

Fences in Mongolia: A Study of Land Reform

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Dedication

I'd like to dedicate this paper to my mom for providing me with the chance to come here and experience all of this.

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Preface

In a feverish ten-hour van ride, my ISP topic and desire to study land privatization developed as I watched the landscape change with each passing kilometer. Sick from food poisoning and riding in the back of van resting on saddles, sleeping bags, and various boxes I realized I wanted to study something involving the economics of Mongolia. Mama Ulzii had recently mentioned the development of land laws and the corruption involving them sparking my flow of thoughts. As I lie in the back being jostled around, hitting my head, I was struck with the idea of discovering how an individual could make money by buying land in Mongolia. My initial, ill-informed, idea about the project was to study how foreigners could profit from purchasing large portions of Mongolian land. I soon realized in my first interview that land can not be owned by foreigners and my project changed to accommodate this new realization. The paper you are about to read is an exploration of how land privatization has developed, the problems that have arisen, and its potential impacts on the current and future economy.

Land privatization is one of the most recent legislative reforms passed by the government to transition the economy out of centrally planned command economy and into a free market society. The laws have gone through several significant transitions as politicians seek to remedy problems and create the best environment for political and economic growth. Land reform is important in spurring this growth because it provides means to stimulate the economy as well as creating a sense of responsibility for citizens. Land privatization is a new topic

and poorly researched because of its infancy, but it is important and will have significant impacts on both the economy and the nation.

History

Traditions

Mongolians have 2500 years of history with the land they call home today. For centuries they have developed a bond with the land surrounding them. The earliest Mongolian leaders and herders understood the importance of land for survival and national defense. As a result, they passed laws and created traditions to coordinate nomadic movements, specify pasture and, and protect the land and Mongolian nation. Protecting the Mongolian state became a key idea in the nation's policy and resulted in Chinggis Khan once issuing a decree stating that Mongolia "is a land of our predecessors prosperity therefore, we should protect it forever. In no circumstances should we allow foreigners to come in" (Tegshjargalyin). The rapport with land has gradually developed over the years moving away from herder traditions to actual laws regulating land use and ownership.

Based on the nomadic herder lifestyle the Mongolian culture required its people to respect and care for the land. In this nomadic lifestyle land was never possessed by a single individual; rather, it was owned by no one and used by all. Herders had a relationship with the land that focused on protecting the land and water also enabling the continuation of pastureland and survival of livestock (Amarkhuu). This relationship with the land can be dated back to ancient traditions when Mongolians learned to cherish the sky as a father and the land as a

mother. Professors Lundendorj and Bayarsaikhan stated, “Mongolian minds, as they followed the great custom of treating skies as a father and land as a mother, created only possession and use relationships with the land, regarding the state as an ultimate land” (Bayarsaikhan & Lundendorj). This early tradition of acknowledging the land as a mother is the basis for the earliest Mongolian land relations. Mongolians revered the land so much that they developed traditions based around protecting and caring for the land. They would keep trash and waste in ravines rather than open areas. When they traveled they would take stakes out of the ground, and they always watched to ensure fires were never allowed to burn uncontrolled. No laws were established, however, a relationship was created and traditions dictated how Mongolians treated the land (Bayarsaikhan & Lundendorj; Tegshjargalyin). This respect and caring for land was the basis for early land legislation while the nomadic lifestyle and the need to constantly move became the basis for never owning land.

Historical Arguments

History disputes whether or not land has ever been privately owned in Mongolia. Various records argue in favor of the belief that Chinggis Khan deeded land to his sons. Conversely, other texts state that during the Manchu reign the emperor allowed his banner princes to privately own their own land. Regardless of ownership, land legislation was created and enforced throughout the history of Mongolia to ensure the survival of pastureland and animals.

The historical study of land ownership and legislation is not a well explored academic subject. The lack of researched information combined with the

slow development of scholastic studies has made it impossible for researchers to clarify historical disputes about land ownership. As a result, no single concrete theory has emerged as a dominant idea about early Mongolian land ownership (Lundendorj). Currently, historians debate two different theories about land ownership in Mongolia. One theory proposes that until 1921 land was the private property of nobles and rulers and not affiliated with the state government. The second theory proposes that land has never been private property of any group or person; instead, it was used by all people and owned by the government (Amarkhuu). While both theories are valid, I support the belief that land has been owned and privatized through the course Mongolia's history.

Chinggis Khan

The earliest recording of land being privatized occurred during the reign of Chinggis Khan. Chinggis Khan, the greatest leader in Mongolian history, conquered most of the known world and helped to establish many Mongolian laws and traditions. Chinggis became the first leader of the Mongolian state to give land for private ownership. He gave his son, Tului, possession of all of central Mongolia while offering his other three sons the other lands he conquered. Chinggis' advisor, Elui Chustsai, strongly discouraged this and sadly proclaimed, "Land should be given for intertemporal possession, but not for ownership, because the latter will become the basis for dominating centrifugal force and demise of the empire" (Bayarsaikhan & Lundendorj; Lundendorj). Elui Chustsai's sadness and Chinggis' actions enable historians to interpret two significant ideas from history. First, Elui's sadness over land being given away

acknowledges the fact that land had never before been privatized. The second idea interpreted comes from the fact that Chinggis Khan was royalty and his sons were princes. Because they were princes, this giving of land for private ownership was seen as helping his sons to create their own nation states, rather than simply giving land to them. For the first time the terms “head of state” and “state” are acknowledged as almost equal (Lundendorj).

Other texts, such as The Secret History of Mongolia, record Chinggis Khan offering land to people who performed great deeds for the Mongolian nation. Chinggis Khan offered land for long term possession to these people so they could live there for the rest of their life and their future generations could continue to use it. Some historians argue that this was the beginning of land being privately owned in Mongolia; however, Lundendorj believes that this was the beginning of land being leased in Mongolia. Land was offered for many different reasons in regards to performing great deeds for the Mongolian state. Individuals who were great commanders of many victorious battles, trusted friends and advisors, and people who performed valiant deeds were all given the right to use land. One example given by Lundendorj was Sohansaj, a warrior who saved Chinggis' life and was rewarded with land for his personal use (Bayarsaikhan & Lundendorj; Lundendorj).

Yuan Dynasty & Manchu Dynasty

The Manchu period brought obvious changes in land use and the relationship between land and lord. For the first time land area and ownership

was clarified and specific territories were created. During the Yuan period, which followed Chinggis Khan's reign, little land legislation was passed or put into effect. The Yuan Dynasty created laws that allocated specific territories for kings and nobles to hunt and punished commoners for hunting there without permission. Furthermore, the Yuan Dynasty briefly created agricultural areas "but in 1337 Togoontumur Khan decreed that formal agriculture be abandoned in Mongolia" (Bayarsaikhan & Lundendorj). These poorly developed laws during the Yuan Dynasty forced the Manchu Dynasty to develop and define land. During the Yuan Dynasty, Lundendorj stated, "no one could tell exactly who owned what land" and as a result the Manchu Khan attempted to remedy this problem. The Manchu Khan's plan allowed for governors to own the land and enabled them to pass it on through inheritance. However, they were unable to sell, rent, or plow for crops, which preserved the Mongolian herder lifestyle. While the princes were allowed to utilize and exploit the land, the land was still considered to belong to the emperor (Bayarsaikhan and Lundendorj).

Historians during the socialist era argue that the clarification of land and the resulting division of it amongst the banner princes has had permanent negative impacts on the Mongolian state. They believed that the separation of land and the creation of individual areas inside the nation made Mongolia more disconnected and a less unified nation (Lundendorj).

The Manchu Dynasty also created laws regarding care taking of land and further established land legislation. These laws punished people for several various offenses but the most obvious were misuse of land, intentionally or

inadvertently causing a fire, illegal hunting, and gathering of prohibited plants. Depending on the severity of their crime, individuals who broke these laws were forced to give the governor a certain number of animals. Furthermore, the princes and emperor reinforced herder's rights to use pastureland. They designed seasonal cycles and helped enforce a practice of steady migration. The Manchu Dynasty reinforced the idea of pastureland use rather than ownership (Bayarsaikhan & Lundendorj).

Bogd Khan

With the collapse of the Manchu Dynasty in 1911, Mongolia achieved independence under the ruler Bogd Khan. Land ownership made a shift from belonging to the Manchu "head of state" to the Mongolian "head of state", Bogd Khan (Lundendorj). Bogd Khan passed laws that reinforced the concept of land belonging to the "state" or "head of state". Furthermore, Bogd Khan created new regulations that clearly defined what was owned by state and what actions were acceptable according to the law. Bogd Khan regulated the nation's minerals and "the bowels of the earth" as well as further defining that nation by "setting boundaries, labels and giving and mapping the district territories" (Bayarsaikhan & Lundendorj). Bogd Khan reinforced, with laws, the traditions that had dominated Mongolian land legislation for the last seven centuries. For the first time land ownership was clearly marked and identified. The government took steps to control ownership by creating more authorities and regulations. Also, more rules and regulations were established to control and

profit off foreigners and their investing in Mongolia's land market (Tegshjargalyin).

Communist Era

The communist era transformed the monarchial society and feudal land owning practices into a socialist reform. The socialist era evolved and changed the land laws in four specific revisions throughout the communist period in Mongolia's history. With the successful rebellion from Monarchial society, the temporary government established a basic understanding of land. Issuing decree 19 they declared that no individual was allowed to privately own land and all land would fall under the possession of the people. The people were the foundation of the state, and thus all land fell under the control of the state (Amarsanaa; Bayarsaikhan & Lundendorj).

On May 21, 1921 the People's Mongolian State issued decree 19 and formally eliminated private ownership of land. This was the first step of eliminating personal property ownership and placing all resources and possessions under the control of the state. This was the first time land was legalized under the state government and coupled with the constitution passed three years later reinforced the idea that land belonged to all the people and the nation and established the state policy for the next 70 years (Amarkhuu; Tegshjargalyin).

Mongolia's first constitution, passed in 1924, eliminated the idea of private ownership based on the ideas of ancient tradition. "The tradition from ancient time that land, forests, water, and their resources with in the territory suits

the present national state tradition, so this property should remain under the authority of people” (Amarsanaa). The constitution of 1924 became the basis for state policy regarding land ownership and use and was emulated in the later constitutions passed in 1940 and 1960.

The constitutions that were re-drafted and in accepted in 1940 and 1960 left the wording of land privatization virtually unchanged. Both the 1940 and 1960 constitutions declared that land belonged to the state and the people and expressly prohibited land for private ownership. The 1940 constitution declared, “All the land ... and their resources are the property of the nation and people” (Amarsanaa). And the 1960 constitution elaborated, “Land ... and their resources are national property” (Amarsanaa). The constitutions also attempted to elaborate on restrictions and regulations for land use. The 1940 constitution defined land and classified it into six different uses, which are still recognized in modern law (Amarsanaa; Tegshjargalyin).

Politics

Transitioning Period

With the collapse of the communist regime and the rise of the democratic movement, 1990 was the beginning of a difficult transitioning period in Mongolian history. The government and citizens struggled to develop a better country based on democratic values and a free market economy. The first steps were taken in 1990 when Mongolia held their first free democratic election. Following that election the government created new laws based on providing citizens with basic property rights regarding land use and ownership. Over the

course of the last fourteen years the government has continued to pass laws and create radically new legislation that reinforces democratic values. The government has taken a strong stance on supporting personal property and began to acknowledge basic rights that were enjoyed in other democratic countries around the world.

Mongolia is experiencing many of same land reform problems that other USSR satellite nations are forced to deal with. The question of land privatization is being addressed in each country separately with mixed results. While Eastern European countries are attempting to clearly solve land ownership issues, it is an easier issue to address than the land reform issues found in Mongolia. Mongolia faces two significant problems that distinguish it from other ex-Soviet satellite nations when determining what land reforms are appropriate for its country and culture. The first problem they must address is that they are not a sedentary culture, rather a nation of nomads. This makes it difficult to create clear legislation on who should own land and where. The second significant problem they are facing is that Mongolia is landlocked between two super powers, Russia and China. The Mongolian government needs to create land reforms that are positive for their country while limiting an outsider's ability to seize their land (Amarkhuu; Narantsatsralt).

Over the past ten years the Mongolian government has attempted to assist the transition of the government and the economy from the communist command economy into a democratic free market economy. One of the most important steps they took was the privatization of different areas of the economy. The

government has slowly transitioned key parts of the economy out of their control and into the hands of the citizens. This process began in 1991 when livestock was privatized and herders were allowed to raise and own as many animals as they desired. The second step was the privatization of the apartments in 1995, which created the first collateral and large-scale private ownership for many Mongolians living in Ulan Baatar (Davaadorj; Lundendorj).

The government has passed laws regarding many different areas of economic stimulus and private property since 1990. The land laws in Mongolia have been slowly changing and developing since the passing of the constitution twelve years ago. Mongolian government first acknowledged private ownership of land in the constitution passed in 1992. The constitution, however, did not create a method for Mongolia to start privatizing land. The government continued to refine land legislation and reform by passed the Land Law in 1994 and eight years after that passing the Law of Land in Mongolia in 2002. These laws took aggressive steps towards clarifying ownership and enabling Mongolian citizens to own land.

Constitution

The constitution passed in 1992 was the core document used to establish and explain land relations in Mongolia. The constitution attempted to address Mongolia's traditional nomadic heritage while establishing new guidelines for land ownership. It stated clearly that land can now be private property, but set definite limits on what can be owned. The constitution created two provisions that extremely limited land ownership in Mongolia. The first and most extreme

land ownership limitation is that only Mongolian citizens are eligible to own land. Secondly, the constitution took significant steps towards preserving the herder lifestyle and nomadic tradition by declaring that pastureland shall never be privately owned (Myers; Narantsatsralt; Oyunchimeg; Tegshjargalyin).

Land Law

Two years following the passing of the constitution the government began to amend and clarify land reform. On November 11, 1994 the Land Law was passed. This was an important step in privatizing land in Mongolia. This law began the difficult process of clarifying who can own land and for how long. The government refined the idea of ownership from single citizen ownership to only joint household ownership. The government also began to establish basic requirements for land use requiring that purpose, size, terms of condition, and length of land all be clarified. For lease rights a maximum duration of sixty years was created, but no minimum duration was yet established (Amarkhuu; Tegshjargalyin).

This land law resulted in significant problems and abuse of power creating poor system of land use and property rights. The government, because of the no minimum lease period established a precedent of only leasing land for two or three years. This short lease period was used because the government understood that the land law needed to be reformed and wanted all the land to be reformed quickly and easily when the new law was instituted. The government worried that long term leases would enable citizens to exploit the poor system designed under this law. However, because the leases were constantly expiring the land office

was able to constantly reallocate land and eliminate portions of citizen's plots of land. . The second issue arose as a result of the government not charging a fee for receiving land. Large and valuable assets, land, were given away for free. The lack of a land fee and the short-term lease contracts combined to create a system of corruption exploited by the land office. The lack of a land fee encouraged people who desired good land to obtain the land through illegitimate means. They chose to bribe land officers to give them the leases they desired rather than pay the government fee for the land lease. These problems of corruption and poor management helped to prompt the government to amend the land law and try to create a better system (Mahoney).

Law on Land of Mongolia

The Land Law remained in effect for eight years while the parliament continued the gradual process of privatization. The parliament slowly worked towards reforming and amending the land law passed in 1994. They called for a change in the legislation and a more progressive law that would put land in the hands of Mongolian citizens. Former prime minister and current parliamentarian, Narantsatsralt, offered his version of the land law for consideration. However, he was one of four democratic parliamentarians during the 2000 to 2004 term and his law was rejected by the majority, Mongolian People's Revolutionary Party (MPRP). The MPRP, as the overwhelming majority in the parliament, offered no explanation for why they rejected Narantsatsralt's law. As the ruling party they decided to assemble a panel of parliamentarians, known as the Working Group, to

write their own version of the land law. The version written by the MPRP is now the current Land Law (Narantsatsralt).

Narantsatsralt's rejected law differed in several key areas from the current Law on Land. His law adhered more to the guidelines set by the constitution and was less discriminatory in nature. His law emphasized the idea that everyone should be able to own land. Furthermore, he felt that everyone should be entitled to an equal amount of land (Narantsatsralt).

The MPRP's version of the law known as the Law on Land of Mongolia was passed on June 7, 2002. The law clearly sets up the nation's policy for land use by both citizens and foreigners. It clarifies the minimum length of land use for leaseholders. The law also began to establish basic government organizations and requirements to help establish and adjudicate rights. The government designed and set up a land organization that is responsible for working towards land valuation, creating better land classification, and creating a standard of land cadastre. This law also established that all citizens were entitled to at least .07 hectares. This law was also important because it began to lie out and clarify land ownership for family use versus economic use (Amarkhuu; Tegshjargalyin).

Law on Allocation of Land to Citizens of Mongolia for Ownership

Law on Allocation of Land to Citizens of Mongolia for Ownership June 27, 2002. It became implemented on May 1, 2003. This law is the most serious reform the Mongolian government has initiated to get land out of state ownership and into the possession of private citizens. The most important provision of this law is that it provides for a two-year period in which Mongolian citizens can

apply for land and receive it free of charge. Mongolian households must meet certain requirements to become eligible for land ownership. The Mongolian household must declare that the land is being used for household purposes and have a date of marriage prior to the date the law became effective. Furthermore, the law clearly laid out the amount of land available for citizens in different areas of Mongolia. Citizens residing in and around Ulan Baatar were entitled to .07 hectares. Citizens living in aimag centers are eligible for .35 hectares of land and citizens living in soum centers are entitled to .5 hectares of land. (Oyunchimeg; Tegshjargalyin)

Conclusion

Mongolian land reform has begun to evolve out of the most basic stages of legislation. Many of the interviewees agreed that problems exist, but they felt confident that the laws would develop and problems would be eliminated. Lundendorj argued, “Mongolia needs time to develop their land laws”. As time passes he hopes that the laws will become clearer and better understood by the citizens, courts, and the government. Politicians and academicians agree that land reform is important to Mongolia and these laws are establishing a base for future reform. While the other members of parliament rejected his law, Narantsatsralt was happy to see that a land reform law was created and passed. Narantsatsralt and Davaadorj, in separate interviews, agreed that these laws are important steps in helping Mongolia successfully reform its legislation and move closer to a democratic society and free market economy.

Land Reform Policies Development

The land reforms that have developed over the past twelve years were designed to correct problems, defend national security, and provide Mongolian citizens with private land. The designers of these laws worked to eliminate corruption that was created by the laws, as well as enable Mongolia to grow. Because the government had mixed goals of spurring economic growth and protecting the Mongolian nation and citizens, the laws have evolved in countless ways.

Mongolia's land policy was difficult to develop because of Mongolia's unique situation. Mongolia, unlike any other ex-Soviet satellite nation, has a strong tradition of nomadic culture it wishes to preserve. Mongolia also possesses vast territory and a sparse population and faces the difficult challenge of worrying about foreigners buying large portions of territory. Lastly, Mongolia is located between two of the greatest super-powers in the world. The resulting land reform attempted to create a strong land policy that would enable Mongolia to protect its rich heritage while eliminating the threat of foreigners and neighboring nations from buying up large tracts of land (Narantsatsralt, Tegshjargalyin).

The Mongolian government created a "tough land policy system" when developing land reform legislation. The laws created eliminated any threat to the nomadic lifestyle by having the constitution clearly state that pastureland cannot be owned. The land legislation also took direct steps to eliminate any threats to national security by preventing foreigners from owning land. This eliminated the fear that foreigners would come into Mongolia and purchase large amounts of land at cheap prices (Narantsatsralt).

Because of Mongolia's unique culture and location there was little possibility for basing their land law on another nation's. Its nomadic culture eliminated the option of using many European nations' land laws because most of Europe's culture is based primarily on a sedentary lifestyle. Furthermore, because they are a developing nation landlocked between super powers they needed to create laws that would protect their country from having its basic asset, land, purchased by foreigners (Narantsatsralt).

Problems with Land Legislation

The difficulty of reforming and creating new land legislation is an old and difficult problem. Many different problems have arisen over ownership rights and means to enforce them. Countries have struggled to create clear laws and enforce them providing stable land legislation and offering clear guidelines for what property owners can expect. Many governments also face the difficult decision of determining fair and acceptable methods for distributing land to citizens equally. Countries such as the United States have reformed land laws countless times over the past two hundred years searching for the most equitable answer in land disputes. Questions over land ownership and use have to be answered and an owners rights need to be clearly established and protected in order for private property to be used to fuel a countries political and economical systems (Myers; Richmond)

Mongolia's land law suffers from many problems and inadequacies. Because of the land reform's infancy and a lack of clear understanding several significant problems have arisen in Mongolia.

Discrimination

The first problem facing Mongolian land reform discriminates against several significant groups. In the version of the law offered by Narantsatsralt he attempted to create provisions to allow all Mongolian citizens the rights to own land. He planned for every citizen, man, woman or child, to be given a certificate entitling him or her to an area of land for ownership (Narantsatsralt).

In the accepted Mongolian Land Law only married couples are able to own land. This provision discriminates against individuals who have no spouse and are unable to apply for joint ownership of land. Because of this need for joint ownership people that are divorced, widowed, or single by choice are punished by the government for their situation. This is a major concern for many Mongolians and several Democratic candidates ran on a platform of promising to reform this law and enable individuals, rather than families, to privatize land (Dugarmaa & Yanjinkhorloo; Narantsatsralt).

This law is the only law that noticeably discriminates against foreigners. The law states that foreigners are able to use land but are not allowed to own it. This creates an uncomfortable situation for foreigners who own businesses and homes and desire security for their buildings by owning the land their structures are built on (Mahoney).

This law discriminates against individuals based on where they live and the amount of land given to them based on their location. Politicians and citizens alike feel that it is an unfair practice to offer different amounts of land to people living in different areas of Mongolia.

Counter Rational to Land Amounts

The discrimination in the amount of land exists for two reasons supplied in the law and interpreted by legal consultants. The government did not wish to promote further urbanization of Mongolia. Because the best supply of jobs, quality education, and medicinal facilities are in major cities, specifically Ulan Baatar there has been an increase movement to large cities. The government feared that if equal amounts of land were given to all Mongolian citizens everywhere in Mongolia there would be no incentive to stay in the countryside. As a result the government offered more than five times the amount of land in rural areas compared to urban areas. The government also wished to create an equal value of land. Because urban land is worth substantially more than land in rural soum centers they attempted to compensate rural citizens by creating a higher value by offering more land for free. While the proportions are not equal, steps were taken to create an equal value for land (Richmond).

Contradiction

The law also contradicts the Civil Code and the Constitution. In the Land Law it clearly states that people owning land are unable to sell, give, or pass their land to foreigners or stateless people. This directly contradicts with the constitution, which says that people, possessing their own property can dispose of it as they wish. Furthermore questions are arising over an individual's ability to mortgage land to non-Mongolian entities because in the event that the mortgage is foreclosed non-Mongolian individuals or corporations would be possession of land (Lundendorj). The other major problem arising from this is that the need for

marriage forces people into marriage contradicting the law, which says that marriage needs to be voluntary. The authors, Yanjinkhorloo and Dugarmaa, quote the constitution, “marriage shall be voluntary and free” and acknowledge that Article 1 of the Law of Land Allocation contradicts this voluntary and free requirement because citizens are forced to marry if they wish to own land

Term Definition

An emerging problem is the definition of certain portions of the land law. The law is unclear on what certain terms and concepts of the law indicate or imply. In Mongolian land legislation the government has a right to seize private property for several various reasons including, national defense, scientific purposes and building roads and other infrastructure. The legislation also declares land can be seized if the government has “special needs”. The wording here is undefined and unclear as to what constitutes special needs. Mr. Mahoney hypothesized that a government official could declare certain property that might hold value (prospective mining area) a “special needs” land and seize it. After a short time the government official could revoke their decision and release the land enabling a friend or confidant to buy the land. There is concern that the ability to seize land for “special needs” maybe abused (Mahoney).

The legislation Laws on Land and Land Allocation to Mongolian Citizens is coupled with the Law on Family passed in 1999. These three laws working in conjecture create a difficult situation and ambiguous understanding of family. Because of the Law on Family specifies that a family is formed through marriage and family members include the married ones, their children and all kin and

kindred living together a significant problem is created. Kin and Kindred indicates that the married couples's parents, grand parents, brothers and sisters can all be included in the joint ownership of land in Mongolia (Dugarmaa & Yanjinkhorloo). Because of the poor definition of family and that land is authorized for sale only to families creates a situation where a large portion of signatures are required to sell, transfer, or change the land. Furthermore, these laws potentially inhibit mortgaging of land because if one of the many joint owners isn't present to approve of the transaction it is considered void (Oyunchimeg).

The Land laws create confusion over the potential for corporations owning land. Because the constitution state citizens are the only ones able to own land it is unsure as to what corporate entities are entitled to as far as land legislation is concerned. Foreign entity and corporations in Mongolia are operating under poor guidelines and structure. The government has designed the law to create three different classifications of land possession. They are land use, land possession, and land ownerships. There is confusion over possession versus use and what each entitles the corporation. Mongolian corporations are entitled to possess land while foreign corporations can only use land. Possession has more benefits and domestic companies are allowed more freedom to transfer and mortgage land without applying for government permission (Enkhmend & Odgerel). However, because the market economy and business is never static many firms often change plans and seek more and different investors. One of the questions arising is that Mongolian companies, corporations with less than 25% foreign invested funds,

will sometimes increase the number of foreign investment in their firm and exceed the limit of 25%. This results in foreign companies possessing land when they are only entitled to use it. However there are no regulations for how to handle this and no guidelines for what exactly a foreign investment company in possession of land is entitled too (Richmond).

100 Year Limit

Mongolian land offices have hesitantly begun to issue land permits for land use for fifteen to sixty years, often preferring shorter time periods. In the most recent land laws the government has provisioned that land can only be owned for a maximum of sixty years plus a single one-time extension. This creates uncertainty and risk for many domestic and foreign investors who are uncomfortable with the idea of building significant buildings on land that they could potentially lose (Mahoney)

Narantsatsralt felt that there is no limit on land ownership. Rather than a hundred year maximum he felt that there were a limitless number of extensions available if the land leaser wanted to keep reapplying for them.

Conclusion

The current parliament is attempting to address land reform problems. While they have not created nor have any amendments planned for the next political year they have begun to take steps to remedy the problems. They have established a group of parliamentarians who are working on ways to amend the law to make it more constitutionally correct. While many different groups

understand the need for changing the land legislation there is no substantial support for it (Narantsatsralt; Oyuntsetseg).

Corruption

Corruption in Mongolia has been rampant for the last fourteen years as a small group of individuals, such as city inspectors, land officials, and judiciary officials, have attempted to profit off of the confusion created by Mongolia's struggle to develop a more complete democracy. Hiding behind a shroud of political protection and a lack of laws requiring transparency and disclosure, judiciary figures are able to receive exorbitant amount of money from unknown parties. Other government officials use petty laws to force businesses to choose between taking a tedious legal route to gaining permits and land licenses or the often simpler and faster route of bribery. Corruption is a growing issue in Mongolia's transitioning stage. Several interviewees acknowledged that corruption has played a significant role in the creating problems for Mongolian land reform (Cashell; Myers; Richmond; Narantsatsralt).

History

As discussed in the Political section of this paper, this corruption began during the early 1990's and beginning stages of land reform. Because the initial land law called for short term leases and did not charge a land fee a system was created that enabled the land office to exploit it for personal gain. A lack of laws requiring transparency in government and judicial sectors has created environments that allow individuals in these areas to be susceptible to bribery. Legislation has reformed certain portions of the law but many of the problems

continue to exist because the same corrupt people work in their same positions. The result is that different areas of the government are suspected of misdeeds, and mistrusted by the rest of the nation (Mahoney; Richmond).

Judiciary

The judicial system of Mongolia is susceptible to corruption and bribery. Mr. Mahoney discussed the problems facing the current legal system in Mongolia and cited corruption as one of the major concerns. Because of a lack of transparency, judges and other judicial figures are able to take bribes without drawing attention to themselves. Furthermore, because judicial figures are not required to disclose income or explain where their wealth is derived from they are able to receive bribes unnoticed.

Michael Richmond stated that “a willingness to take bribes” has resulted in the stagnation of growth and development of Mongolia’s judicial system. Bribery has become a significant problem for courts and has that prevented many court cases from being tried fairly and justly. Mr. Mahoney elaborated that when his firm represents a client they ask who the opponent is and how large of a case it is. He explained that the only protection against unfair rulings and bribes is for a case to be of such a magnitude that it draws national and possibly international attention. By calling this attention on to the case it limits the possibility of the judge taking a bribe. Mr. Mahoney also combats corruption in the courts by addressing the issue and stating that his firm will not tolerate bribery or inappropriate decisions without sufficient explanations.

People try to avoid courts because of the lack of consistent decisions and the suspicion of corruption. Mr. Richmond explained that the US Embassy used courts as a last resort in disputes and problems. Because of judges' willingness to take bribes he felt that it was best to resolve many of the disputes outside of court where the Embassy is able to interact with the government agencies and get them to explain why they made certain decisions. Furthermore, if the Embassy was able to explain why a decision was poor the agency would often correct the situation.

Land Office

Corruption in the Land Office dates to the earliest land laws when government officials working in this office utilized dishonest practices to supplement their income. These illicit methods of licensing land have continued regardless of the land law amendments and corruption is still a significant issue. This poor system has continued because many of the original workers at the land office continue to work there now and employ the same dishonest policies they did before by reserving the best land for friends or individuals willing to pay for it. (Mahoney; Richmond)

The most obvious form of corruption in the land office is rent-seeking. Rent seeking is when an individual or group lobby a government official to give them the land or lease they desire in exchange for money. Because these funds are pocketed by the official rather than given to the government, it encourages the official to continue this practice. This results in government officials perpetuating the system of corruption that existed before them (Myers)

Economics

Corruption has created numerous negative impacts on the economy.

Because the basis of corruption is that it expedites or offers a better product than normally is received, the corruption in Mongolia eludes to the inefficiency of laws and organizations. Because of the numerous and tedious rules created by the government, individuals and businesses attempt to expedite their process by bribing officials (Richmond).

The corruption has created an unwelcoming economic environment for foreign investors. Because they are subject to same tedious laws as domestic investors and they understand the role of corruption and are hesitant to invest in Mongolia. Furthermore, foreign entities fear that individuals can bribe officials to redistribute land resulting in the foreign company losing a portion of their land. All of this is time consuming and a hassle for foreign investors (Mahoney).

Conclusion

Corruption has had several negative impacts on Mongolia's economy.

First it requires individuals to spend large portions of funds on non-business related issues. This creates high inefficiency and lowers a company's ability to be productive. Furthermore, as discussed above, international companies are hesitant to invest here because of corruption and an inability to get problems resolved fairly.

Taxation

The taxation system for land, similar to the political regime, has been in a state of transition for the last fourteen years. Prior to land being privatized Mongolia functioned like other soviet nations and required citizens to pay “rent payments” for their use of land. Now that land has been privatized and an immovable properties tax has been created charging .06% of the base value. The government has also created a specific law, Law of Mongolia on Land Fees, passed in 1997 to address how to tax land appropriately. This system of taxation, while new, has little effect on ger residents and apartment owners and is most successful in taxing businesses (Davaadorj).

Land Base Rate and Tax Determination

Because of the infancy of the land market in Mongolia the price of land and immovable properties is difficult to assess. Because of this difficulty the government took steps in 1997 to create the Law of Mongolia on Land Fees. This law specifically delegated authority to the national government to determine the value of the land. The government used a breadth of criteria focusing on location, facilities, purpose and overall conditions (Davaadorj).

Because herders don't own land or lease the pastureland the taxation system evolved differently. Rather than being taxed on land, they are taxed on the number of animals they own. The government attempts to assess a herders' use of pastureland based on the number of sheep they have and converting their other animals into a sheep equivalent. Horses and cattle count as six sheep, camels count as five sheep and goats as .9 sheep (Davaadorj).

In the city of Ulan Baatar the current tax rate is .06% of the base value of the land. While this is a mere fraction of property tax compared to other countries it helps to derive 1.6 billion Togrog a year in taxes (Narantsatsralt).

Taxes on immovable properties and land are used for two significant and different purposes. First they are designed to draw in revenue for the government and fund the services that are supplied to the buildings, such as roads, power, water and security. Second, taxes are designed to prompt economic growth. Because taxes exist regardless of whether or not a building is being used they should prompt owners to be productive and utilize their buildings appropriately (Davaadorj; Richmond).

The tax of immovable properties has little to no positive economic impact on Mongolia. It provides neither incentive for growth and development nor raises enough revenue for the government to utilize it as a source of income. Land taxation faces difficult problems in Mongolia because there is poor land valuation as well as a marginal tax for all immovable properties. The immovable property tax is .06% and is paid on all immovable property to the central government agency. However, because land is undervalued and the tax rate is exceedingly low only a small amount of tax revenue is derived from the immovable property tax. This low level of taxation provides little incentive for building owners to find renters and clients because the fee is so nominal they would rather allow the building to lie vacant and pay a small fee and wait for a better rent price. Mr. Richmond theorized that if the government raised the rent fee it would increase

owners' desires to find people to occupy their buildings because they would not want to suffer a high tax without any compensation, such as rent.

Another concern is that a number of people are exempt from the taxation. Specifically the law of land fees allows six categories of people to be exempt. These exemptions provide for domestic economy to grow but fail to generate more revenue for the government (Davaadorj).

Economics

Land privatization has had little impact on Mongolia's current economy but is anticipated that it will eventually play a significant role in the future economy. Because of current land legislation the effects on the foreign and domestic investment are limited. The laws hinder growth and several problems, ranging from corruption to inefficiency, make investors uncomfortable about investing in land. However, as the market develops and laws become more defined and better understood land will be an important commodity vital to transitioning Mongolia out of a controlled economy and into a free market.

Domestic Economy

The domestic economy has not felt any immediate impacts from land privatization. However, politicians and experts agree that privatizing land creates many positive long-term benefits for the economy. The most significant advantage created by land privatization is the ability for citizens to borrow money from banks using their land as collateral. Land ownership also creates many intangible benefits by providing citizens with security and an opportunity to protect and invest in their land (Amarikhuu; Erdenebayar).

Creates Security through Possession

Because individuals are now able to own land many positive impacts are being acknowledged. The land privatization laws create security and guarantee for landowners in Mongolia. In the communist era the government was responsible for determining and dictating to the citizens what needed to be built and where. Furthermore, if the government did not approve of the finished product they could strip the citizen of their rights to that land and building, leaving them without any compensation or funds (Davaadorj). In modern Mongolia land ownership rights have become more secure. Current legislation has a provision declaring the government's right to seize land and buildings for "special needs". However, unlike the communist era, citizens have certificates of ownership and a judiciary system to protect their rights to land. In theory the government can not seize land with out compensation and valid need. This creates a greater sense of security and encourages landowners to invest more time and money in their property because they feel more confident that they will be able to retain their land and buildings (Amarkhuu; Davaadorj; Mahoney; Richmond).

Professor Amarikhuu addressed the idea that private ownership "creates opportunities to do long term investment raising productivity and value and earn high profits in long run". The new land laws create a sense of ownership never before experienced by Mongolian citizens. Oyuntsetseg elaborated on this idea by addressing the difference between owning and renting. She pointed out that landowners have a clear stake in their investment and attempt to preserve and enhance it. She stated that owning land empowers "people to try to develop it

while renting is simply renting”. This sense of ownership stimulates investment in the land and the buildings resulting in raised productivity. This increase in productivity creates higher value of the land and higher profits for the business. The increase in production coupled with increased profits generates more tax revenue for the government and creates a larger economic pie for the country.

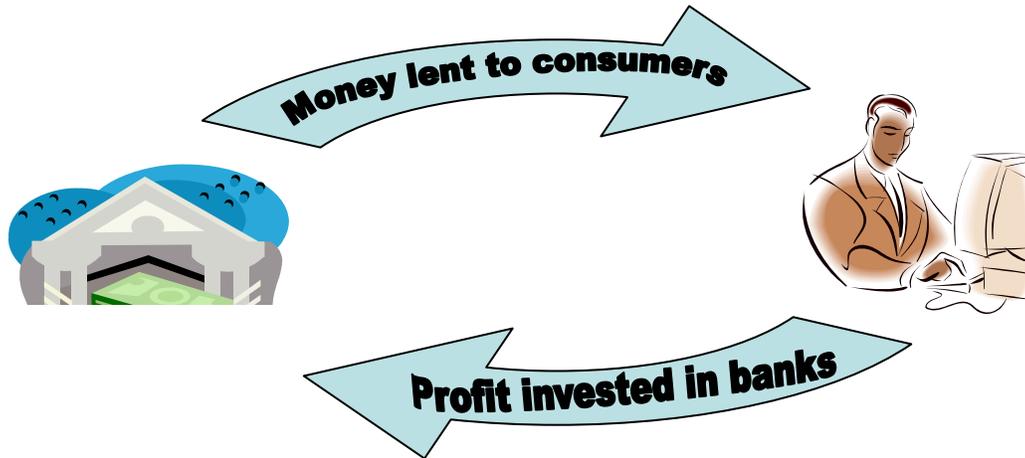
Land Care

Amarikhuu also acknowledges that private ownership “creates incentives to protect land and its soil environmental protection”. Land ownership encourages Mongolians to protect and care for their land. Some academicians and politicians hoped that land ownership would result in citizens taking better care of their land and buildings. Lee Cashell, however, argued that there has been no changes in property care and land protection since the land privatization started.

Mortgages

Land ownership is a very important idea in developing and furthering the market economy in Mongolia. In an interview with Professor Davaadorj, we discussed the importance of land ownership in Mongolia’s current and future economy. In an article he gave me the authors state, “The most important potential for land use and ownership is that it offers citizens collateral on which to take out loans” (Altantsetseg). These loans will be the base that the future economy can grow from and stabilize. There is a cyclical relationship between banks and citizens. As citizens borrow money from banks they start businesses, generate revenue, and increase their income which is reinvested back into banks, providing banks with more capital they can loan. This relationship is not limited

and the circle is able to grow as more money is invested and more loans given. This relationship between bank and borrower fuels the economic circle, which furthers economic development in the nation (Davaadorj).



Problems

The land market in Mongolia is in its beginning stages of development. No clear system for valuation has been created, which has allowed prices to be exaggerated both positively and negatively. Furthermore, because land was given away or sold at a set government price no real market value was determined. This lack of market determination has created three significant problems: poor land value determination, banks are hesitant to issue loans using land as collateral, and an unrealistic land market (Binderiya; Erdenebayar; Richmond).

Valuation

One of the major concerns and growing problems with this creation of land collateral is that Mongolia has an undeveloped land market. The first problem is that a majority of Mongolian citizens have not privatized land yet and have made no attempt too. As a result, insufficient land amounts has been bought

and sold to enable the market to start dictating actual prices on land. Because the land market has not been established yet there is no accurate valuation for land. The government has created a base price but it is not indicative of the actual value. Auctioning of land has begun to appear and is creating a more accurate value of land, however, the land market is still in a stage of infancy and prices are not indicative of the actual value (Davaadorj; Richmond).

Hesitant Loans

Land is a new market for Mongolia, and banks are unsure of its value and how to enforce their right to collect on defaulted debt. While banks have years of experience in mortgaging apartments and other commodities that have an easily determined value, they are unsure about how to approach loans with land as collateral. Specifically, banks are hesitant to offer loans using ger district land as collateral because the land is neither highly valued nor maintained. Furthermore, because of the lack of cadastral surveying and stable judiciary system there is no way of determining who owns what property. Ger district residents need the loans the most but are the least likely to receive them and if they do, they receive them for a fraction of the price (Davaadorj; Erdenebayar; Richmond).

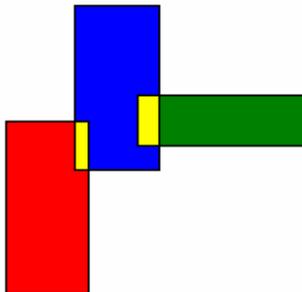
Undeveloped Land Market

Because of these unrealistic prices for land and immovable properties the land market has become distorted. The Mongolian land market has never gone through entire cycle of boom and bust land ownership. It has only experienced a positive trend, and as a result land owners are not prepared for an eventual bust and temporary lowering of land prices. Michael Richmond theorized that in a few

short years when land is more distributed and actual prices determined people will discover that their land value is exaggerated and the market will work to compensate itself, creating a temporary bust and downward shift in land value.

Poor Cadastral Surveying

Poor cadastral surveying has become a significant issue in Mongolia. Currently, there is no standard form of cadastral surveying. Mismanagement, corruption and poor information have resulted in the land office selling different parcels of land that overlap each other. Overlapping land is a difficult issue to resolve in court because both parties have clear and valid titles to the same land (Binderiya; Mahoney).



This picture on the left shows how land is overlapped. The owner in blue clearly owns a majority of his property but both the red and green owners own portions of the land on blue owner's property. The contested areas are in yellow.

Conclusion

These problems exist because the land market is undeveloped and the concept of private land ownership is very new. The government has taken steps to develop the market and create a better understanding of land. The Asian Development bank is attempting to help the Mongolian government develop their land market. They have taken substantial steps by offering a 9.9 million dollar

soft loan to be used to help develop the land market (Mongolia to Improve Property).

Asian Development Bank

The Asian Development Bank (ADB) has taken a very prominent role in helping Mongolia to develop their land market and government land agency.

They have set up an economic project in Mongolia called Capacity Building for Cadastral Survey and Land Registration. This project works with both foreign and domestic consultants to address four different areas of the land reform and problem solving.

National Land Information System

ADB is currently designing a database that will store all of Mongolia's land information. The database will include information about who owns which parcels of land, their value, and exact geographic boundaries. This program is designed to help clarify exact boundaries and create a better valuation system. Binderiya indicated that this database is also intended to store information for the entire country and eliminate the problem of selling overlapping pieces of land (Binderiya).

Land Management and Valuation

The ADB is also attempting to create a system for government land valuation. Under the current design, individuals need to hire private evaluators to determine land value which prevents a standardize means for valuation. The ADB hopes to develop clear land values to enable individuals to burrow loans from banks and sell their land at fair and accurate prices (Binderiya).

Cadastral Surveying and Mapping

The ADB is developing a clear method of surveying all the land in Mongolia. They are attempting to use cadastral maps to show clearly where an individual's property boundaries are as well as any buildings they might have on that property. They are attempting to create a parcel numbering system to show who owns what parcel and how it is being used (Binderiya).

Land Legislation

Working with foreign and domestic consultants the ADB is producing policy papers on what they believe is important to change in Mongolian land laws. They work with legislators to get different amendments passed and to create better land reforms. This portion of the project also works extensively on translating the land laws and terminologies from Mongolian to English in order to receive better help from foreign consultants (Binderiya).

Foreign investment

Mongolian foreign investment began during the socialist era when the Soviet Union took advantage of many of Mongolia's natural resources by establishing factories, mines and other industries around the country. Later Mongolia experienced its first formal source of foreign investment when it officially became part of Council for Mutual Economic Assistance (COMECON) in 1962. COMECON was an economic organization designed to connect socialist nations through economic ties. This played an important role in Mongolia's economy and brought in large amounts of revenue from the Soviet Union and other satellite nations (Country Studies). The foreign investment that began

during the socialist era expanded when Mongolia began to transition from a command economy to a free market. While there is an actual provision in the constitution dictating laws regarding foreign investment, it is loosely tied to land legislation and privatization.

Land privatization has minimally impacted foreign investment in Mongolia. Because the Mongolian government wished to prevent foreigners from seizing large portions of land, they created a provision that stated foreign citizens and stateless persons are unable to own land. While land reforms have changed how Mongolian citizens can interact with land around them, foreigners are still operating under the same laws and limitations established during the communist era. Because of this minimal change in land reform, foreign investment has not been effected by it. Foreign investment has increased over the past fourteen years since Mongolia began to transition into a market economy, but not as a result of land reform (Oyuntsetseg).

Oyuntsetseg, an employee of the Foreign Investment and Foreign Trade Agency (FIFTA), discussed the lack of impacts land privatization has had on foreign investment. FIFTA is the main organization attempting to promote foreign investment in Mongolia. They operate as a support system and promotional base for reaching foreign investors and encouraging them to start businesses or invest in Mongolia. Oyuntsetseg stated that there has been an increase in foreign investment but it has little to do with Mongolian land privatization. Rather foreigners are discovering the bountiful resources and ability to import technology and resources for free. This combination with a low

start up cost has propelled many foreigners to start looking at Mongolia as a serious investment opportunity.

Use/Own/Possess

Mongolian land laws create three separate understandings of what entities, domestic and foreign, are entitled too. In traditional thought there are two forms of land relations, “possess” and “use” (Possess, use, own). Mongolia, however, has established a third distinction and clarification, known as “own”. These three different classifications of land relationship come with distinct privileges and allowances. Land ownership, “own”, is the highest level of land relationship available and it entitles to the owner to dispose of the land as they wish.

Possessing land, “possess”, is the next highest level and it indicates the possessor has legitimate control of the land’s assets in accordance with the directed purpose of the land. However, there are significant differences between owning and possessing. Owners are able to sell, trade, give and use their land as collateral while possessors can do none of these things. The least entitlements are experienced under “use”. This level of relationship entitles the user to undertake certain activities in accordance with a contract created between the user and owner or possessor of the land. Land users have minimal rights and their lease can not be given or sold to other individuals or corporations, nor can it be used as collateral in loans. In Mongolian law only Mongolian citizens are able to own land and Mongolian businesses able to possess land. Foreigners and stateless individuals are eligible to use land (Enkhmend & Odgerel; Mahoney)

Problems

Every country in the world has established laws regarding the government's eminent domain over land in the event the government needs to seize the land for national defense, promoting the common good or emergency situations. In the United States the government is able to seize private property if there is a clear and definite need and the government compensates you for your property. However, citizens are able to protest and petition the government as well as seek judiciary resolution through the courts (Richmond).

The government can not seize an individual's land for misuse or abuse of the land. However, they can fine the land owner and often the fines will be so severe that the owner will be forced to sell the land to pay the fee. This is very different from Mongolian land policies where the government is entitled to seize land if the landowner or leaseholder is misusing the land (Enkhmend & Odgerel).

Fears

Because of the strict policies found in Mongolian land legislation foreign investors are uncomfortable about investing and leasing land in Mongolia. Two provisions exist that enable the Mongolian government to seize land. Discussed earlier, is the question over the term "special needs" and when the government can enforce seizing land based on this provision. The second concern is the strict requirements the government enforces regarding using land for its intended purpose. The Mongolian government can seize the private or leased land of an individual if they are not using land for its intended purpose, that purpose being determined by the government or original owner of the land. These uncertainties

result in foreigners being unsure and afraid of investing Mongolia for fear of losing their land lease or buildings (Mahoney).

These practices are very different from the ones seen in other nations. While nations have always traditionally had eminent domain, they always offer compensation for seizing of land. Furthermore, developed nations have defined laws and terms to create a stable environment in which landowners can use courts and government agencies to dispute fines and illegal seizures of land. Mongolia has not reached this point and as a result foreigners are uncomfortable with investing in Mongolia (Cashell, Lee; Richmond).

Initial Time Frame

The other provision that the government established to encourage investment but puts a strain on major corporations is the stipulation that upon leasing or purchasing land, a corporation or individual has a short timeframe to begin construction. Specifically a corporation has a three year period in which they need to start developing their land or the government can reclaim it. While simply building a fence is enough to establish progress (look at ger districts), mining corporations and other major industries are forced to rush the beginning stages of their businesses in order to secure their rights to land (Enkhmend & Odgerel).

100 year limit

The 100 year limit for land use and ownership makes many foreign investors nervous about investing in Mongolia. Major corporations rely on developing and exploiting land through building factories, buildings and other

significant immovable properties. Because they can only exploit the land for a maximum of hundred years, many investors feel uncomfortable investing large sums of money into land that they could potentially lose if the government decides not to reissue their land lease after its first expiration date. Furthermore, because of the limit of hundred years it is a concern that whatever buildings are built will potentially be lost to government control at the end of the lease term (Enkhmend & Odgerel; Lynch; Oyuntsetseg).

Corruption

An issue that affects both foreigners and domestic corporations is the concern about corruption. Numerous land offices, unclear expectations and a poor cadastral surveying have resulted in a rise in corruption in land affairs office. People are forced to deal with countless offices about various licenses and permits. Furthermore, these offices pay favorites by selling better land to those will pay them for it. It is a growing concern and land officers are recognized as one of most corrupt offices in Mongolia (Narantsatsralt).

Judiciary

Because of the relatively new democratic society and entirely new laws and legislation the courts have had little or no experience in dealing with commercial property and private property laws. This inexperience has assisted in creating a system that unsuccessful resolves disputes between plaintiffs and defendants (Mahoney; Richmond).

Mr. Mahoney indicated that often-poor decisions result from lack information on the courts part. Laws are inadequately understood by the court

and as a result questionable rulings are decided. He felt that if a judge could have the law clearly explained to them about what is intended and what is meant they would make successful and adequate decisions. Part of winning court cases regarding land legislation is getting the judges to clearly understand the issue and the standards set by the law.

Lee Cashell and Michael Richmond both indicated that clearly defined laws are what Mongolia needs to establish in order to encourage foreign investment. Foreign investors are hesitant to invest in Mongolia because of poorly defined laws and regulations. Investors fear that ambiguous terms in the land laws and constitution will enable the government to seize property or remove licenses unjustly. As a result, many foreign entities are seeking clearer definitions of laws. In a conversation with Mr. Mahoney's partner, Maurice Lynch, he stated that many foreign investors are calling on their legal consultants to investigate Mongolian laws and find guarantees of ownership. Foreign investors are seeking security for their future investments in the land laws and constitution.

Because of inadequate legal definitions and a poor judicial system many foreign entities are seeking different means to protect their investment. Different corporations and individuals have created contracts with the government and land owners regarding their rights to land. These contracts are designed to clearly establish their rights and protect their firms from having land seized or licenses revoked without compensation. While there have been no cases of land being stripped from a foreign investor many continue to be wary of Mongolia's legal

framework. Foreign individuals and corporations do not want to lose their investment in Mongolia (Lynch; Richmond)

Conclusion

Owning/Renting

Mongolian citizens and politicians have different views and beliefs on the importance of land ownership in Mongolia. Many feel that land ownership is not important or a priority and that foreigners should not own it. Oyuntsetseg acknowledged that many Mongolians fail to see the difference between owning and leasing and that they appear to offer the same rights to land, which is not true. Because of this failure to distinguish between owning and leasing, many Mongolians feel that foreigners should not own land. Oyuntsetseg agrees with this idea but acknowledges the value of owning versus renting and that it applies to both domestic and foreign investment. Landowners have an obvious stake in their land and would seek to preserve and enhance it, while renters are simply renting. Narantsatsralt, however, felt that foreigners should own land. He acknowledged that it was useful for developing land productivity and a major step towards a free market.

Cautious Investment

Regardless of unsure land laws and growing concern over corruption in the land offices, investors have continued to invest in Mongolia. Many of them have had successful years in Mongolia and their businesses and grown and prospered. Mr. Mahoney acknowledged that there have been few problems with current land legislation because many foreign investors have created clear

contracts as to what is expected from the government in regards to land leasing, and have created their own provisions requiring adequate compensation if their land is seized. Successful investors are continuing to invest in Mongolia but they are being very cautious and attempting to create legal documents that will protect them from unfair practices.

Conclusion

Mongolian land reform is important to Mongolia's economy and national growth. Land privatization will be one of many catalysts that propels Mongolia out of a command economy and into a free market. Because of their unique situation and role in the world they have to create changes and land reform without using any other country as a role-model. This creates many challenges and difficulties but the Mongolian government is working to make this successful. Mongolia, like other nations, needs time to develop laws and discover what is successful and what is not. Land privatization will eventually impact every Mongolian citizen and business, as well as foreign investors. Land privatization is one of the most important steps taken by the government to create a more developed nation and economy.

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