

FOI 0909/15: Diptels from Mongolia

Dear Sir/Madam,

I'd like to request the following diptels sent by the UK embassy in Mongolia be released by the Foreign Office Pacific Department:

30/06/2015 PM Saikhanbileg's UK Visit: "Mongolia Open For Business".

19/05/2015 Oyu Tolgoi phase two finally on the move again

07/04/2015 Title unknown

30/03/2015 Title unknown

26/02/2015 Mongolia: To invest or not to invest?

05/11/2014 Title unknown

29/05/2014 Mr Swire's Visit to Mongolia, 20-22 May 2014

19/05/2014 Scen setter: Mr Swire's visit to Mongolia: 20-22 May

30/06/2015

PM SAIKHANBILEG'S UK VISIT: 'MONGOLIA OPEN FOR BUSINESS' [DIPTel 1504350]

Diptel ULAANBAATAR

Foreign & Commonwealth Office Diplomatic Telegram

Summary

PM Saikhanbileg's 30 June - 3 July UK visit, part of his global 'Mongolia Open for Business' tour [Redacted]

1. Mongolian Prime Minister Chimediiin Saikhanbileg will visit the UK from 30 June – 3 July as part of his global 'Mongolia Open for Business' tour. Following on from a successful visit to Washington last week, Saikhanbileg heads a [Redacted]delegation that includes the Minister for Mining, Ulaanbaatar's [Redacted] Mayor, and Governor of the Central Bank.
2. UK objectives for the visit include: offering public endorsement to Saikhanbileg's positive approach to international investment; underlining the need for further meaningful improvement to Mongolia's investment climate[Redacted].
3. In addition to your meeting with Saikhanbileg at No 10, during which the Prime Minister aims to drop in, the visit includes a dinner [Redacted] – investment events at the London Stock Exchange and Asia House, tea at the House of Commons hosted by Andrew Rosindell MP, and an inter-Army polo match [Redacted].

BACKGROUND

4. Saikhanbileg [Redacted] came to power in December, after the previous government collapsed. Assembling an all-party 'unity government' he has sought to build cross-party consensus for his economic objectives; increasing FDI and unblocking political deadlock over Mongolia's two key mega-projects – Oyu Tolgoi (OT) and Tavan Tolgoi Coal Mine – have been central to these.
- 5 [Redacted].
6. The [Redacted] Mongolian currency was, briefly, the best performing globally. And there are wider signs of increasing investor confidence: a recent government backed \$500m bond-issue, the first dollar offering in three years, received an order book in excess of \$2.3bn.
7. Construction on OT phase II is, however, not due to start until early 2016 and production, not until around 2020. [Redacted] .Ratings agencies maintain a cautious approach to Mongolia – e.g. Moody's B2 (negative outlook) – reflecting a considerable rise in debt and debt-payment burdens and increased dependence on volatile mining revenues in a narrowly diversified economy.
8. [Redacted]
9. There are, however, some positive signals. Last week, Saikhanbileg announced the \$100m arbitration award granted to Canadian-listed Khan Resources would be paid [Redacted]. And, in global terms, Mongolia's rankings – 72/189 for ease of doing business (8th in Asia), 80/175 for TI's corruption perception index – place it well ahead of many emerging economies.
- 10 [Redacted]
11. [Redacted]
12. Your meeting with Saikhanbileg on Wednesday will provide an excellent opportunity to raise these and wider bilateral issues [Redacted]. Meetings with Minister Swire and Lord Maude will enable HMG to underline further the need for serious reform, if Mongolia is to fulfil its extraordinary potential: which, on paper, could see it become the world's richest country per capita.

CATHERINE ARNOLD

Authorised

Catherine Arnold | HMA | [Redacted]

Contact

Catherine Arnold | HMA | [Redacted]

Action

19/05/2015

Diptel ULAANBAATAR

Foreign & Commonwealth Office Diplomatic Telegram

Summary

Government of Mongolia and Rio Tinto finally sign Underground Development Plan for Oyu Tolgoi. [Redacted] PM Saikhanbileg will look to build on this by seeking further foreign investment, including through a visit to London in June. But Mongolia still has barriers to investment to address and populist opposition to FDI remains.

Detail

1 Oyu Tolgoi is one of the world's largest copper/gold reserves. It is jointly owned by the Government of Mongolia (34%) and Turquoise Hill Resources (66%, of which Rio Tinto owns 51%). Since 2010, Rio Tinto has been the manager of the project. By the time it reaches full production, the IMF estimates that it will generate up to a third of Mongolia's GDP. First exports of copper concentrate from the opencast mine began in July 2013 and over 1m tonnes have now been shipped. But it is estimated that 80% of the value of the mine is underground and work on that aspect of the project was paused in August 2013 following disputes between Rio Tinto and the Government of Mongolia.

2 In Dubai last night, Rio Tinto announced that it had signed an Underground Development Plan for Oyu Tolgoi with the Government of Mongolia. [Redacted]. Its conclusion means that work to finalise the project finance and the various regulatory hurdles can now proceed. This work will proceed as quickly as possible, but we will not see construction re-start overnight, and it will be 5-7 years before the underground mine comes on line.

3 Why now? The pace of negotiations increased significantly in recent weeks (see diptel 1502234), [Redacted].

4 While the agreement is significant in itself (representing some \$4bn of further investment), it is also hugely important to the Mongolian economy as a whole. Having seen growth rates of some 17% three years ago, this year growth forecasts are closer to 3% and the IMF Article IV report in March set out the breadth of economic challenges Mongolia faces. Resumption of work on Oyu Tolgoi underground mine will see extensive supply chain activity, but also is expected to give a boost to investor confidence more broadly and act as a catalyst. In this context it will be vital to ensure UK companies are aware of the new opportunities. Oyu Tolgoi agreed to join a UKTI webinar with me recently in which their Head of Procurement took part [Redacted].

5 [Redacted]

Comment

6 [Redacted] Initial reactions have been generally positive, but there is some opposition to the deal – evident in social media today and including one popular MP calling for legal action against Rio Tinto. [Redacted].

7 But the deal represents a real opportunity for Mongolia which we should welcome. [Redacted]

CATHERINE ARNOLD

Authorised

Catherine Arnold | HMA | [Redacted]

Contact

Catherine Arnold | HMA | [Redacted]

Action

07/04/15

[Redacted] [DIPTTEL 1502390]

Diptel ULAANBAATAR

Foreign & Commonwealth Office Diplomatic Telegram

Summary

Mongolian Economic Forum, straplined “Building Credibility” [Redacted]

Detail

1 2/3 April saw the Mongolian Economic Forum in Ulaanbaatar with an all star cast from Government, Parliament, business, and civil society. The organisers used the strapline “Building Credibility” for the event.

2 Opening the Forum, PM Saikhanbileg set the tone by laying bare the economic “crisis” for which he said “we (Mongolians) are most guilty”. He highlighted damaging legislation, carefree borrowing, and a legal system which had resulted in the label “Hotel Mongolia” (reference, in an Eagles-loving country, to the number of foreigners with travel bans). Saikhanbileg said that, as a result, trust with business was missing. Having given the warts and all description, he then set out his [Redacted] solutions, telling people not to exaggerate the problems and flagging attraction of FDI as his first priority - on which front he felt good progress was being made (referring to Oyu Tolgoi/Rio Tinto – see diptel 1502234).

3 Having set the tone, other speakers joined in - from the current Finance Minister flagging the likely need for further budget amendment this year, to a former Finance Minister flagging that Mongolia won't be able to pay its loan repayments in 2017, to a former President saying that credibility had gone and there was no trust between parliament and government, to the current State Secretary for Justice saying the justice system was not up to international standards.

4 When President Elbegdorj rose to speak on day 2, he added more warts to the picture – “crisis”, “corruption”, “too many Mongolians don’t have Mongolia’s interests at heart”. [Redacted].

5 Forum over, the stage moved. On Sunday evening, PM Saikhanbileg spoke to the nation on TV. [Redacted] he looked to the future - suggesting that agreement on Oyu Tolgoi/Rio Tinto was now down to finalizing “internal procedural matters” and that “its outcome would be officially announced in the near future”; that talks on Tavan Tolgoi (Chinese led coal mega project) had “entered into their final stage”; and that decisions had been made on other major power projects. [Redacted] Saikhanbileg even added a promise that “I will organise a concert involving popular artists in the world (in July) ... the custom of world stars visiting Mongolia annually will begin this year”.

[Redacted]

Comment

7 [Redacted]

8 [Redacted]

[Redacted]

Authorised

[Redacted] | Charge d'Affaires | [Redacted]

Contact

[Redacted] | Charge d'Affaires | [Redacted]

Action

30/03/15

[Redacted] [DIPTel 1502234]

Diptel ULAANBAATAR

Foreign & Commonwealth Office Diplomatic Telegram

Summary

Intense period of direct negotiations between Rio Tinto and Government of Mongolia brings positions “closer than they’ve ever been”. Visit of CEO Sam Walsh to Mongolia increases focus. [Redacted].

Detail

1 It is now over 18 months since Rio Tinto stopped work on Oyu Tolgoi Phase 2 (the underground copper mine). This resulted from their inability to reach agreement with the Government of Mongolia (which holds 34% of the shares in Oyu Tolgoi) on a range of issues. Following the establishment of his grand coalition Government last November, Prime Minister Saikhanbileg made clear in public that he saw progress in mega projects using foreign investment as essential to Mongolia's economic recovery; and he specifically pressed the case for a deal with Rio Tinto that would allow Phase 2 to move forward. [Redacted].

2 In that context, Saikhanbileg mandated – with the theoretical support of the National Security Council – a team to negotiate with Rio Tinto. Two people have been key in this: Minister for Mega Projects (and former-PM), Enkhsaikhan; and recently appointed CEO of Erdenes Mongol (the state company which owns the government shares in Oyu Tolgoi and five other state mining companies), Byambasaikhan. [Redacted].

3 The last three weeks have hence seen an intense period of negotiation in Ulaanbaatar and elsewhere and a visit by CEO Sam Walsh to Mongolia on 28/29 March certainly added to the focus on the issue. [Redacted].

4 [Redacted]. The economic necessity of success is evident with Mongolia in severe economic straits and Oyu Tolgoi forecast to account for about a third of Mongolia's GDP when fully operational. [Redacted]

5 Rio's lead negotiator, Chief Executive Copper and Coal Jean-Sebastien Jacques (visiting with Sam Walsh), [Redacted]. In subsequent interviews, he added [Redacted] that he was "very patient and hopeful" and said that Rio had "no plans to exit the project". But social media reaction has again reflected the deep divisions in local opinion.

Comment

6 The good news is that the Mongolian PM's commitment to a deal remains, that a serious negotiating team has now been put forward by Mongolia [Redacted] .

7 For Mongolia, time is really of the essence – if a deal isn't struck in the next three, possibly six months, then the election process will probably mean negotiations won't be possible again until 2017. [Redacted].

8 [Redacted]

[Redacted]

Authorised

[Redacted] | Charge d'Affaires | [Redacted]

Contact

[Redacted] | Charge d'Affaires | [Redacted]

Action [Redacted]

26/02/2015

MONGOLIA: TO INVEST OR NOT TO INVEST? [DIPTTEL 1501400]

Diptel ULAANBAATAR

Foreign & Commonwealth Office Diplomatic Telegram

Summary

Head Pacific Department visits Mongolia with focus on support to UK commercial interests. Discussions with Ministers show desire to increase foreign investment, [Redacted]

1 [Redacted], Head of Pacific Department, visited Mongolia on 24/25 February. One of his key objectives was to support British investors here at a time when the economic indicators show a marked drop from two years ago [Redacted] we had meetings with the influential (and ex-PM) Minister for Mega Projects, the Minister for Mining and the State Secretary at the MFA. We also met a range of British businesses active in Mongolia, including the CEO of Oyu Tolgoi (Rio Tinto).

The good news

2 The clear message from the Government was that Mongolia wanted to see more foreign investment [Redacted]. This message was backed up by a presentation of proposals for legislation to make the investor environment more competitive and more predictable, for judicial reform, and for transparent negotiations with companies. I also received this message from Prime Minister Saikhanbileg when I met him over Mongolian New Year when he made quite clear his determination to push forward negotiations with foreign investors, recognising the alternative of greater economic slump.

[Redacted]

3 [Redacted]

The bad news

4 [Redacted] In the mining sector, 395 projects have been stopped as a result of new legislation (not driven by Government) being passed, meaning licence applications having to be restarted (affecting ia Anglo American). [Redacted] .

Comment

5 [Redacted]. As longer-term investors rightly point out, Mongolia has come a very long way indeed since it moved to a democratic system 25 years ago, its economy is still growing, and overall levels of risk are very much lower than in many other resource rich countries. But time increasingly

feels of the essence. There is a great opportunity at the moment to take the country forward with more foreign investment, almost certainly alongside proposed IMF "cooperation". [Redacted].

6 [Redacted]

7 [Redacted]

8 [Redacted]

[Redacted]

Authorised

[Redacted] | Charge d'Affaires | [Redacted]

Contact

[Redacted] | Charge d'Affaires | [Redacted]

Action

[Redacted]

05/11/15

[Redacted] [DIPTTEL 1408933]

Diptel ULAANBAATAR

Foreign & Commonwealth Office Diplomatic Telegram

Summary

Months of political wrangling ended today with the dismissal of the PM. [Redacted]

Detail

1. We reported (1408579) PM Altankhuyag's stalled attempt at a Cabinet restructuring and reshuffle. Today, ten days later, [Redacted] the PM dismissed, the result of a Parliamentary vote of 'no confidence'. Of Mongolia's 76 MPs, 66 turned out to vote and 54.5% voted against the PM. [Redacted]

Comment

2. [Redacted] it could take another week to a fortnight to agree a PM and then pass a Cabinet [Redacted]

3. [Redacted]

4. [Redacted]

STUART

Authorised

[Redacted] | Charge' d'Affaires | [Redacted]

Contact

[Redacted] | Charge d'Affaires | [Redacted]

Action

[Redacted]

24/10/14

MONGOLIA: CABINET RESHUFFLE [Redacted] [DIPTel 1408579]

Diptel ULAANBAATAR

Foreign & Commonwealth Office Diplomatic Telegram

Summary

[Redacted] Cabinet reshuffle [Redacted]. Key ministries merged [Redacted].

Detail

1. [Redacted] Prime Minister Altankhuyag [Redacted] refocused attention on fighting incoherence in his Coalition Cabinet [Redacted].

[Redacted]

2. On 7 October the State Great Khural (Parliament) adopted the PM's proposal to reduce, from sixteen to thirteen, the number of key ministries [Redacted]. Changes include the abolition of the Ministry of Economic Development (absorbed by the Ministry of Finance), and the creation, through mergers, of the Ministries of; 'Foreign and Economic Cooperation', 'Mining and Energy' and 'Transportation, Construction and Urban Development'.

3. Dismissal of seven Ministers (Construction, Economic Development, Energy, Finance, Foreign Affairs, Mining, and Transport) took place several days after submission to Parliament of the 15 October draft bill recommending dismissal. Appointment of the four replacement Ministers is on hold in the wake of the opposition Mongolian People's Party (MPP) call for a vote of no confidence in the PM [Redacted].

[Redacted]

4. [Redacted]

Comment

5. [Redacted]

6. [Redacted]

7. [Redacted]

8. [Redacted]

STUART

Authorised

Chris Stuart | HM Ambassador | [Redacted]

Contact

[Redacted] | DHM | [Redacted]

Action

[Redacted]

29/05/2014

MR SWIRE'S VISIT TO MONGOLIA, 20-22 MAY 2014 [DIPTTEL 1404388]

Diptel ULAANBAATAR

Foreign & Commonwealth Office Diplomatic Telegram

Summary

[Redacted] Mr Swire [Redacted] signals additional Chevening Scholarships, prompts relaxed visa requirements for UK visitors, lays the foundation for the UB Mayor's London visit and shears a camel! (Read on).

1. Mr Swire visited Mongolia 20-22 May; meeting the Foreign Minister, Deputy Speaker, Cabinet Secretary and Mayor of Ulaanbaatar. He met with UK businesses and IFIs, setting the scene for his political engagements. He is the first British Minister to visit Rio Tinto's (RT), \$7.2bn Oyu Tolgoi (OT) mine; touring the mine, meeting local elders and experienced OT's community support projects, where he provided a local resident, Camelus Bachtrianus, with a short back and sides. He met an enthusiastic UK Alumni; spoke at a high level UK sustainable development activity workshop and visited Embassy colleagues.

Business

2. With Cabinet Secretary Sainkhanbileg/ Deputy Speaker Gonchigdorj and FM Bold, Mr Swire made the case, in the interests of Mongolia, for the Government coming to an accord with

OT/RT over outstanding shareholder issues. He said the mine was a world class project, delivering a better life to local communities in the South Gobi but, most importantly, fuelling economic growth of Mongolia. Saikhanbileg welcomed Mr Swire's mine visit [Redacted].

3. [Redacted] Following Mr Swire's visit the Ministry of Transport awarded the UK Company, RMS, a contract to design and supply sleepers for the whole Mongolian rail network.

International Relations

4. FM Bold outlined;
 - [Redacted]
 - [Redacted]
 - On UN Peacekeeping Mongolia would consider increasing contributions and explore possible commitments from amongst others Tajikistan.
 - Increased NATO engagement was desirable, bilateral talks would be sought in Wales.

Bilateral Relations

- Mongolia would now attend the PSVI Summit.
 - [Redacted]
 - Mr Swire's visit prompted relaxation of visa requirements for UK visitors. From the 1 June British Nationals could obtain these on arrival.
5. Deputy Speaker Gonchigdorj sought enhanced cultural relations; continued support for tackling organised crime, speeding-up education reform, led by Cambridge International Exams and increased Parliamentary links.

Sustainable Growth

6. Mr Swire's attendance and speech at the UK Ecological Sequestration Trust's (EST) workshop attracted key decision makers who will underpin EST's work to introduce an integrated open-source Human-Ecology-Economics modelling platform [Redacted]. Ulaanbaatar Mayor Bat Uul will now visit London to experience green development (Olympics), build links with the CoL and possibly meet Mayor Boris Johnson.
7. At the UK Alumni breakfast, Mr Swire emphasised the mutually beneficial effect of our deepening academic relations, signalled an increase in Chevening scholarships and extolled the benefits of acquiring the English language.

Comment

8. An extremely well received visit. [Redacted]

9. [Redacted].
10. Mongolia remains seized of the value that UK experience and expertise can bring, in areas key to our interests (Security, Prosperity). Through closer political ties (Mr Swire will look to refresh APPG activity), judicious use of BPB and delivery of transformative initiatives (EST), we continue to support Mongolian development, in turn enhancing our interests.
11. On a lighter note and for those who read on; first hobble ones camel fore and aft, securing the ropes well, topple with a well aimed push to the ribs, stretch and tie the camel between two opposite facing cars (NB parked), isolate biting risks by ensuring someone sits upon and restrains its head. Now trimming can begin. Camel shearing is a dangerous pursuit and certainly not to be tried at home!

STUART

Authorised
Chris Stuart | HM Ambassador | [Redacted]

Contact
[Redacted] | DHM | [Redacted]

Action
[Redacted]

19/05/2014

SCENESETTER: MR SWIRE'S VISIT TO MONGOLIA: 20-22 MAY [DIPTTEL 1404025]

Diptel ULAANBAATAR

Foreign & Commonwealth Office Diplomatic Telegram

Summary

Mr Swire's visit will build on your October visit, helping to unlock obstacles to developing Rio Tinto's Oyu Tolgoi mine, securing rail and power sector contracts plus supporting a major UK sustainable development initiative. Calls on the Foreign Minister, Deputy Speaker and Cabinet Secretary will seek further commitments on DPRK, PSVI, security/human rights and support developments on the City of London and Ulaanbaatar's "Five Point" financial project.

1. [Redacted]
2. [Redacted] a "100 day" legislative programme is launched to rejuvenate the economy, and to reassure foreign investors of the turning of a new, FDI-friendly, leaf, OT remains unresolved.

ECONOMIC GROWTH [Redacted]

3. Against a y-o-y 26% devaluation of currency against the US Dollar; a 50% drop in FDI; double digit inflation; increasing debt and cost of debt and a burgeoning budget deficit the IMF predicts 12.3% GDP growth in 2014. [Redacted].

CALLS

4. Mr Swire will visit the South Gobi OT mine; the largest single investment in Mongolia and the most important for its economic health. Mr Swire will meet community leaders, visit business development projects and familiarise himself with the challenges, both political and business that the mine continues to face.

FOREIGN RELATIONS

5. Mr Swire will discuss, with Foreign Minister Bold, [Redacted]; Security issues, including the opportunity to enhance commitments to the UN. On the Ukraine Mr Swire will seek to strengthen Mongolia's support against a background of strong Russian influence and on PSVI solicit support for further positive action. The prosperity agenda will feature in meetings with both the Deputy Speaker and Cabinet Secretary.

SUSTAINABLE DEVELOPMENT

6. Mr Swire will make a speech to Mongolian partners to the UK's Ecological Sequestration Trust's (EST) initiative which seeks to place Mongolia at the forefront of sustainable development modelling and practice. Supported by DFID the work of EST is now attracting the attention and involvement of the UN, the EU, ADB and the World Bank as a vanguard project for a developing nation.

UK ALUMNI

7. Mr Swire will hold a breakfast meeting with the UK Alumni in Mongolia (UKAiM) group. Those attending will represent UK educated Mongolians from a range of sectors, including financial services, banking, health and education. With a focus on the increased promotion of British education and access to UK expertise UKAiM is providing a major boost to UK education and business prospects in Mongolia.

CONCLUSION

8. [Redacted] . In doing so he will consolidate wider inter-embassy work to establish acceptable procurement practices. In pressing for National Security Council engagement in the [Redacted].

STUART

Authorised

Chris Stuart | HM Ambassador | [Redacted]

Contact

[Redacted] | DHM | [Redacted]

Action

[Redacted]