

**Statement by H.E. Mr. Zoljargal Khadbaatar,
Vice-Minister for Food, Agriculture and Light Industry of Mongolia,
at the 13th session of the UNIDO General Conference**

9 December
Vienna

Mr. President,
Distinguished delegates,
Ladies and gentlemen,

I would like to begin my statement by joining others in congratulating you Mr. President on your election. We are confident of your able leadership of this session.

On behalf of the Government of Mongolia, my delegation congratulates Dr. Kandeh Yumkella sincerely on his reappointment as Director-General of UNIDO. We value all the achievements you have made throughout the past 4 years. Under your leadership, UNIDO has improved its financial situation distinctly, resulting in increased programme delivery and renewed confidence of Member States and global policy makers. We wish you even more success in your second term.

Mr. President,

Mongolia aligns itself with the Statements of the Group of 77 & China, as well as that of the Asian Group during the current session.

My delegation is satisfied to note that since 2005 resources available for UNIDO have increased by 68 per cent, funds mobilized by over 40 per cent, and technical cooperation delivery by 14 per cent. At the same time, we strongly believe that as the level of funds increases, UNIDO should enhance both its technical cooperation delivery and analytical and advisory role across all of its three thematic priorities. We find it appropriate that developmental services offered under these three thematic priorities would be underpinned by such five cross-cutting dimensions as capacity development, technology transfer, policy and institutional support, gender and sustainability.

My delegation takes note of document GC.13/5 on the implementation of the medium-term programme framework 2008-2011 and expresses its support for the medium-term programme framework 2010-2013.

I am shall not elaborate on the common challenges that all nations around the world are confronted with. These challenges are both long-ranging and formidable. Many speakers before me have already made reference to. But what I want to emphasize is that sustainable industrial development is indispensable in addressing them. It is the driving force for transformation. This has become even more apparent at a time when each of us has been struck by the food, financial and economic crises, as well as by the climate change.

Mongolia fully shares the need for smart industrialization, greening industry, restructuring the national economy, and moving into value added production. It is inspiring that, as indicated in the Director-General's Opening Statement, "commodities account for less than 8 per cent of global trade – the rest is in higher value products". The bad news is that many developing countries, including Mongolia, have yet to join this trend to "trade up".

Mr. President,

The industry sector makes up 36 per cent of Mongolia's GDP. This share is dominated by the mining industry and primary agriculture, while value-added manufacturing accounts for only 6.3 per cent of the national GDP. According to UNIDO estimates, commodities make up around 85 per cent of our exports. These are two types of commodities: minerals and livestock.

As regards mineral commodities, Mongolia's existing and newly discovered natural resources are indeed a comparative advantage. Mega mine projects, both operational and those awaiting investment, are offering Mongolia unprecedented opportunities for rapid economic growth. At the same time, they also represent high risks, if we completely fall under the "resource curse". Why? Firstly, mineral commodities are subject to price fluctuations. Secondly, most of locally produced mineral products are exported in the form of raw materials. In this context, our Government has set itself a goal to develop national heavy industry by fostering higher-value added production.

The second type of commodities that we export is labour-intensive livestock-based commodities, such as meat, wool, cashmere and hides. Livestock husbandry is one of the main sources of living for 40 per cent of Mongolia's population. Mongolia has around 50 million heads of livestock. We have plans to export 5 million heads of livestock every year in the form of processed meat and other by-products. However, we are constrained by the fact that our meat products are not internationally certified. There is little market access for Mongolian exports due to the lack of certification. The processing of meat, wool, cashmere and hides has as much potential as the mining industry, as we already have longstanding experience in this sector. Thus, we cannot revive manufacturing in Mongolia without first rehabilitating the livestock sector. This is why our first priority with regard to our cooperation with UNIDO was and still is the effective implementation of the 5-year Integrated Programme of Technical Cooperation, which seeks to develop a competitive and sustainable export-oriented agro-industrial sector. Having started back in 2007, the programme has stalled at the very early stage due to the lack of funds. We are committed to working together with UNIDO to raise funds required for its full implementation.

Hence, Mongolia shares the Director-General's message that "adding value, economic diversification must be a central goal for growth in the coming century". Our Government's programme of action stipulates restructuring the national economy so as to increase the share of manufacturing in GDP. It is also time to open a new chapter in Mongolia's industrial development by adding value to our commodities both in heavy and light industries. These goals are reflected in the Government's programme of action and other policy documents.

Mr. President,

Access to affordable energy is vital to industrial development. At the same time it is essential that this access be enjoyed in a sustainable way. And this is where developing countries face difficulty. Switching to clean energy is one of the solutions in this regard. With energy and environment as one of its three thematic priorities, UNIDO is assigned to help developing countries switch to clean energy.

As a relatively cheaper and available fuel, coal remains the primary energy source used for electricity and heating in many countries. The use of inefficient coal burning technology causes both loss of primary energy and extreme air pollution. The latter has a most harmful effect on the population's health and the environment.

Therefore, the adoption of clean coal technology is, indeed, a top energy priority for coal-producing countries like Mongolia. We would seek UNIDO's expertise in different technological and economic options of deploying clean coal technology.

In view of the above, you can see that we have a lot of work to do. To accomplish that work, we need a comprehensive strategy. The policy papers that we have so far put in place serve as a general guide and need further concretization and fine tuning. In this context, our Government greatly appreciates UNIDO's commitment to assist Mongolia to design a strategic industrial policy geared to mega trends by conducting an action-oriented study.

Thank you for your attention.