

# Co-operation in Mongolia: A Tale of One City and Two Visits

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The city is Ulan Bator, the capital of Mongolia and the first visit was made during the winter of 1991 and spring of 1992. For six months I worked on a training programme under the auspices of UNIFEM, the United Nations' Fund for Women, and the Co-operative Branch of the International Labour Organisation. The aim of the programme was to assist the Mongolian Women's Federation train Federation members in forming workers' co-operatives. It was hoped that these would help to combat rising unemployment among women, caused largely by the privatisation of state industries, and also encourage the development of democratic skills. The second visit occurred four years later - last spring. I was then invited to present a paper on co-operative human resource development and the Mongolian co-operative movement in the context of democratisation and structural reform to a National Workshop on Co-operative Reform and Development in Ulan Bator. This was organised jointly by the Union of Mongolian Production and Service Co-operatives and the Co-operative branch of the International Labour Organisation. Together the two visits gave some idea of the problems that co-operatives face in a transitional period, and the rest of this article expands on some of the impressions gained.

By the end of the first visit I was not at all optimistic about the prospects for Mongolian co-operation. A number of factors were working against the restructuring of the existing state-directed movement into one made up of voluntary societies. One was people's attitudes which had been shaped by 70 years of communism; Mongolia was, in fact, the world's second oldest communist country. Its People's Revolutionary Party had come to power in 1921, throwing off two centuries of Chinese domination but then the country became a Soviet satellite state. Almost 70 years later the collapse of communist regimes in central and eastern Europe triggered unrest in Mongolia. In July 1990 elections broke the hold of the People's Revolutionary Party and a transition to a more liberalised economy began. However,

communism had deep roots and had shaped people's attitudes in many ways. For example, some officials tended not to be sympathetic to, or were sceptical of, voluntary co-operatives: I later learned that a number of these officials became prominent private entrepreneurs. Ordinary people, on the other hand, were used to the state organising their lives and showed few signs of individual initiative. An example in this respect was a lack of tradition of private savings, a fact that would later impinge on people's ability to subscribe co-operative share capital. This situation was not helped when the 10,000 Tugrik voucher they received from the privatisation of state industries was quickly wiped out by rampant inflation. Another factor militating against support for voluntary co-operatives was that ordinary Mongolians had developed a healthy disregard for state co-operatives. They were therefore little inclined to experiment with another form of co-operative, particularly one that was still collective but in which they would have to take responsibility.

Such unfavourable attitudes were compounded by bad conditions that were worsening by the day. Mongolia was already classified by the UN as an LDC - a Least Developed Country. Its two main staples were meat and flour. Vegetables were seasonal and limited by severe climatic conditions which permitted only 120 growing days in a year. Most other goods had to be imported, mainly from the Soviet Union, although there were undeveloped oil reserves in the west of the country. The break up of the USSR caused considerable disruption to supplies. Previously well-stocked food shops became empty. Supplies of medicines and drugs fell dangerously low and broken windows could not be repaired because no glass was coming in from Russia. During my first visit, bakeries came to a standstill because there was no yeast, but that dilemma was solved when the government sent a 'plane specially to Beijing to bring back a consignment.

Alongside of food shortages there was rising inflation. That reached an annual rate of 350 per cent between my two visits, but by last May (1996) was down to some 50 per cent. During my first visit further problems were created by procurement systems breaking down. An example was the state leather factory in Ulan Bator which temporarily ceased production because it was not receiving skins: Mongolia then had a livestock population of 25 million! Unemployment, previously unknown, was rising. By May 1992 it was estimated to have risen to around 100,000,

out of a total population of just over 2 million. But, then, it was not possible to be certain because systems for recording unemployment were new and uncertain, never having been needed before. Unemployment benefit was 280 Tugriks a month, then about US\$1.50.

Such a situation pointed to the fact that there was little infrastructure. Its institutions were often inappropriate for a liberalising economy and its physical features were even more limited. In a country four times the size of France, there were around only 1,700 kilometres of metalled road, running north and south of Ulan Bator. Local markets were therefore limited in size which had implications for production levels.

Linked to the question of poor infrastructure was inappropriate legislation, certainly as far as voluntary co-operatives were concerned. We should perhaps note that the first Mongolian co-operatives had been consumer societies which began forming in the 1920s. Workers' co-operatives followed a decade later while agricultural societies did not appear until the 1950s. It was shortly after this that the state began to intervene in co-operatives, first in consumer societies. Impressed by state-run enterprises in China, and wishing to encourage cross-border trade, the Mongolian government dissolved consumer co-operatives in 1959 and converted them into state-owned businesses. During the late '60s and early '70s, agricultural co-operatives also came under increasing government control as a means of setting production targets and prices. Workers' co-operatives soon followed and by 1974 no independent societies survived.

However, it was among workers' co-operatives that the first signs of independence began to appear. New ones developed in the late 1980s and were strong enough to form the Mongolian Union of Production and Service Co-operatives in 1990. This began to spearhead moves to create a more favourable climate for the development of independent co-operatives, including pressing for a new Co-operative Act. For a number of reasons it was not immediately successful but the main one was the passing of the Economic Body Law in 1991. This encompassed all types of business and, unfortunately, included no special category for co-operatives. Consequently, they could be private businesses, joint stock businesses or partnerships but with the label "co-operative"! Worse still, there was a strong reluctance by Mongolian civil servants and the government to consider even

amending the legislation, let alone repeal it. While the Mongolian Parliament might no longer be under the control of a single party, it was not yet versed in the ways of passing, repealing or amending legislation. In any event there had been strong opposition to passing an act that allowed private enterprise. In these circumstances a reluctance to engage in further battles was perhaps understandable. Another factor compounding the difficulties was that, with the state only just beginning to pull back, there was limited knowledge about the variety of business forms that existed in other countries. In the final analysis the Economic Body Law was inappropriate for co-operatives and also laid down a bureaucratic procedure of registration through local authorities.

When I left Mongolia at the end of my first visit, the Mongolian Union of Production and Service Co-operatives was drafting proposals for new co-operative legislation but was not confident of success. On my return last May I found that they had ultimately been successful with the passing in 1995 of specific co-operative legislation. This represented quite a turn round and far greater co-operative progress than I had expected. Besides the Union of Production and Service Co-operatives there were now two further Unions, one among consumer societies and the other among agricultural co-operatives. Societies in both sectors had been helped by their counterparts in Japan and also through links with the regional office of the International Co-operative Alliance in New Delhi. Indeed, the Mongolian Central Consumer Co-operative Union, formed in 1992, had affiliated to the ICA in 1993. In 1992 also the National Association of Mongolian Agricultural Co-operatives had begun to form. However, delays in the process of privatisation meant that its rules had not finally been agreed until 1994.

I returned to Mongolia to find that not only had the co-operative sector grown but that it had been successful in getting a separate Co-operative Act. Moreover it had sufficiently grown in confidence to be aware of deficiencies in this new legislation and was already considering drawing up proposals to amend and improve it. There had obviously been increased awareness of what was specifically co-operative and also greater sophistication among Mongolian parliamentarians in handling legislative changes. It was thus a great pleasure to meet the presidents of the three national co-operative unions and to hear

their contributions to the Workshop. Each described the difficulties of transition that their sectors had experienced. For example, there had been a decline in the number of co-operatives in the shift from state to voluntary societies. There had also been the problem of co-operative property which, as one president said, had been lost to the state on three occasions but had now been "put into the stock market and therefore privatised." Another problem had been that of trade being hampered by increasing poverty. However, in some areas this poverty was causing some to look anew at possible co-operative solutions. In the agricultural sector, however, it was thought to be a race against time to teach cattle breeders about co-operatives before they fell too far into the hands of traders and money lenders.

Inflation complicated everything. However, one co-operative I had met four years previously, and was able to revisit, showed that it could still function despite it. Organised as a workers' co-operative it had first opened a shop and had since built a restaurant and a hotel. Such expansion must have required much nerve during a period of rapidly rising prices. However, the Co-op was now reaping the reward with a thriving trade among the growing numbers of foreign skilled and technical workers passing through Ulan Bator.

Despite all the above difficulties a stronger co-operative identity appeared to be emerging in Mongolia. Thus the workshop was able to debate distinctly co-operative issues. One was whether it was best to have a single Co-operative Act or whether it might not be desirable for each sector to have its own act. Workshop participants made it clear, however, that whatever kind of co-operative legislation they pressed for in future, they would ensure that it reflected international co-operative principles. Another distinctly co-operative issue concerned taxation. Mongolian co-operators were chaffing under a "double taxation" whereby members' dividends were also taxed (sounds familiar!). There was also discussion on what the functions of co-operative unions should be.

The cumulative impression from these discussions was that Mongolian co-operators were anxious to learn what was happening in co-operative movements in other countries and to establish links. Besides the practical aspects of voluntary co-operation they also seem keen to popularise its underlying ideas. A heartwarming incident illustrated this. During my first

visit I left a number of copies of Will Watkins' book *Co-operative Principles - Today and Tomorrow*. Imagine my pleasure, therefore, when I found on my second visit that the President of the Mongolian Union of Production and Service Co-operatives had had one of these copies translated into Mongolian and some thirty duplicated copies distributed. Will was a past and much admired President of the UK Society for Co-operative Studies. I am sure that its other members will share my pleasure that his work survives and his co-operative advocacy continues. I can almost hear him chuckling at the thought of being translated into Mongolian!

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