

Interviewer: Jargalsaikhan Dambadarjaa (JD)

Interviewee: Masa Igata (MI)

JD: Good evening.

MI: Good evening, thank you very much for inviting me to the latest show.

JD: You know after so many years working in Mongolia, doing numerous, many conferences for investment in Mongolia in London, Tokyo, Hong Kong, UB, I am so happy to talk about what you have been doing and then what kind of conclusions you draw from all these years. So let's start from your day to start your business in Mongolia and what you have been doing?

MI: I used to own a securities company here. It was [the] first foreign owned fully serviced investment bank in Mongolia, and I have started business in Mongolia in 2007. At the time when Mongolia has peaked in terms of investment from abroad in around 2010, we also had [a] huge number of staff. Also, I have been doing some of the business, like real estate business in Mongolia. Also, we have been organizing the conferences starting from Mongolia and then in Tokyo, and London, Hong Kong. The conferences have grown every year and then one time, the audience has been more than 1000. And we have invited [the] Prime Minister, and ministers, and foreign investors, and even the normal audience in Mongolia, who do not know so much about investment and business. The reason why we invited those people was to invite ordinary people and let them know the real situation of Mongolia.

JD: Exactly. I have been to almost all of them, but not fully. Let's talk particularly about [the] Japan investment forum. Tokyo Investment Forum of Mongolia, which is held every fall in November. We had [at] times almost 1000 people, including major Japanese companies, in particular trading companies. From Mongolia, the companies were looking for investment. It was even after the investment, there also next day or in the evening, it was always kind of much in business etc. It was so active. But recently, you are not organizing it anymore. Why?

MI: Because the reason why I have [been] organizing was to invite the trading company and listen to the honest opinions about Mongolia and how to change the government (JD: policy) of Mongolia and give the problem and how to change the policies to the Mongolian government. But in fact, not many trading companies had joined because they were not being allowed to speak out frankly to the audience.

JD: Why?

MI: Because their headquarters and their senior boss did not want them to make honest opinions to the public.

JD: Japanese largest trading companies' headquarters or their bosses were not allowing the Japanese delegation or the business [representatives] to talk frankly. Why is that?

MI: Yeah, because that will give the.... You know, Japanese companies have always been hoping for Mongolian government to change. However, if they make [an] honest opinion and if they tell the audience that they [Mongolia] are full of corruption and inconsistent policies and the

country is not governed by the law, it is governed by the people. Then, you know, it will make the negotiation between Mongolian government [and] Japanese trading companies difficult.

JD: Okay. We have made this so-called 'free trade agreement' which is by Japanese tradition called [the] Economic Partnership Agreement (EPA) quite some time ago. And then there is no substantial growth of trading between (even when there is some growth) there is such a big imbalance [between] 'to' and 'from' Mongolia. Why is that? We are expecting more trade. What is your take on that?

MI: Firstly, in terms of the import from Mongolia, of course there is the possibility of importing meat, importing cashmeres and so on. However, the standard of Japanese importing for 'meat' is quite high and it has not been very easy for Mongolian companies to adjust to that. That is one reason. And in terms of cashmere as well, of course there are lots of cashmeres allowed in this country, however, for instance Japanese weather is different from Mongolia. And, Japanese people wear cashmere as part of fashion, not so much as to warm themselves. So, demand from Japan is a bit different from how it is used in Mongolia. That is one reason why it has been difficult.

JD: Alright, on the Mongolian side. On the Japanese side, we keep buying, not directly from Toyota, not even from the dealer, but people who are buying old cars and selling [them]. Some brokers go there and also individual, and bring in zillions zillions of Prius. (MI: Lexus as well). Old cars and Mongolia is like the [cars'] final destination. In this regard, what is your take? How long will we do that? and what shall we do with the used batteries for example? How can we dispose those cars? Old cars which will not move anymore in near future.

JD: I am talking about the old batteries of old cars. Because they are the majority of the share. Lion's share of the trade.

MI: It depends on policy. Mongolian government is also seeking for the green economy and one of the policies that could be taken by the government is to allow more EV cars to be imported in the future. And, the taxing to the existing gasoline car and that could happen. If that is happening, it will be more chance for the next generation cars to be imported to this country. And, Toyota's new president, his biggest mission given by the previous president is shifting the companies away from the existing business, but to the new business. So they are shifting very aggressively to the new company.

JD: I recently, by the way, I don't whether the very late last, but the one honorary chairman of the Toyota corporation, Mr. Toyoda passed away almost last month. And what will happen now? Not anymore Toyota? Or how does it go in your system?

MI: Yeah, Toyota family's ownership of the company, I don't remember how much but probably not significant, maybe 2%, 3% as far as I remember. It is not big anyway, but it is true that previous Akio san's father and Mr. Akio Toyota has led the company and made the company into one of the global companies. And, with that regard, Mr. Akio Toyota still remain as a chairman. Of course, he is not doing the day to day business. However, he is trying to work for [the] car industry. Japanese car industry as a whole, not just for Toyota. So, his presence for the

car industry, also, his voice to the new president will not interfere him, but his influence will still remain to the company.

JD: So the remaining 98% is public right? It is sold on a Japan Exchange, or New York exchange? Where is it listed?

MI: It is mainly listed in Tokyo's Stock Exchange. Japan Stock Exchange. I don't remember if they are listed overseas as well. But the majority of the shares should be traded in [the] Tokyo stock exchange.

JD: Let's go back to Mongolia when we are talking about corruption. Is it serious evidence? How do you feel [about] that, in particular cases?

MI: I see the situation is unchanged or maybe even worse compared to the time when I first came to Mongolia 15 years ago. It is not becoming better, and that is one of the reasons why I do not want to invest here as a small investor. And big investors like trading companies are not investing here either. As far as I know, the big three trading companies (JD: Like Sumitomo, Itochu), Itochu, Mitsui and Mitsubishi. Those are the biggest profit makers of trading companies in Japan. They are probably making record high profits this year. Mitsubishi's more than 1 trillion Japanese Yen, Mitsui and Itochu are close to 1 trillion Japanese yen. So that is the highest (JD: in history).

JD: But around the world?

MI: Around the world, there are many other [companies].

JD: Their operation, the profit they are making from the Japanese market, and the market around the world?

MI: I think 70%, 80% of the total profit of Mitsui and Mitsubishi are coming from [the] mining and [the] energy sector. And most of the operations of those sectors are in foreign countries. Australia, Chile.

JD: Sumitomo was one of the member of that consortium who was going to make a power session of five, along with Sojitz, one of the buildings in Mongolia, which let on the HULT project's consul. Okay. So again, what is the main issue that Sumitomo had left, Sojitsu had left, and Hitochu had left Mongolia. What is behind this thing? Is it too small market?

MI: No, I think Sumitomo entered this market more than 25, a quarter centuries ago. At that time, the mobile business was very small, and nobody in Japan expected that Mobicom would be so big. They have invested in Mobicom. Eventually KDDI took over. However, the presence of Sumitomo was very big.

JD: If the market is big, which is true, and it is profitable business, why would Sumitomo sell their shares to KDDI, which they did?

MI: I think I do not know exactly, but my guess is because Mobicom has such a big share, as a competitor, (JD: almost half of the market is Mobicom). Mobicom's competitors' had support from some politicians and tried to pressure Mobicom, and that was one of the reasons why they were frustrated (JD: They did not want to be pushed into the corner). Of course, Sumitomo also

wanted to look at [the] mining sector, but the investment [into the] mining sector did not succeed. They once wanted to go to the coal sector together with Shenhua and others. At the last minute, Mongolian government did not want to say Yes to the consortium and so on. Because one politician said something, and at the time when the signing ceremony would be happening, the politicians had changed the policy overnight or something. And not you know the counterpart. I do not know if that was the actual case. That was the guess I had.

JD: So one government looks like saying Yes, then the next government says No. Inconsistency of policy. Now this current government of Oyun-Erdene is trying to fix that, and they reveal old cases. So-called corruption or overtaking foreigners' assets, that are now revealing the case of Suruga for example. They are making [a] press conference on who was involved. Naming higher ranking officials, it looks like on the government side, they also want to have justice. If it is done completely, maybe it will create, not only with Japanese but, it will create some kind of trust in Mongolia. Do you believe in that?

MI: I don't believe it, unfortunately. (JD: Why?) Because politicians change every four years, and politicians' power to the decision making still remain and very strong. In addition, the bureaucrats do not have the professional knowledge and experience, and every four year those bureaucrats are changing. They have to study all over again. I think they do not have enough power and politicians will change every four years and remain their power. That kind of scenario does not change, and has not changed so far. I do not know whether the current...

JD: So what is you think is necessary is to have more rule of law rather than rule of people? What such a country like Mongolia to start with to do so better?

MI: I think the bureaucrats should have more power, of course they need to be scrutinized from someone, the third party. However, the bureaucrat should be consistently able to conduct the jobs and make policies and then these policies should be consistently monitored and also conducted. For instance, Mongolia has a big profit program at this moment and the Japanese government has been advising to make metro, subway, already 15 years ago. And nothing happened. And this subway system has been advised to the parliament, to the cabinet, also the Ulaanbaatar city. However, this kind of long-term policy is not supported by the politicians because they cannot make money on this. (JD: You mean individually). MI: Yeah, that is right. So that is a headache and that is you know the Japanese government, and Japanese government organizations like JICA has been supporting, and ADB, The World Bank. Everybody is trying to improve the Mongolian system. However, it is such a long term vision, and this kind of long term visions are not supported by the politicians.

JD: So along with the inconsistency, and other factors, there is also the personal factors, where the public offices who makes decisions looking for money for himself over their public interests of the metro.

MI: Yes, that is right.

JD: Sounds like in many economic freedom low index countries. Okay, but one is to start somehow from where you think it is to be started to be efficient?

MI: To be more efficient. Politicians need to change. There are 76 politicians. We are expecting the next election in 2024, and we are expecting new Parliament members who will be taking office should be selected by the aimag. Aimag people should select the right people, right person. Young or old. Because I have been expecting, if they are young people, they have studied abroad in Japan, U.S., and they know the democracy. I thought that they could change [the system]. But it has not been the case so far, even the young newly elected Parliament members was not that good in terms of corruptions. So, what I am expecting is, not expect the new young, newly elected Parliament member. But behind that, the people who are electing those new Parliament members should understand who is right and who is ...

JD: So it's a voters' issue. Voters do understand the responsibility of their votes, so that we have cleaner and more right people to have the power. Not only in the parliament, but in the aimag level as well, right?

MI: So that's why people protest to the Parliament members and politicians and not good and so on. In fact, those people who have elected Parliament members have to change. Otherwise, this country's politics will not change.

JD: So people, first of all. Ordinary people who are voting. They [have] to be changed. Since you know many Mongolians, you have been traveling in this country. You have been living here for many years. What way to start approach change? Is it a change in education, knowledge, more information? How to change?

MI: Of course, some are like you. They should deliver the right message. What is right, what is wrong? And how the politicians should be acting. Secondly, the media. Media is not that neutral in this country. The newspapers, TV, and interpreters like this. Those medias are controlled by the influential politicians.

JD: Almost every influential politicians have their own TV, newspaper, website.

MI: Yeah, that is right! That is why the ordinary people will listen to those and they make decisions based on that.

JD: Okay, media. A very important message. Another question. Japan, itself, being a very feudal, and samurai ruled country late 1800 years, Meiji era. Just after the Meiji era, similar changes were also happening in Japan. And there was serious resistance by Japanese ordinary people against foreigners, Western investment. For example, it was written by Fukuzawa-san in his book. What we talk about is transformational. Mongolia has been free only for the last 30 years. Maybe this change is, maybe this time to come here in Mongolia faster, not like in many other countries, including Japan with IT, these communication things. Are you hopeful for that?

MI: Of course, Japan and Mongolia are quite different. Samurai spirit has been one of the core values of Japan. Because of that, that makes Japan and the rest of Asia different in terms of how corruption will be considered. People like to die for their dignity in Japan, rather than being regarded as taking bribes in Japan. So, Japan and the rest of Asia [are] quite different. But, in Mongolia, I expect that Mongolians will need to look for more European style. Because Japan

has influenced Mongolia quite a lot. But in reality, Mongolia has got lots of influence from Russia since the 1920s. So, the Japanese way does not apply to Mongolia.

JD: Old habits, old habits die harder. Okay, interesting. Those were very good fruitful thoughts. Once we are criticizing, once we see the problems. Then if we have commitment to change it, obviously things will be better. Okay, with this note, let's complete our conversation. Thank you very much for coming.

MI: Great. Thank you very much.