

V. ECONOMIC SECURITY

32. Economic security means building an economic structure which has the potential for effective economic reproduction through the use of internal resources, for meeting the basic needs of the people and strengthening the country's independence, and in cases of need to sustain the country for a definite period of time.

Economic security represents the cornerstone of the independence and sovereignty of Mongolia .

33. External factors which may adversely affect the ensuring of economic security:

1. Restricting or impeding the development of foreign trade and economic cooperation;
2. Turning into a raw materials appendage to other countries;
3. Plummeting of prices of the country's export items of strategic importance and/or loss of markets for them;
4. Direct dependence on any one country in economic branches of strategic importance.

34. Internal factors which may adversely affect economic security:

1. Failure of the ecological policy leading to the depletion of water and forest resources, reduction of agricultural lands;

2. Widening of disparity in regional development leading to economic unbalances;
3. Depletion of the gene pool of Mongolian domestic farm animals and acclimated varieties of grains;
4. Failure of customs policy leading to penetration of items which may adversely affect the security of Mongolia and its population, to the reduction of sources of budget revenues which may have a negative impact on national production;
5. Increase of the State's current budget deficit, failure of the State policy to protect the national currency, the togrog;
6. A sharp rise in inflation resulting in the fall of the togrog's exchange rate, and increase in the number of families with incomes below the minimum level of subsistence;
7. Growth of the debt to other countries or international organizations and thus increasing the vulnerability to external pressures and dependence;
8. Sharp increase in the number of foreigners and stateless persons resident in Mongolia, and mass emigration of nationally trained personnel and skilled workers;
9. Sharp increase in the share in the overall population of the unemployed, including the number of persons of working age with disabilities.

35. Ways and means to ensure economic security: Mongolia shall:

One. 1) Pursue a uniform government policy in the following fields:

- economic structural changes - foreign economic relations
- issues related to indebtedness and debt servicing
- budget policy
- monetary policy
- scientific and technological policy
- economic reporting, accounting and information

Two. 1) Recognize the following branches as having strategic importance due to their role in ensuring economic security:

a) in the spheres of production:

- food and agriculture
- mining
- light industry
- chemical industry

b) in the sphere of infrastructure :

- energy
- fuel
- telecommunications and information
- roads and transport

2) Encourage foreign investments in the following areas:

- developing strategically important branches
- increasing the production of export items and foodstuffs
- internally processing raw materials, mechanical components and spare parts thus substituting imports

Three. Pursue the following guidelines in the formulation and implementation of the national policy on ensuring economic security:

1. develop economic and social infrastructures;
2. set up economic zones capable of providing conditions for the relatively independent and integrated development of local areas;
3. develop industries producing ecologically clean products and introduce waste less technologies;
4. determine, secure and replenish annually reserves of essential food and consumer goods; produce domestically certain types of goods of strategic importance;
5. maintain the country's hard currency reserves at an amount equivalent to the total import costs of not less than two months;
6. protect the gene pool of Mongolian farm animals as well as the acclimated varieties of grains;
7. when developing trade and economic relations with various countries, safeguard against situations where the country's economy, especially its branches of strategic importance, may become the object of dominance by one country, or a group of countries or where the country may turn into a raw materials appendage. Impart an interest in the developed countries to freely maintain and expand relations with this country;
8. ensure the right of Mongolia to have access to the sea on the basis of international legal norms;
9. with a view to ensuring economic security, expand bilateral and multilateral equitable mutually beneficial trade and economic cooperation with neighboring countries, and the developed countries of the West and East; secure the country's appropriate place in the regional trade and economic network;
10. keep the amount of strategically important raw materials and equipment to be imported, as well as the number of experts and workers to be received from any one country at the level not

capable of affecting national security;

11. avoid situations where incentives and concessions accorded to foreign investors to protect their economic interests surpass the concessions and economic allowances provided to the national investors and producers; oversee compliance therewith;

12. when receiving loans from foreign countries and international organizations, care should be taken so that their total does not exceed the country's capacity to pay back within a specified time period;

13. settle the issues of repayment of loans before 1990 and their interests in accordance with international practices taking into States as well as causes that led to such debts;

14. when promoting the policy of increasing the share of exports in foreign trade, care should be taken to market processed and finished goods.