary schools, medical clinics, job training centres and other areas.

The fourth thread about which I would like to speak is that of **peace and security relations with Mongolia**. I believe that the US and Canadian governments would be in agreement that Mongolia has contributed “above its weight” as the saying goes, as a partner in the promotion of security, both in its region and in the larger world. Mongolia has been a support to both Canada and the US in Afghanistan, and a significant contributor to international peacekeeping elsewhere in the world. These security liaisons are growing. I was surprised to learn when I first arrived, for example, that Mongolia is the fifth largest recipient of Canadian officer training support globally, with anywhere from 20-30 Mongolian participants at Canadian military colleges at any one time. And in 2011, Canada supplied a medical team to Mongolia’s annual Khaan Quest military exercise, a contribution which I hope we will repeat and expand next year.

Finally – and not least – I have to mention our **growing people-to-people contacts**. At its foundations, the growth in our two countries’ relationship with Mongolia rests on expanded contacts at all levels – students, tourists, business persons, temporary workers, artists and more. Again, the size and duration of the US’ presence here means that the US’ density of people-to-people contacts is larger than that for Canada, by some orders of magnitude. Nevertheless, in the past year Canada has made some important advances in building those people-to-people contacts. Since April of this year, Canada has had in place a “Visa Application Centre” or “VAC” in downtown Ulaanbaatar – a place where Mongolian applicants can go and deposit their visa materials, be served in their own language and have those materials pre-processed. The VAC has made the process cheaper, more convenient, and faster – most applicants receive a response in 10 days.

These five themes – commerce, governance, development assistance, security and people-to-people contacts – form the core of what Canada has tried to achieve in the past year. It is noteworthy, I think, that these themes about which I've spoken do not differ in any material way from those suggested by Ambassador Addleton in his remarks last year at this time, and should stand as proof I think that Canada and the US share not only interests, but a set of values that frame what those interests should be and how we will approach them. NAMBC members should feel assured that they have not one but two Embassy partners here, each one with a good grip on one handle of the wheelbarrow, so to speak. We should all be very pleased, I think, in terms of the overall progress we have made, in a Mongolia which has been evolving and growing at a faster and faster pace over the past year.

As bullish as I am on Mongolia, I have however wondered at times if the “buzz” about Mongolia doesn't deserve to be tempered by a disinterested assessment of the challenges also facing this country, and the challenges facing any company wanting to do business here.

When I talk to expert observers of Mongolia, I am struck by two equally dominant themes in their considerations about this place. The first theme is how far the country has come in the last 20 years – from an authoritarian polity to a society based on a market economy and with many of the hallmarks of a functioning, pluralistic democracy-- multi-party elections, a robust and growing civil society and an active, if not-terribly-professional-by-times media community. Marry this remarkable record of institution-building success to the genuine economic prospects for this country and it is entirely possible to understand the superlatives spilling from peoples' mouths about Mongolia and its future prospects.

The second theme of course is that Mongolia is confronted at this moment in its recent history by some equally significant challenges – challenges about which it will need to make sober-minded choices, and many of those soon.

Those choices revolve around what I will generically call “infrastructure”. The first is the “hard” infrastructure of roads, railroads, power plants and the other kit necessary for Mongolia to realize the full potential of its looming economic transformation. The second is the “soft” infrastructure of good governance and social development. By these two latter terms I mean, among other things, transparency and inclusiveness in rule-making, regulatory interpretation and enforcement; efficiency and effectiveness of the bureaucratic apparatus; strengthened parliamentary capacity particularly as this relates to fiscal management; and last but not least an education system which is responsive to the needs of Mongolia’s evolving circumstances.

I am under no illusions that either of these challenges will be easily or quickly solved. But I do believe that the first challenge – the “hard” infrastructure one, might actually be the easier because seen from a certain perspective all it will take is money. And the money will assuredly come. The second one – the “soft” infrastructure challenge – could be the more difficult one because it will to some degree need to happen almost, if you will, “in spite of” the money, as part of an institutional, culture change in basic governance.

Why is governance important? It’s important quite simply because businesses which operate at an international level – the ones who conduct themselves at a “best practices” level in terms of technology transfer, employee development, environmental management, good accounting practice, adherence to local law and overall high standards of social responsibility – can’t work without it.

Mongolia won’t attract new, high-quality investor companies if the ones it has don’t feel that they have a stable environment in which to conduct their

operations – if they feel that they have to conduct a rearguard defence every day to understand and react to the latest regulatory gyration or Parliamentary pronouncement.

Lack of good governance has the potential to hobble to growth of the relationship. It hobbles because often what should be the relatively straightforward application of law or regulation becomes “politicized” – skewed to suit the needs of the few, or the moment, without regard to impartiality or the longer-term needs of the economy and society. It hobbles because even when there is an impulse toward the impartial application of law or regulation, that law or regulation – or the administrative apparatus designed to deliver it -- is outmoded and does not serve the needs of Mongolia’s evolving economy. It hobbles because the legal infrastructure of the country may not be capable of adjudicating in a timely and fair way the increasingly technical disputes that are emerging in this more complex economy and society.

It is for these reasons that Canada is pressing for the conclusion of negotiations to a Foreign Investment Protection and Promotion Agreement, or “FIPA” with Mongolia – an agreement which would provide for greater stability and predictability in the business environment for Canadian firms, one in which they can grow their businesses, to the benefit of the Mongolian economy. It is our stated hope that a FIPA would be a precursor to an eventual Free Trade Agreement with Mongolia. I suspect that my American friends are pursuing what they call a “Transparency Agreement” with much the same hope and intention – to create an environment for business beneficial to American firms, yes, but ultimately better for Mongolia as well.

What gives me hope about Mongolia is that this place has unique strengths, I think, that can and should ultimately allow it to make different, more sensible choices about the kind of economy and society it wants to become. I take hope

first of all from the fact that in my conversations with senior officials in various quarters here, my concerns about the state of Mongolia's governance infrastructure are generally shared. There is a recognition that rules which are designed, administered or adjudicated to the benefit of what I've called "for the few and for the moment" is corrosive to economic efficiency and corrosive to democracy generally.

The coming year, 2012, will undoubtedly bring fresh challenges, not least of these Parliamentary elections which I think we can expect, from the polling I've seen, will be hotly contested. In an economy that is evolving as rapidly as that of Mongolia, there will always be worries on the part of many citizens regarding their future. "What will be my place in this new economy? Will I be left behind?" are just some of the questions. In the midst of a tight election, it is possible that some will seek to play on these economic anxieties to negatively highlight the role of foreign investors in Mongolia. I hope – hope -- that this will not be the case, and that all involved will take the high road – the high road being that foreign investment – particularly from Canada and the US -- is not only good but essential for Mongolia's future.

Other challenges will of course emerge, many that none of us can foresee now. What we can say with certainty is that Mongolia is on a path to change. That change will not always be quick or simple. There will be many bumps along the road – a phenomenon with which we are all literally and figuratively familiar, I'm sure. For my part, I do not believe that there is any "going back" for Mongolia. As responsible companies, as fervent friends of Mongolia, we here in this room today are in the enviable position of being active participants in the emergence of that new Mongolia – one that I have every expectation will be "the" success story in Asia in the coming decade. I invite all of you here to be partners, with your Embassies, and with Mongolia, in making that story a reality.